

The Pulse of the Health & Sports Club Business

April, 1994

Federal Trade Commission Nails Bally

By Norm Cates, Jr.

The Bally Corporation's Health clubs continue to be pummeled by legal actions. In the last three editions of *The CLUB INSIDER* I have reported on Massachusetts Booting Bally, Wisconsin suing Bally and Bally paying Los Angeles County \$138,000 in civil penalties and costs. A few years ago, the Bally Clubs were hit with a major country-wide Class Action lawsuit for racial discrimination involving hundreds, if not thousands, of consumers across the land.

Now, the Federal Trade Commission has announced on April 14th that Bally has agreed to

pay refunds to possible thousands of its current and former club members to settle allegations of deceptive billing, cancellation and refund practices. In addition, Bally and two of its subsidiaries agreed also to pay \$120,000 in civil penalties to settle allegations by the FTC that the chain used harassment and misrepresentation to collect membership fees. The agreement which is legally known as a "consent order" must be signed by the judge before it is imposed. A consent order is for settlement purposes only and does not constitute an admission of law when signed by the judge.

The settlement would:

- prohibit the defendants from improperly charging consumers' credit-card accounts or

debiting their bank accounts for health club memberships;

- prohibit them from using harassment or deceptive means to collect membership fees, and from collecting amounts not expressly authorized in contract with members;

- require the defendants in the future to acknowledge cancellation requests within 10 days, and to cancel the contracts and mail appropriate fee refunds on properly cancelled memberships within 20 days after that;

- mandate that the defendants more clearly inform both current and future members about their cancellation rights (in part, by replacing current membership contracts with contracts that contain clear explanations about how

to exercise the right to cancel, and how refunds will be calculated); and,

- require them to inform credit reporting bureaus in writing about any erroneous delinquent account information Bally provided the bureau about any club member or former member who submits a claim form pursuant to the FTC settlement.

Bally's operates more than 300 fitness centers in the U.S. under various names. The complaint also names two related companies, Health and Tennis Corporation of America and U.S. Health, Inc.

The FTC has accused Bally's of numerous law violations. Among them, the FTC alleged that Bally's failed to honor

provisions in its membership contracts that gave consumers the right to cancel and receive full or pro-rata refunds, even though the members had followed stated procedures for cancellation. In fact, the FTC charged, in some instances Bally's continued to collect membership payments after consumers had followed all procedures required by their contracts. The complaint also alleges that Bally's charged consumers' credit-card accounts or debited their bank accounts without their consent and, in collecting on consumers' accounts, used harassment or other illegal practices (such as misrepresenting the amount consumers owed Bally's or that they, the defendants, were really third parties hired to collect the debts).

(See *Bally* page 3)

The Human Meaning Of Joining A Club

By John McCarthy

There is no one actively involved in our industry today who doesn't sense the breadth of our future opportunity.

To state it as concisely as possible, whereas, less than a decade ago, club members were overwhelmingly young adults, aged 21-34, today, while we maintain a solid hold on this all-important market, the 35-49 market for club membership is growing at an average annual rate of 11.9% per year, and the 50-plus market for club membership is growing at an average annual rate of 20.2% (American Sports Data, 1993).

For suburban clubs, add

to this the enormous opportunity in family and youth programming, and you begin to get the sense of an industry whose time is now.

But that is only the beginning. As we move from a healthcare system financed primarily on a fee-for-service basis to one that is financed by capitation fees, the entire momentum of the system moves toward placing a premium on prevention.

Under a fee-for-service system, medical revenues and medical profitability increase with every incremental medical service. Under a fee-for-service system, the medical profession has no financial incentive to keep people well.

However, under a capitation pricing system, every medi-

cal service becomes a cost, an expense, rather than a source of incremental revenue and income.

Under such a system, the medical profession for the first time has a financial incentive to keep people well. The healthier their clients are, the more profitable their business will be. Suddenly, a comprehensive prevention strategy becomes imperative. No wonder that some of the largest and most successful HMO's in the U.S. - such as U.S. Healthcare, Pacificare, Connecticare, Tuff's Health Plan, Health Partners, General Health Associates, Keystones and Healthsource - are already subsidizing club-based, regular, exercise programs.

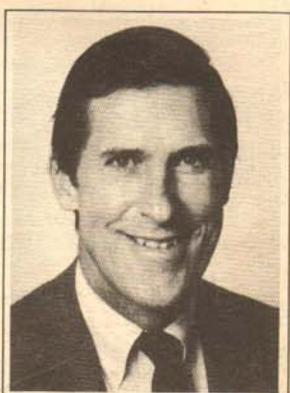
In short, the entire American healthcare system, of which the U.S. government (Medicare and Medicaid) is no small part, will soon be supporting - financially and otherwise - our efforts to expand the ranks of those who exercise regularly.*

But though our opportunities are broader than ever before, and though the entire healthcare system in this country will, in the years ahead, be placing

far more emphasis on prevention, human nature remains the same. To quote the late George Sheehan, who for years wrote the "Human Race" column for *Running* magazine: "Human beings will not continue for long to do anything, no matter how good it is for them, unless it is pleasurable, unless it is social, unless it is entertaining, unless it is fun."

This is precisely the challenge we now face. There is no question that exercise is good for people. (Every month, a new study validates the physical, or mental, or emotional, or financial benefits of regular exercise.) There is no question that people know they should be doing it (93% of American adults agree that regular exercise is vital to their physical and mental health.) But the question remains, in the words of Sheehan: Can we make it pleasurable, social, entertaining and fun?

Warren Wertheimer, the owner of the Rolling Hills club in Novato, California, who has written often on this subject, says simply, "People don't need a club to exercise (or play basketball, or tennis)." The motivation to join a



McCarthy

club, he believes, is inherently social, inherently experiential, inherently environmental. Otherwise, why wouldn't everyone work out in his basement or backyard?

It's time to consider again the primordial meaning of "club." A club, whether it is a stamp club, or a book club, or a garden club, is a place where people do together what they enjoy. Were we not social animals, there would be no such things as clubs. Did we not find more pleasure in doing things to

(See *Human Meaning* page 10)

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THE INSIDER SPEAKS

• EDITORIALS • "INSIDER MAIL" • COMMENTS •

The Insider Speaks
Page will be dedicated to editorial

commentary, "Insider Mail", and reader comments received on our Hotline (1-800-700-2120) or 24

Hour Fax 1-404-933-9698. We welcome reader editorials and will publish them when appropriate.

Those who wish to express their views are encouraged to do so through letters, faxes or

phone calls. Don't hold back. Let the **CLUB INSIDER** publish your view.

"Showdown In Reno" becomes "Love In"

By Norm Cates, Jr.

The "SHOWDOWN IN RENO" turned out to be a "LOVE IN" in which approximately 300 people showed up at 8:30 on Friday night, March 25, 1994 to share their thoughts and hear the thoughts of others on the name change to EXERCERE and other issues of the Association. This meeting turned out to be a shining example of what IRSAs has been all about. The candid sharing of feelings and the professional manner in which the

speakers expressed those feelings marked this first OPEN FORUM as one of the best things to have happened to this Association in the 13 years of its existence. Those who had objections to the decision to change the name to EXERCERE expressed their views very calmly and clearly. In contrast to the Bally Meeting in New Orleans a few years back, this meeting was virtually without emotion. The people who spoke made excellent, logical and well conceived points about the name change to EXERCERE. Only a few of the speakers made positive/supportive comments about EXERCERE. Most of those who addressed the name change to EXERCERE

expressed agreement with the need and desire to change from IRSAs but disagreed totally with the selection of EXERCERE. The most consistent arguments against the name EXERCERE were that it means nothing to the uninformed and it is hard to pronounce and spell.

Current IRSAs President, Larry Krieger, told the gathering that the meeting was being recorded by a stenographer and would be transcribed for any and all IRSAs members to read. He also indicated that the Board of Directors would study this meeting transcript before making their final move

on the name change issue. Some of those who had previously supported EXERCERE prior to this meeting expressed new concerns about the wisdom of the move. One of IRSAs Founding Fathers, Curt Beusman, changed his position of support for EXERCERE to a wise recommendation to the IRSAs Board that the name change effort continue, but that the name EXERCERE not be adopted for the Association due to its lack of appeal to nearly half of the IRSAs members.

There were a number of very positive aspects to this gathering. Maybe the most important was simply that the meeting took place at all and it was announced

that the OPEN FORUM would become a permanent Annual Convention Event. The 300 or so people who did attend were many of the people who have been the backbone of the Association. Many missed the meeting due to schedule conflicts during the busy convention. Special thanks should go to Charley Swayne for serving as the meeting facilitator, Alan Schwartz who attended the meeting even though he had been sick in bed with the flu during the convention, and Warren Wertheimer for his efforts to make this meeting happen and for his idea of the 7:30 "pre-meeting" which allowed many of those who were frustrated about the issues to (See *Love In* page 10)

IRSA'S ANNUAL CONVENTION TOP 20 SPEAKING PRESENTATIONS ANNOUNCED

The IRSAs Convention in Reno was a great event and there were approximately 90 speaking presentations on a variety of club industry subjects presented at the 13th Annual convention held in March. Each year, IRSAs conducts written evaluations of each presentation by the audiences and determines the top rated presentations at the convention. The TOP 20 shown below was the Creme de la Creme and may be purchased on audio cassette from InfoMedix, 12800 Garden Grove Boulevard, Suite F, Garden Grove, California 92643. To order, call: (714) 530-3454, and be sure to tell them that The CLUB INSIDER sent you!

1	Ken Dychtwald <i>Keynote</i>	4.892
2	Pamela Staver <i>Playfest - Youth Fitness Programming for Fun</i>	4.871
3	Frank Aycox <i>How to Use Social Play to Integrate New members into Your Club</i>	4.802
4	James Rippe <i>Scientific and Medical Breakthroughs in 1993: The Club Opportunity</i>	4.723
5	Layne Longfellow <i>The Stress of Success: I Am What I Do</i>	4.697
6	Mark Sanborn <i>Teambuilding: How to Manage and Motivate People</i>	4.671
7	Michael Holtzman <i>A Quality Club Approach to a Profitable Food Service</i>	4.592
8	Laurie Cingle <i>10 More Great Fitness Programs that Work</i>	4.588
9	Pamela Staver <i>STEPacular... Full Esteem Ahead! (Choreography for children)</i>	4.586
10	Sandy Coffman <i>Racquetball - Try it Again for the First Time</i>	4.565
11	Neil Sol <i>Health Clubs: America's Solution to the Health Care Crisis</i>	4.512
12	Jeff Bensky <i>Health Care Reform: How it Will Affect Cash Flow</i>	4.397
13	Maureen Wilhelm <i>Pumping Profits from Your Pool with Aquatic Therapy</i>	4.354
14	JJ Lauderbaugh <i>Empowering Your Front Line: How to Manage Customer Relations</i>	4.350
15	Dorothy Leeds <i>Smart Questions: The Key to sales Success</i>	4.339
16	Tom Rhind <i>Developing A Hospital-Based Health and Fitness Facility</i>	4.336
17	Dave Pickering <i>IRSA's Corporate Fitness Club Network: Reaching Both the Corporate and Health</i>	4.292
18	JJ Lauderbaugh <i>Empowering Your Front Line: How to Manage Customer Relations</i>	4.275
19	Michael O'Shea <i>Owner, Partner, Landlord: Building a Relationship that Works</i>	4.273
20	Dawn James <i>The Ups and Downs of Weight Loss Programs</i>	4.246

Speakers scores determined by combined ratings of presentation, content and handouts, on a scale from 1-5, with 1=Poor, 2=Fair, 3=Good, 4=Very Good and 5=Excellent

ALLSPORT

Est. 1973

Norm Cates
The Club Insider News
P. O. Box 671443
Marietta, GA 30067-0025

Dear Norm,

We just received our second edition of the "Insider" and it's outstanding!! The article on Red Lerille's club was just packed with information! Red is one of the true heroes of our industry, showing us by his example that we can deliver to the members what we have promised!

The interviews with Red's people were a great idea. A lot of owners tell interesting stories but I'll bet very few of us would ever get these kinds of remarkable accolades from our staff... How many clubs even have an employee who has been with them for nineteen years?

What a SUCCESSFUL career Red has going, touching so many lives in such a positive way! Helping his members and staff get what they want has resulted in the financial success he deserves!

This kind of indepth, credible and inspirational reporting I'm sure will be welcomed with open arms by the club community.

Other articles like the one by Warren Wertheimer were also right on target with a wealth of ideas and information, much of which I was able to put to immediate use.

I am looking forward to the next issue, in particular the continuation of the article on Red's amazing facility. If the "Club Insider" continues in this same direction it will be a great service to our industry and will hopefully bring you much success!

My thanks and good luck!!

Mike Arteaga
President and owner

• Norm's Notes •

DEAN WALLACE FOR MAYOR! - Dean Wallace, the General Manager of the Courthouse Athletic Clubs in Salem, Oregon has been drafted by the local citizenry to run for Mayor! Congratulations Dean and good luck in your campaign effort to rise to HISHONORSHIP! Dean is a cheerful, highly successful operator of the four Courthouse Clubs in Salem which boast over 13,000 members served in 200,000 square feet. Dean and John Miller, his assistant, have also accomplished breakthrough work in the area of retention with the development of

the Member Assistance Program. Combined with the LEAP Program recently introduced to the world market by The Step Company, the MAP is causing the Courthouse retention figures to soar! Dean and his lovely wife Linda, are obviously in a busy groove in Salem and we wish them the best!

WILD SCENE! - I made a commitment to my readers to periodically publish independent surveys on equipment of interest to club operators. Such a survey was published in my March edition when I published

our Treadmill Survey Report. The data was compiled by an independent research company which produced a report summarizing the findings. The survey was based solely on the responses from the panel. Some treadmill companies were rated very highly and others were hammered by the independent panel. At the Reno IRS Convention on Friday evening, I was busily posting a notice about the Exercise Opposition Meeting when I was approached by a man whom I had never seen before. He noticed my name tag and said to me: "So, you are Norm Cates!" I said "yes," and asked for his name. He

introduced himself and began a full blown verbal attack on me for having published the Treadmill Report. He also insulted my ancestry and told me something that I already know, which is I'm overweight. (I am working on that as usual.) He then went on to accuse me of publishing this survey without ANY FACTUAL INFORMATION UPON WHICH TO BASE IT. I have refrained from disclosing the name of this guy or the name of his company. But, I do know one thing. The report was generated from the results of the survey. Period. He asked me to send him copies of my surveys which I initially agreed to,

but in reviewing my letter and promise to the independent panelists, I promised absolute confidentiality. So, I can't do that. What I can do is tell him that he is to be complimented for his belief and enthusiasm for his products, but recommend that he conduct his OWN SURVEY OF HIS CUSTOMERS. I'll bet they will tell him exactly what they told us, which is his treadmills suck.

RICK WHITTINGTON has invented and just received his U.S. Patent on a unique name tag which is attached to (See Norm's Notes page 10)

...Bally

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These latter practices violate the Fair Debt Collection Practices Act, which prohibits debt collectors from using abusive or misleading tactics.

To give you an example of the things that happened to prompt the Justice Department's action on behalf of the FTC consider these:

* Jennifer Martinez of Landover, Maryland was having trouble getting credit last year. So she checked with a credit agency and was astounded to find that Greenbelt Holiday Spa had reported a \$1,500 club fee as unpaid, even though Martinez had cancelled her membership and never used the spa;

* In some instances, Bally sent customers dunning notices on phony letterhead purporting to be from a collection agency, when they were really from the company's Towson, Maryland subsidiary office;

* "There was one woman whose rent check bounced," said Dana Fox, an assistant attorney general. "When she called the bank to check on it, she found Bally had debited her account after she had cancelled her contract... These are very aggressive people," she said;

* Trina Landrum of Baltimore went to the White Marsh Holiday Spa because she was told she won a free membership. But, after she and her husband toured the facility, they were asked for a post-dated check, which they were told would not be deposited, while they decided whether they wanted to join. When checks for her car insurance and life insurance bounced, Landrum found that the club had deposited the check the next day. Bally's debited her account at least three other times, she said, and she was stuck with several hundred dollars worth of bank charges.

A spokesman for Bally, a unit of Chicago based-Bally Manufacturing Corp., which also owns casinos and hotels, played down the extent of the damage to club members or the numbers affected.

"We expect it to be in the thousands," said Michael W. Kempner, a spokesman for Bally. "To put it in perspective, that's less than 1 percent of our 4 million members... We've bought many other health club chains over the years. We're working to professionalize an industry that has had problems in the past."

One problem, according to FTC officials, was that the company did not allow people to cancel under the conditions the contract said they could - even for medical disabilities. "When people tried to cancel for legitimate reasons, they got the runaround big time," said Allen Hile (See More Bally page 4)

Norm Cates' **Club Insider** NEWS

Mr. Arthur Goldberg
Chairman of the Board - Bally Manufacturing Corporation
8700 Bryn Mawr - Chicago, Illinois 60631

April 22, 1994

Dear Mr. Goldberg,

I would like to respond to an Associated Press interview with you, published in the Atlanta newspapers on July 25, 1993. The article says: "Mr. Goldberg figures he can franchise the Bally name to health clubs in smaller towns in exchange for national advertising and centralized accounting."

Sir, I would suggest that you investigate further the national reputation of your Bally Health Clubs before you make a move into franchising. You may not be aware. Bally Health Clubs have the worst reputation in the club industry in America today. The Bally Health Club method of operation is simply to promise the moon to a prospective member and take advantage of the person's trust. The "personal" service promised by your salesmen is rarely, if ever, delivered. The culture and the system is the same nationwide.

I have enclosed four different issues of The CLUB INSIDER News with articles marked for your convenience. The articles are about Bally's legal battles across America. I am reporting the truth as provided by the those various legal agencies. The latest matter to surface is the Federal Trade Commission consent decree, announced on April 14th which further authenticates my comments here. The Bally Clubs continue to damage their own reputation. It doesn't stop there. Unfortunately, the 12,000 other clubs in the U.S suffer everytime Bally hits the news with another legal (or illegal) action. This is because the American consumers believe that all clubs operate like Bally.

My objective is to educate the American consumers about how Bally Clubs operate. One day, American consumers will understand that Bally Clubs are operated for money and money only. They will understand that there are lots of clubs in their community who will treat them fairly and will truly care about them and their results. One day, the Bally Clubs will be unable to convince people to sign contracts because the consumers won't even walk into the Bally Clubs due to their bad reputation. When that happens, the Bally Health Clubs will NO LONGER be financially viable. It is just a matter of time. The Bally Health Club division will continue to be a troublesome segment of your overall corporate structure. It is obvious from the article that you are a gifted and successful corporate turnaround expert and it's my guess that you have not been informed about the truth about the Bally Clubs. I have an idea which might allow Bally to step out of the health club industry gracefully. The Bally Company and the American consumers will be much better off if that happens. Please call me at 800-700-2120 if you have interest in learning about my idea.

Very truly yours,
Norm Cates, Jr.
Norm Cates, Jr.
Publisher and Editor

CARO'S COST CUTTERS

by Rick Caro, Jr.

All businesses are involved with trying to secure the most favorable relationships with vendors - local and national. Large businesses have departments dedicated just to the function of bidding and negotiating. Today, however, more owners of small businesses are realizing the importance of training more staff — even down to the department head level — to understand and be proficient in this function.

Bidding and negotiating sounds so simple. However, they are still not part of the normal skill-set of typical clubs around the country. Not all staff are gifted in this arena. Yet, no training sessions are scheduled for those who need it at the club. We train our sales staff on site, but no one receives the negotiating training absolutely necessary for bottom line success.

The questions are obvious: Who on the staff does it?; When is it done? Why is it necessary; What items should it be done for?; How is it best accomplished?

Who? When? Why?

All members of the staff who have decision-making authority are involved in negotiating. Since more clubs are pushing this authority downward to the department-head level and the key front line personnel, all of these employees should be trained and become proficient in this acquired skill, though some will need more training, practice and review than others.

The need for bidding and negotiating is regular. It used to be only a once-a-year process on large items, especially capital expenditures. Now, it has

forced clubs to deal with minor purchases on a quarterly basis for such items as office supplies, cleaning products, computer supplies, spare parts, member referral gifts, club logo merchandise, medical supplies, toiletries, food products and light bulbs. Vendors continue to increase prices more frequently and without any notice. So, the original club budget which forced a collection of current prices at that time is not as valid six or nine months later just because of the rapidly increasing prices of vendors.

The reason to negotiate is simple: to obtain the best price, terms and overall benefit for the club's needs, while balancing the process with the need to retain normal business relationships where possible. The proverbial win-win definition is still a governing precept. However, it has less value when dealing with national vendors or large local companies.

If department heads are rewarded on a net-profit or net-contribution basis for their success with their own department's budget, then negotiating may be a critical tool for them if they are to receive an incentive based on their bottom line.

Typically, clubs assume that quantity discounts are the answer. However, many clubs found that with the greater than normal inventory on hand, the stock just became depleted quicker. So, club operators either lock up the supplies and control the access or move the excess off site. Trade-outs and bartering are still common ways to control out-of-pocket expenditures and necessarily involve negotiation. The keys are to first know the normal rates of the vendor, the club's need for that product or service and the club's bottom line before you start the negotiation process.

Negotiating is still an art, not a science. However, if all of



Rick Caro

the staff involved in the process are adept and have sufficient self-confidence in their negotiation techniques and application, they will be successful and your club will ultimately benefit.

(Rick Caro is President of Management Vision, Inc., a consulting company to clubs and an acknowledged expert in club finances, operations, valuations and planning. Management Vision, Inc. can be contacted at (800) 778-4411.

CARO'S 1994 INDUSTRY PREDICTIONS

By Rick Caro, Jr.

OVERVIEW, CLUB INDUSTRY

- Some consolidation as weaker clubs go out of business
- Some new, major, multi-sport clubs will open - some in \$20 million range
- Club bottom lines will improve slightly, 3-7%
- Industry image will be tarnished by failures. Primarily those not in compliance with local laws as well as the well-publicized clubs owned by public companies and the hard-sell clubs

CLUB REVENUE

- Membership totals will increase slightly, mainly through increased member retention
- Membership categories will continue to increase, as will the emphasis on trial memberships
- Initiation fees will remain flat, with lots of "deals" being offered
- Monthly dues will be increased, but at lesser percentages than in previous years - club owners will lack confidence to maintain normal increase levels
- Program fees will increase, especially for children's

PROGRAMS

- Clubs will develop greater sponsorship dollars

CLUB EXPENSES

- Marketing costs will remain steady, but activities will need to broaden to include less traditional approaches such as on-site and off-site events, outreach programs, direct mail and telemarketing
- Interest rates will rise slightly, as will credit card discount rates
- Insurance costs for property/casualty will start to increase

- Utilities will be flat, or even decrease, if clubs invest further in energy-saving devices

- Real estate taxes will rise unless clubs protest them

- Health insurance costs will accelerate unless clubs switch to HMO's, put a cap on its total contributions or simply shift a greater percentage of total costs to employees - no health care reform legislation will be enacted or enforced in 1994

- There will be increased pressure on the level of capital expenditures by members, market conditions and local laws

- Increased need to make back office more efficient and

user-friendly

PHYSICAL PLANT

- Increased need to assess underutilized areas and reconfigure to meet tomorrow's demands
- Potential need to create small classroom/meeting room space, if not already available
- Tie-ins with medical community "on hold" until health care reform clarified
- More pressure on locker-room and parking space - need to either create more space or shift peak demand and program times
- Greater need for staff offices and storage space

...More Bally

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of the FTC.

The proposed consent order requires the \$120,000 civil penalty to be paid within 15 days of the Judge's signing. Consumers who may be eligible for refunds under the settlement include those who requested in writing between March 1, 1990 and the date the court approves the settlement, to cancel their memberships under any applicable clause in their contracts, or who complained that Bally either failed to properly

refund their fees, or that has charged or debited their credit-card or bank accounts without authorization, for an amount they'd already paid or for fees they didn't owe because they had sent properly-documented cancellation requests. These consumers and others who complained to consumer protection agencies, such as the state attorney general or the Better Business Bureau, would receive notification letters soon. Consumers eligible for refunds would receive their checks within four months of completing claim forms that Bally would be required to mail to them within the next few

months.

CONSUMERS WHO THINK THEY MAY BE ELIGIBLE FOR A REFUND FROM BALLY UNDER THIS SETTLEMENT CAN CALL THE FTC'S SETTLEMENT HOTLINE AT (202) 326-3341.

The FTC received assistance in this case from the offices of the Attorneys General of Maryland and New York, the Maryland Better Business Bureau, and the Maryland Agency Licensing Board.

A free FTC brochure from consumers titled: "Health Spas: Exercise Your Rights" offers helpful suggestions with re-

gard to enrolling in these programs. This brochure, the complaint against Bally's Health Clubs and the proposed consent order are available from the FTC's Public Reference Branch, Room 130, 6th Street and Pennsylvania Avenue, N.W., Washington, D.C. 20580 or phone (202) 326-2222.

Editor's Note: Something's Got To Give!

This latest fiasco with Bally's Health Clubs has been all over TV news, on the radio with Paul Harvey and in newspapers nationwide. I believe that when the consumers of America see such

reports on TV and in the Newspapers, they say to themselves something like: "Well, there goes that darned health club business again, screwing the consumers of America as usual. I'm sure glad I haven't been tricked into joining a health club." I think that it is very unfortunate for the rest of the 12,200 or so club operators of America to have their business efforts held back by the bad publicity from a ruthless operator like Bally. It is simply not right. There is no telling how many club members there would be in America if it were not for this bad treatment of consumers by Bally and their "clones."

(See More Bally page 11)

IRSA's 1994 State Of The Industry Report

By Cathy McNeil & IRSA Staff
(Summarized by Norm Cates, Jr.)

The following are excerpts from IRSA's 1994 STATE OF THE INDUSTRY REPORT presented at the 13th Annual IRSA convention. Thanks to IRSA, The Association of Quality Clubs and to CROSS CONDITIONING SYSTEMS for sponsoring the in-depth, 48 page report. The report was created to tell the story of the health and sports club industry today from a variety of angles.

Club Membership Growth Continues

Overall club utilization increased 3.9% over the previous year. American Sports Data, Inc., recorded total U. S. club membership at 16.5 million for 1992. However, what should really be exciting news is that the total number of members increased by 1.7 million in 1993 to a total of 18.2 million!

The Aging Market

Per the predictions for

several years, the most likely source of industry growth is the older markets. American Sports Data, Inc., reported that among the 21 to 34 age segment, club membership fell in 1993 by 11.9%. In contrast, within the 35 to 54, and 55-plus age brackets, club membership grew by 11.9% and 20.7%, respectively. An excellent clue for club operators is that the AARP (American Association of Retired Persons) has declared 1994 as "The Year of Exercise." This Washington, D. C. based organization of over 3 million people could prove to be an excellent place for progressive club operators to grow their club membership.

Healthcare Reform

A rapid movement in America's healthcare, from a fee-for-service, indemnity based system to a capitation-based model — is opening a new world of opportunities for clubs. In a capitation-financed system, prevention (i. e. keeping people out of the hospital) becomes a key to profitability in this new world of medicine. The signs are already coming in that an increasing number

of Health Maintenance Organizations (HMO's), such as U. S. Healthcare, Keystone, Healthsource, Pacificare and others, are reimbursing their subscribers for their health club dues. The progressive clubs in America are repositioning themselves as partners with health insurance companies, HMO's and hospitals in promoting the health of their members and the people in their communities.

Human Resources

Controlling payroll expense and hiring and developing top performers are key to future club profitability. This has been made apparent by the first year of documented payroll drop from 38.5% to 37.1% indicating a productivity increase, the first since 1981, when IRSA began to track industry statistics. It is believed that the increase in productivity happened for two primary reasons: (1) The U. S. economy and price pressure made it difficult for clubs to either raise prices or even to hold initiation fees at current levels, thus forcing clubs to reduce operating expenses, and, (2) There was an increased em-

phasis on human resources issues — hiring, training, motivating, retaining, and compensating exceptional personnel in all areas of the club.

(Editor's Note: Probably the industry's best human resource expert is Ms. Linda Pejchar, President of the Boston based H & F Solutions, a company which specializes in the recruitment of health and fitness professionals. (617) 259-1010.)

Developing Market

Authoritative documentation of the benefits of regular exercise is now available. While these studies are essential to the industry's continuing success, they alone won't induce the public to exercise, let alone to join clubs. There is an emerging coalition of all parties invested in fitness, led by the President's Council on Physical Fitness and Sports which is intended to energize the continual expansion of the market and insure the long-term growth of the fitness industry, of which health and sports clubs are a part. While clubs will benefit from this market expansion, they will not be the sole beneficiaries.

There are many options for people who wish to exercise. The challenge for club operators is: How can they become more compellingly attractive to an ever larger share of an expanding market? Setting aside the hightech world of exercise equipment, people are looking for a place that makes them feel good, where they are cared for and where they receive the attention they need. And, very importantly, people are looking for a place where they can have FUN along with their exercise and sports. The clubs which are successful in their focus on this need will most likely claim a larger share of the expanding market than those who deliver sales-oriented facilities operated by people who could care less for the members.

Industry Numbers Of Note

According to the IRSA 1994 State of the Industry Report, there are 41,000 fitness facilities in the United States. The following are estimates of the numbers of each type of facility as provided by IRSA:

(See IRSA's 1994 Report page 7)

Health And Fitness For Kids

By Neil Sol, Ph. D.

During the Bush presidency, Arnold Schwarzenegger and the President's Council on Physical Fitness and Sports promoted youth fitness and set the tone of an American environment dedicated to family fitness. However, school budget cutbacks have in many cases eliminated physical education as part of school curriculum and thereby has left the American youth with little opportunity to achieve fitness. Clubs have an excellent opportunity to take a leadership role in fitness programming for youth.

There currently is both interest and controversy in the "kid's fitness" area. The medical community tells us that 25% of American children are obese. Additionally, recent studies reveal that more than 40% of American children between the ages of five and eight are considered to be at some risk of developing cardiovascular disease as adults. An alarming concern is that obesity has increased by 54% among children ages 6 to 11 and by 39% for

those 12 to 17 years old since the 1960's! Some experts have written about a "youth fitness crisis." The why is easily understood — television and video games; poor nutrition habits and too many fast food meals; poor physical education and conditioning programs in schools and the stress of winning, making organized sports "no fun."

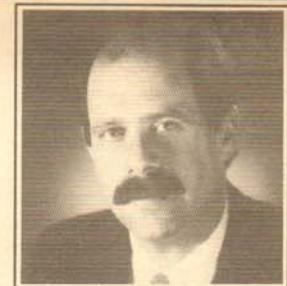
The solution to this problem has historically been laden with controversy. The most controversial issue concerns "appropriate exercise program type and intensity," and at what age to begin a true fitness conditioning program for youth. One such issue has been that weight training in pre-pubescent children effects or damages the growth plate in long bones. This has been shown not to be the case. In fact the National Strength and Conditioning Association, the American Orthopedic Society for Sports Medicine, and the American Academy of Pediatrics has offered a position stand that suggests children can benefit from participating in a properly prescribed and supervised resistance training program. Research has shown that muscular strength improvements are indeed possible

in children of all ages. It further has shown that resistance training helps reduce the severity of athletic injury and possibly prevent injury. The suggestion of this research is that children's exercise programs need to demonstrate an overall balance in total fitness including cardiovascular, strength and flexibility training.

The controversy about participating in strength training has been fueled by problems resulting from children participating in competitive weight lifting or body building. Progressive resistance training is not competitive weight lifting. It is a component of a comprehensive fitness program designed with consideration of the physiological capacity of children. Children are supervised and monitored so that they do not perform more than their capacity. The strength training component emphasizes low weight and high repetition (in excess of 8 - 10 reps) exercises. The total children's fitness program follows a current training model with children spending an allotted time interval on strength equipment rather than targeting reps and sets. Strength and car-

diovascular stations are interspersed to provide an overall exercise stimulus. A warm-up or a cool-down phase focuses on flexibility and muscular endurance exercise to fulfill all components of physical fitness. Behavior modification education (especially in the area of nutrition) should complement a child's fitness program. Helping children understand how to eat and how to exercise will definitely effect their future health as well as physiological development.

More and more children are involved in competitive sports. Parents' reasons for encouraging their children to participate in sports ranges from the recreational fun aspects to learning and improving a sports skill to having an opportunity to "get into shape." Learning skills and having fun does occur in sports participation, however, children cannot play themselves into shape. They must be in shape before they participate in sports. With better foundations in strength, endurance and flexibility, the odds are the child will be capable of developing a higher level of skill quicker. Additionally, it has been suggested that the physical contact



Neil Sol, Ph. D.

involved in youth soccer, football, basketball, ice hockey programs, etc. increases the probability of long bone growth plate damage and that appropriate strength training can help decrease this probability.

With an emphasis on self responsibility for health sweeping the country, it is logical for individuals to begin assuming self responsibility at a young age. Children's play centers are great and serve their purpose, but it is optimal for 8-year olds and up to exercise for 30-60 minutes and reap the training benefits associated with quality supervised and appropriate exercise programming.

(Neil Sol is the President of Health Vantage, Inc., a Houston based Club Industry consulting firm. Neil may be reached at (713) 961-3959.)

The Future Of Corporate Fitness

By Charley Swayne

A decade ago the only thing "corporate fitness" meant was a discount offered to those members we would have gotten anyway. But over the past few years, there has been a gradual emergence of both "in-house on-site corporate fitness" and a willingness to pay, at least in part, a portion of an employee's membership.

The driving factors:

1. A desire to have a more productive work force.
2. The necessity to offer a perk to attract or keep valued employees.

3. A CEO personally committed to being in shape.

4. The ability to negotiate with health insurance carriers to get lower rates.

Hi, I'm from the govern-

ment, and I'm here to help you.

If the Clinton Health Care program is passed in its present form, two parts will have a major impact:

1. If a company has more than 5,000 employees, it may choose to opt out of the government program.

2. If a company has less than 5,000 employees, it will not only be required to become part of the government program, but will be forced to pay for 80% of an employee's health insurance. And, here is the kicker, everyone will be charged the same rate, regardless of their health.

Those large companies who decide not to be involved with the government will aggressively expand their corporate fitness activities. Insurance companies understand a healthier work force translates into lower claims.

These businesses will be able to negotiate even better insurance deals or may even find it economical to become self-insured. This market is worth pursuing either from the point of view of employee memberships or taking over the "in-house" program (TCA runs the McDonald's headquarters fitness facility).

But, for those who are forced to become part of the government program (that's just about everyone), most will phase out their fitness involvement. Whether their staff is healthy or not, it will have no effect on what they pay for insurance. Why should a business make an investment on something which will no longer provide a definite return? They shouldn't, and most will stop.

The left wing academics who have never run a business will try to say that of course firms

will continue to invest in their workers. A few will, because some have come to understand a healthier work force is more productive and absent less, but most won't.

When the government makes costs for business go up, a company is either going to raise prices or decrease expenses. What would be easier for you to do... raise your prices or cut out corporate fitness?

P.S. Government exists to do things people are not stupid enough to do on their own. If some politician reads this and truly is interested in creating a healthier America, he/she will insert a major incentive in the health care plan which will reward any business for making an investment in fitness.

(Editor's Note: Charley Swayne is an internationally known speaker, author, club



Swayne

owner, teacher and consultant. He may be contacted at his club, The Valley View Fitness and Racquet Club, 3939 CTH B, La Crosse, Wisconsin, 54601, U.S.A. or you may phone him at (608) 781-4614.

Making 200+ Sales A Day

by Casey Conrad

Did you know that there is a place in your club which makes more sales in one day than your membership department does in an entire month? Unfortunately, this place of influence can be one of the most over-looked, under-trained departments. I am talking about the front desk, the nerve center of all clubs — the only place in the entire club that every member has contact with on each of their visits. Although these front desk sales, frequently referred to as "moments of truth," may not be the kind that produce immediate cash for your club, they are the kind of sales that produce happy members — members who renew year after year, buy pro-shop merchandise, participate in club activities and regularly refer new members. The fact of the matter is that every time a member or guest walks in to your club they are being sold on the quality (or lack thereof) of customer service that is being given to them.

So the question that needs to be asked is "If these front desk sales — these moments of truth — are so crucial to creating and maintaining a high caliber of member, why isn't more time, energy, and money spent training all front desk employees to insure their success at

the position?" Because I wanted to look at this from, both, a trainers' and a non-trainers' perspective, I asked a number of club managers and front desk supervisors that very question, and here are a few of their responses:

"Our club does have some front desk training, but they usually end up centered around product knowledge, how to run the cash register, the computer system, things like that. As a result, it seems that we never get to the advanced type of trainings — the ones that really focus on making a difference in the level of customer service we should be giving our members. And, from what I see and hear, it is a problem that is industry wide."

"I have tried to run monthly meetings and training sessions for my front desk employees, but it was just too difficult getting all of them together at one time. Many of them are part-timers and could not make it because of a conflict with their full-time jobs. Others, it seems, would make up excuses, maybe because they did not want to come into the club on their night off, I don't know."

"It's frustrating. Everytime I seem to get the front desk to a place where it is just running smoothly I go through a wave of turnover, and then I am back to square one again. There

is no question that we need to improve on the level of customer service at the front desk, I'm just not sure how to get it done."

If any of these comments sound familiar, don't worry, you are not alone. All the managers and supervisors I spoke with shared similar concerns regarding the need for improved front desk customer service. As a former club manager, I faced all the same challenges. As a consultant and trainer, I am presented with additional challenges. One of the biggest is "how does management get all of their employees, whether they work 4 or 40 hours a week to a place where they know that their part, however small, makes a difference in the club's success?"

Although each club has unique circumstances, two elements, crucial to creating and maintaining an environment which will produce employees who feel important, are communication and reinforcement.

The first element is communication (i.e., all employees must know what the company's objective is). While writing this article, I randomly surveyed twenty NERSA clubs, asking the front desk receptionist what their club's mission statement was. For the many that did not even understand this question, I simply asked what was the

club's customer service policy. Out of twenty, only five could give me an answer. Even if this random sample is not completely accurate, it clearly shows that there is a lack of communication between management and the front desk. How can an employee work towards a goal when they do not know of its existence? Make sure that all of your employees are able to, with ease and confidence, answer the question "What is our company's mission statement or customer service policy!"

The second element is reinforcement (i.e., using monitoring systems and giving recognition). First, all employees must be monitored on a regular basis. One General Manager I spoke with said that each of their employees is evaluated on a weekly basis.

They are rated on things like dress, efficiency, friendliness and attitude, and there is a place on the evaluation form for additional comments, pro or con. Each employee is shown his ratings and given the necessary feedback. This type of monitoring system is ideal because, one, it is done consistently and, two, everyone is evaluated.

Next, use recognition for positive reinforcement. Recognition should come in many forms, from something as simple as a compliment or note of thanks from top management, to a "Front Desk Employee of the Month Award."



Conrad

which awards a plaque, certificate, dinner to a nice local restaurant or even a cash bonus. Any and all forms of recognition tell employees "We care about you — you are valuable to us!" Through the use of communication and reinforcement your club can be on its way to a higher level of front desk customer service.

In a time where our economy continues to struggle and many competitors are offering all the same facilities and amenities, the only thing that will set your club apart from others is the quality of customer service you consistently give. Spend the amount of time, energy and money necessary to ensure that your staff takes advantage of every interaction with guest or member, making it an opportunity to offer excellent customer service.

(Editor's Note: Casey Conrad is President of Communications (See 200+ Sales page 8)

MARKETING INSIGHTS

By Tom Anderson

With 1994 going by quickly and an economy that shows signs of life, now is a good time to reflect on past marketing programs with an eye towards the future. It is also a good time to consider new ideas that may enhance your current strategies.

Let's look at some Resolutions you might make to improve your performance in 1994 and beyond.

Club Marketing Resolutions

1. *Spend more time planning marketing campaigns and sales promotions.* Too many clubs implement with planning. They immediately begin placing ads, creating incentive programs, and making corporate sales calls without figuring out what their goals are. Often, actions are based on what competitors are doing or what has been read in the latest issue of CBI or Club Industry. If a competitor advertised on TV last week, then they'll advertise on TV this week.

Only by determining your goals first and then creating a strategy to obtain those goals will you be able to measure your success and improve your performance. In years past, Japanese auto manufacturers

have enjoyed tremendous success because of the quality of their products. Much of this success has been attributed to the contrasting planning approaches of Japanese and American automakers. The Japanese spend much of their development cycle doing product and market research, manufacturability testing, and planning for production. American companies, in contrast, spend much of their time implementing a quickly laid out design. The Japanese move quickly from an extensive planning effort to short implementation. Americans, on the other hand, take a hastily-designed, flawed plan and spend years working out the problem areas. The results of these two approaches are evident as you drive down any street in America.

2. *Do not put all your marketing eggs in one basket.* People become aware of information and are persuaded through different mechanisms. The 45-year-old accountant does not watch MTV and the 17-year-old student does not read The Wall Street Journal. Consequently, use a variety of media and messages to communicate to your prospects.

In addition, prospects need to be led through a logical progression of steps. Do not focus all your attention on one part of

all your attention on one part of the sales and marketing process such as sales team incentives or lead generation. Instead, create a process that takes a prospect from interest stage to purchase stage to repurchase stage.

3. *Differentiate your club on something other than price.* Prospects become members because you offer something different. While price is important in today's economy, it is not the most important factor in a prospect's membership decision. If the only thing different between you and your competitor is price, then you should be prepared for lackluster profits until you can offer something extra.

Wal-Mart is primarily successful not because of its low prices but because of its large selection, customer service, no-hassle return policy and convenient locations, among other reasons. A business based purely on offering the lowest prices can be knocked over as easily as a one-legged stool.

4. Test any marketing or

sands of dollars or take months of time. It could be as simple as asking a member of two about their reaction to a particular promotional piece. Or, it might involve getting an opinion from a

volunteer getting an opinion from a copywriter or graphic artist. Whatever the method, make sure you ask someone else for their opinion before taking action. It's better that your ego takes a little pounding now rather than a severe beating later.

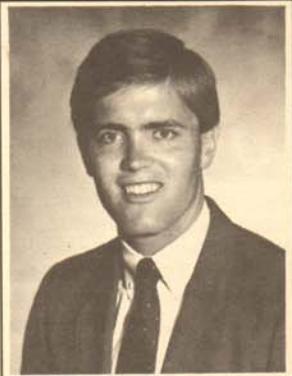
5. Give direct mail a try.

If you are not using direct mail to get prospects, eliminate some of your radio/newspaper advertising or sales commission budget. Club members are typically educated people who make purchase decisions based on objective information and not on impulse. Direct mail offers the best opportunity to provide this objective information.

In general, do not hire a third party to do a "turnkey" direct mail project. Direct mail is an intimate effort to communicate with a targeted set of people you know well. A third party cannot do this effectively without your involvement.

6. *Put all club personnel on the "marketing team."* As David Packard, Chairman of the Board of Hewlett-Packard Company put it, "Marketing is too important to be left to the marketing department."

Paraphrasing the above for the club industry: "Memberships are too important to be left to



Anderson

salespeople." Marketing is the heart and soul of any business and particularly an image-based business like a club. The entire staff needs to create the same desired perception. Your members may start to wonder why they're spending \$60 per month if your floor trainers do not understand why your club is different from the volume-based club across town.

(Editor's Note: Tom Anderson is the president of Maxan, a business and marketing consulting company focused on small-and-medium-sized businesses. He has held product management and marketing management positions at Apple Computer, Inc., Hewlett-Packard Company and several other technology and consumer product companies. If you have questions you would like Tom Anderson to answer or comments on this column, please contact him at the Club Insider by mailing or faxing your question. You may also reach him in person by calling (310) 546-2974.)

IRSA's 1994 Report...

continued from page 5

Health and sports Clubs 12,000
Country Clubs 4,000
YMCA's and JCC's 3,000
Municipal Facilities 8,000
Hospital Facilities 1,000
Hotel Facilities 3,000
Apartment/Condo 4,000
Schools and University 4,000
Corporate Facilities 2,000

American Sports Data has reported that there are 18.2 million health and sports club members in the 12,000 clubs in the U.S. IRSA reports that the annual dollar volume in these clubs in 1993 was \$7.3 billion and there was payroll of \$2.9 billion. The National Sporting Goods Association reports that Americans spent a whopping \$2.5 billion on home fitness equipment. IRSA's report also states that Nutrition Counseling, Martial Arts and Kids' Recreation

IRSA/Gallup Study Links Member Attrition And Staff Turnover

Employee turnover, particularly for part-time workers, has a strong correlation to member attrition, according to the 1993 IRSA/Gallup industry data survey. Part-time employees are more visible to members than full-time employees because they out-number them four to one and because they typically hold the front line, member interactive positions. As a result, part timers may have the greatest effect on the operating performance of clubs with respect to member retention, a key factor in highly successful clubs.

Club Usage Grows

There was a 4% increase

in the number of adults using health and sport club facilities in the U.S. from 1992 to 1993. Further, the number of adults who use clubs two or more times per week increased from 8.7 million to 9.1 million—a 4.6% increase. The Mediemark study is the latest study done on health club usage. A 1992 study by American Sports Data (ASD) states that "health club membership levels have remained constant over the past four years" and suggests that reports claiming the demise of the fitness industry are premature. The ASD report further states that: "Frequent health club attendance (100+ days per year) recorded the fifth consecutive annual increase in 1992, revealing a growing cadre of serious fitness participants."

Improved Health Habits Cut Medical Costs Dramatically

The University of Michigan's Fitness Research

Center is conducting a 10-year study on Steelcase, Inc. The study is now in its 9th year and results clearly indicate that if enough "high health risk" employees—smokers, heavy drinkers and non-exercisers take action to improve their health habits, a company's health care costs can plummet. The report concluded that if all high-risk employees at Steelcase adopted low-risk lifestyles, "the savings could amount to approximately \$20 million over three years." High risk employees were defined as those with lifestyles that included two or more of the following 14 health risks:

*Current Smoker
*Rarely or never exercise
*Rarely uses a safety belt
*Consumes more than 14 alcoholic drinks a week
*Health rated "fair" or poor
*Only somewhat or not very satisfied with life
*Absent more than 5 days a year
*Dissatisfied or very dissatisfied with job
*Systolic blood pressure 140mmHg+
*Sometimes or frequently use medication or drugs
*Cholesterol

of 240 mg/dl or more
*Diastolic blood pressure above 90mmHg
*More than 20% overweight
*Under high stress.

The study includes 4000 of 8000 Steelcase employees and showed that high risk employees were found to have average medical costs that were 75% greater than those of low risk employees with zero or one health risk factor.

The Exercise Movement

There have been a number of significant happenings which have solidified in the minds of the world the value and benefits of regular exercise. Here are the most important events which have happened, each of which are good for the clubs of America.

(1) AMERICAN HEART ASSOCIATION LISTS INACTIVITY AS ONE OF THE BIG FOUR RISK FACTORS. In 1992, the AHA added inactivity to smoking, high blood pressure and cholesterol as the (See More IRSA Report page 9)

The Frog's Deadbeat Bulletin

Once Upon a time, there was a Wide Mouth Frog hopping down a country road. He came upon a field. And in the field there was a Mare with her colts. The Wide Mouth Frog croaked loudly, "What do you feed your babies?"

The Mare whinnied, "I feed my babies milk, oats and hay." The frog croaked "OHHHHHHH" and hopped on down the dusty road.

Soon the Frog came upon another field and in the field he saw a cow. The frog boomed, "What do you feed your babies?" The cow mooed, "I feed my babies milk, oats and hay." The Wide Mouth Frog croaked "OHHHHHHH" and hopped on down the winding road.

Then, the Wide Mouth

Frog came upon a stream and spotted a big, black snake. The Frog, opening his huge mouth, shouted, "What do you feed your babies?" The snake hissed, "I feed my babies Wide Mouth Frogs." The Frog, with tight lips, whispered out of the corner of his mouth, "Is that Soooo?"

The Wide Mouth Frog story is not just my "down home" trademark story that I've told with vigor and animation for years; rather, the saga of the Wide Mouth Frog is important to club owners and operators because:

1) A lot of us have a perception that everyone we encounter is benign.

2) We usually don't recognize danger before it's too late.

3) When we seek help in making deals, we often don't ask the right people the right questions.

Caveat Emptor - Let the buyer beware!

The Cates Club Insider News will publish The Frog's Deadbeat Bulletin each month as a service to our subscribers. We hope that you who've had these unfortunate experiences will share what you've learned, hopefully blowing the final whistle on the deadbeat person or organization responsible. Folklore has it that Gods often speak through Frogs and Snakes. In this column, you will speak through the now enlightened Wide Mouth Frog, sharing your wisdom. Anonymity upon request. Here is our story for the month.

This month's Frog's Deadbeat Bulletin is a brief account by a club industry veteran and owner of seven clubs of what happened when he became involved in a deal to save energy at one of his clubs:

When you sign a leasing



company financial document, it is a good idea to use a great deal of care. Even with the protection available to you at law in fraud cases, you can become a victim. The general manager of one of this owner's clubs signed a lease to have a surge control device installed that was guaranteed by the supplier to reduce the utility bill at this club. The supplier "guaranteed" to save at least twice the amount of the monthly lease of \$250. If guaranteed savings did not occur, the supplier would not only cancel the lease, they would refund all payments on the lease. The supplier assured the general manager and club owner that the device would reduce the utility bills for the club.

The general manager signed the lease on behalf of the club and a year later the cost for power had increased instead of decreased. The owner tried to terminate the lease and learned that the "paper" had been sold and that he was obligated to pay the remainder of the lease or approximately \$12,000. The firm who had sold the device declared bankruptcy. The owner asked his lawyer to handle things with the leasing firm and the owner ended up having to pay \$6,000 to settle the deal. There was "no way out."

The owner's advice? When a proposal sounds too good to be true, it usually is. Beware of "deals" and remember you can be

held responsible for a lease even if the seller of the product guarantees you can cancel the lease if you are not satisfied. When you agree to finance a purchase with time payments or with a lease, be sure you know all the facts. It is almost impossible to cancel a lease once you sign, even if it is a general manager signing the lease for the club. And, before you get into any kind of "energy saving" equipment purchase, it is a good idea to obtain a list of references of satisfied customers and check each one carefully before you do business with either the equipment seller or the equipment leasing company. If you get bad answers from those you contact, then pass on the deal.

(Editor's Note: Have you gotten into a bad deal that cost you and your club time, money or both? If you have, why not take a minute and share your bad experience with the CLUB INSIDER readers? The CLUB INSIDER assures that if you request, your story will be written in a way which will completely protect your confidentiality while at the same time, you can help a fellow club owner/operator from making the same or a similar mistake. To accomplish that effort, you will be given the right to edit and proof read your story prior to signing off on it for publication.)

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200+ Sales
continued from page 6

tion Consultants, a company dedicated to providing high quality sales and communication training

for professionals. In addition to her seminars and workshops Casey provides in-house consulting for many clubs. Most recently, she has authored the first complete book on selling health club memberships entitled *Selling Fitness*.)

...More IRSA Report

continued from page 7

four modifiable risk factors. The AHA recommended that people of all ages increase their physical activity.

(2) CENTER FOR DISEASE CONTROL and PREVENTION issued a recommendation in July 1993 stating that "every American adult should accumulate 30 minutes or more of moderate physical activity over the course of most days of the week because most adult Americans fail to meet this recommended level of moderate-intensity physical activity, almost all should strive to increase their participation in moderate or vigorous activity.

(3) 25 MILLION AMERICANS LIKELY TO BEGIN EXERCISE IN 1994. Peter D. Hart Research Associates in October, 1993 conducted a survey in which 25 million Americans state that they are "very likely" or "certain" to begin programs of regular exercise in 1994.

(4) AMERICAN DIETETICS ASSOCIATION links Exercise and Nutrition. "Nutrition Fuels Fitness" is the theme of the American Dietetic Association's 1994 EAT RIGHT AMERICA campaign for National Nutrition Month (March, 1994). The ADA has two goals for the campaign: (1) To communicate that nutrition is fundamental to fitness and (2) To communicate that a varied, moderate and balanced diet supplies the right amount of nutrients and energy for achieving and maintaining fitness.

The Big Events

The health and sports club industry is seeing extraordinary opportunity in the health care reform crisis that now faces the nation. The opportunity lies mainly in the growing consensus among the American people, policy makers, the medical community and business that the country's almost exclusive focus on "diagnosis and cure" needs to be integrated into a new system that places as much emphasis on prevention and health promotion as it does on diagnosis and cure. This shift in thinking puts health clubs into the thick of health care reform.

The Healthy Lifestyle Incentive Provision

Any medical payment plan may discount an individual's premium rate as an incentive for that individual to engage in programs and/or practices which promote a healthy lifestyle. (These programs and/or practices must be approved by the applicable regulatory authority and be offered in conjunction with the coverage.) They may

have as their objective the promotion of any one of the following objectives: regular exercise; improved nutrition; stress management; cessation of smoking; cessation of alcohol or drug abuse; or any other approved program/practice aimed at preventing or delaying the onset of illness.

The Healthy Lifestyle Incentive Provision will allow the free market, not government, to provide tangible and immediate incentives to make those necessary lifestyle changes.

Potential Hazards Of Community Rating

There is risk in the health care reform that goes along with the potential significant opportunities. Those risk hidden in that healthcare reform may change the way health insurance companies are assessed in a way that takes away businesses' incentive to invest in employee wellness programs. Health insurance premiums are based on the actual claims history of a group or business. Businesses that invest in employee wellness programs and decrease medical claims are rewarded with lower premiums. Under Clinton's and most other reform plans, insur-

ance premiums would be based upon the average per-capita health care cost for a geographic area or the community rating. Under community rating, businesses that invest in employee wellness programs will pay the same premiums as other businesses that do nothing to improve the health of their employees. Businesses incentive to invest in employee wellness programs is therefore taken away by the community rating system.

Healthcare Costs

In 1991, more than \$800 billion was spent on healthcare costs in the U.S. From 1987 to 1992, the cost of a day in the hospital increased by 73%. With skyrocketing healthcare costs, health insurers need to differentiate themselves on more than just price. They ideally need a healthy clientele which would safeguard their profits. Currently, insurers offer some or all of the following types of incentives and programs to promote healthy living to their insureds:

*Discounts to health and sports clubs *Discounts to non-smokers *Incentives for seatbelt and motorcycle helmet use *Pre-

natal care and education *Health risk appraisals *Nutrition education *Stress management programs *Smoking cessation plans *Weight control programs.

The company expects to attract a healthier clientele and improve the health of their existing customer base by offering these programs. They have come to realize that preventive care — where the insured takes responsibility for his or her own health — is crucial to profitability.

NEXT MONTH PART II

How Clubs Can Work With Insurers - A Network Of Health And Sports Club Providers

"LAURY
HAMMEL"...

Voted IRSA's
TOP
CHARACTER

CLUB TOURS OF AMERICA ANNOUNCES - ATLANTA, '94!

COME TO ATLANTA DURING OUR BEAUTIFUL SPRING AND TOUR SOME OF AMERICA'S GREATEST CLUBS!

Club Tours and Roundtable Schedule:

Saturday	May 28th	9:00 a.m. to 1:00 p.m.	Club Tours
		1:00 p.m. to 4:00 p.m.	Club Roundtable Talks
		7:00 p.m. to 10:00 p.m.	Dinner Party
Sunday	May 29th	10:00 a.m. to 1:00 p.m.	Club Tours
		1:00 p.m. +	Free Time
Monday	May 30th	Memorial Day free time to tour the Olympic City! (Tour bus can also be arranged at extra costs if enough people wish.)	

COST - \$100 per person includes:

Transportation from Doubletree Hotel for two days of guided club tours, lunch Saturday, Dinner on Saturday Night)

YOUR HOSTS: Norm Cates, Jr. 1st IRSA President, 20 year club veteran & Publisher & Editor of The CLUB INSIDER News

Tony Deleede 12 year club veteran, Founder, owner and operator of 10 Atlanta area Australian Body Works clubs and part owner of the Cardio Theater Company.

FOR INFORMATION:

- (1) For Tour - Call Norm Cates, Jr. 800-700-2120
- (2) To Book Doubletree Hotel (\$69 per night single bed) Not included in above costs. Call 404-395-3900
- (3) Recommended Airline - Delta 800-221-1212
- (4) Airport Shuttle - \$25 round trip. No reservations.

CLUB TOURS OF AMERICA RESERVATION FORM

NAME(S):	CLUB NAME:
PHONES: (W) (H)	
ADDRESS:	CITY, STATE, ZIP:
Count me (us) in. Enclosed is my check for \$ _____ for _____ reservations.	
Registration deadline is May 16, 1994. No refunds after that date.	
(No credit cards please, make check payable to: CLUB INSIDER and send to: CLUB INSIDER News, P.O. Box 671443, Marietta, GA 30067-0025)	
Signature: _____ Date: _____	

Moving Towards Managed Care and Prevention

... "Love In"

continued from page 2

meet and gather their thoughts prior to the Open Forum - 8:30 p.m. meeting.

Apologies Thanks Congratulations

I had called for this meeting because of my genuine concern about the possible split up of the Association over the name change issue and the way it had been handled. It was my opinion that to continue with the name change to EXERCERE without first hearing the feelings of both sides of the issue would be a divisive move. The current IRSAs Board of Directors are to be commended for their courage and willingness to partici-

pate in this meeting. I wish to APOLOGIZE to the Board of Directors for the tone and content of some of my previous writings relative to the name change and the direction of the Association. These IRSAs Board Members are friends and fine people who spend their valuable time, emotions and energy in directing this great Association. They don't need aggravation from me about how and what they do. But, I want to make it clear that what was written was reflective of the feelings of the members from whom I was receiving input. I firmly believe that the Association advanced its cause significantly by having this first Open Forum and second by announcing that this Open Forum would become an annual event. I again want to thank the Board of Directors, John McCarthy and his Staff and the IRSAs members who attended this Open Forum for taking the time to be in on the

deal. I believe that they went above and beyond the call of duty in doing so and I congratulate them.

Expand Communication Networks

The 40+ speakers had a lot on their mind and it was not just the name change to EXERCERE. They spoke eloquently about issues such as Hospital Competition, IRSAs Standards, communication within the Association and much more. Due to the rapid growth of the Association, corresponding systems and mechanisms for communication appear to have been lacking and that need has been brought to the forefront. I would like to suggest that in addition to installing the Annual Open Forum, that the Board of Directors begin the

advertising market (i. e. THE DECISION MAKERS FOR CLUBS NATIONWIDE), The CLUB INSIDER will do the job.

And, the advertising will be cost efficient as I am structuring the rates to be reflective of our subscription level at the time. Our first paid commercial advertising will be published in next month's CLUB INSIDER. For advertising information, contact our Advertising Sales director, Norm, at 800-700-2120.

JACK NAIMAN is no longer involved with the Tyson's Corner Sporting Club. The investor owners have taken over and have renamed it, The Tyson's Club of Health & Fitness and have installed Sandy Kabernagle as the General Manager. Best of luck to everybody involved, including Jack.

BALLY WATCH - Keep your eyes open for newspaper clippings and any other info on the Bally Health Club organization. Send it to me at Box 671444, Mari-

etta, Georgia 30067.

NEWSLETTERS

Please put me on the mailing list for your club newsletter so that I can keep up on what is happening at your place(s). Send it to the address shown above. Thanks in advance for pitching in and helping me with my research.

DAVE PATCHELL-EVANS, the walking Canadian club conglomerate just purchased over \$1,000,000 worth of LIFE FITNESS EQUIPMENT at last month's Reno Convention. Spoke to AUGUE NIETO the night of the purchase and he was in a pretty good mood. Wonder why? Also, Dave is hosting in conjunction with BODYLIFE Magazine, a major club conference in Canada in September. O. K. Patch. You bought a subscription to the CLUB INSIDER, how about now buying a subscription for all of your General Managers and Department heads in your 42 clubs in 14 cities? It would make a great gift for them to celebrate the Spring thaw in Canada! Really though, Dave Patchell-Evans impresses me as a very nice, easy going guy who is great to work for, according to sources.

CLUB INDUSTRY MAGAZINE published an interesting article on How To Buy Treadmills. Nice follow up to my Treadmill Survey Report last month. Also, CLUB INDUSTRY EAST will be held in New York City at the New York Hilton and Towers on June 1, 2, 3 and 4.

IRSA IN ORLANDO

development and installation of a system which will allow for a more regionalized communication structure. Perhaps this could be set up with the existing Regional Associations playing a more significant role in communication within IRSAs. This in turn could lead to development of Regionals for all areas of the U.S., Canada and Europe. This idea or one like it could help prevent future rifts due to lack of communications.

I Stand Corrected - Trust The Board And Don't Mess With The By-Laws

One of the speakers, Ms. Pat Brennan, had received IRSAs Distinguished Service Award the day before. In her acceptance speech, Pat called for the IRSAs members to trust and support the decisions of their duly

Make plans to attend the 9th Annual IRSAs Marketing and Sales Conference in Orlando on November 30 thru December 3, 1994. The annual event will be held at the Walt Disney World Swan Orlando/Orange County Convention Center.

THE NUTRASWEET COMPANY

(Well Bridge is the Club Division), just purchased the two Boston Health and Swim Clubs according to LARRY KRIEGER. They purchased, remodeled and are operating very successfully a club in Newton a couple of years back, now called The WellBridge Center. They plan to remodel and improve the two new acquisitions as part of an ongoing master plan to initially build a Northeast Regional group of WellBridge Centers, growing if results are satisfactory, to a national chain. Larry is the current President of IRSAs and recently sat at the head table at the recent IRSAs OPENFORUM. Best of luck with the new clubs Larry!

W A R R E N

WERTHEIMER'S Rolling Hills Club, in Novato, California is celebrating its 20th Anniversary! Congratulations to Warren, his staff and his members for supporting this unique and highly successful club. GREAT NEWS! Warren has agreed to participate with the Rolling Hills Club as the next subject of our next CLUB CASE STUDY.

RED LERILLE has been nominated for the INC. MAGAZINE NATIONAL ENTREPRENEUR OF THE YEAR AWARD! Congratulations to

elected Board of Directors. I agree with that. I also believe that all Boards should be communicative, responsive and accountable to the IRSAs members. Roger Grady spoke out against my suggestion that the IRSAs By-Laws be modified as necessary to stop EXERCERE. Roger, you are right! We set this thing up with protections that work and we can't go around messing with the By-Laws; as they are working well, we have a great Association and we all need to stick together. While I now fully believe that we can find a better name than EXERCERE for this great Association, I will support the final decision of our Board of Directors on the matter because I believe that they have had the desire to do what is best for the Association and they now have the necessary information to make the best decision. If you are an IRSAs member, I hope you will support whatever their final decision is too.

RED and his team for his nice nomination. He should win. No doubt in my mind. If there is a better candidate in America, I'll kiss your foot. But, RED denies that he is an ENTREPRENEUR... asserting instead, that he is a BODYBUILDER! The feedback and reviews on RED LERILLE'S CLUB CASE STUDY, presented in the February and March editions, have been really outstanding and very gratifying to me personally. Thanks again to Red and his team for working with me on it.

CLUB TOURS OF AMERICA will have its first weekend getaway in ATLANTA on Memorial Weekend. Don't look at this trip as work folks, because it won't be. It will be FUN... See the ad in this edition for details. (Produced and directed by yours truly.)

RICK CARO, BRIAN MCBAIN and **MICHAEL HOFFMAN** have launched a new venture together called MARKET VISION. The company will specialize in marketing efforts for the club industry.

RUTH NELSON is the Director of Sales at CBI's Iverness Club in Denver. Word is, she is ready for Saturday Night Live with her CONDOM DANCE and her DIAPHRAM DANCE. I can't wait to see this!

RICHARD JENI is a name you should remember. He is the guy who brought the entire house down with his fitness industry related comedy routine at the IRSAs Reno Convention. I mean people were busting their guts laughing. (See More Norm's Notes page 11)

...Norm's Notes

continued from page 3

clothing with a magnet, instead of a pin. The new name tag which is called the Gripper Tag, is a great idea and you can see an ad for it in this edition. Rick is a 20-year veteran of the club industry and a low-key nice guy. He has founded WHITTINGTON CLUB ASSOCIATES, a club consulting firm with specialties in club management, turn-arounds, work-outs, buy-outs, refinancings, restructurings, purchase options and performance optimization. Partners in the firm, based in Houston, Texas are CLAUDE WYNN and BRUCE BURLINGTON. Best wishes with your new business.

SPEAKING OF ADS - I'm now accepting commercial advertising for The CLUB INSIDER. For those who are interested in hitting a very target specific

service. It is based equally on the experiential quality of the environments we create.

* In the related area of healthcare reform, IRSAs is advocating a "Healthy Lifestyle Incentive Provision" that will allow HMO's and health-insurance companies to incentivize, financially and otherwise, healthy lifestyle activities, such as regular exercise, healthy diet, smoking cessation, etc.

(John McCarthy is the executive director of IRSAs, The Association of Quality Clubs based in Boston.)

gether than in doing them alone, there would be no such thing as clubs.

There is, perhaps, no industry in the world in which the long-term prospects for success are so broad or so deep as they are in ours. That portent of success, however, is based only in part on the inherent health values of our

...More Bally

continued from page 4

I think that it is time for the Bally Manufacturing Company to GET OUT of the health club business in America. To that end, I have conceived an idea which would remove Bally from the business and I have sent the letter shown on page 3 to Mr. Arthur Goldberg, the Chairman of the Board of Bally.

...More Norm's Notes

continued from page 10

Rolling in the isles and in pain from laughing so hard. Probably one of the funniest performances I've seen anywhere or anytime. Nice job RICHARD, how about an ENCORE in San Francisco?

SANDY COFFMAN, that darling of the club programming world, has PROMISED to write an article for the May edition. Thanks Sandy... look forward to receiving it!

SPEAKING OF THE IRSA CONVENTION - The convention was full of leading edge learning opportunities and the trade show was great as usual. The IRSA Member Forum went great. But, the Reno Hilton Hotel property and operation is probably making old CONRAD HILTON roll over in his grave. This place gives the hospitality industry and CONRAD'S MOTTO AND BOOK TITLE: "BE MY GUEST" a whole new meaning. How about Rick Caro's bathroom in his room flooded with three inches of water from a light fixture above? And, how did they deal with it? They just sent a maid with a few towels. Word is she went back for help when she found Caro doing the backstroke. How about one hour and 30 minutes for a room service hamburger? How about \$3 per page charge to receive an incoming fax? How about a 22 minute wait for elevators? Plus, to ENJOY ALL THIS FUN, most people had to take at least TWOFLIGHTS. And, I heard no one say anything good about Reno, except the scenario was pretty with the snowy mountains and all. And, one guy said the MUSTANG RANCH was great! Can't blame IRSA as we had been to Reno twice before and I can't remember it being this bad. I bet we don't go back.

EXERCERE means

Manufacturing Company. It will be interesting to see if he responds to my idea.

The future of the club industry in America depends upon the continued elevation of the ethics, the quality, the service and the satisfaction for members nationwide. For every two steps forward that clubs such as IRSA's Association of Quality Clubs take, it seems that Bally's clubs and their "clone" operators, cause the industry to take three steps back-

ward. The clubs of America need to make a vow to educate the American public about the fact that Bally is NOT REPRESENTATIVE of the vast majority of club operators in America! In short, we need to teach them the differences between the Bally operator mentality and the mentality of the ethical and service oriented operators of America. And, we need to teach them to avoid the Bally Clubs, not the other 12,000 U. S. clubs in the United States.

You are welcome to copy and distribute this and all previous educational articles I have written about Bally's in order to continue to educate the American consumers. It is through this effort and hopefully through the efforts of a talented corporate turnaround expert, Mr. Arthur Goldberg, the Chairman of Bally Company, that we may be able to correct this serious wrong and move the club industry in America into the year 2000 with no apologies. It can be done... it won't be easy... but, it can be done.

MILITARY MARCHING IN SWEDEN.

CORRECTION - Last month, I mentioned in my notes that the DREAM TEAM PRODUCTIONS could deliver NBA Hall of Fame Basketball players to your club for corporate and other promotions. Sorry, but we misprinted the area code for JIM SHIRLEY. The correct area code and # is 407-333-4407.

RONALD MEEK is the Managing General Partner of the Oakridge Athletic Club in Simi Valley, California. Thanks Ron for sending the copies of the two lawsuits which were settled out of court with the Bally Club in Los Angeles. Ron, it looks like Bally has a tiger by the tail with this new Federal Trade Commission consent decree doesn't it?

CASEY CONRAD author of the article herein entitled: "MAKING 200+ SALES A DAY" has also written a book on club membership sales entitled: "SELLING FITNESS" - The complete Guide To Selling Health Club Memberships. The book is priced at \$24.95 and if the endorsements on the back of the book are any indication, this book might be worth much, much more than its weight in gold. She also offers a companion tape-set featuring the entire book. To order, call Casey at Communication Consultants (401) 725-6147 and be sure to tell her Norm said "Hi."

REGIONAL CLUB ASSOCIATIONS such as NERSA, NACA, MACMA and WAC are doing a great job for their members. In an effort to assist the Regional Associations of America in their communication efforts, I want to open the CLUB INSIDER for space for a CLUB INSIDER REGIONAL SECTION beginning in May. So, if you are a member of a regional or if you want your regional to participate, give them our number 800-700-2120.

VIRTUAL REALITY

has hit the CLUB INDUSTRY! Imagine the burn of climbing to the top and exploring the hidden secrets of Mexico. Can't get to Mexico? No need, because IN WORLD SPORT introduced its Virtu series at IRSA in Reno. This is the first full line of virtual reality fitness products. In World Sport, a designer and developer of virtual reality fitness products, introduced the Virtu series; Virtu Climb, Virtu Run, Virtu Cycle and Virtu Ski which were displayed in Reno to a 30 minute waiting line to try the equipment out.

ROD GOLDMAN has been elected as President of IRSA, The Association of Quality Clubs. Rob is a good man who will make a good President of IRSA. Best of luck Rob as you lead the Association into the new year!

TOM McCARTHY operates the Beverly Hills Athletic Club in Birmingham, Michigan. Recently, Tom was asked by the lenders to step in and take over the operation of two United Health Spas in his area which had folded. The clubs continued selling pre-paid membership right up until the night before they closed, causing the state authorities to look into the situation with possible fraud actions against the former owners. After examining the situation, Tom and the lenders determined that one of the clubs, located in a strip center, was too far gone to try to reopen and continue. They are going to reopen the other mall location club.

CECIL SPEARMAN, former IRSA President and the owner of seven clubs located in Southern California, Illinois and Arizona, has been elected President of TCMA South (Tennis Club Managers Association). Cecil says that: "We plan to strengthen the overall strength of IRSA by strengthening T.C.M.A."

DEBBIE EISENZIMER, the President of NACA (the

Northwest Athletic Clubs Association) has announced that Brian Tracy, a great sales and performance motivational speaker, will speak at NACA's Summer Conference to be held at the beautiful Inn of the Seventh Mountain in Bend, Oregon, July 17 - 20th. The NACA Newsletter, also announced that the Oregon Supreme Court dismissed the suit filed by NACA clubs contesting the property tax exemptions granted the Portland Metro YMCA. Stand by for more news...

have thoughts about it, share them with me by writing, calling or faxing in your information.

THOMAS J. ROOT is a young entrepreneur based in Valencia, California who has developed a deal called The WINNING EDGE a youth fitness and entertainment company. This unique program for kids which in part, utilizes station equipment which includes: slideboard, speed bags, climbing wall, bungee work, parachute-restrained running, balance beam, rope jumping, rope ladder, jousting, medicine balls and more. For more information, you can reach The WINNING EDGE at 805-294-0762.

EDUCATION of members is playing a greater role in the club business everyday. Some clubs such as the SPORTSLIFE Clubs in Atlanta have developed this need into a business opportunity, installing what they call The MENTAL GYM to provide their members with access to educational materials for health and fitness. The HUMAN KINETICS Company in Champaign, Illinois is a great source of educational materials on health and fitness in case you want to add this service to your pro shop or want to start your own health education resource library for your members. They can be reached at 217-351-5076.

RICK CARO, the President of Management Vision, may be ready to become a writer for SATURDAY NIGHT LIVE! Try a couple of predictions from his "humor list": In regard to the IRSA name change situation:

(1) "There will be an IRSA bylaw enacted to prevent any further use of classical or ecclesiastical Latin, although we do predict that several European monasteries and convents will apply for IRSA membership."

(2) "Ladies dressing rooms in clubs will be referred to as no-fly zones."

(3) "Disney will purchase Gold's Gym and turn it into a fitness chain for octogenarians. It will be renamed Gingivae Auretae, Latin for Gold's Gums."

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