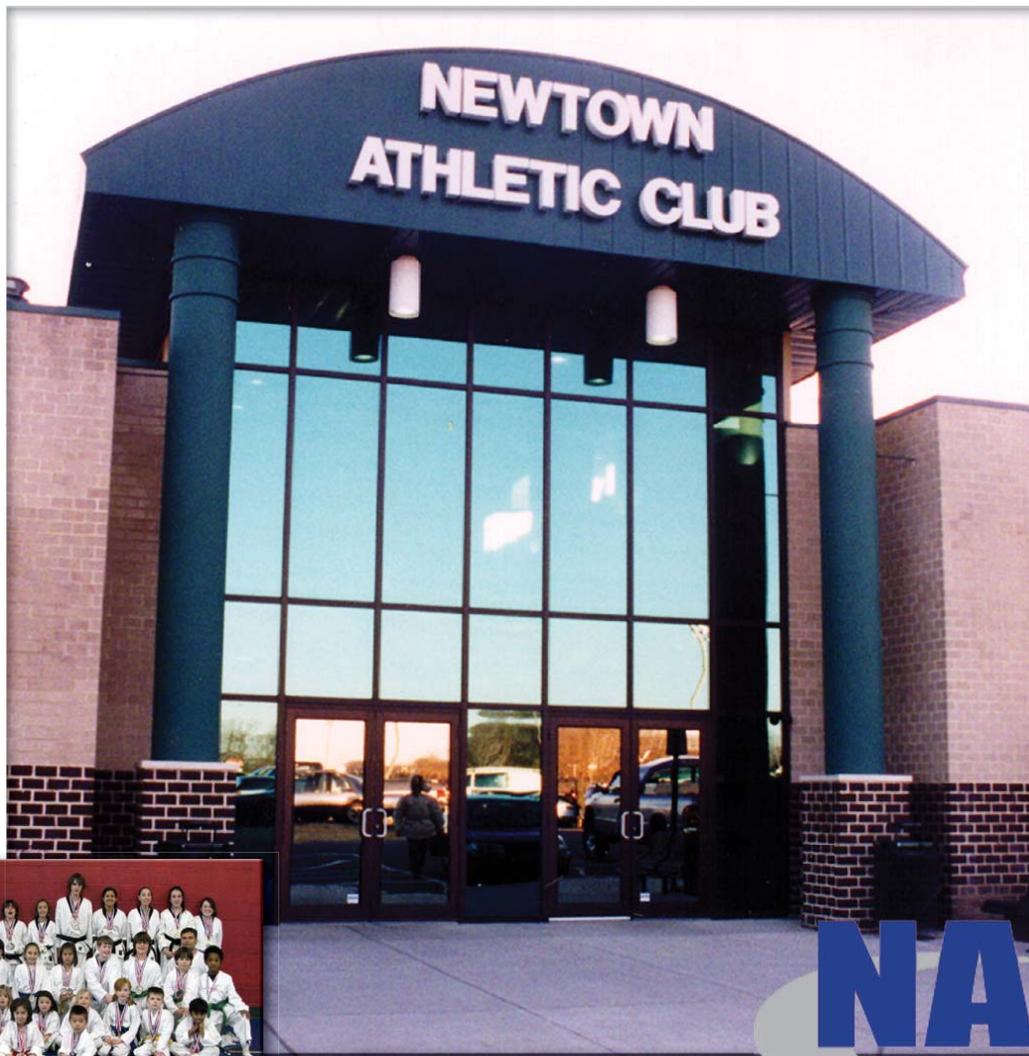


Norm Cates' CLUB INSIDER™

The "Pulse" of the Health, Racquet, and Sports Club Industry

Established 1993



Above: The Newtown Athletic Club Facade
Left: 2010 National Taekwondo Champions

NAC
Newtown Athletic Club

The Newtown Athletic Club

A True Community Within a Community

MAY 2010

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Norm Cates' CLUB INSIDER™

The "Pulse" of the Health, Racquet, and Sports Club Industry

Established 1993

The Newtown Athletic Club *A True Community Within a Community*

By: Justin Cates

What do you do best in your health and fitness club business? Is there one thing, two things or many things? Do you try to make your club be everything to everyone? Or, do you capitalize on your strengths? This month, we bring to you the amazing story of Jim Worthington and his Newtown Athletic Club. He will be the first to tell you that what they do best is kids' programming. Through this specialization, though, a peculiar thing has happened. Success

has spilled over from their kids' programming into other areas of the business! Serving kids is their bread and butter, but most kids have parents, so why not serve them, too? Having served his community for over thirty years and through the practice of this idea over the course of the past fifteen years, Jim has built a true community within a community.

A true Pennsylvania native, Jim Worthington was born in Horsham, Pennsylvania. He graduated from West Chester State University in 1978 with a Bachelor's Degree in Health

and Physical Education and a Minor in Exercise Physiology. Then, Jim entered the health and fitness industry at the height of the racquetball boom, managing the Babylon Racquetball Club. Later, he moved on to manage the 15,000 square-foot Newtown Racquetball Club. Today, he is married to Kathy, his wife of 20 years, and they have two boys: Jimmy, age 20, who is attending West Virginia University; and Jack, age 18, who is a senior in high school. And the Newtown Racquetball Club? Well, today it is the

180,000 square-foot mega-club known as the Newtown Athletic Club. This month, CLUB INSIDER is very pleased to share Jim Worthington's terrific Newtown Athletic Club success story.

An Interview With Jim Worthington

CLUB INSIDER (C.I.) - When and how did you start your career in the health and fitness industry?

Jim Worthington (JW) - When I was in college my senior year, there was a racquetball club that
(See Newtown Club Page 10)



Jim Worthington

Industry Embarrassment, Shane Franklin, Hired By ACS - See Page #6

IHRSA Expresses Its Ardent Support of America's First-Ever National Physical Activity Plan

BOSTON, MA - The International Health, Racquet & Sportsclub Association (IHRSA) expressed its ardent support of the United States' first-ever National Physical Activity Plan and has agreed to serve as co-chair of the Plan's *National Implementation Team for Business and Industry*. A sweeping initiative to improve public health, the Plan was publicly released on May 3rd at a press conference at the National Press Club in Washington, DC.

"Having a National Physical Activity Plan is an essential step in affecting the

societal changes needed to make physical activity a natural and customary part of everyday American life," says Joe Moore, IHRSA's President and CEO. "For almost 30 years, the health club industry has been committed to increasing wellness in America by promoting exercise. We are extremely heartened today by the release of this Plan, and we are delighted to be engaged in this leadership role."

The National Physical Activity Plan is a nationally organized effort to motivate people in every community to

become and stay physically active and to remove the barriers that may stand in their way. Supported by a wide range of public policy recommendations, the plan is the product of a 10-month, public/private collaboration of experts in diverse fields, including input from scores of nonprofit organizations, corporations and public agencies.

Specifically, the plan calls for policy, environmental and cultural changes to help all Americans enjoy the health benefits of physical activity. It provides a roadmap for change,



Success By Association

addressing areas of concern from the education of health professionals to zoning laws, school policies and workplace wellness programs. At least 12

states and a number of other countries have enacted physical activity plans, establishing best practices for making physical
(See IHRSA Page 6)

Inside The Insider

- **Industry Embarrassment Hired by American Club Systems** - By: Norm Cates, Jr.
- **Culture: The Hidden Advantage** - By: Will Phillips
- **Fitness Boot Camps Prove to Be An Investment With BIG Returns** - By: Bonnie Pfister
- **30 Tips for a Profitable Party!** - By: Karen Woodard-Chavez

Norm's Notes: • May Tony Nowak Rest In Peace • Congratulations to Ruth Stricker on The Marsh's 25th Anniversary • Fiserv Announced as a World Gym International Preferred Vendor • Bonnie Pfister's Guide to Boot Camps • Welcome to Returning Advertiser Hervey Lavoie and Ohlson-Lavoie Collaborative • Jeffries' Good News About Life Time Fitness • CFO of Gulf Oil, Jayne Conway, Joins Planet Fitness • The New IHRSA Research Portal • Tim McCarthy Named Life Fitness' Vice President for the Americas • Body Training Systems Announced as Preferred Vendor for World Gym International • T.J. Carter on HR Issues Related to Health Care • IHRSA Public Policy • World Gym International Strong in Taiwan • Fiserv Announces Partnership with First Credit Services • Congratulations to Club Industry

- **Health Care Reform: Employer Requirements** - By: T.J. Carter
- **Former Gulf Oil CFO, Jayne Conway, Jumps to Planet Fitness**
- **World Gym Selects Body Training Systems As Group Fitness Provider**
- **IHRSA Summit Urging Congress to Pass Anti-Obesity Legislation**

Norm's Notes

•**Hello Everybody!** This is your **CLUB INSIDER Publisher and Tribal Leader Since 1993** checking in! Hey... hey... what 'da 'ya say... let's get out there and make some hay!

•Is America a great country or what? Hmm... hmm... hmm! **God bless America!**

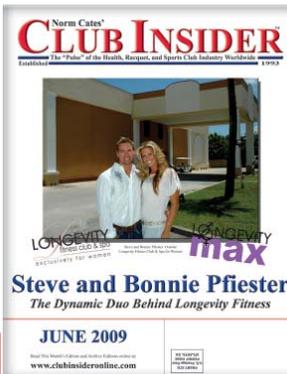
•My sincere condolences to the family of **TONY NOWAK**, as the iconic figure in the body building world passed away on April 6, 2010. **Ironman Magazine Publisher, JOHN BALIK**, commented in his Ironman Magazine's July 2010 edition **Publisher's Letter** with the heading **Charisma**, "I'm sad to say Tony passed away on April 6, 2010, while on vacation in Italy with his 17-year old son, Enzo." Balik went on by sharing his and **ARNOLD SCHWARZENEGGER'S** feelings after Tony passed, "I had many conversations with Tony about his being an immigrant and what America meant to him. He spoke of a thousand different ways that his story could only happen here. Tony never left anyone 'untouched.' He was a character Damon Runyon would have loved to write about. In

the beginning of his eulogy, Arnold said that Tony's passing made him angry. I feel the same way. We have no replacement for him." Thanks to my friend, **MIKE URETZ**, for sending John Balik's column **May Tony Nowak Rest In Peace**.

•**Congratulations** to the one and only, **RUTH STRICKER**, and her **Team** at **The Marsh** in Minnetonka, Minnesota, as they will celebrate the **25th Anniversary of The Marsh** on May 19th. Ruth has invested 25 years of heart, imagination, love and hard work in building and operating **The Marsh**, a very unique and creative 67,000 square-foot facility situated next to the wetlands of Minnetonka. The Marsh is one of the most unique and outstanding wellness/health centers in the world, and Ruth Stricker has manifested her passion for helping people in her community through her work on **The Marsh**. Ruth's love for her members and staff makes **The Marsh** unique beyond words, world class in every way and a shining example of what love, imagination, dedication, passion and a hard work ethic can accomplish. It has been my pleasure to know Ruth for

virtually all of her 25 years as **The Marsh** owner, as she's a highly esteemed member of **IHRSA**. Congratulations to you and your **Team, Ruth!** I wish you all the best as you celebrate the **25th Anniversary at The Marsh!**

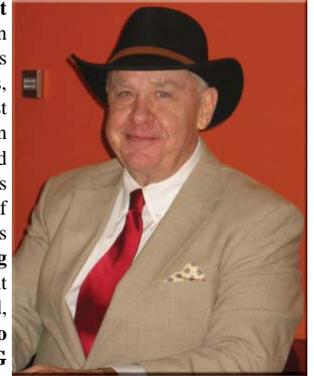
•**Fiserv** announced on April 19th that it has been named by **World Gym International** as a **Preferred Vendor** of club management software and services because of the quality and integration of its **Club Solutions**. As part of the selection, Fiserv is now the exclusive provider of club management software, Electronic Funds Transfer (EFT) and point-of-sale processing services, as well as billing and membership management services for all 200 **World Gym International** locations.



June, 2009 Cover

•**STEVE PFIESTER**, husband and business partner of **BONNIE PFIESTER**, is appearing in a

new TV Show called **Bridal Boot Camp** premiering **June 9th** on **VH1**. **Bridal Boot Camp** features two teams of five future brides, all competing for the greatest weight loss and the chance to win their dream wedding. Steve and Bonnie were the Cover Subjects for the **June, 2009 Edition** of **CLUB INSIDER**, and Bonnie is a **CLUB INSIDER Contributing Author**. Check out her excellent article on **Page #20** entitled, **Fitness Boot Camps Prove to Be An Investment With BIG Returns**. Boot camps offer a terrific new profit center many club owners should investigate for their clubs. Steve and Bonnie are doing a great job with their two clubs in Vero Beach, Florida, **Longevity Fitness Club and Spa**, a terrific women's only club and **Longevity Max**, a coed club. Their clubs have just been honored locally by **Fox 29 TV** in the recent **"Best of the Palm Beaches and Treasure Coast"** competition and *won over 33 competitors* in the Palm Beach area! Congratulations Bonnie and Steve! Steve and Bonnie's weekend boot camp retreat, **About Face Boot Camp Retreat**, was featured in the April 2010 Edition of **Fitness Magazine**. About Face is a 3-day retreat at **GLORIA ESTEFAN'S Florida beach resort**, offering a variety of training and diet and exercise education. On top of all that, Bonnie happens to be one of the top public relations people I know of in the health and fitness club business. Keep up the great



Norm Cates

work for your community, Bonnie and Steve!

•**HERVEY LAVOIE** is one of the most successful and prolific architects serving our industry today. I'd like to point out that **JIM WORTHINGTON**, our cover story subject this month, gave Hervey's firm, **Ohlson-Lavoie Collaborative**, and work **rave reviews** during his cover story interview this month. So, be sure to read about one of America's greatest club industry entrepreneurs, **Jim Worthington**, in our cover story by **JUSTIN CATES** this month and check out some of the work on Jim's club, designed by Hervey's Team. Also, check out **Hervey's Ad** on **Page #10**.

•**JEFFRIES and Company, Inc.**, producer of a newsletter on **Wall Street** reported on **Life Time Fitness** in its **Investment** (See *Norm's Notes* Page 7)

Norm Cates'
CLUB INSIDER
The "Pulse" of the Health, Racquet, and Sports Club Industry 1993
 Established 1993

Established in 1993
17 Years and Counting!!!

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Thank You!

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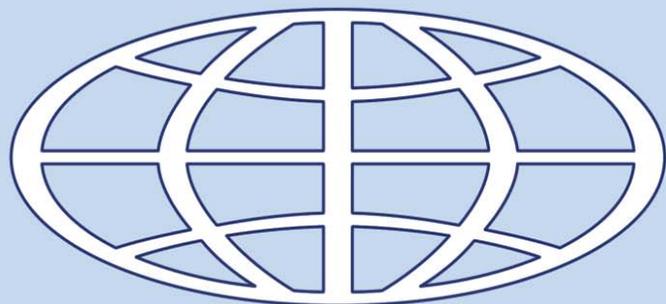
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Industry Embarrassment Hired by American Club Systems to Manage Gold's Gym in Indianapolis!

By: Norm Cates, Jr.

Industry embarrassment, **SHANE FRANKLIN**, has surfaced in Indianapolis, Indiana as a **Gold's Gym Manager!**

On May 4th, I received a link from **Club Industry Publisher, MARTY McCALLEN**, to an article written by **STUART GOLDMAN** containing some really interesting comments from Shane Franklin, an industry embarrassment, who has allegedly swindled investors, pre-sale members, members and landlords across the country.

First, let me say that, frankly, I'm not happy about and am also quite embarrassed for my old pals, **CHARLEY LINDSEY** and **TIM GODWIN**, the owners of **American Club Systems**, a Columbus, Georgia-based club management company, because their National Manager, **VON HARDIN**, hired Franklin knowing what he knew about him. **Talk about a lack of STANDARDS!**

On December 7, 2009, I forwarded a 30+ page file about all of Franklin's illegal activities across the country to *Club Industry's* Stuart Goldman with hopes he could help me track Shane Franklin down so industry people could be warned of where Franklin is and what he is doing (If you would like to read that same file, just send me an email at Norm@clubinsideronline.com, and I'll email it to you so you can see just how bad this guy really is for our industry). His last sighting had been in San Diego where a local TV reporter had further exposed him in a report on his use of the Powerhouse Gym brand for

several gyms, the third of which Franklin never opened. Franklin skipped town not long after that TV report.

Goldman found him, and here's how the *Club Industry* report starts off. I quote the excellent *Club Industry* article exactly:

"INDIANAPOLIS, IN - A former gym owner who has been accused of bilking business partners as well as gym members admits he has made mistakes. Shane Franklin is now the general manager at a **Gold's Gym** in Indianapolis, but he previously operated clubs in San Diego and Reno, NV, under the **Powerhouse Gym** brand. 'Did I make a mistake? Absolutely,' Franklin said in an exclusive interview with *Club Industry*. 'Did I do some things wrong that I probably shouldn't have done? Yeah. You kind of have to stand up and say, 'I did it.' I'm not proud of what I did. I'm not happy with what I did. It was just the circumstances that happened.' Franklin faced allegations of forgery and money mismanagement in Reno. In December, the Reno Police Department decided not to file charges against Franklin after an eight-month investigation. 'We focused on forgery allegations between business partners of Mr. Franklin,' Sgt. Scott Dugan of the Reno Police Department told *Club Industry*. 'We suspended the case.' In a story aired by a Reno TV station, Dugan said that the case had a lot of contradictory information that took away from the criminality of the acts. But Dugan later told *Club Industry*, 'That wouldn't mean that we couldn't pursue a case in the future

if there was enough evidence.'"

The article continued:

"In San Diego, Franklin was accused of taking money for memberships for a Powerhouse Gym that did not open (Two other Powerhouse clubs were open for about a month before closing, Franklin says). The third club was supposed to open in July 2009, he says, but the required permits did not come through in time. Franklin, however, continued to sell memberships until November when, with no other investors, Franklin says he ran out of money. 'I didn't know what to do,' Franklin says. 'I had no money, no way of paying anything, so I packed my bags, sent my resumes to other clubs, and I sent out my resume to other organizations.'"

Goldman's writing continues:

"In February 2007, according to Powerhouse, one of its licensees opened a club in Reno, NV, and against the company's recommendation, the licensee brought Franklin into the club's operation. Since that time, Powerhouse said in the e-mail, Franklin has sold memberships to clubs in Nevada and Arizona using a Powerhouse sign, but the clubs never opened. He also has taken over existing clubs and used a Powerhouse sign to sell memberships, Powerhouse said.

Powerhouse also said that Franklin was informed through calls, letters and e-mails that he was not authorized or allowed to use the Powerhouse Gym name in San Diego. Franklin, according to Powerhouse, told the company

that he was operating under Franklin Fitness or Edge Fitness.

For the club that Franklin had hoped to open in San Diego, a Powerhouse Gym rug used as a sign for the club had 'Reno' covered up. Powerhouse says that Franklin also was wearing a counterfeit Powerhouse T-shirt during a report that a San Diego TV station aired.

Powerhouse added in the e-mail that members of Franklin's clubs told the company that they wrote their membership checks to Franklin Fitness and that the membership forms stated Silver State Fitness. Details were unclear about where the money collected for the San Diego gym opening, as well as one in the Reno suburb of Sparks, NV, went and whether it was returned. Franklin did say that most of the money went to a direct mail marketing company and was refunded to members."

CLUB INSIDER would like to see the cancelled checks for the money Franklin claims he refunded to those members!

American Club Systems National Manager, **VON HARDIN**, who reportedly has known Franklin for 15 years, also made some amazing comments that revealed a far less than exemplary mindset at American Club Systems in Columbus, Georgia. According to the *Club Industry* article:

"Hardin says revenues for the Gold's club are better than they have ever been since Franklin came aboard. 'The guy does a good job,' Hardin says. 'He is a very knowledgeable individual. He does what he's supposed to

do. Whatever he's supposed to have done [in the past], we've not seen anything like that. We've got enough controls and enough security in place that if anything [negative happened], we'd know about it before anybody else did.' Hardin says Franklin puts in between 12 to 16 hours a day at Gold's and calls him 'a marketing genius.' Hardin, who says that he never had an incident with Franklin when he worked for him in the past, is aware of the reports about Franklin's operations in Nevada and was contacted by *Reno police, who told Hardin the results of their investigation.*

'We went into this not with blind eyes,' Hardin says. 'We went into this thing on a mutual agreement that we expect things to be run a certain way. I judge a person by what they're doing right now and what they're able to do and continue to do. As long as they're telling me the truth, I don't have a problem with them.'"

So, Mr. Von Hardin, National Manager of American Club Systems, **CLUB INSIDER** would like to know... since you, as an employee of ACS, in effect, are an agent for the owner of the Gold's Gym in Indianapolis, does your statement to *Club Industry* mean that you have no problem hiring shady, dishonest people to work for the Gold's Gyms you also work for, as long as they tell you the truth about the shady, dishonest things they may have done or may be doing? I think that is a question the entire health and fitness club industry would like to hear an answer to.

(See *Shane Franklin Page 8*)

...IHRSA

continued from page 3

activity a routine part of daily life.

In part, the Plan is an answer to America's alarming rates of adult and childhood obesity and decreasing levels of physical activity. Research has shown that physical activity and exercise can help prevent and treat obesity, diabetes, coronary heart disease, depression, bone disease, cancer and other diseases. If implemented, measures called for in the National Physical Activity

Plan could significantly improve public health, cut health care costs, and reduce health disparities.

"It's imperative that we counter the negative transformation that we have seen in America's health over the last 30 years as a result of sedentary lifestyles," says Moore. "Bringing about behavior change within an entire culture and society requires a sweeping initiative that approaches the problem from multiple angles. This plan gives us a framework and is the springboard from which we can

make lasting societal changes that increase movement in America."

IHRSA will be co-chairing the *National Implementation Team for Business and Industry* with the American Heart Association (AHA) and the American Council on Exercise (ACE). They will be working closely with the National Coalition for Promoting Physical Activity (NCPPA), which is providing the leadership for the Plan's implementation.

Publisher's Note

For the past two months, I've been working on a very special article about IHRSA and its influence on our industry in honor of IHRSA's upcoming 30th Anniversary celebration in March, 2011. Along the way, I decided that I would add yet another goal for the article and that is to help IHRSA increase its total membership to 10,000 member clubs worldwide, up from just over 9,200 at this time. This note

is to inform my readers that I've elected to postpone the article one more time, even after I've spent about 50 hours at this keyboard working on it. I consider it to be that important. I'm postponing it because my work does not yet achieve all the goals I had for it. I will continue to work on it in May and early June with the goal of completing and publishing it for our June, Page #6 Insider Speaks column. So, please **Stay Tuned!**

...Norm's Notes

continued from page 4

Summary in its April 23rd Edition, "We have raised our estimates and target price on IQ results and growing confidence in the Life Time story. Indeed, LTM is one of the best ways to play a recovery in middle-class consumer spending in 2010, we believe." They continued, "We are maintaining our Buy rating and raising our target price to \$50 from \$30 on higher numbers and building momentum for LTM's recovery. Life Time looks set to provide earnings upside for at least the next several quarters on recovering sales and margins. Like Whole Foods (WFMI, \$39.39, Hold), the company has drastically reduced growth targets; therefore, increases in revenue per member should

flow to the bottom line relatively easily, we believe." Nice to see things are looking better for Life Time Fitness!

• **Congratulations and Welcome to MS. JAYNE CONWAY**, former CFO of Gulf Oil and Dunkin' Donuts, as she's joined Planet Fitness as their new CFO. "The Chief Financial Officer from Gulf Oil moving to Planet Fitness? Who'd of think it?," noted MICHAEL GRONDAHL, Co-founder and CEO. Check out the full Press Release from JOHN CRAIG of Planet Fitness on Page #8.

• A new IHRSA Research Portal brings the latest fitness industry data & analysis online. The Portal contains results and analysis of the following research products:

• **IHRSA's 2009 Profiles of Success:** One of IHRSA's premier publications, including data for club revenues, expenses, membership, equipment purchasing and more.

• **Current Trends Survey & Reports:** A monthly indicator of key business conditions and expectations that measures industry performance in a very timely manner. An industry-wide report is available to survey participants and subscribers.

• **Quarterly Tracking Index Report:** A quarterly snapshot of club company performance, focusing on multi-chain facilities.

• **IHRSA's Employee Compensation and Benefits Survey Searchable Results:** Data from the most comprehensive study of the North American health club industry's compensation and benefits practices. For every survey in which a club operator participates, they receive full access to results of that survey at no cost. For non-participants, subscriptions are available at the following rates: IHRSA Member subscriptions are available for \$99.99 for a 3-month package or \$149.99 for a 6-month package. Non-member subscriptions are available for \$299.99 for a 6-month package. Subscription orders can be placed through www.ihrsa.org/research.

• **TIM MCCARTHY** has been named by Life Fitness as Vice President for the Americas and is responsible for performance in the United States, Canada and Latin America. Most recently, McCarthy was Vice President of Life Fitness' International Business unit, overseeing sales for Europe, Middle East, Africa and Asia. Since joining the company in 1991, McCarthy has held sales and management positions of increasing responsibility in the athletic, consumer, education, government, hospitality and commercial dealer segments of the business. **FRANK van de Ven** will assume responsibility for the international business, having previously served as the Vice President of Sales for Europe, Middle East and Africa.

• **Body Training Systems (BTS)** announced on May 7th that it has been named as the exclusive group fitness provider for World Gym International. BTS' Group Fitness system will be branded

with the iconic brand to further enhance World Gym's position in the marketplace. Check out the Press Release on Page #24.

• **T.J. CARTER**, a bright young lady and a relative newcomer to our industry, is a human resources specialist and the head of T.J. Carter and Associates, a Dallas, Texas area-based Human Resources firm. T.J. has provided an article summarizing things you need to know about the new health care laws, so check out Page #24. To contact T.J., call (214) 802 - 2195.

• **IHRSA's annual delegation trip to Washington, D.C.**, where over 50 Association members went to meet face to face with our U.S. Congressmen and women this year was really special. Within hours of the introduction of the new Healthy CHOICES Act, and just days after the release of America's first-ever National Physical Activity Plan, IHRSA and leaders from the fitness industry gathered on Capitol Hill as part of the 8th Annual Summit for a Healthier America. The new Healthy CHOICES Act is huge because it includes both the PHIT (H.R.2105) and WHIP Acts (H.R. 2106, S. 913), two exercise promotion bills that provide tax benefits for certain sports and fitness expenses. Industry leaders met with Members of Congress to share their vision for a healthier future, urged Congress to address the physical and fiscal costs of physical inactivity and advocated for passage of the Healthy CHOICES Act. IHRSA CEO and President, **JOE MOORE**, commented, "The Summit did very well. We had about 50 attendees, which is the number we targeted. The big news is PHIT and WHIP are included in the Healthy Choices Act (AKA the Obesity Bill)." I can only say that sure is BIG news and could lead to an end of IHRSA's 8-year pursuit of the PHIT and WHIP Acts because they finally become law, and when that happens, the health and fitness club industry should receive a boost the likes of which it has never seen. I give a little every month to the IHRSA Public Policy cause, and I don't even own clubs anymore. Do you? Why not pick up the phone right now and call IHRSA's **MEREDITH POPPLER** at (800) 228 - 4772, Ext. 129 and give a little. This is giving to one of the single best causes you will

ever find in this industry because it could someday boost your club business hugely!

• **MICHAEL SANCIPRIAN**, CEO, and **JOHN CARACCIO**, President of World Gym, Taiwan are installing their 15th World Gym in Taipei 101, the world's tallest building. With 15 locations in Taiwan, World Gym is the largest fitness chain in the country, and World Gym Taiwan is, in turn, the largest franchisee in the World Gym system, both domestic and international. Sanciprian and Caraccio are both California natives who went to Asia seeking the American Dream in the international fitness market and have achieved it. "We started with one location in one city and worked our way from there," says Caraccio, who founded the company in 2004 and has expanded into five cities with annual revenues of over US \$42 million. These guys did what I've mentioned to you folks a couple of times during the past three years, and that is, they took advantage during the last two years of the real estate market being stressed with landlords needing to make deals. This works for both existing leases and new deals in bad times. If you have rent that is too high, go to your landlord and ask for a new, much better deal! In this case, these guys used the real estate crunch to cut world class real estate deals for new builds. Check this out. During the toughest economic time over the past two years, their company has doubled in size and tripled its revenue. When asked how they accomplished that, Sanciprian says, "We had two choices, one, sit on the side line and wait it out, or two, be aggressive and take advantage of all the great real estate plays, and that is what we did." Caraccio added, "We were able to get rents 70 percent off from what they were two years ago, and that was key." Even though this is a world away... do you folks here in the good old USA hear what these hard working guys are saying? Way to go guys!

• This just in at press time. **Fiserv Club Solutions** announced on May 10th that it has entered into partnership with **First Credit Services**, a Woodbridge, N.J. - based customer-service driven accounts receivable management and collection company. According to the Press Release from Fiserv Club (See Norm's Notes Page 8)

JLR Associates

Announces the placement of

Dean Wallace General Manager Summit Athletic Club

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Former Gulf Oil CFO, Jayne Conway, Jumps to Planet Fitness One-time Dunkin' Exec Joins Fast-moving Gym Franchise

NEWINGTON, N.H. - Jayne Conway, a longtime Dunkin' Brands executive who recently spearheaded a turnaround at Gulf Oil, has been named Chief Financial Officer at Planet Fitness.

At Planet Fitness, Conway, 43, joins a company that's on a fast-growth track. Known for its Judgement Free Zone® atmosphere and friendly prices, Planet Fitness boasts almost 2.3 million members nationwide, and for two straight years, has been ranked by Inc. magazine as one of the fastest-growing private businesses in America.

"Planet Fitness has a brand personality that I've never

seen in a gym before," Conway said. "It's a tremendous business model, and the company is passionate about what it does. There's no doubt that Planet Fitness is positioned for huge national growth."

In 10 years at Dunkin' Brands, a \$5.5 billion company, Conway led a national expansion of the New England-bred coffee chain and helped put together the 2005 sale of the company for \$2.4 billion to a consortium of private equity groups. In 2006, she joined Gulf Oil LP as Chief Financial Officer and led the restructuring of one of the Northeast's largest petroleum wholesalers.

"The Chief Financial Officer from Gulf Oil moving to Planet Fitness? Who'd of thunk it," noted Michael Grondahl, the Co-Founder and CEO of the gym franchise. "Jayne's decision to join us says a lot about the health club industry, and even more about Planet Fitness itself and the future of this company."

Founded in 1992, New Hampshire-based Planet Fitness consisted of only four gyms as recently as 2003. Today, there are 325 Planet Fitness locations in 36 states, and more than 1,000 units

have been sold across the U.S. and in Puerto Rico.

In the \$19 billion North American fitness industry, Planet Fitness is hailed as an innovator for turning an extremely low-price model--memberships are just \$10 a month--into the most profitable concept on the market. Planet Fitness gyms also are known for a relaxed, hassle-free atmosphere that includes a low tolerance for Lunkhead® behavior, like grunting and weight-dropping, and a commitment to helping people of various fitness levels by



providing free fitness instruction to all new members.

...Shane Franklin

continued from page 6

I'm glad Stuart Goldman of *Club Industry* found Franklin and got him to talk. I'm also relieved to hear that Franklin has stepped away from the health club ownership world. But, he needs to step away from our entire industry! Maybe what he said in the *Club Industry* interview can help in finally getting him prosecuted. If you folks in Reno or San Diego have additional information, please contact Sgt. Scott Dugan of the Reno, Nevada Police Department

or Edie Cartwright, the Public Information Officer for the Nevada Attorney General.

The *Club Industry* article is very interesting because it shows that the guy I had pegged and described as shady has in fact had a shady past by his own admission. He is still on the loose and is still earning his living in this industry. It also means he is still in a position to damage the reputation and creditability of this industry at the Gold's Gym he is at or any other place he may land. Shane Franklin is an embarrassment for our industry and should be banished from

working anywhere in a health club where trust is involved and money is exchanged. In my book, the guy is not even qualified to be a janitor in a club. The fact that Franklin admits in the *Club Industry* interview that he knew he was doing things that were wrong, a/k/a illegal, speaks volumes. Here is Stuart Goldman's closing comment to me at the end of his email on May 4th after *Club Industry* had published the article online, "Thank you for all your help. I couldn't have done it without you. Take care, Stuart."

I say, "Stay Tuned !"

...Norm's Notes

continued from page 7

Solutions, this collaboration will provide an enhanced offering to their customers that will enable them to leverage Fiserv's current outsourced billing services, which include free automated collection tools during the early delinquency stage and will add the option of personal phone calls by experienced FCS collectors during the intermediate and advanced delinquency stages. The service is now available to Fiserv Club Solutions' clients using club management software (ASP versions) with multiple locations, ranging from 2 to 62 or more facilities. "Our company mission is to provide integrated technology and services solutions that enable best-in-class results for our clients," said JIM PARKS, General Manager, Club Solutions, Fiserv. "Aligning our service offerings with those of FCS supports this mission. Fiserv software interfaces, along with FCS' real-time customer service-

driven collections services, will help our clients maintain club goodwill, enhance member retention and deliver high membership dues recovery rates to maximize club profitability." Check out the **Fiserv Club Solutions Ad** on **Page #23**.

•**Breaking News! Congratulations** to my friends at **Club Industry Magazine**, as they won the **Maggie Award**, given by the **Western Publishing Association**. They won in the **Most Improved Publication/Trade** category and according to **Managing Editor, STUART GOLDMAN**, they won mainly as a result of their redesign last Fall. That's a nice honor for the group, and I would like to specifically congratulate **Publisher, MARTY McCALLEN** and **Editor, PAM KUF AHL**, along with Stuart and the rest of their team.

•Again, I want to say **thanks to everyone** who called, sent flowers, cards, letters and emails since my Dear Dad passed away

on April 6, 2010. Thank you, and God bless you all.

•I want to wish all of you in the **Nashville, Tennessee** area, who've suffered damage at your club or home during the recent horrific floods, the best of luck as you recover from this awful and angry act of **Mother Nature**. **God bless you all.**

•**God bless our troops, airmen and sailors** in the **Middle East** and around the world as they protect America's freedoms and liberty. **God bless you, your family and your club(s). God bless America!**

(Norm Cates, Jr. is a 36-year veteran of the health, racquet and sportsclub industry. Cates was the Founder and is in his 17th year as the Publisher of **CLUB INSIDER**. He was **IHRSA's 1st President**, and a Co-founder of the Association with **Rick Caro** and five others, in 1981. He may be reached by phone at **770-850-8506** or email at **Norm@clubinsideronline.com**)

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...**Newtown Club**

continued from page 3

opened up in my hometown, Horsham, and I worked there part time. Spring semester of my senior year, the owner of the club asked me if I would oversee the club in the summer time before I was supposed to go back to school for physical therapy; I was accepted at Duke. I did, and during the summer, he decided to fire the manager and asked me if I wanted to take it over. I said I would for a two-year commitment because I wanted to go back to school. The money at the time seemed like a lot. That was called the Babylon Racquet Club. It was purely racquetball, and after a year or so, I had converted some of the space into fitness and aerobics because racquetball in the '80s was going the other way.

C.I. - In what year did you open the Newtown Athletic Club (NAC), and how did this come about?
JW - By chance, I had met one of the owners of what was called the Newtown Racquetball Club at a team racquetball league match at my club. I guess he saw how I handled things. It was funny. Back in the day, money was collected individually from people for the court time. Right before the match was supposed to start on the six courts, I noticed someone from their club hadn't paid, so I stopped the match until they paid. Afterwards, this guy came up to me and said, 'I'm the owner of the Newtown Racquetball Club. When we have home matches, we don't even collect from our own guys, let alone the away teams. I'm impressed.' I was young; it was just common sense stuff. I was no expert.

So, I started a relationship with the owner. After a year of his calling me and having his managers call me on a consulting basis, he asked if I would consider managing his club. I replied that, 'I'll give you two years, but I'm going back to school eventually.' After accepting the job, I immediately converted the courts into fitness and aerobics and generated more revenue per square foot. In the middle of the second year of being with the Newtown Racquetball Club, he basically said, 'We're investors in New York. We're in the money management business and don't do this full time. Why don't we make you a partner?' So, I became a partner. This was in 1983. The rest is history. Over time, I bought

out some of the partners. Now, it's me and two other silent partners; Howard Berlin and Peter Broms, who happen to be the best partners you could ever ask for.

C.I. - Please describe your original facility.

JW - We had 11 courts and 15,000 square feet on 4 acres. We were doing about \$380,000 in gross revenue in 1983.

C.I. - Please describe some of the major expansions that have occurred since.

JW - The 15,000 square feet slowly turned into about 25,000 because if you take out the racquetball courts, double-deck the floors and get rid of them all, you've increased your floor space. The first major addition was in the early '90s where we added an indoor pool and our first full-size, collegiate basketball court with an indoor track around the top. At the time, that was about a 35,000 square-foot addition. Then, around 1996-97, we built a kids' wing, with another 35,000 square feet there. Most recently, about four years ago, we acquired a 65,000+ square-foot building adjacent to us. It was a warehouse, but we retrofitted it into a baseball academy/sports center. There's also a cheerleading center, which we lease, and office space. It's neat and really a pretty successful little business, actually.

In the kids' wing, there's child care. We call it the 'Kids Club.' There are dance studios, a large gymnastics training center, Taekwondo room, kitchen and party rooms, all located on the second and third floors. Beneath that is another gymnasium, which is a 9,000 square-foot, two-story space with 40-foot high ceilings. We run some of the most amazing teen dances there. Of course, we also use it for indoor soccer, kids' basketball and other activities and special events. Our main basketball court is for adults and is hardwood floor, but the kids' wing court is a rubberized floor making it multi-purpose. Two months ago, we had Pauly D from the *Jersey Shore* show, and he did a dance where we hosted over 600 teenagers. We have had all kinds of events there. Besides teen dances, we have kids' night out, charitable fund raising events and adult concerts, just to name a few. In October, we will be hosting our first MMA event, which we will be doing quarterly now that we have our promoter's license. Also, we do a huge birthday

party business, approximately \$400,000 a year. Our pizza bill alone is \$3,000 a month. We just put in a new café, and now we are doing our own pizzas. For every \$10 pizza, we were paying \$7. Now, it will cost us \$2, so we will make about 80% on the \$36,000 we were paying a year to the pizza guy down the street.

That being said, a recent key change in our philosophy and club was a commitment to our physical plant. Prior to four or five years ago, I would bring in Hervey Lavoie of Ohlson Lavoie Collaborative. I would pick his brain, but we would never quite get started. This was for years. Quite frankly, it was an older building, and we were kind of just trying to make it work. About four or five years ago, we said that we need to really make a commitment to this guy. We did, and it was the best thing we ever did. We took old locker rooms that were just terrible and converted them over. I actually sent a member of his firm to Las Vegas. I said, 'These are the hotels and spas I like; Bellagio, the Venetian and Mandalay Bay. I like the steam room at Mandalay, I like the showers at the Venetian and I like the tile work at Bellagio.' They went



Newtown Athletic Club's New Pilates Studio

and checked it out, and with all their expertise, they transformed our locker rooms. It changed the whole image of the club. Finally, I bit the bullet and spent the money. I should have spent it ten years before that, but I was 'penny-wise and dollar-foolish.'

Two years ago, after we spent \$1.4 million on the locker rooms, we followed up with a \$700,000 renovation of our spin room and our smaller fitness center. It came out tremendous. In the past four months, we renovated our lobby and put in a new food service area, the NAC

Café. Also, we added offices and a boxing/MMA studio. We will spend about \$1.3 million on that, and it has transformed the whole flavor of the club to an upscale environment when you first enter the club. Starting in June, Hervey is going to renovate two other group exercise studios, and we will probably spend \$300,000 or \$400,000 there. And finally, after talking about it for years, we are going to do a 10,000 square-foot addition that we hope to start in October. It will be a two-story fitness center that will absolutely (See *Newtown Club* Page 12)

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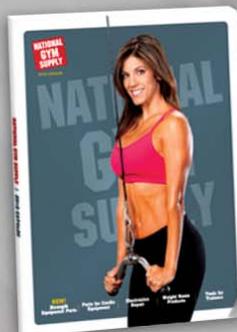
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...Newtown Club

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be one of the best in the country. It's going to be about a \$3 million addition, but it is going to take us to the next level. It took me forever, but better late than never.

C.I. - How large is the club today, and can you share some pertinent statistics with our readers, such as the number of members, memberships, revenue, etc?

JW - We are an 180,000 square-foot, multi-purpose club on 20 acres with gross revenues of \$9 million per year. We have almost 4,000 billing units representing approximately 11,000 members.

C.I. - What role did IHRSA have in your company's development?

JW - For us, the turning point was in 1984-85 when I went to one of the first IHRSA conventions. The hot topic was converting over to monthly dues, EFT. It seems now like that was an obvious thing to do, but 26 years ago, this was cutting edge. So, I converted, and that was the single biggest thing we did to get us to where we are now. I have to tell you this: IHRSA, without a doubt, is the number one reason why we are here. I got to learn from a lot of smart guys, like Rick Caro, Roger Ralph, your dad (Norm Cates) and people like that who were pioneers. I was a young guy. I was in my mid-twenties, and the smartest thing I ever did was to seek out people who were more knowledgeable than me, sit down and learn from them. They were always gracious to share their ideas and were all about growing the industry. They welcomed a guy like me and were mentors. Whether it was just going to the seminars, calling someone on the phone, taking a guy out to

dinner and have them tell me about what they are doing at their clubs or other clubs, it was just a whole process of people working together. Back in the early days, those conventions were a lot smaller, so you knew everybody who was there.

Probably through the first ten or fifteen years, we were more takers than givers --not in a bad way-- because we were still learning. Everything seemed to be West to East, so we were getting information and ideas half a year to a year later. Over time, I felt like we were able to give back to the industry through our commitment to kids' programming and facilities in the mid-90s where we actually built a wing dedicated just to kids. At the time, we introduced an all-encompassing family membership in which you paid one rate for the family, and everything was included; gymnastics, dance, everything. There was no ala carte other than something like swim lessons, which was more personal and one-on-one. So, we added the kids' wing and included all the programming, and it exploded our membership. We went to over 4,000 membership units. We did more volume, and we were able to spread out the costs among more people. It was contrary to the industry, but clearly, it was a great move for us.

So, if we've had a contribution to the industry, that's it. Over the years, we've had a lot of visitations, from both owners and managers. We have a Taekwondo program for kids. There's a national tournament in Orlando in June, and something like 10% of all the kids participating in the tournament nationally are coming from the NAC. Our programs are great. We have 1,100 kids in our gymnastics

program, 800 in ballet and 500 in Taekwondo. This is quality stuff. I would match our programs up to anybody in the country in terms of quality.

C.I. - Looking back, what are you most proud of?

JW - Industry-wide, it is our contribution to kids' programming. Locally, it's the fact that we've provided this facility for 35 years. The community has grown with us, and we've grown with them. It's a place where people come, and it's a big part of their life. And, we are building this charitable mission. We get 20-25 requests a week for donations, not to mention at least once a month, if not twice a month, we give the facilities free to non-profit groups. We have a special needs program, summer camp, and on top of it, we have a financial assistance plan here, which we adopted ten years ago, where over a thousand people come here for free or at a greatly reduced fee.

C.I. - Where do you see the NAC in the future?

JW - In terms of the future, what I'm most excited about, it's the fact that we continue to grow and expand. I hear what's going on out there. A lot of clubs are pulling in their horns and aren't investing. People are amazed, and other clubs that come here say, 'Wait a minute... You're spending \$1.3 million on your new addition, you're spending another \$300,000-\$400,000 this summer, and you've got a \$3 million fitness center expansion starting in October?' They're amazed that we continue to expand. It's worked out. Through this whole thing, we have done better every year.

I told the staff two years ago, when the economy first became bad, that we were going to ramp up what we do. Let everybody cut back; we're going to ramp up the level of service, we're going to improve the facilities, we're going to do the things necessary to make this club nicer and we are going to be a breath of fresh air in people's lives. When someone walks in, and they are having a rough time at their job, or they lost their job or a mother comes in and she's stressed out because money is tight, I want them to come here and forget about all that. I want them to say, 'Hey, this is my sanctuary. This is my rock-solid place to go.' We had this member,



Newtown Athletic Club Dance Academy Dancers

Joe Brassel, who was a really active member and had some health issues. He's in his early sixties and would work out 2-3 hours a day. He ran into some

health problems about a year ago. So, he comes back about a month ago, and he says to me, 'You know Jim, I've been gone a year, (See Newtown Club Page 14)

Kim Chernikovich, Youth Programs Director

As the Youth Programs and Camp Director at the Newtown Athletic Club, I have had the pleasure of watching children's athletic programs at our club evolve over the past ten years. I am a lifelong resident of Bucks County and a former competitive gymnast. In March of 2001, I found myself working at the Newtown Athletic Club as the Director of the Gymnastics Department. At that time the program had basic recreational gymnastics classes for preschool age through teens. Today, we have made many additions to our programs as well as an expansion to the gymnastics studios. We are now home to 1,000 gymnasts, and in addition to classes, we offer a recreational competition team, back handspring clinics, cheerleading clinics, an open gym night, sleepover programs and much more.



In our 180,000 square-foot facility, it is possible to have soccer, basketball, volleyball, hockey, dance, Taekwondo, gymnastics, our KidFit program, boxing and more Monday through Sunday. Our Aquatics Department is also busy year round with group/private lessons, water aerobic classes, private lap lanes and swim team in a 25-meter Junior Olympic size pool, as well as a therapy pool.

The Newtown Athletic Club provides not just athletic programs for children, but is a multi-level athletic facility that caters to families. With more than a dozen different sports programs available year round to children ages 6 months to 14 years, parents have the luxury of enrolling their children in a sports program while the adult has the opportunity to work out during their child's class. Parents can utilize our onsite childcare facility seven days a week, from early morning until mid-evening most days.

All sports programs, whether it be gymnastics, hockey, Taekwondo or KidFit (our latest program), enable children to be active while being given a chance to socialize and learn to take turns. It gives the kids a chance to problem-solve as individuals or in a group and also learn to be competitive without being aggressive. Parents enjoy the idea of their children being active and learning a sport, but they are also happy about the teachable moments and activity that athletics provide. Fitness should be a fun lifelong activity that can be enjoyed by the whole family and the Newtown Athletic Club provides it all under one roof.



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...Newtown Club

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and I cannot believe the changes you made in a year during this economy, in this downturn. I just can't believe that you keep moving ahead, and you guys keep improving the place. It was great when I was here before. I didn't think you could make it better, but it's even better now.' People are happy when they come here. You have to keep in mind, a lot of the people here are hunkering down, not spending any money, and they see us keep doing it. I think they are proud. They go back and say to their friends, 'The NAC's doing this, the NAC did that. They just added this or that.' The word gets out in the community that we are continuing to do all these things to make the place better. It's been a big positive. It makes our members feel good as well as our entire staff.

C.I. - Given the debate on health care, heading into the future, where do you see health and fitness clubs fitting into the mix?

JW - We've been hearing, talking and waiting for twenty years. I'm not sure if we are ever going to be part of the official health care solution, whether health club reimbursements or tax credits will ever come. There's an insignificant dollar amount that is going on now, with reimbursements through health insurance, but are we ever going to really be a big part of the official health care delivery system? I'm not sure. With that being said, our approach will be that we are going to provide the exercise, the social atmosphere, the family environment and all the other intangibles somebody needs in their life. If somebody wants to get their hair cut while their kid is

in the nursery and the dad comes in later for a massage, or they come here for lunch, this is going to be the cornerstone of what people do. To the vast majority, it's more than just a health club. That's what I'm focused on. The exercise component, getting in shape, is important, but I think all the camaraderie and socialization is too. We're like our own little town here. I'll know that we've really figured it out when my staff and I have touched, not just the 20% of people that are higher profile, fit and popular, but the other 80% of people that come in here and aren't as high energy or fit. When we befriend them and make them feel like this is their home then I'll know we have reached our goal.



Eve Krieger

An Interview With Eve Krieger, Club Manager and Controller

CLUB INSIDER (C.I.) - When did you join the Newtown Athletic Club (NAC), and what position(s) did you hold prior to your current post?

Eve Krieger (EK) - I became a part-time employee in 1992, managing the club's Pro Shop and Front Desk. A few years later, I went full time,

adding on the responsibility of membership accounts and monthly charges, and then, taking on accounting. In 2006, I added the duties of Club Manager.

C.I. - What are some of the challenges of operating a large, full-service facility with numerous member offerings?

EK - Disseminating information is always key and can many times slip between the cracks. With so much going on in so many different areas, at times there can be a drop in the lines of communication --between employees, as well as to members. In addition, we often run into scheduling problems. Although it is a very large facility, we often find that we have problems finding available space or double booking rooms.

C.I. - How has the economy affected the NAC, and what adjustments have you made?

EK - In spite of the economy, the NAC has continued to thrive. We have found that members, looking for a real value for their dollar, have appreciated the services and the facility that we offer to them. Although we are not the least expensive club in the area, what we are providing for their dues gives them satisfaction in their expense.

Over the past year, we have made two major adjustments. On the revenue side, we have become a bit more aggressive in our new membership offerings. We have used elimination of the enrollment fee and given extra months up front at no charge. We also have a very aggressive member referral fee, giving a \$100 cash bonus to the referring member. On the expense side, we have reduced our payroll costs by eliminating unnecessary positions and changing some pay structures.

An Interview With Linda Mitchell, Director of Marketing

CLUB INSIDER (C.I.) - When did you join the Newtown Athletic Club (NAC), and what position(s) did you hold prior to your current post?

Linda Mitchell (LM) - I joined the NAC in 1981. My beginnings were as an Aerobics Instructor, and after the first year, I became the Aerobics Co-Director. After 14 years in that position, I moved into the Fitness Center and managed that area for approximately a year. Then,



Newtown Athletic Club Indoor Swimming Pools

I moved into sales, marketing and public relations. This is the area that I have remained in for the past 14 years, although the specific duties of the position have altered with time and progress in technology and education.

C.I. - What is the greatest challenge you face in marketing and public relations, and what are your solutions?

LM - The greatest challenge which I have always found in marketing is to determine how well your marketing really works. No matter how many ways you devise to track results, it seems as if there are variables which occur during each campaign that create outcomes that are difficult to track. For example, no matter how many plans you put into place to determine from where your leads originate, you never really know for sure as the human psyche is motivated by so many different sources and in multiple ways. So, you put all your marketing cards on the table each time and watch the trends in technology and human behavior and try to make wise decisions based on the numbers you can collect as well as your total gut instinct.

C.I. - What are some of the community service efforts the NAC utilizes to build trust in the community?

LM - This question is an absolute pleasure to answer. For many years, community service has been a huge part of our overall strategy to position ourselves in the hearts and minds of, not only our members, but the community at large, as a major player in the ethical fabric of our community. Some examples of this are:

- Hosting, as a courtesy, countless charitable events in our facility
- Regular contributions of goods
- Services, as well as money, valuing easily almost \$1 million annually to local fundraisers
- Participation in leadership roles in community groups which support businesses, charities and local school organizations, to name a few.

To be even more specific, several years ago, we founded a Special Needs Summer Camp for Children, allowing them to participate in normal camp activities including: swimming, gymnastics, Taekwondo, arts and crafts and more. We have actively promoted this camp through all local channels for funding from any available resource and raised money with our own fundraisers on site in our facility. This camp received the Best of the Best Award from *Fitness Management Magazine* because of its innovation and effectiveness in a much needed area of service. In response to our challenging economy, we have for many years offered financial assistance to families in need in the community. We have been told by John McCarthy himself that this is truly innovative for our
 (See Newtown Club Page 16)



Linda Mitchell



Newtown Athletic Club Gymnasium



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...Newtown Club

continued from page 14

industry. Once we identify a true financial need, we offer a reduced rate to these families to enable them to participate in a healthy lifestyle at the NAC.

C.I. - Linda, could you give us an overview, kind of a verbal blueprint, on the NAC's financial assistance program, so our readers might consider such programs for their clubs if they are able?

LM - To qualify for NAC financial assistance, the member completes a simple series of forms which reveal basic financial data enabling us to determine their overall need. This data includes household income and expense information, an assistance guideline grid that offers a predetermined discount on the rate based on income and number of family members as well as a detailed explanation on how to apply. Quite frankly, the decision to award financial assistance often includes a subjective

evaluation taking into account an individual's entire life situation at that given moment. The program is promoted through our sales and management staff and included in our marketing materials.

Publisher's Note: To view the forms used by the Newtown Athletic Club, you may contact Linda Mitchell by email at linda@newtownathletic.com or by phone at (215) 968 - 0600, **Extension: 114.**

An Interview With Julie McCulley, Director of Fitness

CLUB INSIDER (C.I.) - When did you join the Newtown Athletic Club (NAC), and what position(s) did you hold prior to your current post?
Julie McCulley (JM) - I earned a Bachelor's Degree in Exercise Physiology from Bloomsburg State University and a Master's Degree from Ohio University in Sports Medicine. I obtained a position at the NAC post-

graduate school in 2004 as a personal trainer and was promoted to Fitness Director shortly thereafter.

C.I. - Please share with our readers the program lineup offered to members. What effect does this have on your members?
JM - As part of an NAC membership, there are over 200 adult programs offered each week. Not only do we offer the widest variety of classes, but we

have the most programs of the highest quality which are included in the membership fee. These classes include the most current programs, such as Pilates, Yoga, Boot Camp, Zumba, Spinning, Boxing, Mixed Martial Arts and more! The effect this has on our members is increased retention that results from the camaraderie and bonding which occurs when working out in groups.

C.I. - At the NAC, how do you go about orienting new members? Do you have a specific program for them?

JM - We offer the Advanced Integrated Movement (AIM) assessment to each new member when he joins the facility as well as a complimentary review of his workout program every eight weeks for his entire membership. We are very focused on retaining our members by educating them as much as possible about their fitness/wellness program. The AIM assessment is designed to identify any joint limitations, structural weaknesses or muscular

imbalances that will limit movement, impede performance, induce compensation, create pain or further deteriorate joint health. We then create an exercise program to help their body perform and look in peak condition.

• • •

I want to thank Jim, Eve, Linda, Julie and Kim for their great contributions to this story. Additionally, I want to especially thank Linda for her help and additional support in bringing this story to you.

(Justin Cates is the President of CLUB INSIDER and grew up in the health, racquet and sports club industry. From the age of eight, he spent his non-school and sports hours in a home which doubled as CLUB INSIDER Headquarters. He has lived and breathed this industry for 25 years, since his own day one. Now, he is an integral part of the "Story" of Norm Cates and CLUB INSIDER. Justin may be reached at Justin@clubinsideronline.com)



Julie McCulley



What are the top initiatives for your company?

Are they . . .

- increasing your foot traffic through innovative marketing?
- increasing your overall closing ratio at the point of sale?
- increasing your personal training revenues?
- implementing a system that drives consistency?
- increasing your membership retention by insuring that no member falls through the cracks?
- increasing your exposure at community outreach events?
- increasing your corporate presence in the community?
- maximizing your revenue per member?

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XSPORT Fitness (27 locations)
Steve Fieweger

“Since we’ve began using the VFP in June 2009, our Personal Trainers have increased their production dramatically. I’m sure that you would agree that one of the challenges with multiple locations and personnel is “keeping them on the same sheet of music”. With the VFP, everyone is sending the same message in the same manner to all of our members. Naturally this promotes better continuity and higher sales. The bottom line is that our Personal Training sales have increased approximately 300 - 400%.”

World Gym, Arkansas (4 locations)
Harley Mork, Director of Personal Training

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Culture: The Hidden Advantage

Step Nine in the Series: Fifteen Steps to Paradise

By: Will Phillips

Act that your principle of action might safely be made a law for the whole world.

-Immanuel Kant

The Challenge Every Owner Faces

Getting everyone in your club to focus on achieving common goals and helping one another in doing so is a conundrum of management. As soon as the organization is large or dispersed, the leader cannot overlook everyone's behavior on a minute-by-minute basis to guide and correct them. A new way to manage people is needed.

Most clubs address this challenge by copying what large manufacturing businesses perfected in the 20th century. They create structures, systems, policies, rewards and punishments in an attempt to insure everything is done right. Collectively, these create the formal statement of "the way we do things around here."

This approach has four flaws. First, it is usually created by senior management and does not take into account the reality of frontline knowledge. This makes the formal organization inefficient at best and ineffective at worst. One shop foreman told me if you do a part procurement according to our rules, it will take

three weeks. Let me show you how to get it done this afternoon.

Second, the customer, the business and the world are continually changing, usually faster than your formal systems can keep up, so they are always out of date.

Third, the formal systems and structures NEVER cover all the contingencies of what may happen.

The fourth flaw is that everyone knows that, no matter what the system says, the reality is what the boss wants. We can tell this by his decisions, priorities, who he favors and disfavors and what gets him or her angry. We cannot hear the boss because what he does speaks so much louder than what he says.

These flaws mean everyone is not singing from the same page. Managers try to fix this by expanding the formal system with new rules, new systems, new plans, etc. This just makes the formal system worse and eventually bureaucratizes the organization and gives birth to Dilbert.

An organization with a strong culture overcomes all of the above flaws.

What is Organizational Culture?

The culture consists of the behavioral norms in your club

that guide how things are done and explains why things are the way they are. The culture is the underlying guiding principles for all decisions and actions. When culture is consciously designed, the values or principles are clearly articulated. They are explained with examples and stories.

Rules and systems are external; culture becomes internal. I follow traffic rules because it's the rule, and I'll get a ticket if I break it. I follow the culture or values in my club because I believe in them and the boss invariably supports them.

Culture becomes an integral element of the organization and a cause of what happens in the organization. Strong productive cultures produce strong productive organizations. Threatening, political cultures create less productive organizations.

A culture-driven organization is likely to be the most efficient --that is the most responsive, the most nimble, the most focused on the customer and the lowest cost.

How is Culture Built?

The culture of an organization emerges early in its history as a result of the personality, philosophy, attitude and actions of the leader. It may be reflected in the company's policies, procedures, systems, structure, decisions and day to day actions.

Culture is hard to change because it is both a result and a cause of what is going on in the organization. This makes cultures self perpetuating. However, to get substantial organizational change, you must generally change the culture. This takes time, effort and commitment, but it can be done. It requires significant, unrelenting commitment of the leader.

Values: The Core of a Designed Culture

Values are a small set of enduring statements about how we behave as individuals towards our fellow employees and towards various stakeholders outside of the organization such as our

customers or our communities and the environment. Here are some examples of actual, powerful cultures.

Joe Cirulli's Take on Values

Gainesville Health and Fitness has four core values:

1. Integrity, which means always doing the right thing even when no one is looking.

2. Hardworking, in that we give 100% effort to everything we do and work until the job gets done.

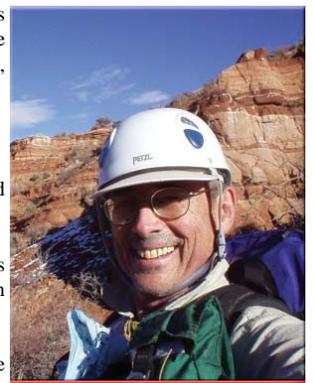
3. Developing Our Own Future, since our greatest power is the freedom to choose; we decide what we do, what we think and where we go.

4. Extraordinary Commitment to Helping People through a consistent level of service that far exceeds the ordinary and actively searching for ways to anticipate and accommodate the needs and wants of our fellow employees, customers and community.

Jack Stack's Higher Laws of Business

These were formulated by Jack Stack, legendary leader of Springfield Manufacturing and founder of Open Book Management:

1. You get what you give.
2. It's easy to stop one guy, but it's pretty hard to stop one hundred.
3. What goes around comes around.
4. You do what you gotta do.
5. You gotta wanna.
6. You can sometimes fool the fans, but you can never fool the players.
7. When you raise the bottom, the top rises.
8. People who set their own targets usually hit them.
9. People stop caring if nobody pays attention.
10. Change must start at the top.



Will Phillips

This culture has been a foundation for Springfield's expansion from one unsuccessful business into a dozen related divisions.

Jack Welch's View of Values

He was the long-lasting president of General Electric and voted by his peers for many years as the most admired business leader in the world. Welch said he wanted employees evaluated on two dimensions: Results and Values. The best managers were strong in both. If you were weak in both, you did not last long at GE. If you supported the GE values and did not produce results, you were given a lot of support and coaching to come up to standard. But, suppose you produced results but did not support GE values? Welch said, "Fire them." Do not waste time trying to convert them. Too many clubs miss this last strategy.

Follow Up

If you would like a way to assess your club's culture and some guidelines for redesigning and implementing your culture, please email Will@RexRoundtables.com and put **Culture** in the subject line.

Resources:

Firms of Endearment by Sisodia
 (See Will Phillips Page 19)

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...Will Phillips
 continued from page 18

- How Values driven firms out-perform Good to Great companies by three times
- Small Giants: Firms that choose to be great not big* by Bo Burlingham
- Tribes* by Seth Godin - Building extraordinary focus on accomplishing a common set of goals
- A Complaint Free World* by Will Bowe - Tools for building and perfecting a positive attitude
- The Four Agreements* by Don Ruiz - A guide to building personal integrity
- Corporate Culture* by Terry Deal - Research showing how strong, simple culture can increase profitability by several hundred percent.

(Will Phillips is the President of REX Roundtables for Executives. REX chairs eighteen club owner Roundtables in the U.S., Australia, New Zealand, and Brazil. Apply now for admission to one for you. The newest REX Roundtable will focus on Small Giant businesses in all industries. Your comments and inquires are welcome at Will@RexRoundtables.com. Check out Will's blog at www.HealthClubGuru.com)

Make It Fun!

Fitness Boot Camps Prove to Be An Investment With BIG Returns

By: Bonnie Pfister

Five years ago, we were investing in new gym equipment. Now, we are investing in members, and as members get smaller, profits get bigger. Here is my story about how Boot Camp has impacted our business.

In September of 2007, my husband, Steve Pfister, appeared as a trainer for a weight loss reality TV show called *Fat March* for ABC TV. Our all-ladies club in Vero Beach, FL was thriving, and people from across the nation were reaching out for help. This was what we had always dreamed of; to build a platform to impact as many lives as possible.

Flooded with emails and messages on networking sites, we realized reality TV had truly made an impact on America. Reality TV taught people losing weight and getting fit was achievable, but it just took work. Steve and I quickly learned people were willing to give up almost anything to get fit, and this was how our Boot Camp program was born.

Sure, boot camps were already going on across the nation, but we envisioned something greater than a class with the "boot camp" name attached to it. We wanted to create an experience. We began taking test subjects through the most grueling workouts our fitness minds could think of.

In the middle of birthing our new boot camp program, Steve was cast as a trainer for

another reality series called *Bridal Bootcamp*. His team of future brides were about to be his newest test subjects. They were completely at his mercy, and Steve had the time of his life.

Back home, we were gearing up for our first 6-week Boot Camp program at Longevity Fitness Club & Spa. Steve came back in town to kick off the program, and neither one of us was prepared for what we were about to experience.

When we first created the program, our goal was to enroll 30-40 people. To our amazement, nearly 100 people showed up on orientation day. If that wasn't amazing enough, Steve, dressed in army fatigues, put them through a workout that made some puke and others cry. When it came time to enroll everyone, I thought surely we would lose half the group due to the pure intensity of the program. To my surprise, almost everyone enrolled that day, and our club has never been the same.

Fast-forwarding two years, we've put over a thousand people through our program, and we currently have 147 people enrolled in our newest Boot Camp program called BCx. Our boot camp profit center was initially planned to run twice a year. As of May 1st, we are currently on our 7th program this year, and we plan to have many more to come.

Since my goal in life is to impact as many people as I can, I am going to share some tips on

how to start your program so you can not only increase profits but help your members get the results they have always wanted.

Building Your Own Boot Camp:

1. Choose your floor plan. You can't just start laying a foundation without knowing what you are building or how much you can afford to spend. The same way you wouldn't just blindly pick a floor plan out of a book, you need to take time to decide what you want to build, where you want to build it and how much it will cost.

First, you need to determine if you have the right space for the program. This can be an indoor or outdoor space that is available during prime time. Next, you need to choose the clientele you hope to attract. Your clientele will help you determine the type of program you need, along with the tools and trainers required to run the program.

2. Draw out your blueprints. You must map out your timeline in order to give yourself ample time to get the training your staff needs, prepare your space and market the program. As you begin all the behind-the-scenes work, put an interest list out for the members. This is a place where members can sign up if they are interested in participating. This will help you prepare and know how much money you should initially invest.

3. Choose your builder and crew. This part is essential. Your boot camp builder must be a "get-r-done" kind of person that makes things happen, which may need to be you. Either way, this person will be responsible for ordering materials, scheduling, answering questions about the program, understanding your vision and seeing the program through from start to finish. Your program cannot succeed without this person.

Your crew are the trainers and support staff. Your crew must work together and respect each other's training styles. There absolutely cannot be any egos in

boot camp. The whole program must be based on confidence, and if one person acts like he is the best, it automatically will make the boot campers doubt the other trainers' abilities. Everyone must work as a team. Even though my husband is the head trainer of our program, he publicly lifts up all our trainers, which gives each trainer added value with our seal of approval, so everyone trusts all our trainers equally.

4. Choose your materials. First you have to ask yourself a simple question. Are you creative enough to design your own program or do you need to hire an expert? As you begin to design your program, you will be faced with many options. You can either choose an existing program, or you can build your own. It just depends on how creative you are.

For a boot camp to truly be successful, you will need educational information for each participant. In our case, I wrote a Boot Camp Workbook for our program. As most of you know, working out is only a small part of weight loss, so it is vital that you offer diet information and support. In addition to educational tools, you will want fun promotional items like t-shirts and dog tags. Lastly, you will need to choose the fitness tools needed to train your boot campers.

5. Work on curb appeal. You can have the most fantastic home on the block, but if it doesn't look fantastic on the outside, no one will know just how great it really is. This is all in the branding. If your branding is generic, then people will think your program is generic. Whether you decide to create your own name, or choose an existing brand, don't skimp on the brand.

At first glance, your brand needs to give people a feel for your program. You will need to dedicate space on your website to properly market the program.



Bonnie Pfister

Your print ads should carry the same theme and branding as well. Every piece of material relating to your program should carry the brand and logos as if each piece is an individual marketing tool. Remember, your boot camp schedule may be posted on refrigerators, bulletin boards and desks all over town. Everything is an advertisement for your program.

6. Get ready to move in. When your builder tells you it's about time to move in, this is when the rubber meets the road. It's time to set a date and get packing. By now, you will have had your staff well trained, and it's time for a commitment. As soon as you set a date, you can begin registering boot campers and building the hype in your club. We require everyone to complete a registration form and pay a non-refundable deposit so we know who is really committed and how many to prepare for.

7. Have an open house. This is your chance to shine. The phrase *Boot Camp* is very scary to some people, so we have an extensive orientation, which we require prior to officially enrolling anyone into the program. During orientation, we give sample workouts, diet education and program orientation so everyone

(See Bonnie Pfister Page 21)



Boot Camp in Front of Gloria Estefan's Beach Resort

View Bonnie's Author Profile at
www.clubinsideronline.com

...Bonnie Pfister

continued from page 20

gets a taste of what he will experience over the next few weeks. If a participant can make it through most of the workouts without pain or physical limitations, then he will likely be good candidates for the program. Orientation also helps prevent refunds, eliminates the risk of surprise and builds an exciting hype if it's done right.

The same way you may dress up a house to fit a special occasion when having guests in your home, you want to dress up your club for the big day. Depending on the program, you will want trainers to be in uniform, which may be military fatigues or your unique uniform. Can you imagine going to a Christmas Party without any tree, lights or red and green décor? It just wouldn't feel very Christmassy. Remember, you are *creating an experience*; it's up to you how far you take it.

Making Boot Camp a Success

Here is the million-dollar question: What is making a Boot Camp successful? Well, for us, I can tell you it isn't TV. Many of our boot campers never even watched Steve's summer weight loss reality show. It isn't a lack of good fitness clubs or programs in Vero Beach either. Vero has five excellent clubs within a 2-mile radius. Honestly, there is no single thing that makes our program successful, but instead, I believe it is a combination of things, each having equal value.

You must have an organized program. In order for your members to feel like they are truly part of something, you must have an organized program that helps them feel set apart from regular members. Our boot campers get more than just a workout. They receive a Boot Camp book, dog tags, diet support, diet education, training offered six days a week, three body compositions and direct access to me personally. Boot Camp is the ultimate VIP treatment.

In return, the club gets boot campers who, even if they weren't members, now feel connected to the club in an intimate way. Much like being a part of a social club or sports team, these boot campers will become some of your most loyal members and a support structure

you cannot find anywhere else.

You must have the right trainers. We trained several personal trainers to lead the program, but frankly, not everyone is cut out to be a boot camp trainer. This doesn't mean they aren't good trainers. We were just looking for a certain intensity and energy, and we weren't going to settle for less.

Anyone can take someone through a workout, but only certain people can drive someone past their threshold into a whole new level of intensity they would have never experienced without the push. This, at times, calls for someone to be a little stern which requires a strong leader.

Much like Bob, on *Biggest Loser*, sometimes a trainer has to help people get past their fears and weaknesses before they can discover strength and self-assurance. This calls for a certain level of confidence in the trainer's knowledge and in the program itself, allowing a trainer to look through tears and fears and see the finished product.

Lastly, never settle for less than the best. If you only find one good trainer, then only have one good class. You will taint your entire program with one average trainer. It's better to have a stellar small program than an inconsistent big one.

Your program should be bold. If you take a little risk, you'll get a little reward. No one is proud to be part of something mediocre. That is what makes our boot camp stand out. Everyone knows our boot camp is one of the most challenging programs around. Although we do try to take precautions and teach safety, there is an inherent risk when exercising in an open environment, flipping tires and climbing 12-foot walls. By all means, I'm not saying you need to be careless, but if you are too scared of someone getting injured and suing you, a program like this is not for you.

Your program must require an investment from your members. A big reason our program is successful is because it requires a certain level of commitment from the boot campers. Since each boot camper has to set aside both time and money, they are more likely to make the most of the program.

You must look at boot campers as people, not money. Although

you will be charging each boot camper for the program, you can't treat them like they're a walking dollar bill. Staying focused on getting your boot campers' results is truly one of the most important components to running any successful fitness program. Your first motivation must be to change lives. If you do your job, believe me, you'll get paid.

You have to personally connect with each boot camper. I know not every owner or manager has a passion for running a program like this, but boot camp requires a strong leader if you want it to be successful. This person is the glue that connects everyone together. This happens to be my role in our program. I am the go-to person for scheduling, diet questions or just to be an open ear when someone has a bad day. Remember *Fantasy Island*? As a hostess of sorts, I am the Mr. Roarke of our boot camp. It's my job to make sure each person has the best experience possible. There is not one boot camper that has not received an email, a phone call or a face-to-face meeting with me personally.

You may decide to put one of your head trainers in this position, or you may need to hire a person to just to run the program. Either way, this person is responsible for communicating with the boot campers and making them feel special and comfortable. This person must have excellent communication skills and be knowledgeable enough to answer diet and fitness questions along with having the authority to make quick administrative decisions.

You should always think outside of your ordinary fitness box. Boot Camp has to be an experience if you want it to succeed. You will fail miserably if you rely on fitness alone to grow your program. Americans are used to being entertained. Some of this will rely on your trainers' ability to capture people's attention. In TV, this would be referred to as the talent. They are the stars of the show. In other words, each trainer must be his or her own character with a unique and dynamic personality.

The other part of the equation is referred to as the "set." This is the setting where the TV show is taped. The set has to be exciting, colorful and entertaining. Whether you build an obstacle course, or lead some wild workouts in the middle of the parking lot, a creative set,



New BCx Program at Longevity Max

in combination with a creative workout, gives them a reason to talk about their experience with their friends.

Ironically, our members actually loved it if they bled or got bruised doing boot camp because they could brag to their friends about how tough the program was. Like I said before, be bold and also be creative. No one is going back to the office and talking about doing a bunch of jumping jacks, but make them do 100 burpees or push a Ford Excursion across the parking lot, and I promise people will talk about that. Before you know it, your club will be mentioned in everyone's networking sites' status updates for all to see. The harder or crazier the workout, the more proud they are to tell people they are part of it.

Capture the boot camp experience on film. Take photos and video of the workouts and post them on your website and networking sites. Boot campers will enjoy sharing their experience with their friends and family, and it will become one of your best marketing tools for future boot camps.

Be a leader, not a follower. I honestly believe the most effective boot camps are the first ones to get it right in their area. Anyone else attempting a boot camp in the area will just look like a copycat unless they give their own unique twist to the program. This does not mean there can't be more than one program in each town. It just means you may have to get creative to stand out. Most people don't want to be part of something that is second best or ordinary. You must create your own niche, produce your own brand or bring in a well-known

brand that you can market as unique and strong.

Never quit reinventing your program. The same way old school aerobics classes made way for Zumba, you must constantly look for ways to improve your program and keep it fresh. For example, the first boot camp we led without obstacle courses or big tractor tires. We added a new gadget or toy to each new program. Although I admit this was not done on purpose, it proved to be a very vital part of the success of the program. As part of the experience, people would retake the boot camp so they could experience the newest boot camp challenge.

Expand your boot camp clientele. Don't leave your other members out of the boot camp experience. If you do, your members will begin to feel neglected. Create opportunities for all of your members to experience boot camp. This can be in the form of a free boot camp sample class or an entirely different boot camp program designed for a different audience.

In our case, we expanded our program to offer a variety of boot camp programs to reach different members, including a Yoga Boot Camp, modified Senior Boot Camp and Teen Boot Camp. Offering these various programs helped prevent stereotypes of only one kind of person who would participate in a boot camp program. This way, members of all ages, shapes and body types are able to get involved and get results!

You must have a measurement of success. You can't argue with hard numbers, and that is exactly (See *Bonnie Pfister Page 23*)

30 Tips for a Profitable Party!

By: Karen Woodard-Chavez

Member parties can be a very powerful, cost-effective and quick return-on-investment component of your club's promotional mix and retention program. Some clubs have GREAT results from member parties, where many clubs have disappointing results. Success depends on planning and execution of the plan.

Remember that every member party is an opportunity to invite members, deepen those relationships AND invite guests and leads. The party can create relationships with the intention of creating sales within two weeks of the party. Never forget this!

Implement all points of the checklist below without deviation, and you will have a very successful and profitable party:

Successful Party Checklist

1. Include the event as an item in your advertising and marketing budget.
2. Determine the number of people you want to attend the party. Set a goal for members, guests and sales you expect to see from those guests in the two weeks following the party.
3. Avoid planning on a date during a holiday or common vacation time (spring break). Consider having the party on the same day every month (i.e. the 2nd Thursday of the month). Host the party from 5:30 - 8:30PM if during the week or 6 - 10PM if on a Saturday.
4. Empower a volunteer staff committee from several departments to be the Planning Committee with the Membership Sales Staff being heavily involved. After all, this will be a monthly sales opportunity.
5. Provide entertainment. Con-

sider having the Group Exercise department choreograph a routine to music as live entertainment at the party. Consider other live entertainment at the party such as a piano player, guitarist, magician, etc. Consider coordinating this with a group exercise launch of a new program.

6. The event can be held at the club or at a fun trendy restaurant in town. If at a restaurant, the club would pay for a nice appetizer buffet or hand-passed appetizers and provide one beverage ticket to members. If at the club, it should be in the café (if your club has one) or in a lobby, a studio or parking lot if the weather is nice.

7. Each month, make a list of 50 different members that will be called to personally invite them to the party.

8. Membership Sales Staff will contact all new members that have joined in the last

30-60 days by snail mail invitation, email and phone calls to invite them to the party.

9. Include the party date and location in your Constant Contact newsletter.

10. Be sure to put it on the club's website and Facebook page.

11. Send out an e-vite to all members.

12. Require the Membership Sales Staff each to get 10 - 15 confirmed members, guests and/or leads to attend the party.

13. Place a poster-sized invitation on a moving easel throughout the club 10 days before the party asking for an RSVP from Members.

14. Keep an RSVP list at the desk.

15. One week before the party, the entire staff needs to create a buzz

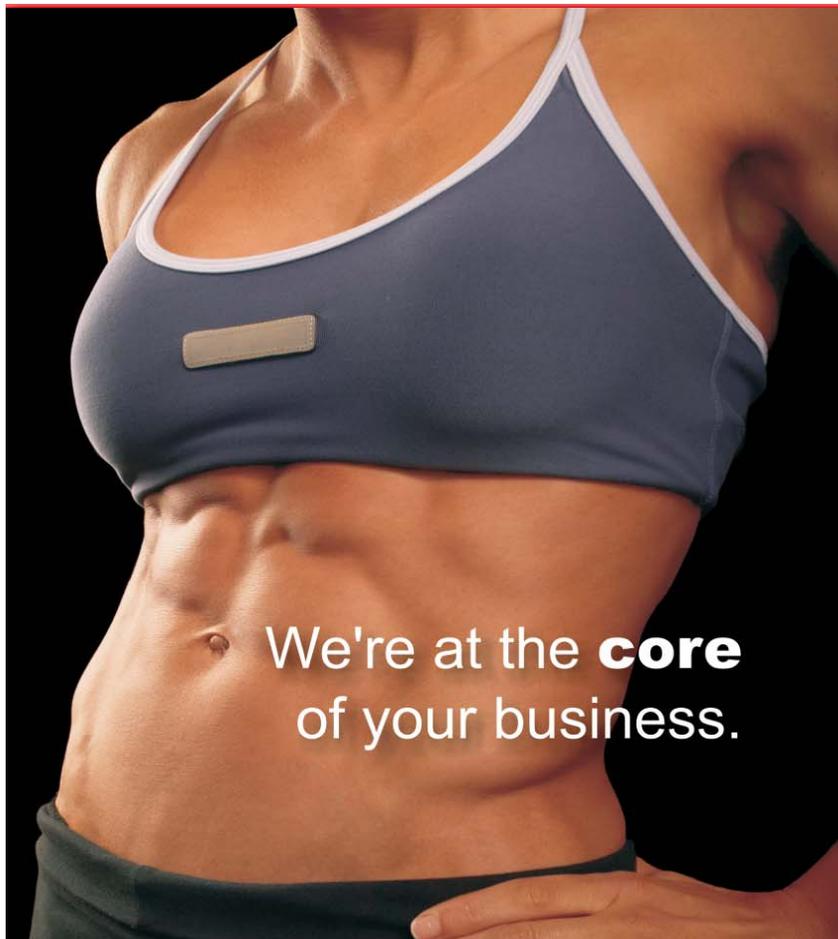


Karen Woodard-Chavez

about the party and personally invite members to attend, bring a guest and RSVP. Script this so the staff can have a gracious conversation with members.

16. One week before the party, require the Reception Staff to personally invite members to the party when they are checking in and get RSVPs.

(See Karen Woodard Page 23)



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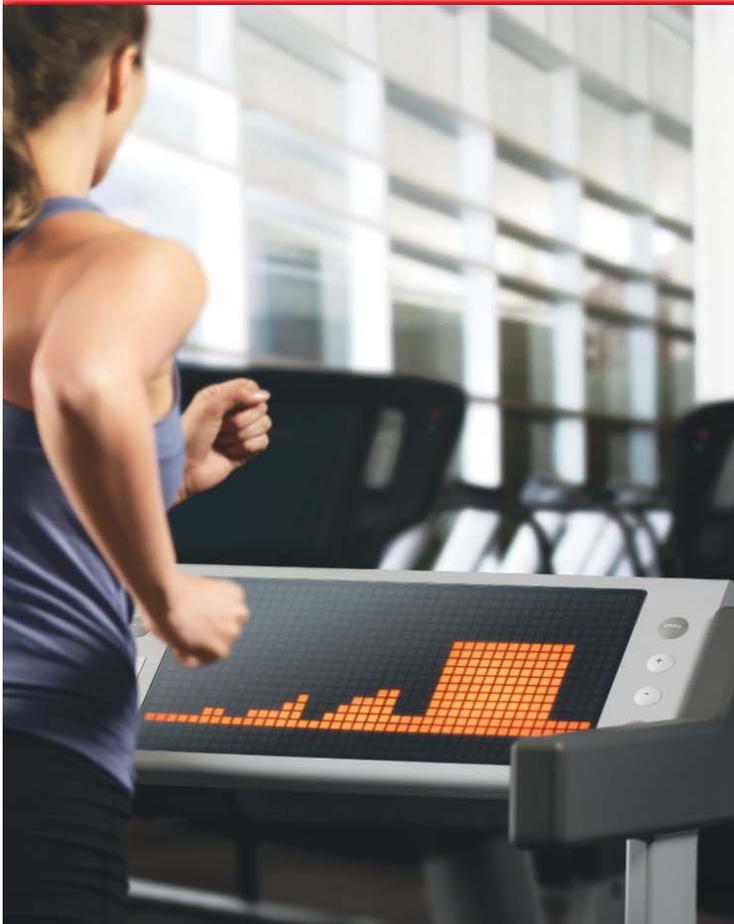
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...Karen Woodard

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17. One week before the party, go into group exercise classes and personally invite all members to the party and to RSVP.

18. At the party, have a sign in for members and have a separate guestbook for guests, including their name, phone number and email address. Keep both of these lists and enter them into a member party database and a prospect database.

19. Have a drawing for members at the party who bring a guest for a club service, pro shop item, etc. These should be given to three members.

20. Have a drawing for guests at the party for a club service, pro shop item, etc.

21. The day of the party, shop for food, beverages and all party items, including name tags.

22. The day of the party, begin setting up the space and decorating 2 - 3 hours ahead of time.

23. Assign two staff people to be the greeters and have them sign in members and guests. Give them their name tags and their drawing tickets.

24. All Staff at the party must understand that they are hosts and their job is to speak to and meet every member and every guest at the party --not to just socialize with the members they know or other staff members.

25. The Membership Staff should not be overtly selling, but instead, to be building

relationships with members and guests and inviting guests to come into the club for a 3-day visit as their guest for the next week. If a guest is clearly interested in joining that night then, by all means, sell a membership. But, we do not want members and guests to feel as though we are only trying to solicit them --this is a social and relationship building event first and a sales opportunity second.

26. If alcohol is served at the party, staff members, if of legal age to drink, may have one alcoholic beverage max.

27. Designate who will be the Emcee at the party to welcome everyone, thank them for coming, do the drawing, announce last call and culminate the party. This should be someone who is articulate and comfortable with public speaking.

28. The staff volunteer committee will be the clean-up crew.

29. The staff volunteer committee will evaluate what went well and what did not. They will recommend changes for the next event.

30. Graciously follow up with all Guests the very next day to get their free 3-day club visit scheduled and be sure to schedule services or activities for them that they are interested in. Do not make the mistake of only scheduling a tour and then having them be on their own for the 3 days. Make sure there is a lot of contact and engagement from you and other staff in the club.

(Karen Woodard-Chavez can be reached by phone at 303-417-0653 or email at karen@karenwoodard.com)

...Bonnie Pfister

continued from page 21

why you need them. Even if someone doesn't diet, participants can easily lose five pounds of fat and gain five pounds of muscle within the first couple weeks of boot camp. Someone's actual results can be skewed if they only rely on the scale.

We use a machine called the Inbody, which is a very advanced piece of equipment that measures body fat mass, lean mass, water weight and basal metabolic rate, among other things. Some clubs may choose to use fat calipers, weigh and/or measures. You may also choose to measure progress by tracking each person's performance. For example, we conduct simple physical training tests so boot campers can see improvement in their performance as well as their physical appearance.

Show off your success stories. Testimonials, before and after photos and our Inbody results speak volumes to people who are considering the program. It is important to show that ordinary people can get extraordinary results. We never

use models for our ads. We use our own personal trainers and members in all our advertising to personalize our program as a program with real people who get real results.

Don't be afraid to invest in a boot camp program. If you do it right, the training or supplies will be paid for the first day of enrollment. Think about it. If you have 50 people enroll in a 6-week program that costs \$350, that is \$17,500 you deposit in one day. Keeping the program affordable will help increase numbers as well as offer members a more affordable option to expensive one-on-one personal training. It's totally a win-win.

(Bonnie Pfister is an industry veteran, Co-owner of Longevity Health Club and Spa and Longevity Max and wife of fitness guru, Steve Pfister. Bonnie and Steve were the cover subjects for the June, 2009 Edition of Club Insider. Bonnie is one of the industry's best public relations talents and has utilized those skills throughout her health and fitness club career. Bonnie may be reached for questions or comments at bonnie.lee@me.com)

Health Care Reform: Employer Requirements

By: T.J. Carter

Landmark legislation making major changes to health care insurance practices in the United States was enacted in March, 2010. The law affects employers in a variety of ways, many of which are discussed briefly below.

Mandated Benefits: Beginning six months after the law's enactment, all existing health insurance plans must:

- Prohibit lifetime limits
- Prohibit rescissions
- Restrict annual limits
- Include limitation on excessive waiting periods
- Include a requirement to provide coverage for non-dependent children up to age 26; before 2014, this requirement is limited to non-dependent children who do not have an employer offer of coverage

Beginning in 2014, group health plans must prohibit pre-existing condition exclusions and must prohibit annual limits.

Health Care Exchanges: The law requires states to create and maintain health care 'exchanges' in which health insurance providers compete for customers on equal terms. The exchanges will be open to anyone without employer provided coverage who wants to purchase a health insurance plan. If a state does not create an exchange, the federal government will create one for it.

Employer Penalty for Not Offering Coverage: The law will not require employers to offer health insurance; however, beginning in 2014, employers with more than 50 full-time employees that do not offer coverage will have to pay a penalty of \$2,000 per full-time equivalent employee for all full-time employees in excess of 30 if even one employee receives a federal government subsidy and purchases coverage in an exchange.

Employer Penalty for Unaffordable Coverage: If an employee opts out of an employer plan because coverage is "unaffordable" --that is, if the premium exceeds 9.5% of family income-- the employer must pay a \$3,000 penalty for each full-time employee who receives a government subsidy and purchases coverage through an exchange.

Employer Penalty for Low-Value Plans: Employer health care coverage must have an actuarial value of at least 60%. If it does not, penalties will be assessed.

No Penalty for Waiting Periods: Employers will not be required to pay a penalty for employees during a waiting period that is required before an employee can enroll in an employer-provided health insurance plan. Beginning in 2014, however, a waiting period cannot exceed 90 days.

Employer Provided Free Choice Vouchers: Employers that offer coverage must provide a free choice voucher to employees with incomes less than 400% of the federal poverty level whose share of the premium exceeds 8% but is less than 9.8% of their income and who choose to enroll in a plan in the exchange.

Automatic Enrollment Procedure: The law will require employers with more than 200 employees to enroll employees automatically into health insurance plans offered by the employer, allowing for an employee opt out. The law is silent as to the effective date of this requirement.

Restrictions on Cafeteria Plans: The law caps flexible spending account (FSA) contributions at \$2,500 and excludes over the counter medications without a doctor's prescription as reimbursable expenses under FSAs, health reimbursement accounts, medical spending accounts (MSA) and health savings accounts (HSA). Penalties on nonmedical HSA and MSA distributions are increased to 20%.

Incentive for Wellness: The law allows employers to offer premium discounts and other financial incentives for up to 30% of the total premium to individuals who satisfy a health standard. It includes provisions designed to ensure that discriminatory

practices do not occur. The Secretary of Health and Human Services has the authority to issue regulations to allow financial incentives up to 50%. The law provides for grants for up to five years to small employers that establish wellness programs.

Tax on High Value Plans: Beginning in 2018, there will be a 40% excise tax on insurance companies and plan administrators for group health coverage that exceeds a threshold of \$10,200 for single coverage and \$27,500 for families, not counting stand-alone dental and vision plans. For retirees above age 55 and for plans that cover employees in high-risk professions, the thresholds are \$11,850 for single coverage and \$30,950 for families. The tax will apply to the amount of the premium that is in excess of the threshold. Beginning in 2019, the thresholds will be indexed to the rate of general inflation plus 1 percentage point.

Required W-2 Reporting: Beginning in 2011, employers will be required to report the value of employees' health benefits on W-2 forms.

Long Term Care Enrollment Procedures: The law creates a national social insurance program that provides limited long-term care coverage for active employees through the workplace. All premium costs can be charged to employees. Beginning in 2011,



T.J. Carter

employers must have in place automatic enrollment procedures that allow workers to opt out or procedures that allow workers to initiate enrollment.

Breaks for Nursing Mothers: A provision in the law amends the Fair Labor Standards Act to require employers, with some exceptions, to furnish 'reasonable break time for an employee to express breast milk for her nursing child' for one year after the child's birth. It requires employers to provide a place, other than a bathroom, that is shielded from view and free from intrusion from co-workers and the public that may be used by an employee to express breast milk.

This information should not be construed as legal advice.

(T.J. Carter if T.J. Carter and Associates may be reached at 214-802-2195)

World Gym Selects Body Training Systems As Exclusive Group Fitness Provider

ATLANTA, GA - Body Training Systems (BTS) is proud to partner with World Gym International to be the exclusive group fitness provider. BTS' Group Fitness system will be branded with the iconic brand to further enhance World Gym's position in the marketplace.

"After meeting with World Gym's new management team and seeing their exciting and bold direction for branding and identity, our team is thrilled

to have the opportunity to become an integral part of each franchisee harnessing the power of group fitness. We have great appreciation for the legacy of Joe Gold, and for the path that the Joyce J. Cammilleri Family and their experienced leadership team have begun to pave. We look forward to an exciting future," said Rich Boggs, BTS CEO.

BTS President, Terry W. Browning, added, "We will be the engine that drives World Gym's

seriously fun fitness mantra. With our intense focus on creating the highest quality group fitness experiences and World Gym's specific branding initiative, it makes great sense to partner in a manner that really supports World Gym's vision of being able to differentiate in the market."

"The entire World Gym Team is excited to welcome BTS to the Family," says Guy Cammilleri, Managing Director of World Gym. "BTS' leadership

in the group fitness category coupled with World Gym's innovations in creating vibrant

fitness communities around the globe is the perfect match."



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IHRSA Summit Urging Congress to Pass Anti-Obesity, Exercise Promotion Legislation

WASHINGTON D.C. - Within hours of the introduction of the Healthy CHOICES Act, and just days after the release of America's first-ever National Physical Activity Plan, IHRSA and leaders from the fitness industry gathered on Capitol Hill in early May as part of the 8th Annual Summit for a Healthier America. Industry leaders met with Members of Congress to share their vision for a healthier future, urge Congress to address the physical and fiscal costs of physical inactivity and advocate for passage of the Healthy CHOICES Act, which includes both the Personal Health Investment Today (PHIT) (H.R.2105) and the Workforce Health Improvement Program (WHIP) (H.R. 2106, S. 913) Acts, two exercise promotion bills that provide tax benefits for certain sports and fitness expenses.

"We commend Congressman Ron Kind and his fellow co-sponsors for introducing this

precedent-setting legislation that provides a comprehensive approach to treating obesity," said Joe Moore, IHRSA president and CEO. "With the introduction of this legislation, and the release of our country's first-ever National Physical Activity Plan, a unifying vision for a healthier future has been laid out -- a future wherein engaging in regular physical activity and healthy lifestyles can be an easy choice for all Americans. The legislation that IHRSA is promoting fits into that vision. The inclusion of PHIT and WHIP in the Healthy CHOICES Act demonstrates the importance of these bills in helping to remove financial barriers to exercise and to making regular physical activity possible for more Americans."

The Healthy CHOICES Act is first-of-its kind legislation that provides a comprehensive approach to treating obesity, bringing together industry, government and non-profits

to address America's obesity epidemic. The legislation establishes BMI as a "vital sign"; expands obesity treatment and preventive services and coverage of medical nutrition therapy; provides grants to promote health in underserved communities and to train health professionals and health profession students; improves and increases access to nutrition and wellness programs; improves access to and opportunity for physical activity for adults and children; improves access to nutritional information and healthy foods; realigns transportation policy to help promote healthy lifestyles; and expands research and assessment tools on obesity.

"Making the healthy choice the easy choice for our families is essential to ensuring our quality of life," said Rep. Kind at a press conference on Wednesday. "Easier access to the tools and education to prevent and treat obesity; affordable, nutritious food to promote a balanced diet; and an increased



emphasis on physical activity to maintain our overall health is critical to achieving a healthy lifestyle. I am pleased to work on legislation that helps provide the opportunities that meet the needs of busy American families." Joining Rep. Kind in introducing the Healthy CHOICES Act are Representatives Mary Bono Mack (R-CA), Earl Blumenauer (D-OR), and Marcia Fudge (D-OH).

"The health environment has changed," said Moore. "For years, we got sick, were prescribed medicine and continued in the same lifestyle patterns that contributed to our getting sick in the first place. Today, we all share in the collective cost of physical

inactivity and unhealthy lifestyles. The focus must be on preserving our health from the start. Exercise and healthier lifestyles must become easier choices for all Americans. Prevention has got to become a national priority. It's the key to securing the future health of America."

The Campaign for a Healthier America is a national grassroots project that seeks to bring the fitness industry together with government, employers, medical and public health professionals, insurance providers, schools, and each of us individually to work as one and create a culture and environment of wellness.

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Co-Owner, Global Fitness Centers

"We have learned the impact that marketing BTS programs can have on driving traffic into our clubs. We have advertised FREE classes to non-members in various media which has increased traffic by over 25%. On top of that, 90% of prospects who visit WOW! and experience a BTS program, join that day!"



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Mike Silva
Owner, The Edge

"BTS is the single best investment I have ever made, not only in Group Fitness, but also for my club as a whole. It services our members, sells memberships, markets our club and motivates our members and staff, including me! BTS has enabled me to increase my membership price from \$30 to \$49 per month, and we no longer compete on price."



Jason West
Owner, Gold's Gym Elite

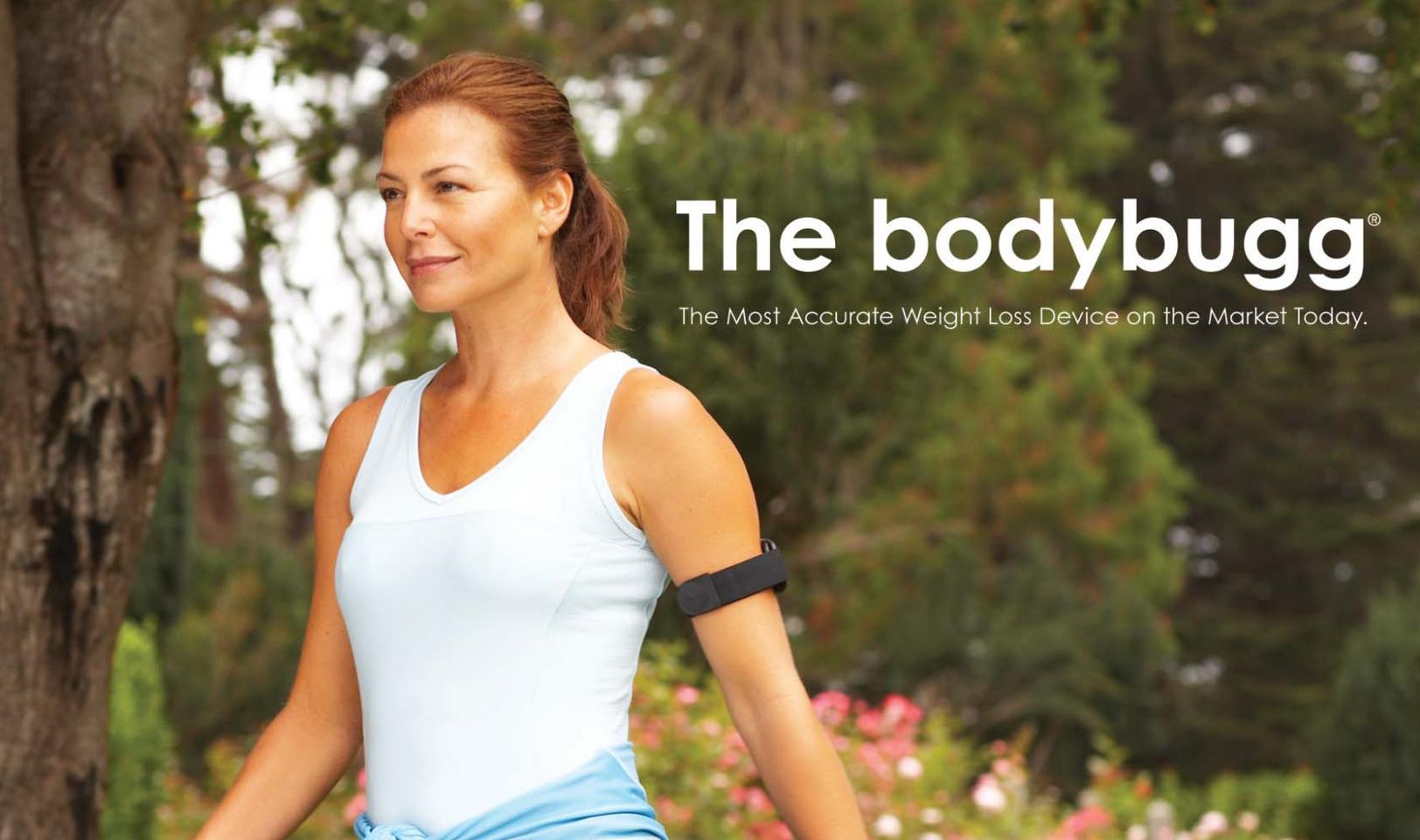
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