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NEWS

APRIL 2007



Jim Bottin's
Evolution from Clubs to his ABC Financial World

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Norm Cates' **THE Club Insider** NEWS



Jim Bottin's

Evolution from Clubs to his ABC Financial World

Interviews with Jim Bottin, ABC Financial Founder and CEO and Paul Schaller, ABC President

By Norm Cates, Jr.

Great people like ABC Financial Founder and CEO Jim Bottin, and President, Paul Schaller, make this industry what it is.

In the cases of both of these men, they started

their careers in the club business. Bottin began over 30 years ago as the owner of a chain of martial arts centers that evolved to become Jim Bottin's Fitness Cen-

(See Jim Bottin page 12)



Michael Levy (L) & Greg Lappin

Gregg Lappin honored by IHRSA

See Norm's Notes

IHRSA 2007 San Francisco A Great Success!

The International Health, Racquet & Sportsclub Association (IHRSA) announced that more than **12,000** fitness industry professionals from more than **70** nations gathered to celebrate the association's 26th Annual International

Convention & Trade Show.

On behalf of the association, I would like to extend my warmest thanks to everyone who took time out of their busy schedules to be here in San Francisco with us," said Joe Moore, President and Chief Execu-

tive Officer of IHRSA. "I cannot think of a more dynamic group of professionals than those who gather for this terrific event. It is my hope that each and every attendee goes back to his or her business feeling a sense of rejuvena-

(See IHRSA page 6)

Bally Total Fitness

Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard

On March 15, 2007, Bally Total Fitness Holding Corporation (the "Company") filed a Form 12b-25 with the Securities and Exchange Commission (SEC) to report

that it was unable to file its Annual Report on Form 10-K for the year ended December 31, 2006 ("2006 Form 10-K") by March 16, 2007 without unreasonable effort and

expense. The Form 12b-25 reported that the Company was at that time unable to determine when it will file its 2006 Form 10-K.

(See Bally page 6)

Robert Wood Johnson Foundation Pledges \$500 Million to Fight Childhood Obesity

Princeton, N.J. - The Robert Wood Johnson Foundation is tack-

ling childhood obesity with the vigor of \$500 million allocated over the next five

years. A goal of reversal of childhood obesity in the U.S.

(See \$500 Million page 6)

The 3rd Annual CheckFree IHRSA Technology Summit featured important and amazing presentations

By Norm Cates, Jr.

CheckFree stepped

up and delivered an early session that potentially will save hundreds of clubs from

problems and fines when dealing with member credit

(See CheckFree page 6)

• Inside The Insider •

- **Why Plans Fail** by Will Phillips
- **How to Succeed in the Health Club Business** by Jim Thomas
- **Simple Technology to Stay Ahead** by Shawn Vint

Norm's NOTES

Thank You

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- Jim Thomas- President-Fitness Management USA 1-800-929-2898
- Amy Hyams, Ph.D. - World Instructor Training Systems (W.I.T.S.) - (888) 330-9487

• **Hello everybody!**
 This is your **CLUB INSIDER News Publisher Since 1993** checking in! Many of us are just back from **San Francisco** where over 12,000 enjoyed **IHRSA's 26th Annual Convention and Trade Show.** WOW...26 years! My, my ... how time does fly! It was great to be there and great to see each of you with whom I had the opportunity to visit. And, it was great to be among only four people I know of who've been to all 26 IHRSA Conventions! **RICK CARO, JOHN MCCARTHY, CHUCK LEVE** and I and very few others, if any, have been to **all 26!** **CONGRATULATIONS** to **MICHAEL LEVY Chair-**man and the **Board of Directors, JOE MOORE, President/CEO** and **Team IHRSA** for a great event and a job so very well done. Make plans now for IHRSA's return to San Diego, California for the 2008 and **27th Annual IHRSA Convention and Trade Show!** I want everybody to know that I think you all are just wonderful human beings who go the extra mile to be the best you can be in your field. Those that I see each year make me think of just one word: **PASSIONATE.** I feel so blessed to be associated with each and every one of you. I feel our country is blessed to have you in your role out there. And, I want all of you to know that I know deep in my heart that you are making a difference in many millions of people's lives ... I can't think of any other words to better express my affection for you, who you are and

what you do. **Success By Association** is a wonderful motto for **IHRSA** because it so well describes what the great Association does for its members.

• **AUGIE NIETO**, the man I believe is clearly the bravest person in our industry, if not in **America**, gave an absolutely amazing presentation at IHRSA 2007 on the afternoon of March 30th entitled, "**From Success to Significance.**" Augie spoke from his **wheelchair**. Accompanied by his faithful and adoring wife, **LYNN**, Augie, who is now in an advanced stage of **ALS, (Lou Gehrig's Disease)** gave his amazingly motivational comments to a crowd of approximately 600. Augie is at a stage with ALS that has taken away his ability to walk and use his arms and hands and even mere speech is very difficult for him. But, doing the best he could with his now significantly diminished ability to speak, and using visual aids to assist, Augie literally mesmerized the group attending the afternoon session. Then, later Friday evening Augie made comments to the 1,100+ in attendance at **Augie's Black and Blue Bash.** After his comments Augie received a long, long standing ovation from the crowd. Augie's comments were preceded by a stirring presentation by best-selling author **MITCH ALBOM.** The Black and Blue Bash raised **\$2,074,884** from donations and silent auction bids for **Augie's Quest.** Two of this industry's most well-heeled individuals, **BAH-**

RAM AKRADI and MARK MASTROV, led off the donations with Mastrov matching Akradi's **\$50,000** pledge as the two stood in front of the packed ballroom. So, with the \$100,000 from these two, the evening started off with a bang. Augie has not withered, he has not shrunk into the night, he has not given up and he has not lost hope. This brave, brave man and his adoring wife, **Lynn**, press on. I've seen some moving and very amazing things in my blessed 61 years of life. But, I've **never, ever** seen anything like Augie Nieto in San Francisco during his speech on the afternoon of March 30th and his follow-up at the Black and Blue Bash. **Never. Ever.** If Augie Nieto is not the bravest man in our industry I really don't know who could be. I told **JOHN MCCARTHY** that evening that **Augie's Quest** should never be allowed to stop until **a cure for ALS is found.** John shared my belief and I expect that Big John will use some of his hard earned retirement time to dig in and help Augie lead all of us to win this fight against ALS. Although Augie has now raised **\$9,574,884** as of April 10th in his Quest to find a cure for ALS, it may be too little, too late for him. But, Augie has given all of us in the health, racquet and sportsclub industry an opportunity. He has given all of us the ability to retain hope and someday to grab the torch he's been carrying for over two years now. I want to identify this opportunity. The opportunity is no



Augie & Lynn Nieto

matter what, our entire industry can rally totally together and establish a long term industry intention and goal to someday cure ALS and to raise \$100 million or more... whatever it takes to ... just do it. Think of the people who will be saved from the terrible plight Augie and his family have endured so bravely. I can remember when I was a child living with my family in Delaware. The lady next door came down with **Polio.** She was bedridden and after suffering for about a year, she died. Well, as you all know, they found the prevention for polio and we've all had our polio shots. Our goal from now on with ALS should be to find **Augie's Cure for ALS.** I for one, hurt deeply for Augie and Lynn and their family. I, for one, believe in Augie and Lynn and in our industry and I do believe we can all band together as an industry. I believe our industry can do this together. So, I urge you to involve your members in your clubs with Augie's Quest. Please consider producing your own Augie's Quest Event and help with this important cause. For information and to make a contribution to Augie's Quest now, go to: www.augiesquest.com And, I, for one, can only say to our friends Augie and Lynn Nieto: **Many people love you Augie and Lynn. Don't give up! Keep hope alive. Our prayers are with you everyday.**

• **GREG LAPPIN** of the **Rochester Athletic Club** in Rochester, Minnesota,
 (See Norm's Notes page 7)



Norm Cates, Jr.

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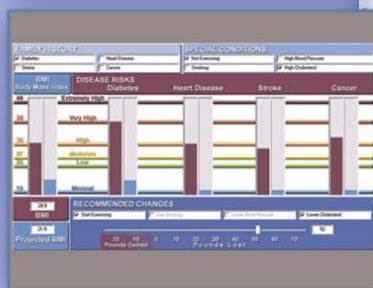
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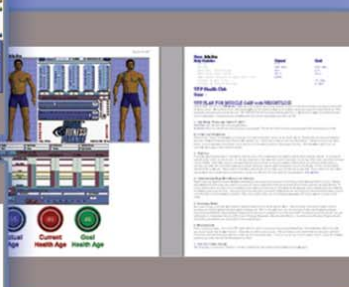
"We are extremely excited about the benefits to our customers' daily business functions that these features deliver," said Daron Allen, President/CEO of Visual Fitness Planner. "I truly believe that our technology platform sets the standard for the sales and marketing efforts of the health and fitness industry with a complete system for capturing and integrating members into a healthy lifestyle change."



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Lifestyle Calculator
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Before & After Imaging



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...IHRSA

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tion, equipped with knowledge and tools that will bring them continued growth and success in their businesses."

For the first time in IHRSA trade show history, exhibitors occupied both the North and South halls of San Francisco's Moscone Center. This year more than 420 exhibitors occupied 400,000 gross square feet of exhibit space on the trade show floor, displaying the latest and greatest in more than 25 categories of health and fitness equipment, products, and programs.

Nearly 200 education and networking sessions were held at this year's

convention, including memorable keynote presentations by **Michael Eisner**, former CEO of Walt Disney Company (sponsored by Precor), **Lyn Heward**, former President, Creative Content, Cirque du Soleil (sponsored by Technogym), and feature presentations given by **Sugar Ray Leonard** (sponsored by Matrix), **Frank Abagnale** (sponsored by CheckFree), **Dr. Stephen C. Lundin** (sponsored by CMS International), **Augie Nieto**, **Vice Admiral Richard Carmona** (sponsored by the Cleveland Clinic), **Dr. Dean Ornish**, **Dr. Cary Cooper**, and **Frank Luntz**.

For the third year, the event was held in conjunction with the **17th Annual Art & Science of Health**

Promotion Conference, presented by the American Journal of Health Promotion (AJHP). This partnership provides the unique opportunity for members of the health and fitness industry to network with like-minded professionals from a wide range of industries committed to health promotion.

At IHRSA's Annual Meeting, the association's Board of Directors for 2008 was announced. **Susan Cooper**, Owner of Body Business Health Club & Spa, **Art Curtis**, CEO of Millennium Partners Sports Club Management, **Sandy Hoefler**, Vice President of Western Athletic Clubs, and **Mike Raymond**, President of Curves International will be-

gin serving a four-year term on IHRSA's Board of Directors starting on July 1, 2007.

In ceremonies held at the convention, **Greg Lappin** of the Rochester Athletic Club and **CSI Software** were recognized with IHRSA's annual honors. **Greg Lappin** was presented with the **Dale S. Dibble Distinguished Service Award**, and **Jonathan Ross**, President & CEO of **CSI Software**, accepted the **IHRSA Associate Member of the Year Award**.

The health and fitness industry turned out in grand fashion in support of "The Black and Blue BASH for Augie's Quest," which was held in conjunction with the convention and trade show on Friday, March

30. Over 1,000 attendees raised over 2 million dollars for combating amyotrophic lateral sclerosis (ALS, or Lou Gehrig's disease), at the fundraising event, which featured Mitch Albom, author of *Tuesdays with Morrie*, John Ondrasik of *Five for Fighting*, and event emcee, Olympic gold medalist Summer Sanders. All proceeds will benefit Augie's Quest, who in conjunction with the Muscular Dystrophy Association (MDA), is an aggressive, cure-driven effort, singularly focused on treatments and cures for amyotrophic lateral sclerosis (ALS).

...Bally

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The Form 12b-25 further reported that continued listing of the Company's common stock on the New York Stock Exchange ("NYSE") was conditioned upon requirements including (a) the Company's timely filing of periodic reports with the SEC; and (b) the Company's ability to maintain an average market capitalization, in consecutive 30 trading-day periods, of at least \$75 million. The Form 12b-25 further reported that in accordance with a recent NYSE rule, the NYSE would impose an automatic trading halt in the Company's common stock if a trade was reported at a price of \$1.05 or less, or if the common stock would open on the NYSE at a price of \$1.05 or less.

On March 16, 2007, prior to the opening of the regular NYSE trading session, the Company received notification from the NYSE that the NYSE would not open trading in the Company's common stock, due to indications that the common stock would otherwise open on the NYSE at a price of \$1.05 or less. Since March 16, 2007, trading of the Company's common stock has remained suspended on the NYSE. The Company's common stock has been traded on other markets pursuant to unlisted trading privileges.

On March 26, 2007, the Company received notification from the NYSE that the Company was not in compliance with the NYSE's continued listing standards. In the notification, the NYSE advised the Company that it is considered "below cri-

teria" by the NYSE because the Company's total market capitalization was less than \$75 million over a 30 trading-day period. Additionally, the NYSE advised the Company that in light of the Company's disclosure in the Form 12b-25 that it was unable to determine when it will file its 2006 Form 10-K, the NYSE anticipated a likelihood that on April 2, 2007, the NYSE will deem the Company to be a "late filer."

The NYSE also advised the Company that in light of the Company's disclosures in the Form 12b-25 regarding the Company's financial condition, certain qualitative assessment factors (in addition to the quantitative requirements discussed above) could impact continued listing of the Company's common stock.

Under otherwise applicable NYSE rules, the Company would have 45 days to respond to the NYSE's non-compliance notification, by submitting a business plan demonstrating how the Company will regain compliance with the NYSE's quantitative listing standards within 18 months. However, in light of the NYSE's combined assessment of the Company's quantitative non-compliance, certain qualitative factors and the Company's anticipated late filing of its 2006 Form 10-K, the NYSE has directed the Company to respond on an accelerated basis. If the Company does not respond, or if the NYSE does not accept the Company's response, the Company will be subject to NYSE delisting. If the Company's common stock is delisted from the

NYSE, the Company intends to make arrangements for its common stock to be quoted on the OTC Bulletin Board or similar quotation system.

Beginning on April 2, 2007, the NYSE will make available on its consolidated tape an indicator, "BC," to indicate that the Company is below the NYSE's quantitative listing criteria. The indicator will be removed at such time as the Company is deemed compliant with the NYSE's continued listing standards. In addition, if the 2006 Form 10-K is not filed by 2:30 p.m. EST on April 5, 2007, the NYSE will make available on its consolidated tape an indicator, "LF," to indicate that the Company has been deemed a "late filer" by the NYSE.

...\$500 Million

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by 2015 has been set by the organization.

The largest commitment by any foundation yet, the \$500 million will be targeted to fight childhood obesity, one of the most urgent public health issues facing America. 33% or more of children and adolescents or 25 mil-

lion kids are overweight or obese. The number has quadrupled over the past forty years. This is a crucial issue because the habits of youth drive adult habits and adult obesity in America is also out of control. Researchers have indicated that over 80% of overweight adolescents become overweight or obese adults. Obesity onset at any age leads to type 2 di-

abetes, stroke, heart disease and some forms of cancer.

Robert Wood Johnson Foundation President and CEO, Dr. Risa Lavizzo-Mourey, said, "This is an all-American crisis. It affects all Americans and it will require all of America working together to turn it around. Our commitment is a call to action for families, schools, government, indus-

try, health care and philanthropy. To reverse the obesity epidemic and create a culture of health, we must provide families with better access to healthy choices. Individual choice and behavior are important, but the world we live in plays a big role, too. We have to make it easier for kids to eat well and move more. That means more parks and safe places for kids to play,

more grocery stores that stock affordable fresh produce, and improved school policies on nutrition and physical education. With this new commitment, we hope to foster more of these changes that will make it easier for families to raise healthy kids."

...CheckFree

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cards after March 31, 2007.

The first presentation was on the subject of PCI card industry compliance and was done by John Whitworth of AmbironTrustWave, a PCI

Card Industry (PCI) compliance expert and Michael Scott Scudder, club industry consultant.

The second was a mesmerizing presentation by Frank Abagnale, former con man turned FBI fraud expert, who delivered the keynote

address.

Whitworth and Scudder, delivering news that could be worse to club owners than a sharp stick in the eye, spent the first hour and a half scaring the dickens out of the audience. Their information

about the new PCI compliance laws, enacted as of March 31, 2007, described the new laws that could be devastating to this crowd and would become official before many of them had even returned from San Francisco. Talk about timely. Moreover,

on virtually every count, both Whitworth and Scudder predicted that the club owners in the room would be in violation of the new laws when they returned to their clubs and continue doing things they had been doing legally for years.

(See *CheckFree* page 16)

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...Norm's Notes

continued from page 4

was honored at **IHRSA San Francisco 2007** with its annual **DALE S. DIBBLE Distinguished Service Award**. Congratulations Greg for your dedicated and stellar service on the **IHRSA Board of Directors** and for your great career in our industry. I look forward someday to visiting your

amazing 260,000 square-foot mega club!

- **CSI Software** of Houston, Texas is the **IHRSA Associate Member of the Year Award** winner and I want to congratulate all on the folks on the CSI Team.

- **BREAKING GOOD NEWS – Bally Total Fitness** - The Company has obtained a forbearance agreement from the lenders

under its \$284 million senior secured credit facility. Under the agreement, the lenders have agreed, among other things, to forbear from exercising any remedies under their credit agreement as a result of defaults due to the Company's inability to provide audited financial statements for the fiscal year ended December 31, 2006 and certain other financial information to the lenders. This is only part of the latest news involving very complicated ongoing matters with Bally. For more details go to: www.ballytotalfitness.com and select the investors relations page. **STAY TUNED!**

- **RICK CARO's 11th Annual Financial Panel**, held at **IHRSA San Francisco** and moderated by Caro, featured panelists **BRENT LEFFEL** of Angelo Gordon, **STEVE REINER** of FINANCO, **SHARON ZACKFIA** of William Blair & Co. and **RON RICH**, formerly of Miller Tabak Roberts Securities. These panelists provided their independent perspective on specific club companies including **Crunch Fitness**, **LifeTime Fitness**, **TSI**,

Bally Total Fitness and the industry as a whole. Breaking news was that after a two year (2004 and 2005) stall at **41 million health club members** the industry showed growth to **42.7 million in 2006!** Sharon Zackfia projected that TSI might double its club numbers in New York and will experience continued growth in Boston, Philadelphia and Washington, D.C. LifeTime Fitness was reported to have had an almost 300% increase in its stock value since its IPO almost 3 years ago. TSI was reported to have experienced 70% growth in its stock since its IPO last year. And, Ron Rich painted a very scary scenario with his comments about Bally Total Fitness' future.

- Make plans to attend the **5th Annual Legislative Summit** in Washington, D.C. May 16-17, 2007. Just a tiny handful of this industry's people are doing this very important work for all of us. You and your competitors in your hometown all will benefit from the passing of the **WHIP Act** and the **PHIT Act** and the best way to make these two measures pass into legisla-

tion will be for our industry to be represented by more and more people and to be heard. For information go to: www.ihrsa.org

- **THOMAS PLUMMER**, clearly one of the club industry's most prolific gurus and teachers of large groups has been a really busy man! Not only has Thomas created a terrific alliance with **IHRSA** called the **National Fitness Business Alliance (NFBA)** to serve independent club owners, he's found time to write another new book entitled: **"Open A Fitness Business And Make Money Doing IT"** Check out Thomas' NFBA ad on page 27 and **STAY TUNED** for an update on the NFBA and Thomas' new book.

- I was so happy to see the exhibit for and how well **JOE MOORE** and his **Team IHRSA** have reworked **IHRSA's Group Purchasing Program**. The motto is: **"Where There's Savings In Numbers"** meaning you can save a lot of money by buying club supplies that you regularly need and use such as paper, printer cartridges, light

(See Norm's Notes page 8)



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...Norm's Notes

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bulbs, janitorial suppliers and other necessities. This was originally **IHRSA President CECIL SPEARMAN'S** idea about 14 years ago and now it has been restored to its original form and purpose. For information go to: www.ihrsa.org/group purchasing

• **Club Industry East** will be held June 5 thru 9th at **Disney's Coronado Springs Resort** near Orlando, Florida. I will be there at **Booth #102** and I hope you will make plans to attend and we might meet. Check out the Club Industry East ad for information on page #30 or go to: www.clubindustryshow.com Also, please note our **CLUB INSIDER News** advertisers exhibit # list on page #4 showing those exhibiting at Club Industry East. Please be sure to visit with and do business with them if you attend Club Industry East. I hope to see you there!

• **Club Doc, MIKE CHAET**, informed me at **IHRSA San Fran** that **JOHN URSTROM** had been named as the **Independent Club Operators Association (ICOA) Executive Director**. For information contact ICOA at: email: info@icoa.net and www.icoa.net or call: 406.449.5559.

• **SANDY COFFMAN**, my long-time club business friend, has written the first book ever written in our industry about Club Programming. In 1978 I attended Sandy's first club programming seminar at **TED TORCIVIA's West Allis Racquetball Club**, near Milwaukee. Since then, Sandy, through her company **Programming for Profit**, has become this industry's premier programming expert. Her new book is entitled: **"SUCCESSFUL PROGRAMS FOR FITNESS AND HEALTH CLUBS: 101 PROFITABLE IDEAS"** Beginning next month Sandy will share one of her 101 tips each month and her first tip will be to "Make It Fun!" But, why not go ahead and order Sandy's new book now, for delivery this summer. Contact Sandy at: SLCoffman@aol.com or go to: www.HumanKinetics.com

• **JIM CHILTON** is the **Founder** of **SOFA, The Society for Financial Awareness**, a San Diego based non-profit organization dedicated to helping people across America with their financial lives. It was my pleasure to meet Jim for the first time, (even though we've been doing business together for three months), at **IHRSA San Francisco**. **SOFA** is a great opportunity for club owners and others in our industry to create new membership and business leads at virtually no cost by becoming involved in **SOFA** public speaking opportunities in the 90 **SOFA** Chapters across the U.S. Please be sure to see Jim's ad on page #28 of this issue and give

SOFA a call for more details.

• **LARRY KREIGER** is a long time tennis/multisport club operator and former **IHRSA President** who now works with **Virgin Life Care**. **Virgin Life Care** is now touting its new **Healthmiles Program**, a first of its kind health rewards program that gives health clubs the ability to attract new members, retain the members you already have and differentiate your club from your competition. **Virgin Life Care** is a member of **Sir Richard Branson's** world renowned **Virgin Group**. For information contact **PAMELA BLOCK** at 212.857.9370 or email: Pamela.block@bitepr.com

• **MYLES MELLOR** is a California-based entrepreneur who owns and operates **Theme Crosswords**, a company that develops crossword puzzles for publications. Beginning with our **CLUB INSIDER News** May, 2007 edition, Myles and I have agreed that he will produce and I will publish a club business crossword puzzle. Each month you will be challenged with a crossword puzzle that will delve back into material covered in the previous month **CLUB INSIDER News** edition. So, **STAY TUNED!** Please note that Myles' company is also capable of producing such crossword puzzles for your club newsletter. For information go to: www.themecrosswords.com

• **ALAN** and **STEVEN SCHWARTZ'** **Midtown Athletic Club** in Chicago raised **\$19,000** in March during the annual **"Super Service"** charity fundraiser. Highlights of the day included a return-the-serve challenge against tennis pro **LUKE JENSEN**, in which media personalities and members of the public attempted to return Jensen's serve in exchange for a donation to charity. Additionally, tennis clinics, a pro exhibition, live and silent auctions were held and **Hawk-Eye Sensors** debuted for the first time outside the pro circuit at the event, which raised money to support **Chicago's Tennis Opportunity Program**, a non-profit that provides disadvantaged children with tennis and academic opportunities.

• **PATRICIA LAUS** announced over a year ago in Las Vegas at **IHRSA25** that she was launching the **Clubs for Cure Team** at her two South Jersey Shore **Atlantic Clubs** with the goal of raising over **\$500,000** for **Breast Cancer Research**. Her team did that and received **Avon Global Recognition** for raising **\$507,000** last year. Now, Pat is rolling out the **Clubs for Cure Team** in May, 2008 with clubs in New Jersey with the goal of doubling the **\$507,000** by raising **\$1 million**. She also hopes to engage **IHRSA** clubs worldwide with a long-term goal of raising **\$100 million**. For information, contact **KATHARINE WENTZ** at: 732.292.4362 or:

(See Norm's Notes page 10)



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...Norm's Notes

continued from page 8

Katharine@theatlanticclub.com

• **HOWARD LERMAN** is a bright, young New Yorker and **Duke University Alum** who has put together a really excellent service for clubs called **GymTicket.com**. Go to: www.gymticket.com and you will see how consumers may be linked directly to your club in your community no matter where you are in the U.S. This may be the single best new member referral program for clubs to ever hit this industry. And, it's **very inexpensive!** **STAY TUNED!**

• **HERVEY LAVOIE's Ohlson Lavoie Collaborative**, a Denver-based architectural firm, announced it has promoted six executives, including two senior principals. OLC named **ROBERT McDONALD** and **BRIAN BECKLER** as senior principals. Additionally, **CHRISTELL LEONARD** and **ALDO CORONADO** were named principals. **YASSER ELMHI** and **HAMED GALAL** of the firm's Cairo, Egypt office were promoted to associate principal, as were **MUNEHIRO ISHIDA** and **SATOSHI HATTA** of the Tokyo office. Congratulations to all.

• **CRAIG PEPIN-DONAT**, for-

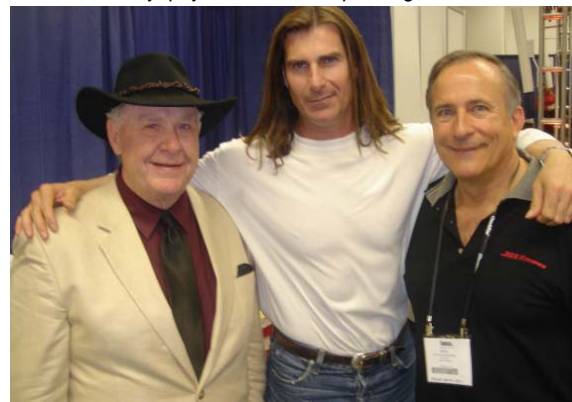
merly a top executive with **24 Hour Fitness**, has written a book targeted to all Americans entitled: **"THE BIG FAT Health and Fitness Lie"**. Craig's book clearly is going to stir things up in this industry. Chapter Six entitled: **The Fitness Fabrication** delves into what will most likely be viewed by some in our industry as an **'expose'** on the **"inside secrets"** of many health club operations. He pulls **no punches**. His book flat out attacks 8 different health/fitness issues he characterizes as lies in his writing. Just Chapter Six focuses on the health/fitness club industry. But, what he does not do in this chapter is **tell the other side of the story fully for the consumers of America**. So, any American consumer reading Craig's book might easily think that what he has written is all there is to our industry when it comes to joining and participating. While he does address the issues of contract membership sales vs month-to-month membership sales, high pressure sales and techniques such as T.O.'s (turnovers) he does not help the reader realize that his writing is reflective of his own personal experience working in our industry. He does not adequately explain to the reader that there are thousands of what I call **new-age**

21st century clubs who operate ethically and who do not employ the very techniques and procedures he warns the readers about in his book. Additionally, he does not tell the reader about how to seek clubs that do have different operating mentalities, a mindset I've for years described as the **IHRSA Mentality** of professional membership sales ----- membership sales where the new member is signed up to pay dues month to month for as long as he wishes to be a member, but if he decides to quit the club, he may do so without penalty. In fact, he does not mention **IHRSA** in his writing in Chapter Six at all nor does he give his readers any way to seek out **IHRSA** member clubs in their community. However, over the past 12 years or so, **IHRSA's** membership has diversified to such an extent that **IHRSA** no longer is a group of pure month-to-month membership clubs like it was when we started 26 years ago. Now, instead, many **IHRSA** clubs sell contract membership plans as their only option. No matter what, I would highly recommend Craig's book to you all for study because just from Chapter Six you will read about how our industry needs to be fixed. However, you will note upon reading that chapter that virtually every comment Craig has made has, at one time or another, been covered by this author's writing in **The CLUB INSIDER News** over the past 14 years. The difference is I have been writing to you, people who are club owners and operators and about things that we need to fix to build trust in our industry. To the contrary, Craig exposes in his book targeted to American consumers, these same issues and unequivocally gives the reader the impression that ALL of our industry is not yet to be trusted because of these issues. **STAY TUNED** for more on Craig's book after I've had time to study it further and contact Craig for his firsthand comments about my opinions registered here.

• I enjoyed meeting **FABIO** and catching up with my old friend, **PAUL GRYM-KOWSKI**, as they toured the **IHRSA Trade Show**. Fabio is involved with Paul's **365 Fitness** club franchise orga-

nization as both a club owner and spokesperson.

• **This just in:** I've just received an anonymous website delivered email from a reader who believes I am biased in favor of Body Training Systems and that I am biased because of money. - **My response:** "Hello anonymous. You're right that I am biased. But, you're wrong about my being biased because of money from **BTS**. But, please don't be too mad at me! **BTS** is a 7+ year advertiser with **CLUB INSIDER News** and they pay market



Norm Cates, Fabio & Paul Grymkowski

rates for their advertising, just like all others do. But, I'm glad you sent your email because I want you and all to know that I still support **BTS** 100%, but I have come to realize that there's plenty of need for **both BTS and Les Mills** in our U.S. club industry. In fact, I hope both organizations can sign up 10,000 or more clubs in the U.S. between them, because our industry truly needs to get aggressively after delivering professionally produced group exercise programming."

• **RAY STERN**, former professional wrestler, club industry magnate and aviation buff, was born on January 12, 1933 and passed away on March 6, 2007, in Dallas, Texas. I never had the pleasure of meeting Ray in person, but have spoken to him by phone a few times. I am sorry to hear about his passing and extend my sincere condolences to Ray's family and friends for their loss. May Ray Stern rest in peace.

• **My Uncle SAM INGRAM**, Retired Captain, United States Navy, passed away on April 3, 2007 after suffering several strokes and being

in and out of several comas. I believe Uncle Sam has joined my **Dear Aunt Mary** in Heaven. Uncle Sam never was the same after Aunt Mary died on July 7, 2005. He was a jet fighter pilot who took off and landed on aircraft carriers and logged thousands of jet and conventional aircraft flying hours. He was also a world-renowned artist whose focus was on Western lore. And, he was a gifted writer. Sam's Book, **America's Call to Freedom**, describes and shows over 200 of his colorful paintings and has a com-

selling text that traces the origins of the United States to the birthplace of Judeo Christian ideas and takes the reader on a spirited journey from the Holy Land to 20th-century America. America's Call to Freedom is an admirable and amazing work that captures in full color and prose, his passion for America and in particular, his passion for native Americans of the Western U.S.. My most sincere condolences go to all of our family members. May Uncle Sam rest in peace with his beloved Mary.

• **God bless our troops, airmen and seamen serving in IRAQ and the Middle East and God bless their families. God bless the people of IRAQ who continue, along with our servicemen, to be killed and crippled by car bombs and other weapons. God bless America. And, God bless you and your family.**

• **STAY TUNED!**

- Norm Cates, Jr. The **CLUB INSIDER News** - Publisher Since 1993

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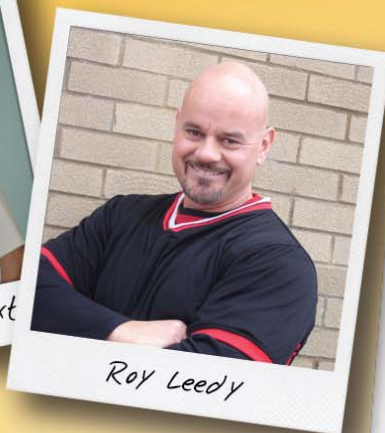
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Donna Krech
Founder/CEO
Thin & Healthy's Total Solution

...Jim Bottin

continued from page 3

ters. Schaller, Bottin's right hand man, also got his start as a club operator and has been with ABC Financial for 14 years. Jim Bottin and Paul Schaller are fellows I've grown to know over the years through IHRSA.

Jim is a self-made man who served his country in the U.S. Air Force, earned a Tae Kwon Do black belt, and began his career in the club business by developing a successful 13-club chain originally called Nautilus Plus and later called Jim Bottin's Fitness Centers. He also built a 9- store sun tanning chain.

Jim Bottin parlayed his experiences in the club business and evolved to become a major nationwide player in our industry with ABC Financial company. Because of my experience in the club business before I started publishing *The CLUB INSIDER* News, I have a good idea of what such a transition takes and say, "Well done, Jim."

I've lost count of how many times I have urged independent and chain club owners to consider other options than "in-house" back office operations when it comes to collecting the money due to their clubs.

My suggestions to my readers have been made because of my own experience in the club business. I know I lost money due to inefficient systems and procedures for collections due to my less than stellar management of the folks whom I employed and charged with that ongoing task.

I do know this. I should have employed a company like ABC Financial to do the back-office work for my clubs but I didn't. Instead, I tried to hire and train people to do this most important job. Unwisely, I tried to train them to do something that I personally lacked the knowledge, skills and the ability to do myself. That was a big mistake and I hope you're not making the same mistake I made. My wallet and I still regret my failure to get a professional company involved back in the 1980's and 90's.

You don't need to continue to carry on your

back-office collections and operations "in-house" anymore. Perhaps you've already investigated obtaining third-party help in your back-office and did not make the move because of the cost. I hope you will reconsider.

Rest assured of this. Over the long haul, the cost of using a professional back-office organization like Jim Bottin's ABC Financial will be far less than the cost of NOT doing it.

Rare is the single independent or club chain owner, who collects all that is due to his clubs from an "in-house" back-office operation.

The reasons club owners will benefit from making the break away from doing the single most important task in this industry are: the time-tested systems and procedures combined with people that have the necessary expertise and mind-set required. Time-tested systems and procedures, combined with professional workers, all boil down to one thing: your club or clubs collecting more money over the long haul. Much more.

If you're doing your own collections "in-house" and do not employ a professional third-party company like Jim Bottin's ABC Financial, you might be playing another form of "Russian Roulette" with your club company. And I'd bet many of you who do it yourself now will agree with this comment: "It really is not a question of what will go wrong. It is only a question of 'what, when and how often' something will go wrong with your back-office if you don't have a pro team in place."

I'm honored to feature interviews with ABC Financial Founder and CEO, Jim Bottin and ABC President, Paul Schaller.

From Bottin's and Schaller's comments as former club owner/operators and now long-time ABC Financial providers, you may more clearly measure whether now might be a good time for you to make this break to professional third-party, back-office assistance for your club.

You may find yourself assigning a new level of importance to this opportunity. It's all up to you. But realize please...this is important reading!

An interview with Jim Bottin

Q - Jim, please share your early years with our readers?

Jim Bottin (JB) - I was born and raised in Gulfport, Mississippi. After graduating from high school I left Gulfport when I joined the military. As a youth, my primary interests were playing basketball and fishing on the Gulf Coast. Upon leaving the military I moved to Arkansas where I attended college at The University of Arkansas in Beebe on a GI Bill.

Q - Tell us about your family?

JB - My wife, Donna, and I have been married for 31 years. We had two children, Eric and Lindsay, and have four grandchildren.

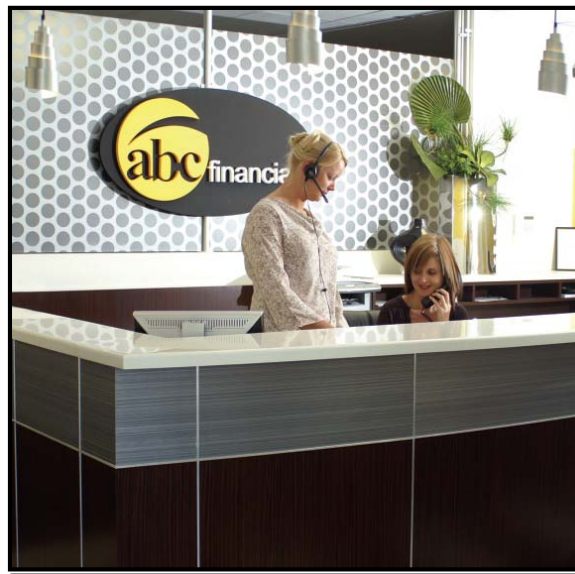
Q - Tell us about your early working years and when and how you originally became involved in the health/fitness club industry?

JB - While stationed in Taiwan in 1972 I received a black belt in Tae Kwon Do. When I returned to the States in 1975 I was stationed at the Little Rock Air Force base and began teaching Tae Kwon Do on a part-time basis. Upon completion of my military obligation, I decided not to re-enlist so I opened a Tae Kwon Do school in Jacksonville, Arkansas and began teaching martial arts on a full-time basis. Eventually, I opened additional schools in Little Rock, North Little Rock and Texarkana. By 1979 I started adding Nautilus equipment to the schools and began selling fitness memberships. Due to the popularity of these facilities I began expansion and eventually owned 13 clubs.

Q - Please describe your Nautilus Plus and later called Jim Bottin's Fitness Centers chain?

JB - I changed the name to Jim Bottin's Fitness Centers as I began incorporating additional equipment. I replaced Tae Kwon Do with aerobics and purchased racquet clubs that I converted to fitness centers by putting in aerobics, fitness, cardio and tanning. These clubs were located in Arkansas and Texas.

Q - How did the day-to-day health/fitness club operational experiences you've



*Michelle Jones (L) & Julianne Loum
ABC Financial Team Members*

had prepare you to do what you do today?

JB - While owning 13-health clubs and nine tanning salons I had to collect the receivables and the monthly dues. This was a very difficult and time-consuming process to manage. My philosophy is to always do the best you can do. Because of the inefficiencies and challenges of collecting my receivables, I formed a company called ABC, which stands for American Billing Company. By allowing ABC to focus on the receivables it allowed me, as a club operator, to be much more effective in servicing my members rather than the club collecting the dues.

Q - Jim, with 30 years in this great industry you've experienced a lot. Let's go back to your club owner/operator years. Please recall for our readers your "in-house" back office operations in those early club ownership years before you established ABC Financial.

JB - We were very ineffective and inconsistent in our attempts to collect the membership dues. That is why ABC was born; to take that function out of the club and put it in professional hands. I found that by owning clubs and trying to collect the receivables that the clubs did a poor and inefficient job in collecting the receivables.

Q - At what point did you decide to develop ABC Financial?

JB - In 1981. When

ABC was formed it collected a much higher percentage of the dues which was the lifeblood of my fitness centers. ABC returned this much higher percentage of collections because the people were trained specifically for this purpose: to make courteous and professional calls, send coupon books, and service the members' needs. ABC managed all of this in a very efficient way, thus yielding higher returns to my clubs. One of the reasons my clubs were so successful in the marketplace is because with the founding of ABC we became effective in the collection of dues and could continue to grow.

As I experienced the frustrations and inefficiencies of collecting dues for my clubs I saw a need for this service. I initially rented a separate building to house ABC. After a time, ABC began to provide service to my martial arts clubs. Service then expanded to other clubs outside of my ownership, and I started marketing these services and adding more club owners to my system. After 26 years we still have a lot of these same clubs using our services today.

Q - Did you have partners in ABC in the beginning, since then and do you have partners now?

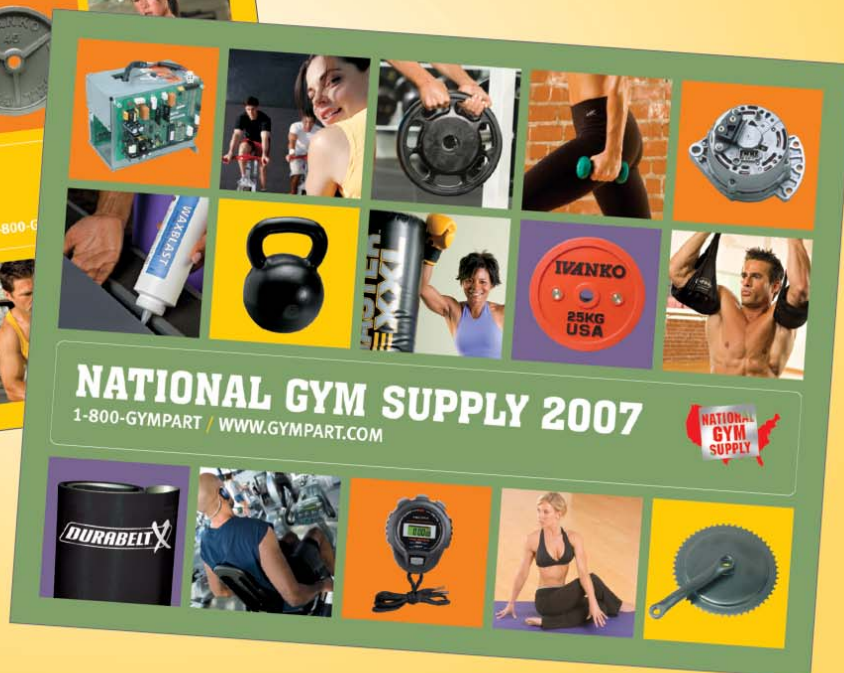
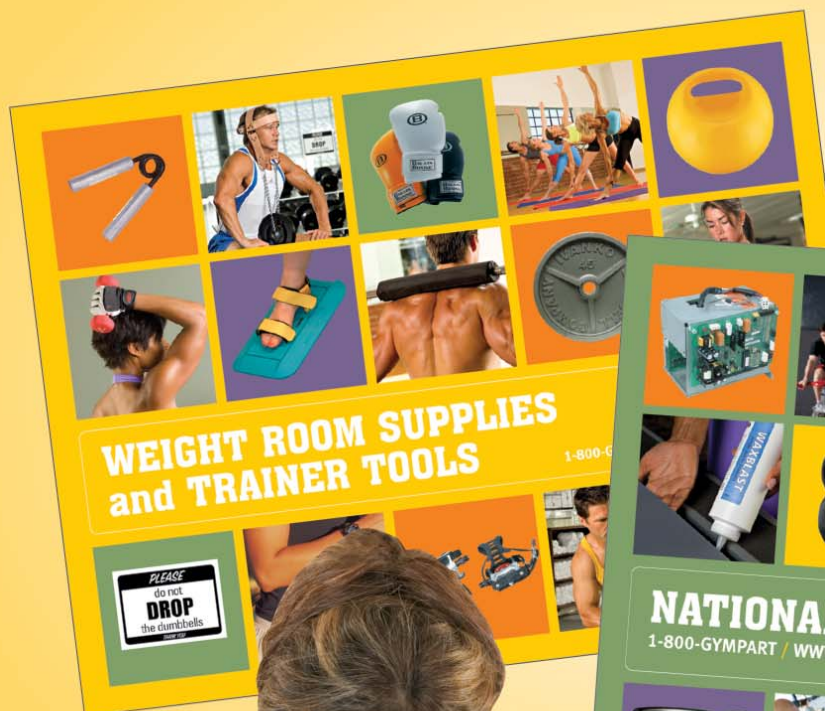
JB - No - I've never had partners. ABC has always been a privately owned company. By retaining full

(See Jim Bottin page 14)

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...Jim Bottin

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ownership it has allowed us to make decisions quickly in order to keep up with the needs and demands of our clients. Of course, over the years I have had affiliations with other companies but have never entered into a formal partnership.

Q - My trip to Little Rock last November gave me a chance to see ABC Financial's Headquarters firsthand and I must say I was very impressed. As you mentioned, the remodeling construction on the building on the front of the property has been completed and you've moved a lot of your ABC Team to that totally remodeled building. Tell us please about your entire operation in Sherwood.

JB - As I mentioned, I initially leased space for ABC. But, as the business grew I decided to build a building. The original building consisted of 10,000 square feet located on five acres where one of my fitness clubs was located. With continued growth we needed additional space so I built an additional 10,000 square foot building connected to the original building. This year I took over the 20,000 square foot building that was previously one of my clubs and is on the front of the property. This building has been totally remodeled and ABC now has 40,000 square feet of office space with 260 employees. The operation consists of many divisions; the largest of which is our call center consisting of member services, client services and IT Help Desk. Other departments include data entry, data conversion, sales, club marketing, accounting, administration, and a complete DataTrak Software Development division.

Q - I've had the pleasure of meeting and getting to know a lot of club people over the years. But, I've not met many that spent time in the club industry as an owner/operator and then moved on to build very successful service or manufacturing businesses to serve the industry they previously operated in.

My question is, "As you've evolved in your career, what have been the greatest

challenges of that business evolution to the obviously great level of success you now enjoy?"

JB - I have evolved from owning Tae Kwon Do, fitness, and tanning facilities into ABC Financial which is a full-service billing and software company. Because of my initial need for a company to service and collect my dues, ABC has become a company that is a great asset to other businesses. It evolved due to a need in the industry and that need still exists now more than ever! Club owners need a one-stop shop that can deliver a solution to manage and collect their membership dues with user-friendly and advanced software. The greatest challenge has been to ensure that we are on the cutting-edge of managing receivables with state-of-the-art software and rendering the highest level of service in the industry.

Q - Jim, I'd like to hear about your key people. Obviously, ABC Financial President, Paul Schaller is a great asset to you, as he oversees your 260 ABC Financial employees.

- First, please comment on Paul's role and performance. We will also hear directly from Paul later in this report.

JB - Any company is only as good as their people. We are a service company that sells and delivers services and software solutions. Paul Schaller is the President of ABC. He has been with my company for 14 years, and he has a background in the fitness industry. Paul's career with ABC began in a sales position and he worked his way through the company as my right hand person. He is a very loyal and dedicated associate.

- Additionally, please single out and comment on your greatest ABC Financial performers over the long haul.

JB - We have been fortunate to have many of our employees as part of our team for 15 years or more. Our Chief Operations Officer, Robert Surface, owned his own health club prior to joining ABC. Others in our software development department and sales department have either been health club owners or

have spent numerous years in the business. We feel that having a staff with this type of background helps us build a relationship with club owners that is much closer because we have a better understanding of their needs.

Q - Jim, if you could characterize our industry as you see it today, what would you say are the greatest opportunities and the greatest challenges for the health/fitness club industry?

JB - In today's marketplace building a health club could run in the millions. This high cost, compared to the cost in the 70's, 80's and 90's, prohibits many people from getting into the industry, which eliminates some of the competition. The challenge today is to have access to the money to open a club.

Q - Jim, obviously with your new headquarters and a team of 260 people you're poised and very prepared for growth. How many clubs does ABC Financial support today and what are your visions for the future of ABC Financial? And, how do your visions match with the needs of the people in clubs?

JB - We are servicing over 1,600 health clubs today. We are continually building an infrastructure with manpower and facilities to continue growing at a managed rate. Our mission is to deliver the highest quality of service in the industry, to continue to develop state-of-the-art software and to collect more money from more members and do it for less money than anyone in the industry.

Q - When did you join IHRSA and how has IHRSA involvement helped your business?

JB - We joined IHRSA over 20 years ago. IHRSA has helped our business by aiding in education, club legislation and health club acts. IHRSA provides a venue for us to see our current customers and recruit additional customers. IHRSA provides the best education in the industry and their association with our friend, Thomas Plummer, helps bring their commitment and expertise to all types of club owners.

An Interview with Paul Schaller, President of ABC



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Q - Paul, where were you born, raised and educated? Also, please tell us about your family?

Paul Schaller (PS)
ABC Financial President - I was born in Dearborn, Michigan. I attended school in Michigan and North Carolina. I have a wife and 6 children. I have lived in Arkansas since 1991, 16 years.

Q - What were your previous work experiences before ABC? When did you join Jim Bottin and what was your role at ABC Financial in the beginning?

PS - I began working in the health club business at the age of 16. By the age of 20 I entered into partnership with two other guys, and we operated 3 clubs in western North Carolina. The clubs we operated used "The American Billing Company" (ABC), as it was named back then, so I had an understanding of how ABC worked and the quality of its service. My wife worked for ABC for 15 years and that is how I ended up in Arkansas! I joined ABC in 1992, started in sales, and as the company evolved and grew, so did I.

Q - Paul, as I said to Jim Bottin, I was very impressed when I visited with you at ABC Headquarters last November. Please tell us about your role as President of ABC Financial and in particular, share with us what it's like to oversee 260 employees?

PS - As ABC continues to grow, my largest challenge is to be sure that I and other leaders of our company communicate and deliver the Vision, Mission, and Principles of our owner, Jim Bottin.

Our company, like many others, has experienced the evolution of the technology boom for the past decade and we continue to work hard to take advantage of newer technology that will allow us to be more efficient and provide quality service to our customers.

Q - ABC Financial is an excellent service provider and one of our industry's true leaders in this field. The health club industry also has other excellent providers in this very competitive field where ABC has enjoyed 26 years of success. And, as I have written in the past, I think it is only fair here to mention our other advertisers in this field, Affiliated Acceptance Corporation and CheckFree's Health and Fitness Division. I want to thank AAC, CheckFree and ABC Financial for your long-time support of The CLUB INSIDER News.

- My question is: Please share the ABC Financial differentiators and in particular, ABC's focus on excellent customer service.

PS - First and foremost, many of our leaders at ABC have either worked at or owned health clubs and our focus has been primarily health club operations. We have a strong appreciation for what our customers go through because we have been there ourselves. We also believe that our success is based completely on the success of our customers. If ABC is a better company today, it is because we listened to our customers and provided products and services that they have asked for to operate their business more efficiently. Additionally, we are a big believer in being an

(See Jim Bottin page 16)

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Association Insurance Group

...Jim Bottin

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on-site company. We want to enter into our customer's business and assist them in the conversion process to using ABC. Lastly, we continue to "watch the cheese move". We have experienced the change and evolution of the fitness industry over the past



26 years, and it is clear that the competitive landscape is only getting tougher. Whether it's technology, infrastructure or people, ABC will continue to do what is necessary to evolve and keep up with the times.

Q - How has your ABC Team's culture of excellent service been driven by both your's and Jim Bottin's previous experience in the health/fitness club industry?

PS - Well, it's always easier when you have walked in someone's shoes.

As I stated earlier, we have a keen appreciation of what our customers go through on a daily basis. Whether it is worrying about a marketing campaign, a sales system, or daily operational challenges, we have experienced most everything that club owners today go through. There is no substitution for real life experience.

Q - The two different worlds of "in-house" back office production compared to the world of dealing with professionals like ABC Financial who provide these all-important services can be vastly different. Please share any key points you think club owners might contemplate IF they are still doing their own back-office club administration work "in-house."

PS - The decision to do an "in-house" system or use a third party provider is not a right or wrong decision.

Each owner should evaluate and consider his own strengths and weaknesses as it pertains to all aspects of the business. Managing the receivables is not "rocket science." However, to do it well and be successful, requires a commitment and an infrastructure of processes and systems that must be adhered to every day. If a club owner enjoys or is willing to take the necessary steps to manage his own receivables, then it's okay. There are many owners out there that do just that. However, if the owner realizes that his or her strengths are in other parts of the business and he does not want to build a back-office infrastructure, then using a professional third party service provider (and there are a few of them in our industry), is the right decision for that owner.

Q - What is the single most frequent objection you get from a club owner who is still operating his back office "in-house" and how do you and your team respond to that objection?

PS - Cost, by far. If an owner currently manages an "in-house" system, some of his hard cost is shared throughout his entire business. From an education standpoint, we attempt to

have the owners do a fair and equitable evaluation of what his true "in-house" systems costs are and then attach those results to what their current yield or success of collecting their own money is. ABC then has to give them a comparison based on the same yields or results as to what our fees will be. The truth is, however, in many cases ABC will do a better job of managing the receivables for the club thus creating a higher yield or more dollars being collected for the club. Therefore, the cost will actually be cheaper than their "in-house" system.

Q - Paul, many of us have just returned from the 26th Annual IHRSA Convention and Trade Show in San Francisco. Would you like to comment on IHRSA?

PS - It's clear and obvious that IHRSA continues to be the leader for trade shows and education in the fitness industry. Their partnership with the National Fitness Business Alliance with Thomas Plummer shows us IHRSA is committed to helping all types and sizes of health club owners. It also amazes me how much the cost of the game has increased over the last ten years. I must tip my hat to many of our customers

who have learned to evolve, stay competitive and remain successful. Locations, build-out cost, equipment and staffing have all become so expensive, and yet, it seems that the maturity and the skill set of the general health club owner today has improved ten-fold and the future for the health and fitness industry is very bright.

CLUB INSIDER - Paul, please make any additional comments you'd like to make.

PS - Norm, I want to thank you for taking time to visit with us here at ABC and giving us an opportunity to let the industry learn about our family here. We have been a supporter of the Club Insider for many years now and look forward to a continued successful relationship with you. Please let us know if there is anything we can do to help you in the future.

CLUB INSIDER - You are welcome and thank you, Paul.

To learn more make the call to **ABC Financial** at: **800.551.9733** or go to: **www.abcfinancial.com**

- Norm Cates, Jr. The **CLUB INSIDER** News Publisher Since 1993

...CheckFree

continued from page 6

This includes things such as allowing employees to even touch credit cards for swiping purposes or writing credit card numbers on membership contract agreements.

Frank Abagnale de-

livered the keynote address at this summit. His incredible story is the theme of Steven Spielberg's 2002 film, *Catch Me If You Can*, starring Tom Hanks and Leonardo DiCaprio and if you have not seen this movie, I would definitely recommend it to you.

An authority on the

subjects of forgery, embezzlement and secure documents, Abagnale's speech underscored the importance of securely managing consumer information. He shared his life story from age 16 when his Mom and Dad divorced and he ran away from home, never to see his father again. He recounted how he had passed himself off as an airline pilot, a doctor and a lawyer and how he had suc-

cessfully lived for years by passing bad checks across the world.

Throughout his presentation, Abagnale displayed an amazing presentation talent and the entire audience sat carefully taking in his every comment. His story is truly an amazing one. He recounted the end of his criminal run, a review of the prisons and duration of times he served for his offenses

and his recruitment by the FBI to work through the last part of his sentence by helping the FBI get into the minds of criminals, through his own mind. Abagnale now has 32 years with the FBI. During his presentation he disclosed certain discrepancies between the truth and Steven Spielberg's account of his life story, including the scene in the movie when Abagnale met with his father while posing as an airline pilot.

While the first segment of this CheckFree Summit certainly delivered extremely important information all club owners needed to know, it was a thankless job and was done well by the Whitworth/Scudder team.

But, Abagnale truly rocked and stunned the IHRSA audience with the content and delivery style of his amazing presentation.

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Why Plans Fail

By Will Phillips

Planning, some say, is a way to make God laugh.

More often than not, plans go astray. Strategic plans, begun with great excitement and created with satisfaction, often gather dust in the CEO's office within a few months. Michael Hammer, guru of the organizational re-engineering movement of the early 1990s, estimates that more than 70 percent of re-engineering plans failed. Top executives report that most total quality management (TQM) efforts of the 1980s failed to produce organizational value. Recent studies revealed that projected benefits from business mergers failed to materialize in 85 percent of the cases. These statistics come from businesses that hired the world's experts in change management, invested hundreds of thousands of dollars, per month, in change pro-

cesses.

I bet that every human being in the United States believes in the value of planning. More management and personal development books have been written about goal setting and strategic planning than any other topic.

Planning Is Often Evaluated On the Elegance of the Decision

Planning is often evaluated on the elegance of the decision. What really counts, of course, is the follow through—the implementation. The quality of implementation relates to how the plan was created. Not considering planning methods early in the planning process sows the seeds of failure of the decisions in the implementation. Well-implemented plans achieve the desired results, efficiently, on time, and with few unintended side effects.

The secret of good implementation is simple. Implementation *requires commitment from all* needed to carry it out.

We can all think of poor planning that achieved stupendous results. Why? People were *committed* to the *desired results*. If the plan is inadequate, committed people learn from that, make corrections, and achieve. When people are not committed, they watch your beautiful plan slowly veer off course, and when it crashes, they may secretly smile.

Including the doers early in the planning is more critical than having the deciders create a well-designed plan. The doers' ideas must be articulated, accommodated, and integrated during the design of the plan. Postponing inclusion until the plan is finalized means selling it to the stakeholders, not accommodating those who will ultimately make it work.

If the deciders listen to the doers after the plan is written, the plan will require accommodation to their concerns and new ideas. Finding the willingness to change the plan after the binders have been embossed is like expecting an architect to accommodate the carpenter's suggestion.

The doers, excluded from real participation in the plan's design, expect their ideas will be discounted, and they acquiesce. Deciders misinterpret this acquiescence as agreement and support. *Then when the plan does not work well, the doers get blamed for lack of follow through.*

Twelve Reasons for Failed Plans

Over the last twenty five years I have facilitated the creation of several hundred business plans. For large businesses like Domino's Pizza and the Brooklyn Museum to small businesses like most health clubs. I have had the opportunity to watch these plans over time and see how they got off course. In many cases when I was still involved, we could steer

back on course.

I have summarized all these planning failures plus those of hundreds of other businesses whose planning failures ended up in the news.

1. Lack of Vision

Research supports what leaders have known for centuries: a strong vision contributes to success. Vision embraces values that never change in the service of a long-range purpose. Vision serves to inspire commitment and focus action. As the company achieves shorter-term goals, new ones are formulated in response to unchanging values and stable purpose.

Values and purpose, not projects or campaigns, drive the company to success over the long run. For instance, a major renovation can inspire and focus the organization, but only for a few years. When the new building opens, the company will begin to drift unless sufficient agreement on the mission and values carry beyond opening night.

Whenever you use the phrase 'get their buy in', you've probably failed to include key people soon enough.

2. Lack of Information. Plans often fail because we base them on incomplete information. The information usually missing from the plan is external to the company and includes:

- market size
- strength of the market's need for the company's products and services
- clarity on the market's willingness to pay the company's price in dollars, time and accessibility
- impact of competitors, especially indirect ones, who fill the same market need with a different time or service such as running, bicycling or hiking
- analysis of perceived value of the club's facilities and services by the market.



Will Phillips

This type of information is available for the asking through market research and feasibility studies, which can elicit this data through well-crafted, efficient questions.

3. Lack of Inclusion

Information may be missing from inside the club, too. The leaders may exclude professional, technical, administrative and employee support from the planning process. Plans in companies are frequently drawn without including ideas from the front line employees, especially part-timers.

These failures of inclusion occur because leaders believe:

- Employees have little to contribute.
- We cannot involve too many people.
- We don't want to involve them until we have a better idea of where we are going.
- There would be too much disagreement.
- It's too hard for them to deal with these issues.
- It will take too much time.

These beliefs limit inclusion. Fortunately, effective processes, structures, and facilitators exist for including people successfully—even many people. *For the leaders, inclusion means listening and understanding, not abdication of authority to set the final course. Sequential inclusion does not build sufficient commitment to planning.* The power of planning comes from simultaneous inclusion.

4. Lack of Strategy.

Most strategic plans lack (See Will Phillips page 20)

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... Will Phillips

continued from page 18

strategy. What's needed is strategic thinking, not strategic planning. Strategic plans consist of long lists of goals, objectives, tasks and actions. Powerful strategy fits on a page or two. Plans fill pages and binders. The purpose of strategy is to define the organization in a unique niche. When this is not done, the organization competes for resources and customers with other, similar organizations. Most organizations have plans. *Very, very few have strategies.*

5. Participation as an End. Involving lots of people because you believe in participation *may create a hodgepodge plan.* You pass the basket and everyone contributes. Inconsistent, contradictory and ill-conceived ideas accumulate and get packaged into the plan. These plans have high agreement but little focus and require unrealistic resources. The management fads for participative "visioning" and development of mission statements have largely resulted in useless, unused documents.

The solution? Include people in a way that respects and builds on their needs and

has focus and direction. This process requires the synthesis of needs and perspectives to create new ideas. The process often transforms the people involved, too, and creates agreement on a future for the company. You will also have to engage in difficult conversations and even conflicts in order to synthesize all the input into a *powerful and focused strategy.*

6. Lack of Productive Conflict. People included in the planning process *will have different perspectives and concerns.* These differences have value. If the differences remain hidden and unexplored, they can be destructive. For example, if the need for job security is not addressed, individuals may be unable to concentrate on changing the company's structure. The planning climate must constantly encourage honest, complete input. When participants strive to learn from conflict, synthesis can occur and can generate new and more powerful ideas for resolving differences. Most planning will engage in conflict more productively if they engage a skilled facilitator.

7. Untested Assumptions. Invariably, planners use information, make

decisions and draft plans *without challenging deeply held, underlying assumptions that supports favorite positions.* Our universal desire to feel good and be nice works against honest exploration of differing ideas. A skilled facilitator can help the planners explore assumptions typical to a company such as:

-The public needs what we have.

-We'll build it and they will come.

-We have always been pretty successful in the past.

- The Titanic is unsinkable.

Identifying, testing and challenging assumptions critical to your plan will allow it to stand on solid ground. For implementation success, assumptions must be regularly monitored as well. Plans often fail because assumptions change while the plan remains. For example, members really want a club with lots of staff on the floor.

8. Lack of Communication and Accommodation. People need to know about your plans. Employees and members may feel marginalized when they are

the last to hear about a significant change. They may wonder: Why the secrecy? I feel stupid not knowing!

Every stakeholder can't be included in the planning process, but communications can go to everyone. *Face-to-face communication* is by far the most effective medium known to human kind, but videos, memos, newsletters, and telephones and E-mail all help. Your responsibility is to send the communication and to engage in sufficient dialogue to ensure understanding that will build energy and commitment.

Often, by the time planners communicate their effort, *they psychologically etch it in stone.* Their task is finished. Done. Completed. Not open to change. When they begin to share the plan, on some level, they're thinking: 'We created it. We're proud of it. Thank God the labor's over. Don't criticize our newborn plan!' This natural and unconscious attitude usually blocks dialogue and engagement with others. *The plan is an announcement not a communication - which is two-way speaking and listening.*

Communicating the plan usually causes ques-

tions, disagreements and doubts to surface. Planners ignore or discard these at the plan's peril. Each discard reduces energy and commitment. Some best-known failures of top-down, central planning can be seen in the breakup of the former Soviet Union, of IBM and the World Bank's attempts to help develop countries. Exploring and accommodating feedback may mean modifications, typically in how rather than what gets done. If accommodation is not made, planners lose the opportunity to build commitment and may secure only compliance from those responsible for implementing the plan. If you end "being right," the plan stands, unchanged, but energy for implementation may be low.

9. Lack of Strategic Alignment. Plans by themselves lack sufficient power to guide an organization, particularly if change is required. Like a supertanker, organizations have *extraordinary momentum* to keep on the old course. Even if the captain spins the wheel to a new direction, the autopilots deep in the bowels of the ship will correct to the old course unless they, too, are reset.

Companies have at
(See Will Phillips page 22)

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...Will Phillips continued from page 20

least seven autopilots: *strategy, culture, structure, systems, resource allocation, employing and rewards and recognition*. If the plan requires change, the autopilots require alignment with the new direction. This means creating a strategic culture, a strategic structure, etc. aligned with new strategies.

10. Lack of Strategic Focus. Most planning efforts create pages of new things to do. When these are layered on already full work loads and over committed resources, it means everything gets spread thinner. Everything gets done a little less. Setting strategy means making the tough decisions on what not to do. Invariably these decisions are tough for two reasons. First, *each and*

every activity has advocates. Second, each and every activity has a good argument for pursuit.

Setting strategy means making the tough decisions on what *not* to do.

When planners shy from tough decisions, strategy is undermined. A plan is not strategic unless it spells out what the organization will stop doing. A slow, ongoing accumulation of priorities accelerates aging and bureaucratization.

11. Plans not finalized. Finalizing a plan consists of breaking the plan down into reasonably sized tasks which define the results to be achieved, by what date and by designating a champion responsible and accountable for the results.

Many tasks require a team effort. Assigning accountability to a team only works when the team is functioning at a high enough level that each team member accepts 100 percent of the responsibility for the result. Too often, team assignments mean that no one takes the responsibility. If effective team work is not the cultural norm within the organization,

one person should have the responsibility for the results.

Each element of the plan requires the details of: what results, by whom, by when and with what resources.

Without these the plan is only a wish.

Un-finalized plans drift because employees work away as they always have. Effectively assigning strategic tasks often means changing some job descriptions and re-allocating resources.

Each element of the plan requires the details of: what results, by whom, by when, and with what resources. Without these, the plan is only a wish.

12. Specifying Results, not Activities

Many plans specify activities such as: improve coordination between x and y or launch a training program for front desk staff. These imply that coordination and training are the purpose of the organization. More likely, the need is to improve coordination to reduce duplication of work or to train to improve customer service.

Not spelling out the results can mean that you get better coordination, with-

out a reduction in duplicated services. If the goal is better customer service, be sure to spell that out and hold people accountable for this result, not for setting up a training program. Not specifying the result is the precursor of irresponsible behavior.

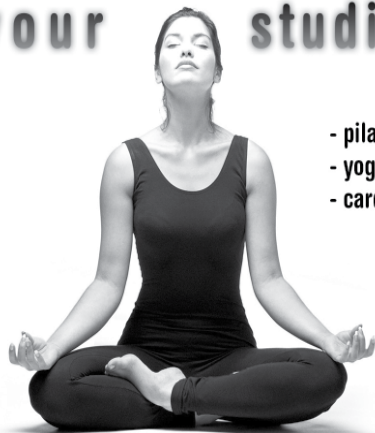
Improving Your Planning Process

If the **Twelve Reasons for Failed Plans** make sense to you, you have the raw data to redesign and improve your planning and decision-making process.

For a survey of your planning that addresses each of the twelve reasons plans fail or if this article raises any questions that it leaves unanswered, send an email and I'll provide more information to help you.

(Will Phillips can be reached at will@REXonline.org. Visit www.REXonline.org for more management briefings on planning and change. Will is the chair of eight Master Mind Groups for Club Executives across the U.S., Canada, Australia and New Zealand.

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Simple Technology to Stay Ahead

By Shawn Vint

Technology, contrary to some beliefs, is not a four letter word. But, you'd be hard pressed to convince most club owners of that!

Throughout the infancy of internet, many tasks that could be accomplished on a computer, after factoring in the training time, computer 'crashes' and overall unreliability, were more simply accomplished the old fashioned way.

If you still feel that way it's time you did a little reality check, before your competition, especially the new 'big box' clubs, overwhelm the traditional marketing and communication techniques you've continued pursuing.

Internet communica-

tion and marketing has entered the mainstream, and is growing. This is evidenced by the almost universal acceptance, in every industry, of the inherent value in electronically communicating with your clients and reaching out to the community with the message you want to deliver. The days of capturing (mostly unqualified) prospects from 'lead boxes' and using direct mail have just about ended, and those facilities still using those traditional methods will soon find themselves playing catch-up with more savvy communicators of what is undoubtedly a great message of a better life...the same message the 'old school' is trying to deliver but with diminishing return.

Get In the Game!

Getting in the 'new era' communication game has never been easier for you and your staff, but there are a few 'rules' to get you started.

1. Start capturing email addresses from your members and every prospect TODAY! Even if you haven't yet adopted an effective email communication company, by starting to capture email addresses immediately, you'll have a good database in less time than you'd think possible, and you'll have the satisfaction of being prepared.

2. Start with content. You wouldn't read a magazine that had nothing but advertisements, nor would you watch television with all ads and no content.

Your members and the people you are reaching out to are no different. Include your newsletter, some fitness tips and advice, our 'branded for you' Wellness E-Zine, any fitness related content you want (check for copyright), as long as you aren't continuously 'pitching' for a sale. That gets a little old, and there are much better approaches and options available to you today to increase your member base.

3. Be creative. Once you've chosen a company to work with, start focusing your message so that you continually differentiate your facility from the rest of your competitors. Have fun and be creative in the message you send. Delve into your communication companies



Shawn Vint

'library' of prewritten letters to see great examples of nicely worded messages.

4. Be Service Focused. Being service focused in a club is more than
 (See Shawn Vint page 28)

A Message from Fitness Management & Consulting...

When The Going Gets TOUGH The Smart Get Help™

Jim Thomas is the well-known founder and president of Fitness Management USA, Inc., a management consulting and turnaround firm specializing in the fitness and health club industry.

With over 25 years of experience owning, operating and managing clubs of all sizes, Mr. Thomas lectures and delivers



Jim Thomas

seminars and workshops across the country on the practical skills required to successfully build teamwork and market fitness programs and products.

Since forming Fitness Management, Mr. Thomas has been turning health clubs around at an amazing rate and garnering a reputation as a producer of change...a sharp-eyed troubleshooter, a brilliant sales trainer, and a motivator. Fitness Management provides programs that show measurable results and Jim's team is proud of their ability to glean profit from every square foot of a client's investment.

A dynamic, articulate motivator, Mr. Thomas exudes confidence without artifice and accomplishes wonders without the bruised feelings that can so often accompany change. "We pride ourselves in reaching people and motivating change in a way that encourages self-esteem on the part of the players."

Whether you operate a health club, fitness center, gym or other type club, Fitness Management and Jim Thomas have a program to fit your need, expand your market base, and keep your members and staff productive and enthusiastic. Jim Thomas may be reached at 800-929-2898, jthomas@fmconsulting.net or www.fmconsulting.net.

How to Succeed in the Health Club Business

Will your health club thrive, or will it join others that have faltered along the way? The competition for new members is intense.

We have had the opportunity to work with several clubs recently that have found their clubs faltering. They have all had a similar set of circumstances and all had fallen into the same rut of doing business.

For you owners that might feel stymied, you know what I mean. Here are some ideas to make sure your club grows and prospers:

1. Find a Niche. For any independent health club, it is best to find a niche. A health club with limited resources can efficiently serve niche markets. This entails sticking to what you do best, and becoming an expert in that field. Realize that it is not possible to be all things to all people. Don't try and be a smaller version of your competition. By concentrating on a more narrow market niche, you may be able to avoid a head-on collision with bigger clubs. If you are a small club offering everything from nursery to group exercise, the entry of big box clubs in your area can spell the end for your club. However, you can try to limit your offering and be the best club for this

segment of the market.

2. Think Big. One of the more common question we hear from health club owners is "How can I compete with my big competitors?" Independently operated health clubs have inherent advantages over big operations, including flexibility, ability to respond quickly, able to provide a more personalized service. Make sure that your club takes maximum advantage of those areas that represent the strengths of small operations.

3. Differentiate your club. Present the benefits of your club to your members and guests, highlighting the unique solutions your club offers to their problems. Avoid doing what every other club is doing; rarely do imitators succeed in the market (besides, how do you know the other guy is having success)...package your club distinctly. Establish your own unique selling position.

4. First impression counts. The idea is to bring the club guest up to your level of enthusiasm...passion, belief, and conviction. Strive for quality the first time around. You often do not have a second chance to make a good first impression. This entails a well-laid out club, courteous staff, and personable voice

over the phone, etc. Everyone you come in touch with is potentially a member or a referral to another member because they are either impressed with you as a person or impressed with your skill at providing a specific service in your club. Make sure that you are always professional in your ways and knowledgeable about your club.

5. Good reputation. Your health club success hinges on its reputation. It is imperative that you build a good reputation for the quality of your club and support services. Remember that two things will always point you in the right direction for success: quality facility and superior service. Always aim for quality.

6. Constant improvement. You've heard this before, right? You either get better or you get worse. Health Club owners can't be rigid in their ways of thinking in their desire to provide the best club. You risk being left behind by the fast-paced competition if you cling to the "this is how we've always done it" kind of thinking. The health club environment today demands that you need to come up with new solutions...and fast!

7. Listen to your
 (See Jim Thomas page 28)



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An easy to use, effective way to follow up prospects. Use one of our letters or create your own to provide easy, automatic email follow up in a way that builds relationships. The beautifully crafted, club branded email template we provide and the easy links to educational articles in your new Wellness E-Zine provide the connection your sales team needs to turn relationships into memberships. 9 month automatic Follow-up.



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...Shawn Vint

continued from page 24

just a smile at the front desk along with a clean towel (although those are both good!). Service, at the root, is your ability to deliver RESULTS to your members in the easiest way possible for them. Show them your service focused credentials every month. Focus on one element of your service and educate your audience in a way that helps them achieve their specific goals.

5. Include pictures.

The best way to remove the intimidation barrier that is so prevalent with the majority of your surrounding community is by allowing them to get to know you and see you. Pic-

tures of your staff and your members will open a window for people to 'see in' the club without putting themselves 'out there' first. This usually makes it much easier for a guest to walk through the front doors.

Stay in the Game

Once you've made the initial connection with your members, start reaching out to the community as well. Building a relationship may start with a connection but grows much more solid when there's a *two-way interaction*. Begin your email message with a thought provoking, fitness and wellness question. These questions often become 'trigger points' for peo-

ple that can be the push they need to change a poor lifestyle and if someone on your staff has been using a good communication module, *regularly and automatically* sending lifestyle wellness and self care messages, your club will be the automatic 'first choice' club to visit because you've been consistently showing your *service focused staff*.

One thing that you'll recognize immediately upon launching *revenue* effective email communication programs is the *cost* effectiveness of such programs. No stamps, no printing costs, with the same or better market targeting available and a more focused message delivery to each segment you're delivering to. It doesn't get much more bottom line positive than that.

Win the Game

Winning the game for

a club operator is very measurable. Are you generating more *qualified* leads month over month, year over year? Is your sales closing ratio as high as it should, or better yet, could be? Are the 'be-backs' that are walking out the door coming back? If they are not, why not? Are new members staying and creating, through positive word of mouth, marketing that money can't buy?

If you are answering yes to most of these questions, you fall into one of two categories. You either have an uncompetitive market, which is getting *extremely* rare, or your facility has and is doing a good job of both *communicating* what makes your club unique and worth joining (differentiation) and *communicating* your efforts on *service results*, which the closer you look, the more integrated those two aspects of club management are.

Finally, to be truly

winning, you have to have the systems in place within your facility, and the measurable results, so that as a club operator you can put some balance in *your* life as well, enjoying success and having the time to give back to the community, and enjoy more leisure and family time. It really can be done.

(Shawn Vint is the Founder of Greenmaple Wellness, a leading provider of custom branded web content and email communication systems for the independent club operator. See the Greenmaple Wellness ad on page #25 of this edition and call Greenmaple Wellness today toll free 1-888-355-1055 or email lynette@greenmaplewellness.com)



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...Jim Thomas

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members. Be market driven: listen and react to your member's needs. Members need to feel that they are important to you... because they are! When you focus on your members and gain their trust, they will not only recommend you but they will also remain loyal to you. Remember, personal recommendation and word-of-mouth are the least costly yet most effective marketing strategy for your club.

8. Plan of action for success. A health club owner should understand the power of planning. A plan of action helps you increase your chances of succeeding and can help you define your club concepts, estimate costs, predict sales and control

your risks. It tells you where you are going and how to get there. Going into the health club business without a plan of action is like taking a trip without a road map.

9. Be innovative. Innovate your offerings constantly, keeping pace with technological changes. Use change as a springboard to improve your club, procedures or reputation. Innovation should also cover your operations from pricing, promotion, member service, etc. Keep your eyes open for new ways of doing things, and apply those that can improve the quality of your club and efficiency of your operations.

10. Work smart. As a health club owner, you need to possess self-confidence, plus a never-ending sense of urgency to develop your ideas. We

have seen it over and over that the owners who succeed in the health club business are far-sighted and can accept things as they are and deal with them accordingly. They know how to manage their time, realizing the importance of balance in their lives. These owners are oftentimes quick to change directions when they see their plans are not working. More importantly, they recognize their weak points and move on to nurture alliances and acquire the skills they need to put their club on the right track. They realize the importance of working smart, knowing that it is not the quantity of work you do, but what you do and how well you do it.

Now, go make your health club a success.

Sincere Thanks, Gratitude and Appreciation to:
All who have advertised, purchased subscriptions and pitched in as Contributing Authors. We are now in our 14th year of publication!
ALL of you are on the "Team" that makes CLUB INSIDER. We will be grateful to you forever. I appreciate and LOVE 'ya!
Very sincerely, Norm Cates, Jr.

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