

Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry



(L to R) Robby Denning, Shawna Adams, Ray Gordon, Shelly Pratt, Cindy Gilland, Chris McBride, Liz Panter, Stephanie Lee, Holger Nickel, Annette Hayner, Pam Parris, Peter Ludwig, Kathy Vuovich, Steve Vuovich, Chad Parris

The Apple Athletic Club

Always the Place People's Lives are Enhanced

MAY 2011

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Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry

The Apple Athletic Club

Always the Place People's Lives are Enhanced

By: Justin Cates

The Mission Statement... What is it, and what's in it? Is it the purpose for a company's existence or a guide for how to operate? Is it overly detailed or broad in scope? Who writes it, and is there accountability for it? Once it's written, how public is it and in what ways? These are all great questions for any company to ask during the formative steps of initial development. These are also great questions for a seasoned company looking

for a new way of doing business to ask itself in an effort to improve.

Steve Vucovich's Apple Athletic Club in Idaho Falls, Idaho is Always the Place People's Lives are Enhanced. That is Apple Athletic Club's mission, and it is the reason for its existence.

The story of the Apple Athletic Club, however, goes back to 1986 when Steve, his wife and father, as well as another business partner, started the Downtown Athletic Club in the historic Rogers Hotel in downtown Idaho Falls.

In a market where they had the fewest amenities, they successfully charged the highest prices because they provided value to their customers. Over time, what is known today as the Apple Athletic Club evolved across several different locations, a name change (to Apple) and a constantly changing environment, from both private and public competition to a more educated and selective consumer. What has remained constant, though, is Apple's commitment to providing value for its customers. If there is one takeaway from this story, it is that.

In a health and fitness club market where every type of club imaginable exists, oversupplying some local markets, those providing value for their customers are still succeeding against all competition. Some customers do not want the lowest price. They want the best value, and if that means paying more for services not offered elsewhere, a customer will be happy to do so if he is provided value in that investment. Of course, this is not the case for all customers, as some certainly do
(See Apple Athletic Club Page 10)

Steve Williams... One of a Kind! 1949 - 2011

By: Norm Cates

The many people that Steve Williams called friends in his life were fortunate to know him because he was a very unique, one-of-a-kind guy. Steve passed away on April 13th, 2011 from kidney failure and complications with diabetes.

The following obituary appeared in the Seattle Times on April 17th, 2011:

Steve Martin Williams - 8/16/1949 - 4/13/2011 - Seattle native, Steve Williams died Wednesday following a valiant struggle with kidney failure and diabetes. Steve's career spanned two industries: home electronics and personal fitness. An original owner of Speakerlab, Steve went

on to hold executive posts at Harman, Onkyo and served as the CEO of Carver Corporation. He also held executive positions at Cybex and TechnoGym. Tenacious and gracious, Steve was a mentor to many in both industries. In his last years, Steve experienced a litany of health problems, which he faced with dignity and honor. He hoped that his calamities might serve to educate others. Steve was most proud of his daughter Brita Elizabeth. He is also survived by wife Linda Gromko, MD; stepson, Tim Franklin; and sister, Carole Jo Williams. As Steve so enjoyed his wife's diverse medical practice, the family asks that memorial contributions be directed to Ingersoll Gender Center or Planned Parenthood.

A memorial party was held on May 15th.

Steve Williams was a true pioneer on the vendor side of the health and fitness industry, and he made his mark with his work at Cybex and Technogym USA.

My personal recollections of seeing Steve over many years at trade shows was that he always had a broad smile on his face and always had something positive, and often, something humorous to say. Most of all, I remember his great sense of humor. Steve will be greatly missed.

After Steve passed away, I had the opportunity to reach out to several of his friends in our industry to learn what made Steve Steve. Here are the comments of
(See Steve Williams Page 24)



Steve Williams

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Norm's Notes

•**Hello Everybody!** This is your **CLUB INSIDER Publisher** and **Tribal Leader** since 1993 checking in!

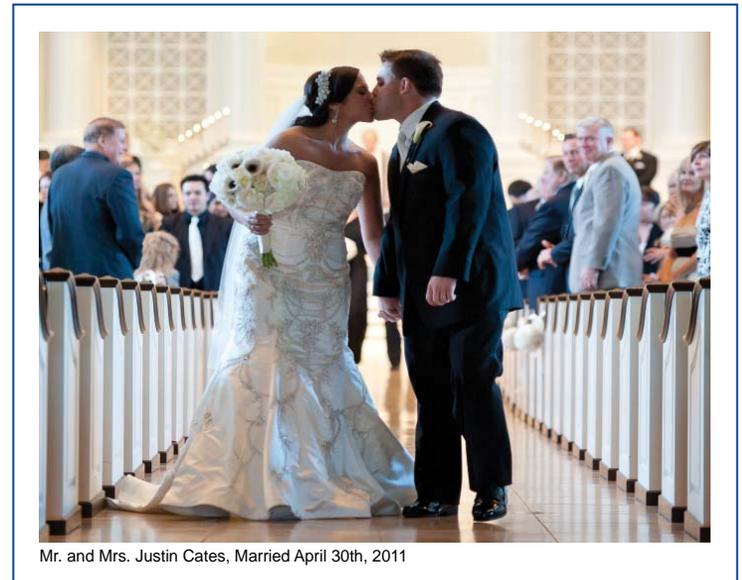
•Is America a great country or what? **Hmm... Hmm... Hmm!**

•I'm thrilled to present the **Photo** on **This Page** of the **Newlyweds**, **JUSTIN** and **DANIELLE CATES**, who were married in **Dunwoody, Georgia** on **Saturday, April 30th** at a beautiful wedding conducted by **DR. WILEY STEPHENS** and held at the **Dunwoody United Methodist Church**, where Justin and Danielle attend. Justin's Groomsmen were **JOHN HODGSON** (**Best Man**), **MICHAEL "Peaches" KOBLEUR**, **DAVID CATES** and **JUSTIN MOROZEWICZ**. Danielle's Bridesmaids were **RODICA NICOARA** (**Matron of Honor**), **KATHLEEN MANSFIELD** (who introduced Justin to Danielle), **JAMIE WAMBSGANS** and **KATIE MAYO**. Immediately following the wedding, 100 family and friends were entertained at a wonderful and extremely well planned reception at **The Mansion on Peachtree**, complete with a poolside cocktail reception followed by an excellent dinner. Following dinner, a really fun time was hosted by a terrific radio guy and D.J., **TOMMY CAGE**. Excellently planned and executed entirely by Justin and Danielle, these events went about as smoothly as they possibly could, and all of the family

and friends seemed to have an absolutely grand time. Starting the next day, Justin and Danielle Cates enjoyed a wonderful **8-day Honeymoon** at the **Grand St. Lucian Sandals Resort** in **St. Lucia**. Justin is now back in the saddle at **CLUB INSIDER** (as you can tell by the great edition this month), and Danielle is back at work at the **Art Institute of Atlanta**. Justin's Mom and I wish these young, wonderful and energetic newlyweds all the best in their married life and God's continued blessing as they move on in their already blessed lives. **God bless you both, Justin and Danielle!**

•**STEVE VUCOVICH** is a 25-year veteran at his **Apple Athletic Club** in **Idaho Falls, Idaho**, and of all things, the large, multipurpose athletic club owner/operator is also a partner in four **Planet Fitness** locations! Steve is thrilled to be in his 25th year of business and shares many secrets, several opinions and his wonderful story with us in this month's cover story interview produced by the now married man, **JUSTIN CATES**. **Don't miss it starting on Page #3!**

•**"LET'S MOVE!"** Not only is this the trademarked slogan for **Body Training Systems**, who has been using it since 2005, it is now the slogan for **First Lady MICHELLE OBAMA's** new campaign to fight obesity in children. So, to find **IHRSA** linked up with the Obama initiative to



Mr. and Mrs. Justin Cates, Married April 30th, 2011

provide free health club memberships for our servicemen and women and their families, and to see **IHRSA** represented at the **White House** by **IHRSA President and CEO, JOE MOORE**, was exciting. Check out the report on the new membership initiative for our servicemen and women and their families called **Joining Forces** on **Page #22**.

•**Welcome back** to my long-time friend, **BERT MONSON**, as he came out of retirement a little over a month ago to go back to work for **ALAN DOWNEY's Affiliated Acceptance Corporation (AAC)**. Old friends can reach Bert at **(800) 233 -**

8483 (See **AAC's Ad** on **Page #9**). I also want to wish **Ms. MARY SHARP** all the best as she just retired from **AAC**.

•This **Norm's Note** is going to direct you to my brief **"Insider Speaks" Article** on **Page #6** entitled **It's your problem...** It might upset you, but that's a good thing. So, don't forget to read the article intended to *get your attention* on **Page #6**. Then, feel free to give me a call at **(770) 850 - 8506**. I'd love to hear your comments.

•**Best wishes and prayers** are with **Mr. TED FORSTMANN**, billionaire **Founder** (See **Norm's Notes Page 7**)

About Club Insider

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PUBLISHER and EDITOR - Norm Cates, Jr.
PRESIDENT and ASSISTANT PUBLISHER - Justin Cates

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CLUB INSIDER
 P.O. Box 681241
 Marietta, GA 30068
 (O): (770) 850 - 8506
 (F): (770) 933 - 9698

www.clubinsideronline.com

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Thank You to Our Contributing Authors

- **Rick Caro** - President, Management Vision, Inc. - (212) 987 - 4300
- **John McCarthy** - 25-Year Executive Director of IHRSA
- **Bonnie Patrick Mattalian** - The Club and Spa Synergy Group - (732) 236 - 2273
- **Bonnie Pfister** - Co-owner, Longevity Fitness - longevityclubs@bellsouth.net
- **Bruce Carter** - President, Optimal Design Systems International - (954) 385 - 9963
- **Casey Conrad** - Communications Consultants - (800) 725 - 6147
- **Chris Russo** - Vice President, Susan K. Bailey Advertising - crusso@clubads.com
- **Derek Barton** - Owner, Barton Productions - derek@bartonproductions.com
- **Donna Kreech** - Founder and President, Thin & Healthy's Total Solutions - (419) 991 - 1223
- **Dr. Cary Wing** - Director of Medical Fitness Business Development, Fitmarc - carywing@aol.com
- **Greg Maurer** - New Paradigm Partners - gmaurer@newparadigmpartners.com
- **Jeffrey Keller** - President, Independent Health Club Networking Association - Jeffrey_Keller@msn.com
- **Jim Thomas** - President, Fitness Management USA - (800) 929 - 2898
- **Karen Woodard-Chavez** - President, Premium Performance Training - Karen@karenwoodard.com
- **Laurie Cingle** - President, Laurie Cingle Consulting and Coaching - laurie@lauriecingle.com
- **Maria Parella-Turco** - COO, fitRewards! - map@newparadigmpartners.com
- **Michael Sena** - Midwest Regional Director of Sales, Visual Fitness Planner - michael@myvfp.com
- **Mike Grondahl** - Founder and CEO of Planet Fitness
- **Ron Alterio** - Northeast Regional Director of Sales, Visual Fitness Planner - ron@myvfp.com
- **Sandy Coffman** - President, Programming for Profit - SLCoffman@aol.com
- **Steve Ayers** - Vice President of Sales and Marketing, ABC Financial - steve.ayers@abcfincial.com
- **Thomas Plummer** - National Fitness Business Alliance - (800) 726 - 3506
- **Will Phillips** - Roundtables for Executives - Will@REXRountables.com



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The "Insider Speaks"

It's Your Problem...

By: Norm Cates

It's *your* problem, whether you choose to think about it, or not. What problem, you may ask? The problem is you're sitting on a powder keg in your business when it comes to what State Governments can do in enacting industry-damaging legislation in your State with NO notice to your business. You can choose to act, or let it explode...

State Governments can damage or destroy your business when they are allowed to get away with passing ill-conceived legislation in an effort to increase tax revenue, such as the recent wave of efforts across the country to impose sales taxes on health club memberships.

The biggest and reddest flag I can wave in front of you, though, in order to urge you to get involved in organizing public policy efforts in your State is much more serious... Just think about this: **"What am I going to do if my State legislature suddenly decides they don't like EFT transactions and want to ban them from use in my business?"** Don't laugh and say this could not happen. The problems experienced by the improper collection of membership dues after cancellation by some club operators could certainly spawn such legislation. It could only take someone like one State legislator or his wife getting ripped off by a *single* company collecting membership dues after canceling a membership to cause such legislation to come about. We happen to have two organizations in North America that have been accused of doing just that, and they are currently being sued and pursued by legal authorities for their illegal activities. They are Urban

Active in the United States (See **Report Below**) and Premier Fitness in Canada.

I ask this extreme question of you to push you to wake up and get involved on a State level in being sure the clubs in your State are working together to be prepared, should your legislators target your clubs for negative legislation, such as sales taxes on memberships, banning membership contracts with automatic membership renewals, detrimental personal trainer licensure laws and laws mandating AEDs without adequate liability protection. These are all good examples that could happen.

After this red flag warning, if you feel fine with sticking your head in the sand and letting somebody else deal with it, you need to, at the very least, understand and acknowledge that this problem exists and it's your problem, too!

State Governments, when compared to the Federal Government, have light speed ability to quickly wreak havoc on your club business by passing bad legislation. If you do not have an organization in your State that can act quickly to oppose such legislation, your State's clubs could be at great risk. IHRSA is the only organization anywhere that is monitoring such legislation for all States. They deserve your support in that effort.

As of late, States are hurting for income because the economy continues on its negative path, so they are turning every stone to find businesses to tax. Guess what... Your business is on their list, and unless you would like to be forced to collect 6 - 8% on membership dues to give to your State, you should read on. Do not fool yourself into thinking that, just because you will be collecting the money for the State and passing it on to them, you

will not see damage to your business from a sales tax or other legislation... In an era when members and prospective members are looking at every dime they spend, the last thing you need is another financial barrier for non-members to join or current members to stay.

I've sounded the warning about tax collectors, or "revenueurs" as I call them, being on the move. They are coming, so club owners in your State should be prepared for them when they arrive because they can act faster than you'd believe if you don't put up a fight. We had a big wave of revenueurs attack this winter, but Helen Durkin's IHRSA Public Policy Team, working with a handful of local club owners, fought off all the efforts to start charging Sales Taxes on health club memberships. **Join that effort today!**

Your 2011 contribution to the Industry Defense Fund will help:

- Fight against taxes on membership dues;
- Protect automatic membership renewals;
- Battle against restrictive and misguided business regulations;
- Stop or amend bills requiring personal trainer licensure;
- Stop or amend bills mandating AEDs without adequate liability protection and on a National level;
- Promote Tax Credits and National Legislation to increase the number of people joining health clubs.

Act Now! Contact IHRSA's Meredith Poppler at (800) 228 - 4772, Ext. 129.

(Norm Cates, Jr. is a 37-year veteran of the health, racquet and sportsclub industry.)



Norm Cates

Cates is the Founder and Publisher of CLUB INSIDER, now in its 18th year of publication. Cates was IHRSA's 1st President, and a Co-founder of the Association with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. Cates may be reached by phone at 770-850-8506 or email at Norm@clubinsideronline.com)



Lawsuit Alleges Urban Active Fitness Clubs Violated Laws

COLUMBUS, OH - Urban Active Fitness Clubs, including seven in Central Ohio, were hit with a lawsuit alleging the club violated the State's consumer-protection laws.

The Better Business Bureau has received more than 200 complaints from Central Ohio consumers in the last year and gave Urban Active an "F" rating. Of those complaints, Spokesperson Joan Coughlin said, "78 went unanswered or unresolved."

"Urban Active did not respond to BBB's written requests for their side," she added.

Most of the complaints allege

billing errors and contract disputes, according to the BBB. The lawsuit was filed by the law firm of Vorys, Sater, Seymour and Pease on behalf of Amber Gascho of Powell.

The suit alleges Urban Active employs personal trainer staff who aggressively solicit members to sign personal training contracts which are difficult to cancel.

Those eligible to join the class action suit include Urban Active customers who purchased a personal training contract in Ohio after November 1, 2007.



This report was produced by Rick Reitzel of NBC4 Local News in Columbus, Ohio.

...Norm's Notes

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of **Forstmann/Little and Company**, the private equity fund that owns **24 Hour Fitness** and **IMG**, a leading global sports and media company, as he has been reported to be recovering from surgery for a malignant brain cancer tumor. See **Google News Feed Researcher** and **Fox Business News**, which reported, "Ted Forstmann has been treated for a malignant brain tumor and is recovering." **Fox Business News** reported that Forstmann, 71, has already undergone brain surgery to remove the tumor and that he's returned to the private equity firm he founded. **Club Industry's Newsbeat** reported, "Ted Forstmann is currently dealing with some serious personal health issues that have recently arisen," Carl Liebert, CEO of 24 Hour Fitness said. "The details of those issues are a private matter. It is business as usual at 24 Hour Fitness. All of us at 24 Hour Fitness are keeping Ted in our thoughts and prayers and hoping for his speedy recovery." **CLUB INSIDER** hopes for the best for Mr. Forstmann as he recovers.

• All the best in the future and good luck to **ARNOLD SCHWARZENEGGER** and his wife of 25 years, **MARIA SHRIVER**, as they've announced their separation.

• **fitRewards** has teamed up with **ABC Financial** and is now fully integrated with the club management software **DataTrak**, powered by ABC Financial. The fitRewards/ABC Financial Web Service integration will make the rewards program fully automatic for clubs using the ABC Financial Software. "This makes implementing a rewards and loyalty program easier than ever," stated **MIKE CLARKE, Executive Director at fitRewards**. Check out the **Report on Page #20**, and **MARIA PARELLA-TURCO's** article, **Checklist for Retention Success**, starting on the same page.

• Citing *too much fat in government*, **Mississippi Governor, HALEY BARBOUR**, vetoed a bill on April 26th that proposed creating a *34-member Council* on combating obesity. He said it duplicates programs that have been in place for years. Mississippi, the most obese State in the union, created a Governor's Commission on Physical Fitness in 1992 and that still exists. A Statewide Council for Obesity Prevention and Management was passed in 2001 and dissolved in 2006. A 2007 state law required every school district to adopt a wellness program. "This bill simply adds to the fat of State Government," Barbour wrote in his veto message.

• **GALE LANDERS' Fitness Formula Clubs (FFC)** in Chicago has opened their **West Loop Preview Center** at **10 S Clinton St.** The 52,000 square-foot facility will be Fitness Formula's 9th location. Additionally, FFC has recently

partnered with **Bright Pink**, a Chicago-based nationally known non-profit organization that provides education and support to young women who are at high risk for breast and ovarian cancer. FFC has teamed up with Bright Pink to be their exclusive training partner for the **2011 Bank of America Chicago Marathon**, which takes place **Sunday, October 9th**. Members of "**Team Bright Pink**" will receive a 4-month training program at participating Fitness Formula Clubs from some of FFC's top Personal Trainers and Fitness Instructors, including **FFC Regional Director, SCOTT LEWANDOWSKI**, a 33-time marathon veteran. Team members sign up through Bright Pink and agree to a \$1,500 fundraising minimum, and in turn, they can train with FFC's Marathon Training program, which includes strength training, Yoga, Pilates, nutrition seminars and injury screenings in addition to weekly runs. Team members will choose one of three FFC Clubs as their "home" Club at which to train.

• **Powerhouse Gyms** has selected **Biospace** to be a **Preferred Vendor**. Biospace's **InBody** is now the premiere recommended body composition tool for Powerhouse Gym operators.

• **URBAN ACTIVE** has been sued again. Check out the **Report** on the **Opposite Page**.

• **WILL PHILLIPS' REX Roundtables** has launched in **Italy** and had a great turnout for their first meeting. Check out the **Report** and **Photos** on **Page #19**.

• The new **IHRSA Index Report** tells the story that our industry is doing pretty well, while many of us believe the **Great Recession** is continuing on. What's your club's status? I'd love to hear *your unvarnished opinion*. Feel free to email me your thoughts at **norm@clubinsideronline.com** or call me at **(770) 850 - 8506**. Check out the **IHRSA Index Report** on **Page #28**.

• **GEOFF DYER's Lifestyle Family Fitness Center** chain opened its doors on May 15th to teens ages 12-17 for free again this Summer. "In an effort to battle teen inactivity, Lifestyle Family Fitness began donating free, 2-month health club memberships to teens in 2006. In 2010, the number of registered teens increased 117% from when the program first started. We do this during the summer months because many teens would not otherwise have access to physical education during summer break. A new study shows that even teens who are genetically predisposed to obesity will maintain a healthy weight by exercising for an hour daily," says Dyer, who once battled childhood obesity, tipping the scales at 248 pounds at 17 years of age. Last summer, Lifestyle Family Fitness donated over *11,000 free memberships* to teens surrounding its 55 locations. Nationwide, the program runs May 15

through August 15. For more information and to pre-register a teen, parents or guardians may visit **www.iff.com/teen**. Teen memberships provide all-day access to the health club on weekends and access until 4:00PM on weekdays.

• **The Professional Tennis Registry (PTR)** will host their **3rd Tennis Club Owners and Facility Managers Conference, October 5-7th** at the **Crowne Plaza Resort on Hilton Head Island, South Carolina**. The 3-day event has been designed specifically for tennis club owners, managers, directors of tennis and those who aspire to expand their tennis business

acumen. Presentations and breakout sessions will include relevant topics, such as Customer Service, Programming to Fill Courts, Pro Compensation for Maximizing Productivity, Marketing Your Club and Programs, Grants for 36' and 60' Courts, Going Green, Evaluating Your Staff, Federal Labor Laws and Your Pros, Court and Facility Maintenance, Creating/Improving Your Website and Social Networking and more. **DOUG CASH**, the nation's top tennis club consultant, will be the conference facilitator. Others providing their expertise to the program include USTA's **KURT KAMPERMAN**;

(See Norm's Notes Page 8)

JLR Associates Announces the placement of

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...Norm's Notes

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TIA Executive Director, JOLYN De BOER; ED MONTECALVO of Lee Tennis; DecoTurf's TOM MAGNER and TIM WILKINSON, formerly known as "Dr. Dirt," Owner of Salisbury Tennis Academy. For more information or to register, contact PTR at (800) 421-6289 or visit www.ptrtennis.org. PTR is the largest global organization of tennis teaching professionals with more than 14,000 members in 121 countries. PTR is dedicated to educating, certifying and servicing tennis teachers and coaches

around the world in order to grow the game.

• **Canadian Prime Minister Harper** has promised to introduce a new **\$500 Fitness Tax Credit** for adults once the budget is balanced, which is estimated to be in 2015. Additionally, Mr. Harper announced that he would **double the existing Children's Fitness Tax Credit from \$500 to \$1,000.** It's believed that similar moves are also likely to be adopted by the U.S. government, but hopefully, they will not be linked to a balanced budget in the United States because projections say the U.S. budget will not be balanced for decades, if at all. See the **Report on Page #19.**

• Here's one for you. In **Albuquerque, New Mexico**, a new strip club is finding opposition from the local health club owner of **Defined Fitness.** **JOSH WESTERFIELD**, the manager and spokesperson for the health club commented, "We have hundreds of kids that go to our facility every day, and we believe that we are a school" (Presumably because of their child care center). However, **Albuquerque's Zoning and Planning** official, **MATTHEW CONRAD** says, "Their child care does not constitute a school." City offices said that Defined Fitness was listed as a health club and not a school on its business license, and therefore, the city's ordinance prohibiting the strip club from opening near a school would not apply. The city council will make the decision on the strip club in the near future. **Stay tuned!**

• **DEAN SBRAGIA**, CEO of **Med-Fit Systems, Inc.**, manufacturer of **Nautilus**, has announced that **BRUCE KAPLAN** has been promoted to **Sales Director** for the Nautilus domestic dealer and direct sales team. Kaplan joined Nautilus in November, 2010, and we wish him well in his new role.

• **ICAA's "Rebranding Aging" Movement** was launched **May 9th** in **Washington, D.C.** when **COLIN MILNER**, CEO of the **International Council on Active Aging (ICAA)**, and fitness expert, **KATHY SMITH**, announced a major initiative to reposition the 50+ market. This is a ground-breaking movement aimed at shifting society's perceptions of aging and countering aging stereotypes. "Rebranding Aging" will leverage the numbers, needs, desires and purchasing power of the 50+ market to win the attention of marketers and the media.

• In our cover story article remembering **STEVE WILLIAMS**, this month, **RICK CARO** mentioned that it was Steve's idea to create what became the **IHRSA/CYBEX Fitness Director of the Year Award.** I didn't remember many of the names of the winners, so I reached out to one of the winners, **LAURIE CINGLE**, and she helped me out. These were the **IHRSA/Cybex Fitness Director of the Year Award Winners: SANDY MINOR, LAURIE CINGLE, DAWN WENDELL, SCOTT LEWANDOWSKI, MARY JAYNE JOHNSTON, FRED KRONK and AMY SIMPSON.** Thanks Laurie!

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

(Norm Cates, Jr. is a 37-year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of CLUB INSIDER, now in its 18th year of publication. Cates was IHRSA's 1st President, and a Co-founder of the Association with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. Cates may be reached by phone at 770-850-8506 or email at Norm@clubinsideronline.com)

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RED HOT SUMMER Promotion Celebrates Seriously Fun Fitness

LOS ANGELES, CA - Just in time for summer, World Gym International is rolling out a new consumer campaign for franchisees. Coined, **RED HOT SUMMER**, the promotion features trademarked graphics that celebrate the iconic brand's heritage and recent rejuvenation.

The campaign includes direct mail and email, in-gym posters, social media tools and website support to help franchisees drive new members into the gym and retain existing members with powerful messaging and fun graphics. The campaign can be customized with gym-specific offers.

"Our **RED HOT SUMMER** campaign is just one of many tools we provide franchisees to differentiate them from the many generic fitness brands with whom they compete and to support membership growth," said Guy Cammilleri, Managing Director. "This campaign is just one of a continuing portfolio of creative promotions we will provide franchisees year-round."

Developed by world class brand development firm, Lambesis, the promotion builds on World Gym's position as the world famous brand of seriously fun fitness.

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...Apple Athletic Club

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want a quick and easy place with no frills to work out. Low-price clubs have filled that segment of the market, and they have actually increased the market for all clubs by bringing in customers who have never been in a gym or club before. In some cases, members who have experienced success in a low-price club then "upgrade" to higher priced facilities to gain additional services and amenities. Their time at the low-price club was, in essence, a toe in the water.

From a macro view, this is an interesting paradigm, and it will also be discussed in this story. That's because Steve Vucovich is also a partner in four Planet Fitness franchises. His thoughts on the subject are very interesting. He has marketed to potential customers from both ends of the spectrum and seen great success. So now, we invite you to enjoy **CLUB INSIDER's** in-depth interview with Steve Vucovich.

An Interview With Steve Vucovich

CLUB INSIDER (C.I.) - Please tell us about your family and educational background.

STEVE VUCOVICH (SV) - My grandfather came to this country in 1913 from Montenegro. He worked in coal mines in various states, eventually settling in Ohio which is where all my family was raised. My father graduated from college, went on to play professional baseball with the St. Louis Cardinals AAA organization and had decent jobs in sales and management over the years. My mother was a professional dancer for a number of years including a contract with Warner Bros. I had a pretty successful high school career in sports and decided to go to college out West and play baseball. When it looked as though I wasn't going to make the big leagues, I decided I better study a little bit harder. I got married my junior year and ultimately graduated with a business degree. I moved

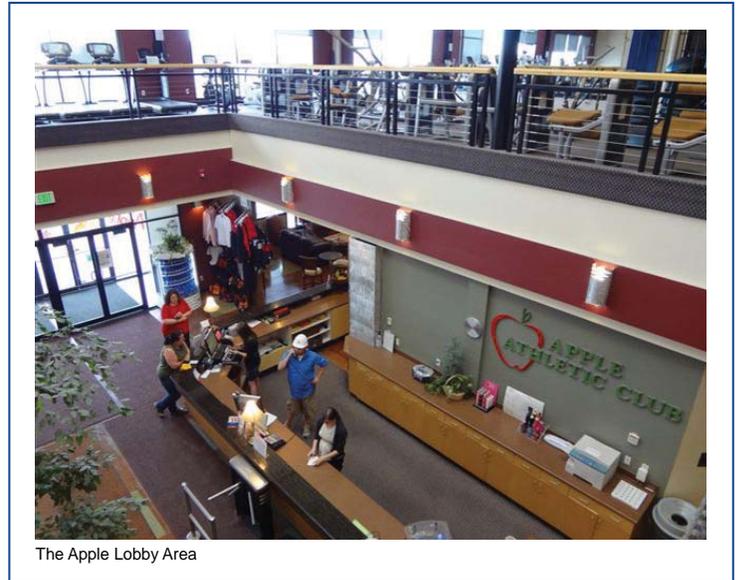


Steve Vucovich

to Washington State for grad school, received my MBA there and eventually took a job with Deere and Company out of Portland. Via a training stint in California, I was transferred to manage an agricultural territory in Southeast Idaho, and that's basically how I got here. Sometimes I tell people that I ran out of gas passing through town and never had the money to leave!

C.I. - In 1986, you and your wife, Kathy, as well as your parents, opened the Downtown Athletic Club in the historic Rogers Hotel in downtown Idaho Falls. How did this come about?

SV - After I left Deere and Company, Kathy and I started a solar energy business with some friends we had at the time. During this period, energy rates were climbing very fast, there were federal tax credits and state deductions for renewable energy sources, and consequently, our start-up business grew faster than our cash flow could support. Our original partners didn't wish to invest further, as required to grow the business, and left to pursue other things (or maybe they were smarter than Kathy and I). I spoke to my parents, who had always wanted to move out West to enjoy the great skiing in the area, to see if they wished to partner up in



The Apple Lobby Area

our business. Within a few years, the tax credits expired, and there was less and less emphasis on renewable energy. For survival, we morphed the business into a higher end specialty home and commercial remodeling company, which was still involved with passive solar and sunroom additions. That led to our customers asking us to put in custom hot tubs, saunas and steam rooms which led to home and commercial gyms. Because of this interest, we became a Universal exercise equipment dealer and service center.

One day, our landlord, Dick Clayton, was walking by our showroom, and said, 'Hey, I didn't know you guys were carrying exercise equipment. I was thinking about starting a little gym in my building here for all of my tenants.' I said, 'Well, that's sort of strange, Dad and I were thinking about starting a little downtown white collar sweatshop for the downtown workers.' So, we put our heads together and basically started the gym as a 3-person partnership and named it the Downtown Athletic Club. After about six months, Dick asked to be bought out, and my dad and I obliged.

C.I. - What was that original facility like (size, amenities, programs, membership, etc.)?

SV - This downtown location allowed us to have approximately 4,000 square feet above ground. We started out with two treadmills, two bikes, a rower and an 11-station, pin-loaded super circuit. We had a couple of small locker rooms, very small in 4,000 square feet of space. We had a little group exercise room, sort of a V-shaped room in the basement of this 100-year old office building. A tall guy would hit the ceiling down there if he raised his arms straight.

It was sort of funny because we certainly had the least amount of amenities of any fitness center in town, but we were the highest priced, around \$25 and \$28 a month, depending upon whether it was a 1-year or 2-year membership.

One of our competitors, the Idaho Falls Health and Racquet Club, which was a multipurpose club and had indoor tennis, racquetball, a small indoor pool, full child care and a big group exercise studio, was at \$23 to \$25 a month.

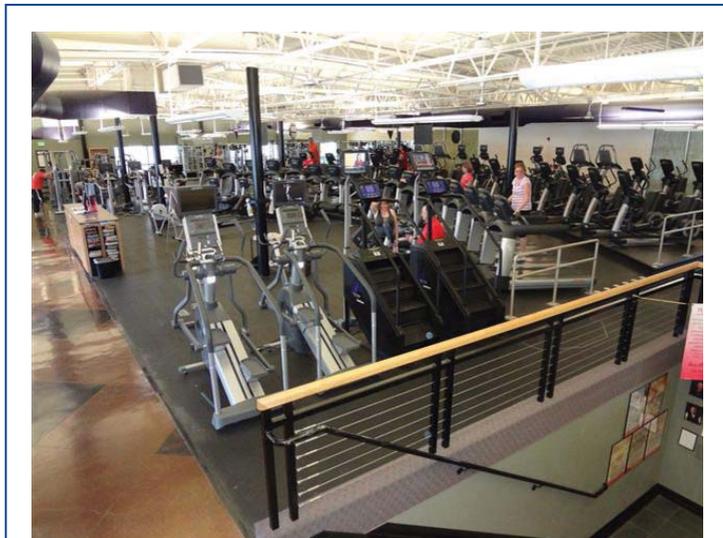
This original facility was basically built for the downtown worker. We had a few stragglers outside that group, but since we didn't have any free weights, it was strictly a super circuit area. In 45 minutes, you had a cardio workout and a weight workout, which suited the suits just fine. Our membership peaked around 500, and at that time, we felt the necessity to grow the gym.

The First Expansion

C.I. - In 1990, your first expansion occurred in the form of a move to a new location. Please tell us about that. If I am correct, several unsuccessful fitness facilities previously occupied this same location. What made your club different and able to thrive?

SV - Yes, our first growth step was a move to the West side of town. The club had had four different owners in seven years. It really started out as a break-off of the Idaho Falls Health and Racquet Club that was on the East side of town at the time. A women partner left the racquet club and started a women's only club "Alpha Lady" in this West side location. It had group exercise classes, some cardio and weights and a jacuzzi, sauna and steam room. When that owner couldn't make it, someone else took over the space and added a much larger cardio area, a full weight room and tanning. This new owner couldn't make it go either. Another group took it over... again with the same consequences. The last person who took it over was a guy who came in from Florida and scammed the market. He cashed everybody out, sold the contracts to an intermediate financing company, locked the doors one night and then left with the money. We took over a couple of weeks

(See *Apple Athletic Club* Page 12)



The Apple Cardio Floor

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...Apple Athletic Club

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later. Needless to say, the meeting we had with the scammed membership base was tense.

We were there for about five years, but after the third year, our growth tapered off. It didn't matter what we did. We added additional equipment, we had additional programming, we added another group exercise room, we brought on additional sales staff, we had additional consulting investments, but we just couldn't grow the club. Idaho Falls is a town of about 60,000 that is split east and west by Interstate 15 and the Snake River. Although it doesn't take very long to drive from one side to the other, these physics have created a psychological barrier to travel. So, when we did an analysis of our zip codes, we found that about 70% of our members were coming from the *East Side*. We thought, 'Wow, that's a little a scary.' Even after target marketing the West Side of town for four years, the bulk of our membership base was coming from the 'far' side of town. In addition, the West Side of town had stagnated while the East Side of town was in an expansion mode. A new hospital, a large shopping mall and several housing developments were being constructed.

A Cross Town Move

C.I. - Then, in 1997, your second expansion required a move to the other side of town. Please tell us about this and the challenges associated with it.

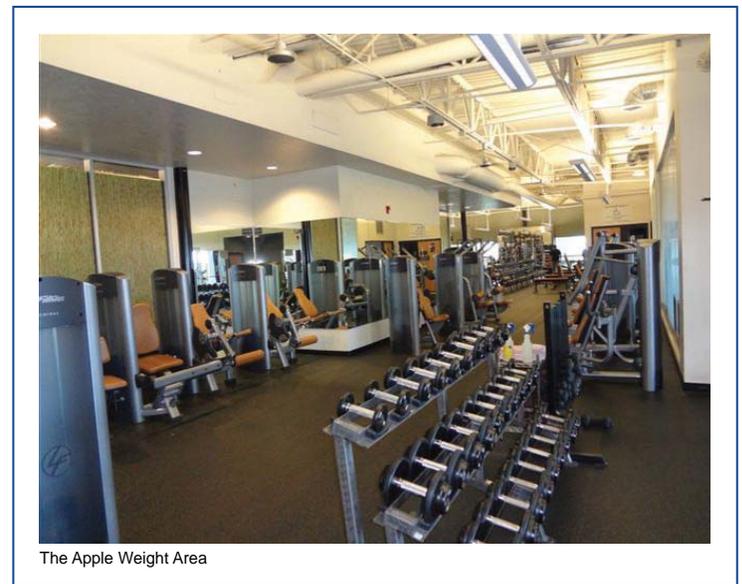
SV - We thought that we better take a look at moving our business operations again. We had visions of growing this club into a large multipurpose club, and we had some preliminary drawings done. We knew we had to move to the other side of town, so we took a look at a piece of property, which is where our current location is now. We started putting a proposal together for SBA, and at that same time, I contacted the owner of the Idaho Falls Health and

Racquet Club to see if they would be interested in selling. At that time, he just wasn't interested, so we pursued the idea to build a stand alone facility (with basically the same amenities that we currently had) with enough expansion capacity to add a gymnasium, pools and other full club amenities. While those would be later phases, at least we'd move to the growth side of town where we had to be for long term survival.

We worked on our financing for about a year and finally got SBA approval. We were working on the final bank documents when we were re-approached by the owner of the Idaho Falls Health and Racquet Club, who was now interested in pursuing a new career path. We thought this opportunity was the correct one as it allowed us to again absorb one of our competitors, learn the operations of a multipurpose club and use the additional membership base to springboard our profitability to finance a new multipurpose facility.

The previous owner had committed serious mistakes in operations which caused cash flow problems and all the ensuing facility and equipment issues. Since we negotiated an asset purchase only, we had a chance to eliminate some of the previous owner's issues. He had locked himself into 500 or so lifetime memberships with an annual renewal of \$50, so he really wasn't receiving any dues from those members. When we took over, all members had to redo their memberships. This allowed us to have significant cash flow to pay back the bank for the necessary remodel and equipment purchases. Obviously, we worked with individual members who had prepaid their memberships for the year.

We were at this location for about six years and always looking towards building a new facility. Ultimately, we just didn't have the horsepower. We had \$500,000 to put down and had the membership base to cash flow the new facility but couldn't convince any financial



The Apple Weight Area

institutions to loan us the difference. Southeast Idaho was not an area of great health club or gym successes. We found no one interested in financing a stand alone, single purpose facility.

Ultimately, there was a group of club owners out of Utah who were looking to expand their operations. They had a big club in Logan, Utah, and they contacted my wife and me about purchasing our operation. We shared information, but initially, I wasn't interested. My father had passed away, and my mother was still a partner. I was figuring a business net worth of three times earnings. It took about five minutes to deduce that, once I paid my taxes and purchased my mother's stock, there wasn't enough left to start over again. We didn't pursue the sale and continued to look locally for somebody to either invest with us or build a building and lease it back to us.

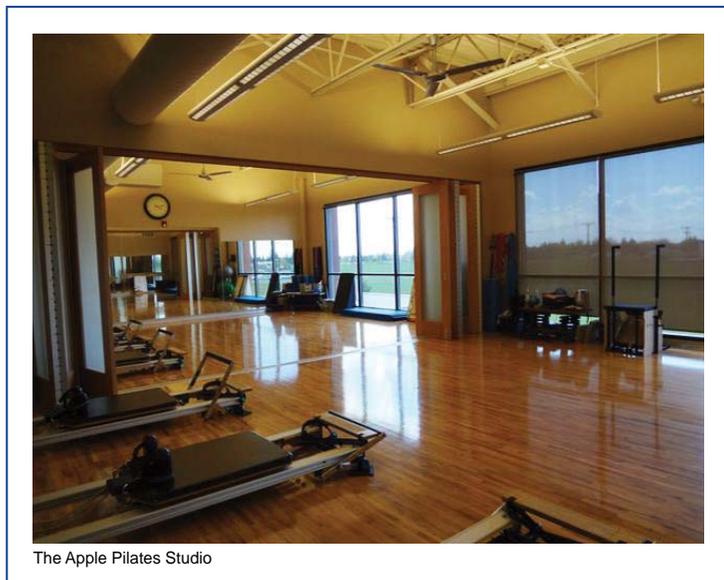
About a year later, I went to a valuation seminar at an IHRSA convention. We had continued to grow our business, and according to the information presented to me at IHRSA, profitable clubs were being valued at five to six times earnings. I thought maybe I should take another look at the possibility of a buyout, and I again contacted the group from Utah. As it turned out, they were still interested. We met shortly thereafter, exchanged information and they said they would have an offer to us shortly. We met the following week, they liked our work ethic and our bottom line and said, 'What we'd really like to do is invest with you, keep you as a significant partner, as well as the GM of the club.' We thought about it for a week and decided that's what we wanted to do. That's how we ended up building our new club. My partners are Keith Larsen, Bob Saxton and Del Loy Hanson.

C.I. - It was also with this new expansion that the Downtown Athletic Club name was changed to Apple Athletic Club. Please tell us about that and the phrase "Always the Place People's Lives are Enhanced."

SV - We were still the Downtown Athletic Club when we moved to the West Side. We kept our name because we had a positive reputation in the community, but we didn't want to be the fifth person with a different name to go in and take over a gym that never had any successes. So, we just kept the name. However, when we moved to the East Side of town, we were really no longer downtown, so it really didn't fit. Mike Chaet, of CMS, was doing some consulting work for us at the time, and we brainstormed names with our staff one day. He said, 'You know, I really like this one name for a club, and I think it would fit in Idaho Falls.' I asked what it was and he said 'Apple.' I thought, 'Geez, I don't know if I like Apple. I want something that had a little pizzazz to it.' He said, 'Think about this for a while. It denotes health; an apple a day keeps the doctor away. You can obviously use and develop all kinds of slogans. You're the first in the Yellow Pages. I think it has a lot going for it.' So, we discussed it with the staff for about a week, and we thought about what kind of acronym Apple could stand for. We had an in-house contest for who could come up with the best acronym. Robby Denning, our Director of Personal Training, won the contest with his acronym 'Always the Place People's Lives are Enhanced.' It fits. It's a multipurpose club, and we are trying to enhance people's lives on a multitude of levels. Most business theorists state, 'Don't try to be everything to everybody,' but when you own a multipurpose club, you have got to figure out ways to get as many diverse people in there as possible. We thought we could do quite a few spinoffs with that acronym, and it has worked out well.

C.I. - Now the largest privately owned health club in Idaho, please describe the Apple Athletic Club today (size, amenities, programs, membership, etc.).

SV - We've got 60,000 square feet in the main facility. We did not bring indoor
(See *Apple Athletic Club* Page 14)



The Apple Pilates Studio



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...Apple Athletic Club

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tennis to this location. Still, at 60,000 square feet, we are probably the largest fitness facility in Idaho, but I do know that if we include our tennis structure (See **Question and Answer on Page #16**), we certainly are the largest. Within our main facility, we have two indoor pools. One is a warm water therapy pool where we teach arthritis classes, and the other is a combination exercise lap pool. Then, we've got an outdoor pool and an outdoor hot tub shaped like an apple (See **Photo on This Page**). We have a full court gym, two group exercise studios, nursery and a juice bar. We've got a fairly good size women's-only workout area. It's decked out with great strength and cardio equipment. It's not provided as an afterthought. We have a youth activity center, and that has some interactive gaming, such as DDR, Motiatrix, SportWall and LightSpace. Included are eight locker rooms. There are two for the youth, two for adults, two for families and two 'Executives,' which are separate, locked-door areas inside the adult locker rooms with full length lockers and separate saunas, showers and toilets areas. We have close to fifty instructors who teach over one hundred group exercise classes a week, including aquatics. Our Stott Pilates program does very well with its separate studio, and we also have a separate cycling studio. A physical therapy group was a tenant of ours for a number of years, and they recently moved to a new location. Consequently, we are in the process of an upgrade and remodel of that space, turning it into a 2,500 square-foot group exercise studio and expanding our weight room area into one of the smaller group exercise areas. This remodel is the second phase of a Fabiano Designs complete remodel of the facility. Our personal training department has almost twenty personal trainers, so based on everything I've seen, I think we have the largest personal

training department, largest group exercise program as well as the largest physical plant in the state.

The Current Health and Fitness Club Business Model

C.I. - Above all else, what differentiates the Apple Athletic Club?

SV - Without a doubt, the staff. Anyone can match your equipment and amenities, but what they can't truly match is the staff. We've got a couple of them who've been with us 23-24 years out of our 25, and I would say that, in this area, most of our competitors have not been willing to make the necessary investment in staff, their training or their pay. I think, by and large, over the years, our staff has bought into the vision of the ownership group, and we continually try to instill our culture into the employee base. We are still trying to innovate, and here's an important thing, we've been profitable enough that it has allowed us to fail at some things and still improve. Some people can't afford to fail. They can't afford to take any chances, and I see that a lot in our industry. Primarily, it's our price points. Our members expect us to invest millions into facilities, equipment and staff with no commitment on their part and only charge them \$35 - \$60 per month. We really have a stupid business model in this industry, and it's our own fault for continually selling on price points instead of on all of the benefits you get by exercising. If every club in the United States raised their price \$20, you wouldn't see a dent in membership, not a dent. That's my personal opinion. The problem is you won't get everybody to raise their prices because, as a group, we are too scared and shortsighted to take the plunge.

I believe that our industry is one of abject failure. Let's face it, we lose 30 - 60% of our membership base every year. The reason why we have such a high attrition rate is because the customer has not achieved the results that he wanted



The Apple Hot Tub

to when he joined the club. We treat all members as though they were born with the inherent knowledge of nutrition and exercise, and then, we expect all of them to *actually like* the sweat and hard physical work involved with exercising! 90 - 95% of our members need additional training and psychological motivation. If a person wants to learn how to play tennis, they take some lessons. If a person wants to learn how to ski, they take lessons. If a person wants to learn how to drive a car, they take some lessons. If a person wants to learn how to play golf, they take some lessons. If they don't, they flounder. That's what I see in our industry. The multitude of people who join a health club or gym flounder. It's not necessarily a money issue. It's a value issue, and it's a results issue.

Our industry has never been profitable to the point that we can really think out of the box on customer service. We think customer service is saying, 'Hi' and 'Bye.' You hear that over and over again at our conventions, but we are myopic with what we should do. That's because, as an industry, on a per club basis, we don't make enough profit. For example, if you have a multipurpose club, and your bottom line ends up being \$500,000, then typically that puts the partners in a 50% tax bracket, if you have some sort of state income tax. Now, you're down to \$250,000 net cash --forget the depreciation kick back, as we all know it ends up being a real expense sooner or later-- and your debt payment on principal for real estate and equipment will be \$20,000 a month. So, that's another \$240,000. You now have free cash of \$10,000, and your books say you made half a million. Geez, that could be a problem... You think? But, what if we all got another \$20 - \$30 per month from 2,000 - 6,000 members? I can already hear the naysayers. We could never do that! Well, that's the *state* of our industry, and that's the *problem* with our industry.

As an industry, I think once we achieve \$1,000,000 of free cash per club

per year we would finally develop the vision to come up with truly unique ways of offering good customer service. This, in turn, would affect use, which would affect attrition, which in turn, would affect results. We could then dramatically increase the market penetration of club memberships. We'd break out of the 15% member/85% non-member ratio. We'd be working on that other 85% that have failed too. It's not like 15% of the population are revolving members of health clubs and we are just working on the same 15%. No, most of these people, the other 85%, have tried *something*. They've tried a diet that has failed, they've walked and failed, they've bought themselves the Shape Up shoes and failed, they've tried prescription drugs and failed and they have tried surgery and failed. That failure is really a lack of training and motivation. Unfortunately, I haven't found a way to pay for my debt and continual facility improvements *and* offer qualified trainers to my members all for only \$50 per month.

The Apple Family Team

Our industry continues to personify personal training as some kind of Hollywood thing, and in reality, most everybody blows the cost of a couple of good personal training sessions on eating out. We're not educating and motivating the customer from the standpoint of their pocketbook. People will spend \$150 a month on a cell phone because it's a gizmo. Our industry really needs to somehow change its marketing approach to where people just *have to have us*. Everybody *has to have* an iPad. Everybody *has to have* the latest 4G phone. It's amazing the type of demand that certain industries have been able to create out of nowhere, and we as an industry still think it's all about price. What we need to do is have more people get more results.

(See *Apple Athletic Club Page 16*)



(L to R) Front: Robby Denning, Shawna Adams, Annette Hayner, Shelly Pratt, Liz Panter
Middle: Ray Gordon, Stephanie Lee, Cindy Gilland, Pam Parris, Kathy Vucovich, Steve Vucovich
Back: Chris McBride, Holger Nickel, Peter Ludwig, Chad Parris

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...Apple Athletic Club

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C.I. - I understand that, in addition to your wife, Kathy; your son, Brad; and daughter-in-law, Kosha, work full-time in your clubs. Please tell us about them and their duties in your organization.

SV - My wife Kathy actually started full time when we started the Downtown Athletic Club 25 years ago. She was our bookkeeper, HR person, bill payer, payroll, bank reconciler, W-2 person... She was our accounting office. A couple of years ago, she relinquished some of her responsibilities, and now, she basically goes over our sales payroll and does all of our accounts payable.

Kosha, my daughter-in-law, was interested in and applied for one of our sales positions. We had two sales positions open at the time. She was in the banking industry for a few years and was a member of the club. She decided she liked the industry, liked the energy and applied for the sales opening. Our sales manager at the time interviewed her, I interviewed her and we hired her. I thought she would do a really good job here. She seemed very motivated and loved the industry, and I thought she could get that excitement across to potential customers. She was with us for about a month, when my son, Brad, came home from college. He had sold for us a few years back, and actually, when he was going to school, he had sold for LA Fitness and Gold's Gym. So, he came back and started working with us. They met each other, started dating, fell in love and got married. It worked out great because Kathy and I have a very important person in our family that is part of the business physically and mentally. She and Brad have been married for a couple of years, and they have a son who just turned one.

Kosha is currently studying for her ACE Certification for group exercise and personal training. She feels that training and teaching can add to her sales

numbers while fulfilling her desire to further her fitness career.

Ray Gordon, formerly of Sales Makers, came on board as our sales manager a couple of years ago and has since turned into my right hand man. Consequently, his responsibilities have grown to match his varied skill sets, and he is bringing my son Brad along as his assistant. So, that's how we are morphing at this point in time, and it's allowed me to focus more on the growth of the business, compared to the myriad of day-to-day operations.

Adding Tennis

C.I. - When did you add the tennis facility, and how did this come about? How many tennis members do you now have, and is your tennis membership part of your main club membership?

SV - The tennis facility was part of the takeover of the Idaho Falls Health and Racquet Club (IFHRC). When we moved to the East Side, the IFHRC had their tennis structures attached to their original fitness facility. We basically just inherited that portion of the business when we moved to the East Side of town. Fortunately, we inherited a celebrated tennis director. His name is Holger Nickel, and he's well known in the inner mountain west as well as the national tennis community. He's really a sharp individual and loves tennis. He lives and breathes the game. So, we were lucky enough to not only inherit the physical plant but inherit him as well. Then, when we moved and built our new facility, the landlords of the IFHRC were not willing to raze the tennis facilities. Instead, they tore down the old fitness structure that was an appendage to the tennis structures. We remodeled the tennis facility, recaptured a full court and put in offices, locker rooms and bathrooms. So, it is its own stand-alone tennis facility, and it's very nice for this size of town. We have 300+ members that have either tennis-only or combination fitness and tennis membership.



Steve and Kathy Vucovich

Planet Fitness Investments

C.I. - I understand you now have four Planet Fitness locations. Where are they located?

SV - Overall, the partnership has five, but I am involved in four and counting. Among those currently, we have one in Boise, Idaho; two in Salt Lake City, Utah and one in Ogden, Utah. My partners in Apple also have another one in Logan, Utah, where their large multipurpose club (Sports Academy Health and Racquet Club) is located. Logan is about the size of Idaho Falls with a population of 50,000 - 60,000.

C.I. - How did you come to the decision to purchase the franchise to build some Planet Fitness clubs?

SV - When we partnered up originally, the goal was to build another four or five Apples, multipurpose clubs of 60-70,000 square feet. We would just sort of pick and choose medium-sized towns and see if we couldn't be a dominate force in those particular towns as far as the multipurpose area was concerned. That's where we were heading two years into the thought process, and then, the ugliness of the city reared its head. Basically the politicians once again wanted to build a competing recreation center. We had just built this beautiful facility, all private dollars, paying \$150,000 a year in property taxes, and two years later, the City of Idaho Falls puts a bond out there to build a \$12 million facility. We spent six months fighting that, and eventually, defeated the bond 81% to 19%. A year later, the City came out and supported the YMCA and the Salvation Army's joint effort to bring a Kroc Center to Idaho Falls. Since it was not made public, we only had four days to put together a negative campaign to the Kroc Center Committee as to why Idaho Falls did not deserve a Kroc Center. Well, this all happened about a week before the Salvation Army was to meet to vote on an Idaho location.

For two years after the con-

struction of the new Apple Athletic Club, we fought to save it. I talked to my working partner, and I said, 'You know, I'm not real excited about putting \$8,000,000 investments in cities were we might have unfair competition. I think we ought to rethink this idea because we are really putting a lot at risk to literally be put out of business by someone who bequeaths the YMCA \$10 million or a city or county that wants to put in a competing recreation center.' So, we started looking at a different way of growing our partnership, and at that time, we started researching the Planet Fitness model. Certainly, from an operational standpoint, it takes nowhere near the managerial expertise to make them work and nowhere near the capital. It's looking for a completely different market than would go to a recreation center, plus if it's in a different location, people can afford both. We really looked at it as a way of growing our partnership, and some of the profitably numbers of these small clubs rivaled and surpassed the profitability of a large club. So, we just decided that is the way we should go. It would insulate the risk, at least from non-profits. You're going to have copycats out there; that was a no-brainer. That was definitely going to happen, but they already had 150 franchises at the time, most of them successful, and some phenomenally so. Being first and being the largest are two big things in business, so that was really the theory behind it.

C.I. - What do you say to those who own large clubs, like yours, and discount the idea of also developing Planet Fitness locations as "satellite" clubs? Without assisting your competitors too much, what advice would you give to any club owner who has a Planet Fitness come into his market?

SV - I see Planet Fitness as an entry level way of getting more people involved in changing their health for the better. It's not everything to everybody, but it's a lot

(See *Apple Athletic Club* Page 26)



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The Next Generation Health Club

By: Will Phillips

In reading about the Xdream bikes, which simulate the experience of riding outdoors with gears, brakes, handlebars, pedal cranks and seat sensors, I learned that it's an outdoor product that accurately simulates the experience of riding outdoors. Riders have a choice of four different terrains.

For several decades, as a wilderness hiker and mountain climber, I would trek for eight to ten, sometimes fourteen, hours a day without becoming bored or disengaged. In fact, under those conditions, I could easily hike for six to eight hours without feeling tired. A rhythm develops, all the muscles are warmed up and working in harmony, the scenery is engaging, and I am at one with the world, fully and deeply engaged with my body and the universe.

Yet, I am totally floored when I think of spending six hours on a treadmill. In fact, staying on there for more than half an hour is difficult. When I look around me in the cardio area, I generally see those on treadmills or ellipticals watching TV or with iPod plugs in their ears. It's almost as if the boredom of being on an elliptical or treadmill is so great that we have to do something to distract ourselves. This distraction also disengages us from the exercise experience.

This, of course, is the exact opposite of my personal experience of hiking in the mountains. I don't want

TV or an iPod to distract me from my engagement, or is it enchantment? So, when health club vendors work hard to simulate bike riding, hiking or running on a machine, it seems that there's a huge gap that has not been closed. It is a simulation, or better called an approximation, but certainly not like the real experience at all. As a result, we have less engagement or even disengagement watching *LAW and ORDER* on the treadmill.

Success Creates Failure

One of the things I've learned about organizations is that success creates failure. This means success creates complacency. Success keeps you going in the same direction and prevents you from changing to new directions or shifting gears. I have elaborated on this fundamental concept of business growth in an article called *The S Curve*, available at www.RexRoundtables.com. In this model, strong organizations figure out how to succeed doing what they need to do in their markets, and they get better at doing the same thing in the same box. Invariably, they reach a plateau. They've either saturated their market, or they've attracted enough competitors so the market is thinner. These are just two of a dozen reasons why the plateauing occurs. In a new health club, it seems like the plateau occurs in about three years and growth essentially stops. This is what I mean that success creates failure, because health

clubs, by and large, have failed to think themselves out of the plateau except by opening a new location. There is no true organic growth in the market they're in. This largely plateaued or static dynamic is what is scary about health clubs. The only way to grow is to franchise or assemble new locations.

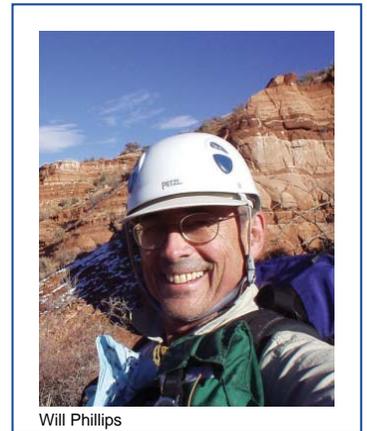
The S Curve says that businesses and industries grow through innovation. This may be more true at this point in history than ever before. We have seen this in dozens of other industries. Typewriters to laptops, prop planes to jet planes, laptops to iPads and Androids are a few prime examples. By and large, in comparing the club industry to other industries, there is little innovation, mostly just getting better and better at the same model.

Solving One Problem Creates Another

Many industries have successfully solved one problem only to create another. If they solve this second problem, they break out of the plateau and enter a new stage of growth. An example that affects all of us began in the food distribution business. General Foods was a major distributor of all types of foods to supermarkets. They were exceptionally good at this, and their success created another problem, managing inventory. The distributors never wanted to have excess inventory, nor did they ever want to be short when a supermarket required a particular item. They always wanted just the right amount. The same dynamic operated in the supermarket, which never wanted excess inventory, but never wanted to run out of an item that a customer might wish to purchase. It turns out that, throughout all industries, when you get a supply chain where everyone is trying to have the optimal inventory, no one does, and the inventory system gets totally out of control.

If you'd like to play a game that illustrates this, go to the MIT Beer Game online. This has been a staple of management training at the MIT Sloan School of Management for close to two decades. It was introduced by Peter Senge in his book, *The Fifth Discipline*. This book explains the five disciplines necessary for running any business. *The first discipline is understanding the business model in your industry.*

To address the inventory problem it created, General Foods was an early developer of computerized inventory control systems, and eventually, point-of-sale barcoding to manage inventory. It was not the supermarkets that developed this point-of-sale inventory management system. It was the food distributor in an attempt to solve a problem they had created with their warehouses and extensive



Will Phillips

trucking delivery system.

Health clubs provide extraordinary equipment and programming for indoor fitness. Invariably, their websites, brochures and sales tours emphasize the beauty of the facility, the wonder of modern exercise equipment and the energy of their classes. This results in at least 50% or more of the people who walk into your club as prospects ending up as members, but it also results in 20% to 50% of the people who have joined your club each year to leave it. Your success has created a fantastic solution, as well as an overwhelming secondary problem. The secondary problem, which about half of your members experience every year, is learning how to build an exercise habit and how to stay motivated, energized and engaged. This is not a physical problem; it's a mental problem. Until health clubs learn how to change a member's mental behavior, they will have a losing battle in changing physiques, fitness, wellness and health. Too often, practitioners blame the member for not exercising and dropping out. Blaming unfortunately relieves you from responsibility and action, so the bucket leaks, and we saw that is the nature of the industry and people.

When clubs truly learn how to change behavior and build exercise habits, you can work just as well with people who are walking, hiking and running as well as using treadmills and ellipticals. By doing this, you can now distribute your product over an extraordinarily larger geography, even worldwide.

An Example

An example of worldwide behavior change led by a single person is in the book, *A Complaint Free World*. This book encourages readers to make a choice and stop complaining. This shift from negativity to positivity has a major impact on your life, as well as the lives of your
 (See Will Phillips Page 19)

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REX Launches First European Roundtable

BOLOGNA, ITALY - The first European REX Roundtable, with members from thirteen Italian clubs, had its first meeting May 6-7, 2011 in Bologna, Italy. The REX Italian Chair is Fausto De Giulio, and he organized and chaired the meeting. Will Phillips, Founder of REX attended as Fausto's mentor. Joe Cirulli was the visiting expert for the 2-day session. Joe has attended his REX Roundtable for 17

years and never missed a meeting. He was able to share his practical expertise and the reasons for his 17-year commitment to his REX Community. Fausto is the Founder of Slow Fit System of training. Fausto is a fitness club owner, physical therapist, physical education teacher, international professional speaker, and Marketing Coordinator of the Italian Fitness Federation. REX Communities now involve over 150 Owners and Chief Operating Officers of the world's premier clubs, ranging in size from small single club owners to large, privately held chains of over 300 clubs. REX has developed a unique method and approach that has over 90% retention of its members and a ten times ROI on the financial and time investment members make in joining a REX community. REX expects to enlarge its European and Middle East footprint with additional REX Communities.

Rex Launches Small Giants Roundtable With Inc. Magazine Editor

Bo Burlingham, Senior Editor at Large for INC Magazine and author of *Small Giants-Companies That Choose*



Bo Burlingham



(L to R) Joe Cirulli, Will Phillips, Loredana Paparelli, Renato Malfatti, Roberto Maestrami, Renzo Turbian, Stefania Faticoni, Alberto Saglimbene, Anita Moser, De Santis Mario, Marcello Marchetti, Iacopo Ciccarelli, Alberto Gamba, Giorgio Leo, Paolo Fantacci, Davide Venturi, Grazioli Lino, Michela, Stefano Storti and Fausto De Giulio

To Be Great Instead Of Big, and Will Phillips, Co-Chair, will launch the REX Small Giants Roundtable in late May. It is a graduate level Roundtable and will include a few club owners but also high performing businesses from other industries. Contact REX at Will Phillips Will@RexRoundtables.com.



Canadian Prime Minister Announces an Adult Fitness Tax Credit

CANADA - On April 3, 2011, Prime Minister Stephen Harper announced that a re-elected Conservative Government will introduce a new \$500 Fitness Tax Credit for adults once the budget is balanced. In addition, Mr. Harper announced that he will double the existing Children's Fitness Tax Credit from \$500 to \$1,000 dollars during the next Conservative mandate.

Fitness Industry Council of Canada (FIC's) primary mission and objective since its inception in 2005 has been to implement a federal Adult

Fitness Tax Credit for Canadians. Following the implementation of the Children's Fitness Tax Credit in 2007, FIC began its Adult Fitness Tax Credit Campaign with the launch of the website www.adultfitnesstaxcredit.ca. Along with the website, FIC commissioned Pollara Inc. and the Centre for Spatial Economics to conduct a poll and an economic report.

In March 2007, Pollara Inc. released their poll results, which indicated that more than three out of every five Canadians supported extending the existing

fitness tax credit to adults. In conjunction with the poll, the results of the economic report released in December 2007 showed that the Federal Government could save \$2.5 billion in net health care costs over the next 21 years, a number which could climb to \$5.4 billion if all Canadian provinces implement the credit. As well, nearly one million more Canadians could become active and healthy as a result of the tax credit, thereby reducing the likelihood of employees missing work due to illnesses caused by physical inactivity.

According to the Government of Canada, more than 1.5 million Canadians currently take advantage of the existing Children's Fitness Tax Credit. The existing tax credit has also become one of the most popular initiatives to be introduced by the Conservative Government of Canada. The implementation of an Adult Fitness Tax Credit would be a bold step forward for the future health and well-being of Canadians.

... Will Phillips

continued from page 18

spouse, your children, your parents and everyone you manage and interact with. Will Bowen, the author, is a pastor in a church in Kansas City that decided to create a complaint-free church. The book contends that, if you stop complaining for 21 days straight with no errors, i.e. no complaining, you will cement a new habit in place. Their experience points out that it takes most people who try this four to six months to get 21 days straight!

What is so extremely exciting about this simple behavioral change effort is the number of people who have succeeded. If you go to www.acomplaintfreeworld.org, there is a list of close to 8 1/2 million people from around the world who have

changed behavior using this system. So, if Will Bowen can change a recalcitrant behavior like complaining, why can't your club change people's exercise habits?

Innovation Starting Ideas

Here are a few ideas on how to start exploring the *Next Generation Model*:

1. Move away from using the word CLUB. A club is a box. By being called a "club," it creates a mental picture in the minds of the market, and for many, the immediate reaction is "I don't do clubs." This may be 30% or 50% of the market. Edward Markham captures this marketing insight in his famous poem:

He drew a circle that shut me out

Heretic, rebel, a thing to flout
 But Love and I had the wit to win
 We drew a circle that took him in

We draw a circle that shuts out 85% of the market. Do we have the wit to redraw the circle to include more in? This circle also keeps innovative thoughts out of our minds as owners, architects and vendors.

2. Engage psychological and anthropological and spiritual avenues to learn more about this side of humans. Begin with *Theory U* by Otto Scharmer, and his Presencing Institutes, and *Immunity to Change* by Kegan and Lahey. Add social science experts to your think tanks, strategic retreats and your staff.

3. Encourage industry leaders and industry

associations to launch a real think tank that begins with creative destruction.

Of Course, It's Not Easy

If it were easy, every club would be doing it. This is why innovation is hard. It requires you to create something new. What concerns me is that I hear no discussion with industry's leaders on this sort of breakout. Everyone is committed to running their plateaued business well, because if their business is running well, it's a money machine for the owners, although it may not be for all the staff.

(Will Phillips is the President of Roundtables for Executives (REX) and may be reached by email at Will@RexRoundtables.com)

Checklist for Retention Success

By: Maria Parella-Turco

The average retention rate in the health club industry is approximately 65%. This means, in theory, we are turning over our entire membership in a 3-year period. You'd probably give almost anything to learn the secret to better member retention. Here are some ways that you can win the retention battle:

New Member Integration - It takes at least twenty-one days to form a habit. Health club operators need to take on the responsibility of helping members form the "exercise habit." It starts with informing members when they join that the first two to three months of their membership may not only be the hardest but it is the most critical to their long-term success. Sitting down with new members when they join and mapping out each of their visits in their first thirty days on a calendar contributes to the formation of the "exercise habit." Telling members that these appointments are necessary, and similar to how they would treat an important doctor's appointment, ensures that they will be more likely to show.

Offering at least two to three sessions with a trainer and conducting motivational calls and emails are some additional ways of promoting proper member integration. It is also recommended that two to three emails or calls are made within the first thirty days of membership.

Recognize, Motivate and Reward Your Members - Recognition and reward programs are a crucial part of successful retention strategies. The IHRSA Guide to member retention advises us to take advantage of every possible opportunity to recognize and reward our members. Credit

card companies, such as American Express; hotels, such as Hilton; airlines, such as Delta; and retail stores, such as Staples, have caught on to the fact that reward and loyalty programs improve their bottom line and help keep their customers loyal.

Consider rewarding for: frequent club usage, particularly in the first 90 days of membership; achieving milestones, such as birthdays and club anniversaries, or exercise milestones, such as weight loss or flexibility increases. Rewarding for referrals helps membership growth and rewarding for purchases recognizes your big spenders.

Low Usage Calls and Emails - In most cases, 60-70% of cancellations are due to non-use of the club. Members who use their clubs twice a week or more are much more likely to continue their membership than those who use it less frequently. During the first 30 to 60 days, it's imperative that clubs call and or email their members consistently and use tools and programs to keep the members motivated and showing up. When a member stops using the facility, it's imperative that the club know that right away and call or email those members and assist them in getting back on the right track. Similar to billing companies, clubs should call members who've not used the club in thirty days and prevent them from getting to sixty days. It becomes even more urgent that those who haven't used the club in sixty days not get to ninety days.

Exit Interview - Most positive retention results come from integrating and keeping members motivated and using the club. However, conducting a proper exit interview when a member requests a cancellation can salvage up to 15% of cancellation requests if the appropriate

interviewing techniques are used. A proper exit interview consists of asking questions, such as: "Why are you canceling?" "I see here when you started your membership you were coming ___ times per week?" "What happened that got you off track?" "What types of benefits were you looking for when you first enrolled and how did we let you down?" This technique, followed by a lifeline proposition, can produce saves.

Lifeline or CPR Program - CPR, known as "Client Program Resuscitation," or using a Lifeline Program consists of taking accountability for the fall off of the member and creating an action plan with the member in an attempt to effectively re-engage them in an exercise program. During the exit interview, if it's discovered that the member is requesting a cancellation due to non-use at that time, a Lifeline Program would be proposed. A lifeline would go something like this, "Mr. Jones, first of all, please allow me to apologize for our inability to ensure your success as an exerciser. I know that exercise is something that is important to you, and we'd like another opportunity to assist in your success." At that time, the club would propose, in lieu of a cancellation, either a reduction in dues or free membership time in conjunction with an action plan to re-engage the member.

Dedicated Employee - Consider hiring an employee who is dedicated to membership retention. Clubs who have a dedicated Member Service Specialist or Member Experience Manager tend to have the best retention results. If your resources won't support hiring a dedicated individual, at the very least, ensure that the expected day-to-day membership activity tracking duties are allocated to a



Maria Parella-Turco

specific person, team or department. It's important to create tools and tracking systems in order to inspect what you expect and to be relentless in this effort.

When it's all said and done, accomplishing the details to ensure better retention is surely an investment of time and money. However, keep in mind that the average cost of obtaining a new member is \$300. In calculating your cost of attrition, you may find that member retention efforts are worth the investment.

If you would like assistance in calculating your club's retention, calculating the financial impact retention will have or more information on tracking systems and programs that provide assistance, please contact me.

(Maria Parrella-Turco is the Senior Partner of New Paradigm Partners and Executive Director fitRewards. She can be contacted by phone at 840-870-0704, Ext. 707, or email at map@fitrewards.com)

fitRewards Announces Full Integration with ABC Financial

PRINCETON JUNCTION, NJ - fitRewards has announced that it is now fully integrated with the club management software DataTrak, powered by ABC Financial. The fitRewards ABC Financial Web Service integration will make the rewards program fully automatic for clubs using ABC Financial software. "This makes implementing a rewards and loyalty program easier than ever," stated Mike Clarke, Executive Director at fitRewards. "Now, clubs can automatically reward

fitRewards!
 REWARD YOURSELF EVERYDAY

members for behaviors that they are tracking inside their ABC Financial software."

fitRewards offers health clubs an online member recognition program, which increases club revenue and builds customer loyalty by rewarding individual members for various behaviors they want to drive. In particular, the system allows a club's members to earn points towards name-brand gifts and products when they participate in club programs, provide membership referrals, purchase club services and merchandise or simply visit the club for a workout. Members can log in online to see their points balance, refer friends to

the club and redeem their points for prizes.

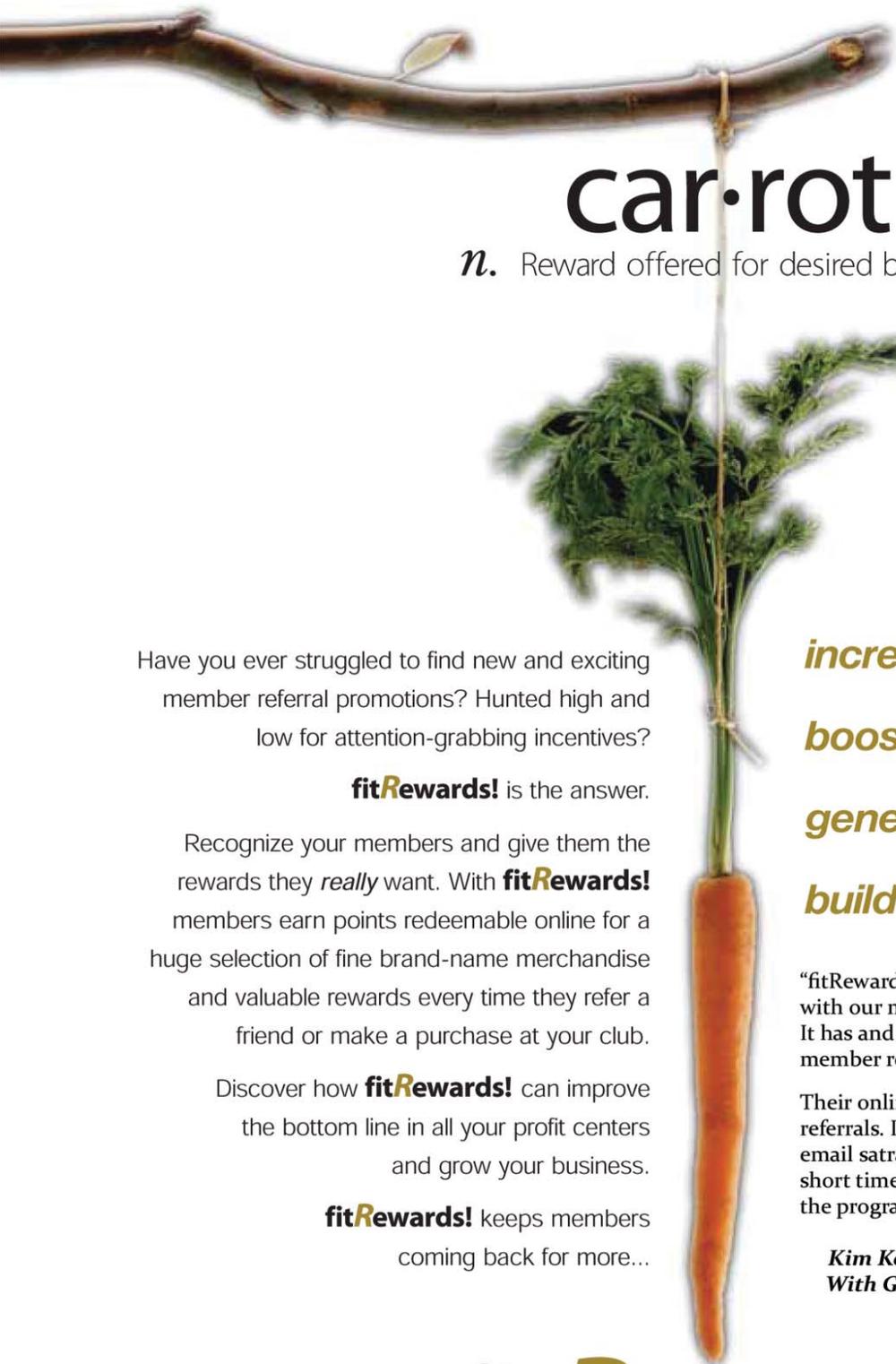
The fitRewards system provides high quality incentives that club management can utilize to stimulate member traffic, energize internal profit centers, enhance marketing programs or reward outstanding employees.

With fitRewards, health clubs also have the option of a completely customized program branded with your company trademark. fitRewards has created custom reward programs for many health clubs.

ABC Financial's billing and EFT processes are the proven and effective ways to increase a club's cash flow and profits. As a

recognized leader in software development and delinquent account recovery, ABC will manage and collect accounts receivables, while protecting relationships between the club and its members. No other company has invested more resources and technology into membership dues collections than ABC Financial.

abcSM
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car·rot

n. Reward offered for desired behavior

Have you ever struggled to find new and exciting member referral promotions? Hunted high and low for attention-grabbing incentives?

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Discover how **fitRewards!** can improve the bottom line in all your profit centers and grow your business.

fitRewards! keeps members coming back for more...

increase referrals

boost retention

generate revenue

build loyalty

"fitRewards has helped us communicate with our members and foster better retention. It has and been a catalyst in generating more member referrals.

Their online program alone has brought us referrals. In addition, we have improved our email saturation from 19% to 46% in a very short time! We are extremely pleased with the program and the results it's given us."

Kim Kenyon & Bill Austin
With Gold's Gym Hudson Valley

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The club industry's **first** online Reward Points Program



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For more information contact us at www.fitRewardsclub.com

888-761-8156 Visit us at  : Booth #2532

Fitness Industry Provides Free Health Club Memberships to Military Families

WASHINGTON, DC - Executives from the International Health, Racquet and Sportsclub Association (IHRSA) joined First Lady Michelle Obama on the South Lawn of the White House to announce the launch of the IHRSA Joining Forces Network, an affiliation of health clubs throughout the country that will offer free memberships to immediate family members of actively deployed reservists and National Guard members. The announcement took place at a health and wellness event for military families hosted by Mrs. Obama which combined the *Joining Forces* and *Let's Move!* initiatives.

Joining Forces is a comprehensive national initiative launched by First Lady Michelle Obama and Dr. Jill Biden to mobilize all sectors of society to give service members and their families the opportunities and support they have earned. *Let's Move!* is also a comprehensive initiative launched by the First Lady, dedicated to solving the problem of obesity within a generation so that children born today will grow up healthier and able to pursue their dreams.

"The freedoms that each of us

enjoys every day are possible because of the sacrifices that our nation's military families bear," said Joe Moore, IHRSA's President and CEO. "*Joining Forces* offers us an opportunity to provide these families with the support they are due."

The IHRSA Joining Forces Network hopes to offer at least 100,000 free health club memberships throughout the country, the equivalent of more than 18 million days of free access to health clubs and an estimated value of more than \$30 million.

Clubs also may provide additional benefits, such as child care, children's programming, group classes and discounts for veterans and active duty families.

"Rooted in communities all across America, IHRSA health clubs stand ready to serve our nation's military families," said Moore. "We are here to offer them safe, supportive environments where they can exercise and find encouragement in their efforts to stay well through healthy lifestyle choices. We are deeply honored to be part of the *Joining Forces* and *Let's Move!* initiatives."

Beginning June 1st, eligible



IHRSA President and CEO, Joe Moore, Joins First Lady Michelle Obama at the White House

military families can find participating clubs in their area at www.healthclubs.com. The website also offers a free digital subscription to *Get Active! Magazine*,

a consumer resource dedicated to promoting the benefits of safe and effective exercise and offers useful advice on making healthy lifestyle choices.

More Club Members Losing Weight

By: Donna Krech

We change lives with the secrets we live and preach every day. Again this month, I'm proud to introduce you to our Thin&Healthy Members of the Month. These members have made eating healthier their way of life. I hope you will use these testimonials to feed your passion for what we do in our industry to help more people become healthy, happy and successful.

Stephanie, a hard working third shift worker, watched fifteen pounds fly off her body in only four weeks. As she reached her 20-pound milestone, she was in a car accident that set her back for six weeks. Once she was released to work out again, she got right back on track and has already lost the five pounds she gained while recovering from her injuries. Needing something new for a special event, she found herself screaming and dancing with glee in the changing room when she tried on a pair of 11/12s. Stephanie credits Thin&Healthy's Total Solution for making this possible. With education and motivation from our staff, she was able to

enjoy her favorite foods and lose weight despite her third shift job. She's regaining her pre-child birth body and is seeing a whole new confidence emerging!

Sonya has seen her health restored with the help of Thin&Healthy's Total Solution. This breast cancer survivor has struggled with her weight and with the loving and caring staff putting her success as a top priority in her eyes. She was able to lose the 25 pounds she was struggling to take off on her own. Her results are amazing! The last report from the doctor has her now off high blood pressure medicine, off high cholesterol medicine, and she is no longer considered borderline diabetic. Not only is she rocking on the inside, she is now in a size 2! This is something she has never seen before!

Tim struggled for 7-8 months on his own, working out faithfully at the gym and having no results to show for his efforts. After realizing this was something he couldn't do on his own, he joined Thin&Healthy's Total Solution. He's happy to report now that he has lost 57 pounds due to an easy-

to-follow program and the encouraging staff of Thin&Healthy. He gives high credit to the fact that, if he wasn't getting the results he wanted, the staff would find the perfect solution through his eating, classes and special programs to achieve what he was wanting week to week. With the help of caring weight loss coaches, personal training sessions and group fitness classes, he was able to trim his body from a size 46 waist to an amazing 38! He also sleeps better and has more endurance and stamina to get more done every day.

Erin will be the first to admit she was not one for working out. She hated the gym, she hated to move and she hated to sweat! She wouldn't get out of bed to work out if her life depended on it. Then, one day, she realized her life depended on it, and she joined Thin&Healthy's Total Solution. The eating program was amazing. She could

have her favorite foods and lose weight too! Then, there was the exercise... How was she going to implement that? With the help of the training staff, Erin began to move again, and she began to realize she loves it! She now calls herself a gym rat. Exercise is one of the first things she plans for the day now! She actually gets out of bed at 5:00AM to meet with her trainer. She has lost over 50 pounds and is excited to see what the next 50 will bring her.

Visit www.clubinsideronline.com/thinandhealthy to meet these members personally and hear their story.

If we can help in any way, please call us at (866) 260 - 8446 or email bhammond@thinandhealthy.com. If you don't put Thin&Healthy's Total Solution in, please put in some kind of weight loss program.

Make It Fun!

advice, etc.

Creating Your Own Biggest Losers

Omnium 41 Health & Fitness Connection is making an impact on their members

and their community. General Manager Marci Cozier, a past contestant on NBC's hit show *The Biggest Loser*, is excited about what the Thin&Healthy's Total Solution program brings to the club.

She says, "We are a very large club with 9000 members. Over the years we evolved into selling price and features, which really isn't doing justice to a results-oriented program.

The Thin&Healthy's Total Solution program has really helped us to sell lifestyles and finding the motivation behind getting results. The systems, especially the Life Success portion of the program, have made a huge impact in our club.

We did our due diligence, making sure we found the right program for this club. There were two main reasons we decided Thin&Healthy's Total Solution was for us: 1. Because Thin&Healthy correlates with our mission and values, and 2. Because of the sales

training we knew they would give us.

We all know club competition is high. The discretionary income that people have is something we always compete for with other clubs. This is why we constantly try to differentiate ourselves in the market. Thin & Healthy has helped us do just that. Thin & Healthy makes us the best around in Weight Loss Services, and it has even helped us step up our sales and service in general.

The atmosphere it has created around here is full of POSITIVE ENERGY! It's not just about the food or the exercise; it's about the motivation. And it's never about the bricks and mortar; it's the staff and the enthusiasm from the people walking in the doors that makes this all work.

The best part about Thin&Healthy's Total Solution for the members is the motivation and the support that they get with the program. It's not about the food; it's about permanent results, which is what everyone is looking for. This program is improving our members' day-to-day lives."

"The most important thing to me, says Cozier, is that we're seeing a different kind of clientele walking through the door now that we wouldn't have seen before. It is definitely a message we've wanted to send from the management here at Omni, not only to our community but also to the industry. We want to say, "It's our time to embrace de-conditioned people!"

When you have a 350 lb woman or man come in who never would have walked thru your door, the feeling is unbelievable. Last month we sold 110 people. 61 were existing members

upgrading (to nearly double dues) and 49 were people off the streets that probably wouldn't have walked thru the doors before we offered the Total Solution. We haven't even marketed to the public yet except for an Open House.

"Our timing was perfect, with Marci returning from *The Biggest Loser* Ranch and us implementing Thin&Healthy's Total Solution at the same time. It blended really well that we had a program here to help people lose weight as we promoted fitness and health," said program coordinator, Heather Hanis. "The program has already had a huge impact in on people's lives and how they are living. It's created new paths for them and for us."

"It's my privilege and honor to be able to promote Thin&Healthy's Total Solution to the community. I don't know what I would have done if it wasn't here, because it is exactly what I want to share. For it to be in place here the day I come home from *The Biggest Loser*, I know that's God's work," says Cozier.

"I'm not a dietitian, I'm not an exercise physiologist; but because we offer Thin&Healthy's Total Solution, I can refer every single person to a program I know is perfect for them. We're going to meet them where they are and figure out what they need, and then steer them in the right direction. It's easy to do.

Club owners out there thinking of adding weight loss... have the courage to walk the walk as well as talk the talk, and actually give people results. This isn't just about getting new members; it's about helping people achieve their goals." X

MARCI COZIER,
Omni 41 Health &
Fitness Connection

HEATHER HANAS,
Thin&Healthy
Coordinator

We're seeing a
different kind of
clientele walking
through the
door now that
wouldn't have
done so before.



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...Steve Williams

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those I was able to contact.

Comments From Jill Kinney

Jill Kinney, now a Partner in Club source in California, commented on Steve:

"Norm, one of our much loved friends passed away last week, Steve Williams. He led Cybex marketing in the '90s and was responsible for repositioning the company and generating its early success in the fitness industry. He later worked for Technogym and numerous other companies. He was loved by many around the world. Steve was one of a kind and will be sorely missed."

We then contacted Jill for additional comment:

CLUB INSIDER (C.I.) - Jill, when and where did you first meet Steve?

Jill Kenney (JK) - That was about 1985. I was still at Western Athletic Clubs, and Steve had just come on board with Cybex. He was doing some marketing consulting with them at the time. Steve had come in with some of the guys he had worked with in the audio business. They totally retooled the Cybex equipment look. I remember meeting Steve, I think, at an IHSA Conference. Shortly after that, I left Western Athletic Clubs and was hired to open a Sports Club/LA. I connected again with Steve, and we ended up buying a lot of Cybex equipment for the first Sports Club/LA on Sepulveda. I think that really was a big launch for Cybex. Later on, I did a lot of projects with the Sporting Clubs of America. So, I got to know Steve very well in the late '80s. Steve was just fun and creative, and I loved spending time with him.

C.I. - Do you have a favorite memory of Steve?

JK - One thing that comes to mind was when Steve was driving 60MPH in his 6 Series BMW in New York City. I almost had to close my eyes! He was weaving in and out of traffic! What an experience!

C.I. - Besides being a wild man behind the wheel of his BMW, do you have a story that captures Steve's personality?

JK - Steve had this collection of friends and acquaintances that always blew me away. I remember we were some place in New York City and up walked the movie star, Christopher Walken, and he said, 'Hey Steve, how are you doing?' He also knew Arnold well. He just had this interesting group of friends, and they all knew him as 'Steve.' His dry sense of humor was always amazing. The thing that really impressed me about Steve was when he became a single Dad for his daughter Brita, who was the love of his life. He took on that role with no parenting skills when Brita was just

three or four months old. Steve ended up moving back to his hometown of Seattle, and he just did a beautiful job raising Brita. Steve married Linda Gromko, MD in Seattle a few years ago.

Comments From Roy Simonson

Roy was formerly with Cybex. He created Free Motion and launched ResolutePhyioSport last year (See www.resoluteps.com). We contacted Roy at his home office in Colorado Springs.

CLUB INSIDER (C.I.) - When and where did you first meet Steve?

Roy Simonson (RS) - I met Steve in 1991 when he interviewed me for a job with Cybex. I had heard of Steve for a long time by reputation before meeting him in 1991. Cybex was looking to do some new product development, and Steve contacted me about that opportunity.

C.I. - What would one of your favorite memories of Steve be?

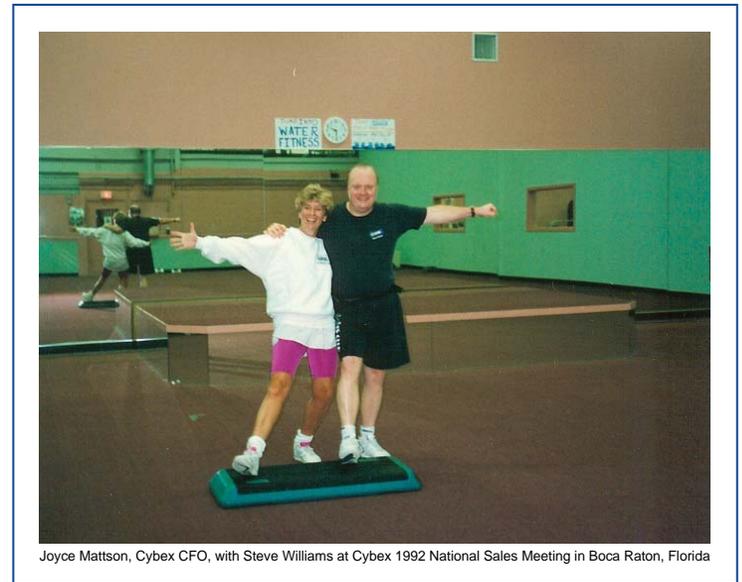
RS - Oh man! Everybody's got a Steve story! But, my favorite is about traveling with him. No matter what town we went to, every evening was the same. Whatever town we were in, he'd know the best restaurant in town to go to, so we'd eat the best meal possible. Then, we'd find a movie that no one had ever heard of and we'd go. Ten minutes into the movie, Steve would fall asleep. But, ten minutes before the movie was over, he'd wake up and somehow, I don't know how, he'd know everything that occurred during the whole movie. I've probably seen 40 or 50 movies with Steve, and not once did he stay awake for the whole thing. But, when the movie was over, we could discuss all the cool stuff about it.

C.I. - Roy, that story would be a good answer to this next question, but I'm going to ask it anyway. My question is: Do you have a story that captures his personality?

RS - Well, Steve was perhaps the most interesting guy I've ever met. He just had such a wide variety of interests. Whether it was movies or music or the world of audio or politics or automobiles or architecture, he was just kind of a student of so many things in the world. It just made him a really fascinating guy. He was the kind of guy that could walk into a room, and within seconds, he could strike up a conversation and be interesting with no matter who was in the room. He was just a really unique character. Everybody loved Steve.

C.I. - During your experiences with Steve, what would you say were his greatest successes?

RS - Steve's real brilliance was in his marketing abilities. He could cut through all of the BS and get right down to what was important. He would listen to what everybody had to say, then he would form an opinion based on what everybody said. Whether it was your idea or not, he would



Joyce Mattson, Cybex CFO, with Steve Williams at Cybex 1992 National Sales Meeting in Boca Raton, Florida

pretty much get buy-in from everybody. His marketing skills were extraordinary. He could craft a story, and he knew how to position it.

C.I. - If you were to choose just a few words to describe Steve's personality, what would they be?

RS - Generous. Extraordinary loyal. Extraordinarily bright.

C.I. - In your view, what legacy did Steve leave behind?

RS - Steve was one of a kind. I never met anybody like him. Everyone who knew him has a whole series of Steve stories. I just think he made everybody around him better. He was the kind of guy who, whether he meant to or not, just made everybody grow and made them better. He was really good in a team environment. He challenged everybody, and he made everybody better for being around him. Steve was one of the few guys I would always go to just kind of to see if I was on the right path. I would call him up all the time. Anytime I needed a sounding board to see if I was thinking clearly or if I was going down the right track, I'd always rely on Steve. He never made you feel like you were interfering with his time. He was just extraordinarily generous with his time. I don't think I ever saw Steve down. He was always very positive, and he always thought his best work was ahead of him. His optimism was very infectious, as well.

Comments From Claudio Bellini

Claudio Bellini is a former CEO of Technogym USA and now lives in Seattle where we contacted him for comments about our friend, Steve Williams. Claudio met Steve in 1995 when Steve became involved with Technogym in its rollout in the United States.

CLUB INSIDER (C.I.) - What role did Steve play with Technogym USA?

Claudio Bellini (CB) - At that time, I was the Marketing Director of Technogym in Italy at its headquarters. My overall plan was to create an international organization for the company, which at that time, was mostly Italian and European-based.

I started working on developing our network by means of opening subsidiaries in the different countries in Europe, where we created an infrastructure in Switzerland, the Netherlands and other countries. One of the projects was obviously to create an entity in North America because of the importance of that market, which at that time, was more than 50% of the total potential business in the industry. I was introduced to Steve Williams by Rick Caro. Steve, as a former President and CEO of Cybex, had a lot of knowledge of the industry and the marketplace in the United States. So, I started working with him as a consultant for our project in North America. He worked with us until 2002 when he decided to pursue some things in the consumer electronics field. Later, he began to work with Roy Simonson, who had helped to create Free Motion. So, he worked with us for seven or eight years as we entered the North American market.

C.I. - What are your favorite memories of Steve?

CB - He always had a smiling face, and he had this incredible knowledge of many different aspects of the industry and the consumer experience. Steve was very sensitive and capable of understanding the proper balance between what a sports club offers members and how that offering is impacted by great exercise equipment. His way of thinking about the equipment was a 360-degree approach because he was able to talk to everybody. Without being a specialist of a specific element, he could talk to everybody. From engineers to business operations, club operations to end users, he could communicate with them all. He was an incredible networker.

(See *Steve Williams Page 25*)

...Steve Williams

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C.I. - What would you say were Steve's greatest successes at Technogym USA?

CB - He helped the company get the North American culture for sure. He was an ambassador and supported Technogym in multiple areas, from product development to customer relations. Steve was able to help bridge the communications gap between the North America and European cultures.

C.I. - Claudio, if you were to describe Steve's personality in a few words, what would those words be?

CB - Passionate. Supportive. If you ever needed anything, just check with Steve, and he would help you. He was always a positive thinker. Steve was a very good human being.

Comments From Rick Caro

Rick Caro is the President of Management Vision in New York City and was the Founder of IHRSA and President in 1982-83. We contacted Rick at his New York office.

CLUB INSIDER - (C.I.) - When and where did you meet Steve?

Rick Caro - (RC) - It was over 20 years ago when he was working for Cybex.

C.I. - What are some of your favorite memories of Steve?

RC - I was thinking about that, and I actually have three that stand out. First, we had a number of dinners in New York City. He loved fine food. He understood it and had a great palate to appreciate great food. So, the dinners were always exceptional.

Second, often during those dinners, we would discuss movies because Steve was a real film buff. Steve always had clever characterizations to describe movies, very clever use of words. So, a film reviewer would have liked to have had Steve at his side because he would have made their work much easier. He could have been a film reviewer as another career, in my view.

A third fond memory is that he invited Sue and myself and another couple when we were visiting Seattle to take a ferry out to Bainbridge Island where he was living in a beautiful home with unusual architecture. He insisted that we

come out and visit. He was one of the most generous people you would ever meet. He decided we would eat there instead of at a local restaurant. He cooked salmon out on a grill on wood planks. It was phenomenal! Great taste... He knew exactly how to do it. He was a phenomenal chef. He really knew how to do it. So, that was another great memory with Steve. His daughter Brita was there, and that was very special.

I just thought of another memory. There is a French expression: Le Bon Mot. Steve was very clever with his choice of words. He would say things that would make you laugh over something that was not a big deal. So, I remember calling him one time right after Thanksgiving. I asked him, 'How was your Thanksgiving?' He replied, 'It was great. I cooked, and we had Huey, Dewey and Louie.' I started laughing and realized he didn't have turkey... He had duck, 3 ducks and cooked, not for one person, but for several people. But, that was the way he would express it. With Steve, you always ended up having lots of laughs. With Steve, laughs were always part of the deal. Even when things were tough, he always found a way to make you laugh. I remember about twenty years ago, Steve would use the term 'Usual suspects,' a term many of use today and which is not unusual now. In those days, it was unusual. He really was ahead of his time in many of the expressions he would use.

C.I. - Do you have other stories that capture Steve's personality?

RC - On a business level, one of the things Steve was known for was that he was a great connector. He always tried to take different resources and blend them together into something more than what they might have been on their own. So, he thought I really needed to meet the Chairman of Cybex, a guy named Larry Cohen, many years ago when Cybex was on Long Island. Steve said it was really important to meet him. Larry agreed to meet me, and during the course of the meeting, Larry said, 'Steve really thinks a lot of you and thinks you can really help our company, but he really wanted me to talk to you in particular about joining the Cybex Board.' I knew at that time I wasn't qualified to join the Board. I wasn't really appropriate, but it was a wonderful testimonial from Steve that he suggested that I might be qualified. More importantly, what he was really thinking was that, somehow, I had



some knowledge that could help Cybex, and the head of Cybex, the decision maker, should be introduced to me. If there was a way we could all work together, that would be great, but that was just typical of Steve. He had the ability to figure out how to take something from where it was today to another level and figure out what the pieces were, and he would just blend them together. That was just who he was. He was always trying to figure out how to connect people and opportunities in ways that might not have happened if it were not for his efforts.

C.I. - What role did Steve have at Cybex, and what were some of his biggest successes there?

RC - He was the Cybex Marketing Director at a time when Cybex was about a \$10 million company and mainly focused in the physical therapy area. He really led the charge to position it not just in physical therapy but get into the fitness category and figure out how it could be positioned as a mainstream company. They bought a strength line, named it and put it out as Eagle. He really started talking to all the key players in the industry so they would understand who Cybex was. He really got Cybex accepted by the Who's Who in the industry. Steve was really good at research and development and manufacturing, which is an unusual thing when you couple it with a marketing guy, who I call a visionary, and a sales orientation. So, he put the R&D and marketing and sales together and really was a facilitator and leader of all of that coming together to tell a big new story of a company that didn't have much awareness and didn't have much positioning in the health club industry.

He also did something which everyone's kind of forgotten about. IHRSA would give out what was called the Fitness Director of the Year Award, and it was sponsored by Cybex. But, the idea was Steve's. He really thought we needed to professionalize and honor the professionals in that particular category who were doing great things to help people on the fitness floor. Many of them were getting more and more knowledge, more degrees, more certifications and were really becoming qualified experts, and it was not necessarily clear that a lot of people were now much more knowledgeable than they had previously been while dispensing advice on the fitness floor. So, he really led the charge and IHRSA agreed to hand out this award. They put together a blue ribbon committee, took nominations and they had some exceptional people who won the award. Many of them are still in the industry and are still industry leaders, but he really professionalized the whole category.

C.I. - What role did Steve play in

Technogym USA?

RC - I was asked by Technogym to help bring it to the United States, and I said I'm not the right person. I don't know how to advise a manufacturing firm. I know how to help clubs but not manufacturers. So, I said I'm not the right guy, but the right guy who might be appropriate is Steve Williams. He was available, and they did engage him. He really did help bring it to the United States. Technogym had no awareness in the U.S. None. They wanted to tell a unique story and not go after the masses of clubs. He helped craft the marketing strategy, going through IHRSA, telling a wellness company story, trying to go after a very high-end, service-oriented segment of clubs who would appreciate technology in the key systems using the microchip and their sleek, perhaps more expensive equipment with some unique features that might not be appreciated by a lot of clubs. He was able to take a very successful company that was mainly in Europe, a little bit in Asia and I think a little bit in South America and help bring it to North America. He deserves a lot of credit for helping it land on the East and West Coasts. They headquartered in Seattle because that's where Steve lived. He knew there were a lot of engineers there in case they decided to do some of the design and engineering over here. There was a port there if they needed to ship, and there was a lot of talent available, as there were, at that time, a bunch of health club equipment manufacturers based there, including Stairmaster, Quinton, Precor and a couple of others. So, he really helped give Technogym USA its legs.

C.I. - Rick, if you were to use just a few words to describe Steve's personality, what would they be?

RC - Humorous. Clever. Extremely intelligent. Full of wide diverse interests. Somewhat of an independent thinker. Loyal friend.

C.I. - Rick, what was Steve's legacy?

RC - I think Steve was a visionary. He helped create a foundation for later success. When someone helps someone as individuals to be better so that they can succeed later on no matter what they do in the industry or outside the industry with the same company or a different company, you know that's a sign that you have an impact on people. But, he also had an impact on the businesses, too. Cybex and Technogym are two of the powerful brands we have in the industry, and Steve helped make both of them much more substantial than they were before he got there. Finally, a huge part of his legacy is he made a lot of friends. There was a memorial service for him on May 15th. I'd love to have been

(See Steve Williams Page 27)



How to Reverse Decline and Restore Stability to your Health Club, Fitness Center or Gym

By: Jim Thomas

Several years ago, I received a call from a gym owner with several facilities. He called me in despair. He knew that his gym was failing because membership sales had been declining steadily.

The club owner had just received a major wake-up call. In addition to the loss of some long-term key personnel, his business has just lost a major corporate account that made up a significant part of his overall sales.

Fortunately, he had some good cash reserves. From our conversation and initial evaluation of the gym, it was clear the gym could be saved. The cash reserves would give us enough time to fix the business.

I explained the drastic action that we would need to take in order to save

his gym business. It was too much, too quick and too much heartache for him. Significant layoffs of club staff were going to be required.

He decided not to retain our services. He looked for a miracle and hoped everything would work out in the end.

Unfortunately, he was wrong. Approximately four months later, the gym owner called me again, and he was very down as he spoke on the phone. Membership sales had continued to decline (which caused other sales to decline), long-term members and key staff had left the club and he was now almost out of cash. He was literally down to his last \$1,000 with hundreds of thousands of dollars of debt.

His gym chances for survival were gone. Within a week of his last call, he closed his business. Even worse, his

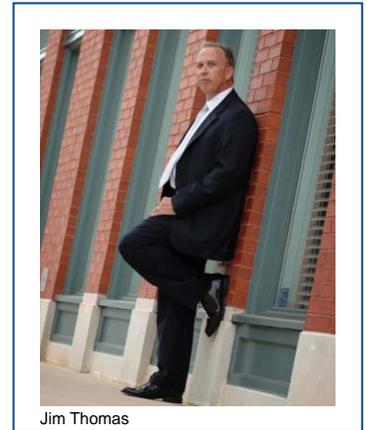
home backed the personal guarantee on his business loan.

The saddest part of this story is the gym owner sent me an email a few weeks later. He knew that he could have avoided all of this if he had acted sooner, back when we first spoke. By failing to act quickly, he had lost his gym, his livelihood and his home.

Do not become paralyzed and fall in the trap of hoping for a miracle. You need to take immediate action to get a handle on your existing circumstances and get your business turned around.

Are You a Candidate For a Gym Turnaround?

Conducting a gym turnaround is all about reversing a gym's decline



Jim Thomas

and restoring stability to the business of
 (See **Jim Thomas** Page 27)

...Apple Athletic Club

continued from page 16

for a lot of people. We know it grows the market. As a good case in point, the club that my partners have in Northern Utah, Sports Academy Health and Racquet Club, (SAHRC) also had a small satellite operation but without the Planet Fitness name. They had it for seven years. It was very clean, well equipped and had a low price point, but when they flipped it to a Planet Fitness, they quadrupled their membership base. Those people had to come from somewhere, and during the entire time Planet Fitness has been in that market, they have grown their membership every year. You can sell against Planet Fitness or a wannabe if you are a bigger club. I wouldn't be as concerned about a wannabe as I would Planet Fitness because Planet Fitness is organized, their management team has a focus, they have a system that works and it really is the sum total of its parts; it's not just price. That's a heavy competitor, but if you differentiate yourself...

Since Planet Fitness is only a gym (not a club), they certainly aren't everything to everybody. If you have to drop your kid off somewhere so you can work out, Planet Fitness is not your place. There's a lot of differentiation available out there. Since our ownership group has hard numbers on the ability of Planet to grow the market, my suggestion if they come into your area is to relax *but differentiate*. Ultimately, I think Planet will help you grow if you don't try to match their price. You can't. You just can't because you can't operate at those low margins. So, sell the things that Planet doesn't offer, upgrade you facilities and services, and get this, how about *raise*

your price... As I've said many times, I'd rather be the highest priced club around as long as I can justify it. People invest in their health for a number of reasons, and price is just one of them. There's a big difference between a club and a gym. Planet Fitness is a gym. Well-run clubs lose 25-30% of their memberships a year. Gyms on the other hand will lose more than 50% each year. What does that tell you? Primarily, what that tells me is gyms have less capacity to get their members results than a club does. Just take a look at the numbers, take a look at the attrition. There are more things to keep more people involved at a club. Involvement means use. Use means physical changes, down to the molecular level. I think that, bottom line, it doesn't matter if you paid \$100 a month or \$10 a month; if you don't use it, you wasted your money.

I can sell against Planet, but I can also sell against a big club because I understand both. I see the application of both, and I see the success of both. It's not all about price, but I can sell against the larger clubs because of the price, the no commitment and the Judgment Free Zone. On the big club side, I can say, 'I understand why you are a little bit apprehensive about signing a one-year agreement since you didn't use your last membership but had to pay for it anyway. And yet, don't you think you should make a commitment for at least twelve months and stick to it? After all, fitness isn't for thirty days or twelve months, it's for the rest of your life. In addition, industry numbers are not in your favor when it comes to achieving your desired long-term fitness goals as gyms lose over 50% of their membership each year while clubs only average 35%.'

So, I can sell both ways, but

luckily, I don't have to. I think both concepts are extremely important, and both have their places. If I'm going to be the lowest priced, I want to go with the franchise that has the most branding and the most horsepower. Historically speaking, the first to the market and the largest to the market have dominated the niche. We are very comfortable with moving to the Planet Fitness model even though we are owners of two large clubs. We've bitten off both extremes.

A 20+ Year IHRSA Member

C.I. - How long have you been a member of IHRSA?

SV - It's been over twenty years. This is our 25th anniversary, but we actually went to a couple of conventions and the Club Industry convention prior to joining IHRSA.

C.I. - What benefits have you gotten over the years from your IHRSA Membership?

SV - If you are a sponge, you will absorb an awful lot of information at these conventions. The sheer amount of management information, new programming ideas, equipment education, purchasing discounts is huge and that's just at the conventions. IHRSA's monthly publication continually keeps you abreast of the market and different ideas. They analyze things that work in the market. Some things you may want to table for a couple years. Maybe you're not ready, but it's a great idea.

IHRSA definitely helped in our fight with the city recreation center by furnishing us with information that aided in building our case with the voters. That was great. One of the other things from a convention standpoint is it allows you to

recharge your batteries. If you're living and breathing this industry, the brightest minds are involved with IHRSA and all aspects of its organization. The biggest asset to me is to be able to pull from those resources. It's nice to have a governing organization that is trying to increase our stature in the business community because we have had our fair share of scams and bad business practices. Our industry has been ripe with all those things. It's great to have an organization that is trying to dispel those past discretions and have somebody that is establishing a grassroots connection with our government, which is crucial. They (the government) really need somebody to speak on the preventative side of programs instead of trying to fix it once it's broken. It's a long process, but it's one that needs to be won, and it's going to have to be won for the soundness of our economy long term. Our medical costs have to be reigned in somehow. When you start talking trillions, its real money. IHRSA has a huge place, and they are playing a huge part in the maturation of our industry.

• • •

I want to thank Steve Vucovich for his time and assistance sharing the Apple story. Right before press, Steve also informed me that Apple has provided free memberships for families of deployed servicemen and women since just after the September 11th, 2001 terrorist attacks on the United States of America (See **IHRSA Release** on **Page #22**).

(Justin Cates is the President and Assistant Publisher of **CLUB INSIDER** and may be reached by phone at **770-595-6086** or email at **Justin@clubinsideronline.com**)

...Jim Thomas

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the gym. There are some key factors that will help determine if your gym is a good candidate for a successful turnaround. Here are some questions to ask yourself:

1. Is your gym still a viable business? If you were going to open this club today, what would you need to know to make an informed decision?
2. Is there still enough time left to get this done? Are there any hard deadlines looming that could stop you in your tracks?
3. Is there enough available cash to get this done? Many times, if your cash flow is good enough, you can use a simple float to get it done. If not, you will need outside funding.
4. Do you have a clear vision on how your gym should operate? Have you done this before? Do you know how this should look?
5. Do you have the proper management team and leadership in place? Are your key people truly committed to the success of the gym?
6. Do you have the confidence and belief

of your stakeholders? Of course, your stakeholders will see you as the person who got them into this mess. You will need to win these folks over, again.

7. Do you have a structured and proven approach to get out of this mess? Go with what's known and proven, no guesswork here.

Key Steps for the Gym Turnaround

- The first step is critical. You must recognize the need. Most gym owners wait until it's too late. If you have a problem, face up to it now! Speaking from my consulting experience, don't wait to admit the need until the patient is on the operating table. The longer you avoid what's happening, the worse it will get and the more difficult the turnaround becomes.
- You must get an immediate grip on your finances. Only pay what will keep you in business. Everything else can wait.
- Next, you must take an objective look at your situation and develop short- and long-term priorities. Don't let emotion rule your decision making. Be willing to make the difficult decision.
- You will need to determine what has caused the underperformance. If you don't know why this happened, you are

doomed to repeat the mistake. Be sure and reestablish discipline.

- Establish a marketing plan and get the entire management team on board for the planned objectives. Do your research. Now is not the time to be testing new marketing ideas. Go with what's proven.
- You will need supplier and vendor support to ensure your plan can happen. Don't ignore these folks. Meet with each of them and let them know your situation and your intentions. The key here is good communication.
- You need to become an expert at health club management, particularly sales management. Start surrounding yourself with people who are better than you are at what you are asking them to do. Get your system in place. Assume nothing.
- Keep everyone involved in the process. Communicate, don't keep anyone guessing. Communication is the key to most anything, but it's the foundation when trying to keep everyone on the same page during a gym turnaround.
- Manage the process. Let people know what needs to be done and why. Then, follow up. Train. Train. Train.

● Know your numbers. Don't let the process of change distract you from the need to manage your gym. Track everything that is done in your gym just like you normally would.

● Manage with a cautious optimism. Know the risks moving forward and be prepared to deal with them. There are many elements that can stall your turnaround progress. Make a list of these potential setbacks and then have a plan if this were to happen.

● Keep your foot on the accelerator. Don't let up. Ever. Don't take success for granted. It's hard work. Be on the lookout for success apathy.

Benefits of Turning Your Gym Around

- You will save your investment and that of your investors.
- You can keep your well-paying job.
- You will get rid of any criticism that you have been receiving.
- You can continue to have the good things in life, such as a big house, vacations and a college fund for your children.
- You will give your gym a fresh start.
- You will increase the cash flow, the profitability and productivity of your gym.
- You will gain valuable experience that will keep you from trouble again.

(See Jim Thomas Page 29)

...Steve Williams

continued from page 25

there, but I had a memorial service for a family member of my wife that same weekend. I would have loved to be part of it because he deserves to be honored. Steve left a wife, Linda Gromko, MD and a child, Brita. I'm very sad that he did so much for so many other people, yet he won't be around to appreciate the blossoming of his daughter and to spend more time with his wife, whom he only married in recent years. He didn't have the years with them that they all deserved.

Comments From Steve Robertson

Steve Robertson has been friends with Steve Williams since 1975 and worked with Steve for Technogym USA where Robertson was the Director of Marketing and Sales. Since then, Robertson spent ten years as a homebuilder and has now become involved in ownership of a wine vineyard.

C.I. - Steve, when and where did you first meet Steve Williams?

Steve Robertson (SR) - I met Steve in 1975. This was when he was selling hi-fi equipment down in Madison Park, which is a neighborhood in Seattle. I purchased some stereo gear from Steve, and we struck up a friendship. I initially worked with him at Cybex. He had some aspirations of the impact he wanted for the customer base. We'd worked together in various capacities

along the way. I was in the corrugated box industry, and he was a manufacturer of sound systems at a company called Speakerlab. He was my customer. When he got involved in the Cybex brand as a Vice President, he wanted to include me, and that's how I first got involved in the fitness industry.

C.I. - Do you have a favorite memory of Steve?

SR - At one point, when he was living in Seattle, he had three contracts to be hired at one time, and I saw all three of them. He had a contract to be President of Life Fitness, he had a contract to be President of Technogym North America and he had another offer from Precor. He was trying to determine which way he should go, and he involved me in that process. As part of his due diligence, the two of us went to meet the Technogym people in Italy. He decided that working with Technogym in a consulting support role in their rollout would be best for him.

C.I. - If you were to pick just a few words to describe Steve Williams, what would they be?

SR - Mental flexibility. A very curious and probing mind about process and making things happen. Funny guy.

C.I. - If you were to describe Steve Williams' legacy, how would that go?

SR - I think it would be his friends. I think Steve was blessed with multiple handfults

of really good friends. It is very unusual to maintain friendships like Steve did. Lots of his friends come from the hi-fi world. Many come from the architectural world. Steve's single largest fitness contribution was in design, in the complete understanding and facilitation of the process and the delivery of a well-designed product. His contribution on this front was industry leading, and the reverberations are still felt throughout the industry today. Finally, the teams of people Steve brought together remain impactful industry leaders.

Comments From Ken Germano

I had the pleasure of working with Steve for five years. I called him a colleague and a friend for over twenty years. I met him at Cybex in the still early days... early because the curves on the graph for medical and fitness divisions had not yet crossed directional paths. After launching the fitness and Eagle Performance Systems by myself to now find Stevie as we called him, at the helm, was a breath of fresh air. The marketing, creative, technical eye and push we'd been missing was now in place. Steve's contribution and management of the category not only pushed Cybex Fitness to the top within the company but in the industry as the implementation of technical innovation under his stewardship created a necessary shift in commercial fitness. The most important thing about Steve for me is that he got it! Quickly and succinctly allowing strong people to

take responsibility for their actions and the autonomy to go and create the future without disrupting a clear strategy and vision he set for Cybex... He anticipated it better than anyone I have seen in a long time. I will certainly miss him, his gregarious nature, his brilliance and above all, his infectious laugh.

• • •

After hearing from six of Steve's good friends, it's easy to see why this article about our friend, Steve Williams is entitled, **Steve Williams... One of A Kind!** I'd like to thank Jill Kinney, Claudio Bellini, Roy Simonson, Rick Caro, Steve Robertson and Ken Germano for their time for these interviews. Special thanks to Rick Caro for suggesting the contacts for comment and Ken Germano and Steve Robertson for the photos. Steve Williams will be missed. May Steve rest in peace.

(Norm Cates, Jr. is a 37-year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of CLUB INSIDER, now in its 18th year of publication. Cates was IHRSA's 1st President, and a Co-founder of the Association with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. Cates may be reached by phone at 770-850-8506 or email at Norm@clubinsideronline.com)

IHRSA Index Attests to Industry Strength

Clubs Post Improvements in Key Performance Indicators in 2010

BOSTON, MA - The International Health, Racquet and Sportsclub Association (IHRSA) announced the release of the IHRSA Index results for 2010, which demonstrates the financial performance of the commercial health club industry.

"Our survey of 16 leading U.S. health and sports club companies, representing a total of 498 facilities, shows that performance was robust among commercial health clubs in 2010," said Jay Ablondi, Executive Vice President of Global Products for IHRSA. Improved performance indicators were also reported for the quarter ending December 31, 2010 relative to the quarter ending December 31, 2009. Same-store performance varied from consistent to slightly improved for the fourth quarter and full year 2010.

For the full year ending December 31, 2010, the IHRSA Annual Financial Index improved performance in revenue, membership dues revenue, non-dues revenue and EBITDAR. Total revenue increased by 5.9 percent over 2009. Membership dues revenue increased by 3.5 percent and non-dues sales improved by 11.8 percent. EBITDAR also improved

by 4.9 percent.

"Even though the year started with performance comparable to 2009 indicators, the quarterly index participants finished the year with strong fourth quarter results, relying on the success of non-dues programs," said Melissa Rodriguez, Manager of IHRSA Research.

Non-dues revenue saw the greatest increase in the fourth quarter of 2010, increasing by 13.4 percent over the fourth quarter of 2009. Clubs also posted increases in total revenue (6.4 percent) and membership dues revenue (3.7 percent). EBITDAR nearly reached a double-digit improvement at 9.1 percent, which was the greatest improvement the index posted for EBITDAR in 2010.

Same-store club performance was steady with some slight improvements for the fourth quarter and full year. On a quarter-to-quarter basis, same-store total revenue increased slightly by 0.9 percent. Membership dues revenue and non-dues revenue were up by 1.0 percent and 0.8 percent, respectively. Same-store performance was better on a yearly basis in comparison with quarter-to-quarter

results. Over the year, same-store revenue increased by 1.8 percent, membership dues revenue by 1.5 percent and non-dues revenue by 1.8 percent.

"Index results are consistent with other recent IHRSA research findings," explained Ablondi. "IHRSA regularly tracks CPI for fees for club dues and instruction, such as personal training. We have found that the CPI for fees for instruction slightly increased in 2010, indicating consumer demand for non-dues services, such as personal training."

Results from IHRSA's monthly survey also show improved performance indicators for select clubs. Survey results show that participating companies, representing more than 300 club locations, significantly improved performance in 2010 relative to 2009. Year-to-date as of December 31, 2010, roughly two-thirds (66.3 percent) of participating clubs reported increases in total revenue, while over half (56.3 percent) of the same group indicated increases in non-dues revenue. Membership dues revenue was up for 65.7 percent of participating clubs.

For more results and analysis

on the IHRSA Quarterly Index Study and Monthly Trends Study, visit the IHRSA Research Portal at www.ihrsa.org/research. Subscribers to the IHRSA Research Portal are able to download current and archived quarterly and monthly results for readily accessible, up-to-date club operations research data.

Note: Data reflects information for 16 leading U.S. health and sport club companies representing 498 facilities. Same-store revenue data reflects clubs that have been in operation for at least two years. Participating companies reported owning/managing an average of 33 facilities (same-store count average of 12 facilities). Data is intended to provide a snapshot of U.S. health club industry performance, however the results are based on a small sample of companies and care should be taken when making comparisons of these findings to the overall industry-at-large. Industry Insights, Inc. conducted the survey for IHRSA.

EBITDAR: Earnings before interest, taxes, depreciation, amortization and rent.

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...Jim Thomas continued from page 27

- You will be able to sleep well at night.
- You will save many of your employees' jobs.
- You will be a hero to your family, your board, your investors and your employees.
- And most importantly, you will have the personal satisfaction of knowing that you saved your business.

Learning Experience

The difference between winners and losers is that winners take responsibility for their actions and learn from their mistakes. This will be your key to bouncing back and taking the necessary steps forward. High achievement usually only comes after having a failure.

With this done, put the past behind you. Nothing good comes from lingering in the past. You need to look forward and figure out how to save your gym business.

In the end, you and your gym will survive. You will save many jobs and increase your investors' stake in your business. Most importantly, you will have revived an important business for your community.

The key to getting out of your rut and moving forward is having very specific and defined goals. Your key goal now is to fix your gym. However, you must balance this goal with compassion since your goal will affect many lives negatively.

In addition, you must make time for family and friends and all that's important to you. This will give you the strength to go into the gym the next day and continue the honorable work of saving your business.

You must start immediately to give your gym its best chance to survive. Now, go turn around your gym!

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



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**Make
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Fun!**

Programming Tip of the Month:

Have Fun This Summer! Programming for Kids...

By: Sandy Coffman

Kids and kids' friends... What a wonderful opportunity for a new season of *Programming for Profit!* Don't miss out on 2, 4 or 6-week programs to keep your club jumping with energy and excitement this summer. Get your creative juices flowing with the following:

Summer Camp Programs

Summer camp programs engage children in healthy, active and social activities every day for a full week at your club. When the children are happy at your club, the entire family will be more likely to be active and retained members. Children's camps tend to bond a family together and encourage kids and adults alike (parents) to find lasting friendships in a healthy environment.

Summer camp programs provide

fun, games, crafts, swimming, hiking, climbing and all sorts of sports for a full week of fitness, friends and activities for children of all ages. Kids also learn how to socialize and appreciate making new and lasting friendships.

1. Children's camps will run for one week at a time. Some camps may be full days (9AM to 4PM) or half days (9AM to 12PM).
2. Some children's camps will be designed for specific age groups, and others will be designed for all ages but will concentrate on or emphasize one particular activity or sport.
3. Summer camps can be designed for separate age groups.

Variety is the objective. For example, the week's activities may include swimming, crafts, gymnastics and tennis, all at an entry level. Children will discover different experiences and will probably find an area or activity

that they would like to pursue in depth. Providing the instruction and participation on a consistent basis is sure to develop healthy habits as well as potential athletes or certainly untapped talents.

Examples of summer camps divided by age groups would include:

- Camp Discovery (Ages 4 - 7);
- Camp Exploration (Ages 8 - 10);
- Camp Adventure (Ages 11 - 14).

Summer Sports Camps

Summer sports camps are popular for kids who want to concentrate on one activity. The following activities would be great for the 11- to 15-year olds in your club. A Summer Sports Camp could offer two to three weeks of learning and training in the following activities:

- Bike riding;
- Skating (rollerblading);
- Hiking;
- Golf.

Summer sports camps can also offer a complete week of instruction and play featuring one sport, such as soccer, basketball, swimming or tennis. All ages can attend any camp and be divided among age groups within the camp.

- Soccer camps can provide soccer drill sessions concentrating on skill building and team play, controlled scrimmages, camp-wide sessions and free swim to relax.
- Basketball camps can be designed for all



Sandy Coffman

levels, with participants being divided into groups by skill and age. Daily activities can include basketball skill building, offensive and defensive skills, team play, shooting, games and free swim to relax.

●Swim and tennis camps can include daily activities in tennis skills and drills, sessions on the rules and etiquette of the game and tennis games and competitions throughout the week. Swimming lessons, based on ability, will focus on stroke refinement and water safety. Other activities may include free swim and group games like capture the flag or Frisbee to relax.

Most importantly, make this a fun, profitable summer for you, as well as for the kids.

(You can contact Sandy at slcoffman@aol.com or www.sandycoffman.com)

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Norm Cates, Jr.

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