

Norm Cates'

# THE Club Insider

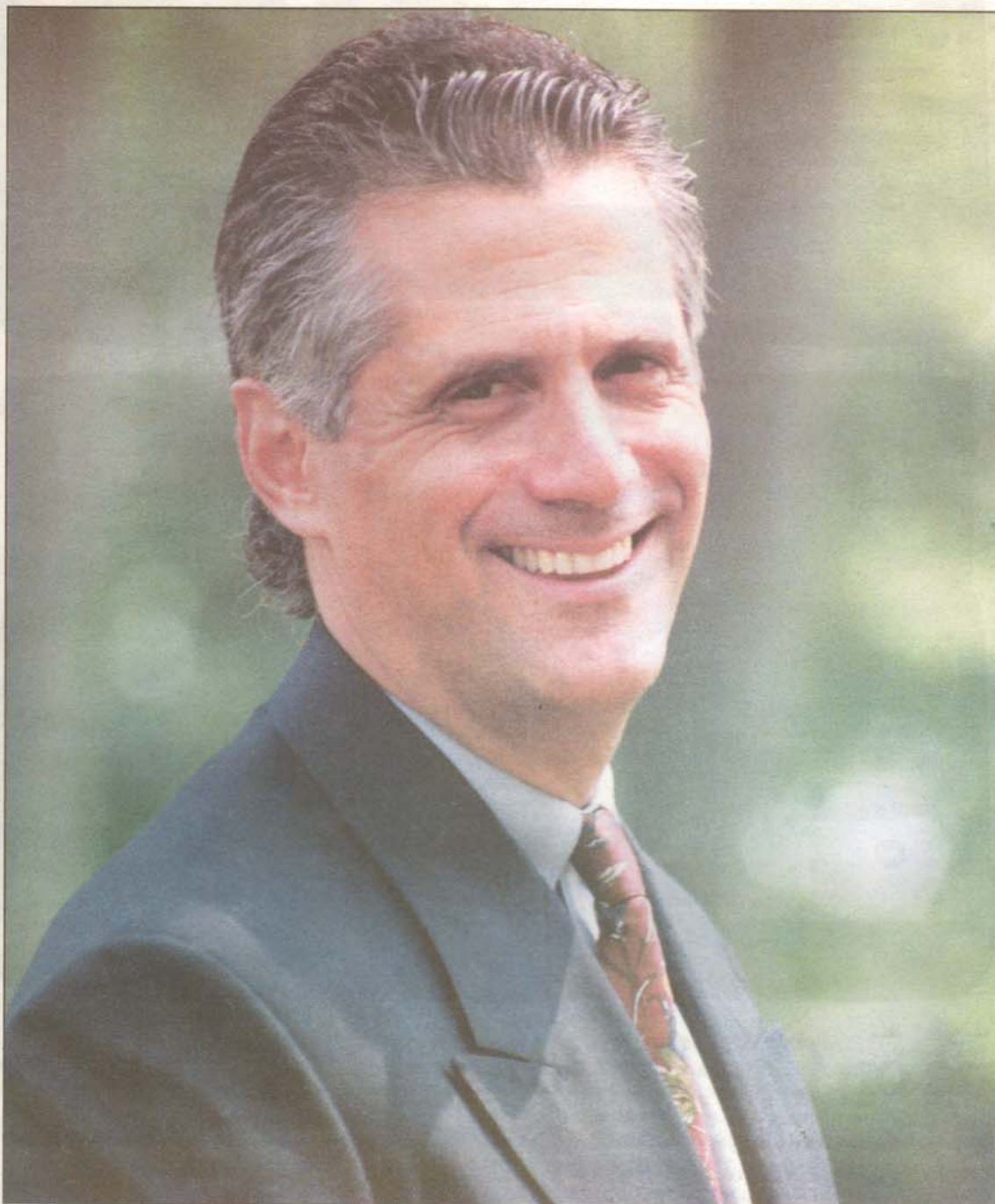
## NEWS

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JANUARY 2000  
VOLUME VII NUMBER 1

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

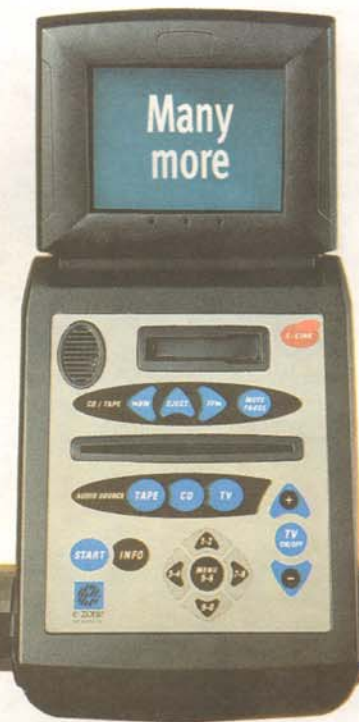


## Frank Napolitano Sells The Highpoint Athletic Club And Joins TSI





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# THE Club Insider

## NEWS

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

## Frank Napolitano Sells Highpoint Athletic Club And Joins TSI

By Norm Cates, Jr.

Frank Napolitano, age 44, is a well-educated man. Through a twist of fate, Napolitano ended up in an industry totally unrelated to his educational background, but one in

which he has been able to use all of his learned skills to succeed. The Frank Napolitano story is indeed an interesting and very unusual, but terrific success story.

Napolitano was born and grew up in Fair Lawn, New Jersey. He graduated from the University of Pennsylvania in 1977.

He graduated with a triple major in Corporate Finance, Accounting and Economics. After practicing public accounting for one year, he decided he didn't want to do that anymore. He then decided to go to law school and attended Georgetown University Law Center and the University

of Pennsylvania Law School. He graduated in 1981.

### DESTINY AWAITED NAPOLITANO

Frank Napolitano seems to have been destined to be a major player in the health,

racquet and sportsclub industry. How else could you explain the following?

While practicing law in Philadelphia, he met a client of his law firm named Charlie Kirkwood. Kirkwood was a resident of the Pocono Mountain area. Charlie (See Napolitano page 10)

## Netpulse Rolling Out Huge - No Cost Club Program

San Francisco, CA (January 18, 2000) - Netpulse, creator of the Internet Powered Workout(tm) and recipient of Business Week's "Best Products of 1999" award, announced a major initiative that will provide the Netpulse system to qualified fitness centers at no cost. Phase One of the new program will provide over 10,000 Netpulse systems to more than 1,000 clubs during the next year. In subse-

quent years, Netpulse could potentially allocate thousands of additional free systems. With over 15,000 health, racquet and sportsclub locations in North America alone, many with over 50 cardiovascular exercise machines, the prospects for the currently popular Netpulse program are huge.

Karin Newman, the Director of Marketing for Netpulse, says, "Netpulse is thrilled that the

economics of the Internet provide us with the ability to provide qualified fitness centers with our Netpulse Z-Series, lifetime Internet service, shipping and installation absolutely free of charge. Our business is based on usage where if a fitness center has enough members who will work out on Netpulse-equipped cardio machines, then we can give them the machines for free. Any type of club, big or small, can qualify

and many clubs (e.g. 24 Hour Fitness, Sport and Health, ClubCorp, Crunch, East Bank Club, San Francisco Bay Club, Fitness 101, Mecca Gym, the Embarcadero YMCA, etc.) already have qualified."

The qualification process for the new Netpulse program is up and running right now and involves two simple steps: Step One is a brief interview by phone or the Netpulse Web site

and Step Two is an on-site club visit to finalize the application process.

To apply, club owners or managers may immediately call 1-888-55-PULSE or visit [www.free.netpulse.com](http://www.free.netpulse.com).

Be sure to tell the Netpulse representative that you read about the new Netpulse program in The Club Insider News.

## Spinning(R) Trademark "Valid And Enforceable"

Venice, CA - January 5, 2000 - Mad Dogg Athletics, Inc. (MDA), owner of the Spinning(R) trademark, and Voight Fitness and

Dance Center, Inc., Henry Siegel, S & V International, Inc. d/b/a Voight by the Sea and Karen Voight (collectively defendants) have settled a trademark infringe-

ment litigation in the United States District Court for the District of California. The lawsuit was first filed by MDA on December 16, 1997.

The settlement resolves litigation concerning MDA's claims of trademark infringement, unfair competition and trademark dilution arising from

defendants' use of certain trademarks owned by MDA relating to the indoor cycling program, Spinning(R). The settlement con-

(See Spinning(R) page 7)

### Inside The Insider

- Why The YMCA Should Pay Taxes
- Positioning: The Art And Science Of Becoming The Club You Need To Become
- How To Maximize January's Guest Traffic
- Who Is Your Heart Throb?
- The Big 3 Mistakes When Starting A Club
- Growing Fitness Industry Requires Club Change To Keep Consumer Confidence

## TSI Contract Largest Club Deal in E-Zone History

Calgary, Alberta, Canada - Jan. 14, 2000 - E-Zone Networks, Inc. has announced a contract to install its Personal Entertainment System in the 87 current and all future Town Sports International Clubs (TSI). The TSI agreement is E-Zone's largest to date and indicates acceptance and endorsement for the company by a lead-

ing commercial club group. Town Sports International operates under New York Sports Clubs, Washington Sports Clubs, Boston Sports Clubs and Philadelphia Sports Clubs market names.

### HIGH VOLUME EXPOSURE

The installation project will begin this month at

TSI's 27 clubs in New York's highly-competitive Manhattan market and then move out to their remaining locations. The project will comprise 70-E-Zone Cardio Towers per club and four Audio Towers per club. This immediate addition of approximately 7,000 E-Zone Towers will give E-Zone more user access terminals than any other interactive entertainment (See TSI page 7)



# Why The YMCA Should Pay Taxes

By Norm Cates, Jr.

Roger Ralph's letter at the bottom of this page expresses thanks to me for supporting commercial health clubs in their challenge of competing with YMCAs. He also comments that "his focus has been on trying to get the YMCAs of the USA to return to their original Mission." The Mission that qualified the YMCAs for tax exemptions from Federal, State and local Property Taxes was, but no longer is, to serve the youth of America and the underprivileged.

You will see an ad on page #25 of this issue which summarizes the facts about this unfair advantage that YMCAs enjoy over their com-

mercial counterparts, the taxpaying clubs across the land. Did you know that even though the YMCAs of the USA wants you to believe that they still serve the underprivileged, less than 10% of their membership receives financial assistance? Did you know that many YMCAs have very strict no-kids allowed policies? Did you know that a tax-exempt \$5 million YMCA enjoys a \$600,000 per year financial advantage over a similar commercial club?

Now is the time for all 15,125 - U.S. commercial health clubs to rise up together and rebel against this unfair no-tax advantage that YMCAs have enjoyed for over 100 years!

Why? Because the YMCAs of the USA no longer

have the same mission. Their mission has become the same as many commercial health, racquet and sportsclubs and that is selling membership and services to the well healed members of our society. A recent study showed that the average YMCA member earns a salary that is just slightly less than the average member of a commercial health club in the U.S. (\$68,000 vs \$74,000 annually).

While Roger Ralph has placed his focus on attempting to get the YMCA back on Mission, we would argue that the likelihood of that happening is slim. Why? Because of money. The Executive Director of the YMCAs of the USA earns a huge salary. Many of the new-upscale-mega YMCAs pay General Managers almost

double what commercial clubs operators pay. In some markets, YMCAs even pay aerobic instructors far more than the average. How can they do this and still stay in business? The answer: They don't have to pay taxes and in most cases have no debt service because the YMCAs are built on donated capital.

The only way to get the YMCA to return to their original Mission of serving the underprivileged and youth is to convince the various levels of governments (Federal, State and Local) that YMCAs should pay taxes because they no longer pursue the Mission that gave them the no-tax status in the first place. We should all ask the simple question, "Since the YMCA no longer pursues the Mission that initially qualified them for tax exemptions, why should they continue to receive a Government mandated tax-exempt status?"

The Tennessee State Board of Equalization determined on May 28, 1999, that the de-facto mission of thirteen facilities operated by the YMCA of Middle Tennessee was to compete directly with private, taxpaying clubs. As a result, the Board recommended that all thirteen facilities should lose their tax exemption and be placed on the tax roles. That was a landmark decision that should clearly show the YMCAs that their time is up.

The resolution of this issue is not going to come easy. Nor will it come overnight. This will be a marathon, not a sprint. If you want to join the fight, here is what

you should do:

- (1) Make copies of the full-page ad shown on page #25.
- (2) Distribute copies of the ad to the following:
  - (a) Local YMCA Board Members
  - (b) Local City Council men and women
  - (c) State Legislators
  - (d) U.S. Congressmen and women
  - (e) All of your members.
- (3) Post the ad on high-traffic bulletin boards throughout your club.
- (4) Begin to make personal contacts with local YMCA Board Members, City Councilmen and women and U.S. Congressmen and women. Practice delivering your message clearly and briefly. The message we must all deliver in unison is summarized here:—

"The YMCAs of the USA no longer perform the charitable Mission that originally qualified them for tax exemptions. So, we ask: 'Why should YMCAs continue to receive tax exempt status?' The answer is they should not. They should now be required to pay taxes because they are now commercial health clubs. We are asking you as a YMCA Board Member, City Councilman or woman, State Legislator or U.S. Congressman or woman (pick-one) to do the right thing and take away the YMCA's tax-exempt status. Tax the YMCAs of the USA."

Become relentless on this issue and we will prevail in changing history and getting the right thing done!



January 3, 2000

Mr. Norm Cates  
Publisher and Editor  
The Club Insider News  
Box 681241  
Marietta, GA 30068-0021

Dear Norm:

I wanted to personally thank you for your extraordinary support for everyone in our industry concerned about the serious issue of Fair Competition. For me, the issue has always been less about the unfair tax burden and much more about what the YMCA's mission and activities should be in the years and decades ahead.

Your hard-hitting clear coverage of this issue has provided a tremendous service to this wonderful industry of ours. The best way for us to deal with the issue of Fair Competition long term is to continue to educate the public and elected officials and for the tax paying health club industry to significantly increase the number of full service family and community oriented health clubs in our country.

Sincerely yours,

Roger S. Ralph  
President

RSR/jmt

cc: Helen Durkin  
John McCarthy

Norm Cates' **THE Club Insider**  
NEWS  
Established 1993

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# • NORM'S NOTES •

Time to prepare to pack your bags and head West to San Francisco ladies and gentlemen! Yep, **IHRSA's 19th Annual Convention and Trade Show** will be held in San Fran, **March 22-25th**. **GENERAL COLIN L. POWELL, USA (Ret.)**, former Chairman of the Joint Chiefs of Staff, and **DAVID BREASHEARS**, world-class filmmaker and adventurer will deliver the Keynote Addresses. If you have never attended an International Health, Racquet and Sportsclub Convention and Trade Show, I urge you to be there. IHRSA's Convention and Trade Show is simply the biggest and best industry trade show every year. There will be many educational seminars that will provide you and your staff with a new perspective on a variety of topics. The Trade Show will have over 400 companies represented. Be sure to visit and buy from our advertisers that will be at IHRSA. For your convenience, we have listed their Exhibit numbers on the bottom of this page. Also, this year, for the first time, the Convention will have a Corporate Fitness component and Spa segment. If you are not an IHRSA Member, I would urge you to join. But, even if you are not an IHRSA Member, you may attend the Trade Show. For information on IHRSA Membership and Tradeshow attendance, call: (800) 228-4772.

And, speaking of Conventions and Trade Shows, **Club Industry** and **NEHRSA** (New England Health, Racquet and Sportsclub Association) have announced that they have teamed up to host **Club Industry East** in Boston, June 21-24, 2000. For information call NEHRSA at: (617) 951-0055, Ext. 115.

E-Zone Networks, Inc. has announced that **ROBERT MCKENZIE**, Director and former Executive Vice President, has been named to the position of Chairman and Chief Executive Officer. McKenzie will replace **DANNY LOWE**, E-Zone Co-founder, who will take the role as Executive Chairman. McKenzie commented, "The mass appeal of E-Zone's education and entertainment network has allowed us to grow even faster than we projected. As the company experiences month after month growth, a broader executive team is essen-

tial." Also, **LEE GUTHRIE** has been named Vice President of Club Sales and **BILL JOHNSTON** takes on the role of Vice President of Member Sales. **GREG DOXAKIS** has also been appointed Southwest Sales Manager for Southern California and surrounding states. E-Zone's new New York-based Sales Manager is **TOM BEAUMONT**. E-Zone's Sales Manager team now also includes: **LAURA ADDEN**, North Central, **STEVE STRICKLAND**, Southeast, **BRETT SCHUCHAT**, Florida, **KEVIN BRYANT**, South Central and **LISA SCONYERS**, Northwest.

Our condolences to the family of **JEANNE SAUBANNE**, the founder and owner of **Jeanne's Body Tech** in the Buckhead area of Atlanta. Jeanne was recently killed in an auto accident. She was a pioneer in the fitness industry, opening her 23,000 square-foot facility 23 years ago. A cycling enthusiast, Jeanne had a huge local following of devoted exercisers. May she rest in peace.

**MITCH WALD**, formerly with the **Smith Club** group and recently with **Sport and Health**, a Washington, D.C. based chain of over 25 clubs, has left the company. Mitch, an old friend and attorney by education, has been an industry leader for decades now and has served IHRSA as a speaker, Board Member, former President and now serves on the Advisory Board. Mitch is one of the most talented people in the industry.

**GARY KLENCHESKI**'s Fitcorp, Inc. has opened their 26th facility, a corporate fitness center for **Renaissance Worldwide**. Fitcorp, Inc. now operates 10 clubs and 16 corporate centers.

**Sinai WellBridge** has changed its name to **LifeBridge Health & Fitness**, as of November 30, 2000. The change comes on the heels of LifeBridge Health's purchase of the 50 percent stake in the club formerly owned by **Monsanto**.

My thanks to the **Life Fitness Corporation** for the donation they made in my name to the **American Heart Association**. Also, Life Fitness has announced a major expansion of their Consumer Division. The expansion tripled the existing space to 285,000 square-feet with 260,000 for manufacturing and distribution services. Attending the Ribbon-Cutting Ceremony were Ramsey, Minnesota **MAYOR TOM GAMEC**, Life Fitness President, **AUGIE NIETO**, **JERRY DETTINGER**, Vice President and General Manager for the Life Fitness Consumer Division, community representatives and Ramsey local employees.

**STEVE** and **SALLY GOLDMAN**, owners and managers of the Award-winning **Weymouth Club** in South Weymouth, MA., have announced plans to open an upscale health and fitness club in Canton. The new facility will be known as the **Canton Club**. The 22,000 square-foot facility will be designed by renowned architect, **HERVEY LAVOIE**, principal of **OHLSON LAVOIE Corporation** of Denver, CO.

**Fitlinxx** has been named by **DeLoitte & Touche, Inc.** as the 20th fastest growing technology company in the U.S. in their "Fast 50" list.

The low-key, but hard-charging, **CASEY CONRAD**, Founder and President of **Communications Consultants**, has had her book, "Selling Fitness" translated and published in Japanese by the **Club Management Network**,

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Japan's leading organization dedicated to supporting the country's club business through publishing materials, sponsoring seminars and coordinating networking efforts among owners and managers.

A New Hampshire **Gold's Gym** was fined \$46,200 for telling people that a neighboring club, the **Ultimate Gym and Fitness Centers**, was going out of business. The verdict included \$4,200 for lost revenue; \$22,000 for damage to reputation and \$20,000 for other damages. I had an organization try that trick on me in the mid-1980's while I was negotiating the sale of one of my clubs to them.

**Town Sports International's - New York Sports Clubs** has put together a terrific Squash Tournament to be held at New York City's recently refurbished **Grand Central Terminal**. A spectacular glass court with reserved seating for 5,000 will enable up to 150,000 spectators to enjoy the **DLJ Direct Tournament of Champions**, Saturday January 29th through Thursday, February 3rd, 2000. Competing for the \$75,000 in prize money will be 50 of the world's greatest squash players. TSI will also be introducing three new products in an exhibit in the Main Waiting Room of the nation's most beloved train station. The exhibit will be open to the public will include **E-Zone Networks**, a complete entertainment, educa-

tional and training system attached to cardiovascular machines for members; (check out article on page 3) **TORSON**- the very high-tech virtual athlete/private training tool and **E2R-TSI's** own vitamin and supplement line.

**Advertising Age** recently published a report that the **YMCA's of the USA** had chosen **GSD & M** of Austin, Texas, to handle an estimated \$20 million YMCA ad campaign that would include TV and print advertising. Within hours of that announcement, the YMCA recanted the story saying that it was not correct. However, here in Atlanta, the YMCAs are running one of the slickest radio ads I've ever heard over several big radio stations. But, we should all keep in mind the YMCA's original Mission of serving youth and the underprivileged (wink-wink-nudge-nudge)!

**TERRY DEZZUTTI**, CEO of the **Merritt Athletic Clubs** in the Baltimore area, announced that construction is almost complete on Merritt's 5th and 6th clubs in the area.

**NFL** great **MEL FARR**, plans to open 12 **Powerhouse Gyms** in inner-city Detroit. Farr, a former All-Pro running back, is the owner of the nation's largest African-American owned business. Mel and his son's, **MIKE** and **MEL, JR.**, who also played in the NFL, will partner in the deal with **NORM** and **WILL DABISH**, Founders of **Powerhouse Gym Group**.

MAKE IT FUN!

Norm Cates'

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# Positioning: The Art And Science Of Becoming The Club You Need To Become

By Brian McBain

When I first began consulting to the club industry, almost a decade ago, I always asked club owners and managers to describe their clubs to me. They frequently told me who they weren't. "We aren't like a Bally Club." "We are not a country club." "We're not a pure fitness storefront." "We aren't like parks and recs facilities," they would say. Often they had difficulty articulating who they really were.

Probing a little deeper, I would ask them to describe the types of members they had, since, presumably, they couldn't be all

things to all people. They would say they attracted adults mainly in their late 20s to 40s, professional, educated, who lived or worked nearby and so forth. In reality, they did not have a real good answer and, in fact, they would have agreed that they would let anyone - of any background - join if they agreed to pay the price and sign the club's membership contract on a given day.

This is all quite understandable because 10 or 15 years ago the industry was in Early Adolescence, fueled by the fire and imaginations of young, successful entrepreneurs. Today, however, the industry is maturing, club enterprises have grown

in size and sophistication, competition is intensifying and wary consumers are increasingly more knowledgeable about - and in some cases, suspicious of - the industry and what it has to offer.

Clubs today have to be more aggressive and sophisticated in deciding what kind of club they will be, what people they will go after and what they can do and say to sell their clubs to their chosen audiences. This is positioning. Much talked about and not well understood. It's not rocket science, but without it, you risk firing off uncontrolled in all directions like a package of firecrackers some kid lit and left on the ground.

## The 5P's

As club owners and managers you are all very familiar with Marketing's 4 Ps by now. They are product, promotion, price and place. You work with them everyday whether or not you have had the pleasure of a Marketing 101 class. And in today's hotly competitive marketplace who has not heard of the 5th P: Positioning? Positioning has attained the status of a buzz word principally because it is so important to successful marketing. Without positioning you are in the clutches of the old bromide that says 'if you don't know where you are going, any road will take you there'. In the club industry, if you don't know your positioning you have no real means of deciding who your ideal member is, what to say about your club, what equipment, programs and services you should have.

But like all buzz words, 'positioning' very often means different things to different people. There have been all kinds of books and articles written about positioning over the last decade and by the time you finish reading them, you come away with some vague notion that positioning is being #1 in a category, unique and that if you are lucky, you will come up with a great tagline like "the good hands people."

The goal of this article is to clear up some of the mystery and give you a head start on developing solid positioning for

your club.

To begin, let's look at a few questions:

1. Who was the first person to fly solo across the Atlantic? Charles Lindbergh, you say. Yes, but who was second? Okay, it was Amelia Earhardt and she was much more notable because she was the first woman to fly solo across the Atlantic. Who was next? I don't know either and that's the point.

2. Who was the first person to walk on the moon? Neil Armstrong, right? Who were the others?

3. What company invented the computer? Sperry Rand. But who was the first to establish the computer in the minds of consumers and businessmen alike? Obviously, it was IBM.

4. Who discovered America? Christopher Columbus, but it was Amerigo Vespucci who established the new world as a separate continent and wrote extensively about his discoveries. We named the continent after him and Columbus died in jail.

What do these examples have in common? The people or institutions were the first in their fields and therefore, most people remember them. In fact, most people can't think of the second or third in the category. They occupy a position in your mind. In each case, the person or institution is ultimately in a category all by itself, a category of one. They are "one of one."

## Be One Of One

This is the holy grail of positioning - to be one of one, to be so unique that there is only you and no other. Let's first look at some examples outside of the club industry.

Kodak, for years, was the first and only name in photography and film. They owned the category and they owned the world. The Kodak house was among the most revered and influential business institutions in the major countries around the world. They were, most emphatically, one of one. And then...along came Fuji with its blimps, its aggressive pricing and



Brian McBain

promotion and it opened the door to a host of private labels and smaller brands. Today Kodak is much beleaguered and is in the much-chronicled throes of trying to establish a new position.

Kleenex has fared little better. In the beginning it established its position so well that it became a generic name for facial tissue, a real one of one. Yet even with this position locked up, others began to encroach using price and promotion. One of the points these competitors made in their promotion was that the product was facial tissue, not Kleenex. Today, Kleenex is no longer one of one. In fact, people now refer to facial tissue as tissue, not Kleenex.

Xerox took its name from the process of xerography and for years, it too, was one of one. Like Kleenex, Xerox also became a generic name for photocopying. Unfortunately, Xerox developed trouble with one of the other Ps, product. We don't often talk about xeroxing now. We usually say, "Get me a photocopy of this please." Canon and others have long since taken over huge chunks of the office duplicating industry leaving Xerox to struggle - to this day - with finding a position and, profitability.

Hertz virtually invented the rent-a-car field, but today it can hardly be said to be one of one. Avis, brilliantly, made a career of being #2 and in so doing enlarged the field from one to two and opened the door to others. And now? It's a field of many with some

(See Positioning page 9)

## FRIDAY REPORTS

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## ...Spinning(R)

continued from page 3

sists of a stipulated judgment and permanent injunction against defendants and a monetary component paid to MDA, the financial terms of which are confidential.

The judgment prohibits the defendants from using all trademarks, trade names or service marks containing the words "Spin", "Spinner" and "Spinning" and permanently restrains the defendants from adopting or using MDA's SPIN marks, including Spinning, Spin, Johnny G's Spin-

ning, Spinner, Johnny G. Spinner, Spingym and Spincircuit. The defendants acknowledged and agreed that the SPIN marks and each of them, are valid and enforceable, are not generic, are not descriptive and are owned by MDA.

John Baudhuin, President of MDA, remarked, "We are extremely pleased with the settlement. As the creators, leaders and innovators of indoor cycling and the Spinning (R) Program, we take tremendous pride in our products and training programs and work tirelessly to improve our

performance. The Spinning family of trademarks help us differentiate our products from those of our competitors and protect consumers from deceptive imitators and practices."

As the parent company to Spinning(R), Spingear and Spinning(R) Nutrition products, MDA has created a well-rounded enterprise in the fitness industry. Created by Johnny G and introduced in 1987, Spinning(R) is the original indoor cycling program that has become a global exercise and wellness phenomenon. Hundreds of thousands of people of

all fitness levels, in more than 75 countries and 5,000 facilities participate in Spinning(R) classes each day.

The Spinning(R) trademark was first registered in 1992. In addition, the following trademarks are also registered by MDA: Spin(R), Spinner(R), Johnny G. Spinner(R), Johnny G's Spinning(R), Spincircuit(R), and Spingym(R). Mad Dogg Athletics, Inc. owns the rights to the trademark Spinning(R) for sport instruction, health education, health equipment rentals and lifestyle items that include nutri-

tional supplements, videos, audio-cassettes and CD's, clothing and exercise equipment. The Spinner(R) trademark is owned by Mad Dogg Athletics for exercise equipment and licensed to Schwinn(R) Cycling and Fitness for use on the Johnny G.Spinner(R) manufactured by Schwinn(R).

MDA was represented in the settlement by Jill M. Pietrini of Manatt, Phelps & Phillips, LLP, Los Angeles. The defendants were represented in the settlement by Kenneth L. Wilton of Small Larkin, LLP.

## ...TSI

continued from page 3

and education network in the health and fitness industry.

### ULTIMATE DELIVERY SYSTEM

"E-Zone provides us the best entertainment and fitness information delivery system in the industry. The individual audiovisual consoles put potentially unlimited viewing and listening choices in our member's hands. I especially like the new One-on-One training programs which are the perfect complement for my own staff trainers' personal work

with members," said TSI Chief Executive Officer, Mark Smith.

### BENCHMARK AGREEMENT

Negotiations with TSI began last year and E-Zone Cardio and Audio Towers were subsequently installed at TSI's Broadway club in Manhattan. That installation was immediately successful and the final TSI agreement followed quickly thereafter.

"We believe the Town Sports International agreement benchmarks E-Zone as a major player in the interactive education and entertainment services category of the fitness business.

When a club group of TSI's caliber takes the time to painstakingly evaluate a high-technology network, we feel that this is a strong endorsement of the value that our network can bring to both a club and its members," said E-Zone Chief Executive Officer, Robert McKenzie.

As of December, 1999, E-Zone had more than 125 installed clubs with more than 4,000 cardio terminals and over 350,000 potential network users.

E-Zone Networks Inc. is the leading interactive network of choice for active lifestyle consumers, providing compelling education and entertainment products and services that enlighten and engage its customers around the world.

# MAKE IT FUN!

## "It Has Come To The Point Where Buying Brand New Fitness Equipment Is A Waste Of Money!"

### Buying Professional Fitness Equipment Is A BUSINESS EXPENSE!

That's why YOU need solutions to help you cut costs without sacrificing durability or name brand. You know lowering the cost of doing business directly improves bottom-line profits.

Worldwide Fitness, Inc. has a way for you to improve profits by reducing your operating costs. Without your members having any idea that you didn't buy brand new equipment and spend twice as much money as you did!

Worldwide Fitness offers fitness center products that have already depreciated in value. We provide you a consistent supply of Bank Repossessed, Refurbished, Brand New, and Factory Blemished gym fitness equipment.

### We Believed Business Owners Wanted to Save Money On Operating Costs To Free Up More Capital To Grow.

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

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

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

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

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

### Guaranteed To Look Like New, Work Like New, And Make Everybody Think You Paid Full Price.

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



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

### We Have Over 1,300 Customers That You Can Speak With To Give You Buying Confidence

In today's business climate you have to protect yourself from miss-information. You can't take advertising statements as fact. We understand this, and make accessible to

you our past customers so you can make your own judgments, we don't want you to make a mistake. We want to make sure this is the right buy for your business.

"Worldwide Fitness Saved Me Over \$150,000 And My Maintenance Staff Still Thinks The Equipment Was Brand new, I Don't Feel I Sacrificed Anything. I Will Do All My Future Purchases With Worldwide." (Mike Bocciarelli is the CEO of 5 YMCA's)

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

### We Make The Buying Process Simple, So You Can Spend More Time Running Your Business

Your time is valuable so we make the process easy. It starts with a phone call from you, to one of our customer assistants. You are asked some questions to provide us with needed information. Next, a complete packet of information is expressed out to you. This packet contains: A video tour of our facility, a customized video of the machines you need. A proposal with all your options, prices and freight charges, room layout if needed, samples of rubber flooring and other samples.

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

### You Can't Afford To Pass This Up Without At Least Getting A FREE Packet And Proposal.

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

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wwwtsi@nl.net, and/or go to our award winning website [www.Worldwidefitness.com](http://www.Worldwidefitness.com)

Sincerely  
 Steve Patterson  
 Worldwide Fitness, Inc.

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



# How To Maximize January's Guest Traffic

By Casey Conrad

January is a wonderful time of year to be in the fitness business. With New Year's resolutions more new prospects walk through the club doors of most facilities than any other time of the year. As a result, membership sales are strong, with most clubs doing 12% or more of their total annual business in January alone.

With all the positives there is still one downside to January—lost sales due to rushed presentations and poor follow up. Yes, it's true. With the craziness of the number of tours in the club, salespeople have a tendency to abbreviate the qualifying and tie-down section of the sales process. The result is that many warm leads fall through the cracks because there always seems to be a newer, more interested prospect walking in the door. What this means is that clubs usually have a good number of leads floating around that, with a little more effort, could be converted into members in February or March.

The first step in maximizing January's influx of traffic is getting your salespeople and their guest records organized. There are three primary sources of guest records that should be gone through by the sales staff: the central guest register, the appointment book and the telephone inquiry log.

The central guest register is the club tool used to capture the name, source and contact information of anyone visiting the club and is usually kept at the front desk to maintain control. Ideally the club should have some system to "disposition" the guest register at the end of the night. Therefore, before the sales team leaves they should be placing a code on each guest entry that indicates what happened. For example, did the person enroll ("E"), did they not enroll ("N/E"), did they re-schedule to come back ("R/S" followed by date of appointment) or are they not interested at all and don't care to be contacted ("N/I"). Having this very simple but effective disposition system makes tracking prospects much easier, especially during heavy traffic times of the year.

Whether the club has such a disposition system or not, the manager should sit down with the entire team and go through each of the registers to determine what the current status is of each guest who did not enroll. Team members should come to the meeting prepared with their lead management system, their New Member or commission logs and, if possible, have taken some time prior to the meeting to review the status of all guests they worked with. Of course, the longer your club has gone without doing this exercise and the less prepared the team is at the meeting, the more amount of time it will take to

get through the records. Although it will take some time, clubs will be amazed to find the number of guests who either have never been followed up on by the salesperson and/or the number of guests on the register that no one knows anything about. By creating accountability for each and every guest register prospect the club will undoubtedly uncover more sales.

The next source of guest records that needs to be organized is the central appointment book (or individual appointment books if no central one is used). The central appointment book is where ALL salespeople put the names, phone numbers and sources of each guest scheduled for an appointment. One reason for going over the appointment book after the guest registers is that many of the scheduled appointments will have come into the club and signed into the guest register. There will be many times, however, where a guest "no-showed" and for some reason has never been contacted again. Therefore, when going through the central appointment book the manager should also have the completely dispositioned guest registers in front of them. A quick comparison of the same days will identify those guests that did show. For appointments that showed, either highlight the name, cross it off or place a large "S" (for showed) next to their name. Doing this will ensure that salespeople going through the records at a later date won't duplicate their calls when working separately off of the appointment book and guest register. The result of this exercise will be an identification of many people that were interested enough to book an appointment but for some reason didn't make it into the club and were not followed up on simply because of the January rush. Each salesperson should create a log of these prospects (with a copy going to the manager for follow up purposes) that they can work off of in an organized, systematic fashion.

The third source of guest records that you will want to organize is the Phone Inquiry Log. This is the log (or Inquiry Tear-off Sheets) that track every incoming membership inquiry phone call. (If your club is not doing this, you need to be!) Of course, the reason this is organized last is because these names need to be cross referenced with the appointment book to confirm if they 1) booked an appointment (although the log should note this), and 2) if they showed for their appointment. Once again, although the process can be time consuming, it always uncovers a number of prospects that have not been adequately followed up on.

Once all of the guest source tracking sheets have been organized, the next step is to have each salesperson take their lists and cross reference those names with the club's computer system to make sure that an individual hasn't become a member with the salesperson not knowing about it. (At larger clubs and chains this is more of an issue than at the smaller ones.) There is nothing more embarrassing than making a missed guest call only to find out the person is a member at the club!

Once all names have been checked and each salesperson has a complete and accurate list of all prospects that did not enroll, they need to begin the follow-up process. There are two different aspects to the follow up process: phone calls and letters. Obviously, since these leads are recent, the best approach is to contact people by phone. The call format should follow the basic "missed guest call" format outlined below.

## Step 1: Introduction

Hi, is (Name of missed guest) there?

Hi, (Name of missed guest), this is (Your Name) from the (Name of your club), how are you today?

The reason for my call today is that I'm following up on your recent visit/call to the club and I was wondering, had you begun a regular exercise program anywhere yet? (Almost everyone is going to say "No.")

## Step 2: Qualify

Now, if I remember correctly, you were interested in (fill in with the person's fitness goals), have you been able to achieve those goals with any type of home fitness program? (Of course, the answer will almost always be, "No.")

(If they visited the club):

\* Well, when we toured the club you thought that (re-emphasize what areas of the club they thought were most likely to meet their needs) would help you achieve your goals by (fill in with what type of program will work for them).

(If they never came in for an appointment):

\* Well, we have a variety of different programs here at the club that are specifically designed to help members (fill in with what they want to accomplish).

Do you mind my asking, what has prevented you from starting either a home program or a structured program at a club like ours?

## Step 3: Re-create Interest

If there was a way that we could help you (replay back their fitness goals) and (make a statement that deals with the rea-

son they haven't been able to start), would you be willing to consider a program at our club again? (For example: If we could help you lose that 20lbs. and tone up and do it with a program that would fit your tight time schedule, would you be willing to consider a program at our club again?)

Great, because we have (fill in with a quick, concise statement about one or two areas of the club that will meet their needs or something new that is going on that wasn't talked about previously).

## Step 4: Close for the appointment

What hours will you be using the club, morning, afternoon or evening?

I have openings this \_\_\_\_\_ or \_\_\_\_\_, which is best for you? (Closing for day of week.)

I have times available at \_\_\_\_\_ or \_\_\_\_\_, which is better? (Closing for time of day.)

Okay, so I have you down for \_\_\_\_\_ at \_\_\_\_\_ and I only ask one favor. If for some reason you are unable to make that time, please give me a call because I work by appointment only, okay?

I look forward to working with you then. Have a great day!

## Step 5: Establish course of contact if they are not interested at this time.

I can appreciate that now is not an ideal time for you given (fill in with the reason they have given for not being able to start). May I ask, at some point in time in the future if the time was right to start a program, would you be considering our club as an option?

Wonderful, so would it be okay if I kept in touch with you via mailers regarding events and perhaps a phone call to see how you are doing?

Okay, I'll put you on our mailing list and I'll plan on giving you a call say in three months just to check in, how does that sound?

By following this call format salespeople can weed out uninterested prospects and, at the same time, capture those individuals who are now ready to either come in and get started or at least find out more about the club. Of course, there will be times when a salesperson makes numerous attempts to contact a prospect but has no luck reaching them by phone. When this happens salespeople often give up on the lead, thereby losing the opportunity for another sale. To really maximize follow-up efforts, salespeople should be sending out a letter to all prospects they cannot reach by phone (assuming they have the address). The letter can be simple and to the point.



Casey Conrad

Below is a good example to follow.

Dear (Prospect Name),  
 Recently we spoke about your beginning a regular exercise program at (the name of your club). I have made a few attempts to reach you by phone but have had no luck.

I'm not sure if you have gotten started on an exercise program elsewhere but if you haven't we would love the opportunity to show you how our club can help you meet your fitness goals. Enclosed is a (length of pass) guest pass that will allow you to try out the club risk free and prove to yourself that being a member of (name of your club) is a worthy investment.

If you have any questions or need any further information before taking advantage of this pass, please do not hesitate to give me a call.

In good health,  
 Your Name

Of course, it goes without saying that the guest pass you send should have an expiration date of no more than 30 days from the date you are sending the letter. Although the response rate to these letters is a relatively low 10-20% (greater if you follow up with another call after letter is received), it is an inexpensive way to potentially gain new members. Even if the person doesn't use the pass, the gesture sends a positive, professional message that may lead them to call at a future date or, at the least, tell others about the club.

By systematically going through all guest sources from the busy January rush, clearly identifying all potential prospects that have not been followed up on and then contacting them first by phone then letter, your salespeople will be able to maximize your New Year guest traffic and make more sales.

(Casey Conrad is the Founder and President of Communications Consultants. Casey May be reached at: (800) 725-6147.



## ...Positioning

continued from page 6

seeking position on price (Budget, Dollar) and others on service such as Enterprise, who pick you up and take you back.

No discussion of positioning would be complete without mentioning Coca Cola. Coca Cola started out as a one of one and Coke became the generic name for a cola - or even for a soft drink. The company, however, is one of the premier marketers in the world and recognized the value of a brand and of not letting the name slip into generic usage. The company has a battery of lawyers dedicated to protecting the name by suing people who give out Pepsi or some other brand when people ask for a Coke. We have likely all had the experience of a flight attendant or waiter saying, when asked for a Coke, "Will Pepsi be alright?"

### Key Positioning Lessons Learned

There are a number of lessons to be learned from these examples.

First, being one of one is wonderful and hugely profitable. But it won't last.

Any uniqueness you have will be copied and attacked vigorously from all sides. Competition will only increase. Technology and invention will continue to bring new players to the field.

Consumers will constantly change looking for new, better, cheaper.

You have to constantly tend your positioning. You have to freshen it, make it strong, evolve it so as not to lose the strength of the past while capitalizing on its future potential.

In a very real sense then, positioning is, to paraphrase Jack Trout and Al Reis, a battle for the consumer's mind. Before we go much further, it is important that we have some definitions in mind.

Your "position" is how you need to be perceived to achieve your growth and profit goals.

"Positioning," is what you need to do to gain a defined position in the consumer's mind.

### Methods Of Positioning

There are several ways you can establish a position. That

is to say, there are several ways of positioning your club. Price. Target audience. Product benefits. Product attributes or various combinations of these.

Pricing is the easiest to grab onto in the heat of battle. But it insidiously sucks you in so that once tried you are almost always committed to some kind of price warfare. There is little mystery to price and one thing is for sure. If you win by price, you will assuredly lose by price.

On the high end there are Rolex watches, Rolls Royce cars and Mont Blanc pens, among others. On the low end are products like Busch Beer, Virgin Airlines and Hyundai cars. A constant flow of deals, specials and new price reductions is another way of playing the price game. But in the club industry we have seen that one of the dangers of this approach is that members grow unhappy because they feel they didn't get as good a deal when they joined. And when price ceases to be a differentiator - as it inevitably will - you will be swallowed up in that amorphous middle. You'll be a "muddler," not meaningful to anyone.

Another way to define yourself is in terms of the people you want to serve, your target audience. You can do this by gender. For example Marlboro cigarettes and Chevy Trucks make no bones about being for men. For women there are L'eggs Hosiery, feminine hygiene products and make up. You define yourself by aiming at an age group. Geritol and Centrum Vitamins target older people. Gap Kids, video games and Game Boys target younger people. And then there is Pepsi "for those who think young." In a somewhat more sophisticated way, Hallmark Cards were for those who "care enough to send the very best." Platinum credit cards are for high net worth individuals. The new American Express "Blue" card is specifically for people making purchases via the Internet and John Deere tractors are for farmers, ranchers and those living in rural settings.

Some marketers choose to position their products or services in terms of the benefits their

- Women's-only
- Lowest price in town
- For the young and the beautiful
- Get fit quick
- Racquet-sport oriented
- A place for corporate members and business people

- For active adults (50+)
- Medically-oriented
- Pay per use
- ...and so on.

It is important to realize that along with establishing a definite position, you cannot be all things to all people. You will have to sacrifice some positions in order to establish another. For example, if you create a high-end spa with 14 treatment rooms, beautiful finishes and pampering services, you cannot serve, appeal to or market to families, price-oriented people, pay-per-use people or racquet sport enthusiasts. Even so, your facility can be wildly successful if you do your marketplace analysis homework and stick to your position-driven marketing strategy.

Does your club fit clearly into one of these categories? One not mentioned? Are there any current competitors who share your category? Are you vulnerable to another competitor coming into the market and taking business away from you? How do you determine an appropriate position for your club - how you need to be perceived? And how do you go about positioning your club - creating the needed perceptions?

Earlier we talked about

the classic 4 Ps of marketing and then added a 5th P, positioning. Now we would like to change the order of Ps here. Is it better to let the 4 Ps (price, product, promotion, place) determine positioning or is it better to let positioning determine the other 4 Ps? (A rhetorical question, we hope.)

### Key Questions

In the process of determining a position, the first thing that needs to be done is to answer the sometimes vexing question, Who are we? To get at this properly we also have to ask all the following questions: What do our current members think we are? What do our former members think of us? What do our prospects think we are? What do we think of us?

Also in this part of the exercise we will need to look at competition and ask the following questions:

Who are they?

How are they different from us?

How are they similar?

We will need to look at what our physical plant says about us and what our communications say about us - advertising, brochures, name, signage, community relations. We'll have to look at how the staff behaves and we'll need to look at how our websites

communicate.

Having determined who we are, we will then need to get a good handle on the question, What do we want to become? In determining what we want to become, we need to take a breath and do a reality check. The great American dream is that we can be anything we want to be if we work hard enough. But, it is well nigh impossible to become a 7-foot center for the Los Angeles Lakers if you are only 5 feet, four inches tall and 40 years old - even if you work real hard. Do market demographics support your choice of positions? Do competitors have a stranglehold on some part or all of your desired position? What uniquenesses do we have that can be turned into meaningful differentiations?

### Major Challenges

With our position determined we now can address the meat and potatoes of positioning and marketing. How do we get there? How do we create the perceptions we need among the people we need to reach? We will have to come to grips with such challenges as:

our name - our visual identity  
 our brochures, advertising - everything we say about ourselves  
 (See *Positioning* page 24)

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## ...Napolitano

continued from page 3

was very incensed about a case that had come up in his community in which 5,000 pounds of marijuana had been seized from a house. His concern was that the marijuana was suppressed as evidence because a judge had ruled that it had been obtained by unlawful search and seizure. The local District Attorney was not going to appeal the judge's decision, so somehow Kirkwood was able to get himself appointed by the Attorney General of Pennsylvania as a Special Assistant District Attorney to prosecute the appeal of that ruling. Kirkwood, a lawyer turned businessman, had not practiced law in years so he went to his law firm and sought a Pro-Bono lawyer to prosecute the appeal of that ruling. That young lawyer turned out to be Frank Napolitano. Together they prosecuted the case and they won! Napolitano recalls, "After those guys went off to jail, Charlie made me a series of offers, one of which ended up being the opportunity to be his partner in a real estate deal here at Highpoint developing the land around the club. The club was on 30 acres in the middle of 100 acres. So I did that. I started out doing real estate development. The club had been built in 1975 and Kirkwood had been able to obtain a management agreement for and an option to buy the club. He thought, 'How hard can it be to run a club?' We ended up in the club business and the hotel business after that. The bottom line was that, of all the things I had done, I liked the club business the most. So when we split up he took the hotels and I took the clubs. We had acquired 5 other clubs that were turn-around situations in Illinois, Ohio, Texas and Pennsylvania. They were all clubs with the same

basic m.o., there was some real estate attached to them. We knew we could find the value in the real estate regardless of whether the club made sense. After awhile, the clubs became the more interesting side of what we were doing."

### The Evolution Of A 200,000 Square-Foot Mega Club

The Highpoint Athletic Club opened in 1975 as a 100,000 square-foot indoor tennis facility with 8 courts, a central area with banquet space and a restaurant, four racquetball courts, a squash court, locker rooms and a tiny little gym. Since that time, the Highpoint Athletic Club has evolved into a 200,000 square-foot club featuring 8 indoor tennis courts, 4 under roof and 4 under a domed air-structure. The facility also has 7 outdoor tennis courts, full-size indoor and outdoor basketball courts, 12 racquetball courts, 30,000 square-feet for kids programs, a 10,000 square-foot weight training area, with 20,000 square-feet in total for fitness, including a women's gym. The HAC also has an indoor hockey and soccer arena. There are about 50 full-time and 130 part-time employees working at the facility in this suburban location, about 25 miles outside of Philadelphia. Napolitano comments, "When I first saw the club in 1984 it was this monstrosity in the middle of a corn field. We had 70 acres around the club and so we built a couple of buildings on that land and sold the rest."

The Highpoint Athletic Club has nearly 4,000 memberships with over 7,000 total members. 1999 revenues were over \$5 million, but Napolitano would not

disclose figures beyond that.

### STRONG IHRSA LEADER AND SUPPORTER

Frank Napolitano joined IHRSA in 1986. He served on the Board of Directors from 1993 to 1997 and as President of the Association during 1995-96. We asked Frank if he could give his thoughts on why club owners/operators should become involved in IHRSA. He commented, "I really think it depends upon where you are in your development of your knowledge of the industry and how to be successful as a club owner. If you are new to the industry, the best reason is the fabulous resources and training that you get from all of IHRSA's materials, tapes and books, as well as the conventions. I think as you move on and become more confident in your ability to operate the club in an intelligent way and in marketing and promoting the club, it becomes much more the opportunity to pick the brains of the brightest people in the industry and network new ideas and leading edge concepts. For most people it starts out being nuts and bolts and nitty-gritty and wow ideas and it moves on to be friendships and confidants and people whose judgment you trust when you are about to make another big decision." We asked Frank what he thinks IHRSA's biggest challenge is and he responded, "I don't think that challenge has changed dramatically for the past several years. That challenge is to become a spokesperson, not only for the subset of clubs that are IHRSA, but for the entire industry, both in promoting the industry and its benefits to people of all ages and walks of life, and also in protecting the industry from unfair competition [from those who have tax advantages]." Commenting on the letter response by YMCA Executive Director to IHRSA member, Roger Ralph's letter, featured in last month's CLUB INSIDER News, Napolitano said, "It is pretty unfortunate that at this point we don't have enough political clout. As a result people don't feel they need to take us seriously. That anyone could write a disrespectful response to such a very thoughtful letter is a sad reflection on our industry."

### A MEMBER OF THE FAUST ROUNDTABLE #2

Dr. Gerry Faust's Roundtable #2 has a number of industry leaders including Joe Cirulli, Tony deLeede and Geoffrey Dyer. Frank Napolitano is a member of that group as well. The Faust Management Corpo-

ration now sponsors four Executive Roundtables. Napolitano comments on the Faust Roundtable #2, "It changed the way I looked at the industry, our business and myself."

### NAPOLITANO SELLS THE HIGHPOINT ATHLETIC CLUB AND JOINS TSI

Frank Napolitano credits the Technogym Corporation and Rick Caro for introducing Mark Smith, CEO of Town Sports International, to him. They met on a European trip arranged by Caro and sponsored by Technogym. The purpose was to expose club industry leaders to the then new-to-America, Technogym Company, manufacturers of cardio and strength training equipment. Napolitano comments, "I really tip my hat to Technogym on that. I met Mark on a tour of Technogym's complex that was arranged by Rick Caro. We became pretty good friends. That was about 5 years ago. Mark and I began, just because we were friends, to share concepts. Mark had asked me from time to time to take a look at their clubs and make some suggestions with regard to ancillary revenue sources through programs. I was happy to give him my thoughts. At some point Mark began to ask me if it was possible for me to do that on a more permanent basis."

"TSI is a dominant player in the markets in which it operates from Boston to Washington. They felt it was important to run quality suburban locations to supplement the downtown locations that made them such a force. Downtown city-center clubs are really a different animal than the suburban multi-purpose clubs in terms of member's expectations, sensitivity to pricing issues and the importance of and desire for programming by the customer base. Suburban clubs tend to be larger and spread over more space and sometimes include usable land as well. These differences create opportunities for ancillary revenue sources that just don't exist in rather tight, high-rent city-center locations. Since we knew a lot about programming in multi-purpose clubs, we saw some opportunities for synergy between Highpoint and TSI."

"We have a group of people here at Highpoint who have truly created something wonderful. I think TSI was excited to add people like Alan Veenendaal, Kate Hennigan, Ken Lepitre and Cheryl Jones, who run Highpoint on a day-to-day basis, to the group of talented people who run TSI's clubs. Those individuals, who have been spent 7 years developing this model with me, along with Sharon Jett, our

controller, deserve all the credit for creating the Highpoint model. The only way to take advantage of their talents was to acquire the club. That started a negotiation that lasted about 3 or 4 months. The sale happened relatively quickly. That required a lot of trust and respect. I have a lot of respect for Mark Smith and for the people of TSI. I believe that they feel the same way about us."

We contacted TSI CEO, Mark Smith, to hear what he had to say about the acquisition of the Highpoint Athletic Club and the new relationship with Frank Napolitano. We asked, "How long did your negotiation with Frank take from state to finish?" His answer was "3 to 4 months." I then asked, "That is a fairly rapid time frame. What do you attribute that to?" Smith's reply was, "It was a combination of things. Number one is the relationship we already had. We have a mutual high level of trust and respect you obviously need because a lot of things get done based on your word, especially in the situation where Frank was coming into the company at a high level. The situation is such that you can't give a structure for every possible outcome. You just have to trust each other that any issue that comes up, you are going to work out. So, that was the number one thing, just trust and respect for each other in terms of integrity. The second was we've done a lot of acquisitions [45 or so] over the last 3 years. There have been none like Frank's Highpoint Athletic Club with the family orientation. We've had a lot of experience, however, so the process is now refined. The thing that drew me to the deal more than anything was Frank's experience with the family orientation. He and his employees have a wealth of knowledge our company did not have. It is a perfect fit. The secondary aspect to this whole situation was that he had a really good club there in Philadelphia. We have just started focusing on Philly. We have two clubs open there and with Frank's club the third. We have another two clubs in presales. So that will be five. And, we have another club with the lease signed, so that makes six confirmed Philadelphia Sports Clubs. And we are working on another three right now. So our concept of clustering clubs with a strong central urban location we have taken to Philadelphia. That gives us a cluster of Philadelphia Sports Clubs just like the Boston Sports Club, the Washington Sports Club and the New York Sports Club. So, there were two great benefits. One was Frank and his staff and their whole focus on family and the second was the fact that the HAC acquisition grows our presence in Philadelphia with probably the best known club in that region. The programming will immediately be launched in the other mar-

(See Napolitano page 23)

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# Ground Broken For The BelAir Athletic Clubs's BAACYard Clubhouse

On Monday November 1, 1999, The Bel Air Athletic Club broke ground for construction of a 20,000 sq. ft. kids arena which will be known as the BAACYard Clubhouse (the Clubhouse).

Completion is scheduled for June 1, 2000, in time for the BAAC Summer Camp program.

The Clubhouse will be the new home for virtually all of the Club's youth activities including dance, the BAAC Pack After School Program, martial arts, KidSports and youth sport activities including basketball, soccer, volleyball, roller hockey and t-ball. The Clubhouse will be constructed on the Bel Air Athletic Club's upper level parking lot and will be directly

accessible through the existing Club as well as via a new entrance.

The theme, BAACYard Clubhouse, is designed to evoke for children and adults alike the memories of the backyards they play in growing up. Patrick King, of PlayWorks, Inc. of Franklin, Tennessee, has been commissioned to work with the Bel Air Athletic Club staff in designing a custom 24 ft. high "LifeTree" which will be the focal point of the BAACYard Clubhouse. It will incorporate tree houses, space trolleys, and cargo nets. Mr. King has done work for Disney Amusements and was the designer of the main climbing apparatus at Port Discovery Children's Museum in Baltimore, Maryland.

The BAACYard Clubhouse will contain two dance studios, two martial arts studios, a play zone arcade with active games, and a soft play area for younger children. The gymnasium component of the Clubhouse will be surrounded by a dashboard system so that soccer and roller hockey can be accommodated along with basketball and volleyball.

The Bel Air Athletic Club has grown along with Harford County. Today the Bel Air Athletic Club is a large 106,000 sq. ft. community and family oriented health club with over 300 employees. It has been rated by the International Health, Racquet & Sportsclub Association as one of the top 5 health clubs in the United States. In addition to services customary to a health club, the Bel Air Athletic Club operates a licensed pre-school, nursery, after school program, a computer training lab, dance and martial arts programs, an indoor/outdoor aquatics center, a swim team program, and the Body

Works Day Spa and Salon. It is the home of Union Memorial Sports Medicine, the Wellspring Center for Prevention and Stress Reduction and Jane Fallen Catering.

Roger Ralph, co-owner of the Bel Air Athletic Club with his wife Elaine, says that the BAACYard Clubhouse will add 20,000 sq. ft. to the existing Club, giving it 126,000 sq. ft. on nearly 8 acres. "We believe this will be the most innovative health club based kids facility in the United States. More importantly, it is designed for the future so that the Bel Air Athletic Club is able to continue serving all members of the family regardless of age. While the primary target age is 7-12 for the BAACYard Clubhouse, the space will be flexible enough to serve children of all ages. By centralizing our youth activities, the existing space within the club is freed up for the development of new programs and services. With all the glum news about drugs, violence, the fattening of our nation, and the lack of physical activity by our kids," Ralph said,

"this project's development is good news. We are committed to making this exciting and innovative facility a model for all other family and community oriented health clubs in the country."

The BAACYard Clubhouse has been designed by Phil McWilliams of Brosso, Wilhelm and McWilliams of Towson, Maryland. Rocchi Construction Co. will be the general contractor. Financing has been provided by Bank of America, formerly NationsBank.

Harford County residents and businesses will have the opportunity to purchase a personalized engraved brick or with their name that will line the outside of the Clubhouse. Proceeds from the sales of these bricks will be used to help support the Bel Air Athletic Club's two primary nonprofit organization sponsorships, the Harford County Boys & Girls Club and The Sexual and Spousal Abuse Resource Center (SARC) of Harford County. To reserve an engraved brick or tile or for further information about participating in the engraved brick program, call Judy Thompson at: (410) 838-2670 ext. 234.

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Ground Breaking for the Bel Air Athletic Club's New 20,000 sq.ft. Kids Gym (L to R) Elaine Ralph (co-owner), Max Bradshaw, Christopher Merrick, Dana Swann, Kathryn Merrick, Samantha Barker and Roger Ralph (co-owner)

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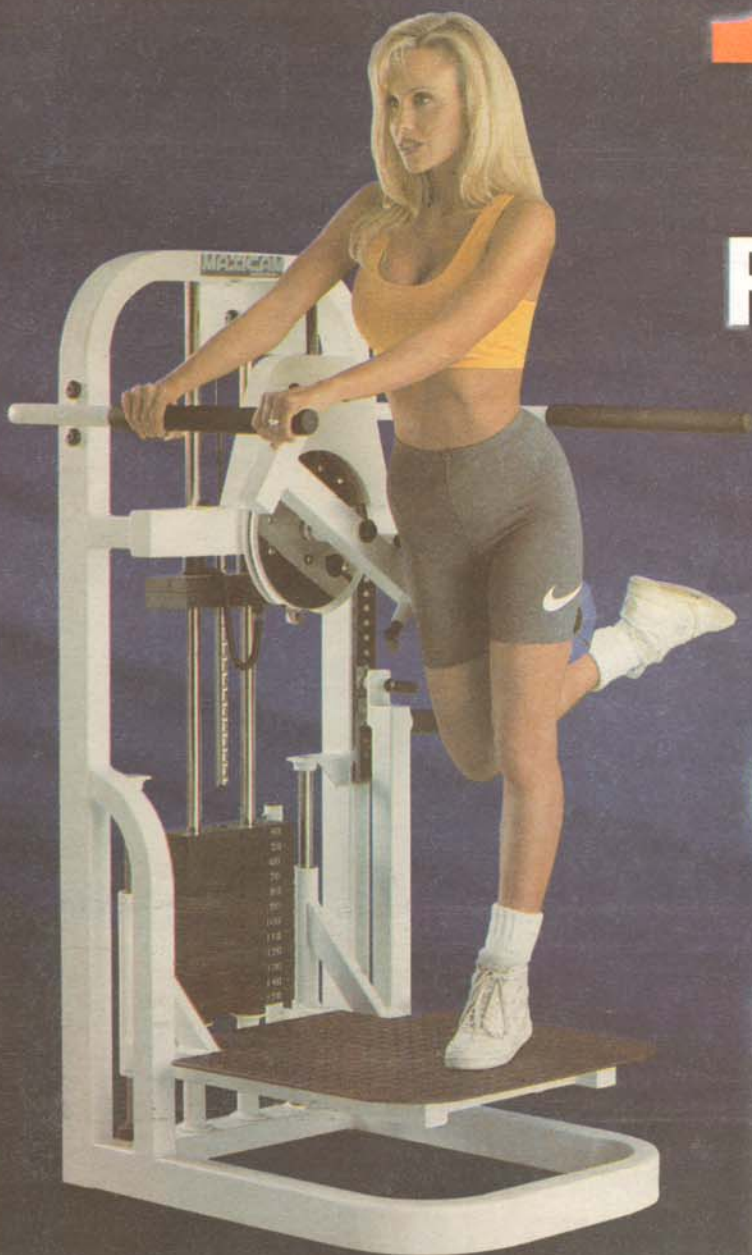


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# The BIG 3 Mistakes When Starting A Club

By Mike Connors

The idea of opening a health and fitness facility is popping into more and more heads every day. Once seen as a fad and not taken as a real business venture, the health club industry has grown leaps and bounds in both the fitness aspect as well as the business venue. As fitness has become more mainstream, the number of new facilities has dramatically increased. But, not all of these clubs are still in business. In addition, there are a number of clubs operating just to stay afloat as opposed to operating as a business with a healthy bottom line. When analyzing these failures, usually a few common, but critical, mistakes are found that were actually made before the doors were opened for business.

The most crucial mistake that new club owners make is underestimating the cost of starting up a health club business. If a club is going to get built, it needs to be done right. This requires the proper budgeting and financing to create the type of club the new owner envisions. Many new owners don't realize all of the expenses that go into building a new club. The fitness fanatic turned entrepreneur takes a look at a health club and thinks it will be easy to create a better one all by himself. When they start to look at the investment, they soon find out that to fill the club with equipment is expensive. Take treadmills for instance. One treadmill costs roughly \$6,000. If you need 10 of them that's \$60,000 just in treadmills! Equipment costs for most clubs these days in the 15,000 - 20,000 square foot range will be roughly \$275,000.

Equipment costs are just the beginning. There are other costs not figured in by new club owners that may end up putting the business way over budget. These costs include deposits, architectural fees, legal fees, consulting fees, accounting fees, and pre-opening sales and marketing capital. These costs can total as much as \$200,000 or more.

Additional costs that are routinely underestimated are construction (rarely finishes less than anticipated), audio/visual components and computer hardware and

software. These are items on the start up cost list that shouldn't be skimmed on if the club is going to be a state-of-the-art facility, which is necessary in the highly competitive markets nowadays.

If all the start-up costs aren't calculated or budgeted correctly then one of two things happen. The owner has to put more capital into the project (if it is available) or the owner has to bring on a partner to help finish the project. In either case, the return on investment goes down and the headaches begin. All of a sudden, the business doesn't look as good as it did when it was in the conceptual stage.

These are some of the start-up costs to take into consideration before venturing into the club business:

- Exercise Equipment
- Tanning Beds
- Sauna, Steam, Whirlpool
- Lockers
- Starting Retail Inventory
- License/Franchise Fee
- Sound System /AV/Phones /Security
- Furnishings - lounge, offices
- Juice Bar
- Display Items
- Start-up operating expenses (Pre-opening marketing and payroll
- Professional fees, security deposits)
- Computer Hardware and Software
- Signage
- Land (if applicable)
- Building and Site Work (if applicable)
- Recreation Areas (pool, tennis, racquetball, etc)
- Construction
- Capital Reserve (if necessary)
- Miscellaneous.

The bottom line is that if the necessary funding to do the project right isn't available, don't build the club. Secondly, if, in order to do it right, the start-up costs will not allow a proper return on investment, then keep looking!

The second BIGGEST mistake made by fitness entrepreneurs is overestimating the number of members that the club will be able to achieve. A large part of this mistake is actually to blame on others in the industry. There

are a large number of clubs, that when asked, inflate their total number of members to make them seem much more successful than they actually are. Then, new club owners start thinking, "If they have X thousand members, I can certainly attain that level because I will service members much better."

When estimating the number of members the club will achieve, it is important to look at other clubs to see how many members they might have. "But, service will not sell memberships, at least not initially. Service is a retention factor. Good marketing and effective sales systems are factors that effect your membership goals."

To properly estimate the potential number of members, the owners first need to estimate the size of the market (get a current demographic study) to estimate from how far they will realistically draw. Next, estimate the total number of members that the competing clubs currently have. This is not always easy because of the hype and membership accounting methods of some clubs. Next, take the industry average of members in a given market. According to IHRSA (International Health and Racquet Sports Association), there are 29.5 million health club members in the United States as of January 1, 1999. This tells us, on average, about 11% of the market population are health club members.

The following is an example of an analysis:

The club will draw from a 5-mile radius (at most)  
Within the 5 mile radius there are 100,000 people  
11% of 100,000 people = 11,000 potential health club members

The competitors in this 5-mile area have an estimated 6,500 total members

This leaves 4,500 potential members in the market.

Although the 4,500 potential members above do not include members leaving the competition to join a new club, it cannot be assumed that a new club will win over a majority of any clubs members. This is part of the mistake made when overestimating the number of members a new club will achieve.

The third BIG mistake that clubs make when getting started is underestimating the operating expenses. There are a number of club owners who are one of a few employees simply due to the fact that the club cannot support the necessary payroll. Because of the mistakes above, many owners end up "buying themselves a job" instead of properly achieving the financial freedom and success they had anticipated.

The three major expenses in a club are payroll, rent and debt/lease payments. It is important that these are calculated correctly before signing a lease and getting into business. Many owners look at payroll and don't factor in the commissions and payroll taxes that create the total payroll expense. In addition, the estimated payroll needs to be kept within certain industry parameters in order to be considered profitable. Similarly, rent figures need to be calculated on the gross rent to be paid. There are usually "triple net charges" (NNN) that are added onto the base rent that is initially proposed in the lease. These charges, Common Area Maintenance (CAM), Proportionate share of taxes and insurance, are roughly \$2 to \$4 per square foot. On a 20,000 square-foot building that can add up to over \$75,000 per year!

Marketing and advertising is an expense that some new owners skip on when budgeting their expenses. The "If I build it they will come", mentality figures into the marketing efforts. Granted, a good location will be able to bring a bunch of new members, but approximately 6% of the estimated gross revenue should be set aside for advertising. The above mistake snowballs since, when there is little or no money allotted for advertising, the membership numbers go down and subsequently there is even less money to spend on marketing. This is an important part of budgeting that has a direct effect on the number of members, and thus gross revenues, the club will achieve.



Mike Connors

Finally, many club owners simply don't factor in all of the expenses. The following list is a good start:

- Management Salaries
- Other Salaries
- Commissions
- Payroll Taxes
- Repairs and Maintenance
- Rent
- Insurance
- Certification and Training of Staff
- Advertising
- Bank Charges
- Dues and Subscriptions
- Office Expense
- Operating Supplies
- Professional Fees
- Telephone
- Utilities (gas, electric, cable, etc.)
- Franchise/License Fees
- Debt Service
- Capital Leases
- Miscellaneous Expenses.

Finally, in calculating expenses, many club owners do not account for capital replacement expenditure. This doesn't necessarily effect them in the first year, but thereafter it can be crucial to staying in business. Each year the club will need alterations, painting, new equipment, etc. Without putting money aside, these necessary improvements are unlikely to take place. The result is that 5 years down the road their once new club will look just like most of the clubs in the market when they got started, leaving the door open for  
(See Mike Connors page 22)



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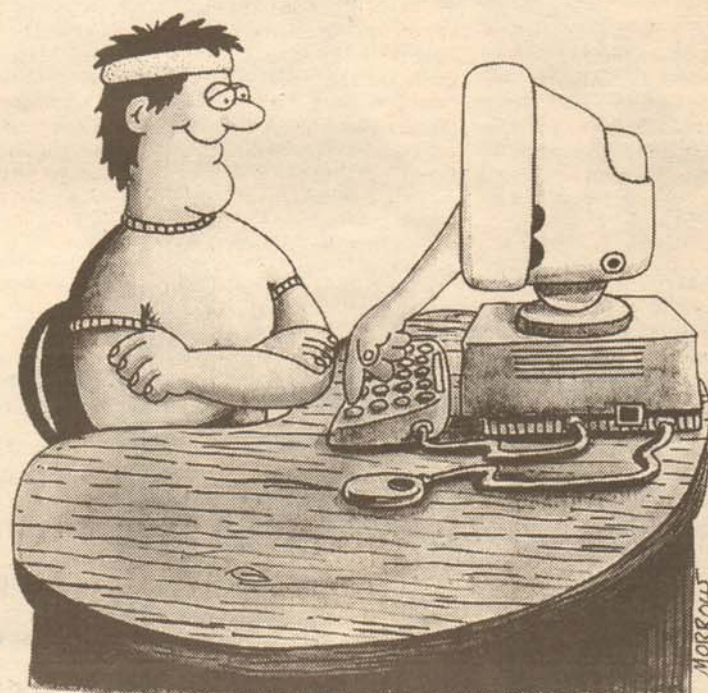
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# Clubdoc' Corner

By Mike Chaet Ph.D.

The following questions, issues and situations are commonly brought up during my visits with clients around the globe. The Clubdoc's Corner is designed to share my solutions with you as well as to challenge you to come up with solutions of your own.

**Q.** There are quite a few clubs in my market area. What is the best way to compete with them?

**A.** Many people think that when products seem to be the same or are similar, the only way to compete is through price. This is what many clubs have been doing for years. The problem here is that price is a very easy thing for your competition to counter with. The key to long-term success and competitive edge is through true product differentiation.

Differentiation is what truly separates you from your competition. It defines you. It is why people give you their money; it shapes what you are or are not.

Consider the toothpaste market. Do you really think Crest and Colgate are that much different? Although the products may be similar, the marketing message is significantly different. One fights cavities while the other destroys plaque. So which do you want for your teeth? It's your choice.

Creating differentiation and making it your advantage is a two-step process:

1. First you must truly be different or be perceived to be so. Your product, must carry greater benefits than your competitors. You must provide something the consumer considers important, that the other clubs don't. There must be a distinct benefit that only you offer: a greater product, services that no one else has, unique equipment, a more convenient location. Consider the club that washes the member's car while he is in getting a workout, at no charge or has a medically supervised weight loss program!

2. Second, once you have established the different product you must let the consumers know about it. It is truly a shame to have a product that is different, yet no

one knows about it.

Start with this little exercise:

Make a list of all of your competitors.

List what they have and what they sell.

Then make a list of how you are, or are not, truly different.

Rank these differences in order of consumer importance.

Once this is done, if you are not significantly different, try to figure ways to separate you from your competitors. This should be your future club development plan. Try to implement one significant differentiation strategy every 3 months.

As you identify major differences then wrap them up in a marketing and sales message.

Your differences are your strengths, they define your product

Get the message out and sell against them!

**Q.** What is the appropriate percentage we should spend on payroll at our club?



Mike Chaet, Ph. D.

**A.** Fiscal responsibility is the key here. We suggest you limit your total payroll to 30% or under. This does not include sales commissions, but does however include all taxes, insurances and benefits to your employees.

This seems to be one of the hardest areas for club owners to stay on top of. However if you don't control your payroll and show discipline in this area you are going to run short in other areas. Another question in regards to payroll is how to break this 30% down? This of course is a more difficult question to answer due to the fact that each club has

different features and staffing needs.

**Q.** Do you see home fitness equipment as a significant form of competition to the health club industry?

**A.** The home fitness equipment market is projected to reach 2.2 billion in sales this year-6% over last year. The fastest growing segment of this market is in the area of cardio equipment such as stair climbers, treadmills and bikes. In a recent article entitled "Fancy Coat Racks" there is a claim that much of this market is made up of health club dropouts. Companies such as Trotter have even advertised the concept of setting up your own club at home and save the dues. Do you consider home equipment as direct competition to club membership sales?

Not at all. Home equipment should be looked at as a supplement to your members' programs and a way to keep them involved in fitness and their memberships active.

One approach to finding more facts regarding this issue has been taken by Life Fitness who commissioned a survey of about 600 people, half of which had a home Lifecycle and half who did (See Mike Chaet page 26)

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# Growing Fitness Industry Requires Change To Keep Consumer Confidence

**Lifestyle Family Fitness is creating big business and increased consumer loyalty with its "commit to a lifestyle not a contract" philosophy**

**T**ampa - As the health club industry continues to grow at a rate of 8 percent per year, there seem to be more and more players vying for consumer interest. With today's fitness consumers more savvy and knowledgeable about fitness than ever before, health clubs are being forced to change their marketing approaches to gain consumer confidence and succeed in this increasingly competitive marketplace. But plagued by less than honorable business practices over the years, the health club industry has had to struggle to gain new member attention despite a history of confusing, long-term contracts that often serve the club's bottom line more than enhancing the club members' fitness experience. Over the last few years, the Better Business Bureau has reported that the health club industry is growing considerably in consumers' favor, with a 92% decrease in health club complaints from 1991 to 1997.

In response to this trend of increasing consumer loyalty in the health club industry, Lifestyle Family Fitness is taking a dynamic approach to build credibility within their customer base by offering an alternative "Commit to a Lifestyle Not a Contract" philosophy. This innovative risk-taking attack on its competition is resulting in an overwhelming trail of increased revenues and member satisfaction for this Tampa Bay area based chain of health clubs.

Since its inception six months ago, this campaign which focuses on fitness as part of one's personal lifestyle is proving well-received by new members. This fresh service-oriented approach is accompanied by what the company calls the "4 Week Comfort Guarantee." This guarantee allows the prospective new member to experience the facility with no risk. If the club fails to "earn your business" during these first four weeks, your money will be refunded. It's that simple.

This aggressive new campaign aims to build the integrity of the Lifestyle Family Fitness brand by focusing on the members' needs for a club that jives with their lifestyle.

Geoffrey Dyer, the President and co-owner of Lifestyle Family Fitness Centers attributes his tremendous success, not only to his state of the art facilities and expertly trained staff, but also to a loyal customer base to whom he offers a unique club "experience" and a refreshingly honest approach to "earning their business - one member at a time."

"Instead of the pressure to sign long-term contracts when someone enters the club, we go to the opposite extreme. We offer our "4 Week Comfort Guarantee" on all first-time visits, offering potential members an opportunity to experience our

club — try us out for four weeks and give us the opportunity to work hard to earn their business. Once joined, the memberships are month-to-month, shifting the responsibility of retention to us. The member can quit at any time if we don't hold up our end of that bargain," says Dyer.

Since the "Commit to a Lifestyle Not a Contract" tagline was incorporated into current advertising and marketing efforts six months ago, membership sales have escalated over 25%. For the twelve months ending November 30, 1999, Lifestyle Family Fitness Centers' revenues have increased over 31%. Membership in clubs open twelve months or longer has also reported an increase from 25,000 to 32,600 which further emphasizes positive consumer affinity toward the Lifestyle brand. With the addition of new clubs in Largo and Hillsborough, total membership for this 9-club chain currently exceeds 41,000 members. Since its inception in 1982 with the first Lifestyle Fitness Center in Downtown Lakeland, the business has exploded with nine clubs in the Tampa area, and three more clubs planned for Tampa and an additional location in Pinellas County within the next twelve months.

The television advertising campaign working in tandem with the "Commit to a Lifestyle Not a Contract" promotion began airing last week, and is spurring increased telephone inquiries to the

1.800.LIFESTEP information line. The ads celebrate three very different demographics, as they move from their workouts to their lifestyles. The juxtaposition is a unique approach that reinforces the company's tagline once again by supporting fitness as a "way of life."

In keeping in step with its consumers and the latest in cutting edge technological advances, Lifestyle Family Fitness prides itself on maintaining the leading fitness equipment and exercise programs. Beginning in February, all clubs will be offering the latest in Internet fitness equipment, NetPulse, which will allow club members to surf the net while working out on their favorite cardiovascular equipment. These same systems will also allow personal television, built-in CD players, and workout tracking information. All locations currently support state-of-the-art systems such as Cardio Theatre, E-Zone, and cutting edge new group fitness programs such as Body Pump. Personal Training is also an increasingly popular area for Lifestyle, doubling in participation figures over the last twelve months.



**Geoffrey Dyer**

With the change to month-to-month memberships, it becomes imperative for a good club experience. And Lifestyle Family Fitness Centers are greeting their customers' concerns and desires with open arms. From sport-specific training programs to increased national certification structures for all personal training staff to abolishing troublesome contracts, Lifestyle is definitely making the changes necessary to earn their members - one day at a time.

## WHO IS YOUR HEART THROB?

By Sandy Coffman

**T**here's nothing like a holiday to get a programmer's juices flowing! One of the happiest holidays is Valentine's Day because everyone loves love, and there are great opportunities for fun programming ideas revolving around love.

The Special Event - VALENTINE'S DAY, February 14th, 2000

**A** special holiday program should bring a smile or a giggle to everyone. A special holiday program should:

- Involve the staff
- Create a sense of belonging
- Be an easy entry for the new member
- Encourage huge participation for the existing member
- Offer a new beginning for the

inactive member.

f. Be fun for everyone!

g. Give recognition to anyone completing the program at a social event, and it should

h. Create retention by encouraging activity in a follow up program.

February 14th, Valentine's Day, is a perfect example of how to make all of those things happen.

**May The Best HEART THROB win!**

**Staff involvement:**

Each member of the fitness team is a HEART THROB for a member. The HEART THROB'S picture is placed on a LARGE HEART and put up on a wall in the fitness center. Each HEART THROB is a team captain with

each team made up of members in the club.

**How to sign up:**

Members can draw the name of their HEART THROB from a box with all the names of the trainers in it, or, the HEART THROBS can have numbers assigned to them and the members will draw a number and be on the team of the HEART THROB that corresponds with the number. The member's name is then placed on that HEART THROB'S team.

**How to participate:**

This program is successful even it only runs for TWO WEEKS. Club programs need to have easy entry and simple tracking systems to get - and keep active - all those new members who joined in January. Remember, most retention problems occur because people never get involved in the first place, especially at this time of the year.

The program could begin

January 31st and end on February 14th - just two weeks. Each member will have his/her name listed under his/her HEART THROB'S picture. The picture, of course is placed in the center of a big heart. The object is for the member to work out in the fitness center for 30 minutes twice a week, or four times by February 14th. Whenever the member comes in for a workout, a trainer will place a little HEART STICKER (HEART THROB) next to his/her name. Any member who gets FOUR HEART THROBS by February 14th wins! The winning members get a



**Sandy Coffman**

CHOCOLATE HEART from VALENTINE'S DAY PARTY, of their HEART THROB at a (See Coffman page 26)



# Atlanta Area Gold's Gyms Donate \$8,095 To American Heart Association

**A**tlanta, GA.- The Gold's Gyms of Atlanta alliance, Georgia Fitness Legends, Inc. recently donated \$8,095 to the American Heart Association (AHA). Georgia Fitness Legends (GFL) is an alliance of twelve independent Gold's Gyms in the Atlanta area.

The GFL alliance includes Gold's Gyms from Fayette, Douglasville, Marietta, Roswell, Kennesaw, North Marietta, Acworth, Lilburn, Duluth, Warner Robins, Peachtree Corners and Cumming.

J.D. Holmes, owner of two Gold's Gyms in Fayette County, spearheaded the American Heart Association Southside fund raising efforts for the Heart Walk and was responsible for soliciting the involvement of the metro-Atlanta Gold's Gyms' GFL. Holmes also serves on the Fayette County AHA Board.

Numerous fund-raisers, involving many of the GFL's 30,000 members, were held by lo-

cal Gold's Gyms to raise money for the AHA. The First Annual Heart of Gold Golf Tournament was held in October at White Water Country Club in Fayette County. One gym held an outdoor "yard" sale, another gym held a car wash. Personal trainers at the Gyms donated proceeds from body fat checks and blood pressure checks. The Fayette County Gold's Gyms donated profits from t-shirt sales. Some gyms sold "hearts" for donation, posting the names of contributors on the Gym walls.

Heart disease and stroke are the leading cause of death in the United States. Cardiovascular disease accounts for more than 40 percent of all deaths in America. It kills nearly twice as many people as all forms of cancer and forty times as many as AIDS. According to current estimates, over 58 million Americans have one or more types of cardiovascular disease.

The American Heart Association is the nation's largest



(L to R) J.D. Holmes, Gold's Gym owner, Mary O'Connor, American Heart Association, Chris Palmer, Gold's Gym owner, Jamie Lee, Gold's Gym owner and Gordon Johnson, Gold's Gym owner.

non-governmental investor in heart research. The AHA spends a larger percentage of its budget on research than any other major health organization, regardless of its focus.

## CLUB INSIDER News Contributing Author Team

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...**Mike Connors**  
continued from page 14

a new club to come into the market.

In conclusion, a health club is a business first and foremost. New owners need to realize this and treat their club as such. If a new owner doesn't have the

business experience, then they need to find somebody to help them at the outset. A friend or relative with business management experience, even if it is not in this industry, is better than trying to learn this business the hard way. Avoiding the BIG three at the outset can make all the difference in determining whether or not a club is in the position to maximize success and profitability.

(Mike Connors is President of Optimal Fitness Systems International and has assisted a variety of clubs in the health, racquet and sportsclub industry. Mike is also a speaker for Club Industry, IHRSA and Gold's Gyms. Mike may be reached at: (413) 567.7300 or email: Optimalfit@aol.com)

Norm Cates'  
**THE Club Insider**  
**NEWS**

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# IHRSA's Capitol Report

*Capitol Report Reprinted Courtesy Of IHRSA*

## SEC SAYS INITIATION FEES SHOULD BE RECOGNIZED OVER TIME

The U. S. Securities and Exchange Commission (SEC) has commented specifically on initiation fees for health club memberships and has stated that such fees should be recognized systematically over the term of the service period.

A bulletin released on December 3 summarizes the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements.

In Staff Accounting Bulletin No. 101 (Question 5, under Section A, of SEC 101) the SEC uses the following example:

"A registrant sells a lifetime membership in a health club. After paying a nonrefundable 'initiation fee', the customer is permitted to use the health club indefinitely, so long as the customer also pays an additional usage fee each month. The monthly usage fees collected from all customers are adequate to cover the operating costs of the health club."

Question: When should the revenue relating to nonrefundable, up-front fees in these types of arrangements be recognized?

The SEC Interpretive Response is, in part:

"Unless the up-front fee is in exchange for products delivered

or services performed that represent the culmination of a separate earnings process, the deferral of revenue is appropriate."

In the bulletin, the SEC makes it clear that it does not view the activities completed by the club (i.e., selling the membership, signing the contract) as discrete earnings events. The SEC reasons that since health clubs do not sell the initial rights, products, or services separately (i.e., without the member's continuing involvement), the members are purchasing the ongoing rights, products, or services being provided with the up-front payment.

The SEC said that clubs should consider the specific facts and circumstances to determine the appropriate accounting for nonrefundable, up-front fees.

However, the SEC noted that a recent study indicated that over half of all financial reporting frauds involve overstating revenue.

For the full text of the SEC Bulletin, call (800) 228-4772 or visit the Government Relations section of [www.ihrsa.org](http://www.ihrsa.org).

## CLUB PENALIZED \$46,200 FOR SLANDER

(Merrimack, NH)

The Union Leader reports that Ultimate Gym and Fitness Center has won a slander lawsuit

purpose clubs already owned by TSI. The plan is to continue to use Highpoint as a laboratory for the kind of programming that can be done in multi-purpose facilities. If a program can be done, it can be done at Highpoint."

"We plan to 'package' most of the programs that we already do well here for introduction at other clubs in the TSI organization. We also plan to develop new programs and package those. Again, Highpoint will be a sort of laboratory for that kind of thought process. Kate Hennigan, the person who developed many of our current programs at Highpoint, will continue to work on this part of the plan. TSI has a great model for running its clubs. It is really carefully thought out and obviously quite successful. The hope is to augment that model for the multi-purpose club environment to add lots of programming revenue."

Napolitano continues, "Of course, there will be challenges. The day-to-day decision making in a multi-purpose environment can be more complicated due to the relatively larger

against a competing Gold's Gym. Gold's employees allegedly told people that Ultimate Gym and Fitness Center was going out of business, even though it wasn't.

On November 24, a jury issued a verdict against Gold's Gym in the amount of \$46,200. Of that, \$4,200 was awarded for lost income, \$22,000 for "presumed damage to reputation," and \$20,000 for compensation.

Neither club involved is an IHRSA member.

This case illustrates the importance of ensuring that all club employees are trained not to say anything that could constitute legal slander against a competitor.

## BALLY EXTENDS SPOUSE DISCOUNT TO SAME-SEX PARTNERS

Bally Total Fitness is extending 'spousal' discounts nationwide to its members' same-sex partners provided they show a domestic partners certificate issued by a local government.

Bally revisited its policy after Fort Lauderdale chiropractor Donna Watson complained that Bally staff wouldn't sign up her same-sex partner at the discounted 'spousal' rate.

Fort Lauderdale is in Broward county which is one of a select number of localities that maintains a domestic partners di-

number of transactions that are processed. In a fitness facility, you bill everybody once a month and after that you aren't processing very many transactions. When you add a programming to the mix, you have many more transactions, many more points of contact with customers. So, the decision making process becomes a little different when you introduce programming in the multi-purpose model. Therefore, to be successful we need to do more than just package Kate's programs. We also need to spend some time analyzing how Alan and Ken have integrated all of this decision making into our club management model."

"Phase two will be to acquire other family focused multi-purpose clubs within TSI's markets. At this point, TSI will have a package for family programming that will be transportable to such facilities that can make them more successful."

## The Napolitano Vision For The Future

We asked Frank

rectory and issues such certificates. Watson and her partner are registered under Broward's domestic partnership law.

Broward county extends health insurance benefits to partners of homosexual and unmarried heterosexual county employees who register as domestic partners.

According to Bally spokesman Dave Southern, domestic partnership certificates will be honored throughout the health club chain, even in places that do not have a domestic partnership law. In the past, Bally has allowed same-sex partners in some other localities — including San Francisco, Manhattan, and Washington, D.C. — to take advantage of the 'spousal' discount.

Based in Chicago, Bally operates 360 fitness centers in 27 states and Canada, with more than 4 million members.

For a copy of IHRSA's legal briefing paper entitled "Couples Memberships," contact IHRSA Member Service at (800) 228-4772 or visit the Government Relations section of [www.ihrsa.org](http://www.ihrsa.org).

## IHRSA'S "DIETARY SUPPLEMENTS" BRIEFING PAPER NOW AVAILABLE

IHRSA's newest le-

Napolitano to share his vision for the health, racquet and sportsclub industry for the next 10 years. Here are his comments, "I think the introduction of large quantities of capital into the industry has already changed it forever. The result is a time of great opportunity and potentially, great peril. There always will be room for the Mom and Pop niche players in this industry because we are a 'high-touch' industry. But, the large organizations will continue to grow at a rapid pace and will take their place as industry leaders. My hope is that, by doing so, everyone will benefit from the increased advertising and better market positioning of these facilities as the providers of essential services. There will be more clubs in the country in the coming years, but they will be owned by fewer, larger businesses. Those Mom and Pop niche operators who are really good and in touch with their customer base will continue to prosper. Those who aren't will see their market share eroded by really well run organizations. I

gal briefing paper, entitled "Dietary Supplements," addresses the controversial topic of supplement sales and recommendations in health clubs.

IHRSA's position on dietary supplements is as follows:

Promoting the health and safety of their patrons is the paramount objective of IHRSA clubs. Caution should be exercised when selling or recommending dietary supplements to insure that those supplements do not endanger the health of those patrons.

Even the 60% of IHRSA members that don't sell supplements need to be aware of the legal issues surrounding their recommendation and use.

IHRSA recommends that all clubs have a policy on dietary supplements even if they don't sell them.

The paper states, "a club can be held responsible for the actions of its employees. A written policy not only educates employees about the club's rules, but it can serve as evidence that the club took appropriate measures to stop employees from recommending or selling supplements."

"Dietary Supplements" also provides information about some of the well-known — and controversial — supplements that are (or once were) found in some health clubs.

Briefing papers are free to IHRSA members. Call (800) 228-4772, fax (617) 951-0056 or e-mail [gr@ihrsa.org](mailto:gr@ihrsa.org) to order.

remember sitting with John McCarthy at a training session for Presidents and Executive Directors of Associations. The instructor was telling us how difficult it is sometimes for associations and their members to recognize change. As an example, he noted that McDonald's was denied access to the National Restaurant Association when it first applied because, the theory went, it wasn't really a restaurant unless it had waiters and waitresses. Among the industry's pioneers, the temptation is great to snicker at large organizations that provide a quality fitness product uniformly and efficiently. Certainly the advent of McDonald's and Outback Steakhouse has not eliminated local Mom and Pop restaurants. But, they've put eating out in a different context and they certainly have made the restaurant business more competitive. That is, I think, our future."

(Norm Cates, Jr., the Publisher and Editor of The CLUB INSIDER News, is a 27-year veteran of the health, racquet and sportsclub industry. Cates was the 1st President and a Co-founder of IHRSA in 1981.)

## ...Napolitano

continued from page 10

kets, such as in New Jersey where we have 20 clubs. It is leveraging what you've got. We've got successful businesses, but we can make them more successful." We asked Mark Smith if he could provide us with the name and phone number of the key contact person for anyone that owns a club in the Northeast and would like to sell. The person to call is Alex Alimanestianu, the Executive Vice President for Development at TSI. The phone number for Alex is: (212) 246-6700 Ext.212."

## The New Role As Vice President of Special Programs

TSI has already acquired a number of multi-purpose suburban locations and the appointment of the talented Frank Napolitano as V.P. of Special Programs appears to be a natural fit for the needs of rapidly growing TSI. Napolitano comments, "The goal is to augment existing revenues from the multi-purpose clubs in the TSI organization. Phase I will focus on the group of multi-



## ...Positioning

continued from page 9

everything the staff says and does

•should we have a dress code and uniforms

•how should our package, the club facilities themselves, support our position

•the specific programs and services we need to offer to help define our differentiated story

•should we be involved in the community, how, who and where.

The answers to some of these challenges will be immediately obvious while others will require a little creative genius.

In the course of determining our position, a couple of issues

are especially thorny: the name of our business and its products and the question of line extensions (adding new products to a successful brand).

Campbell's Soup, for example, added a spaghetti sauce under the Campbell name. Consumers did not accept this muddying of the waters and the image of orange and watery. So, the company renamed the sauces, Prego - and very successfully. Anheuser-Busch sold some 50 million barrels of beer in 1979 with only a few brands. In 1990, the company marketed beer in an increased number of brands and sub-brands and sold less total beer, 43 million barrels. Pepsi Cola tried to market a "Crystal" Pepsi. It was a clear cola, the color of water, and failed miser-

ably.

Speaking of not learning lessons, the people in the shortening/cooking oil business seem particularly hard-headed. Follow this crazy story of incompetence:

Crisco was the leader, by far, in the solid shortening category. It added a Crisco oil trying to enter a category in which Wesson held a stranglehold and lost its pure image

Wesson, the leader of the vegetable oil category, added a corn oil and lost out to Mazzola, the leader in corn oil, and also muddied its image

Mazzola, the leader in corn oil, tried to enter the margarine category and lost out to Fleischman's.

### Club Case History

In the club industry there is a case history that is somewhat familiar.

Smithville Athletic Club (a fictitious name) was a large indoor-outdoor, multi-sport facility and the dominant club in its market.

They decided to open a second club in the same market and called it Smithville Athletic Club - 510. It was a pure fitness club located on Route 510.

They opened up a third club and called it Smithville Athletic Club - Fitness Only. It was a smaller, pure fitness club in a storefront.

Aside from the Fitness-Only appellation, which served to highlight what was missing, the organization had thoroughly confused the public by presenting three different ideas under the same brand.

One possible method for coming to grips with this problem might be to adopt a multi-brand strategy with each brand standing for a very clear and differentiated club concept. Brand A might be the multi-sport club group, brand B might be the pure fitness group and the parent company might have a separate name altogether. If appropriate within the strategy, the parent company name might endorse the individual brands similar to the way Paramount Pictures, Blockbuster Video, the New York Knicks and Rangers and Madison Square Gardens carried the modifier, "A Viacom Company," when Viacom owned all these diverse entities.

### Loss Of A Position

Earlier we talked about the need to continually evolve the positioning strategy. This example of a set of clubs in a major metropolitan market, illustrates this principle. This club group was the clear leader in the 1980s. It had new facilities, was brightly lit, above average finishes, new state-of-the-art equipment, contemporary aerobics classes, young energetic staff, focused on getting new joiners into the club, and they were able to sell prepaid annual memberships at above average rates.

By the 1990s, they had expanded to less-than-ideal sites, created clubs on multi-levels with small footprints, their design and decor had become average, their

equipment was typical of most other local clubs, their programs and classes were no longer innovative, there was nothing special about the staff and not all were certified, they were still sales oriented but their sales programs were not exceptional, and they were now being forced to offer a variety of payment plans.

The result? The organization has become a group of "middler" clubs with no differentiated position. They were a leader but are no more. The owners would now like to sell, but not at realistic prices. And they have all the business challenges of an aging physical plant, a need for major capital reinvestment, excessive staff turnover, high membership attrition and non-increasing pricing. In positioning there is a lot to think about. But one thing stands out. Your position, once determined, becomes the measure of everything you are, everything you do and everything you say. And, if the position is a good one, it will creatively inspire everything you are, everything you do and everything you say.

We urge club owners and marketers to put the Positioning P at the head of the list of the classic 4 Marketing P's, because Positioning must be in place to help determine Product, Promotion, Price and Place. Otherwise, from a marketing perspective, you will have no means of determining what is good or not so good or what is right or wrong. You won't know whether your 4 P's are "on-strategy" or off and, what's worse, you will send a mixed-up message to prospective joiners, leaving them to figuratively scratch their heads and look for some other club that speaks to their needs more clearly.

(Brian McBain is the President of Club MarketVision, a company dedicated to providing marketing direction to the club industry through market research. Club MarketVision was established nearly a decade ago as a sister company to Rick Caro's Management Vision. Brian McBain brings to the industry a wealth of experience in marketing research and marketing strategy development from the health care, insurance, employee benefits, finance and technology industries. Brian may be reached at (800) 664-9601.)

### The CLUB INSIDER News' Ready-To-Copy Newsletter Page

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As a reader of The CLUB INSIDER News you are free to use the newsletter page below for advertising and marketing your facility. This from the Total Health Library CDROM produced by HealthResourceCenter.org. For a free 30 day review of either the Basic (Cost: \$979) or Professional library (Cost: \$1879) or for a catalog call 800-222-1849.

Or visit their web site at <http://www.HealthResourceCenter.org>.

Tip: To get maximum sharpness when reproducing this page open the lid of your photocopier and make a completely black sheet. Then place the black sheet behind your ad when reproducing. The black sheet will cancel out any bleed through from the backside of the page.

## Total Health Library

### Getting Started In An Exercise Program

#### MAKE WORKING OUT A WAY OF LIFE

Everyday you hear more about the numerous benefits of working out. In fact, according to the Surgeon General, in order to maintain good health it is best to exercise for thirty minutes at least five times a week.

Incorporating exercise into your daily life is easier than you may think. Fortunately, your fears of getting started in an exercise routine can be overcome. With these tips, you can develop an exercise program that you will enjoy for years.

#### Fun, Fun, Fun

Of course, the first thing you need to do is decide what kind of activity you want to be involved in. If you don't choose an activity that you enjoy, you probably won't stick to it very long.

Maybe there is something you have always wanted to try such as skiing or dancing, or possibly you participated in a fun sport when you were in high school or college. Go ahead and try the activity that looks the most interesting to you.

#### Stick Together

Find a friend or family member who can work out with you. You won't be as likely to drop out if someone is counting on you. Also, you can provide support and encouragement for each other.

#### Record Progress

Before you start, write your exercise goals down in a notebook. Make sure your desires are

realistic.

Every few weeks, record your progress. Your advancement will probably amaze you.

#### Keep Going

Initially, you will most likely look forward to exercising and feel great after working out. But, after a few weeks, the newness will wear off and you may find it difficult to keep going.

If you persevere, in about a month or month and a half, you will find your desire to exercise beginning to grow again. You can be encouraged that you have made exercising a habit.

Exercising can be fun and rewarding. By following these easy hints, you can make working out a part of your life that you won't want to live without.

### 5 Steps to Getting Started

- 1 Make a commitment
- 2 Schedule workouts in advance
- 3 Set goals
- 4 Record your progress
- 5 Don't give up!



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# CITIZENS OF AMERICA!

## ***DID YOU KNOW THAT THE YMCA's OF AMERICA ARE NOT PAYING THEIR FAIR SHARE?***

(1) Did you know that the YMCA's of America have \$3.1 billion in annual revenue?

(2) Did you know that even though the YMCA's of America want you to believe that they are a charitable organization, they provide financial assistance to less than 10% of their membership?

(3) Did you know that YMCA's do not pay ANY real estate taxes, personal property taxes, State Income Taxes or Federal Income Taxes?

(4) Did you know that a Tax-Exempt \$5-million YMCA enjoys a \$600,000 annual cost advantage over a taxpaying commercial health club that provides the same services?

(5) Don't you think it is about time that all YMCAs in the U.S. start sharing YOUR TAX BURDEN by paying their fair share of all of the above taxes?

### ***REBEL TODAY!***

Contact your local YMCA Board Members and inform them of this Travesty of tax justice! Contact your County and City commissioners and councilmen/women and tell them the TRUTH about this YMCA NO-TAX SHAM! Contact your State Legislators and demand that YMCA's be required by State Law to pay THEIR FAIR SHARE of State Taxes. And, finally, tell your Congressmen/women that YMCAs across America should begin to pay THEIR FAIR SHARE of income taxes just like all other commercial businesses in America must do!



#### **Harford County Coalition for Fair Competition**

*Tax Paying Businesses Working with Tax Exempt Organizations  
To Build a Better Harford County*

#### **FAIR COMPETITION CHART AN UNLEVEL PLAYING FIELD - WHY YMCA'S COMPETE UNFAIRLY WITH TAX PAYING HEALTH CLUBS\***

	ANNUAL COST TO THE YMCA	ANNUAL COST TO HEALTH CLUBS	DIFFERENCE
<b>LAND CARRYING COSTS</b> Land valued at \$200,000 per acre; 5 acres (\$1,000,000, 15 yr. loan at 8% interest)	0	\$114,678	\$114,678
<b>BUILDING MORTGAGE</b> \$4,000,000 borrowed at 8% interest, 15 yrs. (Y receives 50% in contributions)	\$229,356	\$458,712	\$229,356
<b>FURNISHINGS &amp; EQUIPMENT</b> \$400,000 borrowed at 9% interest, 5 yrs.	0	\$99,640	\$99,640
<b>POSTAGE</b> Non-profit sector receives a 33% discount and free distribution via schools and govt. agencies	\$6,600	\$10,000	\$3,400
<b>PERSONAL PROPERTY TAXES</b> (tax rate of \$3.65 per \$100 on \$400,000/ 40% assessed value)	0	\$12,000	\$12,000
<b>REAL ESTATE TAXES</b> (tax rate of \$3.65 per \$100 on \$5,000,000/ 40% assessed value)	0	\$73,000	\$73,000
<b>STATE INCOME TAXES</b> State tax rate of 7% on a profit of \$280,000	0	\$19,600	\$19,600
<b>FEDERAL INCOME TAXES</b> Federal tax rate of 22.25% on first \$100,000 and 39% on next \$100,000 - assumes \$280,000 annual profit.	0	\$92,250	\$92,250
<b>TOTAL ANNUAL COMPARATIVE OPERATING COSTS</b>	<b>\$235,956</b>	<b>\$869,880</b>	<b>\$633,924</b>

\* Assumptions based on a \$5,000,000 health club project on five acres.

As a result of its tax-exempt status a non-profit organization like the YMCA can charge 25-50% less to its members than a tax paying health club. In the example above, a tax paying health club with a membership of 2000 would have to charge \$26.00 more per membership per month than the Y simply to cover tax and debt service costs that Y's do not have.



# BALLY BULLETIN

By Norm Cates, Jr.

About a year ago, I wrote and published a Cover Story entitled: Bally Total Fitness - Then and Now. In that article I reported what I had learned on a day-long visit to Bally Total Fitness Headquarters in Chicago. That visit included meetings with Bally Total Fitness CEO and President, Lee Hillman and virtually every member of his Executive Management Team.

In that article I reviewed the history of Bally Total Fitness and I made some statements that prior to my day-long Bally visit, I never thought I would find myself making. Among those statements was a recommendation to my friends at IHRSA that I thought it was time to take another look at possible membership for Bally in IHRSA. Subsequently, Annabeth Eschbach, the IHRSA President at the time, convened a meeting at the IHRSA San Diego Convention to discuss the idea.

*My report shocked a lot of my old*

## IHRSA friends

What I learned during my Bally visit in October 1998 convinced me that finally Bally Total Fitness had leaders and a plan in place to truly change the organization. Now, it appears that other journalists are coming to the same conclusion and are taking note of the success that Lee Hillman and his Executive Management Team are having.

In November, Barron's Magazine, a Dow Jones publication, published a glowing article about Bally Total Fitness. Highlights of that article are shown below.

This month, the Associated Press published another article, this one entitled: "Bally Thrives" summarizing many of the same points covered by Barron's Magazine.

The author, Harlan S. Byre, likened Bally to a 97-pound weakling not too many years ago, with "a seriously shaky balance sheet." He continued with a description of BTF as previously being "debt-ridden and poorly managed."

The author stated, "In

three years as CEO, Hillman has cut costs by closing unprofitable units while renovating many fitness centers that had become run-down, opening sleek new ones and acquiring units in promising areas."

He chronicled other Hillman moves such as revamping enrollment practices by cutting up-front fees and increasing dues to \$35 or more each month.

The author mentioned that BTF was now promoting higher-profit multi-club memberships, had introduced a nutritional product line and workout clothing line with the result of "beefier revenues and cash flow and better profits."

He summarized 3rd quarter income at \$12.2 million or 45 cents a fully diluted share, operating income jumped to \$38.4 million from \$25.8 and revenue climbed for the quarter to \$220 million, from \$190 million.

The writer stated that Hillman envisions "revenues hitting \$850 million in fiscal 1999, compared with 1998's \$743 million!

Hillman was quoted as saying, "In the next four or five years, I see our profit margin climbing to the high 20's or low 30." That would be up from the current margin of 17% that is up

from 8%.

The move into upscale sportsclubs was mentioned.

Bally's new rehabilitation business was reviewed.

The move by BTF into e-commerce by virtue of a deal with eFit was reviewed.

Lee Hillman was quoted as follows at the end of the article: "The history of the business shows fitness centers aren't much affected by economic downturns such as the ones experienced in recent years." He also said, "A survey showed only about 7% of people in the U.S. [who are] regarded as potential fitness club members have signed up. If that figure rose by just 1%, Bally's bottom line could really be pumped up."

## Bally Total Fitness Acquires 3 Gold's Gyms - Latest Acquisition Doubles Bally's Presence in the San Diego Area

CHICAGO, January 11, 2000 - Bally Total Fitness (NYSE: BFT) announced it has acquired a three-club group of Gold's Gyms in the greater San Diego area, doubling the number of clubs operated by Bally in this market. The clubs are located in the San Marcos, Vista and Scripps Ranch areas of northern San Di-

ego County.

This latest acquisition brings to 27 the number of clubs acquired by Bally in the past 12 months and continues the Company's strategic program for measured growth in key areas initiated two years ago.

## Bally Total Fitness Website Relunched

BTF announced that it had relaunched its high traffic website, [www.BallyFitness.com](http://www.BallyFitness.com). The site is generating more than 4 million hits each month from over 200,000 unique visitors. The move was made, according to Bally officials, to provide visitors with improved and expanded service and to further boost the company's internet-based business. Bally's website directly and indirectly, annually produces revenues of approximately \$20 million.

## BTF Enters Co-marketing Agreement With Novartis Consumer Health, Inc.

The agreement provides for BTF to promote Novartis Consumer Health's market-leading athlete's foot remedy, Lamisil (R)AT (in over 350 BTF clubs).

your members and staff you are making it an ally both in retention and sales.

(MIKE CHAET is president and CEO of Club Marketing & Management Services Inc. a club consulting company located in Helena Montana. Mike is considered by many to be one of the leading consultants in the industry and has received many awards for this work. To contact Mike you may call him at (406)-449-5559, fax at (406) 449-0110, or visit his website at [cms-clubweb.com](http://cms-clubweb.com). To receive Clubdoc's free monthly newsletter simply send your email address to [clubdoc@cms-clubweb.com](mailto:clubdoc@cms-clubweb.com))

HEART THROBS wins a prize too!

Added feature: This is a great program to get the sales department involved too. New members should get signed up for this program AT POINT OF SALE.

What a great staff team building project! Yes, you could even give an incentive to the sales representative who signs up the most new members and keeps in contact with them to see that they complete the event. With a little creativity and a positive attitude, this simple program can lead to a referral base and be an effective retention tool as well. Just remember, as you promote it and implement it, you have to **MAKE IT FUN!**

## THE Club Insider NEWS

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## Mike Chaet

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not. All belonged to a club. It was found that those people who had and used their home equipment had fewer health club dropouts than those that did not. After extensive interviews it was discovered that both groups tended to have "down" times when they did not exercise, but most, at some later time chose to return or "re-enter" an exercise routine. This reentry period is the critical time when a person decides to quit or go back into the club, 83% of the

people who had home equipment went back to the club while only 37% who had no home equipment returned the club. Almost a 50% difference in retention.

After further interviews it was found that the psychological stress of "being out of shape" was the key, and that their home equipment helped them through this.

Is home equipment a friend or foe?

We suggest you encourage it and even train your instructors to include it in the programs of your members. By integrating it into the consciousness of both

course. The HEART THROB (trainer) who had the most members complete the program with 4

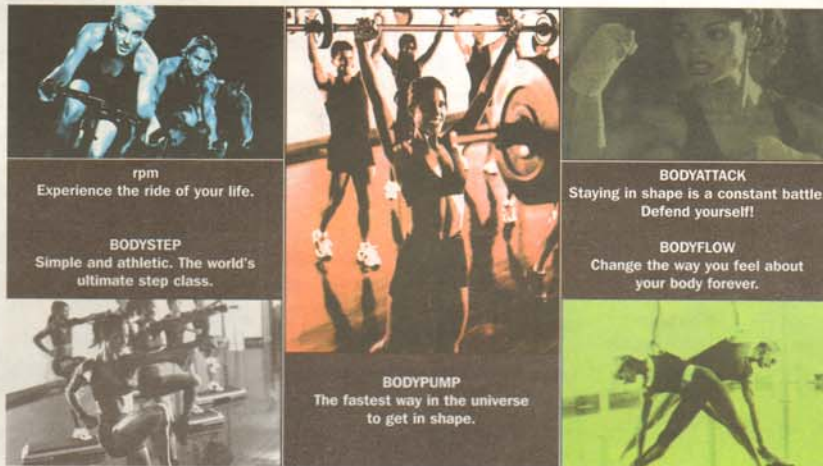
## ...Coffman

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