

THE Club Insider

NEWS

MARCH 1995

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BULK RATE PAID
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The Pulse of the Health, Racquet & Sports Club Business

BALLY HEALTH CLUB'S FRANCHISING NEARS KICK OFF!

By Norm Cates, Jr.

Mike Lucci, CEO and President of the Bally Health Club chain, announced a plan in 1994 to develop a club franchise program. Now, the new Bally Franchise Program is nearing completion.

Lucci hired Tom Vitacco, a veteran franchise developer/operator whose most recent experience was working with the World Gym chain when Arnold Schwarzenegger owned World's Gyms. Vitacco shared some of the

details of the new franchise program with *THE CLUB INSIDER*, but was quick to point out that the legal aspects of the franchise offering had not been completed at this time and would not be in place for 60-90 days. He emphasized that information provided should not be interpreted in any way as an offer to sell the franchises. He explained that once the required state registrations and other legal work was complete, he would then be able to make formal offers.

When this writer expressed concern that the new Bally Franchise Program could end up as a "cloning" of the old methods of operation which had previously

caused Bally clubs trouble, Vitacco strongly disagreed. He explained, "this is a very vital and exciting opportunity to build something totally new.....drawing on the positive aspects of the Bally club experience and leaving behind the negatives." In short, he argues that the franchise program will be able to tap into all of the resources of the Bally club chain while leaving the old culture, the culture that Arthur Goldberg and Mike Lucci have vowed to change, behind.

Vitacco says, "this is a unique business with emotional attachments." He described the franchise program he is building

as a "true franchise", one where "financial pre-qualification" will be an "imperative" for all franchisees. The franchise package will include a 25 to 30,000 square foot floor plan, a significant training process which will begin in advance of the "pre-sale", site selection and lease negotiation assistance. Vitacco indicated that franchising fees reasonably established to allow Bally to recover their "hard costs" in developing the program would be charged, but had not been specifically determined.

When asked if some of the existing Bally clubs might be "spun-off" as part of the franchise

program, he responded that the possibility and others are currently being discussed. He indicated that there appears to be a significant level of interest in the Bally franchises if the number of calls he has already received is any indication.

He welcomed information calls from our readers. He explained that he was personally responding to each call and re-emphasized that the required documents and state registrations had not been completed. Any call to him would provide only preliminary information and not an offer to solicit or sell the franchise perse. To reach Tom Vitacco, call (312) 399-7625.

RICK CARO AWARDED IHRSA'S DISTINGUISHED SERVICE AWARD

Rick Caro, the man featured in the January issue of *THE CLUB INSIDER* as "The CLUB INDUSTRY'S BEST FRIEND", received the International Health, Racquet and Sports Club Association's highest honor at the IHRSA San Francisco Conven-

tion.

What has become IHRSA was the "brain-child" of Rick Caro. He fostered the founding of the Association by bringing together leaders from the two prominent industry Associations, the National Tennis Association and the National Court Club Association.

After facilitating the creation of the Association, which now has over 2500 member clubs in over 35 countries, he served in many capacities, including a term as President, as a Board Member twice and on countless committees and IHRSA projects.

A former partner in a chain of eight New York clubs, Caro is now the President of Management Vision, a New York City and Connecticut-based club management consulting firm and has served the industry as its top expert on numerous club industry topics.

Congratulations to Rick Caro, a fellow who is most deserving of IHRSA's highest honor!



Rick Caro

• Inside The Insider •

- Reebok Sports Club/NY Opening Set
- Reducing the Club's Real Estate Taxes
- Ex-Bally Managers Sue Company
- Club Owner Battles YMCA
- Club Insider Satisfaction Survey Results
- The Health Care Connection

THE INSIDER SPEAKS

• EDITORIALS • "INSIDER MAIL" • COMMENTS •

SUPPORT THE CLUB INSIDER ADVERTISERS!!

The **CLUB INSIDER** publishes print advertising and written "infomercials" for some of the top companies in the health, racquet and sports club industry. These fine companies represent the best of leading edge thinking in our industry today.

The **CLUB INSIDER** supports these companies and encourages its readers to support the efforts and products of these com-

panies. The **CLUB INSIDER** is a vehicle for club operators to enhance and improve their clubs. By informing our readers of vendors who provide new and leading edge products and services, we can facilitate this effort. The success of our readers clubs will be impacted by the new information they are able to obtain and the timing of that information. The **CLUB INSIDER** leads the way with time-

liness of the news of innovations and industry events.

The new infomercial content of The **CLUB INSIDER** News is presented with an intent to provide interesting, informative reading about the industry in general, combined with a focus on the client's products. Contrary to other publications, our infomercial advertising carries our ENDORSEMENT of the product or service provided

by the company and The **CLUB INSIDER** does not take these endorsements lightly. Our endorsement and support of these companies through written infomercial content does not represent a compromise of our integrity because we don't accept infomercial advertising opportunities without careful consideration and we retain editorial control.

The **CLUB INSIDER** readers, through our 1st Annual Subscriber Satisfaction Survey, have validated The **CLUB INSIDER** decision to accept advertising promoting industry products and services. You have basically said to us: "GO FOR IT NORM..... BUT, DON'T LET ADVERTISERS CONTROL YOU OR WHAT YOU SAY! You have also told us; "IF ANY ADVERTISER DOES SOMETHING THAT IS DETRIMEN-

TAL TO THE INDUSTRY, YOU MUST "TELL IT LIKE IT IS" NO MATTER WHO IT IS! Our pledge to our readers is that we will remain objective and we WILL follow your advice!

As we expand our circulation to 10,000 in June, 1995 and to 25,000 in January, 1996, your support of the fine companies who advertise in The **CLUB INSIDER** will be just one step in the **CLUB INSIDER**'s success. Your increased subscription numbers per our NEW rate structure, your input and participation in our editorial and educational content and, YES, your objections if we do something that you view as wrong, will be important to us as we find our way in this new - somewhat strange world of publishing! We thank you for reading The **CLUB INSIDER** and we wish you all the best!

MEMO TO: IHRSA BOARD OF DIRECTORS, care of The **CLUB INSIDER** NEWS
FROM: A Concerned IHRSA Associate Member

I am writing to express the concern of many of the Associate Members of IHRSA relative to what is going on with the Association. I have chosen to send this letter to The **CLUB INSIDER** News because I believe IHRSA will keep my comments private and will ignore this input.

We are concerned because IHRSA continues to ignore the interests of the Associate Members even though roughly 40% of the IHRSA annual budget comes from Associate Membership dues, convention fees and sponsorships.

Here are some of our concerns:

(1) IHRSA continues to schedule its Trade Shows in cities where the labor is unionized and where space costs are much higher than necessary. Compare the "Super Show" to the IHRSA Trade Shows for example: The space rental for the "Super Show" is \$1100 per booth versus \$1900 for IHRSA. It is a non-union show, which means that we do not have to pay the huge drayage costs, there are no "add on" costs for carpet, etc. In short, the cost for my company to exhibit at the Super Show as compared to either IHRSA Trade Show is much less. We are paying twice as much in San Francisco as compared to what others paid at the Atlanta Super Show. WHY??

(2) IHRSA Trade Show hours are too short: why should manufacturers keep on supporting IHRSA when their shows are so short and cost so much? Example: IHRSA and CLUB INDUSTRY both run short shows with a total of 10-12 hours over three days. The Super Show provides 27 hours of selling time in the same span of three days at less the cost.

(3) It grieves me to think that at least half of the people we are going to see in San Francisco will be just visitors for the day rather than real IHRSA members and a huge percentage of those attending have nothing to do with the buying process whatsoever!

(4) The IHRSA Associate members do not have a voice in what IHRSA does and yet Associate income is approximately 40% of IHRSA's annual income. The Associate Members of IHRSA are seriously interested in organizing a Manufacturers Trade Association. Over the years, the manufacturers have been taken for granted by IHRSA and they have not responded to our needs. When that happens, IHRSA could lose up to 40% of its annual revenues and will no longer be able to produce a trade show!

IHRSA's leadership should wake up now and realize that the Associate Membership group is not happy and is going to make its own changes if they do not begin to address the concerns of the manufacturers in meaningful ways.

Signed,

A Concerned IHRSA Associate Member

IHRSA SAN FRANCISCO EXHIBITORS

Company	Exhibit Space #
Affiliated Acceptance Corp.	#976
HealthRider PRO	#484
Cardio Theater Corp.	#718
Med X Corp.	#644
Checkfree/RCM Corp.	#762
Preferred Clubs	#125
Donald DeMars Intl.	#475
Sales Makers	#1475
Faust Management Corp.	#1658
Stairmaster Corp.	#1044

•NORM'S NOTES•

JOE CIRULLI, the owner of two long-time successful clubs, the Gainesville Health and Fitness Center and the Health and Fitness Center for Women in Gainesville, Florida, has broken ground on his new 48,500 square-foot facility which will replace his co-ed club location which has been in operation for 20 years. Cirulli is one of the top club operators in the U.S. Seven years ago, he installed MED X equipment in both his club and in a new physical therapy center he opened. The physical therapy center, which is contained within the co-ed club, now generates over \$1 million per year in revenues.

JIM GERBER of the prestigious Western Athletic Clubs, has established a new subsidiary for his company, called Signature Health Services. This new company will provide health services to the clubs that he operates in various northern California markets. **DAN LYNCH**, formerly of the Cape Coral Hospital Club in Cape Coral, Florida, has been hired by Gerber to operate the new company.

NEARLY SOLD OUT! Atlanta's 1996 Olympic Games tickets don't go on sale until May 1, 1995, but nearly all of the hotel/motel rooms within a 30-mile radius of Atlanta are nearly gone for the 17-day, July, 1996 Olympic period. A massive home rental program is currently being developed by the Atlanta Olympic Committee and other entrepreneurs and that should help ease the lodging demand from the 2 million expected to use the 11 million Olympic tickets being sold.

VICTOR AND LYNNE BRICK, owners of the Brick Bodies Padonia Fitness Center and Lynne Brick's Women's Fitness Centers in the Baltimore, Maryland area, are helping promote a weeklong Fitness Cruise in the Caribbean on the cruise ship Horizon. The cost is \$914 per person, not including air fare to roast your hard body on this cruise. To book a ticket or two, call Fit To Travel (800) 526-2769 and tell 'em Norm gave you the number!

MIKE LUCI, the CEO and President of The Bally Health Club chain said to get back to him

in about six week when I inquired about the status of the Bally plan to "Spin-Off" the club chain from the parent company, explaining that he would have updated information for The CLUB INSIDER at that time.

And speaking of Bally, **ALAN SCHWARTZ**, the Chairman of Tennis Corporation of America, recently brought IHRSA and BALLY together in Chicago to help fund and work with Chicago clubs in their efforts to stop a DuPage County park-and-rec's effort to develop community athletic facilities without containing community approval and without filing a "certificate of need." **JOHN MCCARTHY** reported in his February CBI Memo that Schwartz puts the matter simply: "These people want their communities to incur debt without public consent and to develop facilities without reference to existing marketplace realities. It's bad public policy." And, I might add, it will be bad for local clubs' if it is not stopped..... nice going ALAN!

The rest of the space for



Norm Cates, Jr.

this month's Norm's Notes will be used for a report to our readers from the results of our 1st Annual CLUB INSIDER Subscriber Satisfaction Survey. My sincere

thanks and appreciation goes to the many people who took their valuable time to complete the survey and send it back in. We are listening and appreciate your guidance!

Subscriber Satisfaction Survey Results

The first annual CLUB INSIDER News Subscriber Satisfaction Survey produced encouraging results. With a rating scale of Excellent being a 6 down to 1 being Awful, the readers said:

Rating Level	Percentage of Respondents
6 Excellent	30%
5	42%
4	24%
3	2%
2	2%
1 Awful	0%

The ratings reflected an overall general satisfaction with what we are doing. The written input and suggestions was very valuable and included some interesting comments.

Question #2, "What did you like most?" included the

following responses:

"The irreverence"/ The truth, you called it straight - no politics/ No bull.... articles! / Balanced viewpoint/ Articles on Bally and IHRSA name change issue/ the straightshooting style/ Norm's Notes/ Grassroots info on relevant topics/ the open and inquisitive editorial attitude/ the honesty - the real issues/ articles about IHRSA unbiased! / Up - to - date info and owner's views/ you tell the truth without regard to being politically correct! / covers key issues facing our industry/ "telling it like it is!" / The way you brought out controversial issues/ Inside news/ objective industry info/ The facts/ Hard hitting news/ Open Forum for readers to speak out/ The controversial issues/ Cost cutting and other info/ The true "inside scoop" on the industry/ Down to earth ap-

proach/ Inside reports on Bally/ Profit vs Non-Profit/ Red Lerille's story/ Success or failure stories/ It is a very interesting read! / Bally Watch - club profiles - most everything/ truth/honesty / open and frank - informative - honest approach/ candid-honest- insightful articles and commentary/ addressing practical issues/ incentive and cost control articles.

Question #3, "What did you like least?" included the following:

Some articles too long, The article on the baseball strike (I know folks, nothing to do with clubs!), You seem to suck up to advertisers! (Oh yes! I sure do..... they are my customers just like you are and if I don't "suck-up" to them and try to increase their sales, then I won't be doing my job now will I (See Survey page 25)

IHRSA OPEN FORUM DON'T MISS IT!

WHERE: San Francisco IHRSA Convention
WHEN: March 17, 1995
 Friday Evening 6:00 - 7:30 P.M.
WHY: To Protect The Future Of IHRSA!
HOW: Plan Your Convention Schedule To Make The Open Forum A High Priority

JUST DO IT!

MicroFit's Health Care Connection

By Neil Sol, Ph.D.

This Health Care Connection column will help you target the appropriate influential individuals who can help facilitate the connection between your club and health care. We will also share recommendations on the content of the message to be communicated to these appropriate individuals to enhance the development of the desired relationship.

In beginning of this health care connection campaign, the first step is to assess your club's desire to enter into a relationship with a health care provider in your community. A health club relationship with a health care provider is of benefit to both parties. In fact, in today's health care environment, a full-service hospital must provide a comprehensive and quality preventive health program to meet market demand. Health care institutions have realized these services are best provided by professionals, like ourselves and as such, the health care industry is highly motivated to create an affiliation. As managed care organizations (MCO) develop as the primary method of health care reimbursement, there is a growing need to improve the health of the plan's subscribers in an effort to reduce health care utilization cost. Most MCO's, whether offered by hospitals or traditional health insurance groups, do not possess expertise to provide service to improve the health of subscribers. Health clubs and our trained professionals have the expertise and means to provide this service. The goal of the new paradigm in health care is to keep individuals healthy and out of the hospital, as the hospital of the future is an empty one. So, to start the process of a Health Care Connection Campaign we need to contact the appropriate individuals at the hospital or insurance group.

HEALTH CARE CONNECTION CAMPAIGN CONTACTS

*Within the Hospital:

1. Hospital CEO/President/Administrator

2. Director of the Hospital Sponsored MCO.
3. Executive in charge of New Business Development.
4. Chief of Medicine

*Within the Insurance Company

1. Company CEO/President/General Manager
2. Regional Manager
3. Direct/Manager of MCO or HMO/PPO

(Please note that these titles are generic and specific companies or institutions may call these individuals by different titles, however, their responsibilities in establishing a relationship with a health club are the same.)

OBTAINING NAMES OF CONTACTS

Learning the names, addresses and other vital information about the contact can be as simple as a phone call to that titled individual's office and requesting the information from a secretary. However, the best possible contact would be from one of your members who has an affiliation with the targeted organization.

RECOMMENDED METHODS OF CONTACT

The following list of recommended methods of contact is not exhaustive, as other methods do exist and can be successful.

1) WRITE A LETTER TO ONE OR ALL OF THE TITLED CONTACTS. The message should include:

* Explanation that your club and our industry understands the shift in Health Care from sick care to prevention;

* that your club understands and accepts its role as quality provider of preventive health to the community;

* that your club understands how to attract and maintain individuals who participate in preventive health services (health screening, lifestyle education and physical activity);

* that your club employs experienced personnel who deliver these services;

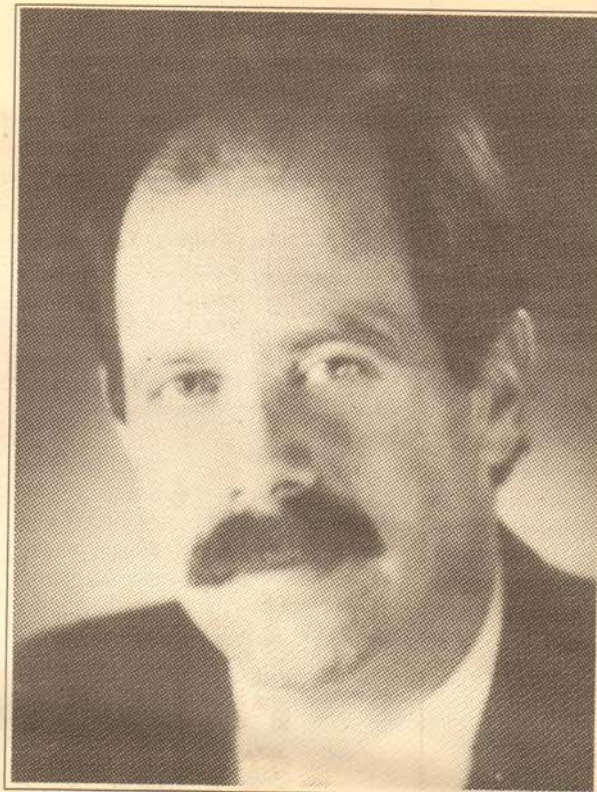
* that your club can help the MCO meet its needs by helping people stay healthy, decreasing the utilization of health care, ultimately increasing their profits;

* Indicate that you will call for an appointment to discuss this mutually beneficial opportunity.

2) CALL FOR AN APPOINTMENT WITH THE TITLED CONTACTS. A pure "cold call" is not recommended as the executive might believe your call is simply a solicitation to sell club memberships. Calling for an appointment will produce the best results when it is made after the executive has received your letter of introduction.

3) TAKE THE TITLED CONTACT TO LUNCH. It is probable that within your club's membership is one or more of the individuals you have targeted to contact. In this case, as owner or general manager you can call that member/contact to arrange a lunch meeting to better get to know this member and to discuss the topic of a relationship with their health care organization. (This discussion can also take place informally while the contact is exercising or using other club facilities and services.)

4) GAIN ACCESS THROUGH NETWORKING. If the decision-making executive is not a member, then for sure an influential physician or company employee, an account representative for the MCO or a hospital Board member will be a member of your club. Contact them, explain your desire and ask



Neil Sol, Ph. D.

them to introduce you to one or all of the titled contacts.

SUMMARY

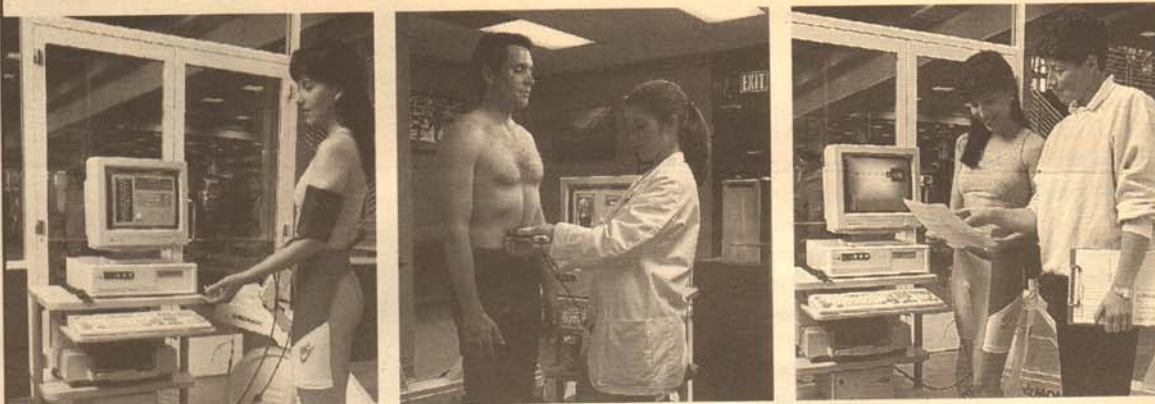
We realize that the tone of this column may suggest that the responsibility to initiate discussion to achieve a relationship with health care lies with the club and that this might be curious to you when health care has as much, if not more, to gain from this relationship. The situation is that the health care industry is realizing they must be involved in formal prevention because that will be the basis of survival and success in the future. However, they will provide preventive services themselves (even though they understand their limitations in this area), because they do not realize that the club industry either understands this process and/or is interested in being involved.

Don't forget what happened in the 1980's when health care built and managed their own wellness/club facilities and became competitive to the commercial club industry. This occurred

because hospitals like to be in control and they did not know that the club industry was interested in supporting their effort, so.....they did it themselves. Let's not let this happen again! Let's tell health care that the club industry is ready, willing and able to jointly solve the health care crisis in a relationship that is mutually beneficial. Let us be the participatory industry that we are, riding this wave of change that our industry is facing, rather than just watching it go by.

(Editor's Note: Neil Sol is the President of Houston-based Health Vantages, Inc., a club industry consulting firm. He is one of the club industry's leading experts in the field of health care and health club connections. He may be reached at (713) 494-5550. MicroFit is the world's leading fitness evaluation systems provider and sponsors this Health Care Connection column as one of MicroFit's many contributions to the fitness industry. MicroFit systems include Fitness Evaluations, Health Risk Appraisals, Group Wellness Reports, Nutritional Assessments and Exercise Plans. For information, call Rob Rideout (800) 822-0405.)

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PREFERRED CLUBS GALLERY

By Norm Cates, Jr.

The Preferred Clubs Program, the brain-child of two young California club owners, Bill Gooding and Micheal Dreifus, began as a reciprocal club access program called "CLUB CALIFORNIA." What started out as a state wide effort to create a reciprocal club program in California has grown into an ever-expanding V.I.P. Club Access Program that will soon branch across the U.S. and Canada.

Those who have enrolled in the Preferred Clubs Program are already enjoying its benefits. Here is what some of the owners/managers of those clubs have to say.

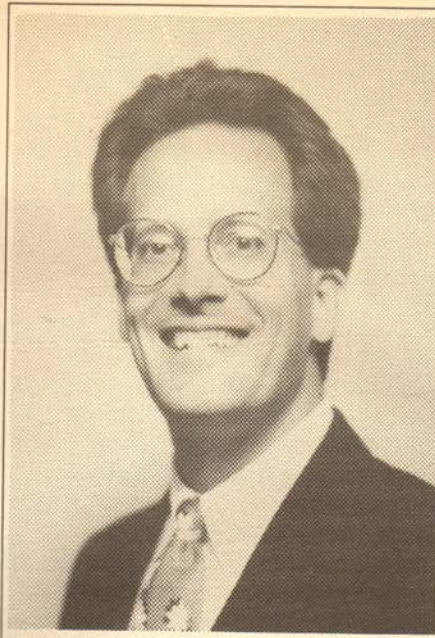
JANET LOSSICK, THE 12-YEAR general manager of the 17-acre Los Caballeros Athletic Club in Fountain Valley, California says, "the thing we like most about the Preferred Clubs Program is the corporate advantage it gives us in competing with the excessive competition from chains in Southern California. By being involved in the local reciprocal aspect of Preferred Clubs, we overcome one of the top buying objections from people who want access to more than one location due to their commute to work."

JOHN DOYLE, the owner of the Belmont Athletic Club in Long Beach, California says, "our club has been a member of the Preferred Clubs group for over a year now and the program is useful for our members and real good for membership

sales. People who use the program, use it a lot! The concept is awesome!"

ERNIE ZAIK, the President of the Western Reserve Club in Tempe, Arizona, says, "The Western Reserve Club has been a member of the Preferred Clubs Network since its inception in 1993. Many of our members have greatly benefitted from our affiliation with Preferred Clubs. Members who travel regularly are especially pleased to have access to other upscale facilities throughout the country without having to pay a guest fee.

Giving our members access to these clubs without a guest fee is a benefit that we previously were unable to offer. In this regard, we were at a competitive disadvantage compared to the national chains such as Bally's. Now we are able to offer a reciprocity program which I believe is even better than those offered by the chains. The selectivity of The Preferred Clubs Program en-



Ernie Zaik

sures that when we send our members to another Preferred Club, we can have the utmost confidence that they will have a pleasant experience because of the high standards of The Preferred clubs Group.



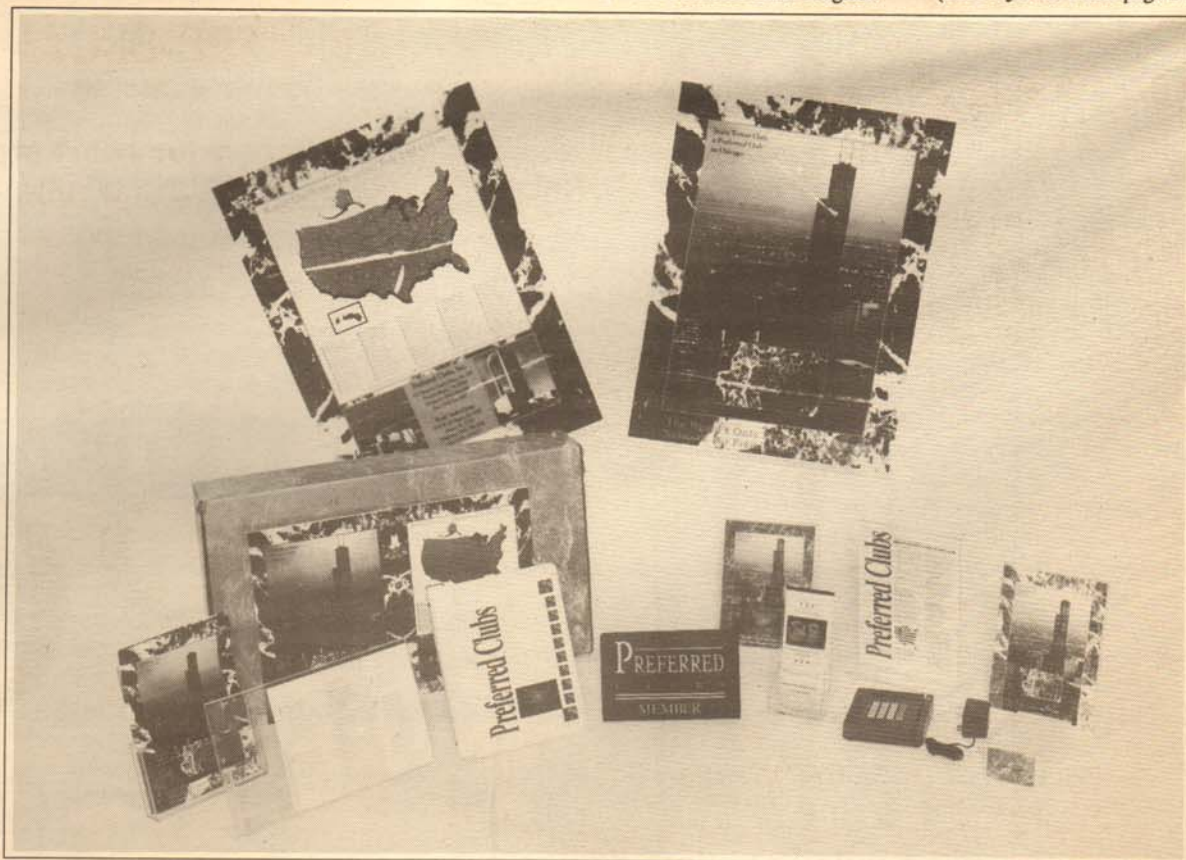
Janet Lossick

ROXI BARDWELL is the General Manager of the Sports Club at City Center in Oakland, California. Roxi says that "quite a few of our members travel a great deal in their work and they love the Preferred Clubs Program.


We get a lot of compliments from our traveling members on the quality of the Preferred Clubs that they have visited. For a membership fee of only \$25 per year, our members come out ahead after two or three (See Preferred Clubs page 24)

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1995 CLUB INSIDER HONOR ROLL

HONOR ROLL CERTIFICATES SPONSORED BY PREFERRED CLUBS INTERNATIONAL TO BE AWARDED AT THE IHRSA SAN FRANCISCO TRADE SHOW BOOTHS 125 & 127

The 1995 CLUB INSIDER HONOR ROLL was originally published in our January, 1995 issue. Seven clubs were inadvertently left off the original list and are designated by an * on this list.

This list contains some of the top clubs in the U. S. If your club was not included and you feel it should have been, please nominate your club next year. The list is presented in no particular order.

AMENITY CLUB (HOTEL, OFFICE, RESORT)

The Vinoy Health Club
St. Petersburg, Florida

Weston Athletic Club
Boca Raton, Florida

Wildwood Athletic Club
Marietta, Georgia

Shula's Athletic Club
Miami Lakes, Florida

Mirage Hotel Health Club
Las Vegas, Nevada

Chad Athletic Club
Harvard Business School
Boston, Massachusetts

Onterie Fitness Center
Chicago, Illinois

The Vinings Club
Atlanta, Georgia

McDonald's Corporate Fitness Center
Oak Brook, Illinois

The Spa at Fountain Bleu Hilton Resort
Miami Beach, Florida

Plaza Executive Health Club
Atlanta, Georgia

Vail Athletic Club
Vail, Colorado

*LaJolla Beach and Tennis Club
LaJolla, California

*Las Colinas Sports Club
Dallas, Texas

*Vintage Club
Palm Springs, California

CHURCH FACILITY

Jewish Community Center
Dallas, Texas

Family Life Center
Second Ponce de Leon Baptist Church
Atlanta, Georgia

FITNESS CLUBS

Frog's, An Athletic Club
Solana Beach, California

Q, The Sports Clubs
Akron, Ohio

Milestone Fitness Center
Louisville, Kentucky

Cardio Fitness Center
New York, N. Y.

Taking Care Center
Hartford, Connecticut

Lifestyle Fitness Centers
Tampa, Florida

Central Park Athletic Club
Lisle, Illinois

Champions Gym and Fitness Centers
Dayton, Ohio

Padonia Fitness Center-Brick Bodies
Timonium, Maryland

Club Universe
Greenfield, Wisconsin

Parkwest Fitness Center
Dallas, Texas

The Club at Westfields
Chantilly, Virginia

Club Body Tech
Miami Beach, Florida

Club One
San Francisco, California

Healthworks
Boston, Massachusetts

HOSPITAL - OWNED FACILITY

Edward Health and Fitness Center
Naperville, Illinois

Elmwood Fitness Center
New Orleans, Louisiana

Lake Forest Health and Fitness Institute
Lake Forest, Illinois

Michigan Athletic Club
East Lansing, Michigan

Charlton Wellness Center/
New England Health and Racquet Club
North Dartmouth, Massachusetts

Healthplace
Marietta, Georgia

Tom Landry Health/Fitness Center
Dallas, Texas

Riverside Wellness and Fitness Center
Newport News, Virginia

Sentara Hampton Health
and Fitness Center
Hampton, Virginia

MULTI-PURPOSE CLUBS

Red Lerlie's Health and Racquet Club
Lafayette, Louisiana

Saw Mill River Club
Mt. Kisco, New York

Worldgate Athletic Club
Herndon, Virginia

Laguna Niguel Racquet Club
Laguna Niguel, California

Cascade Athletic Clubs
Gresham, Oregon

Racquetball and Fitness Clubs
San Antonio, Texas

Concourse Athletic Club
Atlanta, Georgia

The Thoreau Club
Concord, Massachusetts

Athletic Club at Denver Place
Denver, Colo.

Atlantic Club
Wall, N.J.

Clubsport
Fremont and Pleasanton, Calif.

Flagship Athletic Club
Eden Prairie, Minnesota

Athletic Club at Illinois Center
Chicago, Illinois

Four Seasons Sports Country Club
Crestview Hills, Kentucky

Cedardale Athletic Club
Haverhill, Massachusetts

Bel Air Athletic Club
Bel Air, Maryland

Sportlife Clubs
Atlanta, Georgia

East Bank Club
Chicago, Illinois

Pacific Athletic Club
Redwood Shore, California

Athletic Club
Boca Raton, Florida

Courthouse Racquet Club
Columbus, Mississippi

East Side Athletic Club
Milwaukie, Oregon

Courthouse Athletic Club
Salem, Oregon

Greenville Racquet and Fitness Club
Greenville, South Carolina

Western Reserve Club
Phoenix, Arizona

Sports Club L.A.
Beverly Hills, California

Boston Athletic Club
Boston, Massachusetts

Franklin Fitness and Racquet Club
Southfield, Michigan

Willowbrook Athletic Club
Willowbrook, Illinois

Skyline Clubs
Falls Church, Virginia

Mid Valley Athletic Club
Reseda, California

Westbay Athletic Club
Bradenton, Florida

Fitness International
Atlanta, Georgia

Gainesville Health and Fitness Center
Gainesville, Florida

Australian Body Works
Atlanta, Georgia

Premier Club
Dallas, Texas

Concord Athletic Club
San Antonio, Texas

The Houstonian Club
Houston, Texas

Ogden Athletic Club
Ogden, Utah

Los Caballeros Racquet and Sports Club
Fountain Valley, California

Green Valley Athletic Club
Las Vegas, Nevada

Griffith Park Athletic Club
Beaverton, Oregon

Rochester Athletic Club
Rochester, Minnesota

The Marsh Center for Balance & Fitness
Minnetonka, Minnesota

Sports Club Irvine
Irvine, California

Vertical Club
New York, New York

Cooper Fitness Center
Dallas, Texas

McDermott's Athletic Clubs
Westchester, Pennsylvania

What A Racquet Athletic Club
Daly City, California

The WellBridge Center
Boston, Massachusetts

Belmont Racquet and Athletic Club
Long Beach, California

Quadrangle Athletic Club
Coral Springs, Florida

West Allis Athletic Club
West Allis, Wisconsin

Rolling Hills Club
Novato, California

Lehigh Valley Racquet & Fitness Centers
Allentown, Pennsylvania

Memorial Athletic Club
Houston, Texas

Wheaton Sports Center
Wheaton, Illinois

Center Club
Alexandria, Virginia

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Grand Rapids, Michigan

Decathlon Club/Club West
Santa Clara, California

San Francisco Bay Club
San Francisco, California

Little Rock Athletic Club
Little Rock, Arkansas

Pierpoint Racquet Club
Ventura, California

Lifecenter Plus
Hudson, Ohio

Beverly Hills Racquet Club
Birmingham, Michigan

Village Racquet and Health Club
Phoenix, Arizona

Orchard Hills Athletic Club
Leominster, Massachusetts

Omni 41 Sports and Fitness Center
Scherville, Indiana

Greenwood Athletic Club
Englewood, Colorado

Spectrum Sports Clubs
Los Angeles, California

Wimbledon Sportsplex
Memphis, Tennessee

Tyson's Club of Health & Fitness
McLean, Virginia

New Courtsouth Clubs
Knoxville, Tennessee

Allisport Fitness and Racquetball Club
Poughkeepsie, New York

Gold's Gym Amarillo
Amarillo, Texas

The Aspen Hill Club
Silver Springs, Maryland

Sportlife Clubs
Birmingham, Alabama

Auburn Court House and Athletic Club
Auburn, California

Sequoia Athletic Club/Racquetball World
Canoga Park, California

Solano Athletic Club
Fairfield, California

Sporting Club at Aventine
La Jolla, California

Sports Club at City Center
Oakland, California

Sportsplex
Stamford, Connecticut

Lakeshore Athletic Club
Chicago, Illinois

Foxy's Health and Racquet Club
Baton Rouge, Louisiana

Longfellow Sports Club
Natick, Massachusetts

Northwest Racquet, Swim and
Health Clubs, Minneapolis, Mn.

Steuben Athletic Club
Albany, New York

Raleigh Athletic Club
Raleigh, North Carolina

The Sports Barns
Chattanooga, Tennessee

Seattle Athletic Club/ClubWest
Bellevue, Washington

Los Angeles Athletic Club
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Mid-Town Tennis Club
Chicago, Illinois

Boston Racquet Club
Boston, Massachusetts

Indian Creek Racquet Club
Kansas City, Kansas

Roosevelt Island Racquet Club
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Peachtree World of Tennis
Norcross, Georgia

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Owings Mills, Maryland

The Women's Club
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The Women's Club
Chantilly, Virginia

Reducing The Club's Real Estate Taxes

By Rick Caro

PART II

Last month, in Part I, we explained researching the specific facts, key goals and the pre-Review Board assessment analysis. In Part II, we will explain handling real estate tax Review Boards, techniques and arguments, reducing the assessment and reasons for reductions.

HANDLING REVIEW BOARDS

If the assessor cannot or will not change the assessed valuation to the owner's satisfaction, then there is often a Board of Review. The Board is composed of local citizens who sit on the Board for terms of several years and listen to requests.

Such Boards can be political. Sometimes, the assessor will take no stance on a request, so the Board has to make the decision. Other times, the Board will blindly follow the lead of the assessor. Getting the assessor to plead your case can be instrumental. However, if the owner has to appear before a Board, there is a judgment call as to whether the club's legal counsel is necessary. Many times, the lawyer changes the tenor and results in an uncomfortable climate.

Assuming the assessor's efforts and the Board of Review's decision still did not satisfy the owner, then the final route is a tax certiorari legal proceeding. There are local lawyers who specialize in real estate cases. Often, the arrangement is based on a contingency relationship where no dollars are spent. However, the lawyer receives 40-50% of the first-year savings (or the overpaid amount from the past). The legal process is similar to other types of lawsuits with their long delays, lots of legal maneuverings and the need for thorough preparation. There is limited out-of-court settling in

these matters once they get to this stage.

By the time such a case comes before a Board of Review, the owner certainly has to get involved. A real estate tax lawyer may be orchestrating the steps and presentation all along the way but may not become publicly involved until the final tax certiorari stage.

TECHNIQUES AND ARGUMENTS

If the club is in the early stages of development or has only been a marginal success, the use of financial statements may prove

to be a convincing factor. Sometimes, assessors are not astute in reading financial statements. Some clubs have predictable losses in the first 2-3 years, especially because of depreciation. No assessor wants to hear that a business is losing money and may close some day, because he may lose them entirely from his real estate roll. Sometimes, he may even ask the question directly: what is a fair assessed value for the property?

If financial statements are to be used, revenues on the income statements should be lumped into one line and expense categories should not exceed 10-12 lines. The club's accountant

Congratulations Rick!

can simplify the statements for such a presentation. The footnotes and the changes in financial position statement should be omitted. If the balance sheet shows a value well under the assessed value, then it may be shown.

The property/fixed asset line should be defined as "Property, Plant and Equipment - net of

accumulated depreciation" and not as two separate items.

Giving too much information encourages the assessor to begin asking for depreciation schedules, back-up information on construction contracts and invoices. Furthermore, if the total construction costs of real property (See Caro page 22)



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How To Produce A Road Race

By Bill Noel and
Jonathan Kranz

As a club owner or operator, you have a facility that symbolizes good health, personal participation and self-improvement, as well as good business practices in your community. You offer your members a place for play and camaraderie, as you employ people and earn a living for yourself. As your business matures, you will seek new means to expand revenues and enhance the reputation of your club. What event might attract good public notice and new members at the same time? What event can be tied to a local charity or the local affiliate of a national charity, a prestigious route to image and business building? No matter whether you wish to generate positive public relations or to create an energizing event for your club members, it is essential to determine your primary objective

before beginning and keep this focus throughout this undertaking. But, where do you start?

TYPE OF EVENT

A running "road-race" or a "fun-run" starting and finishing at the club, offering different distances to attract a broad group of participants, is the most popular event. Other variations include a multi-sport event utilizing your pool and stationary cycles, combined with an outdoor road race to complete a "triathlon" are possibilities. Your club might be the transition area for a community-wide duathlon (run-bike-run) or a triathlon with individual and relay-team participation. The possibilities are endless, but all require detailed organization.

DATE SELECTION

Select several poten-

tial dates when reasonable weather can be expected and attempt to avoid conflicts with established events, other community gatherings, religious holidays, regular weekend church services and road construction. Consider selecting a school holiday or Federal holiday on a Monday to avoid some of the aforementioned conflicts and traffic. The season, day of the week, traffic conditions and public inconvenience factor may dictate the starting time, but remember to allow at least three hours before the start for final set-up and a last drive-over the course and at least two hours after the last finisher for the clean-up process.

NAVAGATING THE COURSE

Your planning must now move from the intent to hold an event, the date and time selected and the type of event to

be offered to the more mundane details that will, to no small degree, determine the event's success. You must map and measure a course to accommodate your event and regular and/or emergency traffic, while assuring the support and cooperation of the local constabulary. If you want your course certified, you must have that done by someone who has been approved by the sport's National Governing Body (NGB).

If your proposed course traverses private property or that of governmental agencies, you must obtain a written agreement that guarantees access in return for certain undertakings on your part - security, clean-up, directional signs, insurance, etc. Your course must be clearly marked with directional arrows; staffed by people who can give directions, call out split times and pass out aid/water; patrolled by emergency medical personnel; and protected by the police.

You will probably have to obtain a variety of permits and indemnify a number of entities to produce your event. This must not be a slapdash effort, as you hope to attract several hundred/thousand participants and volunteers to make the day enjoyable and memorable and perhaps even turn a profit or make a contribution or contributions.

You should work to have the start and finish in close proximity to each other with ample parking at hand, as well as, facilities for participants to leave a gym bag, use a bathroom and get water before the event. The finish area has to include the line, clock and scoring apparatus, but might also have a post-event festival of food and games to keep participants, volunteers and others on site for the award ceremony, a raffle, concert, celebrity appearance or such to stretch the day.

(See Road Race Page 20)

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10 Tips To Improve Your Staff

By Jeff Stokes

You probably already know what you want from your staff: you want them to be courteous, friendly, professional, attentive, knowledgeable, responsible and capable of handling the needs of every member, as well as prospective guests. Let's not forget you want them to show up on time, sell memberships and be model citizens..... NOT MUCH TO ASK!

Have you thought about what your staff needs from you? Here are ten tips that club owners and managers can use to help improve their staff's attitude and performance.

• WORK WITH STAFF

DAILY/ TRAIN EFFECTIVELY. How well your staff is trained significantly impacts their performance. Set clear expectations. Praise employees for doing the right thing. Use positive reinforcement to prevent bad habits and bad feelings from building up. On the other hand, reprimand employees (in private) immediately when they fall short. Keep your staff informed about any changes in the club. Don't leave your front line people in the dark.

• PROMOTE COMMUNICATION AND TEAMWORK. Members are impressed by high-energy teamwork. Communication among the receptionist, program directors, membership coordinators, personal trainers, lifeguards and supervisors is essential. People who like each other tend to be more

loyal and productive. Make sure that your staff all know and use each other's names. (Name tags are always a plus!)

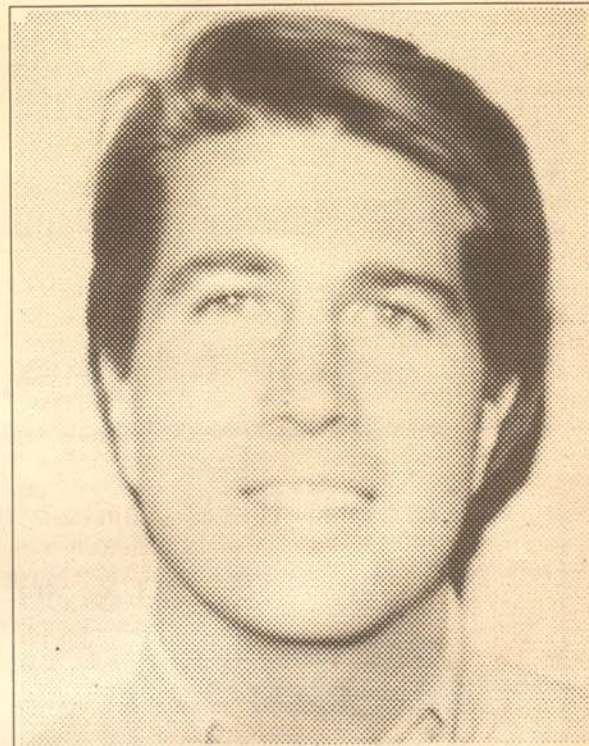
• INSTITUTE A PROGRAM OF CONTINUING EDUCATION. A small investment in training can translate into hundreds of thousands of dollars added to your bottom line. Encourage industry seminars and workshops. Purchase videos and audio cassettes. Invite a fresh face from the outside for a training session. Don't think of training as a one week process of walking the new employee around with a leash. Think of training as an ongoing process.

• INVITE INNOVATION. Remember that your staff are your front-line performers. They are your eyes and ears; listen to them. They spend the most time with the members. If your staff requests something, it's most likely a request coming from the members. Provide your staff with questionnaires. Ask them what the members complain about most, what equipment is most popular and with what markets. Trust your staff, have confidence in their abilities and give them space to grow. Delegate, be available for questions, but let go and promote new ideas.

• HAVE LARGE STAFF MEETINGS OFTEN. If not possible to conduct monthly, then at least quarterly. Provide progress reports, state the organization's goals and vision and share information with your entire staff. Be professional, but don't take yourself too seriously....add humor. Conduct an open forum but promote positive thoughts; don't allow it to become a gripe session. Explain the important role your staff plays in achieving the success of your organization.

• PROVIDE DISCIPLINED AND RESPECTFUL LEADERSHIP. Employees feel less stress when there is disciplined, caring leadership. Remember that members sometimes make your staff feel like servants. Don't promote that feeling. Instead, treat your staff with respect and send professional messages with every opportunity. Provide inspiration through role modeling.....BE ONE.

• INSTITUTE AN OPEN-DOOR POLICY. Maintain



Jeff Stokes

an open-door policy and be approachable so your staff feels comfortable talking to you. Go a step further and meet with your staff outside the work place. Arrange a night out for pizza or organize an employee field trip. Bottom line, make time for personal contact with your staff.

• RECOGNIZE AND AWARD STAFF. The little things make a big difference. Feedback, both positive and negative, are valuable training tools. Give frequent feedback about performance. Even if you offer constructive criticism, most employees appreciate being told how they are doing. Showcase your staff by displaying professional certifications and awards. Recognize accomplishments from each department. Institute an "Employee-of-the-Month" program to encourage superior performance.

• REINFORCE THE BENEFITS OF THEIR CHOSEN FIELD. Remind them of the things that brought them into this business. Communicate to your staff the benefits of being a professional in the health and fitness industry. Promote a professional appearance, product knowledge, marketing skills and share success stories. Show them that with these skills, they will have less stress, make more money, have

more fun and receive greater satisfaction from their jobs. Tell them they should consider themselves "Professionals", whether they are a part-time aerobics instructor or a full-time career employee. This is a FUN industry!

• FOLLOW UP! FOLLOW UP! FOLLOW UP! As they say, "You gotta INSPECT what you EXPECT." Without the proper follow-up, all the time, money and effort put into a training program will be worthless. Implement systems for constant feedback. Regular "shop" reports can be an effective tool for follow-up. A series of "shopper" evaluations made over a few months clearly shows management the success or failures associated with their operations. Create an awareness and share this information with your staff. Make sure they know you are watching, but most importantly, let them know you will follow-up!

(Jeff Stokes is the Vice President of CLUB SERVICES, a professional "Shopping Service" dedicated to the Club Industry. Teamed with their sister company, RESTAURANT AND HOTEL SERVICES, they provide high quality and informative survey evaluations to over 4,000 clients nationwide. To learn more about CLUB SERVICES, contact Jeff at (800) 777-6699.

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CLUB OWNER BATTLES YMCA

Curt Ward, the owner and operator of the Work Out Wonder Gym in Ashland, Virginia is doing battle with the YMCA. He has provided *The CLUB INSIDER* with a copy of his local newspaper's editorial in response to a *Forbes Magazine* article, a letter he wrote to the editors of the newspaper and a copy of the *Forbes Magazine* article. All appear below.

RICHMOND TIMES - DISPATCH

IN BRIEF - April 19, 1994

• The YMCA is the nation's leading health club operator, as well as its biggest provider of day care. The Y also enjoys tax-exempt status as a non-profit organization, which allows it to compete with no tax-exempt status as a non-profit organization, against for-profit health clubs and child care providers with a 25 to 30 percent cost advantage - easily driving many of them out of business. We like the YMCA as much as the next fellow - a good group. But with annual revenues of \$1.8 billion, is tax-exempt status really - competitively-fair?

Letter to the Editor
April 30, 1994

Dear Editor,

Three cheers to the *Times-Dispatch* for your excellent editorial of April 19, regarding the questionable practices of the YMCA.

Let me express some of my very strong opinions about this subject. The YMCA and many other so called "non-profit" organizations have been abusing the tax laws for too many years and it is high time government and business leaders did something about it.

The YMCA long ago abandoned its Christian mission of serving low income people in need and has turned into a greedy business, growing at the tax payers' expense. The Y, because of its tax exempt status, can do business at 20 to

30% less cost than legitimate businesses, such as mine, which then support the Y by having to pay sales, property and income taxes. The other side of this scheme is for both individuals and corporations to make cash, land and other in-kind contributions to the Y and deduct the cost from their taxes! In my opinion, this is a racket, because the non-profit organization can grow in staff, facilities and salaries and treat profit as the cost of doing business, thereby remaining "non-profit."

In order to grow, small businesses like mine have to borrow money from a profit institution for land, buildings, fixtures and furnishings AND pay interest. Then we also must pay property, sales and income taxes. Only then can we consider staff, facilities and hopefully, a profit.

It is not fair or legal, and I can't believe it was ever the intent of the law!

What seems to happen in organizations like the Y, is that the "non-profit" satisfies its basic mission and then begins to get greedy. They take on other areas and it soon becomes necessary to protect both large staffs and salaries. In other words, they grow by going into the free-enterprise business and services for which they were never chartered. Then, when their hand is called, many "non-profits" hire lobbyists to convince legislators that they are just "good Samaritans" helping where they can! Naturally, this expense is treated for IRS purposes, as the cost of doing business.

There is a definite need in our society for the YMCA and other non-profits that function under the intent of the law. However, there is NO place in a free-market society for organizations which masquerade as non-profit while taking business away from legitimate tax paying firms.

It must be stopped!

The legislature, IRS and other government agencies need to put this entire area of tax exemption "on the front burner" and return some degree of respect to the term "tax-exempt." Government agencies are always looking for needed, additional revenue - here is a way to get it! Begin to examine "tax-exempt" agencies and limit them to areas that can not be legitimately served by free-market businesses.

Hopefully, your editorial and my letter will bring about action that should have taken place years ago.

Sincerely,

R. Curtis Ward
President

(See YMCA page 19)

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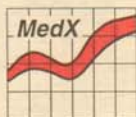
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A READY MADE OPPORTUNITY TO CONNECT WITH HEALTH CARE

By Neil Sol, Ph.D.

IHRSA, through the direction of John McCarthy and David Pickering, has offered and continues to offer IHRSA clubs throughout the U.S. an opportunity to easily connect with the health care industry. Dave Pickering, the Director of Networks for IHRSA, has been for the last 3 years, negotiating and ultimately contracting with numerous health insurance companies such as Met Life; Blue Cross/Blue Shield; Oxford Health Plan; and Matthew Thornton Health Plan, to establish IHRSA clubs as preferred providers for preventive health services to subscribers of these regional and national insurance companies.

What does all this mean?

These insurance companies or managed care organizations (MCO's) that have contracted with IHRSA are motivating their subscribers to join the IHRSA network of clubs in an effort to improve their health. As a club member of the IHRSA network, you have committed to providing the best corporate rates and a one-week introductory membership to MCO subscribers. As a result, the MCO will help direct these subscribers to your club. An excellent example of the

impact of being involved with the IHRSA network and being connected to health care is the Matthew Thornton Health Plan relationship. In a matter of weeks following the IHRSA Network being selected as the preventive health provider for Matthew Thornton, 3000 of their nearly 100,000 subscribers enrolled as members of IHRSA Network clubs.

Through the Network, IHRSA is making the initial connection for your club with health care. The rest is up to you. Here are some recommendations of how your club can enhance the IHRSA Network opportunity.

1) If your club is not part of the IHRSA Network, your club will not reap the benefits of being listed in the MCO's directory of club providers that will be available to every MCO subscriber. Thereby, if there is an individual in your community who is thinking about club membership or participating in other club preventive health services and is associated with an MCO that has a contractual relationship with IHRSA, they will have information about the IHRSA Network clubs in their community and not the other clubs in that community. Just like a PPO health plan that motivates employees to use a network of specific physicians and/or hospitals, so will the MCO direct subscribers to the IHRSA Network of Clubs.

2) Plan to market to the individuals in your community. Do not leave it to the MCO to

alone inform the subscriber about the opportunity to join your club. If you advertise, indicate in your ad that you are a preferred provider to the specific MCO. Name the MCO in your ad. Indicate that these subscribers obtain special rates. Not only will this attract subscribers that may not have read the MCO's information about IHRSA, but it will indicate to the community that you have a credible club; one that is worthy of a relationship with companies such as Met Life. Do not be passive. Take active steps to attract this motivated population of subscribers to your facility.

3) Be sure that you track the club utilization of the subscriber. This is the information that is needed to verify to the MCO that a relationship with a club is improving the health of the subscriber and thereby decreasing health care costs. Clubs will have to verify their impact on the health of the subscriber in the future, if these types of relationships will continue. Club management software can help to record participation and then periodically generate a report of an individual's club use. Imagine if the subscriber/user in your club decreases their health care utilization after they became a member as a result of using your facility on a regular basis. This is a win-win for all parties concerned.

4) Provide program-

ming at your club that includes: early disease detection services, lifestyle modification education and obviously regular physical activity programs. It is important that these services be emphasized and offered at the highest level of quality. It will be incumbent upon IHRSA at some point in the future to establish criteria for preventive health programs delivered by Network clubs so as to ensure that subscribers in New York have the same programmatic opportunities and information as the subscriber in Little Rock.

Clubs must take advantage of this opportunity provided by IHRSA. We must be creative to enhance subscriber participation. We must use this experience to help our clubs become a preventive health provider to other MCO's. We must realize that not only are clubs helping to improve the health of the MCO subscriber, clubs can play a role in motivating the non-subscriber member to become affiliated with the given MCO. REMEMBER that the healthclub - health care connection is a mutually beneficial relationship.

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BALLY LEGAL UPDATE

By Norm Cates, Jr.

During 1994, The **CLUB INSIDER** News reported on the following legal actions against

the Bally Health Clubs. A brief summary of each action and an update status is provided herein:

Washington, D.C. -

FEDERAL TRADE COMMISSION sued Bally to correct nationwide illegal practices relating to consumer membership cancellations and damaged credit reports.

UPDATE: Earl Acquiva, Counsel for Bally, notified The **CLUB INSIDER** that in

compliance with the settlement agreement with FTC, Bally mailed out a total of 63,787 letters to consumers whose rights may have been violated or whose credit may have been damaged by Bally Health Clubs. From that, 2,672 consumers responded by writing back to request a FTC claim form.

From that group, 1,280 consumers returned the completed form within the required 90 days. Since that time, approximately 75% of the requests have been processed.

Madison, Wisconsin - Wisconsin Attorney General's office brought suit against the Bally Health Clubs for violation of solicitation and sales practice laws.

UPDATE: Mark Smith, Wisconsin Assistant Attorney General, informed the **CLUB INSIDER** that his office was cur-

rently in the process of attempting to negotiate a settlement with the Bally Health Club chain.

Boston, Massachusetts - Mass. Attorney General, Scott Harsbarger, brought a lawsuit against the Bally Health Clubs to shut down all of the clubs in that state. This lawsuit had been filed by the Attorney General because of 1400 additional complaints against Bally which had been received AFTER Bally had signed a Consent Decree settling a 1989 complaint filed due to over 500 complaints logged during Bally's pre-sales period.

UPDATE: John Montague of the Mass. A.G.'s Press office explained that this action was set to be heard in court in August, 1995. He also indicated that discussions were currently being held in which the case could be moved to Spring, 1995.

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
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Reebok Sports Club/NY Sets March Opening

Its predecessor is described by *People Magazine* as "America's fanciest gymnasium." *Los Angeles Magazine* calls it a "sports palace that is the Acropolis of physical fitness centers, a veritable Taj Mahal..." And, *CLUB INSIDER News*, the club industry newspaper that "tells it like it is," describes it as: "a huge risk of \$55 million dollars!"

And, now, the masterminds renowned for creating The Sports Club/LA, Michael Talla and Nanette Pattee Francini, are teaming up with industry leader Reebok International, Ltd. to create the premier sports and fitness complex in the world, Reebok Sports Club/NY.

When the \$55 million, 140,000 square-foot ultra club debuts in the new Lincoln Square project at 67th and Columbus Avenue in early 1995, it will represent the state-of-the-art in fitness facilities heretofore not found anywhere else...and will redefine the pursuit of fitness for performance and fitness as play. The future is here.

Reebok Sports Club/NY will offer over 40 different fitness and recreational options, including an unprecedented 4,000 square-foot sports simulation center; a six-lap-to-the-mile outdoor in-line skating and running track; a 45-foot rockclimbing wall- ascending three floors through the club's central atrium; and much more. Other features include 13,000 square feet of fully-equipped weight training gyms, staffed by ACE certified and Reebok University trained program directors and the city's top private trainers; a 5,000 square-foot cardiovascular deck with state-of-the-art computerized equipment and the latest audiovisual technology for stereo music and television viewing.

There will also be an extensive variety of aerobics, exercise and yoga classes offered continuously throughout the day and evening in two spacious exercise classrooms; a 9,600 square-foot basketball gym with two regulation basketball courts;

volleyball; a bistro-style open grill restaurant and sidewalk cafe.

The opening of Reebok Sports Club/NY will herald a new era in the athletic club business. It was Talla and Pattee Francini who revolutionized the fitness industry by first introducing their urban country club concept with The Sports Connection, culminating with The Sports Club/LA and The Sports Club/Irvine. The chic clubs attracted a myriad of Los Angeles' movers and shakers along with such celebrities as Magic Johnson, Tom Selleck, Princess Stephanie of Monaco, Jack Nicholson, Linda Ronstadt, John F. Kennedy, Jr., Sharon Stone, Dyan Cannon and numerous others.

Indeed, for those in pursuit of an elite physique, Reebok Sports Club/NY is a mecca. A collaboration between The Sports Club Company and Reebok International, Ltd., the Club will be home to Reebok University, the industry leader for the development of state-of-the-art fitness programming. Here, the world's top trainers and professional athletes will come together. From leading edge fitness programming and instructors to training facilities for visiting professional athletes - the club will encompass the best in sports and fitness for everyone.

The one-of-a-kind 4,000 square foot simulation center is designed to keep members on top of their game. It will include a \$40,000 wide screen golf simulator (for members to "play" the finest courses in the world), a downhill skiing simulator, an aerial ropes par course, as well as simulators for boxing, windsurfing, kayaking and more.

Other unusual amenities are: a lushly landscaped sundeck overlooking one of the best views in the city; an Olympic-size swimming pool complete with underwater music for swimmers; shoe shine, dry cleaning and tailoring services; a pro-shop and Reebok Concept Store; European Spa-style body salon for hair care, massage, facials, waxing and full body treatments; meeting/banquet rooms; press conference site; vanity areas with

full grooming accessories.

The private Executive locker rooms will offer an executive business center including fax machine, copier and Quotron for up-to-the-minute stock quotes. "These are just a few of the features that make Reebok Sports Club/NY a blend of the ultimate athletic and health club with the amenities offered by a world class resort," explains Nanette Pattee Francini, Executive Vice President and Co-Founder of The Sports Club Company.

A "For Kids Only" Club will feature a variety of creative and athletic pods for different age groups, as well as children's sports programming, staffed by professional child care and child development experts/coaches.

In addition to the city's best trainers and aerobics professionals, the Club will focus on specialized sports specific training. Private trainers and sports professionals will be on staff for training in a wide variety of sports such as: boxing, fencing, martial arts, skiing, gymnastics, swimming, basketball and more. A Sports Coordinator will organize basketball, volleyball and indoor soccer leagues; biking, running, rockclimbing and in-line skating clubs; golf tournaments and more. A full-time Activities Director will coordinate member travel, social and cultural events.

The Club spans six floors of sports and fitness options in an environment of resort-like luxury. The 60-foot vaulted ceiling design creates an atrium feeling, enhanced by the floor-to-ceiling windows offering panoramic views of the city. The light, airy decor with jewel tone accents, complimented by lush landscaping, afford the Club a contemporary ambience.

Reebok Sports Club/NY offers two categories of membership. A basic Health Membership includes use of all facilities and amenities. An Executive Membership allows use of all facilities and amenities, plus luxury perks such as a yearly locker in the tony private executive locker rooms with private showers and spa areas, exclusive use of the executive business center, charge privileges and complimentary daily

laundry of workout clothes. Registration fees are from \$950 to \$1,900 and monthly dues are: \$118 - \$250.

By teaming up with Reebok International, Ltd. Talla and Pattee Francini are pioneering new directions in the athletic and recreational pursuit of fitness, once again setting the standards for all to follow. "We are creating a place that not only meets but exceeds our members' fitness and recreational needs - a place where our members drop their cares at the door, and feel like they've entered an oasis in the middle of the city," says Pattee Francini.

"In the beginning we broke new ground by making fit-

ness part of our members' lifestyles - now we're taking it one step further by adding the recreational and sports training aspects of fitness as well - all in a luxurious environment dedicated to the uncompromising comfort and convenience of our members," explains Michael Talla, President and Co-Founder of The Sports Club Company.

"With its unparalleled combination of facilities, innovative sports programming and fitness training, state-of-the-art equipment, recreational options, amenities and dedication to personal services, Reebok Sports Club/NY will be the finest club in the world", states Pattee Francini.

(See *Reebok* page 19)

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...Reebok

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"Reebok is dedicated to making a difference in the health and fitness industry. Our heritage

in sports and fitness will be evident throughout the club", said Paul Fireman, President and Chief Executive Officer of Reebok International, Ltd. "Therefore, it is imperative that we invest in the future of the industry by creating a revolutionary health and fitness club like Reebok Sports Club/NY,

which will bring the magic of Reebok to life."

An innovative leader in the fitness industry since 1979, The Sports Club Company develops owns and operates 13 up-scale sports and fitness clubs throughout southern California, including The Sports Club/LA

and The Sports Club/Irvine, six Spectrum clubs and five Sports Connections. With the March opening of Reebok Sports Club/NY, sister club to The Sports Club/LA, The Sports Club Company begins its national expansion.

Reebok International, Ltd., headquartered in Stoughton,

Mass. is a leading worldwide designer, marketer and distributor of sports, fitness and casual footwear and apparel. Principal operating units include the Reebok Division, Avia Group International, Inc. and The Rockport Company, Inc.

...YMCA

continued from page 12

TAXATION BY OTHER MEANS

By Marcia Berss

Cyrus Oskoui says the Young Men's Christian Association has done him out of \$35,000. Owner of two health clubs in the Seattle area, Oskoui optioned 3 acres to build a third club and spent \$35,000 on architectural drawings and market research. Then he learned that the local chapter of the YMCA signed a 50-year lease at \$1 a year for some public land directly across from his site and plans to build a competing health club facility there. "I can't compete with the Y," groans Oskoui. "I have to buy the land, borrow for construction, pay sales tax, property tax and income tax. The Y has none of these costs." Oskoui says the money he has spent is a dead loss.

There are lots of Oskouis around the country. With revenues last year of \$1.8 billion, the YMCA has become the nation's leading health club operator; it is also the biggest provider of child care services. Thanks to its tax-exempt, the Y can compete against for-profit

operators with a 25% to 30% cost advantage. The North Suburban Y in Chicago, for example, charges its family members \$415 a year for use of the facility's swimming pool, racquetball courts and other amenities. Nearby, the Y's for-profit competitor, Chicago Health and Racquet Club, charges \$540 a year.

Not surprisingly, the YMCA expanded its membership dues - paid primarily for fitness facilities - by over 22%, to \$533 million, between 1990 and 1992, the latest year for which figures are available. For the same period at Bally Manufacturing, the nation's largest for-profit fitness center operator, health club revenues fell nearly 9%.

In child care, the Y's revenues are climbing at nearly 17% annually, twice the rate of its biggest for-profit competitor, Nasdaq-traded KinderCare Learning Centers.

The YMCA's defense against charges that it uses its tax-exempt status to steal business from for-profit competitors: It needs the dues revenues from middle- and upper-middle income members to subsidize its charity programs. Says YMCA National Executive Director David Mercer: "Someone may ask, 'Why don't you take the poor people and let for-profit operators take the rich ones?' Well, we would go broke doing that. We need to provide scholarship funds, to make our-

selves available to the full community."

Mercer, who earns \$207,000 a year and works out of modest offices in downtown Chicago, says 10% of the YMCA's 6 million regular members now receive some kind of scholarship in the form of reduced fees; 8 million program members attend special offerings like child care and camping, where 20% are subsidized. Half the Y's members are kids.

In essence, the YMCA's 2,100 branches are doing what the country's private secondary schools and colleges are doing. They are taxing relatively affluent people and neighborhoods and redistributing the money to relatively poor people and neighborhoods. (*Forbes*, Jan. 17) That may or may not make social sense, but it definitely hurts commercial businesses that compete against Y branches.

A number of municipalities worry about the impact of this competition on their already hard-pressed tax bases. In 1990 the Allegheny County assessor argued that the downtown Pittsburgh Y was a commercial fitness center that should pay taxes. The courts agreed and the Y now pays property taxes on a portion of its building. Now the Allegheny County solicitor is working with two small cities

questioning their local YMCA's tax-exempt status.

But the YMCA doesn't lose them all. In California the courts have ruled that as long as a YMCA branch puts its dues income to charitable uses, its tax-exempt status is warranted. In Oregon the downtown Y in Portland lost its tax-exempt status in the mid-1980's but regained it in 1992 by shifting the facility's focus from adults to families with kids and boosting the ratio of

members on scholarship from 4% to 33%.

"It's frustrating when tax-paying operations compete with tax-consuming ones," says Lynn White, head of the National Child Care Association, which represents many for-profit day care centers. "But taking on the Y is like taking on God, country and apple pie."

(Reprinted courtesy of *Forbes Magazine*.)

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...Road Race

continued from page 10

A separate, but related, issue is the question of having your event Sanctioned by the sport's National Governing Body (NGB). The benefits include enhanced recognition as a legitimate event, generally lower priced special event insurance coverage, additional time-period to keep event related mail separate from your club's and simplify the use of administration time, and to isolate the registration funds for prompt deposit.

INSURANCE COVERAGE

Insurance for the event, as well as separate coverage for the participants is necessary despite any signed releases from participants. Start by checking with your club's broker, IHRSA or the various amateur athletic organizations (NGBs) for the type of event you have planned. You must also protect yourself and your club, staff and volunteers.

WINNERS DON'T NECESSARILY TAKE ALL

Awards are generally split by gender and five or ten year age groups for each type of event you plan to host. This can be a large expense if you seek to impress participants with the height and weight of the trophies.

You would do well to seek goods and gift certificates to go with smaller trophies and put the money into the festival or raffle prizes for which all participants are eligible.

HELP A CAUSE ?

If you have decided to combine this event with a fund-raising intent, then you must seek out a cause to support that will reflect well on your club and attract a large turn-out. Remember that well-regarded charities have standards that you must meet and that a separate bank account may be one of them. This is a mutual undertaking. You may be able to deal with a local affiliate, but exposure through inclusion in the NGB's calendar of events, local press, t.v. and radio will make the effort worthwhile. As is usual, benefits are offset by drawbacks, such as additional paperwork and added fees, the need for longer lead times and being required to conduct your event according to guidelines established by the NGB. Usually, the benefits outweigh the drawbacks, but the sanctioning process varies widely from one sport to another.

INCOME AND OUTFLOW: A MEASURED USE OF FUNDS

An event will require collecting and spending money. To protect yourself and the reputation of your club, a separate checking account should be established, so that there is a clear paper trail to answer any challenges to your

management after the event. If you open the account with club funds, do it with an even amount sufficient to cover preliminary expenses. This "loan" can be repaid at the final accounting, as the club is already contributing facilities, its expertise, a venue and the energy to turn an idea into reality.

The event must be advertised and promoted, and entry forms must be printed and distributed before income is generated. Advance commitments for awards, commemorative T-shirts, ice, aid - station tables and supplies, sanction fees, permit fees, insurance coverage, etc. are examples of pre-race expenses to expect.

If co-sponsors are available to offer cash, goods and services or a combination, you must maintain careful records, so that your "partners" see their contribution as well-used and that they have been credited in advertising, on awards, entry forms, in press releases and on commemorative items according to the agreement you made with them. Also consider renting a mail box for the event. The name and logo of co-sponsors are protected items and must be used with great care.

The division of responsibilities, payments and final division of revenues must be clearly understood by all parties. Does the charity receive a percentage of registration fees or an amount per participant? Who pays which bills? Which group will get top billing for the event in advertising and on the T-shirts? Should you seek extra donations from participants or create a format for participants to seek

their own sponsors?

Remember that the goals in this case are multiplied by the number of "names" involved. Does the club intend to donate its facility and staff time, or expect to be paid for some of the extraordinary expenses? Who is responsible for publicity before the event and the ceremonies afterwards?

Should local or national celebrities be sought for appearances at the event? Obviously, the club can tap the athletic market, but the charity may have a national spokesperson scheduled to attend. Your members might offer an introduction leading to an interesting guest.

Almost every year is an election year, and politicians "love a parade" so don't forget to include them among your invited guests. Call upon local civic groups or the Scouts to help in exchange for positive association or community service credits. Even weddings are a possibility as some participants may have met at an event and find that symbolism to be part of their life.

GENERAL GUIDELINE CHECKLIST

- 1) Choose a date but consider: Weather that time of year, day of week, holiday (secular or religious), potential conflicts.
- 2) Start time
- 3) Type of event: Running (road race or track or X country, etc.), Combined (5K/20K) or 1-mile walk/5 mile run.
- 4) Course/Route: road, X country, indoor, club to club, public or private property (or combination), vehicular traffic implications/public inconvenience factor, police, permits and sanctions, medics, directions/marshals, aid/water, clean

up, measuring and certifying, proximity of Start/Finish, parking, transportation, toilets, parking, baggage check, refreshments/food, sound/PA system, signs/banners, shelter, ice and expo/festival area.

5) Registration/Event Advertising and Promotion, bank account, mail box/lock box.

6) Insurance/indemnifications

7) Event permits & Sanctions

8) Promo items: shirts, goodie bag and flyer distribution

9) Fund raising: goals, organizations, picking a cause/disease/charity, local or national (with local affiliate), % of income/fees, donation (in addition to fees), pledges of participants' distance covered, etc., support offered/provided by charity.

10) For-profit event or for club publicity?

11) Participation: members only, members and guests only or open to the public.

12) Scope-local/regional/national/by affiliation, etc.

13) New event to take over/sponsor existing one.

14) Sponsors-goods, services, funds. Levels of and cost/benefit parameters.

15) Budget/pricing/costs/expenses/assigning a value to goods/services in lieu of funds.

16) Celebrity participation/support (including politicians).

(Bill Noel is President of Requin Enterprises, Inc., a New York City-based event management company (212) 222-0530. Jonathan Kranz is associated with Management Vision in New York City (212) 987-4300)

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Ex-Bally Managers Sue Company

By Norm Cates, Jr.

The Bally Health Club chain has embarked upon a serious mission to clean up its act. The Bally Corporation Chairman, Arthur Goldberg, has made the following statement about the importance of ethics in this endeavor:

"...As we progress, we must be mindful that ethically correct behavior is in our own best interests. Successful companies are ethically correct companies...."

In Milwaukee, Wisconsin, a lawsuit has been filed against the parent company by two former Bally Health Club managers. The complaint alleges that the managers were instructed to discriminate against blacks and other minorities by a Bally Area Director who supervised them. Also, the complaint stated that the two employees were told or encouraged to sell memberships which did not exist, create false end dates for specials, represent prices of memberships and use credit cards fraudulently. Bally officials describe the effort as retaliation by the two former employees due to unsuccessful ef-

forts to get financial settlements. Bally vehemently denies the claims. The Plaintiffs, Frank Paoletti, (14.5 years with Bally) and Randal Gerosa (7 years) seek to obtain: "reinstatement of their employment plus any back wages and benefits and for judgment against the defendants (Bally) in such amounts as the Court shall justly determine and for cost and attorneys fees in this action."

This is an interesting case. Here you have two former Bally managers, Paoletti and Gerosa, who had enjoyed very significant financial rewards from their employment with the Bally club chain. For example, Paoletti was paid \$137,000 in 1992. Along the way, both Paoletti and Gerosa and other Bally employees had signed annual written statements relative to the company's policies and commitment to equal opportunity. Paoletti was quoted in the *Milwaukee Journal* as saying: "Basically, we were told everybody had to sign it. We had to follow marching orders."

The efforts of the Bally Health Club chain to right their listing ship has caused the company to look inward for solutions, just like other major U.S. corporations such as IBM and Delta Air Lines. Often, companies will realize that their operations and expenditures that were right for the

1970's and 1980's are not right for the 1990's. In many cases, a prime area for cost cutting and saving is in the employee area. For example, IBM Corporation has in the last five years reduced its total number of employees from 456,000 to around 275,000 and has returned the company to profitability as a result. Often, employee cuts must come in the upper levels of management in order to be meaningful and significant enough to impact the financial results sought by the company. This author personally witnessed many long faces amongst the membership in a club that served many IBM employees. Long-term IBM employees with 15-20-even 25 years-were being put into the streets. As did IBM, many companies provide severance packages for laid off employees. Unfortunately, lay-off situations have become a reality in the U.S. in the 1990's.

In the case of Paoletti and Gerosa, the layoffs were accompanied by severance compensation. For Paoletti, \$28,000 and for Gerosa, \$8,000. Along with the monetary compensation, the company requested and usually received from the departing employees, a standard non-disclosure agreement which would prevent the departing employees from disclosing company infor-

mation, procedures and other information to anyone. Paoletti and Derosa chose not to sign the non-disclosure agreement and accept the severance package. Instead they decided to bring this lawsuit against the Bally parent company.

This writer was provided 43 pages by the Plaintiff's attorney which included the original complaint and a Memorandum In Support of Denial of the Motion To Dismiss the complaint filed by attorneys for Bally. After a thorough review of these documents, several thoughts come to mind. This writer predicts that the Court will grant the Defendant's Motion To Dismiss.

The Plaintiffs now complain of racial and sexual discrimination and harassment and of being told to use illegal and unethical practices in membership marketing and sales. By virtue of the fact that they cashed their paychecks and signed annually the documents required by Bally without a formal written objection or resigning, the Plaintiffs could be guilty of the very same actions of which they complain. Also, if they were aware of illegal membership marketing and sales efforts, they should be held accountable because they continued to work in that environment and cash their checks without any formal protest or resignation. The prayer in the complaint by the Plaintiffs for reinstatement to their former positions is specious at best.

The Bally Health Club leaders, Mike Lucci, Sandy Silver and Harold Morgan will continue to face such challenges as they seek to correct the problems and return the clubs to profitability. This lawsuit may be just one of many situations that will arise which can be traced back to alleged activities prior to the new efforts of Bally management to correct the Bally flaws. They should not be deterred by this or other actions which lack merit, but instead, should use the necessary resources to fight those who attempt to take advantage of the situation. This message will rapidly deter those Bally employees who seek to obtain financial gain from times passed and dues already paid.

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MICROFIT IN THE CORPORATE MARKET

By Rob Rideout

MicroFit has attracted the attention of the corporate market for many years because it is simple to use and understand. Corporations are interested in results or the "bottomline". They want to make sure every dollar they invest in a fitness/wellness program is paying off or they will discontinue the program.

Two years ago, I tested the President of New York Life in their corporate headquarters. I was invited to make a presentation on MicroFit by Dr. Charles Stringfellow, their medical director, who had visited our booth at the Club Industry East Show in

New York City. We immediately placed a MicroFit system in their corporate gym and it has been a successful part of their overall employee fitness program ever since.

What are the key elements you need to pursue your corporate marketing strategy? First, you need to have total confidence that you have the best fitness profiling system in the world and you do! No other company has our track record in over forty nations and five language translations. So be glad you paid more and got the best. It will pay off big time in the long run!

Secondly, study your "Program For Success" guide because it has some sound marketing ideas. I have been amazed to follow-up with owners and fit-

ness directors who have not even taken an hour to read this important information after investing so much money in our system. This fifty-two page manual was specifically designed to help you formulate a plan of action. Believe me, some of you already know how powerful MicroFit is and you would just as soon keep it a secret from your competition.

Just ask Chuck Wilson, from the Fitness Authority in Reston, Virginia, who tested over 400 of his new members during their opening month in February. At \$45 per test, he was able to gross \$18,000 and "jump start" his new personal training program. Or what about Dr. Steven Lamm who has a private practice in New York City and tested over 350 of his patients on MicroFit in the first two

months. Not bad at \$100 per evaluation! Dr. Lamm has also informed me that he is the Honoree Surgeon for the NYPD and that he had been asked to come up with a proposal to conduct MicroFit tests on all police personnel over the next few years (30,000 strong). Do you see the potential in your area?

Thirdly, get MicroFit out into the community. MicroFit is an exciting product and you need to bring it to the people. Don't wait for them to come to you! Do not "hide your light under a bushel" as it says in the Bible. Many of our users have taken MicroFit to health fairs, fun runs, grand openings, etc. with great success. You never know who might be there. A Dr. Charles Stringfellow or Dr. Steven Lamm may be just right around your corner!

Finally, get serious about developing a plan which addresses the needs of corporations in your area. Invite industry leaders in to discuss these needs with you and show them the MicroFit system. Let them know that MicroFit can really help to define their employees health and fitness needs and to motivate them to improve. Any good sales person knows that a good lead product or "door opener" is essential to their success. I am convinced that MicroFit is the finest impact marketing tool you could have to begin a constructive dialogue on the benefits of your programs and expertise to the corporate client. MicroFit will continue to upgrade our products to ensure your success in the future.

(Rob Rideout is Vice President of Sales for MicroFit Corp.)

Caro

continued from page 9

are less than the assessed value, this information should be supplied through an accountant's statement or the original construction contracts.

If the trends are negative, this should be highlighted. If revenues are growing slower than expenses, tell the assessor. If some expense categories are skyrocketing - especially ones less directly under the owner's control (i.e. utilities, insurance and interest costs) - then single out those conclusions for him.

If the club is organized as a Sub Chapter - S Corporation where losses are predicted, the income statements should be shown to the assessors. Let them challenge the inappropriateness of the financial statements for assessment. They may not understand that in a Sub-S, the balance sheet may not be truly reflective of the business value, since current assets are often minimized to pay shareholder income taxes.

The use of IHRSA's *Profiles of Success: State of the Industry Report* has proven to be effective. IHRSA presents a credible, third-party verification that clubs, for example, in the multi-sport recreation category should pay on average 2.6% of gross revenues for their total real estate taxes. If a club paid 5.0%,

then the assessor's attention might be triggered. Copies of only the relevant IHRSA pages should be presented to the assessor with the calculations in Illustration A.

Illustration A

\$1,000,000 X 5% =	\$50,000
(Actual)	
-1,000,000 X 2.6% =	-\$26,000
(IHRSA)	
(Theoretical Overcharge)	\$24,000

REDUCING THE ASSESSMENT

This catches an assessor's attention but does not specifically tell him how to cut the assessment value down even if he were so inclined. Sometimes, the assessor will estimate the value of the business by deriving an analogy to either office, warehouse or retail space. The square footage is then multiplied by the going rate in the area for building new office space. This concept may not be accurate, as clubs continue to convert more and more interior space for recreational use. The cost of converting back to office or warehouse space may be far in excess

of the standard numbers used by an industry guide book. This argues that the analogy is not accurate. Warehouse space for a tennis building - now converted to multi-sport use - may be a more accurate indication of costs. But, in most cases, analogies do not work. In fact, recreation is generally the highest and best use. This poses a dilemma for assessors, since they have no ready-made, per-square foot yardsticks to use for such facilities. It is also an opportunity for owners to create major revisions in their assessments.

REASONS FOR REDUCTIONS

There are various attempts that can be made to serve as a basis for the intended reduction in real estate taxes. If the club has a real parking problem, this can be argued as a legitimate limitation on membership growth and a problem in revenue growth. Similarly, if the club is landlocked and membership levels have hit a plateau, this can be used along with theoretical price sensitivity to explain a future financial problem. Also, if unemployment or significant negative local trends can be used to help build the case, the owner should do so.

Zoning restrictions and special use variances create hardships and can have a strong impact on business growth and diversification; they are viable agreements

for reductions and should be used.

Sometimes, land assessments can be challenged. For example if one acre fronts on a major access road, but the remaining two acres sit behind, the latter two should be taxed at a lesser rate. An M.A.I. appraisal, showing comparable, recent, local land sales can convince an assessor of an overcharge. Sometimes, a neighborhood has changed or is undergoing difficulties and this can serve as a basis for a tax reduction.

Obsolescence can also be used as a factor in convincing assessors. Functional obsolescence works as tennis courts get converted to other uses, racquetball courts get eliminated and double decked, sun tan bed rooms get eliminated, pro shops become reduced and interior space gets continually revised. Physical obsolescence helps create a viable argument, since these buildings are open 18 hours a day, seven days a week and are not treated well by members. There should be a faster than normal depreciation schedule to bring these buildings into today's values. Also, higher than normal maintenance expenditures - compared to other service industries - are required to stave off the deterioration of these buildings.

The calculation of these buildings should involve separate analyses if one part was built before another or one part was recently renovated. Replacement values, which normally would be higher in today's dollars, can be

argued away in that owners might not build such a building for this purpose today if they knew that a reasonable return-on-investment could not be obtained. Generally, there is a real question why one would build a specially - constructed building for a special purpose in a risk situation.

If an appraisal dealt effectively with the value using the income approach, then the income stream as projected by the current business should be less than the assessed value. The appraiser should understand the intended use of the document when he does his calculations.

The key in the real estate assessment process is to understand the rules, share problems, create empathy amongst the assessor's staff and Board of Review and reduce the taxes. There are lots of specific arguments and the process can become unwieldy. The key is to analyze the effort and the potential gain and then pursue a reduction if it appears worthwhile after weighing the two.

Clubs have had great success throughout the U.S. in teaching local assessors the REAL VALUE of a club.

(Rick Caro is President of Management Vision, Inc., a consulting company to clubs and an acknowledged expert in club finances, operations, valuations, feasibility studies and club sales. Management Vision, Inc. can be contacted at (800) 778-4411. Rick Caro was featured in the January, 1995 edition of The CLUB INSIDER.)

Dust Off The Hardwood, Racquetball Is Back!

By Marvin Quertermous

The racquetball industry's rallying together in a spirit of common sense and long-term thinking has made racquetball a viable component of the club industry in 1995. Some of the biggest companies in sports seem to agree. At the SGMA Supershow in Atlanta in February, individuals representing every interest within the industry sat down together for the first time in history to begin to outline the necessary steps to secure a prosperous future for the sport.

In the 1970's we couldn't build racquetball courts fast enough. In the days of Jimmy Carter, "The Love Boat", and disco, we all played racquetball. We played so much racquetball, in fact, that we would pay by the hour to play, and consider ourselves extremely lucky if we didn't get "bumped" off the court at the end of that hour. As a result, residents of every town in the U.S. discovered something that had been known only in small specialized circles and locations called a health club. But racquetball did not sustain the changes brought on by 1980's. Clubs branched out to embrace new trends such as weight machines, aerobics classes, and stair climbers. In most markets during the 1980's, racquetball, the sport that launched the club industry, began losing serious ground in the ongoing battle for profitable use of floor space. Those beautiful courts could easily hold more stationary bikes and tanning beds than you could shake a CBK at.

Having significant status as the only game in town, few foresaw the approaching need to maintain profitability in the growing fitness market. As a result, shortsightedness nearly killed the sport. Organizations came and went, leaving enough initials flying around to make your head spin. The pro tour closed its doors to new players and went on the road in what was perceived by

many as a display of elitist snobbery. Television production standards of the time left the impression that the racquetball's fast pace made it unsuitable for TV. Publications vanished without notice. In short, a thriving industry copped an attitude and totally forgot about the need for customer service and long-term thinking. We became a discontented lot and local tournaments became the stages for our temper tantrums.

So why in 1995 has ESPN teamed up with the professional International Racquetball Tour? Why have sporting goods giants like Spalding and Wilson suddenly started pumping major dollars into research and development of new high tech racquetball gear? Why are the players of the pro tour now so sought after to endorse everything in the media from Volkswagen Cabriolets to anti-perspirants to phone cards? Why have the biggest names in tennis such as Head, Pro Kennex, and Prince (through its Ektelon division) recently hailed racquetball as a profitable entity in the 1990's? The answers to all these lie in a shift in industry thinking and some positive choices that came about as the 1980's drew to a close. Realizing the benefits of the sport itself, and that its unique appeal made racquetball a terrific product, a handful of visionaries saw the need to reverse the negatives, instigate some long-term thinking, and utilize the media and the industry to re-establish the profitability that would bring the programming back to clubs and the players back to the courts.

Only in the light of this long-term thinking would such an unlikely gathering appear at this year's Super Show. The roster read like a Who's Who of racquetball, professional and amateur, new school and old, ranging from the enthusiastic to the skeptical, but all committed to a goal that is well within sight. For the first time, in fact, the goal is so much within sight that everyone in the room had ventured major dollars toward its realization. Picture, if you will, unlikely allies in direct competition with one another en-

gaged in a very calm and courteous discussion of the big picture. Organization directors, top brass from manufacturing, media, retailers, and the irrepressible Marty Hogan sustained the entire afternoon without the slightest bloodshed. It could only happen in 1995.

What the discussion yielded was the need to build in support for the clubs. The task ahead would be to utilize different avenues all aimed at filling our nation's courts with players. While this may sound simple, it is the first time that this has been collectively espoused as the primary agenda by a group that has the means to make it happen. Organization, communication, responsibility, and accountability all would come into play. Luke St. Onge, executive director for the American Amateur Racquetball Association, chaired this edition of racquetball's version of the harmonic convergence and jumped directly into the fire by volunteering as a catalyst between the manufacturers. In fact, a "task force" was formed to initially include top guns from Ashaway, Ektelon, Head, Leader, Penn, Pro Kennex, Power Footwear, Spalding, and Wilson, and would be open to any other industry manufacturers for the purpose of building support for the club market. This support should take the form of assistance for clubs in building successful racquetball programming, providing a forum for communication in both directions, and extending visibility for the sport.

In terms of visibility, the pro tour is off and running. According to International Racquetball Tour commissioner Hank Marcus, "With the tour's alliance with KILLSHOT Magazine in 1991 and with ESPN in 1993, we've brought racquetball back to the general public for the first time since the early 1980's. Would-be players' ability to turn on racquetball on television and pick up racquetball on the newsstands will

branch out even farther in a few weeks with pro tour information and instruction available on the Internet. While the new task force is the next necessary step and I have extended the support for the pro tour, the IRT and its allies V.W. Credit, Head Athletic, Spalding, and Penn have gone out on the limb financially for some years now to actively reach out to the public. Only now are we beginning to see the benefits for those efforts. The tour's commitment to the clubs has begun with this year's successful implementation of the IRT Satellite tour, which brings top pros to areas that may not have had the benefit in the past to see live pro racquetball."

Spalding's Jeff Miller summed it up, "Spalding took the plunge a few years ago with racquetball, and will be right there with it tomorrow." Penn's Amy Wishingrad expressed a similar sentiment.

Rob Ahrendorf, director of marketing for Ektelon, has wholeheartedly picked up the torch for solidifying the sport. In no uncertain terms, he expressed a commitment to the growth of the sport in a candid conversation on the day following the racquetball summit. Ahrendorf reiterated the need for unity and communication in the process and has kept fax machines buzzing ever since with up-to-date ideas. These ideas included survey results that seemed to echo findings of KILLSHOT in respects that racquetball's greatest asset was its value for fitness, and that cost was not a factor for limiting its popularity.

And just what is that popularity? In the spring of 1993, Sportstyle industry publication quoted American Sports Data Analysis findings of total players nationwide of 9.3 million and holding, with 2.4 million and growing among those playing frequently (25 or more times per year). A recent issue of *Tennis Buyer's Guide* heralded racquetball as a profitable merchandising niche during the dry season of the tennis industry.

All sentimentalities aside, profitability is the bottom line. Clubs will only offer racquetball if

that profitability is built in. Realizing this seemed to be the greatest virtue of the summit. All discussions stemmed from the common root that this support for the clubs has to be sound and it has to be significant. As the real analysis begins, club interests must be targeted for both the short and long terms, without one having an expense on the other.

Programming alone will not fill the courts. Making racquetball appealing in the eyes of the public may hold more importance. In the numbers game, there is certainly more value in motivating the masses by luring them onto the courts to play a game that is admittedly addictive.

But we have a start. It is a start that in the twenty five or so years of widespread racquetball, we have never had before. It is a commitment by those who have something significant at stake. And the first ever racquetball summit represents a major step in the right direction.

Does this mean that tomorrow morning when the doors to the club open there will be a horde of oversized racquetball wielding yuppies storming the courts and reaching for their wallets? Unless you live in Southern California where that sort of thing happens from time to time, probably not.

What it does mean is some real support for the clubs that offer the game. It means that you can bank on the numbers growing over time because too many people with too many other ways to make money say it will. It means that ESPN sees something very palatable and very marketable. It means that if you've counted racquetball out, it's time to adjust your thinking and bone up on the statistics and catch up on the trends. It means fair warning has been given to position your club for the days ahead.

In short, it's time to tighten up your wrist lacers and begin laying the ground work for racquetball's contribution to the overall club industry picture.

(Editor's Note: Marvin Quertermous is Managing Editor of KILLSHOT magazine. To reach Marvin - (502) 441-7723.)

...Preferred Clubs

continued from page 6

visits to clubs whose normal IHRSA Passport Guest Fees might be \$5 to \$10! It is a really good deal for the members and gives the club a good tool for membership sales and retention."

JIM NASH is the General Manager of the Harbor Bay Club in Alameda, California. Jim says, "the Preferred Clubs Program is a very

positive thing for our club. We consider membership in the program as a privilege and we speak with pride about the fact that our club has been selectively chosen to be a member of the prestigious group of clubs. In fact, we find that the Preferred Clubs reciprocal membership program helps us close membership sales that we might normally miss. We give each new member who joins a Preferred Clubs card and they can then renew it on their own after the first year. For just \$25 per year, it is a heck of a value for them!"

HOW TO GET STARTED

Although the majority of the current member clubs in the Preferred Clubs Program are in the Western U.S., this mix will change significantly in the near future as the Preferred Clubs Miami office has been opened to facilitate the recruitment and enrollment of clubs East of the Mississippi.

There are several new components being installed into the Preferred Clubs program. Each club

will receive a color directory which will feature sample photos of representative clubs and regional focus information, as well as an updated club member list. In the near future, each Preferred Club will receive a customized new member brochure which will help with membership enrollment within the club. Member clubs will receive an approximate 50-50% revenue sharing on the membership sales programs for promoting the Preferred Clubs program in-house to their members. Importantly, all member clubs in the Preferred Clubs network are

linked via 800 number to an instant usage tracking and access control system. This system assures the privacy of the network. Members gain access to the preferred clubs through the use of their Preferred Club card which is provided with a carrier to each member.

If you operate an up-scale club with membership dues in excess of \$50 per month and would like to learn more about the Preferred Clubs Program, call Michael Dreifus at (800) 698-8887.

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DEVELOPING AND RETAINING A QUALITY STAFF

In the fitness industry, suggestions abound for retaining members. But, one of the major challenges facing managers is finding and keeping good employees. Typically, turnover in clubs is 25 % annually. On average, a company will have to refill its jobs every five years.

The opposite of productivity, turnover is extremely expensive. High turnover plagues the club industry. The costs of replacement include advertising for and recruiting new employees, lost time and productivity before vacated positions are filled, interviewing, training time and dampened morale. Although some turnover is inevitable in any business,

there are methods to reduce the numbers of employees you lose.

Retention efforts don't automatically mean boosting compensation. Not everyone will leave a job due to dollars. Top reasons for quitting include perceived lack of growth opportunity, low salary/financial benefits, job dissatisfaction and unacceptable working conditions.

Examine turnover statistics at your facility and then consider if (or how well) you are implementing the following techniques to keep your people.

(1) **SHARE A COMMON VISION.** Develop a mission statement and make it part of your culture by shar-

ing it with and keeping it visible to all employees.

(2) WORK TOGETHER AS A TEAM, BUT VALUE EACH INDIVIDUAL. You'll be more productive if you can empower your staff and encourage cooperation, collaboration, networking and sharing.

(3) ENCOURAGE A FAMILY ATMOSPHERE. People who like each other tend to be more loyal and productive. This doesn't mean that everyone has to be friends. Foster camaraderie so people can pursue a common goal.

(4) BE LOYAL TO

YOUR STAFF. If you expect your employees to be loyal to you, you have to be loyal to them. Loyalty includes backing your people when they are dealing with difficult members, understanding honest mistakes and providing benefits.

(5) MAKE WORK FUN! Remember the saying: "Take what you do seriously, but don't take yourself too seriously." When people aren't having any fun, they seldom produce good PR.

(6) **PROVIDE CHALLENGES.** Most people don't like to be bored. Condition staff to look for things to do when

they have available time.

(7) **SHARE INFORMATION.** Foster a team by letting people know what is happening in your facility. Remember, a good employee is an informed employee - Communicate, Communicate, Communicate !

(8) **PROMOTE FROM WITHIN.** Use your most precious resource - you people. Provide them with advancement opportunities so that they won't be tempted to look elsewhere

(Reprinted courtesy
of Western Association of
Clubs, Pat Pine Executive
Director.)

...Survey

continued from page 3

?/ Bally-talk/ Need more west coast news/ More consumer report surveys/ Pictures of ex-football players !/ One-sided opinions/ Too much attention to name change at IHRSA/ Norm's extreme bias on too much of paper- some is O.K./ Advertising/ Tennis issues not addressed adequately.

Question #4, "What would you like to see covered that we didn't cover in 1994?"

I am going to keep these excellent suggestions to myself. Suffice it to say that I have read your comments and I am in the process of implementing changes to address them.

Question #5, "Do you have other suggestions or comments?"

Keep your focus on practical-hands on stuff that we need./ More of the insightful articles about how and why certain clubs are successful/ Solicit readers for a best

tip or advice column where readers submit ideas/ More sales and retention articles/ Encourage the readers to interact and share successful ideas/ More articles like Red Lerelle's./Sales promotions that work !/ More support of regionals/ More shots of Norm in uniform/ Keep up the hard core (objective) reporting !/ Get a "hospital administrator to write on what it would look for in a club who was seeking "partnering."/ Don't let size mean more than quality/ Book reviews/Profit vs Non-Profit-see if clubs will print their views/Continued first person issues -controversies - challenges- this makes the industry sit up and take notice - "take a stand !"/Don't get "directed" by your advertisers...if the product or the company is doing something wrong, then say so !/ Keep dealing with the tough and controversial issues that IHRSA and others dance around ! PUSH IHRSA !/Keep the great info coming !/ More networking ideas on programming/ Additional surveys on compensation for directors and department heads/ Does IHRSA waste money ? Is IHRSA building membership and income without consideration of member opinions ?/ More coverage of the need for

IHRSA to deal with not-for-profits, "CLUB FORUM..we ask the questions - you gather the answers.

In summary, your input is sincerely appreciated and we hope to be able to use it to improve The

CLUB INSIDER News. A number of you responded to question #6: "Would you consider contributing as a writer or do you know someone that you'd like to recommend that we contact about writing by saying Yes, I would.

Then you didn't write down your name and phone number ! So if you said Yes, call (800)700-2120 and leave your name and number! We will be looking for people to contribute articles on many of the topics mentioned above.

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COVERT BAILEY

Health Rider's Fitness Pro Of The Month

By Norm Cates, Jr.

Covert Bailey, the renowned, best-selling author and fitness speaker, was born and raised in Boston, Massachusetts. Upon graduation from undergraduate work at Boston University, Covert earned his Master's degree in geology at B.U. He then decided to make a significant change in direction and obtained his Master of Science in nutritional biochemistry from the Massachusetts Institute of Technology (M.I.T.). After earning his Master's at M.I.T., he did medical research at Harvard University and M.I.T. for five years.

Upon conclusion of his education in the east, he became a teacher at Diablo Valley College in California for six years. It was at this juncture of his career that Covert Bailey began to develop interest in writing about a subject he had grown to know and love....the relationship of fat, not weight, as the enemy in diet and healthy lifestyle in our country.

While his research at Harvard and M.I.T. provided him with ratios and measurements for his lectures and books, writing did not come easily for Covert. In

fact, in discussing the great success of his three best sellers, he says: "I hate writing. I am not a good writer, in fact, I flunked English Composition 101 in college!"

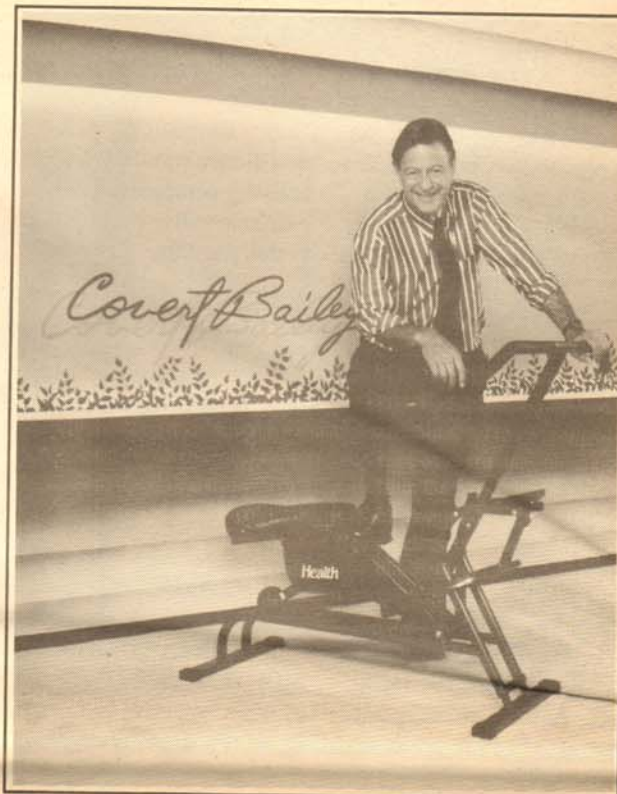
Covert's primary focus and interest was in dispelling the weird and obsolete views about weight and fat statistics. He doesn't believe in the "fat statistics" used by insurance companies and others. He asks: "Who says what's fat?" He poo-poo-ohs the recent announcements that 71% of Americans 25 and older are over-weight. He argues, for example, that Charles Barkley, the NBA All-Star, would be considered over-weight by these naysayers, even though he is a world-class athlete with a percentage of body fat around 8-10%. He says the fact is that over the generations since these charts were developed, Americans have gotten bigger in terms of average height and muscular structure while these charts have remained the same. Covert believes and teaches that one key to successful weight management is to "make goals realistic." He argues that without realistic goals, people will never reach their proper weight level and maintain it.

As part of his mission to educate the public about fat and weight, he wrote "Fit or Fat", his first book, which was on the New

York Times bestseller list in 1983 and 1984 and sold over 2 million copies. His follow-up book, "The Fit or Fat Diet" hit the New York Times bestseller list in 1984. And, his book "The Fit or Fat Woman" was also a bestseller. Not bad for a guy who "hates writing!" Covert's next book entitled: "Smart Exercise" has just released.

When asked to state the central message of his renowned book, "Fit or Fat", he says it boils down to: "body fat, not weight, is the enemy and in order to get permanent and lasting change of one's body fat, the metabolism of the body must be changed with regular exercise." When asked "which is more important, regular exercise or proper nutrition?", he replied: "By far, exercise by a 50 to 1 ratio!"

Covert Bailey stands apart from other health and fitness experts for many reasons. The first is simplicity - he explains complex exercise physiology and nutrition concepts in a simple, common-sense way that delights both naive and sophisticated audiences. The second is freshness - he presents his material with a delight and excitement that both captivates and motivates. Third, is thoughtfulness - Bailey listens



Covert Bailey

to questions with a concern for what the person really wants to know. His answers have profound impact because they are based on years of experience and research.

In discussing the fitness movement and health/fitness clubs he predicts: "The fitness movement will continue to grow, it is not a fad, contrary to what some shallow - reporter types might believe..... the fitness movement is just now shifting into 5th gear and is really beginning to roll!" He predicts: "the growth of clubs will continue, but with the intense and increased competition, some clubs will be hurt." He says: "The club industry can be a very proprietary -personality driven business and personality problems can hurt clubs."

Covert Bailey has been serving as an infomercial spokesperson for the HealthRider company, appearing in 30-minute video features about the value and benefits of the HealthRider. He likened using the HealthRider to swimming in that the machine provides an excellent workout without producing any significant stress to

any particular body part. He explained that a top athlete could be injured and still use the machine as it allows you to "favor" the injured part. He describes it as not only an outstanding exercise machine for the healthy body, it is a perfect therapy machine for people with injuries because of its movements.

When asked about his endorsement and the infomercials for HealthRider, given that there are hundreds of exercise machines on the market, he said: "everybody came to me for endorsements..... I chose to endorse the HealthRider because it is a good machine, even better than I thought, it is sold by honest people and it works."

(The HealthRider Fitness Professional of the Month is a regular feature with a focus on a fitness professional who has accomplished great things to advance the world of health and fitness. The monthly feature is sponsored by the new HealthRider PRO which will be displayed for the first time at the IHRSA San Francisco Convention at Booth #484 in March, 1995.)

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