

# THE Club Insider

NEWS

*The Pulse of the Health & Sports Club Business*

May, 1994

U. S. POSTAL  
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## Bally's Announces Club Chain Spin Off!

by Norm Cates, Jr.

A funny thing happened this month on the way to press. I had completed a front page article entitled: "NO RESPONSE FROM BALLY'S CHAIRMAN ARTHUR GOLDBERG" when the news about Bally spinning off its health club chain broke. Here is the "inside story." (For your information, I've moved the article from the front page to page #3 so you will still have my "plan" first hand. After hearing about Goldberg's announcement, I believe my "plan" could be a very interesting opportunity for Goldberg in his endeavor.) Since he did not respond

to my letter directly, I'm going to give him my "plan" free of charge.

Bally Manufacturing Chairman, Arthur Goldberg, announced in Chicago in mid May, that he planned to spin off its health - club chain and concentrate only on the casino business. The "spin-off" is expected to be complete by the end of this year. The plan is to set up a separate company with the Bally's stockholders receiving stock in that company. The name will also be changed from Bally Manufacturing corporation to Bally Entertainment Corporation. Mr. Goldberg was quoted as saying: "The shares of Bally manufacturing have been significantly undervalued as a result of confu-

sion in the marketplace regarding our Health and Tennis Division." That is another way of saying that the bad reputation of the Health and Tennis Club division in the eyes of the American public has caused the stock value of the entire Bally Manufacturing Corporation overall to be depressed. Goldberg was also quoted as saying: "This move should allow for better understanding of Bally as one of the nation's premier casino companies. Additionally, shareholders will benefit from the upside potential of Health & Tennis as a stand-alone entity." Which is another way of saying: Let's split this black sheep off and bring in some new pros to help Mike Lucci operate these clubs profitably and in a way that will not continue to

offend the American public.

Speaking of Mike Lucci, the CEO of the Bally's Health Clubs, let me say the following. From the reports I get from Augie Nieto, the head man at Life Fitness and John McCarthy, the Executive Director of IRS, Mike Lucci is a really nice guy with the best of intentions with Bally's Health Clubs. However, he is shackled with the past history of the Bally clubs. Virtually all of the legal actions that have pummeled Bally's clubs lately happened long before he took over about six month ago. An even greater challenge for him however, will be to figure out a way to turn around the "Spa Mentality Culture" of the Bally clubs which is the true root of the problem.

(See *Bally* page 3)

Unless this culture is put aside once and for all, the Bally clubs will not thrive no matter who owns them or what they are called. I have not met Mike Lucci, but I can tell by the reports of his newly signed executives that he must have serious intentions about the business of making his club's reputation and performance better. The *CLUB INSIDER* has learned that Lucci has hired Sandy Silver, the former marketing director for McDonald's and Harold Morgan, a customer service expert formerly with the Hyatt Corporation to help him try to turn around the reputation and fortunes of the Bally clubs. Additionally, Lucci seems intent on pressing on with the idea of franchising as mentioned last July by Goldberg, as he has hired Tom

(See *Bally* page 3)

## Small Club Operator Competes Well In Atlanta

By Norm Cates, Jr.

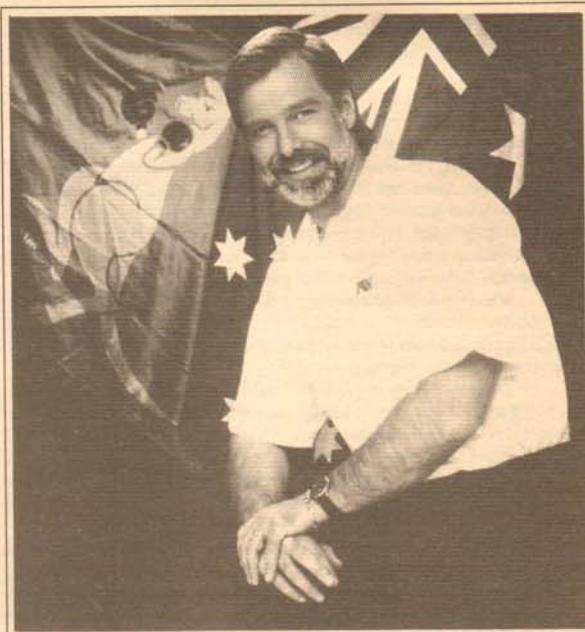
Small health clubs are the "backbone" of the club industry in America. For every medium to large club in America, there are at least 20 small clubs. To be successful with any club, you must have a dream and a plan to make that dream come true.

This is about Atlanta club entrepreneur, Tony de Leede. Originally from Sydney, Australia, he is a good example of what can happen if you have a dream and a plan. Tony de Leede is the Founder and President of Atlanta's Australian Body Works Clubs, a chain of 10 small clubs which have

competed well in the north Atlanta market, an area which has seen new clubs spring up all over. There are over 100 competitive clubs in the north Atlanta market that range in size from small clubs of 6,000 square feet to "Mega" Clubs in excess of 100,000 square feet. Mixed within that number are hospital, church, corporate, hotel and apartment clubs all seeking the same market. In the past twelve years, Tony de Leede has carved out a "niche" in this tough Atlanta club market.

Tony de Leede's small "empire" now generates in excess of \$4.5 million in annual sales revenues. Tony has emphasized monthly dues for his clubs since the beginning and his monthly dues income stream now is at \$325,000

for 10 clubs collected by Automatic Bank Drafts! But, to use the word "empire" implies the presence of a dictator. Tony de Leede is far from a dictator; instead he is a guy who is charming, expresses himself well and has been able to build a loyal team of people who believe strongly in him and what he is doing. Like other club organizations which have done well in the business, tenure of his staff is exceptional. Four of his key people have 7+ years with him. His aerobic instructor staff has 30 instructors who have been with Australian Body Works for over 6 years. And, several of his Managers have 6 or more years with him. De Leede also has three stockholders, David Gould, Mindy Payne and Ken Shook who all work full time in the business with him. De Leede's Australian Body Works is on target to bring in more than \$5 million in this coming year in a market where over 80 clubs have closed in the past five years.



**Tony de Leede**

Leede was born to be a businessman. He began working in his parent's confectionary store at age 8. At that same age, he also had his own paper run which helped him learn about making and saving money. At age 12, Tony started

a stamp trading business, making money on the sale of rare stamps and by wholesaling previously used, but not cancelled stamps. At age 16, Tony lost his Father who passed away due to illness and it

(See *de Leede* page 9)

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### BORN FOR BUSINESS

It appears that Tony de

# THE INSIDER SPEAKS

• EDITORIALS • "INSIDER MAIL" • COMMENTS •

**T**he Insider Speaks  
Page will be dedicated to editorial

commentary, "Insider Mail", and  
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welcome reader editorials and will  
publish them when appropriate.

Those who wish to ex-  
press their views are encouraged  
to do so through letters, faxes or

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

## IRSA's Quantum Leap In Communications

By Norm Cates, Jr.

I am happy to have seen the April 29, 1994 letter from IRSA president, Larry Krieger to the IRSA Members for two reasons:

(1) The IRSA Board of Directors has acknowledged that maybe EXERCERE is not the best choice for a name for this great association and has invited the IRSA Members to make suggestions for a new name for the Association which might be more

acceptable to all IRSA members.

While I tend to agree with those who believe that the Association would be better off with the retention of IRSA due to the existing name recognition and equity, I can understand why some would feel that we must change the name from IRSA. In the event that the name MUST be changed, I would like to suggest:

### "CLUB BUSINESS INTERNATIONAL"

The International Associa-

tion of Health and Sports Clubs.

(2) The IRSA leadership has taken a "QUANTUM LEAP IN COMMUNICATIONS" with the creation of a new communication plan which will be installed within the next six months. Here is the plan:

### IRSA'S QUANTUM LEAP COMMUNICATION PLAN

- Initiate a "Letters to the Association" section in CBI Magazine.

- Establish the Mem-

bers' Open Forum as a standard component of future IRSA Conventions.

- Create a "Suggestion Box" in CBI which would consist of a 1/2 page tearout, inviting members to give broad-ranging suggestions via fax or mail.

- Commission a third-party, independent, statistically-valid survey to assess how the member clubs feel they are being served.

- After each Board meeting, publish an article in CBI entitled: "From the Board" that out-

lines and explains key actions taken at the most recent Board meeting.

- Conduct CBI regular surveys focusing on issues of importance to the future of the Association.

- Establish a special "member input" phone extension at the Association office.

Congratulations to the IRSA Board and Staff for creating this new plan! And, also thanks and congratulations for considering the input of the IRSA membership at the Open Forum in this tough name change decision!

## Is IRSA Expanding To Include Non-Profits?

By Norm Cates, Jr.

I says here that the IRSA Board of Directors is seri-

ously considering the expansion of the membership eligibility rules to allow non-profit organizations such as hospitals, Y.M.C.A.'s, J.C.C.'s, municipal recreation facilities and anybody else who operates a health

and fitness facility whether for profit or not, to join. There is already at least one 503(c)3 non profit hospital that is a member of IRSA. Sources say the plan being considered would grow IRSA dramatically to the 5,000+ membership level.

In 1981, IRSA was created by merging two club associations to create a new association to serve clubs. The reason why the association called IRSA was started was to

WESTBAY ATHLETIC CLUB  
6500 Manatee Avenue, W.  
Bradenton, FL 34209

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

May 5, 1994

Dear Norm,

Just felt compelled to send you a note on how great a job you are doing with "The Club Insider."

My background has always been in the medical/health field; therefore, I'm no stranger to a flood of reference journal's and general information magazines dedicated to those fields. I have never enjoyed reading anything as much as "The Club Insider News."

I have always skimmed these other publications looking for the "gems" of direct knowledge that may be useful to my situation. Not so with your publication, I really look forward to it and read it from cover to cover. You are to be commended for taking a tough assignment and carrying it out with such expertise.

Continue the great work.

Sincerely,  
Jerry Bowes, Owner Westbay Athletic Club

GJB/vib

to help clubs. However; if this expansion of the gates of membership at IRSA is and has been the Board's plan all along, then it is clear to see why they want to call it Exercere. Exercere would be a much better name of an Association of fitness facilities run by non-profit hospitals, Y.M.C.A.'s, J.C.C.'s, municipal recreation authorities and the club operators that stay, than would any name which has the word club in it.

The truth is that should the IRSA Board of Directors take this action, they really will be opening the flood gates of conflict and dissension within IRSA. The debate on this will make the name change debate seem like a walk in the park. How will the 2400 club owners and operators who pay millions to the Association in the form of dues and financial support for "The Fund" and "Vanguard" react? My fear and my prediction is that they will vote by keeping their club's checkbook closed. These IRSA members are club entrepreneurs who work at it every day and I don't believe that they will sit still for, nor support financially any longer, an association which has lost sight of its founding objectives. I believe that the result of this action, should it be taken by the board, will be the formation of a new Association "for clubs" who operate FOR PROFIT. I would hate to see this happen because many fine people have contributed their valuable time, money and energy to making IRSA the great (See Non-Profits page 10)

# • Norm's Notes •

**JENNIFER HARDING**, that beautiful Oregonian club owner and former pro racquetball player has just celebrated her 17th Anniversary at her East Side Athletic club in Milwaukee, Oregon. That's the good news! The bad news is that a new taxpayer funded 45,000 square foot community aquatic center is about to open smack dab in between her two clubs. This \$7.6 million facility, with five different pools, will vie for the business that she has been serving for years! Can anyone tell me... where is the justice? Anyway, congratulations Jennifer on your 17th Anniversary and thanks for your contribution to the club

industry by serving as a member of the IRS Board of Directors!

**KIM FULLER**, General Partner of the Livermore Valley Tennis Club in Livermore, California has a serious concern with IRS, The Association of Quality Club's admission of a 501(c)3 non-profit hospital that may receive tax-deductible donations and pays no taxes whatsoever. He objects to their admission because the IRS Membership Application clearly states: "Membership in IRS, The Association of Quality Clubs, is open to fitness, racquet and athletic facilities which pay property taxes and do not accept tax-

deductible contributions for capital or operating costs." Kim has contributed more than \$50,000 to the IRS "Fund" to help fight unfair competition and he considers the admission of a 501(c)3 to be an improper conflict of interest. And, he is not alone.

**MIKE BARNETT** of Foxy's Health and Racquet Club in Baton Rouge, Louisiana started working at the club when he was 17 years old. 20 years later, Mike bought the club from its owner, FOXY DENHAM who had built and owned the club for 31 years! Mike and FOXY's Health and Racquet club was recently honored by the Greater Baton Rouge

Business Report as the Top Business of the year for companies with less than 100 employees. Congratulations guys!

**BRUCE HENDIN'S** San Antonio Racquetball and Fitness Clubs are celebrating their 20th Anniversary this year. Congratulations to Bruce (who is a great guy and an active supporter of NCCA, IRS and the National Handball Association) and his lovely wife Dana for their first 20 years!

**AUGIE NIETO**, the President of Life Fitness and the Nintendo Corporation is kicking off its new EXERTAINMENT Product line in a huge way at the Con-

sumer Electronic Show in Chicago, June 23 thru 26th. Their booth at the huge trade show will be, get this, 65,000 square feet with a 35 foot high mountain in the center to highlight their new mountain biking program. Augie invites anyone who wants to attend the Chicago show to call in for free admission passes. To arrange for your free pass call Judy Sullivan, Augie's assistant at 708-288-3456. Thanks Augie... you are a nice man!

**MICHAEL LEVIN** AND **JAY KELL** own and operate the seven club Sports Clubs of Canada chain in Toronto. I re-  
(See Norm's Notes page 12)

# No Response From Bally's Goldberg

By Norm Cates, Jr.

I sent a letter to Mr. Arthur Goldberg, the Chairman of the Board of Bally's Manufacturing Corporation last month. The letter addressed Mr. Goldberg's comments in an interview last Summer about the possible franchising of the Bally Health Club's. Bally's Clubs are and have been hurting the entire 12,000 clubs in the U. S. because of their alleged illegal activities which often have ended with Bally signing "consent decrees" which impose fines and sanctions and have caused widespread bad publicity on a national level. While their lawyers will argue that they have admitted to no wrongdoing, the mere act of signing the consent decrees is evidence of adequate form to make them guilty in the public eye. The primary problem for other club operators around the country is that consumers group the other 12,000 health clubs all into one group with the Bally clubs, with the end result being that all health clubs reputations are hurt by Bally's doings.

I have an idea which I offered to share with Mr. Goldberg.

The idea, if acted upon, would allow Bally to leave the club industry gracefully and without huge financial losses which they are surely facing down the line if they keep up what they are doing.

**Mr. Goldberg's response** to my idea? Nada, zippo, nothing, zero, naught. Not one peep. Maybe he's been on vacation.

Since last month, I've had some of my readers ask about the "idea" that I have. My idea is basically very simple. The idea would be to set up a new company which would be owned and controlled by a group of the top club operators in America. The company would in effect take over ownership of all of the Bally's Clubs through a purchase agreement which would feature the following components:

(1) All Bally Clubs in the U. S. and Canada would remain open and would continue to service the existing membership base during the first year of the operation.

(2) The new club organization would be regionalized for management control. The new company would operate under a "New Ethics Creed" established by the new ownership. The major decisions for the new

company would be made by a Board of Directors selected from the new ownership group. The day to day decisions would be made on a local level.

(3) Beginning the second year of the operation, selected clubs in the Bally group of clubs would be eliminated if necessary with the service of the members of each closed club transferred to other clubs within the system. However, no member in Bally's 4 million group would be treated in anything less than a first class manner.

(4) There would be a new national identity and marketing effort instituted which would emphasize the new values and culture of the newly formed company.

(5) The "buy-out" would involve a long term payoff to Bally with any and all capital contributed by the new ownership group being used to install the new management, new name and marketing identity and new culture.

The general idea would be to assemble a group of key operators in each market where Bally operates and team these operators together to take over Bally's Health Clubs and turn them around, using the principles of service, satisfaction and proper treatment of mem-

bers as the foundation.

The alternative for Mr. Goldberg and Bally's Health clubs is more of the same if they continue to manage and operate their own clubs. More lawsuits by government agencies and class action groups. More bad publicity for all health club operators. And, ultimately a financial demise of The Bally's Health Clubs. (To get an idea of how badly this is needed, check out the latest Bally's Health Clubs annual financial report.)

I can just hear my readers now... DREAM ON CATES! Well,

I've thought about this subject a lot in the last ten years since I sold one of my clubs to what is now a division of Bally's, U. S. Health, Inc. The way I was treated by that organization made me take a careful look at what and how they do what they do. I've concluded that something can and will be done. The question is simple: "What is going to be done, when and by whom?"

My response to Mr. Goldberg's silence is: "Mr. Goldberg, what are you waiting for?"

Norm Cates'

# THE Club Insider

NEWS

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**Bally**

continued from cover

Vitacco, a former printing company franchising whiz and lately of

the World Gym Chain.

Mike, I wish you the best of luck in your efforts to change America's view of the Bally Health Clubs. As far as the franchising idea is concerned, with all due respect to Tom Vi-

tacco, I would suggest that you figure out just what you are going to be selling to franchisees before pressing on with a continuation of the same type of operations which heretofore have caused all of the stink.

# Programming For Profit

By Sandy Coffman

**W**e're in the 'PEOPLE' business!"

We've been saying that for 20 years now, but I'm not sure we understand what "people" we should be referring to. I think most clubs would define "people" in that statement to mean our members or prospective members. I define our "people" business in terms of our staff - the people that manage, educate, entertain, and program our members.

Our objective in this industry is to accomplish retention in two ways:

(1) Retention for our members for their health. By using our clubs on a regular basis, two or three times a week, our members become exercise adherent, retaining a consistent lifestyle of health and fitness.

(2) Retention for our business. It costs six times more to get a new member than to keep one, therefore the profitability of our business should be measured by retention - keeping our clubs filled with members happy to keep paying their membership dues on a regular basis.

I truly believe the answer to both sides of the retention issue is in professional programming. Notice I used the word "professional," meaning "something done with great skill and training." The majority of our members join our clubs to be programmed by professionals. If retention is the key to profitability, and the goal of programming is retention, is your club staffed and professionally skilled to program for profit? Is your club in the "professional people business?"

Here are 10 steps to  
PROGRAMMING  
FOR PROFIT:

1. Hire the right people.  
2. Train the staff with the proper skills for your "club business."

3. Assess, categorize, and document the various needs of your members.  
4. Provide specific programs to meet the needs of various groups of members.

5. Market the programs to specific groups of members.  
6. Promote and sell the programs to the members.

7. Implement the programs with knowledge and empathy.  
8. Evaluate the programs in terms of growth and retention.

9. Incorporate the programs in a programming agenda (Calendar of Events) to ensure growth and retention.

10. Do it again! Set new goals! Retain the programs to retain the members.

## PERSONALITY IS #1

Our staff is clearly the main ingredient and the first step to our success. Among all the buzz words in our industry today, - "Retentive customer service, niche marketing" - none of them have substance without quality leadership behind it. A training program is obviously important, but even the best training procedures will be to no avail if the right person isn't hired. We must constantly evaluate our staff in the order of personality, ability, and performance.

The leaders in our clubs - front line staff, program directors, instructors, and yes, even managers, should have some common denominator that can be recognized within the first few minutes of an interview. The person with the most credentials,

degrees, certifications, or experience might not be the "people professional" you need for your business. The most knowledgeable might not be a good teacher. The best looking might not be a good communicator. The most dedicated might not be a good sales person.

Here are three things to look for immediately.

(1) Does the person look happy? To simplify the process, the first two things I look for are "teeth and eyes." a smile can often tell more about a person than a two hour questionnaire.

(2) Does he/she smile while talking? During an interview, does he/she smile (a) most of the time, (b) some of the time or (c) seldom?

(3) Does he/she look at you during the conversation? Or off to the side? Or at another object? Or glance your way periodically?

If the answers to the first questions are positive, chances are you have a happy, upbeat personality.

While considering this evaluation process for your next job applicant, first try it on your existing staff. It may be a key to your retention program. In fact, you may want to include "Personality Management 101" in your training program. But, remember, success starts at the top. It starts with you. So, look someone in the eye and smile!

## ABILITY

Understanding that the goal of programming is retention, your program director must have the ability to (a) relate to all types of people - empathy, and (b) sell your product - your programs.

A sales person sells one membership one time to a mem-

ber. The program director must sell your programs over and over again to that same member in order to keep him/her coming in, using the club and making your club a part of the week's routine. This takes the same kind of sales training as for a membership sales person - (a) marketing, (b) sales approach, (c) close.

In spite of all the posters, flyers, brochures and newsletter articles, it is going to take phone calls and personal contact within the club to make a program successful. Few events will be for the entire membership. The program director must offer as many different programs as you have activities and types of members.

Examples: (In random order)  
People/Program/Activities

Men:  
Introductory  
Racquet Sports

Women:  
Social  
Aerobics/Exercise

Juniors:  
Instructional  
Pool

Seniors:  
Recognition  
Cardiovascular

Fit:  
Competitive  
Strength Training

Deconditioned:  
Educational  
Gym/Track



Coffman

weaknesses of each program and measures the performance of the leader in terms of percent of occupancy.

The Program Analysis allows you to focus on:

- (a) Specific programs.
- (b) The productivity of individual employees/instructors
- (c) Club usage at specific times of the day, week or year
- (d) The growth and profit structure of each program

The formula:  
Actual = Percent of Occupancy  
Goal

The Program Analysis answers the questions:

- (a) Are programs financially beneficial to the club?
- (b) Are more participants needed per class... or... are more classes needed?
- (c) Are specific time frames in the club being marketed productively? Over marketed? Under marketed?

The information gathered with this system is extremely valuable, but, most importantly, it points out the value of the leader's training and performance.

Yes, we're in the "people business." We're in the business of hiring the people to manage our members. The success of your programs depend on it. What a WIN-WIN-WIN combination! The member wins because he's happy and on his way to a healthy lifestyle. The business wins because the goal of programming is retention, - the profit margin of our clubs. And you win personally, because there is nothing more gratifying than doing something well, and making a difference.

(Sandy Coffman is a 20+ year Club Industry veteran, noted speaker and club consultant with clients in the U.S. & Europe. A new role will involve Sandy with The Step Company as the program trainer for the new LEAP program.)

## • POOR SERVICE •

By Ron Zemke

**D**espite your best efforts, poor service sometimes makes your customers feel like victims. Here are some tips for correcting incidents of poor service:

**\*APOLOGIZE** - When you do, be sure you say "I'm sorry." To a customer, that's more sincere than "We're sorry."

**\*ACT FAST** - Acting quickly to correct the wrong makes customers feel that you have their best interest at heart.

**\*SHOW EMPATHY** - Customers first want to know that you care about them. This means you should treat the person first and then deal with the problem. A simple, "I know how you feel" will do it.

**\*ATONE** - Offer to waive or reduce the charges. This works best if you do it before customers vent their anger. It

shows you understand the problem and want to correct it.

**\*FOLLOW UP** - Ask them if they're satisfied. This shows them you care and provides you with feedback on how you handled the problem.

(Sources: *The Service Edge*, by Ron Zemke with Dick Schaaf, NAL, Inc., 1633 Broadway, New York, New York 10019 and *Faust Management Corporation* 9888 Carroll Center Road Suite 225, San Diego, California 92126.)

## PERFORMANCE

If you hire a personality and train in developing a sales technique and organizational abilities, you should be able to accurately evaluate and measure the achievements of the staff in terms of the bottom line.

The evaluation process begins with the Program Analysis. It examines the strengths and

# Tae Kwon Do • An Opportunity For Clubs

By Norm Cates, Jr.

The progressive clubs are always changing, expanding and improving. They are installing new programs, services, facilities and equipment. If you are considering new opportunities for your club, you might want to read this article and learn about the opportunity that TAEKWONDO presents for your club.

In the 1994 State of the Industry Report published by IRS, it is stated that Martial Arts are one of the three "hot" and growing program areas in the club industry today. The other two are Nutrition Counseling and Kids' Recreation. In terms of current offerings, growth rate and future investments of time and/or money, these program areas were the only ones in the top 10 list in all three categories.

This article is about Buddy Hudson and his Little Rock Taekwondo Academy. One of the barriers for club operator's entry into Martial Arts in years past has been a lack of knowledge and teaching expertise in the art combined with lack of facilities to accommo-

date the necessary teaching environment. Buddy Hudson, the owner and chief of Instruction of The Little Rock Taekwondo Academy in Little Rock, Arkansas (you know, Bill's home town) has been in the business for 18 years. His organization includes about 130 Taekwondo Schools located around the country. His organization can provide the experience, expertise and staff necessary to start a Taekwondo School within your club. The club must provide space for the operation along with shared services such as accounting, locker rooms and marketing.

I sat next to Buddy Hudson on the Delta flight from Reno after the IRS Convention. Buddy and members of his organization had been invited to come to the IRS Convention in Reno to provide Taekwondo Demonstrations during the world's biggest club business trade show. If you attended and saw the demonstrations in the middle of the trade show floor, then you saw Buddy and his demo team.

TAEKWONDO, is a Martial Art which means simply "hand and feet." The history of this Martial Art goes back to Korea in 1955 when General Choi Hong

Hi accepted the art for training of his forces. Since that time, the art has grown to gain worldwide acceptance. In the United States, Taekwondo and other Martial Arts are rapidly expanding and growing because of the nationwide growth of crime. There are many more women involved today than just three years ago. Taekwondo provides the participant with a tool for self defense and the classes, which typically last for one hour, also provide an excellent cardiovascular workout.

The average Taekwondo School occupies 3,500 square feet and produces between \$150,000 and \$200,000 in annual revenues. However, due to the shared services of reception, locker area and child care, a very nice Taekwondo school could be established in a 2,000 square feet space within a club. The average school has between 200 and 250 students. The school markets student tuition, competitive tournaments, testing fees for various belt achievement levels and retail sales items such as uniforms to generate its annual revenues. Typically, the school uses word of mouth, direct mail and demonstrations in malls, etc... to market and sell

their services. In a club, you could expect to add additional membership sales due to new traffic generated by the Taekwondo School.

Buddy is one of the Founders and Directors of the United States Taekwondo Federation and along with Scott McNeely, they have built their business into a thriving venture. On the weekend of April 15, 16 & 17th, they hosted a major tournament in Little Rock with Russian Taekwondo Experts. This event is indicative of the international

interest in the art.

The Little Rock Taekwondo Academy can provide your club with a significant new growth opportunity. Buddy explains that his organization can set up a turn key operation for you in your club and they have programs and school operators to run the school for you on an ongoing basis or they can turn it over to your club to operate independently. To reach Buddy Hudson, (who, by the way, is a very nice guy), call (501) 224-1222. Tell him Norm said Hi.



Buddy Hudson

# Home Exercise Equipment Friend or Foe?

By Neil Sol, Ph. D.

Clubs have long viewed the sales of home exercise equipment as competition to their membership sales. The belief being, that if an individual purchased an exercise device for their home, they would exercise exclusively in their home and have no need for a health club. It is surprising to me that this belief has perpetuated, as a health club offers so many more benefits. I submit that those who fear home exercise equipment as a threat, may have a limited view.

There probably is a small percentage of individuals who purchase a home device and believe that will suffice and meet their total exercise needs. Most of that home exercise equipment is collecting dust in the basement. I would venture to say the majority of individuals who have invested

in home exercise equipment also have invested in a club membership.

The more important question for the club professional to ask is which occurs first - does the current club member purchase home equipment or does the person who has home equipment purchase a club membership? An analysis of this question offers the following considerations:

The club member who purchases home equipment does so to maintain consistency in their exercise routine. Members often face scheduling conflicts and as a result cannot find the time to get to the club. If a member can exercise at home at their convenience, they will continue their exercise as there will be no excuse for not exercising. One reason for club membership attrition is inability to adhere to exercise. As club professionals, we should promote convenient home exercise as an adjunct to club visits. We should see home exercise as complementary rather

than competitive. A club member knows what he/she will lose by leaving the club, such as the variety of exercise equipment available, the ability to cross train, the socialization of exercising among and with friends, the professional leadership of the staff, and the other recreational and leisure endeavors. A single form of exercise, like that available in the home, is a small part of what is available

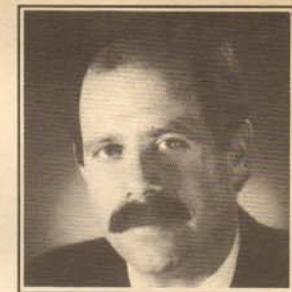
at the club to the member. It is for that reason that the club should encourage members to purchase home equipment. In fact, clubs might consider even selling equipment to their members directly or through a relationship established with a local fitness equipment dealer. Exercise equipment companies like Trotter offer opportunities for the club to get involved in quality home exercise equipment sales.

But let's not forget about the person who currently owns home equipment. This is an excellent market for new club

membership sales. This is a group, who by virtue of their purchase of a home device, have an expressed desire in health and fitness and probably would have interest in expanding their involvement in fitness to participate in the array of amenities available at a club, most important of which is the professional leadership and socialization of exercising with friends.

Home exercise equipment does not present a problem to clubs, but in fact is rather an opportunity. It is the opportunity to enhance retention of current members and the opportunity to access a market which has an expressed interest in exercise.

In the current environment of preventive health, it is expected that participation in exercise will increase as will the sale of club memberships and home exercise equipment. It will be the enlightened club that views the local home exercise equipment dealer as a friend rather than foe. It is time for clubs to discard their

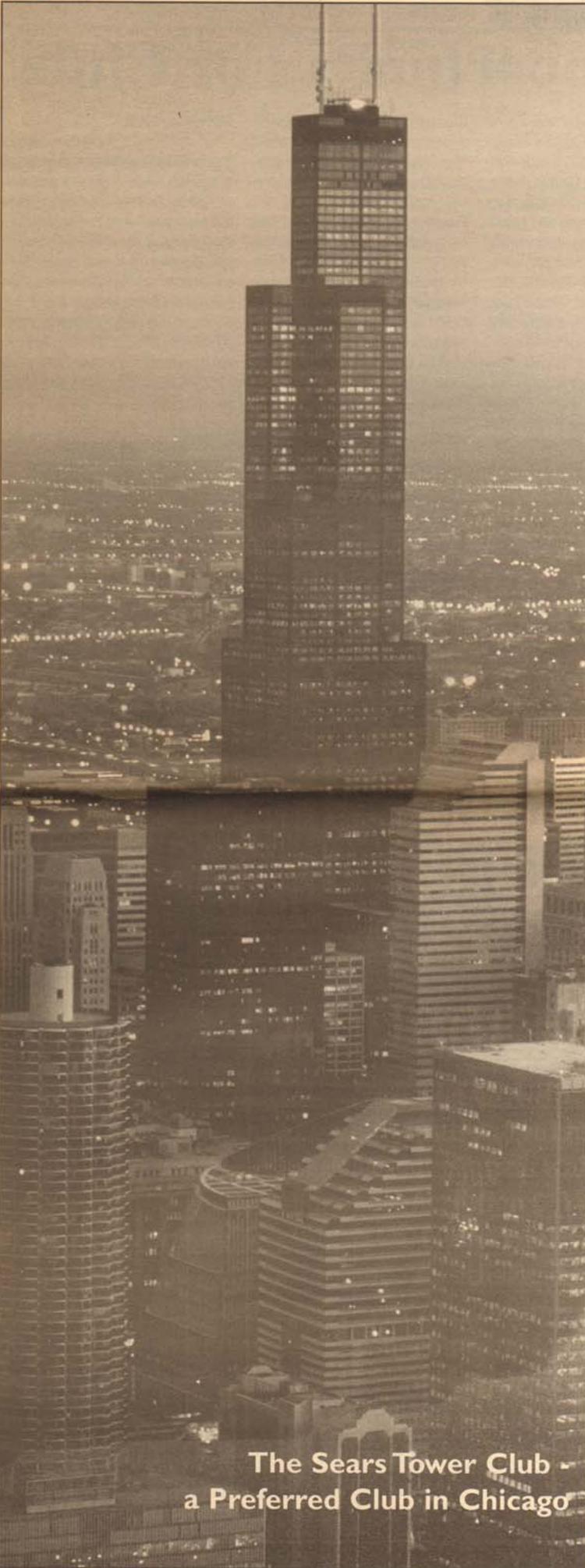


Neil Sol, Ph. D.

fear of home exercise equipment and capitalize on this mutually beneficial opportunity.

(Neil Sol is the President of Health Vantage, Inc. a Houston based club consulting firm. His number is 713-5550.)

(Editor's Note: This issue is one in which there are strong feelings on both sides. One highly successful club chain, the Sports Club of Canada has had great success with their own home exercise equipment company operated within their club. Let us hear about your feelings on this issue (800) 700-2120.)



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# Tap Into Customer Emotions

By Casey Conrad

**A**s a trainer, I frequently hear salespeople complaining that, "Our club doesn't have the latest equipment or the newest facilities, making it more difficult to sell memberships," or "Our club doesn't have enough facilities and equipment to sell potential members." My response? "Stop selling facilities and equipment and you will find yourself motivating a lot more guests to buy memberships - no matter how big, small, new or old your club is!" Once over the initial

shock of my statement, I explain.

Although most people don't realize it, as consumers we have been conditioned to believe that what we buy are products and services. The reality of the situation though, is that what we buy are the "emotional states" that the products or services give us. Take the purchasing of a car, for example. If all that you were buying was the physical product itself to serve your transportation needs, there wouldn't be hundreds of makes and models to choose from. With today's high powered advertising campaigns, manufacturers can take the same basic components, put a different style

body over the top of it, create a different logo/design and name for the car and, like magic, they get consumers to link completely different emotions to the various makers and models. Buy a Pontiac and you get excitement, drive a Volvo and you get intelligent security, drive a Mercedes and you get prestige. Sure, you may own your car, but what you bought were the feelings you thought you would experience as a result of owning and driving it.

The same is true with health and fitness memberships. When a customer walks through the club doors and is considering purchasing a membership, you

must remember he is not buying the equipment and facilities which he needs to exercise in. He is buying the emotions he will experience as a result of using the equipment and facilities. Does he want a membership because it will make him feel more prestigious, more self confident or sexier? Or, does he want a membership because working out will make him feel more secure with his health and physical well being? Remember, he is motivated to purchase a membership by the emotional states he thinks he will receive as a benefit.

In order to motivate someone to buy you must find out what he wants emotionally from the membership. Of course, the challenge lies in getting him to disclose this information. Guests do not walk into the club saying, "I want to feel sexier about myself and I think that buying your club membership is going to give me that feeling." Instead, he may talk about wanting to lose some inches, a few pounds or to just look better overall. The reason for this is two-fold. First and foremost, people are not consciously in touch with the feeling they have associated to your product or service. Secondly, most people will only talk about their feelings with those they have a good level of rapport with. When



Conrad

guests first walk into the club this is not the case. Your job, therefore is to ask the appropriate questions to uncover the guest's real motivation — emotions — for wanting a membership and, then, really listen to what the guest is telling you.

The first questions you will want to ask a guest have to do with his past exercise history. Of course you want to find out the specifics of what he has done in the past, but more importantly you want to find out what he liked about it and why. If he did not enjoy it, why not? If he gives you an answer that is very vague, ask him, "What Specifically?" or "How specifically?" The next questions you will want to ask the guest will have to do with his current fitness goals and motivation. Specifically, what does he want from his exercise program and why is

(See *Customer Emotions* page 8)

## Preferred Clubs Update

By Norm Cates, Jr.

**P**REFERRED CLUBS are a network of upscale clubs now prominently featured in over 50 cities nationwide and are being recognized nationally as the only service of its kind to provide reciprocal guest privileges for members of premier clubs. With credit card like access and computer monitoring, this truly is a program with some meat to it. Your club may qualify for the Preferred clubs group

if you operate an upscale club, your dues exceed \$50 per month and you are looking for the added sales advantage only multiple locations provide. Already representing some of the finest clubs in the nation, Preferred Clubs helps you dominate your market place with exclusive rights in your area. Preferred Clubs operates on a local and national level, increasing your clout to attract new members and making it easier to combat the "low" priced chains. The Preferred Clubs is a value no club owner who qualifies should

resist. Club owners say that what they like the most about the Preferred Clubs program is the added marketing and sales benefit it provides your staff and the assurance that your members will visit clubs which meet or exceed the quality level they are accustomed to in your club. It's about time that someone created something truly unique in the industry where both the clubs and the members enjoy enormous benefit. In this age of convenience, the time is right for Preferred Clubs! For more information, call 800-698-8887.

## IRSA'S 1994 State Of The Industry Report

By Norm Cates, Jr.

during the Monday thru Friday hours from Noon to 4 p.m. Normal dues \$66 per month. Matinee dues \$33 per month.

because they believed that club personnel did not have a sophisticated understanding of their needs.

**RESULTS:** In '93, Willowbrook sold over 400 Matinee Memberships and as of February, 1994 they had 514 Matinee Memberships projected to generate \$233,000 in revenues. Surprisingly, for every existing member who "down graded" to the Matinee Plan, they had two new members who had joined originally on the Matinee Plan to "upgrade" to full \$66 per month membership.

**SOLUTION:** Mary Jo Frenda, the General Manager of The Women's Club in Rolling Meadows, Ill (708-806-6636) learned of the National Arthritis Foundation's new certification program for supervising arthritic exercise programs through her work with members who had the condition. She immediately arranged to have her seven fitness directors certified through the program titled: "Joint Action."

**DETAILS:** Her club was featured in the Chicago newsletter of the Arthritis Foundation and in two months after the article appeared, she had over 150 women with arthritis working out at the club.

**RESULTS:** In less than 90 days, due to Mary Jo's proactive approach, her club had been positioned as the "right choice" for women with arthritis while

### INDUSTRY BREAKTHROUGHS

The club business has some time tested challenges which have perplexed the minds of many club operators. The following list of INDUSTRY BREAKTHROUGHS is the result of some of the best entrepreneurial thinking. The report is a brief summary of each of those breakthroughs.

#### The Matinee Membership

**Issue:** Daytime usage and low price competition.

**Solution:** The Matinee Membership from The Willowbrook Athletic Club, Willowbrook, Ill. 708-323-3918.

**Details:** Bill Thomas, General Manager established The Matinee Membership for his club

#### PEOPLE WITH ARTHRITIS JOIN CLUB

**Issue:** Clubs perceived as lacking expertise. People with Arthritis need exercise badly to help relieve suffering, enhance mobility and improve flexibility of the joints. There are almost 20 million arthritis sufferers. People with arthritis until recently, have not ventured into clubs for help

### PART II

strengthening its image as a leader in health promotion programming.

#### BUILDING MEMBERSHIP THROUGH TRIAL

**Issue:** Getting prospects to commit before a "test drive."

**Solution:** Health Development Corporations's Bruce Buckbee operates nine clubs in and around Boston began in 1993 to offer "trial memberships" as a substitute for the more traditional joining or initiation fee. The short term memberships are available for 30 to 90 days.

**Details:** Instead of receiving initiation fees, the HDC Clubs receives "trial fees."

**Results:** The typical HDC club was selling 70 to 80 full memberships a month, still

sells that many full memberships, PLUS they are selling 70 to 80 one month trials and 30 to 40 three-month trials. Approximately 30% of all trial members convert to full memberships after the trial period. The trials are priced at \$69 for 30 days and \$199 for 90 days, thus in a typical month, the clubs are generating \$12,000 in "trial fees." The clubs are generating more than they ever have with initiation fees and each month, they net an additional 25 to 30 conversions to full membership.

#### Building Membership Through Programs

**Issue:** The unprogrammed member is the high risk member.

**Background:** The reality that the unprogrammed member is the member most likely to drop out and quit paying. Members are bonded to the club through programs which

(See *More IRSA Report* page 9)

# • Selling In The Zone •

By Brenda Abdilla

**H**ave you ever had one of those months when you seem to sell every prospect that you see. It feels like some kind of magic spell falls over everyone you meet with, and they just keep saying "yes." You make sales in line at the grocery store, waiting to see the dentist—people seem to want to buy from you. Some call this a streak. I call it selling in the Zone. Here are some steps you can take to create that Zone on a regular basis:

(1) Accept the fact that

your success is 100% internally driven. You may think that your month was due to seasonality or a great marketing piece etc... but science would tell us otherwise. It's psychologically what you THINK about the season or the mailer that creates the streak. The same success can be created over and over by you making certain changes in your life—in the way you think.

(2) Get yourself a role model. We all need role models. It helps our brain duplicate success quicker because we can see "it" in action. Seek out someone who has the life you want and create a friendship/mentorship.

## Books for Life-Change and Inspiration

- THE SEVEN HABITS OF HIGHLY EFFECTIVE PEOPLE - COVEY
- THINK AND GROW RICH - HILL
- THE POWER OF POSITIVE THINKING - PEALE
- WHAT TO SAY WHEN YOU TALK TO YOURSELF - HELMSTETTER
- THE POWER OF THE SUBCONSCIOUS MIND - MURPHY
- THE ROAD LESS TRAVELED - PECK
- THE DRAGON DOESN'T LIVE HERE ANYMORE - COHEN
- UNLIMITED POWER - ROBBINS
- REAL MAGIC - DYER
- CARE OF THE SOUL - MOORE

At first I could not find a good role model so I turned to books—there is an endless resource of tapes and books by people who are not only successful, but happy to share their secrets.

(3) Figure out your personal motivation equation. Make a list of all the activities that motivate you—uplift you. Example: Having dinner parties, movies, walks in nature, working out, etc... Now make a list of all of the things that you do that sabotage your motivation. Example: procrastinate, let my life get messy, drink or eat too much, miss work outs, etc... Make certain that the sabotage list is filled only with things that you do—e.g. the bad weather wouldn't count here because there is nothing you can do about it. Study your lists (this is why it must be done on paper). You will see that your motivation is completely within your control—we either sabotage our success or create it.

(4) Give yourself a self-esteem check-up. Everyone has occasional bouts of low self-esteem. My personal indicator of trouble in this area is when I form my opinion of myself based on how others see

me. For instance if I feel ugly and someone says I look beautiful, then suddenly I feel beautiful. People with low self-esteem are constantly searching for some sort of feedback from others so that they can form an opinion of themselves—or perhaps even create a new personality for that day. The first step in feeling better is to literally decide how you feel about yourself. Make a plan to change what you don't like—but make sure it's based on your preferences alone. The second step is to make a commitment to stop putting yourself down, both openly and in private.

(5) Make a commitment to be mentally healthy. Our society condones success over health—both physical and mental. I personally don't see the point in having career success if you develop dysfunction in the process. Take a look at your life in general. How are your relationships? At work? At home? Do you have people in your life that care about you and that you trust? When personal disaster hits your life, as it does for all of us, how do you cope? Do you stuff your feelings and further develop that tough exterior hoping

wanting to buy a membership.

Keep in mind that asking questions which are designed to uncover a guest's emotional reasons for wanting to buy a membership will only be effective if you are really taking the time to listen to (not just hear) what the guest is telling you. Maintaining positive non-verbal body postures and feeding back answers are just two ways that you can express to the guest that you are listening to him, you are sincere and that you care about what he is disclosing to you.

I guarantee that if you tap into customer emotions, not only

it won't catch-up with you later. The key is to deal with ups and the downs that happen for all of us (of course some people create more downs than ups) in a healthy manner and then move-on. They won't go away otherwise.

(6) Learn to look for inspiration in your life. Have you ever seen a movie that really inspired you to action—it's short lived inspiration, but it's a start. You can re-create that in your life. Personal inspiration tends to come more from simple things rather than the complex. Some people sit quietly for 20 minutes, others go to church or read something inspiring to them, while others chop wood etc... The key seems to be something that creates time for you to get that internal dialogue going. This quiet time is much easier said than done—it feels a little strange at first but the payoff is incredible.

So what does all of this stuff have to do with SELLING? Everything, absolutely everything!

(Brenda Abdilla is the President of Denver based Club Profit Systems. (303) 832-4445)

## Customer Emotions

continued from page 7

having those things important to him? Another great question is "On a scale of 1 - 10, 10 being the greatest, how important is it for you to reach your fitness goals?" Depending on the level of rapport you have with him, you can even follow up by asking him, "Why?", particularly if he gives you a number lower than a seven. All of these are excellent questions which will help uncover the guest's emotional reasons for

will you sell more memberships but you will probably be a lot more fulfilled in the process.

(Casey Conrad has been in the health and fitness industry for over ten years. She is President of Communication Consultants, a company dedicated to bringing high quality sales and communication seminars to fitness professionals. Casey recently authored "Selling Fitness," the first and only book dedicated to the selling of health club memberships. Casey can be reached at (401) 725-6147.)

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*...More  
IRSA Report*

*continued from page 7*

create relationships between the member, the club staff and the club.

**Solution:** Most clubs view external marketing as membership marketing. Mike Mahoney, General Manager of Tennis corporation of America's flagship club, the Mid Town Tennis Club in Chicago, markets TCA's "Tennis Schools" to Chicagoland with great success. The five-week lesson programs provide pro instruction for five levels of player from beginner to advanced level players. Five one hour lessons cost \$75.

Asst. General Manager of the chain of four clubs decided to use four basic strategies in fighting membership losses:

- Instead of focusing on overall attrition rate, they focused on lengthening the average membership life span.
- Increase average membership life span by targeting the club's newest members and reducing the attrition from that

Results: Every five weeks between 140 and 150 players begin a new lesson series. 30% of them follow up with 15% joining for full membership and another 15% sign on for follow up programming. The programs help membership growth and bond those who join more strongly than members who have no ties boosted by programming.

## A LEAP Forward In Retention

Issue: Extending membership lifespan.

**Background:** Reducing membership attrition is probably the toughest job in the club business. It is estimated that 1/3 of all members who quit, do so within the first months. Studies show that people who use their club frequently have a far greater retention rate than the infrequent and irregu-

...de Leede

*continued from cover*

school to go into the money making world full time. At age 17, when he became legally eligible to get a driver's license, he took a job as a traveling salesman, soon reaching the top of his company's sales charts. By age 18, Tony and his mother established a women's import apparel business. He would travel from Australia to the island of Bali Indonesia, where he would purchase exotic fabrics from which he would then order various ladies dresses, blouses and other garments to be made while he was still on the island. While the garments were in production, he enjoyed passing the time by surfing and "chasing a few women." (My guess is that the women were chasing him). As a

## AUSTRALIAN BODY WORKS IS BORN

While running his business in Australia, Tony had become involved in attending

part of his import company, Tony and his Mother invested in real estate and it was the sale of some of these real estate assets that help fund his first club in Atlanta. By age 27, Tony was a veteran businessman who had made his first million. He wanted to take a break from the business and did so by traveling to America for a one year break. When he hit Atlanta, he fell in love with the great city and decided to start his own business here. Along the way, he met his gorgeous wife of 11 years, Gail. They have two children, Nicole, age 8 and Evan, age 5.

aerobic classes. In Australia, these classes were attended by both women and lots of men because they were more structured as "work out" classes as opposed to "dance" classes. When he looked for the same challenging classes in Atlanta, he found none to match the quality and the demand of the Australian classes, so he decided to build and open his own aerobic studio. Selling off some real estate assets, he used \$300,000 to build his first Australian Body Works, a facility of 10,000 square feet which opened first as a women's only club. His first location struggled for its first couple of years. He realized that he was struggling because he had opened his doors and had wrongly expected people to flock into his club just because it was there. Thankfully, at an early stage, Tony began to realize that if his business was to prosper, he would have to go

out and promote the club to the community. He says that: "during the first year or so, we fell on our ass big time." His external promotions in night clubs and other places caused his sales to jump in one month to three times the normal revenues. He used a combination of very creative advertising with a heavy mix of PR to cause increased awareness about his club. His club began to grow and by the second year, he had opened another location in an upscale shopping center about 15 minutes drive from his first location. His quality of aerobic instruction in his clubs is very high (Tony himself teaches four classes per week on a regular schedule). His clubs began to grow and thrive on "word of mouth" advertising which we all know is the most cost efficient and best way to get your message

out there. In the past ten years, his clubs have been named "BEST OF ATLANTA" by the Guest Quarters Best of Atlanta book and last year by the Creative Loafing Newspaper.

## TOUGH TIMES AND CREATIVE IDEAS

Things were rolling along when de Leede made what he describes as "the biggest mistake of my business life" when he took over three defunct clubs within a period of six weeks. In that experience he learned the hard way about what poorly planned growth can do to you. He says purely and simply that the move nearly "put me under." Part of the problem with the rapid takeover of the three closed clubs was that the people who had paid cash for up to three years in advance figured that the new owner should

# CARO LAUNCHES MARKET VISION

By Norm Cates, Jr.

**R**ick Caro announced today that he has formed a sister company to his 13-year-old, Management Vision. Established with partners Michael Hoffman of Laguna Beach and Brian McBain of Scottsdale, Market Vision addresses the marketing dimension of the club industry.

The partners have proven strength in action marketing and strategy that create and execute programs with quantifiable results.

"We formed Market Vision," Caro said, "because we have noticed a great deal of advice on day-to-day tactics and how-to's, but there was very little help on the strategic end of things, the what-to's. As the club industry matures

and faces more intense competition and encroachment from new sources, it will become essential for clubs to create well-considered strategic plans." Caro also indicated that the company won't leave clients stranded in strategy, but will also create powerful tactical programs to achieve objectives.

The focus of Market Vision's business will be on individual club consulting assignments. The company will also produce a newsletter 6 to 8 times a year identifying important social, economic and demographic trends and interpreting what these trends mean for clubs' business.

Michael Hoffman is best known for his creative and lively public relations writing and seminar presentation. Consulting from Laguna Beach, California, Hoffman has been involved with the fitness industry for 18 years. He began his

career in recreation and fitness with an agency developing special events and media relations programs for U.S. Suzuki Motor Corporation, Ocean Pacific and Remington. His fitness-specific client roster has included Life Fitness, Nautilus Sports/Medical, World Gym Fitness Centers, European Health Spas, Ayurveda Sports and, most recently, Weider Publications. As a member of SGMA's Fitness Products Council, he actively networks club interests with media outlets.

Rick Caro has worked with Michael Hoffman for over a decade and notes, "Michael's energy and creativity will provide an important dimension to our work for clients, particularly as it relates to integrating the programs into the daily business lives of our club-clients."

Brian McBain has a

twenty-five year career in marketing and marketing communications at Grey Advertising, Ruder & Finn Public Relations and Lipincott & Margulies corporate and Brand Identity in New York. Each company is top-ranked in its industry and field of expertise. His clients have been concentrated in insurance, health care, finance and real estate and include MetLife Managed Care Group, Humana, Wausau Insurance, Marsh & McLennan, American Heart Association, Bell Atlantic, NYNEX, Ashland Oil and The Coca Cola Company. Recently, he was engaged by IRSA, The Association of Quality clubs, to conduct a positioning study and identity program.

"Brian is well-acquainted with the industry through his work with IRSA. I have known him for some 25 years," Caro commented.

"I have worked with him during that time and look forward to the fresh insights he brings from outside the industry and the lessons we can learn from analogous companies."

Rick Caro is well known throughout the industry as a founder of IRSA and as one of the two or three most important club-industry authorities and consultants. He is the author of the textbook, *Financial Management*, and is a frequent writer for industry publications and speaker of industry events. Brian McBain points out that Rick was a marketing faculty member at New York University Graduate School of business and that, because of his very active role in all facets of the industry, people in the industry are often not aware of his very strong marketing and marketing research background.

## More de Leede

continued from page 9

honor their pre-paid membership dues. Naturally, that wasn't agreeable to de Leede as the clubs had thousands of pre-paid memberships on the books. So, instead of being able to take over the clubs in a business like manner and begin the marketing of them, he instead had a lot of upset people to deal with, making the comeback for those clubs slower and more difficult. This experience also made clear a stark reality to de Leede. The reality was that in the state of Georgia at the time, there were no laws which regulated the health club business. It is during this phase of his career that de Leede began his relentless campaign to install new laws which would protect the consumers in Georgia. While he does not believe in excessive government involvement in business, he says that: "I'm not a big one for lots of government regulations, but I think that there should be some, in everything there should be some parameters set by a governing body." Since then, de Leede has been Georgia's strongest club owning consumer advocate and has helped pass laws which place Georgia into a strong category with laws limiting membership sales to three years in advance and which increased the 3 day cooling off "grace period" for cancellation to seven business days. de Leede also instituted and keeps in place today a policy which he feels has been a great marketing tool for his clubs... no questions asked, 15 day Money-

back Guarantee which gives any member the right to cancel within 15 days with a full refund. Also, as a part of his market differentiation program, de Leede sells no memberships for more than one year. All of his agreements allow for the person to cancel after one year if so desired, as opposed to many Atlanta clubs who sell only two or three year term memberships. de Leede is now installing a new idea to help retain a relationship with the members who do cancel after their membership term. He calls it the "At Home Membership." The way it works is that when someone cancels (he says about 300 to 500 per month cancel on average) instead of just taking them off the EFT, his people provide an offer for the member which changes their EFT from the typical \$39 per month to \$10 per month is credited later if and when the person decides he/she would like to reactivate their membership. The idea is simply to keep the member connected to The Australian Body Works organization even after they have made the decision not to be a full time member anymore.

### ELECTRONIC FUNDS TRANSFER (EFT) INCREASES 50% AFTER 11 YEARS

**D**uring the past year, de Leede has made some excellent moves which have caused his EFT collections to increase by 50%. He moved his original location about a mile down the street while simultaneously absorbing two small studios into the club causing his EFT

on the new 12,300 square feet to reach a record level for his clubs. In his Mid-town Atlanta location, he moved the club from a site which was substandard to one which is highly visible on a street coming from downtown. That location is now thriving. He has also done major remodeling on his largest location, a 24,000 square foot facility. (Formerly one of our Courtsouth locations) And, in one of his suburban locations, he moved his club from a strip center site to a free standing club building next door, taking over a club called Health Quarters and simply transferring their EFT onto his roles doubling the EFT dues flow overnight! (This guy has been busy!) One thing Tony does each month when there is an increase in the EFT dues roll is share that amount as a bonus across the board with his staff. This has helped his objective of focusing on the growth of his EFT, as opposed to cash up front deals that many clubs seek. While Tony is on a roll now, he was quick to point out that one of the locations nearly brought him down during the last five years with losses in that unit alone totaling \$500,000+. De Leede expects to have a huge profit from his clubs this year and says: "For the first time since I've been in

business in 12 years, I'll have a tax problem. Our company has not had to pay a penny in taxes for 12 years because of all of these accumulated losses. So, here we are going into year 13 and we have our first tax problem. Relative to making profits, de Leede says: "back in Australia, that was our biggest headache because we were making so much money that the tax man was raping me blind. The opposite was true in the U.S. where I took no salary for nine years... I lived on repayment of loans from the business. Really, if I didn't have the strength in Australia... I had to sell some properties, some condos, you know, I had to sell some things to keep propping up the business and I have still personally invested over \$700,000 in the business. Really, our club business in a lot of ways should have failed and if I didn't have resources, it would have failed." In regard to the improvement and turnaround of his club's performance he says: "I know that it would ultimately happen, I mean... when you do it right, it will ultimately happen, but it takes a while to build the reputation, the credibility and the track record."

### CARDIO THEATER PRO-VIDES NEW AND LIVELY CLUB ENTERTAINMENT

All of his club remodeling and improvements over the past three years have been centered around the installation of a product called CARDIO THEATER. de Leede believes very strongly in the Cardio Theater concept which gives members who wish to use treadmills, stairmachines, stationary bikes and other cardio equipment, an entertainment venue with six to eight big screen T.V.'s, C.D. players, stereo receivers and cassette decks with sound fed to the members via headsets, all rolled into a nice, comfortable upscale environment. de Leede was a customer of the Cardio Theater for five years and liked the Cardio Theater product so much that he bought 50% ownership of the manufacturing company and also, as part of that deal, obtained the world distribution rights for The Cardio Theater Company. (Sounds like the guy who liked the electric razor so much he bought the company!) Like his other business efforts, de Leede is thinking "BIG" with this project. When he bought into the Cardio Theater they had sold about 40 systems in four years. In his first month August, 1993, they shipped 8 systems. Last month he shipped 50 systems and his goal is 100 Cardio Theater systems per month (See *More de Leede* page 11)

## ...Non-Profits

continued from page 2

Association that it is today. They all deserve much better than that!

(Editor's Note: In the column about IRSA's new *Quantum Leap in Communication* in this issue, I've praised the new communication plan created by IRSA. In that plan, it states that after each IRSA Board Meeting, a

summary report of the important happenings at the meeting will be printed in CBI Magazine. The next IRSA Board Meeting is in early June. The CLUB INSIDER will keep you posted on the "inside story.")

**More de Leede**

continued from page 9

by the end of the year. If he is successful in that effort, he will then have a second business producing between \$8 million and \$10 million in annual sales. However, just like the clubs in which he delivers excellent results and value for his members, the Cardio Theater product is a very economical way for any club operator to improve the satisfaction and happiness of its membership. In short, the Cardio Theater is a great way to improve your club and to distinguish it from other clubs in the market place.

**GOOD ADVICE TO CLUB OWNERS**

I asked de Leede what

advice he would give other club operators in their search for success. He responded, "You know, I think if you are a small club owner or club owner in any situation, to succeed and make it grow you have to always be doing something... you always have to be marketing, promoting, getting buddy referrals, sending former member mailings, I mean we have a whole arsenal of things that we do now... and every month we've got to do something... you have got to keep your name out there, you've got to create the free publicity if you can get it. It's a combination of a lot different things, but you've got to always hustle and you also have to work at least half days... If you don't work the first 12 hours, you better work the last 12! Some people say if you work smart, you don't have to work hard... I think you've got to work smart and hard. You can't

get it by just sitting there and waiting for it to happen."

In regard to women's only clubs, de Leede indicates that he is prepared to convert his only marginal clubs back to a women's only format. These two clubs are located in areas where he believes the market would be very supportive of women's only locations due to the shift in the single vs family demographics in the areas over the years. He explains that his market niche still represents good opportunities for club operators because of the shift of singles to married lifestyles. He says the niche exists because women who once were single and would be more willing to go to a co-ed club because of the social aspect of it are now married and often don't want to go to a club where they will be hit on or maybe they have had children and don't care to go to a club where men are, due to the change of their figure.

**HONORED AS OLYMPIC ENVOY**

A nice thing has happened to Toney de Leede which will be one more bit of good evidence for the American public that club operators are good people worthy of respect in their communities. He was recently selected to serve as the Official Olympic Envoy to Australia for the 1996 Atlanta Olympic Games! The role will involve Tony serving as the Olympic Host for the entire Australian Olympic Team which will be the fifth largest team in the 1996 Olympics. During the Summer of 1996, Tony will take a two month leave from his businesses to serve as the Olympic Envoy for Australia. This commitment is one he is glad to make due to his continued business and family ties in the great country of

Australia. Plus, as a bonus he will be on the inside for both the 1996 Olympic Games in Atlanta (he will march with the Australian Olympic Team in the opening ceremony in Atlanta) and the 2000 Olympic Games in Sydney, Australia.

**"20 MINUTE FITNESS CENTER™" ON THE HORIZON**

Earlier in this article I mentioned that de Leede is a BIG thinker. Well, consider this. de Leede is developing a new club product which he will call the "20 Minute Fitness Center™." The new chain of clubs will be small, between 2500 and 3000 square feet and will be mass produced on a cookie cutter type growth pattern. He expects to be able to accommodate 1,000 members in each 20 Minute Fitness Center because the workout time average will be be-

(See de Leede page 13)

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**Norm Cates'**  
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## Norm's Notes

continued from page 3

cently had the pleasure of visiting Toronto and I was very impressed with the spotlessly clean and friendly city. The sports Clubs of Canada have done a really nice job in delivering top notch facilities, services and programs. Within a few square blocks of downtown Toronto there are a number of very upscale clubs including CLIVE CALDWELL'S Adelaide Club and JOHN WILDMAN'S fitness Institute. JAY and MARNI KELL hosted the meeting of our Faust Roundtable #1 Group and I just want to say thanks to them both for their warm hospitality.

JOHN RICCI, the manager of the 14 East Club, one of two fitness centers owned by the Hershey Chocolate Company in Hershey, Pennsylvania, reports that his club has just celebrated its 15 Anniversary. Sounds like a nice place, Hershey... the club is located at 14 E. Chocolate Avenue!

JERRY ALLES and

LOU OFF, the owner of the Sportslife clubs in Atlanta have entered the world of publishing. They have partnered with Gary Carlton and George Snyder to produce a bi-monthly publication which will have a generic content of health and fitness related articles combined with 16 pages of news and information customized for their club members. The magazine will be called "V The Sportslife Magazine" when distributed to their members, but can be custom printed for other club chain organizations. For information call 404-984-0031.

Sorry to hear that DEAN WALLACE recently lost in a three way contest for Mayor of Salem, Oregon. Dean is the General Manager in charge of the four Courthouse Clubs in Salem. All I can say is that it will be the cities loss and his club member's gain! Congratulations Dean on the HONOR of being drafted by your friends and neighbors to run for MAYOR!

CLUB INDUSTRY MAGAZINE recently released their top 50 clubs in America based upon revenue. Nice list

guys. However, I've decided that I'm going to compile a CLUB INSIDER TOP 100 CLUBS which will be released in our January, 1995 CLUB INSIDER. My list will not be based upon revenues, but instead on how long the club has been in business and how the community around the club feels about it. In short, it will be about the club business.

The **HEALTHQUARTERS** Club in Marietta, Georgia has been merged with the Australian Body Works next door moving from their strip center location. This tightens the market slightly in an area in which four clubs within one mile of each other have slugged it out for a primarily residential market.

**JOHN McCARTHY**, the Executive Director of IRSA, has invited Bally Health Club's CEO, Mike Lucci to make a presentation at the June 1st & 2nd IRSA Board Meeting on his plans for the Bally Clubs. McCarthy feels that the IRSA Board should remain apprised of what Lucci plans to do with Bally after the "spin off." Sort of reminds me of when Donahue Wildman and Roy Zurkowski, then

the operators of the Bally clubs, were invited to attend the IRSA Board Meeting in Vail, Colorado. Dean Kachel and Gary Taylor objected to the efforts to admit the Bally clubs to IRSA and their objections led to a huge IRSA Convention meeting in which around 800 people showed up to express their disagreement with the notion of admitting Bally into IRSA. Stay tuned for more on this situation.

**REEBOK GYMNASIUM**, the new 135,000 square foot "mega club" is now under construction in New York City without already having obtained proper city zoning for the project. It will be interesting to see Mike Talla and his group get the requested zoning or if this club will become one of the biggest club "conversions" in the history of the industry before it ever opens! Good luck on the rezoning Mike!

**TCMA** (Tennis Club Managers Association) of California has elected Eric Quade as its new President and Cecil Spearman as its treasurer. Congratulations guys!

**TIM MANSOUR**, an up-and-coming young club operator in the Atlanta area for the last 8 years is under construction with his 4th location which will serve the suburban Lawrenceville area. The freestanding 50,000 square foot facility will feature a Junior Olympic pool, a basketball gym, indoor track, racquetball courts, two aerobic studios, free weight and selectorized weight machine workout areas, cardiovascular equipment area and outdoor sundeck. The new facility is projected to open on about September 1st. Good luck Tim on your new project!

**BODYLIFEMAGAZINE** is now published by **DAVE PATCH-ELL EVANS** in Canada. The publication has been strong in Europe for years and has been launched by "Patch" as **BODYLIFE CANADA** under the terms of a licensing agreement. **TIM WEBSTER** will serve as the Managing Editor in conjunction with **HUBERT HORN**, a German entrepreneur who combines his two passions... fitness and publishing to deliver the goods. Patch is also hosting on September 28th through October 2, 1994, a **BODYLIFE CANADA** Convention to be held in London, Ontario, Canada.

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# IRSA's Corporate Network Signs With Large HMO

**D**ave Pickering, the Director of Networks for IRSA, The Association of Quality Clubs, announced recently that the IRSA Corporate Fitness Club Network (CFCN) has contracted with Matthew Thornton Health Plan

(MTHP) to be the exclusive provider of a new benefit for the 100,000 members of MTHP-HMO in New England. The new benefit will be subsidized health club memberships - reimbursement of the MTHP members for up to \$150 on a one year membership. Pickering

says with enthusiasm: "We believe that this new benefit will attract qualified - new member prospects for the 75 IRSA clubs located in the Matthew Thornton Health Plan market which consists of New Hampshire, and bordering towns and cities in Mas-

sachusetts, Maine and Vermont!" All 100,000 MTHP members are eligible for the "Wellpower" health and fitness benefit and may register by identifying themselves with their MTHP membership card to any of the 75 IRSA Clubs located in

MTHP market area. This relationship is exclusively for current, dues paying IRSA Clubs in these areas. If your club is not a member of IRSA, The Association of Quality Clubs and you would like to know about IRSA membership, call 800-228-4772.

## Terms Used When Working With Health Insurance Industry

By **Dave Pickering**

**Third-Party Administrator (TPA):** A company that provides administrative services for another corporation or group. Many TPA's provide administrative services to self-insured employers who elect to pay their employees' health care expenses directly rather than through an insurance company.

**Sponsor, or Sponsored Program:** This term is used when a health insurer or a corporation makes no financial commitment to pay for a portion of the club membership. The health insurer or corporation does make significant marketing commitments to provide their insureds or employees with quality information describing the "club benefit."

**Subsidy or Subsidized Program:** This term is used when a health insurer or a corporation does make a financial commitment

to pay for a portion of the membership, in addition to making significant marketing commitments.

**Capitation Fee:** A fee levied that is in equal proportion to all persons, or households within a group for a particular program.

Example: A health insurer who has 100,000 "subscribers" may allocate \$1 per month per subscriber for a particular program (example: a Fitness Club Benefit). The \$1 is then referred to as the "capitation fee." This program would then have allocated \$100,000 per month for that program.

**Membership Responsibility:** The employee or insured is responsible for the entire cost of a club membership.

**Shared Responsibility:** Both the health insurer or corporation and the insured or employee each pay a portion of a membership.

**Managed Care:** The process by which health care costs

are reviewed to eliminate waste in the health care system. This is accomplished using systems to monitor the delivery of health care and, as necessary, modify that delivery by affecting utilization of services or the cost per unit of service.

**Provider Network:** A group of physicians and other health care providers who are selected by a managed care plan because they meet certain quality care standards. These providers agree to a specified reimbursement in exchange for patient volume.

**Utilization Review (UR):** A program that managed care plans employ to monitor the use of medical services by their members. Medical care is reviewed for necessity, appropriateness, and duration of treatment to ensure that quality, cost effective care is being provided.

**Primary Care Physician (PCP):** A physician who is responsible for managing and di-

recting an HMO's members health care. Each member chooses his or her own primary care physician.

Although all HMO's stress preventive care and offer coordinated services, there are several types of plans. Below are the most commonly structured formats:

**Health Maintenance Organization (HMO):** A type of managed care plan that provide for both the delivery and financing of health care through a network of physician, hospital and pharmaceutical providers.

**Independent Practice Association (IPA):** A type of HMO which contracts with independently practicing physicians. IPA Physicians provide care to members in their own offices in contrast to Staff Model HMO's which employ physicians and treat patients in centrally located medical facilities.

**Preferred Provider Organization (PPO):** A health plan

in which enrollees have financial incentives to receive care from a defined, "preferred" provider network yet may see a non-preferred provider at a greater expense.

**Exclusive Provider Organization (EPO):** A type of managed care plan, similar to the PPO's, but do not offer 80/20 co-pay format programs for services outside of the exclusive provider network.

**Point-Of-Service Plan (POS):** A type of managed care plan which allows the member to elect, at the time of service, a provider in the managed care network with a higher level of benefits (Usually similar to an HMO plan), or to use a provider outside the network with a lower level of benefits, (in an indemnity plan).

*(Editor's Note: This list was created and provided by Dave Pickering, the Director of Networks for IRSA, The Association of Quality Clubs. Thanks to Dave and IRSA for reprint authorization.)*

**...de Leede**  
continued from page 11

tween 20 to 30 minutes. The "20 Minute Fitness Centers™" will be designed with a heavy concentration of cardiovascular equipment combined with 8 to 10 big screen T.V. Cardio Theaters. The centers will have a small strength equipment area as well.

The idea will be to create "production line fitness" for the masses. de Leede says: "with this concept, within 15 years, I plan to be the largest supplier of fitness in the world, we'll go right past Bally's, we'll have thousands of these around the world. My goal is to make the "20 Minute Fitness Center™" the McDonald's of health and fitness. We will do for fitness what McDonald's did for food and McDonald's revolutionized food by making fast food, we

are going to revolutionize fitness by making fast fitness. I think the combination of all of the entertainment that is the distraction and the motivation, plus the very user friendly cardiovascular pieces (more and more are coming out) will increase interest in exercise. I envision these centers in video stores, in Kroger... we are talking to Kroger, you will be able to do your shopping on a little screen while you are working out and when you are finished, your grocery order will be ready. I hope to have the first prototype for the "20 Minute Fitness Center" open within one year. I am going to start to put these down within blocks of my clubs to show myself that this is a different market."

When you consider that the prognosticators are predicting that in the future, 4 of every 5 people in the United States will be involved in fitness, Tony's idea for the "20 Minute Fitness Centers"

will be perfect to suit the ever increasing demand for fitness facilities that will exist in the world.

There are a lot of small club operators in America. Tony de Leede stand out as a guy who is doing it right and against the odds, after twelve hard fought years... he is starting to hit the big time. Tony is a go getter who is now reaping the benefits of years of hard work.

*(Author's Note: I competed in the Atlanta market with Tony de Leede for 11 years and we worked together in the mid 1980's on state legislation. During those years I've found him to be a great promoter and honest businessman. The club industry in America could use more people like this Envoy from "down under.")*

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# Comments From Charley Swayne

Dave Cohen of the Sports Club said it during the Health Care Reform Advisory Council meeting Saturday, March 26, 1994. IRSA Reno Convention.

Individuals who take re-

sponsibility for themselves should not pay as much for health insurance as those who don't.

The Clintons disagree. Although the President says his bottom line is universal health care, he lists several imperative

principals. One of those beliefs is everyone should pay the same.

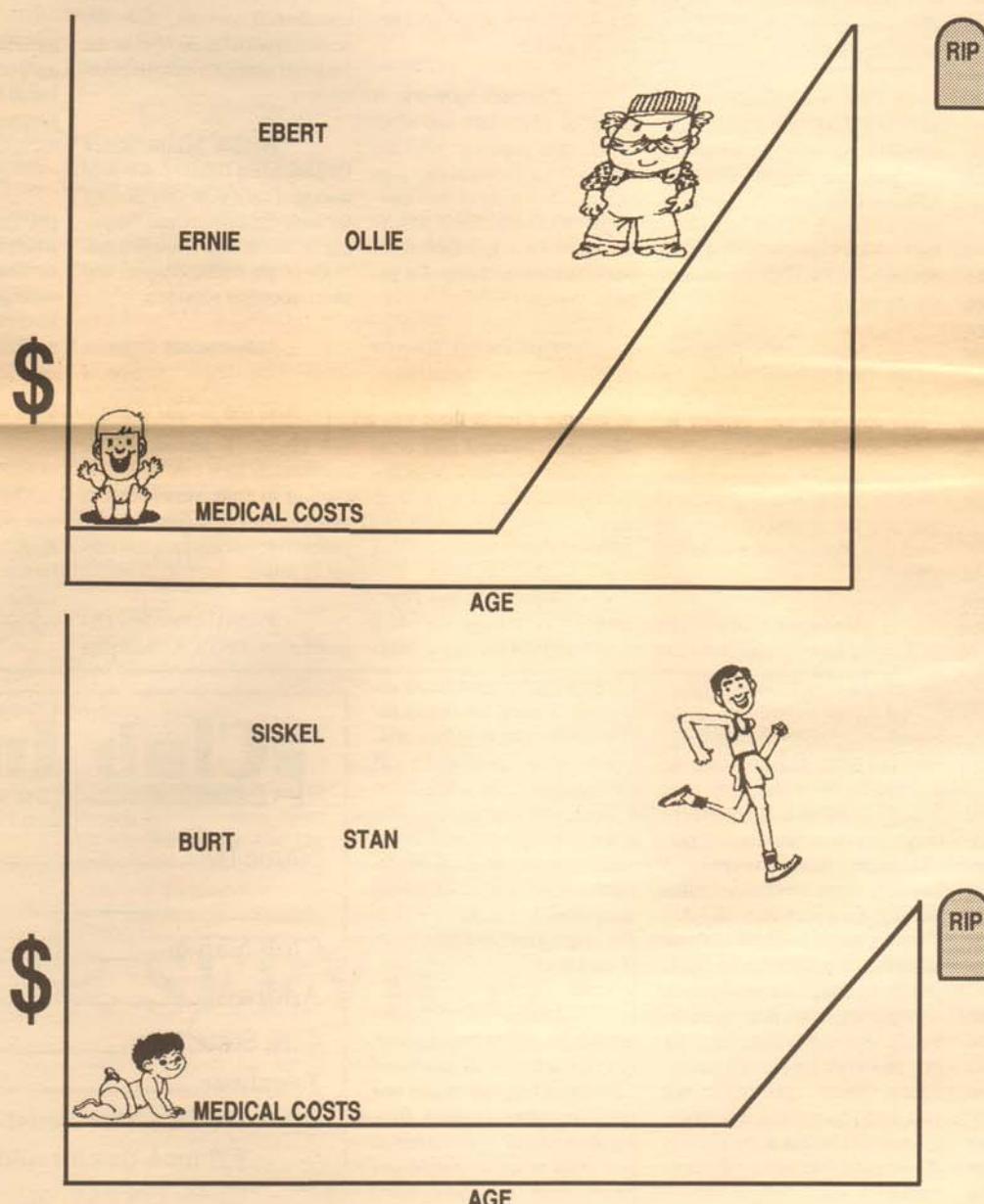
The facts bear Cohen out. The graph is clear. Lifetime medical costs are at least three times higher for those who don't live a healthy lifestyle compared to those that do.

Clinton demands that everyone pay the same and healthy people must subsidize the unhealthy ones. Spock would not agree with his reasoning.

But, there is always more than one way to skin a cat. Two steps forward, one step back.

Let everyone pay the same. But, then award a tax break or other financial incentive to those who take care of themselves. The Clintons get what they want - they can say everyone pays the same. And, Cohen's logic prevails. And, our clubs win.

## REDUCE MEDICAL COSTS WITH INCENTIVES



*Two out of every three Americans don't exercise and eat right. Over their lifetimes they incur three times the medical costs more than those who do exercise and watch their diet. What financial incentives are in the Health Care plan to encourage us to take care of ourselves?*

# Sunbelt Region Association Of Clubs Is Proposed

By Norm Cates, Jr.

The United States has over 12,000 health and sports clubs. Of those clubs, over 2,000 are unified under the auspices of IRSA, The Association of Quality Clubs. Many clubs are members of regional club associations as well. There are a number of regional club associations, including NERSA (The New England Association of Quality Clubs), IRSO Ontario (serving Canadian clubs), MACMA (The Mid-Atlantic Club Management Association), WAC (The Western Association of Clubs), TCMA (Tennis Club Managers Association) and NACA (The Northwest Athletic Clubs Association.)

Why should a club owner involve his/her club in a club association? The answer is simple. To help the club compete in the marketplace in which it is located. How do club associations help clubs compete? By providing club owners, managers and staff members with learning and sharing opportunities which will improve their knowledge, expertise and profes-

sionalism in all aspects of operating clubs. These teaching and learning opportunities come in the form of conventions and trade show, magazines, newsletters, group purchase opportunities, health alliances and maybe as importantly, lifelong industry friendships. The bottom line is that your competitors are probably engaged in efforts to get better and if you want to stay competitive with them, membership in a club association will help you in that effort.

I've had the opportunity to be involved in the club industry since 1974. During that time, I served on the Board of Directors and was the last President of The National Court Club Association and I was the 1st President and a co-founder of IRSO, The Association of Quality Clubs. I've seen some really great things happen to club operators who became involved and actively supported their national and regional associations. The fact is that they get results from their memberships in club associations.

## Sunbelt Association Of Clubs Proposed

IRSA, The Association of Quality Clubs is the "mother" of all club associations. However, the regional association structure in the U.S. augments the efforts of IRSO and works with IRSO for mutual benefit of the member clubs. There are regional associations for clubs in every state in the U.S., except in the "SUNBELT" REGION states which include: Florida, Georgia, South Carolina, Tennessee, Alabama, Mississippi, Louisiana, Kentucky, Arkansas and Texas.

The lack of a regional association in the Sunbelt states can be changed if the club owners in that region were to elect to form such a regional group. Therefore, I propose that a movement be launched to found a new regional club association for the Sunbelt states. My suggestion would be for those who are interested to give me a call at 800-700-2120. I will begin to compile a list of those who are interested. We can also create a direct mailing to all Sunbelt region club owners to promote the idea. If there is enough interest, I would suggest that a founding meeting be held in early fall in Atlanta or another city agreeable to those who wish to participate. Stay tuned to the CLUB INSIDER for updates.

# THE PLAN

In the beginning was the plan.  
And then came the assumptions.  
And the assumptions were without form.  
And the plan was completely without substance,  
And darkness was upon the face of the workers.  
And they spake unto their marketing manager, saying,  
"It is a pot of crap, and it stinketh."  
And the marketing manager went unto the strategists  
and sayeth,  
"It is a pile of dung, and none may abide the odor  
thereof."  
And the strategists went unto the business managers  
and  
sayeth unto them,  
"It is a container of excrement, and it is very  
strong, such that none may abide by it."  
And the business managers went unto the director and  
sayeth unto him,  
"It is a vessel of fertilizer, and none may abide  
its strength."  
And the director went unto the vice president and  
sayeth,  
"It contains that which aids plant growth, and it  
is very strong."  
And the vice president went unto the senior vice presi-  
dent and  
sayeth,  
"It promoteth growth, and it is powerful."  
And the senior vice president went unto the president  
and sayeth unto him,  
"This powerful new plan will actively promote  
the growth and efficiency of the company and the busi-  
ness in general."  
And the president looked upon the plan and saw  
that it was good,  
AND THE PLAN BECAME POLICY.

Author Unknown

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