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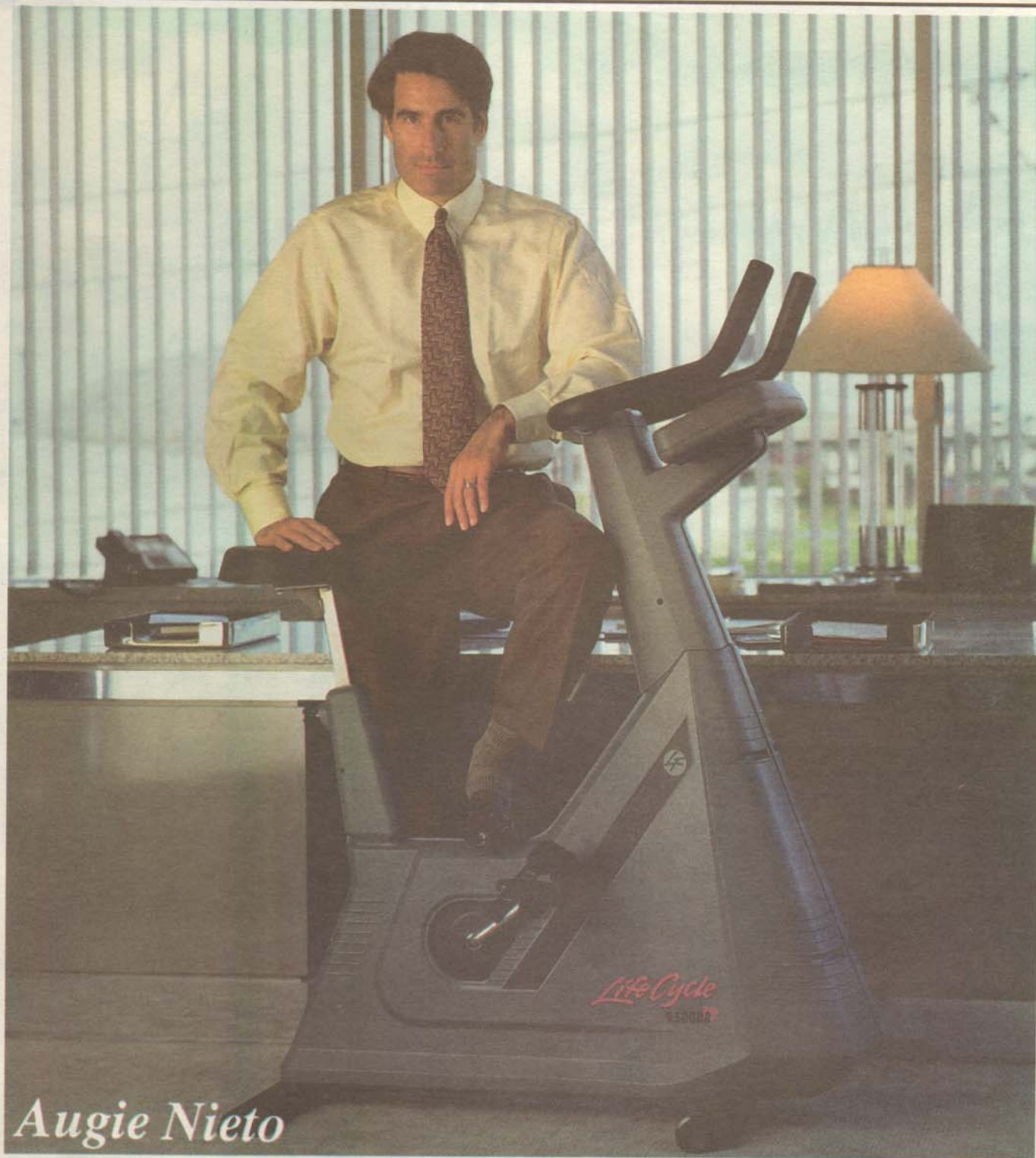
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THE Club Insider[®]

NEWS

The Pulse of the Health, Racquet & Sports Club Business

JANUARY 1997
VOLUME IV NUMBER 1



Augie Nieto

SUCCESS!!

Norm Cates'
THE Club Insider
NEWS

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THE Club Insider[®]

NEWS

The Pulse of the Health, Racquet & Sports Club Business

SUCCESS!!

By Norm Cates, Jr.

Here is the story of one of the greatest entrepreneurs in the history of the health, racquet and sportsclub industry worldwide. Through his efforts Life Fitness has had an enormous impact on our industry and has advanced fitness world-wide. Along the way Life Fitness has become the undisputed world leader of fitness equipment sales.

His name..... Augie Nieto.

Augie began his career at age 19 as a college student/gym owner. At that young age he also became the CEO of Lifecycle, a company that had already failed three times. Ray Wilson, one the health club pioneers, had bought the remains of the defunct Lifecycle company and its patents. Ray realized that it would take a "miracle" to market the Lifecycle because of its three failures and because at that time cardiovascular exercise was not respected nor wanted. Ray says Augie Nieto was that "miracle". Ray believed and convinced Augie that cardiovascular exercise was an absolute necessity and should be part of the fitness industry (a redesigned Lifecycle could accomplish it.) Ray stated that in Augie he immediately recognized a blasting unstoppable force that soon believed in Lifecycle as strongly as he did.

From that beginning, Augie Nieto now heads the mammoth Life Fitness, the world leader in manufacturing of exercise equipment for commercial and consumer use. Life Fitness' annual sales are quickly closing in on the \$200,000,000 mark.

Augie was born in 1958 and raised in Orange County, California. He attended public high school and Claremont Men's College, a small Ivy League-type West Coast school. At Claremont, Nieto studied finance, played football and held down a work/study student job as the manager of the school weight gym.

Nieto jokingly recalls, "One of my jobs was to watch the weight room, but I didn't do a good job of it and someone stole the weights! This was my freshman year and I felt guilty, so we put together a fund raiser and raised \$46,000 for the college and built a terrific college weight facility. Back in '76 - \$46,000 gave us a really first-class facility. We saw the success of the facility.... we saw the demand... we saw the people wanting to use it, so I wrote an independent study project on how to open your own health club and I got a C - minus on it. I told the professor, 'I'm going to come back in one year and I'm going to give you my financial statement and I'll show you that I made more money than you did this year! I did. That was when I was a sophomore in

college.

RAY WILSON SHOWS AUGIE THE FIRST LIFECYCLE

Ray Wilson, founder of Family Fitness Centers, had seen a new exercise machine called the Lifecycle while in Italy. Ray introduced the Lifecycle to Nieto. "We had a chance to see one of the first versions of the Lifecycle before we redesigned it and converted Lifecycle over to solid state electronics, Nieto recalls. "It was a huge green bike, invented by Keene Dimick, a Canadian cardiologist. Dimick lost over one million dollars on the original Lifecycle project and two subsequent groups had also lost substantial money on attempting to market Lifecycle. Ray Wilson now had the rights to the product and had brought it to my club and told me to try it. I got pretty excited about it. I sold the club and bought the marketing rights to the Lifecycle in 1977." Ray's sales agreement of the marketing rights to Nieto required an annual increase in the number of Lifecycles sold.

CLUB INSIDER - Q. How would you describe your health club?

NIETO - "The club was 3,600 square feet... it was small. We had alternating days for men and women. We had no aerobics, just 16 pieces of Nautilus, surrounded by free weights. At the time that was the standard for what you needed to have. That was a lot of machines... I was a good Nautilus customer. No

aerobics bikes or anything. That was really important to me because I saw the value of the Lifecycle, in terms of space, in terms of the breadth of people who could use the product and the cardiovascular benefits. The original facility was only addressing part of the overall needs of club members because strength training was important, but it sure wasn't the primary reason people exercise. People exercise primarily to lose weight and even though at the time it was not accepted, everyone needed cardiovascular exercise. Strength training - in my mind - is not a driver for losing weight, it is more a driver as you get older for mobility and strength."

After selling the club, Nieto continued to operate it under an "earn-out" agreement with the purchaser while starting up Lifecycle International, going to college and playing football. (He was a center on offense and a middle-guard on defense and weighed 240 pounds at the time. He's a svelte 195 today.)

AUGIE BELIEVES RAY WILSON WAS A MILESTONE IN HIS CAREER

Augie says, "I think one of the early milestones was having a guy like Ray Wilson involved with the company, where Ray was supervising the design/manufacturing and really was the guy that was the financial re-

source behind the manufacturing." Ray eventually spent over one million dollars on the Lifecycle. "I had put up the money to do the marketing from the proceeds of the club sale and I borrowed money from family and friends. At one time, in 1979, I was \$370,000 in debt. We sold nearly nothing in our first year. I went on three different 'road-trips' in a motor - home during the summers of '77, '78 and '79. For that total of nine months we covered 25,000 miles and sold 11 bikes. I think there were possibly three reasons I stuck it out: (1) I had no other option. I owed the money to my family and my friends. (2) I had a dream to do something different than other people. (3) I didn't want to go to graduate school."

Ray Wilson says, "I believe that Augie is similar to me in that when he really believes in something no amount of adversity (past or present) will change his mind. The fact that Lifecycle had failed three times in the past and was failing again would have caused most people to give up; it just gave Augie more drive."

CLUB INSIDER - Q. Is this the period of time when Peter Brown, now the publisher of Athletic Business magazine, traveled with you selling the Lifecycles?

NIETO - "Yes. Peter was working for Jerry Dauderman at the time and Jerry was one of the people who loaned me money to start, so I was dealing with Peter in that regard. Over time, we became

(See SUCCESS! page 9)

Consolidation Roll Continues With Trotter Acquisition Of Cybex

Colorado Springs, Colorado - In a deal with signifi-

cant long range implications for the equipment side of the health, racquet and sportsclub industry,

Trotter, Inc. has entered into a definitive agreement to acquire controlling interest in CYBEX International, Inc. This agreement marks the continuation of a consolidation trend which began to pick up steam when StairMaster and Pacific Fitness joined forces and Life Fitness acquired High Tech Fitness. The consolidation movement has been gaining momentum as companies seek to gain competitive positions in the highly competitive fitness equipment marketplace.

Under the terms of the

agreement, UM Holdings, Ltd., the parent company of Trotter, Inc. will receive CYBEX shares, resulting in a 50.001 percent pro forma ownership position in CYBEX International, Inc. UM Holdings, Ltd. (formerly United Medical), is a privately held holding company controlled by John Aglialoro and Joan Carter. The existing shareholders of CYBEX will continue to own the remaining 49.999 percent of the combined shares.

"We are very enthusiastic about the potential this busi-

ness combination presents for our two companies," commented John C. Spratt, Chairman of CYBEX International, Inc.

The combination of one of the leading strength equipment companies with one of the leading manufacturers of treadmills and other fitness equipment will create a third fitness equipment company capable of providing customers with "wall-to-wall" product offerings. The other two are Life Fitness and TechnoGym.

"From a financial standpoint (See Trotter page 5)

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PERSONAL FITNESS TRAINING: Will Overspecialization Kill The Health Club Industry?

By James M. Evans

The heavy-set middle aged woman approached the lat pulldown machine with trepidation. She stopped to glance at her exercise card clearly trying to match the machine with one of the names on the card. She carefully studied the machine, placed her card on the floor beside her and reached up to grasp the rubber handgrips on the bar hanging above her head. As she attempted to sit down, she found herself dangling from the bar with her arms fully extended, her bottom vainly seeking to reach the seat below her. Her legs were swinging back and forth stretching to reach the knee pad which would hold her down. Suddenly she let go of the bar. The weight stack came down with a crash and the woman fell to the seat and flopped over backwards onto the floor.

Everyone in the immediate vicinity turned to look in the direction of the sound of the falling weight stack, but no one seemed overly concerned as the woman struggled back to her feet almost at once. Embarrassed, but undaunted, the woman now reached down to remove the selector pin, placed it in a hole closer to the top of the weight stack and again, grasped the rubber handgrips. This time she sat down on the seat without difficulty. However, her legs were too long to fit under the knee pad, so she let go of the bar again with another crash. She then proceeded to lower the

seat so that her legs would fit comfortably under the knee pad and grasped the bar once more.

She sat down on the seat easily this time and pulled the bar down in front of her all the way to her waist. Then she let the bar pull her back up with a jerk until her arms were fully extended. Her body jerked up and down lifting her almost off the seat with each repetition as she continued to let the bar and the corresponding weight pull her back up each time. Finally, she completed her last repetition.... and let go of the bar again on the way up.

An isolated situation? Hardly. Across the room a young man was performing rapid deep knee bends, bouncing up and down from below parallel with a barbell on his shoulders. Another was doing supine dumbbell flies, his hands rotating backward with each movement. Still another was bouncing a heavy barbell off his sternum as he struggled with a weight that was too much to handle and no spotter to assist him. In each case a personal trainer was in the immediate proximity but failed to respond to these and other obvious situations of incorrect form or inappropriate use of the equipment. Why? Because he/she was not paid to work with the general membership but rather, only to work with those members who had purchased separate personal fitness training packages.

It is not unusual to find situations like these in YMCA facilities or in community recreation centers where staffing has histori-

cally been at a minimum, but these same situations are now becoming commonplace in health clubs across America where service has become a premium which is no longer included with the cost of membership. Service has always been the foundation of our industry and members have come to expect exercise instruction and programming as one of the benefits of membership. However, more and more health clubs are now eliminating entirely their paid fitness staff as a cost saving measure in favor of certified personal fitness trainers who are remunerated only on the basis of the personal training hours that they can sell to members above and beyond the cost of their membership dues - in other words, a form of straight commission.

Now, there is nothing inherently wrong with evolution of exercise prescription and instruction as a specialty within our industry. In fact, it's a credit to fitness professionals everywhere that they have finally achieved the recognition that has eluded them for so long in an industry which has consistently relegated them to second class status in relation to sales. But there are at least two potential adverse consequences to this specialization.

INCREASED ATTRITION

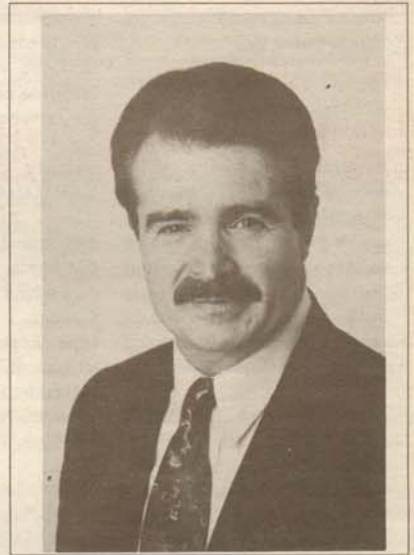
Ours is a people-oriented business which corresponds directly with service. When members are left to fend for themselves, they quickly become frustrated with their inability to understand how to use today's sophisticated exercise equipment. They search for someone to help them and no one is available and they become even more frustrated. Their physical results are greatly minimized when they have no one to design individual programs for them. They often experiment with different things without knowing what they are doing

and their programs are characteristically confused and lacking any constancy of purpose. Since most memberships provide for cancellation with just 30-days' written notice, the probability of increased cancellations is greatly enhanced by this basic lack of service.

INCREASED LIABILITY

Despite technological advances in equipment design and improved safety features, injuries and death still occur in health clubs every year. Many of these incidents are the result of inappropriate use of the equipment or incorrect form even when supervision is available. It is only logical to assume that more such incidents might occur if there are no instructors around to assist the members on the proper use of equipment and to program them accordingly. Members, particularly men, will often revert to old habits or to the antiquated advice of a former high school coach whose knowledge of exercise pre-dates the dinosaurs. All of the liability waivers and legalese in the world cannot preclude a member from filing a personal injury suit if he/she is injured and the lack of adequate supervision and/or instruction only enhances the member's legal position.

Club owners and trainers must work together to ensure that those members who do not choose to participate in paid one-on-one personal fitness training still receive adequate fitness instruction and programming. Owners may have to include some form of compensation for



James Evans

trainers in their budget apart from PFT fees to maintain at least a minimal service level. And trainers must accept some personal responsibility to intercede when they see members performing exercises in a manner which might be injurious or otherwise detrimental to their progress - even if they aren't being paid for it. Ours is an industry based on service and when we no longer provide service as a part of our membership fees and members are paying only for the use of our facilities, they might as well purchase equipment to use at home. Then every household in America can have a stationary bicycle gathering dust in the basement and there will be a proliferation of garage sales in the classified ads for used exercise equipment. Let's not forget that facilities and equipment don't sell memberships.

(Jim Evans is President of Evans & Associates, consultants to the fitness industry and specialists in marketing to the senior population. He can be reached at (800) 708-0878.)



The Surgeon General has determined that lack of physical activity is detrimental to your health.

•NORM'S NOTES•

CONGRATULATIONS to the NOVA 7 1996 WINNERS! The Nova 7 Awards are presented annually by **FITNESS MANAGEMENT MAGAZINE**. This year's award winners are: The Peggy & Phillip B. Crosby Wellness Center in Winter Park, Fl., for facility design, construction and decoration award. **WORLD GYM of SARATOGA**, Saratoga, N. Y., took the honors for exercise programming, **LEHIGH VALLEY HOSPITAL CENTER FOR HEALTH PROMOTION & DISEASE PREVENTION**, Allentown, Pa., was honored for Wellness & Health Promotion, **B & R Health and Fitness Club**, Feasterville, Pa., won the customer service award, **COOPER FITNESS CENTER**, Dallas, Texas, won the finance award, **Women's Fitness Center, Inc.**, Harrisonburg, Va., won the promotion, sales and marketing award and the **Rochester Athletic Club**, Rochester, Mn., was honored for their excellence in operations management.

CONSOLIDATION continues to pick up steam. The big deal with **TROTTER & CYBEX** could get bigger if they are able to land **STAIRMASTER** which is said to be up for sale. Other suitors for the StairMaster Corporation are rumored to be **QUINTON TREADMILLS** and an unidenti-

fied financial institution. Stay tuned.

FIT FINDERS, a new health club management and consulting firm, is opening a new fitness center in Jonesboro, Georgia. Dan Carter, and his partners in the firm have a lot going on. In addition to their consulting, they are into the Internet and plan to open a total of four Atlanta-area clubs. Be careful guys and don't grow too fast!

IHRSA's 16th Annual International Convention and Trade Show is scheduled for April 9th-13, 1997, in San Francisco, California. If you miss this convention and trade show, you will be missing the single most significant learning and sharing opportunity in the industry. For information call IHRSA at 1-800-228-4772.

RECUR. The following notes are repeated from our brief Holiday Edition in case you missed it. Happy New Year to you all!

HAPPY HOLIDAYS to you all! It is hard to believe that we have been publishing for three years now! Thanks to all of our advertisers, contributing writers paid subscribers, **MISS CATHY BROWN** and **RON HUDSPETH**, Publishers of Atlanta's **HUDSPETH REPORT**, **Dr. Gerry Faust** and the members of Faust's **EXECUTIVE**

ROUNDTABLE #1, our Phantom Editor, whose identity will remain anonymous and to my Dad, **Norm Cates, Sr.** and his wife **Louise** for all of your encouragement and support during 1996.

JENNIFER HARDING, the lovely ex-racquetball pro and Oregon club owner, has opened her third club called **The WESTSIDE ATHLETIC CLUB** in Portland, Oregon. Congratulations and best of luck Jennifer with the new location.

RAY BALADAD, 30 - year club veteran, has been named General Manager of The Bannockburn Club, in Bannockburn, Illinois by Tennis Corporation of America's **MICHAEL MAHONEY**.

VICKI BRICK, daughter of **VICTOR AND LYNN BRICK**, has been honored by USA Today as one of the top high school basketball players in the state of Maryland. Congratulations Vicki!

BUD ROCKHILL, Chief Operating Officer for Club Sports International, has announced that they are changing the names of their five clubs in Colorado to: Colorado Athletic Club. The new name will be accompanied by a new logo and a new tagline: "Common Goals, Uncommon Choices."

RICH BOGGS AND RAY IRWIN, the guys who brought The Step to approximately 20,000



Norm Cates, Jr.

clubs world-wide, have come up with another unique invention: The **POWERBELT** is a natural way to add upper body training to any aerobic workout. It is a lightweight, padded belt worn around the waist. It's equipped with two, patented, spring-resistance units encased in plastic. The units provide an optional adjustable feature called the **PowerPack**. Once again, The Step Company has created a product to help you - help your

members improve their results. For info call: (800)SAY-STEP.

IHRSA Launches Web Site - I missed announcing this news when it came out at the end of August. IHRSA now has its own Web Site. To reach the web site: www.ihrsa.org And, don't forget to make plans to attend the 16th Annual IHRSA Convention and Trade Show in San Francisco in April, 1997. For information, call IHRSA at: (800) 228-4772.

...Trotter

continued from page 3

point, we believe this is an excellent transaction for our shareholders that will significantly enhance earnings per share in 1997 and 1998 and our growth prospects for the future. The transaction positions CYBEX International, Inc. to be the clear leader in the rapidly consolidating fitness equipment sector and confirms the strategic direction taken last spring with the divestiture of the Lumex home health care equipment business" added Spratt.

Having completed the corporate restructuring of Lumex, Inc., the turnaround at CYBEX and strategic repositioning of CYBEX International, Inc., Mr. Spratt and Ray Elliott, currently President and CEO of CYBEX International, Inc.,

will both be leaving the company after the close of the merger deal. They successfully guided the company through a challenging transformation that included the divestiture of the Lumex health care equipment business, a significant cost reduction program, the creation of a pure-play fitness equipment company with an excellent cost position, a major European joint venture with Forza and Reebok and a portfolio of exciting new products due for release in the spring.

Mr. Spratt added, "The Board of Directors is pleased to welcome John Agliarolo, Chairman and CEO of UM Holdings, Inc., as Chairman and Peter Haines, currently Chief Executive Officer of Trotter, Inc. as Chief Executive Officer of the new com-

pany. John Agliarolo and Peter Haines bring to us many years of experience in the fitness industry and will be instrumental in guiding the new company as it capitalizes on its unique strengths to lead the ongoing consolidation of the fitness equipment industry."

"We are delighted to have reached this agreement with CYBEX International, Inc.," stated Peter Haines, President and Chief Executive Officer of Trotter, Inc. "This combination anticipates a significant shift in our industry as customers increasingly seek to do business with suppliers capable of offering a full range of strength and cardiovascular products. The combination of CYBEX and Trotter will create a truly unique company in our industry with premier products in both strength and cardiovascular fitness. In addition to expected benefits associated with the bundling of our core product lines into a single product offering, we anticipate exceptional synergies from the leveraging of CYBEX' strength in commercial markets and Trotter's strength in consumer markets. From this perspective as well, the combination represents an extraordinary strategic fit. The best thing about this deal is it has something good in

it for everybody. It is a win-win situation for Trotter, Cybex, the dealers, the direct sales staff and most importantly, it is a win-win for the customers around the world. The reason we feel it is a win-win for club owners around the world is that when you combine the Trotter product line and the Cybex product line, we think that gives the club owners the best source of commercial strength equipment and commercial treadmills in the industry. In addition to that, it gives the club owner an option....whether they want to buy it factory direct or whether they want to buy through a local agent which gives them the benefit of delivery, installation and service. The second thing it does for the club owner is that it gives the club owner better customer service than he has ever had before. We will have the ability to provide the highly rated Trotter customer service to all the existing Cybex customers and the new Cybex customers as well. I think that is a big deal. And another good thing for the customers is that when you combine the product development resources of Trotter and Cybex you have a re-

source that I think will develop a better product - quicker than anybody else in the business."

John McCarthy, Executive Director of IHRSA comments on the Trotter/Cybex merger, "I think what this means is that there will now be three 'wall-to-wall' suppliers in the fitness industry. Life Fitness is 'wall-to-wall', TechnoGym is 'wall-to-wall' and now the new merged Trotter/Cybex organization will be a 'wall-to-wall' supplier. So I think what these three companies can do now is provide a solution for every club's needs. These three companies are making a very powerful competitive statement to every other supplier in the industry."

The deal was not one that was briefly assembled. The parties first met to discuss the merger on May 25, 1996. The deal was signed on December 27th and announced on December 29, 1996.

When asked about the ongoing rumor about the possible sale of StairMaster by the Garden Way Corporation, Haines replied: "I'm glad you asked about that. When you put Trotter and Cybex together, you get a lot of things. But, what you don't get is a stair climber. We think that StairMaster would be a
(See More Trotter page 6)

**MAKE IT
FUN!**

NEIL SOL'S HEALTHCARE CONNECTION Integrating Fitness And Managed Care

By Neil Sol, Ph.D.

If there has ever been doubt that health and fitness is a key component of the new American health care paradigm, the IBC Personalized Health Management Conference subtitled: Integrating Prevention, Wellness and Fitness with Managed Care, held in San Diego on November 18-20 dispels that myth.

I had the pleasure of participating as faculty and serving as Chairman of the Fitness Track at this conference. It was the first time that I have experienced a conference that brought together Managed Care

Provider Professionals, Medical Professionals, Business and Industry Representatives and Health and Fitness Leaders in an effort to maximize networking and integration of disciplines. Evidence was loud and clear that fitness has been accepted as an integral component of health care: managed care professionals attentively attended the fitness track to listen and learn from speakers such as Tom McMillan, CEO, Complete Wellness Centers and former co-chair of the President's Council on Physical Fitness and Sports, John McCarthy, Executive Director of IHRSA, David Kauppi, Senior National Director for Corporate Business Development, Bally's Total Fitness Corporation, Val

Golkenbach, Director of Emergency Services, Grace Hospital, Peg Jordan, Author and Founder of American Fitness Magazine, Kathy Oppenheim, Director, The Wellness Program Columbia LifeCare Center, Eric Durak, Director of Medical Health and Fitness as well as a host of other fitness industry leaders, to understand how the health, fitness and club industry can be of service in maximizing the capitation dollar. They came to learn about:

- the role of health and fitness in treating the cause of illness among subscribers
- how to incorporate clubs and health and fitness providers into their plans
- preventive professional network/club networks
- health and fitness reimbursement opportunities, and
- the role of preventive and health and fitness services reimbursement in the decision to purchase a health insurance plan.

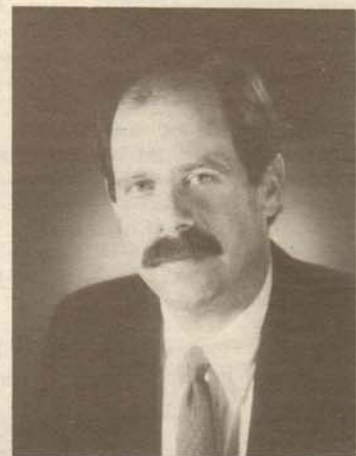
Of further interest to me was the leadership role that AFAA, the Aerobic and Fitness Association of America, took in this conference. It was obvious that AFAA, like IHRSA's corporate Association mission, is expanding to position fitness and the programs they offer as an important and essential component of health care continuum.

As Chair of the Fitness Track, I observed the non-fitness professional to be insatiable in his willingness to learn and ask very poignant questions, specifically relating to the cost effectiveness of health and fitness ser-

vices to reduce health care utilization. The most moving information to the non-fitness attendee was the 1995 IHRSA American Lifestyle Study findings relating to the results of its study revealing that Americans, both active and sedentary, would change their current insurance company to one that reimbursed for preventive services and/or club memberships. Obviously, this information "hit the hot button" of the managed care professional because sales to new incremental subscribers continues to be health insurance provider's #1 priority. However, they conceded in discussion that reduced subscriber utilization of health care will be their future priority and health and fitness will be instrumental in achieving the goal. They see positive subscriber benefit in outcomes immediately with health and fitness, but agreed that if health and fitness helped new sales, today, that was most important.

This conference also included exhibitors that showed a variety of products related to services such as demand management, triage, prevention services, inexpensive health care and self-care products. This was a new look to health and fitness attendees but was representative of the products we as industry will be purchasing in the future.

My congratulations to IBC for organizing this conference.



Neil Sol, Ph. D.

As a first effort, it was excellent. It is about time that an entity other than our own industry sees the value health and fitness brings to the health care industry of America and organizes an integrated discussion. I have been saying for years that the club industry and health and fitness services have arrived upon the American health care scene. The IBC Personalized Health Management Conference is proof. Look for the next conference and be sure to attend.

(Neil Sol, Ph.D., is the President of Health Vantage, Inc., a consulting firm for the health, racquet and sportsclub industry which specializes in the relationship between the health care community and health clubs. Neil may be contacted by calling: (303) 399-3224.)

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More Trotter

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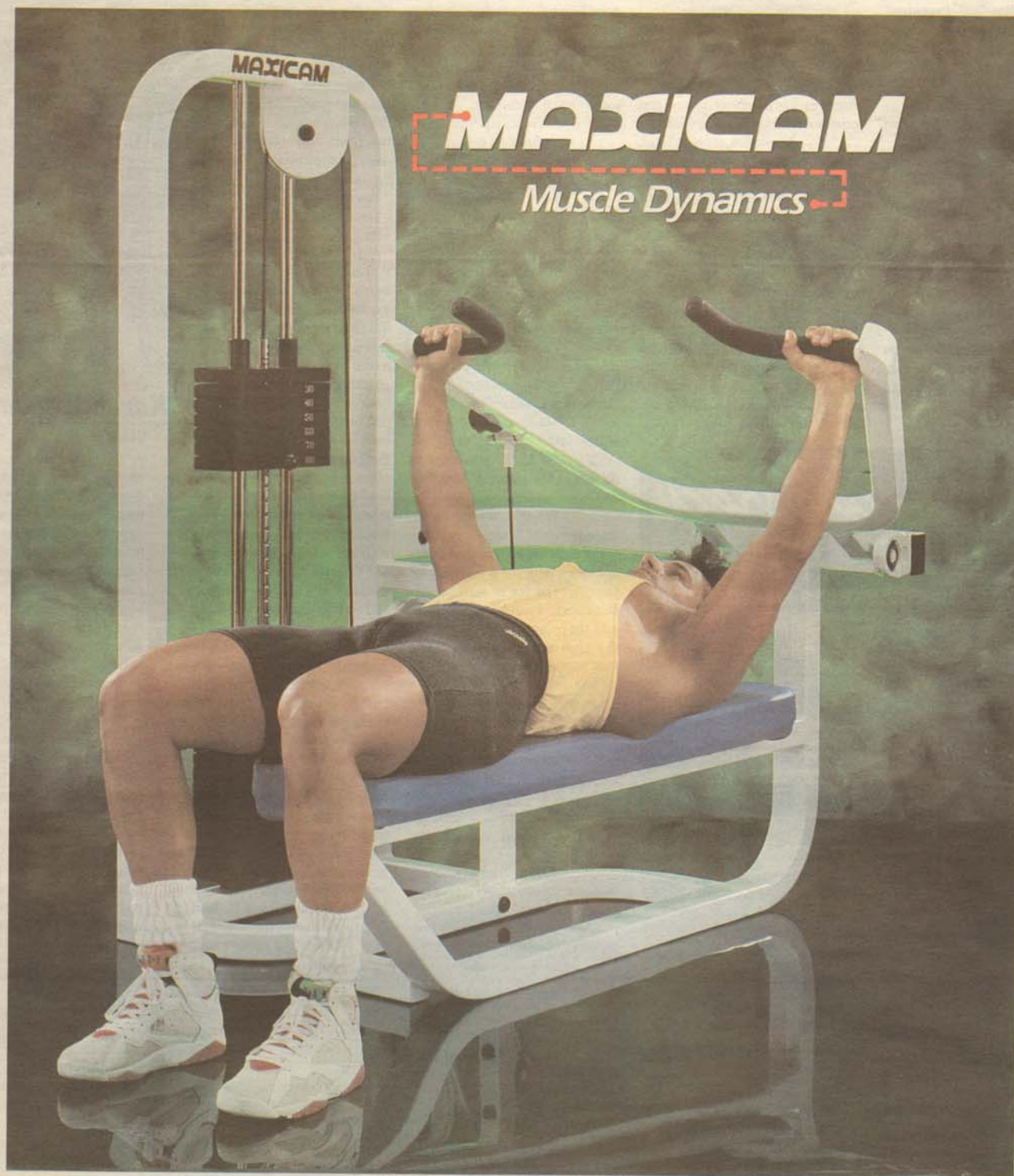
wonderful addition to the Cybex-Trotter merger. StairMaster has been on the market since November and we are definitely pursuing the situation. It is our understanding that in addition to us, there are two other parties pursuing StairMaster as well."

There has been a prediction by one industry observer that the ongoing consolidation movement will ultimately end up to a reduction in major industry suppliers to 5 or 6 companies in the next five years. When asked about that probability, Haines dismissed the idea with the following comment: "No Norm, I

don't think that is going to happen. 'Can I get philosophical for a minute?' This country is a great country. It is a free country and a country built on capitalism and it provides the ability for anybody with a good idea to start a business and make a buck. I think as a result of that, every industry and particularly our industry, where the cost of entry is relatively low, you will always have a large number of small companies coming into the industry with an idea that they think is a good idea. I think the number one position is always likely to change. Life Fitness has enjoyed the #1 position for years and I hope that Trotter/Cybex will enjoy that #1 position some day. I don't expect the number of competitors to decrease. I expect there always will be a number of choices for the cus-

tomers.... that's why we are going to have to work so hard to earn that #1 position.

Trotter and CYBEX are expected to generate combined revenues in 1996 in excess of \$110 million prior to the merger. The transaction is expected to be completed late in the first quarter 1997, subject to approval of CYBEX's shareholders as well as other customary conditions, including expiration or termination of requisite waiting periods. Peter Haines would not comment on specifics relative to his expectations for 1997. However, he did indicate that in addition to anticipated increased revenues, he expects costs in the combined companies to be reduced by millions due to the elimination of redundant aspects of the business.



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Words That Win... Vocabulary For Success

By Karen D. Woodard, President
 Premium Performance Training

(This article is the third in a six-part series of articles focusing on increasing your personal sales performance.)

The most powerful tool we have to affect our sales performance is: . If you guessed communication, you're the winner! Sure, we have a multitude of tools available to us in the club that range from our club's staff, reputation, facility, programs, equipment, marketing and so on, but they aren't very powerful if we can't communicate the benefits and create a desire or comfort level for the buyer.

The two general aspects of communication are: and . If you guessed listening and speaking, you are again the winner! This article is not going to focus on listening as much as it is on speaking and the power of the language we use.

All too often I hear membership sales staff in clubs throughout the country using verbiage that works against them in creating the right atmosphere for the prospective member to want to buy. Think about this for a moment.... when a prospective member comes into the club.... how much of what that member experiences can you control? Not a lot. Sure, we may have well trained staff, immaculate facilities, warm endearing members, energetic classes, but there are those occasions when things

aren't always "together." The point being the only thing we can really control is our attitude, our own non-verbal communication and what comes out of our mouths; therefore, we want to use words that convey:

- credibility •
- comfort •
- specificity •

The following statements are typical excerpts heard from membership reps on numerous occasions at full service clubs and fitness centers:

"The gym gets pretty crowded around peak time."

"This class is incredible — it's packed every night!"

"Our membership deal this month is killer."

"O.K., shall we get you signed up?"

"O.K., all you need to do is sign the contract here."

What's wrong with these phrases? They all use verbiage that creates a negative image especially for a full service facility. The rep or staff person that uses this language does himself, the prospective member and the club a disservice because they are failing to create credibility, comfort and specificity. Let's take a look at how to completely change the feeling of those phrases and create a much more positive image without changing the meaning.

"Around peak time, the club is definitely a happenin' place to be."

"This class is incredible — it's consistently one of our most popular classes."

"Our membership promotion this month is really strong and I'm sure you won't want to miss it."

"I'd like to invite you to join the club today."

"O.K., all we'll need to do is have you authorize the paperwork."

In comparing the two sets of phrases, think about how the language makes people feel. We want to do, go and be where we feel good. Don't you feel better going somewhere that is popular or happenin' as opposed to someplace that is packed or crowded? What image comes to mind? When we offer someone a deal as opposed to having a structured membership promotion — which one do you think gives you more credibility? And finally, doesn't it feel better to be invited as opposed to signing up for something?

One other area that begs for mention is how we refer to people in our clubs. Often times when a prospective member approaches the front desk and would like to see the club, I squirm to hear the front desk staff say over the phone to the membership staff: "Your tour is here" or "Your appointment is here."

Don't you think it would sound and feel much better if you were the prospective member if the front desk person referred to you by your name? All it takes is glancing at the guest register or if you don't use one (and I highly recommend that you do) simply asking the guest what his name is. The other aspect of verbiage I hear misused far too often is referring to our members as customers. The difference between a customer and a member is that a member has chosen to enter into a long-term relationship with us, belong to the club and visit us regularly and hopefully frequently. They have invested in us. On the other hand, what does a customer belong to? You see, you can create or destroy your club's culture, credibility and your chances of success simply by what comes out of your mouth.

The chart below shows some commonly used words in our industry and offers some alternatives to help you create a more positive feeling for the prospective member or current member. I suggest that you use this chart to train not only the membership staff, but all staff as well. If you make it part of your new staff handbook, it will help to create the culture from the very beginning.

REPLACE

gym
 contract
 deal
 sign-up
 crowded/packed
 sign here

customer
 pay
 payment
 fees
 initiation fee
 muscle-heads

WITH

club, fitness center, weight room
 agreement, paperwork
 offer, promotion, special
 join, get started, "invite to join."
 popular, busy, jumpin', happenin'
 authorize, o.k. the paperwork, we'll just need your signature
 member, guest, prospective member
 take care of
 investment
 dues, investment
 initial investment
 athletes, weightlifters



Karen Woodard

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The words we use are key components in our success as membership sales staff or any other staff in the club. They convey the message we do or do not want to convey and the power in choosing that message is entirely within us. Choose to incorporate two new words into your presentation each day for 30 days and see how much more dynamic, effective and successful you are with words that win.

(Karen D. Woodard, President of Premium Performance Training, consults for the health and fitness industry and provides successful sales training, operations training and management review programs. She can be contacted by phone or fax at: (303) 417-0653.)

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continued from page 3

friends and I talked Peter into helping me sell the bikes. Peter met his wife Gretchen at a trade show during those years. He is also the God-Father to my daughter." Peter Brown comments, "Augie went from a young guy out on the road selling, to leader of one of the largest companies in our industry. Not too many people can make that type of transition in terms of personal growth and development to be able to run a company with nearly 1,000 employees."

CLUB INSIDER - Q. "How did you meet Ray Wilson?"

AUGIE - "I met Ray before I wrote my paper on how to start my own club. I went around and interviewed a lot of people and Ray was one of them. Ray gave me a lot of information and inspired me on the future of the health club industry. When I talked with Ray he told me about the Lifecycle. When I opened my club, I remembered the Lifecycle and asked Ray about it. He said not much was happening with it because he was opening some new clubs (Family Fitness Centers) and he needed someone to take over the marketing of Lifecycle for him. When Ray and his partners sold European Health Spas to U.S. Industries, Ray signed a seven year non-compete contract. Right after his non-compete with U.S. Industries had expired, he began to open the Family Fitness Centers. So, he focused on the clubs and the design and manufacturing of Lifecycle while I took over marketing of Lifecycle. Ray said, 'If we succeed, we make a lot of money... if we don't we lose a lot. We eventually succeeded.'"

BRILLIANT MARKETING MOVES

Nieto recalls, "The final thing that I think gave Lifecycle a big boost was when we decided to combine manufacturing with marketing. Once we had combined the two efforts, Ray and I decided to give away Lifecycles to every top operator in the country. That move proved to be the secret to our success because once you got the product and used it, you liked it. We're

in an industry where people who run the clubs are also fitness fanatics, so it's kind of like the computer industry - people love their business - they are into their technology, so you are much more able to get these enthusiasts excited about a product that you bring them. We gave away over 50 Lifecycles during this phase. Ray knew all of the right people to give the Lifecycles to.

The Lifecycle proved to be such a unique product that many clubs were able to, in effect, market it as an "add-on" product within the club and charged extra fees for Lifecycle utilization by their members. Augie recalls, "The next thing we did was to develop an 'add-on' program where we put the bikes in the clubs on a leased basis. We would put 6-8-10 bikes at a time in a club on a leased basis. The club would pay the lease payment on the bikes and we would split the profits with the club 50/50. We charged \$50 to \$70 per year extra for members to use the Lifecycles. After two or three months a club owner would say, 'Hey - wait a minute - I'm paying the lease payment and giving you 1/2 of the profits.... why don't I assume full responsibility for the lease and keep all of the profits? And I said, 'that was fine.' So, we were putting a lot of bikes out there on those leases. Since we believed so strongly in our product and felt we had hon-

est people (in the clubs) to deal with.... it was a good move for Life Fitness at the time."

BALLY INSTRUMENTAL IN LIFE FITNESS GROWTH

The Bally Health and Tennis Corporation club chain, now with over 300 locations nationwide, was instrumental in the growth of Life Fitness. Ultimately, the Bally parent company became the owner of Life Fitness.

Nieto reminisces, "As we progressed, the Bally Health Clubs became our largest customer. Bally actually gave us an order for 1,000 bikes if we could hit a certain price point. That's what gave us the ability to develop a lower cost Lifecycle by being able to go into mass production. We became good friends with Don Wildman and Roy Zurkowski and to this day, they are two of the key people in my life who helped us take Life Fitness to the next stage."

"We approached Bally (about a possible buyout of Life Fitness). Ray was focused even more on growing Family Fitness Centers. We could see a need for additional capital because we had all these ideas to develop new products like the Lifecircuit and strength training machines and not a lot of research and development resources or talent to do that.

Bally was a natural for Life Fitness because they had the mechanical and electrical engineering talent in the slot machine business which is very analogous to the club industry in that the slot machine has to work 24 hours per day, 7 days per week and if it is not working, the casino doesn't make revenue on it. It's the same mentality of reliability and they were our largest customer. So, if you were to come up with new ideas, you would use them (the Bally Health Clubs) as a Beta Test Site as a way to help fine tune the products. We had a great relationship personally with Bally all the way through. We sold to them in 1984.... at the time our revenues were \$7 million per year. We grew it by 1990 to about \$77 million annually. (1,000% growth in six years while still under Nieto's leadership). Ray and his investors got over six times their investment back and Ray personally got a five-year consulting agreement.

We paid Ray over one and one half million dollars for his consulting during the five years. Ray only worked a few hours per month; but with his knowledge and experience in the fitness industry, it was money well spent. Then, in 1990 it was Bally's lead to sell some divisions so they could focus on their casinos and health club business. I don't think Arthur Goldberg wanted to sell Life Fitness. I think that he saw it as a well performing company, that we were probably the top performing company in their portfolio. However, we got together with a merchant bank out of New York called Mancuso and Company, who put up the equity capital, and we did a buy-out of Life Fitness from Bally in 1991.

CLUB INSIDER-Q. "Your annual revenues are approaching somewhere near \$200 million now, aren't they?"

AUGIE - "Not quite. I won't disclose those figures. More (See SUCCESS page 10)



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ORIGINAL LIFECYCLE

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importantly is that Life Fitness is truly committed to investing into the future in terms of both quality and research and development."

WORLD CLASS QUALITY CONTROL

This writer had the opportunity to visit and tour the Life Fitness office, factory and warehouse complex in Franklin Park, Illinois last fall. When it comes to quality control, Life Fitness has developed a series of four key steps that assure that every single machine meets the top level of quality available in the industry. Those steps are: (1) All materials used to build a product are carefully inspected and measured upon arrival for compliance with rigid specifications. (2) Inspections are conducted at every stage of assembly. (3) After production is completed, each machine is again inspected and tested for full quality compliance before crating for shipping. (4) Finally, post-production inspection is done on a random basis by pulling crated machines off the line for re-testing prior to shipping. These

steps and the overall philosophy of quality have earned Life Fitness the highest rating in the fitness industry for quality control.

Nieto explains, "We are the very first ISO-9001 company in our industry. An ISA - 9001 is the international quality standard that is set up for manufacturing companies. In a whole process of quality... it is the toughest criteria. We are right now at a quality level called Six Sigma Level - Motorola's quality level for assembly level defects. It is a standard of quality that no one ever expected to be seen in our industry. In our testing lab we run seven days per week - 24 hours per day. This exceeds the normal club usage level of 11-12 hours per day. We call this 'accelerated-life-testing'. We are able to take a product and put it under the worst possible conditions and abuse it. We try to anticipate where the problems will occur. The theory of quality we believe in is 'It will cost you a dollar to fix it before you build it, \$10 to fix it at the end of the production line and \$100 if it gets to the customer. We are truly driven by the fact that it's economics - that it is much better for us to anticipate the problem, versus having to react to correct it later."

A CUSTOMER FOCUSED PHILOSOPHY

When asked about quality control, Nieto provided an in-depth understanding of the driving forces behind the Life Fitness customer focused philosophy. Nieto believes strongly and his results prove it, that the manufacturing and marketing plan is linked to the quality control goals.

"Prior to ever manufacturing a product, we must define the product on the marketing side by finding out what the customer wants and needs," explains Nieto. "We do this through focus groups and market intelligence gathering. We realize we sell to three different groups: (1) the user. (2) the trainer. (3) the owner. We look at the wants and needs of each of these groups and develop our products accordingly. One of our goals is to double the number of people who exercise world-wide. To do this, we realize that we must know why people are not members of health clubs. Our studies show that there are two reasons why people aren't members of a health club: (1) They have had a bad experience before. (2) They don't know where to start. We have de-



LIFECENTER KIOSK

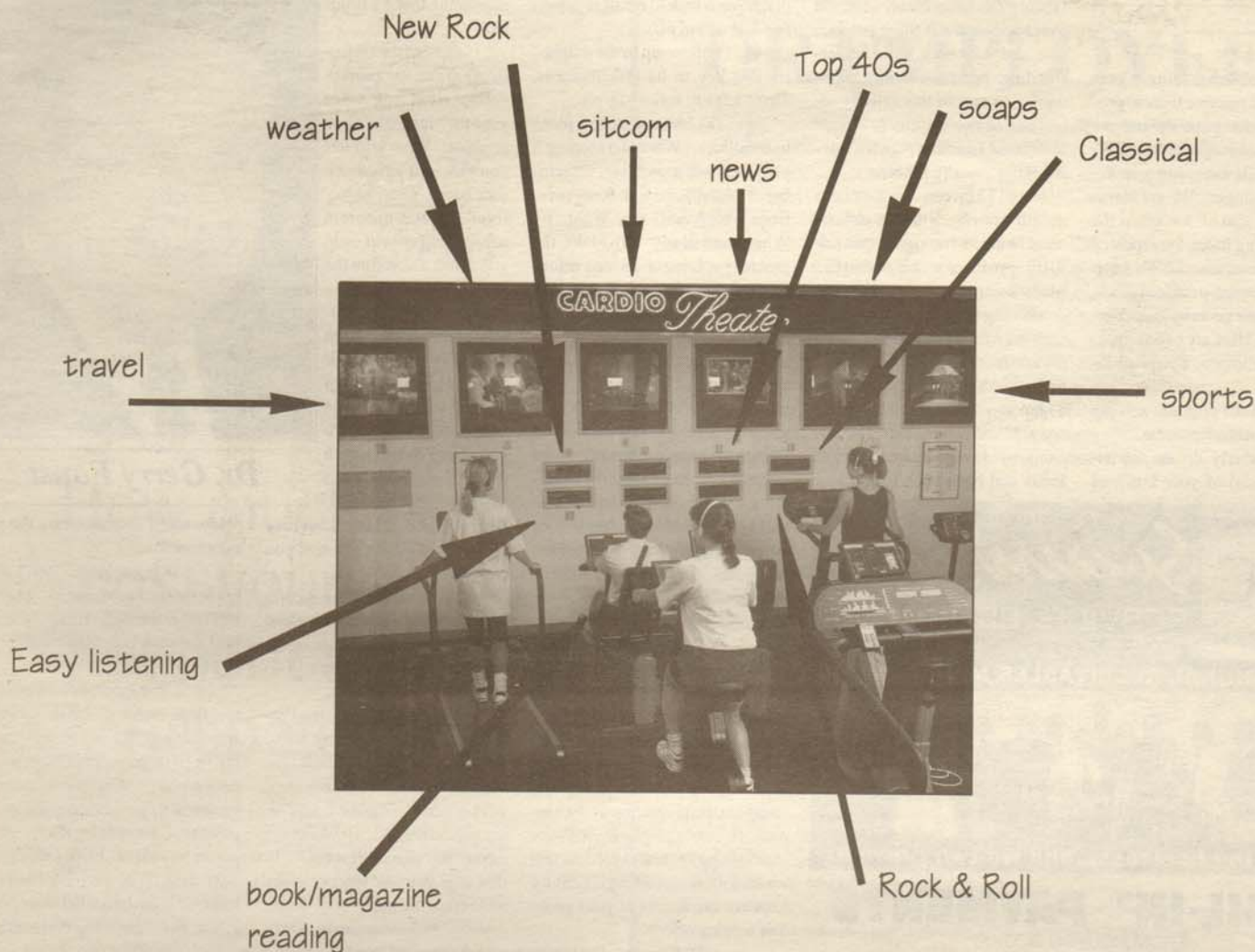
veloped technology in our products that is targeted at eliminating both of these problems. Technology such as heart rate training on using the built in heart rate monitors. Through this type of technology, we are giving members and prospective members an 'ease-of-entry' and the ability to succeed where they have failed in the past."

THE BOAT FLOATS HIGHER FOR ALL

Augie Nieto is a true visionary who has converted his vision to both a reality and ongoing dream. Through his dedicated support and participation of IHRSA - The International Health, Racquet and Sportsclub Association, he has helped (along with the many other IHRSA Associate members and club owners and managers) change the industry more in the last 15 years than it had changed in the previous 45. Moreover, Life Fitness has set the bar at such a height for the competition that everybody in the industry world-wide has benefitted from the excellence that this industry leader has produced over the years. His customers certainly have benefitted.

And, his competitors have benefitted. Because, as the leader in a crowded field of competition in the fitness equipment arena, Life Fitness has directly and indirectly caused many other competing organizations to strive harder for new product development and quality improvements. An important aspect of IHRSA is the Associate member group which has been key to helping the industry advance so dramatically in the last 15 years. The leadership of companies such as Life Fitness, Cybex, Trotter, StairMaster, Hammer Strength, Keiser, Muscle Dynamics, TrackMaster, Paramount, Med-X, Star Trac, and Tectrix and many more has driven the industry onward and upward in a highly competitive manner.

Peter Haines, the CEO of Trotter and soon to be the CEO of the newly merged team of Cybex and Trotter comments on Life Fitness and Nieto, "I think Augie has done a tremendous job of marketing Life Fitness and building it into something that is really good at helping clubs sell memberships. My hat goes off to Augie for that. I think, though, that Augie has taken that about as far as he can. Our opinion is that club owners (See *SUCCESS* page 25)



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RESPONSIBLE PROBLEM SOLVING

By Dr. Gerry Faust

Problem solving is generally seen as a reactive tactical process. A problem pops up and we attack it. In this way problem solving becomes the on-going guerilla warfare of business. We are learning, however, that all too often the problem solving has to be repeated time and time again. "We keep solving the same problems," or "Problems never go away" are common laments. Here are two suggestions that can improve your problem solving:

1. Make problem solving a strategic proactive process.

Regularly do an assessment (diagnosis) of your business

by asking "What are we doing now that we could do better?" Getting the team involved in the event will make it more productive and will help build understanding, perspective and teamwork. As part of this activity select one or two priority problems and create an action plan for solving those priority problems.

This can be a once a month activity with the assessment being "what are the two priority problems this month?" Many companies are finding that combining monthly assessments with an annual in-depth diagnosis where input is collected more broadly has tremendous value. These annual check-ups often integrated with an executive retreat can provide renewed energy and focus and have been for many a

turning point for their businesses. However often or deep you do the diagnosis it should result in priorities and action plans.

Follow-up to the diagnosis is a key to its effectiveness. Three keys to follow-up are:

(a) Manage action plans to deadlines. When developing a plan to solve a problem, remember it should answer four questions: Who will do, What, by When, and How. (b) Make the problem solving a serious effort. Realize that it's part of the work that must be done and not something extra. (c) Solving important problems often requires a team effort. If you need a team, be sure to assign the right team. Don't assign "people who are available." Assign the people who understand the problem, have authority to create a solution and someone who will be involved in the implementation of a solution. Remember: put Doers, Deciders and Experts on a team to ensure success.

2. When solving difficult problems, use an orderly problem solving approach.

We find that most problems don't get solved or don't get solved well because people "shoot from the hip" or miss some key step(s) in the problem solving process. Following is the Lyles Problem Solving Process, a process that when followed can significantly improve the results of your problem solving efforts.

• Define the Problem. Take the time to identify what is

really wrong, what is not happening or what is happening that we don't like.

• Set the Objectives. Take the time to define what you want your problem solving to produce. What will tell you that you have been successful. Clear objectives for the problem solving effort will help you select and refine the alternative solutions.

• Develop Alternatives. Brainstorm to identify possible solutions. Don't just jump on the bandwagon of your first thought. Force yourself to come up with 3, 4 or 5 different ways to solve the problem.

Even if you don't use them they will help refine the solution you choose.

• Complete An Action Plan. Choose an alternative and then work out the details of the action plan. Decide who will do what by when and how.

• Troubleshoot the Process. People often get so excited about a solution they don't take the time to ask, "What could go wrong here?" "What could be the side effects?" "How can we ensure this plan will work?" In this step you ask the questions and refine the plan.

• Communicate. Once you have a plan ask, "Who needs to know about this?" or



Dr. Gerry Faust

"How will I communicate the plan to others?"

• Implement. Don't leave implementation to chance. Manage it. Follow through. Be ready to step in if the plan is having trouble.

The most successful organizations make problem solving a strategic process, see problem solving as an ongoing important part of responsible management and use a systematic process on the tough problems. Increasing the focus and power of your problem solving can, over time, help you get better results for less. Initially it takes extra effort, but it pays big dividends.

(Dr. Gerry Faust is the Chairman of Faust Management Corporation, a San Diego, California-based management consulting firm with clients all over the globe. Faust has for over 11 years been conducting Executive Roundtables with leading club industry veterans from across the U.S. He is also a popular speaker with numerous speaking engagements for IHRSA over the years. Faust Management Corporation markets a family of business assessment tools under the trade name Executive Insight®. For individuals, the Business Analysis Kit™, for executives and expanded team use, the Executive Insight® facilitated session is available and for broad-based comprehensive diagnosis, the Organizational Diagnostic Questionnaire is used. This article is taken from the Responsible Manager Problem Solving series of seminars. Faust Management may be reached at: (619) 536-7970.)

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CONGRESS ASKED TO CURB TAX-EXEMPT COMMERCIALISM- IHRSA, The International Health, Racquet and Sportsclub Association, has charged that government agencies like Park and Recreation departments, as well as nonprofits like the YMCA, JCC's, colleges and hospitals, have no business operating commercial fitness clubs without paying taxes. Roger Ralph of the BelAir Athletic Club in Harford County, Maryland, chairman of IHRSA's Fair Competition Committee, said "tax-exempt clubs enjoy financial advantages that suffocate taxpaying clubs and dissuade new taxpaying clubs from entering the field. "Unfair competition slows the development of our innovative growth industry," Ralph testified, "while undermining this country's tax base." He asked, "Why are we allowing our community tax base to be eroded by a tax-exempt sector that has grown from less than six percent of the gross domestic product in 1975 to more than ten percent in 1990?" During the testimony to the House Small Business Committee, Ralph provided several specific examples of why Congress should act to solve the problem of unfair competition by tax-exempt health clubs: • 87% of tax-paying fitness clubs in the U.S. face unfair competition from commercial clubs that don't pay taxes. • In the 1980's nonprofit hospitals invested more than \$500 million to compete directly with taxpaying clubs. • For every \$100 a tax-paying fitness club spends to operate, a tax-exempt commercial club spends just \$67. • Fueled by its expansion into adult fitness, the YMCA collected \$1.9 billion in 1994, a 9.7% increase in just one year. The YMCA is now the largest "charity" in the United States. Contrary to its carefully cultivated image as a "charity", just 12% of the Y's revenues come from donations. 78% is income from fees. Ralph pointed out, "Many tax-exempt health clubs view their fitness facilities as money makers that fuel their entire organization. Health and fitness have become big business in the United States."

Roger Ralph closed with

two comments and five recommendations: "In general, politicians, government officials and many, many nonprofit personnel and volunteers are either uninformed or naive or completely disregard unfair competition issues. Those responsible for public policy decisions have not thought 'outside the box' or established guidelines that require them to analyze alternative approaches that expand the tax base, make the best use of scarce public resources and promote fair, competitive business practices." His recommendations were: (1) Require the Treasury Department to provide a public estimate of revenues lost through avoidance of unrelated business income tax. (UBIT). (2) Require the Treasury Department to provide a public estimate of potential revenues to the Treasury Department if the UBIT law were expanded to require all commercial operations of nonprofits to pay their fair share of taxes. (3) Develop tax legislation that insures that all commercial activities of nonprofit organization are taxable. (4) Urge the General Accounting Office (GAO) to determine the extent to which nonprofit health and fitness centers operated by YMCA's and nonprofit hospitals actually serve needy individuals and charitable causes. (5) Encourage the adoption of IHRSA's Fair Competition Guidelines at the federal, state and local levels.

HEALTHY LIFESTYLE INCENTIVE PROVISION BECOMES LAW - Insurance Carriers Can Offer Discounts to Exercisers - The passage of the Kennedy-Kassebaum Health Care Reform Bill signed into law on August 21, 1996 will provide a boost to the fitness industry. A provision in the bill gives insurance carriers the green light to offer premium discounts or rebates to those who engage in documented healthy lifestyles, which includes regular exercise. The Bill overall aims to make it easier for workers to keep insurance coverage if they lose or leave their jobs; it would guarantee the "portability" of health insurance. More than 43

studies have demonstrated that persons who are sedentary are at almost twice the risk for coronary heart disease as their physically active neighbors. This message has been driven home to the legislators by the National Fitness and Health Coalition which is comprised of 14 leading fitness organizations in the U.S. The recent release of the Surgeon General's Report was significant in bringing the bill to pass.

Tax Exempts Must Supply 990 Tax Forms - A new federal law now requires that anyone requesting a nonprofit organizations's Form 990 Tax Return be given a copy "immediately." In the past, tax-exempt organizations were required to make their tax forms available, but they didn't have to provide copies. Club owners facing competition from a nonprofit organization can use the information from the 990 Tax Return for insight into a tax-exempt organization's fitness-related revenue. The law is called the Taxpayer Bill of Rights II and requires nonprofits to supply copies of the three most recent 990 returns to any person who requests them in person or in writing. The organization can charge a reasonable fee and must forward the forms within 30 days.

Gary Bright Convinces City Council - In Chico, California. Gary Bright of Kangaroo Kourts Fitness Centers convinced his City Council to pass a resolution stating that the city's new \$8 million recreation center will not compete with taxpaying clubs. The resolution stated: NOW, THEREFORE BE IT RESOLVED that the Board of Directors of the Chico Area Recreation and Park District wishes to make clear to the local private sector recreation providers that the Chico Area Recreation and Park District has no intention of offering ADULT exercise programs to include cardiovascular and weight lifting activities in the new Recreation/Aquatic Center nor establish an ADULT membership program.

(See *Legal World* page 30)

SALESMAKERS Tip Of The Month

Membership Advisor Job Description

The primary role of a Membership Advisor is to promote the sale of new memberships utilizing internal and external leads and to encourage usage by and renewals among present members. All Membership Advisors report directly to the Sales Manager.

RESPONSIBILITIES INCLUDE:

- (1) To be informed of current membership sales campaigns and to be able to intelligently present them to prospects.
- (2) To be knowledgeable of all club activities.
- (3) To greet all guests entering the club and arrange a tour or appointment.
- (4) To make a minimum of (30) phone contacts per day.
- (5) To schedule and confirm a minimum of three (3) appointments daily (not including renewals.)
- (6) To complete daily worksheets and submit them to the Sales Manager at the end of each shift.
- (7) To encourage new member participation through the use of motivational telephone calls.
- (8) To establish a rapport with members and be on a first name basis with as many as possible.
- (9) To interact in a professional manner with other club staff members.
- (10) To maintain a scan card book and 1-31 day file box of all contacts and follow-ups.
- (11) To attend ALL sales meetings unless prearranged with the Sales Manager.
- (12) To further their knowledge of sales techniques

through books, tapes and other training.

(13) To inform the control desk of their whereabouts when in the club.

(14) To present a professional demeanor at all times when representing the club.

(15) To be ready for tours and presentations at all times.

(A) Scan card book must be in order.

(B) Physical appearance/attire must be up to standards.

(C) Office must be kept in order.

(16) To program yourself in order to allow yourself time to make phone calls. A good rule of thumb is to allocate 15 minutes for every hour.

(17) To create referrals. When talking with members, an effort should always be made to encourage their friends, relatives and associates to come into the club. Any solid prospects should be noted on your worksheets.

(18) To take breaks singularly. If you take a half-hour break, it is your responsibility to inform the other membership advisors in addition to the front desk. Unless no one else is available, you should not take information calls or walk-ins (ups) while on breaks.

(19) To log every tour and all information calls on the daily worksheets. NO EXCEPTIONS.

(20) To schedule at least one hour per day of Corporate Outreach and log all contacts and results in the Corporate Control Log.

(21) To send thank you notes to all prospective members on the day of their tour and thank you notes to all new members on the day of their enrollment.

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PEAK PERFORMANCE...

How To Get It... Keep It... And, Most Importantly, Coach It To Your Team!

By Jack Tiller

Michael Jordan has it. Lee Iacocca never lost sight of it. And many Olympians really know what it is to tap into those hidden reservoirs of strength, talent, and passion for going the extra mile.

Many studies have been done on human behavior and they all agree on one thing. Few of us

even get close to realizing our true God-given potential. Psychologists estimate that the average human being uses about 15% of their abilities. We only use about 10% of the capacity of our computers so why should we expect much more from ourselves? Well, I've got some fascinating, knee-shaking and stimulating news for anyone reading this article... YES! you can give more, love more and achieve more than you ever thought possible! We are

in the age of information explosion. For example, The **CLUB INSIDER** you are reading was just a dream a few short years ago.

The first thing that each of us must do is change the way we process information. That's right. We need to open our minds to a world of greater possibilities. Okay, so now let's get started.

Step One: How Do We Get to a Level of Peak Performance?

In Dr. Stephen Covey's book, "Seven Habits of Highly Effective People." He begins by stating that habit #1 is for each of us to become more Proactive by accepting 100% personal responsibility for ourselves. Herein lies the magic of peak performance. Don't think for a second that Michael Jordan doesn't see himself winning every game and truly believes he's responsible for the performance of his team. How many of us really claim this much personal power by accepting our team's performance as part of our responsibility?

How about Lee Iacocca as he faced the greatest sales presentation in his life in convincing Congress to loan Chrysler billions of dollars to give them a chance at success? So, how do we obtain this mental state? A couple of thoughts from a great sports psychologist, Wayne Corbitt. Don't focus on outcomes, concentrate on the feelings you experienced when you performed well in the past. Fo-

cus on breathing and being in a stimulated mental state, yet relaxed physical state. You cannot perform well at anything when your muscles are tense. Now, get in touch with your breathing and realize that fresh oxygen invigorates the muscles and the mind. Visualize the correct performance whether it's in the Board Room or the athletic field of battle. See yourself getting the results you expect. For those of you who want a great training aid for sports, try "Sybervision," a group of neuro-muscular training tapes for a vast array of sports.

Step Two: How Do I Keep It?

Like a rocket correcting itself after it leaves the launching pad, we need to acknowledge where we are before it's possible to adjust our path. When you sense you're off track or faltering, go right back to the anchors that created the positive performance in the past. Tony Robbins talks about "anchors" that trigger "peak state." There is nothing wrong with realizing that we are behind in a match or faltering in our career performance. The tragedy is when we take too long to make the corrections. How is your breathing? Take deep breaths through your nose and exhale through your mouth. Avoid the biggest hazard of all—What's the worst thing that could happen? A fabulous book, "The Inner Game of Tennis," uses the sport of



Jack Tiller

tennis as a metaphor for teaching peak performance by using relaxation techniques and visualization exercises.

Step Three: Coach It To Your Team

There is no better way in the world to learn something than by teaching it. Experiencing the methods on a personal basis and sharing them with others is the magic of synergy (1+1=3). This is Dr. Covey's Habit #6. True peak performers are able to empower others by setting the proper example and creating an atmosphere of "Yes, we can!" Now, let's claim our personal strength and realize we help ourselves by helping others. Therein lies a hidden key to "Peak Performance."

(Jack Tiller is the creator of The Coaching Staff along with Capt. Rick Restaino, and Lt. Col. Ed Summey. Their combined experience of over 50 years in teaching leadership, management and time management have gained rave reviews nationally. Jack himself graduated from Virginia Tech where he played on the golf team, has taught the Dale Carnegie program for the real estate industry and authored the "Sales and Marketing Top Gun School." This article was reprinted courtesy of Competitive Edge Magazine.)



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MARKETING MATTERS

By Mike Chaet

Dear Mike,
 I recently attended a seminar of yours on marketing. During the program you put up a slide of a poster that you authored entitled "MARKETING IS." Could you please print that in your column, I think some of the other readers might like to read it.

Thanks,
 Dave Patchell Evans
 London, Ontario

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Mike Chaet - CMS, Inc. - Helena, Montana - 1993
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(This month's question was submitted by Dave Patchell Evans of The Goodlife Clubs in



Mike Chaet, Ph. D.

Ontario, Canada. Dave will receive a copy of Mike Chaet's 101 GREAT MARKETING IDEAS for submitting this month's question.)

If you have a marketing question for Mike Chaet please submit it to him by fax at: (406) 449-0110, E Mail to CLUB1DOC@AOL.COM, or mail to: Marketing Matters c/o CMS, Box 1156, Helena, Montana, 59624. For additional information you may call Mike at (406) 449-5559.

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Gainesville Health And Fitness Wins Sales Team Of The Year Award!

Oraldo, Florida - Joe Cirulli is one of America's top club operators and his club is a spectacular creation called The Gainesville Health and Fitness Center. At the IHRSA Sales, Marketing and Programming Convention in Orlando, in mid-December, Cirulli's Sales Team won top club industry honors as they were awarded IHRSA's Sales Team of the Year Award. The 2nd Runner-

Up was Riverside Wellness and Fitness and Franco's Athletic Club finished third.

Joe Cirulli has been in business in Gainesville, Florida for 22 years and just this last year opened his new facility, a magnificent 55,000 square-foot building with every detail of the interior, exterior and equipment line done to perfection.

Kay Goodrich, the Director of the GH&FC Team accepted

the award on behalf of her team.

Also awarded were IHRSA Advertising Awards for the best print and direct mail ads and for the best newsletter. Winner of the IHRSA Best Print Ad Award for 1996 was the New Mexico Sport and Wellness in Albuquerque, New Mexico. Winner of the IHRSA Best Direct Mail was the Mid-Town Tennis Club in Rochester, Minnesota. And, winner of the IHRSA Newsletter Award for 1996 was the Cooper Fitness Center, Dallas, Texas.



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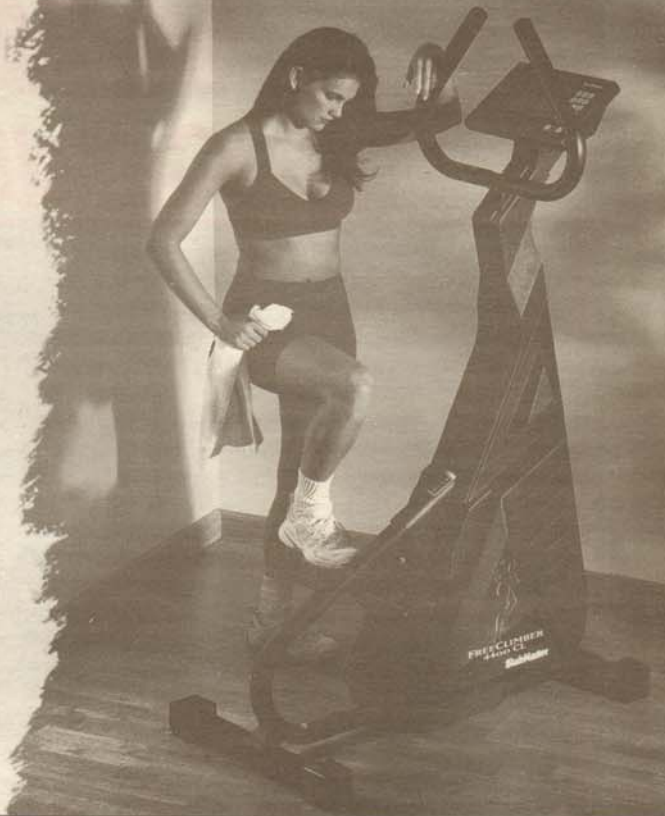
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INDEPENDENT CONTRACTOR OR EMPLOYEE?

The IRS has defined the following 20 factors to assess whether a person is an "employee" rather than an independent contractor. No single factor is controlling and the degree of importance of each factor depends on the occupation and the factual context.

Instruction. Do you tell the worker when, where, and how the job should be done? An independent contractor works whenever, wherever, and however he or she wants.

Training. If you provide training, it increases the chances of a person being classified as an employee.

Integration. If a worker's services are kept separate from your club's operations, you can more easily justify that this person is an independent contractor.

Services rendered personally. Generally, an employee will be provided with assistants if a given task requires more than one person.

Hiring, supervising and paying assistants. If a job requires more than one worker, who hires, supervises and pays the extra workers? Independent contractors hire, supervise and pay their own assistants.

On-going relationship. If the worker has a continuing-even if irregular-relationship with your club, then the IRS may suspect an employee classification.

Schedule. Independent contractors generally have the leeway to choose their own schedules, working on a job-completion basis rather than regulated hours.

Full-time. Full-time workers will usually be classified as employees.

Work space. Does the worker in question use your club's offices as work space? While not all independent contractors will work in their own offices, workers using your offices will generally be seen as employees.

Order. If your club determines the order in which tasks are completed, the workers will more likely be considered an employee.

Reports. While many independent contractors provide periodic reports on their progress, requiring reports may be viewed by the IRS as evidence of being an employee.

Pay. Workers paid by the hour, week, or month will usually be considered employees; independent contractors are more often paid by the job or on a straight commission.

Reimbursements. Independent contractors are less likely to be reimbursed for expenses - these are usually calculated into the cost of the job.

Tools. The IRS tends to view a worker as an employee if work tools are provided. This may include telephones, computers and materials such as paper. Even providing business cards can be used as evidence of employee status.

Investment in facilities. An employee will generally not make financial investments in work space (like furniture and repairs).

Profit or loss. If the worker stands the chance of making a profit or suffering a loss, this is strong evidence that he or she is an independent contractor.

Multiple firms. A worker who performs services for more than one firm or person is more likely to be an independent contractor.

Services publicly available. Independent contractors are not restricted from offering their services to the general public. If they are, the IRS will likely view this person as an employee.

Fired. If the employee can be released from working for your club at will, he or she is most likely to be considered an employee. An independent contractor is usually hired on a contractual basis.

Quit. If the worker can quit the job without risk of penalties, it is evidence of an employee status.

In general - the more a person relies upon an individual employer for his or her livelihood, the more likely that person will be classified as an employee. The amount of control your club has over the worker will be an important factor to the IRS in the event of an inquiry.

(Reprinted courtesy of Western Association of Clubs.)

SHERYL MARKS-BROWN NAMED SPECIAL ADVISER TO GOVERNOR'S COUNCIL

San Diego, California - Sheryl Marks Brown, Executive Director of the San Diego - based American Council on Exercise (ACE), has been named a special adviser to the California Governor's

Council on Physical Fitness and Sports.

The Council, created by Governor Pete Wilson in 1993, comprises leaders in the entertainment, sports and fitness fields committed to promoting healthy

lifestyles. Brown will represent ACE and work with the Council Coalition (a group of 80 health and fitness organizations) to increase public awareness of exercise, develop fitness goals for Californians and encourage coordination between governments, education and the private sector in promoting physical fitness. Arnold Schwarzenegger chairs the Governor's Council.

"The Council plays a vital role in promoting the well-being of people of all ages and abilities in California and I look forward to this additional opportunity to help spread the word about the benefits of exercise," Brown said.

The not-for-profit ACE is committed to enriching quality of life through safe and effective physical activity, and accomplishes its mission by setting certification and education standards for fitness instructors and through public education and research.

Brown established ACE in 1985, and has since grown the organization from a one-person operation to a full-service entity with a staff of more than 40. Now, the largest not-for-profit fitness certifying organization in the world, ACE has certified more than 64,000 health and fitness professionals in 66 countries.

In 1994, ACE launched a National Fitness Awareness Campaign that included an "800" Consumer Fitness Hotline, and in 1995, introduced ACE Fitness Matters, a cutting edge publication packed with information on fitness updates, new exercises, product reviews, nutrition news, medical research reports and more.

Most recently, ACE launched Energy 2 Burn, an am-



Sheryl Marks-Brown

bitious youth fitness program that uses classroom activity and a high-energy video to show kids how to incorporate exercise into their daily routine and to think of it as fun — not work.

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IMPROVE YOUR CLUB'S CASH FLOW BY RESTRUCTURING YOUR LEASE

By Thomas P. Mullaney

Successful health club operators look in every nook and cranny for possible savings. Rebidding cleaning contracts. Revising compensation plans to reduce labor costs. Buying new technology to accelerate receivables collection. Rebidding insurance plans.

When every aspect of a club is fair game for improved profitability and cash flow, why do so many club operators ignore a critical source of improved cash flow? Their landlords.

Leading competitors in the health club and other retail/services industries in recent years have learned that rent costs are not fixed according to the terms of the lease. They are negotiable at any time! Those who fail to capitalize on this growing trend will soon find themselves at a disadvantage versus their competitors who have renegotiated their leases. The competition will have increased cash flow to invest in equipment, building improvements, advertising and other areas vital to keeping a healthy top line.

Those who do not restructure will not.

Are you a candidate for lower rent?

Every club and lease is different. There are many factors that predict whether you can successfully restructure your lease. The two most important tests are these:

1. Is your club unprofitable? Profitable tenants usually cannot persuade landlords to reduce their rents. But profitable clubs can.

2. Is your rent above market? Landlords do not tend to reduce rents that are already below market. However, if your rent is above market, you have a potentially strong argument. As a simple rule of thumb, if you entered into a lease in the 1980s and even into the early 1990s, you probably have an above market lease. Why? Because that era was the time of a major run-up in real estate values and, therefore, above market leases in many parts of the country.

There are other factors that can predict your likelihood of success (e.g., the type of landlord you have, the legal structure of the

tenant). But the two tests above are the most predictive.

Recent Case Histories

Your lawyer will tell you that restructuring leases cannot be done: a lease is a lease. Based on my experience and that of my partners at Huntley Financial Group working with companies around the country, lawyers who give that advice are likely to be wrong. Consider several of our recent actual (but disguised) restructures from two industries including the health club industry.

1. A Colorado landlord agreed to do the following for a club operator: 1) Reduce rent by \$36,000 per year for three years; 2) contribute \$60,000 to building improvements; and 3) contribute \$10,000 for additional marketing spending. Total savings: \$208,000.

2. A California landlord agreed to reduce monthly rents by \$703,000 over the remaining 16 years of a restaurant lease in exchange for the tenant's agreement to give the landlord an additional 0.5% of sales as rent if and only if sales increased above the current

level by over 70%. Total savings: \$703,000.

3. We persuaded a landlord for an Indiana club to reduce the tenant's rent by \$20,000 per year providing the savings were used to make improvements to the club. Total savings over the life of the lease: \$100,000.

In each case, we made some minor concessions to get these savings (e.g., agreement not to default on the lease, additional marketing spending, remodeling the exterior of the building). Importantly, however, in none of these cases did we make major concessions (e.g., signing on for a longer lease term). We did what I call "trading dimes for dollars": our clients gave a concession worth a "dime", and got a "dollar's" worth of savings in return - for a net savings of "ninety cents" to our clients.

Rules For Successful Restructuring

Restructuring a lease is not easy. If it were, you already would have done it for

your clubs. Based on our experience, there are four rules that should be followed to increase the likelihood of success:

1. Have Your Facts Together. No landlord in his right mind will give you a rent reduction without a comprehensive and persuasive case as to why you need rent relief. Most tenants do a sloppy and last minute plea for rent reduction that simply does not work. You need a careful written analysis of the situation, the alternatives and your proposed restructure.

2. Fasten Your Seatbelts. Virtually every successful lease restructure involves conflict or the threat of conflict. However, the situation is somewhat akin to when a pilot asks you to fasten your seatbelt because of the possibility of turbulence ahead. It may get bumpy - but somehow you always manage to land safely. Remember: conflict is not bad - it is simply one of the ways that problems get worked out to the satisfaction of both parties.

3. Be Persistent. Landlords tend to be wily creatures. They will stall, delay, feint, shift-do whatever it takes to avoid reducing your rent. And don't think they haven't been

(See Mullaney page 30)

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WHY TENNIS HAS DECLINED

Reason #2: Programs, Programs, Programs

By Spike Gonzales

Now that I've got your attention, let's elaborate. Programs are generally good for tennis, but often they've been mistargeted, misplaced and mismanaged.

Mistargeted? I've seen an alarming trend with the current initiatives bringing beginners into the game. This is the setting up of leagues for 2.5, or even 2.0 players. This is mistargeting leagues for those not yet ready to play competitive tennis. They do not have the skills to keep the ball in play, they are not familiar with the habits of keeping the game moving and often lack a mature outlook on the issues of winning or losing.

Having leagues at these levels implies for the novice players that they've "arrived." They're now "complete" tennis players, and perhaps they do not need more



Spike Gonzales

molding of their skills. Then in these leagues, they fall short of having fun. They do not get significant exercise. They haven't had a lot of coaching on the nuances of competition. They are having to risk success or failure in an activ-

ity that isn't providing a lot of fulfillment. In fact, in each league of ten players there are often nine perceived losers and one winner!

What's the natural outcome with these players? First, a lot of them decide that "if this is what tennis is all about, I'll find something else for fun or exercise." Second, a portion of them feel they are "losers" failing at their new activity. Third, a portion feel that tennis must be more fun or exercise at the higher level leagues, so they prematurely call themselves 3.0's or 3.5's. The dynamics of dilution of the quality of higher leagues, or of having to tell these new players that "they aren't good enough", are the nightmares of many pro administrators.

I've talked to a number

of tennis organizers who've said that Play Tennis America programs have led to successful 2.5 level leagues. I don't believe it's a difficult sell to the new players. Leagues are "in", and they're less expensive than lessons. Unfortunately, however, we lose many of these players in the ensuing months and we tend to rationalize it as just a natural attrition. And we certainly all can point out how some of the Play Tennis America students are now doing well in the 3.0 and 3.5 levels. These are the highly talented and motivated players. They are the winners! Did we not care about the losers?

Leagues are simply mistargeted programs for players below the 3.0 levels. They risk doing more harm than good for the growth of the game!

Frequently programs are misplaced. This happens when administrators schedule programs at prime hours when the courts

would have been used anyway. It's common at sites with no central authority setting up the mix of activity on the courts. It also happens with commissioned administrators in commercial facilities who naturally want their programs to be when registrations are optimal.

It's prevalent in areas with significant inter-club leagues, particularly USTA leagues. In order to get significant leagues they have to be scheduled at the most popular times.

What happens as a result? Organized programs force out regular day-to-day play. Players not wishing to be in structured programs get frustrated they can't get courts. These frustrations are exacerbated when they finally decide to get into programs in order to play and then they are told there is no room, or they're not at the appropriate playing level.

I've seen some clubs or regions laud how they have so
(See Spike Gonzales page 30)

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

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world-wide are ready for someone to step into Augie's shoes and supply the next generation that will sell memberships. That's one of our goals with Trotter/Cybex."

Nieto commented about IHRSA, "I'd say that IHRSA has, single handedly done more to bring a broad awareness of the value of being associated with our industry, for the members as well as the club operators, as any other association, by far. We were the very first advertiser for IHRSA and continue to receive, in our minds, the treatment that we've earned. I think sometimes as an association grows, they sometimes forget there is some past level of support that helped them achieve that growth. I sometimes see dollars in their eyes when they see new people come into the industry and are looking to be friends with everybody. I think we support growth in the industry. We support other companies who are committed to growing the number of people who exercise. My concern with the IHRSA organization is that there is no criteria for singling out who is a great company to be associated with and who is not. I'll give you, for

example, the Skywalker debacle. IHRSA got behind them as a company and gave them the same credibility as other industry players and in my mind, they didn't deserve it. And so, for the members, they did a disservice because there wasn't a qualification process. On a positive side, we co-sponsored the European Club Leaders Association. We plan to do the same thing in Latin America and Asia. With IHRSA's Executive Director, John McCarthy, we have an honest, hard working individual who I think is trying to do the best for the industry. (Life Fitness will sponsor and host a Global Industry Summit of 150 world industry leaders at IHRSA, San Francisco on April 10th and 11th, 1997.)

John McCarthy, Executive Director of IHRSA, shared his view about Life Fitness and Augie with these comments: "Augie Nieto has understood, as well as any supplier in the industry, that his success ultimately depends upon the success of his customers. Therefore, he has invested more Life Fitness dollars in the success of the clubs than anybody else we are aware of. Directly and indirectly, over the past 16 years, Life Fitness has in-

vested over three million dollars in the success of IHRSA member clubs. That is a heck of a commitment. The other thing is that Augie is not only a student of the supply side of the industry, he is an exceptionally insightful student of what makes clubs successful. His understanding and vision of the future of the club industry is as compelling as anybody anywhere. He is truly a visionary person."

STRONG BELIEF IN STRATEGIC ALLIANCES

Nieto has been building strategic alliances with other organizations that have the same goals as Life Fitness. For example, Life Fitness has teamed up with the CheckFree Corporation to interlink the CheckFree front desk systems with the Life Fitness' Lifecenter interactive training system. This connection will simplify the tracking of workouts as well as providing other information for members who use the club equipped with these systems. All of the technological aspects of the Life Fitness products are geared toward the future strategic alliances that Life Fitness is pursuing. Nieto provides a strong ar-

gument for the theory that by working with other organizations world-wide to increase the numbers of people that exercise the 'boat-will-float-higher' for all.

BRING ON THE COMPETITION!

CLUB INSIDER - Q. "Since Technogym came into the U. S. market, are you doing anything different to respond to them?"

NIETO - "No. Because we do such a large amount of business in Europe, we've already done business in their backyard and we beat them. We've grown at a higher rate of growth than they have and we are actually a larger supplier of cardiovascular equipment in Europe than they are. Technogym is a company that I think has a very tough proposition ahead of them. For example, they were not even at the IHRSA Orlando Show. In Europe, you can pick and choose in segments where you want to approach. You can focus on Germany or the U.K. In the U.S., you have one shot. You go for all of these different marginal growth opportunities to double the size of your company, hopefully, in terms of your rev-

enue. But, for sure, doubling your expense structure. I think Technogym coming in as they did with the big blast at IHRSA San Diego and Club Industry in Chicago and not showing up here in Orlando to me shows that they have limited resources and/or as in the past with others, they might be considering pulling out. We have a much more savvy customer base here in the U.S. who have been jaded by companies that have come and gone. The lure of the U.S. marketplace in terms of size is attractive, but, I'm not sure what their results will be. Again, our vision is to have strategic relationships with every company, including Technogym.

CLUB INSIDER - Q. "What are your expectations for future growth?"

NIETO - "We have hopes to continue with double digit growth."

CLUB INSIDER - Q. "You just returned from your visit with Ray Wilson for his Grand Opening Ribbon Cutting Celebration in Hong Kong. What are your plans for your new Life Fitness regional office in Hong Kong and the Pacific Rim?"

NIETO - "The interna- (See *SUCCESS* page 27)

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APOLOGIES AND CORRECTION

Last month we published an article entitled: "Join The Club" which was about the CheckFree Corporation. Photos of the employees of CheckFree were incorrectly placed over their names. We apologize to Dick Mitchell and all of the CheckFree employees involved, for our mistake. And, we have corrected the problem and rerun the photos on this page with the correct names.



(Back Row From Left) Jeffrey Holmes, Bruce Obenour, Vannesa Winnstaffer, Susan Sproul, Elizabeth Robins, Tim Waggner, Christy DeVoe, Sylma Eckert and Mike Andrews



(Back Row From Left) Debra Neff, Anthony Treboni, Barry Bleuer, Brian Kappler, Tamara Loh, Darcy Speaks, Dick Mitchell and Debbie Pitzo

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tional market is growing at double the rate that the domestic market is. At Life Fitness we see it as one of our major strategic thrusts as its always been where 40% of our revenues are outside the United States. In order to do that you have to hire local people who have local understanding of the marketplace, local command of the language, who get up every day and read the paper and can deal with the issues. Our international push in the Atlantic Region began in 1985 and today we have over 110 people in Europe. We have also initiated a major thrust in Latin America, and now, we've opened an office in Hong Kong. With the combination of the growth and the demand in Asia we have great expectations for the region. Ray Wilson opening his club is one more verification of the demand in the marketplace. The reason Ray opened that club is because when he toured Hong Kong visiting local clubs, he didn't see just ex-patriots working out, he saw the Chinese people working out. Once you see the local people embracing this type of lifestyle then there is a marketplace for it because you cannot survive servicing the expatriot marketplace only. There is a limitation of people if you don't appeal to the locals which are there in tremendous numbers. Ray Wilson just being involved in any market assures that the development of that market will escalate several years faster than it previously would have. Ray's got plans to open 100 clubs in Asia and we have a 10-year agreement with him. Financially and personally, Ray has always been great to deal with - he always lives up to the promises he makes. We are very pleased with the relationship - both in the past and for the future."

CLUB INSIDER-Q. "Speaking of growth, let's talk about acquisitions. Do you

have any plans for acquisitions?"

NIETO - "Not at this time. Our acquisition of High Tech has been a great success. Our big problem right now is that we are back-ordered 16 weeks. We are increasing production and hope to reduce our delivery time to 11-12 weeks. In our own engineering efforts, there are some opportunities to fill some niches and we continue to evaluate other companies for strategic relationships, for opportunities to co-develop. But, in reality, we do see consolidation going on in the vendor side of the business and five years there will be fewer players. As the industry is evolving to technology-based equipment, the buyers of the equipment have to look much more closely at the long-term viability of the partners that they are buying equipment from. You can't go to the welding shop and fix it anymore. If you are buying from a company that may not be around three years for now, then you have obsoleted your investment. You won't have anybody there to support you and your entire investment becomes worthless over time."

CLUB INSIDER - Q. "Augie, this year marks the 20th Anniversary for Life Fitness. How does it feel?"

NIETO - "I can honestly say that we are more excited today than we have ever been in terms of future prospects for the industry and our ability to live up to the commitments we have made. I think that in twenty years we've learned several lessons: One is in terms of dealing with the customer - under promise and over-deliver. You gain nothing by promising something you can't deliver, other than the lack of credibility. Second, it always takes longer than you think to bring something to the market. But, once you do, the tale is greater than you can ever imagine. We are still getting sales today from efforts made 10-15 years ago. Third, and probably most important, as long as your whole organi-



(Back Row From Left) Sherri Stephens, Denise D'Andrea, Beth Coughlin-Fox, Tanya Guza, Jane Wrzyszczyński, Karen Martin, Lawanda White, Michelle Power and Judy Rowland

zation is oriented to customer satisfaction and you don't let yourself be seduced by short-term profits, you will be O.K. We could absolutely kill over the next 12-18 months in terms of profits if I were to reduce the research and development or reduce the level of service we provide. Take for example, our branding study focus groups. We spent \$150,000 just trying to figure out why customers are buying our equipment. Why customers are joining clubs? I personally do not rely on industry research. We go out and do original research ourselves, just like I did with my health club in the beginning.

CLUB INSIDER - Q. "If you could describe your love for our industry in three sentences, what would they be?"

NIETO - "As a former athlete, I don't think that I could have picked anything that I ever wanted to do more than what I am doing today. I feel I have become almost like a preacher in terms of helping people see the light of positive activity. To me the challenge we have is how

can we be an enabling force to increase the 4 percent world-wide that exercise to 8 percent, so through everyone's effort, our whole industry will survive and prosper in the coming years."

CLUB INSIDER - Q. "Can you attribute your incredible passion for business to any one particular thing?"

NIETO - "I think honestly, I am not very talented. And, if you believe that you are not very talented, you try to use every resource that you have to succeed. I think there are smarter people than I am. More creative people than I am, so what you have to do is make up for that lack of skills by trying a little bit harder, working a little bit longer and committing yourself to the people who work with you and the people who are your customers. All of this is the same philosophy that Ray Wilson has and gave to me at the start of my career and it has stuck."

CLUB INSIDER - Q. "Augie, we've covered a broad range of topics here today. Is there anything that we've not covered? (See SUCCESS page 30)

Is Jazzercise A Solution For Your Club?

By Rachel Narsh

It's that time again. Thousands of Americans will invade health clubs to once and for all stick to New Year's Resolutions to get fit. According to IHRSA, January is the biggest month for health club memberships, accounting for 11 percent of total memberships purchased each year. With all these people out there ready to get in shape, is your aerobic class program in top shape? If not, here is some food for thought about a possible solution for you.

You may be considering some new programs for 1997 - maybe a stationary cycling class, yoga or a hip-hop aerobic class. Maybe this is your first time to venture out past the free weights and cardio machines and you are not really sure where or how to begin.

Choosing a program to add

to your club's repertoire can be a challenge. Many health club owners across the country have ended their search for a new fitness program with one that has been around for 30 years - Jazzercise. That's right. The dance-fitness program that Judi Sheppard Missett created in the early 70s, continues to thrive in more than 100 clubs across the country.

Ron and Sandy Franco, owners of Franco's Athletic Club in Mandeville, Louisiana, and George Jackson, president of four Gold's Gyms in southern California, offer advice and insight as to why Jazzercise has been a vital part of their club's programming since they both added it a year ago. The following are some points to consider before introducing a new program to ensure that you make a wise investment and enhancement to your club.

1. Feasibility and profitability: The first thing to determine is whether or not it is pos-

sible to add a new program to your facility and if that program will increase your revenues. "We have to consider the feasibility of the program and the profitability," explained Jackson. "Then we have to decide if the program will benefit the members and enhance our club."

2. Accommodations: You will need to provide a clean open space, electrical power and lighting, access to restrooms, air conditioning and ventilation and plenty of parking. Depending on the program, you may have additional equipment to purchase, such as a stereo system, microphone, music, weights, mats, resistance tubes and steps.

3. Research: Don't just take the first program you read about or that someone suggests—do your homework. Find out what is out there. Make sure it is a quality program, and that it's safe and effective. You may even ask an instructor to come in and teach a free one-time trial class to witness the class for yourself, and also to get some feedback from your members. This may be the only way for you to find out just exactly what you are getting before you invest. The Franco's, who have owned their club for nearly nine years, observed Jazzercise for a long time before she decided to make it a part of their club. They have been very impressed with the customer service they provided. "If you can't beat 'em, join 'em", Sandy Franco said of her decision to offer Jazzercise. "(It was) the smartest thing we could ever do."

4. Club longevity: Hula-hoop aerobics may be the hottest thing going right now, but how hot will it be in 6 months? A year? Select a program that will keep pace with ever-changing industry standards, and not be just a short-lived fad. Jackson gives new programs a 90-day trial period before making them permanent.

5. Scheduling. Just because a class might be convenient for you at a certain time, doesn't mean it will be convenient for your members. Think about who is in your target market and what times would be convenient for them. You might call around to other health clubs in your area to find out when they offer similar programs. Or just survey your members, as Jackson suggests.

6. New customers: Will this program attract new members, maybe even an entirely new market to your club? More importantly, will it keep them there? Jackson found that Jazzercise attracted an entirely new market to his clubs. "Gold's (Gym) appeals to a certain niche and Jazzercise appeals to a certain niche market", he explained. Franco agrees, "Because of the club stigma, some people would have never stepped

foot in our club," comments Sandy Franco. "Certain Jazzercise people would have never come now they do."

7. Instructor certification: "Certification is the number one consideration", Jackson said when asked about hiring instructors. "Instructors need to carry the credentials. Make sure your instructor has completed a comprehensive certification and training process through a respected fitness organization such as ACE, AFAA, ACSM or Jazzercise. Good instruction is the key to any fitness program. He or she should teach professionally choreographed routines that are safe and effective." Jackson explained that the certification ensures the ability, but that they also look for personality in an instructor. Your instructor will also need to be CPR certified and renew that certification annually.

8. Program structure: You will want to invest in a program that lots of people can do—not just the Betsy Buffs of the club. Can the program be enjoyed by beginning exercisers as well as the very fit? Is it challenging and fun? Look for a program that offers several different class formats to meet the needs of all population segments.

According to Sandy Franco, this isn't a problem with Jazzercise. "Jazzercise offers a comfortable entry (to exercise), although they do have some more advanced classes", she explained. "They attract the people that might not have exercised", she continued, "and because it's a lot of fun, they're more willing to do it."

9. Insurance: Will a new program add to your insurance expense? If you already have an existing aerobic program in your club, this will not be a problem.

10. Music royalties: Chances are good that the instructor will want to play music during his/her class. Anytime music is played for profit, a royalty must be paid to ASCAP, BMI and SESAC. These companies collect royalties for music artists.

11. Continuing education: Does the program continue to educate instructors through newsletters, conventions and workshops? If not, are the instructors willing to do this themselves? You may need to provide instructors with opportunities for continuing their training. For the longevity of the program, you will want to hire an instructor that does more than just come in and teach a class. You want a fitness professional who cares about the industry, his or her students, and stays abreast of what is going on in the world of fitness. Jackson says he has never met more professional aerobic instructors than

Jazzercise instructors. "They have a genuine concern for their business and their students' fitness", he said.

12. Registration: You will need to figure out how you want to register people when they come to take your class. Will it be open to members only or will you welcome people who just want to come and take the class? Will it be open for members only or will you welcome people who just want to come and take the class? If the class is just open to members, will it be part of their membership fee, or will they pay an additional fee for the class? After deciding that, you will need to decide how much you want to charge for the class.

13. Paying instructors: Some clubs pay instructors a flat hourly fee for teaching; others pay a percentage based on class attendance. The Franco's pay all instructors a flat fee. They also help offset some of their instructor's costs (music, shoes, etc.) and give them opportunities for continuing education. Jackson pays his Jazzercise instructors \$1.25 for each club member that attends a class. The instructors, in turn, pay him 30 percent of their profits from those who are not club members, but just attend Jazzercise classes.

14. Marketing: You might have the best program and the most fabulous instructors in the world, but it does not matter if you cannot get anyone to attend class. You will need to do additional marketing to ensure that someone turns out for your premiere class—and that they keep coming back. "We do anything you can imagine (to market a new program)," explained Jackson. "Newsletters, direct mail, a special offer—you name it."

When the Franco's first introduced Jazzercise, they offered the public a free month to try Jazzercise and the club. In the first month, 50 new people came in the club; in three months, 80 new people. "From a club owner's perspective, that's a lot of dollars from one program," comments Sandy Franco.

If you keep these things in mind, adding a new program can be very easy. Expanding the services available to your clients can only enhance your club. Today, there are many excellent workout programs available to the public. As club owners and managers, it is vital to your business to stay on the cutting-edge of programming.

(Rachel Narsh is the Marketing Assistant for Jazzercise, Inc. in Carlsbad, California. Jazzercise is the largest dance-fitness program in the world with 4,700 franchises offering 19,000 classes weekly in 38 countries. To find out how you can add Jazzercise to your club, call (619) 434-2101 and ask for the name of the District Manager for your area).

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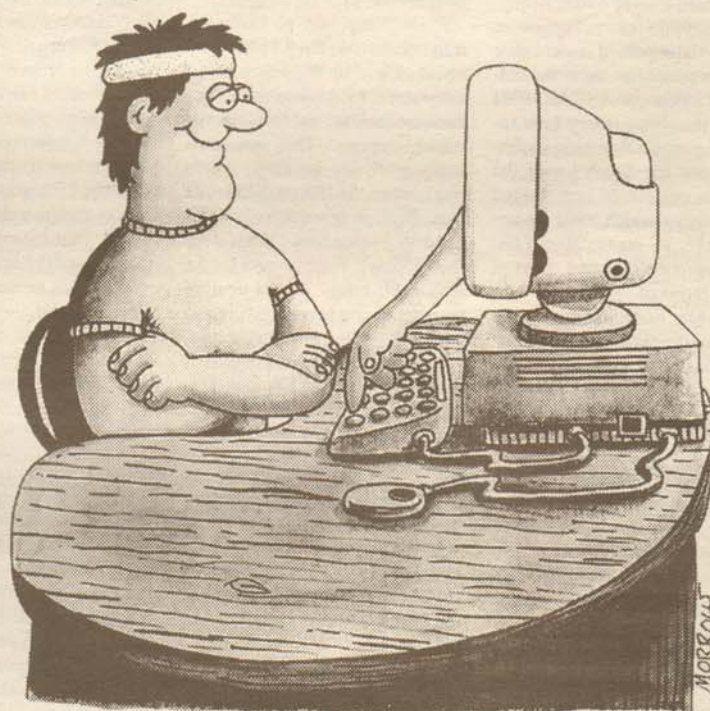
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...Spike Gonzalez

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many players in their organized leagues, but their courts are almost empty in the afternoons or after 9:00 pm. They say leagues have been their salvation, but they've produced no additional players or court usage. (More often than not, they've scheduled leagues during prime times to lure players away

from other clubs.)

The USTA lauds its growth to over 200,000 in USTA leagues, but are these new players in the game? Are these producing more play or are they simply structuring players into desirable prime slots? What's disconcerting is that clubs that are candidates for having USTA teams are pressured into giving the prime court times to this activity. When they want to have the league matches at any but the most desirable times, the club managers are badgered by their own league play-

ers and the league administrators. What's been created are "spoiled" league players who will take their business to the club giving up the cheapest and best court times.

Too often programs have been mismanaged or undermanaged. Programs get set up without detailed procedures of how to pay, to reserve spots or with appropriate deadlines. And often when the procedures are written in advance, they are not enforced. Administrators are afraid to charge "no-shows" or turn away players showing up without reservations. They often allow

players of inappropriate playing levels in their programs in order to get the revenues. They frequently cannot get their activities organized in advance because of their weak reservation and enforcement practices, so the activities come across as slow-moving and disjointed in the eyes of the participants.

The cycle develops where the activities become less attractive to the players, so players are less likely to make them a priority and sign up in advance. Administrators wherever I go

seem to indicate they can't get an event off the ground unless they do phone recruiting. The tennis environment starts showing more of a sales culture than a service one!

Mistargeted, misplaced and mismanaged programs have sometimes developed a mentality in our players that they play when they are called and recruited in advance. When asked why they haven't played recently, tennis players have come to say, "No one's called me." **Spike** may be reached at: (941) 774-2442.)

...Legal World

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NEW JERSEY AND CALIFORNIA PASS MUSIC FAIRNESS LAWS - Small businesses in New Jersey and California won hard-fought music licensing victories this year as legislators in the two states passed laws to give businesses protection from the collection practices of ASCAP, BMI and SESAC. New Jersey Law requires: The music licensing societies must provide: (a) A list of the titles of the performed copyrighted musical works which must be updated weekly on the Internet. (b) At the proprietor's request, a list of rates and terms of agreements with comparable businesses in the county. California's Law states that music licensing groups provide: (A) Certain details about fees and schedules in writing at least 72 hours before contract signing. (B) The most current list of performed works. In addition, all contract negotiators must identify themselves to the

owner upon entering a business. IHRSA has joined with the National Restaurant Association and a coalition of seventeen business groups to lobby for the passage of S.1628 in the Senate and the Fairness In Music Act, H.R.789, in the House. Contact the legislators in your area to urge their support.

Employer or Independent Contractor? The IRS Speaks Up - The IRS has released a document to help businesses understand their federal employment tax obligations. This new summary outlines an employer's rights when the IRS challenges its classification of workers as independent contractors. What does the IRS say? If a business has "a reasonable basis" for not treating workers as employees: is "consistent in its treatment of any similar workers as contractors and if it consistently filed the required information returns, an employer may be relieved of federal tax withholding obligations.

New Florida Law Strengthens Non-Compete

Agreements - A new Florida law may make non-compete contracts between employers and their employees easier to enforce. For those clubs with aerobic instructors, personal trainers or other employees with dedicated followings, the law could prevent these popular employees, should they decide to work for one of your competitors, from taking members with them. For practical purposes, non-compete agreements in Florida didn't use to be worth the paper they were written on. Under existing law, employers had to prove that they would be "irreparably harmed" if the non-compete clause was not enforced. That meant the employers had to spend the energy and money on legal fees to seek enforcement. When they did, judges often found the non-compete contracts overly restrictive and therefore unenforceable. Most employers decided that seeking enforcement just wasn't worth it. Under the new law, clubs only need to prove the existence of one or more "legitimate business interests" to justify a non-compete

contract. The new law applies to contracts signed on or after July 1, 1996.

States To Take A Closer Look at Tax-Exempt Hospitals - On the heels of federal legislation, H.R. 3801, The Taxpayer Bond Fairness Act" co-sponsored by Wisconsin lawmakers, Gerald D. Klezka, a Democrat and F. James Sensenbrenner, a Republican, states have begun to look closer at tax-exempt hospitals. In Tennessee, a Court of Appeals has found that a fitness center operated by a nonprofit hospital should be taxed in relation to the percentage of fitness memberships it sells to the general public. Also in Tennessee, a Court of Appeals affirmed a partial exemption of only 15% for a Hospital Fitness Center, making 85% of the center taxable. In Oregon, the Oregon Tax Court has ordered an investigation into whether four of the state's largest hospitals qualify for their tax-exempt status.

New Hampshire Paves The Way - The New Hampshire Legislature has passed into law a measure to allow municipalities to negotiate with tax-exempt organizations for voluntary payments in lieu of taxes. According to State Representative Elizabeth Cepaitis, this bill was enacted "to respond to the needs of communities which face increased taxes and yet receive no help from nonprofits which require municipal services." It became effective on June 10, 1996.

IHRSA ISSUES BRIEFING PAPER ON KIDS IN HEALTH CLUBS - The focus is on laws that protect children. More than four million children are treated annually in emergency rooms for sport-related injuries, according to the U.S. Consumer Product Safety Commission. While most injuries occur outside of the club setting, club operators need to recognize the unique safety and legal questions that arise when dealing with kids. The briefing paper addresses those areas.

...SUCCESS

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ered that you'd like to go on record?"

NIETO - I would like to go on record that this fight that the IHRSA organization is taking toward the YMCAs and other non-profit organizations is not right. I believe that they are doing something similar to saying, 'I am an island to myself and we should be the single source or way that people receive information or a place to exercise. My belief is that if we create an environment where we discourage non-profit organizations from helping educate the population about the benefits of exercise, we are going to be biting the hand that

will feed us in the future. Alan and Steven Schwartz of Tennis Corporation of America are going the best possible way for a combination of both, where they are the management company for the City of Chicago tennis courts, which is a feeder system for the private tennis/health clubs in the Chicago area. So, why would you not want a professionally run tennis program in the public sector? Ultimately, people will want to play and work out in the private clubs. And, the facilities that the IHRSA clubs represent are the epitome of that. I see that a lack of dissension works extremely well over in the United Kingdom where the public facilities provide a feeder system for the club business, which is at an all-time growth frenzy. IHRSA is spend-

ing resources to try to condemn people for exercising. It is a battle I personally believe is a poor use of money for an industry association to try to discourage other people from spreading the word on fitness and the value of regular exercise. I know I'll catch a lot of flack for this comment."

CLUB INSIDER - Q. "You said it, I didn't, but it is a well thought out comment. Basically, what you are talking about is the 'float-the-boat' concept."

NIETO - "That's right. Absolutely right."

CLUB INSIDER - "All the boats will rise higher if the sea has more water. I know the concept is difficult to swallow for small club operators threatened by non-profits. Maybe we can, through working together, figure out how

to develop this feeder system in co-operation with the non-profits.

Norm Cates®

THE Club Insider®

NEWS

Seeks Contributing Writers

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...Mullaney

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through this before; they have a clear advantage over you in that many of their tenants have already come to them seeking rent relief. You must be focused and persistent

to complete a lease restructure.

4. Make It A Two-Way Street. If you simply demand that the landlord help you and offer nothing in return, your likelihood of being successful is lower. The best restructures occur in the "dimes for dollars" format described above. The tenant provides something minor to the

landlord in return for major cash savings from the landlord.

What Are You Waiting For?

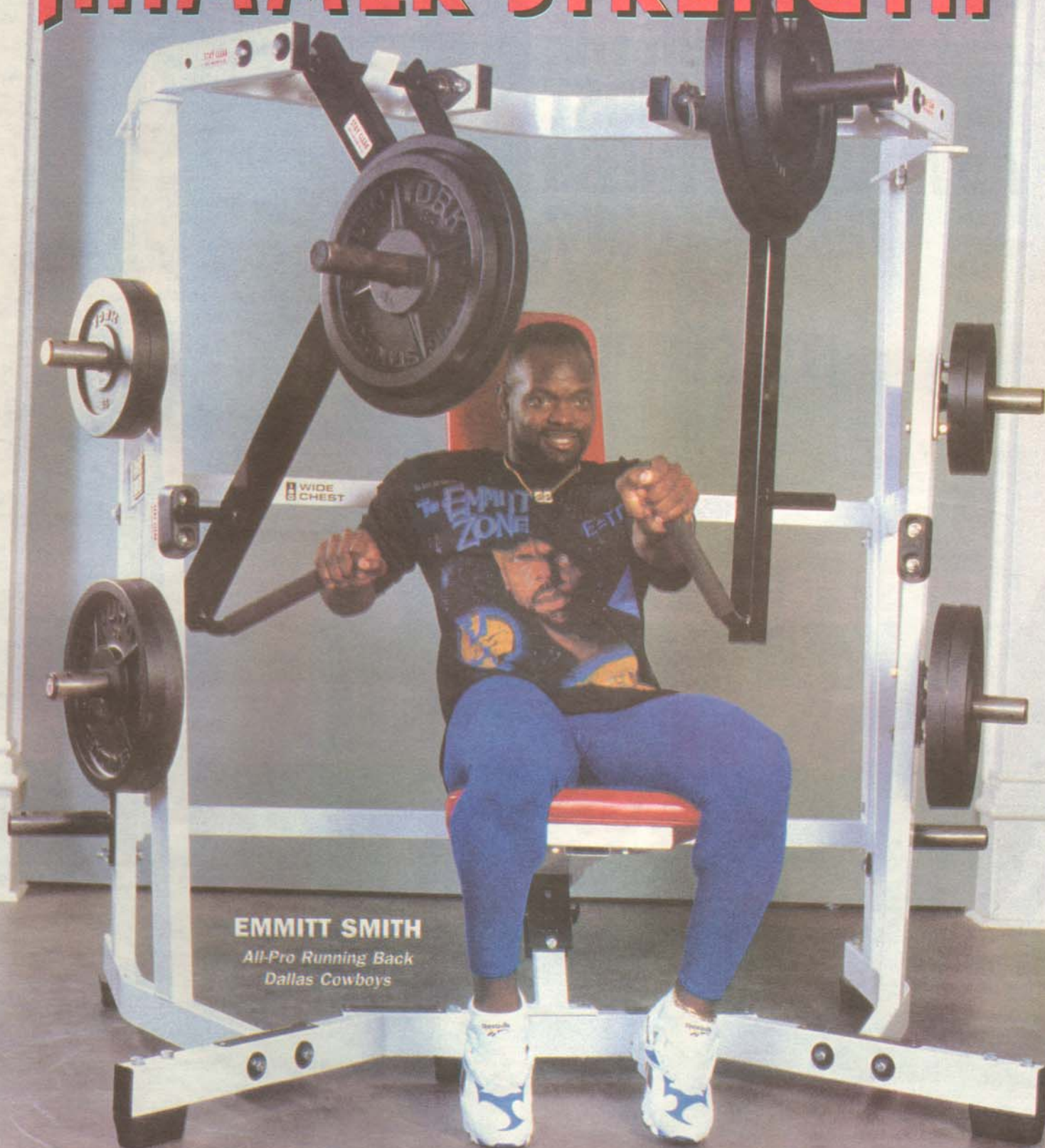
The rent bill is like death and taxes - only worse: it never fails to arrive, and it does so every 30 days. The time to get your rents reduced is now. A typical lease restructure will take from 60 to 120

days of persistent effort to accomplish, but the cash savings can be enormous and well worth the effort. Remember, if you do not dive into this new area of managing your cost structure, be aware that your competitors are. And they will have a source of competitive advantage over you: lower occupancy costs and

higher cash flow.

(Thomas P. Mullaney, a senior partner of Huntley Financial Group, is a leading expert in restructuring leases and debts for companies around the United States. His clients range in size from Fortune 100 companies to small, privately held companies. He can be reached at (916) 641-2213.)

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