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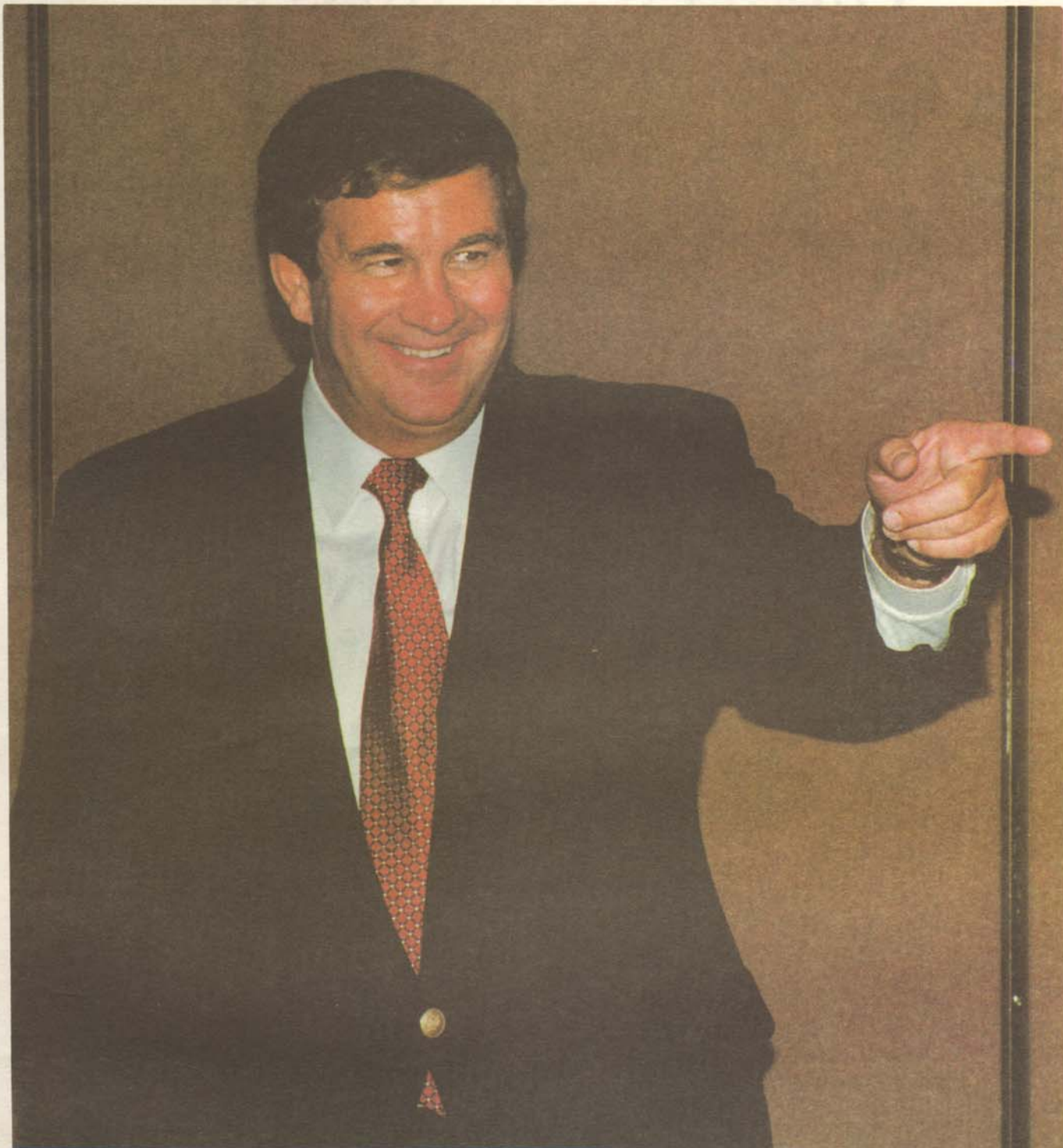
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THE Club Insider

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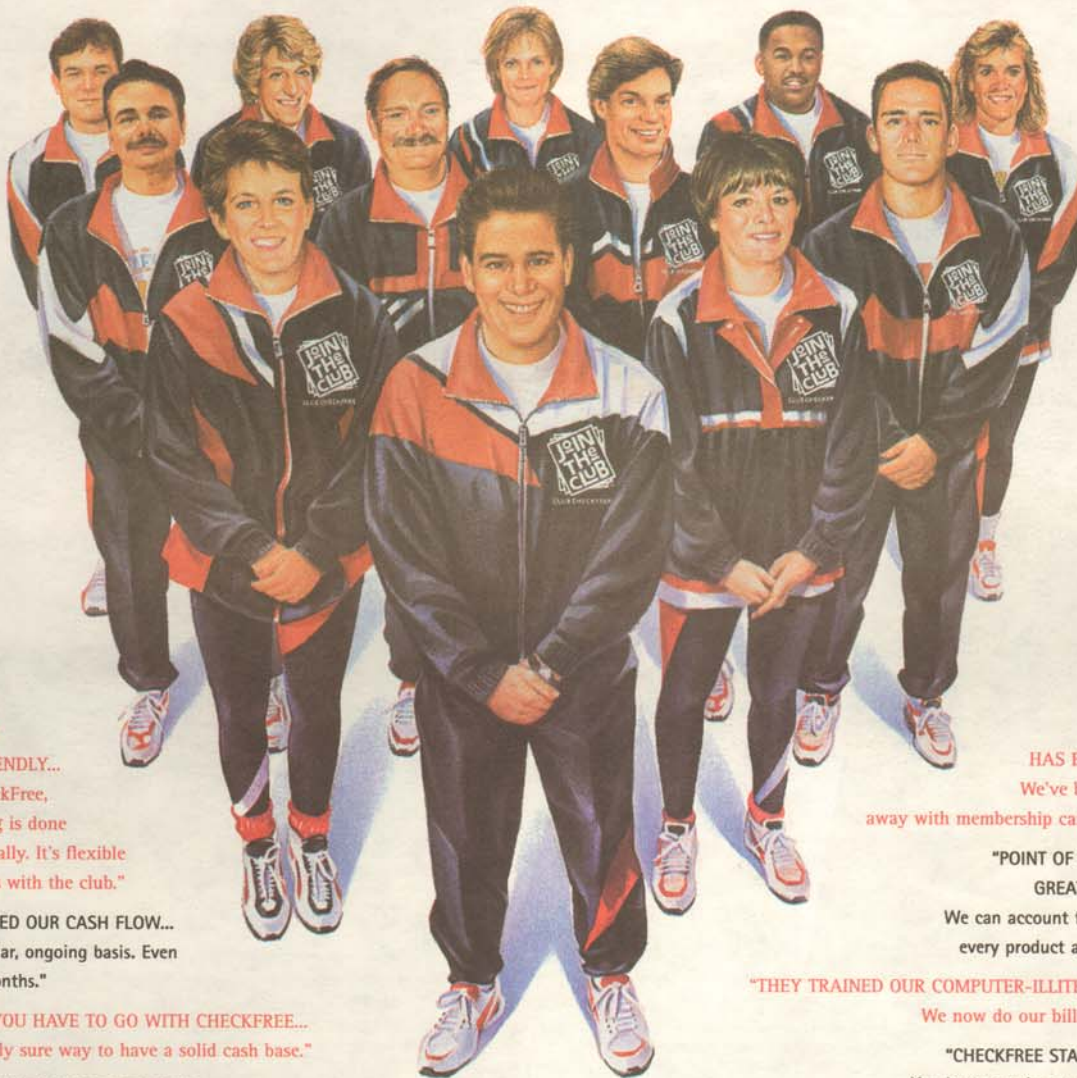
The Pulse of the Health, Racquet & Sports Club Business

MAY 1997
VOLUME IV NUMBER 5



JIM GERBER HONORED BY FRIENDS

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THE Club Insider

NEWS

The Pulse of the Health, Racquet & Sports Club Business

LEE HILLMAN WEIGHS IN AT BALLY TOTAL FITNESS

By Norm Cates, Jr.

PART I

Like a heavy weight prize fighter stepping into the ring for a world championship fight, Lee Hillman, the new CEO and President of Bally Total Fitness, has weighed in with clear goals and great determination, and has begun what may be the toughest fight of his career.

Bally Total Fitness, the largest health club chain in the world, has 323 locations nationwide and generated 1996 annual revenues of \$640 million with a net loss of \$41 million for the year. The fight will not be easy for Bally Total Fitness, formerly Health and Tennis Corporation of America. Round #1 appears to be over now and Hillman has won, as the first quarter results for 1997 are improved over last year and they have shown a profit. The following press release dated May 7, 1997 was received at The CLUB

INSIDER News offices right before press time.

BALLY TOTAL FITNESS REPORTS 1997 FIRST QUARTER OPERATING RESULTS IMPROVEMENT OF 46%

Bally Total Fitness Holding Corporation (Nasdaq National Market:BFIT) today reported improved results for the quarter ended March 31, 1997. Operating income, before depreciation and amortization, ("EBITDA") grew 16% to \$27.1 million compared to \$23.3 million in the first quarter of 1996. Operating income improved 46%, increasing to \$14.0 million in 1997 from \$9.6 million the first quarter of last year. Revenues for the first quarter of 1997 grew 4% to \$177.3 million versus \$171.1 million for 1996, as new membership revenues increased \$2.4 million

(2%) and dues revenues grew 8% to \$49.6 million in 1997. Excluding the provision for doubtful receivables, operating costs and expenses for the first quarter decreased \$2.8 million (2%) from 1996 levels. Net income for the 1997 quarter was \$2.5 million (\$.19 per share) compared to net loss of \$2.5 million (\$.20 per share for 1996).

Lee S. Hillman, President and Chief Executive Officer of Bally Total Fitness commented, "The improved results for the quarter are a sign the core business of operating fitness center facilities is solid." Mr. Hillman noted the improvement in the results in the first quarter was largely from the core business and implementation of new policies and business practices at the Company and not a result of new revenue initiatives which the Company is planning and undertaking. Mr. Hillman also noted the increase in new membership revenues for the quarter was the first such increase in ten quarters. Mr. Hillman con-

tinued, "Returning Bally Total Fitness to profitability this quarter represents an important step for the Company."

This writer was impressed with Lee Hillman's plans and determination to once and for all turn the Bally club chain around. In particular, I was impressed with his philosophy of 'outrach' and learning from others. He reminds me of myself and many of my

(See Hillman page 6)



Lee Hillman

JIM GERBER HONORED BY FRIENDS

By Norm Cates, Jr.

The person that made the infamous statement, "Nice guys finish last", had never met Jim Gerber, one of the truly class acts in the health, racquet and sportsclub industry. Jim Gerber is the President of San Francisco-based Western Athletic Club, a co-founder of the upscale club group and one of

the top leaders in the athletic club business. Jim Gerber has accomplished a great deal in his 23-year club career and in April was honored by IHRSA (International Health, Racquet and Sportsclub Association) which awarded him the 1997 IHRSA Distinguished Service Award. Jim was kind to share his time and here is his story.

A WEST COAST DUDE

Jim Gerber was born in 1946 in Seattle, Washington and grew up in the Seattle - Tacoma area. As a youth, his passion was sports and he played on the football, basketball and baseball teams in high school and college. He graduated from Claremont Men's College in Southern California. A graduate of the Class of 1968, Gerber had an opportunity to have a try-out in the

major leagues with the Chicago Cubs, but the timing of the Viet Nam War diverted his focus from baseball to serving his country. Since being a foot soldier in the steamy jungles of Viet Nam did not appeal to him a great deal, he applied to Navy Flight School and to the Coast Guard Officer Candidate School. He was accepted to the Coast Guard first, so he became an officer in the U.S. Coast Guard and served his country for 3 1/2 years. A month after he was accepted by the Coast Guard OCS program, the U.S. Navy Flight School also notified him that he had been accepted. But, he had already begun the Coast Guard training. After earning his officer's bars after six months at the Coast Guard OCS School in Yorktown, Virginia, he was stationed for the next 3 years on Governor's Island in New York City. He served as the aide to the Commander, Eastern Area, a Vice

Admiral in charge of all Coast Guard activity east of the Mississippi River to Europe and down to Guantanamo, Cuba.

In 1969, he married his college sweetheart, Linda. They now have two teenagers, Jimmy, 17 and Lindsay, 14. (Jim never misses Jimmy's sporting events or Lindsay's horse competitions.) When he left the Coast Guard, they spent a year traveling throughout Europe and across the U.S. in a Volkswagon camper. Gerber then went to work for Proctor and Gamble where he "learned how to sell." His job was to sell Proctor and Gamble cleaning products to end users. He comments, "My time with Proctor and Gamble helped me learn how to sell quality products at above average prices to users who were very price conscious." And he has been selling extremely high quality athletic club services ever since. One of his custom-

ers, the owner of a chain of 40 gas station/car washes, had a son who had also attended Claremont Men's College. He took him under his wing and hired Gerber away from Proctor and Gamble. He spent two years serving as the Assistant Operations Director for the 40 locations, an experience which he views as being "very helpful to me in my multiple location, operations-intensive club business."

PARTNERSHIP IS FORMED WITH JOHN MELIN

In 1974, Gerber and John Melin got together through a mutual friend and talked about how they could take advantage of the racquetball boom that was going on in the U.S. Gerber had played racquetball in New York while in the Coast Guard and he enjoyed the game. But, like many others, he

(See GERBER page 18)

Inside The Insider

- Top Sales Producers
- Lifestyles Hospital Club
- CSI Buys Flagship
- SEHRSA Fights Sales Tax
- Making It Fun!
- Why Tennis Has Declined

THE INSIDER SPEAKS

• EDITORIALS • "INSIDER MAIL" • COMMENTS •

A CALL TO FLORIDA CLUB OWNERS!

(Publisher's Note: If you operate or manage a health club in Florida, you and your members are being ripped off by your own State Government. The announcement shown below addresses an inequity which has existed in Florida since 1991..... that inequity..... sales tax on membership revenues. This sales tax on health clubs was passed by being 'piggy-backed' onto a sex education bill which had wide support at the time. The sex education program was discontinued, but the tax on health club memberships, which should never have been passed, was left in place. Now, a group of Florida health club

leaders has gotten the ball rolling to repeal this Florida Sales Tax on membership revenues. Help fight this misuse of voter approval to tax your business which was put into place using methods which were unfair and remains in place because nobody in the health club business up until now has organized a team to stop it. Complete the form below and send it along with your check for \$500 to help these leaders repeal this tax. If you are not a Florida club operator, but support the objectives of SEHRSA, send some bucks - whatever you can spare, to help the cause. One day your state may be a target of unfair legislation. Read on!)

A CALL TO FLORIDA CLUB OWNERS!

SEHRSA, The Southeast Health and Racquet Sports Association, was formed this time last year to unite Florida club owners in a fight to beat the State sales tax imposed on the sale of health club memberships. Unfortunately, participation has been disappointing. More Florida club owners need to get involved if SEHRSA is to succeed.

Approximately 500 clubs are registered to do business in the state of Florida, yet only 10% of these clubs have committed

to the cause by joining SEHRSA.

This will be the first attempt to repeal the Florida State sales tax which presently equates to 6% of total income received from membership enrollment fees and monthly dues. This tax was passed by the Florida legislature approximately 6 years ago. Due to the lack of a united group to argue against this tax, it was passed without resistance by the State Legislature back in 1991, by piggy-backing onto a sex education bill which had wide spread support at the time.

SEHRSA is directed by 3 Florida club owners, Bob Karshner of Shapes Total Fitness, Joe Cirulli of Gainesville Health and Fitness and Geoffrey Dyer of Lifestyle Family Fitness Centers. Together these 3 club owners represent 35% of all clubs that have joined SEHRSA.

Originally, SEHRSA participation required a fee of \$100 per location. Due to the lack of support and participation, the fee has since been increased to \$500 per location, with a target of reaching \$25,000 in funds before July 31st. "If we are unable to meet our goal with new clubs joining between now and July 31st, we will have to go back to the 55 clubs already participating and ask them for more money", says SEHRSA President, Bob Karshner.

IHRSA has committed to provide matching funds to the contributions paid by SEHRSA members. This will provide a minimum of \$50,000 or more to finance the efforts of a qualified lobbyist to present SEHRSA's case to the Florida State Legislature.

"We feel the time is right for us. Given the recent report by the Surgeon General promoting increased fitness activities to the general population, together with the interest shown in fitness by insur-

ance companies, the medical community, managed care organizations and hospitals, it doesn't make sense to tax the 15% of Floridians that are buying memberships in our clubs and trying to lead a healthier lifestyle", says SEHRSA Board Member, Geoffrey Dyer.

SEHRSA'S efforts to get Florida club owners on board have included 3 separate letter mailings, telephone calls from the current 55 members to potential members as well as faxes and support through IHRSA and The **CLUB INSIDER** News industry publications.

"To have only 55 members after 8 months of work is unacceptable" comments Bob Karshner. "The typical Florida club owner is paying the Department of Revenue \$25,000-\$50,000 per club per year in taxes, yet we can't get that same club owner to contribute \$500 to this cause which will benefit all of us".

"SEHRSA can do much more than fight a single sales tax issue. SEHRSA can be our watchdog for legal and bonding issues that affect our industry in the future. It can also be an opportunity for Florida club owners to meet, perhaps annually, and share ideas and educate employees without the expense typically associated with attending an IHRSA or Club Industry Convention and Trade Show in California or Chicago."

"When you look at the success achieved by other independent club associations, both in the west and in the northeast, Florida and the entire Southeastern U.S. is far behind the rest of the country in this regard" adds Geoff Dyer.

For more information, call Bob Karshner of Shapes at: (813) 264-1711 or Geoffrey Dyer of Lifestyle Fitness at: (813) 622-8755. Or, complete the application shown below and forward it with your check for \$500 to the address shown on the form.

SEHRSA

Southeast Health and Racquet Sports Association
P.O. Box 274085, Tampa, Florida, 33688-4085

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Address: _____
City: _____ State: _____ Zip: _____
County: _____
Owner: _____ Title: _____
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Telephone: (____) _____ Fax: (____) _____

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Boston, MA 02210
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(800) 228-4772
Fax (617) 951-0056

March 13, 1997

Mr. Norm Cates
Club Insider
P.O. Box 671443
Marietta, GA 30067

Dear Norm:

Thank you for giving IHRSA such positive coverage in the latest issue of The Club Insider.

I know you always shoot straight. When we are doing great, you acknowledge it. When we aren't doing so great, you drop a hammer on us.

Thus, coming from you, the coverage we received in February was warmly appreciated.

Regards,

John McCarthy
Executive Director

JMC/ack

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Health, Racquet &
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•NORM'S NOTES•

RAY GORDON and **EDDIE TOCK**, principals of the veteran sales training and management company **Sales Makers**, conducted their 10th Annual Sales and Marketing Classic seminar May 1, 2 & 3rd in Fort Myers Beach, Florida. As usual, the seminar was full of great sales training and mixed in with a lot of fun at the beach. The seminar featured two terrific presentations by **SANDY COFFMAN**, of Programming for Profit. **STEVE BARRY**, owner of King's Gym Complex, near Rochester, New York, won the "Promotion of the Year Award," voted on by the conference attendees. Check out Steve's article and ad on page #14 and Sales Makers ad on page 21.

BILL DUSSOR, Director of Marketing and Meetings for **IHRSA** and **JANICE DeGROOT**, the Education Manager, are two of the very key people that make the IHRSA Conventions such great events and my sincere apologies go to both of them for leaving their names out of my comments in last month's edition. They have been doing a great job for IHRSA and I'm sorry for the omission. Also, if you missed IHRSA San Francisco, but would like to hear the training sessions, they are available on audio tape from the **InfoMedia** at (800) 367-9286.

TOM LYNEIS, **ED WILLIAMS** and **BUD ROCKHILL**, principals of Denver-based Club Sports International, just purchased the \$8 million per year **Flagship Athletic Club** located in Eden Prairie, Minnesota. This purchase comes on the heels of their acquisition of the 12 Northwest Racquet, Swim and Health Clubs (now called Northwest Athletic Clubs) in the Minneapolis/St. Paul area. CSI plans to continue their growth in the Twin Cities and is looking for sites of approximately 10 acres for new club construction. If you know of such sites, contact Ed Williams at (303) 866-0800.

Last month I wrote an editorial in which I stated that I think that **REEBOK** should have stepped in to help club owners that had bought the **SKYWALKER** machines, since many people had decided to buy the machine with faith and reliance upon the Reebok name. I still feel that way, as does everybody with whom I've discussed the subject. But, I've not heard one peep from them and as far as I can discover, Reebok is long gone from the

Skywalker deal and has no intentions of doing the right thing. However, I have learned that **KEITH CARTER**, formerly with **Sports Specific International**, is setting up a company called **Motiva Fitness** to provide parts and ultimately to provide service on the Skywalker machines. Unfortunately for Skywalker purchasers, Keith will have to charge for both parts and service and there will be no warranty coverage for U.S. Skywalker owners. I guess that will be better than having to dump the \$6,000 machines altogether when they break down! What a mess! Keith Carter may be reached in Dallas, Texas at: (972) 394-2873.

PETER HAINES and Trotter Associates are shown on the cover of this month's **CBI Magazine**. The proxy statement from Cybex has been completed and it appears that the merger of the two industry giants is proceeding - full steam ahead. The original closing date for the deal had been pushed back due to delays in the production of Cybex's audited statements. The final closing date for the closing is expected to be in May. **CBI Magazine** published a very interesting article about Trotter and Cybex in the May edition. Stay tuned for more.

KEITH CAMHI of the **Fitlinxx Interactive Fitness Network**, one of our industries' brightest young entre-

preneurs, has really cranked up his young company with relationships with many of the strength and cardiovascular equipment companies lined up to interlink with Fitlinxx.

"MAKE IT FUN" has been a message that I've communicated in every edition of **THE CLUB INSIDER** News since we began publishing in November, 1993. Our June edition will focus on making your club environments fun for your members and staff and we welcome your input on ideas and concepts that you have used in your clubs. We will focus on in-club entertainment systems, travel ideas, Jazzercise and other areas of fun in our 1st Annual "MAKE IT FUN" edition!

Leisure Sports is a Pleasanton, California - based company best known for the development and/or management of the ClubSport family of athletic clubs. Leisure Sports has just entered into a significant agreement with Westin Hotels and Resorts to build as many as 40 hotel/athletic clubs nationwide. This new and unique product is not a stand alone club or hotel, but a new product unlike anything that is currently being built. It is an integrated facility that combines a 175-room, five-star hotel with an 80,000 square-foot first-class athletic club.

DR. GERRY FAUST of San Diego-based **FAUST MANAGEMENT**, will conduct a Management Seminar entitled: **RESPONSIBILITY: The Management Challenge of the 90's** on June 5, (See Norm's Notes page 28)



Norm Cates, Jr.

FRIDAY REPORTS

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Hillman...

continued from page 3

friends when we were searching for new ideas and concepts in the early days of IHRSA. His commitment to termination of employment of any Bally Total Fitness employee that fails to adhere to the company policies or that breaks the laws also struck me as key. While Lee Hillman has only six years with the Bally Corporation and actually has zero pre-Bally health club experience, he does have a keen eye for what it will take to right this ship before it sinks. This interview was in-depth, extensive and illuminating. After speaking with Hillman and three of his key people at length, I have a hunch that Lee Hillman and his team may be able to pull off this turn around.

A BRIEF HISTORY ON BALLY TOTAL FITNESS

A brief history of the

Bally Total Fitness chain will help clarify why the organization is struggling.

Bally Total Fitness is a chain assembled years ago by Donahue Wildman and Roy Zurkowski. They put the chain together by buying out large chains like Vic Tanny's, Scandinavian and others. This assemblage of clubs into a national chain was done without any brand name creation or clear marketing identity for all of the clubs involved. The original name used for the chain was Chicago Health and Tennis Corporation and was later changed to Health and Tennis Corporation of America. The primary advantage that the chain had was its ability to purchase mass media in metropolitan markets and its purchasing power for equipment, thus fostering rapid growth. However, if there was a coordinated effort to install and enforce standards for the operation on an across the board national level, it failed dismally. Each chain,

as they existed before, was more or less operated on the same basis that they had before the acquisitions had taken place in that they used the same names (Vic Tanny's, etc.) and most of the same sales practices and methods, contracts and collection methods, all of which were grossly user unfriendly. This apparent lack of standards or enforcement of standards or both, ultimately caused a lot of problems for the company in the courts of the land.

Along the way, Wildman and Zurkowski sold the entire chain to the Bally Corporation. This put the club chain in the hands of a large publicly held corporation. Even though the chain was owned by a publicly held company, the clubs did not do well and became a real problem for the parent company.

Prior to Hillman's appointment and during the time when Mike Lucci was CEO and President, Arthur Goldberg, Chairman of the parent company, decided to spin off the Bally health club chain. His stated reason was his belief that the health club unit was "depressing" the value of the Bally parent company stock, now called Bally Entertainment. After the spin off, Bally Total Fitness became a stand alone public company trading on the Nasdaq stock exchange as BFIT. Until recently, Bally Total Fitness stock has not performed well. To the contrary, Bally Entertainment stock increased significantly after the spin off, perhaps further proof that Goldberg is indeed the master at corporate turnarounds, as his reputation before he took over Bally told. Months after the spin off, Goldberg successfully crafted a deal to sell Bally Entertainment to Hilton Hotels Corporation, further evidence of his skill in navigating the dangerous waters of the corporate marketplace.

It was not until well into Lucci's 4-year term that all of the chain brand names (Vic Tanny's, Scandinavian, etc.) were consolidated into one brand name for the chain: Bally Total Fitness. During the late 80's and early 90's the Bally health club chain was pummeled with numerous lawsuits, including a huge one, which Bally unknowingly inherited from the Baltimore-based U.S. Health chain, once owned and operated by Frank Bond. That lawsuit was a class action lawsuit brought for racial discrimination and ended in a settlement decree and fines by the Federal Government which cost the club chain millions of dollars. Since then, lawsuits have been brought against the Bally chain in Boston by the Attorney General, Scott Harshbarger. The first lawsuit brought by the State of Massachusetts was for over 1500 violations of consumer laws during the pre-sale and early operating period of the first five Bally clubs there, another Frank Bond inheritance after Bally had acquired U.S. Health,

Inc. Although the claim was settled by Bally representatives signing consent decrees and paying a fine, the State went after them again a few years later for violation of the consent decree. It was Attorney General Scott Harshbarger's objective to shut Bally down in Massachusetts. Since the Massachusetts actions, there have been several other Bally lawsuits that have been filed. Most have been settled and only a few are still in various levels of litigation.

MIKE LUCCI WAS ON RIGHT PATH

During CEO Mike Lucci's (former NFL linebacker with the Detroit Lions) term of 4 years, Bally club management had taken clear steps to correct the problems that had been plaguing them in court. They instituted a new sales training program that cost \$700,000. They began to certify their fitness staff and aerobic instructors through ACE (American Council on Exercise). They have selectively been removing old worn out facilities and replacing them with new facilities and equipment in the markets the old ones served. And, during Lucci's term, Bally instituted a new concept called "The FRIENDLY OASIS" which was intended to instill a member service and satisfaction culture into the organization.

IHRSA AND BALLY

The history of IHRSA and Bally is also an interesting one. In 1987 Bally had been attempting to gain admission into IHRSA (name changed to IHRSA 3 years ago.) At the IHRSA Convention in 1988 in New Orleans, approximately 600 IRSA club owners and managers gathered in a large meeting room to protest the admission of Bally into the Association. Almost to a person, those who spoke against Bally joining IHRSA complained of ethics issues relating to membership sales, contracts and collection methods. After a long line up of club owners were heard....the decision was clear. Bally clubs would not be admitted to IHRSA, even though it would have been financially helpful to the Association at that time.

Perhaps IHRSA had a crystal ball and were wise in its denial of admission of Bally into IHRSA, because just a few years later, the lawsuits by consumer groups began to hit Bally time and again. If IHRSA had admitted Bally in 1988, that negative national publicity would have clearly reflected on the Association and its motto: "IRSA- The Association of Quality Clubs". On the other hand, some might argue that the admission of Bally at that time could have prevented some of the

lawsuits that began to hit later because the Association might have been able to help change the culture of the Bally operation. That, in turn, may have helped the entire industry avoid being impacted by all of the negative publicity nationwide from the Bally lawsuits.

IHRSA MEMBERS STRONG IN OPPOSITION

John Brinson, owner of the Lehigh Valley Fitness Centers, did not agree with the argument that the industry would be better off if IHRSA had admitted Bally in '88 and wrote the following to John McCarthy on November 12, 1987, in regard to Health and Tennis' proposed admission into IHRSA: "All the Members with whom I've spoken are opposed to admitting Bally to our Association, and for generally the same reasons. Here are a few of our concerns: (the following concerns were selected from a list of 12 contained in Brinson's letter).

(3) There is no advantage to be gained by independent club owners helping the major competition in any fashion. For us to help the publicly-owned chains, the YMCAs or the non-profits, in any manner, is ridiculous.

(8) The national chains have invented a new product - the impulsive purchase - in which the prospect is buying nothing except the deal - which is just too good to pass up. This is the ideal customer for the chains. He pays money, because he's locked into an installment loan contract, but he never uses the facilities because that was of little interest anyway. The customer, however, is forever soured against the fitness industry.

John McCarthy, IHRSA Executive Director, responded to John Brinson on November 30, 1987. Here are excerpts from McCarthy's letter:

"The issue is, as I see it, one of values. You are concerned, and I share your concern, that the business and professional values that have distinguished IRSA members since our beginning will be diluted, if not totally reduced to zero, by the admission of groups such as Health and Tennis Corporation of America. There are two ways that you and I can make sure that this does not happen:

First, we can figure out a way to keep Health and Tennis out. Both formally and informally, we can turn them away. Our attorneys have advised us that if we do this, we risk what they characterize as "unnecessary and costly litigation." This alternative is status quo. Nothing changes. The industry proceeds on the same course on which we now travel. No one is challenged. Neither IRSA, nor Health and Tennis.

Second, we can figure out a way to welcome in Health and
(See Hillman page 8)

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

Top Sales Producers: What They Have In Common

By Stephen "Doc" Doeren, Ph.D.

PART II

In Part I of TOP SALES PRODUCERS: WHAT THEY HAVE IN COMMON, 5 of "The 20 Golden Rules to Super Successful Sales" were presented. They were: (1) Prospect, Prospect, Prospect!; (2) Be Persistent; (3) Look the Part; Use What You Sell; (4) Be Resilient; (5) Don't Work Alone: Recruit an Army of Referral Agents by Providing Excellent After the Sales Service to Your Members. In part 2, 5 more of the "Golden Rules" which top sales producers embrace will be shared.

The 20 Golden Rules to Super Successful Sales

6. Constantly Work On Improving Your Sales Skills: The More You Learn, The More You Earn

Recently, while strolling through a local mall with a friend, I stopped at one of the bookstores. I picked up an interesting book on telephone sales techniques. My friend comments, "You're not really going to buy yet another sales book, are you? Why do you continue to read all of that 'stuff' anyhow? Everybody knows that you were the #1 salesperson in the company every single month during your entire sales career and that you hold every sales record

for every company you ever worked at. Moreover, you are a highly sought after sales trainer." I responded: "You've just answered your own question. I have been able to accomplish what I have in sales because I am open-minded and I make a deliberate effort to learn absolutely everything I can about my profession. There is always room for improvement."

Regretably, far too many salespeople are of the opinion that what limited training/education that they have been provided by their companies, if any, is more than sufficient. What they fail to realize is that training/education is an ongoing, never-ending process. Top producers are not content with me-

diocrity; they desire excellence. Top producers recognize that to build and sustain a successful sales career it is imperative to continually acquire sales-related knowledge and skills via books, audiocassettes, videocassettes, sales trainers, seminars and fitness industry conferences. In addition, top producers understand the importance of regularly practicing those skills and techniques until they develop the instincts to use them routinely and naturally.

Given the obvious importance of the effectiveness of a sales staff to a club's overall financial success, it is amazing the small



"Doc" Doeren

number of clubs that provide any meaningful and ongoing sales training for their employees. As noted by Michael Scott Scudder in a recent article in *The Club Insider*: "...less than 20% of our 13,000+ commercial clubs in the U.S. provide any form of training for employees." Consequently, it should come as absolutely no surprise that most health club sales staffs are functioning 40-50% below their potential. This deficiency in the training area will only be remedied when club owners and operators realize that this means that they are unnecessarily losing literally thousands of dollars monthly in profits.

tional factors that motivate the customer to come into the club. Their needs and desires. Those goals that they are most interested in accomplishing. How they want to look and feel and, most importantly, why it's so important to them personally to achieve these goals now.

Sounds simple enough, doesn't it? However, most salespeople are surprisingly inept at establishing the necessary rapport, building the required level of trust, asking the right types of questions and follow-up questions and really listening to what is said by the customer to get any more than a superficial "read" of their customer's hot buttons. Top producers know that if they can discover that their fitness dreams can be accomplished (that is, come true) virtually nothing will stand in the way of the customer taking action. Not money, not permission, not time, not having to shop around, not having to sign a contract, not having to think about it, not having to try it out first, NOTHING.

Top producers also recognize that once they have discovered the customer's hot buttons their job is still far from done. Another very important step must occur: one without the other is not sufficient to get the customer started on a membership. The customer must also be convinced that his fitness dreams are not just dreams -- they are not just a wild fantasy, not something that is beyond reach or attainment. By definition, a dream is something very special that a person really, really wants. However, there is a question of whether or not the person will ever actually be able to get it. There is a feeling of uncertainty. Top producers are particularly adept in convincing their customers that they can, with their continuing assistance and that of the club's support staff, get where they want to go, that is, to look and feel the way they want to. When the customer initially came into the club he might have viewed

(See Doc Doeren page 30)

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Hillman...

continued from page 6

Tennis in a way that is consistent with our value-system, recognizing that it is not going to be universally smooth sailing. Once part of our Association, Health and Tennis is to some important degree answerable to the professional standard established by the Association. For business reasons they will not want to risk public industry-wide disgrace. There are so many things we can do to make sure that integration (of Health and Tennis) is a plus, rather than a minus, and I for one want to work on that with you."

One thing is for sure. The IHRSA members were vehement then in their opposition to Bally's admission to IHRSA. And some, if not most, are vehement now. Club owners at the 1997 IHRSA Convention expressed similar feelings 10 years later that were expressed then by John Brinson. One highly successful independent club chain owner commented to me, "Norm,

I'm glad you wrote what you wrote in last month's edition about Bally's. The sooner they go out of business, the better it will be for all of us!"

That man and his partner are friends of mine and they operate one of the most successful chains of upscale clubs around, but I disagree. As time has gone by, I've begun to feel that John McCarthy's comments to John Brinson in that November 30, 1987 letter, were wise and ahead of our time. John McCarthy has been a visionary at IHRSA since day one.

I feel strongly that the failure of Bally Total Fitness would be very detrimental to commercial health clubs throughout North America for years to come. The fallout from such a failure would pollute the minds of potential commercial membership buyers for years and years. There is a high probability that those potential members might choose YMCAs, JCCs, Rec Centers, etc. as their fitness destinations, rather than commercial health clubs.

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HILLMAN RECOGNIZES THE CHALLENGES

The first person to acknowledge and understand the challenges is Lee Hillman himself. The following interview with Hillman was by phone and in-depth. The interview will be covered in two parts: this month and in our June, 1997 edition. Also in June, we will hear from three of Hillman's key men who shared their thoughts with The **CLUB INSIDER**.

AN INTERVIEW WITH BALLY TOTAL FITNESS CEO AND PRESIDENT LEE HILLMAN

CLUB INSIDER - "What is your background prior to joining Bally's?"

Hillman - "I was a partner in the international accounting firm of Ernst and Young. That's how I got to know Arthur Goldberg. I was the first person that Arthur hired after he took over Bally as Chairman."

CLUB INSIDER - "After joining Bally's what roles have you played?"

Hillman - "Most recently, I served as CFO and Executive Vice President of Bally Entertainment, Executive Vice President Bally Total Fitness as well as Vice President and Director of many of Bally Entertainment's other businesses. From 1991 to 1994, I was also the CFO of Bally Total Fitness. I now still serve as a consultant to the Hilton Hotel chain after they acquired Bally Entertainment."

CLUB INSIDER - "How old are you?"

Hillman - "41 years old."

CLUB INSIDER - "During 1996 how many locations did you add and how many did you remove?"

Hillman - "We added 6 or 7 and we removed 10 which included the 4 Sports Connection clubs bought by 24 Hour Fitness that we had been managing for Mike Talla of the Sports Club Company."

CLUB INSIDER - "How do you feel about '97? Are you going to be able to cut the losses?"

Hillman - "We hope to be able to increase revenues and reduce the losses (\$41 million in '96) significantly. That is our intention and we believe we can accomplish that."

CLUB INSIDER - "Can you summarize the top 3 challenges you faced when you were named CEO of BTF?"

Hillman - "(1) Reversing the pattern of declining revenues. (2) Improving the club facilities. (3) Improving the service orien-

tation of the facilities. I think the latter two will cause #1 to happen."

CLUB INSIDER - "With the Bally Total Fitness history with the January, '96 spin-off, what things can you say to the financial community or anybody else for that matter that would give them confidence that you or anybody else could turn BTF around?"

Hillman - "I think my predecessor, Mike Lucci, had done a great deal to begin the turn around. My job is to take what he has built as a foundation and really build a house on top of the foundation. I guess what makes me believe that we can do that is that we have over 4 million members and we have a lot of untapped opportunities. I take a strong lesson from the rest of the industry as to what people in this industry do that works, what members and customers want, and how we can deliver that with the resources that we have. And then to play to some resources that we have that may be better than others in terms of location, distribution and all that. As I view it, it is not a matter of my taking members from others or from market share. It's really a matter of growing the size of the market and taking some of that increased market for our own. Several people have commented to me over the last couple of months that the last few years have been great for them as independent club operators because Bally has spent \$50 or \$60 million in advertising, but really has not taken advantage of that investment. So, the rest of the industry has really enjoyed nice growth at Bally's expense. Whether that's true or not, I will never know. However, I want the industry to grow off of my investment. I'm happy to work with everybody in the industry due to our sheer size and what we are, to lead efforts to promote the entire industry. What I want in return for that is a little co-operation and to be able to take a little of that expanded market for myself. Just a little bit of that growth. Because a little bit of that growth goes a real long way with the scope of our operations."

"Terry Rogan, of Muscle Dynamics, called me the other day and said, 'Lee, based on our statistics, penetration of this industry is still only 5% of the population within 5 miles of fitness centers.' If he's right Norm, you and I and everybody else in this industry have an awful lot of growth yet to come. There is more than enough to share. That's the way I look at it. Why can we do it? Because I think we can understand and observe what is working in this business and find a way to apply it to our operation in an economical, efficient and sensible way. I'm certainly not going to the East Bank Club up

here in Chicago and say I want to be like them. It doesn't make any sense. But, if there is one thing that they do at the East Bank Club that I can say well, if I just do it a little differently, it really does apply to my business. I don't know that answer, but I know across the industry when I see people like the guys at 24 Hour Fitness, the Q Clubs, Equinox, the fellows down in Atlanta that we compete against. There's a lot of smart people out there. My job is to learn the things and to synthesize them and figure out a way to apply them to a company that is the massive size that we are."

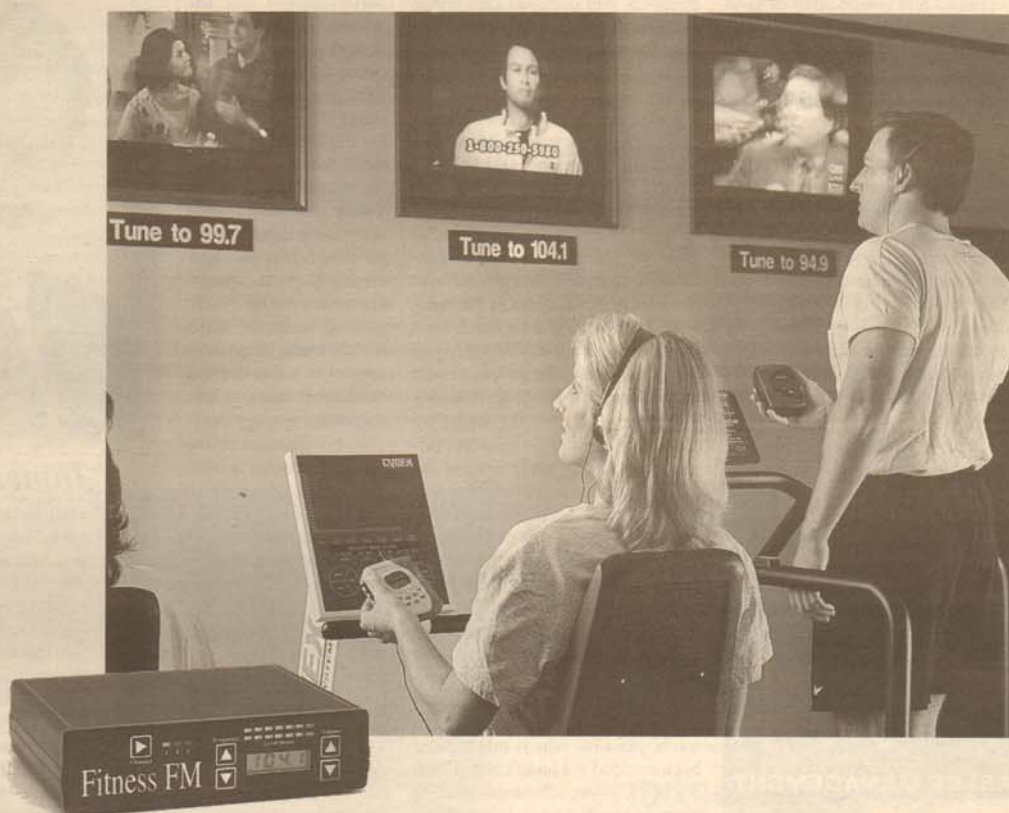
"That is part of what got us askew here. Many years ago, this company became something more than just a small fitness center operation. It became a mass retailer and mass marketer. I don't think the transition was ever there. Going back to the roots in understanding how fitness centers work and then try to figure out how to apply those principals - apply them to a multi-store chain. That's not bad for even the little guy in the business (as you used the term), it's actually good. If it's done right, it can be the way a McDonald's leads an industry. It doesn't lead by killing off its competitors."

"McDonald's is looked up to and actually helps out everybody else in the business. McDonald's is emulated. They can do things governmentally, regulator-wise, marketing-wise to help everybody. I just think when I look at what we want to be for this industry, I'd like people like you to say, 'Hey, those people at Bally's are O.K. They are really helping out everybody in the business and let's call them and see if they can help us out with a problem they may have in Georgia or Florida or wherever."

"Let's all work together. I've got a lot of really nice relationships with people in the business and there's a lot of ways we can work together."

CLUB INSIDER - "Speaking of wanting to learn and change. I still get feedback from friends around the country that the 'same old Bally sales techniques and practices continue', even after ya'll spent \$700,000 developing and implementing two extensive new sales training manuals for sales people and sales managers. How do you translate that from your level down to the sales person in the field? In other words, how are you going to make sure that the ethical issues that have landed BTF in court and that have alienated most independent operators, go away?"

Hillman - "There's only one way to do that. That is by middle managers, my area Vice Presidents and those people to believe in the policy, to understand how I am going to enforce it with them and for them to, in turn, enforce it to people below them. It's the only way it will work. One of (See Hillman page 10)



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Keys To Hiring And Employee Retention - Part II

By James Evans

LISTEN TO YOUR EMPLOYEES

It is easy in management to place yourself on a pedestal where you think you know it all when, in fact, you have only distanced yourself from one of the greatest management resources available to you - your own employees. That is why I have always agreed with the practice of regular meetings where all employees have an equal voice in expressing themselves honestly without repercussion or criticism. They may not always say what you want to hear, but if the tone of the meeting is open and sincere it can help to reduce tensions and misunderstandings among employees and give them a sounding board to let you know their opinion about the "state of the busi-

ness" from their perspective. The opinions and perspectives of your employees should not totally dictate your business decisions, of course, but they can play an important role in helping you to arrive at those decisions.

Getting to know your employees so that they feel comfortable in expressing themselves to you on the job is important, too. In most clubs that I have managed over the years I have made it a point to develop a good working relationship with the locker room attendants and housekeeping staff, for example, because these are the employees who usually have the best sense of what is going on in the club. They are privy to all of the lockerroom scuttlebutt by members (and other employees too, for that matter) and can tell you what members are saying about the club. Good, bad, or otherwise. They have usually developed a good rap-

port with the members such that the members will communicate things to them that they might not otherwise communicate to other employees or management. By touring the locker rooms regularly and speaking with these employees I always had a greater awareness of the true condition of my club, and I always felt that they appreciated that I cared enough to ask their opinions.

Health and fitness executives and managers are not usually short on egos, and our egos contribute a lot to our success in the business, but we should be careful not to get too big for our britches and forget to listen to the people around us. I know that there were times over the years when I felt threatened by some of my older or more experienced employees and peers and neglected to listen to them when, perhaps, I should have. Because they were older than I was or had more experience in the business, my ego often refused to accept that they might know something that I didn't know just from having lived a little longer and experienced more. Rather than ask their opinions and learn from their mistakes, I preferred to reinvent the wheel instead and made mistakes which might have been avoided if I hadn't had such a big head. Now, after more than 30 years in the business, I sometimes feel that the shoe is on the other foot. I guess everyone has to make his/her own mistakes, but if I had to do it all over again I would have sought more advice from more people. Every different opinion enlarges your perspective and enhances your decision-making ability.

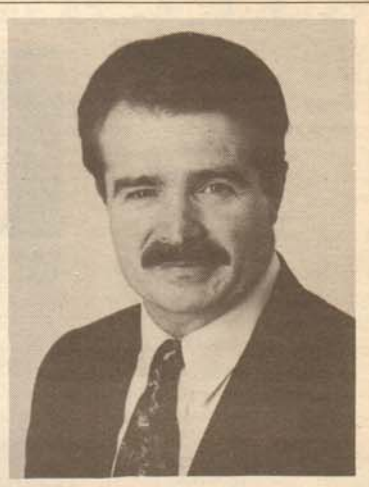
EVERY SUCCESSFUL SALESMAN IS NOT NECESSARILY A GOOD MANAGER

The fitness industry has traditionally promoted its best sales people into management as the natural progression of things. While it is usually essential for management to have a strong sales background or at least a good understanding of the sales process in order to relate to the sales staff, it does not necessar-

ily follow that every good sales person has the wherewithal (or even the desire) to be a manager. Some do, indeed, turn out to be good managers, but those of us who have been in the industry for a while can recall countless situations over the years where the outstanding sales people have been promoted into management with great expectations only to be disappointed when the skills which made them successful in sales did not necessarily translate into successful management.

Sometimes the industry creates a one-way street where those who are promoted cannot revert back to the position in which they previously performed with competence. Even worse, sometimes they have to be willing to move up the ladder or else. I remember in 1972 when one of my top sales consultants was given an ultimatum by the district manager at the time that he would have to accept a position as assistant manager at one of our clubs in a neighboring state or he would be terminated immediately. This young man certainly had management potential but had only been selling for a short time and was still very young and inexperienced. He might have felt more comfortable accepting such a promotion had it not been compounded with the requirement to relocate out of state, but such was the order of things at the time. He declined the promotion and reluctantly, I had to fire him. We lost a lot of good people in those days either by promoting them before they were ready, promoting them to positions for which they were not suited, or forcing them to accept promotions under the threat of termination. It was a sad chapter in my experience, but some of these practices still continue in some clubs even today.

There is often, too, a feeling in business (not just the health



James Evans

club business either) that to "demote" people back to their previous position somehow upsets the upward mobility model and creates negativity among the employees. It is true that some "demoted" employees might be bitter about moving backwards - particularly if companies falsely led them to believe that everyone has the potential for management and they are made to believe that they have failed by not succeeding - but many will look forward to returning to a position in which they performed competently before and will appreciate the opportunity to remain with the company. It is, of course, more difficult to place people back in their original positions when those positions have been filled in the interim by someone else, but it is seldom that companies have "too many" good sales people. Smart companies don't terminate "good" employees just because they don't always succeed within the system of advancement that we may have predetermined for them. Upward advancement should be a choice - not an ultimatum.

(Jim Evans is President of Evans & Associates specializing in consulting to the fitness industry and marketing wellness to the senior population. He can be reached at 1 (800) 708-0878.)

Hillman...

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the first things that I did when I came in here was I sat all of my area managers down and I said, 'look, I can't possibly hope to run each one of your businesses in each of your areas and manage 15,000 people across this country. It can't be done. I can't do it from this building in Chicago. All I can do is establish policy. Establish goals. Tell you how you are going to live by the book and then if you don't do it, you have to realize what the consequences are. The only thing

I can do is replace you with someone that will do it. Either you are going to be responsible for the money that you are making or you won't be here. These guys make an awful lot of money. But, they have to be held responsible for the area in which they are being paid."

I don't know if you are aware of it or not, but we've had some considerable turnover coming out of this office. I've let quite a few people go that didn't adhere to policy. There are in-

stances where the sales practices or sales policies are not adhered to. And they are ugly incidents. With 15,000 people, with thousands of sales people across the country in 323 locations, there's going to be a few times that people do things that they are not supposed to do. My answer to that can only be that when they are identified, they are not going to be here any longer. And, if they do something that is illegal, they are going to be prosecuted to the fullest extent of the law. At our urging. At our insistence. We are holding to that, Norm. I commit that to you." End (See Hillman page 20)

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WHY TENNIS HAS DECLINED

(More Reasons You May Not Want To Hear - Reasons 9 & 10)

By Spike Gonzales

Reason #9: We administrators have been thinking "inside of the box." Tennis pros, tennis club managers and owners, and United States Tennis Association leaders have been making decisions and programming short of a "big picture" outlook. They have continued to use thought patterns and paths of action that were ok in the peak demand times of the 70's.

Tennis has been handicapped with its needs for pro-active management and high service-orientation, along with its needs for professional instruction to get beginners past the initial levels of the

game. These issues in the management of the game were not so apparent when the novelty and perceived glamour of the game created such a demand two decades ago. When lacking these elements in the 80's and 90's, tennis has been lost in the competition with other "quick-fix" and "do-it-yourself" recreational and fitness outlets such as aerobics, weight-training, roller-blading and running.

Club management didn't have to be quite so pro-active in the 70's. Tennis didn't have to be marketed or programmed. The effect has been that those who didn't develop the appropriate skills in the 70's have suffered in the last 10-15 years.

Similarly, the USTA's

efforts in the late 70's in developing the National Tennis Rating Program significantly helped us organize tennis activities, but really didn't help bring new players into the game. From the early 80's forward, one hardly ever got training or inspiration for teaching beginners at tennis teachers and professional conferences. By the late 80's clubs and parks had legions of players in the intermediate ranks, but very few beginners and advanced. When I stepped foot on Long Island several years ago, I was surprised to see there were virtually no club players rated 3.0 or under!

In the midst of all of this, I've heard club managers say, "We can't set aside courts for beginners programs. We'd lose guaranteed income, and would upset our better members!" Teaching professionals similarly developed skills in sports science, mental training and competitive development of tournament and league players. Most teaching pros with a modicum of personality have filled their weeks with a satisfactory 30-40 hours of lessons. They have had no need to be concerned about bringing new people into the game, and their egos have been more massaged by producing better players anyway.

At the same time the USTA Leagues were growing to over 200,000 players, vastly increasing the numbers of adult USTA members. In concert with its U.S. Open successes, it seemed the USTA focused on this as a major accomplishment, while the overall sport shrunk from around 25 million players to less than 15 million.

A perspective of complacency has pervaded the offices of tennis administrators for too long. The effect has been the stoppage of new players to the game. Thinking "inside the box" or "we're doing just fine" with lessons, club players or USTA memberships has

allowed for the significant dwindling of the game.

Fortunately, the USTA has adjusted in the past couple of years. It is dramatically changing to an active mission of "growing the game." Now club managers and tennis professionals need to catch up for the benefit of the game in the long run.

Reason #10: We keep blaming others! Club owners and managers blame tennis professionals for the problems of club tennis administration. Tennis pros blame the owners.

Club personnel often blame the USTA for its lack of adequately managing the game. USTA volunteers and staff feel they have carried the tennis banner, and that others have hurt the game because they have tried to make money off of it. Pro organizations compete with each other, and the dozens of "alphabet soup" (ATP, WTA, USTA, USPTA, USPTR, ITF and so on) administrative bodies vie for the piece of the pie.

Rather than keeping their "eye on the ball" of promoting and growing the game, energies have been spent on internal politics, jockeying and squabbling.

My thoughts are that on the club level it is up to the owners to break the cycle of blame throwing. It is the owners who often have hurt the game with their absenteeism and their perspectives that tennis be seen as simply renting real estate or who have put it on the level of offering a parallel alternative to bowling. It is also usually the owners who have the resources to initiate improvements. Rather

than perpetuating the myth that tennis professionals are "professionals", it is the owners who have the wherewithal to provide for education of these people who have had little or no training in their functions of teaching, promoting or programming.



Spike Gonzales

It is up to the USTA to become the peacemaker and catalyst of progress in the macro-world of tennis administration. Thanks to the success of the U.S. Open, the USTA is the body with the most significant resources. While doing its best to provide leadership in the bowl of alphabet soup, the USTA must as well keep a vigilant eye inward. It should assume that how things have been done in the past is not the automatic formula for the present and the future.

While volunteerism has greatly built its organization, the USTA should come to see the many weaknesses of that element. Rather than rewarding simply time and efforts, the USTA should be bringing in and training leaders, upgrading the level of professionalism of its own representatives in the tennis world. Its credibility in the field and its ability to cure the weaknesses of the tennis culture will depend on the quality of its own representatives.

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

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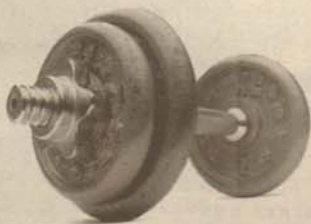
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AAC... "We're Here To Work"

SPIKE GONZALES - A perspective of complacency has pervaded the offices of tennis administrators for too long. The effect has been the stoppage of new players to the game. Thinking "inside the box" or "we're doing just fine" with lessons, club players or USTA memberships has allowed for the significant dwindling of the game. (From 25 million to under 15 million!)

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THE BEST MEMBERSHIP PROMOTION I'VE EVER SEEN!

By Steve Barry

After being in the fitness business for over 15 years, I've either seen or tried just about all that's out there to sell memberships at my clubs. Most promotions are in relation to price discounts, seasonal trends, holidays, new gym equipment, etc. While I've had considerable success marketing with these types of promotions, I've never had as incredible and instant success as my club's most recent promotion.

The idea came to me after attending several recent trade show seminars in which I kept hearing the buzz words: "Make It Fun," "Customer Service," "Programming," "Multiple Profit Centers," "Be First," and "Develop Relationships." It occurred to me that there must be a way to incorporate several of those concepts into one marketing promotion. I spent several days trying to develop a marketing promotion that included as many "buzz" concepts as possible, but came up with nothing new and exciting.

Then the idea came! I had received literally dozens of pieces of mail across my desk in regards to a new, medically backed weight

loss supplement (not Redux or Fen/Fen). Suddenly, the ideas just started coming as to how to address a few "buzz" concepts. Before long, I was actually addressing them all! Not only would this marketing promotion create fantastic in-club excitement, I was sure it would sell new memberships as well. The only thing I wasn't contemplating was the number of new memberships! Never before in all my years owning clubs have I seen such instantaneous results and sold so many new memberships.

Another unexpected result was the tremendous support received from the local media. The coverage of our club's promotion was priceless and has truly launched our club's image to the forefront of our area. Never before have I seen such results in membership sales, inquiry calls, and over all excitement!

Recently my membership director and I attended the 10th Annual Sales Makers Sales and Marketing Classic presented by Sales Makers membership specialists. The three-day event was held at Fort Myers Beach, Florida. On the last day of the seminar, they allowed each club owner or manager the opportunity to present their most successful pro-

motion and offered \$100 to the winner. Well, it wasn't so much the hundred bucks as it was the honor to be "voted" the winner by several experienced club owners and managers. My promotion was voted best and many of the club owners have since been in contact with me since then so they can receive the entire details on the four-

stage promotion. Sales Maker's Ray Gordon made my day when he told me that they hadn't heard of any idea as promising since the LifeCycle was introduced.

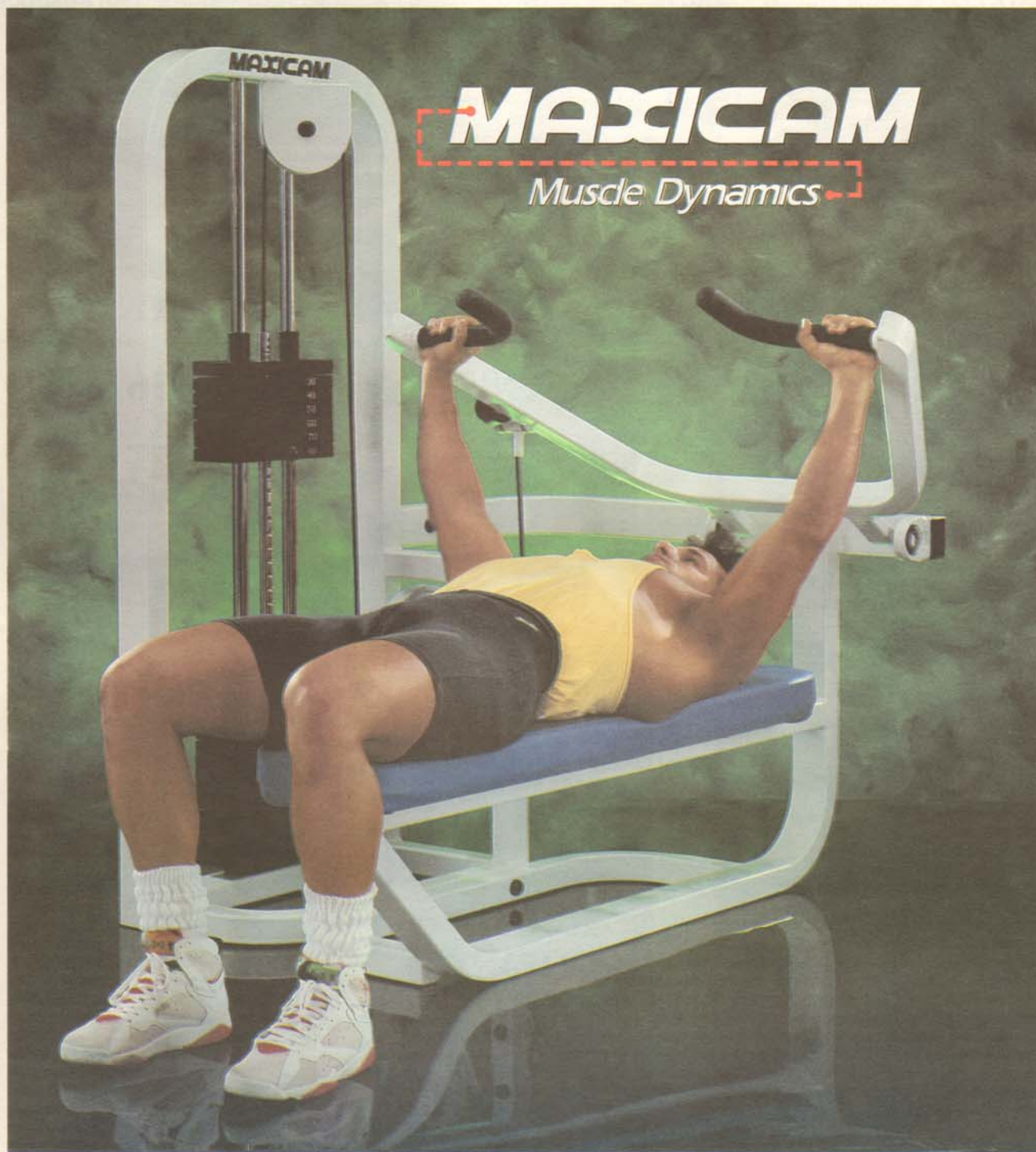
I've decided to market the concept with complete step-by-step details and promotional materials to other clubs as well. The promotion is especially suc-

cessful during the summer months, which is refreshing in our industry. This is a truly unique concept that has addressed the entire list of things we all need to offer at our clubs. It's fun, safe, develops relationships, inexpensive, healthy and sells more memberships than I'd dreamed of!



Steve Barry (L) and (L to R) Salesmakers Mathew Gordon, Sandi Gordon, Brian Harmon, Ray Gordon and Ed Tock

I thought you would read this! I really don't like "used car" type ads so I decided to go this route. After over 15 years in the fitness business as a club owner/manager, I've come up with a promotion that is truly amazing (if I do say so myself!) The promotion has sold more memberships than anything we've ever done before and recently won Sales Makers' "Promotion of the Year Award." I'll send you complete step-by-step details with all necessary promotional materials for only \$395. If you don't agree it's the best \$395 you've spent in years, I'll give you a 100% refund. To order send check payable to: Steve Barry, 312 Marina View Lane, Webster, N.Y., 14580. Or call (716) 872-6727.



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StairMaster
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The International Fitness Network

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PEAK PERFORMANCE
The International Fitness Network

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1991



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1992

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Gerber...

continued from page 3

found that there were not many places to pay. So, he and Melin started looking for a place to build a racquetball club. They were successful in finding a site in Mountain View, California, a building which previously served as a door factory. In 1974, they leased the building and began to install the tenant improvements. Donald DeMars, a long-time club industry architect, designed the interior. They opened the club in 1975 and called it "The Court."

The Court got off to a rough start. Just four hours after opening their doors the club was flooded by a low temperature sprinkler head which had been incorrectly installed by the contractor inside the sauna. DeMars had just completed a beautiful, full wall mural which was totally ruined by the water. But, The Court made a terrific comeback! The facility had 9 courts, a half-court basketball court and a small weight area with a Universal 8-station machine. During their first February of operation, they did not have a single vacant court on any hour of any day of the month!

SAN FRANCISCO BAY CLUB... A TRUE HOMERUN!

With the first club doing really well, they began to look for another location. In 1976, they found a 42,000 square-foot cold storage warehouse in the North Beach area of San Francisco. The building was located along the main street leading from the San Francisco financial district to the upscale Marin County (the wealthiest county/per capita in America). They leased the building, erected a "Coming Soon" sign and began their membership presale and construction. They had designed the facility so they could start with five courts and add more later if demand warranted. In four months, they had sold all of the memberships they planned to sell and had established a waiting list of 1,000 names. The facility was designed and built as a multi-purpose club and, contrary to the vast majority of club operators at the time, they based their business on Initiation Fees and Monthly Dues instead of annual fees and court time. The San Francisco Bay Club offered swimming, racquetball, basketball, squash, tennis, weights and a very high level of finishes in the locker rooms. The San Francisco Bay Club will celebrate its 20th Anniversary in October of this year. Gerber comments, "We patterned the club after West Coast country clubs. We wanted to set it apart from other clubs we had visited and established a new level of quality. The San Francisco Tennis Club, with indoor tennis courts, had been charging court fees for indoor tennis and it had not gone well. We

wanted to charge just one fee for everything." (This decision put the San Francisco Bay Club way ahead of others who had chosen to go the court fee route. As many of those who experienced it know, the high court occupancy did not last and revenues in "court fee-only" clubs dropped dramatically as more court clubs came into the markets and as the 'newness' of racquetball wore off.) When they opened in October, 1977, 2,000 members were delighted with the new concept: a multi-purpose, coed, high-quality club that catered to the emerging boomer market. The monthly dues began to flow, a membership waiting list was formed and they were off and running. How sweet it is!

The San Francisco Bay Club was financed by a combination of Jim Gerber selling his home, John Melin putting in some money earned from previous projects and a loan guaranty from John's Dad. Gerber comments, "We had everything on the line, but we really believed in what we were doing. It was the right time in our lives to take those risks."

Gerber and Western Athletic Clubs have since developed or acquired 14 clubs, 9 of those clubs are in operation as part of the \$40 million Western Athletic Clubs company.

PETE JONES JOINS WAC

Pete Jones, a school-mate of Gerber's at Claremont, had joined Gerber and Melin after they had leased the building housing The Bay Club. Pete's expertise was in real estate project development and he filled that role as the club group expanded through the 80's. Gerber credits Pete's contribution to WAC as the "key to our success." Recently Pete has been developing real estate in the Portland, Oregon area and has also been helping WAC in their efforts to develop another mega-club like the spectacular "Sports Resort" Pacific Athletic Club in Redwood City, California. Jones and Gerber have been working on a new club development in Oregon for three years now, but the early site selection did not work out, so they are still trying to put it together. Given that the Pacific Athletic Club had a price tag in the mid \$20 million range, it is understandable that they have 3 years invested in Oregon with no deal at this point.

WAC SOLD TO INTERPACIFIC

In 1989 Gerber and his partners sold the Western Athletic Club chain to InterPacific, a San Francisco-based holding company, for an undisclosed sum. InterPacific is active in retail operations in Hawaii, resorts in the Pacific Rim, hotels in the U.S. and

Western Athletic Clubs as well as clubs in London. While the InterPacific revenue is not published, the Western Athletic Club revenue is. WAC generated \$40 million in 1996, and Gerber expects \$45 million in 1997, and \$50 million for 1998. Gerber says, "Over the past few years each one of our clubs has been exceeding its plan and each contributes to our profitability. During the economic slow-down in California in the early 90's, we were forced to become more efficient to maintain growth. Each club's General Manager works closely with WAC to continue a focus on each club's contribution."

When WAC was sold to InterPacific, Gerber retained his title and role as President. He explains, "The reason we sold the business was because we wanted to grow the company beyond our individual financial capacities. The three of us were on many guarantees and it was very difficult to finance the big clubs. WAC was very profitable and generating cash, and it became obvious that it was time to sell. Our intention was not to leave the industry so we were particularly interested in finding a financial "partner" who subscribed to our vision for the company. InterPacific appeared to be that buyer and they have been very supportive of WAC through the years."

STRONG VALUE SYSTEM

Jim Gerber has built a strong value system within the WAC organization (400 full-time and 800 part-time employees) that is exemplified by the Western Athletic Club Mission Statement. He set a very high standard of ethics for WAC and he has developed a high sense of loyalty and family amongst his key staff members. Most of his key staff have been with WAC for 12 or more years! He combined those attributes with his ability as a visionary to make WAC such a success.

Roger Ralph, owner of the Bel Air Athletic Club, Bel Air, Maryland, and long time IHRSA supporter, and Board Member and a friend of Jim Gerber, made the following comments about Jim. "I know no other person in our industry whose personal values are so in alignment with how he conducts his professional life. It is the key to why he is extraordinarily successful in both his personal life and his professional life."

WAC MISSION STATEMENT

WE ENHANCE PEOPLE'S LIVES

Western Athletic Clubs' mission is to enhance people's lives by creating wel-

coming environments that are comfortable, friendly, fun, safe, professionally staffed and programmed.

Western Athletic Clubs is a company of people committed to:

Providing our members with the finest facilities backed by top quality service.

We deliver the best.

Demonstrating integrity in everything we do.

We do what we say we will do.

Supporting and encouraging innovative, independent action, team spirit and personal growth in each.

We believe in each other.

Actively participating in improving the quality of life in our community.

We reach out to others.

Being responsible for the continued financial strength of the company.

Our individual performance really matters.

When asked about the WAC Operating Philosophy beyond the Mission Statement, Gerber explained, "Some of us are, at age 50, first-year representatives of the "Baby Boom" generation. That has enabled us to better focus on the present and future needs of this huge group. Based on this "personal insight" we have anticipated trends and built and converted our clubs accordingly. The concept of high quality has always been the core principle that guides all of our decisions. We believe that members want a place to go to that, at a minimum, reflects the quality and ambiance they experience at work and at home. The club must be consistent with their sense of quality. We charge our members whatever it costs to provide them with that level of quality and service and they have always responded."

HIGH RETENTION OF HAPPY MEMBERS

"A person makes a conscious decision to "upgrade" their club environment at various points along the way as they become more successful. Eventually they arrive at the point when a membership to one of our clubs becomes an important part of their lifestyle. They become members for a relatively long time (per industry standards). Our attrition last year was 21.9% for the year for all of the clubs. We define attrition as any event that causes a member to go off full dues for any reason. We are really pleased with that result. Part of our retention success is due to the fact that new members are making a significant personal and financial commitment. What we have tried to do

within this operating philosophy is to keep focus on quality and not try to react to price competition," comments Gerber on WAC's member retention.

PEOPLE THAT HAVE HELPED

Gerber comments on the people that have helped him in the industry, "We spent a lot of time, particularly during the first 10 years before the kids were born, just playing in the clubs. I have to say that the members, most of them from significant business backgrounds, gave us lots of solid input. They all loved the clubs and they took a personal interest in helping us to make them better. Also, I think I was affected a lot by that original core group of guys including you, Rick Caro, Ted Torcivia and all of that original core group that founded IHRSA. Each one of you brought a fresh new perspective on how to approach the club business. I watched how you were doing it down in Atlanta. How Todd Pulis was doing it up in New England. When I visited a club I always come away learning something new. And the Conventions and the involvement with the IHRSA Board have always been such rich experiences. I guess what I'm saying is that I have learned most just hanging around my business and IHRSA with my eyes and ears open. Those have been the people and situations in addition to my partners that have influenced me the most."

Rick Caro, President of New York-based Management Vision, comments on Gerber, "Jim represents the right ingredients, offers proven accomplishments and symbolizes the consistent volunteerism so deserving of the IHRSA Distinguished Award winner. As the 5th President of IHRSA years ago, he was a visionary. He has been fanatical about ensuring IHRSA focus on "quality clubs" rather than just any club. Gerber helped create the IHRSA reciprocity concept and began the Passport program. He volunteered the use of one of his staff, Mary Jo Frenda and other support staff to produce a Customer Service video for IHRSA, then Gerber helped IHRSA create the Sales training video, "Solution Selling". WAC has been the recipient of a variety of local awards as well as national attention as the "Best in San Francisco". WAC is also involved in the Adopt-A-School Program, winning the Best Adopt-A-School program in California three years ago. Jim Gerber is a truly deserving recipient of the IHRSA Distinguished Service Award."

A MENTOR

Jim Gerber has developed over the years a reputation of being a mentor for his people. A (See Gerber page 23)

NEIL SOL'S HEALTHCARE CONNECTION FRIEND OR FOE?

By Neil Sol, Ph. D.

It is understandable for club owners in a community to assume that the building of a wellness/fitness center by the local hospital is competitive for all the obvious reasons. However, it does not have to be perceived that way. This month's column discusses just such a situation where the hospital fitness/wellness center made every attempt to be complementary, supportive and a "good neighbor" to area health clubs, and is taking steps to help area health clubs increase their business at the same time the hospital facility improves its own.

In Akron, Ohio, Akron General Medical Center, with the help of Jeff Bensky and the Benfield Group, built the Akron General Health and Fitness Center 12 miles west of the hospital.

The new out patient facility includes: the LifeStyles Fitness/Wellness Center, Out Patient Physical Therapy and Sports Medicine and Cardio/Pulmonary Rehabilitation services. The goals of this facility were 1) to integrate the above service into a single "state of the art" facility and 2) to achieve quality coordinated care for patients and clients, and 3) to achieve expense sav-

ing economies of space, equipment and staff, so that they could offer a quality outpatient health care and fitness service for a reasonable price (which is very attractive to managed care companies).

Doug Ribley, a recognized and accomplished professional in the health club industry, previously at Steuben Athletic Club in Albany, NY, and The Houstonian Club in Houston, Texas, was hired to manage the fitness/wellness component, of Akron General Health and Fitness Center.

Under Ribley's direction, LifeStyles, after only being open since November, 1996, has achieved its mid-1998 membership goals with an excess of 2700 memberships.

Ribley indicated that the average age of the LifeStyles member is 48 years of age and that in excess of 40% of his membership has never belonged to a health club.

At this point you might be thinking that LifeStyles is putting all other Akron health clubs "out of business". The fact is that a large percentage of LifeStyles members had never joined a club and would never have considered any of the clubs in Akron because

of their concerns for safety and security and their non-alignment with a hospital.

The Akron General name and hospital affiliation created an attraction to this population for LifeStyles that was not enjoyed by any other area health clubs. The fact is, the hospital targeted and captured a new, incremental group of community participants for membership in the LifeStyles program.

LifeStyles, like all health clubs, does target area business and health insurance, managed care organizations to provide membership and preventive services to both employees and subscribers. It however, became very obvious to Ribley and Akron General's hospital administration that it would be difficult to provide services to these large purchasers because they were committed to not offer a benefit to one employee/subscriber that was not available to all.

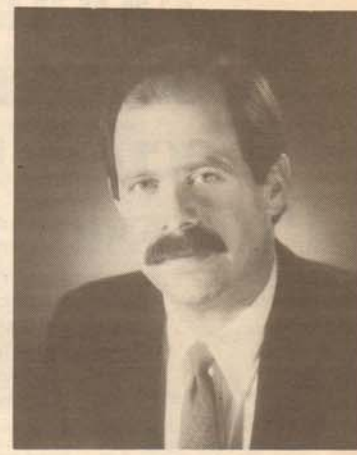
LifeStyles, at Akron General Health and Fitness Center, suffers the problem, as does all health clubs, of being situated in one geographic location in the community and as such, cannot accommodate a large purchaser's needs of providing equal benefit to all employees/subscribers.

Realizing this, Ribley proceeded to create liaisons with other health clubs geographically situated to fulfill large purchaser needs. As this network continues to be established, competition among area health clubs diminishes, as each participant in the network gains membership and provides services in their geographic area associated with the sales effort of LifeStyles.

Everybody wins!

As indicated at the opening of this column, it is very easy to assume that Akron General Health and Fitness Center is a significant health club competitor. However, as a club professional, you can choose to see the opportunity of being associated with a LifeStyles type program in your community and share in the benefits of being part of a network that is capable of servicing large purchasers that would never consider doing business with a single club whether owned by a hospital or not!

Given the choice....



Neil Sol, Ph. D.

choose a situation of association and friendship with the hospital affiliated facility. Symbiotic benefits of association do exist and....you will never know when the area hospital may choose to buy your club or become your partner!

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



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Sales Makers Florida Conference Focuses On Professionalism

By Norm Cates, Jr.

FORT MYERS BEACH, FLORIDA - The 10th Annual Sales Makers Sales and Marketing Classic was a great success and all of those that attended learned a lot and had a good time. The 10th Annual Conference has become an industry tradition for the most successful and prolific health, racquet and sportsclub sales training and management group in the world. Ray Gordon and Eddie Tock, the Sales Makers - U.S. principals, hosted the event at Fort Myers Beach, Florida and provided 3 days of in-depth instruction on the time-tested Sales Makers System and a bonus of two fantastic presentations by the World's Dean of Programming, the one and only Sandy Coffman, of Milwaukee, Wisconsin-based, Programming for Profit. The Sales Makers have been doing their thing for 17 years and they have helped all kinds of clubs in all kinds of markets to make significant gains in their annual sales revenues. Sandy Coffman has been teaching and motivating club operators since the mid-1970's, she certainly exhibits the energy of a person that has just started! She is electric!

The bottom line is this. The Sales Makers system has been **PROVEN OVER TIME**. The Sales Makers System provides Proven Profit Procedures, Retention Ideas, Sales Training, Prospecting and Telephone Training, How To Increase Personal Training Profits, Front Desk Training, Marketing Guidance and Techniques for Tours

and Presentations. If properly learned, installed, implemented and managed, the gains over an annual basis are amazing. Recent clients of Sales Makers have experienced annual increases of over 27% per year. Could your club use a 27% gain in annual membership sales? How about a **PROVEN** system which will allow you to manage, for results, anyone that is working in your membership sales department? Does that ring a bell?

To try to capsuleize this three-day event into a few words is impossible. Suffice it to say that the chart tracking the Sales Makers track record over the years and shown on this page speaks volumes. And, the two presentations to the group by Sandy Coffman hits squarely on the true essence of our industry. Sandy is without a doubt the very best at what she does - which is to teach and motivate people about programming, how to 'MAKE IT FUN' in your club and how to do it profitably. Her very insightful and truly motivation comments to the group should be part of every club's culture and training program, no matter what kind of club you own or operate. The first time I saw her speak was in 1978 (for three days). After witnessing her presentation in Fort Myers, I can honestly say that she is better than ever! To wrap up the Seminar, the Sales Makers invited all of the attendees to make presentations on their Best Membership Promotion. The winner was Steve Barry, a 15-year club veteran and owner of Kings Gym Complex in Webster, New York. Check out Steve's article in this edition.

he has asked Jason to assemble an Advisory Board of individuals to assist in the Bally Total Fitness recovery process. In Part II next month, we report on the new Advisory Board, Hillman's plans to install nutritional centers, physical therapy centers and pro shops in the Bally clubs, we will have more input from IHRSA Members about the idea of admitting Bally into the Association and much more! Stay tuned!

Hillman...

continued from page 10

Part I.

Part II - Lee Hillman shared with The CLUB INSIDER News the fact that he has hired club industry consultant Jason Conviser to work with him and in particular,



SALES MAKERS CLASS OF 1997

Sales Makers Award Winning Results in the 90's

Aspen Hill Club (MD)	20 % Increase
Atlantic Club (NJ)	31 % Increase
Bel Air Athletic Club (MD)	20 % Increase
Club at Woodbridge (NJ)	32 % Increase
Club Fit (NY)	69 % Increase
Courthouse Athletic Club (CA)	37 % Increase
Court Sports I & II (NY)	30 % Increase
Evanston Athletic Club (IL)	24 % Increase
Ft. Wayne Health & Fitness (IN)	104 % Increase
Gold's Gym (CA)	23 % Increase
Gold's Gym (GA)	17 % Increase
Gold's Gym (NY)	38 % Increase
Greenville Racquet & Fitness (SC)	40 % Increase
The Gym (England)	Pre-Sale Sold Out
Lynne Brick's Womens Only Club (MD)	Pre-Sale
PACE Fitness (Australia)	Pre-Sale Sold 2,065
Padonia Fitness Center (MD)	23 % Increase
Pinnacle Health Clubs (England)	Pre-Sale
Ronny Barnes Fitness & Nautilus (NC)	29 % Increase
Shula's Athletic Club (FL)	Pre-Sale
Spa At The Fontainebleau (FL)	31 % Increase
Sports Clubs (Sweden)	44 % Increase
Sportset Club (NY)	31 % Increase
Welshback Squash & Health Club (England)	40 % Increase
WestBay Athletic Club (FL)	Pre-Sale
Westchester Health & Fitness (NY)	41 % Increase
Westlake Sport House (CA)	30 % Increase
What A Racquet Athletic Club (CA)	27 % Increase
Women's Club (IL)	Pre-Sale Sold 925
Viva! (England)	Pre-Sale Sold Out



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Our thanks to all who attended our 10th Annual Sales & Marketing Classic in May.

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Capture Your Share Of A 30 Billion Dollar Market!

Many recent statistics reveal that the health club industry has yet to address the needs of the majority - the millions of profoundly unfit individuals, who would never even consider joining a club.

One organization - **The International Sports Sciences Association**, believes that the portion of our population considered to be "de-conditioned" represents a 30 billion dollar market. Historically, clubs have had only marginal success in addressing the needs of the huge, but untapped market. However, the ISSA, in conjunction with Ideal Fitness Systems, Inc., has developed a unique program, entitled **Specialist in Weight Management (SWM)**, which provides both clubs and independent trainers a profitable way to tap into this

huge population which has been so sorely neglected.

ISSA, well-known for its diverse program offerings, felt that it needed a program to address the rapidly growing de-conditioned market. According to Charles Staley, ISSA's Vice President of Programs, "A large percentage of personal trainers are well versed in resistance training and nutrition for healthy clients, but need additional education regarding behavioral components, such as adherence, motivational strategies, eating disorders, and stress management." Staley added that many fitness trainers utilize a "mechanical" approach with their poorly conditioned clients: "They rationalize, 'If I give them a proper exercise program and healthy nutritional guidelines, they'll make progress.' The problem is, the trainer rarely stops to consider that these clients may have years of inactivity and poor habits to reverse."



Bob Del Montequé, Dr. Sal Arria and Bill Pearl

Gerber...

continued from page 18

mentor who teaches and motivates them really well. Asked about that, he shared, "My Dad passed away while I was in college. We lived in a neighborhood that was populated by a lot of Weyerhaeuser executives in Tacoma and two of them, in particular, really took me under their wing and I appreciated that. I was away at college, but they would occasionally check in with me and give me support and guidance. This continued on through the years. They taught me the importance of mentoring. Without thinking about it I suppose that I have embraced that principle in my work. One of our operating philosophies is to find good people, give them the training, the budgets, the Mission and Values, the responsibility and authority and then get out of their way. Sandy Minor, for example, in her role as Director of Fitness for WAC, has, on her own, created a Fitness Department for us that is second to none. Sandy has done an amazing job for us while certi-

fying over 2,000 ACSM fitness instructors, teaching at Berkeley, chairing of the American College of Sports Medicine Certification Committee, etc. Now Sandy has left for two years to get her Ph.D. in Health Education at the Texas Women's University in Denton, Texas. What a talented person and what great accomplishment from such a young person!"

GROWTH THROUGH ACQUISITION

WAC has not opened a newly built facility since 1991, when they opened the Pacific Athletic Club Sports Resort. Since then, they have grown through acquisitions, acquiring the Golden Gateway Tennis and Swim Club in San Francisco, the Seattle Club in downtown Seattle, and two weeks ago, WAC bought the Courtside Tennis Club in Los Gatos, California. The Courtside Tennis Club has 9 1/2 acres and WAC plans to expand and remodel that facility to be more like the gigantic Pacific Athletic Club Sports Resort concept.

(See Gerber page 24)

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CLUB SPORTS INTERNATIONAL PURCHASES FLAGSHIP ATHLETIC CLUB

Minneapolis/St. Paul- Flagship Athletic Club, a 135,000 square-foot exclusive athletic club, located in Eden Prairie, Minnesota, was purchased in early May by Club Sports International, a rapidly expanding family of upscale athletic clubs. Terms of the private transaction were not disclosed.

The purchase comes two months after Club Sports International purchased Northwest Athletic Clubs (formerly Northwest Racquet, Swim and Health Club), 12 Twin Cities facilities.

The Flagship sale marks a

reunion for many. Club Sports International helped Flagship Athletic Club founder and prominent Minneapolis businessman, William Naegele, design and build the club in 1986. Club Sports managed the club during its early years. Bob Chaiken, Flagship Athletic Club on-site manager, will continue in his current position. He was formerly a Regional Manager for Club Sports International.

"Flagship Athletic Club is truly an outstanding facility in a rapidly growing part of the Twin Cities and in many ways mirrors

other high-end facilities in our portfolio of athletic clubs," said Art Curtis, Vice President of operations for Club Sports International. "What's more, Flagship really fits nicely into our plan to aggressively develop this prime market through a combination of acquisitions and new construction. We're also studying the potential for adding new facilities in suburban areas of the Twin Cities."

Current and future Flagship Athletic Club members will be able to use Club Sports International's non-Minnesota clubs at no extra cost, including

those located in popular destinations such as Chicago, New York, Hawaii, South Florida, Colorado, Atlanta, Nashville, Philadelphia, Houston and Southern California.

Flagship Athletic Club will keep its current name and its operations will remain completely separate from Northwest Athletic Club. Reciprocal memberships between the two Twin Cities based clubs will not be offered.

Flagship Athletic Club is an exclusive full-service athletic club with a complete com-

pliment of facilities, including swimming pools, tennis courts, extensive fitness areas, basketball courts, child care areas, a full-service restaurant and a pro shop. A \$800,000 renovation of its restaurant and fitness areas was completed recently.

Following the Flagship transaction, Denver-based Club Sports International employs more than 3,700 people and has more than 320,000 members nationwide. CSI is the largest full-service athletic club organization in the United States, with 49 clubs in 14 states.

Gerber...

continued from page 23

WAC CHALLENGES

Asked about WAC's

greatest challenges, Gerber explains, "Let me start by saying what our greatest strengths are. First, we are staffed with true professionals. A good example of this is what just occurred at our newly

acquired Courtside Club. A team, comprised of the best in each area of expertise, went to the club to install our systems, train the staff, etc. In very little time the club had been "converted." As a result, the members have greeted us like the GI's coming into Paris after WWII. Our staff just did a great job. So, we can grow because we have great people. Secondly, we've got a terrific club concept that has been tested and proven through experience. And finally, we've got financial strength....the third leg of the stool that a lot of companies in our industry don't have. I think our challenge is to find quality locations for quality growth; whether it be land to develop or existing clubs that can be acquired, improved and/or expanded.

INTERNATIONAL LEADER

Jim Gerber was IHRSA's 5th President in 1986/87. We asked him to compare IHRSA then and now. "Back then, to use Dr. Gerry Faust's analogy, we all felt that IHRSA was just moving from infancy to adolescence. I recall that many of the issues we had to deal with were related to moving IHRSA from a small mom and pop, start-up to more of an established organization. I think that what IHRSA's strength was then is the same as it is now. Twofold: It has great volunteer support from the top industry leaders. Second, it has the continuity of John McCarthy and his unique ability to work with everyone. If you take a look at other Associations, there are very few guys who don't get embroiled in controversy. John has done a great job as a facilitator and mediator in our industry."

John McCarthy, the esteemed IHRSA Executive Director for 16 years, comments on Jim Gerber, "Jim Gerber, and the Western Athletic Club company that he started, stand for many of the qualities that make our industry great, namely, a commitment to customer service, a willingness to

take risks, a belief in creating pleasurable environments and, above all, the realization that staff training and staff loyalty are the core of every great club."

NON-PROFIT BATTLE

When asked about the IHRSA battle against non-profits and particularly the YMCAs, Gerber said, "I think we've taken the right approach with it. It's such a big issue. I know we've taken the approach of going to Washington, D.C. and fighting the fire fight at the local level. But, it's such a counter-intuitive thing for the community to understand. However, when I explain it to people who are in business, without fail they say, 'Yeah, that isn't right.' In San Francisco they don't even allow kids in the YMCAs. In any event, I think we're doing it right. Local fire fights supported by funding when it is available and when it is needed. And, the big battle which needs to be fought in Washington, D.C. With a Republican Congress, I think there is a better chance to succeed."

ON THE 'INDUSTRY IMAGE'

Commenting on the industry and high volume/heavy media/low priced competition, Gerber relates, "Of course the industry is represented to American consumers through the companies that spend the most media dollars. They target a young (and unfortunately diminishing) market and have found it successful to sell memberships using sexy people and price discounting. These organizations continue to give the wrong image to our aging consumers and to our fitness partners in the health care industry. Presenting a professional image of our industry is an important issue. If these companies would change their advertising message from one of glam-

our, to one of professionalism, it would be hugely important for our industry. I doubt that they or their ad agencies would be willing to take the risk. If we, as an industry, can upgrade our image across the board, we'll all have a brighter future.

WHAT TO DO OVER

Jim was asked if there was one thing in his career that he could do over again, what would it be? and he commented, "If we had spent more time focusing on the markets we were in, namely the West Coast, back in the '80s, instead of flying all over the United States, we would be further along. This business takes a lot of "local location" knowledge because above everything else, a club must be properly located. A company trying to grow their business quickly without a lot of local knowledge can make mistakes. One can't afford to make many mistakes when each club costs \$20+ million to develop. Also, it takes a lot of local knowledge to really understand what the local market wants. We do a good job on the West Coast. We understand the West Coast and we understand these markets. Pete Jones has been living in Oregon for about a year now and in that time he has changed his mind on our original location selection.

It's not clear to everyone in our industry that it's a lot more important to grow profits than to grow revenues. The focus on revenue growth is only good if it is profitable growth."

"I love this industry and am blessed to have discovered it 23 years ago," said Jim Gerber. His good humor and love shows and we congratulate Jim and his Western Athletic Club Team on his career and recent honor by the International Health, Racquet and Sportsclub Association.

(Author - Norm Cates, Jr. is the Publisher and Editor of The CLUB INSIDER News, a 23-year club industry veteran, 1st IHRSA President and co-founder of IHRSA)



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Norm's Notes

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1997 from 1:00 to 4:00 p.m. at the huge **MICHIGAN ATHLETIC CLUB** in East Lansing, Michigan. Cost is \$50 per participant. To register contact Barbara Garringer at: (619) 536-7974. Visa and MasterCard are accepted. **MIKE COMBES**, General Manager of the Michigan Athletic Club comments, "The **BEST** management seminar I've ever attended! It's an absolute

MUST for everyone to attend!"

Speaking of the world class Michigan Athletic Club, **CARL PORTER**, developer and Director of the club, is expanding the 170,000 square-foot facility by 100,000 square feet at the cost of \$8 million! Based on what I know, this will make the Michigan Athletic Club the second largest athletic club in the world, with the East Bank Club in Chicago retaining the title as the largest in the world. The expansion is ex-

pected to be complete in time for the seminar, so this would be a great time to see the **MAC**.

RICHARD SEIBERT has been named by the **American Council On Exercise** as Special Projects Manager. Seibert will develop and implement new educational programs, products and services for **ACE** and provide strategic direction for existing projects.

The **IHRSA INSTITUTE FOR CLUB MARKETING & MANAGEMENT** is set for June 7-12th at Michigan State University. The faculty reads like a Who's Who in the industry with such teachers as **RICK CARO**, **TONY de LEEDE**, **MICHAEL HOFFMAN**, **CHARLEY SWAYNE**, **NESTOR FERNANDEZ** and many more industry professionals contributing their time and expertise to this great learning experience. Call (800) 228-4772 to register.

Club Industry East Conference and Trade Show will be held in New York City June 10-13. The event will be held at the New York Hilton and Towers. To

register call: (800) 541-7706.

JIM McPARTLAND, new President of **StarTrac Treadmills**, has hired industry veteran, **JIM TEATUM**, as Director of Global Marketing. Jim's arrival comes about the same time as **DON GRONACHAN** was hired after his employment with **Sports Specific International**, the company that brought the Skywalker to market. I don't know Jim, but wish him well. I do know Don and want to congratulate him on the very professional manner in which he dealt with the Skywalker situation under very difficult conditions - conditions in which he had no control.

PAT PINE and the **Western Association of Clubs** will host their Summer Conference called **Fitness '97** in Aurora, Colorado, August 19, 20 and 21. To register call Pat at: (303) 399-7687.

Contributing Writers are the key to **The CLUB INSIDER** News' editorial effort each month. If you have an expertise in a particular aspect of the industry and an interest in sharing that knowledge and passion, give me a call at

(800) 700-2120 so we can discuss a possible article for an upcoming edition.

BOB KARSHNER'S Shapes Health & Fitness Center's were voted #1 health club chain in the nation for their water fitness programs by the **United States Water Fitness Association**. Bob's clubs have also been voted #1 for multi location facilities for 3 out of the last 4 years. Congratulations Bob! Also, Bob is President of **SEHRSA**, the new Florida club Association that is mounting forces to repeal a state tax on membership revenues in Florida. See the **Insider Speaks** page in this edition for details.

I was informed just hours before press time, that **AUGIE NIETO**, CEO and President of **LifeFitness**, has had to have a second operation on his knee that he injured while in Europe. That is the bad news. The good news is that he will now have only two metal pins in his leg instead of the six that were previously installed! Best wishes, Augie as you go through your rehabilitation.

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

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continued from page 7

this as nothing more than a trip to Dream Land or Fantasy Land. Before the customer departs, the top producer will convince him that it's Reality Land; it's not the Impossible Dream - it's the Possible Dream; it's not the Mission Impossible - it's the Mission Possible. Then, and most importantly, you must deliver what you promise! Once again, service moves to the center stage.

8. Benefits, Not Features

Early on in their careers top producers learn an important lesson that they never, never forget; customers do not buy features; what they buy are the benefits that these features can provide them. Remember, as was just stated, it's all about discovering hot buttons and then convincing customers that your product and/or services can make their fitness dreams come true.

Features, simply put, are

a list of your products' attributes. By contrast, a benefit is the use or purpose your customer has for your product or service that makes him want to acquire your product or service. In other words, how does the customer benefit from your product or service? Bottom line: what's in it for them? Top producers understand that the key to selling is their ability to explain how the benefits of their product or service will satisfy the customer's specific, individual needs.

It's very easy for a salesperson to get fixated on the features in a health club if he's not careful. Just think about all of those wonderful, colorful, attractive, high-tech pieces of equipment alone — treadmills, upright bikes, recumbent bikes, stair climbers, free weights and circuit training equipment. Then there are the swimming pools, saunas, steam rooms, hydrotherapy whirlpools, aerobics floors, and basketball and racquetball courts. No doubt about it, there is a real danger that a salesperson can become

fixated on and fall prey to a club's awesome features.

It's commonplace to hear a salesperson who is either on an info call or who is giving a tour sounding just like a tour guide at an amusement park. Regardless who the customer is and what their hot buttons may be, the salesperson sounds just like a robot rattling off a preprogrammed list of club features noting how many of this machine and how many of that machine they have. True, the salesperson will deliver a nice accounting and description of club features. However, customers do not buy features. First and foremost, customers care about what benefits these features can provide them.

Say, for example, that you have a customer named Margaret. She has revealed to you that her specific goals are to lose a total of 30-35 pounds overall, reduce her waist 6 inches from 40 inches to 34 inches, drop down from a size 10 to a size 7 dress size, improve her energy level, get rid of her "love handles," and generally firm and tone her overall body so that she will look great and feel terrific about herself in time for her upcoming 25th high school reunion in 6 months. What do you think Margaret's primary concern is: the features or the benefits? It's certainly not the features. Rather, it's how that stepper or whatever you call that "thing-a-ma-jig" over there and that circuit training line will get her ready for her 25th high school reunion just as she described it to you. Top producers are masters at discovering the customer's emotional hot buttons and then converting product features into customer benefits.

For a club to be successful, it is absolutely necessary to have the appropriate types, variety, volume and quality of equipment. And, it's certainly appropriate and necessary to talk proudly about features after you know what the customer wants. BUT, the emphasis should be placed clearly upon the benefits the relevant features provide.

9. Know the Competition: Develop a Competitive Market Analysis

Certainly, many of you have played competitive sports. What did your coaching staff do prior to your playing your next opponent? They didn't wait until game day to develop a game plan, did they? They scouted your opponent in advance. They learned absolutely everything they could about them — their strengths, their weaknesses, their methods, their strategies. They had a "scout team" run the very same plays they anticipated your opponent would run. They went

over game film of your opponent over and over again until they knew everything about them down to the minutest detail. As a result, come game day, your team was in the best possible position to win, weren't they?

Given the competitive nature of the health club business, it is surprising that so many salespeople know so little about their competition. Rather than prepare in advance for the "I need to look at other clubs" objection, the average salesperson seems to be content to wait for the customer to raise the objection and only then determine how they are going to handle it. The average salesperson relies on what little they know about the competition to overcome this objection. Unfortunately, the information at their disposal is typically incomplete, inaccurate and outdated. Top producers, by comparison, never underestimate the competition. They make it a point to know the competition inside-out. They don't wait for customers to raise the "other club" objection and then plan a strategy to overcome it. They anticipate it and prepare for it. Consequently, top producers are in the best possible position to eliminate it, when it arises.

Top producers utilize a variety of information sources to develop a Competitive Market Analysis. They make a point of visiting and touring every competing club, asking a multitude of questions about club operations and programs in the process. Combined with information obtained through phone calls to other clubs, local health club surveys and a review of the print media including advertising materials and news releases, a thorough and up-to-date information file can be developed on the competition. A well prepared Competitive Market Analysis will provide the salesperson not only with a better understanding of his own club but with a tool to make instantaneous comparisons with the competition on topics ranging from size of facility to number of locations, to days and hours of operation, to membership types and associated fees, to types and numbers of cardiovascular and resistance training equipment, to number of years open, to membership in health club associations (such as IHRSA and IPFA), to club offerings such as swimming pools, saunas, steam rooms, whirlpools, basketball courts, racquetball courts, etc. In short, information on any topic that may be relevant to your customer in making his buying decision.

As Mark McCormack states, in "WHAT THEY DON'T TEACH YOU AT HARVARD BUSINESS SCHOOL: 'The better you know the competition... the more you will be able to dominate them.'" Top producers know the competition!

10. Become Fluent in the Language of Sales

Every profession, including that of sales, has a language that is

uniquely its own. A person's command of that language is a barometer of his degree of professionalism. Top sales producers are fluent in the language of sales. They are very aware of those words that are common to sales and selling situations. Most importantly, they realize that some words enhance the selling process whereas other words hinder the selling process. Consequently, they select their words carefully incorporating into their speech habits those words that make the customer feel comfortable and good about the buying decision. Likewise, they totally eliminate from their speech habits those words that alarm their customers and contribute to their uneasiness and apprehensiveness in acquiring your product or service.

On the surface developing a professional vocabulary sounds simple enough, doesn't it? However, it's one thing to mentally catalog all of the rejection words and their proper substitutes and it's another thing altogether to insert them into a sales conversation in a natural and appropriate manner just when needed. To master this skill requires hours upon hours of practice.

The discouraging thing is that some salespeople simply don't know any better. Other salespeople, although informed, simply are stubborn and resistant to modifying their sales vocabulary. They insist that it makes absolutely no difference whether they use the word contract versus membership agreement, cost or price versus investment, deal versus membership opportunity, sign versus authorize or approve, cheap versus affordable, commission versus fee for service, or pitch or spiel versus presentation.

In reality, what difference does it make? Oh, not much. It just makes a difference in the number of memberships you'll write in a month and the amount of personal income you'll make. It will just make a difference between just being an average salesperson or a very good one or even a top sales producer.

Part 3 of TOP SALES PRODUCERS: WHAT THEY HAVE IN COMMON will appear in the June issue of THE CLUB INSIDER News. It will focus on 5 more of "The 20 Golden Rules to Super Successful Sales."

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

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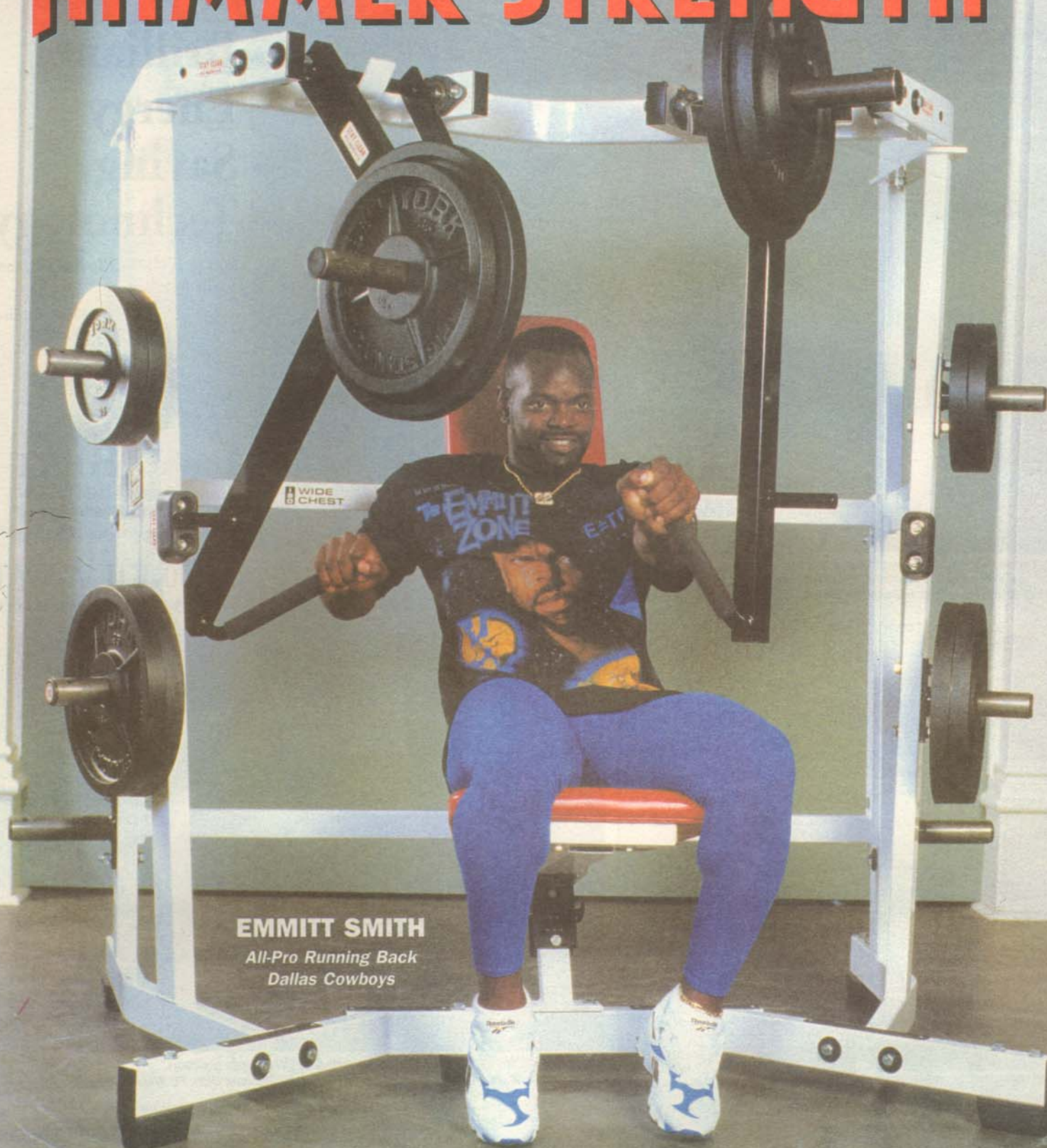
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