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Norm Cates'

# THE Club Insider

## NEWS

*The "Pulse" of the Health, Racquet and Sports Club Business*



(L to R) Marc Grondahl, Chris Rondeau and Mike Grondahl

## The Planet Fitness Juggernaut!

JANUARY 2008

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# THE Club Insider NEWS

**The "Pulse" of the Health, Racquet and Sports Club Business**

## *The Planet Fitness Juggernaut!*

*An Intriguing Interview With Mike Grondahl CEO and Co-Owner of Planet Fitness and World Gym International*

**By Norm Cates, Jr.**

Juggernaut is defined in Webster's Dictionary as: "A relentless and overwhelming force or movement."

Mike Grondahl is the Co-Founder and owner (along with his brother Marc Grondahl) of Planet Fitness. And, he acquired World Gym

International, Inc. last year. In the past, I've written that Mike Grondahl is one of our industry's greatest visionaries. When you read this report you will know why I wrote those words about a year ago. Beyond visionary, he's very good at taking his vision and making it a reality. Sure, you will read that he busted

early on in this industry because as he admits, "I didn't know what I was doing." But trust me folks when I write these words. He does know what he is doing now.

Grondahl and his brother, Marc, started off the hard way with a hurting club they had bought. They had to take the former Gold's Gym

into Chapter 11 after owning and operating it for about six months. They carried on, reorganized and now Planet Fitness owns and operates 18 company stores, 185 operating franchises and 58 additional signed Planet Fitness franchise deals that are in various stages of pre-opening development and will open in

2008.

Let's look at the four operative words in the definition of juggernaut: *relentless, overwhelming force and movement*. Well, if Planet Fitness is not a juggernaut I'll kiss your foot.

To describe the *marc* of Planet Fitness as (See *Planet Fitness* page 16)

## *Ben Midgley...A Special Talent Joins Planet Fitness and World Gym*

### *An Update Interview with the 18-Year Veteran, Ben Midgley*

**By Norm Cates, Jr.**

Ben Midgley, age 38, has been in the club industry virtually all of his adult life. He started in the business in a small fitness center at the

Sugarbush Resort in Vermont cleaning machines. Then he moved to Santa Barbara, California for school and worked in a Gold's Gym for several years. He says, "I started out cleaning machines in trade for a membership because

Gold's wouldn't even let me be a trainer."

He moved back to Saco, Maine and went to work for Scott Gillespie at Saco Health and Fitness where he spent 9 years, from 1990 to 1999. In 1995, Midgley was

honored with IHRSA's Sales Person of the Year Award. That was the last year it was an individual IHRSA honor.

The CLUB INSIDER News featured Ben Midgley on our January, 1995 cover. In 1996 CBI Magazine

featured him on their cover. Midgley is the Co-Author of a book entitled: "Golden Circle Secrets ...How to Achieve Consistent Sales Success Through Customer Values & Expectations" (See *Midgley/PF/WGI* page 22)

## *"2007 In Review"*

*Part II – August through December, 2007*

*August 2007*

**By Norm Cates, Jr.**

### **"2007 In Review"**

– Last month we reviewed January through July, 2007 in Part I.



August, 2007 cover story featured Coach Denton Smith in a report entitled: "**SCIFIT Celebrates 20 Years...Fit-Quik® Pods and Fit-Key™ Offer Viable Solutions to New Members and Membership Retention**." I call him "Coach" Denton Smith in honor of his past as a wrestling coach. But, I also call him one bright man. In this report Coach Smith explains (See "2007" In Review" page 32)

## *Body Training Systems' Side of the Story*

**By Norm Cates, Jr.**

Months ago I made an early New Year's resolution for 2008 to help clubs understand the incredible results I am hearing from owners using professionally produced

group fitness programs. Yes, there is a cost involved that most owners have not paid previously, but the returns can be so significant and the impact on your business can be dramatic. There are two major companies – Body Training Systems (See *BTS* page 36)

**Most commercial chains trashed by ConsumerReports.org survey report!**

**See *Norm's Notes* and Stay the Course!**

### **• Inside The Insider •**

• The Season of Change – "Insider Speaks" • Stay the Course ...charm the media! • Cecil Spearman weighs in on bad idea. • NY Sports Clubs and Snapple Spin • Club Owner's Beliefs In This Changing Business Environment • Book IHRSA 2008 Now! • An Apology to Rick Quinn • "Three Ways to Make A Million Dollars in 2008" • Tom Lyneis back in the saddle! • 4 KEYS TO RETENTION: UNDERSTANDING YOUR MEMBERS • Galiani's sell Gold's in North Carolina. • Brian Evans' AAF gives to community • Clubs for the Cure Rally the Industry • Life Fitness honored by MFA. • ACE 2008 Fitness Trend Predicts Fun Fitness • PA clubs & IHRSA fighting sales tax! • Casey Conrad launches teleconference supporting: [www.askmehowtoloseweight.com](http://www.askmehowtoloseweight.com) • Four healthy lifestyles add 14 years! • CheckFree Joins Gold's Gym National Vendors • Mick Cornett, Oklahoma City Mayor challenges fat city to lose a million lbs!

# Norm's Notes

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• **Shawn Vint** - Greenmaple Wellness, Inc. - (888) 355-1055

• **Happy Healthy New Year!** This is your **CLUB INSIDER News Publisher Since 1993** checking in with a smile on my face! I'm smiling for a couple of reasons: #1) my son, Justin, 22, has joined me full time and each month that passes will see him taking over more of the monthly production responsibilities from me, freeing me up to exercise more! Hooray, I say! I asked Justin to write to you this month in an "Insider Speaks" editorial column and it is on page #6. #2) the second reason I'm smiling is here we go for our 170<sup>th</sup> month of publication! *Stand by for news!*

• **Heck!** I sounded like some politician writing about the ConsumerReports.org survey and "**Stay the Course!**" But, speaking of politicians I urge you to become involved and really get to know the candidates for the **2008 Presidential election**. To aid you in that effort so you will be prepared to vote for the candidate you like most and choose, here are the websites for the front runners in the order listed in the **Atlanta Journal Constitution** on January 9,

2008: **Republicans:** [Rudy Giuliani](http://www.joinrudy2008.com); [Mike Huckabee](http://www.mikehuckabee.com); [John McCain](http://www.johnmcain.com); [Ron Paul](http://www.ronpaul2008.com); [Mitt Romney](http://www.mittromney.com); [Fred Thompson](http://www.fred08.com); [Hillary Clinton](http://www.hillaryclinton.com); [John Edwards](http://www.johnedwards.com); [Barack Obama](http://www.barackobama.com)

### • STAY the COURSE!

Once again for the New Year the mainstream media has attacked our industry! This time the annual U.S. media's New Year's assault came in the form of a **Consumer-Reports.org** survey report compiled with input from 3,400 out of 10,000 of their subscribers combined with 12 "secret shoppers" who had fanned out shopping clubs of the major chains in nine U.S. States. The survey report was also picked up by **U.S. News and World Report Magazine, Reuters, New York Daily News, New York Post and Smart Magazine Money Magazine**. The report was very hard on the chains in our industry, particularly **Bally**

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**Fitness Equipment Depot - #817**

**Fitness and Wellness Insurance - #225**

**Fit Rewards - #4217**

**IHRSA - #3756**

**InTek Strength - #804**

**Iron Grip Barbell Company - #1626**

**JLR Associates - #4041**

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**Total Fitness.** It mentioned independents as a better deal for consumers, saying "our survey of more than 10,000 subscribers to ConsumerReports.org indicates that you might be happier spending a lot less, according to the 3,400 respondents who had canceled a health club membership in another gym during the past 3 years." Their survey summary then started with: "**Independents Rule**". Studios for yoga, dance or Pilates, work gyms, community centers, school gyms and nonprofit Jewish Community Centers (JCCs) and YMCAs or YWCAs outscored most of the big chains. Usually the big draw was value." However, fairly, the report did state that the survey and the "secret shopping" happened before Bally had emerged from bankruptcy and began to spend money improving their facilities and equipment. Well, I've got this to say to you all: "**STAY the COURSE!**" Importantly, the Consumer Reports survey report indicated that **LifeTime Fitness is hot**, **Bally is not** and LifeTime Fitness emerged clearly as the "**900 Pound Gorilla**", the nickname I've used for Life Time for years. But, let me add there are a whole lot of great commercial operations out there than just LifeTime Fitness. There are thousands of really, really good independent clubs in America, many of whom are owned and operated by friends of mine for many years ... people who've been in business for over 25 years. Somehow, this comprehensive survey report and 12 "secret shoppers" weighing in failed to notice, acknowledge and praise them. Well, right here I "notice, acknowledge and praise" all of you independent club owner/operators for your entrepreneurial spirit, your hard work, your dedication to excellence and you relentless effort to improve yourselves in business and improve your clubs for your members. Keep it up...stay the course! Keep reading **The CLUB INSIDER News** and other industry publications every month. Keep attending **IHRSA's An-**



**Norm Cates, Jr.**

**nual Convention and Trade Shows**, especially the grand event coming to San Diego, March 5-8th. Keep going to **Club Industry East** (this year in New York City) and the big **Chicago Club Industry Show** and **WALLY** and **MESCHELLE BOYKO's** and **IHRSA Club Business Entrepreneur Conference** in Las Vegas and others. Keep on keeping on by educating yourself and your staff and growing your knowledge and expertise in every manner possible. And, you will prevail. **"Stay the Course!"** Also, I want to thank **MARC ONIGMAN**, **Publisher of Commercial Fitness Today** and **TODD LIPMAN** for forwarding the news of this Consumer Reports survey to me.

### • BOOK IT NOW!

**IHRSA's 27<sup>th</sup> Annual Convention and Trade Show**, that is. There are 366 days in each year. (February has 29 days in 2008!) If you earn your living in the health, racquet and sportsclub industry the four most important days in this year are March 5, 6, 7 and 8<sup>th</sup>. Those are the dates when over 12,000 of the world's very best health club owners, operators, managers and staff will convene from around the world in gorgeous San Diego, California to **NETWORK**, hear over 100 speakers and visit with over 400 manufacturers and service providers who will be exhibiting and **NETWORK** some more. Oh, did I mention **PARTY? OH YEAH!** Be there or be square, so to speak! Call **IHRSA today** (See Norm's Notes page 8)

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# The “Insider Speaks” Editorial

# The Season of Change

By Justin Cates

It's on the radio, it's on the television, and it's all over the internet. It is 2008, and the Presidential race is heating up. Each of the candidates speak of change, potential voters confirm the increasing need for change, and the final decision, to be made on November 4th, 2008, will inevitably lead to change.

Regardless of who you are and what you do, change is good, change is necessary. So, change is in our country's future - possibly spawning other sweeping changes worldwide. Healthcare is currently a huge topic in the race, and many believe change in this area is of great importance in terms of our country's financial survival. I agree, but how we approach this process of change will ultimately dictate its success or failure.

One side advocates a free-market solution, and the other, an increase in federal regulation in all related realms. Elements from each of these solutions make sense and are necessary. So, to ultimately succeed, a hybrid plan taking elements of both into account is necessary. More importantly, the addition of preventative health care options are vital to the plan's success; however, these are not currently at the forefront of this topic. They should be.

When defining a problem, one will usually say, "It is something that needs to be fixed". What about fixing a problem before it ever becomes a problem? And, once you have done so, is it worth committing the resources necessary to continue implementing the solution that solved the problem in the first place? Like getting an oil change before an engine seizes, preventative healthcare can stop many problems before they become problems. Inevitably, the problem that once was will disappear and no longer be a problem. The logic is simple. The implementation, however, is

more complicated; or is it?

You, the owners and operators of clubs worldwide, are the ultimate solution to the obesity pandemic that has and will continue to pick up steam in the coming years as Americans work more, exercise less and eat increasingly more bad food to feel better. Preventative healthcare is nothing more than taking steps to prevent becoming broken. Unfortunately, many citizens in the United States of America and in countries around the world are already broken, and it is time for re-pair.

## The Reality of Things

There has been a slowdown in new member growth. At the same time, club growth has increased. With close to 30,000 facilities in the United States, the infrastructure of a preventative healthcare system is already in place but not being used as it could be. So, how do we capitalize on this investment?

Boosting retention rates by taking better care of your customer and attracting new members go hand in hand. If your members are happy to be your customer and believe what they are doing is helping them live a healthier life, they will bring more and more friends and family into your facilities. Who doesn't want to live a better and longer life?

That is the scenario for members you already have, so what about attracting new ones without these referrals? At the turn of every year, when "Resolution Time" comes about, health clubs are once again bashed in the media. This year it was from the results of a ConsumerReports.org survey where 3,400 ConsumerReports.org subscribers responded. Some of the bad press is warranted, perhaps... Most of it, however, is not. The industry has had an interesting past, and unfortunately, some of it still lingers today. The only way to get around this is on a local level. By creating a club

that provides a great product for a great price can, in turn, earn a great reputation in a community and actually lead to your customers defending it if the media comes calling. IHRSA and the country's largest chains can help on a national level, but whether a chain or an independent, it is up to the local club owners and operators to do their part in creating a reputation that will attract new growth while sustaining old numbers.

IHRSA and other associations must also continue their efforts in Washington and around the country and world. This is the federally-mandated part of the plan I mentioned before. If citizens are rewarded instead of punished for receiving club memberships as part of their compensation packages, and if they are allowed to use MSAs or FSAs (or equivalent accounts) to obtain memberships, new member numbers can do nothing but increase. As they do, the word will spread, and the momentum will pick up, as the momentum did for being inactive and eating too much.

Eventually, and this will be well into the future, we will see a drastic reduction in health care costs. The problem, though, is the timeframe. The Federal Government, by definition of its creation, is excessively short-sighted. It sees in two, four and eight-year terms, not twenty-five, fifty and one hundred. Because of the complicated nature of the problem that has developed, preventative healthcare will take at least twenty-five years of investment to work. Because this is outside of its scope of reasoning, the Government uses a golden bandage, costing more than preventative measures ever would, to cover a wound many times its size. It will obviously take a lot of resources to maintain this money-eating healthcare patch, but the wound will still get worse. Eventually chronic illnesses causing millions of hospitalizations and premature deaths of Americans could ultimately result

in bankruptcy of the U.S. economy. The only remaining question is: "How long will this take?"

It's a national issue with very local consequences and solutions. So, what else can you do as a club owner/operator? Get even more involved than you already are. Owning and operating a club is a big step, but it is only one. Take steps to attract more of the overweight and obese population, and taking action to ensure your health club is performing at its full potential is another. Remember, reaching the top of a staircase requires climbing many steps.

I am Justin Cates, and I work for you through what you know as The CLUB INSIDER News. I chose this job in this industry because I care. I love my country, and the only way to ensure it is



**Justin Cates**  
**UGA Graduate -**  
**December 15, 2007**

the place I want it to be for my kid's kid's kids is to fight. The fight is now, you've been at it a long time already and we hope to help your club accelerate it during this Season of Change.

## Letter to the Editor

Dear Norm:

December 6, 2007

As always, I enjoyed reading your November 2007 issue of Club Insider. I read every page - twice - and benefit and enjoy reading your fine industry news report. You have come a long way since we talked about this "idea" at a Faust meeting in Chicago. I was one of several Faust Roundtable members suggesting a newsletter. However, I never suspected the "newsletter" would expand to be the leading paper in our "fast growing" industry.

I suspect our "fight" with some well-meaning people over the name change at our association helped to get you established. And I honestly believe you and I HELPED our association to avoid a major problem by preventing a name change to a slogan, i.e. "The Association of Quality Clubs" or to a name like "Exercera" - UGH. We convinced the Board to keep working and the Board expanded on my idea of International Racquet and Sports Club Association - IRSA - to International Health, Racquet and Sports Club Association. The IHRSA Board and John McCarthy came up with the silent H for Health and made the name change dispute a thing of the past with a great new name of IHRSA, International Health, Racquet and Sportsclub Association. You did your Association quite a service by helping so vigorously in this quest for an appropriate name.

In the November issue in Norm's Notes, you mention selecting the Top 10 clubs in the country. I feel this would be a MAJOR mistake. What would be your basis for making the selection? Would you make the Top 10 based on earnings performance, retention, members, sales, facilities, cleanliness, safety, member satisfaction? How would you make the selection in a fair and unbiased manner?

I feel you are opening "many problems" if you arbitrarily select 10 of your friends to be in such a list. If you decide to make such a list, I strongly recommend you expand your list to 10 by categories of club and select the Top 10 per category of club by a set of criteria that should be published before selection. There is a world of difference between multi-sport clubs and fitness clubs. Also, I suggest you set criteria by which selection will be made - i.e. operations, earnings, cleaning and maintenance, retention, appearance of the club - are a few.

If you select the Top 100 multi sport clubs, I believe two of my clubs, the Laguna Niguel Racquet Club and the Racquet Club of Irvine, should be included as both clubs are "outstanding" and offer "something for everyone" and emphasize family membership. AND, both clubs are on fee land with an estimated land value of forty million dollars if the land where the clubs operate were converted to its highest and best use. I will NEVER make the changes to highest and best use, but my sons will have that option in 2017.

So, Norm, I feel the Racquet Club of Irvine and Laguna Niguel Racquet Club should be selected if a list of top multi sport clubs is produced by Club Insider, but in the final analysis, I feel you are asking for trouble if Club Insider makes such a list of "OUTSTANDING" clubs. Maybe a committee could work on this - but I think it is a BAD idea for you and Club Insider.

Thanks again for all you do for our industry, for IHRSA and for all the different types of clubs that make IHRSA a genuine asset to our industry and especially to me - an escapee from corporate America who needs a monthly infusion of knowledge about my 2nd career running tennis and fitness clubs that offer "something for everyone". Club Insider and IHRSA both help any club owner that takes advantage of all that both organizations have to offer.

Best regards,  
 Cecil Spearman, CEO, Spearman Clubs, Inc.

## Editor's Response:

Dear Cecil,

I hope you and Jean and your family are all doing great. Obviously, you all are because you and your wonderful family looked great in your annual family Christmas photo! Thanks for sending it and please keep 'em coming every year please.

Cecil, I could not agree with you more. I totally agree that to produce such a list would be a major can of worms and would be arbitrary. In the future, I need to and will leave my mental musings about such things as a Top 10 list out of Norm's Notes. I also agree that should I ever decide to make such a list, it will consist of a Top 10 for a selected group of club categories. And, certainly your two wonderful family oriented clubs would be great choices for their categories.

Thanks for your well thought out objection and for expressing your views to me. I always appreciate and contemplate feedback from my readers. Thanks for reading The CLUB INSIDER News!

- Norm

# Club Owner's Beliefs In This Changing Business Environment

By Ed Tock

January is the most exciting month in our business! This past year many clubs have seen their business stagnate. For some clubs, the first quarter of 2007 was not what they expected and they have struggled for the rest of the year to make it finally to the "magic" month that always saves them. January is where some clubs have experienced as much as 30% of their annual sales. But what lies ahead in 2008 for our industry? This is my 25<sup>th</sup> year in this industry and I have seen change happen faster in the past 3 years than I did in my first 22. We are in a changing business environment.

- What looming and long-term challenges does the club industry face?

- How are these challenges forcing clubs to pay attention to the long run in an industry where month-to-month or quarter to quarter growth has been the traditional concern?

- How are customer

and club relationships changing in ways that a club may not be able to control?

- How fast are clubs able or, more importantly, willing to adopt new business models?

- What new market opportunities are clubs pursuing or creating either through organic growth of their business or through acquisitions of other brands or profit centers?

- Are club owners too quick to blame the economy or increased competition for their problems? And are they turning a blind eye to looking internally for the cause (and the solution!) I recently spoke with many of our 30 clients across the country (many whom are still experiencing double digit growth) and want to share some of their thoughts with you regarding where we may be evolving as an industry.

- 1. Most believe we are at the beginning or the middle phases of all of the dramatic changes we can expect to see happen. Much of the change I have seen in

different markets is only now starting to effect most parts of the country. Are you ready to manage you changing market?

2. What consumers will value most isn't innovation but expertise says Marshal Cohen, chief industry analyst with Port Washington, N.Y.-based market research giant The NPD Group. "We'll listen to those we deem worth listening to, because we're tired of all the noise out there," he says. We're going to stick with those brands that offer reliable information. How well have you developed your own club brand?

3. Pleasure revenge, in the words of Faith Popcorn, founder of BrainReserve marketing consultancy, - glorious, damn-the-torpedoes, guilt-free indulgence. "We just can't take all this bad news, so to some degree you start to understand the 'let's fiddle while Rome is burning' attitude, which will only increase," Popcorn says. "People will be eating more red meat, drinking and smoking." Celebrity culture offers up a

template "that says, 'Let me party now, I'll take care of the rest tomorrow.' How can we position ourselves better for this? Could this help us with the "I have no time" issue?

4. The percentage of the population that joins clubs will hold steady and may only slightly climb. The number of members will level out and decrease in traditional fitness only and multi-sport clubs, unless you stop just talking about service and actually start giving noticeably superior service to your members!

5. Traditional fitness only clubs in the mid-price range will struggle due to new competition at the lower and higher ends. It will be an increasingly uncomfortable place to be.

6. Analysis paralysis..... too many operators will continue to be plagued by this. Make a decision!!! Do something in your clubs...to or for your members or you will lose them.

7. The larger multi-sport and older tennis clubs will lose even more market share to the fitness only clubs



**Ed Tock**

and not realize it is happening.

8. Veteran independent club owners will continue to be bewildered about how to compete and survive in the face of the low cost/ high volume operators (Planet Fitness and others) and bigger regional and corporate owned clubs (TSI, LA Fitness, 24 Hour, Lifetime, etc).

9. The corporate owned big chains will continue to grow in numbers and revenue.

(See Ed Tock page 14)

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### ...Norm's Notes

continued from page 4

at 800.228.4772 to register for the Conference. Don't miss **The BEACH BASH for Augie's Quest!** Realize too, that your club does not have to be an IHRSA member club for you to attend the world's most important trade show. And, if you are a manufacturer or service provider, contact **TOM HUNT at IHRSA** as booth space is still available. Think of the IHRSA Convention and Trade Show like electricity. You would not try to operate your club without electricity, would you? Well, you shouldn't operate your club without your club being an IHRSA Member and attending the annual convention and trade show. Look at the cost as a cost of doing business every year, just like electricity. Realize that if you do attend the IHRSA Show you won't be in the dark when you return! You will learn a LOT, guaranteed! Additionally, **IHRSA's 6th Annual Legislative Summit** will happen in Washington, D.C. May 21<sup>st</sup> and 22<sup>nd</sup>. It's not too late for you to stand up and promote the importance of health, fitness, exercise, and the well-being of America to America's elected representatives - but you must act **NOW!** Help IHRSA lobby on behalf of pro-fitness legislation for your club(s) by becoming a sponsor at **IHRSA's 6th Annual Legislative Summit and make plans to attend!** Call 800.228.4772

• **RICK QUINN** is involved in the industry as a membership marketing/promoter. Last month I wrote about an email Rick had sent me offering a membership promo to raise \$150,000 up front and \$2,000 per month in EFT's and a direct mail piece I had received from a local Gold's Gym offering membership to me for two years at \$89 a year ... in advance. In my writing I chose a word to refer to these membership marketing/promo people and companies that if I had to choose the word again, I'd pick a different one. The word I picked when describing these types of cash up front membership promoters was: **Neanderthal**. During a conversation this week with my son Justin, I described myself as a 'Dinosaur' when it comes to information technology, a/k/a computers. I could just as well have described myself as Neanderthal in that conversation. In fact, when compared to the IT people out in the world now, **I AM a Neanderthal!** But, I veer from my purpose here. My purpose is to apologize to Rick for my poor choice of words. I did not wish to insult Rick or the mailer of the Gold's Gym letter. But, let me close by saying I am still opposed to what Rick and other mass mail/mass email membership promoters do when they convince club owners to sell two or three-year memberships for rates such as \$69 or

\$89 per year, all in advance. I think their work should be restricted to help clubs sell monthly memberships only. But, I know the problem promo folks like Rick will have with my idea will be as to where their commissions, or "cut" of the deals will come from. With all of the above said, I do think that anybody in our industry that can find ways to get more and more people to walk into clubs is doing a good thing for American citizens who are faced with the obesity pandemic. The bad parts of these 2 or 3-year cash upfront deals are: **1)** a big part of the cash up front goes to the promoter and mailing costs in the case of direct mailings, yet the club owner must continue to operate the club and pay the bills long after the promoter has moved on and **2)** it hurts the price integrity of the existing membership and **3)** should the club that engaged in one of these up-front membership sales deals **FAIL...** then the customer gets stuck holding the bag. More **BAD PRESS** for our commercial club industry! What a dilemma!

• **TOM LYNEIS**, former partner with **ED WILLIAMS** in **Club Sports International (now Wellbridge)**, was **IHRSA's 4th President**. Tom had been on a sabbatical from day to day business in our industry for about 3 years, but obviously with the recent opening of his super new 90,000 square foot club called **VillaSport Athletic Club and Spa** in Colorado Springs, Colorado, he has been busy developing his new club. Tom is one of the industry's great leaders and veterans. For all of his career Tom has been successfully developing and operating big, very upscale sports clubs. Lyneis has chosen veteran and all around good guy, **TOM TODD** as the new club's General Manager. And, Lyneis has a second big project underway in Woodlands, Texas, an upscale suburb of Houston. If you view the VillaSport website: [www.villasport.com](http://www.villasport.com) you will see what I mean when I write "big and very upscale clubs". **Congratulations Tom** on the opening of your new club! And, congratulations Tom Todd on your new role as General Manager!

• Congratulations also to **KIRK** and **JOHN GALIANI** who've sold their terrific **Gold's Gyms** in Raleigh, North Carolina to **JEFF SKEEN**. **Congratulations Jeff!** I know you've acquired some really first class clubs because I had the pleasure of touring a couple of them in the Summer of 2005.

• **Casey Conrad**, the **Founder and CEO of Communications Consultants, Healthy Inspirations**, and the **Take It Off Weight Loss Program** has established a new website and teleconference program for people who wish to lose weight. The new website is: [www.askmethewhotolose.com](http://www.askmethewhotolose.com) (See Norm's Notes page 12)



# Member retention is the key

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# “Three Ways to Make A Million Dollars in 2008”

By Donna Krech

Remember when you were a child? Lacing your shoes, simple math, and keeping your peas on your plate seemed incredibly difficult. That is until “the way” clicked for you. Once you recognized a pattern or discovered a system for getting your shoes tied, adding two plus two and coordinating your utensils with the other stuff on your plate (I must confess, I became very good at sneaking peas under the table and feeding Dolly, our family dog), it became automatic...something you could do without thinking.

Well, adding a million dollars to your fitness business can seem like a daunting task. Think about that for a second - One Million Dollars! Sounds like an awful lot of money (okay, a magnificently lot of money!) and that brings me to my point...it seems like such a tremendous milestone only because most fitness club owners have not discovered a system to do it on a consistent basis.

If you'd like to add a million dollars to your club cash in 2008, you'll need to recognize a pattern. The best way to do that is to see it in action, watch it unfold in different ways and then pick out the similarities. That's exactly what we'll do in today's article.

Real world example

#1- Roy owned a club existing in the 'red'. He knew it could do well, so he added a weight loss component to bring in more of the outside market. He realized there was a different mindset for weight loss than the mindset of a gym member so he took steps to avoid alienating the overweight population. Roy says, "We made \$400,000 in just five months when we added the weight loss component to our club!"

Real world example #2- Beth's fitness center ran her life. She continually raced about and still couldn't get the place to profit. She needed something different. Up until she added the weight loss component system, Beth never had time to search for new profit centers; she simply worked hard. Once she added the system, she looked at her numbers and saw motivation and solutions for new clientele. But moreover, she saw the same motivation for her own staff. The system provided training, goals and incentives for her crew. Her people got excited about the new approach. They took on the increased growth with excitement. Things quickly turned around. Beth found the system generating huge profits for her, and better yet, the business could run on auto pilot. The Result: Beth suddenly had more money AND free time!

Real world example

#3- Kelly studied numbers and statistics. After she incorporated weight loss and looked at her smart numbers (statistics that relate where you are surging and where you lack), they showed where she could improve and she roared into it. She looked at numbers regarding her community, her team and her business overall. Kelly saw figures that pointed her in a specific direction and provided goals to set and achieve. In five months her income raced up 40%. It was all by the numbers.

Did I mention the main number for you could be a million dollars for your business? Before I break down what worked for these folks, I want to address the “two-ton elephant” in the room which is that these people are Thin & Healthy licensees. While I am proud of the system my team and I have created and thrive on the success stories of our licensees and their members, I don't want that to distract you from the take-home message which is, “You can create a reliable and duplicable system for bringing in a million dollars a year, automatically!” Yes that said AUTOMATICALLY!

OK, so let's break down the system they all used:

1) They shot fish in a barrel – Statistics to date tell us that only 14% of the population is joining a gym, but **67% are overweight**. So, having a weight loss component is where the big money is. Perhaps it's time as a nation we started looking at the words ‘big money’. If we as an industry don't do something immediately to save the folks that are dying a rapid death due to obesity, the big money will continue to move to the medical industry and finally the funeral business! You can make the cash or they can! Add a weight loss component to your facility that works and every single person involved wins! As for your million dollars... 67% is more than a **FIVE HUNDRED PERCENT INCREASE** over 13%. What will your numbers look like when you increase them by 500%?

2) They had effective

marketing - Marketing is responsible for bringing potential customers through your door, so investing your time and money in the right ads, letters etc. that get people to come in is just smart. With regard to adding a component other than just fitness, keep in mind the marketing approach is different. Also, you'll add income when you add marketing partners. This is done easily and free! The people in your community who believe in personal improvement like you do WILL join forces with you if you just ask them to.

3) Sales - Once you have traffic, a proven sales method will convert those visitors to paying members. Our examples added big bucks because they started doing a sales presentation that met the overweight member where they were. That means a little more one-on-one needs discovery and a little less tour of the facility. More discovery equals more cash for you and more results for them.

This is where most people start doing the math. “If I increase my member base by 500% and I charge this base anywhere from \$49 to \$119 per month, that would equal.... OH MY GOSH!”

BUT, as you know, two plus two does not always equal four in our industry because of the human element. You'll make more when you keep members from leaving by giving them the right...

4) Service - your system needs to consider the human element and address the special needs of this population. You need to speak their lingo and avoid the “taboo words”. We've isolated 97 words and phrases that are considered normal everyday language but are likely to turn off your ideal members, and we can also suggest what words to use instead. So, devote some time to being sensitive to these folks that will be putting mucho \$\$\$ into your pockets.

5) Staffing - employees can be your most expensive drain, but you can provide the right amount of service with minimal staffing by doing three things. 1- Train an existing person to do



the task. They'll make more money too! 2- Set up a joint venture with a person who has lost weight and wants to help others do so as well. 3- Partner with someone who wants to make more money but doesn't want the risk.

This is where many clubs mess up, because when staffing is done right, it becomes a profit center. While staffing incorrectly can hurt you, I've identified other pitfalls that can be absolutely lethal. In fact I'll address the nine biggest mistakes clubs make in their weight loss promotion in a future article.

If this is something that interests you, I have a tidbit to hold you over for now. We recently put together a CD of “51 Ways to Make An Additional \$Million” for internal training purposes and have a few left over. I am willing to give them out on a first-come, first-served basis. If you want one, all you have to do is call my assistant Shelley at 866-260-8446 (THIN), ext 117.

I just gave you her direct extension so please know two things:

1- The CDs were never meant to be released to the world, and while they are all in perfect working order, they might be plain white sleeves, could be written on, etc. I will mail one to you on my dime, but please do not ask her to hunt down a flawless copy.

2- This is NOT the number to call for more information about a Thin & Healthy licensing opportunity. Shelley is amazing and loves to help, but she is my treasured personal assistant. Marcia is equally incredible and can answer any of your licensing questions at 866-260-8446 (THIN), ext 110.

(See Donna Krech page 12)



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advice, etc.

# "We are in the black for the first time in 20 years...and it only took 90 days!"

**T**hin&Healthy's Total Solution equals money added to your bottom line! It helps pay the rent, pay the utilities, pay the payroll, and we actually can see black instead of red for the first time in 20 years because of the extra income added from product, down payments and larger monthly dues.

In the 5 months since we added Thin&Healthy's Total Solution, we've already done 40% of our total club income over the last 20 years! Let me say that again...we've produced almost half as much in 5 months as we had in the previous 20 years just by adding Thin&Healthy's Total Solution!

Initially, our biggest concern was how we could possibly learn everything there was to know. We had never seen the kind of training systems in the fitness industry that

Thin&Healthy's Total Solution has. They provide such amazing training that it's very easy to implement their systems. My staff all caught on quickly. The corporate trainers and marketing manual teach the basics and beyond, and that helped us soar.

A human resource guy stopped in the club recently to see what was going on, because he heard about our members' results. I never had that happen before! Talk about business just walking in the door—he has over 140 employees!

Here's another amazing thing that has happened. All of a sudden I have no more staff turnover!

Since adding Thin&Healthy's Total Solution, our enrollment fee is double what we were getting from the fitness club; therefore the staff makes more, so they are happy with their jobs. Before, every month there was somebody new. Now I have no turnover because my staff makes lots of money and they are happy!

**"We actually can see black now instead of red because of (5 new income streams, 3 of which are)**

- **doubled monthly dues,**
- **down payments and**
- **large product sales.**

One of the best parts of adding the Total Solution is when the employees see they can make unlimited income, whereas in fitness clubs you get an hourly rate and a little commission here and there but not much beyond that. The income potential really is unlimited with these systems!

Thin&Healthy's Total Solution also equals member results! It has been amazing to see the members who struggled to get weight off - who were already members of a fitness center - actually hit their goal, rather than just losing a few inches or pounds here and there. This is actual weight loss.

One of our members was in a wheelchair and had a special van she had to ride in because of her wheelchair. She had a catheter, 24 hours of oxygen, and she had not walked for 6 years. She came into the gym and wanted to know more about the wheelchair-accessible equipment we have, so we told her about Thin&Healthy's Total Solution, and she has since lost 70 pounds. She is walking, she sold her van, and now she drives a little sports car.

This lady thought she was going to die and had no hope whatsoever, none. Because we taught her to believe in herself and in her abilities, she has changed her entire life. People see her at church or around town and they want to be a part of us; they can't believe this could happen! But it is that easy.

On the other hand, people like myself who have 10 pounds to lose but never see results just from working out DO see results from adding the Thin and Healthy program along with movement. It really makes a difference--even for those stubborn 10 pounds.

Here's my advice: If you've been thinking about adding a weight loss component to your club, and you're looking for systems that will make you money, you've got to get Thin&Healthy's Total Solution.

The training prepared us for success but we had no idea that it would prosper like this. You are missing out by not putting this in your club. You would be crazy not to add the Total Solution! X

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JANUARY 2008

## ...Donna Krech

continued from page 10

There are a few other things we've discovered that yield extraordinary results and they fall into these categories:

Leadership training- applying the circle of successful leadership leads to increased income for all.

Motivation- we use contests that only cost us about \$35 per month to boost productivity by up to 46%!

Administration- watch your smart numbers and you'll see your EFT cap blown off!

I'll address these three categories in a future article. If you have a question about them right now, just call and ask. We love to share!

So, which of these components is THE most important? Well, that's a bit like

asking which part of a car is most important. Must be the engine because that makes the car go. No...it must be the steering wheel so we can get the car to go in the direction we want. No...it must be the tires because the power of the engine and the turn of the steering wheel are transmitted to the road by the contact the tires make.

The answer is that all these parts are important to the system we call "an automobile" working. The same is true for your weight loss business; you need great marketing systems combined with great sales process systems combined with great customer service systems to have a great total system.

Does that sound like a lot of work? It could be. But it can also be very simple as we see people making money on their very first day and

over a million dollars by using only a table, two chairs and a corner of the club.

I believe in giving. Mutual success is why these articles appear regularly with what might be considered private business information. Hey, if everyone can be successful and if I can contribute to that end, then the world will be a much better place.

A million bucks sounds great! Money is why we go into business. But you might want to consider a bigger picture too, a mission actually. The world is filled with people who need us, who need our help to be better, healthier and successful. They seek hope that has eluded them in so many ways and for so many years. The help they so desperately want, they search for in others who they believe care about them. Caring about people

is our corporate culture, our style, and our mission.

When we use this style, millions more people want what we offer, and that translates into riches for those connected with us. It really is an attitude. You don't own a fitness club. Instead, you are literally in the life-saving business. And people who save lives are rewarded. How do I know this? Because it's how I've done business for years and the proof is in the numbers.

So, what should you do now? That depends.

If you are perfectly happy and don't care for an additional revenue stream bringing you an extra million dollars or more...then to borrow a phrase (using a smidgeon of poetic license) from the movie, The Matrix, "You take the **blue pill**, the story ends, you awake in your club

and you believe whatever you want to believe."

On the other hand, if you'd like more club revenue, "You take the red pill, and you discover a Weight Loss Wonderland, and I show you how to systematically make millions helping to cure a global problem."

To learn more about how Thin & Healthy can add a million dollars to your club revenue, call Marcia at 866-260-8446 (THIN) and she'll answer all of your questions.

(Donna Krech, the Founder and CEO of Thin&Healthy, is a Victory Culture Expert and specializes in providing simple systems for success in business, weight loss and life. Donna may be contacted at 419-991-1223.)

## ...Norm's Notes

continued from page 8

[weight.com](http://weight.com) and it provides people with the opportunity to submit questions for Casey and **DR. KEVIN STEELE**, who then respond to those questions on their bi-weekly teleconference calls. So, checkout the new website and pass it on to your members, please. Also, check out Casey's Take It Off ad on page 30 in this issue.

### • Got advertising?

To advertise in **The CLUB INSIDER News** contact **Justin Cates** at: (770) 595-6086. [ljubinsidersales@mindspring.com](mailto:ljubinsidersales@mindspring.com)

• If you want to fight such media attacks as the [ConsumerReports.com](http://ConsumerReports.com) report this month do what **BRIAN EVANS** does in Richmond, VA. Brian helps his community through his 7 great clubs and has done so for years. Evans was honored on December 12th with the **2007 Man/Youth Award** from the **Boys & Girls Clubs of Metro Richmond**, the organization's top volunteer award. Evans' **American Family Fitness** donated \$110,000 to help reopen one center and pledged an additional \$110,000 per year for the next three years. **Congratulations Brian!** (See photo this page.)

• **CECIL SPEARMAN**, a great long-time friend

and **CEO of Spearman Clubs, Inc.** and the owner of the **Laguna Niguel Racquet Club** and the **Racquet Club Irvine** in Southern California, wrote me a letter in December suggesting that I not pick a "**CLUB INSIDER News Top 10**" list of clubs and I agree with Cecil's disagreement. It was a dumb idea by me only suggested as possible in my Norm's Notes in November. Check out Cecil's letter to me and my response on page #6. Cecil, a terrific IHRSA President 15 years ago, was one of the **Faust Roundtable #1** members who helped me create **The CLUB INSIDER News**. Thanks for that important help Cecil. I hope you know how much I've always appreciated your excellent counsel and wisdom.

• **LIFE FITNESS** was honored with the **Medical Fitness Association's Board of Directors Award** for significant advancement in the medical fitness industry. **CARY WING**, Executive Director, **Medical Fitness Association (MFA)** said, on January 9<sup>th</sup>, "Life Fitness is devoted to wellness and fitness as a crucial component to a healthy lifestyle. We've been proud to work with this organization over the years." The Award was presented in Orlando during the MFA Awards luncheon at **PETE BROWN's Athletic Business Trade Show**. Also, **Life**

**Fitness** is merging its UK and Continental European operations with immediate effect to promote further international growth. The newly integrated business will be led by **FRANK VAN DE VEN**, Managing Director for continental Europe, Middle East and Africa since 2004, who now becomes Vice President-Europe, Middle East and Africa (EMEA).

• **Pennsylvania** health clubs have been urged by **IHRSA** to continue speaking out against a **Healthy Lifestyle Tax**. And, I urge you to, too. PA politician **SAM ROHRER**'s legislation would tax health club dues and more than one hundred fitness professionals and health club consumers have spoken out against Rohrer's legislation already. IHRSA wants you to become proactively involved in helping stop this sales tax if you're in PA, though it's not clear now what direction the measure will take. Pennsylvania club owners could surely follow the lead of the determined and hard working club folks in Maryland who recently defeated a measure to tax health club memberships there. It only takes a few minutes to argue for abandonment of this unwise and unfair tax and such efforts can go a long way in educating lawmakers about the importance of government support for healthy lifestyles. Go to:

<http://votervoice.net/target.aspx?id=ihrsa:19842357> to log in and send your message.

• In **California** the **State Assembly Committee** will hold a hearing on the proposed **Employer Tax Credit Bill 1439**.

This bill would provide a tax credit of 10 percent to employers for qualified employee fitness expenditures, including health club membership dues and costs associated with operating an on-site fitness facility. Assembly member **LLOYD LEVINE (D-40)** introduced **AB 1439** in February 2007. There had previously been a hearing scheduled on the legislation but Levine, IHRSA and IHRSA's lobbyist decided to pull the bill from the hearing to gain additional support. To support the work already done on this bill, IHRSA is urging all California health clubs to take a few minutes to write letters to Committee leaders and their legislators urging their support of the bill. Using the online advocacy system, it only takes a few minutes to speak out. The hearing was scheduled for January 14<sup>th</sup>, right after our deadline for this issue. We will update you on that event next month.

• **SIBEC** is a terrific way for vendors to help their business. The next SIBEC event will happen at the **Westin Stonebriar Resort, Dallas, Texas** September

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• According to researchers at the **University of Cambridge** and the **Medical Research Council** people with four healthy lifestyle behaviors -- not smoking, physical activity, moderate alcohol consumption and eating five servings of fruit or vegetables a day -- live an average of 14 years longer than people with none of those behaviors, a new British study contends. 20,000 men and women, aged 45-79, filled out a questionnaire about the four health behaviors. The participants, none of whom had known cancer or heart or circulatory disease, filled out the questionnaire between 1993 and 1997 and were followed until 2006. The study was published in the journal **PLoS Medicine** and reported in the U.S. in **HealthDay News**.

• **The New York Sports Clubs** and **Snapple** announced they are hosting **Saints & Spinners**, a 24-hour long **Spin@-a-Thon** at **Grand Central Terminal** on Friday, January 18, 2008, to raise funds to place the **HealthCorps** curriculum in five more schools within each (See Norm's Notes page 14)

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### ...Norm's Notes

continued from page 12

of the City's boroughs. The event will run from 7 a.m. through 7 a.m. **DR. OZ**, a heart surgeon and health expert on the **Oprah Winfrey Show** and best-selling author, founded HealthCorps, a health education and mentor program, to respond to America's child obesity and diabetes crisis. HealthCorps established a 35-school network that spans four states, including 28 New York City high schools, and plans to expand across the country to represent 80-90 schools in

2008. Great project!

• **Oklahoma City Mayor MICK CORNETT**, responding to America's obesity pandemic and the role his city should play, has challenged residents of one of the nation's heaviest cities to collectively lose over one million pounds in the New Year. Called the "**OKC Million**" challenge, its website, [www.OKCMillion.com](http://www.OKCMillion.com), is used to provide participants with fitness and nutrition plans, events, news and other weight-loss resources. Mayor Cornett explains that his goal is to "Bring awareness to the problem, introduce programs

to help cure it and inspire all citizens to become healthier and lose weight." Oklahoma City natives have taken up the mayor's challenge, and have already documented losing 2,500 pounds.

• This just in right at deadline! **MIKE MOTTA's Plus One Health Management Company** has signed a deal with **Google** to manage their corporate fitness centers nationwide! Plus One Health continues to secure business with some of the world's finest organizations. In October, Google announced that they selected Plus One after a national search of the top

corporate fitness companies to be its national provider of fitness center management services. In December, Plus One assumed the operations of seven Google fitness centers including: • Four fitness centers in Google's Mountain View, CA headquarters campus; • One fitness center in YouTube's San Bruno, CA headquarters; and two smaller Google facilities located outside Atlanta, Georgia. **Congratulations Mike!**

#### • Author unknown:

"You and I are younger than we will ever be. A person who is too old to learn something has probably always been

that way." Make the most of every day! And, **STAY TUNED!**

• **God bless our troops, airmen and seamen** as these brave men and women risk life and limb everyday for all of us in Iraq and the Middle-East. **God bless their families** for the sacrifice they make for all of us. **God bless** the citizens of **IRAQ** as they deal with daily death and destruction from suicide bombers. **God bless** you and your family. **God bless America!**

### ...Ed Tock

continued from page 8

10. Planet Fitness will continue to explode in their existing markets and new ones.

11. Many new comers will offer more service and/or more facility for less \$'s.

12. Sport specific schools and training centers will continue to increase in numbers.

13. Personal training centers will continue to flour-

ish, and smart clubs will have increased access to personal training to all members. (group pt etc)

14. Group Exercise will continue to move toward 'pre-programmed programs' (Body Training Systems, Les Mills)

15. Functional fitness will take on a more central role with members as they age.

16. According to the American Council on Exercise (A.C.E.), focused express workouts will become

more popular. They focus on one component of fitness or training a specific part of the body (e.g., core stabilization, upper-body strength, balance and agility, aerobic training/ fat burning).

17. Boomer fitness focus - AARP, the noted advocacy group for individuals age 50+, launched a major fitness initiative in September of 2007 aimed at providing a wide range of affordable fitness services to its 39 million members.

18. Too much email,

voice mail and technology. And the coming year will see social networking expropriated like never before by Mom and Dad as they push to make more efficient use of their time as well as stay in touch with their aging parents.

19. Trade shows become more regional.

20. Members demand cleaner clubs. Clubs need to actively reinvest in newer/better equipment. (clubs should have been doing this all along!)

21. As an industry we continue to struggle to understand what we need to do to get more members.

22. Clubs will continue to give customers what they generally don't want and need.

23. Smart clubs realize the need to focus on investing time and money in their staff. There is a huge need for better customer service and customer loyalty. With an industry average retention rate of 50%, that also means we fail 50%

and it is starting to catch up to us. We are in the people business and the marketing that worked 5 years ago does not work today. There is only so much space to buy more equipment. So best way to differentiate your club is by having the best trained staff.

**Ed Tock is a partner in Sales Makers, an industry leader as a marketing and sales training consulting firm that specializes in on site seminars and performance & profitability programs by delivering the highest quality of staff training, proven systems and innovative marketing programs. They have worked with over 1200 clubs worldwide including 206 pre sales since 1981.**

**Ed has spoken at over 80 Club Industry Shows & IHRSA Conventions.**  
**Sales Makers is a winner of IHRSA Associate member of the Year! Ed can be reached at 800.428.3334 or at [eddie@sales-makers.com](mailto:eddie@sales-makers.com). Or at [www.sales-makers.com](http://www.sales-makers.com).**

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## ...Planet Fitness

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a *relentless, overwhelming force or movement* in the last ten years is clearly accurate. The word *overwhelming* conveys a sense of sure victory in a battle. The words *force or movement* could not be beat as a term to describe Planet Fitness on the U.S. health/fitness club scene today.

Consider other juggernauts on the U.S. scene. How about McDonald's? How about Starbucks?

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When you sit and read this as an independent club owner/operator or even the owner of a small chain of clubs with maybe 5 or 6 locations, you must be thinking about when, where and how Planet Fitness is going to show up in your market. There's no telling.

So that you are fully aware of what caused the Planet Fitness juggernaut, we've brought the following interview with the jovial and clearly speaking Mike Grondahl to you. Mike Grondahl is a man this author believes will continue to change the health/fitness club/center landscape for many years to come.

So, please read on.

### An Interview With Mike Grondahl

**Q** - Mike, thanks for sitting down for this interview. First, please tell us about your family.

**Mike Grondahl (MG)** - "I have a beautiful wife of 12 years now, Lisa and four wonderful kids. Three boys and a gorgeous little girl: Eric, 12, Matthew, 9, Justin, 7, and our baby girl, Rylee is

18 months old. Until recently, my wife had home schooled our children. We live in Madbury, New Hampshire. Our home office is in Dover, N.H., about a mile from my home, so it's very easy to go home for lunch.

**Q** - Tell us about your educational background, please.

**MG** - I graduated from Nichols College with a degree in business administration with a focus on marketing.

**Club Insider** - Well, you've put that degree to good use!

**MG** - Ha! It's a little bit funny. I really didn't want to go to college because at the time I had my professional license to race motorcycles. But, my father wouldn't continue to pay for me to race unless I went to college. I went to college the first semester and I never even bought the books! I would just go to class and listen. I swear this is a true story. As it turned out, I got a B in marketing without ... a book. So, I decided that would be my major. I had to take accounting again! I graduated in 1986 and worked with my father for a while in construction and absolutely hated it. From there, I got my commercial realtors license and worked in that field for about two years. I got fed up with that because there was no continuous income. I decided I had to get into a business with a regular pay check. I had always been into lifting weights after I quit racing. So, I started looking through the business opportunity section in the Boston Globe and found an ad for a Gold's Gym for sale in Leominster, Massachusetts. I didn't know the guy was going down. This was when all the banks were going under. We got into it with a relatively low down payment. I was going to set the world on fire! In 1991 I sat down and I wrote a business plan about how I was going to own a 100 health clubs! So, I went to my brother who was an accountant at a big company. I was unhappy because I didn't have a steady income, so I convinced Marc to team up with me in the health club business. I had made enough money from one real estate sale and got a loan from my grandmother, so we had the

down payment to buy the Gold's Gym in Leominster. So, my brother and I went into business together. We made it about six months before we ended up in Chapter 11! At the time, I would have told you it was the landlord's fault. But, looking back on it, the truth is I didn't know what the hell I was doing!

**Club Insider** - Well, I think a lot of us could say that when we got stated! So, once you figured out that you didn't know what you were doing, what did you do then?

**MG** - Well, we'd jumped head first into it. After we bought the Gold's Gym we made a deal to manage a club up in Keene. I convinced my parents to open a club down in Connecticut. We took over management of a club in Somerville, MA. We were managing a club in Marlboro, MA. Looking back on it today, the only club that's still standing is the one in Leominster, MA. where a pretty popular guy in the industry named John Bonica owns it and calls it Global Fitness. He has Body Training Systems going strong there. I'm glad he's done well with that club because it's proven my point that it was my fault.

**Club Insider** - Well Mike, how did you figure it out?

**MG** - It really started when I bought what is now the first Planet Fitness. That was in August of 1992. You've got to figure that all those clubs that I told you about plus the club in Dover were all done in just about a year.

**Club Insider** - You were just all over the place!

**MG** - Oh yeah. (Laughing). That's what I'm saying, you know I was just running. I was doing so many deals ... I didn't know anything! (Laughing)

**Club Insider** - That's an honest assessment. That's a good thing to be able to do that.

**MG** - Right. You know what, though? All of them went bad, except for the one in Leominster and the one in Dover. This was at a point where I was just financially wiped out. My credit was gone. It was an absolute mess. I borrowed \$5,000 from my Mom to buy the club in Dover, N.H. I had four days to come up with enough

money to keep the power on. It was a Gold's Gym in Dover, New Hampshire that was going under. Because of all of these other deals I'd been involved with I realized you don't want to take over the membership of the former owner. So, I gave him the 5 grand and told him I'm not assuming the membership liability. As soon as I got in there, I told the members that

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I wouldn't assume their membership, but I would sell them a membership for \$99 a year. I sold a lot and before I knew it I had \$83,000 in my bank account! This was lesson one for me about the value and power of low membership prices. Lesson #2 came in 1995 when I started charging \$99 down and \$10 per month. During this period, I kept slowing raising my rates at the club. I got the EFT to the mid \$30,000 range with rates in the \$29 to \$39 per month range. But, in late 1995 I noticed our retention was starting to drop. In 1996 I went back to our low price and WOW, our sales and retention both went back up. This is how I learned about the real value of the low-price model. It makes both sales and retention much better.

**Q** - Beyond pricing, you've developed a very specific formula for financial success of the Planet Fitness model. What are the key factors to the PF model?

**MG** - Well, I had learned the low price lessons pretty well as to the importance of membership sales and retention. But, there was a missing ingredient: branding. I hadn't learned the true power of branding until I acquired the name Planet Fitness. So, the key factors for success of our model are: low price (impacts both retention and sales), branding and service.

Then, I got to thinking about what service should mean. Service in our model

means: 'Hello, clean club and Goodbye'. We keep it simple. We focus our management on those things. Saying hello to the members when they arrive, keeping the centers very clean and saying goodbye to the members when they leave is what we believe service for our model is. And, we have our own Mission Statement that clearly defines for our members

what we're all about. (See sidebar above).

**Q** - Mike, you've very successfully differentiated and "branded" Planet Fitness in a variety of marketplaces, from the existing "status-quo" health/fitness clubs with the Planet Fitness price-point of \$10 to \$15 per month. This price point causes amazing membership production numbers. Please share some of your Planet Fitness company store and franchise member numbers with us. Also, how many Planet Fitness members do your company owned and franchisees centers expect to have by the end of January, 2008 nationwide?

**MG** - The #1 Planet Fitness Center nationwide has 16,000 members in a 20,000 square-foot facility. They bring in \$190,000 EFT per month. One of our centers sold 3,753 memberships in November, 2007! On the other end of the spectrum, I own the worst performing Planet Fitness Center in Addison, Illinois and it does about \$38,000 per month EFT. Planet Fitness company and franchise membership totals should reach **1.1 million by the end of January, 2008**.

**Q** - Mike, what do you think about these membership marketing companies who come into clubs and set up cash up front "membership marketing programs"?

**MG** - Norm, I read what you wrote about those XYZ Marketing companies (See *Planet Fitness* page 18)

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**Association Insurance Group**

**...Planet Fitness**

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nies that do the \$89 or \$99 bucks for two or three years. They will come in and quote some club owner as saying, "I grossed \$250,000 in one month when I got XYZ Marketing to come in!" But, in reality all they do is come in and do direct response ads. They tell you they are going to spend 30 grand, they may actually spend 5 grand. You don't know what the hell they're doing. They're gonna kill 'ya! DON'T DO IT. But, you know what? I have to say in the very beginning of my career there was a guy up in Connecticut who I won't name. But, that's how I first got the \$99 per year idea. Thank God I went the branding and low monthly EFT dues route. Otherwise, I might have ended being one of those guys! (Laughing). You know what I would say to almost anybody who is thinking about doing that? I'd say, "Call us first! We'll make you a lot of money and save you a lot of heartache. Probably save you a Chapter 11!"

**Q** - When marketing your low-priced Planet Fitness Centers in new markets, what are the steps you take?

**MG** - First, we send a direct mail low price offer to all of the Corporations in the area. And, we send a direct mail piece to the surrounding single family and multi-family residences. Our volume on those will range from 12,000 to 70,000 for one location. We use radio and billboards

in markets where they are affordable. The problem with billboards is that in some markets, they are extremely expensive. But, for example, the guy in El Paso, Texas uses them extensively. But, out in El Paso, you can get a billboard for 500 bucks a month! You go to Raleigh, North Carolina and they want five grand a month for a billboard! In some markets, billboards work. If it is \$2,500 per month or under, I will look at it. If it's over that I won't even look at it. I can't impress this message more strongly upon anybody reading this. You're marketing is all connected and intertwined. Your message must provide the same offer. You can't have a 30-day pass on a billboard and 19 bucks a month on a direct mail piece. All of your marketing must make the same offer, otherwise it's not going to work. Or, it's not going to work anywhere near as well as you want. You will be doing yourself a disservice. They all have to make the same offer. And, we are now going into cable TV marketing because cable TV is pretty reasonable. TV is a discipline that I've really not learned yet. To be honest with you, it's more affordable than radio. I've done so well with my direct mail and radio, I have yet to find a need for TV. But, you know what? What I've seen is that most clubs do not use direct response ads. Also, I had studied books by J. Conrad Levinson and J. Abraham, and they were helpful. I would recom-

mend their works.

**Q** - The Planet Fitness "Judgment Free Zone" mantra you've employed has a very specific purpose...describe your purpose here, please.

**MG** - People have SO misinterpreted our "Judgment Free Zone"! If you go on You Tube, you've got some people that just hammer the heck out of this. But, it's actually kind of comical to me because the "Judgment Free Zone" is meant for the people who are intimidated to come into a club. It's that simple. Let's put it this way. If the body building population of the world is 3%, then we're 97% "Judgment Free Zone".

That's why we've been able to throw up numbers like nobody else. The one thing that people in the industry don't understand and I hate to say it because it sounds callous or rude or whatever you want to call it, but the only way that you can really fill a niche is by saying to a certain percentage of the population, "We don't want you." A lot of people in the rest of the industry, and I am using a very broad strokes here because I don't want to insult everybody, but when you say, "I want everybody", you're dead! You've got no business plan. Mercedes doesn't say they want to sell cars to everyone. Let's face it, they're selling cars to rich people. You know. Rolls Royce doesn't even make a car for the middle class. I don't think I could afford one.

You know, if you're buying a Volkswagen, let's face it. They've targeted a market. For the fitness industry I think that's why we haven't been able to break down, break into those barriers. I take my hat off to the people at Curves. I wish I would have thought of it. But, they break down a wall of unfit women who are intimidated with traditional health/fitness clubs. The fitness industry should be thanking them. Unfortunately, I think they are putting clubs where they should not be. There is a Curves up the street from me that is in the garage of somebody's house! They're breaking down walls that have never been broken down before. I think to a degree, we've done that. But, they've gone to a much further degree. Who does our



industry really owe a debt of gratitude to? I say it is Mr. Gary Heavin, the Founder of Curves International, because now and ten years from now, we are and will be feeling that affect. I feel it now because Curves has limited hours, and we have people coming from there who join the Planet because our hours are better.

I also think we owe a debt of gratitude to the Anytime Fitness and Snap Fitness people. The Anytime's and Snaps are coming on strong because of their business model. They're going into markets that normally would never even begin to support a full-size health club. We owe them a debt of gratitude because the more people that belong, the more people that are going to belong.

The one thing I don't understand is why the stock markets don't support our industry. I think it is because Bally's really screwed up. You can put my statement in your report, too! Bally's really hurt us in the eyes of Wall Street. You know what? Right now we're trying to get money from a major source who said to me, 'You know what? If you were not classified as in the health club industry, we'd loan to you everyday!' These are representatives of one of the biggest companies in the world. They won't do business with us because of what Bally has done to the industry in the past. I've gone on a bit of a tangent here, but I'm passionate about these feelings.

It angers me that we can't do business because of what other operators have done in the past. I wish they would just change their freaking name and shut the thing down.

**Club Insider** - Well Mike, Bally is off and running with another pot of money. And, I will add here so we have some balance for your rancor, *that it isn't just Bally*. Our entire industry has suffered in the past, suffers today and will suffer in the future from the history of misdeeds of certain club owner/operators. It's surely is not JUST Bally Total Fitness.

**MG** - Yeah, but trust me...there's another brick wall coming! **Norm**, **there's only one solution to fix that chain**. What they need to do is go build a new box, change the name, move all of their existing members and fire all of their salesmen. I'll sell them a franchise.

**Club Insider** - As usual, Mike you're thinking big!

**Q** - What is your prediction for the future of our industry?

**MG** - The reason that the fitness industry is not even close to the growth it will reach someday is because of what is happening in America. When did you start lifting weights, Norm?

**Club Insider** - I started in the 9<sup>th</sup> grade in Rome, New York in 1960. I was 14 years old.

**MG** - O.K. So Norm, you were a pioneer, if you will, because you started lifting weights before lots of people were doing it in America. I started lifting when I was in college. My brother and all of (See *Planet Fitness* page 20)

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## ...Planet Fitness

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his buddies worked out, too. I'm in my mid 40's and three of my boys are running on the treadmill three days a week and using our small home gym with dumbbells, barbells, etc. As soon as they are old enough they're going to join the gym and they're going to work out for the rest of their lives. I will, too. But really, the generations in front of us, like my father's ... there were no health clubs where he grew up. That's why I think that Anytime and Snap going out to the more rural areas with less dense populations could help our industry get to a 30 to 40% penetration in the next 10 to 15 years. All of the kids that are coming up now are seeing the guys on MTV in gyms working out. I predict that when I'm in my 60's, we're going to have a huge percentage of everyone from 20 to 60 belonging to health clubs.

**Club Insider** - Well Mike, what you're saying here is something I've believed for awhile now. Just like Curves, Anytime and Snap are creating exercisers who will move on to bigger and better commercial clubs and will really be a feeder system for the entire industry. Many of the family members in rural areas who become involved first with Anytime and Snap, will begin lifestyle habits that before this movement would not have been developed because they didn't have access to health clubs and fitness centers in their small towns. Many of them will move to the cities of America, too, thus to America's commercial clubs in the big markets.

**MG** - That goes to my point I was making earlier about niche markets. I think Tom Plummer's message about niches is right on. Tom says you are going to have a "rock and roll" type

club, if you will. You're going to have family centers. I think LifeTime Fitness is going to dominate that market. Then you're going to have the low-end providers and hopefully we're going to dominate that market. You're going to have your high end, Equinox-type clubs. What will happen is the market will really segment. Look at the car industry. In the beginning, all you could get was a black Model A Ford. Now look at the car industry. I really think what Tom is saying is right. The problem though, is that the market is doing a readjustment. Our industry started upside down with the hard core muscle gyms first. Our industry is just starting now. I mean, how long has our industry been around in the form it's in now?

**Club Insider** - About 27 years ago, Mike. You and I talked about this a year ago. This industry and its evolution started upside down with the bodybuilders first back in the 50's and 60's. And, as I told you before, when we started IHRSA the "new industry" you're referring to actually began. In fact, it did not really pick up the steam it has now until we got the "H" inserted into the IRS name in June, 1994. That's when this industry's club growth took off like a rocketship!

**MG** - It did. It absolutely did. But, the reason it's been so disjointed is the early days of muscle heads became the *image of the industry*. It's just now that you have us coming in as the low-cost segment value. You have the feeder system types, Anytime, Snap and Curves, the Equinox market is coming together, the LifeTime and LA Fitness thing is coming together. Now, we're just starting to see the segmentation actually begin to take place. As that turns on and gets better, I see great things for the industry.

**Q** - When you choose a new site for a Planet Fitness what are the minimum demographic standards you seek?

**MG** - That's difficult to answer because what we normally do is we will size a club to a market. For example, we just opened an 8,000 square-foot club. In a five-mile radius there are only 21,000 people. It's been one

of our more successful openings. It hasn't even been open a month yet and the EFT is already at \$35,000! But, it was placed in a "dead-zone" right in between a lot of our clubs right here in New Hampshire. So, they were already aware of us because we've been hitting them on the radio for years.

**Q** - Please describe the facility and franchisee specs you seek: parking requirements; signage rights/lease terms, potential franchisee qualifications, etc.

**MG** - I found out that parking is really a function of the number of cardio pieces you have. You're going to need the number of pieces of cardio, plus 40 spaces is about right. Signage can make a good club a great club. Unfortunately, it's usually dictated by the town codes. We predominantly look for second generation space. Nothing feels better for us than when we find a grocery store that closed. That's good because usually, the landlord has little, if any debt and you can get a good deal on rent. And, the signage in those type centers is right. As far as franchisee qualifications, if you want to build a full size 20,000 square-foot club, you have to have a net worth in excess of a million and you should have at least \$350,000 to \$500,000 in cash. For equipment, for example, for an 8,000 square-foot club we want the franchisee to have at least 50 pieces of cardio equipment as a minimum.

**Q** - Mike, one of your Planet Fitness differentiators is your use of your "Lunk Alarm" to keep weight slammers and screamers from doing that. Tell us about that.

**MG** - Well, in the early days, I was the lunk alarm! Back then, I would get on the weight slammers and screamers face to face. But, I realized my employees wouldn't do what I'd do. So, I created what I call the "Lunk Alarm". These big guys love to draw attention to themselves when they're lifting the heavy weights. But, when you throw the "Lunk Alarm" switch and everybody turns in the gym and looks at them they get embarrassed. Usually, they get so red and embarrassed that what happens most of the time is they



**Planet Fitness - Addison, Illinois**

will walk up and cancel their membership and leave. And, that's exactly what I want to happen! I want them to go somewhere else! You know why? I WANT those guys in my competitor's clubs! I really do because they just drive the women to us!

**Q** - State and Federal laws for franchising surely are an important consideration. Please describe both the State and Federal laws Planet Fitness must address, how you address them and what process each Franchisee must comply with.

**MG** - Norm, I can really only address your questions on legal matters by saying, 'That's why we've just hired a full-time on-staff lawyer for franchise law!' IT IS A NIGHTMARE! I'll tell you what. Anybody out there reading this who thinks they'd like to become a franchisor should expect to drop at least 300 grand just to get ready legally. I mean, a year ago, Cuts was on the cover of CBI Magazine. Where are they today? They're gone! They don't even exist anymore! I've heard reports that some of the franchises out there are losing as much as 30% of their franchises and legal issues are involved.

**Q** - Membership retention continues to be the most daunting task for many club owner/operators.

In fact, IHRSA reports that even its member clubs reported a retention rate of 60% or less per year. You've indicated that Planet Fitness retains about 70% of your members. You told me your greatest financial challenge was the expiration dates on credit cards and that costs you \$200,000 per month, yet no clear solution is in sight. Would you care to

comment on that, Mike?

**MG** - We've got to figure out through our own personal organizations and possibly through IHRSA, putting together some sort of a task force to open up some conversations with the big banks about this. Some of the banks will provide you with the new information. The problem is we'd be in the high 70% range, near 80% for retention were it not for this problem. We're doing well at making money as it stands today. But, profits would soar if we were able to get the new credit card information without having to chase the people. I mean let's face it. The people don't want to quit. They haven't come to us wanting to quit. It probably has just slipped their mind. But, it causes problems when they come in to use the club and we say, 'You haven't paid us for the last five months'. It creates a negative environment when there doesn't need to be one.

If we could ever get to the big banks like Bank of America to participate and work with us, they'd be more profitable and we'd be more profitable. And, we wouldn't create a situation where we are having to chase people for card expiration dates like a collection company might chase them for bad debts.

**Club Insider** - Maybe your comments on this will help, Mike. We've got three great companies as advertisers in this realm: ABC Financial, Affiliated Acceptance Corporation and CheckFree (listed alphabetically) and we might get them to team up with IHRSA and their competitors to try to build this task force you mention. I mean, it

(See *Planet Fitness* page 22)

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## ...Planet Fitness

continued from page 20

seems to me they should co-operate because everyone of them have a vested reason for getting involved in this task force. This seems to be a perfect opportunity for IHRSA to help all of its members and the industry nationwide.

**MG** - Yes. The health clubs should be kicking in money to help. The billing companies should be kicking in money. I guess the reason why the banks do this is the identity theft problem. But, we should try to figure it out. So, I'll be happy to chip in. And, I'll offer the help of Ben Midgley to work on this.

**Club Insider** - Well Mike, your clubs are IHRSA members and you and all the other IHRSA member clubs, are already chipping in money. Also, all the IHRSA Associate Members in this realm are already chipping in money in the form of dues, convention exhibit fees and sponsorships. It seems to me this is a job for IHRSA and nobody should have to chip in more money. IHRSA should tackle this challenge with a team of club owners and vendors and figure out how to fix it. All IHRSA Board Members and several key IHRSA Staff get The CLUB INSIDER News every month, so when they read this they will know

about this opportunity to help the member clubs. Maybe Ben Midgley could become a key point man with some club owners like you, vendors like our advertisers and some key IHRSA people. This would be a HUGE financial help for all 29,000 commercial clubs, not just IHRSA clubs. Your problem costs your company over \$2 million a year. Imagine the amount this problem is causing for all 29,000 clubs nationwide! You should be a leader on this because you're the first person I've heard from about this major problem.

**MG** - Well, this is the #1 problem in the industry in my view. This would almost automatically increase our 70% retention by 10%.

**Q** - I've asked you this before Mike, now I will ask again...please project five years ahead in our industry...what do you believe will happen? You've already given your vision over the long run earlier in this interview. So, let me simply ask you Mike, what is your prognosis for the small 'Mom and Pop' independents over the next 5 to 10 years and beyond?

**MG** - Very grim, Norm. If you don't have the marketing power and the branding expertise behind you, I hate to say it, but from a 'Mom and Pop's' perspective, you just can't compete

with these guys hitting all the niches. If I was a 'Mom and Pop' operator right now I would definitely be considering an exit strategy or I would try to team up with a big organization. Nowadays, you only have 2 or 3 options for pharmacies. But, 15 years ago you had tons of options. There is a reason why the big private equity firms are coming to our industry right now.

**Club Insider** - Well, you've made a compelling argument for the niche segmentation in our industry, the competitive impact it will have and once again, sounded the alarm for small 'Mom and Pop' independent operators. Because I was a 'Mom and Pop' operator for 20 years and because I love my friends across America who are 'Mom and Pop' independent owner/operators now, I really do hope you're wrong.

Would you like to make a closing comment, Mike?

**Mike Grondahl** - Well, the only thing I'd like to say is that I definitely get way too much attention. This company has really been built by a great team, not just by me. Almost everyone in our corporate office worked in our clubs. They all have bought into the 'Judgment Free Zone'. Unfortunately, I always get to talk to the media. But, without my brother

Marc managing the finances over the years, if it was left up to me, I'd probably have 10 Lamborghinis and we'd have no money and we'd be gone by now! Chris Rondeau was really the operational push behind the organization that really made the business model work. From the marketing perspective, I'll take credit for some of that. But as far as really getting into the branding and making it work from head to toe, my brother and Chris Rondeau definitely need some recognition on that.

**Club Insider** - Well Mike, they just go it. You know, the mark of a good leader is knowing who got him there. So, it's important and good to acknowledge your Planet Fitness Team.

Well folks, there you have it. An in-depth, candid and somewhat scary interview (if you're a 'Mom and Pop' independent club owner/operator) from Planet Fitness Co-Founder, Mike Grondahl. Last fall, after the National Fitness Trade Show/IHRSA Club Business Entrepreneur Conference, I wrote in my September, 2007 Norm's Notes: "The following people will play a huge role in the health and fitness club industry over the next ten years and beyond: **MIKE GRONDAHL, MARC GRONDAHL, CHRIS RONDEAU and BEN**

**MIDGLEY..**" I stand by those words today.

But, for those of you who want to change your operations, independents and/or chains, this article provides many comments from Mike Grondahl that you may adopt and use in your own operations. I hope Mike's comments help all of you.

I want to thank Mike Grondahl and Ben Midgley for their time on their interviews. (See article/interview with Ben Midgley that also begins on page #3) And, I want to thank Jamie Gattuso of Planet Fitness for her assistance with the photos and images shown on the cover, page 3 and article jump pages.

(Norm Cates, Jr. is a 35-year veteran of the health, racquet and sports club industry. Cates was the Founder and is now in his 15<sup>th</sup> Year and Counting as the Publisher of The CLUB INSIDER News. He was IHRSA's 1<sup>st</sup> President, and a Co-founder of the Association with Rick Caro and five others, in 1981. In March, 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of IHRSA's highest honors. Cates may be reached at: 770.850.8506 or email: c\_lubinsidernews@mindspring.com)

## ...Midgley/PF/WGI

continued from page 3

that sets forth his beliefs and reached the #1 ranking Sales Management and Customer Service book in the country as ranked by Amazon.com. His website is: [www.goldencircle.biz](http://www.goldencircle.biz)

Scott Gillespie's Saco club had a bad fire that shut it down for a while and Midgley found himself doing another job, packing sea urchins! He recalls, "That was

tough work. Losing my job because of the fire and working packing those sea urchins changed my whole career. I was working with some really wild and crazy backwoods Mainers who just hammered me for being a sales person. We worked together from 4 in the afternoon to 1 in the morning and we'd just be awfully slimy and nasty. Normally, I would never have walked up to one of these guys on the street, but once you got to know them, they were awe-

some guys. We'd had a great time working together. And, they made me really begin to think about sales."

Midgley continues, "I really got to thinking about sales people in the club business. I concluded you don't need any sales lines or tricks if you just treat people right, make them feel comfortable, make them feel good and you are doing them a great service. So, by the time I had spent some time thinking about all of this, while loading sea urchins, I really changed. That is one of the reasons that things really clicked all these years later with Planet Fitness and myself. It is because they have taken the "concern for the customer" to its fullest extent by removing the salesperson all together and that really resonates with my values.

As an operator you can spend your life trying to

find salespeople who really care. You may get 2 or 3 over time if you're lucky, but you're never going to get all of them to really care about people. So, why not just have all of your staff focused on taking care of people? I have nothing against sales people. But, a lot of the big chains got it wrong. Don't misunderstand me, I have nothing against the big chains, either. I have a great relationship with all those operators but I've never agreed with their sales philosophy from the beginning. However, they're still going down that road. They've just got those methods in their head.

**Q** - In 1999 you were contacted by Craig Pepin-Donat of 24 Hour Fitness and ended up moving out West to go to work as an executive for 24 Hour Fitness. Tell us about those years, Ben.

**Ben Midgley (BM)** -



**Ben Midgley**

"I was originally supposed to work in the U.S. for 3 months of training and then go to Europe to work for Craig. But, after no more than a week in the company it was obvious that I could not sell the way they did. So, I basically said 'I don't see how this will work for me'. After that, we jointly (See Midgley/PF/WGI page 24)

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The screenshot displays several windows of the Visual Fitness Planner software:

- Top Left:** A 3D model of a female member with a BMI chart and a "LIFESTYLE" section.
- Top Right:** A 3D model of a female member with a "INDIVIDUAL FITNESS" section showing enrollment options (12 Months, 24 Months) and monthly dues.
- Middle Left:** A "DISEASE RISKS" chart showing risk levels for various conditions like Heart Disease, Diabetes, Heart Disease, Stroke, and Cancer across different BMI categories.
- Middle Right:** A "RECOMMENDED CHANGES" section with a chart showing projected BMI changes from 10 to 70.
- Bottom Left:** A "Health Age" calculator showing Actual Age (35), Current Health Age (46), and Goal Health Age (32).
- Bottom Right:** A "3D Health Club" section with a 3D model of a male member and a "3D Health Club" chart.

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**...Midgley/PF/WGI**

continued from page 22

decided that I would be better off in corporate sales because I could use a different type of sales approach with the corporate minds, as opposed to what they use in the clubs with individuals. Funny enough, before I went into corporate sales they said, 'Hey, if you think you can do it better, then go into a club and prove it!' So, I went into their San Ramon 24 Hour Fitness club and sold more than anybody else and I still have the paperwork to back that up. That store did a \$64,000 close-out in one day and set a club record. When I went to San Ramon they had 8 sales people there on their up system. I was on a fixed salary, so it didn't matter to me how many I sold. So, I sold one membership to one girl. Then, I took the time to get

you write down the membership #'s that come in from my work, you can keep the commissions.' That way I got the staff to trust me. We had the biggest month in the history of the club and it has not yet been beaten. It all happened because of that one member. It works....that's what happens when you take care of people.

So anyway that's why I ended up in corporate sales. I worked in corporate sales running the Northern Cal Division for 24 Hour Fitness for a few years. Then, I took on a Senior Director role and ended up running the whole department nationally a year or two after that. They then brought in a guy from Starbucks, Randy Drake. Randy, who is a really terrific business person, was formerly Vice President of Sales for Starbucks. That was a situation where I was

job was in New Hampshire, right next to Maine, my and my wife's home state. And, I already knew Mike and Marc because in 1996, after I won the IHRSA Sales Person of the Year Award, they hired me as a consultant for \$99 for a day. They had two clubs then. I didn't know what the heck I was doing in consulting. They were just getting rolling and wanted some advice on membership sales, which obviously they didn't need.

**Q** - Since you've been on board with Mike World Gym International has launched its World Gym 1440 All Access key card model. How did that happen, how is it going and what do you project for the future, Ben?

**BM** - Well, it was Mike's idea. Then Mike, Marc and Chris came up with the name, 1440, which is the number of minutes in a 24-hour day. We ran our first ad in The CLUB INSIDER News in November, 2007 and we began to get calls the next day after The CLUB INSIDER hit. (See 1440 ad on page #2). We have 40 in the pipeline already! Planet Fitness Center owners are doing it, World Gym club owners are doing it, entrepreneurs are doing it! I had no idea we would get to almost 40 before the end of December! It's ridiculous...if we keep that pace, do the math! It hasn't even been one month yet, Norm!

**Club Insider** - Hey Ben, then we can tell people what I've said for 15 years, "Hey, it PAYS to advertise in The CLUB INSIDER !

**BM** - There you go. But, the reason I think we're on to something big here is we are going to support them from a marketing standpoint. We're doing 3 weeks of marketing before pre-sales start and then we're behind and backing them every month. We spent a lot of time looking at every model and everything out there. And, operationally, we've got a great infrastructure here to help these guys. Plus, we're building and owning these WG 1440 All Access mini-clubs, too. We opened our first 1440 All Access club on January 5<sup>th</sup>!

**Club Insider** - Well, it seems to me that the World Gym 1440 All Access clubs can be a terrific satellite for

Planet Fitness clubs and really, for any bigger operators in America that want to tighten up the control they may have in a market, without having to make the big investment necessary for a larger, more expensive club.

**BM** - Oh yeah, the Planet Fitness guys in Maine have just bought rights for 15 of them. So, they're going to do 15 - 1440 key clubs, even though they own 3 Planet Fitness clubs. It's a hub and spoke model.

**Club Insider** - From a projection point of view, where do you all want to be in a year?

**BM** - We're not just giving a franchise to anybody that wants it. Do you know what I mean? It's just not about selling 1,000 franchises. We'd like to sell another 100 WG 1440's this year, but we'll probably hit 200 or so by the end of 2008. We want to tell people the truth, such as don't do this if (based on their situation) it looks like it will not be a good decision for the individual.

**Club Insider** - What are your most significant memories and impressions of those 24 Hour Fitness years and fast forwarding, what are the most exciting developments you, as President of both Planet Fitness and World Gym International, are working on?

**Ben Midgley** - Well Norm, based on what I said earlier about larger chains and selling, one could think that I may be negative about 24 Hour Fitness, but I am not at all. I do have disagreements with the way they sell memberships. But, as far as the company itself goes, it is a great company, I've got a lot of incredible friendships there and I learned a ton. The company was extremely good to me. Mark Mastrov, Brian Bouma, Craig Pepin-Donat, Randy Drake, Carl Liebert, Jim Rowley, Don Harbich and any number of the other executives on that team all treated me very well. The difference with the sales is philosophical, you know what I mean? I can't say anything bad about the company. They have a lot of heart and great people. They are a big business. They have 400 privately owned clubs. Complexity comes to mind. But, overall (See *Midgley/PF/WGI* page 38)


**WORLD GYM**

I've learned a tremendous amount about being in a large business ... whether it is IT, finance, marketing, program development, etc. I learned a lot about all of those things.

**Club Insider** - That experience with 24 Hour Fitness really prepared you well for what you're doing now.

**BM** - Oh, no question about it. I wouldn't have been prepared for this otherwise. Coming here though, is a breath of fresh air. The entrepreneurial environment here is amazing. Ideas are moving and grooving. When you want to execute on something, it's done. And, you can make a mistake and screw up. Big deal ... it didn't work ... let's go try again and get it right! It's laid back. It's relaxed. It's not so corporate. You've got to think of this place as a lot like an internet company in the 1990's. But, a little cooler, a little East Coast swing. Everybody really enjoys it here. The company is moving fast. Everybody is working real hard. People wear multiple hats within the corporate office, but you never put work ahead of FUN here though...you just don't, because all the partners like to make it fun to work! If you don't make it fun, you're not gonna last. FUN first, work second. And, that's serious. Ha, if I told you some of the stuff I've been put through here! They make sure it's fun. Mike and I had some adjustments. He had to shake me down from my corporate roots. But now, it's gelling really well. It's clearly the smartest move I've ever made in my career. What's great, too, is Planet Fitness is the hottest thing going in the entire fitness industry. I don't care about what anybody says. It is. There are going to be 1,000 or 2,000 of these Planet Fitness Clubs. Planet Fitness is going to be everywhere. There are 20,000+ McDonald's out there. There's no reason Planet Fitness can't do that. Maybe that's 'pie-in-the-sky' Norm, but there will be 1,000 or 2,000 Planet Fitness Clubs one day. And, none of them


**World Gym 1440 All Access**

to know her and establish a relationship with her by training her on the fitness floor myself. Then, after doing that for a couple of weeks, I asked her to put up a poster for me at her big corporate office at SBC Corp. down the street. SBC had over 7,000 employees and was right around the corner from the club. When I asked her if she would put up one poster for me at SBC Corp. she said, 'You know what? It's so big you will need to give me 40 or 50 posters to put up'. So, I gave her 50 really nice posters and she put them all up. Within a day, the phone was ringing off the hook, all calls for me. So, I made a deal with all of the sales staff. I said, 'I'll tell you what guys. I have so much business coming in from SBC, as long as

glad that someone was put over me. I picked up a lot from Randy. I worked about 14 months with Randy and then this opportunity with Mike, Marc and Chris and Planet Fitness/World Gym International came along.

**Q** - Well, that leads to my next question. In mid 2007, you were recruited by Mike Grondahl to become the President of Planet Fitness and World Gym International, bringing you back home. Tell us all about how you first met Mike and how that first meeting resulted in you joining Mike Grondahl's enterprises.

**BM** - Jeff Randall of JLR Associates called me. He told me about the opportunity and connected me with Mike Grondahl. I said to Jeff, 'Of course, these guys are really happening.' Plus, the

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# 4 KEYS TO RETENTION: UNDERSTANDING YOUR MEMBERS

By Bonnie Patrick Mattalian

There's been a slew of press regarding the health club industry of late, starting with the report on health clubs by Consumer Reports, which was then picked up by U.S. News and World Report and many local media outlets.

Any time this type of report comes out, clubs will feel an immediate impact with prospect and member feedback and questions, such as "How can I get a lower rate?", "What new programs and services will you offer so I don't leave and go to XYZ club down the street?", and "When are we getting some new equipment around here?". When in fact, what they are really asking is **"What are you going to do to take better care of me and to earn my business every day?"**

To speak with a member as they hand in his can-

cellation notice is admirable. Eliciting a proactive approach to member service, sales and retention is more effective. Strategizing the plan is typically not a problem. Consistent execution is where the ball gets dropped.

Here are a few examples of a proactive approach to ensure and measure service delivery:

**1) MYSTERY SHOPPERS AND MYSTERY MEMBERS** – These services will provide you with a strong snapshot of what your club's delivery of services looks like. A Mystery Shopper will go through all initial processes as a prospect and report back on the experience. This will give you a look through a prospect's eyes as to the initial club experience.

A Mystery Member is a professional who is hired to go through the sales process, join as a member and active-

ly participate in the club for a period of time. This has been one of our most successful ways to help operators understand where the opportunities lie.

We utilize carefully screened fitness professionals as our Mystery Members, who exercise at the club a few times each week, engage in Personal Training, take numerous Group Exercise classes and participate in any number of programs. Since the Mystery Member has a fitness background, he or she brings an understanding of exercise protocols, equipment use and program set-up. The professional Mystery Member evaluates whether a trainer listens, observes things such as how proactive the trainers are when a member is struggling with equipment or how engaging staff are with members.

Some of the most

honest comments are exchanged informally between members after a group exercise class, program or in the locker room. The Mystery Member does not solicit feedback nor "set up" the staff person or member. But he or she is right in the middle of the informal grapevine of member feedback. Maybe the staff are divulging information to members that should not be made public – the types of things that make the hair on the back of our necks stand up. That type of behavior needs to be stopped and corrected quickly, before damage spreads.

And then, the Mystery Member stops going to the club for a few weeks. Some clubs have processes in place for low users – these processes are tested during the non-usage period. And finally, the Mystery Member comes back to the club and



**Bonnie Patrick Mattalian**

cancels.

A detailed report is generated for every visit. This gives operators an understanding of the good, the bad, the gaps and opportunities, and helps to determine what is needed to move the experience from where it is to where it needs to be.

The most important part of this evaluation is what (See **Bonnie Mattalian** page 34)

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## Club H Fitness fuses fashion, health and hospitality at new Murray Hill location in Manhattan

NEW YORK - Club H Fitness, the club that recently brought epic style to Hell's Kitchen has made its debut in Murray Hill with another chic facility - a sprawling 30,000 square foot luxury gym and spa dedicated to health and wellness. Located at 222 East 34<sup>th</sup> Street, the flagship location has extraordinary, modern design on par with some of Manhattan's trendiest hotels/night clubs, and offers a five-star approach to service with outstanding hospitality.

Conceived and executed by Fabiano Designs, an Architecture and Interior design firm specializing in socially based environments, the dynamic environment for the health club is designed to fuse the vibe and energy of the neighborhood with the relaxed and casual environment of the best New York lofts. This facility is clearly not your typical gym; with the \$10 million worth of improvements. The gym is layered with natural American walnut

floors, iridescent mosaic tiles, handcast glass which is back-lit to provide a modern curtain wall, 1960's style cast concrete block screens and a 30 foot moss wall. The materials were specifically chosen to appeal to all the senses and help localize the aesthetics to the Murray Hill community.

The Murray Hill location is the fourth club in the Club H Fitness chain. The architects along with the owners developed a comprehensive strategy to make each club unique. The design strategy was to develop a chain of clubs that would reflect the local neighborhoods they are built within, rather than creating a standardized design for all of the clubs. Fabiano Designs understands that clubs tend to draw from local markets. These markets can be anywhere from a five mile driving radius in the suburbs to a ten block walking radius within Manhattan. "We want members to feel they are part of their community; fully integrated,

homegrown and not that they just landed there," states Design Director, Rudy Fabiano.

Obviously, there has to be a "genetic link" to all the clubs in the chain. The quality of construction, the quality of the materials and especially the service and programs are the main elements of the club that have been standardized and carry over to each project. All the clubs use one of Fabiano Designs signature elements; "social pods" throughout the gym floor to maximize member-to-member interaction opportunities during a workout.

Amenities are among the best in the city. A full service spa with a North African theme, a café, kids care, multiple group studios, including Pilates, boxing, yoga, spinning, and live music dance classes. The spacious work-out floor is well stocked with modern equipment needed to tone the body, lose weight and stay healthy. Lavish

men's' and women's locker rooms include plenty of natural light, sauna & steam rooms of iridescent glass mosaic and color changing lighting, oversized private shower stalls in each, vanities with vessel sinks, valet service, locker rentals and laundry service and plenty of personal grooming space.

The real challenge of this facility and main reason why other clubs passed up this location is that the space is over 400 feet long and only 60 feet wide, with multiple concrete columns. Fabiano Designs examined the space and took time to understand the nuances of the structure. The space was composed of a series of zones defined by the columns. Instead of thinking of the columns as a detriment, the columns were used as an asset to help us define the various areas. To add an element of fun, the space was designed with a play on good and evil. On one side is the "soft club"; which includes



**Rudy Fabiano**

soft work-out areas, stretching, spa-like locker rooms and a yoga studio. This encompassed the soft and introspective part of the experience. Certain materials, such as the rain glass stairway, the moss wall and the separation screens help to reflect the natural spiritual side. On the other side of the facility, is the "hard body" oriented activities, such as weights, boxing, (See Fabiano page 31)

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# The Clubs for the Cure Team Invites Clubs Across the U.S. to Join In Supporting Augie's Quest in Finding a Cure for ALS

*The Clubs for the Cure Team* has launched the initial phase of its grassroots effort involving all Health and Fitness Clubs across The United States to become part of Augie's Quest to find the cure for ALS.

"To be successful in this effort," states Patricia Laus- Owner and Founder of The Atlantic Club, "It's all about the relationships we have with one another as industry leaders and our coming together to support Augie in his Quest. We are asking the participating club owners to recruit their friends who own other clubs to join the Club for the Cure/Augie's Quest effort. In addition, it will also be critical for club owners to involve their staff and most importantly, their membership base in holding one event, on one day, for

one hour to benefit Augie's Quest. Our true success will be derived as each Club harnesses the power of their relationships with their fellow club owners, employees as well as Members (totaling over 1 million individuals based on 5% of IHRSA Clubs participating) as they become involved in this one day /one hour program."

*The Clubs for the Cure Team* has developed a comprehensive website to assist Clubs in their efforts, [www.clubsforthecure.com](http://www.clubsforthecure.com). The website provides a wide array of fundraising programs from indoor cycling events, bake sales, car washes and much more. In addition, the site has been designed for Club Owners and their teams to easily download all the marketing materials needed to create their own custom-

ized fliers and posters for their fundraising event. The website also provides an online registration form for all clubs interested in joining the *The Clubs for the Cure Team* and a listing of key contact numbers of our Team Leaders.

The Atlantic Club's *Clubs for the Cure Team* has been very successful in building fundraising programs with our membership base as well as the communities in Manasquan and Red Bank, New Jersey. Over the past two years, *The Clubs for the Cure Team* has raised over \$800,000 in conjunction with the The Avon Walk for Breast Cancer, a two-day walk in New York City to raise money for Breast Cancer Awareness. The Clubs for the Cure website shares the many successful programs that were

conducted by our employees along with our members as to raise money for this important cause.

"I encourage you to visit our website, call or email our *Clubs for the Cure Leadership Team*," states Kevin McHugh- C.O.O. of The Atlantic Club. "The Leadership Team personally created these events and will provide their own experiences to assist in the development of your own Club event. They are committed to providing all the tools and support necessary for your Club to be successful in supporting Augie's Quest."

"I am privileged be a part of the grassroots effort with health and fitness clubs across the United States to raise funds to find a cure for ALS. I expressed my confidence to Augie in being able

to enroll club owners across the United States to join the *Clubs for the Cure Team* in conducting one event, on one day for one hour by May 31, 2008. Please join me and the other health clubs that have already signed-up to become part of the movement to find a cure for ALS."

If you have any questions or would like more information on how you and your club can get involved, please call Jessica Hayes at 732-219-5333.

[clubsforthecure.com](http://clubsforthecure.com)

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# ACE 2008 Fitness Trend Predictions

## ACE-Certified Fitness Professionals Predict

### Fun Focused Fitness

SAN DIEGO, Calif. – Jan. 3, 2008 – The American Council on Exercise (ACE) has completed its annual survey of its extensive worldwide network of personal trainers, group fitness experts, advanced health and fitness specialists and lifestyle and weight management consultants to identify the leading trends in the fitness industry. 2008 promises to be filled with water aerobics, boxing clubs and spicy Latin dancing. Some trends continue from 2007 including, functional fitness, balance training and increased access to personal training for all segments of society. The following represent ACE's listing of the top ten fitness trends for 2008.

**1. Out of the Box Workouts** – Gyms are not for all. The popularity of TV shows like, ABC's Dancing with Stars has dance studios popping up all around the country. Hip hop, ballroom, Latin and country line dancing combine high energy and motivating music with unique moves and combinations that allow participants to get fit while dancing away their worries. Outdoor boot camps are gaining in popularity and local boxing clubs have crowded rings and classes filled with people of all ages. For some, these fun, recreational activities hide the fact that they really are exercising.

**2. Body Weight and Equipment-Free Workouts**

– Equipment can intimidate some and others want to add options and flexibility to their existing workout regimens. These full-body workouts focus on movement patterns, repetitions, and plyometric work to target multiple muscle groups. These types of workouts are perfect for traveling since they require no equipment and, therefore, can be performed anywhere.

**3. Event or Sports-Specific Programming** – Millions of Americans participate each year in charity runs and walks. Many train up to a year in advance. For many it is a great social event and an opportunity to take the focus off themselves and onto their charity of choice. This trend doesn't stop there; clubs are offering training for surfing, golf, football, etc. specific workouts; all while helping participants build the strength, endurance, and stamina needed for real-life activities and sports.

**4. Boomer Fitness Focus** – Individuals age 50+ are redefining our expectations about age, vitality, and life realizing the importance of physical activity as we age. For the aging population, regular exercise is critical in keeping the body limber, injury free, and more youthful. AARP, the noted advocacy group for individuals age 50+, launched a major fitness initiative in September of 2007 aimed at providing a wide range of affordable fit-

ness services to its 39 million members.

#### 5. Focused Express Workouts

– Group classes lasting 30 minutes or less that focus on one component of fitness or training a specific part of the body (e.g., core stabilization, upper-body strength, balance and agility, aerobic training/fat burning). Participants enjoy targeting a specific goal within a short time commitment. Many clubs piggy-back these classes in their schedules for members to attend two classes in a row.

#### 6. Total Wellness Programming

– Prevention is the key for long-term health and optimal quality of life. More and more people will focus on injury and disease prevention and understand how food, exercise, weight and a healthier mindset must interact for the body to achieve balance and total wellness. It is a focus on what the body and mind need and how to encourage them to work in harmony. Maintaining a healthy mind and body from the inside with less of a focus on physical appearance is steadily becoming a new ideal.

#### 7. Hybrid Programming

– Fusion of mind-body techniques like breath work and meditation into traditional modalities continues to be popular. Workouts like Spin-Yoga and Pilates Fusion combine strength, flexibility and endurance and offer the

equivalent of an all-in-one exercise experience.

#### 8. Personal Training

– 93% of ACE fitness professionals surveyed say personal training will be more accessible in 2008. According to the US Bureau of Labor Statistics, personal training is one of the fastest growing professions. Consumers are demanding competent practitioners. Competent personal trainers offer these clients invaluable expert guidance and motivation. Positive accountability can be among the most important factors in helping individuals make a lasting commitment to an active lifestyle. Many clients view personal training as a wise investment in their long-term health.

#### 9. Technology-Based Workouts

– Consumers are choosing to use downloadable programs to iPods, PDAs etc., which offer fitness programming with illustrations and/or streaming video. In addition, technological advancements are making it possible to more precisely measure a wide variety physiological responses and document training program results. As an example, metabolic testing devices provide more accurate physiological data to improve weight management and performance programming.

#### 10. Functional Strength Training

– Whether it's walking, hiking or lifting, functional strength is needed

to successfully complete the task. Incorporating it into an existing exercise program enhances strength, endurance, balance, and coordination in everyday activities. Individuals will increasingly be searching for workout programs that will help them more safely and effectively perform their activities of daily living, work-related tasks, and recreational or sports-specific activities. Health clubs and trainers are offering functional training programs and classes for virtually all levels and types of participants.

#### About

**ACE**

The American Council on Exercise (ACE), one of the largest nonprofit fitness certification, education and training providers in the world, is dedicated to promoting the benefits of physical activity and protecting consumers against unsafe and ineffective fitness products and instruction. ACE-certified professionals uphold the highest standards and are among the most respected in the fitness industry. Targeting fitness products and trends, ACE continually sponsors university-based exercise science research. For more information on ACE and its programs, call (800) 825-3636 or log onto the ACE Web site at [www.acefitness.org](http://www.acefitness.org).

**...Fabiano**

continued from page 28

spinning, large group exercise, etc. Materials and colors like the translucent red glass wall in the spinning room, exposed concrete, and the floor to ceiling glass exposing the city view speaks to that experience. The duality of these areas makes for an interesting and satisfying space to visit everyday.

Emphasizing the need for the social pods, President and Owner of Club

H Fitness, Craig Laskow says, "Our commitment to Club H members extends beyond offering first-rate amenities, equipment and great value; we want our members to think of Club H as not only a place to workout but as somewhere to socialize and even network."

For architectural assistance, please contact Fabiano Designs at (973) 746-5100 or go to: [www.fabianodesigns.com](http://www.fabianodesigns.com).

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**... "In Review"**

continued from page 3

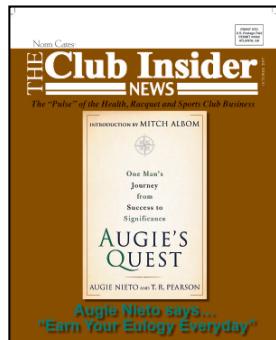
plained that we have a problem for all of this industry to think about. The problem is a communication gap between club operators and trainers and average Americans who may walk into their clubs. He also explains how SCIFIT's Pod Fitness approach to training is very simple and produces terrific results for members and guests because the no communication gap is reduced. Other headline stories included "Bally Total Fitness Files for Chapter 11 Bankruptcy" and "CheckFree to Be Acquired by Fiserv". Breaking news as we went to press in August was that Harbinger Capital Partners, immediately after the Bally bankruptcy filing, had proposed to pay \$233.6 million for a 100% equity in Bally Total Fitness. This was a great result for a company that has struggled for a long time. More Contributing Author work and Norm's Notes completed the August issue.

**September 2007**


Our cover story for September, 2007 was entitled: **"Bill Houck Brings a Country Club Perspective to the Health, Racquet and Sports Club Industry"**. This was a rare cover story report on an operator in the Atlanta area. Suffice it to say that the fellow I call "Mr. Personality", Bill Houck, is one great character. He and his lovely wife, Judy have done a terrific job turning around the Brookfield Country Club located in Roswell, Georgia, over the past five years. Moreover, the turnaround of the Country Club spurred a two-year 30% jump in value of the homes in the huge, 900+ home subdivision in Roswell, North of Atlanta. Houck teaches many lessons in this report and per-

haps the best one is to pay your people well and make it fun for them to work for you. Moreover, he makes it fun for his members with a variety of activities, events and a great food and beverage business.

Other page 3 headlines read: "IHRSA Applauds Trust for America's Health National Call to Action to Combat the Obesity Crisis", "Arthur Jones ... the Legend Passes" and "Robert L. Rice, A Great Man ... Passes." This 32-page issue was rounded out with Contributing Author articles and Norm's Notes.

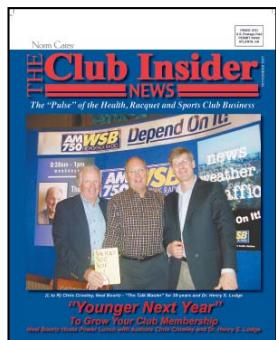
**October 2007**


Our cover story for October, 2007 was entitled: **"Augie Nieto says ... "Earn Your Eulogy Everyday"**. This was a story of sad anguish and hope. Augie's new book, co-authored with T.R. Pearson and entitled **"One Man's Journey from Success to Significance"** chronicles Augie's amazing odyssey since being diagnosed with ALS on March 29, 2005. Augie Nieto is an amazing man. He was amazing before he contacted ALS a/k/a Lou Gehrig's Disease. And, he is more amazing now. Since Augie was diagnosed with ALS he's mounted a campaign called "Augie's Quest" to raise funds for expedited research for the cure for ALS. The website: [www.augiesquest.com](http://www.augiesquest.com) says on January 11, 2008 that Augie's Quest has raised: \$12,109,974 in 25 months with a goal of \$18 million in 36 months. John McCarthy, IHRSA highly esteemed 25-year Executive Director, now semi-retired, wrote in a letter to industry friends dated December 2,

**"Thanks to research already funded by Augie's Quest, we have now – for the first time ever – identified the genes that induce ALS, and are now experi-**

**menting with therapies that might arrest, reverse or possibly even prevent this disease. I would like to encourage you to consider conducting a fundraiser for Augie's Quest at your club. Our colleague, Pat Laus, who with only two clubs has raised over \$800,000 for charities in the past two years, is spearheading this initiative. For further info on how your club might do this, go to: <http://clubsforthecure.com>"** Folks, please check out the **"Clubs for The Cure"** ad on our outside back page and seriously consider sponsoring a "Clubs for The Cure" event at your club. Together, our industry may help Augie and his wife, Lynne, defeat ALS and that would be a wonderful gift for Augie and 30,000 Americans and over 250,000 people suffering from ALS worldwide who are faced with premature death from ALS.

Page 3 headlines read: "Bally Total Fitness Emerges from Chapter 11 – Closes transaction with Harbinger Capital Partners", "Mike Grondahl launches World Gym Key Card Club Chain" and "Alaska Clubs Sold to New York Firm". Loads of Norm's Notes and several Contributing Author articles completed this 40-page October issue.

**November 2007**


Our cover story for the November, 2007 edition was entitled: **"Younger Next Year" To Grow Your Club Membership – Neal Boortz Hosts Power Lunch with Authors Chris Crowley and Dr. Henry S. Lodge"** – Part I. Part II appeared in the December, 2007 edition. Additional page 3 headlines were: "15 Years and Counting! I Am Thankful for ..." a writing of thanks from me to you, our readers and to the entire

health, racquet and sports-club industry, "Alan Schwartz Honored With Club Industry's Lifetime Achievement Award", "Royce Pulliam Ditch's Gold's Gym Brand". Several press releases and Norm's Notes wrapped the November issue.

**December 2007**


Our cover story entitled "2007 In Review" – Part I featured all 12 cover images from 2007. Page 3 headline stories were: "Younger Next Year" to Grow Your Membership", "Bricks Buy Maryland Planet Fitness Rights", "The "Wheel" for Club Success" and "Fiserv Completes Acquisition of CheckFree". Reviews for January through July, 2007 were published. Several articles by our Contributing Authors and Norm's Notes completed this 40-page edition. Additionally, "The Clubs for Cure" ad for Augie's Quest appeared on our outside back page.

**2007 Advertisers**

The terrific companies whose advertisements appear in this issue, and in past issues, are a primary reason The CLUB INSIDER News is its 15th year of publication. I sincerely thank each of the companies who've supported The CLUB INSIDER News with their advertising during the past 14 years. It is my belief that our advertisers don't advertise just to get new business. It is my belief that our advertisers truly believe in and support the "cause, the mission and the reasons why" The CLUB INSIDER News exists.

Those reasons are:

1. To provide industry advancement and more professional operations through club education;
2. To help clubs in-

crease consumer trust of their clubs in their communities;

3. To serve as the watchdog of the health/fitness club industry;

4. To "Tell-It-Like-It's" about important industry matters when it is necessary and will be helpful to the industry at large.

If you are an equipment manufacturer or an industry service provider and would like to promote your products via advertising and editorial support in The CLUB INSIDER News please contact **Justin Cates** at: **770.595.6086** or email: [clubinsidersales@mindspring.com](mailto:clubinsidersales@mindspring.com)

**2007 Contributing Authors**

During 2007 the following wonderful industry veterans, experts all, provided articles for publication in The CLUB INSIDER News. **Rick Caro, Bonnie Patrick Matalian, Casey Conrad, Donna Krech, Eddie Tock, Dr. Amy Hyams, Shawn Vint, Michael Scott Scudder, Will Phillips, Jim Thomas, Jeff Masten, Ray Gordon, Sandy Coffman, Sherry Robb, Bruce Carter, Ray Wilson, Pat Kell, Tom Kulp, Richard Hadden and Bill Catlette.**

If you are an industry professional who would like to become a **Contributing Author** for The CLUB INSIDER News please contact me at: 770.850.8506 or by email at: [clubinsidernews@mindspring.com](mailto:clubinsidernews@mindspring.com)

**STAY TUNED for 2008!** During 2007 I devoted a number of our cover stories to people who've become deeply involved in the obesity pandemic and a few to important other industry causes. 2007 saw two cover stories focused on clubs. They were about the amazing Telos Fitness Center owned by Brent Darden and Everett Aaberg in Dallas, Texas, as it is perhaps the best turnaround story I've ever chronicled. And, the other featured Atlanta's Bill Houck and his turnaround story at The Brookfield Country Club in Roswell, Georgia. These reports gave all clubs owners who want a fresh new start encouragement, a road-map and hope. In 2008 I will be going "Back to Basics" with our cover stories each month (See "In Review" page 34)

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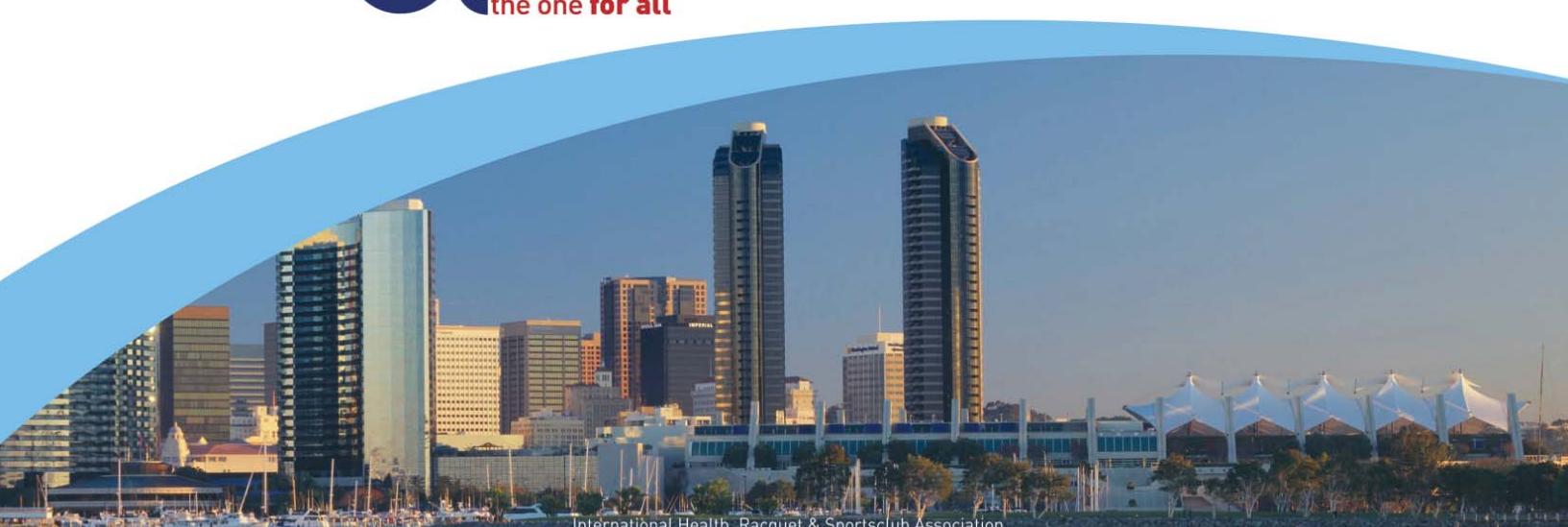
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# CheckFree Health & Fitness Joins Gold's Gym National Vendor Program

*CheckFree Health & Fitness also named sole provider of club management software and EFT and credit card processing to international Gold's Gym facilities*

**Brookfield, Wisconsin** - The CheckFree Health & Fitness business unit, now part of Fiserv Inc. (NASDAQ: FISV), a leading provider of information technology services to the financial industry, today announced that CheckFree has joined the Gold's Gym National Vendor program. The company is now a preferred provider of club management software, electronic funds transfer (EFT) and credit card processing and outsourced billing services to Gold's Gym franchises and corporate-owned facilities. In addition, CheckFree Health & Fitness, a part of the CheckFree Electronic Biller Services division, has been named the sole provider of club management software

and EFT and credit card processing to Gold's Gym facilities located outside of the United States.

"CheckFree Health & Fitness has a long history of providing services to Gold's Gym facilities, with CheckFree software currently used in more than 250 Gold's Gym locations, so joining the National Vendor Program was an extension of an established positive relationship," said Matt McKernan, senior vice president and general manager of CheckFree Health & Fitness, now part of Fiserv. "Gold's Gym has clubs in 28 countries and we see the potential to reinforce our presence in both the domestic and international markets as a result of this agreement."

CheckFree's flagship club management product, CheckFree Compete, features an intuitive, easy-to-use user interface, which can help facilitate employee training. In addition, CheckFree club management software features an open architecture that allows for expansion and integration with third-party software. CheckFree Managed Data Services, available in conjunction with the company's club management software, enables billing and routine back office tasks to be handled remotely by CheckFree. Member data is owned by the club and hosted on-site, allowing for easy access by club staff. Managed Data Services features CheckFree EFT processing, backed by

more than two decades of industry-leading experience.

CheckFree offers a wide range of training options including regional training seminars, onsite training, online training and participation in Gold's Gym University. CheckFree also offers a dedicated toll-free support line for Gold's Gym users, available 24 hours a day, five days a week.

"CheckFree is a welcome addition to the Gold's Gym National Preferred Vendor program," said Ed Powdery, senior vice president of product licensing for Gold's Gym International. "Offering secure, high-quality club management software and payment processing services from CheckFree Health & Fit-

ness at competitive prices, is an example of the exceptional value Gold's Gym brings to our franchisees."

CheckFree Health & Fitness has delivered software and services designed to meet the operational, financial and membership management needs of the health and fitness industry since 1981. Today, CheckFree provides thousands of facilities worldwide with club management software, transaction processing and outsourced member billing and data management. The complete suite of solutions offered by CheckFree enables clubs of all sizes to grow and retain membership while maximizing revenue and minimizing day-to-day costs.

## ...Bonnie Mattalian

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happens after. When we go back to the club staff and say, "here's what we found...", typically we'll get a "yeah, but..." answer. Working side-by-side with the front line to understand process problems and by removing barriers from job functions will greatly impact the success of improving service delivery.

### 2) MEMBER SURVEYS

Most clubs utilize some sort of survey for their members. Various mediums should be offered for surveys, not just typical mail, including web-based, email, phone and in person. There are a number of canned survey versions available like surveymonkey.com and zoomerang.com. And there are numerous industry professionals who can assist with an ideal customized solution.

### 3) OTHER MEMBER FEEDBACK MEDIUMS

Have you Googled your club's name with the word "Blog" after it (i.e. XYZ Club Blog)?

It's a good idea to keep an eye on the informal blogs that are out there about your club. Post one on MySpace and monitor it. If you're doing a good job, there should not be a problem. If not, you'd better find it and fix it fast. In the future, I believe most members and customers in general will shop for services via these informal blogs and testimonials on the web. Many online listing services are already showing ratings and testimonials, which many of your prospects see before making a buying decision.

The good old fashioned **suggestion cards and comment cards** are good too, but more often than not are negative based on a single incident, and also frequently are a venue to express feedback on group exercise classes. It's important to acknowledge feedback from the members by contacting them, by tracking suggestions and by putting a plan in place once a problem is defined.

**Member focus**

**groups** can create a good exchange of information between members and your team. These sessions should have an agenda and be facilitated to lead constructive discussion, as opposed to becoming a gripe session. Member selection is critical to the success of such a meeting. Follow up the meeting with an outline and plan, with measurable goals and objectives.

Does each member have a **point person** they can call, speak with or email at any day, any time, about any thing? There should be a relationship between the staff person and this member, so that the member trusts the staff person to accept the feedback and at the very least bring it to the attention of the correct person.

### 4) ONGOING MEMBER COMMUNICATIONS

How is **information** about your members captured, utilized and updated? I venture to say 80% or more of us don't utilize our membership management software

even partially to capture and track this information. Every note about every contact with a member should be documented in your software, so that all staff can share in that knowledge. Ritz Carlton hotels has all staff walk around with palm pilots or small notepads. Interactions and preferences with every guest is noted. This information is then utilized for future business exchanges with the guest.

What are the **points of contact** in your club for communications with every member in a week? A month? A year? What staff members **call** your members and when? What **emails** are sent out to members, why and when? Take a look at [www.retentionmanagement.com](http://www.retentionmanagement.com) for information on how this can be easily and successfully automated for your club. What **programs** are offered and marketed that are specific to individual needs? How do you **reward** your members? Loyalty programs have proven to increase us-

age, revenue per member and retention. Look at [www.fitrewards.com](http://www.fitrewards.com) to learn more.

All members and customers "see" into your club through a unique window: by the words and actions of your front line staff.

Take the time to plan and look carefully at your day to day processes and service delivery. Now that the spotlight is on the industry again, those clubs that have defined their product, identified an implementation plan, measured member experience, and improved staff performance, will be the clubs that are listed in the positive media headlines, thriving and capturing a larger market share.

*(Bonnie Patrick Mattalian is President of the Club & Spa Synergy Group Consultants, delivering stronger bottom lines for clubs through a network of award-winning specialists and processes. [www.clubssynergygroup.com](http://www.clubssynergygroup.com). Contact Bonnie at [info@clubssynergygroup.com](mailto:info@clubssynergygroup.com) or 732.236.2273)*

## ... "In Review"

continued from page 32

about great club operators and their successful clubs. This month's cover story entitled: "The Planet Fitness

**Juggernaut**" features an intriguing interview with **Planet Fitness Co-founder, Mike Grondahl** and an interview with **Ben Midgley**, new President of Planet Fitness and World Gym International, Inc.

(Norm Cates, Jr. is a 34-year veteran of the health, racquet and sports club industry. Cates was the Founder and is now celebrating his 15th Anniversary as the Publisher

of The CLUB INSIDER News. He was IHRSA's 1<sup>st</sup> President, and a Co-founder of the Association with Rick Caro and five others, in 1981. In March, 2001, IHRSA honored Cates with its DALE DIBBLE

Distinguished Service Award, one of IHRSA's highest honors. Cates may be reached at: 770.850.8506 or email: [www.clubinsidernews.com](http://www.clubinsidernews.com))

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**...BTS**

continued from page 3

Training Systems and Les Mills International- offering a full array of professionally produced group fitness programs and the owners I have talked with indicate there are tremendous differences between the two companies.

This report is entitled "Body Training Systems' Side of the Story" for a reason. The reason is that the interview questions I've asked Body Training Systems Founder and CEO, Rich Boggs, are the same exact questions I had planned to ask Les Mills International leader, Phillip Mills. However, in Chicago at the Club Industry Show, Mills declined to be interviewed for this report that originally was planned for a cover story on both companies.

My hope was the answers to these questions will help those of you out in the industry who have the space for group exercise programs and either are not using it to produce the greatest dollar income per square foot possible for group exercise or are not using the space for group exercise at all. Should an interview with Phillip Mills happen, I will ask the same exact questions that appear in this interview with Boggs. And, as I did with this Boggs interview, Phillip Mills will be given an advance copy of his transcribed comments for review for proper transcription prior to publication.

My interest in this topic is that most clubs have the *potential* for significantly increased profits by using professionally produced group fitness programs. The days of "aerobic classes" scheduled by the best instructor are long over. Today, thousands of clubs are looking for new ways to make their clubs better, more competitive and more profitable. Professionally produced group exercise programs offer one of the best opportunities for such a result.

Only about 5% of the U.S. commercial clubs have group exercise programs produced by either BTS or Les Mills. Does this tell you something about the opportunity that exists?

I urge you to take the time to read the following in-

terview with BTS' Rich Boggs, consider the comments and contact Body Training Systems to learn more. But, realize that over 500 of the highest quality U.S. clubs offer BTS programs. These operators are many of the top clubs in America and 25% of those 500 clubs offer five or more BTS programs.

My hope is to get answers to these very same questions from Phillip Mills to help you make an informed decision that will impact your club because these two companies are very different and you should compare "the facts" about both.

**An Interview With Body Training Systems' Rich Boggs**

**Q** - What is your goal for market penetration in the US? Are there any clubs or groups of clubs you would not sell your programs to?

**Rich Boggs - (RB)** BTS has no goal for our market penetration in the U.S., because we are committed to quality and not size. Should we deserve to be larger and have more customers that will be based upon making our existing customers more profitable. By doing that, we are growing the right way. Secondly, our experience over the past ten years has demonstrated that our customer is the independent club operators. We have had experience with the big box chains, Bally's, LA Fitness, 24 Hour Fitness and TSI and realized we are not a good fit because of our differences in philosophy. While we have not done business with Life-Time Fitness, the previous comments would apply. BTS respects the success each of these organizations have achieved, but our programs and systems are not a good fit.

**Q** - Is your pricing standardized or do you have specials or deals for various clubs?

**RB** - Its been my philosophy since I've been in the club business, that as a consumer I don't like to be discriminated upon when it comes to price. When I buy something my only question is: "Is this the best price you will sell anybody this item now or anytime in the foreseeable

future?" If their answer is yes, I will make my purchase. If the answer is no, I will negotiate. Therefore, BTS has standardized pricing. I've got a lot of friends in this industry and know that club owners discuss what they paid for things. BTS has definite pricing based on the size of the organization. Less than 6 clubs there is one price. Six or more clubs receive a slight reduction. The answer that I can honestly give anybody is that BTS does not sell anyone of the same size at any better or more favorable pricing.

**Q** - What are the economic benefits of having your programs for clubs in the US?

**RB** - We look at our programs as tools to help a club increase profits. So, everything we do from how the programs are developed, how we launch new programs in clubs, how the BTS coaches who spend countless hours with new clubs to ensure that they have all the information, tools and understanding necessary to make them successful, all focus on economic impact. There are four areas that have economic impact. First, the programs are a very good member referral tool because when members have a "memorable" experience they will tell their friends. Second, using the programs is a great way to sell new memberships. We have found some amazing things. Many guests have two concerns - fear of failure or fear of the unknown. By taking a class that is right for them, both of those fears are eliminated and we've seen 90% closing rates when people do take one of the BTS classes. Primarily, we have two that we use. One is Group Power which is the barbell class that 80% of anyone walking through the door can do because the bar weighs only four pounds. The second is Group Active which is designed for the de-conditioned market. So, one of those two programs will break down the fear of failure and the fear of the unknown. The third area is retention. When people use the facility more they stay longer as members of the club. Most of the people doing the BTS classes will come two or three times a week. They

value those classes, therefore they value their membership at the club and their retention will increase. The final area is a reduced cost to service a member. The more people you can have in a class taught by one instructor safely and effectively, the better. They are not on a \$6,000 cardio machine or other equipment. They can get all the components of fitness through Group. We offer a resistance and strength training class called Group Power, a flexibility/balance class that is called Group Centergy and five programs that are cardio. We've found these four areas translate into higher bottom lines.

to: [www.bodytrainingsystems.com](http://www.bodytrainingsystems.com) and picked one of those 11 testimonials. James Viars and his wife Susan, owners of 3 mega-Gold's Gyms in the Atlanta suburbs said, "Before BTS we were servicing 12% of our visits through group fitness. Now, we are approaching 66%. This has resulted in our retention sky-rocketing to near 80%."

**Q** - What makes your company's group fitness programs unique?

**RB** - The biggest thing that makes BTS programs unique is they are created in North America for North America. That is our market. Everything we do



We've just completed a survey of our Platinum Elite clubs that represent 25% of our clubs. 43 of those clubs responded, which was very significant. These 43 clubs averaged just over 31,000 square-feet and 3,300 members. Their percentage of monthly group fitness visits as a percentage of total visits was 36% vs the industry average 10% to 15% or 2.5 to 3 times the average of the industry. The square-feet per member was 9.9 square-feet which is about 50% better than the industry average. Finally, their EBITDA for our 43 reporting clubs was 23% or 27.8% over the IHRSA average of 18% reported in IHRSA Club Business for Entrepreneurs Magazine. So, we feel that we are delivering on our goal of being more valuable in helping clubs run their business more profitably.

**Q** - Can you give some examples of actual results including the name and location of the clubs?

**RB** - Norm, I would like to refer you and your readers to go to our website: [www.bodytrainingsystems.com](http://www.bodytrainingsystems.com) Click on: **Thanks BTS!** There are 11 testimonials from club owners there for your review.

**Club Insider** - I went

(See BTS page 37)

**...BTS**

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it has done is it has continued to elevate our evaluation scores that come back from our instructors quarterly. We send an evaluation to every instructor and every club owner about four to six weeks after the release has been taught. We ask them to evaluate the music, song by song, the movement, song by song and the members' reaction. We are now seeing feedback that is approaching 30% of all instructors teaching because they now know that we are listening, processing and changing because our product is new every three months. We get feedback on that product and then we can improve it. Finally, each of our programs is guided by a 10-15 page document we call brand architecture. This identifies who the target audience is, what music they like and the objective for each song or track. We operate with this guideline or roadmap each quarter and what we release follows the brand architecture so we're not creating new concepts every quarter, but we're creating new music and movements and variety in the program. So, that's what we

feel makes the program so consistent. The combination of the pre-planning through brand architecture and the evaluation and feedback by our customers produces consistency that appeals to members and enables the club to promote a consistent program.

**Q** - Do you service your customers on a centralized or decentralized basis?

**RB** - We're starting our 11<sup>th</sup> year now. 10 years ago when we began, we had a decentralized approach. We had 10 territories which was an abject failure, period. The reason was inconsistency. The information and what goes on changes so rapidly that we couldn't keep these people in their territories current. We have a tremendous number of meetings to solve problems and evaluate systems. So, we changed after a year and scrapped that concept and went to a totally centralized operation. All of our people are here in Atlanta. So, any problem a customer has gets immediate attention from the people with the experience to create solutions. We can handle anything through the computer today and over the telephone immediately, so rarely is there

a problem that is not solved within a 24 hour period. We have a team of very experienced coaches. Anytime they may have a problem they can't solve, they can go to somebody else here who has the answer. We can usually deliver a well thought out answer within 24 hours. It's a very efficient way to do it for our customers and they love it. Every customer has their own coach. All of them have their cell phone # and the # here, so one call gets it solved.

**Q** - Where are your programs created?

**RB** - Our programs are created here in Atlanta. We have two group fitness rooms in our BTS Headquarters building. We film everything here. We have program development teams from the US, Argentina, Australia and Canada. We are drawing from talent from all over. So, geography doesn't matter in terms of where the talent resides. But, all of the programs are finalized here in Atlanta at BTS Headquarters. So, when we go through the final stages of programming filming and editing, all of that is done in house.

**Club Insider** - A question related to your

headquarters, even though I've been there numerous times over the past few years. What is the square footage of your facility?

**RB** - We have just over 20,000 square-foot facility on 3 acres. The building includes two complete group fitness rooms like you would find in a health club, except for the extra lighting that is required for filming. We film with three cameras and do all of our technical editing in house. So, we get the product that we want and we control that product from start to finish. There is a large 2,400 square foot group room and a cycling room that is about 700 square-feet. Those are the two areas that we film in and utilize for tests. We're constantly testing programs, concepts and new releases so there are things going on all time in one or both of those studios.

**Club Insider** - Well Rich, I told you a few months ago that I wish that everyone that is considering getting into professionally produced group exercise programming could see your headquarters. I mean your operation is extremely impressive and clearly Body Training Systems is extremely well set up and

prepared for the long haul.

**Q** - Are your programs specific just to the US and Canada?

**RB** - Yes. There are cultural differences. There are music differences. And, there are industry guidelines different from the rest of the world. For us, the US and Canada are our markets. As everybody knows, we now have a 'Baby Boomer' market that is 78-million strong. They have very different needs than a country that may have a lot of young people, Brazil being one of them. The cultural differences are tremendous. We don't have to worry about any of that. We can focus on our customers and what their members want and need.

**Q** - What is your company's mission statement?

**RB** - Our Mission Statement is: To make clubs more profitable through the use of branded group fitness programs as tools.

**Q** - In Jim Collins' book **"Good to Great"**, he refers to a BHAG or Big Hairy Audacious Goal. Does your company have a BHAG, and if so, what is it?

**RB** - Our BHAG is to have 20% of all clubs in the U.S. saying that BTS is their most important vendor.

## Sandy Coffman's Programming Tip of the Month

### CUPID PAYS YOUR CLUB A VISIT!

Valentine's Day is February 14<sup>th</sup> and every member and potential member of your club is emotionally ready to celebrate this happy occasion. Your programming ideas can encourage participation, increase usage, boost retention and be profitable to boot. The theme of this holiday can generate programs in many different activity areas of the club, in fact, you can begin to "brand" your "HEARTTHROB" programs as annual events. By capitalizing on the title "HEARTTHROBS," and the "HEART" concept with Valentines Day, you will make your programs fun and successful.

- A six week fitness program begins and ends with the catchphrase, "EXERCISE IS GOOD FOR YOUR HEART!"
- Turn your group exercise room into the HEARTTHROB'S BALLROOM and invite all your senior members to an old fashioned SWEETHEART DANCE.
- A special personal training package for two "HEARTTHROBS" is sure to be a hit and will be a sell-out.
- A HEARTTHROB'S MIXED DOUBLES event in racquetball or tennis will be filled with red and white donned couples playing for a sweetheart's dinner for two.

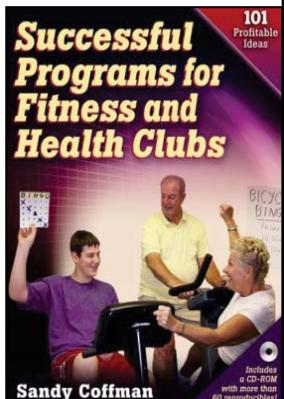
The HEARTTHROBS programs can take on many formats, but they can all become profitable ideas for your club. A couple of extra tips... you'll want to "brand" your HEARTTHROB logo and don't forget to hold your programming staff accountable.

Will you be my valentine?

**101 PROFITABLE IDEAS** by Sandy Coffman

To order Sandy's great new programming book: [www.humankinetics.com](http://www.humankinetics.com)

Contact Sandy: [SLCoffman@aol.com](mailto:SLCoffman@aol.com) or [www.sandycoffman.com](http://www.sandycoffman.com)



**...Midgley/PF/WGI**

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have ever gone out of business. None. Zero. Hasn't happened. And, then on the World Gym side, I grew up working out in World Gyms. There is a lot of history behind World Gym. You've got to respect that. The owners of the World Gyms want to succeed. Mike set up the month-

to-month for existing World Gym franchise folks (which is an industry first) where they pay \$1,000 a month, have no contract and can cancel with a 30-day notice. Our franchise fees are in line with their business needs. We offer a ton of support now from equipment purchases, to marketing to less expensive products they need in their clubs. Everything they need

in the club is less expensive through our buying system. With the new WG 1440 All Access club we're going to get the World Gym logo in front of more people. The World Gym branded supplement line we're working on will be in major retailers across the country, and we are working on several other licensed opportunities. The entire company is truly going to be huge

worldwide. I feel lucky.

**Club Insider** - Ben, I just want to congratulate you on joining Mike and being back close to home.

**Ben Midgley** - Thank you, Norm.

(Norm Cates, Jr. is a 35-year veteran of the health, racquet and sports club industry. Cates was the Founder and is now celebrating his 15<sup>th</sup>

Anniversary as the Publisher of The CLUB INSIDER News. He was IHRSA's 1<sup>st</sup> President, and a Co-founder of the Association with Rick Caro and five others, in 1981. In March, 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of IHRSA's highest honors. Cates may be reached at: 770.850.8506 or email: [www.clubinsidernews.com](http://www.clubinsidernews.com))



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**Very sincerely,  
 Norm Cates, Jr.**



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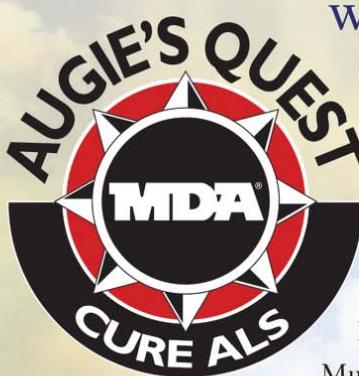
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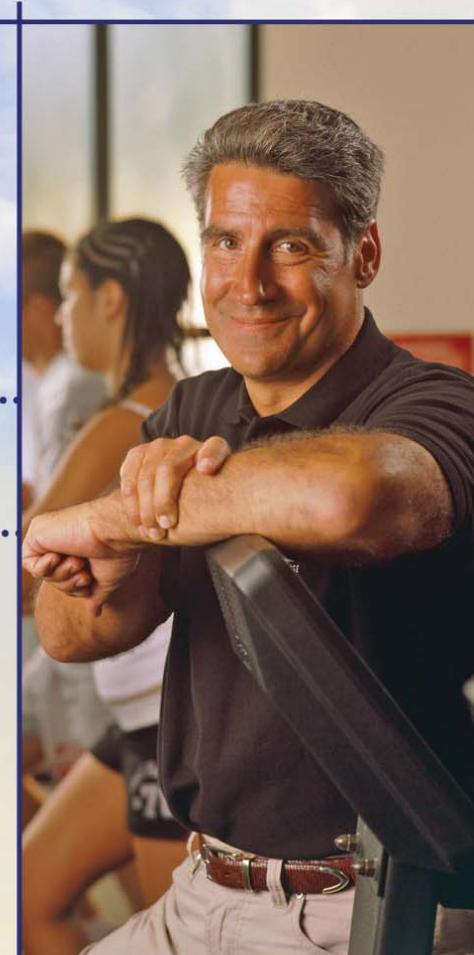
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*In March of 2005, Augie Nieto*, founder of Life Fitness, was diagnosed with ALS. Later that year, Augie and his wife Lynne created the Augie's Quest initiative in conjunction with the Muscular Dystrophy Association (MDA). Augie's Quest is an aggressive, cure-driven effort singularly focused on treatments for ALS. **Clubs for the Cure** wants to assist Augie's Quest in reaching its \$20 million goal. You can get us there!



**Augie Nieto**  
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