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Norm Cates'

THE Club Insider

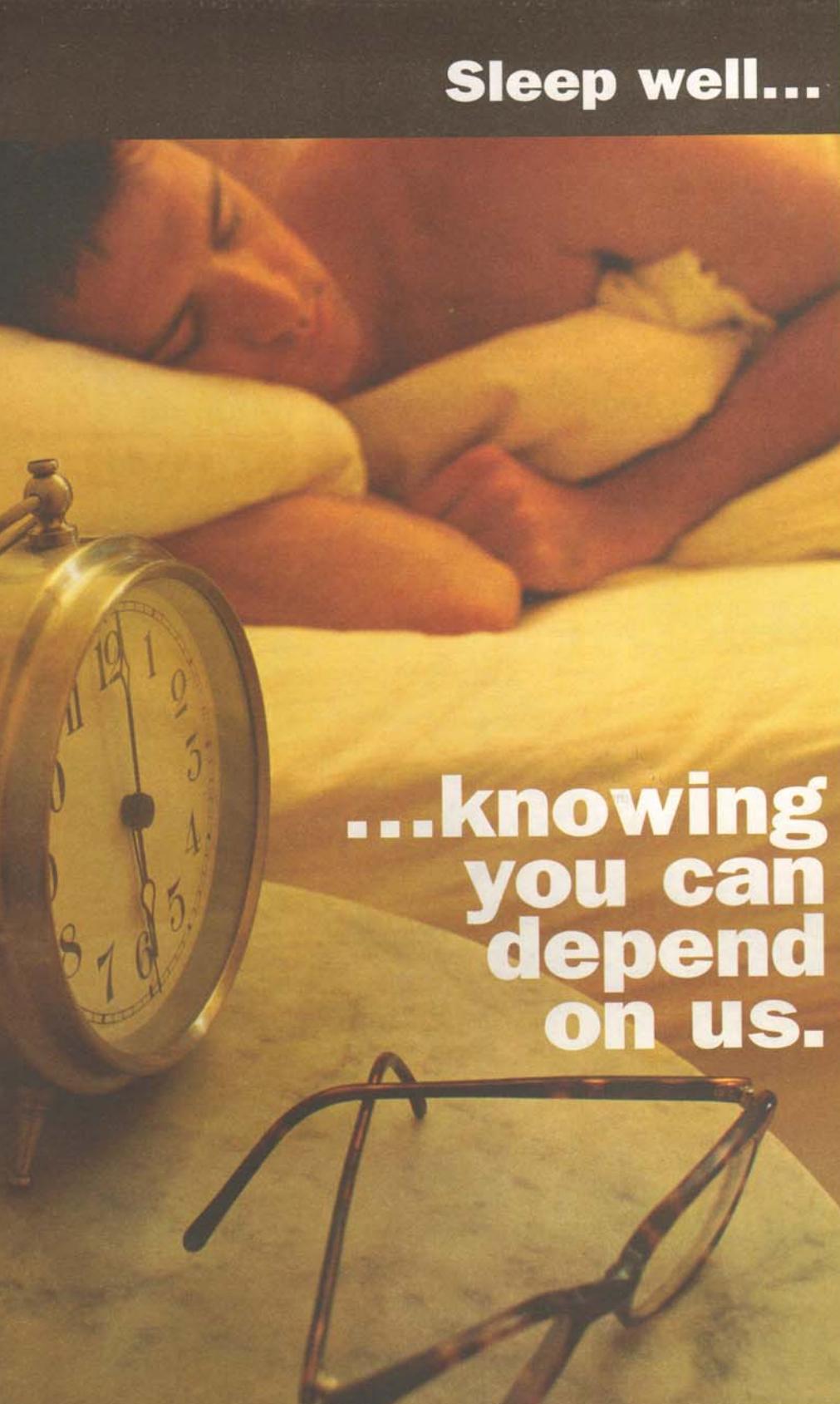
NEWS

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

NOVEMBER 2003
VOLUME 10 NUMBER 11



**Jim Smith's Peak Performance Network
Rates An A+!**



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Norm Cates' THE Club Insider NEWS

Jim Smith's Peak Performance Network Rates An A+!

Learn Here From Gems of Excellence From Jim Smith-World Class Club Educator

By: Norm Cates, Jr.

Helping clubs succeed has been Jim Smith's goal and A+ is his grade. The health, racquet and sports club industry is indeed fortunate to have an organization of the caliber of Jim Smith's Peak Performance International Fitness Network meeting the education and marketing challenges the health club business faces. These challenges will continue and as Smith's organization completes its 19th year of business and rolls into its 20th, we should all appreciate and support Smith's terrific organization.

Peak Performance was founded in 1984 by Jim Smith and has delivered educational and marketing products and services

to the club industry that can only be rated A+ over this long haul. Here is a man that began his involvement in the club industry while he was in college and he has never been in any other business since then. Jim Smith has dedicated his entire adult life to the health club industry. The health club industry is very fortunate to have him because his success story is one of a man of vision, a lot of talent and a willingness to share those skills throughout his adult life. Jim is now 46 years old.

Smith's Peak Performance Network produces the monthly Club Success journal and provides a strong and diversified menu of other services for club owners to advance their club operations in over 30 countries. Smith's

education and marketing machine, based in Bellevue, Washington, delves into a number of initiatives and all of them will help your club be more successful and more profitable in this very competitive industry.

Jim Smith graduated from the University of Washington in 1979 with a degree in Business Administration with a concentration in marketing. While a senior in college, he took a part time job in one of the early Nautilus centers in the Seattle, Washington area. That part-time job evolved into Smith being invited to become a partner in a second Nautilus center that his boss was building. From that experience Smith discovered an important, yet underserved industry niche: Education. Jim Smith is a pioneer in health club

industry education, publishing and marketing, and that leadership role has influenced clubs around the world in a hugely positive manner.

Perhaps the single greatest testimony for Smith's achievements came in 1990 when IHRSA (the International Health, Racquet and Sportsclub Association) named Peak Performance its Associate Member of the Year. This honor was particularly meaningful because up until that time, IHRSA had almost exclusively awarded its very prestigious annual Associate Member honor toward the big boys that manufacture and sell equipment. IHRSA spoke volumes with this honor by naming Smith's Peak Performance its Associate Member of the Year. IHRSA,

already the world leader in club education by 1990, in essence was saying, "Education in our industry is hugely important and here is one organization that has excelled in this vastly important, yet uncompleted educational challenge." IHRSA's role from day one (1981) was heavily focused on education for club owners in all facets of the health, racquet and sports club business and in essence, Smith's organization has teamed along the way with IHRSA in that huge task. And, an excellent team it has been!

We are happy to provide you with this in-depth interview with Jim Smith, Founder of the Peak Performance International Fitness Network based in Bellevue, Washington.

(See Jim Smith Page 8)

Joe Cirulli Acquires Rights To The Core Spinal Fitness System By MedX

Joe Cirulli has been in the industry for over 30 years and owns two health clubs in Gainesville, FL with a combined membership of over 22,000. He also shares joint ownership of 3 physical therapy centers with a local hospital. He has been involved with MedX from the beginning and recently bought the rights to the Core Spinal Fitness System.

Q. How did you become involved in MedX?

A. I actually had the opportunity to be with Arthur Jones within a few weeks of his developing the MedX Medical Lumbar Extension Machine. He had been working on it for 14 years and had spent

approximately \$40 million in the process. I was his first test subject.

Q. So what happened?

A. I started going down to his facility in Ocala, Florida and trained on the machine one to two times per week. The strength on my extensor muscles started to rise so rapidly Arthur thought something was wrong with the machine. But after checking everything out there was nothing wrong with the machine - the strength of my back was rising by hundreds of percentile. Ultimately the strength of my back rose by almost 500 percent. That would be comparable to raising your bench press from 100

pounds to 600 pounds and I did it in less than 5 months.

Q. Isn't that impossible?

A. Yes, with a normal muscle. But not with one that is atrophied.

Q. Didn't the University of Florida use MedX equipment in an extensive research project in the 1980's?

A. Yes, the University of Florida heard about the machines and Dr. Michael Pollack, who was one of the most well known exercise physiologists in the world, came to the University of Florida at Gainesville to head up the MedX project. The Gainesville Health & Fitness Centers were connected to the research, and we started testing and training members by the hundreds.

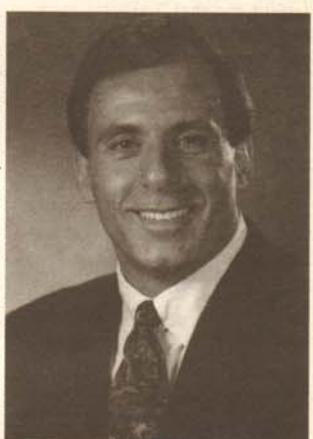
Q. After gathering the research to back up the validity of the machines, then what did you do?

A. Through the months of testing, the one thing that amazed me were the number of members coming to me and saying "You

know Joe, I have had back pain for 20 years and I don't have it anymore; this machine is a miracle. You need to advertise you have a miracle machine." And I said "How many people do you think would believe me if I advertised I have a miracle machine?" But at a certain point I decided it was time for me to open up a rehabilitation center that focused on the spine. I didn't know anything about the business of rehabilitation. All I knew was that if I could get people better I'd figure out the business part.

Q. Why did the MedX Lumbar Extension machine give people such incredible results?

A. Arthur had figured out the only way to work the spine was to stabilize the pelvis. When that occurred and your body could work the lumbar muscles in total isolation, spine strength went up tremendously. Now the question is, how can you increase the strength of a muscle a 100 percent, 500 percent, 1000



Joe Cirulli

percent in some cases? Arthur came up with a simple explanation. Let's say someone comes into the gym with a cast on their left arm and you measure the strength of their right arm. Let's say they can lift 100 pounds with the right arm. After removing the cast from their left arm you may find they can only lift 5 pounds. But once you start

(See Joe Cirulli Page 4)

Inside The Insider

- How To Succeed With The Huge 80% Beginners and Intermediate Market
- Who's Winning THE FOOD Fight?
- IHRSA Convention Preview
- "small is GREAT!"

"Inside The Insider" Giving Thanks.

By: Gary Albert

On my return home from a recent business trip to the West Coast, I suddenly realized that Thanksgiving was right around the corner. For years, I had made broken promise after broken promise to myself that I would take the time to let those most important to me know just how thankful I am for their help. Something always seemed to come up and get in the way.

This year is different!

Often times, our dreams are hidden within the shadows of the highest of mountains. I want to thank my parents for teaching me to believe in myself and instilling the confidence in me to climb, search and travel along the road less traveled. I have found my dream! I am grateful for your love and feel blessed to have both of you in my life.

To my wife, Madeline, my son, Adam, and my daughter, Riley, I say thank you. I am not sure what I could have possibly done to deserve such unconditional love. Your steadfast support and understanding have taught me a deeper meaning of the word "family". You have taught me that "Alberts stick together" ... I love each of you beyond my ability to communicate it in words.

I want to thank my business partner, Marc. You were able to clearly see the vision while so many were wearing the wrong pair of prescription glasses. Your confidence in my abilities, calm and level-headed thinking, and your stick-to-itiveness through times where others may have wavered have contributed more to building ActivTrax than anyone will ever know. You truly

are THE man among men!

I want to thank my other family, the ActivTrax team. For all your hard work, dedication and ability to put up with my craziness, I thank you. You are ActivTrax! I couldn't have dreamed of working with a brighter and more creative group. In your own, unique way, you inspire me to improve myself.

To my mentors: Mitch Wald (yoda), Rick Caro, Dale Dibble, Bill McBride and others from which I have learned so much, I thank you. I thank you for your friendship, guidance and support. Your investments of time have made me not only a better businessperson, but also a better man.

And last, but nowhere near least, I want to thank our customers. You make it all worthwhile!

To the rest of the fitness industry, I also say thank you. I can't think of a more exciting opportunity than the one staring directly at us. We now know, beyond even the darkest shadows of doubt, that exercise is THE "magic pill" so many people have longed for. Whether it's issues with obesity, mental health or any number physical ailments, regular exercise is part of the answer. We are tasked with reaching out, educating and leading our members and non-members to what we already know...regular exercise isn't a choice, it's a way of life. I am honored to join you in the challenge.

At this time of giving thanks, I want to thank each and every one of you who has taken a part in helping me help others. Together, we do make a difference.

Enjoy your holiday.
Happy Thanksgiving!
Gary Albert, President & CEO
ActivTrax

Norm Cates'
THE Club Insider[®]
NEWS

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...Joe Cirulli

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training the left arm the strength would rise to the level of the right arm. That would be thousands of percentile increase in strength. It appears since we have never been able to isolate the back muscles they have totally atrophied. This is what the research showed. It also showed that when people increase the strength of the lumbar musculature most or all of their pain went away.

Q. Why did you develop the Core Spinal Fitness Program?

A. The original machines sold for \$60,000 and were sold to medical centers worldwide. We knew we were helping tens of thousands of people reduce or eliminate their back pain. We felt if we could get the MedX Corporation to develop a less expensive exercise version, we would be able to help millions of people around the world. MedX responded.

Q. What does the Core Spinal Fitness System consist of?

A. The system consists of five machines - the Core Lumbar Strength, the Core Super Stretch, the Core Ab Isolator, the Core Torso Rotation and the Core 4-Way Neck. This combination of machines focuses on strength, stability, flexibility and endurance of your body's core, providing a solid foundation for all body strength.

Q. Who can benefit from the Core program?

A. It opens the door for every health club to put these five machines in their facility and help people with chronic low back and neck pain. A lot of people love to play golf, but the major reason that stops them from playing is their backs start bothering them. These machines will not only help them improve their golf game by helping them drive the ball farther because they'll have more flexibility and more strength, but it can also help people play to a

very old age.

In fact any athlete that core spinal strength is important - tennis players, baseball players, football players - this program will help them tremendously. Think of high school players involved in contact sports. Their parent's biggest fear is a spinal injury, and although we know we can't eliminate all spinal injuries we know we can help prevent some of them. The reason why most people get hurt is when there is a force that exceeds their structural integrity. By increasing the strength of the muscles, bones, tendons and ligaments the likelihood of injury becomes less. That is why I am so excited to offer this to clubs as a package. Not only will they be able to increase memberships by going after specific markets, but we will also be able to help the millions of people in such a positive way. I don't think I have ever received more gratitude than the gratitude of a member who has overcome back pain.

Spearman Industries, Inc.

August 12, 2003

Mr. Norm Cates
1548 Princeton West Trail
Marietta, GA 30062

Dear Norm:

It is hard for me to believe it has been 10 years since we talked about the future for Norm Cates at a Faust round table meeting. There were many ideas for a multi talented guy like you to look into, but this idea of an industry newspaper seemed to have the support of the group and I definitely thought you would be perfect to be the guy publishing a newspaper for club owners and operators that would keep us aware of what is happening in our industry as only YOU can do!! I knew then that you would "tell it like it is" and would not back down from a fight if winning would be helpful to the industry. You have proven me to be correct!!

You probably know more industry people that anyone and you are dedicated to the club industry and to exposing those operators that bring shame and shady conduct to this great industry that we all love. You are clearly a great friend to have and it is equally as clear that you are not someone to cross and make an enemy. You stick up for the "good guy" and give the bad guys all they can handle.

I really enjoyed working with you on the name change issue at IHRSA and I think most name change advocates would agree the end result i.e., IHRSA, made the long drawn out battle worth the effort.

I have observed other challenges The Club Insider has taken on and you are always loyal to those that bring honor to our industry and ALWAYS tough on the clubs that betray the effort by the club operators who try to do the right thing.

Norm, your paper, The Club Insider has far exceeded my wildest expectations when those of us at the Faust round table were verbalizing on a concept of an industry newspaper with "how to" articles, write ups about industry trends and articles about trend setting clubs and programs. Your paper was the first one to tell me about Body Training Systems and "Body Pump".

You also keep us up to speed about IHRSA, many leading clubs and programs, as well as what is happening to many industry friends that some of us only see once a year at IHRSA.

All in all, Norm you have done a great job as The Club Insider and all of us in the industry are much better off for your hard work.

Sincerely,

Cecil

Cecil E. Spearman
Chief Executive Officer
Spearman Industries, Inc.

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●Norm's Notes●

•Here we go with the **FIRST EDITION** of our **11th Year of Publishing** of **The CLUB INSIDER News!** STAY TUNED!

•**JOE CIRULLI**, the owner of the Gainesville Health and Fitness Centers in Florida is one of America's **truly greatest health club owner/operators** and has set a standard for the rest of this industry. He also served the industry well as a **Board Member** and the **20th President of IHRSA**. If you are ever in central Florida you will have well spent your time by visiting Joe's amazing clubs. Now, Joe has taken on a new opportunity with the acquisition of the **North American** rights to **The Core Spinal Fitness System** by **MedX**. Joe began marketing The Core Spinal Fitness System in October with the full-page ad he placed on the outside back cover of our October and this November edition.. I can tell you this about MedX. Five years ago, long before I lost 110 pounds, I

suffered constantly from a lower back injury sustained when in 1991 a drunk driver rear-ended my stopped car. He was going over 50 mph. In fact, while it is no excuse, a major contributing factor in my weight gain from '91 to '99 was that injury. My friend **Big JIM FLANAGAN**, a longtime **Nautilus** and now **MedX** devotee, arranged for me to go to a local Atlanta doctor for treatment on the **MedX Lumbar Machine**. The machine was invented by the genius, **ARTHUR JONES**, the inventor of **Nautilus**. A true miracle happened to me. After two **30-minute sessions** on the **MedX Lumbar Machine**, the extremely painful "electric shock" pulses in my lower back I was having due to my spinal condition **went away** and have **never returned**. Joe Cirulli has believed strongly for years in the teachings of the one and only **VINCE LOMBARDI**, and he does not believe in half-hearted efforts on

anything. With the vigor and dedication of Vince Lombardi, Joe is now attacking the opportunity he sees to literally serve the millions of people around the world who suffer like I did for years. Carefully read the article beginning on our page #3 this month to learn how The Core Spinal Fitness System can help your club help thousands while at the same time, helping your club gain new members and keep them forever. I cannot think of anyone on earth more prepared to articulate how and why The Core Spinal Fitness System should be an integral part of your club organization. Joe Cirulli is poised to change the world in this suffering, yet underserved population of people with back problems. I know Joe will be successful in this endeavor as he is in all he does. STAY TUNED!

•**COLIN MILNER**,

Canadian club industry veteran, has done a terrific job over the past two years founding and promoting the **International Council On Active Aging** (ICAA), an organization devoted to the promulgation of fitness for the 50+ plus crowd around the world. The ICAA will host its **Active Aging 2003: Communicating the Message of Physical Activity to the Older Adult Conference** December 3-6 in Orlando in conjunction with **PETE BROWN'S** **Athletic Business Conference and Trade Show**. Legendary basketball **COACH RICK PITINO** will be the keynote speaker for **Athletic Business**. Make plans to go to Orlando for this special event as some of the best speakers in the business will share their expertise, including **RICK CARO**, **DENNIS KEISER**, **SANDY COFFMAN**, **SCOTT CHOVANEC**, **BOB KARCH** and **GLENN WONG**.

•**BOB KARSHNER** is one of the founders and leaders of **The Florida Health Club Association**. Bob contacted me right at press time to let me know that **FHCA**, will host a two-day seminar on Dec. 4th and 5th, with the **FHCA General Meeting** to be held at the **Orange County Convention Center in Orlando** on Thursday, December 4 from 11:45 a.m. to 1:00 p.m. FHCA registration begins December 4 at 8:00 a.m. with sessions from 9:30 to 4:00 p.m. Dec. 4 and from 8:30 to noon on Dec. 5. Florida has over 500 health clubs and

we need to generate more FHCA member club support. Every health club owner in Florida should be a member of this Association. For info on FHCA go to: www.flhealthclubs.org

•**Congratulations** and best wishes to **MATT MCKERNAN** in his new role as the new **Vice President/General Manager** of **CheckFree Health and Fitness Division**, an arm of the giant **CheckFree Corporation**. The CheckFree Corporation, based in Norcross, Georgia, was founded by **PETER KIGHT**, one of America's best entrepreneurs. Matt has a terrific team to work with, including **BARRY BLEUR**, who is in his **20th year** with CheckFree, and **SCOTTIE MANION**, who is in his **12th year**. These old friends of mine are great guys and "characters" they are! Relatively new arrivals to CheckFree, **RON POLISENO**, the **Director of Client Development** and **ROBIN HOLLIS**, **Marketing Manager**, round out a great team.

• The Note above reminds me to say best wishes to **DICK MITCHELL**, the pioneer in **EFT** in the health club industry, who sold **RCM Corp.** to **CheckFree** years ago and is now with **Booking Plus**.

• Because of the tone and significant amount of coverage I have provided health club industry legend **RAY WILSON**'s new "Healthy Exercise" launch in recent issues, I am told by a close confidant that people are beginning to ask if Ray Wilson is an "investor" in **The CLUB INSIDER News**. The answer is "No" and let me now set this straight. I have known Mr. Wilson for 22 years now, having met him the first time at our first IHRSA Convention in 1981, when he spent his valuable time to come to Las Vegas and speak to us about racquetball court club conversions to fitness uses. Were it not for that speech by Mr. Wilson, there are a **bunch of people** in this industry today that would not be now. Over the past 10 years, Ray Wilson has become a good friend of mine and a man I consider the **single greatest source of industry experience** alive today. Ray Wilson has vast experience, and he has admitted that some of it was bad in his early years when he and a few

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Norm Cates, Jr.

others were pioneering the health club industry (1950's). But, most of his experiences have been great, such as his reincarnation of **LifeCycle**, after it had failed three times before, and leading to his worldwide **LifeCycle** success when he teamed with **AUGIE NIETO**, and his amazing 72-club **Family Fitness Center** chain in Southern California. But, all of **Ray Wilson's** experience is **important and useful** to a health club industry that is still trying to find its way! I have no investors in my publication, but I can tell you this. If I ever do seek investors for future growth, Mr. Ray Wilson will be the **first person I will ask to do so**. And, I want you all to know that 8 or 9 years ago, when I was struggling to keep **The CLUB INSIDER News** going, Mr. Ray Wilson and "COACH" **BOB DELMONTEQUE** stepped up to help me by contacting prospective advertisers to come on board. Not by accident, **The CLUB INSIDER News** has just celebrated its **10th Anniversary** with our **October Special Edition**. Mr. Wilson pays for his "Healthy Exercise" advertising every month (and he pays on time like everybody else) and you will see his two-page center spread, four-color ad on pages 16 and 17. Importantly here, and you can take this to the bank, if I did not **believe in my heart** that Ray Wilson is onto **something big and very newsworthy for the health club industry and something that will help this industry hugely if people just listen to him carefully**, I would not be giving his "Healthy

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...Norm's Notes

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Exercise" launch and story this excellent coverage, double page ads or not. So, if any one of you out there feel, after reading this, that I am giving you a line of bull and would like further information on this, please feel free to give me a call so we can discuss your beliefs. I may be reached at: 770.850.8506.

• **Congratulations to ALAN HANFORD and his team at the Penfield Racquet Club, Rochester, New York, as his club is celebrating its 25th Year in business. What an achievement Alan, you and your team should be mighty proud ! And, we are proud of you!**

• **Congratulations to DEAN and M.J. Kachel and his Team at the Quadrangle Athletic Club in Coral Springs, Florida, who have defied all odds and are now celebrating their club's 24th Anniversary! You want to hear about a competitor ! About 8 or 9 years ago I agreed to take on the only paid club consulting job I've done since the 1980's when Dean called me and asked for help. Dean, a former IHRSA Board Member, was facing a brand new competitor called "About Fitness" that was being built about 400 yards across and down the street from his club. I traveled to Coral Springs and spent three long 14-hour days working with Dean and I wrote a 9 page "battle plan" for him. My survival recommendation for his then 12-court racquetball club was comprehensive and I am very glad to say, Dean followed my plan exactly and completely. The plan included a move of his reception area from a walk-up second floor entrance to a ground floor entrance entering a new, attractive reception area, a complete renovation and overhaul of the exterior of the club and a massive re-design, renovation and upgrade of his club's interior. I also recommended the purchase and installation of a diversified and significant line-up of additional cardio and strength equipment. I am proud to tell you that Dean has withstood not only the installation of the "About Fitness", which is now a further expanded L.A. Fitness, but he has competed successfully for years now with both a brand new Bally Total Fitness less than a mile away and a "Q Sports Club", now 24 Hour Fitness, about a 1/2 mile up the street in**

the other direction. In essence, Dean Kachel has been surrounded by new, glittery competition and Dean tells me that his family operated business has never been better and is keeping on and he is looking forward to his 25th Anniversary !

Along the way, Dean has become one of the top racquetball event promoters in the U.S.A. and he accomplishes that with just six courts. Dean has been approached to sell his club about 6 times in the past 10 years since I worked with him, but he has never gotten close until recently when a group entered into a contract purchase that ultimately did not go through. But, what did go through was about \$250,000 in improvements to the club and parking lot that the contracted buyer went ahead with, thinking the "deal was in the bag." Although that deal fell through, Dean is now "loaded for bear" for his 25th Anniversary and many more. Congratulations Dean and M.J. Kachel and Team!

• I am extremely angered and amazed and you should be too, to learn that BRIAN HOMAN is now preparing to open another club in Coral Springs, Florida. About 9 years ago, he opened the "About Fitness" mentioned above. He had been a former employee of DEAN KACHEL right up the street. The reason I am riled up is that Homan, a bright, but misguided human being, was the former founder and owner of the "Tools" Management Computer Software Company, based in Coral Springs. Homan went out of business a few years back, but he had collected on behalf of his EFT customers, over \$200,000 that was never paid to them. There were some questions of fraud. Those 8 club owners across the country had done business and trusted this shyster in a crucial area, EFT Dues Collections. He shafted them all. I know of one club in Fort Worth, Texas that lost over \$70,000 to Brian Homan and another in Poway, California that lost over \$40,000 to HOMAN, just to name a couple on my list. How in the hell this guy thinks he should be allowed in this great health club industry again, I will never know, but I am going to do what I can to stop this travesty. One good thing happened in the mess reviewed above and that is that FRANK ANDERSON of Arizona-based Computer Outfitters, took over the software applications and still has the

really good Tools Management Programs available. There was nothing wrong with the Tools System, just the human being behind it before the veteran Anderson took over. STAY TUNED!

• A week or so ago I was contacted by a club owner from the St. Louis, Missouri area who expressed a concern that the Missouri State Health Club Laws in respect to health club registration, pre-opening escrow of funds and bonding were not being enforced by the Attorney General's Office of the State. So, to follow-up, I contacted, after about 10 "phonetag" messages, MS. KIM HADDIX, Assistant Attorney General, whose job it is to deal with those issues and issues associated with four or five other industries not related to health clubs. After speaking to her, now I know why I always got her voice mail. The feeling I got from the conversation is that the Attorney General's Office is making its best effort to enforce the laws in the health club business, but things like the three clubs that closed without bonds in the last two months keep on happening. The club owner that called me from Missouri expressed dismay that the Attorney General's office was not responding to their requests for enforcement of health club laws. Ms. Haddix assured me that they make every effort to record and respond to all such communications. So, I finally had reached her by calling first her Assistant, a lady named CANDICE, who then connected me with Ms. Haddix. Candice's direct line for you Missouri folks is: 573.751.9645. In all states, the Attorney General is required by law to enforce the laws of that state. I would suggest that no matter what state you are in, if you have a health club operator in your area that you are sure is breaching the State's laws, that you call the "Assistant" to the Assistant Attorney General that may be in charge of that department and ask for the person in charge. And remember, "The Squeaky Wheel Usually Gets The Oil." Don't let up. Then, call me and I will be sure that you get heard one way or the other. My number: 770.850.8506. I am digging in to find out what is going on up in Missouri so STAY TUNED !

• Word I get is that Precor is in discussions about the acquisition of Icarian. STAY TUNED.

• It was announced recently in New York's "Daily Deal" publication that Gold's Gym International, Inc. is close to going on the auction block and that the UBS Investment Bank and Harris Williams & Co. had been hired to explore a sale. DEREK BARTON, has worked for many years to craft a terrific worldwide name brand recognition for Gold's Gyms and hopefully GGI, Inc. will be able to cash in on that. The Gold's Gym franchise organization has many really terrific health club business men and women including people like Atlanta's GORDON JOHNSON and Florida's, PLEASANT LEWIS. STAY TUNED!

• JOE MOORE, the owner of Moore's Fitness in Ohio and Kentucky, told me yesterday that JUDGE FLANNERY has not ruled yet on his lawsuit against the ROYCE PULLIAM'S Gold's Gym organization in Ohio. There is a lot and I mean a lot riding on this decision. This decision will have an impact on more than just what has been happening with Moore vs. Gold's in Ohio. It will impact this entire industry nationwide because in my view, depending upon which way the Court's decision may go, it could impact the International Health Racquet and Sportsclub Association's (IHRSA) enforcement of the Association's ETHICS and CODE OF CONDUCT Standards. We will have a complete story on the decision one way or the other when it is handed down.

• JOHN FULTON is a 20+ year health club veteran in Canada and the owner of two Fulton 24 Hour Fitness Centers in Fort Erie and St. Catharines, Canada. His brother, ROBERT FULTON, had developed a chain of 40 women-only, de-conditioned focused facilities, called Express Fit, about three years ago and recently John Fulton acquired that company from his brother and his partner. The acquired company, Fitness Link, Inc. also has 10 new ExpressFit facilities in the pipeline and John's plans are to take the franchise organization global. We'll have more on this story at a later date.

• PAUL RICHARDS, in New Zealand, has adopted from the hotel industry, a Five Star Rating System for his chain of clubs called Club Physical. His monthly inspections of his 10 clubs include what he calls the "White Glove Award" for the

cleanest and best rated club for the month. Paul recently had the Mayor of Auckland, JOHN BANKS, an avid workout man, cut the Grand Opening Ribbon for a new Club Physical on K'Road in Auckland. Paul follows the activities of U.S. club operators carefully and uses The CLUB INSIDER News as a prime source of ideas and information "Down-Under." Good luck Paul on your new club and the 5 Star Rating Program! And, keep on sending those emails to: clubinsidernews@mindspring.com

• NASM, The National Academy of Sports Medicine, one of the largest certification organizations in the business, has announced a major initiative (See Norm's Notes Page 30)

The Club Insider News

Contributing Author Team

The 2003 CLUB INSIDER News 2003 Contributing Author Team is listed below. Our thanks to all of our authors for sharing their expertise and taking the time to write for The Club Insider News.

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How To Succeed With The Huge 80% Beginners and Intermediate Market

By: Ray Wilson

From time to time people have asked me, "Why can't I just open circuit training in my own club? Why should I pay your company \$395.00 per month?" The answer is that they can and many will. And, we will sell them our unique circuit training equipment. Our unique equipment is designed to allow you to change stations every 30 seconds whether you are on a Treadmill, Elliptical or Hydraulic or Weight Stack unit, which provides a "Station-By-Station" approach to a 30 minute workout and not just general circuit training. The reasons they should let me help them are I am sure I can at least double their odds of success (and their gross) and the \$395 per month per club is a small amount to accomplish that. In a similar circumstance in Southern California in the 60's, 70's and 80's, we paid Jack La Lanne 2% of our gross to have and use Jack La Lanne's terrific fitness (mild image). This amounted to about \$1,000 per month per club. This was the best deal I ever made, as Jack's image pulled prospects in by the droves. Jack pulled in the deconditioned masses that

expected a "mild" program. Unfortunately we and the rest of the health club industry gave them "hard body" exercise programs and most of them dropped out. This time, with Ray Wilson Healthy Exercise, they will receive the "mild" program they desire. Robert Delmontique and I tried circuit training in our large clubs in the late 60's in our Jack La Lanne European Health Spas. It did not work because the deconditioned member would do the circuit training and then copy the body builders and also use the other equipment. These de-conditioned members would then "burn out" and "drop out". Only separate small clubs with special unique circuit equipment will succeed and educate these de-conditioned people (and get a portion of them to graduate to the large clubs). To incorporate our program, you do not change the name of your clubs; you just combine the Ray Wilson Healthy Exercise image with your present name. (See the sample ad on this page which is for a Ray Wilson Healthy Exercise club opening in Boston). This Boston group has four large clubs and has purchased ten Ray Wilson Healthy Exercise franchises to surround their four large clubs.

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Ray Wilson has been in the health business for over 50 years. Among his most significant accomplishments are the creation of the European Health Spa chain, the development of the Lifecycle Exercise Bike and the Western Family Fitness Centers chain of over 72 clubs which he sold and are currently part of the 24 Hour Fitness health chain.

Now at 75 years of age, Ray Wilson is opening this new health club experience for fitness beginners, intermediates and anyone who wishes to get in shape and stay in shape. Ray Wilson's newest clubs offer quick and effective exercise. This all encompassing 1/2 hour "30 Second Interval Circuit Workout" is revolutionary, providing a station-by-station approach to total fitness in 30 minutes or less. "Healthy Exercise" promotes better bone density, increased circulation, increased flexibility, relieves stress, increased strength and firming and toning of flabby muscles.

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unless we create our own recession. It is my belief that there are now too many large clubs as compared to the present "hard body" prospects. **If we do not break into this 80% deconditioned market (and create a mass of new "hard body" prospects), we could definitely have "wash out" number four. I have been able to accurately predict the direction of this industry for over fifty years, so my opinion is of proven value.**

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...Jim Smith

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**An Interview With Jim Smith,
Founder of Peak Performance**

Q. Jim, tell us about your early years?

A. I was born and raised in Seattle, Washington. In high school I participated in football and track. I enjoyed playing football from midget league football all through high school, playing offensive guard and linebacker. I graduated from the University of Washington with a Bachelor's Degree in Business in 1979.

Q. Jim, how did you get involved in the health and fitness club industry in the beginning?

A. Like almost everybody in this industry, I got into it because of my own personal interest in

fitness. When I was a freshman in college in 1975/76, I started working out at one of the first Nautilus clubs that had opened in Seattle. I worked out with some of my friends there and we absolutely loved it.

As I was getting close to graduation during my senior year in college I was trying to make a decision about what direction I would go with my degree in Business. Two things occurred to me: 1) from the time frame from 1976 to 1979, you could see the growth of the health club business happening. For example, in '76 there was just one Nautilus club in Seattle when I was a freshman and there were quite a few Nautilus clubs and other health clubs in Seattle by the time I was a senior. I thought that the health club industry was a growing field and one that I had a personal interest in.

In the middle of my senior year, I had heard about a new Nautilus club opening. I went to the club and talked to the guy that was opening the Nautilus club and asked him if he needed a marketing director because my area of emphasis in business school was in marketing. He hired me as the Marketing Director on a part-time basis during my senior year and then I moved to full time after I graduated. Eventually, I formed a partnership with him and together we opened up a second club location, and I became a partner in both locations. Over

that three year-period of time I learned a lot the hard way. Essentially, it was a situation where I was doing all of the work for only 50% of the profits and I decided I needed to exit the situation. I sold my share of the partnership to my partner and then moved on to "Plan B" which was to open my own club.

Q. Did your "Plan B" include what you are doing in your career now?

A. No. While I was working on plans for my new club, some people that I knew in the industry were inquiring about whether I was available to do sales training for their staff and create marketing plans for their clubs. I agreed and started to get into consulting with some of them. I was not really looking to go in that direction, but I was just helping people out who would ask me for help.

In 1983, one of the clubs that hired me to do some sales training for them was one of the Western Athletic Clubs. They really liked the training I did for their sales staff, so they contacted their San Francisco

CLUB SUCCESS

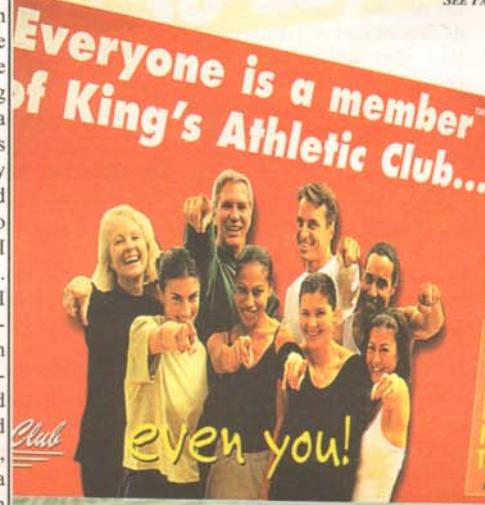
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CLUB TRIPLES SALES with "Automatic Conversion" free trials

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Peak PERFORMANCE

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for the health, fitness
and sports industry.**inside****All Members Are
Not the Same**

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**Service Standards
in the Club Café**

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The Secrets to Success

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Open Up With Me

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**Exercising Market
Share in Your Group
Exercise Classes**

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headquarters and suggested that I do sales training for all of their clubs. Through word of mouth, I ended up doing more and more consulting work. As I was doing that, I came to realize that there were a lot of advantages to the consulting business compared to having to fund, build and operate health clubs.

One day I was reading some business newsletters. Back then there were not a whole lot of club industry publications and IHRSA had not been around a long time. It occurred to me that there was a demand out there from people who want to know how to do sales, how to do marketing, how to increase retention and different aspects of the business, and there really isn't much out there to help them. I thought there might be a real opportunity for a club business newsletter.

As you know, Norm, when I started Peak Performance newsletter in 1984, there was no advertising in it. It was kind of like the Kiplinger newsletter. That's really how this company was started. It was received very well. I marketed it through direct

mail and at conventions, and I started doing a lot of speaking at major industry conventions really all around the world. Not just IHRSA and Club Industry, but in Canada, England, Germany, Australia, New Zealand and Japan. We now have subscribers in over 30 countries. So, through those speaking opportunities Peak Performance got a lot of exposure. And, a lot of people that go to those seminars are interested in getting more information and eventually subscribing to the publication. We developed very loyal readers.

We have prided ourselves for 19 years on the articles that we publish. What we like to do is provide a tremendous amount of detail. We are not simply talking about this club did a referral promotion through the mailing of a certificate and obtained great results, etc. We show them exactly what the certificate looks like, when they should send it out, what kind of referrals it has caused in the past, what were the sales techniques used to convert these referrals into members, if they talked to

(See Jim Smith Page 10)

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...Jim Smith

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members in addition to sending it out, and if they did any telephone follow-up.

It is that kind of detail that club owners really appreciate because they can see exactly what they need to do. They can follow it step by step. Here is the letter that was sent. Here is what was said on the phone. Here is what was done every step of the way. That's the orientation that we've had since the beginning of the Peak Performance Newsletter, and we have continued with our Club Success publication.

Club Insider- Well Jim, you've done a wonderful job with it. You have a terrific team of contributing authors that have made

Peak Performance and Club Success a 'must read' for club owners!

Q. At what point in time did you switch from the twice monthly 8-page Peak Performance Newsletter to the now monthly glossy Club Success Magazine?

A. We did that in 1995. Originally when Peak Performance was founded, it was basically a newsletter. As we have grown as a company, we've added our Buyer's Guide, and we were starting to get into actual marketing and referral campaigns, direct mail and other services. People knew Peak Performance as our company of multiple services to clubs, not simply as our

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Peak Performance Network - Direct Mail Item

newsletter. So, what we decided to do was to give a separate name to the publication, much as IHRSA has done by naming IHRSA's publication Club Business International. (CBI)

Club Insider- Club Success is a really terrific publication. Outstanding articles from outstanding authors and vivid graphics are two keys. So, your company one-two punch is really the terrific monthly publication, Club Success, combined with a complete club industry-focused advertising and marketing company.

Jim Smith – That's correct. But, there is one other division as well. That is nutrition and weight management education, a division we call 'Beyond Fitness', that is headed by Dorene Robinson. (See Beyond Fitness sidebar on this page.)

Essentially, we provide a full service advertising agency that is specialized exclusively for health clubs. I have seen that clubs want help with marketing and advertising, but they have a hard time finding assistance from agencies or designers who really understand all aspects of the health club market. Most agencies and designers don't know how to effectively target health club advertising. We do.

We offer a pretty wide spectrum of marketing for clubs, including direct mail marketing, referral campaigns, and reactivation of alumni campaigns. We design newspaper ads, club brochures, flyers, billboards, movie theater ads, door hangers, "take-ones", and newspaper inserts. We also do full-color posters and banners. The way we do it, we can custom-design, print and ship full-color materials such as brochures and flyers to clubs for less cost than what a

club would pay just for the printing alone. We're able to do this because of the volume that we print is so great that we get a huge discount on printing.

We do a tremendous amount of direct mail for clubs. Direct mail addresses the single biggest factor of why someone joins a particular club and that is convenience of location. IHRSA data shows that even if a club may be a little more expensive or may not offer quite as nice of a facility, people will choose it if it is substantially closer and more convenient than other clubs. So when clubs are doing their marketing, they need to focus on a target market that is correct demographically and that is within about a 10-minute drive time from where you are going to be getting your members from. It is a very tight area.

That's why so many clubs have gotten into direct mail marketing. It is hard to really find other media that you can focus precisely on such a specific area. The challenge that so many clubs have is that they don't really know how to go about putting these direct mail campaigns together, and how to target them while doing them cost effectively. That's where we come in to help them do that.

Q. I understand that one of the keys to the marketing you do for health clubs is your ability to effectively target the de-conditioned market. How do you

go about doing that?
A. The biggest thing we've found about the de-conditioned market is that it is so important in your external marketing that you convey very specific messages to make the de-conditioned market feel comfortable with visiting your club. Club owners/operators are in clubs all day and around people who are exercising and fit, so they are very comfortable being in health club. But many people are not. I think probably an awful lot of people have not read the IHRSA research report written by Dr. Christine Brooks of The University of Michigan. They interviewed a large cross section of people, asking them the question, 'What is your perception of health clubs?' They found that the average person on the street who is not a member of a health club still has a lot of negative comments. They said things like, 'I would never go there!' I'd feel uncomfortable going there. I'd be embarrassed to go there, etc.

Another interesting thing from that report was that a bunch of these people they interviewed were invited to actually go to a quality health club. The reaction across the board was amazing. They said things like: 'Whoa, this isn't anything like I thought it was going to be like. There are people there like me. It doesn't

(See Jim Smith Page 12)

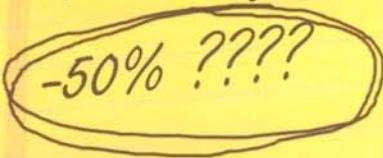
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...Jim Smith

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stink! It's comfortable. It has nice music, carpeted floor. I would absolutely work out in a place like this, but I had no idea." So, you just need to get them in there. They have negative perceptions and there are millions of people that have no idea what a quality club is actually like!

"You really need to directly address that in your advertising headlines, copy and photos. Use copy that says things like: 'Our club has a friendly, non-intimidating environment. Our friendly atmosphere eliminates new exerciser's anxiety because we cater to people of all shapes and sizes. Our program is personalized and non-competitive. You progress at your own pace,

not someone else's."

As far as images, we suggest photos with people exposing as little skin as possible. Have the subject wear a t-shirt or sweat shirt. Occasionally, there are some people I talk to that when we are discussing targeting and breaking into the de-conditioned market say to me, 'I don't know about that because we don't have any people in our club like that!' I say to them, 'Isn't that the whole point? It's a challenge because a lot of these de-conditioned people are dealing with their own challenge, and you have to make coming to your club appear very attractive and comfortable for them. There is a reason those clubs do not have the de-conditioned in their clubs. But, the good side is there are a lot of people in our industry

addressing this de-conditioned challenge head on.

What is so critical is your external advertising pieces must break down these negative impressions. So many advertising pieces you see list just bullet points and an offer. They speak to features, not benefits. None of that is breaking down the barriers of the de-conditioned market.

Q. Jim, you started in 1984, so that means you are coming up on your 20th Anniversary. Congratulations on providing these services to the industry for all these years! You've done a terrific service for the industry worldwide.

A. Thanks. We published our first edition in May of 1984, so yes, we're going to have our 20th Anniversary Year in 2004.

Q. Jim, who are your key employees and approximately how long has each of them been with you?

A. Dorene Robinson- Beyond Fitness, 7-years, Michael Page- Creative Director, 3-years, Linda Henry- Director of Operations, 8 years, Pam Ramsdell- Director of Sales, 11 years, and Laurie Cingle, our new Editor, has been on our faculty for 9 years and now has been our Editor for four months.

Q. What are your greatest challenges in your business?

A. One challenge is the recent entry of new competitors from the direct mail industry. We do a lot of direct mail business and the challenge is that we are seeing direct mail companies coming in that have done direct mail for other industries such as the auto industry, cable television and dental industry. They are starting to advertise their services in the club industry. To gain market share they are starting to advertise offers of a penny or two lower than the price we offer. On the positive side, there are a lot of sophisticated club owner/operators that understand the difference between photos that will attract all segments of the market, including the de-conditioned market. Most of the leadership of the industry has moved past the stage of showing girls in bikini's, etc. Plus they understand the kind of copy and the type of presentation you need to make that is really going

to present your club in the best image and get the best response.

But, these companies that are coming from outside the industry and that don't know anything about this industry would be like me producing direct mail for an auto dealer. I don't know anything about it. So, that's one challenge. It's kind of bad

when we occasionally see some new club owners that may not be as sophisticated and their perception is, well these guys are two cents cheaper and a post card is a post card. Direct mail is direct mail. So, you try to explain to them that the types of imagery that you use and the copy you use can make a tremendous difference in response. Some of these companies that have come from outside the industry are using images of body builders and tank tops and some of the club owners don't know better.

And when clubs do some of these campaigns that have the wrong kind of photos, the wrong kind of copy and then it doesn't work, then the club owner says, 'We tried direct mail and it doesn't work.' This challenge for us is probably similar in fashion to the challenge some upscale clubs face when low ball clubs come in and sign people up on annual memberships and close overnight and give the industry a bad name. We run into that sometimes ourselves.

Q. Jim, what do you think the greatest challenges for club owners across America are?

A. I think there are several challenges. One of the biggest challenges that I've seen is increasing competition. I'm on the phone everyday talking to club owners. Club owners who have been in markets where they've had little competition, maybe in a small town or in the particular immediate market area that they've been in, and all of a sudden now they've got three (or

**Dorene Robinson - RD**

more) new clubs opening right in their backyard. I've seen a lot of clubs tremendously impacted. I've seen a lot of different situations, some almost extreme, where a major club opens up right across the street...literally, right across the street. Here you've got a club that has been in that area for years and their closest competitor was miles away and all of a sudden they have a major competitor with a hospital affiliation right across the street. Boy, the whole ball game is changed. Then, they come in with low-ball pricing. I see a lot of clubs that are having real challenges with that.

Q. What is your advice to those that are seeing this new influx of competition, because that is happening in multiple markets all across North America and the world. What do you tell them to do?

A. We suggest several things. Number one, they must be sure they are doing everything really well. That's kind of a blanket statement, but I mean in terms of service, marketing, retention, sales; everything must be done extremely well.

A lot of clubs that haven't had real stiff competition and all of a sudden they are getting into highly competitive situations, their pencils may not be real sharp. What I mean with that expression is for the club to have every aspect of its operation sharp, from the front desk to service, cleanliness, sales, marketing, retention, everything.

For example, their sales, (See Jim Smith Page 14)

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...Jim Smith

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marketing, retention may not be 100%. Club owner/operators in this situation, if they are sharp, know they need to ratchet up their sales program, their marketing programs and their retention program. A lot of them are clubs that get into serious competitive situations, and they are bringing in top consultants and companies like ours to help them with their marketing. A lot of them have lived off referrals for years. And, many of them have left their sales staff on their own, and they are not following through on things.

For example, we've helped many clubs develop really high quality, beautiful brochures. Some club owners have told me that when prospects come in to shop their club and don't join right then, they leave with the club's beautiful 8-page color brochure as a reminder to take home with them to share with their husband or wife. So, when the husband and wife have that club membership conversation while looking at this beautiful brochure, which club do you think they are going to join? The one with the brochure or the one with some of the latest 'sale of the day' figures scribbled on yellow pad paper? The brochure is really more for internal marketing used in the sales process. They tell me their nice color brochure keeps on selling for them and often the prospects come back and join.

Another thing that seems to happen too is that new

competition may come into the area, but that new competition may not be the sharpest either. A lot of times, the new competitor comes in and they sign up a bunch of people in pre-sales with charter and pre-opening memberships, but then the club opens and there is crowding, there are a lot of complaints about service and staffing, etc. Then, some of those people end up coming back to their original club. Sometimes a new club comes in and they make a big splash and they might end up declining if they don't have all of their systems as sharp as can be.

Many clubs have so many opportunities to improve what they are doing. Let me give you an example. The other day I made a telephone call to a club that is facing intense new competition. When I called this club, I literally could not get a human being on the telephone. I got a voice mail that said if you know a person's extension, press it now. If you don't know it, here is where you get the company directory. If you are interested in membership, hit option 2, if you want to talk to the service desk, hit option 3. So, I hit 2 for membership. I got: "I'm sorry, there is no one available right now to help you." So, I hit zero and it said, invalid option. So, if someone is calling and wants to join and be a member, what is he supposed to do?

Club Insider—Jim, take a moment here and give some important advice to those people out there that own clubs and are not putting a live, well trained person

on the telephone in touch with those membership prospects when they call, because this industry is strangling itself with automatic phone devices in clubs!!! I guarantee the club industry is losing millions and millions of dollars a year with those contraptions preventing club membership prospects from contacting clubs.

Jim Smith—What I would say about that is not just directed to the front desk and the automated phone issue, but with regards to everything in a club business. That is, you need to think 'outside in', not 'inside out'. I find too often when I've had conversations with clubs about the auto-phone subject, I find they are doing 'inside out' thinking because they say to me, 'Well, we have to have it go to voice mail because the front desk gets so busy they can't handle all of the phone calls' or they will say 'we only have two phone lines'. My answer to them is that they should get more phone lines!

If they say they are just too busy, I tell them they must add more staff to handle the busy times! What's really amazing is often times these are clubs that are calling us up because they want us to do some advertising or direct mail for them. So, what's going to happen when the club gets all the calls in response to the advertising?

The important thing here is you've got to think 'outside-in'! Don't think operationally, like 'we can't do it because our staff is too busy' or 'we don't have enough phone lines'. You need to think about it from the consumer's standpoint. The prospect calls in and they can't get in touch with anyone, what does that do to you in terms of sales? I'll tell you one story. I had given the advice, strong advice to a club owner, to add more phone lines. He did it. Later I talked to him and he said, 'Man, I gotta tell you! Boy, were we missing a lot of phone calls! We added these lines and we had to add another person at the front desk. We were missing a ton of calls!'

Jim Smith—*"You need to think 'outside in' not 'inside out'!"*

Club Insider—Stop and think about the fact that there are now over 20,800 facilities across America. Think about how this one thing alone is doing to depress membership sales in

America. It has got to be one of the biggest factors in this industry that is holding us back. My advice to all my readers is this. Get rid of or at least only use phone answering devices during the hours when your club is closed, get more phone lines if you need them, hire more people if you need them to handle the call volume and train them well. Then, just sit back and watch your membership sales numbers increase! I will bet anyone out there that has an auto phone system that if you will do these things your new membership sales will increase by a minimum of 10% per year!

Jim Smith—I want to make a couple of other quick comments about the challenge of increasing competition. If you look at the period from 1995 to 2002, there was approximately a 40% increase in health clubs. Just from 2000 to 2002, there has been a 12% increase in clubs. The dynamics of the market is changing.

The thing that clubs really need to do is to tap into the de-conditioned market. Because, with increasing competition, we need to grow the pie, not just dividing up X amount of members between 3 competing clubs in a market. We need to increase the pie so there are more members so all three clubs can flourish. If you look at the statistics provided by American Sports Data, they find that roughly 20% of the population are frequent exercisers. But, almost all of the remaining 80% believes in the virtues of fitness. They think that they should exercise more. They think that they should lose weight and they think that it is important. And, they think that someday they will do that. The vast majority of people who are not exercising and are not members of clubs, have a positive propensity towards exercise and believe that it is something that they should do.

Q. I know your company was honored by IHRSA as its Associate Member of the Year in



Laurie Cingle - Editor

Club Insider—So Jim, since you and I and IHRSA and many others are dedicated to the goal of helping clubs, would you agree that our greatest challenge is to get club owner/operators to realize that the health club industry is ABOUT THE CUSTOMER and that it's not all just about them! In essence, that is what you are saying with your earlier comment about clubs' need to think "outside in" instead of "inside out", is it not?

Jim Smith—Exactly!
Club Insider—That's why your "outside in" comment is so important! Club owners, do you hear Jim Smith out there? Think "outside in"!

Q. What other club challenges do you view as paramount for clubs?

A. I think clubs have challenges of how to market to the de-conditioned market. I see clubs facing challenges with staffing for sales. I hear from clubs all the time asking, "How do you find a good sales person?" They run ads and can't get people to respond to the ads. Especially the way the market is. They can find people, but have a hard time finding good people. Retention I think is really a key challenge. The challenge of clubs trying to motivate members and keep them is and will remain a huge one. So, how to attract the de-conditioned market and how to motivate and retain members are two great challenges clubs face.

Q. I know your company was honored by IHRSA as its Associate Member of the Year in

(See Jim Smith Page 18)

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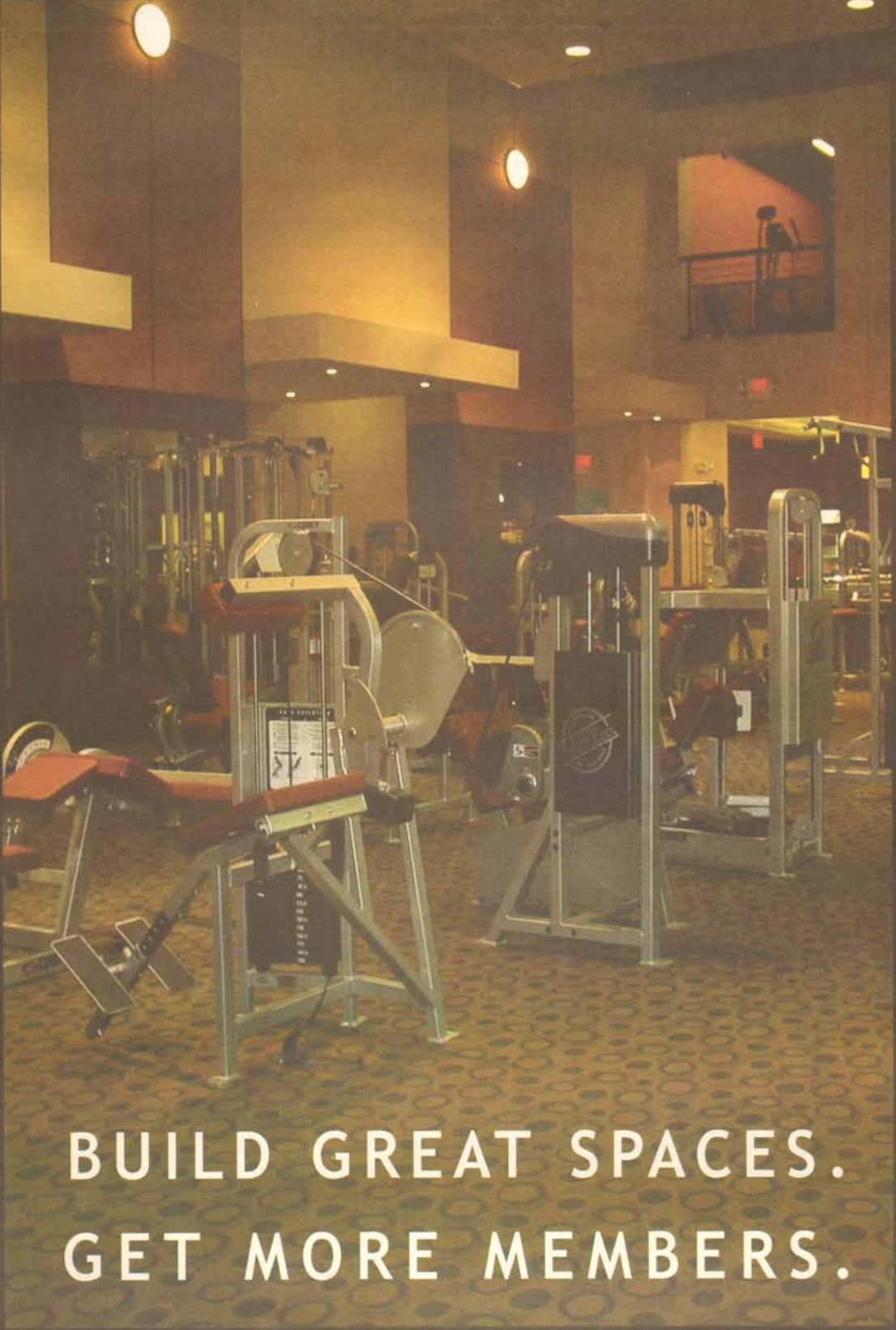
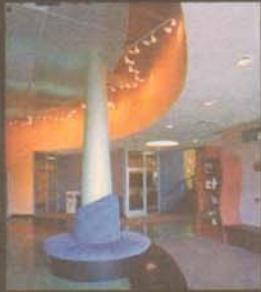
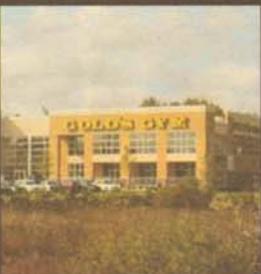
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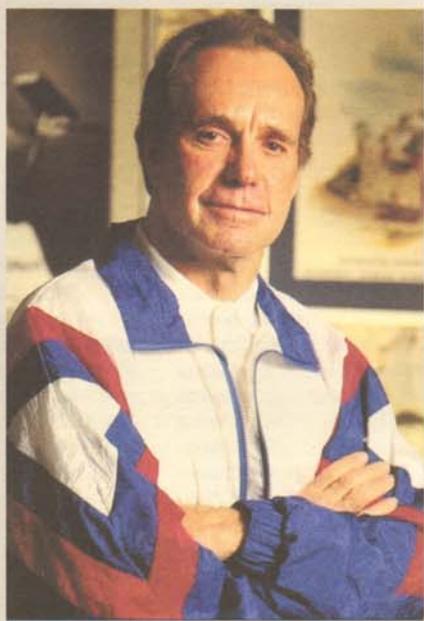


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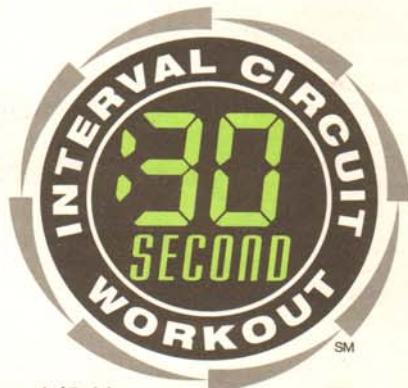
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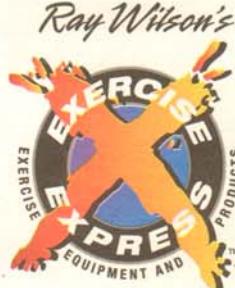
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...Jim Smith

continued from page 14

1990 and you well deserved that honor. What year did you join IHRSA?

A. I started Peak Performance in 1984 and joined IHRSA in 1986. Receiving the Associate Member of the Year Award in '90 was a great honor.

Club Insider – That was before you expanded the scope of your company, expanding to the various services you now offer, was it not?

Jim Smith – You're exactly right. That award was based entirely at that time on our Peak Performance publication. It was my understanding that IHRSA gave us that award for our contributions to the educational and professional development of the industry. Up until that time, almost all the companies that had received that award were pretty large companies. We were very flattered to receive the IHRSA honor.

Q. What are your goals for the next 5 years?

A. Really, our goals are really growth of what we are doing. We don't really have any new plans of going in a totally different direction or opening a new division or anything. Our goals are really to just increase the numbers of clubs we are reaching with our publication, the number fitness trainers that Dorene is educating with respect to nutrition and weight management, and the number of clubs and breadth of what we are doing in marketing and advertising. Our goals are growth oriented goals and pretty much staying on the track that we are on.

Club Insider – Jim, this has been a terrific interview and it has been my pleasure speaking with you. You have provided the club industry here with some terrific insights into the "inside" of Peak Performance and so importantly, what your Peak Performance Network can do to help clubs improve in every phase of the game. Jim, we just published our

10th Anniversary Special Edition in October. I hope the industry realizes that my Mission is to help the health club industry anyway I can. My goal here was to make sure that all of my readers are familiar with the Peak Performance Network and what it can do for their club business.

I believe strongly that what you and your team do for the health, racquet and sports club industry is hugely important. In my view, The **CLUB INSIDER** News, Peak Performance Network, CBI Magazine, Fitness Management Magazine and Club Industry Magazine are competitors yes, but in a very strong way, we are partners in education. We are all in this together. And together, we are all working toward one common goal. A more professional and successful health, racquet and sports club industry worldwide. Jim, it has been my pleasure to share this thorough, in-depth interview with our readers.

Jim Smith – Norm, it has been a pleasure speaking with you and

I am really flattered and pleased to have you do an article on us.

*(Norm Cates, Jr. is the Publisher of The **CLUB INSIDER** News. Cates is a 30-year veteran of the health, racquet and sports club industry. In 1980/81 Cates was the 1st President of IHRSA and a Co-founder of the Association.*

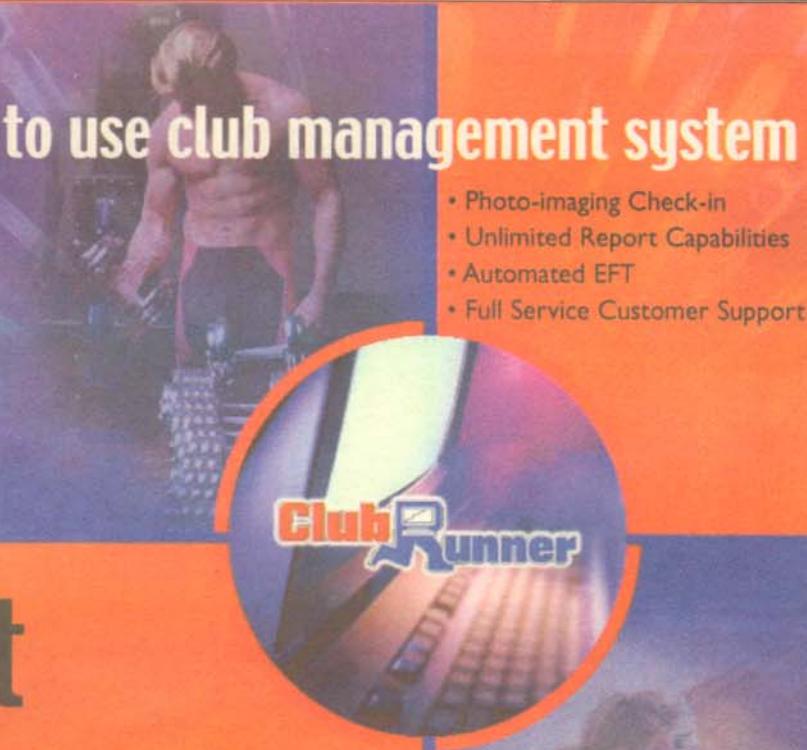
In 2001, Cates was honored by IHRSA with its DALE DIBBLE Distinguished Service Award. Cates may be reached at: clubinsidernews@ mindspring.com or by calling: 770.850.8506.

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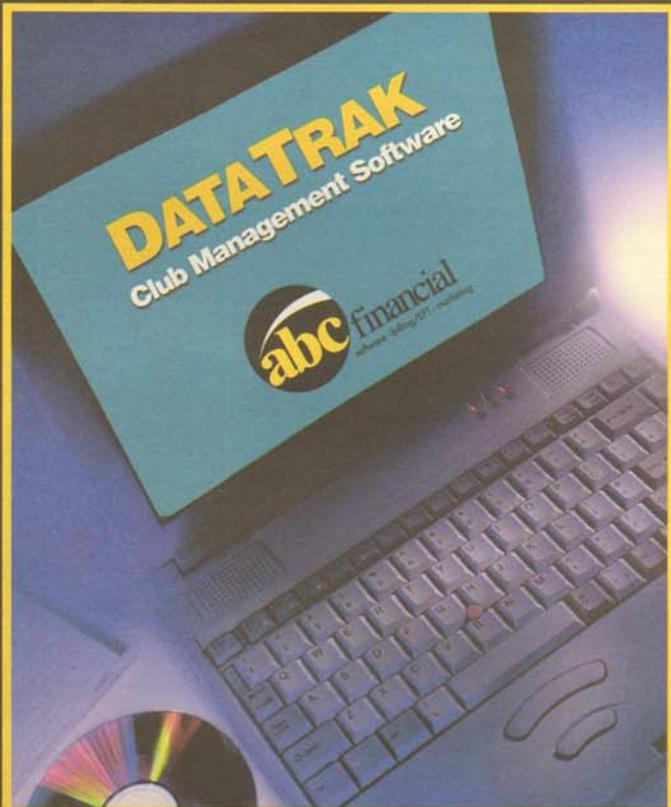
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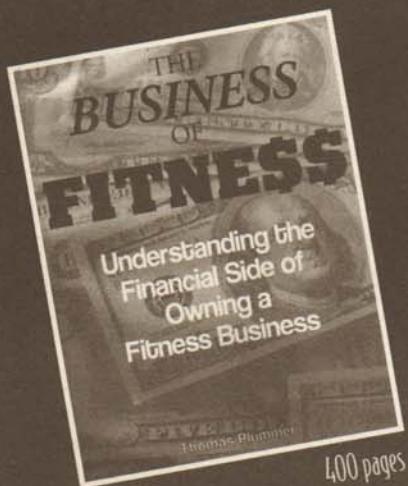
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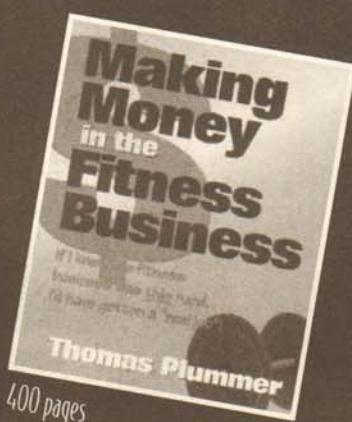
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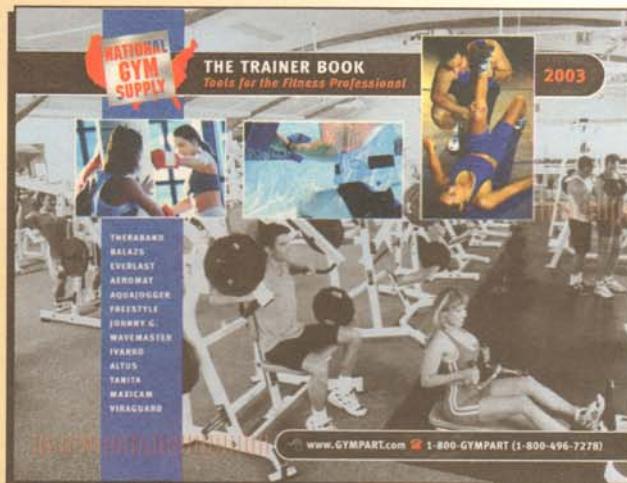


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Who's Winning The Food Fight?

By: Ronda Gates

"Mind your own damn business. You're motivated - like nearly all liberals - by book sales, caring less about a person's diet. What a person eats is none of your business - or teachers - or the government! A pox on your house."

So read a postcard received by psychologist Kelly Brownell, Ph.D. after some of his ideas for changing our obesity-fostering culture were featured in a recent issue of *USA Today*.

Brownell, Professor of Psychology at Yale University and Director of the Yale Center for Eating and Weight Disorders, shared the postcard with his audience when he keynoted the October Club Industry conference in Chicago. The information-packed presentation compared our nation's obesity crisis to the health dilemma we faced regarding smoking more than twenty years ago. The startling images Brownell used to make his point included a power point from the Centers for Disease Control that revealed the alarming rate at which obesity ballooned in the U. S. between 1985 and 2001.

In 1999, an estimated 61 percent of U.S. adults were either overweight or obese, defined as having a body mass index (BMI) of 25 or more.

In 2000, a total of 38.8 million American adults met the classification of obesity, defined as having a body mass index score of 30 or more.

Brownell noted that this distressing growth was the background for an increase in diabetes and a subsequent decision to replace the term "adult onset diabetes" with "Type II diabetes" when it was discovered that it was no longer an adult-only disease. He warned that if current cultural eating and exercise habits aren't reversed, diabetes will trigger blindness and loss of limbs in overfat children by the time they reach their thirties. Young parents were also warned that without cultural changes their children could have a shorter life-span than their parents.

Food Fight: The Inside Story of the Food Industry, America's Obesity Crisis, and What We Can Do About It, Brownell's just published book,

describes the war he believes we are waging against a culture that exalts unhealthy food. "The food is winning. The people who sell the food are winning," he reported as he shared humorous but grave images that glorify a calorie-rich, eating-out lifestyle that has contributed to making "supersize" a verb. Brownell reminded us how we've grown immune to the dilemma by asking if we trusted gas stations without food marts, shopped in drug stores without an assortment of high calorie snack foods and drinks, or purchased food from vending machines with quick-to-satisfy, high-in-empty-calorie sugar- and fat-filled snacks rather than low calorie, nutrient-dense foods that often aren't satisfying to a palate that wants a quick fix.

A review of the answers

For years, as a nation, we've blamed the individual. We encouraged the overweight and out-of-shape to take charge of their lives. We sold them a variety of supplements and home exercise machines—to no avail. Another tack, asserting that biology and genetics are responsible for obesity, became the cry in the 80's and 90's when prescription and non-prescription drugs were added to the mix. While genetics can predict which of us is predisposed to obesity, an individual's environment appears to be the determining factor in whether obesity occurs.

Pima Indian Studies

Evidence of environmental influences has been revealed in lengthy studies that compare Pima Indians who have remained in Mexico with their relatives who have moved to the U.S. Comparisons show that the Mexico-residing population has a 23 percent fat diet and a body mass index (BMI) of 25, whereas the U.S. residents have a 41 percent fat diet and a BMI of 41.

What is BMI?

BMI, or body mass index, is computed based on a ratio of height to weight: BMI = (Weight x 700) ÷ height in inches²

Hence, a 5'10" man weighing 165 pounds would calculate his BMI as follows: BMI = (165 x 700) ÷ (70 x 70) =

23.6

A BMI of more than 25 is associated with increased risk of disease of over-fatness.

Brownell bemoaned a culture that forbids cigarette ads, yet celebrates fast food franchises that subsidize school revenues. He cited streets that are not safe, stairs that are not accessible and energy saving devices that discourage activities as factors that make sedentary behavior inevitable. The postcard Brownell read as he began his presentation was precipitated by his well-publicized belief that that public policy is needed to:

- Protect children

- Demand more of the food industry to reverse the damage their advertising has created

- Support school environments that teach and support a healthy lifestyle

- Curtail promotion of unhealthy food and permit only healthy food ads for children

- Change the fundamental economics of food and physical activity so the costs of eating better and being active are less rather than more expensive and companies that promote healthy food choices have tax incentives over those that promote unhealthy food choices

- Create community environments, workplaces and school settings that foster physical activity for adults and children

Do we live in a toxic environment where

- 1. Low-cost, high-sugar and high-fat, good-tasting foods are readily available?

- 2. A food industry has run amok with out-of-this-world advertising budgets, aggressive product placement, suggestive icon images to market and package products?

- 3. Physical activity is no longer a priority in schools?

- 4. Adults with over-scheduled lives must choose between using leisure time for physical activity or for other social responsibilities?

Sadly, the answer is yes !!

All is not lost, Brownell asserted. He encouraged his fitness-oriented audience to become the movers and shakers

in the forthcoming government effort to create an integrated health communications campaign reminding them that they are best positioned to teach Americans that even small-to-moderate lifestyle changes can make dramatic differences in health. Twenty years ago, a similar initiative triggered a nationwide change in attitudes about smoking. Health promotion professionals are hopeful that a collaborative call to action by the Surgeon General will trigger a nationwide change in attitudes favoring daily physical activity.

Since participation in a regular exercise program remains the strongest predictor for successful weight management, Brownell suggested that the health club, with its structure and staff already in place, is the prime site for delivering valid programming. To be successful, lifestyle change must be the central feature of any program. Besides healthy eating and exercise strategies, the program must radiate a positive tone, deal with intangibles (e.g., body image, motivation, self esteem), focus on realistic goals, provide lapse prevention, and give feedback in domains beyond the scale. He added that the program must be based in science, derived from valid theories, evaluated thoroughly for success, updated regularly, easy to use, and low in delivery cost.

Dr. Brownell closed with a reminder that cultural changes are possible. We've acted to stem breast cancer, demand immunizations to protect our health and require seat belts in cars to assure our safety. Although we tend to avoid interfering with business, we did so when thousands of people were dying from the use of cigarettes. Cigarettes are not gone, yet the decrease in smoking is one of the greatest accomplishments in the health industry. Similarly, with the current obesity-related health emergency triggering deaths and raising health care costs, perhaps it's time for health and fitness professionals to step up to the plate when it comes to protecting our population—especially our children.

What can you as a club owner or fitness professional do?

Before initiating programming:



Ronda Gates

1. Analyze your own attitudes and behaviors before you market to the de-conditioned population. This group is very sensitive to unexpressed bias against overweight people. A recent IHRSA newsletter

2. When you think about attracting the overweight market, look at what your club environment says to the over-fat client. While it's possible to be fit and fat, many overweight folks don't enjoy being surrounded by mirrors.

3. Hire competent, well-trained facilitators to deliver programming.

4. Realize that all diets work for weight loss so it makes sense to offer healthy diet programming (rather than fad diets) with your weight management program.

5. Use a program that focuses on lifestyle changes that allow the client/member to rebuild a healthy way of life. Look for a program that embraces physical activity and a balanced and varied diet to support getting fit and losing fat. Questions to ask a potential providers include:

- Does the program include an assessment process that predicts reasonable and attainable weight and diet goals?

- Is the prospective diet strategy well balanced? Does it include a variety of foods and impose a consistent caloric deficit and increased exercise expenditure?

- Are the meals practical, flexible and individualized?

- Is weight reduction gradual and consistent?

- Are skill-based education and strategies for positive behavior change incorporated in the program?

(See Food Fight Page 29)

im'pact *n. collision, resulting effect; consequence, impression*

[the effect of having power over a thing or a person, to exert influence over]

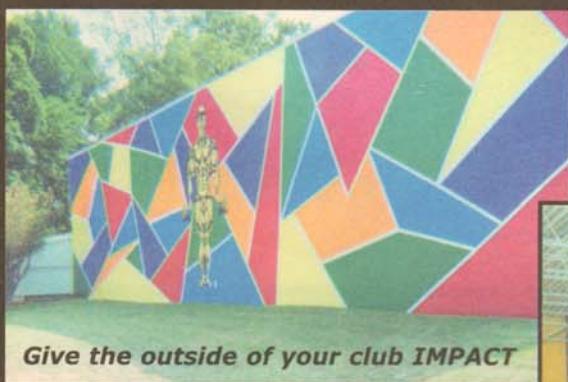
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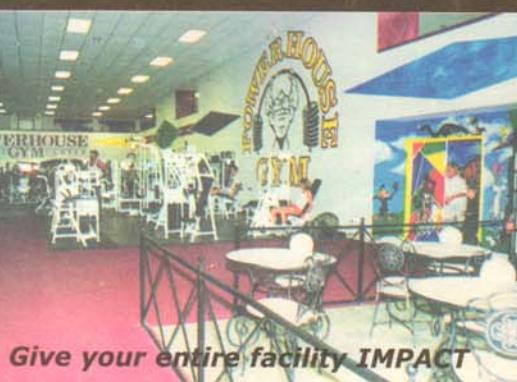
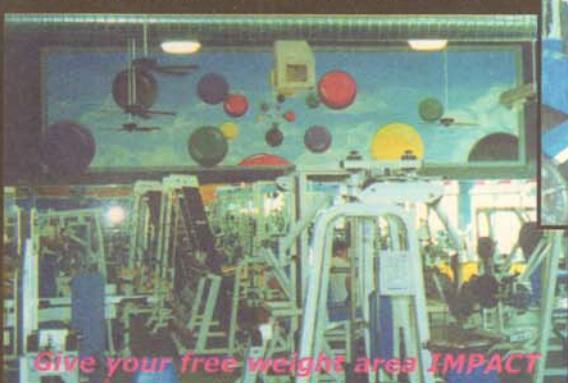
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IHRSA Convention Preview

FIGHT FAT AFTER FORTY

Dr. Pamela Peeke, the author of *Fight Fat After Forty* and a featured speaker at IHRSA 2004, is clearly the right person at the right time: a woman with valuable insights to share about weight loss (when the nation is battling epidemic obesity), particularly with respect to those over 40 (when that cohort is the fastest growing in terms of club membership).

With the publication of her book two years ago, Peeke struck a responsive cord with her readers—especially women, and, most especially, those over 40—who, instinctively, found the point that she made about the connection between stress and excess weight sensible, sound and serviceable. Peeke contends that, in many cases, stress and the hormones it produces make us fat and argues that only by becoming stress-resilient can we shed “toxic weight” for good.

It is a matter, again, of grappling with the consequences of evolution and genetics. Ages ago, Peeke points out, humans

were very active physically and experienced a great deal of physical stress; as they became smarter, and, simultaneously, less active, physical stress was replaced by psychological stress. “Our primal stress response is wired for some sort of physical response,” Peeke explains. “When we don’t have a physical release as a way of blowing off stress, it accumulates and may become ‘toxic stress.’”

When the brain encounters a stressful situation, it releases a chemical, corticotropin-releasing hormone (CRH), that Peeke refers to as the “alarm hormone.” When this alarm sounds, it triggers neurochemical activity that prepares the body for a “fight or flight” response. It also activates the reward and pain-relief areas of the brain.

“Why do you need a reward when you’re being stressed?” Peeke asks. “All challenges in life (involve) some expectation of achievement, and the body is no different.” For too many people, and particularly women, the “reward” is food—they respond to stress by

overeating.

But Peeke not only expatiates; she also offers an exit from the endless, weight-loss labyrinth—three templates that provide women with tools to fight fat, especially as they age. The first template involves cultivating a stress-resilient personality; the second focuses on de-stressing eating, and utilizing food to keep stress hormones in check; and the third incorporates a variety of stress-reducing physical activities into one’s life.

“Achieving physical fitness through regular exercise helps maintain optimal body composition,” promises Peeke. “I always tell my patients that ‘fit’ looks and feels better than ‘thin.’”

And with the onset of menopause, physical activity becomes even more important. At that point, women find themselves having to deal with: an age-related slowdown in metabolism; the impact of shifting hormones (e.g., fat accumulating in the abdomen), increasing the risk of “toxic

weight”); and the common symptoms of menopause (e.g., fatigue, depression, hot flashes, problems with concentration, etc.). “Believe it or not,” says Peeke, “exercise is the solution to all of this!”

10 ‘Toxic Weight’ Prevention Tips Every Woman Needs to Know

Eating and exercising correctly are the two “magic” keys to effective weight control for women over 40, according to Dr. Pamela Peeke. She suggests that women should stretch every day, exercise 40-45 minutes 5-6 days every week, and strength-train at least twice a week. With respect to food, she offers the following guidelines:

1. Make sure to eat a healthy breakfast by no later than 9 a.m.
2. Eat a small mid-morning snack approximately three hours after breakfast; e.g., a piece of fruit, a small fat-free yogurt, or one or two pieces of low-fat string cheese.
3. Try not to eat lunch



Pamela Peeke

after 1:30 p.m.

4. Three hours after lunch is generally when the “CortiZone” occurs, leaving you feeling hungry and fatigued. To minimize its effects, eat food that provides high-quality/low-stress energy (e.g., a combinations of protein and carbohydrates).

5. Dinner should be served between 6 and 7:30 p.m., and should include soup or salad, vegetables, and a source (See *IHRSA Preview Page 30*)

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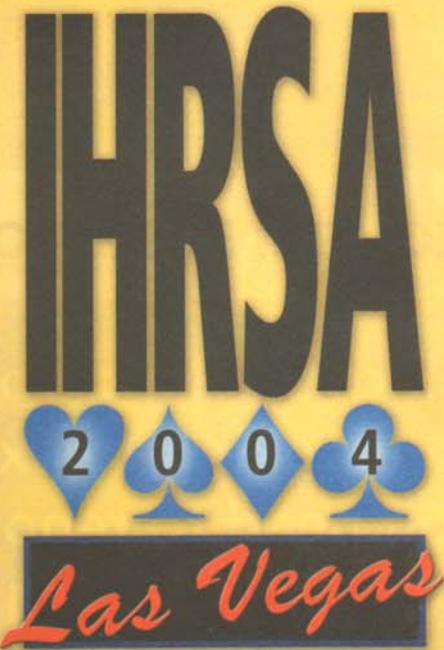
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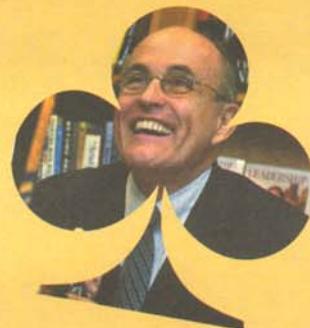


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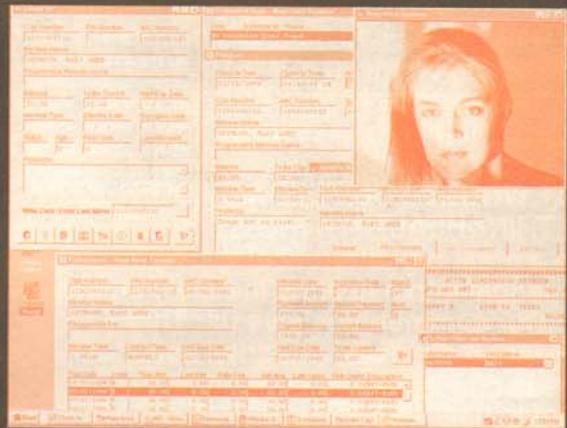
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"small is GREAT!"

By: Michael Scott Scudder

"MEMBERSHIP RETENTION in small CLUBS"

The biggest challenge in the small club operation... in fact, the biggest issue in the entire health club industry...is MEMBERSHIP RETENTION.

RETENTION is the key to profitability...to staying power in your marketplace...to stability of your business. Without it, you will be forever doomed to selling as many new memberships as it takes to cover the folks going out your back doors - your dissatisfied customers.

To look at the issue of retention appropriately, you first have to look at the "**Makeup of the Health Club Membership Prospect Market Today:**"

5%
elite athlete, high-training person

25%
gym rat, exercise-active person

30%
chronically ill, too old/too young, indigent

50%
exercise-inactive, infrequent users

• The 5%-er is already training heavily with a specialized trainer...hopefully in your club, but likely not.

• The 25%-er does not spend extra money with you...the gym rats are around until some other club offers a better price deal...the exercise-actives come in, do their thing, and leave. *No additional ancillary dollars there!*

• The 30%-er will never set foot inside your facility. These folks are NOT prospects!

• *The 50%-ers is where your future lives!* These are the

people who spend the most extra dollars on personal training, group classes and specialty programs. These are the ones you *must* cultivate to have rock-solid retention and high profitability.

If you take a look at **Attrition-By-Category:**

• The 5%-ers take care of themselves and never leave membership unless they move or you do something catastrophic to chase them away! Attrition factor: <10%.

• The 25%-ers represent two segments: 1) the gym rats who switch gyms frequently; and 2) the exercise-actives, generally older in age, who take care of themselves. Attrition factor, gym rats: >50%. Attrition factor, exercise-actives: <30%. Overall attrition factor: <40%.

• The 50%-ers are the "unknown factor!" If we observe and calculate industry statistics of memberships-sold-versus-memberships-retained in this category, we soon recognize that the retention rate of these members has been abysmal. Attrition factor: >50%

So a smart operator soon realizes that he/she is consigned to about 25%-to-35% attrition among the "regular users" - those members who participate more than twice a week on average. This grouping usually makes up about 30% of a club's membership.

By deduction, the remaining members, representing nearly 70% of membership, are a variety of people - different body types, wide age ranges, various self-motivation levels. If a club is to succeed at retention, it is *this group* that must be catered to! (Ironically, in most clubs, this is the very group that is paid least attention to!)

Recognize this fact: if the average club shifted retention efforts to this group for

one year, and in twelve months affected retention by a mere 5 percentage points -

• Net income would increase by nearly \$50,000!

• Your club would have to sell 120 less new memberships in that year...savings on cost-per-new-member alone would be over \$12,000!

• Your member referral base would increase by 10%. You would likely sell another 50 memberships from referral in that year, totaling another \$25,000!

In other words, a one-year-only effort at increased member retention would bring the average club over \$87,000 in increased income!

WHAT ARE THE RETENTION SECRETS OF SUCCESSFUL CLUBS?

• Initially, they *interview prospective new members...* finding out what the person wants, needs and can/will commit to on a short-term basis. (They do not "tour" many of these people!)

• They may sell a *premium-priced starter program* for the first 10-12 weeks, rather than selling a membership at the outset. (Those clubs practicing this method are experiencing an over-70% conversion ratio to membership at the conclusion of the starter program...and are enjoying substantial extra dollars in Personal Training and Group Training fees.)

• They *spend less-time-more-frequently* with the new member. Rather than giving two "equipment orientations" and a workout card with a promise to help members whenever they ask after that, these clubs schedule as many as 6 personal trainings and coaching sessions with a new member over the first 6 weeks of membership.

• They orient the new

member towards *full club usage*. They introduce the new member to group classes and special program offerings.

• Many clubs *introduce*

the new member to weight management, fitness counseling and personal training at the outset. (These clubs do not assume that there is a limit to what the new member will spend. Instead, they concentrate on what the new member needs and make offerings accordingly.)

• They follow up...with thank-you notes, how-are-you doing postcards, non-use phone calls, member-interest-pertinent emails, to name just a few. (They do NOT "drop the member on his head" after the first couple of weeks like most clubs do.)

• They build a *company culture for retention*. ALL staffers are educated for, and trained in, customer service for retention. Management makes sure that all staff know how valuable the current member is...and train personnel to take care of current members, rather than concentrating on new members and "vocal" or "favorite" members.

• They *create reasons for members to stay involved* with the club. Many clubs promote "clubs within the club" for extracurricular activities. Recently, I have seen "buyer's clubs" emerging in quality facilities, where the member can get discounts on all types of purchases. Lots of clubs have member-use-incentive offerings that vary from reduced dues to special club parties to "presents" like dinner-for-two or a-night-at-the-theater.

The above are just a few ideas to get you going on the "road to better retention." Remember this: as a club matures (usually after 36 months), advertising responses lessen, walk-ins slow down, and the



Michael Scott Scudder

general upward swing of new membership sales flattens out rather quickly.

If you are to prosper in the coming "club wars," you will have to stop the outflow of dissatisfied members and address the matter of holding on to present members. It's as simple as that. YOUR CLUB'S FUTURE DEPENDS ON IT.

In the December issue, I will review this year's "small is GREAT" offerings, and take a glimpse into what we can expect in 2004 for the small club sector of our industry.

Until next time -
MICHAEL SCOTT SCUDDER

(Michael Scott Scudder, a contributing author for "The Club Insider News," is a three-decade veteran of the fitness industry. He heads Southwest Club Services, a club management training company based in Taos, New Mexico and Fort Worth, Texas. SCS offers regional-city one-day seminars and an intensive two-day workshop on personal and group training in home headquarters of the Fit For Life Centers in Texas, of which he is a partner. He can be reached at 505-690-5974, by email at scudder@direcway.com or at his web site, www.scudder-tour.com. Comments and questions are welcomed and encouraged.)

...Food Fight

continued from page 22

• Are psychological issues (including self-acceptance) addressed?

• Does the program include strategies to address issues of lapse and relapse?

• Are incentives based on accountability and success built into the program?

6. Remind members that it's impossible to lose more than two pounds of fat a week.

7. Create cross condi-

tioning programs that include metabolism-boosting aerobic activity and strength training to support reaching realistic goals. Subscribe and make available to members, newsletters that provide practical strategies that support lifestyle change.

8. Turnkey programs may be easy to implement, but only a few of these strategies provide the individualized exercise, diet and behavior strategies that support long-term success.

(Ronda Gates, M. S. is a pharmacy

grad who traded her white coat for a pair of athletic shoes and never looked back. *LIFESTYLES* by Ronda Gates provides motivational speaking and health promotion program development and delivery services to companies nation-wide. She is the best selling author of several books including *Smart Eating with Covert Bailey*. Ronda has been training health and fitness professionals to deliver weight management programming since 1985. She may be reached at: rondagates@aol.com or by phone at: 503.697.7572.

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...Norm's Notes

continued from page 6

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• **DAVE TAYLOR** has left Muscle Dynamics and is now with Bodyguard Fitness and will help Bodyguard with its new initiatives. Good luck Dave!

• **Happy Thanksgiving to you all!** Maybe by the time you read this, it will be at Thanksgiving Day. I want to take just a moment to reflect on the Veterans Day we just celebrated on Tuesday, November 11th. I want to ask each of you to remember active troops, airmen, seamen and our Veterans on this Thanksgiving. Remember them and thank them all for the Freedom that we all enjoy in this great social experiment called America! Thank their families for the sacrifices they have made for all of us when their men and women go off to War or to lonely outposts around the world to serve and protect us. Especially thank those families that have lost their loved ones to war in Europe, Korea, Viet Nam and now the Persian Gulf area. Those men and women that have been killed or have been wounded have given the ultimate sacrifice for you and I and we as Americans should not take them for granted nor should we take their families for granted. Thank them all for letting all of us Americans live in freedom and in the wonderful United States of America. God Bless them all this Thanksgiving and always. And, God Bless you all and STAY TUNED!

...IHRSA Preview

continued from page 24

of protein.

6. Try to finish dinner by 8 p.m.; if you eat later than that, you tend to gain more weight.

7. Women over the age of 40 don't require dense complex carbohydrates (e.g., bread, pasta, potatoes, rice) after 5 p.m.; consume them in moderation during the day.

8. Eliminate all fat-free desserts and snack items; they're filled with low-quality/high-stress refined, processed sugars.

9. Typical restaurant portions are *man-sized*; at lunchtime, eat half of any restaurant portion of starch, and, at dinner, try to eliminate it entirely.

10. Water should be consumed throughout the day:

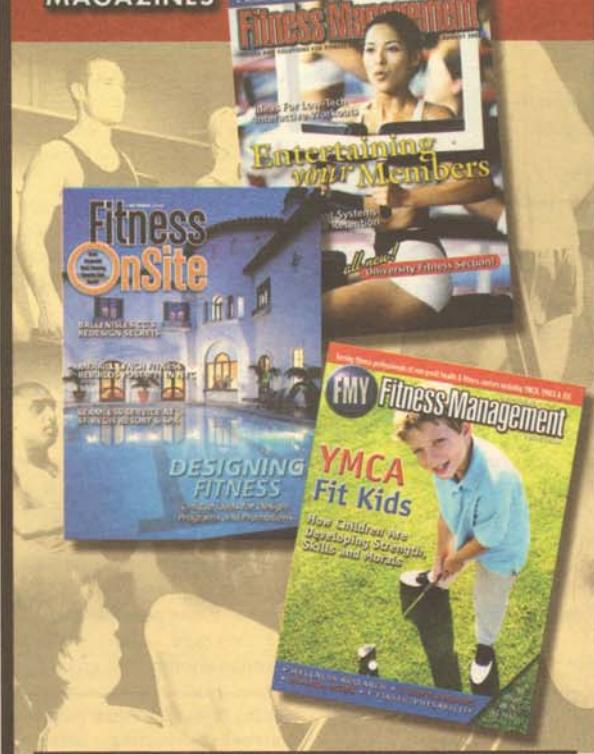
often, when we think we're hungry, we're actually thirsty.

Source: adapted from *Fight Fat After Forty*

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- Stephen S. Roma, WOW! Work Out World Owner/Chief Operating WOWzer

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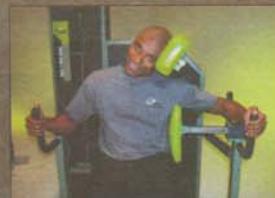
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