

Norm Cates'

# THE Club Insider

NEWS

*The Pulse of the Health, Racquet & Sports Club Business*

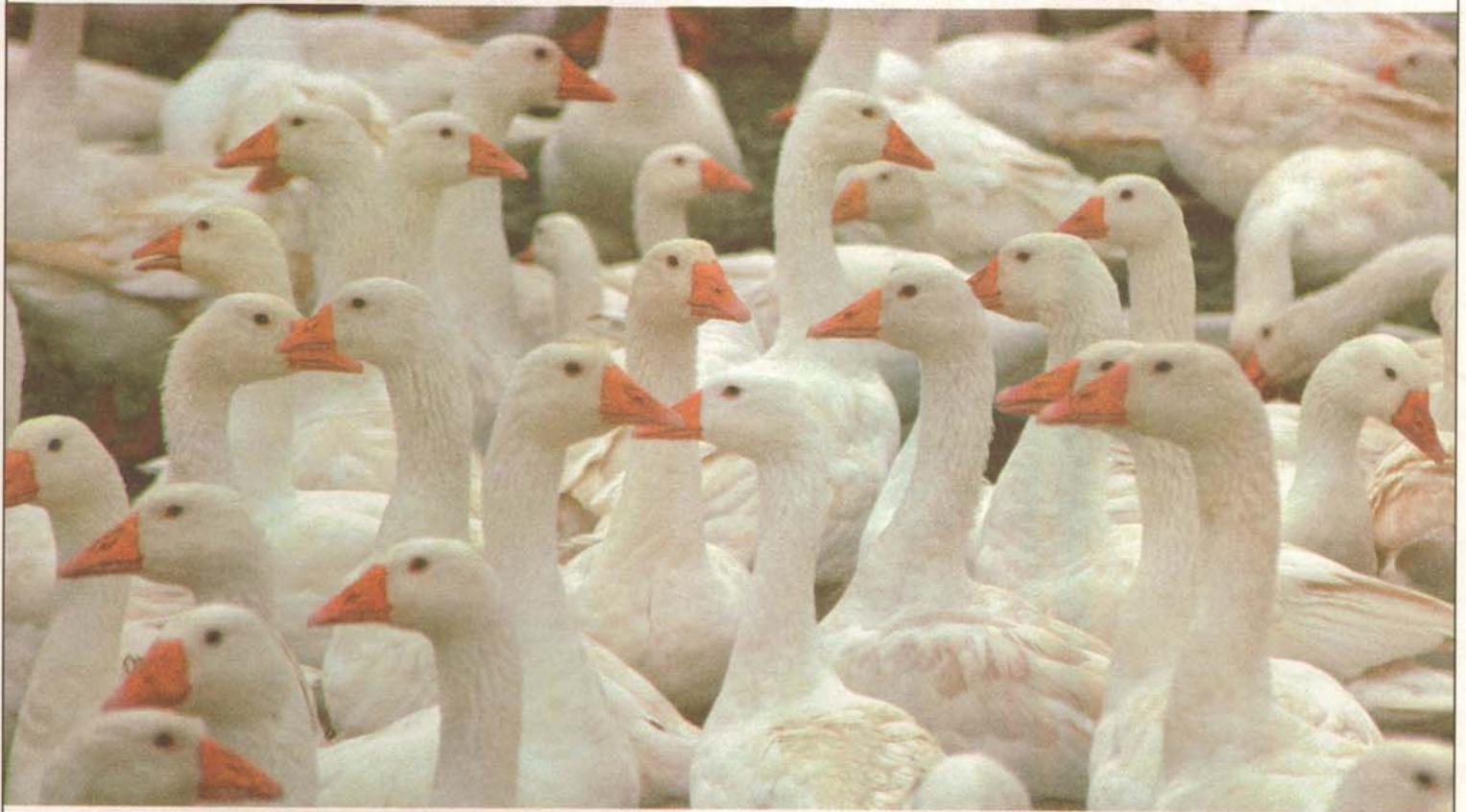
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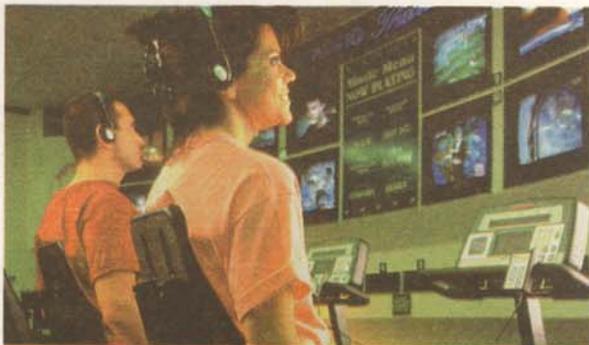


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Norm Cates'

# THE Club Insider<sup>®</sup>

## NEWS

The Pulse of the Health, Racquet & Sports Club Business

## Caro And Brentwood Move Fast On Growth Build-Up Strategy

There were rumors - and rumors of rumors - about a consolidation play by Rick Caro, President of New York's Management Vision, Inc. But once the press announced that Rick's relationship with the Los Angeles-based investment firm of Brentwood Associates was a reality, the wheels of this new acquisition team started to spin and spin fast.

Within just two weeks, the team announced the acquisition of Bruce Hendin's eight San Antonio Racquetball and Fitness Clubs, leav-

ing Hendin in charge as the new President of the group's Texas region with no staff changes to Hendin's operation.

Then, just a three short weeks later, Caro and Brentwood bought all ten Spectrum Clubs in Southern California from The Sports Club Company and seemingly overnight owned 18 of the country's finest quality clubs under a new banner name, Spectrum Clubs International (SCI). We asked Caro to answer some serious questions about the new com-

pany.

**Q. WHY DOES THE INDUSTRY NEED SCI?**

**CARO:** Brentwood General Partner David Wong, new SCI CEO Bob Steele and I all believe there is a very practical reason for the company to reach revenue levels of \$300 - \$500 million in the next 3-5 years. Simply, it is the severe fragmentation inherent in the club industry today. There are

many successful founders and owners in small clusters dotting the country, but they do not benefit from significant economies of scale or shared resources.

They are big frogs in small ponds and have grown about as big as they can with the resources they have. That is why they are ripe for SCI's growth build-up strategy. It brings them the resources they need to get a new, sustained growth curve and solidify their positioning in their marketplace for the foreseeable future.

**Q. HOW INTERESTED IS WALL STREET IN OUR INDUSTRY?"**

**CARO:** "Before I met Brentwood Associates, I was touting the potential benefits of growth build-up strategies at IHRSA. At an information gathering session 15 years ago, I invited a Wall St. expert to explain the values of joint club ventures to a gathering of member clubs. Then, in 1996, I (See Caro page 6)

## Robert Steele Named CEO Of Spectrum Clubs International

Los Angeles, CA — Oct. 20, 1999 — Spectrum Clubs International (SCI) today named former senior PepsiCo executive, Robert J. Steele as CEO and President. SCI, among the largest and fastest-growing fitness companies in the U.S., had searched extensively for a CEO successful at running large, multi-unit retail service companies in the Fortune 50.

Steele formerly was President of PepsiCo's London-based Europe Division, where he was responsible for all the KFC, Pizza Hut and Taco Bell restaurants in 35 countries. The 25,000-employee division generated over \$1.4 billion in company and franchise revenues. Steele earlier ran the Pacific Rim division in Australia.

Prior to joining PepsiCo,

Steele was CEO of the Sterling Corporation, a privately held Los Angeles real estate, entertainment and professional sports company. His extensive experience in corporate acquisitions and real estate is expected to spur Spectrum's continued rapid growth.

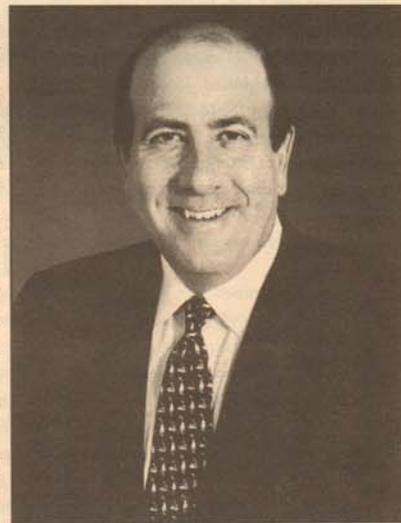
Spectrum Clubs International was established earlier this year by Brentwood Associates, a leading investment firm in Los Angeles, and Rick Caro, a 26-year fitness industry veteran and co-founder of the International Health, Racquet and Sports Club Association (IHRSA).

SCI recently acquired the eight Racquetball and Fitness Clubs in San Antonio and the ten Spectrum Clubs in Southern California, and will continue its growth build-out strategy through acquisitions and new development.

"Bob Steele has an outstanding track record in leading

large, high-performance companies with a strong consumer focus. He brings a wealth of experience in building great brands and in achieving outstanding results while operating in the world's most competitive markets. Under his leadership, we look forward to building Spectrum Clubs International into a formidable industry leader," said David Wong, General Partner of Brentwood Associates.

Caro commented that Steele's experience running a company twice the size of the largest club company in the fitness industry, with three times as many sites, gives him a vision that will challenge existing fitness industry performance.



**Bob Steele**

Steele, a Dallas resident, received his MBA from the UCLA Graduate School of Management, his law degree from Boston College and his B.A. in Economics magna cum laude from Tufts University.

### Inside The Insider

- Life Fitness & Hammer Launch New Products At Club Industry
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- Senior Fitness: Getting In Shape
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# Life Fitness Revolutionizes Treadmills With 'New Edge' Profile And Performance

Redesigned commercial treadmill models combine sleek look with unprecedented industry standards for performance and durability

**CHICAGO** - Oct. 14, 1999 - Life Fitness, the leading manufacturer of a full line of cardiovascular and strength training equipment for commercial and consumer use, unveiled at Club Industry two uniquely redesigned commercial treadmill models, the 9500HR and the 9100. Both boast a sleek new look and unprecedented performance and durability features.

"The revolutionary high-tech form and exceptional function of these treadmills is bound to recalibrate the industry," said Augie Nieto, Life Fitness president. "Life Fitness has combined the 'new edge' contemporary look inspired by the automotive industry with many outstanding performance features and durability enhancements in these

treadmills, which will send clubs and fitness facilities into the next millennium in style."

## Compelling Style

The bold profile shared by the new Life Fitness 9000 series treadmills echoes many of the future concepts from the automotive industry. Borrowing terminology from the Ford Motor Co., Life Fitness describes its treadmills as having a 'new edge' look - one that evolves the rounded, organic designs of the 1980s and 1990s into an ultra-contemporary, almost show car execution.

"Life Fitness began incorporating the 'new edge' look with the redesign of our recum-

bent Lifecycle exercise bike line, which was extremely well-received," said Chris Clawson, Director, product management, cardiovascular products. "We've taken it a few steps further with the treadmills, and customers have told us these machines look so aerodynamic and enticing they feel compelled to jump on and try them!"

## Easier Service and Maintenance

The 9500HR and 9100 treadmills debut several convenient RapidWorks service enhancements for easy maintenance. The Advanced Auto Alert diagnostic system records and time stamps all service and maintenance issues in addition to providing notification for preventative

maintenance. A new disposable wax bag and two-screw access service panel make waxing system maintenance quicker and easier, and the Life Fitness patented automatic wax lubrication system extends belt and deck life three to four times by automatically waxing the deck at predetermined intervals.



*New Life Fitness  
Treadmill 9500HR*

# Hammer Strength Introduces Unique Selectorized Equipment

Unparalleled machines feature Iso-Lateral arms with dual weight stacks

**CHICAGO** - Oct. 14, 1999 - At the Club Industry trade show, Life Fitness introduced a unique new line of Hammer Strength selectorized equipment. Called Motion Technology Selectorized, or MTS, the new pieces extend the authentic Hammer Strength lifting experience into the selectorized category, offering convenience and ease of use to a wide variety of exercisers.

"The tremendous popularity of Hammer Strength plate-loaded equipment has led to a widespread, long-standing demand for a Hammer Strength selectorized line," said Augie Nieto, president of Life Fitness. "We are thrilled to meet our customers' needs by extending Hammer's superior feel and technology into distinctive, high-performance, easy-to-use selectorized equipment."

The new Hammer Strength MTS line is an ideal complement to Life Fitness' existing comprehensive strength training product offering, including Life Fitness Strength Systems selectorized equipment; Life

Fitness Circuit, a computerized resistance system; Hammer Strength plate-loaded machines and Hammer Strength free weight benches and racks.

## Revolutionary design offers unique, Iso-Lateral selectorized experience

Like Hammer Strength plate-loaded equipment, Hammer Strength MTS equipment provides a converging movement pattern that more closely replicates the body's natural movements. Independent arms allow users to correct limb strength disparities, train one limb at a time or continue training one limb while recovering from an injury on the opposite side.

"With its introduction in 1989, Hammer Strength really created an entirely new movement pattern with its patented Iso-Lateral technology," said Greg Highsmith, Life Fitness di-

rector of product management, strength, and co-designer of the Hammer MTS line. The new MTS series builds on Hammer's history of innovation and provides unmatched simplicity and biomechanical integrity in a revolutionary line of selectorized equipment.

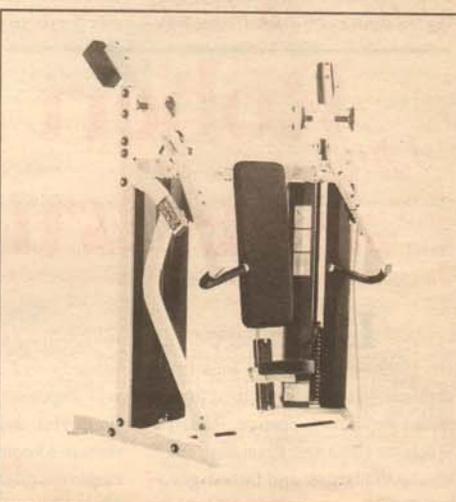
Unique to the MTS design are dual weight stacks, one for each arm, preserving the purity of the independent nature that is a hallmark of Hammer plate-loaded equipment. Setting a pin on each weight stack is analogous to loading weight plates on each arm on Hammer plate-loaded equipment. With dual weight stacks, shorter belts are used, which minimizes potential friction and makes the machine's arms more directly connected to the weights — ultimately helping create the natural, smooth feel of the exercise.

Hammer MTS offers exercisers tremendous ease of use as well, allowing them to simply adjust the seat, set the selectorized pins and begin lifting. The equipment provides variety to current Hammer plate-loaded users and provides the authen-

tic Hammer lifting experience to those who have not yet tried Hammer or who are more comfortable using selectorized equipment.

## Initial availability of machines

Designed by Hammer Strength founder Gary Jones, the MTS machines will feature the same rugged, durable appearance offered by Hammer Strength plate-loaded equipment. The initial MTS line features an Iso-Lateral row, Iso-Lateral incline press, Iso-Lateral high row and an Iso-Lateral decline press. The row and the incline press are available immediately, and the high row and the decline press will be available for delivery in February 2000. The initial four machines have a



*New Hammer Strength MTS  
Iso-Lateral Incline*

manufacturer's suggested retail price of \$3,195. Additional pieces of the Hammer Strength MTS line will be introduced in 2000 as well.

The Hammer Strength MTS line will be manufactured at Life Fitness, Paso Robles, Calif., factory where Life Fitness Strength Systems, the company's selectorized strength training line, also is produced. Like Life Fitness, Franklin Park, Ill., facility, the Paso Robles factory has earned ISO 9001 certification, the highest standard for quality manufacturing and workmanship.

# • NORM'S NOTES •

• **C**ongratulations to **JULIA WHEATLEY** of Women's Fitness Center, **Businesswoman of the Year**, **CHRISTINE DENOVELLE** of Body Elite, **Entrepreneur of the Year** and **KATHY IORIO**, **Industry Enhancement Award** winner at the as they were honored at **Club Industry Magazine's Distinguished Woman's Awards Ceremony** at the **Club Industry Show** in Chicago, on October 14th.

• Our sincere condolences to the family of **JEFFREY KAISER**, 48, of Chicago's **Lakeshore Athletic Club** group who died suddenly on September 28, 1999. Jeffrey had led his Lakeshore Athletic Club organization to become one of America's top club groups with a special-world-class focus on programming for members. A year ago the Kaiser family acquired the **Sporting Club at Illinois Center**. Jeffrey will be missed by all. May he rest in peace.

• Best wishes to **BROTHER CURT BEUSMAN** and his Team at the **Saw Mill Club** in Mt. Kisco, N.Y. Curt's nearly 30 year-old club was one of the top multi-purpose clubs in America until it experienced \$1 million in flood damage from Hurricane Floyd. Curt and his team worked hard to clean up the mess and re-opened in 4 days! Look for the great club to come back better than ever. For those that don't know, Dr. Curtis Beusman is one of the greatest club entrepreneurs in the history of our industry, a great mind and a great spiritual leader for all of us. We love you Curt and Jane and wish you well! Also, I'm told a number of clubs throughout North Carolina have experienced devastating floods. My best to all of you as you dig out of the mess!

• I had the pleasure of meeting with **PETER BROCKWAY** and **KIRK GALIANI**, principals of the new **Gold's Gym Investments, Inc.** while in Chicago. They are two sharp guys and I wish them and all of the Gold's Gym licensees well as they move forward. I also had a chance to meet Kirk's brother **JOHN**, of the new Gold's owners group and **PAUL GRYMKOWSKI** and **RICH MINZER** formerly with Gold's Gym Enterprises, Inc. After meeting personally with all of the players except **ED CONNORS** and **PETE GRYMKOWSKI** (and I've spent a lot of time on the phone with Ed and Pete) I think it is a darned shame that Paul and Rich left Gold's and I think the new owners and Paul and Rich should sit down and work out a plan of some kind for them to come back on board. One good reason, out of many I can think of after carefully

studying this situation, is that Ed Connors is very soon going to become covered up with business and is going to really need good-experienced people to help handle all of that business. Paul Grymkowski and Rich Minzer are the two most qualified people on the planet to do the job and if everybody involved would sit down and talk peacefully, I honestly think something could be worked out. I'd be glad to serve as a facilitator of that meeting and I'd bet we would make something good happen!

• **RICK CARO**, the Chairman of the new company, **Spectrum Clubs International** has announced the hiring of **BOB STEELE** as the new CEO of the fledgling company. Partnered with Brentwood Associates in L.A., Rick's group has acquired the **San Antonio Racquetball and Fitness Clubs** and the **Spectrum Clubs in L.A.** and now has a company that is generating \$60 million per year. Check out this month's Cover Story on my good friend, Rick Caro. He is the best!

• **RICHARD BRANSON**, of the United Kingdom, arguably one of the greatest entrepreneurs in the world, has entered our industry with his first health club called, **Virgin Active**. Branson has made billions and billions with his many companies which include Virgin Records and Virgin Airways. Word is he is coming into the industry with around \$160 million for starters. He joins an explosive UK market that is simply growing in club numbers at an astronomical rate, but yet has penetrated only 5% of the U.K. population!

• Best of luck to **BEN MIDGLEY**, of the **Saco Sport and Health Club**, Saco, ME, as he departs the Saco, ME. club to take a position out West with **24 Hour Fitness**. Ben has been setting membership sales records for years and was honored when he was named **IHRSA's Sales Person of the Year** in 1995. He sold over 925 memberships in one year! Ben is still arguably the best membership salesman in the United States and believes deeply in something real cool, ethical membership sales. Ben expects to work his way up in the 24 Hour Fitness organization to a leadership role. Ben has contributed his time liberally as a contributing writer and will be published again next month.

• Congratulations to **J. D. and VARNER HOLMES**, owners of the **Gold's Gyms** of Fayetteville and Peachtree City, GA. as they were recently honored in their community when the Chamber of Commerce bestowed the **1999 Sam Walton Business Leader Award** on them.

• The Legendary **JACK LaLANNE** appeared at the **Club Industry Convention and Trade Show** in Chicago not long after celebrating his 85th birthday! Jack was there representing the people from **FitnessAge** and amazingly his physiological age tested out to be 29! Check out the article in this edition about Jack.

• Many of you that have been reading **THE CLUB INSIDER** News for the last 6 years have probably seen my simple little ads stating: **MAKE IT FUN!** I publish those ads every month to remind our readers that if you want to keep your members coming to your club and paying their dues, it helps to **MAKE**

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**IT FUN** for them whenever you can. Friendly staff, fun events, helpful programs will all **MAKE IT FUN!** If you are always on the lookout for new and fun ideas, you might want to plan to attend the **International Association of Amusement Parks and Attractions**, November 17-20th in Atlanta. Call (703) 836-4800 for information.

• It was my pleasure spending some time with **DR. FRED HATFIELD**, a.k.a. "Dr. Squat" and **DR. SAL ARRIA** while in Chicago. Dr. Fred has some very interesting war stories and as the Co-founder of the **International Sports Science Association** along with **DR. SAL ARRIA** he has contributed greatly to the ongoing professionalization of our industry. Fred Hatfield once completed a full-squat with over 1,000 pounds!

• **Premark**, the owner of the **Precor** brand name, was sold to **Illinois Tool** for \$3.4 billion. Premark stock jumped by 50% immediately after.

• Speaking of stock, while **Bally Total Fitness** has continued to do good work and recently acquired **7 George Brown Fitness Centers** in California, their stock has slid lately from a high of around 34 down to 25 at press time. I'll bet you will see it go back up before long as I continue to have faith in the initiatives of **LEE HILLMAN** and his Executive Team.

• **DOUG CASH**, Senior Vice-president of Chicago-based **Tennis Corporation of America**, recently announced the promotion of **CHUCK BARNARD** to **National Fitness Director**. Barnard is also a TCA Regional Manager

for **Forest Grove Athletic Club**, **McDonald's Healthscape Fitness Center** and **Computer Discount Warehouse's** corporate facility, all in the Chicago area and will remain in those roles as well. I had the pleasure of attending a reception at TCA Headquarters and enjoyed the company of **ALAN SCHWARTZ**, **DOUG CASH** and others while visiting the beautiful new offices. Alan has a world-class collection of tennis-related art that is very enjoyable to see. Thanks Alan and Doug for your hospitality!

• Congratulations to the **Athletic Boosters Club** of the **Naperville, Central High School** in Naperville, Ill. As they just had the Grand Opening of a new, 6,000 square-foot fitness center. The center is packed with \$150,000 worth of premium fitness equipment including **Hammer Strength** and **Life Fitness**. The facility will be used for P.E. classes and athletic team practices, I know they will produce thousands of potential health club members in the new facility and wish them well.

• **Worldwide Fitness, Inc.**, one of our great advertisers, has been named by the YMCA as the only Preferred Vendor, the one and only national account for ReManufactured Fitness Equipment. Check out Steve Paterson's article this month on page 10 explaining how used exercise equipment can help grow the industry nationwide.

• **JOE MOORE** has been fighting the rise of not-for-profit competition in his Ohio markets for years. Recently Joe was successful in stopping the construction of a not-for-profit hospital health club through a lawsuit that he filed. More later.

• **STAY TUNED!**

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## Caro...

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attempted to organize a significantly-large group of clubs for an IPO, but found that many of the individual clubs or small clusters in the group just were not ready for the rigors of a hardline due diligence process or to seriously consider an exit strategy if they sold their clubs."

"Annually since 1996, I've brought financial experts from outside the industry to the IHRSA Convention. First was Ned Davis from Oppenheimer & Co., who underwrote The Sports Club Company, and David King of McCown DeLeeuw who invested in the 24-Hour Fitness group, Fitness Holdings, Inc."

"In 1997, I taught a seminar on exit strategies for owners, which was a most unusual topic for a convention of proud, active owners. However, everybody knows it's a topic everyone thinks about as a possibility should they lack a succession plan and want to be acquired by a larger group. The next year's seminar taught owners how to value their clubs to determine a realistic asset value."

"In 1999, research analysts from Bear Stearns and CIBC Oppenheimer came to show and explain how Wall St. looks at the club industry as an investment. Upcoming IHRSA 2000 Convention financial seminars will be given by experts from both the private and public equity sectors and by members of the banking community. Without exception, these experts have indicated that they consider the club industry's recent spate of acquisitions is only the tip of the iceberg."

### Q. WHAT EXACTLY IS A "CONSOLIDATION?"

**CARO:** "Wall Streeters believe "consolidation" is a pejorative term because most people think it simply means that a larger company buys a smaller one and then

closes down certain operating units of the smaller company that are not performing well, intending to shift resources to the healthier branches. It may typically result in lay-offs and dramatic changes to the previous business. For many, this makes consolidations potentially scary."

'Growth build-up strategy' is the preferred term for how SCI will operate, and the purchase of Hendin's clubs is a perfect illustration. SCI acquired his clubs with the clear intention to use each and every existing club in the family as a fiscal, physical plant and human resources platform from which to help Hendin open more new clubs faster than he was able to do by himself, which typically for most owners is one new club per year. SCI will not acquire club clusters with weak clubs and instead will focus entirely on healthy platforms."

### Q. WHAT TYPES OF CLUBS IS SCI LOOKING TO ACQUIRE?

**CARO:** "The criteria SCI uses to select platform companies is stringent. They must demonstrate:

- 1) An established track record of operational success.
- 2) Ability to grow their number of clubs both within their immediate market and into neighboring markets.
- 3) Leadership continuity of both tenured founder involvement and strong secondary managers, a predictable human resources pool.
- 4) Strong member service and employee support orientation - the right core values."

"Look at SCI's first two acquisitions, and it's easy to see what market niche we are pursuing. Bruce Hendin's eight Racquetball and Fitness Clubs in San Antonio have been an industry standard for exceptional personal service, integrity in operations

and a high profile for community involvement for more than 25 years. The 10 Spectrum Clubs acquired from The Sports Club Company have a strong market position in Southern California and occupy, like Hendin's clubs, a position as middle-to-high-end operators, neither mass market clubs nor expensive private facilities, with excellent physical plants offered to members at fair prices. We're perfect for discriminating older adults, Boomers and even demanding Gen-Xers."

### Q. HOW DOES AN ACQUISITION AFFECT A CLUB'S ORIGINAL STAFF?

**CARO:** "SCI wants people who are already in place at clubs to become even more effective leaders and to have greater career opportunities. Hendin, for instance, becomes President of the Texas Region for SCI, still runs his clubs, but also gets the opportunity to handle new properties. His Chief Operating officer, Rick Rivas, stays in place as will all his general managers. They all have more opportunities as we add more clubs to the cluster; they're not landlocked or building-locked to a limited number of properties in a single city."

"In the long term, we will grow each region with new clubs further and further away from the original clubs. This will lead to an intensive staff development program for all existing staff, so that when we expand, we can build upon the existing talent and recruit where necessary. In the old club entrepreneur model, owners generally could only add one or two new clubs a year because of limitations of financial resources, experienced staff and proper systems. We will prepare our human resources to grow faster than that. Talent will be developed and rewarded."

"SCI will have a highly decentralized operating structure, so that each region can operate initially under its own identity, with its own business, capital management, operating and marketing plans. SCI will coach them by adding new 'best practices' to speed the growth build-out and improve the core operations, but the operating identity remains theirs. They will be able to manage an unprecedented level of growth without getting overwhelmed."

### Q. YOUR NEW

### C.E.O. BOB STEELE COMES FROM A DIFFERENT INDUSTRY. WHY DIDN'T SCI HIRE A FITNESS INDUSTRY INSIDER ?

**CARO:** "There wasn't an insider with enough large company experience to match up with our vision for the pace and size of SCI growth. We needed somebody who already knew how to drive a business planning to reach \$300-\$500 million in revenues within 3-5 years, which is a faster growth factor than anything our industry has ever seen."

"When he was CEO for various Pepsico, Inc. restaurant divisions, he was responsible for a business twice as large in revenue with more than three times as many sites as the largest club group in our industry today. He managed tens of thousands of employees in more than 35 countries and generated over \$1.4 billion in revenue. He knows all the sophisticated corporate systems and procedures that a Fortune 50 CEO needs to know."

"When he was CEO of The Donald Sterling Corporation in Southern California, a major real estate and professional sports conglomerate that owned the Los Angeles Clippers NBA team, he oversaw 2,500 apartment, hotel and office properties, so his hefty real estate experience is another plus. The bottomline is that Bob exceeded the profile we provided the search firm of Spencer Stuart, and his diversity of experience is a definite plus. He'll challenge our club industry to learn new and better ways of doing things."

### Q. WHAT 'BEST PRACTICES' AND ECONOMIES OF SCALE DOES SCI OFFER?

**CARO:** "We'll bring Fortune 500-caliber operating systems to our clubs. Every element of each new club's operating status will be reviewed and then enhanced 'best practices' will be implemented. We see more than 40 possible areas of strength or 'best practices' to be shared by SCI clubs, so they can learn a whole new set of business skills. The primary areas include Management Information Systems (MIS); Budgeting, Forecasting and Financial Reporting, Human Resources; Staff Training; Programming Variety; Reputation Management and Community Relations; Retention Programs; Operation Manuals; Acquisition Planning; Problem-Solving; Special Events and Media Relations."

"Economies of scale apply mostly to cost savings and use of financial, legal and legislative leverage to benefit club operations. Naturally, increased purchasing power is the first that comes to mind, but the larger we grow, the more attractive a customer we become as we shop for goods and services. Our top economies of scale include Financing Costs, Rates and Terms; Banking / EFT Costs; Business Insurance; Employee Insurance; 401k / Savings Plans; Professional Services (Architecture, Engineering, Consulting); Supplies and Real Estate Leasing."

"Many of these 'best practices' and economies of scale will come from the real estate, restaurant and hospitality industries. We will also be hiring a Chief Information Officer responsible in part for finding the best opportunities for SCI in e-commerce, Internet and intranet knowledge gathering and sharing. This category is exciting; we expect it to become the most substantial intelligence operation in the industry."

### Q. WHAT IS YOUR ROLE AS CHAIRMAN ?

**CARO:** "I'll be involved in major decision-making and helping create our overall strategic vision. Much of my time will be spent mentoring Bob Steele on the inner workings, VIP contacts and resources available to us in the industry. Obviously, I will be focusing on the potential acquisition candidates for SCI."

"With Bob responsible for operations, I will focus primarily on the liaison with Wall St. and the media, the industry's certifying organizations, regional associations and medical groups, international clubs and especially candidates for strategic alliances, which is an exciting area, considering that we will become more and more appealing to potential partners as we grow."

"Potential strategic partners can include any provider of consumer products, financial or human services that will benefit members of our clubs. We can offer a multitude of lifestyle benefits from travel, to buying discounts, to Internet download libraries - whatever you can imagine that increases the value of each person's membership."

The SCI operating flow chart will remain lean and effective, with Brentwood, Caro and Steele in place now and a Chief Information Officer, Chief Financial Officer and Human Resources Director soon to be named.

Norm Cates  
**The Club Insider**  
 NEWS

Seeks  
**Contributing Authors**

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# RANDALL-PEJCHAR ANNOUNCE MERGER OF EXECUTIVE SEARCH FIRMS

## JLR Associates Is Now Largest In Health and Fitness Industry

**W**eston, MA. - Two of the country's most prominent and successful executive search specialists have joined forces to form the most comprehensive executive search firm geared to serving the health, fitness and wellness industry, according to a joint announcement by Jeff Randall, President of JLR Associates of Weston, Mass., and Linda Pejchar, President of H & F Solutions of Lincoln, Mass.

Randall will serve as president of the newly merged firm, which is to be known as JLR Associates. Jeff's background in both the health club and executive search fields is extensive, having owned and operated two clubs in Massachusetts, The Squash Club in Boston, and the Wellesley Athletic Club in Wellesley, for more than 20 years prior to launching JLR Associates in 1997.

Ms. Pejchar has been in

the health and fitness field since 1983, having served as director of Member Services for the International Health, Racquet and Sportclub Association (IHRSA) before founding H&F Solutions in 1986, the first firm in the country solely dedicated to serving the health and fitness industry in executive search and recruitment.

With the merger, JLR Associates becomes the largest and most comprehensive executive search firm in the health, fitness, and wellness industry, according to Randall. "Our combined and expanded resources will ensure clients the best qualified candidates from all segments of the industry to fill, key positions in commercial, private, resort, hospital, spa and corporate-based operations, both nationally and internationally," he said.

JLR Associates is moving into to new offices in Weston, Mass., where Jeff Randall and



(L To R) Jeff Randall & Linda Pejchar

Linda Pejchar can be reached at: (781) 431-0868.

# LEADERS OF THE FUTURE

By Bonnie Patrick

**A**re you ready for the future? Last month our focus was on trends for organizational structure. Today we'll look at characteristics of highly successful leaders and their evolving role in strategic change.

Gene Hackman once said that the only difference between a hero and a coward is one step sideways. In these tumultuous fast-changing times, we're all doing some quick fancy footwork to stay on the positive side of achievement.

Why is leadership important to the success of our organizations? After all, the health and fitness industry has been progressively growing the past few years. And "there's the beef". Because of these successful leaders, clubs are providing a consistently positive experience for our members and custom-

ers.

But there's more. Over a ten year period, stock prices of companies perceived to be "well led" grew 900%, versus 74% for companies perceived to lack "good leadership". Now those are results to send any stakeholder singing!

The U.S. military has been widely acclaimed for its strength in developing strong leaders. Recently, I watched a video of a military-style training for law enforcement recruits. It was filled with the "drop and give me 50!" we've been accustomed to seeing in military training. Maybe the methods are harsh. But there is absolutely no question on what is expected. And the



Bonnie Patrick

bottom line is, everyone is responsible for everything. Officers never, ever pass blame or responsibility. The culture that is created from these methods is powerfully enmeshed in daily

operations and decision making. Keilty, Goldsmith & Company and Andersen Consulting surveyed over 200 high potential leaders in 80 organizations to develop the following summation of qualities for Leaders of the Future:

1) Creating a shared vision. We all know the story about a religious figure who lived a very long time ago, who had 12 "motley" followers. These followers

shared their leader's vision despite great adversity, and carried it on successfully, even in his absence.

2) Interpersonal and communication skills to lead a virtual organization. With the increase in technological advances, our staffs and members may be working electronically. How do we reach them all consistently delivering desired results?

3) Anticipates opportunity (See Bonnie Patrick page 12)

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# RETENTION: THE EVOLUTION OF A MEMBER

By Klaus Hilgers

A new member is making changes in his lifestyle by coming to the club. He is initially going through an orientation period that is full of changes, temptations, alligators, traps, barriers and obstacles that he had to overcome in order to establish and maintain his new lifestyle.

The club staff can assist the new member in meeting the challenge by understanding the key underlying principles behind motivation and participation and utilizing them appropriately.

I am making an assumption here that you have a good club program and are committed to servicing the members so that they have a quality experience. If your product is "Enthusiastic members participating on a regular basis and referring new members," then these principles will help you.

## THE INTEGRATION OF THE MEMBER

1. Phase I - A new member comes into the club and he doesn't usually know a lot of people. Make sure he meets as many people as possible. Have the Fitness Director or Aerobics In-

structor introduce him to others. An Aerobic Instructor can in her class say, "Say Hello to someone you haven't met before," while she is walking around the class etc. Phase I is to get him into communication with others and get him into groups and bond: Aerobic Class, Free Weights, League, Karate, etc.

2. Phase II - The Danger Zone. If Phase I isn't done well and he starts to confront the real world of work, temptation, I don't feel like it, etc., and with the initial enthusiasm somewhat diminished, he is susceptible to the drop out phenomenon because he will start breaking agreements with himself and the original purpose starts to die out. Make sure you support him in keeping his schedule and appointments and follow him up when he doesn't. Here you have the 30-day, 60-day and 90-day telephone contact to see how he is doing. Also, your staff works on the 3 Contact Principle -

1. Say Hello;
2. Another contact - Take your Heart Rate, coach him on the equipment, etc.
3. At least say goodbye.

The idea is support him in coming in on a regular basis.

3. Phase III - We get

him through the danger zone and keep him out of it by promoting to him the events, programs and people. Make these components of the club well known and well thought of. Stay in communication and in touch with the member, and the member should stay in touch with his group. If the member starts to promote the club and the benefits to others and brings guests and gives referrals, that's the sign he is becoming a stable member who has been fully integrated into the club.

4. Phase IV - The member has been fully integrated into the club. He comes on a routine basis, has connected with people and are part of a group. He usually has a fairly set routine in terms of working out and in some cases you set your clock by him. They will also invite guests and give you referrals if you ask them. The member has been empowered to take responsibility and control of his health.

To get people into participating on a regular basis, which is Phase IV, requires an understanding of the basic underlying principles of participation. The purpose here is not to tell you what to do, but to give some principles with which you can think and create your own solutions to the situations you have been dealing with and trying to understand and correct.

## SENIOR PRINCIPLES

The senior principle is caring about the person and helping him through whatever barriers he has that prevents him from taking responsibility for his health. The barrier can be time, money, I don't like it, it's too far, I'm embarrassed, etc. Your job is to help the person dismiss these barriers so he can have what he really wants, "To be Healthy." Health is a result of participation, not watching television.

## KEY PRINCIPLES (ASSUMPTIONS) REGARDING PARTICIPATION

1. People want to be healthy and fit and feel good

about themselves.

2. Health is a function of participation. "People who exercise regularly stay healthier and live longer."

3. People who have bonded with others and have established buddies tend to stay longer than people who are loners.

4. People must be aware of and experience the benefits of their achievements.

5. People must be acknowledged and/or rewarded for their achievements.

6. People enjoy games and respond positively to a good challenge.

Games must have beginnings and ends, and then one starts the next game. If there is no real game, why play?

7. When people fail to achieve their original purpose for joining the club, or weren't aware of one, they have a tendency to stop participating. To get them participating again, you have to get them in touch with their purpose for going.

8. People tend to see a need for change when they are aware of some unwanted condition that is affecting them negatively and they feel if they don't handle it, it will get worse.

9. If you are not getting regular exercise, you are getting worse.

10. The benefits of working out far outweigh the results of not working out.

11. Time is not the problem. Scheduling is the problem. If you don't schedule your workout times, you tend not to go.

12. If you get off your schedule you can always create a new schedule.

13. It's never too late to start!

14. When people break agreements with themselves (like not working out), their morale goes down and they don't feel like trying anymore and they want to drop out.

15. If a person breaks an agreement with themselves like working out, they may justify by saying to themselves, "I never should have joined," "I knew that I wasn't going to use the club,"



Klaus Hilgers

etc. This is often the beginning of the drop out phenomenon.

16. If people break agreements with themselves they can acknowledge it, take responsibility for it and make a new agreement.

17. Have them make realistic agreements in terms of the number of times a week they will come, and schedule it into their calendars.

18. If people don't understand something, they usually don't like it. "I don't know how to program the Lifecycle" = I don't like it!

19. If a person creates a positive habit, like working out, they continue because it's part of their lifestyle.

20. People are willing to make investments in themselves.

21. People return when they are having a fun experience!

The staff of the club creates the atmosphere.

"Being healthy is having confidence in the future. The healthy man's future does not happen passively to him; it is an active extension of his life. For him the future is created by his choices and decisions instead of the future coming to him, he takes himself to it and his living becomes a joint creation. Health is a participation in one's own being, a commitment to one's living in the world. To be healthy is to celebrate one's life."

From: "Promotive Medicine and the Phenomenon of Health" by Bob Hoke. Arch Environmental 16

(Klaus Hilgers is the President of Epoch Consultants and may be reached at: 727/447-1773.)

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# KEN GERMANO NAMED NEW EXECUTIVE DIRECTOR AT ACE

*Ken Germano Joins America's "Workout Watchdog"*

**SAN DIEGO** - Ken Germano, a twenty-year veteran of the fitness industry, has been named Executive Director for the American Council on Exercise (ACE). Germano replaces Sheryl Marks Brown, who co-founded ACE in 1985 and is leaving the organization to pursue other interests.

Bringing extensive corporate experience to the San Diego-based nonprofit organization, Germano is expected to broaden ACE's efforts in the certification and education of fitness professionals and as a nationally-recognized advocate of exercise.

"ACE has tremendous potential," said Germano, who has served on the ACE Board of Directors. "People already look to us for reliable and credible fitness information, and I want to see more of that. My goal is to take what has worked for ACE in the past and bring the company to the next level

of visibility with new ideas and opportunities."

Germano comes to ACE from E-Zone Networks, a manufacturer of personal entertainment systems for the fitness industry, where he served as Vice President of Sales. Prior to that, Germano spearheaded the international expansion of Reebok CCS Fitness as Vice President of Global Sales. Germano's industry experience also includes senior positions with Cybex as the Director of National Sales for the fitness division and with Life Fitness, Inc. as the Director of New Product Sales and Marketing.

In addition to his for-profit experience, Germano established OPERATION FitKids, a nonprofit foundation that establishes and equips fitness centers for children without access to exercise facilities.

Since its creation in 1990, OPERATION FitKids has raised over \$6 million in equipment and cash contributions and brought exercise to more than

500,000 young people nationwide.

For his work with OPERATION FitKids, Germano was honored by the President's Council on Physical Fitness and Sports (1992), and named one of the 1996 top-10 "Healthy American Fitness Leaders" by the National Jaycees, ACE, the National Fitness Leaders Association and Monsanto.

Germano has also served as a Special Advisor on Exercise Technology and Strength Training for the President's Council on Physical Fitness and Sports and the California Governor's Council on Physical Fitness & Sports.

"Ken has contributed so much to ACE as a member of the Board," said Jill Stevens Kinney, Chair of the ACE Board. "I think his background of both for-profit and nonprofit experience will help him bring a fresh perspective to the organization."

A lifelong athlete, Germano played for the Italian national baseball team and com-

peted in the 1976 Olympics in Montreal (baseball exhibition event). Prior to the Olympics, Germano played professional ball in Italy from 1973-76. During the off-season, he worked for the Italian Olympic Federation. Once he completed his playing career, Germano coached soccer and baseball at Hofstra University in New York, where he also served as Assistant Dean of Students.

The American Council on Exercise (ACE) is a nonprofit organization dedicated to promoting the benefits of physical activity and protecting consumers against unsafe and ineffective fitness products and instruction. As the nation's "workout watchdog," ACE conducts university-based research and testing that targets fitness products and trends. ACE sets standards for fitness profes-



**Ken Germano**

sionals and is the world's largest nonprofit fitness certifying organization. For more information on ACE and its programs, call (800) 825-3636 or log onto the ACE Web site at [www.acefitness.org](http://www.acefitness.org).

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If you buy your cardio equipment from Worldwide Fitness and save \$30,000. And you add this new found capital to your advertising and marketing budget, you will see exponential growth in cash flow and profits. This \$30,000 savings can bring in 200 extra members. If you get \$350 for each new member in the first year, that's \$70,000 added to your gross sales. That's extra income over and above what you're already doing.

### Could your business use an extra \$70,000?

### We Invest Over \$250,000 Every Month To Assure You Save Money.

The whole operation is a huge undertaking. With over 25 employees and a monthly payroll around \$50,000. More than \$30,000 in building leases. Over \$20,000 a month is spent on replacement parts to refurbish the equipment. The cost to buy this depreciated equipment is over \$150,000. The point is we have made the necessary investments to insure a consistent and reliable product for you.

We've put ourselves in a position that forces us to perform for you or we don't make a profit. I'm not trying to impress you but I want you to see our commitment. We must satisfy you so you will buy from us on your next fitness room project and refer more customers to us. We can't service out huge overhead without repeat business.

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When our client's come see our National headquarters in Orange, California, they're amazed. They enter our gigantic warehouse with over 1,000 machines on racks 3 stories high. It looks like 50 health clubs went out of business and we bought all their inventory. When we tour them through our state-of-the-art remanufacturing facility, they say they've never seen anything like it. When they see our finished product they think it's brand new, and after we convince them that it is not, they say they will never buy brand new fitness equipment again.



We warranty this equipment, give you a National service technician network, and give you 24 hour technical information on our award winning website. You see, the only equipment we sell is the top brands: LifeFitness, Cybex, Stairmaster, Trotter, Precor, Star Track, Paramount, Technix, Quinton and others. These manufacturers have built a national service network that we have access to when our customers need service. It's as easy for us to repair a treadmill in New York as it is in California. We take care of your business.

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"I Bought My Equipment From Worldwide For my second Club. I Saved Over \$25,000 And Used These Savings To Increase My Advertising Budget. This Extra Advertising Money Allowed me To Hit My One Year Sales Goals In My First 90 Days." Stephen Priest, MS, Fitness Health Club.

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When you receive your packet you'll get a follow up call from your customer assistant to answer any questions. When all your questions are answered and your proposal looks better than any of your other options, you can get the deal started by faxing us a copy of your 50% deposit. Technology has provided a time saving payment solution called "Checks-By-Fax". Of course you can mail your deposit if you want. This way your order starts immediately.

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The pressure to grow in today's business climate is high. Grow or die is the rule of the future. You have to look at all your options and do what gives you a competitive advantage. Your customers think the best fitness equipment is what you provide them. They like the equipment your staff trains them on. A treadmill made 2 years ago is no different than the one made yesterday. The only difference is how much money it cost YOU. How much of your operating capital had to be used to acquire the new equipment? Anybody can spend too much money. The most successful and wealthy business people are the most spend thifty.

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Sincerely  
Steve Paterson  
Worldwide Fitness, Inc.

P.S. It's hard to grow a business and waste money at the same time.

# FITNESS LEGEND JACK LALANNE TURNS 29!

When 85-year-old fitness pioneer Jack LaLanne wrote in his 1995 book *Revitalize Your Life After 50*: "I'm eighty-something and feel the same as when I was thirty something", he was a little off the mark. He's actually only 29!

Using FitnessAge™, a revolutionary fitness assessment software system, LaLanne recently discovered that his physical condition matches that of a 29-year-old.

"I've always felt that you have three ages- your chronological age (your actual age, your physical age (how you feel today) and your psychological age (how you feel mentally)," he explains. "My chronological age and psychological age have always been straightforward, but now, for the first time, I have a concrete, accurate way to measure my physical age."

The Fitness Age Assessment™ is the only program to offer a snapshot of the body's physiological condition in years, not percentiles or clinical measurements, so the picture is instantly absorbed.

"This program doesn't lie! LaLanne enthuses: "And, with

FitnessAge, the result is so easy to understand that you don't need to know anything about fitness to know how fit you really are."

FitnessAge Chairman and CEO Ross Lyndon-James explains: "A traditional fitness assessment can be quite confusing and even a little daunting-the average person doesn't really understand, for example, what a recovery rate, BMI score or VO2 max is, let alone have the capacity to assess whether theirs is a good or bad result. But if a 45-year-old sees that their FitnessAge is 60, he or she instantly knows they need to work on closing the gap."

And, conversely, a stellar result like LaLanne's reinforces the merits of a consistent health and fitness regime. A health and fitness pioneer for more than sixty years, LaLanne says: "I've had so many 'firsts' in fitness over the years and I take my hat off to the FitnessAge team because this is truly a fitness first."

The patented algorithms which calculate an individual's unique FitnessAge™ result were developed in conjunction with two of the foremost authorities in exercise science, sports medicine specialists Dr. Robert O.Voy and Lawrence Golding, Ph.D. of the

American College of Sports Medicine (ACSM) and YMCA.\*

Dr. Golding was responsible for researching physiological fitness testing protocols in a study that included over 60,000 participants. These testing protocols and results are the benchmarks utilized today by exercise physiologists, cardiologists and other health and fitness professionals and are the basis for the FitnessAge Assessment™.

During the course of an interactive 30-minute fitness assessment and multimedia program, FitnessAge™ takes these clinical measurements and translates them into one simple number, a FitnessAge, that's easy to relate to, very personal and highly motivational.

LaLanne explains, "I spend most of my time encouraging people to exercise regularly-but if you can tell a 40-year-old man that his body is closer to 65-now that's a great incentive to get moving."

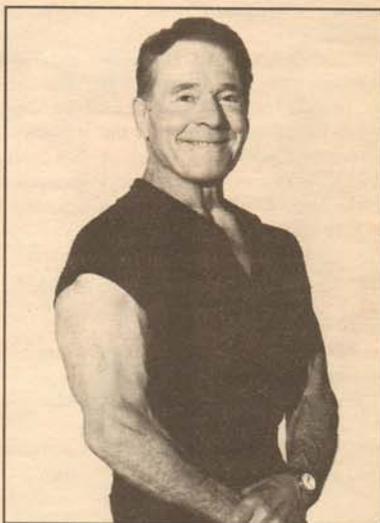
Consumers currently test their FitnessAge™ through local licensed practitioners-such as personal fitness trainers-at the company's custom-designed kiosks located in health and fitness clubs. In the near future,

doctors, chiropractors and other alternative healthcare practitioners will operate a specially modified version of the program on laptop computers in their clinics and patients can claim the FitnessAge Assessment™ on their medical insurance.

The FitnessAge Assessment™ is a core of the company's expanding portfolio of health and fitness solutions, which include an exclusive range of FitnessAge™ customized nutritional supplements, stress management programs and corporate wellness packages. By early 2000, the entire range of FitnessAge™ programs and products will be available for purchase on-line at FitnessAge.com.

\*FitnessAge was developed in conjunction with and is accredited by:

Dr. Robert O. Voy, M.D. Sports Medicine Specialist and former Chief Medical Officer and Director of Sports Medicine and



**Jack LaLanne**

Science of The United States Olympic Committee (1984-1996).

Dr. Lawrence Golding, Ph.D.- Kinesiology and exercise physiology professional for 43 years. Fellow of the ACSM since 1961, where he holds the highest certification of Program Director and is an Editor-in-Chief for the ACSM's Health and Fitness Journal. Edited the first edition and wrote the second Third editions of the Y's Way to Physical Fitness.

## The "Used" Fitness Equipment Industry Can Speed The Growth Of The Health Club Industry Dramatically!

By Steve Paterson

The time has come to quit looking at the used equipment industry as the "Red headed step-child". Read these facts and insights to see why the used industry has the potential to grow the whole fitness industry.

Let's start by looking at the automobile industry. The auto industry growth was stagnate until they established an effective lease and trade-in program.

By offering to lease new cars with low payments on 2 or 3 year leases, they stimulated growth. Before this people would keep a car for 6 to 10 years, on av-

erage. After the lease and trade-in programs were implemented, new car purchases exploded and the average repurchase cycle went from 6 to 10 years to 2 to 3 years.

The key to this process was the credibility of used cars. Without public confidence in used cars, there would not be a big enough demand for them to make the lease programs successful.

In California there are 3 used cars sold for every new car. On the surface, this seems like bad news for new car sales because more people are buying used cars than new cars. But this is not the case.

New car sales have increased due to a credible used car market. It has also allowed manufacturers to sell their new cars at

a higher price because of implementing a short-term lease program. Before the lease and trade-in programs were implemented retail prices for cars were much lower and total car sales were considerably less because people held onto their cars much longer.

### The Fitness Industry Needs To Follow This Example To Speed Up Growth

The fitness industry is maturing and huge consolidations are all vying to show impressive growth. But how does a company grow faster than the industry itself is growing?

### Increase The Demand For Used Fitness Machines.

It seems that most health clubs keep their fitness machines from 4 to 6 years before replacing them with new equipment. Imagine if you can cut this new equipment buying cycle down to 2 to 3 years. That would double the amount of new equipment being sold by the manufacturers which will increase their profits and spawn capital to grow the industry.



**Steve Paterson**

(See Used Equipment page 24)



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- David Lloyd George, English Statesman

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# SENIOR FITNESS: Getting In Shape Requires The Right Attitude

*Publisher's Note: Jim Evans is President and General Manager of the celebrated Peninsula Athletic Club (PAC) located on the historic Naval Training Center in Point Loma (San Diego). More than 60% of PAC's members are over the age of 50. Evans is a nationally recognized consultant on senior fitness and Chairman of the Retired & Senior Volunteer Program (RSVP) Advisory Council for San Diego County. He is a 33-year veteran of the health and fitness industry and frequent Contributing Author for The CLUB INSIDER News. The following article was written by Jim for Seniors Newsletter. Jim may be reached at: 619/224-4644.*

**James M. Evans**

**D**ear Jim: My wife and I are in our seventies, and we are both overweight and out of shape. We know that we should be getting more physical activity, but we don't have much time to devote to exercise and things like that. Besides, I have high blood pressure, and she has bad knees so we can't do much anyway. What do you suggest?

Dear Excuses: Your attitude about exercise is typical of most people in general but par-

ticularly typical of most older adults. What do you mean you don't have much time to devote to exercise and things like that! You had plenty of time to gain weight and get out of shape! Do you think you are going to lose weight and get in shape now by just "thinking about it!?"

Most seniors think that physical activity is for someone else, but not for them. They constantly make excuses - they are too old; they don't have time; They have arthritis, heart problems, knee problems, hip problems, bad backs, high blood pressure, poor circulation, diabetes - in short, they have bad attitudes. None of these conditions preclude them from exercising, but they make convenient excuses. They are excuses generally accepted by society to rationalize our own individual shortcomings.

Let's face it, you and your wife don't like to exercise so you make excuses for not doing it. You are relatively content with yourselves, and even though you recognize the need for more physical activity in your lives, you are not highly motivated to do anything about it. However, you should probably prepare yourselves to experience a continuing decline in your quality of life if you don't start doing something to increase your physical activity because all of the physical problems and limitations that you are experiencing now will only get worse in time, and other physical problems will undoubtedly manifest themselves too.

Most of the physical ailments suffered by our senior

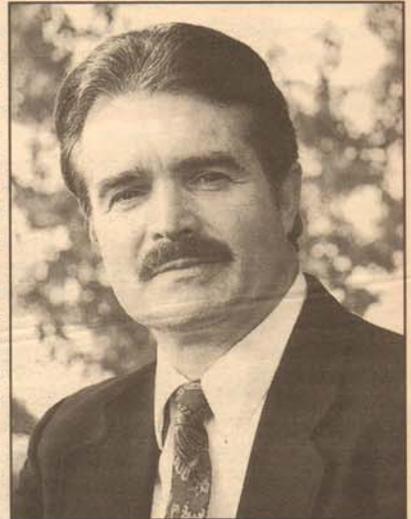
population are not the result of old age but, rather, from a lack of use. "We live too long, and we die too short," according to Dr. Walter Bortz, a respected physician and a nationally respected advocate for increased physical activity among seniors.

We have become a society of spectators - not "doers" - and we are paying a steep price for our passive lifestyles.

Physical therapists will tell you that they almost always expect to see their older patients return for more

treatment within six months of recovery because they will not continue the exercises that were prescribed for them to do at home. They will make every excuse in the world for not doing what they were supposed to do. They want to be coddled and spoon-fed rather than accept any responsibility for their own condition. Unfortunately, medical professionals often become enablers which perpetuate this kind of behavior because they are trained (and paid) to treat the symptoms and not the attitude behind the symptoms.

The bottom line is that you and your wife are going to continue doing exactly what you have been doing until you change your attitude about exercise. When you finally come to the conclusion that you dislike the way you look and the way you feel more than you dislike exercise, you might do something



**Jim Evans**

about it - or you might suddenly suffer a serious trauma which would require you to exercise whether you like it or not as part of your rehabilitation. I hope it is not the latter, but the choice is yours. After all, you only have one body, and you will never have another. If you don't take care of it, then you must expect something to break down eventually.

In the meantime, you must change your perception of exercise along with your attitude because (1) it doesn't require very much time and (2) there is some form of safe exercise for you regardless of your physical ailments or limitations. Contact your local health club, fitness center or YMCA and explore some of the different programs that they offer. Or meet with a certified personal trainer to discuss your individual needs. Remember, it is never too late to begin. You can do it!

ers get results. They dream with a deadline.

5) Develops and empowers people. Continuously develop yourself. Your people are your intellectual capital. A 10% increase in educational expenditure on your staff leads to an 8.5% increase in productivity. A 10% increase in capital improvements for your facility results in a 3.8% increase in productivity. Intel spends \$3000 per person per year on each employee's development. Andersen Consulting uses 6% of its gross for its teams' growth.

6) Effectively builds teamwork and partnerships. Leaders understand and practice the power of appreciation. According to Warren Bennis, they are connoisseurs of talent, and are deep listeners.

7) Embraces change. A popular saying in The Fitness Company these days is, "when you stop changing, you stop growing." Change is growth.

8) Ensures customer satisfaction. The number one quality of the leader of the future is asking (See Bonnie Patrick page 21)



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**Bonnie  
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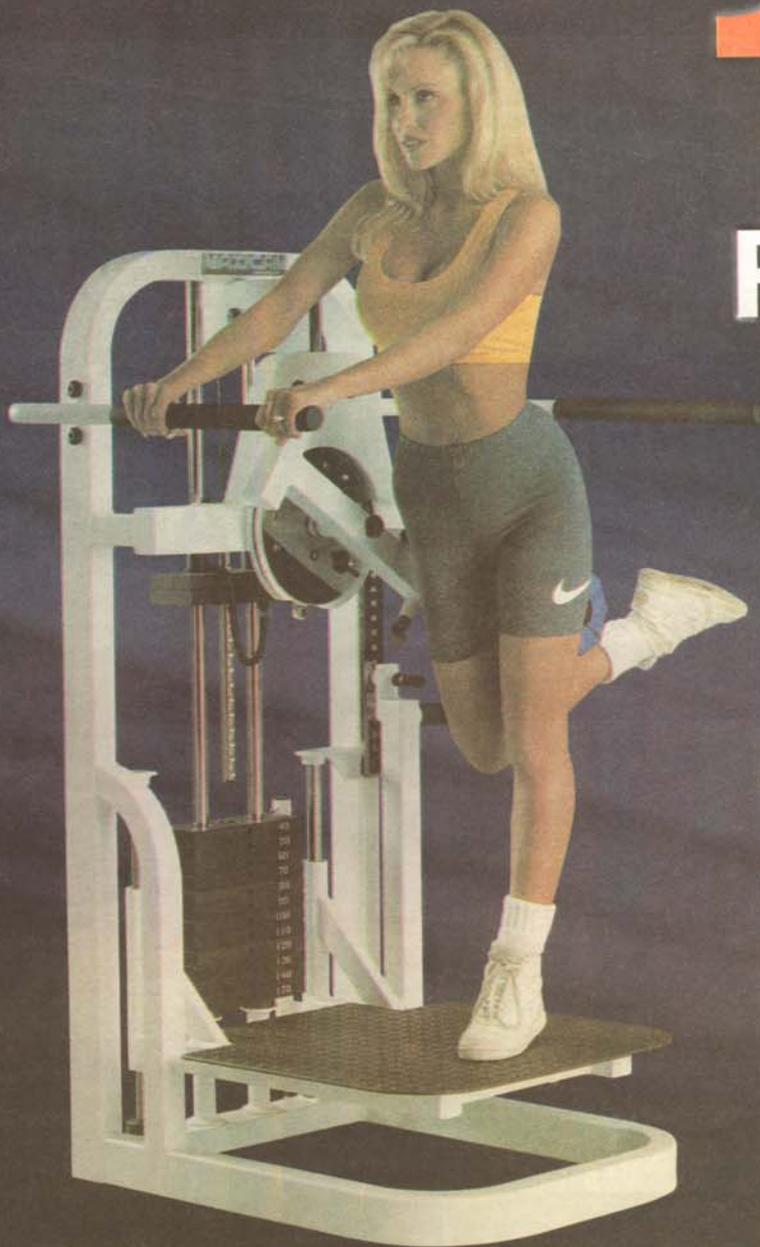
*continued from page 7*

nity. How many times in life have you said, "Gee, I wish I would have waited six more months before I \_\_\_ (fill in the blank)." Make the call, live with it, go with it.

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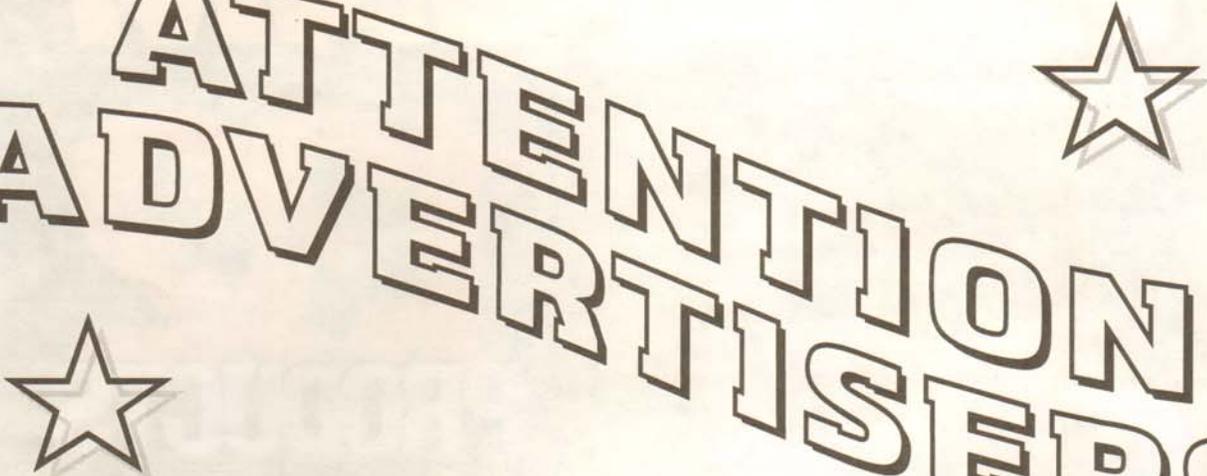
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## E-Zone Network Accelerates Offerings To Include Vast Educational Network Array

By Norm Cates, Jr.

Chicago, IL.- E-Zone Networks, Inc., completed its 50th club installation in the third quarter of 1999, marking a major milestone in the company's growth since launching at this year's IHRSA Trade Show in San Diego. Reaching the 50-club mark has heightened awareness for the company's network, with an installed base of more than 2100 E-Zone Towers now operating in health and fitness clubs from Florida to Washington State.

E-Zone's 50th installation, recently completed at ClubCorp's Crow Canyon Country Club in Danville, CA., included Plug 'N Play network access, Enhanced Network Access and the company's new Club Zone messaging and data collection capability.

"We have the early adopters to thank for the evolution of the E-Zone Personal System as well as our network products and services. Their continual feedback has helped us achieve our success to date," says Eric Hobson, E-Zone President.

We had a chance to meet briefly with Bob McKenzie, Chairman of the E-Zone Network, Dan Lowe, the Inventor of E-Zone Network and Lee Guthrie, the National Sales Manager for E-Zone at the Club Industry Show in Chicago.

### EXCITING NEW E-ZONE PLANS

Lee Guthrie elaborates on E-Zone Network plans, "The direction we are taking going into the next millenium is that we are really focused on education and train-

ing from a content side. We call it "E-Zone One-On-One". This new program is being done in association with the American College of Sports Medicine. We're bringing in vendor relations with Life Fitness, StairMaster, Precor, Unisen and many other top companies. Our TV is not a TV. It will be recognized as a Network. And, the network is a tool that will be able to bring in the programming that we've been talking about for years. Programs for all aspects of the club from operations to member educational programming which will help attract this 85% of the marketplace that are not club members now; the deconditioned, those needing weight-loss, rehab, seniors, 60+, youth, corporate wellness, etc. We will provide the clubs with the ability to provide video-on-demand so you're going to be able to walk into the club and say "I want to take my walking program today and press a button and it will be there for you!" We're taking a really strong position on bringing this network into the clubs and bonding with the industry by understanding the industry needs. We're going to create those avenues for you to improve your business, to market to that vast untapped market. At the same time we're going to have motivational programs that will stimulate your existing members, thus keeping them motivated to continue as a member of your club and to pay their dues. TVs, CDs, Wireless headphones are all part of it. There are days when they walk into the club and that's all they want to do. But, there are people that really are afraid when they walk into your club. They don't know what those programs are. There is a gap between the personal trainer and the new member. (See E-Zone page 20)



(L to R) Lee Guthrie, Bob McKenzie and Dan Lowe

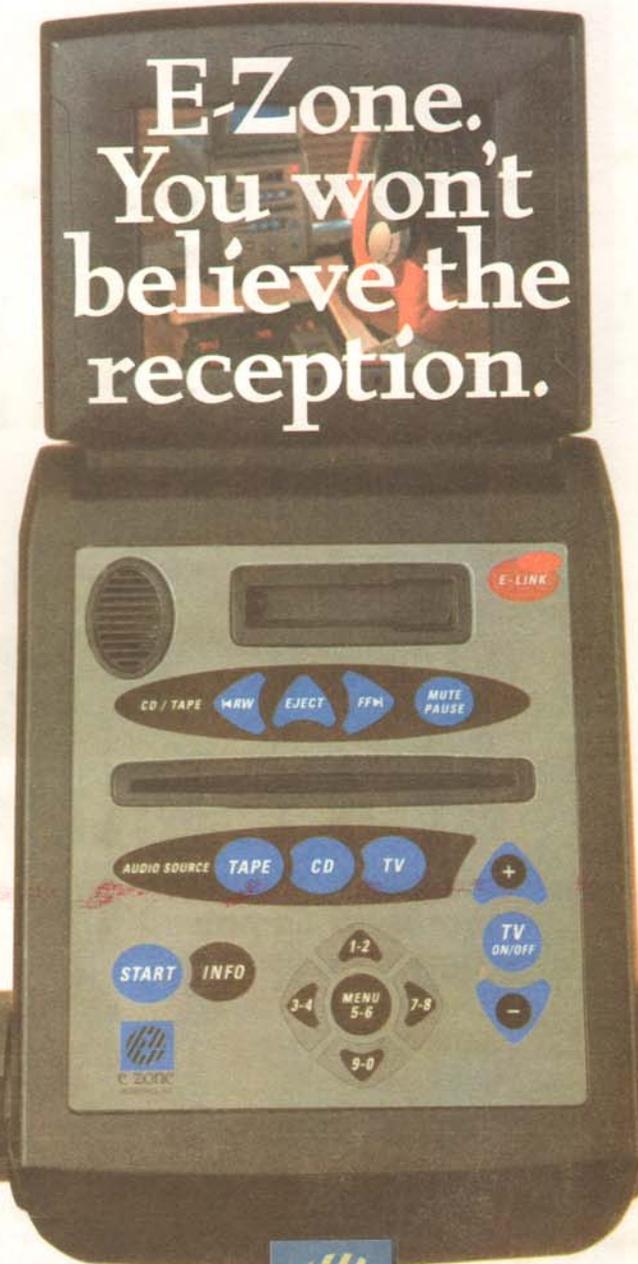
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# IHRSA's Capitol Report

*Capitol Report Reprinted Courtesy Of IHRSA*

## A CLOSER LOOK AT THE IRS CPE ON TAX-EXEMPT HEALTH CLUBS

On September 1, the IRS released the Exempt Organizations Continuing Professional Education Text (CPE) for Fiscal Year 2000. Chapter A devotes 20 pages to clarifying when health club services should be taxed.

Tax Notes Weekly noted that "a dearth of presidential guidance in the exempt organizations area over the past several years has heightened the significance practitioners place on the [CPE] text." Here are six key points in the CPE Text:

1. The IRS explicitly recognizes the growing commercial character of fitness centers.

"Given the increasing commercial character of fitness centers operated by exempt organizations, it is important for exempt organizations and exempt organization specialists to be aware of the standards that distinguish an exempt fitness center from its commercial counterparts."

2. The IRS closes the door on any expansion of the definition of promotion of health as grounds for tax-exemption.

"There is a very limited circumstance in which the activities of a health club may be deemed to promote health. This situation arises in the case of a hospital patient undergoing rehabilitation."

3. The IRS makes it very clear when colleges and universities must pay Unrelated Business Income Tax.

"Use by the general public and alumni was not related to the university's exempt purpose of education... Therefore, use by the public and alumni generated UBI."

4. The IRS states that it isn't enough for a facility to say it is available to the entire community, it must demonstrate that in fact it is used by the entire community.

"The [center] has a fee structure and advertising program designed to assure that all income levels within its community are aware of and may make use of the programs offered at its fitness center. . . [the center] monitors its membership to assure that these programs are achieving the desired objective and adjusts its advertising and promotional efforts as needed to accomplish its goal."

5. The IRS states that the fragmentation rule must be applied to tax-exempt health clubs.

"With respect to health clubs that operate as part of a larger exempt organization, the health club is analyzed separately to determine whether the health club generates UBI; additionally, each health club activity can be further fragmented so that one health club activity may be deemed to be related to exempt purposes while another health club activity may result in imposition of UBIT."

6. The IRS' conclusion:

The burden is upon the organization seeking the exemption to establish that it is, in light of all the facts, surrounding its operations, engaged in an activity that furthers an exempt rather than a commercial purpose. This burden is not met by a showing that the organization is otherwise exempt."

IHRSA members can get a brief summary of the CPE by e-mailing [kma@ihrsa.org](mailto:kma@ihrsa.org).

The entire CPE Text can be read through the Government Relations section of [www.ihrsa.org](http://www.ihrsa.org).

## MEDIA SUPPORT FOR WOMEN-ONLY ROOM

The Fresno Bee, in a September 14 editorial, stands squarely behind a local fitness club that is being sued by a lawyer who objects to a portion of

the club's facilities and equipment being set aside for women only.

Charles Q. Jakob is suing George Brown's Fitness clubs for what he calls reverse discrimination. He says he was "forced to wait" to use exercise equipment, when "facilities of the same variety set aside in the women-only gym were apparently vacant."

The Bee stated "life in the real world calls for some measure of reasonableness. There are good reasons why women who join health clubs often prefer to have separate areas in which to work out. Principal among those is the desire to do their huffing and puffing out of the view of leering males.

Most people go to the clubs just to try to get a little healthier. And a little privacy can make the process a lot easier."

"If people who wish it can't get that privacy, they may not work out at all.

That hurts a local business and the general health of the community simultaneously."

## US SENATOR TOUTS EXERCISE FOR SENIORS

Senator Charles Grassley (R-IA), Chairman of the Senate Committee on Aging, is looking for ways to make older Americans more active.

"The more we can encourage seniors to exercise, we should," said Grassley, 66.

"If I'm an older poster boy for exercise, I'll accept that."

Grassley held a committee hearing Sept. 14 on seniors and the benefits of exercise. The following morning, he ran in an annual three-mile race for members of the federal government and the media, the SGMA Capital Challenge, underwritten by the Sporting Goods Manufacturers Association.

In the race, Grassley placed first among age 60+ members of Congress who were team captains.

"I passed Lugar, Cochran and Slade Gorton," he said, referring to Senate colleagues Richard Lugar of Indiana, Thad Cochran of Mississippi and Gorton of Washington. "And there were House members over 60 and federal agency heads over 60."

Researchers and other experts who testified at the hearing outlined reasons that older Americans should keep active. One study showed that people who are fit live longer. Another study found that physically active older people had twice the likelihood of sedentary counterparts of living the rest of their lives without disabilities.

Although Grassley encourages exercise, he doesn't want the federal government to shoulder any new costs to pay for it. He wants health maintenance organizations to do it instead. HMOs already are increasing their wellness programs, and "it doesn't cost the taxpayers any more because we aren't paying for it," he said.

## WHAT TO KNOW ABOUT TAE BO

Several IHRSA clubs have received letters from the intellectual property law firm that represents Billy Blanks and his TAE BO video series. It is important that club operators recognize that the TAE BO name and video are protected by federal trademark law.

IHRSA members can get a free fact sheet on what they need to know about the use of the name TAE BO, by calling IHRSA Member Service at (800) 228-4772.

## YMCA COMPETITION DRIVES IHRSA CLUB OUT OF BUSINESS

Fitness East, a popular health club in Ellsworth, Maine, closed its doors in August after more than 15 years in operation.

Owner Dwayne Crawford explained that the decision to close came after reviewing the "long-term outlook" of the facility.

"We had to really sit down and look at the nature of the business," said Crawford. "In order to remain competitive we've steadily reduced our rates."

Crawford told the Bangor Daily News that nonprofit YMCA's have been drawing members away from his business.

"We tried to compete for years, but their 30% tax-exempt cost advantage is just too much."

"I even sold off my tennis building for better cash flow, but after the YMCA expanded tax-free and debt-free we saw our revenues drop 50% in one year. No business can survive that."

Bob Fisk, Chairman of the Maine Clubs for Fair Competition, hopes that the closing of Fitness East will serve as a wake-up call to club owners across the State to become politically involved.

"Every club operator should be getting to know their state legislators so that when we lobby for fair competition legislation next year, lawmakers will be aware of the extent of this problem," Fisk explained.

Tom Scanlon, IHRSA's Washington lobbyist, vowed that lawmakers and IRS officials will hear about Fitness East.

"One of the YMCA's main arguments is that it doesn't harm taxpaying clubs," said Scanlon.

"Here we have a small business that for fifteen years contributed to its community in many ways. It paid taxes and employed twenty people. But in the end, Fitness East was forced to close its doors because of aggressive YMCA competition."

## KIPLINGER TAX LETTER WARNS TAX-EXEMPT CLUBS

The September issue of the Kiplinger Tax Letter includes this encouraging note:

"Tax-exempt health clubs (See *Capitol Report* page 18)

# Group Personal Training™

By Rande LaDue

**G**roup Personal Training™. Sounds like a contradiction, doesn't it? Not so with PACE.

Group Fitness Programs and Personal Training have proven to be two of the highest profit-generating services in health clubs across the country. Members have no problem paying extra for these value-added services for good reasons: they work, and there is a perceived added value. Members can see the investment a club has made into the group fitness equipment and programs and they realize they must pay for the personal supervision of a trainer. Now, with The PACE Group Exercise Program™

club owners can offer the best of both worlds to members while saving them money and generating more income for their Trainers and their club.

Not only are hundreds of health clubs nationwide enjoying additional revenue from their PACE Programs, but so are Personal Trainers who have incorporated PACE Programs into their studios, in fact, PACE sales to Personal Training studios and Women-Only health clubs are equaling over 50% of the sales for Pro\*Fit Enterprises, distributors of the PACE Circuit. Because of this, Pro\*Fit unveiled its new PACE Business Opportunity Start-up Packages at a recent National Fitness Trade Show in Las Vegas and plans to continue its introduction

at the Club Industry Show in Chicago for these markets. "We plan on offering turn-key new business setups from leasing programs to marketing packages," says Rande LaDue, owner of Pro\*Fit Enterprises. "We Invite anyone not currently in the fitness business to let us show them how easy It can be and for anyone already in the business how much extra profit they can make."

With a PACE hydraulic circuit program, an instructor can effectively be a Personal Trainer to several people at the same time while providing supervision, personalized attention and the camaraderie of the group. Some Trainers offer a discount from their normal Personal Training fees for a PACE class: thereby generating

more income by making more cost effective use of their time. "It's a no-brainer," says Kelvin Nedd of Nedd Personal Trainers in Port St. Lucie, FL.. "I can charge \$50 an hour for one client or offer 10-12 clients a personalized PACE class and charge them a discounted price of \$35 each. My clients feed off the energy of the group and I don't compromise in offering a quality workout for everyone. Generating \$350 from a PACE class is a lot more cost effective than working with one client an hour at a time."

Another Personal Trainer who has successfully implemented a PACE Group Exercise Program into his facility is David Halpenny of Health & Fitness Experts in Rancho Murieta,

CA. "We are located in a retirement community. Many of our senior clients are on a fixed income and cannot afford one-on-one Personal Training, so they take advantage of our group PACE classes where they still receive personal attention and get a great workout. Most of them enjoy the social aspects of the class format as much as the fitness benefits: they love It! PACE is a win-win situation."

For more information on The PACE Group Exercise Program and the PACE New Business Opportunity Packages, visit Pro\*Fit's website at [www.pacegroupexercise.com](http://www.pacegroupexercise.com) or call 888-604-2244. PACE™ and Group Personal Training™ are trademarks of Pro\*Fit Enterprises; all rights reserved.

## Capitol Report

continued from page 17

will get more scrutiny in coming months. The IRS has just told agents to look out for missteps that could endanger a club's tax exemption or subject it to unrelated business income tax. Examples: Entrance fees that aren't affordable to the entire community. And high-priced memberships that allow priority use of the facilities."

## ADA INPUT NEEDED

**T**he Architectural and Transportation Barriers Compliance Board is proposing to amend several sections of the Americans With Disabilities Act Accessibil-

ity Guidelines (ADAAG) to address the unique features of recreation facilities that are not adequately addressed by the current guidelines. The Board's intent is to ensure that newly constructed and altered recreation facilities are readily accessible to and usable by individuals with disabilities.

IHRSA is preparing comments on the proposed changes and is looking for club operators who are interested in providing insight into what impact the proposed changes would have on their businesses. The deadline to submit public comments to the Access Board is December 8.

If you are willing to help, please contact IHRSA Government Relations.

## IHRSA SURVEY: NUTRITIONAL SUPPLEMENTS

**I**HRSAs Government Relations department is researching a paper on the liability issues surrounding the sale or recommendation of nutritional/dietary supplements in health clubs. Please help by clicking "reply", completing this short survey and sending it back to [gr@ihrsa.org](mailto:gr@ihrsa.org).

1. Does your club sell nutritional supplements? Yes \_\_\_ No \_\_\_ (If no, skip to question 2)  
 a. Approximately how much revenue/year is generated by your supplement sales? \$ \_\_\_  
 b. Please indicate all of the following that are sold in your club: vitamins \_\_\_ herbs \_\_\_

weight loss products \_\_\_  
 energy boosters \_\_\_  
 memory aids \_\_\_  
 muscle enhancers \_\_\_  
 creatine \_\_\_  
 Androstenedione \_\_\_  
 Ephedrine \_\_\_  
 Metabolife \_\_\_  
 Melatonin \_\_\_  
 Redux \_\_\_  
 Others (please list) \_\_\_

c. Do the supplements you sell contain warning labels? Yes \_\_\_ No \_\_\_ Some \_\_\_  
 d. Do you provide those who purchase supplements with pamphlets, signs, or warnings about their proper use and/or encourage them to consult a physician before taking supplements? Yes \_\_\_ No \_\_\_ (If yes, please explain)

2. Regardless of whether supplements are sold at your club, are any club employees authorized to recommend dietary supplements? Yes \_\_\_ No \_\_\_

(if no, skip to question 3)  
 a. Which employees? (Registered dietitian, personal trainers, etc.) What credentials do they have?

3. Do you have a written policy regarding the sale or recommendation of supplements? Yes \_\_\_ No \_\_\_ (If yes, what is it?)

4. Please share any additional comments or experiences with nutritional supplements in your club: Thank you!

# CLUB INSIDER News 1999

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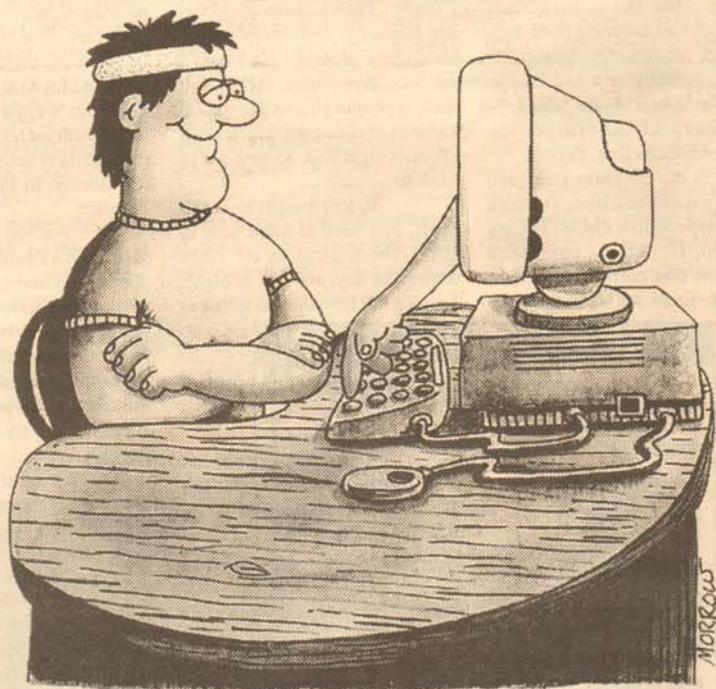
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# WEIGHT MANAGEMENT: Is Your Diet Y2K Compliant?

By Nancy Clark, MS, RD

"I want to start Y2K in good shape, so I've stopped eating fattening carbohydrates like pasta and bagels..."

"Dr. Atkins' high protein diet has helped me lose five pounds in one week. But is it healthful...?"

"I must be eating the wrong balance of carbs, protein and fat. I'm not losing weight ... maybe I should try the 40-30-30 plan???"

Weight-conscious athletes and exercisers alike are eager to try any and all fad diets that catch their attention. They fail to understand that any and all reducing diets have one factor in common: they create a calorie deficit. Plain and simple, in order to lose body fat, you have to burn more calories than you eat. That's the bottom line. Period.

In the 20 years I've been practicing sports nutrition, I've seen diets go around in a circle. Twenty years ago, Dr. Atkins convinced Americans that carbohydrates are fattening. Even athletes chose to

avoid (supposedly) fattening carbs in favor of a high protein diet. Sports nutritionists worked hard to re-educate these folks, especially athletes, that:

\*carbohydrates are not fattening (unless eaten in excess).

\*adequate carbs are important for top sports performance.

\*only carbohydrates (not protein, not fat) can replace depleted glycogen stores and fuel muscles for hard exercise.

\*carbs from fruits, vegetables, and whole grains provide important health-protective nutrients.

Then athletes heard fats are fattening, and started eating no fat/low protein with hopes a fat-free diet would "work." It didn't; people simply ate excess calories of carbs; no calorie deficit, no weight loss. So now we're back to no carbs....

To lose weight and keep it off, you need to learn how to EAT! The trick is to eat more during the day, and less at night. Enjoy a full breakfast, a substan-

tial lunch, an afternoon snack. Then, at dinner, eat a lighter meal. As you start to reach for more, remind yourself "I'd rather wake up hungry for a nice breakfast." Morning hunger suggests you lost weight overnight. That is the best time to lose weight. You need your energy during the day to enjoy being active.

Most of the popular fad diets are too strict for athletes. That is, they consist of too few calories to support your training schedule and athletic goals. You'll end up chronically fatigued, and may feel light-headed, dizzy or faint, to say nothing of lack energy to train at your best. Plus, the denial associated with dieting commonly leads to binge eating and weight gain, not weight loss. Dieting, along with lack of exercise and reduced daily activity, has greatly contributed to the fattening of America.

You should never embark upon an eating plan you do not want to maintain for the rest of your life. Otherwise, you'll go "on a diet" and lose weight, but then return to your fattening eating habits and regain the weight without ever having learned how to eat healthfully and appropriately.

If weight is an issue for you, I highly recommend you get guidance from a sports nutritionist who is a registered dietitian (RD). This professional will assess appropriate calorie targets and help you develop a healthful food plan for life-long weight management. To find an RD, visit [www.eatright.org](http://www.eatright.org). Or call the National Center for Nutrition and Dietetics (1-800-366-1655) and ask to be referred to a local member of SCAN (The Sports and Cardiovascular Nutrition practice group of the American Dietetic Association). This professional will help you lose weight and keep it off successfully, Y2K and

beyond!

Do any fad diets work?

Yes, you can lose weight on any diet, but only to regain it quickly. Not one of the following fad diets "works" for the long run. But eating works: eating healthfully, in moderation.

The Zone Diet: This 40-30-30 plan prescribes 40% of calories from carbohydrates, 30% from protein and 30% from fat. This diet teaches us that protein and fat can enhance weight reduction because these types of foods are very satisfying. When you feel less hungry, you can easily eat fewer calories and thereby lose weight. The bad news is, athletes need more than 40% carbs to refuel their muscles for top performance.

Dr. Atkins' Diet Revolution: Based on high protein, high fat foods, this diet eliminates most carbohydrates. Like the Zone, this plan has too few carbs to support athletic performance. And although this high protein plan promotes the concept you can eat all you want, just how many chicken breasts and cans of tuna can you eat for days in a row? The lack of variety contributes to food boredom and reduced calorie intake.

The Ultra Slim-Fast Plan: By drinking this canned beverage at breakfast and lunch, and then eating a normal dinner, the pounds supposedly drop off. Clearly, a 150-calorie Slim-Fast offers fewer calories than does a standard meal, but the reality is YOU work, not Ultra-Slim Fast! And you will have to work really hard to eat less dinner when your body is starving.

The Fat-free Diet: Sup-



Nancy Clark, MS, RD

posedly, eating less fat means you'll lose body fat...but only if you create a calorie deficit. If you simply trade 100 calories of butter for 100 calories of jam, you'll fail to lose weight. Calories count; don't fool yourself!

The Double-Duty Exercise Program: Doubling your workouts to burn more calories and melt away body fat may sound like a good idea. But what often happens is, the more you exercise, the more you'll want to eat. You may burn an extra 400 calories—but then succumb to eating 500. Plus, you can easily end up injured, exhausted, and sick with a cold or the flu. Exercise should be for enjoyment, not punishment.

(Nancy Clark, MS, RD, director of Nutrition Services at Boston-area Sports Medicine Brookline, is author of Nancy Clark's Sports Nutrition Guidebook (\$20). It is available by sending a check to Sports Nutrition Materials, 830 Boylston Street #205, Brookline MA 02467 or via [www.nancyclarkrd.com](http://www.nancyclarkrd.com))

nine partners of the Northridge Group, (the investors who plunked down \$13.8 million in private funding to back the E-Zone Network) describes his organization and why his private investor group became involved in the E-Zone Network: "Northridge is a group of 9 equal partners from diverse backgrounds. We build companies and do deals. The origin of the group was in 1984 in Calgary, Canada, (See E-Zone page 26)

## WINNING BOOKS

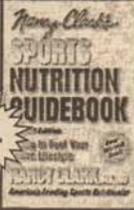
"If you have a question about nutrition, food, or weight, Nancy Clark's Sports Nutrition Guidebook will give you the answer. It's as simple as that!"

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## ...E-Zone

continued from page 15

There is a training gap between the directors of large chains and their managers that this will ultimately fill. Communication of the club organization's standards will be aided by the educational network. Everybody who signs up for E-Zone Network from now until the end of 1999 will receive these education

programs for the year 2000 free."

### A Visionary Founder

Dan Lowe, a Co-founder of the E-Zone Network, commented, "We looked at the technology issues and the vision we had for the marketplace. We considered everything from the Internet to virtual reality visors. We looked at the gamut of the different pieces of technology

that might find their way into the health club business. We concluded that a simple entertainment/education delivery system was really the way to go. And, over time we would grow into things like the Internet and more complex technology. It has to be friendly, compelling and the focus today is on installing the infrastructure, building and employing the networks and developing the programming that the

users will benefit from. At the end of the day we want to make sure that the clubs benefit from the system by the system putting them into the position to bring in new members, and keep their existing members. To raise the bar basically with a better quality of service."

### "Deal Makers"

Bob McKenzie, one of

# Bally Total Fitness Acquires George Brown Clubs In Fresno, CA.

## *Expansion Into New Market To Be Immediately Accretive To Company Earnings*

**CHICAGO**, October 1, 1999, Bally Total Fitness (NYSE: BFT) today announced it has entered the Fresno, California market with the acquisition of seven George Brown fitness centers, including one club operating in the San Francisco Bay Area.

The six Fresno clubs will

operate under the Bally Total Fitness brand name, while the Bay Area club will be converted to Bally's upscale 'Pinnacle Fitness' brand. This brings to 13 the number of fitness centers Bally operates in the San Francisco Bay Area, a market the company first entered only a year ago.

"With this acquisition,

Bally establishes a significant presence in Fresno, a rapidly growing area that is currently the fifth largest market in California," stated Lee Hillman, Bally's President and CEO. "We are excited to expand our operations further in California and expect the acquisition to be immediately accretive to our earnings. This

new cluster of clubs enables us to achieve economics of scale right from the start as we enter this new market and integrate these clubs into our company-wide infrastructure."

Since January 1, 1999 Bally Total Fitness has opened or acquired 33 new fitness centers, with plans to add several more by

year-end.

Bally Total Fitness is the largest commercial operator of fitness centers in North America with approximately 4 million members and nearly 360 facilities located in major metropolitan areas in 27 states and Canada.

## **Bonnie Patrick...**

*continued from page 7*

for feedback. Ask your customers what they want, how you're doing. Then act on those responses.

9) Demonstrates personal mastery. In the past few months, many changes have occurred within my own company. We are looking at every facet of how we do busi-

ness. Our leaders have focused on specific systems and processes in every area, and are moving to make sweeping changes and improvements, based upon their personal expertise and research.

10) Shares leadership and lives the values. How effective are you at managing your resources? How do you remind people of what's important? Great leaders manage the dream by keeping the passion quotient

high, and by generating and sustaining trust.

Our previous article looked at creating the organization of the future. Today we've looked at qualities of top leaders and managers. In the coming months, we'll be looking at the final piece of the puzzle to building a development culture: how to cultivate our employees.

Beverly Kaye, a professional career coach and internationally acclaimed author, sums

up the formula for success:

- The Organization provides the systems.

- The Manager provides the support.

- The Employee provides the spark.

Leaders and those they lead are intimate allies, the most powerful partnerships. Take a careful look at yourself, and find out how you can achieve more than you've dreamed by doing what matters most.

*(Bonnie Patrick is a Project Manager, specializing in Performance Learning and Leadership Training for The Fitness Company. A member of the American Society for Training and Development, Bonnie encourages your feedback on this information and specific topics to be covered in future articles. Please call Bonnie at (732)548-0970 ext.111.)*

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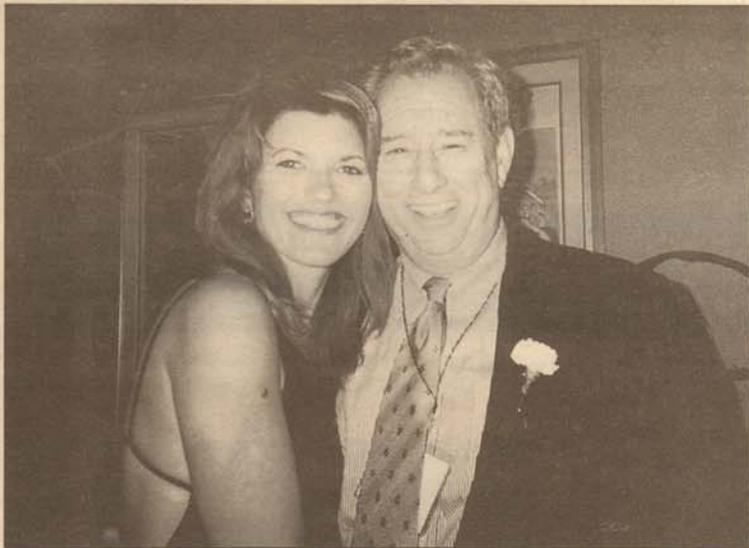
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# CLUB INDUSTRY 1999



*Club Industry Distinguished Business Woman's Award Winners (L to R)  
Julia Wheatley, Christine Denovelle and Kathy Iorio*



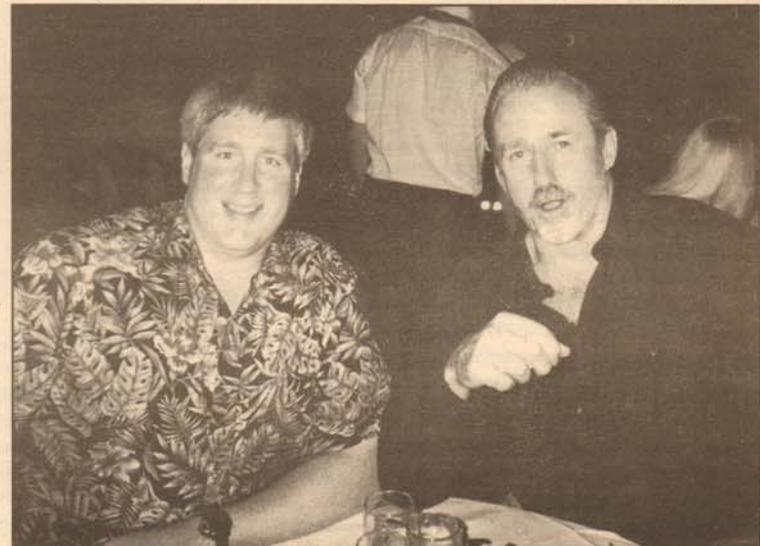
*Luke Cooley With TCA Boss Alan Schwartz*



*Life Fitness Dancers Rock At Club Industry*

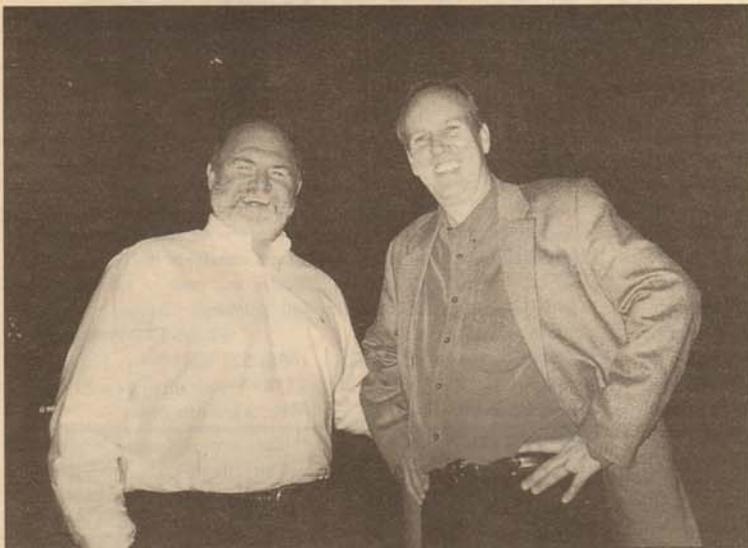


*The SalesMakers Crew Annual Trip To Rosebud's*



*MEX Big Boys Tom Grace (L) & Jim Flanagan*

# CLUB INDUSTRY 1999



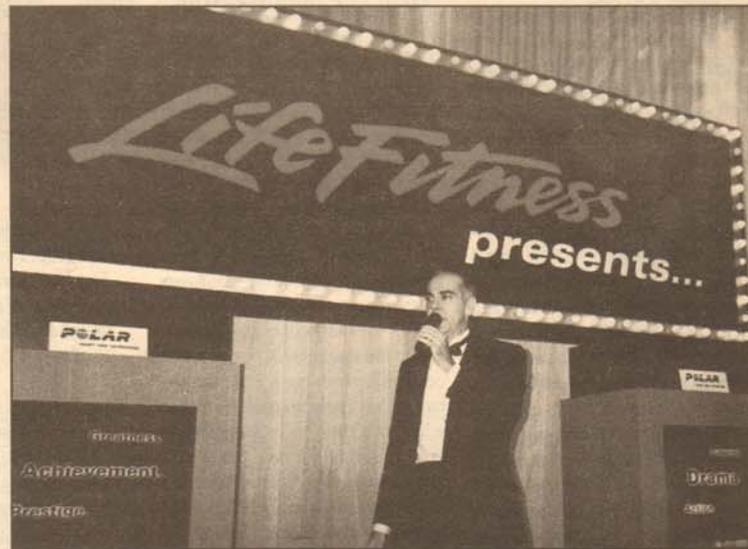
*Wayne Wiggins (L) And Terry Moffat "Burn The Midnight Oils!"*



*(L to R) Life Fitness' Herman Rutgers & Julie King With Rick Caro*



*The "Carolina Crew"*



*Life Fitness M. C. Kicks Off New Product Show*



*(R) Doug Levine And Friends Tour Club Industry Trade Show (L) Glynis Gibson & Julie King, PR Team For Life Fitness Enjoying Show*



# National Fitness Therapy Association Announces Formation Of A National Advisory Committee

**D**enver, CO- Patrick Pine, President of the National Fitness Therapy Association (NFTA), announced the appointments of professionals to the National Advisory Committee. These individuals provide representation from all aspects of the health, fitness and wellness industry.

The committee is made up of eleven members. One member is a representative from the NFTA Board and the other ten members are selected based on their knowl-

edge and experience in the fitness industry. The purpose of the committee is to review the established standards and audit process on an ongoing basis and to make recommendations to the Board if changes are needed for improvement. It will also keep the Board informed of any changes in the health care delivery systems that may affect the published standards.

NFTA was formed in 1998 by a group of health club owners, fitness professionals,

wellness consultants and health care professionals as a response to concerns of credibility in the fitness industry. Its purpose is to establish and monitor a uniform set of operational standards for fitness professionals and fitness facilities providing preventive healthcare services and post-rehab fitness therapy programs.

Members of the committee are listed below. Specific information on each member is available on the NFTA web site at [www.nfta.org](http://www.nfta.org) under the Govern-

nance page.

Patrick Pine - MED (NFTA President and Committee Chairman)

LaGary Carter - BS, MS, DA, ACSM, AFP

Michael A. Catalano - MD

Steve Clemens - CIC

Dick Cotton - MA, ACE. ACSM

Eric Durak - MS, MSC, AFP

Gil Fried - Esq.

Jeffrey Handler - BS, CSCS, CPT, MES, AFP, EMT

David Herbert - Esq.

Sally Lyons - BS, PT, AFP

Eric Prager - BS, CSCS, AFP

NFTA is a nonprofit accrediting association based in Denver, Colorado providing facility and individual professional accreditation. Accredited Facility Members must comply with the highest operational standards in the fitness industry and pass an extensive on-site compliance audit.

Phone (303)399-4545 \*

(888) 523-4545 \* Fax (303) 321-

8156 \* Email: [nfta@central.com](mailto:nfta@central.com) \*

Web: [www.nfta.org](http://www.nfta.org)

## ...Used Equipment

continued from page 10

**The Big Manufacturers In Our Industry Are Just Starting To See The Benefits Of A Short-Term Lease And Trade-In Program**

**T**he problem is where is all this 2 and 3 year old used equipment going to go? In the past, manufacturers would give a \$500 trade-in and then take the used equipment to the dump and bury it. The strategy was to remove used equipment from the market so it would not affect new equipment sales.

The problem with this philosophy today is that clubs will not get rid of 2 or 3 year old equipment for \$500. The equipment is built to last 8 to 10 years, and you can't get a club to trade up to new equipment at 3 years unless they get a much higher price for their used equipment. This means the manufacturer can no longer afford to throw the trade-in equipment in the trash. They must find a used equipment buyer who is willing to pay up to 50% of it's new value.

**A Demand For Used Equipment Must Be Created Before Manufacturers Can Expect To Sell Short-Term Leasing Programs On A National Level**

**T**hat's where a strong and credible "used equipment industry" must be established before explosive growth can occur.

When new equipment sales double and 2 and 3 year-old equipment starts coming into the

market there has to be a strong demand for used equipment.

**It's Time For All The Manufacturers To Take A Proactive Approach To Help The Industry Grow**

**N**o longer can they turn their head to used equipment. The manufacturers need to help the used industry grow.

Certain manufacturers are trying to stop the used industry from growing because they think it will hurt their sales. They try to make their old equipment obsolete so it will just get thrown away.

What will really happen is that the market will be educated on which products not to buy because they have no trade-in value when it's time to replace them. Would you buy a new car if you knew when you wanted to trade it in it was worth nothing? Of course you wouldn't. And the same will happen to those backward thinking manufacturers who think they can prevent the used equipment from coming back into the market.

**New Markets Around The World Are Being Created As A Result Of Used Equipment Distribution**

**T**he demand for health clubs around the world is growing at a rapid pace. They love American-made used equipment, because it helps them establish a new industry with a small investment. Their customers can't afford high membership fees so the owners need to keep their overhead low. Used fitness equipment allows them to do this. The point is used fitness equipment will not flood the market and hurt new equipment sales.

Also these new markets help our U.S. markets cycle out unpopular equipment types. An example is upright exercise bikes. The demand for upright bikes in the U.S. has dropped off greatly. Everybody wants recumbent bikes. This could mean that there is no trade-in value for upright bikes. But China, Spain, Brazil and markets like these love upright bikes and buy them by the container load.

**Used Equipment Sales Will Help Young Start-Up Entrepreneurs Enter The Health Club Market With Much Less Capital**

**U**sed equipment will help the future movers and shakers get started in our industry, when otherwise they could not afford to outfit a gym due to lack of capital. These young entrepreneurs will be the future leaders that our fitness industry needs. So improving the used equipment industry will spawn quality business operators who will help shape our industry's future. And after they open their first gym with used equipment, they will have the capital to open their 2nd and 3rd gyms with new fitness equipment.

**Purchasing Used Fitness Equipment Will Free Up Extra Capital That Can Be Added To The Marketing Budget To Convince More People To Join A Gym**

**T**his will help the whole industry grow by educating the public why they

should join a health club. Many start up gyms spend most of their capital on equipment and do not market and advertise their businesses efficiently. If they buy 10% or 15% of their equipment refurbished, they can save \$10,000 to \$30,000. This money can be directly applied to the advertising

budget over and above what they are already doing!

*(Steve Paterson is the V.P. of Sales and Marketing at Worldwide Fitness, Inc. He can be reached at (714)283-0355 (x15). Email: [steveP@worldwidefitness.com](mailto:steveP@worldwidefitness.com) or go to [www.worldwidefitness.com](http://www.worldwidefitness.com))*

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**E-Zone...**

continued from page 20

where we built Canada's first private energy marketing company. We all worked for big companies

and we all left the big companies when we saw a change coming, which was deregulation of energy. We built a company from scratch to a good sized company with 150 people that did business in 36 states in the U.S. and all of Canada. We sold a lot of crude oil

and natural gas. It became quite a big company with sales of \$3 billion a year. That sounds like a lot, but oil is expensive. The business had been controlled for so long that there were a huge number of opportunities for new players. We built that business and in 1994 one of our biggest competitors came along and offered to buy our business. Eric Hobson (E-Zone President) and I went to Calgary for a period of time to do the transition. Then we said, "What are we going to do next?" At that time we saw the next deregulating commodity being telecommunications. A friend of mine had come to me and said he thought we could build a new communications system because Canada had a telephone system in every province, but not one that covered the whole country. We started that company and very rapidly grew to a company of over 1,000 employees. We built a net-

work, raised some capital. Then raised some more capital and acquired some of our competitors. All of the partners invested in it, but two of us went into it to help run it and steward the investment and help build it. We have other guys that are building other companies. So, we worked and built the telecommunications company until we brought in a management team to replace ourselves. We are builders more than operators, so we brought in a team and just made ourselves redundant. We still had positions on the Board of Directors, but not in a day-to-day operations. Danny came along and asked us if we wanted to invest. And, we said, "We never invest without being active." Danny said, "Well, we think we can keep you busy." The whole group of us invested. Eric and I and a third partner came in, Al Clowes. Al worked for awhile

and then Eric and I continued and stayed in the operations. As the company grows we have raised the capital necessary to build the networks. Our job is to facilitate Danny and Lee's vision. Our goal is to have an operating focus to make sure they don't make any of the same mistakes we've made in the past. We will make new mistakes. But, it is really only a mistake if you make it a second time. The first time it is learning. We've learned a lot in 15 years of building companies. We've built a number of successful companies."

Lee Guthrie has been in the health, racquet and sportsclub industry for over 20 years and has been involved from the beginning in two of the industries greatest success stories: Nautilus and Life Fitness. Lee is now heading up the E-Zone sales team and if early results are any indication, it looks as though E-Zone is headed for great things.

Lee concluded our Chicago interview with the following comments, "A good example of our commitment to top service and a better product was when we came up with a better head-phone in response to customer input. And, rather than just introducing it to the newest customers, we went back into every club where E-Zone was installed and we exchanged all of the old head phones for the new head phones at no cost to the member or club owner. That is the kind of mind set and customer expertise that Bob and Eric and Northridge have brought in because through the years of building networks they know what needs to be done to satisfy customers. The whole vision of this is we want to get people away from thinking that we are a TV or Broadcast Vision. We are not that. Hanging TVs in your club so people can watch the news is fine. We are about a network that is going to drive commerce into their clubs. They are going to be our partners and we are going to give them ways to grow their business that they haven't had before. That's what the mission is. Now that we've been able to perfect the technology over the past year, we are going to be able to give the user what he needs. Things such as the video-on-demand opportunity, the three different types of head-phones and the ability to use anybody's headphones on the system. For me personally, this has been a great opportunity and pleasure to work with guys like Mike, Dan and Eric that have such a true vision.... E-Zone, The Fitness Network."

(E-Zone may be reached at 887/883-9663.)

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Norm Cates' **THE Club Insider**  
NEWS

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