

# Norm Cates' **CLUB INSIDER**<sup>TM</sup>

The Pulse of the Health and Fitness Club Industry



Club One at Petaluma

## Club One Fitness

*One Mind. One Body. One Life...*

**APRIL 2011**

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# Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry

## Club One Fitness

*One Mind. One Body. One Life...*

**By:** Justin Cates

I admit it, I am a technology junky. I love the newest gadgets; my iPhone (4), my iPad (2), this computer or that laptop. I love it all, and only in the past decade have the newest gadgets truly become affordable for the masses and not just the early adopters, with few exceptions. Yet, the quality has also gone through the roof! The best case-in-point is Apple, a premium provider of technology (both software and hardware), hence the devices mentioned above. We all know what their devices look

and feel like, we all know their marketing messages, we all know what their stores look like, and we all know the service we should expect when we visit a store. It is a consistent and inviting experience, from their online store to their physical locations, and if we haven't experienced it for ourselves, we know someone who has because they have likely talked about it. It is also a good bet that you have seen an Apple sticker, two included with every device purchase, on a car in front of you at some point. That is marketing you can't buy.

Our cover story subject this



month, Club One Fitness, reminds me of Apple in many ways. I know what you are thinking, and we won't be talking about any more gadgets. However, there are many similarities that can be drawn between these

two companies when looked at in context. Club One Fitness, also based in California, is a health and fitness club company that prides itself on operating at a premium (See *Club One Fitness* Page 14)

## Michael Bruno's Revival of Star Trac Off to a Great Start! *Deal Making Equipment Guru Off and Running With Star Trac*

**By:** Norm Cates

Michael Bruno, a fitness equipment industry guru with links to both the consumer and commercial sides of the fitness equipment industry, acquired Star Trac in July of 2010. Bruno's holdings now include Vancouver, Washington-based Stairmaster and Land America, a manufacturing firm in China that builds high-end consumer and commercial fitness equipment. Continuity and aggressive streamlining are keys to his reorganization plan, which is now well on its way.

Bruno made big news twice at IHRSA30 when it was announced that Star Trac had entered into two mega deals.

While I was at my Booth at the

IHRSA30 Trade Show, Tony deLeede dropped by and told me that he, David Patchell-Evans and Mark Smith had signed a deal with Star Trac to equip over 100 planned new clubs with Star Trac cardio and strength equipment. In separate conversations, Bruno and deLeede put the value of the deal to be in the \$20 to \$25 million range.

The second big deal announced by Bruno at IHRSA30 was with Mr. Mohammed Khammas' Al Ahli Holding Group. Mr. Khammas flew in from his Emirates headquarters to support the IHRSA30 Trade Show and for AAHG's signing of an exclusive commercial fitness equipment deal with the Irvine, California-based Star Trac

company. Star Trac's groundbreaking agreement with AAHG is arguably the biggest equipment deal in history.

CLUB INSIDER had the chance to catch up with Michael Bruno after the IHRSA30 Trade Show.

### An Interview With Michael Bruno

**CLUB INSIDER (C.I.)** - Michael, when and how did you get involved in the fitness equipment industry?

**Michael Bruno (MB)** - My adventure into the fitness equipment business started back in January of 1992. I had already been in the bicycle business in China for four years by that time and knew that it was a dead  
(See *Michael Bruno* Page 20)



Michael Bruno

### Inside The Insider

- The "Insider Speaks" - Congratulations! - **By:** Norm Cates
- A Retention Breakthrough! - **By:** Will Phillips
- Creating a Strategic Plan For Your Club - **By:** Greg Maurer
- Managing Staff Behavior In Your Health Club - **By:** Jim Thomas
- Meet New People, Get Some Exercise and Have Fun! - **By:** Sandy Coffman
- IHRSA's 15th Annual Financial Panel - Produced and Moderated By Rick Caro

**Norm's Notes:** •Congratulations to IHRSA30 Attendees •50 Million Members! •Congratulations to 2011 IHRSA Award Winners •6th Annual Bash for Augie's Quest Another Success! •Congratulations to Red Lerille •Condolences to Jeffrey Keller •Rest In Peace Dean Wertz •GoodLife Fitness to Open 100 New Clubs Over Five Years •IHRSA's Resolution to Combat Obesity Through Physical Activity •The 2011 IHRSA Public Policy Summit •Vietnam Special Flight, Inc. •Healthier Lifestyles and Prevention Act Reintroduced •The Revenuers Are Coming! •Annual \$50 Fee for Adults Who Lead Unhealthy Lives Proposed in Arizona •Congratulations to the Gold's Gym Franchisee Association •Congratulations to Bill McBride •AFIRM Baltimore/Washington D.C. Showcase Set for June 6-7th •Florida Health Clubs Seeking Deregulation •A Goal For IHRSA's Public Policy Funding •ABC Financial Unveils Software Update at IHRSA30 •Retention Management Launches in Scandinavia •LifeCenter Plus Health and Fitness to be Featured in Opera's *O Magazine* •Congratulations to Justin Cates and Danielle Morozewicz Getting Married April 30th! •Are You A Paid Subscriber?

- U.S. Health Club Membership Exceeds 50 Million!
- The IHRSA Board of Directors Welcomes Three New Members
- All Roundtable Conference Conducted Will Phillips
- Gold's Gym Franchisee Association Named One of Constant Contact's 2010 All Stars
- Augie's Quest BASH Raises \$1.3 Million for ALS Research

# Norm's Notes

• **Hello Everybody!** This is your **CLUB INSIDER Publisher** and **Tribal Leader** Since 1993 checking in with our 208th monthly edition! **Happy Spring!**

• **Is America a great country** or what? **Mmm! Mmm! Mmm!**

• **Congratulations** to all **IHRSA Members** who attended **IHRSA's 30th Convention and Trade Show**, and thank you to **IHRSA President/CEO JOE MOORE**, his **IHRSA Team** and to the **IHRSA Board of Directors** for a wonderful event in San Francisco, March 16-19th. This event ranked right up there with the **25th Anniversary** event in Las Vegas in terms of high energy and excellence. Mark your calendar for **March 14-17th, 2012** where **IHRSA 31st Annual Convention and Trade Show** will be held at the **Los Angeles Convention Center!**

• **50 million members!** **IHRSA's** latest report on U.S. Membership, released at **IHRSA30** says we now have 50.2 million in the United States! Check out the report, starting on **Page #7**.

• **Congratulations** to the **2011 IHRSA Award Winners:**

• **The President's Award:** Waldyr Soares, Founder, Fitness Brazil, Sao Paulo, Brasil;  
 • **Julie Main Emerging Woman**

**Scholarship:** Jane Clark, Western Athletic Club, San Francisco, CA;

• **The Dale S. Dibble Distinguished Service Award:** Zoe Veasey, Co-Owner, Cedardale Health and Fitness, Haverhill, MA;

• **Outstanding Community Service Award:** Laury Hammel and Mike Farricker, Co-Founders, Longfellow Clubs, Wayland, MA;

• **Associate Member of the Year:** Motionsoft, Rockville, MD.

See **IHRSA30** photos on our website at [www.clubinsideronline.com/ihrsa2011](http://www.clubinsideronline.com/ihrsa2011).

• **Special congratulations** to **AUGIE** and **LYNNE NIETO** and **Big JOHN McCARTHY**, as **Augie's Quest** has now topped **\$28 million** after the **6th Annual Augie's Bash** at **IHRSA30** in **San Francisco** generated **\$1.3 million!** In an unexpected tribute, **U.S. Surgeon General REGINA M. BENJAMIN** presented Augie with the **Surgeon General's Medallion** for "*inspiring the world to fitness.*" The annual **BASH** is a signature event inspired by fitness pioneer Augie Nieto and his wife, Lynne, co-chairs of the ALS Division of MDA, and it provides unparalleled support to some 40,000 Americans living with ALS. Special kudos to John McCarthy, the Bash Event Chairman for six years now, as he was honored by the Nietos with the **Augie's Quest Leadership Award**. This singular



Augie and Lynne Nieto and John McCarthy



Norm Cates

honor is given annually to the fitness industry leader having done the most to help speed treatments for ALS.

• **Congratulations** to my long-time friend, **RED LERILLE** of **Lafayette, Louisiana** who'll be honored next Fall by **Club Industry Magazine** with their **Lifetime Achievement Award**. Past winners include **Dr. CURT BEUSMAN**, **JACK LaLANNE**, **ALAN SCHWARTZ**, **RICK CARO**, **JUDI SHEPHARD MISSETT**, **JOE GOLD** and **JOE WEIDER**. Red and his wife, **EMMA**, and **Red's Team** celebrated the **48th Anniversary** of **Red's** on **January 13th!** If you've never been to **Red's**, you should go there. When you go through the front door, you'll feel something cosmic, something very special about the "feel" of **Red's**. Maybe that's because **Red's** members are so happy that he's made at least one improvement to

**Red's** every month for over 48 years! The facility, now on 22 acres, offers everything you could want in a health and fitness club. Mark your calendar for the **Club Industry Show** in **Chicago, October 12-14th**. Check out **Red's** website at [www.redlerilles.com](http://www.redlerilles.com).

• Our sincere condolences to **CLUB INSIDER Contributing Author JEFFREY KELLER** and his family, as his **Dad** passed away. May **Mr. Keller** rest in peace.

• **DEAN WERTZ**, the owner of **Lighthouse Athletic Club** in **Oklahoma City, Oklahoma** and longtime **CLUB INSIDER** subscriber passed away on **March 5th**. May he rest in peace.

• **SILVIE BORDEAUZ**, who worked with the one and only and late **JACK** (See *Norm's Notes* Page 10)

## About Club Insider

# Established in 1993

## 18 Years and Counting!

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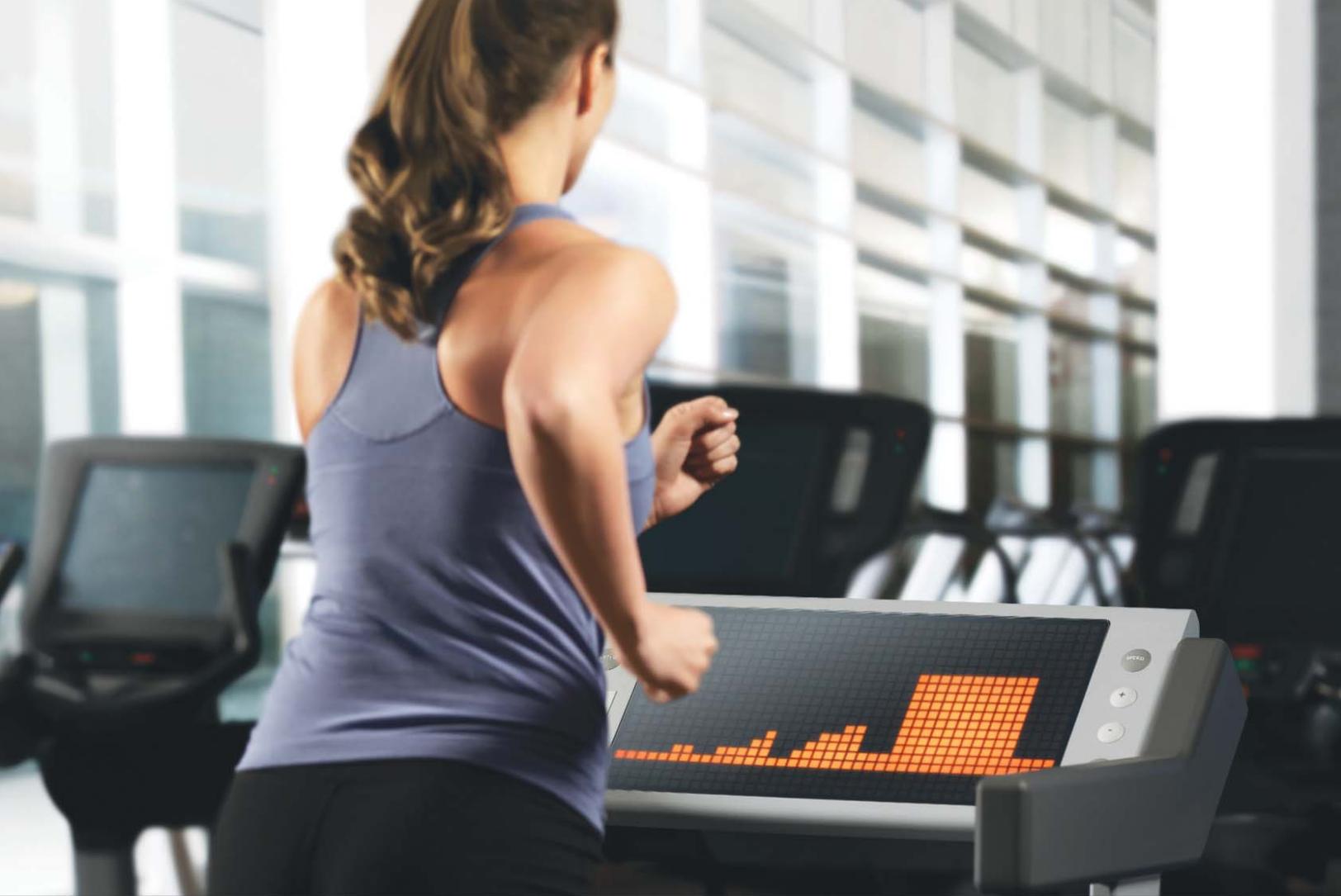
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# The “Insider Speaks”

## Congratulations!

By: Norm Cates

Congratulations to everyone who attended IHRSA30 in San Francisco! Because you showed up, the event was one of the greatest we've ever had during IHRSA's first 30 years. You deserve special praise for being there.

Of course, these congratulations also go to IHRSA President/CEO, Joe Moore, and his terrific Team IHRSA, as they did an outstanding job producing the event.

The IHRSA Board of Directors should also be congratulated and thanked for their service on the IHRSA Board. IHRSA Board service is no small investment of time, and the Board is to be congratulated and sincerely thanked for

their dedicated service.

Special kudos to Tom Hunt, as the Trade Show was sold out, and special kudos to all of the Keynote Speakers who, in my opinion, were the best ever. Of course, congratulations and thanks to all who presented at IHRSA30. The time you took to prepare and present your specific topic is valuable, and I, for one, thank you. Congratulations all!

If you didn't make it to IHRSA30, we hope that this month's edition of **CLUB INSIDER**, our 208th monthly edition, will fill you in on a lot that happened. And, of course, you can view photos from IHRSA30 on our website at [www.clubinsideronline.com/ihrsa2011](http://www.clubinsideronline.com/ihrsa2011).



## IHRSA's 15th Annual Financial Panel

*Produced and Moderated By Rick Caro*

IHRSA's 15th Annual Financial Panel, produced and moderated by Rick Caro, President of Management Vision, took place at IHRSA30 on March 18th. Panelists were Pete Moore, Founder and CEO of Integrity Square; Steve Wayne, Managing Director of Oak Hill Advisors; and Josh Comer, a Vice President with J.P. Morgan.

Rick Caro summarized the financial state of the health and fitness club industry in a presentation as follows:

1. U.S. economy still in recession and not clear when meaningful recovery will occur;
2. Recession resilient?
  - Same store sales up slightly;
  - Net memberships up slightly;
  - Non-dues revenue up;
  - EBITDA margins steady, increasing over 2009;
3. U.S. debt markets limited and hard to access;
4. Industry membership levels increased with number of clubs about the same;
5. Number of new builds at lesser rate, despite more attractive landlord deals;
6. Cost of construction down/capital expenditures necessary but at reduced levels;
7. No real consolidation in U.S. but more independents/studios trying to exit;
8. Increasing number of franchised clubs;
9. No major club deals in U.S.;
10. No new major equity players entered club industry;
11. Small regional club companies growing;
12. No increase in U.S. club ownership by international companies and vice versa;

13. No real investment by strategic partners from analogous industries;
14. Silver lining: no growth by non-profits, hospital wellness centers, parks and recs but some university fitness centers;
15. Diet centers still not working alone without an exercise component and diet pills (“magic bullet”) not approved;
16. No major positive change in government influence, HMO, corporate or insurance industry involvement;
17. More legislative pressures from states;
18. No major exit stories by major companies and their investors;
19. No likely IPO stories in the U.S. near term;
20. 2011 looks to be a similar year to recent past until unemployment lessens, debt becomes available and attractive, but there is optimism for change before year's end.

The panelists presented comments bordering on optimistic, not for 2011 but for 2012. Rick Caro described 2009 as “the worst year in the history of the health and fitness club industry.” Caro commented that 2010 was better than 2009, and that it looked like 2011 would be a bit better but not much. There have been very few deals, primarily because sellers want higher 2007 values and buyers want lower 2009 values. Importantly, Caro shared, the industry has seen a significant jump from 45 million to 50 million members during 2010, clearly a positive sign. Another positive thing that both Rick Caro mentioned, and Helen

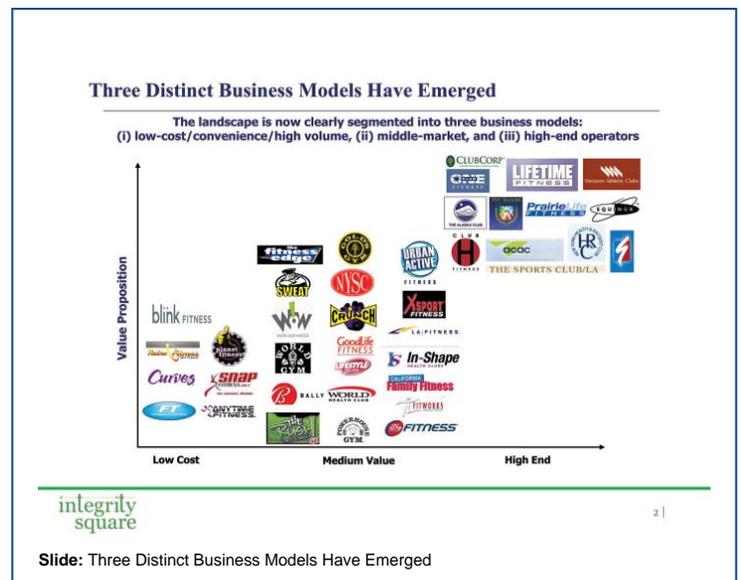
Durkin, IHRSA's Executive Vice President of Public Policy covered in the Tax Exempt Forum the day before, was that non-profits saw little growth during 2010 because of the tough economic times hindering non-profit fundraising efforts. Durkin said, “As the economy slumps, tax-exempt organizations find it harder to fundraise.”

**Pete Moore, Founder Integrity Square**

Pete Moore commented that the

middle market struggles with the question, “Are you high-end, low traffic or low-cost, high traffic?” And, they must learn to sell value without dropping prices. He believes that with many small players in the industry, defining themselves is a great challenge for clubs. Moore presented the slide below.

Pete Moore also illustrated how express and convenience clubs have proliferated over the past ten years with (See *Financial Panel Page 8*)



## U.S. Health Club Membership Exceeds 50 Million!

**BOSTON, MA** - The International Health, Racquet & Sportsclub Association (IHRSA) announced that U.S. health club membership reached 50.2 million in 2010. This represents a 10.8 percent increase from the 45.3 million who belonged to a club in 2009. The Association also reports that total industry revenues in 2010 were \$20.3 billion, up four percent, while the number of health club locations totaled 29,890\*, a slight increase from 29,750 in operation in 2009. The results are from IHRSA's annual health club membership survey, conducted in January 2011.

In addition, IHRSA reports that the total number of health club consumers, which consists of members and non-member users/visitors, reached 58 million in 2010, up 10.4 percent from 52.6 million in 2009. With a survey margin of error of four percent, the greater than 10 percent increase in both membership and total number of health club consumers is statistically significant. From 2006 to 2009, the number of Americans belonging to health clubs did not change significantly, recorded as between 45 and 46 million each year. Considering that more than 60 million

Americans are considered "inactive," the significant rise in the number of health club users reflects the important role that the fitness industry plays in improving the health of the US population.

"One year does not constitute a trend, but it is certainly a positive sign that 2010 saw real membership growth after four years of treading water," said Jay Ablondi, IHRSA's executive vice president of global products. "The health club industry has weathered the economic storm of the past few years better than many other industries."

"Today, IHRSA members are well-positioned to help individuals and families address their health and wellness concerns," continued Ablondi. "Every day, the health club industry helps millions of people obtain better health through exercise." He added, "IHRSA encourages anyone looking to take control of their health to visit [www.healthclubs.com](http://www.healthclubs.com) to find a quality fitness facility that is convenient for them."

While the increase in total memberships added to the industry's bottom line, other key drivers for the

growth in industry revenue came from an increase in non-dues spending by both members and non-members. Also, the number of non-member patrons increased by 8.2 percent to 7.8 million in 2010, up from 7.2 million in 2009.

"Economic indicators show that consumers were very price-sensitive with respect to health club membership dues," said Melissa Rodriguez, IHRSA's research manager. "With increased traffic, clubs added value to memberships and offered quality ancillary services, for which consumers were more willing to pay premium dollars."

Health club member usage declined from 102.4 days in 2009 to 97.5 visits in 2010. Overall average attendance for both members and non-members also dropped from 90.9 visits in 2009 to 87.2 in 2010. Findings show that new members are typically young, casual users, contributing to the decline in average usage. On average, non-members used health club facilities on two additional days at 28.3 visits in 2010 in comparison with 26.3 in 2009.

**Methodology:** During January 2011/

early February 2011, a total of 38,742 online interviews were carried out with a nationwide sample of individuals and households from the U.S. Online Panel operated by Synovate. A total of 15,086 individual and 23,656 household surveys were completed. The total panel has over 1 million members and is maintained to be representative of the U.S. population. Oversampling of ethnic groups took place to boost responses from typically under-responding groups.

**\*Note:** InfoUSA, Inc. provides data related to the total number of club units using the Industry's SIC code of 7991 as listed under the Yellow Pages. The recent recession has resulted in consolidation of club locations and the closure of weaker-performing clubs, while still allowing for new club locations to emerge in underserved markets. Last year also saw the rise of niche and theme-oriented facilities and continued growth of convenient, always open (e.g. 24 hour), and affordable fitness locations. Using InfoUSA as a benchmark, IHRSA estimates there are a total of 29,890 health club facilities in the United States.

## The IHRSA Board of Directors Welcomes Three New Members

**BOSTON, MA** - The International Health, Racquet and Sportsclub Association (IHRSA) is pleased to announce that Dr. Art Curtis of Millennium Partners has been elected to a second term as Chairperson of the IHRSA Board of Directors. Dr. Curtis becomes the second Chairperson in the association's 30-year history to be elected to a second term.

"I have thoroughly enjoyed serving the industry this past year as Chairperson of the IHRSA Board and meeting so many wonderful people in our industry from around the world. It has truly been a labor of love and one that I look forward to continuing in the coming year," said Dr. Curtis.

Dr. Art Curtis served as CEO of Millennium Partners Sports Club Management, LLC, operator of six Sports Club/LA locations and Reebok Sports Club/NY, from the company's inception in 2006 until January of 2011. In January, Dr. Curtis moved to Millennium Partners, the parent company of Millennium Partners Sports Club Management, to focus his time on mergers and acquisitions and new club development.

He has also served as CEO of Stonewater, a national consolidation of more than 20-day spas and as COO of Wellbridge, the nation's fourth largest operator of multipurpose athletic clubs and spas during the time of his tenure.

According to Dr. Curtis, there are

three main issues the Board will focus on over the next year. "We must ensure that IHRSA **Membership** continues to provide the services members most value. We must make sure that our **Public Policy** efforts are adequately funded so that we are able to support the critical issues that the industry faces over the long run, both in protecting the industry from damaging legislation, as well as promoting positive legislation that will help us become a healthier nation by incorporating exercise as critical part of primary disease prevention," he says. "And, it is vital that the **IHRSA Foundation** gets off to a good start so that we have a way to communicate the contributions that health clubs are making toward a healthier world and to increase the body of valuable consumer and medical research aimed at growing the number of individuals who exercise." Dr. Curtis adds.

The IHRSA Board also proudly welcomes three other newly elected members: Robert Brewster, Jasmin Kirstein and Christian Pierar. The three new Board members will serve a 4-year term beginning July 1, 2011.

**Robert Brewster** is President of The Alaska Club, a network of 18 multipurpose facilities. Over the past 28 years, Robert has managed a full spectrum of clubs: low price/high volume, sports training, tennis, key club and ultra high end. His broad experience and long relationship with IHRSA has given him a clear grasp of

the circumstances facing the club industry.

A lifelong competitive athlete, Brewster represented the U.S. Biathlon team, participated in the World University Games and won a gold medal at the Masters World Cross Country Ski Championships. Most important to him is the life he shares with his wife Liz and his two teenage sons, Brandon and Bryant.

**Jasmin Kirstein**, a 27-year industry veteran, is the Founder and CEO of My Sportlady in Munich, Germany. When she opened the first of her two clubs in 1984, it was one of the first women-only clubs in Germany. In an effort to encourage her members to improve their diets, she opened a cooking school focused on how to prepare simple and nutritious meals.

In addition to reaching out to her local community, Jasmin started the My Sportlady Trust Fund, a global initiative that provides discounted training for women and children in difficult situations, free fitness services to mothers of seriously ill children and sponsors programs promoting exercise in schools. Jasmin was the recipient of IHRSA's Julie Main Emerging Woman Leader Scholarship in 2010.

**Christian Pierar** is Founder and Chairman of the Belgium Fitness Federation. He has been active in the fitness industry since 1980 as a club owner, international consultant and international presenter. His commitment to help other business people in our industry led him to

create and support such organizations as the Belgium Fitness Employer Organization and the European Health and Fitness Association. Pierar, a member of IHRSA since 1987, has participated in all IHRSA Conventions since 1987 and is an alumnus of the IHRSA Institute.

These three incoming Board members will replace outgoing board members Susan Cooper of Body Business Health Club & Spa in Houston, TX; Sandy Hoeffler of ClubSource Development Partners in San Rafael, CA; and Mike Raymond of Curves International in Waco, TX. David "Patch" Patchell-Evans, Founder and CEO of GoodLife Fitness Clubs in Ontario, Canada, will continue to serve as ex-officio to the Board.

The newly elected Board members join the distinguished company of the current IHRSA Board of Directors:

- Chairperson, Art Curtis, Millennium Partners;
- Vice Chairperson, Bill McBride, Club One;
- Ex-Officio, David "Patch" Patchell-Evans;
- Kilian Fisher, ILAM;
- David Hardy, Franvest Capital Partners;
- Chuck Runyon, Anytime Fitness;
- Kay Yuspeh, Elite Sports Clubs;
- Richard Bilton, Companhia Athletica;
- Brent Darden, TELOS Fitness Center;
- Scott Gillespie, Saco Sport & Fitness;
- Carol Nalevanko, DMB Sports Clubs.

**...Financial Panel**

continued from page 6

the next slide (Proliferation of Express/Convenience Clubs Over Past 10 Years):

Moore argued that competition in the industry had reached a new level and provided the next slide (If You Are "Caught In the Middle," What Do You Do?) for solutions for club owners.

Pete Moore closed with a forecast for the industry delivered with the final slide (2011 Forecast).

**Steve Wayne, Managing Director of Oak Hill Advisors**

Steve Wayne, Managing Director of Oak Hill Advisors, said "When you look at health clubs, with only four large players, this is an industry that needs consolidation." He added that consolidations could further loosen capital, as credit has remained tight, but it is expected to loosen for larger players with banks showing greater interest

in working with them. Wayne added that there is still an investor hangover from Bally's two bankruptcies and suggested that the club industry take time to do more PR with Wall Street to educate them about the great investor potential the club industry presents.

**Josh Comer, a Vice President with J.P. Morgan**

Josh Comer, a Vice President with J.P. Morgan in retail and investment banking division, said unemployment rates and low home values continue to hinder the club industry, but things are getting better. He predicts that consumers will be better prepared to buy health club memberships because of the influence of the internet. He believes educated consumers will rule in the future, and perhaps, that's a positive prediction for IHRSA's more professionally-operated club organizations.

All in all, the panelists were more upbeat this year than they were last year.



(L to R) Rick Caro, Pete Moore, Steve Wayne and Josh Comer



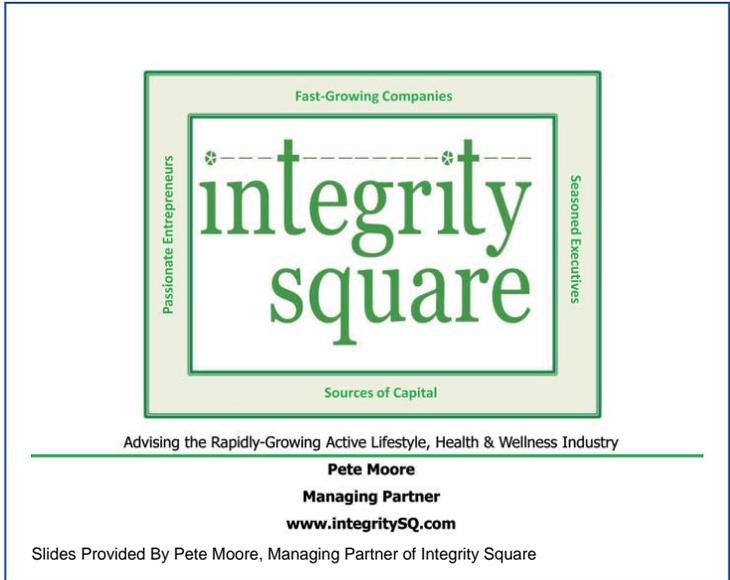
Slide: Proliferation of Express/Convenience Clubs Over Past 10 Years



Slide: 2011 Forecast



Slide: If You Are "Caught In the Middle," What Do You Do?



Slides Provided By Pete Moore, Managing Partner of Integrity Square



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## ...Norm's Notes

continued from page 4

LaLANNE and his wife, ELAINNE, informed me that **BRADEN ROBERT JAMES KENNEDY** passed away on **March 24th**. Braden was the 23-year-old son of long time and prolific fitness publisher, **ROBERT KENNEDY** who, among others, published Jack's last book, *Live Young Forever*. The story of brave young Braden is a sad one indeed. In fact, it is truly heartbreaking. Braden, who suffered a head injury as a result of an automobile accident thirteen years ago, bravely endured, despite being bedridden with around-the-clock nursing care. He was unable to speak, eat or move and consigned to his bedroom with his favorite film megastars, Will Smith and Jim Carrey. He passed away on March 24th from complications with pneumonia. Robert Kennedy commented on his beloved son's passing, "With unbearable sadness, we mourn the loss of our son, a braver human being I've never known. His infectious laughter will never be forgotten. He taught our family the meaning of unparalleled courage amid the most unbearable of circumstances." May Braden Rest in Peace, and may God grant emotional help and relief to Robert and his wife, Tosca, step-mother to Braden. There but for the Grace of God go I.

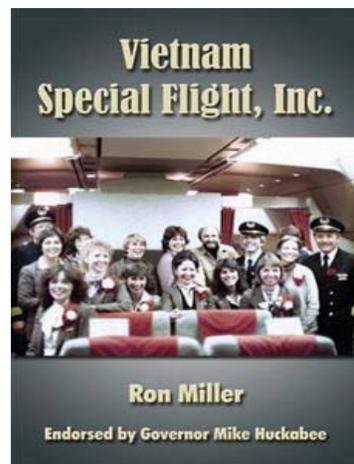
•**DAVID "Dr. Feelgood" PATCHEL-EVANS**, the **Founder of Canada's Goodlife Fitness Centers**, has announced that he plans to open 100 new clubs in Canada over the next five years. That would bring his total club count close to 400. **Good luck, Dr. Feelgood!**

•**IHRSA's Resolution to Combat Obesity Through Physical Activity** passed the **U.S. Senate on March 9th!** Just before the health and fitness club industry convened for **IHRSA30** last month, the U.S. Senate demonstrated its support for healthy lifestyles by passing **Resolution 97 (SR 97)** affirming "the importance of exercise and physical activity as a way of combating obesity, reducing chronic disease and lowering health care costs." IHRSA worked with **Senators BOB CASEY (D-PA)** and **RICHARD BURR (R-NC)** to introduce the Resolution. **JOE MOORE, IHRSA President/CEO** commented, "On behalf of IHRSA clubs, I would like to thank Senators Casey and Burr for their support of this bill and commitment to prevention and healthy lifestyles. We want Congress to understand and remain vigilant to the cost-saving role that effective disease prevention measures can play in the health care delivery system."

•Mark your calendar for **May 4-5th** for the **2011 IHRSA Public Policy Summit for America**. This is your chance to rub elbows with those who govern the United States and to impress upon them the value of regular exercise for Americans, not to mention a chance to emphasize the need for

the Government's support of the health and fitness club industry by passing the **WHIP Act**, long on the books for consideration in the U.S. Congress. Former **Governor of Arkansas** and a **2008 Presidential candidate, MIKE HUCKABEE**, said this about the WHIP Act, "What we should be doing is providing real encouragement, financial incentives, so that Americans will take better care of themselves. A lot of people know that they need to be healthy but require a little push. The WHIP Act would give them the chance to enjoy the benefits of belonging to a health club, which is in the best interest of both the employee and the employer." Governor Huckabee really knows what he is talking about, as he has the distinction of his State of Arkansas, being the only State ever to lower childhood obesity. That happened on his watch due to the proactive measures he took with the State's schools when he was Governor.

•You may remember our **January, 2007 Cover Story** (Available online at [www.clubinsideronline.com](http://www.clubinsideronline.com)) featuring former **Arkansas Governor, MIKE HUCKABEE**. We chose Governor Huckabee for that cover because of his very successful work in Arkansas fighting childhood obesity in schools and actually being the **only state in the U.S.** to reduce childhood obesity levels. My long-time friend, **RON MILLER**, now living in Jonesboro, Arkansas, arranged that special interview with Governor Huckabee. Ron is a highly decorated helicopter pilot who served three tours in **Vietnam**. He's spent his life since that war serving and helping military veterans in all walks of life. On November 13, 1982, in honor of the **Vietnam Veterans Memorial**, with over 58,000 names of Americans who had died in Vietnam on it, Ron Miller chartered a **Delta** jet to take 300 people to participate in the Memorial dedication. This past year, Ron released a book he wrote about that experience called *Vietnam Special Flight, Inc.* It's a terrific read, and it covers much more than the story of how Ron raised the money to charter the flight and picked the group that would be onboard. If you want to read an interesting book, read this one. Ron has also been working on a movie



about Vietnam called *Perfume River* but has yet to be able to put it together. But, I predict Ron will one day produce that movie. To order my Amigo Ron's book, contact **Merriam Press** at [ray@merriam-press.com](mailto:ray@merriam-press.com) or call (802) 447 - 0313.

•**SENATOR TOM HARKIN (D-IA)** and **REPRESENTATIVE RON KIND (D-WI)** secured the introduction in both the Senate and the House of the **FIT Kids Act**, a bill to increase awareness and create opportunities for physical activity in our nation's schools. It was introduced in both houses with bipartisan support. Senator Tom Harkin has been very active in supporting health initiatives for Americans. Earlier this year, he reintroduced the **Healthier Lifestyles and Prevention Act**, which included the **Workforce Health Improvement Act (WHIP)** as a provision of the bill. The WHIP provision of the bill would allow employers to deduct the cost of off-site health club memberships for their employees and exempts this benefit as taxable income for employees. **HELEN DURKIN, Executive Vice President of IHRSA's Global Public Policy** commented, "IHRSA supports the FIT Kids Act and is pleased that it has been introduced. If passed, it will help children develop healthy lifestyle habits that will stay with them for their lifetime, allowing them to become healthy, active adults." For more information on federal developments, visit [www.ihrsa.org](http://www.ihrsa.org).

•Speaking of *government involvement* in our industry, you may remember my comments about the "Revenuers Are Coming!" Well, immediately before our trip to **IHRSA30** in San Francisco, we found out that the **Georgia Legislature** had included health clubs among forty industries that would begin to have a **sales tax** imposed if the proposed legislation was approved. However, local club owner, **CHRIS GARVEY**, did not attend **IHRSA30**, and during that week, he was in touch with local lobbyist, **PAUL SPIZZIRRI**, of the law firm **Hall Booth Smith & Slover, P.C.**, about helping fight this ill-advised new sales tax on health club memberships. Garvey contacted me on **March 23rd**. At **IHRSA30**, I had already spoken with two Atlanta-area Gold's Gym owners, **GORDON JOHNSON** and **CHRIS PALMER**, about organizing the state's clubs to fight this new sales tax and any other Georgia legislation that's bad for the health and fitness club business. All three of us, though, experienced the tensions and uncertainty that comes with dealing with lawmakers who are set on establishing new laws that will hurt our industry. Our up-close encounter with this state-legislated disaster, in the form of the proposed new sales tax, led to my suggestion at the IHRSA Public Policy Meeting that each state should have an IHRSA Member to step up and lead, along with IHRSA's Public Policy Team, these fights on the state level. We left that

**IHRSA Public Policy Meeting** with ten volunteers for ten states. Now, we need forty more state volunteers. We need one IHRSA Member in each state to volunteer to serve as their state's IHRSA Liaison for State and Federal Legislation Activities.

As of the time of this writing, it appears that the fast and decisive action that Johnson, Palmer and Garvey took, is going to help prevent this sales tax from passing in Georgia, at least during this session. Thank goodness for the **Georgia Gold's Gym Association** leaders, Johnson and Palmer, who stepped in, and due to a lack of time, funded the lobbyist on behalf of all other clubs in the state. Without lobbyist Spizzirri's final hour meetings with several key Georgia legislators, the proposed sales tax might have been included in the tax reform package the Georgia Legislature is attempting to pass this session. Before the next legislative session, Georgia club owners are going to put together a state coalition to be prepared to immediately fight back the next time the Georgia Legislature proposes bad new laws that will hurt the industry. I volunteered to serve as the Georgia State Legislature Coalition Leader on a temporary basis, but I don't own clubs anymore. I own and publish **CLUB INSIDER**, and that keeps my hands full enough every month. However, it's my intention to work with Gordon, Chris Palmer and Chris Garvey to push for a club owner to be the Georgia State Legislature Coalition Leader as soon as possible. If you might be interested in stepping up to lead your State Legislature Coalition, contact me immediately at (770) 850 - 8506 or [Norm@clubinsideronline.com](mailto:Norm@clubinsideronline.com). And, although I cannot attend the IHRSA D.C. Summit May 4-5th, due to **CLUB INSIDER's** May deadline and other obligations, I urge you to attend if you own health clubs. *It's your future they're dictating*. By the way, as I was writing this, it was announced that **State Legislators in Rhode Island have proposed a new Sales Tax on health club memberships! Stay Tuned!**

•**ABC News** reported on **Arizona Governor, JAN BREWER**, who has proposed, as part of a plan to revamp the **State's Medicaid Program**, \$50 fees for adults who lead unhealthy lives. Childless adults who are obese or suffer from a chronic condition and who fail to work with their doctor to meet specific goals would be charged \$50 annually. The \$50 annual fee would also apply to all childless adult smokers. **Stay tuned** as this one churns in Arizona!

•**Congratulations** to all at the **Gold's Gym Franchisee Association (GGFA)**, as they have received the **2010 All Star Award from Constant Contact, Inc.**, a leading marketing platform for more than 400,000 businesses worldwide. GGFA is recognized as one of Constant Contact's top performers (See **Press Release** on **Page #26**).

(See *Norm's Notes Page 12*)

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### ...Norm's Notes

continued from page 10

• **Congratulations to BILL McBRIDE**, as **Club One** recently announced his appointment as **President** of the company, in addition to his duties as the **Chief Operating Officer**. Check out this month's cover story, starting on **Page #3**.

• The **AFIRM Showcase** has planned and announced its next stop to be in the **Baltimore/Washington D.C.** metropolitan area on **June 6-7th, 2011**. The **Marriott Inn and Conference Center**, adjacent to the University of Maryland campus, will

serve as the host facility for the two-day event. **CLUB INSIDER Advertisers** that have committed to exhibit at this event include **ABC Financial** and **Cybex**.

• To **JAY HIRSCHHORN**, Owner of **Jay's Big Gym** in the **Bronx, New York City**: I agree with a few points you made in your letter to me about my comments in our **March Edition** about **Planet Fitness** and other low price fitness centers being here to stay. I also disagree with some of your thoughts and will write an item by item reply to you real soon. Thanks for reading **CLUB INSIDER** and being in touch, Jay!

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• **Florida health clubs** are seeking their freedom! So, if you're a Florida club owner, you're urged to speak out and give the club industry a **Voice on Florida Health Club Deregulation! House Bill 5005**, an act to repeal Florida's regulation of health clubs, recently passed the House by a vote of **77 to 38**. The bill is now before the State Senate. With **HB 5005** now in the hands of the Senate, club leaders are asking Florida fitness professionals to help educate the Senators who are likely to have a key role in whether or not **HB 5005** is passed and the health club industry is completely deregulated. **IHRSA**, working with the Florida lobbyist, has developed a briefing paper on the issue that helps illustrate that reasonable regulation is the standard across the country. Please contact **IHRSA** at **(800) 228 - 4772** to get the briefing paper and to get involved in the campaign to make the voice of the Florida health club industry heard. **IHRSA** urges all Florida fitness professionals to contact the following members of the State Senate, using the information provided in the briefing paper as a guide: **President Mike Haridopolos** - (850) 487-5229; **Majority Leader Andy Gardiner** - (850) 487-5184; **Minority Leader Nan H. Rich** - (850) 487-5103; **Government Appropriations Chair; Senator Alan Hays** - (850) 487-5014; **Committee Vice Chair, Senator Lizbeth Benacquisto** - (850) 487-5356.

Please be professional and courteous in your calls. Thank the Senators for taking your call and considering the industry's opinion on **HB 5005**.

• **ABC Financial** unveiled new software features at **IHRSA30**, including updates to automated email, electronic entry, wallet, kiosk, locker management, dashboard and **MyiCLUBonline**. **STEVE AYERS**, Vice President of Sales and Marketing said, "When it comes to our software, we are always looking for ways to improve because our clients deserve the best and the latest in software and that is what **ABC Financial** provides." See **ABC Financial's Ad** on **Page #13**.

• **Retention Management**, an industry leader in attrition defense, announced their launch into Scandinavia. Service was launched at several fitness sites earlier this month after a successful introduction to the Scandinavian fitness industry at the health club networking and business meetings event, **MBM**, held in Gothenburg, Sweden in 2010.

• **LifeCenter Plus Health and Fitness Center** recently hosted an all-day photo shoot in its Aquatics Center for **Oprah Winfrey's O Magazine**. The exciting opportunity came about because **LifeCenter Plus' women's In Synch Synchronized Swimming Team** became the subject of one of **O Magazine's** May articles.

• Since I'm an old fart at the age of 65 now,

I've figured out the future of our industry. To help make that future happen, I've set a **new goal for IHRSA's Public Policy** efforts, and that is, within ten years or less, for **IHRSA's Public Policy Budget** to be equal to **IHRSA's Annual Association Income**. Once **IHRSA** is truly connected and powerful in Washington, D.C., and in every State House in every State of the Union, our industry will receive the support from government it has so richly deserved all of these years but has been deprived of. **TRUST by consumers in our industry** will be built from the government finally getting it, fostering it and financially promoting **PREVENTION**, with tax breaks, as a key ingredient of the cure for the long rising health care crisis. This push for **PREVENTION** will help Americans stay healthy and well *upstream* and avoid doctors and hospitals *downstream*, thus dramatically reducing the burden on Medicare and Medicaid and all health insurance providers. **IHRSA is now an INSTITUTION whose time has come**. Your club business works every day to help people prevent illness in their bodies, to feel great everyday and to be great in life and be more productive every day. What better business could anybody be in? I congratulate you again for your choice of your life's work and for your excellence, and I urge you to support **IHRSA and its Public Policy efforts**. Go to [www.ihrsa.org](http://www.ihrsa.org) or call **(800) 228 - 4772** to speak to **MEREDITH POPPLER** at **Ext. 129. STAY TUNED!**

• My warmest and most caring expression of love and best wishes go out to my son, **JUSTIN**, and his beautiful college sweetheart and fiancée, **DANIELLE MOROZEWICZ**, as they approach the date of their **April 30th Wedding**. Justin and Danielle, you two are a wonderful and talented couple, and we wish you all the best in married life. **God bless you both!**

• **Breaking News!** **RANDY IVEY**, my good friend on the **iGo Figure Team**, just informed me that his vehicle had been hit broadside by a refrigerator truck exiting a Kroger lot. Thank the **Lord** he survived! **Get well Randy!**

• Some may not know that **CLUB INSIDER** is a **Paid Subscription-based Publication**. Are you a **Paid Subscriber**? If the words **PROMOTIONAL COPY** appear above your name and address on the cover of this month's edition, you are **not** a **Paid Subscriber** and are not enjoying the full benefits of a **Paid Subscription** to **CLUB INSIDER**. Don't delay, subscribe today by going to [www.clubinsideronline.com/subscribe](http://www.clubinsideronline.com/subscribe).

• **God bless and protect our troops and all servicemen and women** serving in the **Middle East** and around the world. **God bless** you and your family and your club business. **God bless** your staff and members. **God bless America!**

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## ...Club One Fitness

continued from page 3

level, exuding comfort and warmth.

As you will see in the photos included in the pages of this story, their facilities are new-age, sleek and inviting. Led by an authentic and considerate staff, Club One Fitness seeks to be accepting, supporting and welcoming. Their marketing messages seek to be consistent and up-to-date with all current trends, properly investing in social media, online group purchasing and advocate campaigns. Over time, this has proven to be very beneficial. They are also a company in tune with what the public feels a good steward of business should be doing, the greening of facilities and operations.

Preparing for this article, I had the opportunity and distinct pleasure to speak with Bill McBride, Club One's new President as of February. He also remains its Chief Operating Officer. Speaking from the corporate context, he has some illuminating things to say that could be valuable to your organization, whether running one facility or dozens. Also being an IHRSA Board Member, he fights for the betterment of our industry every day, and **CLUB INSIDER** thanks him for his service. I also got a chance to catch up with Kari Bedgood, Director of Marketing and PR for Club One. Being the new technology kind of guy I am, it was a lot of fun learning about the new age marketing efforts they are working on, as well as their incorporation of new technologies within traditional marketing mediums. If you have wondered what you should be doing with this "social media thing," her comments will turn on some light bulbs.

As always, we seek to provide you, our readers, with fun and valuable cover stories that you can learn from or share with others who may learn from them. We hope you enjoy this story, a snapshot of Club One Fitness, a truly modern health and fitness club company.



Bill McBride

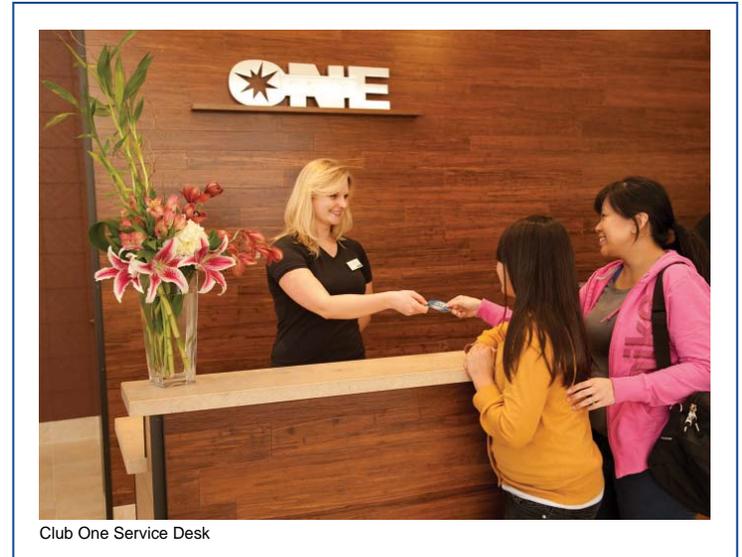
### An Interview With Bill McBride, President and Chief Operating Officer

**CLUB INSIDER (C.I.)** - Please tell us about your career in the health and fitness club industry prior to joining Club One, specifically your time with Mitch Wald at Sport&Health.

**Bill McBride (BM)** - I originally started with Mitch as a Corporate Sales Director at what was then known as Smith Club Management. I worked with Worldgate Athletic Club and The Skyline Clubs. My real relationship with Mitch began in 1993-94. He promoted me to be the General Manager of two clubs in Arlington, Virginia in 1996 and has been a mentor of mine ever since.

**C.I.** - Since joining Club One in 2003, you have steadily risen through the ranks, recently becoming President of the company in addition to your responsibilities as Chief Operating Officer. Can you take us through that path and what you learned along the way?

**BM** - I started with Club One on June 2nd, 2003 as the Director of Operations for the Club One brand. One month later, I took on sales in addition to the operations role. I became Vice President of Commercial



Club One Service Desk

Clubs in March of 2005 and COO in March of 2006. I was promoted to President in February of this year. I think some of the key things I learned would be:

- On a team, everyone plays a key role. Understand your role and contribute to the betterment of the team in all of your contributions and actions;
- Various situations require different leadership styles. Adapting to the environment and challenges your organization faces requires flexibility, openness to change and being grounded;
- The importance of clarity in direction;
- Humility and openness to learn, adapt and grow;
- Operate as if you are the best. This will raise your standards and give you clarity in your decision making.

**C.I.** - Now as President and COO, what are your responsibilities? How do you and CEO, Robin Klaus, work together now? What functions do each of you cover?

**BM** - While Robin, I and our Vice President of Finance, Bonnie Wheatley, all spend time on strategy and growth, I am currently focused mostly on our commercial club entities (branded, medical, etc.). I support Tom Nelson, our Vice President of Community and Medical Fitness Centers, who is responsible for our B2B growth. Within my normal purview are the basic business functions, including sales, marketing, operations, facilities and equipment services.

Robin spends time on Board relations, as he is also the Chairman of our Board of Directors. He works very closely with our Corporate Health and Fitness Channel and is involved in our technology direction and growth focus. We truly have a trusting, aligned team that works extremely well together.

**C.I.** - How many facilities does Club One have today?

**BM** - We own fourteen commercial health clubs (Club One and Frog's brands). These

are located throughout the Bay Area and in San Diego. We have four 'branded managed' facilities. These are fully controlled branded sites that have various ownership models. We also manage more than 60 Corporate Fitness, Community and Medical Fitness Centers across the country.

**C.I.** - Please tell us about a typical facility:  
**BM** - ● **Size and Membership:** We have some smaller downtown San Francisco locations that are in the 12-15,000 square-foot range and then larger suburban clubs that are more family focused and much larger. Our typical model is in the 25-40,000 square-foot range. We have some clubs over 50,000 square feet, but 25-35,000 seems to be the ideal footprint for our newer sites depending on the space and community offering.

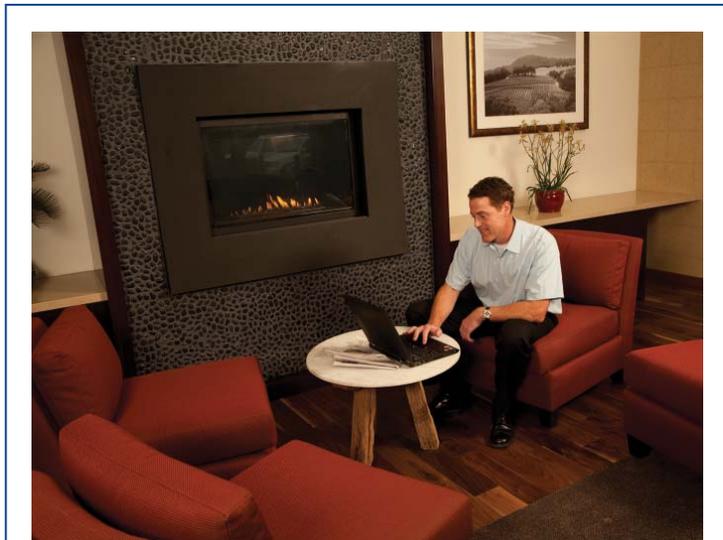
● **Amenities:** We offer premium towels, shampoos, conditioner, body wash, hand sanitizer, hand wipes, blow dryers, etc. at all of our commercial clubs. We operate in the 'premium fitness' space, not low end and not opulent luxury; high quality, premium and smart.

● **Neighborhood-specific Features:** The characteristics of our communities go into our decision making on what to offer. Child care, pools, spa services and types of programming are all considered heavily in deciding what each location will have.

● **Key Differentiators:** We try to have clarity on what the brand stands for. If I were to put the brand into emotions, they would be comfort, warmth, accepting, supporting, welcoming, nice, authentic and considerate. We have very educated people and a strong commitment to quality in everything we do, and we operate at a premium level.

**C.I.** - In terms of site selection, what do you look for?

**BM** - We have a market feasibility process (See *Club One Fitness* Page 16)



Club Member Lounge With Complimentary WiFi

advice, etc.

## "I Paid Off My Investment In The First Two Weeks AND Had Money In The Bank!"

**DAVID BEDWELL,**  
Fitness Xpress  
Davenport, IA

We are getting the equivalent of 4 club memberships every time we sell 1 Thin&Healthy membership. In 2 months, we did as much in Thin&Healthy revenue as we did in 4 months with our other 2 revenue sources combined.

**S**tarting in 2004, we've wanted something inside the club that would feed our club and give us more than just memberships, because the reality is that club memberships don't get results. We had a great price and a great facility but something was always missing. The one thing we never got was really positive feedback. When we did get feedback, it was from a small handful of people telling us how excited they were about what they were doing in the gym and with the extra services they bought like Personal Training. Those were the only people who got results.

I had been looking at weight loss for a long time but I didn't know how to do it. We tried doing things like having a meal coach online; it just wasn't a complete program. When I met with Thin&Healthy's Total Solution at Club Industry and got to understand what the systems do, that was it. I knew without a doubt, this was exactly what I was looking for. We went from a million dollar industry to a BILLION dollar industry when we added Thin&Healthy's Total Solution.

Right now everyone has their eyes wide open to weight loss. If a club has a service mindset and a heart for people, you'll

want to do this program. This is changing the atmosphere in our club. We've gone from people complaining about, "You need heavier dumbbells or \_\_\_ piece of equipment," to, "This is the greatest place in the world," because they don't know what to compare our club to.

We are attracting people who normally would NEVER go to a club. We have a far more positive atmosphere for them and for us, because we're dealing with people who are desperate for help, and we have the answer for them now. We didn't before. Not only are the members seeing results, they are referring their friends without expecting a reward. Thin&Healthy's Total Solution members can't wait to help their friends because of what the program has done for them.

Another exciting thing is that since adding Thin&Healthy's Total Solution, we are getting the equivalent of four club memberships every time we sell one Thin&Healthy membership. In two months, we did as much in Thin&Healthy revenue as we did in four months with our other two revenue sources combined (dues and PT). That has been huge for us!

Back in 1991, when the Surgeon General's "benefits of fitness" came out, the projection was that 25% of the U.S. population was supposed to be a member of a

fitness club by 2020ish. Right now we are at 13% and it doesn't look like we're going to get there. What clubs are doing now is just trading members. A new club opens and that 13% moves over to the new club. Then the next new club opens for the same price and they migrate again.

If you look at the percentage of the population that has weight to lose (73% according to the CDC) there are tons of people who are getting on a weight-loss program. As a club operator, there should be no reason why you wouldn't open your eyes to that and embrace the fact that what is really growing is weight loss, not fitness.

With weight loss - because of the relationships that are built, and because of the trust and rapport that are developed when you help change someone's life - they're going to stay at your club. That's happening here. It takes the competition out of the game. We have something that is unique and 80% of the population is our market because we added Thin&Healthy's Total Solution. X

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APRIL 2011

FITNESS Xpress  
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## ...Club One Fitness

continued from page 14

that we have developed. We use population, current supply, income, demographics, drive times, likely joiners, proximity to transportation as well as other metrics. Through this prism, we get a very good sense if there is potential for a project.

Once we have a sense of the market variables, we look at the offering (what needs are not currently being met in the marketplace), determine the ideal size of the project and then evaluate the box economics to come to a conclusion if a project has merit or if it was simply someone's wishful thinking.

**C.I.** - Does Club One plan to grow its commercial club division? If so, by acquisitions or new builds?

**BM** - We are currently focusing our growth in client management. We run things well and have proven that time and time again in multiple applications. We plan to grow in our Commercial Clubs, Community Center Management, Medical Fitness Center Management and Corporate Health and Fitness Management channels. We currently have a pipeline that involves all four of these markets. Some of these projects will be existing sites, and some will be new.

**C.I.** - When did Club One begin its Green Initiative? What key practices does this program include?

**BM** - It's been several years since we began our green initiatives, and it includes:

- Testing solar thermal water heaters for our pools;
- Efficient lighting with low wattage;
- Eco-friendly, hands-free timer valves on toilets;
- Hyper-efficient air hand dryers and 50% post consumer waste paper towels;
- A recycling program with labeled receptacles;

- Biodegradable and natural cleaning sanitizing products;
- Environmentally friendly lotions and conditioners available;
- Use of 100% recycled paper and soy inks on marketing materials;
- Eco-flooring and recycled carpet tiling;
- Continued member education to encourage greener choices;
- We promote re-usable bags for shopping as member giveaways.

**C.I.** - Please tell us about Club One's WellPower program. Has this helped member retention?

**BM** - WellPower is a member database that has key metrics on over 20% of our membership base (this number continues to grow). We know each member's Net Promoter Score, personality type, goals, interests, spending, usage, satisfaction towards their goals, rewards points, orientation history, etc. Based on what we know and what they've told us, we suggest programs and classes that are suited to them. This allows us to be responsive and to promote solutions when they are relevant and specific to our members' needs.

WellPower members have a lower attrition rate by three points, and it jumps to six points lower with human interaction (Assessment/Coaching Sessions). Additionally, WellPower members spend a significant amount more than our non-WellPower members.

**C.I.** - Please also tell us about some of Club One's other online initiatives over the past few years, serving both members and non-members. Where is Club One heading in this direction?

**BM** - We built two other programs: Club One Island and Habit Changer. Both of those programs are still in existence. Habit Changer ([www.habitchanger.com](http://www.habitchanger.com)) is available to our members and to the general population. It is an online behavioral change product that has shown amazing efficacy. While we are not



Club One Locker Room

currently developing any new software in this space, these programs have been spun off and offer individuals and companies tremendous opportunity for results.

**C.I.** - Please tell us about Club One's management services. What types of facilities does this include, and how many facilities are now managed? What does that bring Club One's total club count and membership to?

**BM** - We manage Community Centers, Medical Fitness, Corporate Fitness and Municipalities. Our total site count is 90 sites, and we serve over 150,000 members.

**C.I.** - Looking to the future, where does Club One plan to go from here?

**BM** - We plan to grow strategically in all of our channels. We have a very high degree of interest in the corporate and medical environments, as this has the potential to have a dramatic impact on preventative health care. We are also working on medically-integrated programming in our commercial club environments.

**C.I.** - You are also on the IHRSA Board of Directors and have been elected Vice Chairperson. Please tell us about that experience so far. What challenges do you

experience, and what are your expectations for IHRSA?

**BM** - Under Joe Moore's leadership, as well as Art Curtis' leadership as Chairperson of the Board, I believe IHRSA is operating with a great sense of clarity and transparency. My experience on the IHRSA Board has been very rewarding as it is comprised of some very smart and passionate individuals that truly love this industry. One challenge IHRSA faced, as did all operators, was what should the Association be focusing on and how do we support and promote this wonderful industry in the most meaningful and impactful way? My firm belief is that IHRSA is on very stable footing, clear in its vision and operating with a great sense of purpose. I'd also point out that the IHRSA staff is doing an amazing job and has done so through these last several challenging years.

**C.I.** - In your opinion, what role will IHRSA play in helping mold the clubs of the future to combat obesity in the United States of America and around the globe?

**BM** - I can't speak for IHRSA as an organization, as I'm only one Board Member, but my strong sense as an IHRSA Member is that it is continuing to position itself not only as a resource but as a driver in supporting its members with the goal of growing the industry and impacting those most in need of the benefits of exercise and movement.

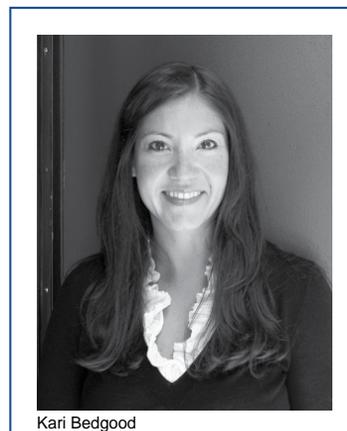
### An Interview With Kari Bedgood, Director of Marketing and PR

**CLUB INSIDER (C.I.)** - Please tell us about Club One's social media initiatives.

**Kari Bedgood (KB)** - Creating brand connection is our primary objective, and we focus on two objectives: sparking conversation and building communities. Our social media initiatives help us provide our members with platforms to share offers, content and experiences with their  
(See *Club One Fitness* Page 18)



Spin Class at Club One



Kari Bedgood



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**...Club One Fitness**

continued from page 16

networks, connect with other members and speak candidly about a variety of topics. We're also able to engage and keep an open dialogue with our members and prospects so we can address questions or issues immediately. This is done mostly through Facebook and review sites like Yelp.

**C.I.** - If measurable, has this affected member retention and new memberships?

**KB** - Our fans and advocates are our best referral engines. Studies show that 75% of consumers trust peer recommendations versus the 14% who trust ads. This posed an important opportunity for us, leveraging word-of-mouth marketing through social media to help generate referral leads.

With the help of a Bay Area-based advocate marketing company called Zuberance, we've identified and segmented our membership into advocates, passives and detractors via the Net Promoter Score. Advocates who highly recommend Club One or Frog's Fitness are asked to share guest passes with friends, invite co-workers to club events and write reviews through a share platform (See **Sidebar on This Page**).

**C.I.** - Most approach social media hoping to immediately impact sales. Those efforts usually prove unsuccessful, with a few exceptions. Can you explain the link between creating and strengthening brand awareness with social media and potential monetary gain over time?

**KB** - Online group purchasing has been successful for us. It not only provides immediate leads and instant revenue, but we've been converting more than 32% of our deal purchases into memberships. The key is having a strategy in place before the deal is slated to run. Timing is everything. We select months, even days of the week, when health and wellness goals are top of mind. Price point and the way an offer is worded can make or break the deal. Also,

determine a closing offer to present to the prospect once they've come through your doors so you can officially welcome them to the club.

With that said, the general rule of thumb in regard to delivering messages via social media is to maintain a 9 to 1 ratio: 9 non-sales related messages for every pitch. This builds both trust and community. Fans and followers don't want to be advertised to; they want to be part of your community. Over time, these fans will do what they're inclined to do, talk about you and refer friends.

**C.I.** - Please tell us about Club One's traditional marketing efforts.

**KB** - Our marketing mix still consists of the more traditional mediums, such as print advertising, direct mail, email and web marketing, as well as our grassroots efforts. I think it's important to deliver a consistent message across the board. The shift in our 2011 strategy is that we understand the value of organic marketing versus paid advertising and make better use of our marketing spend with a highly targeted approach. It's imperative that you personalize communication and deliver relevant, resonating messages based on specific consumer behavior or lifestyle. Segment your lists, personalize your message and maximize your marketing dollars.

**C.I.** - In today's quickly evolving world of marketing, how have the results of traditional marketing efforts changed?

**KB** - Plain and simple, new media results in higher ROI. Online and mobile marketing generate mass impressions quickly. However, traditional marketing still provides brand awareness and visibility, so we've been tying in the new with the old. For instance, we've added QR codes (barcodes to scan with a mobile phone) to print magazine ads and text numbers (for a guest membership) to outdoor standing banners. This makes for opportunities



Pilates at Club One

that provide both brand awareness and measurable lead generation.

**C.I.** - How do integrate a consistent branded message between all mediums?

**KB** - Distinguish your voice. Don't sound like anyone else. Personalize your message. Listen and respond quickly. Amplify your fans. Provide them with resources, community and value beyond club membership. And, always act with integrity.



Thank you very much to Bill McBride and Kari Bedgood for their time

and help preparing this article.

*(Justin Cates is the President and Assistant Publisher of CLUB INSIDER and grew up in the health, racquet and sports club industry. Justin was born into a club business family in 1985, and from the age of eight, he spent his non-school and sports hours in a home which doubled as CLUB INSIDER Headquarters. He has lived and breathed this industry for 25 years, since his own day one. Now, he is an integral part of the "Story" of Norm Cates and CLUB INSIDER. Justin may be reached by phone at 770-595-6086 or email at Justin@clubinsideronline.com)*

**Zuberance Case Study**

**Customer Case Study** Zuberance

**Club One Get 9X ROI by Energizing Brand Advocates**

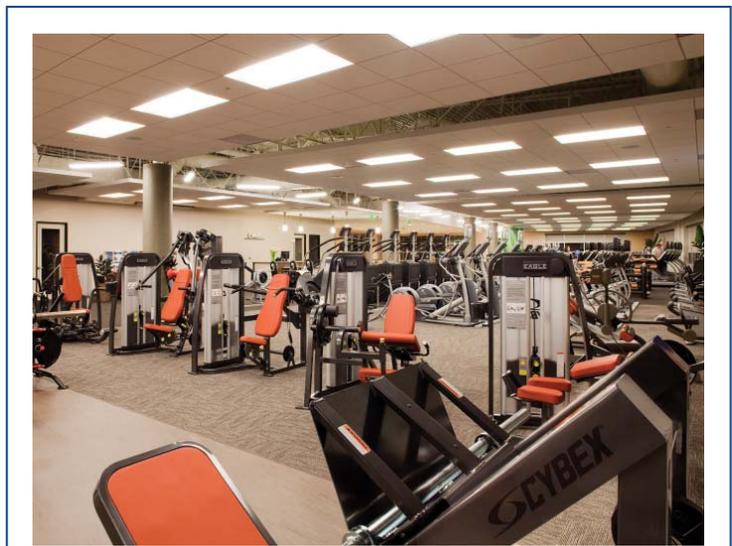
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Word of Mouth is the most powerful marketing tool. It's the most trusted source of information for consumers. It's the most effective way to reach new customers. It's the most cost-effective way to reach existing customers. It's the most powerful way to build brand loyalty. It's the most powerful way to drive sales. It's the most powerful way to grow your business.

**Club One Objectives**  
1. Increase Club One's brand awareness, which is essential for long-term success.  
2. Increase Club One's membership, which is essential for long-term success.  
3. Increase Club One's revenue, which is essential for long-term success.

**Identifying Club One Advocates**  
Club One used Zuberance's Advocate Platform to identify and engage its brand advocates. The Advocate Platform is a powerful tool that allows Club One to identify and engage its brand advocates. It's the most powerful way to build brand loyalty. It's the most powerful way to drive sales. It's the most powerful way to grow your business.

**Activating Word of Mouth**  
Club One used Zuberance's Advocate Platform to activate its brand advocates. The Advocate Platform is a powerful tool that allows Club One to activate its brand advocates. It's the most powerful way to build brand loyalty. It's the most powerful way to drive sales. It's the most powerful way to grow your business.

**Results July - October 2010**  
• 150% increase in brand advocates  
• 69% increase in brand advocates who are highly likely to recommend Club One to their friends  
• 31% increase in brand advocates who are likely to recommend Club One to their friends  
• 9X ROI



Club One Fitness Floor

**Marketing Challenge:** Generate qualified leads and new memberships;  
**Solution:** Turn highly-satisfied members into a marketing force for Club One;  
**Results (July - October, 2010):** Generated hundreds of qualified leads and new memberships; 9X ROI.

- Through the Zuberance Advocate Platform, Club One identified almost 5,000 Brand Advocates, nearly 10% of its member base. This is 150% over Club One's original goal of identifying 2,000 Advocates.
- Sixty-one percent (1,835) of Club One members who answered the "Ultimate Question" for customer loyalty (How likely are you to recommend Club one to your friends?) said they're highly likely to recommend the club to others. This is about 20% higher than the average percentage of customers who self-identify as Advocates across Zuberance customers.

To read in more detail about Club One's Brand Advocate Program through Zuberance, go to [www.clubinsideronline.com/docs/clubone\\_zuberance\\_study.pdf](http://www.clubinsideronline.com/docs/clubone_zuberance_study.pdf).

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**IRON GRIP**  
BARBELL COMPANY

## ...Michael Bruno

continued from page 3

end street for me. I realized it was too early for the bicycle business. The opportunity to make money was having a factory that could cut, bend, drill, weld and paint steel plus labor. The Chinese are fairly talented people. You just had to be able to control it, so somebody came to me with an idea of doing fitness equipment and the light bulb went off. I said, 'Hey, this is it!' It's not much different than bicycles, but the margins are better. We started in a little 4,000 square-foot factory making mostly benches and specialty dealer market

products, not regular retail and certainly not commercial products. One of our earliest customers stiffed me for about \$300,000, and that just about put me out of business.

**C.I.** - How are you doing on getting spare parts out to existing U.S. Star Trac customers?

**MB** - (Laughs) I don't know what you mean by that. First of all, most of the spare parts were coming from Asia. Now that we've taken over, I've always known that spare parts and service is the backbone of a business. It's how you touch your customer most importantly. You can't just sell them

product and leave them on their own with it. Everybody has issues, everybody needs parts, products wear out and you have to be able to service them. I'm very proud of my track record with everybody that I've ever worked with. You can contact Nautilus, you can contact Dick's Sporting Goods, and you can contact some of the companies in Germany that I worked with. We were all about service and making sure they had their parts. In fact, I was the first one to ever ship fitness equipment from China to Germany. It was my idea to put 2% free spare parts in the original container and 1% critical in every container afterwards. After several months, my customers were screaming to stop sending spare parts! I've told a couple of people at Star Trac when sales have dropped off and they couldn't understand why. 'Well, how do you expect anybody to buy from you when you can't service what you already sold them.' That was when I first took over. Right now, Terry Woods, Director of Sales Operations and Customer Service, who is running our Parts Department, confirms we're at the lowest level ever of backlog worldwide. The rumor that we aren't supplying parts is just that. That was a rumor from the past. It was true in the past. It is no longer true. Are we done? NO, it's going to keep getting better, and in my opinion, this is a part of the business you never stop improving.

**C.I.** - Well, that's great news! This report should help quash the rumor and spread the word that you've got it under control and it's a big part of your thinking.

**MB** - You know, Norm, this is one of the weapons our competitors are using against us. I know, sooner or later, our customers will see that. This nonsense that we're going out of business and we're not going to be able to supply what we sell and that we're not supplying parts and service now is just that; it's nonsense. Now, are there isolated instances? Of course, and every manufacturing company has them and can relate to this. Is there a part on the machine that we stopped making eight years ago and we're having difficulty finding that part? Yes. That doesn't mean we're not trying, and we will get it done. We've had situations that could not be resolved, so we provided a new machine because our customers are important to us. If somebody is having problems, honestly, I want to hear from them.

**C.I.** - When Mike Leveque left Star Trac, you moved very quickly to choose a new President. Tell us about that choice.

**MB** - First, let's talk about Mike. Probably the hardest thing I've ever had to do in my career was to part ways with Mike Leveque because he is a gentleman and a very classy person who loves this business. His work ethic was without a doubt one of the best I have ever seen. He just was not the right guy at this time for Star Trac. What we needed was the back-end of the business guy, someone who would focus on the logistics, warehouse and the service and parts. Mike

was more of a business development guy with an accounting background, which is fine. But, right now, Star Trac needed somebody like Dustin Grosz. I had been thinking about this for quite some time, and when Mike and I talked and he decided to leave, it was a perfect opportunity to move Dustin in as the new President. There's never been a better match. Look, Star Trac wasn't insolvent because everything was well, and it wasn't in the situation it was in only because of Steve Nero. There were a lot of things that needed change, a lot of people that needed changed. I think Mike was a little bit too close to the situation. We needed change, and everybody knew it.

**C.I.** - Does the new Star Trac company now have enough capital to run properly, or does it need more equity to give it sufficient capital to grow and have working capital?

**MB** - We have plenty of capital. It's just that we are not going to throw it away in the status quo situation. We're being very careful with what we spend until we have our path defined, which is going to happen pretty quickly. There's a lot of movement going on and a plan will be in place in the next two weeks. Then, I will be infusing more capital into the business. Whatever it takes. If it's 5 million, 10 million or 20 million, I have the ability to put it in personally if I want to or I can take on an equity partner. I'm going to do what is best for me and for Star Trac.

**C.I.** - What should current and future customers know about Star Trac products in terms of timing for delivery when they buy something new?

**MB** - Well, that's a great question. We're going to be at the industry norm (three- to four-week lead times), and that is happening with most products right now. We have inventory on most everything that we carry, and by June, about 80% of all Star Trac products will be made at my factory, Land America in China. And, we'll carry stock here in the United States. I will always have materials in China, and for people who don't understand my factory or manufacturing in China, it only takes about two weeks to get across the ocean. As nimble as my factory is, you know, we're not some big dinosaur like Life Fitness or Precor. We have experience in turning on a dime. That's why we manufacture every Bowflex that's been made for the last ten years and every Bowflex product. They can call us and say, 'Please don't make the Extreme 2 right now; make the Revolutions.' We can change that in a day. So, if we need products, we can put them into the manufacturing cycle very quickly. For the most part, we're always going to have some inventory in China and some inventory in the United States. To answer your question, almost everything we manufacture is in stock right now. By June, everything will be available in a two- to three-week span because we will keep inventory here and in China.

(See Michael Bruno Page 22)

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### ...Michael Bruno

continued from page 20

**C.I.** - Tony deLeede came by my IHRSA30 booth and told me about the big deal he, David Patchell-Evans and Mark Smith had made with you. What does it say to Star Trac that your equipment is being bought for the high-volume, low-price segment type clubs? Is that good for Star Trac? Why? Also, is this your highest-end equipment that you're selling to the International group of Tony deLeede, David Patchell-Evans and Mark Smith?

**MB** - Well, I think that the low-priced membership payment plans don't mean they have lesser equipment. I think that Tony, Patch and Mark are very knowledgeable industry guys, and they know good equipment that's going to last. Plus, they want the best equipment they can purchase for their members, and Star Trac wants to work with them. Just because a Star Trac machine is in Tony's Fit 'N Fast doesn't mean that it shouldn't also be in Equinox. It just shows they are shrewd buyers, and they want product that is going to last, plus it works in their model. I'd estimate that the deal will be worth \$20 to \$25 million in total.

**C.I.** - What discernable ways is Star Trac equipment superior to say, Life Fitness,

Precor or others?

**MB** - First of all, we've got the Star Trac name, which is an advantage. People love that name and the history of that product. Our treadmill is as fine as there is in the marketplace. Our new Total Body Trainer is smooth, economical and solid. We've always been an industry leader in the upright and recumbent bike category. Plus, our partnership with Mad Dogg Athletics has help set the industry standard on Spinning bikes. The bikes are beautiful and the safety standards are above anybody else in the market. The bike's Q factor (pedal width) is the same as if riding a road bike. Our Q factor is around 150; our competitors are at 175 to 180.

**C.I.** - Let's talk about financing. Can clubs get lease financing for Star Trac equipment right now?

**MB** - Yes, there are certain programs that we're willing to support. There are a few companies that want to work with us, whom we are investigating and we've discussed the possibility of self-financing.

**C.I.** - Michael, I understand that you're a manufacturing guru. What will your expertise mean in this area for Star Trac in the immediate future?

**MB** - As we speak right now, the Irvine Star Trac facility has been shut down,

and we've moved all that manufacturing to my factory in China to take advantage of lower cost, more efficient and higher quality manufacturing. If you take the different factories that I've worked with in the United States --if you talk to Nautilus, we've moved three different lines of Nautilus from Virginia, Tulsa and Tyler, to my factory in Xiamen, China-- everybody at Nautilus will tell you the quality improved once we moved to China. Talk to Hil-Rom, the largest manufacturer of hospital beds in the world. When we moved their Batesville, Indiana manufacturing to China, the quality improved. When you talk to Invacare, when we moved their bed ends from Florida to China, the quality and efficiency improved. I've always believed that you don't make low-end products in China if you want to survive because you have every factory in the country able to compete with you. It's a better place to make high-end products. You just take a little more care, you add a little more quality control and you can make a better product.

**C.I.** - Given that Star Trac has endured some tough times in the last few years, the Assignment for Benefit of Creditors (ABC), Mike Leveque leaving right before IHRSA, and so on, how do you want our industry's commercial consumers to view Star Trac now and in the future?

**MB** - Well, the ABC was done in order to stabilize the financial situation with Star Trac. Let's put it into perspective. Star Trac lost \$24 million two years in a row. There's a reason for that. One of them is they were paying too much for a lot of things. They took their eye off the ball. Their sourcing department was weak. Their understanding of OEM business in Asia was weak. They were just paying way too much. They were also more interested in topline growth. I'm all about bottom line and always have been, and the way you do that is by tightening up every facet of your business. You make sure you're paying on time, but you're also paying the right amount. That's what we're in the process of doing, and I'd say we're 75 to 80% through this.

Star Trac has a great brand with great products. What we want to be known for is service, quality and taking care of our customers, and of course, we want to continue to be known for innovative new products and our strong current product line.

Norm, one last comment I'd like to make is about the team that we're putting together at Star Trac. Bryan O'Rourke who helped lead a number of companies to great success is working with us now. And, of course, we briefly discussed Dustin Grosz. Dustin has fourteen years of experience at Nautilus running the backend of the  
*(See Michael Bruno Page 23)*

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...Michael Bruno  
continued from page 22

business. And, he did a great job for the last year and a half running Stairmaster for me. We're teaming those guys up with my China factory, where we have a group of individuals that know service. Profits come a lot easier if you have great service. We want people to know that we are not just staying with the status quo. We're changing things around at Star Trac. We're putting the guys that are service-oriented in the lead, rather than just being sales oriented.

C.I. - Well Mike, you've got the background and experience, and I know that you know and understand what it is like for club owners when an 'Out of Order' sign is hanging on one of their machines. You and I both know that club owners, and especially club managers, must put up with all grades of discontent when the sign has been on there for more than about three days! So, I know our readers who are Star Trac customers, and those who are thinking about buying Star Trac equipment, will be quite happy to read about your very strong focus on service.

MB - I'm a salesman, Norm, and I know that it's real hard to try and sell something while making excuses. So, we don't want our salesmen to have to make excuses anymore. We want to have the service, the quality and the parts, as well as the product on time, as we said it would be. Then, anyone can be a salesman. My company message worldwide has been the same for many years: *Do what you said you were going to do when you said you were going to do it.* It can't get any simpler or any more precise than that.

• • •

Our thanks to Michael Bruno for his interesting and informative interview and to Tony de Leede and Vanessa Klapper for their help in arranging this interview. **Stay Tuned!**

(Norm Cates, Jr. is a 37-year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of CLUB INSIDER, now in its 18th year of publication. He may be reached by phone at 770-850-8506 or email at Norm@clubinsideronline.com)



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# A Retention Breakthrough!

By: Will Phillips

I believe it is possible to double the average monthly stay of your members if you try to solve the retention problem in a different way.

## Pushing on a Pull Door

One night, I was watching a COPS TV show of real life crimes. The bank's cameras showed a masked criminal enter the bank, go to the teller, collect money and head towards the door. This was a bank whose front was all glass, including the doors. As the robber exited, he pushed on the doors. They would not open. I felt a small burst of glee, thinking that the teller had pushed a button and locked the doors. The robber then moved back several feet and ran, putting his shoulder into the door; it did not move. He then came all the way back to the teller's counter and ran, as he may have learned in high school football, with his head down right at the doors. The glass wall shimmered, and the robber bounced back, falling to the ground somewhat dazed. At that moment, the surveillance cameras showed two policemen walking from either direction on the sidewalk, come to the doors and PUSH them open.

Amazingly, fifteen minutes later, I saw the exact same scene in a different bank, in a different country, with a different robber. I laughed, but mostly at myself, for

all the times I have pushed on a pull door. One of the basic tenants of all problem solving is that, if you keep pushing, and it doesn't open, it's time to try something different, like pulling. Now, with a door, there are only two options, push or pull, so the choices are clear and easy to experiment with. When you're dealing with real problems in life, or business, it's not so obvious what it means to PULL on the problem instead of PUSH, but the principle holds. If what you're doing is not working, try something different. This is often called "getting out of the box" or discovering a new paradigm. It's easy to say but extremely hard to do and is the root cause of why innovation breakthroughs invariably come from outside any industry.

## Breakthrough Results

The Gap International Executive Coaching Program (GAP) points out that the *current* results you are getting --let's say with your retention performance-- are a result of the *current* actions that you're taking. In turn, these are a result of the *current* thinking that you were doing. GAP points out that, if you would like *breakthrough* results, you will need to take *breakthrough* actions, and of course, those *breakthrough* actions will only occur if you have *breakthrough* thinking. All this is a fancy way of saying, if you don't get out of the box, you won't get a new answer.

## Retention Background

Some 20 years ago, when I first became involved with the health and fitness club industry, I learned several important facts about retention. Ben Emdin, former President of IHRSA, discovered that single memberships lasted on average 22 months, couples lasted 28 months and families lasted 34 months. The next example is people who play tennis have an average membership length close to triple of those who engage in solitary fitness programs. Gordon Johnson, veteran owner of three Gold's Gyms in the Atlanta area reported that group exercise participants lasted approximately 46 months on average, while fitness-only members lasted 24 months. We all know that members who regularly participate in personal training not only get the best results but stay much longer than those who do not engage in personal training.

To sum this up, if you are exercising with others, you will stay longer, or in a more refined form, if your peer group is exercising, you will too. Studies show that Weight Watchers' biggest asset is its group meetings. The power of peers in Weight Watchers enables people to stick to their plan.

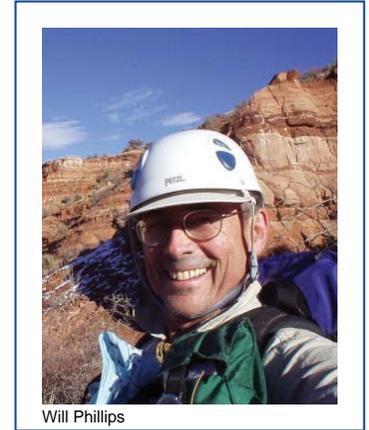
Many clubs have emulated the success of the Biggest Loser contests on TV. Although exercise and encouragement are part of this, I know that there is also a powerful impact in being surrounded with people who are exercising and losing weight.

## The Social Cure

Nicholas Cristakis, a professor of medicine and medical sociology at Harvard, and James Fowler, at the University of California in San Diego, have looked at happiness, health and weight patterns in a well-established social network of 5,000 people. They found that weight is socially contagious. If your friends are overweight, you are also likely to be overweight. If your friends are thin, you are likely to be thin. If your friends exercise, you are likely to exercise. The greatest impact was up to 34% more likely. They even found that there was an indirect impact of up to 10% of your friends' friends on your weight and exercise habits. Although some of this research has not been definitively proven, it is intriguing in its implications.

## The Challenge

The challenge for health clubs is that we have failed to engage the majority of our users in a peer group or social experience. The best clubs get about 30% plus of their daily traffic engaged in group exercise



Will Phillips

with the top performers around 50%.

Similarly, with personal training, the very best clubs manage to get 50% of their members engaged in personal training. These are the exceptions. A more likely participation rate is less than 10%. So, the industry has two great peer products, personal training and group exercise, but they only reach a small fraction of our members, and of course, our members are only a fraction of the public.

## The Solution

Twenty years ago, I commented to many of my REX Roundtable members that a breakthrough in sales and retention would occur when clubs started hiring psychologists, anthropologists and sociologists, instead of exercise physiologists and personal trainers. I said this because I felt the issue was not the technology of exercise but the process of engaging prospects and members into a community, and only when that engagement happens will the technology of exercise be valuable.

Like many industries with its own special technology, whether medicine, accounting, the law or exercise physiology, the tendency is that those interested in the industry's technology become the leading practitioners in the industry. This, of course, makes perfect sense, until they run into customers in the marketplace and the public who are not experts in the technology and who often do not stay engaged or feel satisfied with the technology because there is inadequate connectivity between them and the industry that provides the technology. This is the human side, or the soft side, of business, which is sorely neglected by all industries.

I was recently awakened by reading the book, *Join the Club: How Peer Pressure Can Transform the World*, by Tina Rosenberg. The author is an excellent (See Will Phillips Page 25)

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## All Roundtable Conference Conducted By REX A Big Hit!

**SAN FRANCISCO, CA** - Will Phillips, President of REX Roundtables for Club EXecutives, and a CLUB INSIDER Contributing Author produced an event called the All Roundtable Conference (ARC). The meeting, attended by approximately 100 club owners from the U.S. and around the world, was devoted to presentations by several highly successful businessmen from outside the industry. The event took place on March 15th, one day before IHRSA30 officially convened.

Will Phillips commented, "We had 100 people, largely club executives and a number of speakers that met all day on March 15th. We had four clubs that had all made dramatic improvements in their growth, their EBIDTA, their member

retention and their employee retention. Each one of them had used a resource from outside our industry to guide their club's progress. One of the guys works mostly in the leisure industry, another owns and operates a highly successful pizza restaurant, so we had a lot of fresh viewpoints. We had 40-minute breakout sessions so everybody was talking and thinking things through. My sense was that this was the deepest, most significant one-day business conference in this country in the last twelve months, regardless of industry. A lot of people were getting a tremendous amount of value in seeing real live examples in this industry. What we're working on is that so many clubs see a plateau after a year or two, so we're

trying to break out of that and get real growth that's not from acquisitions."

The terrific line-up of ARC Speakers included: Will Phillips, Rick Caro, Edgard Corona, Marcos Tartuck, Rudy Miick, Cliff Buchholz, Joe Cirulli, Derek Barton, Nick Sarillo, Michael Dolan and Rich Boggs.

REX Roundtables also honored Cliff Buchholz for starting the first ever roundtable and for being a REX Member with outstanding performance.

The ARC group then moved the action to the Minna Gallery of San



# Roundtables for Executives

Francisco, a very nice, eclectic little bar with a terrific art collection for the reception sponsored by Precor, ABC Financial, DG International, Visual Fitness Planner and Advacor.

For information on joining or establishing a REX Roundtable, contact Will Phillips at (858) 829 - 1615 or Eddie Tock at (914) 643 - 3207. More information is also available online at [www.rexroundtables.com](http://www.rexroundtables.com).



REX All Roundtable Conference Attendees



REX All Roundtable Conference Networking Event

### ...Will Phillips

continued from page 24

writer who has received a MacArthur Genius Fellowship, in addition to winning a Pulitzer Prize for her writing. The author analyzes how peer pressure creates social change. Too often, she says, experts believe they need to educate the public and give them information so they will change, but in her research, she never found an individual who had changed saying it was a result of getting information. She always found that they commented, "I felt a new identity with a new way of life. I can be like my friend, whose life has changed." The most stunning and widespread example of this is Alcoholics Anonymous (AA), which has been operating over 80 years and is as successful in eliminating some of the most addictive behavior from people as any other high-tech, medically-driven solution. AA has its technology, the Twelve Steps, but more importantly, it has its groups, which meet regularly in every city in the

world, every week, if not every day.

Peer pressure, peer groups or peer support is catalogued in this book on how it solved a handful of intractable problems. They have enabled college students to learn calculus instead of failing, reduced AIDS in South Africa and changed smoking behavior among teenagers in Florida. Peer groups are also at the core of the Willow Creek Church, one of the largest mega-church congregations.

In fact, mega-churches in the United States have suffered a very parallel problem as health clubs. Both institutions go out of their way to make it easy to join. Both have found that, as they grow in size, it becomes easier and easier for members to get lost, disappear and drop out. Mega-churches have discovered that creating small groups of neighbors who sit around a table to talk and eat become the critical cellular structure, enabling members to be engaged in a church with 5,000 or 10,000 or more members. *Join the Club* is filled with examples of how peer pressure and

support enables people to dramatically change their behavior.

If health clubs will start thinking in new ways, they will start taking new actions and getting dramatic breakthrough results. I believe that learning how to use peer groups is a significant breakthrough solution for expanding your market, doubling your market, doubling your retention and creating an unbelievably powerful competitive advantage. This may mean that your key health club staff would focus on recruiting natural peer groups, such as growing memberships by cul-de-sacs, streets or an individual's natural social network, where this was not possible learning the skills of actually forming peer groups with common interests. Based on my personal experience in leading REX Roundtables of health club executives for twenty years, I know it is entirely practical to build a community of extremely busy health club owners from across the United States who regularly attend three meetings a year, often flying across the country. In

over twenty years, few leave their REX group, unless they graduate to a different REX Roundtable or retire, and most attend for five, ten or fifteen years straight without missing a meeting. The reason is the power of peers creates a community of connectivity where your best friends are showing up all the time.

#### Resources:

- [www.gapinternational.com](http://www.gapinternational.com);
- *Join the Club* by Tina Rosenberg;
- *Tribes* by Seth Godin;
- *The Culting of Brands* by Doug Atkin.

Email [jointheclub@rexroundtables.com](mailto:jointheclub@rexroundtables.com) to engage in an ongoing conversation about engaging members in new ways, sharing resources and results.

(Will Phillips is founder, CEO of 25 Executive Roundtables with eight in the U.S. for club owners. You can reach him at [Will@REXRoundtables.com](mailto:Will@REXRoundtables.com))

# Creating a Strategic Plan For Your Club

By: Greg Maurer

As the saying goes “those who fail to plan, plan to fail,” and this is particularly true of clubs. Strategic planning starts with conducting a “big picture” analysis of your club by using S.W.O.T. Analysis. The S.W.O.T. acronym stands for Strengths, Weaknesses, Opportunities and Threats.

SWOT Analysis is one of the most commonly used strategic planning techniques in business; however, it is also one of the most misunderstood techniques. It is primarily used to provide structure to or summarize your strategic analysis. Your strategic analysis will focus on identifying the strengths, weaknesses, opportunities and threats in three key strategic areas:

**Internal Environment** is about identifying your club’s value proposition or core competencies. Core competencies or value propositions have three characteristics: they are the things your club does better than your competitors, are hard to replicate and are highly valued by your customers.

**Industry Environment** focuses on examining five factors that will likely increase or decrease competition in the industry: the bargaining power of potential members, the threat of more competitors (such as low priced clubs like Planet Fitness), the bargaining power of key industry suppliers to clubs, the threat of substitute products or services and the rivalry among existing club competitors.

**Macro Environment** seeks to answer the questions *what will affect the growth of our industry as a whole* and *what is the likely impact of all of the things that affect the growth of the fitness industry*.

SWOT analysis is also often used in decision making, as it brings a structured analysis that can be applied to the various decision options, which effectively removes subjectivity and emotion from the decision process. Now, let’s take a look at Strengths, Weaknesses, Opportunities and Threats.

## Strengths and Weakness

Strengths and weaknesses are internal to your club. Your strengths are areas where you have a strategic competitive advantage. These should be identified using the “better than our competitor” test. Your strengths are where you can verify that your business is *clearly (and ideally measurably) better than your competitors*.

On the other hand, your weaknesses are areas where your competitors have a strategic competitive advantage. These are areas where you can verify that your *competitors are better than your club in some tangible way*. Consider this scenario.

It is possible that every club in your area identifies their customer service as a strength. In fact, all the clubs in your area may have good customer service. So the question is will your customers notice the *difference* in your customer service?

No matter how good your club is at something, *if you are not better than your competitors, it is not a strength*. It is very important to be honest and objective identifying strengths and weaknesses because all clubs have strengths and weaknesses, and understanding them is crucial.

## Opportunities and Threats

Opportunities and threats are external to your organization. During

SWOT Analysis, you will consider a variety of opportunities for your club and all these opportunities will be external to your business. An opportunity is a condition in the macro or fitness industry environment that can improve your club’s competitive position relative to that of your competitors.

Some possible Industry Opportunities are:

- Expansion of club services/products;
- Expansion of club customer base (geographically or through new products/services);
- Placid competition;
- Specific industry programs/services experiencing heavy growth.

Some possible Macro Opportunities are:

- Favorable changes to legislation, such as tax breaks for club memberships;
- Favorable economic outlook;
- Favorable cultural shifts towards fitness and wellness services;
- Technology that your club can utilize such as Ecommerce or Internet sales.

## Understanding SWOT Threats

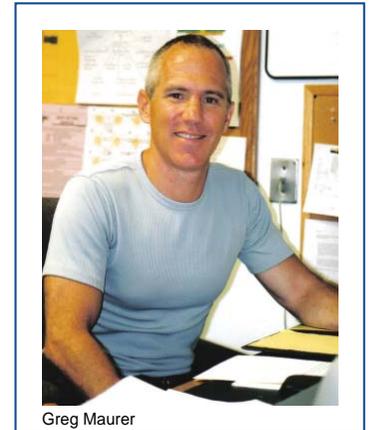
During your SWOT Analysis, you will consider a variety of threats to your club, and these threats will all be external to your club. A threat is a forecasted condition that is out of your control and has the potential to harm your businesses profitability.

For example: A large non-profit, such as a YMCA, has obtained funding and zoning and is building a competitive facility in your market, which will threaten your market with a lower priced option for your existing members and area prospects.

Some possible Industry Threats include:

- Low bounce rates;
- Usage of social features;
- Usage of mailing list sign up tools;
- Usage of reporting tools.

“The GGFA continues to make its mark in the fitness industry as a leader. This award further reflects the diligence of the franchisees and GGFA partners who take pride in their Association and make it a priority to stay connected. Kudos to the GGFA staff who recognize the importance of deepening GGFA engagement with its members. As we enter into the GGFA’s second decade, I am confident this is just the beginning of more great things to come,” says Mike Epstein, President of the GGFA.



Greg Maurer

- Lower cost clubs;
- Slow market growth or decline in your market size, such as declining population due to poor local economic outlook for key local employers;
- Shifts in your customers buying power (such as decreased income during a recession);
- The changing needs of customers, such as the Baby Boomer population that makes up a large percentage of many clubs markets ages, these customers will be looking for different things from a club than they did when they were 20.

*(Greg Maurer is an Associate Partner with New Paradigm Partners. His hard work, leadership, passion, and knowledge of health and fitness provide clients the opportunity to improve all facets of their business and operations. Greg may be reached by phone at 302 - 528 - 1660 or email at gmaurer@newparadigmpartners.com)*

## Gold’s Gym Franchisee Association Named One of Constant Contact’s 2010 All Stars

**SUGAR HILL, GA** - The Gold’s Gym Franchisee Association (GGFA) has received the 2010 All Star Award from Constant Contact, Inc., a leading marketing platform for more than 400,000 businesses worldwide. GGFA is recognized as one of Constant Contact’s top performers. This title is given to a small group of Constant Contact users who meet a list of criteria related to successful email communication.

Ginger Collins, GGFA Executive Director said, “The GGFA is happy to be honored for its effective communication. This recognition is certainly a reflection of our staff who works hard to listen to feedback from our members as to how they want to receive communication. Their diligence in the content and appearance of all communication is congratulated.

Most importantly, this award is a reflection of an engaged audience who respects their responsibilities to keep informed. Congratulations to our membership base for helping to make this happen.”

The GGFA uses Constant Contact to support its email communication and event registration. Having used Constant Contact since 2009, the GGFA continues to find it to be effective in communicating the weekly *Brief*, Webinar invitations, *Ask the System* questions, urgent news and more.

Constant Contact looked at criteria including the following when selecting this year’s All Stars:

- Full use of email and event campaigns functionality;
- Superb open and click through rates



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# Managing Staff Behavior In Your Health Club

By: Jim Thomas

As an owner or manager, you already know the type of staff behavior you want to see under your leadership. Since all staffers have free will, it will take some careful planning to turn the staff into the kind of team that will thrive and work well in a health club environment. Hard work, dedication and a passion for fitness will help develop the team spirit and staff behavior that makes your health club thrive and survive in a time when many health clubs are struggling. Create your plan of action and develop employees who are good for your health club business.

Now, here's what you want to remember when it comes to shaping and managing the behavior of others in your health club; you must change *your* behavior first. Here are some thoughts:

•**Communicate with your health club staff effectively.** Model the behavior and expectations you have of them. A pleasant disposition and good work ethic set a standard for them to match. Use the power of your position to communicate what you feel is truly important by your behavior.

Inspect what you expect and follow up! Catch people doing something right.

•**Create the workplace rules** in your facility necessary to accomplish the goals of your health club as a team. Write down the rules and give everyone a copy. This should include dress code, personal interactions, scheduling, teamwork requirements and deadline expectations. Health club staffers tend to dress and act in compliance to club expectations when they buy into the expectations and understand them. Provide the rule, but tell them why.

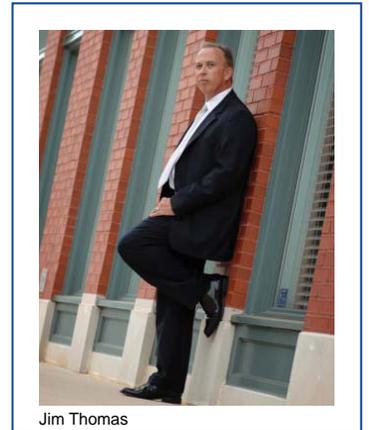
•**Listen to your staff.** When you meet with employees, listen more than you talk. If you're in sales, you already know that rule, right? You already know what you think. Actively seek the ideas of your staff in your club. If it makes sense, implement the idea. Feeling like a respected part of the team allows staffers to enjoy a sense of ownership in the health club, feeling they have influence and a sense of community when they are at work.

•**Spend time with your health club staff.** Learn their first names and use

them. Your club results will improve as you seek to know each employee's strengths and weaknesses and assign team responsibilities that meet their strengths. It also allows you to partner employees who will strengthen each other. Employee attitudes improve when their comfort levels are improved. Step forward and develop the type of relationships that make your health club staff want to listen, not because you are management or the owner, but because they are on your team.

•**Train, train and train your staff** (in every department). Teach your club employees to be problem solvers and thinkers. While some health club training is formal, regular on-the-job training is ongoing. Zig Ziglar said it best, "The only thing worse than training employees and losing them is not training them and keeping them."

•**Reward your staffers** when they meet your expectations. Be sure that all rewards are given on merit alone. Vary the rewards given. Remember that a sincere expression of appreciation is one of the greatest rewards you can give a club employee.



Jim Thomas

Sometimes, it will only require a handshake and a thank you.

Now, go shape the behavior of your health club staff!

(Jim Thomas is the President of Fitness Management USA and may be reached at 800 - 929 - 2898)

## Augie's Quest BASH Raises \$1.3 Million for ALS Research *Nieto Receives Surprise Award from U.S. Surgeon General*

TUCSON, AZ - The Muscular Dystrophy Association announced that the sixth annual BASH for MDA Augie's Quest exceeded all expectations, raising \$1.3 million on March 18th to help fund research on Amyotrophic Lateral Sclerosis (ALS, or Lou Gehrig's disease).

The San Francisco gala welcomed over 800 guests, including business and civic leaders, and fitness industry icons to the world's largest single day event for ALS research. The BASH was emceed by Natalie Morales, anchor of NBC's Today Show. Multiplatinum rock band, Sugar Ray, packed the BASH dance floor, giving a high-energy performance with hit songs such as "Fly" and "Every Morning."

In an unexpected, moving tribute, U.S. Surgeon General Regina M. Benjamin presented Nieto with the Surgeon General's Medallion for "inspiring the world to fitness."

"It was an extraordinary night of hope and inspiration," Natalie Morales, NBC Today Show anchor said. "Over 800 passionate people were present to 'Make a Muscle, Make a Difference,' for the tens of thousands of families served by MDA Augie's Quest. It was great fun to celebrate the Surgeon General honoring Augie Nieto for his incredible leadership in the world of fitness. Yet, I remain

convinced that Augie's greatest legacy will be helping expedite a treatment for ALS. Augie is an amazing champion, having now raised more than \$28 million in six years for ALS research, while simultaneously fighting his own personal battle against the progressive disease."

The annual BASH is a signature event inspired by fitness pioneer, Augie Nieto, and his wife, Lynne, Co-Chairs of the ALS Division of MDA, and it provides unparalleled support to some 40,000 Americans living with ALS.

"We had an exceptionally successful, moving evening," Augie Nieto said of the BASH, "and it came one night after we orchestrated the world's largest Zumba fitness event, with 1,300 participants dancing aerobically to live international music in the Marriott hotel grand ballroom. I'm so grateful to everyone for helping fuel the progress toward finding treatments for ALS, and \$1.3 million is another record to fund vital scientific research for ALS."

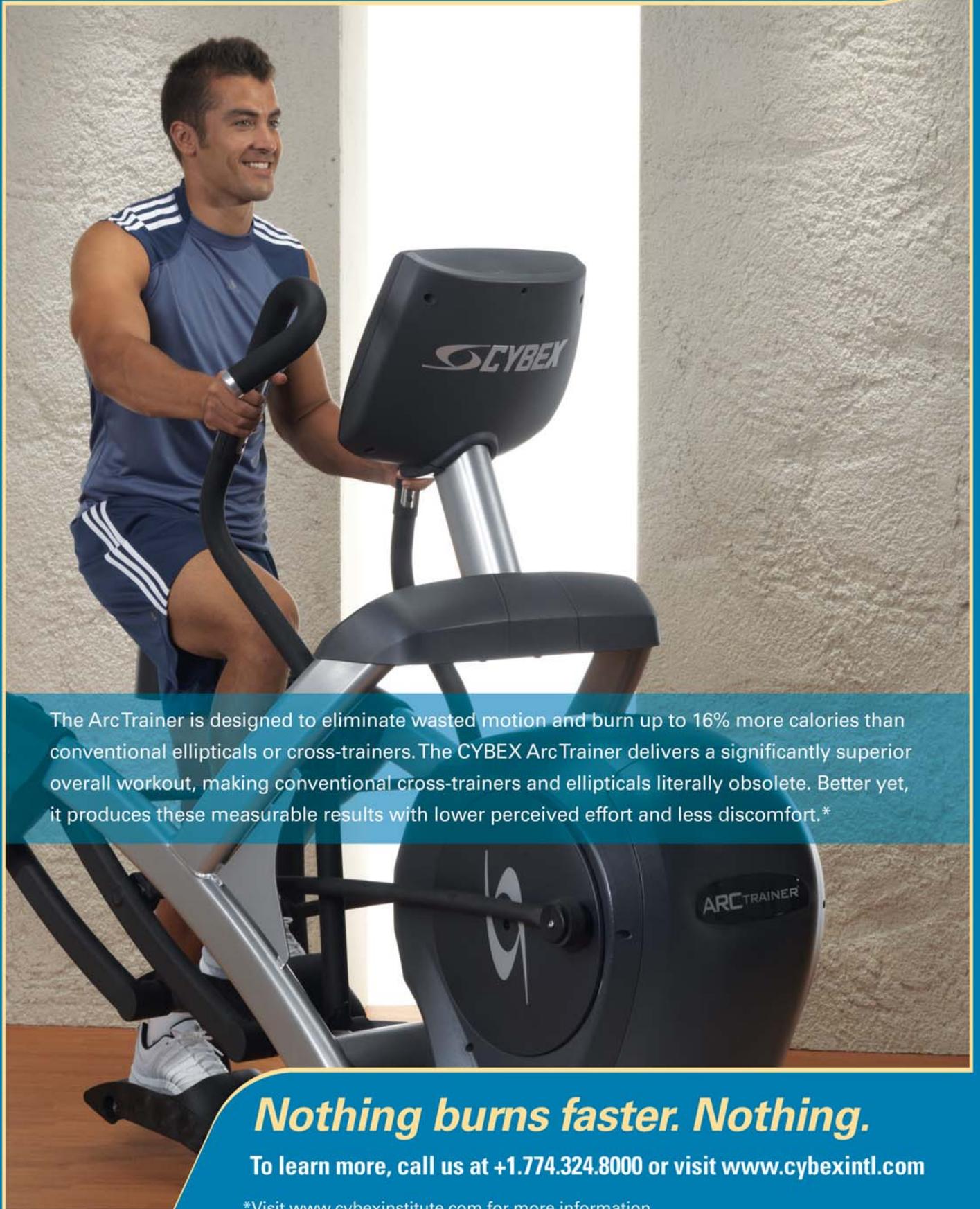
The Zumbathon campaign raised over \$211,000 for Augie's Quest.

The Nietos presented BASH Event Chairman, John McCarthy, with the Augie's Quest Leadership Award. This singular honor is given annually to the fitness industry leader having done the most to help speed treatments for ALS.



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# Programming Tip of the Month:

## *Meet New People, Get Some Exercise and Have Fun!*

By: Sandy Coffman

Programming ideas can be gleaned from many different activities. Here's an example of a successful program that you may use as is or adapt to other areas of your club.

A few years ago, the United States Tennis Association (USTA) was actively seeking to increase participation of the older adult market. They did their homework on the active aging market to establish their value system. What did they want? What did they need? How could it be delivered? What might they have to do differently?

It was noted that the marketing strategy in tennis has always been about instructional programs, private lessons, advanced skill levels, ranked players and league and tournament competition. Any "fun" activity was labeled as "drill

practice." They realized that approach may not be important or of "value" to today's senior market.

Realizing that socialization, exercise and familiarity are key, the USTA began a program called "Welcome Back To Tennis." They partnered with AARP and chose six sites across America to get the market on to the courts and keep them there. The goal was to *get them to participate and to keep them coming back*. They had to make it a fun, social event.

Rather than traditional lesson programs, the USTA took a large group approach and united everyone into a variety of activities including group warm-ups and cool-downs. They had friendly ice breaking games, group tennis activities and free use of equipment. The program included food, drink, prizes and new friends... WOW! It worked!

### How It Worked

Important! A full training session for all staff was mandatory the day before the event. The training included communication skills: how to greet the participants, how to introduce the participants to one another, how to keep the participants active, happy and confident, how to sell the follow-up programs and how to say goodbye.

The social hour was key to enjoyment. Good food, door prizes, and of course, good hosts and hostesses kept the event upbeat.

The warm-ups were designed to set the scene of fun. Great music and innovative group exercise movements made for a fantastic opening.

Tennis activities were then offered in a non-stop variety of ways. Each tennis activity was with different partners, and every tennis action had a sense of enjoyment as well as a successful experience.

### The Follow Up Programs

Four to six week lessons - Learn to play doubles, doubles strategy and doubles round robins were offered. The result? 50 to 70% of the participants signed up for the lessons.

The records indicate that, in nearly every initial event, 100% of players who signed up for the lessons showed up. The marketing strategy resulted in a retention plan. Why? Because the tennis program was designed to fit them, not the



Sandy Coffman

other way around.

The USTA took a different approach to the sport of tennis as it relates to the senior audience of today. Are you willing to make changes in your club, in your programming, your staff training and your marketing strategies to do more than offer exercise opportunities? Create your programs with *retention* in mind first, and make retention your marketing strategy.

(Sandy Coffman is the Dean of Club Programming and the author of the book *Successful Programs for Fitness and Health Clubs: 101 Profitable Ideas*. To order Sandy's programming book, go to [www.humankinetics.com](http://www.humankinetics.com). You can contact Sandy at [slcoffman@aol.com](mailto:slcoffman@aol.com) or [www.sandycoffman.com](http://www.sandycoffman.com))

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Fiserv - Pg 5	<a href="http://www.clubs.fiserv.com">www.clubs.fiserv.com</a>
fitRewards!	<a href="http://www.fitrewards.com">www.fitrewards.com</a>
Gym Wipes by 2XL Corporation	<a href="http://www.gymwipes.com">www.gymwipes.com</a>
iGo Figure	<a href="http://www.igofigure.com">www.igofigure.com</a>
IHRSA	<a href="http://www.ihrsa.org">www.ihrsa.org</a>
Iron Grip Barbell Company - Pg 19	<a href="http://www.iron Grip.com">www.iron Grip.com</a>
JLR Associates - Pg 12	<a href="http://www.jlrassoc.com">www.jlrassoc.com</a>
Medical Fitness Association	<a href="http://www.medicalfitness.org">www.medicalfitness.org</a>
National Gym Supply - Pg 11	<a href="http://www.gymparts.com">www.gymparts.com</a>
NEPT - Pg 20	<a href="http://www.nfpt.com">www.nfpt.com</a>
NPTI	<a href="http://www.nptifitness.com">www.nptifitness.com</a>
Planet Fitness - Pg 2	<a href="http://www.planetfitness.com">www.planetfitness.com</a>
Rountables for EXecutives - Pg 24	<a href="http://www.rexroundtables.com">www.rexroundtables.com</a>
Sports & Fitness Insurance - Pg 22	<a href="http://www.sportsfitness.com">www.sportsfitness.com</a>
Star Trac - Pg 21	<a href="http://www.startrac.com">www.startrac.com</a>
Susan K. Bailey Advertising - Pg 23	<a href="http://www.clubads.com">www.clubads.com</a>
The Step - Pg 27	<a href="http://www.thestep.com">www.thestep.com</a>
Thin&Healthy's Total Solution - Pg 15	<a href="http://www.thinandhealthy.com">www.thinandhealthy.com</a>
Visual Fitness Planner - Pg 17	<a href="http://www.visualfitnessplanner.com">www.visualfitnessplanner.com</a>
World Gym International	<a href="http://www.worldgym.com">www.worldgym.com</a>

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