Norm Cates'

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The Pulse of the Health, Racquet & Sports Club Business

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Bally Health Clubs... Where Do They Go From Here?

By Norm Cates, Jr.

The health club industry in America has a reputation with the public which could be better. Many club operators believe and independent research has shown, that this reputation has been caused largely by a small percentage of the clubs in America. It is believed by many club operators that the Bally Health Clubs represent a significant portion of that small percentage.

In the recent past, the Bally Health Clubs have drawn significant bad publicity for themselves and the club industry, as the following legal actions have been brought against them:

(1) The Bally clubs were sued in a nationwide class action lawsuit for racial discrimination.

(2) The Massachusetts Attorney General filed a lawsuit which is intended to close down all of the Bally Health Clubs in that state.

(3) A lawsuit in Wisconsin for violation of solicitation and sales practice laws was settled when the Bally clubs entered into a consent decree and paid a fine.

(4) In Los Angeles county, Bally entered into a consent decree, paying $138,000 in civil penalties for violations in "truth-in advertising" laws.

(5) The United States Federal Trade Commission sued Bally Health Clubs nationwide for their failure to honor membership cancellation laws and required Bally to offer refunds to over 68,000 individuals who had attempted previously to cancel memberships, but were denied their right to do so. The FTC issue is being settled with Bally paying $120,000 in civil penalties and entering into a consent decree which required the refund offers and also for Bally to make credit repairs for thousands of people whose credit was damaged by Bally after their legitimate efforts to cancel mem-

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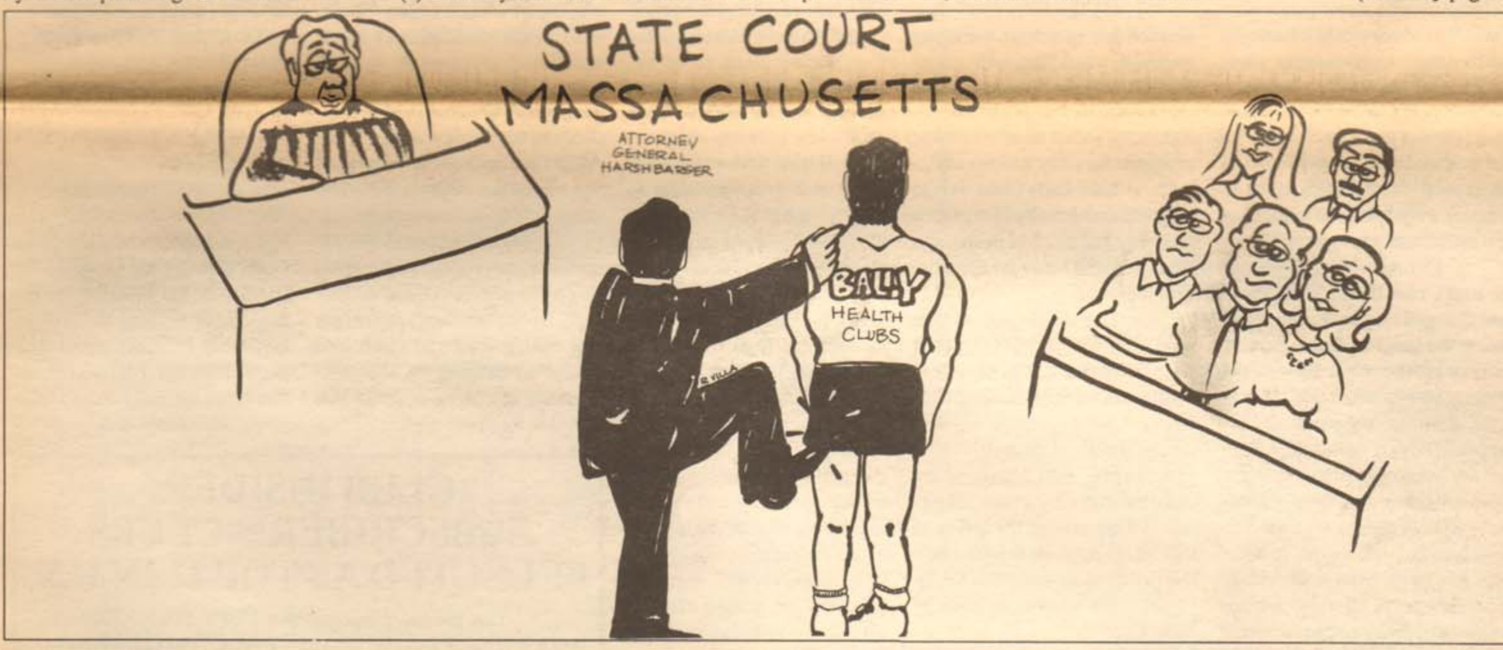

Gold's Gyms Announces National Advertising Campaign

By Norm Cates, Jr.

GOLD'S GYMS announced a major national advertising campaign at its annual Convention in Las Vegas this summer. This campaign is intended to move the giant Gold's Gym chain out of the realm of "muscle head gyms" into the mainstream of fitness and health clubs and thus draw from a much greater population base across America.

They have hired the West Coast Advertising firm of Fattal and Collins to handle the campaign.

Three key trends have been identified and the campaign is intended to address each one:

(1) 20 -29 year olds are "Core" Adult Club Joiners, but the membership marketing effort needs to be expanded beyond that.

(2) The "muscle gym" segment of the U.S. market is becoming a smaller segment.

(3) Bodybuilders and "Hard Core" weightlifters are only 3-5% of the total prospect market.

Informal research was conducted in parking lots of other clubs and shopping malls in Southern California and the information obtained was interesting:

(1) Most non-club people don't know about Gold's Gyms.

(2) Most think there is only one Gold's Gym if they do know the name.

(3) Most don't believe

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Bally...

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berships had been denied. It is believed by many that this event has influenced the recent decision by Equifax and other major credit reporting bureaus to stop reporting health club payment information on credit reports altogether.

While the headlines in these cases and others might say BALLY when the reports of these legal actions hit the newspapers, not just the Bally Health Clubs are impacted. The 12-14,000 other commercial health clubs in the U.S. and Canada also suffer. It is this damage that has helped give the health club industry a reputation that some equate with the used car business. Club industry leaders are now beginning to recognize the need to plan and implement a major public relations effort which would educate the North American consumers about the fact that MOST club operators are fair and ethical operators. I and others believe that a well conceived and executed plan for the repair of the reputation of health clubs in America would produce millions of new membership prospects.

During the first 40 years of the health club industry, the business changed very little. However, during the last 14 years, the club industry has improved dramatically in many ways. This major shift to "quality with ethical standards" has happened largely due to the education and learning opportunities provided for club owners and managers by IHRSA and the regional club associations. However, to date, there has never been a significant and collaborative effort by club operators nationwide to communicate this vastly improved product and new club culture to the consumers. The closest thing to "national" media and advertising has been Bally's advertising, which in the past has given people the idea that health clubs are for "hard bodies" or that dues should be $9 per month.

In the past, IHRSA clubs have not had a "warm and fuzzy" feeling about admitting Bally clubs into the Association. Prior to the recent spate of bad publicity with the Bally clubs, I had suggested to IHRSA Executive Director, John McCarthy, that it might be a good time for IHRSA to revisit the possible admission of Bally clubs into IHRSA (then IRSA). While I realize that this suggestion to McCarthy was and is a radical departure from my previous vigorous opposition of Bally's admission into IHRSA, my suggestion was made with these thoughts in mind:

(1) We all know that the Bally club's lack standards for operations. Now, I think most club operators would agree that this lack of standards is hurting not only the Bally Clubs, but all clubs in North America, including Canadian clubs.

(2) Through experience and devotion, the IHRSA club owners have learned that they can shape and change the culture of their clubs. The question is: "could the Bally clubs be changed in their culture if influenced significantly by IHRSA?"

(3) The Bally Club organization has enormous marketing resources, which if united in a common PR/advertising program with all IHRSA clubs, might cause a significant influx of new member prospects for clubs nationwide.

If the Bally Clubs were to truly and dramatically change their mentality and mode of operations, would it not be better for the entire club industry?

This article was written originally for CBI Magazine at their request. It was to have been published in the September, 1994 issue of CBI Magazine along with the interview with Bally CEO, Mike Lucci. CBI Magazine decided not to run my article. Therefore, I have revised the article to include my response to some of the things that Mike Lucci had to say.

The admissions made by Mike Lucci in the CBI article reenforce the action taken by IRSA members at the IRSA New Orleans Annual Convention a few years ago. What we did was unaminously reject the efforts of the Bally organization to join the Association. At that time, the Bally club organization was continuing to exist in a state of DENIAL, not believing that there was anything wrong with their club culture and methods of operation. But, the IRSA members knew about Bally.

Now, seven years and many legal battles later, Arthur Goldberg, the Bally Chairman of the Board, has announced that he is planning to "spin off" the Bally Health Clubs. He stated that the reason that he was going to do this was that "confusion" was causing the Bally Manufacturing Corporation's stock to be depressed in value. I don't believe that "confusion" was the correct choice of words. Instead, "lumping" might have been more appropriate. Investors have been "lumping" the Bally Manufacturing Corporation's stock in their minds with the Bally Health Clubs. In fact, there is a certain irony here. For years, American consumers have been "lumping" health clubs into the same lot with the Bally Health Clubs. So, bad press for the Bally Health Clubs has ended up being bad press for the health club industry nationwide. Simularly, this lumping has also caused the Bally Manufacturing Corporation stock to be depressed because the investors have been negatively influenced by the bad publicity about the Bally Health Club chain. It is ironic and very interesting to see how the BALLY PARENT COMPANY has been hurt by the Health Club chain.

Arthur Goldberg and Mike Lucci should be commended for finally breaking through the DENIAL frame of mind and into a mind set that seems to say: Yes - we now recognize and admit that our culture and our ways are old and not appropriate for today's educated consumers in America any longer and we must now change in order to survive. Their admissions and actions make it clear to everyone that the Bally Health Clubs must change dramatically in order to survive.

Of concern to me is the fact that Arthur Goldberg has told the world that he is going to "spin off" the Bally Clubs. But, while preparing to "spin off" the clubs, they are now making plans to make major changes in the culture of the club chain. AND, they are preparing to "clone" this flawed club mentality by developing and rolling out a whole new "Bally Franchise Program. "So, I must ask Goldberg and Lucci: "Which is it guys? Are you truly going to "spin off" the clubs and get Bally out of the business? OR, are you going to try to change your organization's culture and expand by developing and selling franchises? How can you be making plans to do both?

In examining Lucci's "New Story", I have concluded that this "spin off" is nothing more than a "head fake" designed to somehow begin to distance the health club division of Bally from the parent company, Bally Entertainment. Otherwise, WHY would Lucci be talking about both subjects in the same interview?

The components of Goldberg and Lucci's plan look like a summary of the last 13 years of IHRSA's work and efforts and include:

(1) Hiring of several high powered, top level managers including a franchise expert.

(2) Unification of the 22 brands of clubs such as Jack LaLanne's, Vic Tanny's, Holiday, etc. into one brand name with standardized operating procedures and ACE- Certified fitness instructors.

(3) Cut 500-700 salepeople from the company.

(4) Implement a $500,000 sales-training program with emphasis on the BENEFITS OF EXERCISE (sound familiar?) rather than low ball prices and "bait and switch" advertising. A new compensation and bonus structure will be tied to member retention and the financial performance of clubs, all of this designed to REDUCE the pressure on sales.

(5) Launch a goal-oriented advertising program targeting 18-34 year olds with the slogan: "If you can get here, you can get there."

(6) Standardize each club's operating schedule to put more emphasis on service.

(7) Introduce an "Ask Mike" campaign to obtain member feedback and deal with member complaints. Employees will be recognized for providing outstanding member service.

(8) Improve processing of EFT and other member billing.

(9) Introduce a Bally's Visa credit card to increase EFT efficiency and provide new income.

(10) Introduce an aggressive franchise program.

DOES THE LIST ABOVE LOOK LIKE A PLAN FOR A COMPANY THAT IS GETTING OUT OF THE HEALTH CLUB BUSINESS?

I DON'T THINK SO.

Last summer, Mike Lucci was invited to attend the IHRSA Board Meeting for the purpose of keeping the IHRSA leadership informed about their plans. It is clear that Lucci would like to see the Bally clubs admit-

(See *More Bally* page 10)

CLUB INSIDER SUBSCRIBER'S CLUBS SELECTED AS TOP 11 IN U.S.

Last month, I reported that RUTH STRICKER's The MARSH Center had been selected by FITNESS MAGAZINE as one of the top 11 clubs in America..... "the best of the best." The MARSH was chosen under the category of "Best Mind-Body Connection Club".

What I didn't report was that three more of our subscriber's clubs were picked for the national spotlight: RED LERILLE's HEALTH AND RACQUET CLUB in Lafayette, Louisiana and The FROGS CLUB in Solana Beach, California were picked under the category of "best-kept secrets."

The monster EAST BANK CLUB in Chicago was chosen under the "most-awesome" category. CONGRATULATIONS to all of these clubs which also happen to be subscribers to the CLUB INSIDER!

Don't forget to send in your nominations for my NEW YEAR TOP 100 CLUBS list which will be published in our January, 1995 issue.

• NORM'S NOTES •

BILL PIGG of Peak Performance in Indianapolis called while I was drafting a letter to all of you which announced that The CLUB INSIDER News' 1st Anniversary is just around the corner! Bill was calling to purchase another subscription for another person in his organization. My anniversary letter has a very SPECIAL RENEWAL OFFER which all of you will receive. After I read the letter to Bill, he said: "I want to be the first to take your offer. Put this in the next CLUB INSIDER. I think you produce a GREAT publication and I want to be known as the first to renew! I strongly support what you are doing with The CLUB INSIDER!" Well folks, I gotta tell you... his call and his renewal, our FIRST RENEWAL, surely did warm my heart. Thanks Bill, I really appreciate your call! It's been a hell of a year. Thanks to all of you for supporting this effort... without you, the club industry would be lacking a publication that IS and WILL MAKE A DIFFERENCE!

DEAN and M. J. KACHEL, owners of the Quadrangle Athletic Club in Coral Springs, Florida, will celebrate their 15th year in business this month. CONGRATULATIONS Dean and M.J. Also, the Kachel's have had some good news and some bad news in the last month. The good news is that they have sold their Clearwater Quadrangle A. C. location to the former general manager there. The bad news is that they learned that yet another heavy duty competitor will enter their market as **FRANK LEONESIO** is planting one of his Q - The Sports Club within a mile and a half of Kachel's club. In the past year, Leonesio has built several new Q. clubs in the Phoenix, Arizona area, invading an already well supplied market. Leonesio is the guy who got into a lot of trouble in Ohio with his Scandanavian Health Club chain years ago, only to escape to start his new chain of Q. Clubs. He is the same guy that was quoted in CBI Magazine as telling IRSA members that they basically don't know what they are doing if they don't sell memberships with contracts and interest, etc.

NEAL SIMPSON of the Roundup Athletic Club in Pendleton, Oregon, is a Board Member of NACA (The Northwest Athletic Clubs Association). Last month in a report about NACA, I mispelled Neal's last name..... my apologies to Neal for the error.

RICH BOGGS and **RAY IRWIN** are the guys who brought the STEP to the club industry world-wide. They still sell the STEP, plus they have developed the NUTREX PROGRAM for club owners who want to introduce nutritional programs to their members. The STEP Company is expanding the NUTREX Program to include a greater focus on education while setting up a significant profit center for the club. The LEAP Program, which had been initially introduced to the club market in a kiosk format, is being modified to be more affordable to clubs as well as more user friendly.

MARK MASTROV informed me that my information about **CRAIG PEPIN-DONAT** joining his 24 Hour Nautilus chain in California was bogus! Sorry about that Mark and Craig!.... I'll have to double check my sources in the future....... CRAIG where are you?

The GENERAL MANAGERS' CONFIDENTIAL COMPENSATION SURVEY published last month has been reprinted again this month because we have not had enough completed surveys to produce a meaningful report. Please take five minutes and complete the survey and mail it to me by October 25th. Your input will be kept strictly confidencial. Fax # (404) 933-9698.

JACK LaLANNE celebrated his 80th birthday in September..... HAPPY BIRTHDAY and CONGRATULATIONS Jack! He and his wife were featured on the television show DATELINE. In addition to showing the viewers some of his workout skill and incredible physique, he also had some choice comments about today's health club industry. He said: " Gosh, when I was in the health club business, all I thought about was service, service, service...... I'm real disappointed because now it seems that all the clubs are interested in is the financial end of the business." Gee——— — I wonder WHO Jack was talking about?

TIM MANSOUR'S FITNESS INTERNATIONAL CLUB in Lawrenceville, Georgia opened in early September. That is location #4 for Tim. It is a very nice - well planned 50,000 square-foot facility with all of the good stuff. I walked the construction site about a month before it opened and I think they will do well with the new location.

BILL CLARK, formerly the GM, and **WARNER WALKER**, the Controller ,for the Sporting Club at Windy Hill in Atlanta, have joined the Step Company in their NUTREX Division. Replacing Bill Clark as the GM is **LOU ANDRIOTTI.**

Norm Cates, Jr.

DAVID LEVY is the co-publisher of FITNESS MANAGEMENT MAGAZINE. The magazine is clearly the leading publication in the club industry today and after speaking with Dave the other day, I think I know why. He has an unusually keen comprehension of the customer relationship and strives to give both his readers and his advertisers the best results possible from their subscriptions and advertising. If you are in the club business and you don't subscribe to FITNESS MANAGEMENT, I would suggest that you call to join DAVE's 25,000 well screened circulation list. To Subscribe to Fitness Management Magazine call 1-213-385-3926.

REGARDLESS of your politics, you have got to give President **JIMMY CARTER,** Senator **SAM NUNN** and General **COLIN POWELL** - - THANKS for helping save our boys lives down in Haiti.

THE FIRM is a new fitness center opened in Cumming, Georgia in an area that just 10 years ago was a cow pasture about 35 miles north of Atlanta. Now, it is a booming bedroom community with a great future. Good luck to The FIRM!

IHRSA - ATHLETIC BUSINESS TRADE SHOW

The 9th Annual Marketing and Sales Conference held by IHRSA will be in Orlando, Florida on November 30 thru December 3rd. Also in conjuntion with the show, the 3rd Annual IHRSA/ATHLETIC BUSINESS Trade Show will be held. Here are some of the booths that you want to be sure to stop by and visit.

AFFILIATED ACCEPTANCE CORPORATION - Booth #: 104
CHECKFREE/RCM - Booth #: 1030 and 1032
CARDIO THEATER - Booth #: 1106, 1108 & 119
DONALD DeMARS INTERNATIONAL - Booth #: 475
APHELION SOFTWARE - Booth #: 613
CROSS CONDITIONING SYSTEMS - Booth #: 609

BE THERE!!

Attacking Hidden Expenses PART IV

By Rick Caro

In each of the previous three articles, the key goal was to identify expense savings where all of the benefits flow to the bottom line and where the member never sees any change in the club's operation or level of service.

Part I dealt with Worker's Compensation issues and Part II with Unemployment benefits. Part III addressed several areas, including Credit Card Fees, Bank Charges, Disability Insurance and the Cost of Employee Recruiting.

This article will discuss a series of other categories worth attacking.

POSTAGE

Most clubs accentuate their use of first-class postage whether it is for monthly bills to members, club newsletters, mailings promoting member referral campaigns or special events. The savings for varying types of postage are enormous, as shown below:

TYPE	COST	% SAVINGS
Regular 1st Class	.29¢	—
Pre-Sorted 1st Class	.142¢	16.6%
Zip Code + 4(1st Class)	.276¢	4.8%
Bar - Coded 1st Class	.233¢	19.7%
Regular 3rd Class	.181¢	37.6%
Zip Code +4 (3rd Class)	.081¢	72.1%

Some post offices will even assist a club in its attempt to convert to "Zip Code +4." If time is adequate, the use of Third Class is still viable. In a large mailing, the pre-sorted savings are certainly significant. Some clubs have recently saved $5,000-$6,000 per year by taking advantage of these different categories.

COST OF CLUB INVENTORY

There are a number of clubs which operate their own pro shops and restaurants/snack bars. Rarely does anyone stop and analyze the "real" costs of operations. Often, the use of club staff who have other functions but assist in the pro shop is seldom studied. Staff may be used in the buying of merchandise, checking it in, sending it back, marking it up, displaying it, etc. None of this time is truly allocated if their primary function is a front desk/receptionist or some level of management.

More importantly, the club fails to calculate the real cost of carrying the merchandise. If the inventory level is $30,000 and the cost of interest if the club were to borrow is 9%, the "real" cost of the inventory is the out-of-pocket cost plus this carrying cost. In this case, it might be $3,000.

However, there are other costs which prevent the club from achieving a planned return on inventory. There is the theft factor, which applies to both club pro shops and restaurants. There is the spoilage and waste element—mainly applicable to the restaurant. Finally, there is the loss of value due to the clearance factor and the need to rid the club of less popular items. Often, the greatest failure clubs experience is their delay in not having that sale early enough.

EMPLOYEE ABUSE/THEFT

No one ever likes to admit that certain employees take for granted that club-owned items are available for the taking. One club years ago administered lie detector tests to the entire staff (15 were full-time and 60 part-time employees). All but four admitted some guilt, even if it were for a few sodas.

Obviously, clubs have encountered outright theft from members' lockers. In addition, the less obvious areas of theft relate to the food and drink items not paid for or actually taken after hours. Similarly, the pro shop is rife with opportunities for misappropriation. Generally, this either occurs when the building is completely empty or minimally staffed. However, the club is prone to theft in other areas, such as photocopying for personal use, removal of office supplies for home use and personal telephone calls — especially to long-distance numbers. Estimates of $5,000 - $10,000 are reasonable until sufficient controls are established.

UTILITY AUDIT

As clubs saw spiraling utility costs during the early 1980's when the oil crisis was at its height, owners started to invest in ways to control electricity, gas and oil charges. Many utility companies have offered free programs to review the club's physical plant and provide specific recommendations. Some now do the same but for a nominal charge. Almost all utility companies have created rebate programs for club investments in various cost saving measures (e.g. new ballasts, conversion to different type of fixtures, etc.)

Recently, a number of private companies have seen great success in working with clubs to save dollars. Some have found overbilling on the actual monthly electricity invoice or located re-classification opportunities for clubs with the utility rates. All of these companies receive their compensation in the form of utility savings — generally, 50% of each month's calculated savings.

COLLECTION AGENCY FEES

Most clubs now do an adequate job of dunning those members who owe money. Most clubs either do their own dunning with a series of 2 or 3 letters, generally 30 days apart to their receivables, or use an outside company to perform the same function. Once clubs decide that a member will not pay his previously billed account, they seek out collection services from an outside agency. Clubs generally can best handle this step by turning over the account directly to this outside firm and distancing themselves from the process. This is important since collection agencies threaten to harm an individual's credit rating, possibly seek a judgment against that former member and maybe, put a lien on his house or garnish his wages. All of these threats and actions are distasteful and ones clubs want to be as removed from as possible.

The collection agency will negotiate its fees. Generally, 50% is the most it should receive for its efforts, although some clubs only offer 40%. When a case gets near trial, some agencies want the club to pay the legal fees (lawyers, court costs, etc.). However, all of these extra fees associated with any litigation are negotiable. Perhaps, the more important issue than the fees paid to a collection agency is to select an effective firm who adheres to laws and will work hard for the club, even on small accounts.

The above completes the hidden expense territory. If all four articles are implemented, substantial savings are available — and can be projected with confidence.

Rick Caro

(Rick Caro is President of Management Vision, Inc., a consulting company to clubs and an acknowledged expert in club finances, operations, valuations, feasibility studies and club sales. Management Vision, Inc. can be contacted at (800) 778-4411.)

...Gold's

continued from cover

that Gold's Gym is for men AND women.

(4) Many people hate their current gyms and are full of gripes (i.e. overcrowded, smelly, no service, etc.)

(5) People have huge misperceptions of Gold's Gyms and have never visited one.

The Fattal and Collins advertising agency has created 6 GOALS for the National Ad Campaign:

(1) To broaden Gold's Gym appeal (Gym for all)

(2) Build national brand name identity.

(3) To change the perception that Gold's Gym is just for bodybuilders.

(4) To drive prospective membership traffic to gyms and increase membership sales.

(5) Establish consistency.

(6) Increase profitability.

The new campaign will focus on "Looking Good and Feeling Good About Yourself" with new slogan: "SERIOUS FITNESS FOR EVERY BODY"

The agency displayed two T.V. ads featuring different motivations for new fitness goals.

(1) Going back to a 10 - year reunion.

(2) Playing in the "big game."

Four print ads showing volleyball, aerobics, a handicapped individual and a former smoker were displayed. The national ad campaign will be a package of:

-Two TV spots
-4 print magazine ads(4 color)
-Newspaper ads
-60 second radio spots.

The initial plan for the campaign is to get at least 150 Gold's Gyms to sign up to pay $295 per month or about $3,500 per year. This would allow the initial campaign to create 134 million impressions! This amounts to less than 1 membership sale per month for those who participate. The applause response by those Gold Gyms owners attending the presentation was deafening.

The Gold's Gym people should be complimented for developing what should be an outstanding joint advertising campaign. There is at least one major health/fitness and racquet club organization which should take heed of this new plan and realize that it is high time to do the same for its members!

CONFIDENTIAL CLUB GENERAL MANAGER'S SURVEY

The General Manager's Compensation Survey shown below was published in last month's CLUB INSIDER. At press time this month, I had not received enough responses to the survey to produce a meaningful report. If you are an owner or general manager, please take just a few minutes and complete the survey and fax or mail it back to me by October 25, 1994. Your name or club name WILL NOT BE REVEALED. Thanks very much!

Norm Cates, Jr.
Publisher and Editor, The CLUB INSIDER News

Your Current Club: (Check ONE per box)

1. Type: Indoor Only:____ Outdoor Only _____ Indoor & Outdoor _____

2. Description

a) How old is club?_____ years old

b) How big is it? Indoor Sq.Ft. _____ #Acres _____

c) What is its total gross revenues? $_______

3. Your Background:

a) How long have you worked there(in all positions)? ______years

b) How long have you been the club's General Manager? ______years

c) If you were a General Manager prior to this club, how many years did you serve in total as other clubs GM ? _____years

d) How much is your total compensation for last year? $_____________

1) Base Pay	**$__________**
2) Bonuses/Commissions	**$__________**
3) Profit Sharing	**$__________**
4) Pension Plan	**$__________**
5) Health Benefits	**$__________**
6) Free Club Membership	**$__________**
7) Car (Bought/Leased)	**$__________**
8) Other	**$__________**
9) Other	**$__________**
Total	**$__________**

e) Are you the owner of the club? Yes_____ No _____ (if "No", skip to "h")

1) If you are, what _____%

2) Any dividends received? Yes_____ No _____

3) How much in dividends in 1993? $__________

f) If you owned the club and would hire a General Manager today, what would you pay him/her as a base salary? $__________

g) What would be his/her total incentives besides the base pay you would offer?____.

h) What is the one thing the club could do specifically to motivate you more?

____.

i) If your compensation is not the only thing contributing to your satisfaction at the club, what are the other things you like about your current experience?

____.

Thanks for your cooperation!

FAX TODAY TO (404) 933-9698 or MAIL BY OCTOBER 25, 1994.
CLUB INSIDER, P.O.BOX 671443, MARIETTA,GA.30067-0025

Exercise Cuts Breast Cancer Risk

By Norm Cates, Jr.

While the commercial health club industry continues to deal with the many factors which dilute the profits of for-profit clubs, the world of science and medicine continues to produce information and evidence which should help boost health club membership sales and revenues.

The latest landmark announcement comes from the University of Southern California and the Salk Institute. After comparing more than 500 breast cancer patients in Los Angeles with neighbors who did not have the disease, researchers have concluded an average of four or more hours of physical activity per week resulted in a 60% reduction in a woman's risk of contracting breast cancer. As little as one to three hours of exercise per week over her reproductive lifetime reduced a woman's risk by 20% to 30%, according to the team from USC.

The study was based upon interviews in which each woman estimated her regular activity in such areas as team sports, swimming, running, gymnastics, dance or exercise classes.

The results of the study support a theory that a woman's risk of developing breast cancer is reduced by minimizing her body's cumulative exposure to ovarian hormones. Previous studies have shown that physical exercise interferes with production of the hormones estradiol and progesterone, according to Leslie Bernstein, a professor of preventive medicince in USC.

The study took five years to gather data used in the analysis and was based upon companion interviews with 545 breast cancer patients and 545 other women. For each woman with breast cancer, the researchers located another woman who lived nearby , was within three years of the same age and did not have the disease. The results, published in the Journal of the National Cancer Institute, showed that the risk of breast cancer decreased in proportion to the average number of hours a woman participated in physical exercise.

This revelation generates a number of excellent new membership opportunities in my mind.

Relationships with your members who have family and friends who have suffered from breast cancer can be expanded into education and informational opportunties within your club. Breast cancer screening opportunities can be provided by your club in conjunction with local doctors and hospitals. Clubs can conduct surveys to identify "high risk" individuals who may not be involved in regular exercise. The list could go on and on. The opportunity to use this important information to help save the lives of your female members should be plentiful. Take the time to think about what you can do in your club to address the opportunities that this new information provides...... you may save the life of someone you should love..... your member.

Life Fitness Claims "Prior Art" Patent Rights

Chicago, Il — Life Fitness cited in September the "prior art" tenet of patent law to refute claims that the Lifestride treadmill may have infringed on a new Precor patent. The controversy began in early September when Precor issued a press release on a patent it received for elastomeric treadmill deck mounts. The release stated that Precor would investigate the Life Fitness Lifestride product for potential infringements of that patent.

However, Life Fitness filed a comprehensive, 39-point FlexDeck component patent application in June, 1989 and in 1991 marketed the Lifestride treadmill, before Precor even filed its November 5, 1992 patent claim. Consequently, Life Fitness - not Precor - has "prior art" rights to FlexDeck technology. The "prior art" tenet of U.S. patent law grants whichever company first successfully applies for a patent the exclusive rights to develop and market a product technology they have invented.

In March, 1994, Life Fitness received a U.S. Patent Office Notice of Allowance on all 39 FlecDeck claims. The FlexDeck patent is currently being printed and should be granted soon.

"This is simply an issue of who invented flexible deck technology first. We introduced the technology on our first Lifestride treadmill in 1991, and based on its success, others introduced their own versions. U.S. patent law permits only one patent per invention, and the simple fact that we had marketed prior product would invalidate the Precor patent. These are the facts, even though Precor is attempting to cloud the issue by suggesting that our products may infringe on their patent," said Life Fitness President, Augie Nieto.

"We will not license our FlexDeck technology to competitors and we will seek damages from those who may eventually infringe on our patent, at a time that will benefit Life Fitness while protecting our customers' business," Nieto continued.

Life Fitness' approved patent claims are broad based and encompass all aspects of cushioned, flexible deck technology. Included in these claims are the use of elastomeric supports, which Life Fitness calls "Lifesprings". Due to sheer breadth of the innovative patent claims, the investigation and subsequent issuance have taken far longer than the new 1994 Precor patent, which is limited to the shape and in-use deformity characteristics of a single deck support spindle component only.

Life Fitness believes its FlexDeck claims cover all other competitive types of flexible deck systems currently available, including those added to any treadmill after the introduction of the Lifestride product family in 1991. A successful plaintiff in a patent rights violation case may require the defendant to license the technology in question from the plaintiff, to pay damages from the time of patent infringement or may ask the defendant to remove the questioned technology altogether from its products.

Life Fitness is the world's largest manufacturer of computerized fitness equipment for strength and aerobic training and specializes in interactive fitness solutions.

Building A Foundation For Fair Competition Success

By Roger Ralph

In "CLUB INSIDER" and elsewhere, I have encouraged the tax paying health club industry to:

(1) aggresively elevate its standards of operations, (2) be more pro-active within their communities regarding health promotion and community service activities, (3) broaden their services to better serve the entire family when the market is appropriate, and (4) locally and nationally form alliances or develop "high ground" cooperative efforts with public and non-profit organizations. IHRSA (formerly International Racquet Sports Association and now IHRSA - The International Health, Racquet and Sportsclub Association)must consciously decide where it wants to go, who it should serve, and what impact it wants to have nationally, regionally, and locally in the field of health and fitness in the years and decades ahead. One can argue that our industry is immature, widely fragmented, often undercapitalized, and underrespected. While all of this may be true, who else in the country has a better understanding of how to promote the benefits of exercise and sensible eating habits than qualified health club staff?

A 1994 Peter Hart Research Study commissioned by The President's Council on Physical Fitness and Sports reported that four out of ten less active people said their doctor is the person who would have the greatest influence in encouraging them to be less active. But nearly seven out of ten of these less active Americans said they had never been told by a health professional to be more active.

IHRSA must be willing to undertake the challenge of simultaneously broadening the scope and focus of its membership and its activities, while at the same time encouraging fair competition environments locally.

This is obviously a "walking the tightrope" challenge. But I don't believe we have a choice. The relatively recent institutional awakening to the benefits of health promotion and benefit activities has stimulated a new business environment filled with positive opportunities for tax-paying health clubs, health insurance companies, and hospitals. The reality is that many IHRSA members already have business relations with non-profit or government agencies.

In Virginia, a tennis club leases space in a YMCA-owned and operated facility; IHRSA member management companies operate government fitness centers under contract; IHRSA clubs have proposed or have taken over management of municipalities' recreation facilities, or operate health clubs for universities. In an "anti-government" environment, privitization becomes a more popular movement. Should IHRSA members sit on the sidelines or vie to obtain long-term land leases, management contracts, and the like from public agencies or try to find suitable projects of mutual benefit with non-profits? This trend will not diminish - rather it will expand dramatically.

IHRSA's By-laws currently state that IHRSA members must be private entities that pay property taxes and do not take charitable donations for construction or operations. The By-laws do not say payment of income taxes is a requirement of membership. As it looks to the future, the IHRSA membership and Board may conclude that its current membership requirements provide the flexibility necessary to grow the organization and - ironically - to have a much more significant and positive impact on community health nationally and fair competition principals locally. For those of us in the trenches, the relevant issue is not whether an IHRSA member consults for a non-profit or operates under a government contract but whether a competitor for the same market has an inherent unfair subsidized advantage and uses it. While it is necessary for IHRSA to educate the public regarding policy issues in support of fair competition principles at the micro level, each fair competion issue must be examined in that particular circumstance.

THE FOUNDATION FOR SUCCESS REGARDING FAIR COMPETITION MUST BE BUILT AT THE LOCAL LEVEL AMONG THE PUBLIC AT LARGE AND OUR ELECTED OFFICIALS.

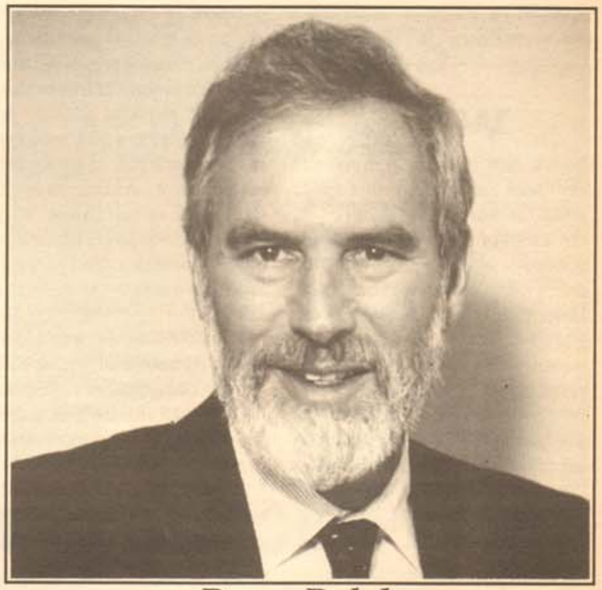
Despite years of battles in the courts regarding the legitimacy of Y's exemption from local property taxes or income taxes, the battlefield results remain murky. Thousands of dollars later, there have been "Y victories" and tax paying health club "court victories." Hospital court battles have possibly just begun. Hopefully, the court turnpike will be an increasingly rare path and one of last resort. IHRSA can play a positive role here by greatly increasing the quality and quantity of educational materials regarding fair competition principles.

Those who have been tangibly successful regarding fair competition issues will tell you that it is because they took aggressive public relations actions in a timely and effective fashion and that education regarding fair competition issues was a vital component of their success. Kim Fuller, owner of the Livermore Valley Tennis Club in Livermore, California, got a branch of the federal government to not open a health club in competition with his tax-paying business. Towson State University in Maryland abandoned sale of a health club membership to the public when the Mid-Atlantic Club Management Association made the College President, Hoke Smith, aware of the situation and the implications for a school publically funded. The military's Aberdeen Proving Grounds gave up plans to build a conference center and hotel on government land when their plans were exposed and it became known that local hotel occupancy was less than 60%. They are, however, planning to build a $4,000,000 recreation facility and have not yet determined if it will open to families of their civilian employees, though this would be harmful to local tax-paying health clubs. Obviously, how the Defense Department comes out on this issue has implications about their view of fair competition principles. They could, for example, deny use to anyone who is not a base employee; they could charge family members true market rather than subsidized rates; they could ignore the issue; or they could engage neighboring health clubs in a dialogue which results in adherence to fair competition principles.

WITH REGARD TO FAIR COMPETITION ISSUES, TAX-PAYING HEALTH AND ATHLETIC CLUBS SOMETIMES HAVE NO CHOICE BUT TO " FIGHT CITY HALL."

I suspect that some place

(See *Ralph* page 13)



Roger Ralph

Selling The Information Call

By Casey Conrad

Back in January, I was visiting a club in which I know many of the employees. Although my visit was strictly personal, I knew that the industry was still enjoying the fruitful months of the year and decided to check in with the salesperson who was working. As we chatted, an info call came in. Because a trainer's ears are never "off-duty", I listened. This is what I heard: (the names have been changed to protect the guilty)

"Hi, this is John, how may I help you? Of course, you and your friend can try out the club. When were you planning on coming in?... Tomorrow at 4:30 is fine. May I get your name and your home phone number?... Great, do you know where we are located?... That's right. When you come in, you will want to check in with the front desk and let them know you have an appointment with me. Again, my name is John. I look forward to working with you tomorrow at 4:30, and if you have any problems with that time, please contact me so we can reschedule, okay?

Now, for some, your first reaction may be a positive one: the salesperson got the name, phone number and scheduled an appointment, which is exactly what he is trained to do, right? That was the defense this salesperson used when I told him that "That was an inexcusibly bad info call-expecially from a veteran!" This incident prompted me to have numerous conversations with other veteran salespeople and trainers in the industry. Two important observations have been made.

First, too many salepeople think that the OUTCOME of an info call is to get a source, name, phone number and appointment, then get off the phone. The mentality behind this (because the salesperson has been hearing from his trainers "How many appointments did you make today" since his first day on the job) is that "Once I get them into the club, then I can sell them." The truth of the matter is that AN INFO CALL IS A SALE: If the caller is not "sold" on the idea of taking time out of his busy schedule to come into the club, he probably isn't going to ! Time must be taken to establish a certain level of rapport between the salesperson and the caller. If not, many people won't schedule an appointment AND the "no-show" ratio of those who do schedule is going to be high.

Second, the New Year brings to the industry a landslide of new prospects. A reputable club will have so many walk-ins and info calls during the first quarter of the year that salespeople get spoiled because many prospects are ready to buy before they even walk in the door. Sales come easy and, as a result, salespeople can get lazy while still being able to hit their quotas without much effort: " No sense in my wasting time following up on someone who needs to be SOLD when there are plenty of people walking in the door ready to buy." Salepeople can become "order takers" and may easily get out of the habit of having to create interest and really sell a prospect.

Of course, these situations can be avoided by spending quality time on the phone with every prospect - no matter how enthusiastic they sound about coming in. If you take an honest interest in that person, find out what is motivating them NOW and WHY, they are more apt to respect you as a professional (someone who has their best interest in mind) and want to schedule an appointment to learn more about what you and your club can offer them. The more time (within reason) one spends on the phone asking the prospect questions, the greater one's show ratio will be, resulting in more, quality sales.

Although you are encouraged to create your own list of questions, here are some effective "conversation builders" to use during the info call:

*Are you exercising now? If so, what, how many times a week?

*What do you want in an exercise program that you are not getting now?

*When was the last time you were in shape?

-What were you doing then?

-What did you like most about that?

-Did you get the results you wanted?

-Why did you stop?

*What is motivating you to start exercising now?

*How long have you been thinking about it?

*What is most important to you in an exercise program/club?

*Why did you choose to call our club?

*What other types of facilities, if any, are you considering?

Casey Conrad

(Casey Conrad is the author of "SELLING FITNESS.... the Complete Guide To Health Club Membership Sales". To order the book and/or Casey's monthly audio tape series, call: (401) 725-6147.)

Jack Dennison Seeks Equal Status

In Loren Brink's article in this issue entitled: "AN ALTERNATIVE PERSPECTIVE ON HOSPITAL BASED HEALTH AND FITNESS CENTERS", Loren asked the question: "Why don't health clubs seek the same tax advantages that hospitals have instead of trying to have those advantages taken away?

Well, Canadian veteran club operator, Jack Dennison, owner of the Cedar Spring Athletic and Racquet Club in Burlington, Ontario, Canada has asked his city to give him the same tax deal that the local YMCA enjoys. Dennison's proposal would write off about $42,000 or nearly a third of his $150,000 annual tax bill in exchange for providing certain services to the city.

Dennison figures that he can offer the city more pool hours than the YMCA currently does. According to Dennison, fewer than 3% of Burlington residents are members of the Y, but every taxpayer funds the Y's tax-exemption.

"Over the past ten years the not-for- profit recreation business has deprived our economy of a huge amount of tax revenue. These are funds that would have been generated by the business taken away from the tax-paying private facilities," Dennison said. (From IHRSA Fair Game Newsletter)

An Alternative Perspective on Hospital Based Health and Fitness Centers

By Loren Brink

Over the past several years the private club owners of the U.S. have become increasingly concerned about competition from hospital-owned fitness centers. As a small business owner, I can identify with them and share their concern. As an operator of corporate and hospital-based fitness centers, I am quite bullish on the prospect of a rapidly expanding hospital fitness center market.

In order to fully understand the current environment for these types of centers, I think it is important to review a few facts about the hospital industry.

1. There are currently over 6,539 hospitals in the United States.
2. The average hospital has revenues well over $100 million per year.
3. The healthcare industry is a $838 billion industry or14% of the Gross National Product.

By contrast, the commercial health club industry has average revenues per site of $1.26 million and around 12,000 sites.

You do not need to be an expert in business and finance to draw some interesting conclusions from these numbers: The hospital industry is obviously huge compared to the fitness industry in terms of revenues and physical assets; The average hospital company is about 50 times larger than the average commercial fitness center.

All of their information really boils down to one bottom line conclusion: hospitals can easily dominate any market they choose to enter with respect to hospital-based fitness centers. With their size, reputation and access to capital, they can out spend and out last any private commercial club group in any market in the United States.

UNFAIR COMPETITION

With respect to the unfair competition campaign currently being promoted by private club operators and IHRSA, I believe it is really not having an effect on the hospital fitness center business at all. Most of our hospital clients ask our consulting group how to approach the tax situation and we tell them to pay taxes and compete on an even playing field. Most have no problem doing so and believe it is fair.

It seems to me that once again, the big winners in the unfair competition fight are the lobbyists, lawyers and the government, which will now get even more tax dollars from our industry. What a shock.

At this point, I must say I have the utmost respect for the small business people in the club business and for IHRSA and John McCarthy, specifically. IHRSA pulled its membership together in a truly admirable way and has made great achievements in the unfair competition fight.

But, one question has been nagging me for years: If what we want was truly fair competion, why have club owners not fought for the same tax status hospitals enjoy rather than penalize the hospitals along with themselves? If our business is improving health, why should you not receive the same treatment in this Clinton Health Care Reform Era that hospitals enjoy? Did anyone think of this or did it just feel better to penalize them?

It seems to me when a competitor is larger, better capitalized, more recognized and more organized than you, it makes sense to figure out how to work together to achieve common goals and be successful together.

If a club owner chooses not to try to work with a hospital, there are a number of niche areas an independent operator can exploit. Hospital fitness tends to have older membership and generally are geared towards an adult population, thus leaving the door open for younger, sports-oriented and family-oriented membership sales. Other markets which can be successfully promoted by independent clubs include the Women's only concept as well as the facilities based upscale executive oriented club. Hospitals have a tendency to try to serve a very broad population group as a result of their community-service based mission statement.

In summary, it makes more sense to try to work with hospitals than to work against them. Significant opportunities do exist to compete successfully in niche markets. The assumption that a "level playing field" will be realized is false. The hospital fitness center market is here to stay and the hospital industry is a large and powerful force in most communi-

(See *Brink* page 11)

...More Bally

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ted into IHRSA, however I have a different plan to make that happen. I will call the plan "CATES' BALLY PLAN A".

CATES' BALLY "PLAN A"

"Plan A" would be for Goldberg to live up to his "Spin Off' promise by "spinning off" their clubs in each market to the top IHRSA club operators in that respective market. In Atlanta, that could mean that Club Sports International, Sportslife and Australian Body Works and others would take the choice clubs from Bally's group of nine locations. It might mean that some of the Bally clubs would be closed, but the service to the members at a particular location would be provided at other clubs owned by these leading club groups. In every market, the best clubs will most likely be members of IHRSA. These operators have survived "the test of time" in their markets and would be the best suited to take over Goldberg and Lucci's Bally Clubs in a "spin off" plan.

While my "Plan A" shown above may appear to be radical, I think it is a much more realistic idea than the one they are currently pursuing. The problem is simply that you can't "take the spots off of a leopard. "The Bally club operators are so deeply entrenched in their culture of operation that I believe that it will be impossible to get them to change their methods. They have been brought up to believe that they can say anything and do whatever is necessary to "get the gross." In my opinion, THERE IS NO WAY that Lucci or anybody else is going to be able to get the many long-term Bally managers and employees to clean up their act. So, why not turn the Bally clubs nationwide over to the IHRSA club pros who already have the culture that Bally wishes to create? "PLAN A" is the best answer they will find although they may not be willing to admit it right now.

CATES' BALLY "PLAN B"

Always being prepared with a " Plan B" is a good idea. So, if Goldberg can't come to grips with why and how he should execute my "Plan A", then here is a "Plan B" for them to consider:

(1) Forget about this stupid idea of selling Bally franchises. You are only going to make your situation and the situation for the entire industry worse. It is nothing more and nothing less than a fiasco getting ready to happen. The BALLY FRANCHISE idea is simply folly!

(2) Develop Lucci's "friendly oasis" idea to include the following:

- Eliminate all "SLAM DUNK" sales techniques and methods.
- Eliminate low ball "bait and switch" advertising with prices that cut/hurt everybody who is trying to sell health club memberships in the marketplace.
- Enforce the new Bally "friendly oasis" culture by hiring a club shopping service to regularly and randomly shop the Bally clubs to insure compliance with all new policies.
- Remove and destroy hidden microphones in the Bally Club sales offices used for the "T.O."
- Replace the "turnover" (T.O.) high pressure sales closing technique with a 7-day trial membership for anyone who does not want to join on the spot.
- Give and honor an ABSOLUTE 15-day money back GUARANTEE for any member who joins without using a free seven-day trial membership.

(3) Provide all new members with three free program/exercise training sessions. Follow up to see that all new members come back & use this service within the first 30 days of joining.

(4) Change the entire membership pricing structure of all Bally's Club's to monthly dues memberships with initiation fees. The agreements should have a maximum committment of two years and should include transfer clauses, medical freezes and buyout clauses.

(5) Develop, adopt and adhere to an IHRSA type CODE OF CONDUCT, STANDARDS and PLEDGE for all Clubs and their employees.

(6) After three years of operations under this "Plan B", then re-apply for IHRSA Membership.

The "Plan B" above summarizes potential alternative behaviors by the Bally club operators, which if adopted and adhered to universally, would put the Bally clubs into a league with the IHRSA Clubs and thus fairly and legitimately qualify them for IHRSA Membership. Plan B will not work without the removal of many of the current Bally management.

Mike Lucci has a huge challenge and a long way to go because many of the Bally managers have the old "Spa Mentality" so deeply engrained, it will be virtually impossible to get them to TRULY change. The club industry nationwide and the IHRSA clubs in particular, have a lot to gain if the culture and operational changes at Bally can favorably impact the club industry's reputation. There may be 50 million or more people out there who could be attracted to club membership if they truly felt that they could TRUST the health club industry. I think Mr. Goldberg and Mr. Lucci are smart businessmen and they will see that to truly change the Bally Club Culture, as deeply as it is entrenched, they must adopt and put into place SWEEPING - SIGNIFICANT - LANDMARK CHANGES in what they do. Cates's BALLY "PLAN A" would accomplish that. On the other hand, Cates' "PLAN B" could represent a GENUINE - NO TRICKS effort to accomplish sweeping, significant, landmark changes . With the adoption and implementation of either Plan A or B, they could accomplish something which is long overdue.... they could actually HELP the club industry, instead of hurting it.

(Norm Cates, Jr. is a long time observer of Bally's Health Clubs. Cates was the 1st IRSA President and a co-founder of IRSA and currently serves on the IHRSA Advisory Board.)

New Products Announcements

MASTERING FITNESS SALES is a new monthly audio tape training program which introduces the first ongoing sales training tape series specifically designed for the health and fitness industry. When you order MASTERING FITNESS SALES, you will be putting the latest in cutting edge communication and sales skills directly into the hands of your sales people. The new training tapes have been created and are available from COMMUNICATION CONSULTANTS with CASEY CONRAD, ROBERT STAUBLE,Jr., RAY COASSIN, EILEEN KASSOWER, JAMIE FAIRLEY, GARY ROGERS AND HOWARD VANES as trainers. PROGRAM TITLES INCLUDE:

*Buying Patterns
*Why Salespeople Fail and What They Need To Know To Succeed
*Mastering Incoming and Outgoing Telephone Calls
*Lead Management
*The Art of Questioning During Needs Analysis
*Touring Prospects
*Prospecting
*Time Management
*Communication Styles
*Rapport Skills
*Powerful Presentations
*Personal Excellence

Casey Conrad serves as the Principal Trainer and has teamed up with this impressive group of club industry sales experts to create this great training tool. Additionally, Casey is the Author of the book entitled: "SELLING FITNESS.... The Complete Guide To Selling Health Club Memberships." FOR INFORMATION AND A FREE TAPE OFFER, CALL - (800) 725-6147

JACOBS LADDER

JACOBS LADDER is a unique product which is quickly gaining popularity as a challenging alternative to stair climbers and treadmills. Its total body movement gives exercisers a very satisfying workout. This system combines the smooth mechanism of a treadmill with the popular climbing movement of a stairclimber. The movement has been improved by pushing the climbing angle forward to utilize more lower body muscles, such as the hamstrings and glutes.

It offers a very low impact workout. The climb angle and weight distribution greatly reduces stress on the knees and lower back. Importantly, the upper body is included in the workout for total body exercise, comfortably increasing energy expenditure and decreasing the total time needed to get a satisfying workout.

JACOBS LADDER can be seen at CLUB INDUSTRY at Booth #965 and at the IHRSA/ATHLETIC BUSINESS Trade Show in Orlando on Dec.1,2,&3 at Booth #231. For immediate information call (800) 626-1573.

MAKOTO

The first generation of mind and body, whole-health systems that make exercise an ADVENTURE!

How does MAKOTO work? Makoto combines the mind-body benefits of the martial art of jojutsu with general health and sports training. Your workout arena is 360 degress situated among three towers. You use a padded staff to thrust and strike random targets that sequence among the towers at various heights and angles. The object is to hit every target during a session. Achieving this perfect score requires absolute awareness and focus each moment of the session. As you advance through Makoto's many levels, your mind and body coordination becomes faster and faster and better; where spontaneous action and thought takes place simultaneously.

Two industry leaders Warren Wertheimer of The Rolling Hills Club, Novato, California and Ruth Stricker, of the The Marsh, Minnetonka, Minnnesota have units in their clubs. For further information, call MAKATO by INNER QUESTS - (800) 684-5284.

Gainsharing Follow-Up

Last month, Curt Beusman, Ph. D., shared his clubs experience with our readers in an article entited: "GAINSHARING: A WIN-WIN INCENTIVE."

In this article, Curt explained how he had read a book suggested by his General Manager, John James, that detailed a method of sharing success with employees. Curt urged our readers to get the book and use it to help develop your own program.

I somehow left out the footnote in which the title and author of the books was listed. Well, here it is:

"GAINSHARING: PLANS FOR IMPROVING PERFORMANCE" By Graham - Moore and Ross, BNA Books, 1990.

...Brinks

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ties in the U.S.

It is also important to plan for the next wave of serious competition which I believe will come from HMO's and other insurance companies which control very large populations and are able to direct them to specific facilities and programs through the use of premium discounts and incentives.

(Loren Brink is the CEO of the Health-Fitness Corporation, a Minneapolis-based company which specializes in corporate and hospital fitness centers.)

IHRSA SIGNS DEAL WITH AVIA FOR DECEMBER PROMOTION

1,000 Clubs Expected To Offer Guest Memberships

Boston, MA. - Health club membership will be a "shoe-in" for J.C. Penney customers who purchase AVIA shoes from December 1 through March 1. Over 1,000 racquet and sports clubs throughout the U.S. and Canada are expected to participate in this unique program.

Through an agreement with the International Health, Racquet and Sportsclub Association (IHRSA), AVIA will offer consumers a free, 15-day guest membership at an anticipated 1,000 IHRSA clubs with proof-of-purchase of AVIA shoes through J.C. Penney retailers or through the J.C. Penney catalogue.

"We're excited about this program not only because it will stimulate traffic into IHRSA clubs, but also because it provides a concrete benefit to current club members," said Chuck Leve, Director of Promotions for IHRSA (formerly IRSA, The Association of Quality Clubs).

The IHRSA/AVIA agreement is for a four-year period, maintaining IHRSA's position to seek long-term marketing partners.

"There is a place for one-time promotions," said Leve, "but our primary objective is to find long - term, quality partners who share our goals and objectives in the health and fitness industry. We believe that AVIA fits that description perfectly."

The AVIA/JC Penney program is the latest in a series of promotions that IHRSA has conducted over the past three years in conjunction with corporate partners such as Pepsi, Ouaker Oats, Ralston Foods, Bristol-Myers and others.

...Ralph

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in your family's history, a parent, an aunt, a grandmother or a house guest has used the phrase "YOU CAN'T FIGHT CITY HALL." More often than not, the conversation quickly terminates with both frustration and resignation.

As noted earlier, I believe that if the tax-paying health club industry does not try to move fair competition issues to higher ground, realization of our industry's potential over the next twenty years will never be achieved or will be driven by a very few - very large nationwide players. What is meant by "moving fair competition issues" to higher ground?

First, it means that tax-paying health clubs must be sure that they have a clear understanding of the forces that are driving municipalities to the health club business. They must appreciate fully why some Y's have a strategy to build large recreation facilities in middle and upper-income areas.

Second, they need to actively propose and support community programs and facilities of broad benefit that cannot be provided via the marketplace. Will bikeways, public lakes, and nature centers, for instance, be developed via the marketplace? I doubt it.

Third, tax-paying health clubs need to be positioned so that they are filling market gaps for health clubs services within their communities. A municipal fitness center, community pools, elaborate Y's have - for obvious reasons - tremendous political "curb appeal." Who would not be in favor of more swimming pools or subsidize below-market priced health clubs and gyms?

These are tangible products and service much less complicated to bring to a community than a crime prevention program or a teen anti-pregnancy campaign. In those areas where the tax-paying health club industry has not served the community broadly or well, we make it far easier to justify Y or municipal expansion of their health club programs.

Fourth, tax-paying health clubs must educate their fellow business persons, their elected officials, citizens on community boards, and the public at large about the substance of the fair competition issues. Most people, whether it is United Way Board members or your local banker have never really thought about the fair competition issue or its implications. Most would be surprised to learn, for example, that the YMCA is a $1.8 billion dollar, tax-exempt institution with six million regular members of whom only 10% receive scholarships. Rarely is it appreciated that subsidized health club competitors can afford to charge 20% to 50% less for membership, nor are the growth implications of this reality for a tax-paying small business that must compete with a subsidized competitor recognized.

Fifth, tax-paying health clubs should find concrete ways to work with Y's and other nonprofit organizations and government entities for mutual benefit. A relationship should be developed which produces a principled framework within which specific cases can be analyzed and supported or not supported as appropriate. Let me give you some recent examples from our experience in Maryland: The Maryland legislature in 1993 approved Y bond issues in Cumberland, MD., and rejected them for improvements to existing Y's in Dorchester County and Talbot County. Talbot County is one of the wealthiest counties in Maryland and Dorchester the poorest. It is very unlikely that the marketplace would provide a tax-paying community and family-oriented health club to serve Dorchester County. Should the Mid-Atlantic Club Management Association support or not oppose one project and not the other?

Should we not be more aggressive in our support for the Boys and Girls Clubs of America and similar organizations in our communities? The Boys and Girls Club of America model is an excellent one. The majority of their clients are disadvantaged, their membership fees are a few dollars per child per year, and they do not compete for membership with tax-paying businesses. The Bel Air Athletic Club staff and members will raise $50,000 to endow gymnasiums at Harford County's Boys and Girls Clubs. Likewise, we should support specific Y and municipal facilities and programs when their focus meets a priority community need that would not otherwise be met.

In fairness to the Y's and municipal governments, the tax-paying health club industry in some communities has not provided a broad-based family oriented fitness and recreation program that would be supported by the market place. It was not that many years ago that some IRSA club owners were saying that the Y shouldn't be in the adult fitness business as if the principals of fair competition should be applied to one age group and not another. The tax-paying health club industry is positioned now to dramatically expand the number of family and community-oriented clubs. It must do this and do it quickly or a vacuum that does exist throughout the country for broad-based family and community-oriented tax-paying health clubs will be filled by the government and the non-profit sector. The result will be less tax revenues for government, the development of fewer tax-paying health clubs, and fewer dollars available for projects that cannot be funded via tax-paying sector market providers.

As I look ahead regarding fair competition issues and tax paying health clubs nationally or locally, I cannot at this time tell you where it will end up. A lot will depend on how much public education we accomplish and how much we continue to improve what we do for our customers and communities. At a personal level, I have been involved in Harford County, Maryland, for the past five years working with Y members, staff, elected officials, and the public Y Board and staff in the Baltimore area sensitive to both fair competition and social priorities

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...More Ralph

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issues. Working with other club owners and businesses, we have tried to play an educational role regarding fair competition issues. We want not only to insure the competitive playing field is level regarding health and athletic club services but to generate support for a cooperative, rather than competitive, environment in our community. The process is on-going. The result in Harford County and elsewhere in the nation where a cooperative tact can be taken will send an important message regarding the potential for building a cooperative trusting, "thinking beyond the box," approach."

Is there really the potential for non-profits, government agencies, and tax-paying health clubs to actually work together in their communities appropriately or is this a pipe dream? Only time will tell.

(Roger Ralph is the President of The Bel Air Athletic Club in Harford County, Maryland which he and his wife founded in 1980. In 1991, the Bel Air Athletic Club was recognized by IRSA as on of the top five clubs in North America. He is a past member of IRSA's Board of Directors, chaired the committee which drafted IRSA 's Code of Ethics and was responsible for initiation of the industry national "Commit To Get Fit" campaign. In 1985, he won IRSA's National Award for Marketing Excellence and in 1991 its Distinguished Service Award. He was a co-founder of the Mid-Atlantic Club Management Association. In 1994, Elaine and Roger Ralph won the SBA's Entrepreneurial Success Award for the Mid- Atlantic.)

Fair Competition Victories

SOUTH DAKOTA HOSPITAL LOSES TAX-EXEMPT STATUS

Sioux Falls, S. D. - The Supreme court of South Dakota has taken away the tax exemption of the Sioux Valley Hospital. The result is that the hospital has to pay two years of back taxes totalling more than $100,000 to Minnehaha County, South Dakota.

The Sioux Valley Hospital opened a 60,992 square-foot wellness center which is equipped with racquetball courts, a basketball court, indoor track, swimming pool and retail sales area in 1989. The Minnehaha County Commissioner taxed the center at 70% of its value at that time, causing the Sioux Valley Hospital to appeal the assessment. The hospital was successful in getting its tax liability reduced to 7% of the center's property value. Then the Circuit Court's decision was appealed, sending it the South Dakota's Supreme Court.

The Supreme Court Judge, Frank Henderson, found on behalf of the plaintiff's, causing the original assessment of 70% of property value to stand and the requirement for the hospital to pay the two years in back taxes.

KIM FULLER STOPS GOVERNMENT FITNESS CENTER

Kim Fuller is part owner and General Manager of the Livermore Valley Tennis Club, in Livermore Valley, California. Kim learned that the government was preparing to build a new 1 million dollar - 5,000 square-foot state-of-the-art fitness center on its Lawrence Livermore National Laboratory land. It just happens that the proposed new fitness center would be only a few short miles from Kim's club.

Fuller teamed up with IHRSA (then, IRSA) to put a road block dead in the path of the new center. Using IHRSA's clout and masterfully working the PR world with newspapers and TV stations, Kim was able to raise enough local community ire to get the center construction cancelled!

Fuller's argument was quickly planned and delivered in a mere three-week period of time. During that time, he made an excellent case to the public that this center was just another prime example of our federal government's waste, because the new facility would be duplicating comparable facilities and competing with private sector operators who had already for years been serving the employees from the Laboratory at market rates. CONGRATULATIONS Kim for helping all clubs in your area with your decisive and impactful action.

JOHN BRINSON STOPS SALES TAX ON MEMBERSHIPS IN PENNSYLVANIA

John Brinson is a graduate of West Point and a prominent IHRSA Member. Brinson owns three Lehigh Valley Racquet and Fitness Centers in the Allentown, PA area.

Recently, John was successful in appealing a four-year-old 10% amusement sales tax that Pennsylvania clubs were being forced to pay. Brinson successfully argued that local governments should not be able to apply the amusement tax to any place "the predominant purpose or nature of which is exercise, fitness, health maintenance or weight control." Judge Edward D. Reibman ruled in favor of Brinson's arguments with a court order which stated the same.

The repeal of this tax due to John Brinson's efforts with IHRSA's Dr. Jim Rippe's assistance, is a good example of one person who has stood up for common sense and correct behavior on the part of government and who has won. CONGRATULATIONS John, for helping your clubs and all clubs in Pennsylvania rid themselves of an unfair tax!