

Ray Wilson...A Club Legend In His Own Time A Case Study On The Family Fitness Centers - Part I

By Norm Cates, Jr.

Consider the club industry now. Over 20,000,000 health club members in the U.S. and growing at a consistent rate of 10% per year! Over 12,000 "for-profit" health clubs. Cardiovascular exercise is accepted and sought by consumers everywhere. Doctors are recommending strength training for all, especially for the elderly. The fitness and club industry is booming. The future years may be the most exciting and dynamic time in the history of the club industry due to the shift to "upstream preventive care" by the medical community. The list of exciting happenings in our industry goes on and on. One of the real pioneers in this industry is Ray Wilson and this is his story.

Ray Wilson has been in the health club business for 47 years! Among his most significant accomplishments are the development of the European Health Spa chain, the refinement and successful marketing of the LifeCycle aerobic training bike and the Family Fitness Center chain of 72 clubs. But, after a career full of ups and downs, Ray is quick to point to the contributions of oth-

ers in advancing the state of the health club industry.

He gives credit to IHRSA for having a significant impact on the rapid growth of clubs and the increase in the understanding of the importance of regular exercise. He says, "This industry didn't just happen..... it happened because a lot of people did a lot of things along the way. IHRSA is one of the greatest things to ever happen in the industry." He believes that in a few years, 50% of club's revenues will come from "corporate" sources due to the health care shift from a primary business of curing illnesses to that of prevention of illnesses. He also believes that "even though

Bally is in trouble now and has some serious problems, the Bally Health Clubs have helped the club industry a great deal in "authenticating" exercise as the "right thing" to do through their use of celebrities to advertise their memberships." He also credits Arnold Schwarzenegger's popularity and fame as a movie star as having a lot to do with the acceptance and popularity of working out and fitness.

Citing these accolades for others, Wilson shares his incredible life story in a candid and humble manner. While praising the contributions of IHRSA, Bally and Arnold in moving and shaping the entire fitness and club industry as

we now know it, he seemed almost hesitant to include himself as one of the greatest contributors to our industry. This is the story of a man who has made a huge contribution to the business.

This writer began this interview with impressions consisting mainly of input from others. I had heard Ray speak and teach us how to convert racquetball courts at one of our IHRSA Conventions in the early 1980's. After that, the only previous conversation I ever had with Ray Wilson was when he called to order a subscription to The CLUB INSIDER News about six months

ago. The man is a total opposite of what I had heard and "thought" I knew about him. His knowledge of the health club industry is incredible. The description of Ray as a true legend in his own time is the best description I can find. In an industry that does little to honor and give credit where it is due, Ray was honored by selection to CLUB INDUSTRY MAGAZINE'S "HALL OF FAME" in 1992.

Ray Wilson was born into a family of nine children. His Dad was a migrant worker who eventually built his own used car dealership/tire repair

shop. Ray went to work for his Dad at age 6 and worked hard under his Dad's direction until he was age 17. At age 17, he experienced a nervous breakdown - suffering from years of pressure from his Dad. Along the way, he also developed an ulcer at this early age.

In 1945 Ray was introduced to working out on weights, but considered it "Sour Grapes" as he didn't think he could get large muscles and so he didn't get into lifting until later. His friends, Ken and Bill Melby, convinced him that working out was a good thing and Ray began to train with weights.

(See Ray Wilson page 8)



Ray Wilson, Rhonda (youngest of six children) and Sonja Wilson (Co-Founder of Family Fitness Centers)

• Inside The Insider •

- Nice People
- State of the Industry Report
- StairMaster Sold By Nicholas Orlando
- A Member Retention Program That Works
- Health Care Connection By Neil Sol

THE INSIDER SPEAKS

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"THE RIGHT STUFF"

By Norm Cates, Jr.

The IHRSA Board has taken the right steps to assure both UNITY and CONTINUED GROWTH of this great Association of club professionals.

The Board had been discussing three scenarios for potential changes to the eligibility of clubs and fitness organizations for membership. One of those scenarios could have led to big problems be-

cause of the dreaded club business "N" word, "NON-PROFITS." They were amongst a laundry list of 48,000 fitness facilities in America that could have been eligible had the Association's leadership taken that path.

Wisely, the Board decided to lay away all concerns by members who oppose admission of "Non-Profits." They have drafted, but tabled for a final vote until June, an Amendment to the IHRSA BY-LAWS which expressly prohibits the consideration and/or admission of any Char-

table 501 (c) 3 clubs. The Board decided to table the measure so that it could first be discussed with the members at the OPEN FORUM at the IHRSA Convention. The proposed Amendment was warmly received by the members and a voice poll conducted found no opponents of the measure speaking out.

This decision came after a five-hour strategic planning session facilitated by Don Leopold. Congratulations to all concerned.

Other Board Actions included:

NEW BOARD OFFICERS FOR 1996 APPOINTED

FRANK NAPOLITANO, JR., from the Highpoint Athletic Club in Chalfont, Pennsylvania, will serve as IHRSA's next President. JENNIFER HARDING, who owns and operates two clubs in the Portland, Oregon area, will be the next Vice-President/Treasurer, and TIM RHODE of the Rhode Management Company in Reisterstown, Maryland will be Vice-President/Secretary. CONGRATULATIONS to all!!

A Disciplinary/Membership Review Process was adopted. This will provide for any member with concerns to question the compliance of any other member relative to the by-laws, the baseline standards, the Code of Conduct, and the Membership Pledge.

The Board approved an investment of \$50,000/year for three consecutive years to support the Tennis Industry Association's efforts to "grow the game of tennis." The June issue of CBI will feature and detail these efforts.

Norm Cates' **Club Insider** NEWS

April 12, 1995

Mr. Bill Austin
Mr. Lyle Schuler
Ms. Mary Murphy
Player's Gold's Gym
260 Route 17K
Newburgh, New York 12550

Dear Folks,

I was real happy to see ya'll at the IHRSA Convention and was even more happy to hear that you had spoken with Curt Beusman. I am glad things worked out well.

In follow-up on our very enjoyable conversation at the Opening Reception, I'm sorry you didn't receive the letter that I published until later. I swear I sent the letter to the fax number in the IHRSA Directory.

In any case, that is behind us. We opened up dialogue on the subject and that is good. From the feedback I have heard, there are strong opinions on both sides relative to how recruiting between competing clubs should go on. And, that is as it should be.

I will look forward to seeing you again next year in San Diego, unless you come down here to Atlanta for the 10th Annual IHRSA Sales and Marketing Conference next fall. If you do, we will have SOME FUN !

My warmest regards to old friends.

Sincerely,

Norm

Norm Cates, Jr.
CLUB INSIDER News
Atlanta, Georgia

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Mr. Norm Cates, Jr.
The Club Insider
P.O. Box 671443
Marietta, Ga. 30067

Dear Norm,

Thanks for including us in your list of top clubs. We had a tough go of it for 15 years, but it now has begun to pay off. We have 200 employees and 8,000 members. We hope to continuously improve our clubs in the years ahead.

You have become a terrific voice for principle in the fitness business. Keep up the good work !

Best regards.

Sincerely,

John
John F. Brinson
President

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•NORM'S NOTES•

CURT BEUSMAN, owner of several multi-purpose clubs in upstate New York and Connecticut, did a really nice job presenting the Distinguished Service Award to **RICK CARO** at the Opening Session of the recent IHRSA Convention. However, I was surprised to learn that 14 years ago, I was the 1st PART-TIME President of IHRSA and my good friend, Rick, was the 1st FULL-TIME President. But, reflecting back..... that is the truth. During my year as President, I worked full time in the club business while spending many hours from 10 p.m. to 1:00 a.m. discussing the Association's business on the phone with..... guess who? **RICK CARO**. When Rick became President the next year, he did work full - time as the 2nd IHRSA President. That was at least 8 hours per day IN ADDITION TO the other 12-14 hours the guy works anyway!

BOB PROVOST, owner

of the Greenville Racquet and Fitness Club, in Greenville, S.C. tells me that the local hospital which installed a \$7.5-million health club about five years ago is at it again! Before they built the \$7.5 million club, they told him the facility would be "clinical" and that they would not sell memberships. Six months later, they then launched the club by selling one-year memberships! This time, Bob says, they are going to build a second facility of 30-40,000 square feet all the way across town from the hospital and about a mile from his club. When he learned about the second facility, Bob approached the hospital people about working together on a joint venture and says, "they wouldn't even talk to me." Bob says its O.K. to give out his number if anyone out there wants to talk "hospital clubs" with him. (803) 288-7220.

TENNIS CORPORATION OF AMERICA has taken over operation of the SPORTING CLUB at Windy Hill here in Atlanta.

The \$24-million dollar club has struggled since the beginning because JACK NAIMAN built the 100,000 + square footer across the street from two other smaller, but very nice clubs and within 2.5 miles of about six other clubs. TCA should be able to help a lot with their tennis programming. Good luck to **ALAN AND STEVEN SCHWARTZ** as they take on this challenge.

VICTOR BRICK and his lovely wife, **LYNNE BRICK**, own and operate a group of clubs in the Baltimore area. These folks contribute a great deal to the industry with their teaching of club operators world-wide. For example, they just returned from a one month teaching tour which included presentations at the IDEA Convention, IHRSA Convention and the East Coast Alliance's Health Fitness Expo. Lynne has been honored as this year's winner of the European Fitness Presenter of the Year Award. In 1990, Lynne and Vic-

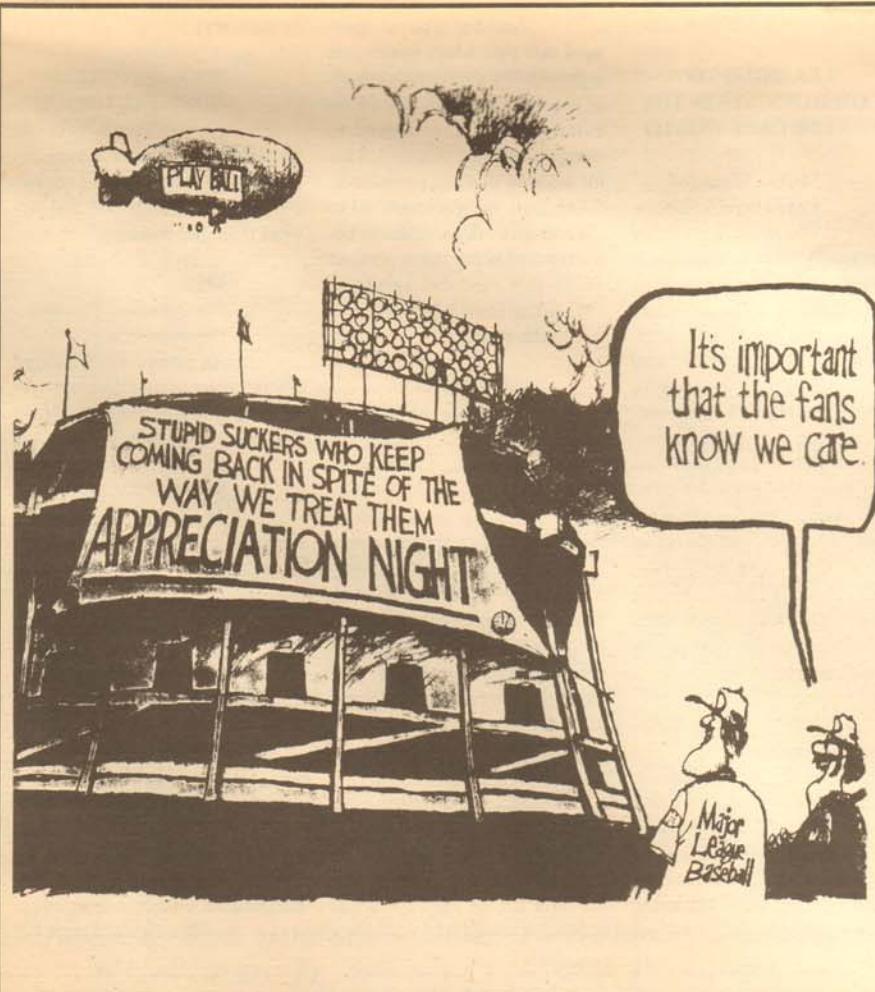


Norm Cates, Jr.

tor were honored by IDEA as the Fitness Instructor of the Year and the Business Professional of the Year, respectively. In addition to everything else, Victor coaches an 8th Grade girls basketball team which recently defeated the Varsity team from a local high school! Vic recently recommended a book I plan to get and read, entitled: *The Art of Using Your Whole Brain* by I. Katherine Benziger and Anne Sohn.

try.

ERNIE ZAIK, the President of the Western Reserve Club in Phoenix, Az., has successfully put together an alliance with local health care providers which is paying the four clubs in his Arizona Fitness Network significant income for club services for their subscribers. Ernie has done in the club industry something that is tantamount to Roger Bannister's breaking of the four-minute mile record, which had stood as a "mental" barrier to runners since runners began. Interestingly, within a few months after Bannister broke the 4 minute mile, about 30 others were able to do it as well. Within a couple of years, 300 people had broken 4 minutes. I hope that "psychology of the impossible", which heretofore stopped runners from breaking the 4-minute mile barrier, will be remembered by club owners who think it is "impossible" to do (See Norm's Notes page 10)



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MicroFit's Health Care Connection

By Neil Sol, PhD.

At the recent IHRSA International Convention, the issue of the Club - Health Care Connection received a great deal of attention and energy. A health care related session was available during every break-out hour. A four hour panel discussion on the merits and specific opportunities available to clubs within the changing Health Care paradigm in this country led off this array of health care education. This panel discussion shared pertinent information necessary for a successful club - health care venture.

Following the health care panel discussion, John McCarthy, the 14-year veteran Executive Director of IHRSA, emphasized the health care connection in his opening "State of the Industry" address before over 2,000 IHRSA Members. He indicated that clubs are now truly in the health care industry and should accept that role. He further suggested that prevention has become an important consideration for health care and clubs are in the best position to provide this service.

Even with all of this IHRSA sponsored emphasis on the club's future opportunity with health care and the opportunity to learn how to get started, only 300-400 of the almost 3,000 Convention attendees were present at the Health Care/Health Promotion Track.

This was both good and bad news. The good news is that 300-400 club managers/owners and staff saw the vision of the future and were motivated to expand their understanding of health care and our opportunity for involvement. The bad news was that the remaining conference did not participate, apparently, continuing to believe that the club as a preventive health provider and partner to health care will not be the driving force of our business in the future.

Regardless, for those in attendance, the message was loud and clear and most eloquently presented in the 4-hour panel symposium at the start of the IHRSA Convention in San Francisco.

I believe it would be useful to recap and summarize the following key points presented:

- Hospitals and health care

are eager for a relationship with health clubs to promote a preventive health service.

- Managed care organizations (MCO's) have the same interest.

- Clubs are slow to realize the opportunity with health care; however, the panel represented pioneers in our industry who have created optimal and profitable relationships in health care.

- Club networks providing preventive health services are being reimbursed by insurance providers.

- MCO's are paying capitated fees to clubs to provide preventive health services.

- Hospitals are continuing to successfully enter the club business; however, today they are hiring club professionals to manage their facilities.

- Hospitals, in the future, will strive to be EMPTY.

- Opportunities exist with fitness facilities being included in primary care medical facilities.

- Clubs have an opportunity to become community preventive health resource centers.

- Club network development, as providers to MCO's or hospitals, can be profitable.

- Developing a relationship with health care that is meaningful takes work - you must have the vision and do what it takes to develop the relationship.

- Hospital and MCO's may need clubs and preventive health provider relationships more than clubs do; therefore, we (clubs) should never negotiate from a position of weakness as we develop relationships with health care providers.

- If we don't help the hospitals, if we turn a deaf ear or keep our heads in the sand, hospitals/MCO's will provide preventive health services themselves and will compete with us.

- Reimbursement currently is possible and available for preventive health services.

- An older market is attracted to hospital affiliated clubs/health & fitness facilities.

- Within preventive health networks, it is possible for YMCA's and IHRSA clubs to co-exist.

- The IHRSA Corporate Network exists and provides a

ready-made opportunity for clubs to connect with health care.

- Clubs can either be partners, employees or tenants to health care providers...it is our choice!

- Clubs must learn the language of health care. In respect to that need, we have provided a **HEALTH CARE CONNECTION GLOSSARY** for your continuing education.

These are just some of the important bits of information that was made available at the IHRSA Convention in San Francisco. If nothing else, take heed of this information as those who presented their experiences have already begun to realize success with the Health Care Connection. The Health Care subject has been a key subject at the IHRSA conventions for the past 5 years. **THE FUTURE IS UPON US!**

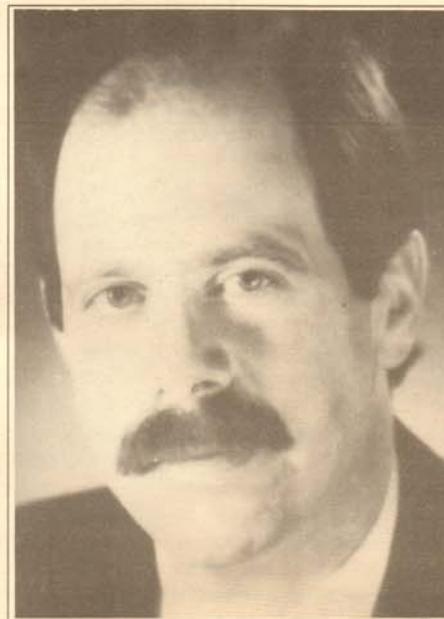
LEARNING TO COMMUNICATE IN THE HEALTH CARE WORLD

MCO - Managed Care Organization

The MCO is the entity that administers managed health care plans. These plans typically manage the use of the health care system by establishing rules (restrictions) such as second and third opinions, pre-approval for hospitalization and using network or group health care providers. Managed care organizations have typically been insurance companies. However recently hospitals and physician groups have been developing MCO's. MCO's benefit success is realized with healthy subscribers/clients who decrease utilization of the health care system.

HMO - Health Maintenance Organization

A type of managed care plan. Emphasis of an HMO should be health maintenance. However, many MCO's have done a poor job at maintaining health of subscribers. Currently, and in the future, HMO's will put



Neil Sol, Ph. D.

major emphasis on preventive health because it is profitable and customers want the service.

PPO - Preferred Provider Organization

Another type of managed care plan where health care is provided by a preferred network of physicians and health care institutions who have agreed to charge a common discounted fee for selected medical procedures. Subscribers are disincentivized to use non-network providers by being required to pay larger portions of co-pay medical services. PPO's can benefit from preventive health services.

CAPITATION

Typically refers to a monthly fee/premium paid by the subscriber/client for the managed health care plan. Capitation, literally means "per head." Therefore a company that purchases a managed care plan for its employees will pay a monthly fee for 100% of its employees. Recently, the club industry has employed the concept of capitation in providing preventive health services to companies and to subscribers of managed care organizations.

SELF-INSURED

Usually a corporation/business assumes responsibility for payment of health care/medical bills for its employees per occurrence or experience of injury.

or illness. It is obvious that a self insured company is motivated to reduce the number and severity of occurrence from year to year. Self-insured companies can use a PPO plan in the treatment of employee illness and injury.

TPA - Third Party Administrator

A company, usually health insurance, that manages a corporation's self-insured health insurance plan.

STOP - GAP

Most self-insured companies accept health care payment risk to a certain amount

at which point a group insurance company is used to accept the payment for their higher costs of health care. (i.e., a company has exposure to the first \$250,000 of cost, then an insurance payer assumes the responsibility).

PHO - PHYSICIAN HOSPITAL GROUP

An agreement between physicians and hospital administration where the new entity becomes a provider of health care and services through a managed care plan.

MSO - Management Services Organization

An entrepreneurial group offers business management service to physicians practices. Many hospitals are becoming MSOs.

SUBSCRIBER

A purchaser/client of a managed care plan or other form of health insurance.

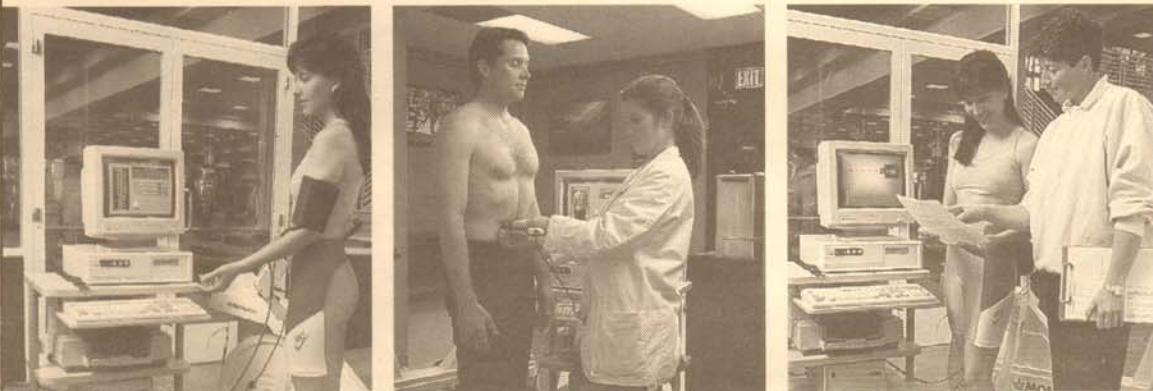
NETWORK

Group of health care providers, selected by insurance plans. Providers contractually agree to abide by plan rules, pricing and medical service restrictions.

PRIMARY CARE

First level of medical care. Point of entry into the health care system. Usually procedures are diagnostic and/or emergency. (See Neil Sol page 10)

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IHRSA State Of The Health Club Industry Report Summary

Sponsored By Cross Conditioning Systems - Cathy McNeil, Editor

The 1995 IHRSA State of the Health Club Industry report is prepared to tell the story of the health and sports club industry today from a variety of angles. The statistics are the most up-to-date available.

* Total number of health club memberships has grown by another 10% in 1994, bringing the total number of members in America to over 20,000,000, up from 18.2

million in 1993.

* The 35-54 age group is the fastest growing category, increasing by 55% from '87 to '93.

• REPOSITIONING -

The industry is repositioning itself so as to be perceived by consumers as the normative institutional setting for health promotion activities and programs. A shift from "upstream" curing by doctors and hospitals to "downstream" pre-

ventive care is happening.

* Rising investor confidence in the health club industry is being fueled by the demographic shift to serving an older market.

* The connection between mind and the body increasingly is being emphasized in programming overall, most notably with the return of yoga, which was popular during the 1970's.

* This is an international industry. It is an industry that still has many individually-owned companies, but is continuing to consolidate.

* There are approximately 48,000 fitness facilities in the U.S. including: 12,000 health and sports clubs, 3,000 racquet clubs, 5,000 member owned clubs, 3,000 charitable/religious facilities, 3,000 public facilities, 250 hospital facilities, 10,000 resort/hotel/spa facilities, 4,000 apt./

condo facilities, 4,000 College/University facilities, 3,000 corporate facilities, 1,000 military/penal facilities.

* The Health and Sports Club Industry generates \$7.75 billion in revenue annually with total payroll of \$2.9 billion.

* The fitness equipment industry generates: \$356 million in institutional sales and \$2.5 billion in home fitness sales.

* Americans who do 100+ days of fitness/sports activities per year increased to 43.9 million.

* Consumers view the models used in club advertisements as too thin or unhealthy looking. They felt that these models did not inspire them to exercise at all.

* The current thinking places illness and fitness as part of the same health continuum.

* Sedentary living is now

linked to 250,000 deaths per year according to the Surgeon General. This is 12% of all deaths.

* A "Partnership for Prevention" - representing 200 health-related organizations, including IHRSA - has promised to make prevention an "800-pound-gorilla".

* JOHN BRINSON of Pennsylvania and other club owners have been successful in maintaining exemptions from amusement taxes on health clubs.

* The American Hospital Association estimates there are 6,000 hospitals in the U.S. Of these, 250 operate fitness centers. 90% of these centers are owned outright by hospitals. There are another 2,750 hospitals that have the potential to open such centers. 100 more hospital clubs are projected for the next five years.

(More Next Month in Part II)

SPORTS CLUBS OF CANADA HONORS TEAM MEMBERS

Michael Levy is the President and Chief Executive Officer of Toronto-based Sports Clubs of Canada. (SCC) Jay Kell is the Executive Vice President and Chief Operating Officer of SCC.

Together, they have built the Sports Clubs of Canada into a family of seven upscale clubs with a 1996 goal of \$25 million in revenues.

Michael Levy explains what makes the Sports Clubs of Canada unique, "I believe it is the commitment all of us make to provide an environment that enables our members to enhance the quality of their lives. I believe that we really try to welcome our members, their guests and prospective members to our clubs. We do believe that what we do matters. It matters to us and it

matters to our members. I believe that what we do counts in this crazy world. We provide a place where our members can both enjoy and expand the quality of their lives. What we undertake goes beyond profit, goes beyond sales, goes beyond success. We make a real difference in people's lives."

Michael Levy explains his company's mission statement very well. That mission statement says: "Our mission is to provide unparalleled racquet, fitness and social programs that will enable our members to enhance the quality of their lives."

The key to the Sports Clubs of Canada's efforts to live up to their mission statement is in the hands of the key people in their well structured organization. The Sports

Clubs of Canada have been serving the Toronto area since 1974. At their annual Christmas Party and Awards Banquet, the Sports Clubs of Canada Top Employees for 1994 were honored. Some of those honored were:

MVP of the Year - DEBRA HUSHLEY, Instructor of the Year - **WINNIE TALON**, Fitness Director of the Year - **LINDA EVANS**, Sales Person of the Year - **KENDRA KELLY** - **McCARTHY**, Programmer of the Year - **TONY O'DELL**, Massage Therapist of the Year - **LYNN BECK**, Most Improved Club - **THE BLOOR PARK CLUB** and Club of the Year - **THE DUNFIELD CLUB**!

CONGRATULATIONS to **MICHAEL LEVY** and **JAY KELL** and to all of the **SPORTS CLUBS OF CANADA HONOREES**!

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"REALLY NICE PEOPLE"

By Norm Cates, Jr.

The International Health, Racquet and Sportsclub Association (IHRSA) held its 14th Annual Convention and Trade Show in San Francisco in mid-March. After spending four very busy and exciting days at the convention and trade-show, I embarked on a whirlwind 48-hour tour of Northern California clubs.

I want to tell you about some of the California club operators and their clubs that I had the pleasure of visiting.

CLUB ONE - JILL & JOHN KINNEY

The first club I visited on my tour was CLUB ONE, which is one of four San Francisco

locations owned by Jill and John Kinney. This visit proved a theory I had. The reasons why Jill can charge and successfully market memberships for fitness only facilities at \$72 per month are as follows: 1) Convenient locations. 2) Extremely well equipped clubs. 3) The high quality of the club environments. 4) The programs and services they provide for their members. 5) The exceptional marketing skills and experience that Jill and John possess.

The Kinneys have been rapidly growing both their business and their family over the past few years. Jill is now expecting their third child! Congratulations Jill and John! They have balanced their family and work to do both very well. Talk about really nice people!

ROLLING HILLS CLUB - WARREN WERTHEIMER

Heading north to

Novato, California, I had the opportunity to have a guided tour of the Rolling Hills Club with the ONE and ONLY, Warren Wertheimer, who is one of the nicest gentlemen in the club business. Warren has owned and operated the beautiful and scenic Rolling Hills Club for 20 years. The club generates around \$2.5 million per year on the 6+ acre site. Let me give you the picture..... if you have ever been to Maui in the Hawaiian Islands, then you should be able to picture this six-acre, multi-purpose club surrounded by the rolling grass hills. The club's 4,000-square foot fitness center has huge glass windows from which you see the gorgeous scenery while exercising. The Rolling Hills Club feels very much like a resort. I kept looking around for the hotel! In addition to 8 outdoor tennis courts nestled up against the hills, there are two

swimming pools, one for laps and one for families adjacent to a huge deck and party area. Inside, in addition to the "Scenic Fitness Center", there is a spacious aerobic studio, a "Makato" room, massage therapy, acupuncture services, a bar/lounge area, conference room, pro shop and reception area. Warren has placed a great deal of emphasis in his club on the "mind-body-connection" as evidenced by his Makato room and the promotional materials on his bulletin board for his Thursday night "self-Improvement" lectures. Talk about really nice people!

Club. This "SPORT RESORT", developed by Jim Gerber and Pete Jones of the San Francisco based Western Athletic Clubs, gives the term "luxury club" a whole new meaning. From a distance, the club appears to be a group of huge pyramids spiralling into the sky. The lobby resembles the size and ambiance you would experience in a Ritz Carlton or other world-class resort property. The decor and appointments in this beautiful club are of the finest quality. In short, the Pacific Athletic Club is in the top five of the clubs I have seen in my lifetime.

While visiting with Pete Jones, who is currently serving as the General Manager of the Pacific Athletic Club, he told me that they are preparing to start construction on another of these "SPORT RESORTS", this time in the Portland, Oregon area. Pete says he will be moving to that location to head up the project. Jim Gerber and Pete

(See *Nice People* page 9)

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**YOU'D BETTER HAVE
ALOT OF THESE,
OR A VERY GOOD EXCUSE.**

...Ray Wilson

continued from cover

Ray's body weight increased from 117 to 185 within one year while on the three-workout per week program. During that period, Ray's ulcer was somehow cured - he thinks by the two quarts of whole milk per day that he was consuming for the weight program. When Ray's weight got to 205 pounds he became a pro-wrestler and went out on the wrestling tour. While Ray was wrestling, his Dad passed away suddenly from a heart attack at the young age of 48. The loss of his Dad made it necessary for Ray to come home and step in to help raise his eight brothers and sisters. He helped provide support for his family by selling insurance and work-

ing full time at a small club owned by Bert Goodrich, the first Mr. America (1939).

Ray got the club bug and entered the industry for the first time as an owner in Tucson, Arizona when he partnered in 1951 with Jim Drinkward who was Mr. Arizona. They began by converting an Arthur Murray dance studio to a 3,000 square-foot gym with dumbbells, barbells and a Martin pulley unit. They sold 1-year memberships with payments up front. His next move was to Houston, Texas where he started a chain called American Health Studios and Silhouette Salons which grew to 250 locations. That chain competed directly with Vic Tanny's clubs in Southern California. Ray eventually sold this chain to his regional partners with a five-year payout.

TOUGH TIMES PART I

Ray was asked to recall some of his toughest times. Tough Times Part I was in the 1950's when he and Vic Tanny got into "price and help wars." He recalls that they ended up cutting their prices outrageously in an effort to outsell each other AND they got into a battle of hiring away each other's top employees, nearly doubling their payroll. Ray recalls that while all of this was going on he and Vic Tanny had never met. He says, "after we met, we liked each other and wished we hadn't gotten into those wars."

EUROPEAN HEALTH SPAS

In 1962, Ray started the Trim and Swim Health Spas, a group of facilities in San Antonio and Austin, Texas. At the same time, he started a chain called the President's 1st Lady in the Houston area. Selling these operations a couple of years later to his partners, he established one of his greatest successes in the health club business, European Health Spas. It was then that he introduced whirlpool "spas" that helped make the European Health Spa famous. He had become interested in the "Spa" concept for health clubs while spending two years in Mexico developing a chain of six clubs. He subsequently had to sell these clubs with very little notice when the Mexican government changed the laws to require that all businesses be operated by Mexican citizens.

Teamed up with old friends, Ken Melby and Bob Rice and other former regional managers of his first company, Ray spent six years building European Health Spas into a 80-unit chain. In 1969 they sold European to U.S. Industries, a conglomerate whose primary business had been auto body stamping machines and railroad cars until they acquired 121 companies, making them the 35th largest company in the United States. U.S. Industries paid \$46 million for European - a \$20-million down payment and \$26 million in a five-year payout

tied to a five year performance contract. This \$46,000,000 would equate to around \$200 million in today's dollars. When they sold, the chain was doing \$2.5 million in profits per year and after five years, he had the 160-unit chain producing \$10 million per year in profits.

U.S. Industries wanted European to become the "McDonalds" of fitness. After the five-year earn-out management agreement was completed, U.S. Industries decided to bring in new management from New York to take over the operations of European Health Spas. When informing Ray of this new direction in management, the President of U.S. Industries told Ray, "Ray, I've got this to say to you about our plans. We are going to bring in professionals to replace you because you are an amateur. We'll probably triple the profits you've been making!"

U.S. Industries decided to replace Ray's experienced managers who were compensated by net profit production with new managers who were paid \$3,000 per month with little or no incentives. This proved to be a formula for disaster. Ray recalls, "The good people left, the weak ones stayed and they hired the wrong people to run the company." Just a few years later, the European Health Spas were sold at a very low price to companies owned by Bill Hubner and Don Wildman.

TOUGH TIMES PART II

Ray was restricted from opening competing clubs in the U.S. by virtue of a two-year "non-compete" clause in the sales contract with U.S. Industries.

It was during that two-year period that Ray made another choice that ended up as one of the toughest times in his life. In this case, he moved to Canada to turn around a chain of 24 European Health Spas that his brother-in-law had just purchased which were being operated poorly. Ray felt it would be a breeze to do the turn-around, but he was dead wrong. The clubs were collectively losing about \$250,000 per month and were nearly too far gone when Ray arrived. After a short period of flying back and forth between

Vancouver and his home in Utah, Ray concluded that he must move his family to Canada so that he could devote full time to the effort. He says, "this is such a hands-on business I had to really go at it full time - 16 hours per day and that is what I did. Actually, it was a blessing in disguise because here I was basically retired after selling European to U.S. Industries and the next thing you know, I was back in the business. Ray was successful in turning the Canadian clubs around and most of them are still operating today under ownership of Henry Poleski and Dave Wakefield.

THE LIFECYCLE IS BORN

The Canadian experience had gotten Ray back into the club business on a temporary basis, but it was his work with LifeCycle which got him started with the Family Fitness Centers - 72 club chain. The LifeCycle may be Ray's greatest contribution to the health and fitness industry because it spawned a boom in the early 80's in cardiovascular training which then spawned a huge growth in cardiovascular training equipment development. It is this cardio development that has continued to fire the growth of club membership across America and world-wide. Ray Wilson deserves a lot of credit for his efforts with LifeCycle because not only did it truly revolutionize the equipment facet of the industry it gave all club owners and operators world-wide much more to provide for their members. In short, the impact has been global.

In 1977, Ray moved to San Diego, California. When taking an insurance exam at age 32, Ray had been told by the doctor that his uric acid count and cholesterol were very high. He asked Ray if he had any family members who had heart problems. When Ray told the doctor that his Dad had died from heart failure at the young age of 48, the doctor responded, "If you don't change your ways, you are going to end up just like your Dad." The doctor's comments had a profound impact on Ray's thinking. He immediately hired a college biochemist and paid him \$500 to prepare a report for Ray about (See More Ray Wilson page 16)

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Nice People

continued from page 7

Jones are old club industry friends who have given all multi-sport club developers a target at the top to shoot at. Talk about nice people.

WHAT A RACQUET ATHLETIC CLUB - BOB McLENNAN and NESTOR FERNANDEZ

Traveling north, I stopped by to visit with Bob McLennan, former IHRSA Board Member and owner of the What A Racquet Athletic Club in Daly City. This 17-year old club began with 17 racquetball courts and soon will be down to six as Bob is preparing to convert four courts to a full-court basketball gym. He has installed his well equipped fitness center and physical therapy center on a second floor built by double decking a few courts. The club is located on a strip of land which has

AUBURN COURT HOUSE ATHLETIC CLUB - ART AND LINDA CHAPPELL

Moving Northeast, I headed to Auburn, California to visit with Art and Linda Chappell. They own and operate the 14-year

(See *Nice People* Page 24)

old Auburn Court House Athletic Club in Auburn and the Court House Athletic Club in Grass Valley, California. This is the same area where gold was first discovered in 1849 causing the "Gold Rush" to California.



Bob McLennan and What A Racquet's 1st employee, Mary Chin, hired by Bob 17 years ago

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Nick Orlando Sells Stairmaster To Garden Way

San Francisco, California - Nickolas Orlando, the Chairman of StairMaster Sports/Medical Products, Inc., announced at the IHRSA San Francisco Convention that he had sold controlling interest in the StairMaster Company to Garden Way, Inc.

Jairo A. Estrada, Chairman and Chief Executive Officer of Garden Way, Inc., a Troy, New York manufacturer and marketer of yard and outdoor power equipment and direct marketing company, (Troy-Bilt and Bolens), describes the move as "the marriage of two philosophically attuned organizations that focus their energies and re-

sources on producing high quality products, on providing their customers with excellent service, and on treating their employees with respect by establishing family-friendly environments in which individuals can make a contribution. Estrada added, "Both of our companies are organizations comprised of dedicated, professional individuals who are committed to providing the best in the industry."

This is the first acquisition that Garden Way, a company with \$300,000,000 in annual sales, has embarked upon outside the outdoor power equipment industry. However, it fits with the

company's long-term strategic plans of diversification and of capitalizing on one of its major competitive strengths, which is consumer direct marketing. As Estrada explained, "After a long process of evaluation of numerous industries and companies within those industries, StairMaster was identified at the top of the list as the best fit for us. This is a major diversification for Garden Way and complements our core outdoor power equipment business which is essential to our future success. Both companies will continue to aggressively pursue a leadership position in their respective indus-

tries. They will essentially operate independently of each other, and will leverage and share marketing and operating competencies where appropriate," Estrada added.

StairMaster Chairman, Nicholas Orlando, a true gentleman in the health and fitness industry, was instrumental in bringing the two companies together. Nicholas will continue in the capacity as consultant to Garden Way for several years to effect a smooth transition. Echoing Mr. Estrada's sentiments, Nicolas Orlando said, "This merger will produce great benefits for both our employees and our customers."

Jairo Estrada will step into the position of Chairman of the Board of StairMaster. Donald J. Wanat, Senior Vice President of Garden Way, will become the new President and Chief Operating Officer of the company.

StairMaster has been in business since 1983 and currently employs about 350 employees with headquarters in Kirkland, Washington, a manufacturing site in Tulsa, Oklahoma, with sales and distribution subsidiaries in the United Kingdom and Germany. With the addition of StairMaster, the Garden Way family now employs about 2,000 people.

Norm's Notes

continued from page 3

what Ernie has done!

RAY WILSON, owner of the Family Fitness Centers, predicts big problems on the horizon for clubs dealing with EEO issues. Look for details in Part II of the CASE STUDY of Ray's Family Fitness Centers next month.

JOHN BIGELOW is a young fitness entrepreneur who is putting together an "innovative fitness retreat for lasting revitalization and transformation." The retreat will be held in the Acadia National Park on the New England Coast. For information call John at: (800) 454-6398.

MIKE CATON, of the COOPER FITNESS CENTER in Dallas, Texas won the IHRSA's CYBEX Fitness Director of the Year Award. **KATHY KRES** and

JENNY TRIGGS, of the Salem Athletic Club, Salem, Oregon won the KEISER 50+ Award, which is given annually to the top 50+ Programmers in the Association. CONGRATULATIONS TO ALL!

CONGRATULATIONS are also in order for **BOB CHAIKEN**, of the Flagship Athletic Club in Eden Prairie, MN., **BEN EMDIN**, of the East Hills Athletic Club, in Grand Rapids, MI. and to **GARY KLENCHESKI**, of Fitcorp in Boston for their election to the IHRSA Board of Directors. Also, thanks for your service and contribution to Larry Krieger, Bob McLennan and Spencer Garrett who left the Board.

DENNIS KEISER, of the Keiser Sports Health Equipment Company, would like to see a national system set up for a standardized fitness testing protocol. The plan would rate all age groups

and describe their current level of fitness. This established rating could be used by insurance companies to incentivize subscribers to get into and stay involved in regular exercise and fitness. And, they would have a measurement tool to assure that any incentives they provided were earned. Keiser believes that this would help clubs penetrate the other 93% of the market that clubs are not attracting. (Currently about 7% of the population or 20,000,000 are members of clubs.) Great idea Dennis!

JOHN RUDE, of John Rude and Associates is an expert on older people in the health clubs world. He has put together an intensive, 3-day symposium entitled, "Mind, Body, Spirit: Tapping the Potential of the 50+ Market". The seminar is scheduled for July 30, 31, & August 1, 1995, in Eugene Oregon. He has lined up a dynamite faculty with John Rude, M.S., Sandy Coffman, Stan James, M.D., Cynthia Adams,

Ph.D., and Diane Doster, M.S. Curriculum will cover mature adult psychology and behavior, the design of programs & services, marketing communications and the opportunity to observe an award winning program in a club setting. For more information and a brochure, call (800) 929-2919.

24 HOUR NAUTILUS has recently convinced investors to ante-up \$34,000,000 in cash to buy control of the company. Here is hoping that something will be done to change the situation, because the Bay area clubs are up in arms against the membership of 24 HOUR NAUTILUS in IHRSA. There are a host of complaints from IHRSA Members, including a recent ad campaign which depicted a young-beautiful woman with her arms draped around and her hands in the front of a studly young man's partially unbuttoned blue-jeans. The caption read something like, "if you want to find something really firm, come to 24 Hours Nautilus!" This print and billboard ad so en-

...Neil Sol

continued from page 4

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TERTIARY CARE

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CO-PAY

A fee that subscribers pay upon obtaining health care service. This fee is usually predetermined and controlled by managed care plan.

PRIMARY PREVENTION

Prevention of disease in individuals who have never had the disease before. It is identification and elimination of risk factor for diseased individuals. Com-

ponents include early disease detection, lifestyle modification, education and exercise.

SECONDARY PREVENTION

Prevention of a second occurrence of a disease, i.e. second heart attack. Typically begins with acute rehabilitation of initial occurrence of disease and eventually becomes a basic primary prevention effort to eliminate the possibilities of a future occurrence.

DEMAND MANAGEMENT

This is a procedure to

control the use of health care system by controlling the demand for health care and directing clients to alternative sources of care. This provides information to subscriber/client on making sound and appropriate health care decisions.

It enables the use of home remedies and other forms of self-help as a first line of defense in illnesses or injury prior to a client unnecessarily using the health care system. It is based on accepted algorithms of care.

The above terminology presents a sample of terms that are common in the current daily jargon of health care professionals.

raged IHRSA Members that they made efforts to have the advertising removed, which I understand was done in the newspapers. While I was touring northern California clubs, I went to visit one of the 24 Hour Nautilus facilities on a Sunday night about 8:30, but could not tour it..... because it was closed for the evening!

TIM MANSOUR, the owner of four Atlanta area Fitness International Clubs, recently received some PR/TV coverage when he donated a bunch of free weight equipment to a local facility for underprivileged children. Nice idea Tim! I can remember back in 1985 when I had sold one of my clubs. I donated 16 Nautilus Machines to my Rome Free Academy High School and had them delivered, thanks to **JIM FLANAGAN** lining up the services of **DICK WALL** of Nautilus. I also gave a room full of free weights to the local Atlanta Boys Clubs. Wish I had thought about calling the T.V. stations!

Because they have significant importance to us in the club industry, we must make a commitment to become fluent in this new but necessary language.

(Neil Sol, Ph.D. is the President of Health Vantage, Inc. a club industry consulting firm. Neil has a vast knowledge of the club industry and the health care field, qualifying him to provide leading edge advice to club's in their efforts to succeed. Neil is one of the club industry's leading experts in the field of health care as it relates to clubs. Neil can be reached in Sugar Land, Texas at (713)494-5550)

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A Member Retention Program That Works

By Biz Stark

BACKGROUND

Member Retention" is a term that is used extensively in today's club industry. Club owners and managers all agree that it is a vital part of the drive towards success. However, most people also agree that the only consistent thing about retention is its inconsistent definition and application. Everyone agrees that a strong member retention program is necessary, but few can pinpoint a simple or practical approach to its realization.

My first exposure to a re-

tention program was in 1980 when I visited Curt Beusman's Saw Mill River Club in Mt. Kisco, New York. At that time, Curt was doing his normal thing of being a trend-setter and exhibiting a progressive approach to daily operations. Saw Mill already had in place a Front Desk check-in system where they were logging each visit per member. In this way, they were able to establish usage profiles by individual member, day of week, time of day, area of club, etc.

Curt took this usage profile system one step further. He assumed that a very high percentage of his terminations started with irregular or low usage. By taking the reports that were generated from the Front

Desk check-in, Curt had his people calling everyone who had no/low usage to establish a personalized dialogue. As he later learned, the rationale was sound but the original approach failed. The original conversation consisted of "Hello Mary. This is Suzie from Saw Mill River Club. In checking our records, I noticed that you haven't been in the club for 2 months." Club member Mary responded with "Has it been that long? Wow! While I have you on the phone Suzie, please go ahead and cancel my membership."

Obviously, there were details to modify and changes to make, but this first attempt at member retention impressed me and convinced me that this aspect of operations was critical and must be part of the planning for any successful club.



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The club has 21,000 square feet and offers over 10,000 square feet of fitness equipment. Also available are: 2 aerobic studios, full locker room facilities, locker and laundry service, massage therapy, personal training in both fitness and aerobics and other basic amenities.

Due to its purely corporate setting, Market West Athletic Club has a primary market area of 2 square blocks. Within these two blocks, over 150,000 people work in all types of professional occupa-

(See Biz Stark Page 19)

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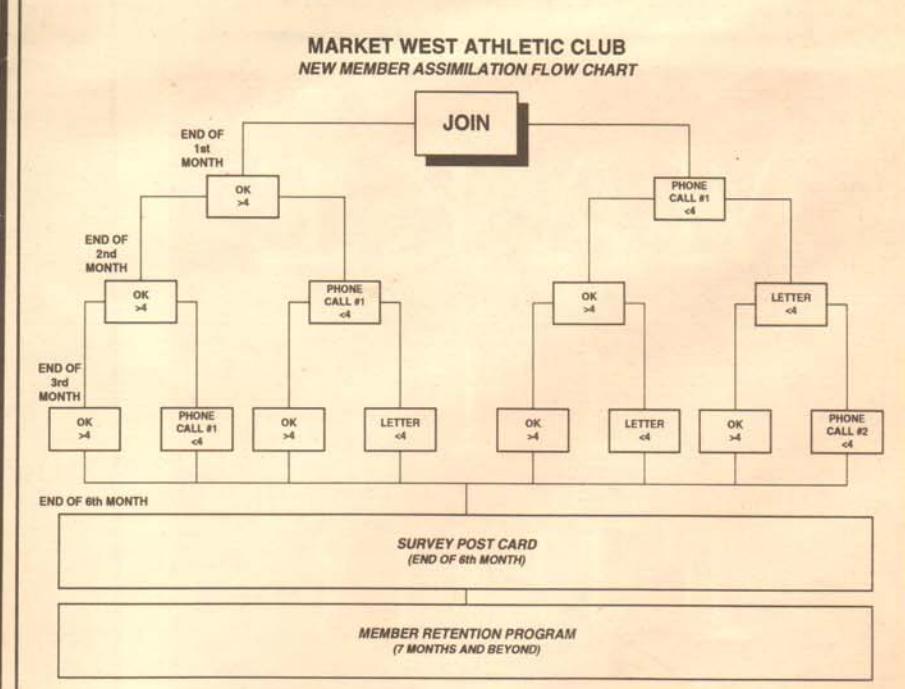
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Market West Flow Chart

Dean Kachel Wins Sign Permit Victory Over Q Sports Clubs

Coral Springs, Florida - Q, The Sports Club, a chain of \$5-million dollar fitness centers owned and operated by Frank Leonesio, formerly of Scandinavian Health Spas, had sought a permit for a 12-foot tall bronze letter "Q" for the front wall of its new Q Sports Club.

Coral Springs, Florida has a rigid sign ordinance which has been tested by the likes of McDonald's and Mobil Oil Company without success. In this case, local 15-year club owner, Dean Kachel, had protested the original granting of a permit for a 12-foot

sign made by the County Commission last year. Kachel's effort saw the commission decide to reverse their decision and re-examine the situation because of the precedent it would set.

After promising Kachel that he would be informed and invited to attend any future hearings about the Q sign, the County Commission conducted a hearing and entered into a compromise with the Sporst Club Company without ever notifying Kachel of the hearing. The Sports Club's agreed to install a 6'6" bronze Q and an additional ground sign. The Q Sports Club

representative, Jim Oberdorfer, Director of Development for Cedarwood Corporation in Ohio, was quoted in the local newspaper as saying, "There's an inconsistency in Coral Spring's sign code. We couldn't have a 12-foot logo, but we could have a 25-foot sign. Someone should come in here and put a hole through it," apparently referring to the sign code. It seems curious that the Sports Clubs would decide to put up a 6' - Q sign when they could have erected a 25 high vertical sign.

Q, The Sports Club, is expected to break ground on the

building sometime later this year. The company has 11 fitness centers nationwide and is planning to open four in South Florida.

This schedule will mean that in a span of three years, three new fitness centers ranging in size from 20,000 to 47,000 square feet will have invaded the Coral Springs market, which has previously been dominated for years by Dean Kachel's Quadrangle Athletic Club. The first was the About Fitness Club, the second looks like it will be a Bally's Club which is now pre-selling, but not yet under construction and the

third will be the Q, Sports Club. Kachel, over the years, has made a specialty out of buying out smaller gyms and fitness centers who are hurting. This effort by Kachel has been very helpful to the club industry's reputation in the area, as Dean has prevented the negative publicity of several club closings from ever hitting the press. Kachel is an intense competitor and has been upgrading his high visibility club and adding more equipment for his members. He remains the only provider of racquetball in the Coral Springs area.

Hans Muench... That "International Guy"

The International Health Racquet and Sportsclub Association (IHRSA) is truly a worldwide organization with the efforts of Hans Muench as the Director of International Development. In the past year, since Hans stepped into the position, 217 international clubs have become new members of the Association. There are now 713 international IHRSA member clubs.

Hans is a very friendly fel-

low who has his International MBA (MIBS) from the University of South Carolina. He came into contact with IRSA in 1984 when he wrote an in-depth report for the Association on the European sports market. The report served as his thesis for his Master's work at USC. After obtaining his MIBS, he served as the European Liaison to IRSA and has been leading groups to IHRSA Conventions for years. Prior to joining the IHRSA Staff,

Hans worked for Life Fitness to develop and expand the company's European market.

One of Hans' creations is "PLANET IHRSA" a semi-annual gathering of International IHRSA delegates which he hosts at the IHRSA Annual Convention and at the Annual Sales and Marketing Conference. At this event, international delegates receive a warm

come from IHRSA's leadership and members.

At the IHRSA Convention recently in San Francisco, California, close to 500 international delegates attended, representing 40 countries. Additional

international thrusts will happen this fall when Hans leads a group of IHRSA members from U.S. and Canadian clubs on a European club tour and Fitness Industry Association (FIA) - U.K. Conference at the Leisure Industry

Week (LTW) show held in Birmingham, England. This comes on the heels of IHRSA's successful European Business Trip to the FIBO show in Essen, Germany in April, 1995."



Hans Muench

and friendly wel-

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Exercise PSYCHOLOGY For Assured Retention

By James J. Annesi, Ph.D.

Exercise RETENTION is a problem that negatively impacts membership retention in thousands of health, racquet and sports clubs world-wide. Exercise PSYCHOLOGISTS treat this problem as the social/psychological process that it is. While there are numerous reasons why individuals join clubs and begin

exercise programs, it is now clear that individuals begin exercise at various stages of READINESS to persist. Since our goal is to keep members long-term, we have just two choices. The first consists of allowing large segments of our membership to drop out. We then sell more memberships to replace those that quit. This "churn" process has been going on without significant interruption for years. Left without guidance, we can expect a 35-60% drop-out rate within the first six months. This "revolving door syndrome" will not

reverse itself without clear plans and proactive measures. A second choice provides clear plans and proactive measures. We have developed a plan called the Member Adherence Program (MAP) which provides for proactive measures which, if followed, will result in significant reduction in the "churn" experienced in clubs everywhere.

This systematic approach hits right at the heart of undermotivated clients' vulnerabilities; affecting REAL change. The MAP requires more effort than the well-meaning incentive programs, giveaways and check-up phone calls which have become a staple of retention efforts.

The MAP Program is a well-developed, PSYCHOLOGICALLY - based system which will pay off with immense dividends if executed effectively.

MEMBER ADHERENCE PROGRAM (MAP) OVERVIEW

The MAP steps outlined here will increase retention quickly. The MAP was developed from 20 years of scientific research results which has been adapted for fitness center use. Some exercise psychologists have successfully employed methods which involve psychological testing and interventions that may only be administered by professionals specifically trained.



Jim Annesi, Ph. D.

However, the MAP process provides psychologically-based techniques that you can act upon immediately.

Through proper guidance, your exercise staff can deliver powerful retention methods and improved results immediately.

The key to success for improved long-term member retention is to set up each client based upon his/her own unique profile. By putting into place mechanisms needed to substitute constantly reinforced successes instead of the discomfort and drudgery perceived by "at risk" (for drop-out) clients, we consistently build the "exercise habit."

THE SIX - STEP MEMBER ADHERENCE PROGRAM

Step #1: Assess members that are at high-risk for drop out at the beginning.

Develop an individual profile of each member based upon

(a) their previous starts and stops with other exercise programs, (b) what actually caused them to join, (c) whether their friends and family are supporting their exercise efforts, and (d) whether they will be exercising with friends or alone. This profile should be used in an "interview setting" by the club fitness director or other personnel responsible for fitness assessments. Other questions which assist in evaluating the present motivational level are also appropriate in this interview.

From the above interview process, the information provided by the member should be used to identify the "at-risk" member in the very beginning.

A coding process should then be developed so the staff may easily identify the "at-risk" member for special attention. These members must be given the increased attention needed to nurture sustained motivation and increased persistence.

All other steps presented here flow from a sensitivity to this individualized, psychological starting point of each member.

Step #2: Develop written goals and break them down into manageable parts.

Formally establish goals with new members, whether they be weight loss, toning, increased stamina, and/or stress reduction. PARTIALIZE each goal into measurable parts that may be attained on a monthly basis. Remember to account for the information you gained in Step #1 in regulating how aggressive short-term goals should be. Clients with an extensive history of exercise "starts and stops" should receive the easiest short-term goals.

For instance, if a member wants a 30-pound weight loss, it (See MAP page 21)

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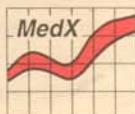
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...Ray Wilson

continued from page 8

what he needed to do to lower his uric acid and cholesterol levels. The report recommended that Ray drastically modify his diet....that he eliminate red meat and whole milk from his diet. He also recommended to Ray that he trim down, even if it meant losing some of his muscle mass. Ray did what the report recommended, dropping from 195 pounds to 165 pounds, a weight he maintains today. As part of his effort to trim down he switched his weight work-outs to 30 to 40 reps for each set as opposed to the normal low rep routines. Ray also did very high repetitions for his waist and hips. Another previous experience influenced and solidified Ray's pursuit of cardio fitness on both a personal and business level. While living in Houston, Ray had gotten to know Captain James Lovell, the Astronaut who had trained at Ray's and Robert Delmonteque's President's Club. On a 1973 boat trip with Lovell, who was Chairman of Kennedy's Council of Physical Fitness, Ray had a conversation with Lovell which convinced him that cardiovascular training would be a huge thing in the future. What Lovell told him was that for 15 years, schools had been educating

kids about the value of cardiovascular exercise to their health and he believed it would be the wave of the future. Ray believes that one of the reasons fitness is becoming so popular is that everyone under the age of 40 has been educated in school that exercise is necessary for a productive life. Then Captain Lovell also told Ray, "Don't use health and fitness in your club name and advertising unless you have cardiovascular training." Ray never forgot this and was determined to find a machine to deliver cardio-fitness to the masses.

Ray began to seek cardiovascular exercise equipment for his own personal use and while visiting his sister, who was living in Italy at the time, he discovered the LifeCycle which he described as "a big-green machine." A name tag on the machine helped Ray trace it to a factory in Concord, California. Returning to California, Ray went to the factory for LifeCycle and found it closed. Dr. Keane Dimick, a California inventor created the LifeCycle, but failed in attempting to market it. He spent \$1 million in developing and promoting the revolutionary new machine. Dimick eventually sold the LifeCycle Company to the publisher of Stars and Stripes, a newspaper targeted to the U.S. Armed Forces world-wide. The publisher spent \$500,000 in attempting a sec-

ond launching of LifeCycle commercially, but did not succeed. Dimick took Ray to meet the publisher and helped Ray work out an arrangement to buy the rights to the LifeCycle from the publisher. Ray then put together a deal to market the LifeCycle through a new corporation. Raising \$250,000 for the new LifeCycle effort, the new group went broke in 1975. Ray met with the failed group in 1976 and told them he was going to raise \$500,000 and restart the LifeCycle marketing effort one more time. He bought out the old group for \$50,000 and this time, he put his finance company, the Travelers Acceptance Corporation, behind the LifeCycle project with a new commitment to eventually spend over \$1 million on LifeCycle redesign and promotion. Ray then teamed up with Augie Nieto because "he was the only guy I ever met who was convinced as I was about the future of cardiovascular fitness and LifeCycle." Ray sold Augie the world-wide marketing rights to LifeCycle and Augie began his efforts to market the LifeCycle. Augie's efforts were being held back by some things so he went to Ray and convinced him that the best thing they could do was to combine the manufacturing company which Ray owned with the

marketing rights which Augie owned so that they could afford a new marketing idea that Augie had.

In a classic case of persistence and determination on the part both Ray and Augie, they were able to re-start the company. Augie's new idea was to ship at no cost, a new LifeCycle to each of the big club players in the industry at that time. Then, after those people had the opportunity to try the LifeCycle at home, Augie went to each of them and convinced them to buy multiple orders of the LifeCycle all at once. Ray assisted by using his persuasiveness in his phone calls to each of these key people who he personally knew through years in the health club industry. Ray says the most important key person was Don Wildman who was then the head of "Health and Tennis Corporation", now known as the Bally's Health Clubs. Don Wildman placed an order for several hundred LifeCycles. Many of the other leaders also placed orders and it turned out to be a bipartisan effort which resulted in Augie getting orders for over 1,000 LifeCycles. This one massive order delivered the LifeCycle into the commercial market with huge momentum and the rest is history. The tenacity and determination shown by Ray

Wilson to stay with the LifeCycle project after it had failed four times before, was a great example of American entrepreneurship. Ray was wise sticking with Augie as he has become one of the leading developers and marketers of exercise equipment in the world through is LifeFitness Company.

**FAMILY FITNESS
CENTERS
ARE BORN**

In 1978, Ray opened the first Family Fitness Center in San Diego expressly for the purpose of having a site to field test the LifeCycle. Since that time he has opened 71 additional locations with 14 in the San Diego area, 47 in Los Angeles, 4 in Las Vegas, 1 in Colorado, 3 in Bakersfield, Ca., 1 in Fresno, Ca., 1 in Fremont, Ca., and 1 in San Jose.

The opening of the first Family Fitness Center for LifeCycle testing triggered a new challenge for Ray which all single club operators face. The challenge was how to successfully penetrate the market without multiple locations to share the cost of mass media. Ray created a thing called a "lead-box" which by now most have used or seen used to generate (See More Ray Wilson page 18)

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...Ray Wilson

continued from page 16

membership leads. He also began marketing "corporate" memberships, again a pioneering effort. And, of course he pushed hard for "buddy referrals" within the club which had always been his specialty whenever he personally worked in a club.

Ray Wilson has grown his Southern California-based Family Fitness Center chain by using all of the vast experience he has accumulated over his nearly half-century in the business. He has implemented a well-defined "joint-venture" program for his Family Fitness Center chain which has played a significant part in the growth and development of the business. He states simply, "in my operation, you have got to have a joint-venture to make it work." He uses a simple formula to set up his joint-ventures with his partners. First, in order to qualify for joint-venture ownership, the employee must have been involved in management for at least five years. Ownership however, is based on superior performance more than anything else. The "joint-venture" sharing is structured more, or less, as follows:

Qualified Club Managers - Own 10% of the business

District Managers - May be involved with up to 3 centers - each with a 10% stake owned by the D.M.

Regional Manager - Owns 29% of the clubs he/she supervises.

Central Management - Ray's share amounts to 51%.

Ray believes that three key ingredients are necessary for his joint-venture partners to succeed: they must have guts, drive and be leaders. He laughed when he recounted an experience with his son, Packy, who had opened the Family Fitness Center near the Los Angeles airport about 11 years ago. He recalled that his then 21-year old son came to him and said, "Dad, this situation is really bad." The son was upset because the club was full of problems and was not performing anywhere near what they had hoped for. Ray encouraged him to stick it out and work through all of the problems which his son did. Ray told his son, "you're lucky to

have problems of this magnitude. You will overcome them and for the rest of your life, all problems will be easier." Packy has 8 clubs which he operates very successfully and just like the other Regionals, shares in the ownership. Ray Wilson says, "any adversity, if you learn from it, can make life better. As long as you learn, you develop when you go through tough times."

The loyalty to Ray expressed by his joint-venture partners is remarkable. Jerry Griffin, one of Ray's Regional Managers, recalls: "Ray recruited me at my wedding reception over 15 years ago! He is fair to us and makes sure that the people in the trenches are rewarded for what they do." Ron Thompson, who has been with Ray and Family Fitness Centers for 17+ years, describes Ray as, "firm, fair and friendly." Ron says, "he is very generous - willing to share - he filters the financial rewards throughout the company. He cares and gives a lot to his people. He is a combination of preacher, counselor, psychologist and personal friend, as well as a boss. He also is a man of his word." Charlie Tartella has worked for Ray for over 41 years. Charlie describes Ray as, "The best motivator of people I've ever come across. He has a great strength of mind to see projects through, such as what he did with LifeCycle. Ray believes that sharing of the wealth is an integral part of the business."

Throughout the interviews with Ray's people, the message was basically the same...Ray provides his people with great opportunities for their hard work to pay off.

"JOINT-VENTURES vs FRANCHISING"

The concept of "joint-ventures" vs franchising was discussed and Ray has some very strong beliefs about health club franchising, "Health club franchising won't work...I've already tried it!" He then mentioned the currently-in-development Bally Franchise Program and said, "Mass franchising of health clubs is a bad idea and could cause the biggest black eye



**Family Fitness Staff Pearly Worthens (L),
Mike Doucette & Cecelia Gavin**

the health club industry has ever seen." He also commented, "Franchising is the easiest thing to do. I believe I could sell a thousand franchises next year, but 80% of them would ultimately fail. You need the right people operating this business to succeed."

"10% PROBLEM RULE"

In describing his management style, he shared another key, what he calls his "10% Problem Rule." He explained that typically in a chain, around 10% of your clubs will be experiencing problems of some kind at any given time. He says, "I concentrate on my 'problem clubs' so we don't accumulate more than an average of 10%." By concentrating on the "problem clubs" and letting his joint-venture partners pretty much run their own show, Family Fitness Centers has grown into an organization with over 500,000 members and over 4,000 employees. (Most are part-time employees.) The chain of 72 locations generated annual revenues of \$100,000,000 in 1994 and is projecting \$115,000,000 for 1995!

HIGH VOLUME

Each club averages

2,000 workouts per day (average of 144,000 visits per day) with some of the biggest clubs serving traffic of 3500 to 4000 people per day! To draw this level of traffic year in and year out, the members must be happy. The combination of extremely well equipped and maintained clubs at very competitive prices has served Ray and his joint-venture partners well. When asked his response to his competitor's complaints that his low membership prices hurt all clubs in their market, he cited a quote from Cecil Spearman, former IHRSA President. Cecil was quoted in a recent CBI Magazine article as saying, "There are, after all, two different markets in the club business and Ray's is the low-price, high volume one." Spearman's clubs are primarily high end, multi-purpose, racquet clubs who appeal to a more affluent clientele than Ray tries to attract.

"THE DIFFERENCE"

This mass market "niche" is being sought by a number of "chains" around the country. But, the "DIFFERENCE" between those operations and the Ray Wilson's Family Fitness Centers is that Wilson's clubs are so WELL EQUIPPED and WELL MAINTAINED they are intensely competitive with all clubs in the markets he serves. Rob Rideout, the Vice-President of MicroFit Corpo-

ration, has seen at least 15 of Ray's clubs and says, "The Family Fitness Centers are incredibly well equipped and maintained and that gives them a very competitive position in the markets they serve."

For example, the average Family Fitness Center will have 120 pieces of cardiovascular equipment and 5 to 7 DIFFERENT lines of selectorized weight equipment as well as an extensive free weight line-up. This writer visited the San Jose club which has 140 cardio machines, including, 40 stair-machines, 30 treadmills and 45 LifeCycles! It has 7 different lines of weight equipment plus a large free weight area. The 30,000 square-foot San Jose club is literally packed with the best equipment available and serves 4,000 members on the average Monday. That club is just 100 yards away from a huge Gold's Gym which is also packed with mostly weight equipment. Less than a mile away from those two clubs is the Meridian Athletic Club which is a nicely decorated and well equipped facility. When asked about the Gold's Gym across the street from the San Jose club, Wilson quipped, "I'm glad to have them there as competitors..... they help us a lot because they serve the hard core lifters and we are more targeted to families in the area." While visiting the San Jose location, I took time to talk to some of the members in the parking lot prior to entering the club. They expressed great satisfaction with both the VALUE of their membership and the QUAL-

(See More Ray Wilson page 25)

Biz Stark

continued from page 12

RETENTION PROGRAM

At Market West Athletic Club we have found that if a retention program is to work, it must have the following characteristics:

- 1) It must be simple
- 2) It must not be labor intensive
- 3) It must provide accountability
- 4) It must allow for member feed-back.

In September of 1993, Rose Moritz, our Director of Member Services, developed our current

member retention system. She divided our overall approach into two phases: 1) New Member Assimilation, and 2) Member Retention. We begin our overall retention system during the new-member sign-up procedure. Given some of the alarming statistics over the years that show a surprisingly high number of people who quit during the first 3-6 months of membership, we decided to take nothing for granted and start "at the beginning."

The basic divisions are:

- 1) New Member Assimilation (months 1 through 6)
- 2) Member Retention (months 7 and beyond)

NEW MEMBER ASSIMILATION AS PHASE ONE

The basic parts of our

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Mike Chaet, Ph.D.



An industry legend & president of Club Marketing and Management Services, Mike is one of the leading club marketers in the U.S. He is a contributing author to numerous fitness journals, and is the guest lecturer for such organizations as IHRSA, Club Industry and BodyLife. Mike has been in the club business since 1965, during which time he has been involved in every level of the club operations, including a prestigious stay at the Los Angeles Athletic Club. Along the way he has owned and operated his own clubs. As a consultant, Mike has been involved in the development or management of over 1500 different clubs worldwide. He is quite the supreme educator who will transform your approach to club marketing and management.

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 (CIRCLE YOUR CHOICE):****HOW ARE WE DOING WITH...**

CLEANLINESS:	POOR	GOOD	EXCELLENT
FRIENDLINES:	POOR	GOOD	EXCELLENT
HELPFULNESS:	POOR	GOOD	EXCELLENT
OTHER:			

CAN WE HELP WITH...

FITNESS GOALS:	YES	NO
NUTRITION:	YES	NO
MOST RESULTS/LEAST TIME:	YES	NO
OTHER:		



THANK YOU FOR COMPLETING THIS SURVEY. PLEASE DROP IT OFF AT THE FRONT DESK DURING YOUR NEXT VISIT.

assimilation program are:

- 1) New Member Packet containing:
 - a. Welcome letter from Director of Member Services.
 - b. Various handouts about club programs and activities.
 - c. The "M-W Game"
 - d. Current newsletter
- 2) Monthly usage reports
- 3) Sample phone script for Phone Call #1
- 4) Sample text for letter #1
- 5) Sample phone script for Phone Call #2
- 6) 6-month survey post card

The Welcome Letter explains the role of the Director of Member Services, invites each person to participate in the "M-W" game and extends our appreciation for their support.

The "M-W" game was created by Rose to make the first weeks of membership fun, productive and insure that each new member would meet the various members of the Management

Staff. By filling in the various slots of the "M" and the "W", the new member will establish familiarity with our staff, become involved in our various activities and thus increase the chances that he/she will become a long-term member.

Listed in the monthly usage reports are the individual member's and each person's number of visits during the last 30 days. Before starting this program, we profiled the overall usage of all terminations. In doing so, we were able to determine that for our club, the statistical break seemed to be at more/less than 4 visits per month. Based on this determination, we decided to identify a "low-user" as anyone with less than 4 visits during a particular month.

In the first 6 months of membership (Assimilation Phase), we track usage for months 1 through 3 and provide for member feedback after month #6.

For the first month when a new member has less than 4 visits, we make "phone call #1."

Learning from Curt's experiences, we do not mention anything about low usage. We ask if they have been enjoying the club, if they have had their initial Fitness Assessment, if they have made an appointment with an instructor to learn the fitness equipment or if we can help in any way. The objective of this call is to get the new member to commit to an appointment at the club.

If a new member has low usage (<4) for a second month, we send "letter #1." The letter reminds them of how we want to be sure they are using and enjoying their membership. We offer them a choice of 2 items: 1) a free guest pass to bring a friend, or 2) a free Personal Training session with our Fitness Director. In either case, we are again trying to force a commitment on their behalf.

If we have a new member with low usage for a third month, the Fitness Director calls the member ("phone call #2") and schedules a series of introductory workouts. Since a regular commitment is still lacking, we call the day before each of these sessions to confirm that the new member will be coming. In the more than 18 months since we initiated this system, we have only had to call 2 members in this category. One of these not only became a long-term member but has purchased several packages of personal training visits.

A survey post card is mailed to each new member during their sixth month of membership. On this card, we ask how we are doing in key areas such as cleanliness, friendliness and helpfulness. We also ask if we can help with fitness goals, nutrition or getting more results in less time. The member drops off the card at the front desk during their next visit.

When each new member (See Biz Stark page 26)

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CORY EVERSON AEROBICS AND FITNESS LICENSING PROGRAM ROLLED OUT

Cory Everson, a 6-time Ms. Olympia and world acclaimed fitness expert, has announced a new licensing program for women's only clubs.

Research has shown that one out of every two women are on some type of diet. And, unfortunately, those women are doomed for failure. As case studies have shown, within two years, 95% gain back any weight lost during their "dieting efforts." Diets don't work without exercise. The new Cory Everson "for-women-only" approach combines the latest in strength training, aerobic conditioning, nutrition and education to make

success stories for each one of your clients.

The Cory Everson concept provides solutions to all the failures that have left women behind when it comes to total health and fitness. A for women-only club caters exclusively to the science and physiology of women. In other words, what really delivers.

Cory's approach to fitness training is developed from her sincere belief of providing the best instruction possible - as demonstrated early on in her career through video, books, articles and ESPN fitness programs. Be sure to catch Cory's new fitness show called "Hooked

On Fitness" which will air soon.

This same basic philosophy has now been packaged in a for women-only club to provide the service excellence and education level to an otherwise untapped market - women! By providing accountability and instruction coupled with motivation, the club's clients will receive results providing the club with high satisfaction ratings which ultimately leads to a long-term clientele base, plus the bonus of referral business.

For information on Cory Everson's Aerobics and Fitness for Women licenses, contact: Kevin Case, Director of Licensing, (706) 321-0999.



Cory Everson

MIKE CHAET ACQUIRES PERMANENT HOME FOR CLUB MANAGEMENT COLLEGE

Helena, Montana - Mike Chaet, the Founder and President of Club Marketing and Management Services, Inc., has announced the acquisition of a 4500 square-foot building in historic and scenic downtown Helena, Montana. The CMS Management College is moving into the building on May 15th.

The center piece of the new center is a 900 square-foot high-tech conference center which will house 65 students. The center is equipped with computer projection equipment which will allow instructors and students to work on their computers while the class observes. The center is also equipped with multi-screen video displays, plug-ins so you can record sessions for future listening. The plush conference chairs provide relaxing seating for class participants.

While attending the sessions, the participants will have Fax,

phone, copy and other business services available to them, so that they will never be too far away from your business. The new building will have an old fashioned college bookstore featuring books and videos of interest to club operators. The purpose of the new center according to Mike Chaet, "is to take club management education to a new level of professionalism."

The educational programs have been expanded this year to include: two Level I Advanced Management Training Programs and one Level II program. Along with the Three Certified AMT programs, The Club Management College will be offering three other master training programs: Sales Training, Member Retention and Service, and Sales Management. Each of these courses will provide the participant with in-depth practi-

cal knowledge in these areas of specialization. Certificates are provided to all graduates of these master classes.

Probably the most innovative and exciting program to come along in a long time is the new "Owners Only" Program as previewed at IHRSA, San Francisco. This program is the first of its kind and is an in-depth training program designed to help owners of clubs become more effective. For a registration package and more information regarding schedules and costs, please contact: The CMS Club Management College, at 312 Fuller, Suite A, Helena, Montana. Or call (406) 449-5559 or Fax to: (406) 449-0110.

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...MAP

continued from page 14

must be built into short-term weight loss checkpoints. Possibly four pounds would be reasonable and likely to be attained in the first month. Formalize a contract based on this.

Staff should be given guidelines on how to base each short-term goal on each client's risk level estimated in Step 1 (high-risk members require easier goals so that discomfort does not test their persistence), time available each week, as well as physical condition. Check up on short-term goal attainment each month. Set new short-term goals or revise those not yet achieved as needed.

Step #3: Develop workouts with members' vulnerabilities in mind.

We absolutely know, from drop out rates, that members' exercise persistence is a fragile thing indeed. We cannot risk pairing exercise with discomfort in any way; rather, workouts must relax, revitalize, and provide a sense of accomplishment for clients. Trainers should be sensitized in prescribing exercise programs that encourage positive feelings and discourage boredom, discomfort and anxiety.

One direction that trainers should consider for some includes waiting several weeks to prescribe

a formal program, so that an at-risk client may "feel out" his or her exercise likes and dislikes, as well as manageable intensities. Trainers can give some general safety guidance initially and let the member "probe" for a while. Additionally, members' feelings should continually be assessed by trainers when setting workout loads for their personal exercise programs. Trainers need to balance a member's desire for accomplishment with his comfort level as intensities are set. Body language is often a better indicator of discomfort than what a member will disclose when asked. Educate members that exercise should be undertaken as a progression. Emphasize the need to build regular, moderate amounts into their lifestyle. Rushing for quick gains is neither necessary nor useful to them. A well-developed workout is encouraging and revitalizing. It sets up even the most at-risk members for success and persistence.

Step #4: Set members up for constant doses of reinforcement.

All behaviors, exercise included, are maintained through reinforcement. For habitual exercisers, the act of exercising is reinforcing in itself. This is not the case for the large majority that do not find inherent joy in such physical activity. We must help them if they are to persist. Some strategies for providing various types of reinforcement for members include:

1) Recognizing the attainment of **SMALL** goals. Have each small goal documented in some way. This is a key to emphasizing success.

2) Create a team environment. Develop workout groups that encourage and care about each other's success and persistence.

3) Teach self-reinforcement. Encourage a client to treat himself or herself to a gift or an outing for reaching a small goal. Encourage relaxing in a whirlpool or with a well-deserved massage as a reward for completing a workout.

4) Insure encouragement from staff. Make certain that trainers' on the floor are circulating and are directed at **NEW MEMBER** contacts. **CONSTANT** validation of clients' exercise efforts should be a large part of the trainer's job. Attention is greatly reinforcing.

Step #5: Program strategies that enhance motivation.

Don't assume that low motivated, at-risk members will be able to counter the time demands, physical effort, and often perceived drudgery that exercise causes by themselves. Have staff trained in motivation enhancement strategies such as:

1) Exercise group formation. This strategy forms members of similar ages and time availabilities into friendship networks. While exercising and after, the mutual support is very rewarding.

2) Relapse prevention. This strategy prepares members to properly deal with the inevitable absences from their program. Without this training, many will leave as soon as a day or two are missed from their prescribed routine.

3) Variety. Follow-up assessments should be built into place that revise workout programs. New activities, or at least new slants on usual ones, keep a sense of freshness and challenge alive for members.

Excellent motivation enhancement strategies serve to anticipate member vulnerabilities before they happen. Remember that efforts must be primarily directed at the newer, more at-risk clients. Most facilities, incorrectly, focus most of their programming on the habitual exerciser that is not likely to drop out because of waning motivation.

Step #6: Program strategies that repair motivation.

Even the most well-meaning member often begins to have difficulty with their new exercise experience. To counter this, and nurture the exercise habit, staff should have a "tool box" of psychological strategies at their disposal. Some of these, useful during on-floor circulation time, include:

1) Relaxation training.

Breath control and deep muscle relaxation links exercise with a relaxed, pleasant state.

2) Positive self-talk.

This technique teaches clients to substitute thoughts of displeasure with positive and motivational self-statements.

3) Imagery.

This technique gives clients the means to place themselves into a challenging sports task, or to picture an emerging, well-informed body—all in their mind's eye.

4) Dissociation. This technique trains members in how to mentally block discomforts.

Although some of the methods I have outlined in this article seem quite different than what fitness centers normally provide for their members, I am convinced such methods are absolutely necessary. Exercise retention is a mind/body quest. We must pay much more attention to what a member goes through psychologically to be of better service to them. Remember, most of our members have the same goals as we do—they wish to keep exercising regularly and keep coming back.

When our physiologically-trained fitness staffs are enlightened with this new mind/body sensitivity, they usually see the big picture unfold. Physiologically-correct information is of no use to members unless they adhere, long-term, to a reasonable exercise program.

Don't make the mistake that quick fixes or pep talks will enhance your retention rates. Focus your efforts on training staff to:

(a) pick out at-risk members;

(b) focus overwhelmingly, their attention on these clients;

(c) systematically set members up for success through goal-setting, accurate exercise prescriptions, and follow-ups;

(d) provide enhancement to motivation; and

(e) repair waning motivation.

If you are willing to approach the retention problem systematically, using the scientifically-sound principles that I have described, rapid results will be yours quickly.

(Dr. James J. Annesi is a sport/exercise psychology consultant and the director of **ENHANCED PERFORMANCE TECHNOLOGIES**, based in Woodbridge, N.J. He is the developer of **MAP** (Member Adherence Program), a system which trains fitness center professionals in using behavioral-psychological principles to increase member retention. For questions regarding this article, please call (908) 636-4183.)

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Education Key To Cybex/ABC Financial Seminar Series

By Norm Cates, Jr.

Believing in the importance of continuing education for club owners and operators, CYBEX, ABC Financial Services, Advanced Free Weight Systems and Apex Fitness Products have gotten together to produce a series of 14 seminars around the country for club owners.

The training seminars are intended to provide club owners with continuing education in financial management concepts, club development, operations, and marketing, as well as fitness strength training education. Tom

Plummer provides lectures on the financial/business end of the club industry. Tom Purvis, P.T., of the Chicago-based National Academy of Sports Medicine, provides the most up-to-date information on fitness training. The seminar schedule includes lectures entitled:

- Building A Club From the Concept Up
- Customer Service and Staffing
- Operating Multiple Profit Centers In The Club
- Owners Roundtable/Club Management Systems
- Managing By Numbers
- Marketing

1995 SEMINAR SCHEDULE

- Stratford, Connecticut - April 22-23
- Orlando, Florida- May 20-21
- Dallas, Texas- June 23-25
- St. Louis, Missouri- July 21-23
- Denver, Colorado- July 29-30
- Pittsburgh, Penn.- Aug. 12-13
- Atlanta, Ga.- Aug. 18-20
- Howell, New Jersey- Oct. 27-29
- San Francisco, Ca.- Nov. 17-19
- Chicago, Il.- Dec. 1-3

1996 SEMINAR SCHEDULE

- Portland, Oregon- Jan. 12-14
- Washington, D.C.- Jan. 19-21
- Pasadena, Ca.- Feb. 9-11
- Boston, Ma.- Feb. 23-25

At each Strength Seminar, CYBEX displays and demonstrates their new line of selectorized weight machines, called the STRENGTH SYSTEMS LINE. This new line of equipment was developed by

CYBEX through work with focus groups and with extensive input from club operators. According to Ken Lucas, the National Sales Manager for CYBEX, "we have listened to the club operators and we are giving them what they want."

The most recent seminar was conducted in New Orleans, Louisiana and drew attendance of 60 club operators representing 20 clubs. The remaining schedule is listed above.

Australian Body Works Salutes Top Employees

Atlanta, Georgia - Australian Body Works, Inc., (ABW) which operates 10 Atlanta area fitness centers, recognized employees for exemplary leadership and years of service at

the first annual EMPLOYEE AWARDS NIGHT celebration held on March 25, 1995. Company Founder and President, Tony de Leede, presented the General Manager of the Year Award to DONNA RILEY of the ABW Courtyard Fit-

ness Center. Thirteen years ago, Ms. Riley became Australian Body Works' very first employee. She has been involved in the fitness business for over 16 years. EMMA GLASS was recognized as the Club (Operations) Manager of the Year. Ms. Glass manages the North Cobb ABW location. She was initially a member of Australian Body Works, began working part-time, and a year later, was promoted to manager. BRIAN EVCES and CATHY JOLLY were chosen as the Top Management Team. Previously with another local club, they have been with Australian

Body Works at Parkaire for only a year. Both are certified personal trainers and Ms. Jolly is a former aerobics instructor.

The company also recognized four employees for their outstanding service of over ten years with Australian Body Works. JESSY BERKELEY manages child care at the Dunwoody location. She was their first employee and has been a part of the club since its opening. MINDY PAYNE, Director of Operations, began her career with the company first as a member and then as part-time desk manager. Formerly an admitted "couch potato," she became a convert to the

benefits of exercise after finding out that she had a heart condition. KEN SHOOK, Aerobics Director, was a former feature skater with the Ice Capades and Holiday on Ice. Ken has been with Australian Body Works for over 11 years, and he currently oversees the aerobics instructors of 10 clubs. JANIE WILSON, Director of Community/Public Relations, was the first official member of Australian Body Works. A year after joining, she became an aerobics instructor and has been teaching now for over 12 years.

CONGRATULATIONS to all of the honorees at Atlanta's - AUSTRALIAN BODY WORKS!

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IT
FUN!

Club Industry East Set For New York

Make plans to attend the CLUB INDUSTRY EAST Convention and Trade Show to be held in New York City, May 31 through June 3, 1995. To register by credit card call: (215) 643-3894.

Club Sales Staff... Part-time or Full-time?

By Gavin Russo

Some club owners question the wisdom of hiring full-time sales people. Here are their most common concerns:

IS SELLING REALLY A FULL TIME JOB?

Being the best at anything is a full-time job. Focusing 50 percent of your energies on selling memberships and 50 percent on any thing else will lead to half an effort and half the results.

That's not to say that a part-time sales person dedicated exclusively to one job, selling memberships, can not make a positive contribution to your sales effort. However, the scope of their effectiveness will be limited and expectations should reflect that.

Converting telephone inquiries into appointments, daily prospecting, effective tours and sales presentations, corporate selling, business networking, health fairs, gathering referrals, lead follow up, member retention, product knowledge, learning your competition....these are the responsibilities of a professional sales person.

Full time? And then some!

HOW DO I COMPENSATE A SALES PERSON?
DOESN'T COMMISSION SALES CREATE OVERLY AGGRESSIVE BEHAVIOR?

Everyone, to some degree, is motivated by money. That's human nature in a capitalistic society. Compensation programs should include a base salary, commissions, and monthly and quarterly incentive plans tied to team performance. Reward loyalty with bonuses to reaching annual goals while employed for the entire year.

The challenge is to develop a motivated team player who's ultimate concern is to drive the enterprise forward. Simply stated, you want someone who has "intensity with integrity," as Kimberly Corey of The Sports Club Company recently put it.

"I THINK I HAVE SOME TALENTED PEOPLE IN OTHER DEPARTMENTS WHO CAN HANDLE MEMBERSHIP SALES CAPABLY AND AT NO ADDITIONAL COST IN TERMS OF SALARY."

How capably and at what cost? It's not about getting the most out of your employees. It's about getting the best out of them. Ultimately, it becomes a question of accountability. You can not expect an employee, whose primary focus is in an area other than sales, to accept total

responsibility for outcomes beyond their control.

It takes years for any professional to hone their unique skills. Good sales people are no exception. Through continuous education and practical experience, they have worked hard to be experts in how to best meet your member's wants and needs. This requires a dedicated commitment of excellence and accessibility.

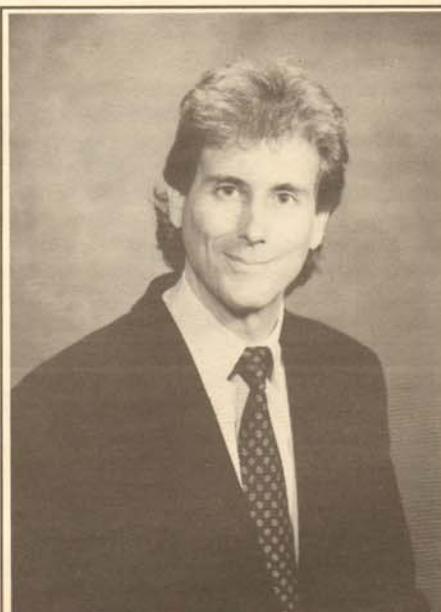
Will they generate more leads than a part time employee from another department? The answer seems obvious.

Will they convert more of those leads into members? Unquestionably.

Are they worth what you're paying them? Sales compensation is an investment. Sales productivity is the return on your investment. And if your profit margin is smaller than you would like, then the amount of your investment or the rate of your return(membership rates) should be reevaluated.

HOW MANY SALES PEOPLE ARE ENOUGH?

That depends on your market, cost of living considerations for your sales people, membership goals, club size, overhead, hours of operation and other fac-



Gavin Russo

club two thirds the size, in a similar market, employees only 3 sales people. Both clubs are extremely successful. Total commission paid are similar. Sales revenues slightly higher in the larger club; membership rates higher in the smaller club.

Both have developed a winning strategy primarily by listening to the market when it speaks. They have different professional agendas, yet are, similarly, models of success.

(Gavin Russo is the Founder and President of Oakland, California based SALES MASTERS, a sales and marketing consulting firm specializing in sales training and promotional, advertising and marketing programs for the athletic and tennis club industry. Call Gavin for a free brochure at (510) 763-9475.)

One of my clients has a club in a city of 100,000 residents with surrounding markets of 100,000 or more. Eight salespeople have flourished for the least 4 years.

Another client with a

SUBSCRIBE TODAY!
SUBSCRIBE TODAY!

Steve Datte Joins Hoist

Steve Datte, the former General Manager of the Sporting Club at Aventine in La Jolla, California, has left the club to take the position of Marketing Manager of International Sales and Service for HOIST Fitness Systems.

Datte has a lot of plans for the Hoist Company which will complement any club's efforts to improve. Among the services that Hoist provides beyond the scope of its equipment sales is the HOIST Club Support Series. The series is a free seminar for club professionals held in San Diego with the most recent seminar entitled: "The HIP JOINT." The seminar featured Dr. Chip Rowe, a Board Certified Orthopaedic Surgeon trained at the Mayo Clinic whose specialty is sports-related injuries to the pelvis and lower extremities. Also featured was Kate Grace, a Physical Therapist with vast experience in sports and orthopaedic injuries of all types.

For information on the HOIST Club Support Series, call Steve Datte at (619) 578-7676.

Nice People

continued from page 9

The Auburn Courthouse is a wonderful story of what a man on a mission can do. Years ago, the building which Art converted into a very nice athletic club, was a hospital owned by the State of California..... for the insane! Art laughs with his big smile and says, "That's why I'm here!" Auburn is a wonderfully located, small town with a population of about 50,000. The Court House Athletic Club, Auburn, has "THAT FEELING" that I experienced when visiting with Red Lerille in Lafayette, Louisiana, although Art's club is not nearly as large. In addition to racquetball, a very well equipped fitness center and lockerrooms, they offer an array of other services. Massage therapy, Yoga classes, Tai Chi classes taught by 50+ year veteran Master Henry Look, a nice snack-bar area and a Pace Circuit installed in a nicely converted racquetball court. The members attending the Pace Circuit class were having a great time and were getting a really good workout! Outside is a setting which I would love to see in the summer months. In front of the club is a huge grassy area with with a 200-year-old Oak Tree and an outdoor walking/running track. Art is planning to convert part of the grassy area to three outdoor-sand volleyball courts. Adjacent to that is a seven-lane Olympic size lap pool. Even though it was kind of cold, the heated pool had six or seven kids swimming laps under the tutelage of Ron Buda. One of the membership representatives is a gentleman named Jeff Brouillette, age 54. Jeff sells real estate and memberships at the Court House club.

Traveling about 20 minutes to Grass Valley, we visited Art and Linda's new 13,000-square foot Court House Athletic Club which is nearly one-year old. Very nicely designed, decorated and well equipped, the facility has 1200 members already. Art and Linda Chappell bring two high quality clubs to their community. They are an outstanding example of a "Mom and Pop" team with a lot of class. Talk about really nice people!



Art & Linda Chappell, Owners, Auburn Courthouse Athletic Clubs



Jeff Brouillette, Auburn Courthouse Membership Sales



Coach Ron Buda

AAC

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AAC... "We're Here To Work"

...Ray Wilson

continued from page 18

ITY of their club.

As with the WalMart, the biggest retailer in the United States, Ray Wilson's customers keep flocking back because of VALUE and QUALITY. Wilson's Family Fitness Centers could some day become the "WalMart" of health clubs in the world.

MEMBERSHIP STRUCTURE AND PRICING

Maybe the most significant comments that this writer heard during 4+ hours of interviews with Wilson is what he said about membership structure and pricing. First, he says, "I set my prices according to the competition." Second, he says, "I came from a very poor family..... we couldn't afford anything when I was growing up. I want to be able to provide the opportunity for fitness to the "average" family..... so my prices for a family, compared to a single, are very low, so the average person can afford to have their family involved in fitness..... thus the name Family Fitness Centers." His dues in the very competitive Los Angeles market are: \$15 per month for single, \$19 per month for couples and \$22 per month for families.

If you are a club operator who still sells memberships with prepaid dues for two or even three years, consider this. When asked about his views on membership structure and pricing, he was very clear. He predicted, "Someday, all clubs will go to monthly dues." He went on to say, "Everytime you sell a long-term membership..... you mortgage your future." He added, "Monthly dues enhance your future..... I like to focus on getting 20% for today's operations and 80% for the future. Right now, roughly 60% of our annual revenues come from monthly dues

collected by EFT. The rest comes from quarterly, semi-annual and annual memberships." He explained, "My people are paid on NET PROFITS. In order to retain monthly dues paying members, we have to provide SERVICE along with the sales or they will stop coming and will quit paying their dues." He also suggested, "When EVERYBODY goes to monthly dues, our industry image will be enhanced. Monthly dues serves as kind of a FORCED TRUTH PLAN." He went on to explain that, "I joined IHRSA because I have the same philosophy as most of the IHRSA owners."

MONTHLY DUES NOT AS EASY AS IT SOUNDS

Wilson was quick to point out that he realizes that it is not easy to move from prepaids to monthly dues. He believes, however, that monthly dues should become a "goal" for club owners. He reminisced, "I've been through the whole cycle. I invented the Lifetime Membership at European. It worked then because most people did not use their membership like they do today.

I sold memberships for 7 years in advance, then down to 3 years in advance, then 2 years, then to one year and then to monthly dues." Ray realizes that clubs need cash for operations, but suggested that to break the habit of long-term prepaid memberships and to establish monthly dues, you need to have at least a three-year plan to bridge the time where you still need cash for monthly operations that is not generated from your monthly dues income. He believes that any club owner who wants to get there, can, it just takes time and a lot of planning, sacrifice and effort.

He also explained, "Mentally, it is not easy to make this switch. In order to get my people to agree to my desire to move to monthly dues, I had to threaten to quit!" He was obviously determined to move his organization into the

1990's positioned to succeed and was not going to be held back.

Ray Wilson plans to expand the Family Fitness Center chain to 500 or more locations in the coming years. He has just returned from a two-week trip to the Far East where he met with "The China Group" a Hong Kong investment group that is interested in development of many Family Fitness Centers over there. Ray plans to sell no franchises, but instead believes that the "Joint-Venture" structure will serve him well. If he makes a deal with the China Group, his Northern California joint venture partner, Eric Levine, will move to Hong Kong to run the show. Wilson is prepared to invest \$1 million in cash and the China Group will put up \$5 million to start the new Far East Family Fitness Center chain. Wilson also has plans to expand the U.S. chain into the Mid-West and the East in the near future.

Ray Wilson has been through a lot in his 47 years in the health club business. He has been criticized in the past by some, most likely people that didn't even know the man at all. But, his pioneering days leading up to the European Health Spas, his delivery of the LifeCycle to the world of fitness and the average of 144,000 people that exercise each day at his 72 Family Fitness Centers speak volumes for the good that Ray Wilson has brought to our industry..... the man is 67 years old now and is just warming up!

(Part I of this CASE STUDY of one of the most successful club chains in the world has provided an "in-depth" look at the Founder - the leader of the organization, Ray Wilson. Part II, next month, will delve into the organization and Ray Wilson's key people in the organization - what they think, what they do, how they are motivated and where they want to go. Stay Tuned!)

(Norm Cates, Jr. is the Publisher and Editor of The CLUB INSIDER News, a 20-year veteran of the club industry, IHRSA's 1st President and a Co-Founder of IHRSA. Cates serves IHRSA as a member of the Advisory Council.)

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Biz Stark

continued from page 19

ber reaches this 6-month point, he/she enters our Retention Phase. If we get the new member to this point, the Assimilation Phase has been successful.

STATISTICAL SUPPORT

For some perspective, here are some vital 1994 stats from Market West Athletic Club. Our gross turnover was 34.1%, our "move/job" rate was 11.28% and our resulting "controllable" turnover was 22.82%. Our "conversion factor" was 45.0%, we have as an objective, 52%. We would attempt to have a higher percentage as our goal, but over half of our short-term summer sales are college students who go back to school in the fall.

Regarding the New Member Assimilation program as described herein, here is a summary of the progress we have made:

Percentage of all monthly dues terminations in the first 6 months of membership BEFORE THE NEW MEMBER ASSIMILATION PROGRAM - 32.9%

Percentage of all monthly dues terminations in the first 6 months of membership AFTER THE NEW MEMBER ASSIMILATION PROGRAM - 11.1

We feel that this net improvement of 21.8% make this phase of our overall retention program worth the effort, time and money dedicated to its existence. On an annualized basis with the assumption that we keep this 21.8% improvement for a year, the club generates \$98,580 in additional dues revenues each year! When you consider how the labor intensive it is NOT and the increased retention we have achieved, you can see why we consider it to be such a critical part of our operational philosophy.

In conclusion to this Part One of the article, no matter what you decide to do regarding retention or new member assimilation, keep it simple and study your numbers !!

In the next issue we will cover Phase Two — Retention starting in month #7 and beyond.

(Biz Stark, a former football coach and university instructor, has been in the club industry since 1976. He has spoken at several IHRSA conventions and seminars and has written many related articles over the years. A member of the Vanguard group, Biz is the General Manager/General Partner at the Market West Athletic Club in Philadelphia and the Director of Operations at The Pike Creek Fitness Club in Wilmington, Delaware. Biz can be reached at (215) 963-2700 or (302) 239-6688.)

NAME: _____

JOIN DATE: _____

REMEMBER ...
HAVE EACH ITEM SIGNED
AND DATED WHEN
COMPLETED.
CARDS TO BE TURNED
IN TO ROSE MORITZ,
DIRECTOR OF
MEMBER SERVICES,
IN ORDER TO CLAIM
PRIZES.

OK TO
COMPLETE
ITEMS IN
ANY ORDER;
(WE RECOMMEND
YOU FOLLOW
THE PATH).
MAXIMUM OF
2 ITEMS
PER DAY.
COMPLETE THE
"M" IN 1 MONTH =
3 GUEST PASSES;
"M" AND "W"
IN 3 MONTHS =
MWAC T-SHIRT

START HERE



HAVE A 1ST WORKOUT
WITH AN INSTRUCTOR
OR TAKE A "SIMPLY PUT"
CLASS



PICK UP
YOUR I.D.
CARD



TRY THE
TREADMILL
FOR 20 MIN.



HAVE A
G.F.A.



MEET LISA
FOX

JOIN THE
CLUB



TAKE A
CLASS
WITH MARIO



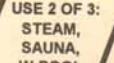
MEET
BOB



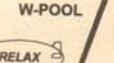
MEET
ROSE



MEET
THE "BIZ"



RELAX



USE 2 OF 3:
STEAM,
SAUNA,
W-POOL



LEARN
"FIT" TEST
ON
LIFECYCLE



TAKE
AEROBICS
CLASS OF
YOUR
CHOICE



LEARN THE
"SMITH
MACHINE"



TRY
STAIRMASTER
FOR 20 MIN.



YOUR CHOICE:
1 CROSS
TRAINING
CLASS OR
1 PARAMOUNT
WORKOUT



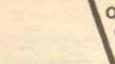
READ OUR
MOST RECENT
NEWSLETTER



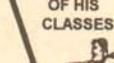
GO THROUGH
A NAUTILUS
WORKOUT



YOUR CHOICE
OF 20 MINUTES
STAIRMASTER
OR 1 "STEP"
CLASS



MEET KIRBY
OR
TAKE ONE
OF HIS
CLASSES



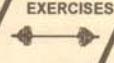
USE ONE OF THE
ROWING MACHINES
FOR 20 MINUTES



ASK PAUL
ABOUT THE "LBS"
NUTRITION
PROGRAM



TRY 3
FREE-
WEIGHT
EXERCISES

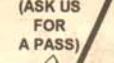


YOUR CHOICE:
20 MINUTES
RANDOM ON
LIFECYCLE
OR 1
"SLIDE CLASS"

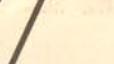


FITNESS
FIGURES

BRING A
GUEST
FOR FREE
(ASK US
FOR
A PASS)



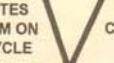
CONGRATS!
PICK UP YOUR
T-SHIRT



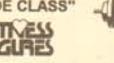
YOUR CHOICE:
20 MINUTES
TREADMILL OR
1 "ALL ABS"
CLASS



MEET VIVIAN
AND
JAMES



LEARN THE
CABLE
CROSS-OVER
MACHINE



JUNE 1995!

Norm Cates'

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Kids, Kids, Kids, Who Needs Them?

A look at bringing children's programming into your club or center

By Andy Jackson, B. Ed.

In the first of a series of articles, Andy Jackson, world respected children's fitness expert, outlines the pros and cons of having children in your club or facility. Andy has been awarded both the United Kingdom's "Fitness Leader of the Year 1992-1993," the "Fitness Excellence Award 1993-1994," from the Fitness Professionals as well as the "Education and Training Award 1993" from Asset. Andy is a truly international presenter and speaker who has dedicated his life to the children's market.

I constantly hear horror stories of children destroying the peace and serenity of a health club or recreation center. Many health club owners and managers cite this as the major reason for not having a children's program. In this article, I would like to point out the many advantages of developing a children's program, as well as hinting at some of the ways to overcome the disadvantages.

Recently in a discussion with one health club owner, I was told that every time children arrived in his club, within 5 minutes, they had used every cup out of the water dispenser and the floor was covered in water. I wondered what made him tolerate such behavior in his pristine health club! When I asked him why, he responded by inviting me to visit one of the children's sessions. I accepted his offer and would soon witness for myself the magic that children can add to a club. Ten minutes before the class, I began to wonder if any children would arrive. The atmosphere was like any other health club; a nice busy sound of the weight stacks gently clanging, the furious peddling of the bikes and the sound of MTV in the background. Then, with five minutes to go, there was a terrific stampede as 30 children flew up the stairs, shouting and chatting with incredible excitement in their voices. Every child headed directly for the water dispenser and sure enough, water was covering the floor in seconds. The atmosphere in the club for the next hour and a half was electric! The

children were cheering and playing all sorts of wonderful games in the studio. Adults had begun to gather outside of the door to watch. Many of whom had stopped their own workout, were now laughing and cheering along with the kids. Outside, the club juice bar was a throng of weary, but grateful parents enjoying a quiet cup of coffee and a chat. The club owner turned to me and said, "I can put up with a little bit of chaos to service the needs of both the children and the parents." He later pointed out that many of the parents had become adults members of the health club due to his children's classes.

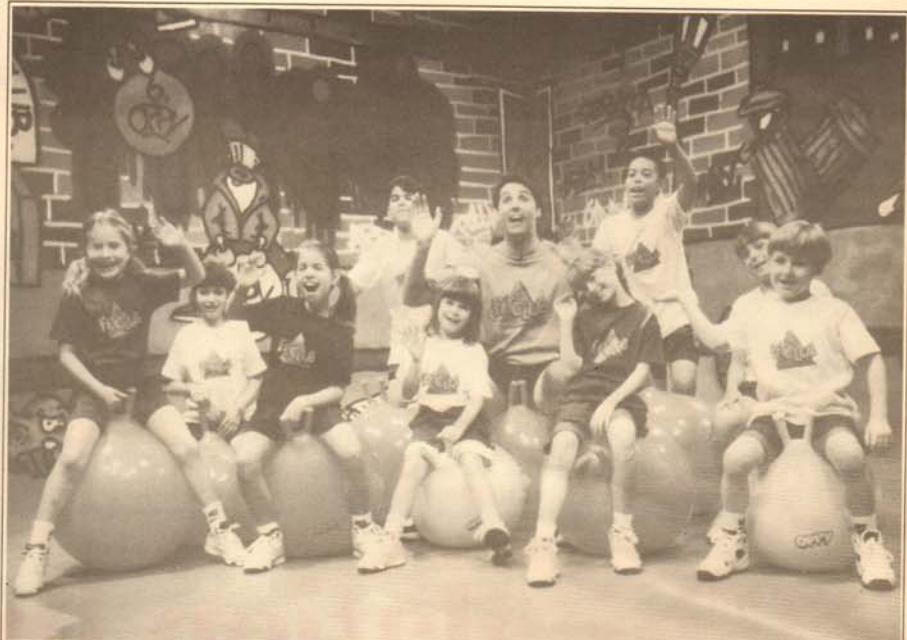
In order to maximize the control element and maintain some organization in your club, it is vitally important to lay out a series of rules and guidelines for the children to follow. Be very careful when specifying your guidelines; ensure that they are positive, advising children what they can and cannot do. It always amazes me, for example, that swimming pools often display a great list of things the children cannot do; e.g. don't run, don't splash, etc... why give children ideas? Children love consistency and will respond well to your guidelines if they are the same every week. You could present your instructions in an introductory session or in a handout to the parents, so that the children know from the beginning how they should behave. Hopefully, most children are already disciplined at home and will demonstrate some degree of respect towards your facility. By opening your club to children, you will make your facility accessible to more people who will, in turn, demonstrate a much more positive attitude towards your center.

Children, on the whole, are a great asset to your facility.

There are many factors why the time is right to bring children into your club or facility. Here are the major reasons and advantages for developing a fully fledged program for children of all ages.

(1) DEFICIENT PHYSICAL EDUCATION PROGRAMS IN SCHOOLS

Physical education in the school system has traditionally provided not only enjoyable and



regular physical activity, but also an introduction to a variety of sports. Once a primary contributor to a child's physical development, physical education classes in many schools have been hard hit by the budget crunches of the last couple decades. Parents who grew up with more robust P. E. programs assume their children are receiving the same attention in their physical education. But only half of the 5th - 12th graders in the United States attend P. E. classes at least 3 days a week. And about one-fifth of kids in this age group get no P. E. at all. Only one state, Illinois, requires all students grades K-12 to take P. E. every day. Moreover, research points out the ineffectiveness of the activities that kids are participating in, "Of 409 3rd - 5th graders, only 40% were actually engaged in an aerobic activity for 20 minutes or more during a typical P. E. class; and one-half were aerobically active for 5 minutes or less. ("Fit for Kids," U. S. News and World Report, May 20, 1991)

The time constraints put on teachers and curriculum demands, make it impossible for P. E. teachers to be able to provide the necessary activity levels to make a major impact on improving children's health and fitness and their attitude towards it. This is why it is so important that all health clubs/recreation centers adopt a children's program as an essential part of their services.

(2) CONCERN FOR SAFETY IN OUR NEIGHBORHOODS

With greater public awareness regarding the ever increasing lack of safety in our neighborhoods, we must provide safe areas for children to play and enjoy being active. Health clubs/recreation centers can give parents the security they need for their children.

(3) DECLINE IN CHILDREN'S ACTIVITY LEVELS

As we previously discussed, children are not as active as they used to be. Whether it is the fault of T.V., computer games, lack of choice, economic struggles, or the view that many children find sports boring is difficult to decide. It is most likely a combination of all of these factors. If we are to truly succeed in the children's market, we must ensure a great deal of variety and fun in all of our programming. The image of a "club" designed for children is a strong one and one that I will discuss more fully in forthcoming articles.

(4) FEWER ADOLESCENTS/TEENS TO USE HEALTH CLUBS

With fewer adolescents becoming regular users of health clubs and recreation centers in their teens and early 20's, it is vitally important for all facilities to open their doors to children as early as possible. All centers need to fos-

ter loyalty to their program and encourage children to become regular users. By doing so, we will hopefully encourage children to become lifetime members of our facilities.

(5) COMMUNITY AWARENESS

A greater awareness of your worth to your local community can be built through a successful children's program. Organizations like the Girl and Boy Scouts as well as Campfire have been an integral part in the lives of many children for years, and they will continue to help many children. However, when we consider the millions of children who do not attend, and the current statistics on children's health, it is a perfect time for health clubs and recreation centers to provide a children's program with a bit more "street credibility" and one that will be as widely respected in the community. This will be an enormous boost for the public relations aspect of your club or center.

(6) ADDITIONAL MEMBERS FOR YOUR FACILITY - PARENTS

Children bring with them a great many potential adult users - parents! One of my closest friends has two children aged 2 and 5. Before she had the children she led a very active life and loved to work out at her local health club. Nowadays, several pounds heavier, she finds it hard to find a facility which caters to her needs. A trip to the local (See Children page 29)

San Francisco IHRSA Convention Impressions

Here are some of the comments from IHRSA Members after attending the 14th Annual IHRSA Convention and Trade Show in San Francisco in mid-March.

WHAT THEY LIKED

- "Best Trade Show" ever! Many commented that this was the best trade show ever.

- Dr. James Sallis - Research on behavioral change to promote physical activity.

- Christine Brooks - University of Michigan presentation on how consumers feel about health clubs.

- Tennis Forum/International Program

- Concurrent sessions.

- "New Energy" from being around so many "positive people."

- Finally, we are beginning to look at the "PSYCH" of keeping members.

- Information on how to serve the unfit/de-conditioned.

- New information on customer service.

- Hospitals as major players in club/fitness business.

- Improvements in equipment available to us is great!

- Hotel and access to convention center venue was good.

- Best convention ever!

WHAT COULD BE IMPROVED

- The Saturday Night Party - "A flop." Disrupted by rude people. Miss the annual Dinner Party.

- Should not schedule Leadership Conference same time as "break-out" sessions.

- No tennis tournament for convention attendees.

- High fat food at some of receptions.

- Some of the awards cer-



IHRSA/KEISER GOLD 50+ Award Winners Kathy Kres (L), Jenny Triggs of Salem A. C. & Dennis Keiser

emonies were too long.

- Harvey McKay gave same talk he gave at our convention before.

- Too much theory and

forecast about future and not enough "how to do things now." Need more information on how to improve profits and less theory.

- Leadership tracks could be better.

- Key Notes speakers in the past have been better.

- Keep the non-IHRSA "schlocks" out of our convention and trade-show. Why are we paying the freight for these low-ball operators?



Larry Krieger (L) former IHRSA President, Tracy Darmstadt, Rob Goldman, IHRSA President, and Frank Napolitano, Jr., incoming IHRSA President

...Children

continued from page 28

cal health club would cost nearly \$25 per visit for herself, her husband and the children. Unfortunately, on the weekends when she would like to visit, there is no daycare facility available for the children. With all the health clubs/recreation centers keen to open up their facilities to a wider audience, the time has come to tackle the family market. A great example of this in the private sector, is where a club provides free daycare facilities during the times of the older children's classes, thus allowing the rest of the family to workout, have a swim, or just rest. Pro-Robics Conditioning Clubs in Seattle, WA offers this option for parents and has shown an increase in the number of adult members buying memberships due to the opportunity to work out while

their kids are actively occupied during the same time. The family is, without a doubt, a strong market for the remainder of the 90's.

Children are one of the hardest groups to entertain, but when you succeed, rewards to your business will be substantial. When implementing a children's fitness program, it is important to have a properly trained staff to handle them, paying special attention to the child/staff ratio. Children also require a great deal of variety in their programming, but once you have them hooked, they will remember your facility for life. So go on, take a chance, give children the opportunities they deserve for, "a life of fitness, a world of fun!"

For further information on how to set up your own "FitClub" or how to improve an existing program, contact Kathy Oxarart, FitClub, 1530 Queen Anne Avenue North, Seattle, WA 98109. 1-800-653-CLUB, or FAX: 206-322-2065.

How Preferred Clubs Works

By Norm Cates, Jr.

Rapid growth in the health, racquet and sports club industry over the last 15 years, has created an extremely competitive business environment for club operators.

Clubs are searching for ways to reach a greater share of the marketplace. Chain-type operations make it very difficult for premier independent clubs to compete because of their discount pricing and convenient multiple locations.

Although premier clubs offer better services and facilities, and cater to a clientele generally

more sensitive to quality than price, they lack multiple locations, a strong marketing and sales tool of the chains.

CONSUMER TRENDS

Statistics show that the public has become more and more time conscious, mobile and convenience minded than ever before.

Additionally, recent surveys indicate that this trend will only increase in the future.

PREFERRED CLUBS....

The Competitive Edge

The Preferred Clubs mission is to provide the solution to the independent's inability to compete against a

chain's multiple locations. Preferred Clubs provide their members with convenient access, not only to multiple locations, but to the finest clubs in North America.

The PREFERRED CLUBS objective is to "Give the Quality Clubs a Better Choice." The company's goal is "maximize the club's ability to attract new members and retain existing ones," thus grasping a greater market share.

HOW THE PREFERRED CLUBS PROGRAM WORKS

- Preferred Clubs is a service offered to premier clubs allowing them to provide their members with VIP access and multiple locations.

- Only one Preferred Club is allowed in each market place. Each participating club has exclusive right to designate the radius of their marketplace.

- Members have access to other Preferred Clubs, free of charge, up to FOUR TIMES per month. (Excludes racquet sports.)

- Preferred Clubs are provided with a computer terminal that interconnects with a central computer that tracks cardholder usage. Members receive a computer access card, a Preferred Clubs Directory and support materials.

- Cards are active for one year from month of issue.

- Clubs receive a 50% rebate on all renewals. Renewals are priced at \$25 per year and are processed through the Preferred Clubs corporate office.

RATE INFORMATION

One-time only Affiliation Fee: \$249. Includes: (a) Computer tracking monitor. (b) Front desk Preferred Clubs Directory. (c) Preferred Clubs brochures for members and corporate accounts. (d) Operations manual. (e) Logo (stats). (f) Customer satisfaction forms. (g) Attractive door - decals.

Annual Card & Carrier Agreement:

** Plan A. Box of 600 cards and carriers - \$199 per month.

** Plan B. Box of 300 cards and carriers - \$125 per month.

** All cards must be distributed within a 12 month period of time. Cards are active for one year from the month of issuance.

(For information contact Michael Dreifus at (800) 698-8887 or Fax #: (714) 759-1853.)

Norm Cates' **Club Insider** NEWS

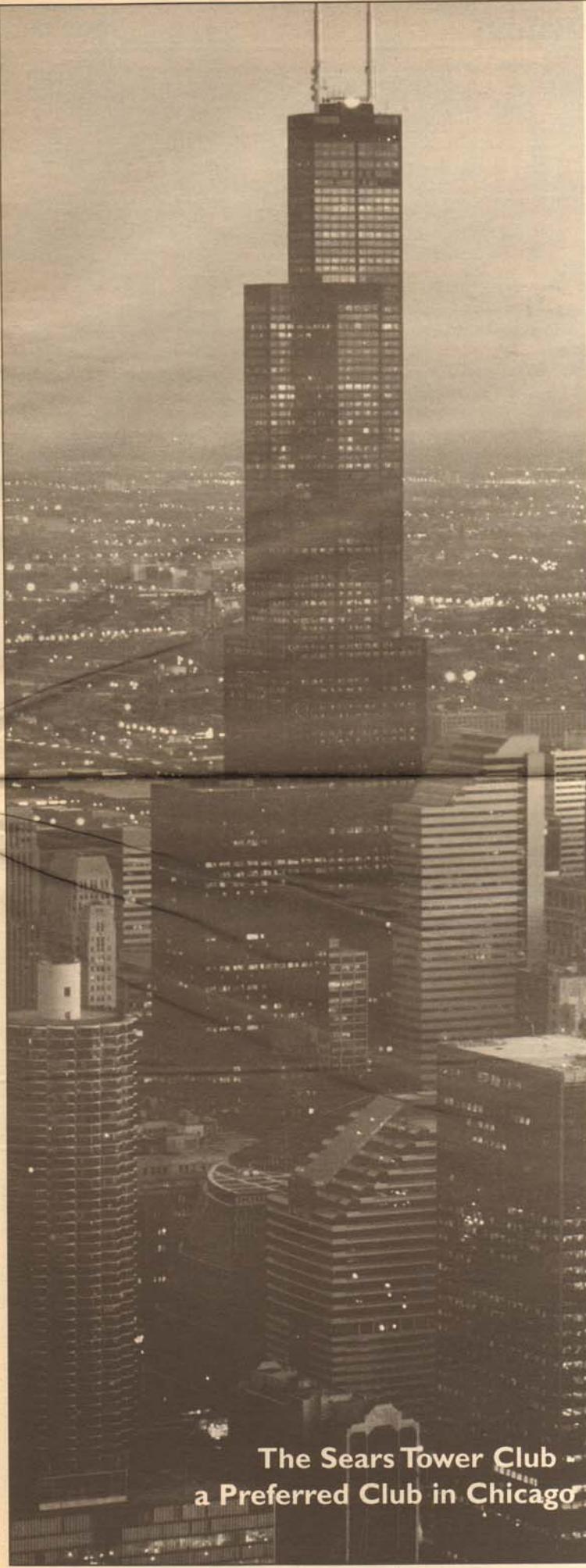
PREFERRED CLUBS TESTIMONIAL

During the last year and a half, I have gotten to know Bill Gooding and Michael Dreifus, the Founders of Preferred Clubs International. These are quality guys with a really good idea. I believe that they are honest and hard-working and have an excellent future.

The Preferred Clubs organization gives upscale multi-sports club operators an alternative to the lack of "quality control" currently negatively impacting other national reciprocal club access programs. The Preferred Clubs program will help clubs compete for new memberships and will help in the never-ending effort to keep members happy and paying their dues. All at an annual cost to clubs that is not objectionable at all given the VALUE of the program.

I predict that within 5 years, The Preferred Clubs network will be the world-wide "FIVE-STAR" program for the upscale segment of the athletic - sports club industry.

Norm Cates, Jr.
Norm Cates, Jr.
Publisher and Editor
The CLUB INSIDER News
1st IRSA President



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