

Norm Cates'

THE Club Insider

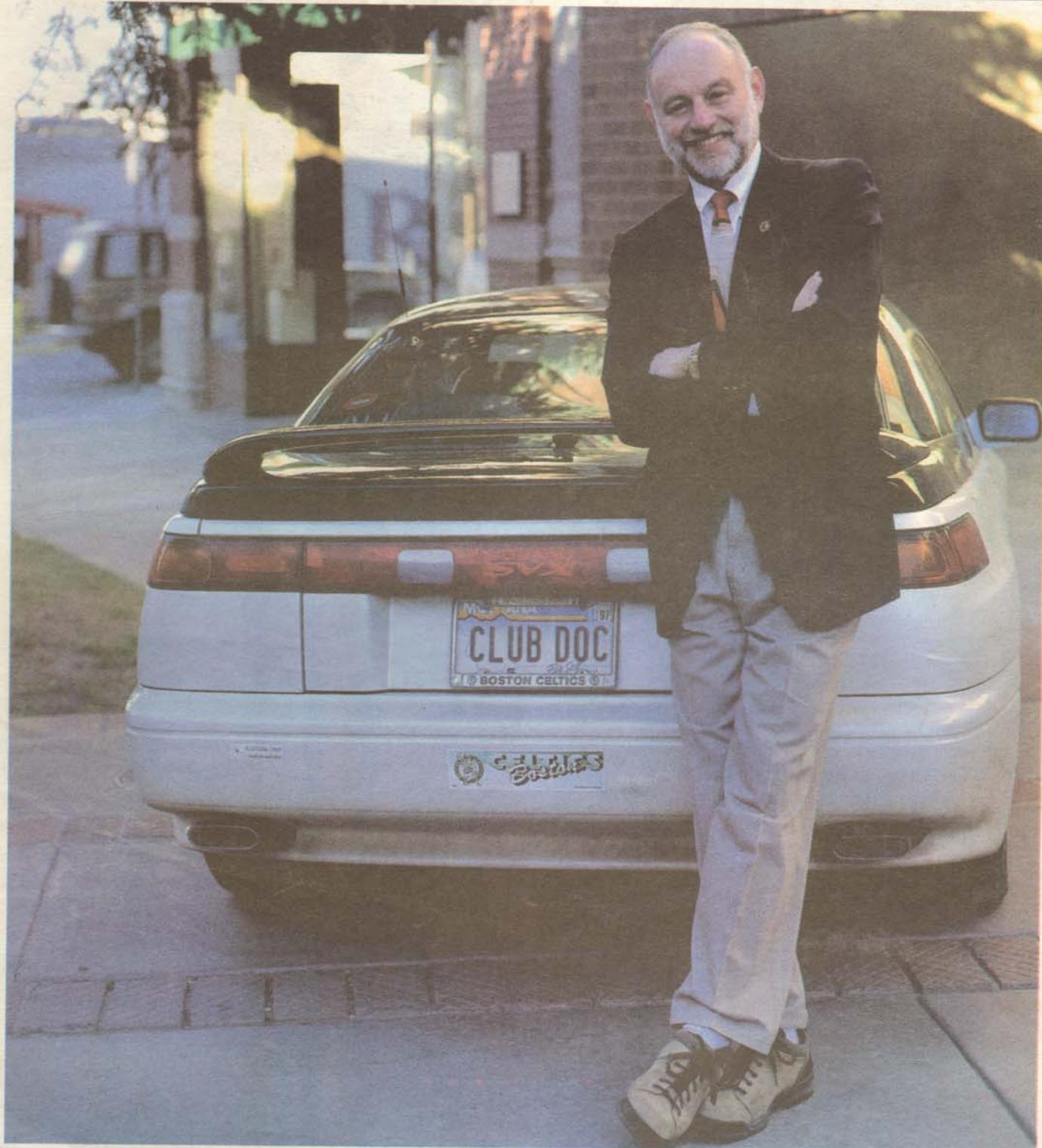
NEWS

The Pulse of the Health, Racquet & Sports Club Business

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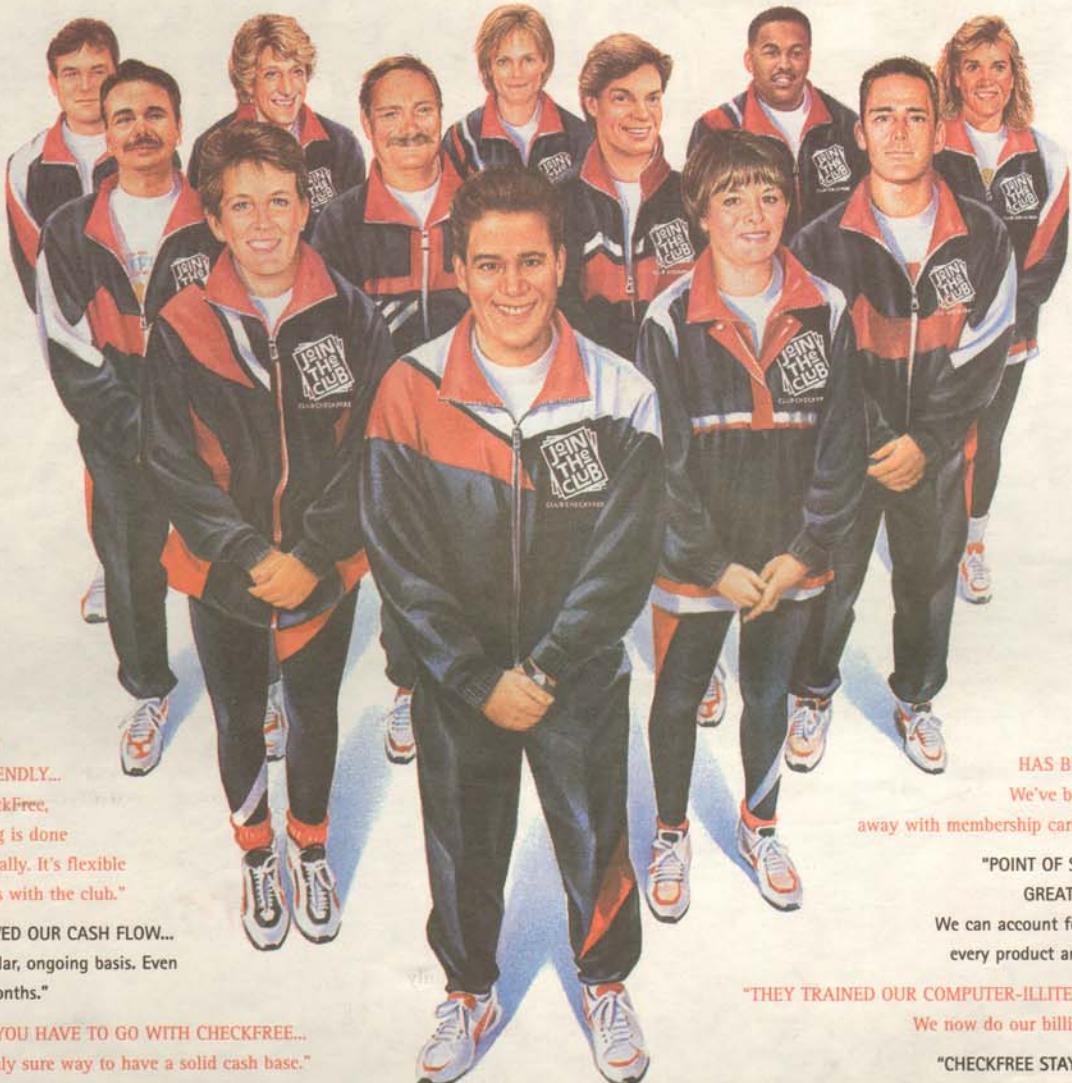
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APRIL 1997
VOLUME IV NUMBER 4



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Norm Cates'

THE Club Insider[®]

NEWS

The Pulse of the Health, Racquet & Sports Club Business

LEE HILLMAN WEIGHS IN...

By Norm Cates, Jr.

Last month, in Norm's Notes, I complained that Lee Hillman, the new CEO of Bally Total Fitness, was "stone-walling" me in respect to direct communication. I also predicted that the next time you would hear from me about Bally Total Fitness would be when I reported on their Bankruptcy filing.

I would like to go on record here that I apologize to Lee Hillman and Michael Kempner for the content and tone of those comments. I also want to report to you, our readers, that Lee Hillman has contacted me and provided me with a 2-hour interview. I also received a letter from Kempner. Last, I had an interview in San Francisco with three of Hillman's key men, Dave Tolmie, John Wilson and Larry Dakof.

I have three comments at this time.

(1) The May edition of The CLUB INSIDER News will contain an in depth report on Bally Total Fitness generated from

the comments of Hillman and his Associates.

(2) After over three hours of conversation with Hillman and his key men, I must say that I am impressed with the plans that Hillman is rolling out. However, Bally Total Fitness faces huge challenges. Lee Hillman appears to be extremely well suited for those challenges and facing them head on.

(3) In no way did I want my comments in March to be construed to mean that I hoped Bally Total Fitness would not make it. To the contrary, I have gone on record before that I believe that the worst thing that could happen to our industry right now would be for Bally to belly up and leave 4 million Bally Total Fitness members in the streets. If that were to happen, it would be the worst black eye in the history of the business and would set commercial-for-profit health clubs back by 10 years in their hunt for consumer credibility and confidence. In short, I believe it would give YMCA's, JCC's, Recreation Centers and University Fitness Facilities an edge over commercial health clubs that could be devastating.

Stay tuned for this in-depth Bally Total Fitness Report in our May, 1997 edition.

UNIVERSAL GYM EQUIPMENT CLOSING RUMOR BOGUS

West Palm Beach, Fl. Tony Worden, Universal Gym Equipment Marketing Services Coordinator, has dismissed as untrue the rumor circulating at the San Francisco IHRSA Convention and Trade Show. The rumor was that Universal Gym Equipment, a 40-year veteran of the business, was closing its 3 doors.

Worden explained that: "We have been having trouble with timely delivery of our products, so we made the decision to ship product to our customers rather than to exhibit at the IHRSA Convention. When asked why Universal was experiencing such a problem, Worden explained, "We

moved our operation from Cedar Rapids to West Palm Beach after 40 years in Cedar Rapids. This has, as you can imagine, involved the relocation of many families and workers, which in turn has slowed our production and delivery process. However, the rumor is totally false. We are not issuing a press release or anything because we don't want to make a big deal of the rumor."

Apparently, the rumor began circulating when Universal pulled out of the giant IHRSA Trade Show shortly before the show, forfeiting a significant deposit it had made. Just a couple of years ago, Universal Gym Equipment was honored as IHRSA's Associate Member of the Year.

Mike Chaet... "Club Doc" Extraordinaire

By Norm Cates, Jr.

When you talk to Mike Chaet you would think the only thing he has on his mind is health clubs. It's what he talks about and works on all the time, dreaming of the perfect health club management system.

But, ask him what he is

most proud of and without hesitation, he will tell you "my family! He'll even pull out pictures of his wife and his four children. He'll tell you how special each one of them is, how they excel in school, music, martial arts and sports such as gymnastics, soccer and basketball. He'll tell you how he loves to work with his kids in these areas. He'll also tell you that's why he lives in Helena,

Montana, a great place for family life.

Stray for a moment from his family and he is right back to the club business explaining why one club works and one doesn't. Defining what a successful club is, describing why some managers succeed while others fail. Naming his club heroes and who he admires the most in the industry. He will describe the perfect operating ratios, how a salesperson is successful and how to find them. But, most of all, he'll share with you his love of the people in this business, and how his greatest challenge is to help them make their clubs work.

Mike's greatest pleasure, second to his family, is getting a call from a client reporting that his club has turned around and is now successful. When asked why this brings him such a charge, Chaet comments

frankly, "The people in the club business are good, solid, hard-working people who put their lives on the line for their clubs. They put all of their resources on the line and in many cases mortgage even their parent's properties to pursue their dreams. They work long hours and often 7 days a week. This puts great stress on the personal lives of club owners. The club business work demands combined with financial difficulties in the club can cause serious family stress. When I can help a person turn his club around I realize that I am helping him in many other ways also. We are even helping his children if they have any."

Mike Chaet has over 100 clients in the U.S. and overseas.

Verne Jork of the Tipton

Lakes Athletic Club, comments, "When we first called Mike about a year and a half ago, we had only 360 members and we were losing more than \$100,000 per year. Mike outlined our business plan which called for hiring some sales people, making some changes in the facility and subscribing to his management and training system. It took awhile and a few meetings to convince our owners to go along with it, but they did. Today we have almost 900 members paying an average of \$900 each per year and we have a profit of several thousand dollars! We are thrilled!"

Celeste DiMambro, former owner of The Works Fitness Center in New Hampshire who successfully sold her club to a local hospital comments, "Mike Chaet is one of my favorite people. My

(See Mike Chaet page 10)

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- Ray Wilson & Eric Leyine Make California Fitness A Hit In Hong Kong
- Successful Sales Standards - How Do You Score?
- 3 Ways To Grow Your Club Business With Customer Service

THE INSIDER SPEAKS

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SSI Deal Will Leave U.S. Skywalker Owners Holding The Bag Reebok should Step In To Help Clubs!!

By Norm Cates, Jr.

Masbach, Germany - Mitch Kolb is the President of the SFG Company, a Germany-based firm which has agreed in principal to purchase the world-wide manufacturing and marketing rights to the Skywalker. The announcement of the agreement, which has not

been finalized at this time, came at the IHRSA Convention in San Francisco.

This deal gives Kolb the rights to build and sell more Skywalkers, but it will leave Skywalker owners in the U.S. high and dry for parts and service. Kolb has indicated that he expects to be able to begin to provide parts and service for U.S. Skywalker owners in the near future, but he also explained that: "The warranty for

the Skywalkers will not be valid in the U.S. SSI had so many U.S. Skywalkers that need major repairs that the cost to do so would be significant, and I could not afford to provide replacement parts without charging for them."

REEBOK SHOULD STEP IN AND HELP OUT!

Sport Specific International, (SSI), a Canada-based company, has been producing and selling the Skywalker. In 1996, SSI entered into a licensing agreement with the giant Reebok Corporation to allow SSI to 'brand' its Skywalker with the famous Reebok logo. Even though it is clear that Reebok has no legal obligation pursuant to the licensing agreement to step in and help out the U.S. Skywalker purchasers, it can be argued that they have a moral obligation to do so. And, it just makes good PR business sense for them to do so because they will be the big winners in the long run if they elect to help the Skywalker owners.

For those unfamiliar with the situation, the Skywalker product was released and sold before final testing of the machine had been completed and the product perfected. This was nearly

two years ago. The result was many of the machines sold and delivered broke down soon after delivery and had to be rebuilt or replaced in the field. This led to some serious financial obligations for which SSI had not prepared or budgeted.

In mid December, 1996, C-Power, the Rockwell, Texas company that produces the Skywalker, filed for Bankruptcy. This immediately stalled delivery of new Skywalkers and the availability of parts and service for the Skywalkers already delivered to clubs.

Shortly thereafter, Reebok exercised its rights per the licensing agreement to cancel the arrangement. So, while it was rumored that Skywalker had filed for bankruptcy, that was not true. But, the effect was basically the same when C-Power filed.

Here is the scenario. Many club owners have bought the Skywalker under the influence of the Reebok logo and reputation for excellence. One reader of **THE CLUB INSIDER** commented, "When I saw that Reebok was behind the Skywalker, I became comfortable buying three of the machines because I believed Reebok would stand behind their product if anything went wrong. But now, I can't even get parts or

service on the machines."

Reebok, as we all know, is a giant, international company. They followed their termination of the SSI - Skywalker deal with a new licensing deal; this time with Cross Conditioning Systems. Now a good question is: "What will Reebok do the next time something goes wrong?"

To club owners that have bought the Reebok Skywalker, the most important question is: "Will Reebok step up to the plate and help those Skywalker owners who now need parts and service? It would seem that would be the right thing to do because, after all, Reebok was obtaining benefits when the Skywalker was being marketed under their banner and Reebok seeks to sell much more equipment through the arrangement with its new partner, Cross Conditioning Systems, Inc. Also, it now clearly appears that SSI has bailed out with the licensing of world-wide marketing rights to Kolb, so this is a third reason why Reebok should use their significant power to help out the U.S. club operators. If you have invested in the Skywalker machines, why don't you contact Reebok at (800) 344-0444 and ask them if they are going to help you with parts and service for the Skywalker they sold you. Maybe they will do the right thing, even though it will cost them some money, it will protect their fine reputation in the industry and it will help insure goodwill as they move forward with the big deal with Cross Conditioning Systems.

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•NORM'S NOTES•

IHRSA's Annual Convention and Trade Show gets better and better! Registered attendance at the seminars was over 2800 with over 8,000 attending the Trade Show! And, over 600 attendees traveled from countries around the world to attend. Congratulations to JOHN McCARTHY, CHUCK LEVE, RICK DEVEREUX, CATHY McNEIL, ANITA HORNE LAWLOR, PAM O'DONNELL, GREGG SHAPIRO, HANS MUENCH and a host of other terrific IHRSA STAFF MEMBERS for the terrific job they did with the 16th Annual IHRSA Convention. Also, thanks and best wishes go to STEVEN THARRETT and the IHRSA BOARD of DIRECTORS, CARL PORTER, STEVEN SCHWARTZ, BOB CHAIKEN, BEN EMDIN, GARY KLENCHESKI, DAVID COHAN, ANNETH ESCHBACH, MIKE MCPHEE and FRANK

NAPOLITANO for their service to the industry and the association. SPECIAL CONGRATULATIONS to BEN EMDIN who was elected IHRSA President, GARY KLENCHESKI and BOB CHAIKEN who were elected Vice Presidents of the Association.

LEE HILLMAN, the new CEO of BALLY TOTAL FITNESS, responded to my comments in last month's edition in a very gentlemanly manner by giving me two hours of his time for a telephone interview. Next month we will publish an in-depth interview with him and his team. Check out the article on the front page for details.

PAULA PORTER, the wife of CARL PORTER, of Michigan Athletic Club

fame, has collaborated with WENDY BROTHERLIN to create a really cute and fun book for children entitled: Monsters in the M.A.C. (Monsters Athletic Club) written by Wendy and illustrated in bright and fun colors by Paula. Paula tells me it is selling really well, especially in the M.A.C. pro shop.

AUGIE NIETO CEO of LIFE FITNESS was on crutches at the IHRSA Convention, nursing his knee which was recently injured in a snowmobiling accident while he was in Europe. Augie tells me the snowmobile hit a tree going about 30 MPH. And you guessed it, after the snow mobile stopped, Augie continued, impacting the tree. It was a miracle that only his knee was injured as the impact from the hit split open his safety helmet. Best wishes, Augie, for a full recovery.

NICK ORLANDO, the



Norm Cates, Jr.

founder and former owner of StairMaster, gave me the following comment in San Francisco when asked about the status of the potential sale of StairMaster: "What is going on is there is a group of managers who have, together with a financial institution, entered into an exclusive arrangement with Garden Way (current owners) and their lenders to purchase Garden Way's shares of StairMaster. They are not negotiating, dealing, speaking or in contact with anyone else, except this management group. They are seeking to try to conclude the arrangement where the management group, along with this financial institution, will be the controlling owners of StairMaster. That's where it stands right now. I would add to that I would expect that something would be concluded rather shortly; by shortly, I mean in the next 30 days. I think that something definitive will be done where this transaction will be completed. At that time the company will make a formal announcement."

leaving the game to focus on tennis and reaching her goal of playing professional tennis. Victor, the proud Dad that has coached his daughter in basketball since she was 5 years of age, is sad, but supportive. Look for **CLUB INSIDER** articles from Victor in the future.

TONY deLEEDE, the founder and president of Atlanta's Australian Body Works and co-owner of Cardio Theater, continues to do new and unique developments in the industry. This time he is installing 1,000 square-foot fitness facility inside of Kroger Grocery Stores. The first unit which will be equipped with Cardio Theater and a full line of cardio equipment will open May 1 in a suburb of North Atlanta. The club member will be able to order his/her groceries while he/she works out and when the workout is over, the order will be waiting! I wondered what deLeede was going to do to follow-up his development of the first health club in an Olympic Village (accomplished last summer), now I know!

VICKI BRICK, the high school sophomore daughter of VICTOR AND LYNNE BRICK, (owners of the Brick Bodies Fitness Centers in the Baltimore area), is an amazing athlete. She was the first high school freshman in the history of Baltimore to make the ALL METROPOLITAN WOMEN'S BASKETBALL TEAM. Her team, McDonough High School, finished 21-2, and #4 in the Baltimore area. Vicki also played summer league basketball, went to summer camps, went to the National Championships and made the National All Star Team. Vicki has recently made a very tough decision. She has played her last high school basketball game as she is

October 15, 1996

Mr. Norm Cates, Jr.
Publisher and Editor
The **CLUB INSIDER** News
P.O. Box 671443
Marietta, GA 30006-0025
USA

Dear Mr. Cates:

I am always enjoying to read The **Club Insider** News.

Thank you for sending me the last three editions. My friend send me the editions from May 1995 to April 1996. But I don't have the May 1996 edition. So, I would ask you to send one to me, if you have some extras. I enclosed the check, the amount of \$199. I will pay for it from the check.

Thank you for taking care of this matter.

Sincerely yours,

Toshikazu Saito
President
DIC Renaissance Inc.

JIM GERBER of Western Athletic Clubs was awarded IHRSA's Distinguished Service Award and DENNIS KEISER, president of Keiser Corporation, received the Associate Member of the Year Award for his company. Congratulations guys! Also honored were CHRIS EVERET as the Person Of The Year and KATHY OPPENHEIM, of Columbia Lifecare Center, El Paso, Texas, Fitness Director of the Year.

(See Norm's Notes page 23)

Top Sales Producers: What They Have In Common

(Part 1 Of A
4 Part Article)

By Stephen "Doc" Doeren, Ph.D.

Dear Doc,

I'm relatively new in the fitness business. I've been a salesperson at a health club for about 3 months. During that time I've already seen several salespeople come and go. Departing salespeople typically complain that they can't make enough money. Meanwhile, I've observed other salespeople who seem to consistently make a lot of sales and a lot of money. In your opinion, what characteristics do "top producers" share that enable them to out perform the "average

" salesperson month-in, month-out?

S.L., Albuquerque, New Mexico

Dear S.L.,

That's an excellent question! At the conclusion of my sales seminars, I review what I call "The 20 Golden Rules to Super Successful Sales." They are a prescription for building a successful sales career. All top producers embrace most of these principles, concepts and characteristics. Do I personally believe in them? Absolutely! I believe in every single one of them. During my sales career, using these very same "Golden Rules," I sold an average of nearly 2,000 memberships, worth almost \$1 million in contract value, per year

and was the leading salesperson in the company for over 60 months in a row. Whenever my sales were a bit off I'd immediately refer back to the "Golden Rules" for a refresher course. In every instance my sales would normalize in no time at all.

Best regards, Steven "Doc" Doeren

The 20 Golden Rules to Super Successful Sales

1. Prospect, Prospect, Prospect!

If there was ever a formula for success in the fitness business, this is it: prospect, prospect, prospect! You can be the best closer in the world but if you don't have anyone sitting in front of you to present, it's impossible to make any sales. So many salespeople just stand around waiting to pick-off walk-in traffic and info calls. Why? Simple: it's so much easier to rely on company-generated business. Top producers realize that it's self-generated business that guarantees every day success. They view self-generated business via prospecting as the primary source for sales and company-generated business as nothing more than icing on the cake. For average salespeople the reverse tends to be the case. They become far too dependent on company-generated business. Therefore, when company-generated business does not materialize, the average salesperson is left without any prospects.

Simply put, prospect vigorously each and every day and you will prosper. If you simply give prospecting "lip service" all you are doing is fooling yourself; and your sales, or should I say your lack of sales, will show it. As the old saying goes: "sales is the hardest high paying job and the easiest low paying job." No matter how you cut it, there isn't a substitute for hard work in sales.

2. Be persistent

Top producers realize that the majority of all sales are made after several closing attempts. As difficult as it is to believe, lots of salespeople, fearing rejection, often times avoid

even asking for the sale. Furthermore, the vast majority of salespeople who do ask for the sale do not persist in their efforts with the customer long enough for a sale to take place. According to Dr. Herb True, University of Notre Dame, 46% of all salespeople ask for the sale once and then quit; 24% ask for the sale twice before giving up; 14% ask for the sale a third time before giving up; and 12% make four closing attempts before giving up. Altogether, 96% of all sales people "bail-out" after 4 closing attempts. So, what's the problem? According to Dr. True, nearly 3 out of every 5 sales are made after the 5th closing attempt.

The point is that if you want the sale, sooner or later you have to ask for the sale and in most cases you are going to have to ask for it not once but probably 5 times or more. Persistence is the key for top producers.

Please don't misunderstand what is being said here. Making multiple closing attempts doesn't mean high pressure sales. It simply means that top producers, in an attempt to assist their customers in meeting their needs, are much more willing to address all customer concerns, supply the customer with needed information, and work with the customer to help solve their needs by providing them with a workable solution.

3. Look the Part: Use What You Sell

Top producers understand that whatever they are selling should be very much in evidence in their personal lives. If they are selling Toyotas, they better be driving Toyotas. If they are selling T-Fal cooking ware, that's what they should be cooking on at home. In our business we are selling fitness.

Although we can't take home a million dollar health club with us, what we can do is to provide evidence to our customers that we use it - by looking the part of healthy and fit people.

Would you buy cosmetics from a salesperson at a cosmetic counter who looked as though she didn't know how to apply cosmetics herself? Would you buy a new suit for a very important job interview from a salesperson who himself didn't look like he knew how to dress for success? Of course not. So how can you expect to be maxi-

mally successful in enrolling prospects in memberships if you don't use the product yourself and it is very apparent to your customers that you don't? Top producers use what they sell and it is obvious to their customers that they do because they look the part.

4. Be Resilient

Being resilient means the ability to recover or to bounce back. All salespeople, even the best, occasionally have a disappointing day. The average salesperson may brood about it, become preoccupied with his misfortune, let it adversely effect future sales and get him off track of doing the basics which guarantee sales success. Before you know it, he's in a major slump and he can't figure out how it got there. By contrast, top producers have the ability to put the disappointing day behind them, analyze what went wrong, take the necessary steps to correct the perceived problem areas and then move on immediately to the business of generating and closing more sales. Not only do they concentrate on setting up "big" for the upcoming day by setting a slew of new appointments, they also reschedule any "no show" appointments, recontact all "missed" prospects and dig deep to capitalize on any outstanding membership sale opportunities. Top producers will almost always follow an off day with a huge day by immediately returning to the basics.

5. Don't Work Alone: Recruit an Army of Referral Agents by Providing Excellent After-the-Sale Service to Your Members

Not too long ago in a neighboring community a little 3-year-old girl wandered off from her home and got lost. It was out in the country with lots of streams and ponds and a nearby river. It was also close to a major interstate highway. Consequently, there were immediate concerns about drowning and abduction. In addition, temperatures were expected to dip below freezing due to an impending winter storm. Time was of the essence. The parents realized soon that the probability for success was unlikely if they searched by themselves. Law enforcement officials were contacted. They, in turn, put out a call for volunteers to help

(See Doc Doeren page 13)

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Doris Robinson, Manager, Nautilus Fitness Centers



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President, S.O.S.

During his sensational sales career, "Doc" sold an average of nearly 2,000 memberships, worth almost \$1 million in contract value, per year. At one stretch he went over 60 months in a row as the top salesperson in the company, setting numerous records in sales performance - many that still stand today.

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NEIL SOL'S HEALTHCARE CONNECTION A CLUB PURCHASE IN INDIANA

By Neil Sol, Ph.D.

Just East of Indianapolis is the community of Greenfield, Indiana, with an area population of approximately 20,000 residents and a county population approaching 50,000. There is just one hospital in Greenfield, the Hancock Memorial Hospital and Health Services, (HMH), a county, not-for-profit hospital, that prides itself in the high quality, "state-of-the-art" care it provides to its community.

In an effort to improve its service to the community and expand its continuum of care to include wellness and fitness services and programs, HMH began to explore methods to provide this expanded care. Focusing on wellness and fitness, HMH set out to establish a fitness center affiliated with the medical center. HMH, as do most hospitals, had the financial resources to build its own health and fitness center. However, if HMH had done so, it would have become a significant competitor to the already established health clubs in the

Greenfield community; to the point of potentially putting the clubs out of business.

However, this was not the intent of HMH. Their mission statement indicates their desire to be a "caring community partner" and in keeping with the essence of that statement, they could not, in good conscience, build their own facility.

The Hancock Memorial Hospital approached Rick Bravard, the long-time club owner of The Fitness Center club in Greenfield, a loyal and contributing community business.

HMH wanted to explore the variety of options available to them in respect to establishing a mutually beneficial relationship with Bravard's club.

As HMH was unaware of all the opportunities available in a relationship with a health club, they retained the services of Jason Conviser, as a consultant to recommend the best option for the hospital as they established a relationship with The Fitness Center.

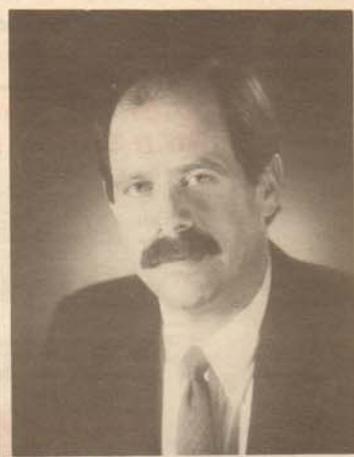
It became apparent to the Board of HMH that purchasing The Fitness Center club would be the best option for the hospital. HMH purchased 90% of the assets of The Fitness Center and established a new limited liability partnership with Bravard, who retains 10% of the new venture called the HMH "Lifetime Fitness Center". The original Fitness Center business entity, owned by Rick Bravard, was dissolved. The new entity was The Lifetime Fitness Center, established completely separate from HMH as a for-profit business entity that organized its own Board of Directors (separate from HMH) and its own employees (that did not comply with human resource policy of HMH).

According to Mr. Wolfila, Vice President of New Business Development at HMH, The Lifetime Fitness Center is a new business venture committed to serving the community but also responsible to generate a profit.

HMH purchased The Fitness Center on January 2, 1997 and has since been investing significant capital to renovate and improve the Center to be consistent with the appearance of the hospital. At the time of purchase, The Fitness Center was a profitable business with approximately 600 memberships; at the writing of this column, membership of The Lifetime Fitness Center has grown to 700. However, with the financial investment to improve the Center and marketing investment to position The Lifetime Fitness Center in the community, the Center is currently experiencing negative cash flow. All indications are that this will be short lived.

The goals of The Lifetime Fitness Center are:

- To provide a contribution to the community;
- To extend the continuum of care of HMH;
- To generate a profit;



Neil Sol, Ph. D.

• To integrate The Center with the mission and services of the hospital (which to date Mr. Wolfila agrees is just beginning).

The HMH purchase of The Fitness Center and hiring of Rick Bravard as a consultant is consistent with the trends pertaining to the connection of health care and health clubs. The HMH venture, however, reflects some unique and unexpected aspects, including the following:

1) HMH chose not to include The Lifetime Fitness Center as a hospital department or subsidiary, where it probably would have qualified for not-for-profit status. Instead, it established the business as completely separate from HMH.

2) HMH's motive to establish a relationship with a health club was not to acquire patients or establish a satellite physical therapy practice as is the usual motive of other health care institutions when they create a relationship with a health club. The initial objective was to simply expand its care to the community.

3) HMH could have easily built and operated its own fitness center, but opted to buy an existing club.

4) HMH realized its limitation in the fitness business and retained Rick Bravard and Jason Conviser as ongoing consultants to facilitate the transition and ongoing operations.

This case presents significant evidence that health care institutions need and will establish relationships with health clubs if properly facilitated.

Integrating The Lifetime Fitness Center with HMH, from this writer's perspective, is the most important task facing HMH. HMH has already done the hard

(See Neil Sol page 16)

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...Mike Chaet

continued from page 3

experience with Mike goes back some 16 or 17 years. Although we might not communicate for months at a time, he was always there for me when I really needed him. At those crucial times I had confidence he would zero in on my specific problem or opportunity, block out everything else he might have going and help me work through all the options, however long that might take. He never - never let me down."

Mike Chaet, Ph.D. is the Founder and President of Club Marketing and Management Services, Inc. He has been in the club business since 1969 and possesses a wealth of experience and skill in the industry.

Chaet was born in 1947 in Boston, Massachusetts. He attended Northeastern University and gradu-

ated with two degrees: one in education and one in economics. At Northeastern he played sports and went to school in the co-op program which gave him the opportunity to work in his chosen field while attending school. He began his career in the club business at the YMCA in Roxboro, Mass. He also worked at several other Boston area YMCAs. He was hired at age 18 by the Heritage Pool and Racquet Club in Concord, Ma. as the summer manager. Upon graduation from Northeastern, Chaet moved to

California where he earned his Master's in Stress Physiology and his Ph.D. in Management at Southern California. By the time he left graduate school Chaet had worked six years at the prestigious Los Angeles Athletic Club in downtown L.A. (Founded in 1880). He went through the LAAC management training pro-

gram which Chaet describes as "very thorough." His manager and teacher at the LAAC and still a lifetime friend was Duke Llewellyn. Chaet recently visited Llewellyn, now 80, while attending the John Wooden All American Basketball Awards program in Los Angeles.

Leaving the Los Angeles Athletic Club in 1976, Chaet established a club called Racquetball West in Culver City, California and he founded CMS at about the same time. When asked if he had a vision for CMS when he founded it, Chaet comments candidly, "No." Chaet sold his interest in Racquetball West to his partners after four years. However, he did not stop his involvement in racquetball. In 1972 he worked with Charlie Brumfield in San Diego and they established a California Racquetball Association in which he was heavily involved. During the racquetball boom of the 1970's, Chaet found himself positioned nicely to work with clubs because of his years of experience and because of his role at the L.A. Athletic Club which also had a consulting division. From 1976 to 1981 Chaet was what he refers to as "a free-lance consultant" which means if you wanted him to work all you had to do was call. In 1981 he actually formed what he calls "modern day CMS." Chaet recalls, "The reason modern day CMS was formed was that by then I did have a dream... a vision for the business. My vision and dream came from my clients. They needed a support program as opposed to someone who would fly in and say "here is what you do." The support program consisted of helping club owners establish their club, train their managers, help them do their marketing and supply them with their marketing materials. My dream was to design the perfect management system. So, no matter if they were experienced in the club business or not, they could take that system and put it in place. And, that has been my dream ever since 1981. All of our work since then has been essentially helping clients and developing that program. And it is pretty well done by now."

Chaet's CMS has been honored by IHRSA as its first Associate Member of the Year in 1984 and received the BodyLife Magazine's Lifetime Achievement Award in Europe last year.

Ask Mike Chaet to show you his "Perfect Club Management System" and his eyes will



Mike Chaet and family

gleam. However, he comments, "No system is truly perfect, but our system works if used according to design. That's why we call it "The System That Works." The nucleus of our operating system is The CMS Club Trac System which has sub-parts for each department called Fit Trac (the fitness training system) M-Trac (the manager's accountability system) Biz-Trac (the business planning process) and Tel-Trac (for sales people). In the club industry there is no such thing as a quick fix. The best you can do is to adopt a program that has a high level of accountability with an easy to use implementation system which assists your club team in meeting short-term and long-term goals. We begin with a very sophisticated analysis of the club operation. This analysis is computerized and is called a profile. We break each department down to functional units and then quantify how well each functioning unit is doing. We use a numerical scale which is cross hatched against a 3-level quality check scale. This gives us a double check so the system is almost fool proof. After each department is analyzed we rank the

improvement areas to be worked on in priority order based on how each item impacts profitability. We combine this Club Trac system with an entire set of operating manuals, training videos and marketing programs, and we have a turn-key system for our clients. We back this up with on-site training at our Club College, Phone Support and On Site visits, and we have a system that works."

Chaet adds, "The development of this program is truly my dream come true. The real litmus test for me is when I ask the question, 'Do I wish this was around when I managed clubs?' If the answer is yes, then we produce it. If the answer is no, we file it in the round file. The system is much like a franchise system, only better. We provide you with everything a franchise does and more. The 'more' refers to the freedom and individuality to manage your club in your own individual style, according to market demands and management style. So, as you see, I love the nickname 'Club-Doc', but, it's not me who fixes the clubs; it's the men and women on the front line working their butts off trying to sell memberships and trying doubly hard to keep their members happy."

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

RAY WILSON & ERIC LEVINE MAKE CALIFORNIA FITNESS A HONG KONG HIT!

HONG KONG,

CHINA - Ray Wilson has been in the health club business for over 50 years and is without a doubt the most prolific health club entrepreneur in the history of the business. He developed the European Health Spas and sold the chain to U. S. Industries. He also developed several other chains of health clubs in the U. S., Canada and Mexico. He was the designer of the Life Cycle exercise bike. He developed the Family Fitness Centers in California and recently sold the chain to Fitness Holdings, Inc. (d.b.a. 24 Hour Fitness) in a transaction involving almost 100 million dollars.

Now Ray Wilson and partner Eric Levine have teamed up with the Sportathon Corporation of Hong Kong to develop a chain of health clubs called Ray Wilson's California Fitness Centers. If the initial success of the first location in downtown Hong Kong is any indication, this next health club thrust in Asia will also be a huge success.

The first California Fitness Center is a six story, 31,000 square foot facility in a prime Hong Kong business district high rise. The facility opened on October 5, 1996 at One Wellington Street. The facility is equipped with over \$1 million worth of equipment which includes over 150 pieces of cardio equipment (Life Fitness and StairMaster) with all of the equipment tied to Life Fitness' Life Center. Strength equipment includes a full line of Life Circuit, Life Strength, Keiser, Hoggan, Sprint, Body Master, Cybex and Flex. The 31,000 square foot facility is packed tightly because the rent is \$200,000 (U. S.) per month! The total overhead is \$400,000 (U. S.) per month. The new facility is now tracking 1500 workouts per day after only six months of operation!

The construction period began in early July along with the pre-sale. The construction at times went 24 hours per day. Every trade was working at the same time for the \$2 million build out. The club is currently selling 500 memberships per month at \$600 joining fee and \$90 per month, all collected on EFT. Levine commented, "We are doing a great gross, but it costs a fortune to set up and operate here. If you don't have

a bank account that is going to see you through, where you might lose 2 or 3 million dollars before you break even, don't even think about it! Wilson adds, "We were prepared with our big partner to lose \$2 million dollars if necessary during the start - up. Our 50-50% joint venture partner, First Pacific Davies, is owned by First Pacific, a big Asian holding company based in Hong Kong. It has gross annual sales of over \$6 billion U. S. dollars, so our partners were well prepared to back their million dollar share of the start up loss, if necessary. We would not have opened without a local powerful partner. They operate throughout Asia and, among other things, have their own real-estate division, construction division and banking division. They had a bank buy and lease our club all of the fitness equipment. They gave us the real-estate connections and their construction company did all of our build out. We would have never gotten the location without their help. They even arranged to have the Governor of Hong Kong cut the Grand Opening Ribbon. We are in good shape. We have our next two locations in Hong Kong picked out and will pre-open shortly. We actually had put a stop on expansion for about four months because our home (accounting) office was not functioning properly, but now it is straightened out. With the next two locations, we will have the entire business area of Hong Kong covered with three clubs. Next, we are going to open outlying strictly residential areas. We will vary the size of these clubs in these residential areas making a total of seven clubs for Hong Kong. We are looking at locations in Seoul, Korea and several cities in Japan, including Tokyo. We have made one survey trip to China and were impressed with a couple of cities there. We are also looking at a deal in Bangkok. Our partner, First Pacific, is developing an area of Manila called Makati that is like Beverly Hills. First Pacific bought the former U.S. Military Base on Manila and they are developing it into a Century City type project next to Makati. In phase two of that

project we are going to develop a 50,000 square foot facility."

Levine comments, "Our second location in Hong Kong is 32,000 square feet and the rent on that unit will be \$250,000 (U.S.) per month. (\$50,000 more per month than the first location.) But, Levine adds, "The people in Hong Kong are sophisticated buyers. We're

not the only health club developers opening in Hong Kong or Asia. 4 new clubs have opened in addition to ours in Hong Kong in the past year. Japan has hundreds of clubs. Manila has 30 or 40 facilities. Competition is stiff in Asia. However, we feel completely confident as we have covered all bases. I am working twice as hard as I ever have worked in my life and also I have

Ray Wilson to rely on for any problems I can't solve. We are recruiting new people who are seeking a challenge and opportunity and want to get in on the ground floor of something big."

When asked about the 24 Hour Fitness deal and how it was going, Ray Wilson commented, "It is going extremely well. Mark (See California Fitness page 23)



(left to right) Eric Levine, Ray Wilson, Gov. Chris Patton, Mrs. Patton, David Davies, Pres. First Pacific Davies & Hans Franklin at Ribbon Cutting



(left to right) Hans Franklin, Augie Nieto, David Davies, Torey Farmer and Eric Levine at Grand Opening

Successful Sales Standards - How Do You Score?

By Karen D. Woodard, President,
Premium Performance Training

(This is the last of a six-part series of articles focusing on enhancing profitability of your sales process.)

Massage therapists, personal trainers, group exercise instructors, physical therapists all share something in common that Membership Sales Staff does not. Hmm...give up?

In most clubs throughout our industry, all of these positions require some sort of degree or certification. Even when you look in industry trade journal classified advertising for General Managers - -

the majority of the time a degree is required.

Why do you suppose this is? It exists because it creates a standard of professionalism and when we create a standard of professionalism it provides a level of comfort for people to feel assured that they will receive a level of performance with integrity. That sentence says a lot and so does certification. When you think about it - these are some of the same elements that help to create a sale - - professionalism, comfort level, assurance, performance with integrity; however, there is no certifying board or even a standard for our industry in selling. Certainly, we loosely agree as to what is ethical or unethical but you must admit that there is a lot of gray area. By cre-

ating a standard of certification, it declares the parameters of which to operate within and creates the most optimal outcome for all parties.

What would a Sales Standard or Sales Certification look like? It would have to cover core areas such as Competency, Presentation Skills, Product Knowledge, Professionalism and of course, Ethics. Who would benefit from such a certification? Several parties: the club because they would be assured of a higher standard of ethics and professionalism, the member because they too would be served in a more professional manner and ultimately you because you would be more hireable, more knowledgeable, more confident and more competent which results in your making more money. Sounds pretty beneficial so far. Let's take a few minutes and answer the questions below to see how you would score: (Circle the answer that applies to you.)

• Do you listen to two or more sales tapes per month?
YES NO

• Do you read a minimum of one professional development book per month? YES NO

• Do you review your job description on a monthly basis?
YES NO

• Do you read a minimum of two trade journals per month?
YES NO

• Do you actively demonstrate the benefits of your club while touring?
YES NO

• Do you use your club at least two times per week?
YES NO

• Do you spend time learning about every aspect of your club on a monthly basis?
YES NO

• Have you taken every class your club offers?
YES NO

• Do you call a minimum of 10 Members per week just to stay in touch?
YES NO

• Do you project your annual income and have a plan to sell your way there?
YES NO

• Do you plan your week before it starts?
YES NO

• Do you set personal and professional goals and review them weekly to track your progress?
YES NO

• Do you call or visit your competition at least every other month?
YES NO

• Do you know how many people you need to talk to - to make a sale?
YES NO

• Do you know where you are in \$ production at any point in time?
YES NO

• Do you have your own 30-second verbal commercial about what you do?
YES NO

• Have you developed a Unique Selling Position statement for your club?
YES NO

• Do you spend a minimum of 10 hours each week prospecting to build business?
YES NO

• Do you customize every tour to the needs of the prospective member?
YES NO

• Does your presentation contain a minimum of 5 trial closes?
YES NO

• Do you fully qualify the prospective member in the first 5 minutes you are with them?
YES NO

• Do questions make up 70% of the time that words come out of your mouth?
YES NO

• Do you always invite the prospective member to join your club today?
YES NO

• Do you follow up within 24 hours by phone or post card if they don't join today?
YES NO

• Do you take regular time out/away for yourself?
YES NO

• Do you practice full disclosure selling?
YES NO



Karen Woodard

If you had 22-26 Yes answers, congratulations! You are certifiably on the road to sales success. I would take a look at the answers that you did not answer Yes to and see how you can improve your score. If you had 18-21 Yes answers, you've got some room for improvement and now is a good time to look at where you need to make some changes. If you had less than 18 Yes answers, you may want to question if this is the right position for you in the club or better yet seek additional sales training.

Regardless of whether or not we ever have certification for Membership Sales Staff in our industry, the most successful sales people will always want to consider themselves certifiable. Continue to ask yourself the questions that improve yourself and even develop your own in-club "test" which will raise the bar for your club in your market. Before you know it, the bar is not the only thing that will be raised.

Since this is the last of my six articles for this series in The **CLUB INSIDER** News I want to encourage you to use all six monthly articles to advance your career. Please look for future articles from me in The **CLUB INSIDER**. I have truly enjoyed this series assignment and wish you an abundance of success in selling.

(Karen D. Woodard is the President of Premium Performance Training, a consulting firm specializing in successful sales training, operations training and bottom line consulting for the health and fitness industry. She can be reached by phone or fax at: (303) 417-0653.)

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

NORM PECK JOINS ACE

San Diego, Ca. - Longtime San Diego sporting goods executive, Norm Peck, has been named Assistant Executive Director of the American Council on Exercise (ACE), announced ACE Executive Director, Sheryl Marks Brown.

Peck brings to ACE 17 years of fitness product management experience. From 1986 to 1994, Peck was the CEO and president of San Diego's Ektelon Corporation, the market leader of the racquetball industry.

"Norm is one of the nation's leaders in fitness marketing," said Brown. "We are extremely pleased to have him join the ACE team and know he will add to our mission of educating the public about quality fitness instruction, products and programs."

The American Council on Exercise (ACE) is a not-for-profit organization committed to enriching quality of life through safe and effective physical activity. ACE accomplishes this mission by setting certification and education



Norm Peck

standards for fitness instructors and through ongoing public education and research.

Most salespeople simply don't followup after the sale. Once the sale is over, it's over. Any contact made after the sale is not of the planned variety. If contact occurs, it is happenstance, coincidental or superficial at best. Don't for a minute think that customers don't sense the feeling that they are forgotten if the salesperson doesn't contact them after the sale has been made. The biggest item of customer dissatisfaction mentioned in most surveys is that what they have been promised prior to the sale is not delivered after the sale. Failure to follow-up tells the customer that your concern about them and their fitness goals and dreams was just a ploy to help you get what you wanted - a commission.

Top producers recognize that the key time in sales and the most important work that they do comes after they enroll customers in memberships. It's what happens after the sale that reaps the greatest rewards, the biggest dividends. Top producers truly believe that the sale really begins after the sale. After-the-sale, service is the key. If they provide excellent after the sale service their members will voluntarily and gladly serve as their back-up sales force by referring back to them a steady stream of qualified customers. Bottom line: forget the after-the-sale service, forget about the biggest source of membership referrals available to you! We will cover Rules 6 - 10 next month.

(Stephen "Doc" Doeren, Ph.D., is the President of SALES ON SITE, S.O.S., a health and sports club consulting company which specializes in providing comprehensive on-site sales training seminars designed to bring fitness centers more profits through increased sales. "Doc" can be reached at: 1-888-767-4362 Toll-Free.)

...Doc Doeren

continued from page 6

search for the little girl. Within hours there were more than 350 people searching for that little girl.

This harrowing, true-life story has considerable relevancy for success in sales. In sales, what's going to work best? Searching for prospects yourself as a lone salesperson or with the assistance of all of the people you have helped get started on memberships? This one's a no brainer. However, the kicker is that most salespeople fail to provide meaningful, quality after-the-sale service to the members they have enrolled. Consequently, no customer loyalty is developed and there is no willingness on the part of your members to voluntarily serve as your membership referral agents.

For most salespeople, the sale is the end. However, for the customer it is just the beginning. Most salespeople just can't seem to comprehend this most important fact? Why? The answer rests upon the concept of gratification. Most salespeople fail to understand that while their gratification from the sale is immediate, that is, they will usually receive their fee for service (commission) on a paycheck within 2 weeks, the gratification for the newly enrolled member is deferred. Attaining their fitness goals and dreams is going to take time. The problem is that the average salesperson's interest in the customer oftentimes ceases at the point of sale while the customer's journey towards better fitness has just begun.

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who together have literally HUNDREDS of years experience teaching health and fitness.

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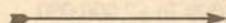
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3 Ways To Grow Your Club Business With Customer Service

By Richard F. Gerson, Ph.D., CMC

The tried and true still works. Provide a quality product or service at a fair price, then offer great customer service to those who buy from you, and your club business will grow. The only problem here is that all of your competitors are doing the same thing. So, how do you differentiate yourself from them if everyone is now providing great customer service to their members?

Take a look at your club. What is the level of commitment

from owners, managers and supervisors, as well as staff, to doing whatever it takes to satisfy your members? What about your workout guarantees and the results you promise members? Do you make the purchase of your membership risk free beyond the cooling off period?

Who is responsible for delivering service to the members? Is it a membership service department, your sales department or everyone who comes in contact with members? If it's not the latter, then you're in trouble. Remember that everyone in your club is a customer service representative.

This is important, so let me repeat it. Everyone in

your club is a customer service representative.

So, what's the best way to differentiate yourself now that everybody is doing the same thing, or at least says they are?

Take a close look at these three new concepts. While they have nothing to do with delivering member service directly, they have everything to do with satisfying members and creating high member loyalty.

And that's another important point. You can have satisfied members but they may not be loyal. They may buy from you and also buy from your competitors. In this case, you satisfy them but you don't have the large share of customer (or share of wallet) that you really want. What if they belong to another club, or what if they buy their workout clothes from another store or pro shop besides yours?

This means that another goal of your business is to increase your share of the member's wallet while simultaneously maintaining high levels of member satisfaction.

Here are three new service management concepts for you to consider to grow your business:

LOYALTY MANAGEMENT

Take a poll of your members. How loyal are they, really? Do they buy everything from you, or do they split up their purchases? The way to find this out is to ask them directly.

Go back and review your reward and recognition programs for members. Also, take a look at your frequency marketing programs and identify who they're geared for, who participates in them, and how well they involve your members. Research your previous marketing efforts for whatever you've done to attract and keep members, and determine how effective that's been.

Now, what are you going to do to make these members more loyal? I'm not talking about satisfaction here. I'm talking about going beyond satisfaction to create advocates, apostles and loyal followers.

Here are some things you can do to build loyalty.

1. Identify who your right members are. (Most profitable and require the least service.)

2. Find out exactly what they need, want and expect from you.

3. Determine their desired level of service.

4. Give them more than they ask for and expect.

5. Ask them for feedback so you can improve.

6. Implement their feedback suggestions.

7. Build a personal and psychologically rewarding relationship with them.

8. Provide them with recognition and reward programs.

9. Show them you appreciate their loyalty by giving them preferential treatment.

10. Help them improve their lives or even grow their business.

These are some of the best ways you can manage loyalty in your company and with your members. Do the same things for your employees so they will provide better member service, stay loyal to you and help your members become more loyal at the same time.

DEFLECTION MANAGEMENT

The number one problem for any club is losing members. The "official" term is customer defections. These are people who leave your business, for one reason or another, and usually go to a competitor. Even if they don't join another club, you have lost their membership fees.

Your goal here is to manage these defections by doing the following:

1. Provide great customer service to all members at all times.

2. Keep track of how many members leave your business and where they go.

3. More specifically, determine how many members from a particular time period leave and when.

4. Contact these members to identify the reasons for



Richard Gerson, Ph. D.

their defections, and identify the appropriate defection patterns.

5. Calculate your defection rate, first as a percentage and then as a fraction.

6. Flip the fraction to get your retention rate.

7. Compare the defecting members with your share of customer percentage to see if these defectors are in the bottom 20% of your profit contributors, the middle or the top 20%. If they are in the bottom 20%, don't worry about them. In fact, they may cost more to keep than to let go. If they are that unprofitable, send them to a competitor.

8. Go after the top 20% of your defectors and find out what you must do to get them back.

9. Develop specialty return programs and other inducements to win back your members.

10. Analyze your defection patterns and institute programs to overcome them.

Defection management, or its twin, retention management, is essential for your success. You must simultaneously stop the flow of people leaving your club while improving the areas of service that are causing them to leave. Since most club owners will tell you that their attrition (defection) rate is around 40% annually, retention management becomes a critical success factor. It's a difficult task, but one that every club owner must live up to in order to remain successful. As you can see, retention

(See Richard Gerson page 20)

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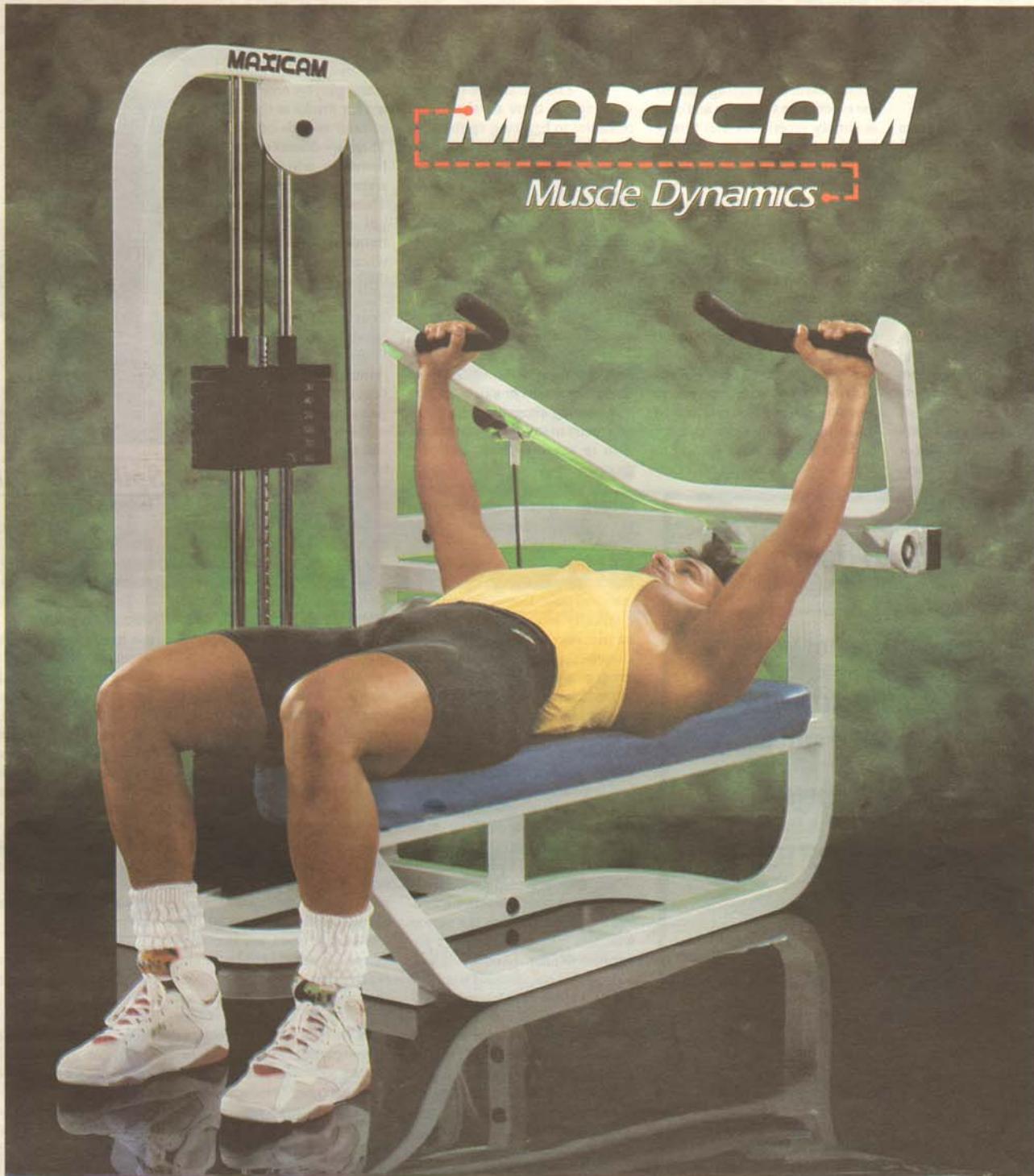
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WHY TENNIS HAS DECLINED

(More Reasons You May Not Want To Hear - Reasons 6, 7 & 8)

By Spike Gonzales

Reason #6: Our games have gotten "old and tired."

People need people to play tennis. In the 70's thousands of regular weekly games were set up among people who found some compatible friends who were also compatible playing partners. Over the course of the last two decades these games have become "stale" in several ways.

First, they have often become simply boring. For several years it was joyful to have partners who matched up well, and players avoided going "out in the world" away from their regular partners where they might have lop-sided or even embarrassing matches. Play-

ing the same partners for year after year became a haven and then a habit... and ultimately an unconscious burden. Playing against the exact same style over and over is simply repetitious and finally tiresome.

Another reason games have gotten stale is that their outcome has become totally predictable. Over the course of time some of the players in a group have gotten stronger or weaker, but the group has carried on out of deference to the friendships that have evolved. The play has lost the excitement of a variable outcome. Either the team with the strongest player almost always wins, or the one with the weakest player usually loses. Often to make up for this dynamic, the stronger players will "let up" in order to try to keep things inter-

esting. They lose the sense of challenge, and secretly wish they were with a more exciting group.

Like a marriage that's not working out, there are significant obstacles to breaking up the partnership. Many players in regular weekly games grapple at the end of the season with the issue of "how do I get out of this group without hurting feelings, or without causing the group to collapse?"

In addition, if they do leave the group, how can they get into another group that will meet their needs? Very often these players follow either of two courses. They get into a league, where variety and the possibilities of challenge and exercise exist; or they quit playing altogether. It's actually easier to say "I've quit tennis," than to say they want out of a group!

Reason #7: There is no betting. It is of course a sacrilege to say this. But it gets to the heart of the matter as to a major benefit to playing golf over tennis. In golf handicapping is prevalent in recreational play. Despite its relative inferiority as a healthful and dynamic recreation, golf offers unique excitement because the end result of a game is almost always unpredictable, and players can bet on the outcome. When playing tennis with familiar partners, the outcome of who is going to win is usually predictable before the first ball is even hit, so any type of betting would be inappropriate.

Even without monetary or "buying-the-drinks" betting, golf carries an implied betting. When they are using handicapping, two or more players are having a contest in which the person who has "the better day" is the implied winner. And often that outcome is not decided until the last shot of the day. Interest is sustained and there's a sense of winning or losing in a joyful sense. In tennis, on the other hand, having a good day rarely has an impact on who wins or loses. Most of the time a weaker player's "having a good day" simply means losing by a smaller margin than usual. What's worse, if the stronger player has a good day, the weaker one may feel devastated!

Tennis may be a bastion against betting, but this may be a factor in its overall loss of appeal. The rest of society has changed

significantly in the last twenty years. There are now thousands of former tennis players now playing for drinks at the end of their rounds of golf. There are dozens of state lotteries where there were none in the 60's. There are hundreds of legal areas to gamble throughout the country, when two decades ago there was just one.

Reason #8: Tennis players are extremely ego-oriented. In the absence of a sustained excitement in playing in a regular group, and in the absence of the concerns of "who had the better day" in a betting sense, tennis

players are motivated by the determination of "who is the better player." Almost every time they walk on the court in any type of competitive situation, this is the implied issue. One player or team gets the ego-oriented reward of being determined "to be better" than the other.

Unfortunately this concern has pervaded the tennis culture right down through the recreational ranks, and has deterred many players from continuing the game. They want to have some healthful and social fun, which competition should be able to provide. Competition in tennis, however, has produced cheaters, stratifications in placement in leagues and programs and an actual caste system in tennis interactions and social life. (As I write this I am reminded of a round-robin I ran last night. Having ten people for a mere twenty-minute period on my assigned courts I needed volunteers for singles. One woman volunteered, but when I recruited someone else who was in the category "below" her, she changed her mind.)

Tennis is behind the times. We now have computers at almost all of our clubs. We have the wherewithal to input the results of actual play to determine player ratings, and to provide these ratings accurately for both singles and doubles, and to provide them on a semi-



Spike Gonzales

monthly basis.

A computerized system like Tencap for player ratings offers tennis administrators a tool to cure a number of the ailments causing the decline of tennis. It allows players who are familiar with each other to use handicapping to provide the interest of unpredictable outcomes. Doing this, it further allows them to add some zest to their games by "playing for" the balls or drinks. They now can have their own "mini-competitions." Finally, it allows for computers to give ratings based on results alone, so ultimately the ego-orientation in tennis may be slightly alleviated. Computers will tell players how they "rank" with each other. They do not have to prove who the better player is; they may simply play to see who will have the better day!

(Spike Gonzales has been building tennis markets since 1971. He was a prime developer of Tennis Corporation of America's® "Tennis In No Time"®, and an advisor to the USTA in starting Play Tennis America. An influential member of the USPTA, USTA, and IHRSA, he helped bring those organizations together to found the National Tennis Rating Program. He presently serves as an advisor to Tencap, Inc., a USPTA - endorsed tennis rating system, and consults with clubs wishing to improve their marketing, management teams, and tennis professionals. He may be reached at: (941) 774-2442.)

...Neil Sol

continued from page 8

part; it has bought Rick Bravard's club; hired him as a consultant; and now has to enhance its uniqueness

by infusing the HMH philosophy into the Fitness Center. The prognosis for this relationship is SUCCESS. My congratulations to HMH and Rick Bravard.

(Neil Sol, Ph.D., is the President of Health Vantage,

Inc., a consulting firm for the health club industry which specializes in the relationship between the health care community and health clubs. Neil may be reached at: (303) 399-3224.)

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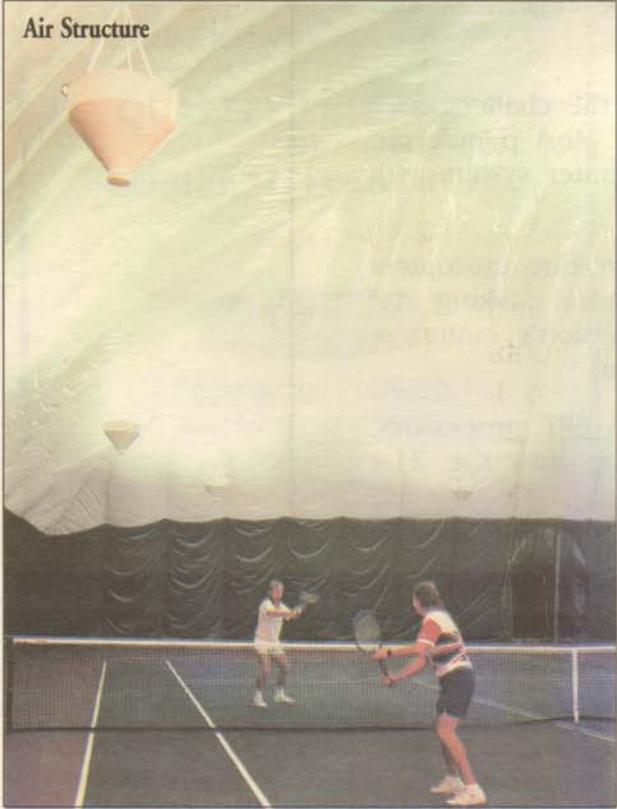
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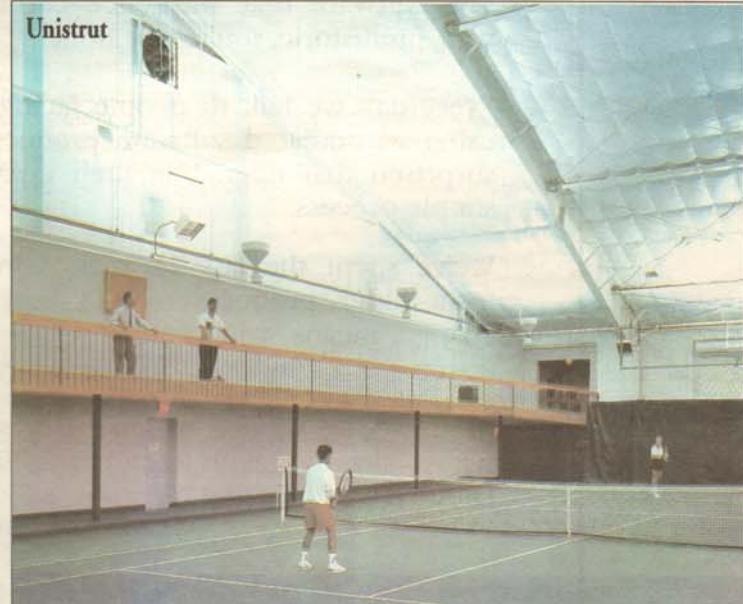


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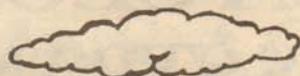
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WORKOUT AMERICA CLOSES LEAVING 60,000 MEMBERS STRANDED!

Atlanta, Georgia—Workout America was one of Atlanta's largest health club chains with six locations. Workout America was owned by veteran health club operator John Quatrocchi. The last of the six Workout America locations to close was in Riverdale, Georgia, stranding 10,000 members. Many of those people had paid cash-up front for long-term memberships as recently as the week of the closing.

According to the Book of Lists, 1996 edition, published annually by the Atlanta Business Chronicle, there were 58,900 Atlanta area members as of January 1,

1997.

The club chain had survived for years on a hard-sell mentality specializing in cash up-front memberships. It is reported that a high percentage of the nearly 60,000 club members had paid up front for their memberships. The closing was done with little notice to Workout America members and staff and with no refunds of prepaid membership dues. For years Workout America had published ads promoting 2 year memberships for as little as \$99 per year.

This chain closing came on the heels of the closing of Gold's Gym on Camp Creek

Parkway in Southwest Atlanta. The Gold's Gym left 3,000 members out in the cold.

Tony deLeede, the founder and president of Atlanta's Australian Body Works chain of 14 locations commented: "These types of closings certainly do nothing to enhance the reputation or credibility of the health club industry. Over the last 10 years well over 100 clubs have closed in the Atlanta area, leaving 300,000 to 400,000 members stranded."

The Georgia State Legislature recently received a proposed bill, Georgia House Bill 118, which would require that all

health club membership contracts contain a clause allowing cancellation with only a 30-day written notice. The bill would also require clubs to refund any prepaid membership fees upon a member's request for cancellation. The bill makes no provision for bonding or other financial means for health clubs to reserve funds in case they go out of business. House Bill 118 has been sent to Committee for further study and will not be considered by the State Legislators during 1997. However, the Workout America closings will probably go a long way toward swaying Georgia's Legislature to pass stronger legislation to protect consumers in the future.

For years, deLeede has promoted the idea of a maximum of 1-year membership contract. The laws of Georgia now allow contracts for up to 3 years and prepayments for up to 3 years. However, even that law is regularly broken by at least one Atlanta health club chain if information contained in the local newspaper ads offering health club memberships for sale is accurate.

Atlanta's two largest club chains, Bally Total Fitness and Sportslife, both oppose House Bill 118.

...Richard Gerson

continued from page 14

management is not just about programming any more.

REVENUE MANAGEMENT (MARKET VALUE PRICING)

This concept may be new to some, and not to others. Consider Revenue Management or MVP as a variable pricing strategy. It works like this.

When you've completed your loyalty management and defection analysis processes, you will know exactly who your best members are. You should also know how much they buy from you, when they buy, their preferential times of purchase, and other important specific pieces of information that makes your relationship with these members intimate.

Now you must ask these members if they would appreciate

the value you're providing, and the fact that you'll customize your product or service even more for them, and if they'd be willing to pay a slightly higher price. You'll find that most of your best members won't mind paying the additional money for continued and better service.

And, even if a few people mind, they'll realize that the value you provide far exceeds the costs they incur by purchasing from you. That's because you're providing them with customized programs and services. So, you'll even get to keep some of your dissenters as members.

You're already familiar with this concept of market value pricing. Airlines do it all the time. The closer you buy a ticket to your departure, the more it costs you. Health clubs do it also, with their different levels of membership based on usage and time of day. Movie theaters also manage their revenues this way, charging less for shows earlier in the day when supposedly less people can attend. Even a hair salon can conduct business with a market value pricing approach by having those

people who absolutely must come on weekends pay higher prices.

CONCLUSIONS

Here you have three distinct and already proven ways you can grow your business. While they are not directly a form of customer service, they are directly related to delivering high quality customer service to get and retain members for life. It is up to you to figure out exactly how to implement these management techniques into your club business..

Remember, while other clubs are spending wildly to achieve higher and higher levels of market share, you can be working diligently and inexpensively to increase your level of customer/member (wallet) share. Would you rather have a lot of members buying small amounts from you once, or once in a while, or would you rather have a select group of members buying large amounts from you more often?

Also, remember that the longer a member stays with you, the more profitable they become for you. Add to their own purchases the referrals they generate for your club as well as the positive word-of-mouth marketing they do for you.

To me, customer/member share is the clear winner over market share. What do you think?

(Richard F. Gerson, Ph.D., CMC, is the President of Clearwater, Florida based Peak Performance Learning Center. Dr. Gerson may be reached at: (813) 726-6508 or Fax (813) 726-2406.)

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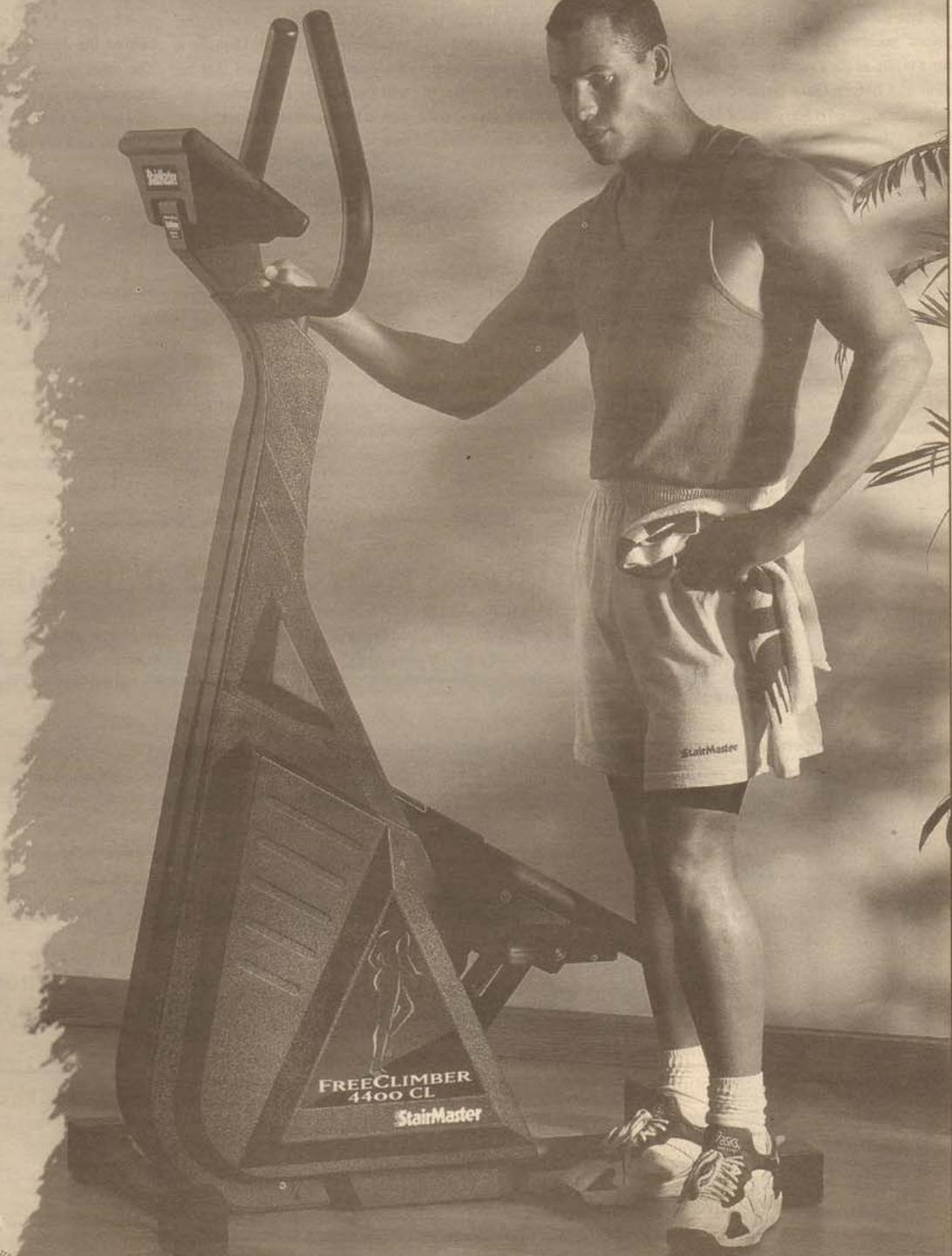
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SALES INDEPENDENCE - PART II

By Ben Midgley

In Part I of my three part series on SALES INDEPENDENCE you may remember where I mentioned that Jerry did not just say "we saw the club and went over the prices" no, they talked to each other for a while as they were touring the club and before Gary covered the rates. Gary asked if Jerry would like to 'see' the rates before Gary went over them. This is a great way to get the sale moving! As you are 'touring' the prospect, continue with the conversation you have started and work additional key points in along the way. For instance, if you are discussing personal matters such as job or mutual friends or having a baby or whatever it may be, mention the club racquetball league when you walk past the courts. Or, as you are moving through the fitness center, mention the club personal training program. Keep the conversation

moving at all times, no matter what, unless the prospect is very interested in a certain aspect of the club. Complete answering questions relative to his/her prime interest until he/she is satisfied, then move back to the place in the previous conversation where you were interrupted by the questions: This shows genuine, sincere interest in the prospect. Toward the end of the tour, ask the prospect if they would like to 'see' the rates. Don't just lead them into a little room and begin reciting the options. Make them feel that everything you do is entirely based on their needs and wants. Make them feel respected and valued. Once the prospect has glanced at the written rates he/she will feel more comfortable when you invite them into your office to cover the rate options more thoroughly.

When walking into your office and before you are seated, offer the prospect something cold or hot (as appropriate and if it is available) to drink. This shows a

concern for the prospects comfort, something that most salespeople don't do. The sales counselor, Gary, pays close attention to the economics of Jerry's decision, pointing out to Jerry that he should make the most sensible decision he can on the membership he purchases. Gary also points out that if Jerry decides to prepay the membership he needs to make a commitment to himself that he will use it. By approaching the sale in this manner, you really set yourself apart from other salespeople that the prospect may have met. (Or might meet later.)

Once Jerry makes the decision to buy and decides on the EFT billing program, Gary reassures him that if there are ever any concerns on Jerry's mind all he needs to do is contact Gary and he will be there for him to remedy the situation. Gary also mentions the thirty-day money back guarantee in case anything should arise that would interfere with Jerry's membership. The combi-

nation of these two things: reassurance and a guarantee, all but totally eliminate buyers remorse and will give the buyer confidence that he/she made the right decision. The sales process including a 30 day money back guarantee requires an owner who believes in and stands behind the club's service. The other assurance of assistance later is simply part of what you should always be ready to do for all of your members.

The sale has now been made and Gary is going about his business. A big part of that business is the time that Gary spends out in the club staying in touch with the members. This makes Gary more well known to all of the members and it makes him more approachable. So, when Don and Jerry came in for their first workout, Gary was able to follow-up with Jerry right after the sale very easily because he regularly



Ben Midgley

spends time on the fitness floor. Gary approached them both and asked if "he could help them out in any way" and when they replied, "we're all set" he stayed and talked with them for a few minutes anyway. Gary did this because he knew that while he was out on

(See Midgley page 23)

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Midgley...

continued from page 22

the fitness floor taking to Don and Jerry he would be building his relationship with both even further. Constantly following up with people in the club does not just impress people you are following up with, it also impresses the people in the club who see you putting in this extra effort to your job. In short, you are building your reputation as a member oriented salesperson.

Remember from the article the important lesson of always saying 'Hello' and 'Goodbye' to all members that you see entering and leaving the club. Do this even if you don't know their name. If you know their name, use it. If you don't smile and say 'Hello' and 'Goodbye' anyway. This is a very important habit to develop which will pay big dividends over the years.

In the last paragraph of last month's article, Gary is always there checking up on people and strikes up a conversation with Jerry. During that

exchange, Jerry mentions that he has a friend who is in a stressful insurance sales job and that his friend would like to try out the club. Gary immediately seizes the moment and gives Jerry a guest pass for his friend. Jerry accepts the pass with thanks and tells Gary that he will be sure to call Gary before he brings his stressed out friend to the club.

All in all, Gary has done well for himself and his members. He made the sale to the customer, serviced the customer with offers for help, conversation, etc., developed a relationship and received referrals. All because he put the effort in, was looking to the future all the time and he made it happen. He will have a very successful career.

(Ben Midgley is the Sales Director and Corporate Fitness Director for Saco Sport and Fitness in Saco, Maine. Ben won the 1995 IHRSA Sales Person of the Year Award by personally selling over 900 memberships in one year! Ben may be reached at: (207) 284-5953.)

THE Club Insider

California Fitness...

continued from page 11

Mastrov uses some of my experience and I have learned a tremendous amount from him. Eric and I have adapted many of the things we have learned from Mastrov in our Hong Kong operation. These

procedures and ideas we have learned from Mastrov have contributed to increasing our total gross by at least twenty-five percent. In my opinion, Mark Mastrov is the sharpest operator in the fitness club industry today. I selected the right person to replace me; my former Family Fitness people are in good hands with tremendous opportunity. 24 Hour Fitness is by far the fastest growing chain of fitness clubs in

the world. With huge expansion, comes huge opportunity for the personnel and everyone involved. We would have to get permission from our present Asian partner, but I think they would be very glad to be in a joint venture with 24 Hour Fitness. If this were to happen, I would be a part of 24 hour Fitness' entire international expansion and Eric Levine would be a part of the Asian segment of that expansion."

...Norm's

Notes

continued from page 5

KRISTINE FOWLER, formerly with IHRSA, has taken the position of **Executive Director for MACMA**. Congratulations Kristine!

LEE GUTHRIE, one of the best salesmen in the health club industry, is back. He is now introducing the **eZONE Entertainment System** to the industry and showed the product at a pri-

vate hotel suite at IHRSA San Francisco.

JAY MAGNA, formerly director of sales for North America, has been promoted to vice president of sales for North America and was named a member of the Life Fitness Executive Committee.

DENNIS PICKREL, formerly director of customer support services, was

named vice president of customer support services and **HERMAN RUTGERS** was promoted to executive vice president, international by Life Fitness. **JOHN VICK** was also promoted to the

position of director of customer support services.

PAUL SAMIDE has joined Strive Enterprises and will be representing Strive in Ohio, Michigan, Indiana and Illinois. Strive has also named **SUSAN LUCAS**, formerly of Universal Gym Equipment and Cybex, as Director of Product Marketing.

MIKE TALLA, President of the Sports Club Company, announced that they will build a new mega club in San Francisco.

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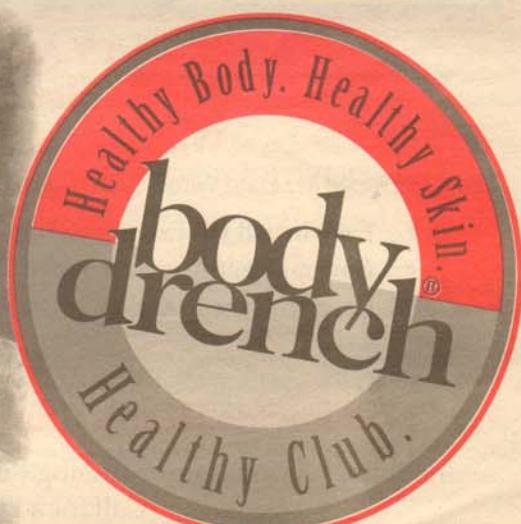
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Alexandria, Tenn.
Now under new management, Body Drench Systems is more than ready, willing and able to service your amenity needs. Body Drench, along with

three other manufacturers of professional products, were recently purchased by Styling Technology Corporation, trading under the symbol "STYL" on the NASDAQ stock exchange.

Body Drench offers a complete line of spa-quality amenity products, including the number one selling moisturizing lotion in the professional club/spa industry. Body cleansers, shampoos

and conditioner, shaving formulas, antiperspirant, mouthwash, among others, are available in bulk dispensing systems or in attractive packaging for retail opportunities.

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Norm Cates' **Club Insider** NEWS

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LIFE FITNESS INTRODUCES NEW 9500 CROSS-TRAINER

San Francisco, Ca. -

"Our cross trainer is the most beneficial new product to hit health and fitness facilities in years," said Augie Nieto, Life Fitness President and CEO. "It's user friendly programming, unique design and various exercise options appeal to many users, helping clubs attract and retain members to achieve their overall membership goals", Nieto added.

Features and Benefits Appeal To Wide Variety of Exercisers

Exercisers of all levels will benefit from the Life Fitness 9500HR Cross-Trainer-Total Body System. Novice users will appreciate quick learning curves while fitness enthusiasts will enjoy the ability to change upper and lower body workout loads to obtain a higher level of muscular endurance. All exercisers, however, will benefit from less perceived exertion while using the Cross-Trainer since effort is spread out over the entire body.

The system's smooth upper-body and orbital lower-body

design offers exercisers maximum movement variety. The machine's arms move in synchronization with the foot pedals, allowing members to work out in either a forward or backward motion. Pushing or pulling arm motions maximize upper-body training benefits, concentrating on the biceps, triceps, pectorals, and deltoids. Forward or backward pedal motions target the lower body with a fluid motion that offers minimal impact to ankles, knees, hips and lower back.

Equipped with twenty resistance levels - including two pre-programmed cross-training exercise programs - and offering users the choice of total-body, upper-body only and lower-body only workout options, the Cross-Trainer provides a greater range of workout effort and motivation because of the opportunity to advance fitness levels. In addition, biomechanically correct hand and feet positions assure correct use with no cheating for a more effective workout.

The new product also boasts Life Fitness' exclusive Heart Rate Zone Training feature in which the system monitors the

person's heart rate via state-of-the-art digital Lifepulse sensors or telemetry chest strap, then automatically adjusts the machine's resistance to maintain the user's target heart rate. Individuals can target their heart rate to burn fat with the Fat Burn program, for cardiovascular training with Cardio program, or at a rate they specify.

Designed especially with the users' needs in mind, the Cross-Trainer offers special features to enhance as well as safeguard rigorous workout regimes, including a large-character message center for easier reading, side rails for enhanced safety and variety, a built-in reading rack and an integrated accessory tray for holding personal stereos and water bottle.

"We invest a lot of time and money in developing innovative fitness products that meet the needs of health club operators, fitness staff, personal trainers and ultimately the members, and then strenuously test them to ensure they provide the highest possible levels of reliability," noted Nieto. "Following on that tradition is our new Cross-Trainer; an innovative

product with the level of quality and reliability people have come to expect from Life Fitness."

RAVE REVIEWS BY CLUBS AND MEMBERS!

To obtain customer

feedback, Life Fitness placed field-test prototypes of the Cross-Trainer in numerous heavy-use health and fitness clubs during the product development stage. The response from club owners, facility staff, personal trainers and exercisers was extremely positive.

I loved the Life Fitness

Cross-Trainer, and our members did too," stated John Perkins, fitness manager at the Willowbrook Athletic Club in Willowbrook, Ill.

"Our members liked the combination of the upper-and lower-body

product with the strong workout to the upper-body. The system was a comfortable fit for all body shapes and sizes, and with its Heart Rate monitoring feature, it was one of our top choices for a total-body system to round out our cardiovascular choices."

"The Life Fitness Cross-Trainer provides a fantastic workout!" offered Dan Holden, operations manager at Bally's Total Fitness Kennedy Cumberland in Chicago. "Our club users complimented its smooth, quiet motion as well as its upper-and lower-body toning benefits."

(Editor's Note: The new Life Fitness 9500 Cross Trainer may be seen in this edition of The CLUB INSIDER News on the outside back cover.)

Heart Communications Signs With CCA And Star Trac

Dana Point, Ca. -

Heart Communications has been hired by Club Corporation of America and Star Trac by Unisens, Inc. to provide reputation management and media relations services.

Reporting to Michell Carroll, Marketing Director for CCA West in Costa Mesa, Ca., Heart Communications President, Michael Hoffman, will first develop media relations plans and feasibility research surveys for the development of a new 125,000 square-foot athletic facility at the Braemar Country Club in Tarzana, Ca. Hoffman will also help Braemar

General Manager, Mark Murphy, to publicize a \$1 million improvement project for the club's 36-hole golf courses.

Heart Communications services for CCA will also include mentoring CCA facility member relations directors on media and community relations skills.

Reporting to Star Trac Marketing Director Jeff Hills, Hoffman has begun publicity programs for new product launches including the Model TR4000 SoftMill and TR3500 SimpleMill. He will also assist in promotion of Star Trac's new Star Power Systems division staffed by Direc-

tor, Kirk Buhler, and Marketing Manager, Robin Shade. Star Power Systems is dedicated to developing educational promotions for key Star Trac customers.

Star Power Systems first campaign is "Walk It Off!", which matches club trainers with sedentary individuals to participate in off-site walking and fitness education classes.

Heart Communications is a sports and fitness industry reputation management agency providing public relations and journalistic services to clubs, manufacturers and publishers worldwide.

SALESMAKERS Tip Of The Month

Do People Listen? Can They Follow Directions?

The next time you have your sales team together, copy this test and give one to each person.

This is a timed test - you only have three minutes.

1. Read everything carefully before doing anything.
2. Put your name in the upper right hand corner of this paper.
3. Circle the word "name" in sentence 2.
4. Draw five small squares in the upper left hand corner.
5. Put an "X" in each square.
6. Sign your name under the title of this paper.
7. Put a circle completely around sentence number 7.
8. Put an "X" in the lower left hand corner of this paper.
9. Draw a triangle around the "X" you have just put down.
10. On the back of this paper, multiply 703 by 12.
11. Draw a rectangle around the word corner in sentence 4.
12. On the reverse side of this paper, add 8950 and 9805.
13. Put a circle around your answer, and put a square around the circle.
14. Underline all even numbers in this test.
15. Now that you have finished reading everything carefully, do only sentences one and two.



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Keys To Hiring And Employee Retention

By James M. Evans

Conforming to the familiar adage that it is more expensive to attract new members than it is to hang on to existing members, every health club in America tries to find the right combination of service and incentives to retain its members. Sadly, many clubs do not try as hard to retain their own employees.

My original mentor in the health club business was George S. (Skip) Peterson, Jr., and we used to have long conversations after hours about the nature of this crazy business. Skip was always very devoted to his employees, and I can still re-

member him saying to me one night that "if you think enough of someone to hire him in the first place, then you owe it to him - and to yourself - to work with that person to help him develop to his full potential." He was right, of course, and I have always tried to follow his advice over the years with regard to my own employees. During the course of the past 32 years in the industry I have learned a few other things along the way which have served me well in retaining personnel.

LISTEN TO YOUR GUT FEELING WHEN HIRING

How many times have

you hired people with all the right qualifications and credentials even when your gut feeling told you that it was a mistake? Of course, the applicants said all of the right things during the interview, and you were duly impressed but, still, you knew that something was wrong but hired them anyway. Your so-called "gut-feeling" should never override good judgment and common sense, but if your natural instincts tell you that something is wrong, they probably are. It should merit at least a second or third interview anyway. Your gut feeling is often retention in advance.

SEEK DIVERSITY IN YOUR SELECTION PROCESS

Most employees in the health club industry are predominately white, middle-class, and young, which corresponds closely with member demographics across the country. There has always been a subtle but pervasive discrimination against the hiring of minorities and the elderly in this business for which we should be both ashamed and willing to reconcile with the future - and the future is now. Both minority and senior populations are resources for quality employees and new members in the changing demographics of our society. The growing senior population, in particular, represents a unique opportunity for our industry to hire part-time retirees who can bring life experience and maturity to the table and attract senior members at the same time. Many are retired from successful business careers and can contribute in a multitude of ways. As our membership becomes more diverse so should our staffing become more diverse to meet the needs of the future.

DEVELOP A CONSISTENT TRAINING PROGRAM

Training is the backbone of your company. Don't assume that your new employees will learn everything they need to know on the job just by assimilation because what they don't know can cost you dearly. I can still remember many years ago when my

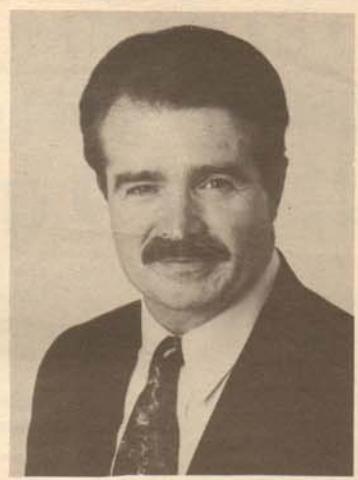
first manager approached me just a few months after I had been hired as a fitness instructor. He handed me the club membership rates on a piece of paper one day and said, "tomorrow you are in sales." There was no training, no instruction of any kind. He didn't even bother to ask whether or not I even wanted to sell. He just assumed that I would want to go into sales as the natural course of things. I had never sold anything in my life, but I accepted this new responsibility because I thought it was expected of me. Eventually I did learn to sell, of course, but my employer paid a steep price for my learning experience when I think of all the prospective members who did not join because of my lack of training. Mine was not an isolated situation at the time but, believe it or not, this same scenario still takes place in some clubs even today.

Training should be an ongoing process starting from the first day that an employee is hired, and new employees should be versed in company policies and procedures before they ever set foot in your facility. Training should be consistent and well-organized and not left to chance. It should be implemented from the top to maintain continuity and not relegated solely to the individual club level where inconsistencies in training between each club will naturally develop. All employees, regardless of their seniority, should be subject to some form of training or retraining on a regular basis. The more experienced employees can often be enlisted to work with less accomplished staff members which serves to enhance the development of both.

Some owners and managers are afraid to share their knowledge and experience with their employees for fear that they will somehow lose face with their staff if they don't always know more than everyone that works for them. Ours is a people business, and the quality of the people working for us is an important measure of our success. Sharing knowledge enhances the quality of our employees and encourages growth.

THINK TWICE BEFORE CUTTING COMMISSIONS

Payroll is traditionally the



James Evans

biggest single expense for most health clubs, and sales people are usually among the highest paid employees on staff. It is no surprise, then, that many clubs look for creative ways to change their commission schedules to elicit greater productivity from their sales people for the same or less commission. While this always seems to make sense from the immediate perspective of reducing expenses, it can sometimes backfire too. Any potential savings that you might realize by cutting commissions can be offset by lower productivity from a demoralized staff, so you must weigh your projected savings on expenses against the possibility of reduced revenues.

Cutting commissions can also lead to the possible loss of some of your best and most productive employees. It can even drive some of them straight into the arms of your competition to compound the problem. No one is indispensable, but consider how long would it take for you to replace and train new employees to replace some of your top sales people to the point where they could generate the same productivity? If your commission scale is already fairly based and provides a decent incentive for your sales people, don't mess with it. To quote that famous anonymous philosopher, "if it ain't broke, don't fix it." Sales are still the lifeblood of most health clubs.

(Jim Evans is President of Evans & Associates specializing in consulting to the fitness industry and marketing wellness to the senior population. He can be reached at (800) 708-0878.)

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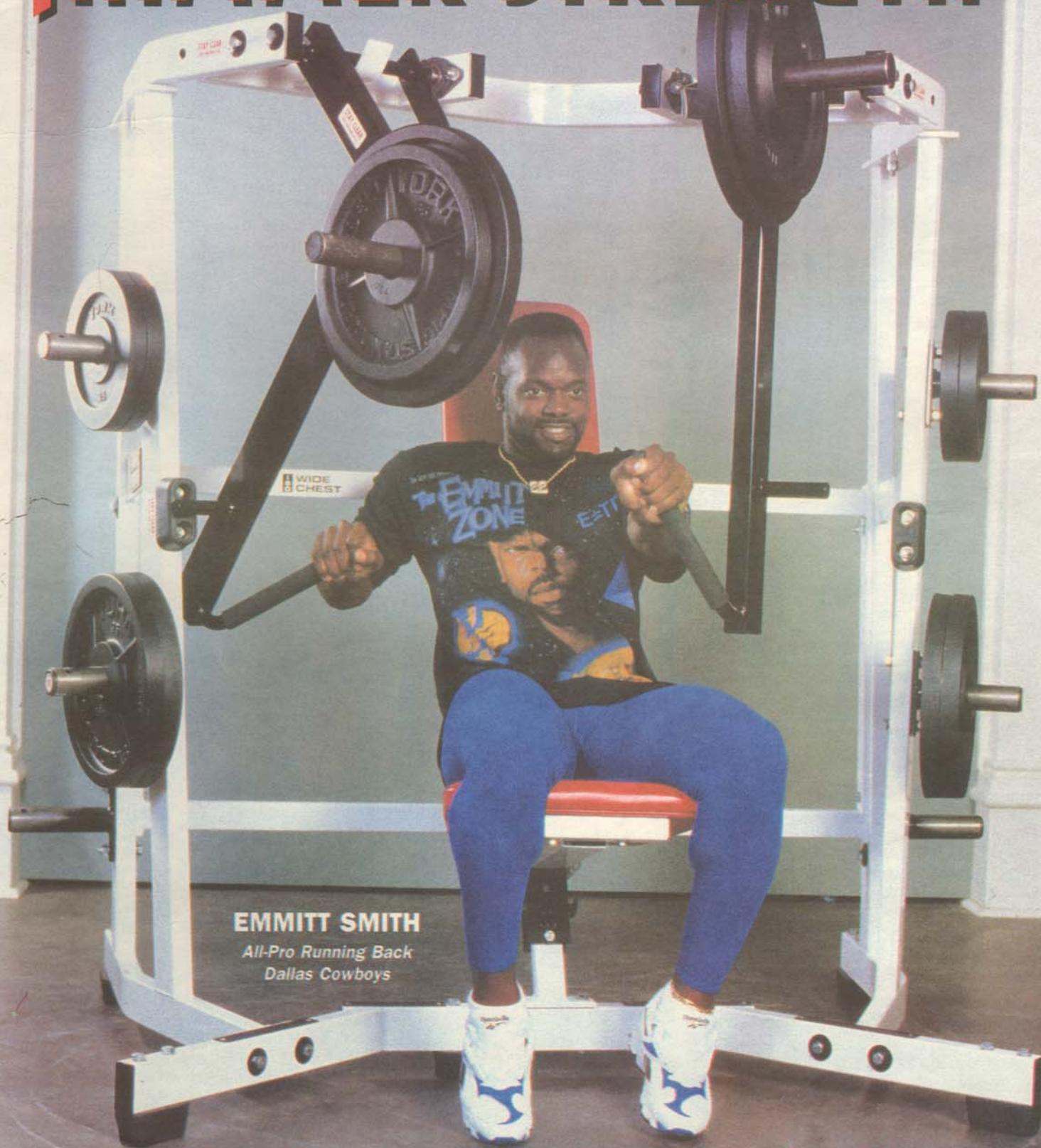
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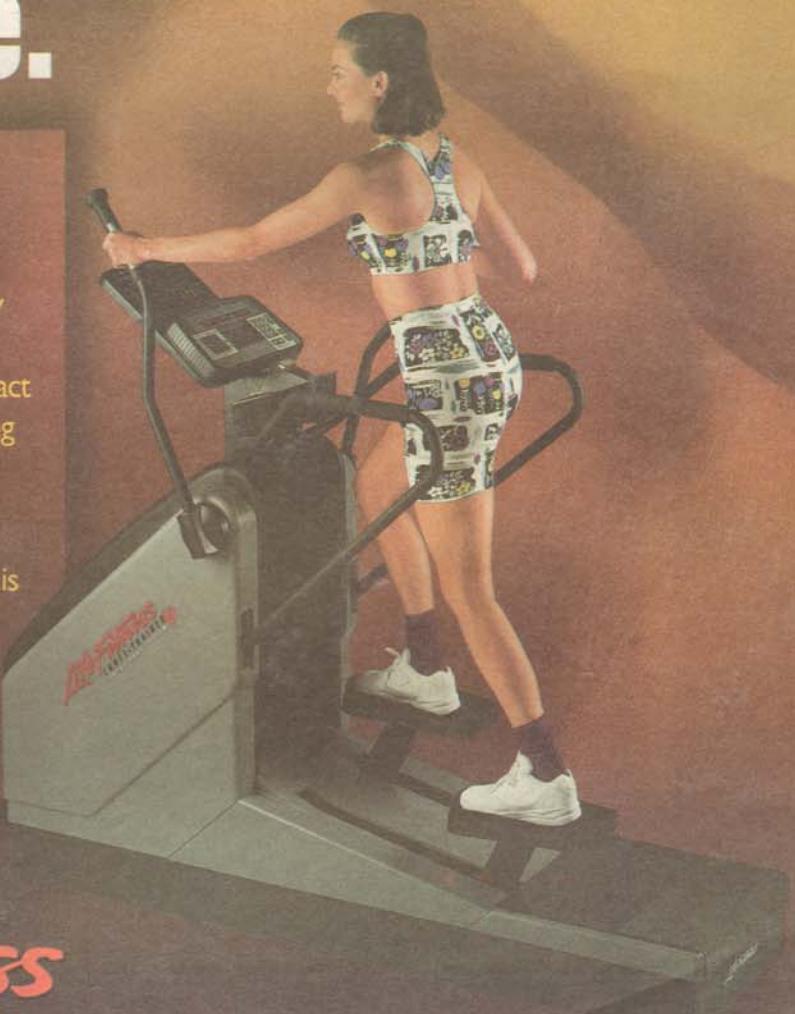
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