

Norm Cates

THE Club Insider

NEWS

The Pulse of the Health, Racquet & Sports Club Business

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THE
DOT.COM
World

A SPECIAL EDITION

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Ivanko introduces its new rubber E-Z Lift Plates. These new rubber plates feature our exclusive E-Z lift design of which our patent has recently been allowed. Our specially formulated rubber offers the facility a new pleasant scent when compared to the offensive smell of sulfur-cured virgin rubber. Because our plates are rubber, they will not damage floors or upholstery, nor dent or scratch equipment. Ivanko's rubber E-Z Lift plates can easily be used with any style of plate racks—either sliding, post, shelf type, or "spider" racks—without damage to the plates or the rack.

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The Pulse of the Health, Racquet & Sports Club Business

The DOT.COM World and The Health, Racquet and Sportsclub Industry

Where Are We Now? How Did We Get Here? Where Will We Be In 5 Years?

Norm Cates, Jr.

To say that the DOT.COM World is rapidly chang-

ing the shape of commerce on this planet is a huge understatement. Questions that remain unanswered are: (1) Who will survive this 'Chinese Fire Drill?' (2) What will they think of next?

All across America everybody and his brother is involved in The DOT.COM World. DOT.COM this and DOT.COM that! That's just about all you hear on the radio or see

on TV. Can anybody remember what earth was like before the DOT.COM World? Compared to the rest of the globe, the health, racquet and sportsclub industry is relatively

low-tech. But we are catching up! The exciting thing about that fact is that those that are already engaged in successful e-commerce are experiencing greater profits at (See DOT.COM page 6)

LATE BREAKING NEWS

L.A. Fitness Acquires Australian Body Works In Atlanta

By Norm Cates, Jr.

Atlanta, Ga.- And the health, racquet and sportsclub consolidation beat goes on.

On June 15, 2000, Paul Norris, spokesman for Newport Beach, California-based, L.A. Fitness, announced the company's acquisition of 22 Australian Body Works (ABW) clubs from veteran club owner, Tony

deLeede in Atlanta. L.A. Fitness assumed operational control of ABW on the morning of June 16th.

Tony deLeede, a man from "down-under", came to America from Australia in 1981.

While touring the U.S., deLeede fell in love with Atlanta. He decided to stay and stay he did! Opening his first Australian Body Works, women's-only facility in March, 1982, deLeede has grown to become one of

America's top health, racquet and sportsclub entrepreneurs, converting virtually all of his clubs to coed operations. ABW President and CEO commented, "Starting with one small studio in 1982, we had a (See ABW page 6)

Gold's Gyms International Inks Body Training Systems Deal

By Norm Cates, Jr.

When Kirk and John Galiani shocked the health club industry last summer with the acqui-

sition of Gold's Gym Enterprises, Inc., Kirk Galiani vowed to do the things necessary to take Gold's Gyms everywhere to a new levels of excellence.

The announcement on June 9th that Gold's Gyms Inter-

national had signed an agreement with The STEP Company to install BodyPUMP and four other Body Training Systems Programs is a huge step in that direction and the Galianis are living up to their promises to the industry.

The STEP Company is known in the business as the company that brought STEP Training to over 18,000 health clubs in the U.S. And, for those that were not in the business in 1990, the STEP provided a huge

boost to health and fitness clubs everywhere at a time when the industry sorely needed it. Since 1997, The STEP Company, through their Body Training Systems' Division, has been installing (See Gold's & Body PUMP page 30)

Wells Fargo Buys 1.9 Million Shares of Direct Focus, Inc. Parent of Nautilus

Now is clearly the most exciting time in the history of the health, racquet and sportsclub indus-

try for many reasons. One reason is that club membership across the U.S. is at an all time high of nearly 30 million. Now, there are more

commercial health clubs in the U.S. than ever, over 15,350. Membership growth has been boosted by the Surgeon General's

announcements in 1996 and an ever increasing interest and dedication to exercise by consumers around the globe. The Interna-

tional Health, Racquet and Sportsclub Association (IHRSA) has played a huge role in this in (See Wells Fargo page 16)

Inside The Insider

- A Primer On The Internet And Web Site Marketing For Club Operators
- Michael Levy Receives "Lifetime Achievement Award"
- Mentor U Offers Training
- Lifestyle Family Fitness Secures \$5 Million
- Much More!

FitnessMX.com Names Mitch Wald President, COO

Top Industry Veteran To Lead The FitnessMX.com B2B Initiative of Creating Efficiencies, Reducing Procurement Costs In Health And Fitness Industry

BETHESDA, Md.—June 15, 2000—FitnessMX.com,

a real-time B2B exchange created specifically for the health and fitness industry, announced

today that industry leader Mitch Wald has signed on as President (See Mitch Wald page 6)

Do What The Dot.Coms Do!

Give Away Free Memberships, Create A Gigantic Customer Base and Make Millions of Dollars In Profits!

By Steve Paterson

The DOT.COMS have changed the rules and are changing the way business is done worldwide.

Why is Yahoo a hugely successful e-commerce giant with a corporate net worth ten times greater than Robert Murdoch's FOX NETWORKS?

Because Yahoo gives its service away FREE. And what a valuable service it is. It's FREE, no charge or obligation to buy anything. Ever.

How DOES Yahoo Make Their Money?

By getting permission from their happy customers to ad-

vertise other businesses products and services to them. By establishing goodwill with their clients by providing their services for free, Yahoo earned the right to make money on advertising revenue and commissions for sales to other businesses. If you haven't heard of affiliate programs, you will.

This business model has "EXPLODED" growth for all industries who use its power! It is not just another successful marketing campaign. It has changed marketing and sales forever. The face of business will never be the same.

Hold Onto Your Hat!

Very soon, the fitness industry will be flipped upside down, so be sure your seat belt is tight! (*Get the book "Permission

Marketing" by Seth Godin seth@permission.com)

This is a frightening thought for gym owners when they first hear about it. "This won't work in the Gym industry!" they say. This may be the first that many of you have seen or heard of this concept. It needs time to sink in and be digested, but study it please. Because the time will come where you must partner with it or be a 'horse and buggy' on a super highway!

This is how a business model looks using (c)FREE Gym Membership Affiliate Strategy

PUBLISHER'S NOTE: The following is FIC-

TION. However, those that are way ahead of the curve on e-commerce are already envisioning a different health club world because of e-commerce. Take for example MARK MASTROV, CEO of 24 Hour Fitness, the largest health club chain in the world with nearly 400 locations. While speaking to the attendees at the Global Industry Summit held at IHRSA in San

Francisco in March, Mastrov

many in the audience. He said, "In (See Paterson page 10)



Steve Paterson

Mr. Norman Cates
C/o The Club Insider News
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Marietta, GA 30068-0021

6/9/00

Mr. Cates, I don't know how you got a hold of my name and work address but I was surprised to receive your publication at my YMCA. I was impressed by your article on page 22 of the May 2000 issue. I am an exempt employee of an independent single branch YMCA. I make a decent salary but my CEO makes a great one and I think he deserves it.

Why should hard working non-profit professionals be prevented from receiving adequate compensation? In your article you reference how the president of the YMCA of the USA receives a higher salary than the President of the United States. Perhaps you should have used a better benchmark. A lot of people can be placed in that category.

The information you choose to exclude is that the President of the YMCA of the USA oversees services and support to more than 2,227 YMCAs across the country. How much does the CEO of Bally's or Gold's Gym make? I am sure it's not comparable. Plus the President of the YMCA of the USA is not receiving any additional compensation in the form of profit.

I am choosing to remain anonymous but I am writing to you today to thank you. Thank you for all the hard work you are doing for the YMCA. Your diligent and passionate effort to remove YMCA tax-exempt status is a great help to the national movement. If you don't already know, the National Office of the YMCA of the USA has specific guidelines and recommendations for all YMCA's to follow. These are in place not to insure a win in tax-exempt challenge litigation, but to insure that each YMCA is fulfilling its mission. That's why what you are doing is so great for the YMCA.

I agree that there are some YMCA's that are not fulfilling their mission and they are the one's who are having their tax-exempt status challenged. Your efforts are helping them shape up. So it's almost like you and the other supporters of the YMCA tax challenge are the great reformers of the YMCA. You are helping YMCA's all over the country reinforce their commitment to Mission which is to help all. Not just the poor and underprivileged.

The majority of these people are children whose parents don't have enough time for because their busy working to make ends meet, or seniors that no body wants to bother with because they need special attention, or the physically challenged the majority of whom have less income to begin with and can't afford a membership at a for-profit health club.

Those of us who are doing real YMCA work thank you, thank you, thank you.

Respectfully yours,

A long time YMCA employee.

Norm Cates' THE Club Insider NEWS

June 20, 2000

Dear Long Time YMCA Anonymous Employee,

In response to your letter to me shown on the left side of this page, I have several comments:

- (1) Your name and YMCA appears on our "Master" promotion list. Each month, in addition to mailing THE CLUB INSIDER News to our paying subscribers, we mail sample copies to selected commercial health clubs on our list. You generally will receive a complimentary copy every 4 or 5 months. If you would like to receive THE CLUB INSIDER News every month, just complete the Subscription Form on page #5 and mail it in with payment. We feel it is important to expose THE CLUB INSIDER News to all commercial health clubs in the U.S. since we are all in the same business.
- (2) Second, it is wonderful to hear from my readers across the world that are loyal to their employers. You are a shining example of loyalty. In fact, you seem to be SO loyal that you have allowed the truth to escape your obviously high intellect.
- (3) The truth that I am referring to is that the YMCA's of America are nothing more and nothing less than FOR PROFIT commercial health clubs disguised as charity organizations. Who is fooling whom here? You know, I know and the YMCA of America knows that what ya'll are now operating is a sham that is taking advantage of the ancient history of the YMCA. That sham causes Federal Taxes, State Taxes and Local Taxes across America to be higher for all Americans because the YMCA's of America are not paying their fair share to support the infrastructure of this great country! Charity my foot!
- (4) You mentioned "Mega-YMCA's" not fulfilling their missions. Thanks for your honesty. Heck, in the Atlanta area, we have nothing but "Mega-YMCA's", except for the wonderful Butler Street YMCA that has stuck strongly to its mission for I guess over a hundred years. Why, we recently had one new YMCA to open that cost around \$8 million that sits smack dab in the middle of a neighborhood of homes that start at \$750,000 and go up to \$1.5 million each! Charity my foot.
- (5) You are welcome. I am happy to be doing "God's Work" by helping commercial health clubs like the YMCA's of America to improve their businesses. Don't get me wrong, I think YMCA's that stick to Their mission like the Butler Street YMCA in Atlanta are great for our country. And, yes, I too pray everyday, I pray for the health of our country. I pray for my friends in the commercial club business. I pray for my family. And, yes I pray someday that God will provide our industry with an honest to God level playing field for all and that the YMCA's of America will begin to pay their fair share!

TAX THE YMCA's of the USA!

Very sincerely yours,

Norm Cates

Publisher and Editor
THE CLUB INSIDER News
1st IHRSA President and Co-founder

P.S. Oh yeah, I almost forgot. I'm sorry to say I had to leave out our YMCA Editorial and Ad this month! Because this DOT.COM World Special Edition was packed. But, we'll be back with it next month!

• NORM'S NOTES •

• Our sincere condolences to the family and friends of STEVE REEVES who passed away at age 74 last month. May he rest in peace.

• This SPECIAL EDITION entitled The DOT.COM World was published to provide you with information that you may or may not be able to use to move your business forward in the fast moving world of e-commerce. My thanks to all of the contributing authors and to the companies that participated. Working on this Special Edition for the last two months made it clear to me how little I know and how much I want to learn. We plan to include a special DOT.COM World segment in each edition hereafter; so if you provided viable material that was not published, we will try to publish it at a later date and we thank you.

• Our page #3 this month is full of block buster news. The Wells Fargo deal bodes extremely well for our industry as those financial types don't jump into deals with poor futures. And, my congratulations to club industry veteran and Five Star club entrepreneur, TONY deLEEDÉ as he has sold his 22 club Australian Body Works chain to L.A. Fitness.

• Congratulations to CHELSEA WALD, the winner of a FULBRIGHT SCHOLARSHIP! Chelsea is the daughter of MITCH and PENNY WALD. Check out the story on Mitch's new role with Fitness MX on page #3.

• Happy Birthday to BOB "The Bod" DELMONTEQUE who has now turned 80 years of age. Bob is shown with a friend in the photo on page #24.

• Also, CONGRATULATIONS to TODD and BRENDA PULIS and their entire family as their world class THOREAU COMPLEX in Concord, MA. Celebrates their 50th Anniversary!

• Thanks to BONNIE PATRICK of the Fitness Company for sending a copy of the huge Special Section on health and fitness recently published by the Wall Street Journal. I'll have a review of that publication next month. STAY TUNED.

• LARRY KRIEGER, former IHRSA President and long-time Saw Mill River Club General Manager, has departed Club Sports International for the role of President of the Northern California of JILL STEVENS KINNEY and JOHN's-CLUB ONE.

• HealthSouth is going to sue the Health Fitness Corporation over a dispute related to the sale of the physical therapy units which went South when the deal with Healthrax was signed last month.

• Congratulations to TSI as their new club in Harlem is a great success and has been well accepted by the community. Word is 80% of the staff was hired from the area surrounding the club.

• IHRSA recently conducted focus group research in Chicago and Boston on the fair competition issue and the results, written by IHRSA Executive Director, JOHN McCARTHY were quite illuminating, and here they are: "(1) The public isn't interested in the fairness issue! To the public, the fairness issue is an intramural affair that doesn't effect them. (2) The public IS interested in the tax issue. Because it effects them. Two messages that the public finds hard to dispute are: (1) Taxpayers subsidize every health club membership that a charity sells. (2) If an organization acts like a business, it should pay taxes like a business. Further, a message that no one disputed was: Selling fitness services to adults is a commercial activity." John closed his summary as follows: "Therefore, when we frame the argument around the tax issue, we are standing on firm ground. On the other hand, when we frame the argument around fairness issues, the public couldn't care less."

• TOM RHIND has been named President of the Power Hospital Corporation and has announced that he will deal only with for profit hospitals in the future.

• LOU QUINT'S Northwest Club Management, Inc. now operates six clubs in the Portland, Oregon area. That is rapid growth since at the beginning of the year, Lou's company operated one location. Quint is a great guy and a straight shooter and one of the people that gave me great encouragement when I had just started The CLUB INSIDER News in 1994. Thanks Lou and good luck with your ventures!

• NICK LEMBO has been named General Manager of the new Northwest Athletic Club in Maple Grove, Minnesota. The new \$12 million club is owned and operated by the Wellbridge Company, formerly

called CSI.

• DR. JAMES RIPKA has departed from the The ALDEN GROUP in New York City and has started his own advertising and PR agency called "Big Bang Marketing." Jim previously provided services for the MedX Corporation. Jim may be reached at: (516) 504-7515 or email at: BigBangMarket@aol.com

• RANDI LADUE, the owner of Pro*Fit Enterprises, the company that distributes the PACE Group Exercise Program, has appointed Sisters PACE Fitness as the new, exclusive Distributor of Pace for Canada. Sisters Group Fitness is owned by four sisters, JANET DELLAIRE, KAREN SMITH, ELLEN ROBERTS and LOUISE WILSON. Good luck ladies!

• American Health and Racquet President, BOB WHETSTONE, has announced the development of its third facility to be in Myrtle Beach, S.C. The new 13,000 square-foot facility will open in October, 2000 and will be located in the downtown area of Myrtle Beach.

• In a real coup for Gold's Gyms International, ROYCE PULLIAM has changed his 7 World Gyms to Gold's Gyms and has received the exclusive Gold's Gym rights in the States of Kentucky, Tennessee and the entire Cincinnati, Ohio marketplace. Pulliam projects 16 Gold's Gyms in the Kentucky-Tennessee-Cincinnati markets within the next 4 years. Pulliam commented, "Gold's is going in the right direction. I like their new long-term strategy and growth plan...They have what the industry is looking for - leaders."

• Senators BOB KERRY (D-NE) and KENT CONRAD (D-ND) have signed on as the 20th and 21st sponsors of the PEP BILL, which if passed, would provide \$400 million over 5 years to physical education programs in schools across America. Kerry is DAVE PUTENSEN's partner in the Prairie Life Group of Clubs in Nebraska. I'm glad to see both on board, but I wonder what took Senator Kerry, a club owner, so long to get behind this important legislation. I hope he is working on his buddies in Congress so this PEP Bill gets passed next year!

• Bally Total Fitness has acquired JACK GARRISON's 13 Portland-area facilities. Garrison, a highly-decorated veteran of the LAPD (Los Angeles Police Department), began his club group in the early 80's as Nautilus-Plus, then

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E Mail - clubinsidernews@mindspring.com

converted to Gold's Gyms for several years before selling to Bally.

Jack was one of the first American clubowners to develop ESOP (Employee Stock Ownership Plan), transferring significant equity positions to his key staff. That brings the LEE HILLMAN led Bally chain to 385 locations. And, the Bally stock continues to trade at around 25. Also, recently, a feature writer for Crain's Chicago Business publication, noted that Hillman had grown Bally's revenues by 16% to \$861 million and made special note of Bally's website. Check it out at: <http://www.ballyfitness.com> Bally's site is expected to generate \$25 million this year, so there is a great example of excellent e-commerce at work! Last, on June 9th, Janus Capital announced it had purchased an additional 499,275 shares of Bally Total Fitness, increasing its stake from 8.5% to 10.7%. Janus Capital is one of America's largest equity fund management companies.

• ACE, The American Council On Exercise, recently made the following announcement: "From Dr. Adkins to Volumetrics, from Barry Sears to Eat Right For Your Type, people are spending more money on weight-loss diet subterfuge and less time staying fit. In an effort to help consumers cut through the clutter of the weight-loss fads and gimmicks saturating the market, ACE has endorsed "The 9 Truths About Weight Loss" (Henry Holt & Company) by Daniel S. Kirschenbaum, Ph.D. Thanks ACE folks for sending a copy to me.

I need it to go along with my BodyPUMP workouts I've started!

• Forbes Magazine has picked in its annual "Best of the Web" issue, five web sites which are the best in the fitness industry. They are: asimba.com, cbshealthwatch.com, ediets.com, fitnessonline.com and gym america.com check them out!

• MIKE TALLA's Sports Club Company has amended its stockholder rights plan to allow Talla and others to buy back more of the stock. If this keeps up, SCC could be a private company again. That might be good for Mike and the industry.

• Congratulations to KIRK GALIANI and his team as Gold's Gyms has won, for the third year in a row, the Advertising Club of Los Angeles' Belding Award. Congrats also to the talented, DEREK BARTON, Marketing Director for Gold's.

• BAHRAM AKRADI, the founder and President of an emerging giant, has secured \$40 to \$50 million in additional financing for Life Time Fitness' massive expansion activity. Akradi, an Iranian immigrant and dishwasher at age 17, is a great story of living the American dream!

• Don't forget to write in your calendar for November November 29 thru December 2nd for the IHRSA/Athletic Business Convention in Orlando and the biggest one of them all, the 20th Anniversary of IHRSA Convention and Trade Show in San Francisco, California, March 21st - 25th. Call (800) 228-2772 for IHRSA membership and convention info. See you there!

• STAY TUNED!

Norm Cates' **Club Insider** NEWS

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Mitch Wald...

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and Chief Operating Officer to oversee the implementation and growth of FitnessMX.com.

Mitch most recently served as President and Chief Operating Officer of Sport & Health Company, which owns and operates 27 premier health clubs in the Mid-Atlantic region. He was responsible for the operational and financial success of all clubs.

In 1990, Mitch served as President of the International Health and Racquet Sports Association (IHRSA), the leading association serving the health and fitness industry. Additionally, he received IHRSA's Marketing Excellence Award (1986), served on IHRSA's Board of Directors from 1987-1991, and was honored

with IHRSA's Distinguished Service Award in 1996.

Mitch's extensive background and experience in the health and fitness industry includes over 20 years experience with Smith Club Management, an affiliate of The Charles E. Smith Company, where he was responsible for overseeing operations and management of their health and athletic clubs — including Worldgate and The Skyline Clubs. Prior to joining FitnessMX.com, Mitch served as an independent consultant, assisting the company in its early stages of development.

"When I first heard of FitnessMX.com, I thought it sounded like a cutting edge opportunity — but to see it coming to fruition is truly exciting," Mr. Wald said. "Until recently, the health and fitness industry had always been a hi-touch, low-tech field. However,

FitnessMX.com allows this industry to streamline its procurement, by leveraging the power of technology and the Internet. FitnessMX.com allows the people running the clubs to concentrate on running the clubs. The beauty and added value," he continued, "is that FitnessMX.com is completely focused on the needs of the health and fitness industry. With this integration, I now know FitnessMX.com will have a significant and positive impact on the industry."

"We are proud and excited to have someone of Mitch's caliber leading the day-to-day operations of the company," said Co-Founder Richard G. Warren. "Although this is a multi-billion dollar industry, it's an extremely tight community. Mitch has been there from the start and has helped nurture and grow the

health and fitness industry to its current stature.

"With nearly 700 health clubs already signed up, and the group of participants growing daily, Mitch's continued commitment to work in the best interest of the health and fitness industry enables FitnessMX.com to ensure that the value offered to both buyers and suppliers in our hub will not only be achieved, but maximized," said Co-Founder Avi Adler. "We know Mitch had many choices, and we feel extremely fortunate that he has chosen to join the FitnessMX.com team as President and COO."

About FitnessMX.com

Founded in November 1999, FitnessMX.com is the premier, fully integrated market exchange for the health and fitness

industry. FitnessMX.com offers a true vertical portal for industry buyers and suppliers featuring one-stop shopping — from towels to treadmills — and industry services. By combining commerce and content, FitnessMX.com provides key features including:

- * Buyer "request a bid" from single or multiple suppliers
- * Buyer e-procurement and cataloging capability
- * Supplier-to-buyer auctions and value-added interactive e-tools for all participants real-time, seamless customer relations management (CRM) service.

Contact:

FitnessMX.com

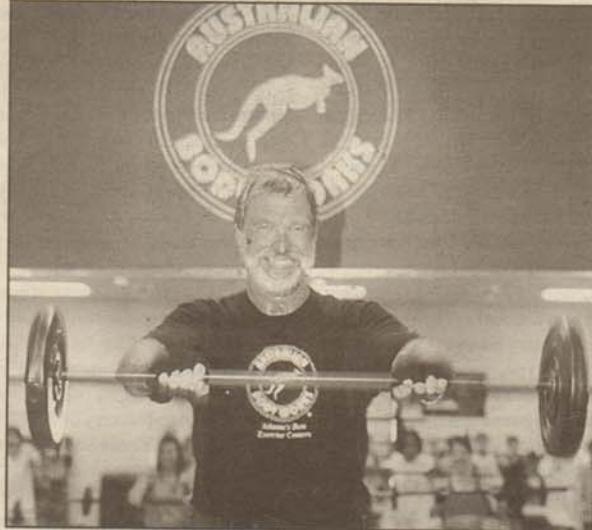
Richard G. Warren, 301/652-2248

rich@fitnessmx.com

or

Avi Adler, 301/652-2248

avi@fitnessmx.com



Tony de Leede teaching Body PUMP at Grand Opening of last ABW Club

...Dot.Com

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lower costs across the board.

In the health club business a number of big companies are betting heavily on the prospect that e-commerce, through the utilization of captive "eye-balls" in health clubs, will pay big dividends. Many of the top club groups in North America are already on the bandwagon in a big way. Take Bally Total Fitness, for example, whose e-commerce department is projecting \$25 million in revenue for this year. The Bally website is currently experiencing 17-million hits per month! Bally's web site enables members to schedule appointments with trainers, book reservations for exercise classes, make credit card payments and buy vitamins and workout gear. Prospective members can go on-line to get 2-week passes. Currently, over 50% of the on-line guest pass users are be-

coming members. On the supplier side, The E-Zone Network recently hired veteran Michael Stein, formerly with Warner Brothers and StairMaster and announced that it had exceeded 10,000 tower installations in over 300 clubs. The E-Zone folks say they have signed agreements for 30,000 installations. Netpulse, founded by Tom Proulx, blew a lot of club industry minds when it announced early this year that it planned to give away its systems to qualifying clubs. That move could easily be argued as the first major clue that Exercise Entertainment, formerly a concept intended to attract and keep members exercising, was going to become a nationwide "eye-balls" hunt. Now, everybody in the industry is beginning to figure out what Proulx and his new alliance partner's Life Fitness and Bally Total Fitness, already knew. That major corporations now pay major bucks for access to your member's "eyeballs." For example, E-Zone now has Cleveland Golf,

Linens 'N Things, StairMaster, Reebok and Logic Nutrition signed to advertising contracts. Netpulse has such as giants as Toyota, General Motors, WebMD, iVillage, Proctor and Gamble and HealthCentral signed to ad contracts.

A "Backdoor" Approach

Both E-Zone and Netpulse started their campaigns a few years back by selling their systems and hardware to clubs. Netpulse defined and intensified the "eyeball" hunt with their announcement right after the new year that they were beginning to give away their systems to qualified clubs.

This beginning left many club owners asking, "Hell, I just paid big bucks for the system! (you fill in the blank) Now it is free! What kind of deal is that?" But, giving credit to both E-Zone and Netpulse, they made adjustments with those clubs as

by Principals, Chin Yi and Paul Norris. The third L.A. Fitness partner remained unnamed. Since 1984, L.A. Fitness has been growing at a rate of 30% per year. L.A. Fitness is making a strong move into major U.S. markets and now operates 41 locations in California, Arizona, Florida, New Jersey and Pennsylvania. The acquisition of ABW's 22 locations in Atlanta, brings the number of facilities owned by L.A. Fitness to 63 with 11 in various phases of construction.

L.A. Fitness is now rolling out major full-service 40,000-50,000 square-foot upscale facilities, complete with full court basketball, lap pools, steam, sauna and spa facilities, complete workout floors and cardiovascular areas. They also provide boxing, indoor cycling, step, aqua aerobics and yoga as well as numerous other group exercise classes. Additional amenities include per-

sonal training, diet and nutritional counseling, sports rehabilitation and Kids Klub babysitting. L.A. Fitness plans to offer similar facilities in the Atlanta area soon.

The Mission Statement for L.A. Fitness reads: "The Mission of L.A. Fitness is to create a national network of full service sports clubs while offering our members the widest range of amenities at the lowest possible price."

The principals of L.A. Fitness wish to maintain a low-profile as they grow their company. Our thanks to L.A. Fitness Vice President, Paul Norris, for providing The CLUB INSIDER News with this important story just 24 hours before our deadline. Paul Norris, commented, "Although we are a privately held company that does not disclose sales figures or growth plans, we felt an acquisition of this magnitude required comment."

Web Site Marketing For Clubs." We also have included a report from the Brick Bodies' Director of Marketing, Kim Donovan, on "E-Commerce For Your Club." Plus, we've included in this Special Edition an interview with National Gym Supply President, Jon Webster and an article submitted by Steve Paterson, entitled:

"Do What The DOT.COMS Do!"

A fictional piece in which Steve visualizes the year 2005 and a world in

which health clubs are being built where they give away their memberships for free! Very interesting, thought provoking reading! Also included in this issue are several overview reports about DOT.COM companies that are now engaged in the health, racquet and sportsclub industry, as well as our normal latest industry news. Hope you enjoy this Special Edition - "The DOT.COM World!" Stay tuned.

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APRIMER ON THE INTERNET AND WEB SITE MARKETING FOR CLUBS

By Michael Scott Scudder

Trying to run a modern health club without a web site is like attempting to charge \$100 a month membership dues in a tired old club with 15-year old equipment! You can try it, but it's likely that "that dog won't hunt!"

The advances in current technology are enticing owners and operators the world over to consider the Internet as THE new vehicle for marketing their clubs and interactively stepping up efforts to increase

retention. Consider a few current statistics:

- * It is estimated that over 100,000,000 people use the Internet everyday - just in the United States alone!

- * A new web site is registered every 5 seconds.

- * Predictably, 40% of any club's marketplace (customers and potential customers within a 15-minute drive time) have email addresses.

- * Over 50% of most clubs' members have email.

Now add to the mix some commonly-known facts:

- * Most people pay little attention to health club newspaper advertising - ads all look the same.

- * Newspaper and Yellow Page advertising generally only strike the "already-interested" markets - not the more well-heeled "Yet To Get Fit" markets.

- * We still have an industry attrition factor approaching 40% annually.

- * The sought-after "de-conditioned" markets are leery of clubs and anticipate high-pressure selling tactics when they come into a club to ask about membership - and consequently, often stay away from clubs.

Web sites provide a host of services to members and potential members that other forms of marketing simply cannot touch:

- * The "soft tour" for prospects. Potential new customers can tour your club in the comfort of their own home or office, using "virtual graphics" to find out about facilities, services, programs, even costs.

- * Information updates can be processed at the fastest possible speeds and lowest operational costs by posting on a web site.

- * Club newsletters can be produced less expensively and more effectively over the web, reaching people that regular mail doesn't - at far less cost.

- * Club programming, class registrations, special events and interactive health/fitness educational services are a natural for a web site.

- * Club "member activity points," which can be posted on a web site, are an effective way to keep people exercising.

Club operators should consider that less than 40% of a target audience reads perceived "junk mail," while over 60% of any audience will read email. Email is faster, cheaper and more effective. To the customer, it speaks well of your club to have a web site and email communications because you are viewed as "modern" in his/her eyes. Most email messages take less than a minute to read, where the perception of the member or prospect is that it will take far longer than that to get information from a club from other "standard" methods.

What are the essentials of

a good web site? According to experts in the field, the following are musts when developing a site:

- * Most importantly, the site should be customer-oriented, not club information heavy. Talk about what will appeal to customers on each page, NOT what you think differentiates you from other clubs.

- * A web site should be text-heavy and graphics-light. (Graphics slow down pages, and most readers won't stick around for "long loads." Where you must use graphics, keep it simple and tell the viewer how long it is going to take to load, or that he can "Save" the file for offline viewing. Also, text should be in easy-to-read sentences; bullet points are more effective than long paragraphs.)

- * Easy to maneuver around. Simple instructions on how to get to pages.

- * Colorful. Colors are appealing to the average reader.

- * Artfully developed "teasers." Start an article, and then have a button that can be clicked on to get "More."

- * Giveaways, downloads and easy-to-get information articles that can be handily printed out by the reader are a must.

- * Club hours, class schedules, enrollment opportunities and a club e-store should be on every site.

- * "Special" pages for target markets (seniors, inactives, teens) should be included.

There are a host of ways to get a web site started. Remember, the strategic keys are: get your site published, register your domain name, set up an account with an ISP, get recognized by search engines, and let the industry know what you're doing. If that sounds too hard, consider the following:

- * Barter with a member in the technical field. (Be careful, he may be likely to do HIS web site rather than YOURS, if left to his own designs!)

- * Hire a development firm. This can range from a low of \$1000-\$1500 to well over \$25,000.

- * Download any of several "free web development kits" from sources such as Netscape, Microsoft, Yahoo, America On Line, etc. Most of them are relatively easy to use and are editable.

In summary, smart operators must now consider that the mar-



Michael Scott Scudder

kets for fitness have changed, and that there are more market segments than ever before. These segments are often "lifestyle" oriented (GenXers, boomers, late boomers, seniors), and will be reached most readily by more sophisticated individual approaches (the Internet) than by traditional, mass-market approaches (newspaper, radio). People using the Internet will double from the current numbers in less than five years. E-commerce will increase one hundredfold in less than three years. Techno-savvy clubs will be there to reap the rewards.

(Sources used for statistics: *Guerrilla Marketing Newsletter*, *Trend Letter*, *AltaVista search*, *IHRSA's State of the Industry Report 1999*, *Gilder Technology Report*, *Michael Scott Scudder independent research*.)

(Three must-read books for modern marketing techniques: *Selling The Invisible* - Harry Beckwith, Warner Books; *The Pig and the Python* - David Cork, Prima Books; *The Roaring 2000s* - Harry S. Dent, Jr., Simon & Schuster.)

(Michael Scott Scudder, noted fitness industry consultant and motivational speaker, was one of the first club operators to use computers and has actively been involved in technology for nearly 20 years. He has advised club management software companies on design, development and marketing (Aphelion, Legend and CSI), has consulted to interactive exercise software makers (FitLinxx, Schwinn's Fitness Advisor and SciFit), and heads Fitness Management magazine's Nova 7 Awards committee for "Web Sites and New Technology." Scudder's web site, www.michaelscottscudder.com, regularly receives over 14,000 hits per month. He can be reached through his web site, by email at fitfocus@aol.com, or by telephone at 505-751-4236.)



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Paterson

continued from page 4

5 years I would not be surprised to see clubs providing memberships to the public for free!" Other leading edge thinkers like the people at E-Zone Networks and Netpulse are already ahead in the movement to "capture eyeballs."

Steve Paterson is the Vice President of Sales for Worldwide Fitness (WorldwideFitness.Com), a Southern California-based company whose business is buying used and selling refurbished fitness equipment. Worldwide Fitness is one of the leading marketers of refurbished fitness equipment in the world and Steve Paterson has used e-commerce very aggressively for several years now.

While the article that follows may upset some readers, his writing certainly gives new 'food-for-thought'. In fact, contained within the article are comments about the GymBusiness.com Group that are not fictional and are actually taking place.

The Publisher of The CLUB INSIDER News in no way endorses the notion of the establishment of health clubs that provide memberships free to the public. In a time where the approximately 60-year old health, racquet and sportsclub industry is attaining credibility with the public that permits memberships to be sold at a fair price for fair services provided, it is the opinion of the Publisher that the "eyeballs" sought by advertisers should be membership dues paying eyeballs. However, Steve Paterson provides several viable concepts in his writing

that could easily help health clubs generate additional gross revenues from their operations. In our opinion, therein lies the true value of this FICTIONAL work and is the sole reason for the publication of this article.

*This is how
a business model looks
using (c)Free Gym
Membership Affiliate
Strategy*

FreeGyms.com is incorporated on November 20th in the year 2000. FreeGyms.com opens with 5 facilities in leased space within an 80-mile radius in beautiful Southern California. Upon lease signing, the business development process begins.

**Business Equipment
Sponsorships**

The first phase puts together 22 different businesses that agree to buy all the fitness machines needed for each location and give them to FreeGyms.com. The agreement with these businesses is they pay for the exercise machines and FreeGyms.com mounts a nice gold plated plaque that is 3" x 3" on each exercise machine. This plaque promotes the sponsoring business and gives their phone number and website address. The agreement states that these plaques will stay on each machine for at least 3 years.

The benefits to each sponsoring business is 3 years of exposure to the local members who will use each machine over 100 hours every month. These participating businesses write off the fitness equipment cost as a marketing expense in year one. And get 3 years of exposure at no additional cost.

**Free Membership
Campaign**

The next phase is member recruitment. Of course FreeGyms.com does not have a sales staff. So they use 2 very effective and costfree methods to harvest members by the thousands.

The first strategy is Public Relations or Free Press using Paul Hartunian's steps to free press (call 973-509-5244 to get your free report on PR). Very quickly local magazines, newspapers, radio

shows, and local TV cable channels want to do a story about the FreeGym.com, the company giving away thousands of free memberships to anyone over 21. The local TV news and the CNN local edition reporters race frantically to be the first to cover the story. 3 TV news helicopters circle over the 5 locations on opening day.

The other method to harvest members is also very effective. Over a 30-day period FreeGyms.com contacted 500 local businesses and gave each business gift certificates for a FREE year gym membership at any of the 5 locations. These businesses were instructed to give these certificates away to all of "their" own customers. These 500 businesses give away an average of 50 free one year memberships every week and bring in about 25,000 FreeGyms.com application requests every week leading up to the grand opening.

However, there are restrictions to this free membership. Members have to be over 21. And everyone must fill out the membership application correctly and completely before their membership card is issued. To be approved, the member must agree to be targeted by FreeGyms.com business associates. And this application has 33 questions about lifestyle, buying habits and income level. If any part of the form is not completed or if the marketing waiver is not signed, the application for the FreeGyms.com membership is declined.

At opening day FreeGyms.com has 25,000 applications authorized and approved and after 2 weeks 100,000 membership cards were issued between the 5 locations.

Needless to say FreeGyms.com was the talk of Southern California. Which was the plan because this publicity leads FreeGyms.com into their next (most important) strategy.

**How FreeGyms.com
Makes Money**

The next and most important step is how FreeGyms.com makes money. They do so by building partnerships with businesses who sell products and services to customers like FreeGyms.com members. Since 5% of the new FreeGyms.com members are local business owners, it made this task much easier.

FreeGyms.com members that are local business owners are met with individually by FreeGym.com's executives. The co-op marketing philosophy behind giving away a free gym membership is carefully explained. They relate the new member's agreement that they must accept the advertising efforts by FreeGyms.com business associates while in the clubs. They explain how these participating businesses have sponsored their free membership. And, they explain that to guarantee that this free gym strategy continues, the members are asked to buy the products they need, from these affiliate businesses. They explain to the potential business associates how this free gift strategy links to basic human emotions. After the affiliates understand the potential marketing and sales benefits to their business, they rapidly signed up to be partners.

The most creative and interesting part of this Free Gym Membership marketing strategy is the partnerships and the variety of methods for producing income for FreeGyms.com and generating sales for the business associates involved in the program.

**PROFIT CENTERS
FOR FreeGyms.com**

Following is a brief description of 5 key profit centers used by FreeGyms.com and the associate partners.

1) PROMO PAK - Every month a Promo Pak was mailed to each member at home. This Pak includes over 100 coupons, free samples, brochures, 2 for 1 specials and an assortment of offers, all promoting FreeGym.com Associate's products to FreeGyms.com members.

The charge for each business was \$325 per location each month.

The members were excited to receive the PROMO PAK every month because of all the coupons and special offers. This Pak generates approximately \$130,000 in PROFITS every month between the 5 locations.

2) INDOOR BILLBOARDS - Another profit generator is indoor billboard advertisement. FreeGyms.com utilized an interior design expert to create large colorful frames that hang on just about every available wall space in each

(See Paterson page 29)

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The International Sports Sciences Association (ISSA) was founded in 1988 by Sal A. Arria, D.C., MSS, and Frederick C. Hatfield, Ph.D., MSS. These two pioneers in the field of fitness and sports medicine sought to build a solid foundation for health and fitness education that would standardize knowledge, techniques, and philosophy both nationally and internationally. ISSA then formed an advisory board culled from the elite ranks of research, coaching, sports medicine, and other branches of sport and fitness science. The majority of ISSA professors and advisors are both world class athletes and Masters or Ph.D.s—people who have extraordinary academic backgrounds, and also practical “in the trenches” fitness training experience.

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International Sports Sciences Association

Internet More Popular Than TV Among Active Lifestyle Consumers

Netpulse Communications Announces the Launch of its Metrics Initiative: Regularly released data about Active-Lifestyle, Affluent Web users in the U.S.

SAN FRANCISCO

Netpulse Communications, one of the world's largest Internet media network targeting upscale, active-lifestyle consumers, announced that fitness center users in North America chose to use the Internet 52 percent more often than television while exercising on Netpulse-equipped cardiovascular equipment during the first quarter of 2000. Netpulse enables active lifestyle users to surf the Web, shop online, email, watch television, listen to music, and track their workouts on cardiovascular exercise equipment. Netpulse is partnered with nine of the top 10 fitness center chains in North America. This announcement illustrates the first in a series of regularly released data about active-lifestyle users of the Internet and other media from Netpulse Communications, the first and only company with knowledge of Internet usage behavior in fitness centers.

"The usage data that we derive from our extensive network of

Netpulse-equipped fitness centers is the first-ever glimpse of the behavior of a large, affluent audience whose media use, before now, had not been measured in a fitness center setting. These people are difficult to reach through traditional media because of their active lifestyles, and Netpulse is the only source for this information," said Tom Proulx, CEO of Netpulse Communications. "The fact that this attractive demographic chooses the Internet over television when given the choice is an important message to advertisers."

Email and Search are the top two Netpulse channels.

Netpulse Channel Percentage of all Clicks:

1 Email	19.47%
2 Search Engines	16.59%
3 Money	9.12%
4 Sports	8.47%
5 Entertainment	8.28%
6 News	8.08%
7 Travel	4.78%
8 Shopping	3.70%

9 Fitness	3.53%
10 Careers	3.44%

Fitness Center members:

— 70 percent more likely to earn over \$100,000 than the average Web user.

— 59 percent more likely to be college educated than the average Web user.

— 46 percent more likely to be top management than the average Web user.

— 16 percent less likely to be reached by conventional media than the average Web user.

Source: MRI—individuals who work out at a fitness center two or more times a week.

Demographics of Netpulse

N

Netpulse is one of the stickiest advertising mediums available. A large, captive audience looking for a distraction from their workout regularly spends an average of 20 minutes at a time on Netpulse machines and uses the machine an average of two times a week.

Netpulse users are:

- a median of 31 years of age,
- 53 percent female and 47 percent male;

Source: MRI—individuals who work out at a fitness center two or more times a week.

The Netpulse Network is one of the most powerful broadband content delivery platforms available on the Web today. Its highly-convergent PC/TV environment and high-speed, highly-compelling rich media platform offers a powerful alternative to the ad banner, providing advertising and marketing partners with a state-of-the-art channel through which to reach highly-

captive, highly-affluent active adults while they work out.

About Netpulse Communications

N

Netpulse is the world's largest Internet media network targeting upscale, active-lifestyle consumers. Utilizing a proprietary Internet appliance that attaches to exercise equipment, Netpulse is building an all-broadband network that is one of the "stickiest" platforms on the Net. The company's initial focus is the 100 million consumers who exercise in fitness facilities worldwide.

These consumers have a combined purchasing power of \$3.3 trillion annually and spend 120 billion minutes per year on exercise equipment that can be outfitted with Netpulse.

Services provided by the Netpulse Network(TM) include Web surfing, e-commerce, email, music, personal TV, workout tracking, custom (See Netpulse page 24)

Michael Levy Receives "Lifetime Achievement" Award From IHRSA Canada

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Niagara-on-the-Lake, Ontario- On June 1st, at the annual meeting of IHRSA Canada at the White Oaks Conference Center, John Wildman, President of Toronto's Fitness Institute, speaking on behalf of the Canadian health club industry,

presented Michael Levy with IHRSA Canada's highest "Lifetime Achievement" Award.

Michael Levy has been in the business for over 27 years and along with his long-time partner, Jay Kell, now operate all of the Bally Total Fitness Clubs in Canada, several in Up-

state New York as well as the Sports Clubs of Canada, which they sold to Bally last year.

IHRSA Canada President, Clive Caldwell, owner of the Adelaide and Cambridge Clubs in Toronto and the Montreal Athletic Association in Montreal, commented, "Michael Levy, in concert with his partner, Jay Kell, has made innumerable contributions to promoting, developing and uniting the Canadian health club industry. The industry continues to benefit from his thoughtful guidance and visionary leadership."

While it is entirely appropriate that Michael Levy singularly receive this award and we congratulate Michael warmly, it should be said that IHRSA Canada could not have gone wrong had they decided to give out two awards in this instance. The second could have well gone to Michael's excellent long-time partner and friend, Jay Kell. Congratulations Michael (and Jay) on this award as your excellence seems to have come through your outstanding team work over the years!

Norm Cates' **Club Insider** NEWS

Established 1993

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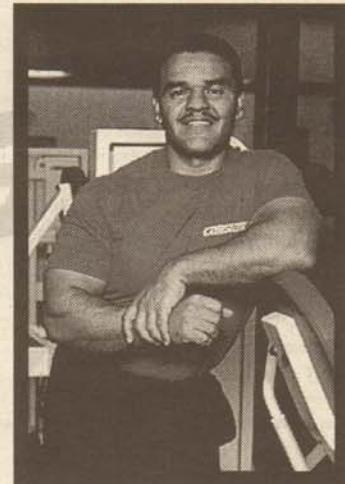
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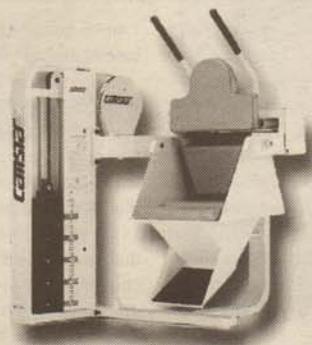


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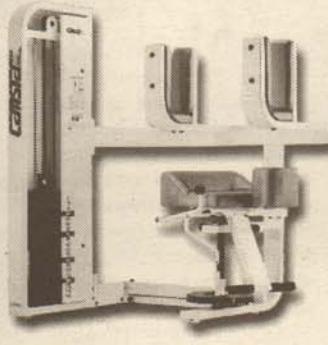


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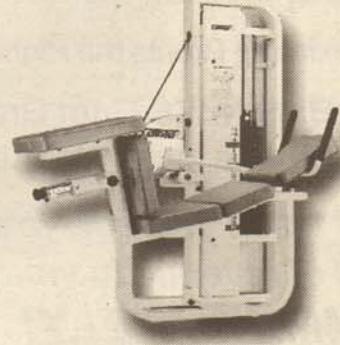
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Gold's Gym International Teams With FutureLink

FALLS CHURCH, Va.

Gold's Gym International announced recently that it will outsource the hosting and maintenance of several business-critical applications, including Microsoft Office, Microsoft Exchange and Legend, a health club management application to FutureLink. FutureLink is one of the first Application Service Providers. The agreement is for 3 years.

Gold's selected FutureLink because they offered a turnkey solution to deliver complete, standardized information technology (IT) services to their corporate workers and franchisees. Flexibility and cost-efficiency were key considerations for Gold's when making this choice. The transition will happen without extensive user training and the need for remote IT resources. The

turnkey solution included in-house technical support and a per club/per user pricing model that will help Gold's with exact cost estimates of getting a new gym up and running.

Ease of access by the franchisees was also a prime consideration.

Jeff Skeen, Gold's Gym Chief Information Officer commented, "As an organization, Gold's Gym believes strongly in expertise outsourcing." Skeen added, "FutureLink's level of Citrix expertise and experience in hosting applications for other organizations were important factors in our decision to outsource hosting and management of our critical business applications to FutureLink."

The initial implementation

will support end users at Gold's corporate offices and fitness facilities located in the Washington, DC, and Venice, Calif. markets.

About Gold's Gym

Gold's Gym is one of the most recognized names in the fitness industry. Founded in 1965 in Venice, Calif., it was known as the place for the "serious" workout. Bodybuilders outside Muscle Beach found an inside haven at Gold's Gym, which quickly became known as "The Mecca of Bodybuilding." In 1975, Gold's Gym received international attention when it was featured in the movie "Pumping Iron" with Arnold Schwarzenegger and Lou Ferrigno. In 1980, the Gold's Gym

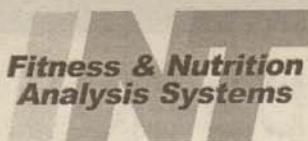
Licensee program began. Recently, in The Guinness Book of World Records, Gold's Gym was recognized as the largest international gym chain, which currently has over 550 facilities serving over 2,000,000 members in 47 states and 26 countries. Gold's Gym is anticipating within the next three to five years to grow that number to over 1,000 facilities worldwide. Between the gyms, licensed products and the never-ending publicity in feature films, television and print, the Gold's Gym name has become one of the most visible logos in the world.

About FutureLink

FutureLink, The Application Utility Company(TM), is one of the founders of the Application Service

Provider (ASP) industry and a founding member of the ASP Industry Consortium.

FutureLink's ASP Division provides businesses with off-site, Internet-based computing. The company's Server-Based Computing Division builds application server farms and provides Microsoft and Citrix application server software integration services. With server-based computing solutions, FutureLink's customers manage their own server farms while utilizing FutureLink's consulting expertise. For more information, contact FutureLink toll-free at (877) 216-6001; e-mail: sales@futurelink.net; or visit the FutureLink Web site at <http://www.futurelink.net>.



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MedXonline-dot-com provides prospective buyers of MedX equipment instant access to detailed product information and puts numerous business-building resources at the fingertips of existing customers. This includes a full rundown of the MedX selectorized machines, plus the new Avenger Training System of plateloaders, MedX Medical equipment, the MedX Stretch, and the golf-athlete training program.

The official company site of MedX is designed to be "novice-user friendly," according to Terry Duschinski, MedX product manager.

"We tried to make it solid meat and potatoes type stuff, heavy on content without gratuitous flash," Duschinski explained. "A lot of web sites are exhibitions of the graphic artist's skills, which many times leaves the novice web user confused about plug-ins, downloads, special software, and scripts. You don't need to have mastered today's cutting edge technology to comfortably navigate our site."

MedXonline-dot-com also supplies relevant exercise information, including a guide to strength training by Ted Lambrinides, Ph.D., and Ken Mannie, strength coach at Michigan State University. Dr.

Lambrinides also writes an Exercise Science Update.

Arthur Jones' classic Bulletin No. 1 and Bulletin No. 2 can also be accessed through the site. These 30-year-old manuals chronicle the training philosophy of the MedX founder.

Pictorial instructions for the use of most selectorized machines launch in a "child window" on the data sheet for each model. These also can be downloaded by MedX customers for use on their own web sites.

The customer support area (www.MedXonline.com/Support) provides downloads of stock MedX photos, logos, a template press release, and chart-making software that works in Windows95. Dimensions and other specs on all MedX equipment are also posted.

Various forms are provided throughout the site enabling those seeking product information to receive quick attention from MedX product specialists.

The site also contains state-by-state listings of therapy/rehab clinics that feature MedX medical equipment, helping consumers locate the treatment they desire.

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National Gym Supply Using E-Commerce Successfully Everyday

An Interview With Jon Webster, President of National Gym Supply

Jon Webster founded National Gym Supply in California in 1994. He provides a service that every club owner/operator/manager in America needs. National Gym Supply provides rapid (overnight) and efficient access to key replacement parts for exercise machine repairs and expert trouble shooting advice to those making the repairs.

Webster's company has been engaged in e-commerce since 1998 and he has constructed outstanding Web sites that perform two very important functions: (1) It informs the visitor about all the details of his company operation and how the customer can obtain the services he wants. (2) Gives the customer the ability to immediately solve his/her exercise equipment troubleshooting and parts ordering.

We encourage you to go to the National Gym Supply Website and check out how he has structured his site:

www.gympart.com

The following interview contains several important messages from Jon to the industry at large. What he has to say is important to both club operators and vendors of products and services.

Q. Jon, how did you go about developing your National Gym Supply Website?

A. I actually found a Website that I really liked. I took it to my Website developer and showed it to him. Our site actually allows our customers to go to the equipment listing, select the part and the Website then shows him an image so that he can actually see the part before ordering it. This enables him to confirm that it is the right part by looking at it. We have about 1,400 images that have been scanned into the Website. Then, we also have sche-

matics of the machine so the customer may click on the schematic, and it will show the customer exactly where the part goes. This provides the customer with further confirmation that he has the correct part. Then, on the right side of the page is a spot where running total number of parts is recorded. What I like about this site is you never have to switch screens. One screen shows you the index, your parts and your ticket.

Q. Jon, this Special Edition will be read by club owners and vendors alike. What advice could you give anyone that is not now in e-commerce?

A. I think it is important to differentiate between a Website and an e-commerce site. A Website is like a billboard or a brochure on the Internet. But, it is important for club operators to realize that a simple

Website is not necessarily an e-commerce site. That's not what ours is. The Internet turns us into a mobile company. Whereas, previously we were selling in just the U.S.; now we are selling all across the world. That is what the Website did for us. Did it increase our domestic business? No, our catalogue mailings and advertising did that for us. The Website allowed people from anywhere in the world to reach us and find the parts they need. It is the best marketing tool possible for that.

Q. Jon, at this point after 2 years of e-commerce, what percentage of your gross revenues is from e-commerce?

A. Let me be specific here. There are certain customers that we never would have gotten if it weren't for e-commerce. Right now, I would say that 15% of our revenues are e-

commerce derived.

Q. Jon, are there any others words of wisdom that you might share with our readers about the DOT.COM World?

A. Yes Norm, there is something I want to say about Websites. There has been an evolution with the Internet. People didn't know what to do with it. What people started doing first was just having a banner saying, "O.K. We're here, we're out here! This is who we are. Contact us. Then, people said, 'That's not enough. We ought to show people what we really do. So, the only model people had was their brochure. You had what was called 'brochureware' which is kind of a second incarnation, but equally bizantine in terms of capabilities using the Internet. A lot of companies are still doing what I call 'brochureware which

(See NGS page 26)

LIFESTYLE FAMILY FITNESS SECURES \$5 MILLION IN INVESTMENT CAPITAL

Tampa - Locally owned and operated Lifestyle Family Fitness has secured \$5 million in investment capital to drive its growth in the Tampa Bay area. The investment capital has been provided by Quantum Capital Partners. Lifestyle Family Fitness plans to add 12 locations over the next 18 months with facilities planned throughout the Tampa Bay Area and Orlando.

"The additional financing and the experience of Quantum's management team will enable us to grow more rapidly and efficiently," said Lifestyle President and CEO Geoffrey A. Dyer.

Quantum also announced that Tampa Bay Buccaneer Pro Bowl fullback Mike Alstott will be a member of their investment group. "I am very excited about being an investor in Lifestyle," said Alstott. "As an

athlete I have a strong interest in the health and fitness industry and as a longtime member of Lifestyle I have first hand knowledge of the high quality and service of the fitness centers."

Also, Todd M. Bright, CPA, has recently been named Senior Vice President and Chief Financial Officer of Lifestyle Family Fitness, Inc. Bright was with the accounting firm KPMG Peat Marwick from 1987 until 1993. He then joined the Eckerd Corporation where he was the Vice President of Planning and Analysis responsible for forecasting and budgeting for the 2,800 stores (\$12 billion in annual sales) as well as analysis of acquisitions, new markets and new stores.

The typical Lifestyle Family Fitness prototype facility will consist of approximately

25,000 square feet with more than \$600,000 in exercise equipment and the typical investment per facility will approximate \$1.5 million. These state-of-the-art fitness facilities will feature the latest exercise equipment such as treadmills, bikes, stair climbers and elliptical exercisers. In addition, the cardiovascular equipment will feature internet access where members can log on to the internet, check email and receive health and fitness information all while exercising on the stepper, bicycle or treadmill.

Lifestyle Family Fitness promotes fitness by only offering members a month-to-month, no contract membership where members can join, pay as they go, stop when they want, thus enforcing the "Commit to a Lifestyle not a Contract" philosophy. Lifestyle Family Fitness also offers another

unique concept, the Xpress Workout, which consists of a ten-exercise station workout and requires only 24 minutes or less, based on 2 visits per week, for completion.

Lifestyle Family Fitness will be targeting the corporate business sector for 30% of new member enrollments. Corporate employees will have the opportunity to join online, print a copy of their membership agreement and then visit the club when they are ready to begin according to their own schedule. Canceling online will be just as simple.

Large employers are showing an increased interest in fitness as an employee benefit, as more and more employers realize the benefits of a healthy, fit workforce. These benefits include reduced absenteeism, greater energy, increased production and re-

duced healthcare costs. In a competitive job market offering a health and fitness benefit boasts a competitive edge to businesses. Lifestyle Family Fitness currently provides member services to employees of more than 300 locally operated businesses.

The next Lifestyle Fitness Center will be a 30,000 square foot facility at the site of the former Regal Cinema Complex at Northdale Shopping Center in Tampa. The club is scheduled to open in November.

The future growth beyond 18 months is anticipated to approximate ten new clubs being added per year. Ultimately Lifestyle Family Fitness intends to grow outside the Tampa Bay region into the East Coast of Florida.

...Wells Fargo

continued from page 3

industry boom. A couple of years back, a major public corporation, the Brunswick Corporation, gave our industry a major vote of confidence when it acquired the Augie Nieto-driven rocketship known as Life Fitness. The list of important and exciting happenings just goes on and on! And, there is no end in sight. This boom is not just in the

U.S. It is worldwide. In Europe, the health club industry is growing much faster than in the U.S. There are 14 publicly held health club companies in the Europe and they are all doing well. Major companies in Europe, for example the Whitbread Corporation, are divesting themselves from their lodging and pub operations so they can focus fully on their health, racquet and sportsclub division, known as David Lloyd Leisure. The companies in Europe are selling for

huge multiples that rival the multiples seen in the DOT.COM World.

Even Richard Branson, arguably one of the world's greatest entrepreneurs and the man behind the Virgin Companies, has jumped strongly into the health club industry with 3 facilities and many more planned.

Now, one of the oldest and strongest diversified financial companies in the world, Wells Fargo, a \$222-billion company, has purchased 18.6% (1.9 million

shares) of Direct Focus, the parent company of Nautilus, Bowflex and Nautilus Sleep Systems.

Bryan Cook, the CEO and Founder of Direct Focus acquired Nautilus about a year ago. At that time, the Direct Focus stock was trading at about 6. Now, Direct Focus is trading at over 35. Recently, Direct Focus was named by Business Week as the Number #1 "Hot Growth" company in America. Direct Focus had net profits of \$9 million

on sales of \$43 million in the 1st quarter.

So, if you are in the health, racquet and sportsclub industry now, be thankful and continue full speed ahead. If you are thinking about joining our industry in some capacity, do two things: (1) Subscribe to **The CLUB INSIDER** News by completing and sending in the subscription form found on page #5 and (2) Join IHRSA today by calling (800) 228-2772. You will be glad you did both.

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The CLUB INSIDER News World View

MONTHLY NEWS FROM AROUND THE GLOBE

•Look for RICHARD BRANSON, of the U.K. to become a huge player in the health, racquet and sportsclub industry. Branson, one of the most prolific entrepreneurs in the world, now has 3 health clubs open in the U.K. and many more are expected. Branson has made a fortune in several different industries including Virgin Records, Virgin Airways etc.

*Also in the U.K. first-quar-

ter membership at HARM TEGEELAARS' U.K. chain is up 10.4% from 134,500 to 148,000. Harm opened two new clubs during the first quarter and expects to open six more before the end of the year and another 15 are in the pipeline. Tegelaars' Cannons Group had net income of \$15 million U.S. on revenues of \$104 million last year.

•24 HOUR FITNESS, a.k.a Fitness Holdings Worldwide

has begun expansion into Germany with the acquisition of 3 clubs in Cologne. 24 Hour Fitness now operates approximately 300 facilities in the U.S., 100 in Europe and Asia.

•GRAHAM REDDISH disclosed at the 2000 Annual Meeting of Holmes Place, PLC in May, that their new club in Lisbon opened with more than 5,000 members and their new club in Barcelona opened with over 7,000 members! Holmes

Place now operates 59 facilities serving 152,253 members. U.K. membership has grown 11.9% to 110,267 while on the Continent they have seen 33.1% growth to 41,986. Their 5 Swiss clubs have seen a 2% increase in membership since the end of 1999.

•CLIVE CALDWELL, veteran Canadian club owner has signed a deal with JOHN WILDMAN, for Caldwell to purchase from the H.J.Heinz Company, the Fit-

ness Institute's 3 Ontario facilities. The Fitness Institute, founded in 1973 by legendary Canadian Olympic track and field coach, LLOYD PERCIVAL, holds the distinction of being North America's first medically-based fitness center. The Institute's Toronto Dominion Center facility, located in the heart of Toronto's financial district, is widely regarded as one of the North America's most influential facilities.

(Courtesy of IHRSA.)

NET FUTURE - A Book Review

end-to-end electronic business, or E-business. Together, they comprise the Net Future

The Cybereconomy Goes Main Street

New ways of buying and selling will create a new breed of online consumer who will expect faster delivery, easier transactions and more factual information. Traditional businesses will operate in the online arena, and online businesses will adopt traditional methods.

The Wired Workforce Takes Over

The Intranet will put more information in employee's hands and create virtual work communities, irrevocably altering the dynamics of the workplace for both individuals and companies.

The Open-Book Corporation Emerges

Boundaries between the corporation and the outside world, including suppliers and customers, will be erased. Power shifts away from the providers of products, information and services into the hands of the recipients of those products, information and services.

Products Become Commodities

New technologies for analyzing and predicting customer behavior in real time will require companies to organize differently in order to move to a new Net-version of customer-centric.

Experience Communities Arise

People will harness instant global communications, ag-

gregating knowledge in real time. Collective experience will play a larger role in information gathering and decision-making.

Learning Moves To Real Time, All-The-Time

The new means of networking will create a new generation of empowered and independent learners and require both self-motivation and information sharing to succeed.

A company's grasp of these seven cybertrends and its consequent willingness to transform its business will determine how well it survives in the Net Future.

The author, Chuck Martin, was the founding publisher and Chief Operating Officer of Interactive Age, the magazine that helped define the interactive marketplace.

It was also the first publication to be launched electronically on the

Internet simultaneously with the print edition. His experience makes him uniquely qualified to contrast traditional marketing methods (such as direct mail and print advertising) with marketing on the Internet.

Prior to founding Interactive Age, Martin was Associate Publisher of Information Week and Editor-In-Chief of Personal Computing. He also served as Corporate Technology Editor for Time, Inc., and has worked as a journalist at five daily newspapers.

As host of the daily television show on Financial News Network, Martin has interviewed numerous CEOs of leading high tech companies.

Martin currently is Vice President, Publishing and Advertising, at IBM in its telecommunications and media industry solution unit.

We invite you to order a copy of Net Future at Amazon.com or visit your local bookstore.

The Seven Cybertrends

Over the course of this five wave evolutionary process, seven major trends have emerged. These seven cybertrends -all drive by technology-will come into increasingly sharp focus as businesses move to the fifth wave. Each is significant by itself. Together, they define the ultimate in

Futurize Your Enterprise: Business Strategy in the Age of the E-customer

A BOOK REVIEW

By David Siegel

Two years after its release, the second edition of David Siegel's "Creating Killer Web Sites" remains a bestselling guide to building sites that are driven by design aesthetics rather than technological prowess. Now, in "Futurize Your Enterprise," Siegel takes off his Web designer hat and turns his attention to developing a corporate online presence aimed at meeting con-

sumer needs. He cautions readers to throw off their old bricks-and-mortar mindsets and focus not on "how to build a Web site but how to build a Web business." Siegel divides the book into four parts—"Principles," "Practice," "Prototypes," and "Predictions"—that moves from "tools and methodologies you'll need to transform your management-led organization into what I call a customer-led company," to fictional case studies that show how these techniques may be applied today, to speculative future scenarios "in

which the Internet is no longer a tool but a platform for work, community-building and individual empowerment."

His suggestions include establishing an autonomous Web division that takes the medium more seriously than itself, encouraging (if not insisting that) all employees interact directly with online customers, and factoring in participatory or community aspects that actively attract those who share demographics or specific interests. Some may find that Siegel's recommendations suffer because of

his repeated use of fictional case studies to make his point. However, those looking for new ideas will surely find some here.

"Futurize Your Enterprise" is for Web masters, business people, and the many that Siegel won over through his earlier books."—Howard Rothman, John Porter, Chairman, Telos Group

"David Siegel uses a people-centered, common sense approach to take the Web from the realm of hype into practical reality." Eric Schmidt, CEO, Novell

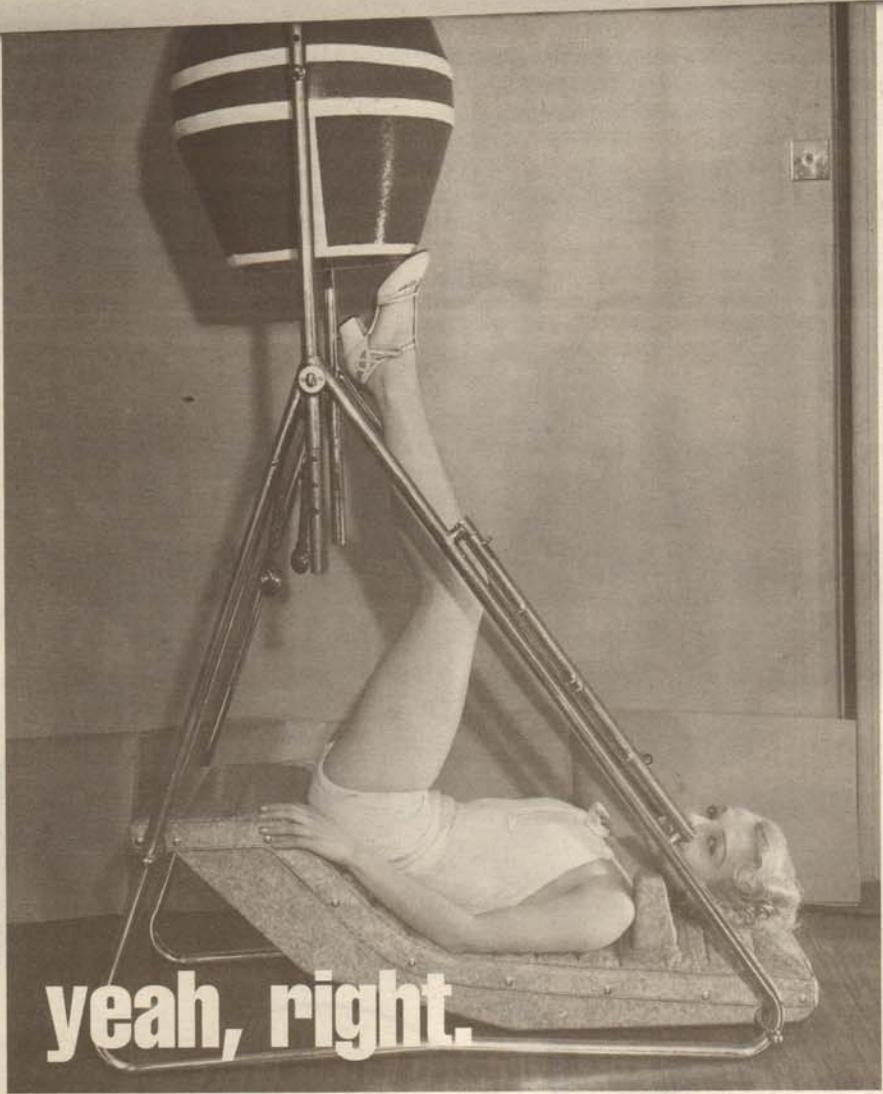
"David has taken the New

Economy to an exciting new level. Futurize Your Enterprise is packed with management insights and a philosophy that celebrates life online." Susan Rockrise, Worldwide Creative Director, Intel

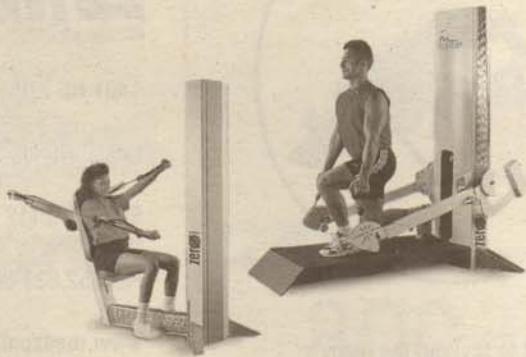
David Siegel's vision of the future is a gift. When I look forward to the changes ahead, this is what I want to see. A future where companies co-exist with customers in an expandable, renewable relationship. Managers: you will love this book!"

(Available through Amazon.com for \$20.96)

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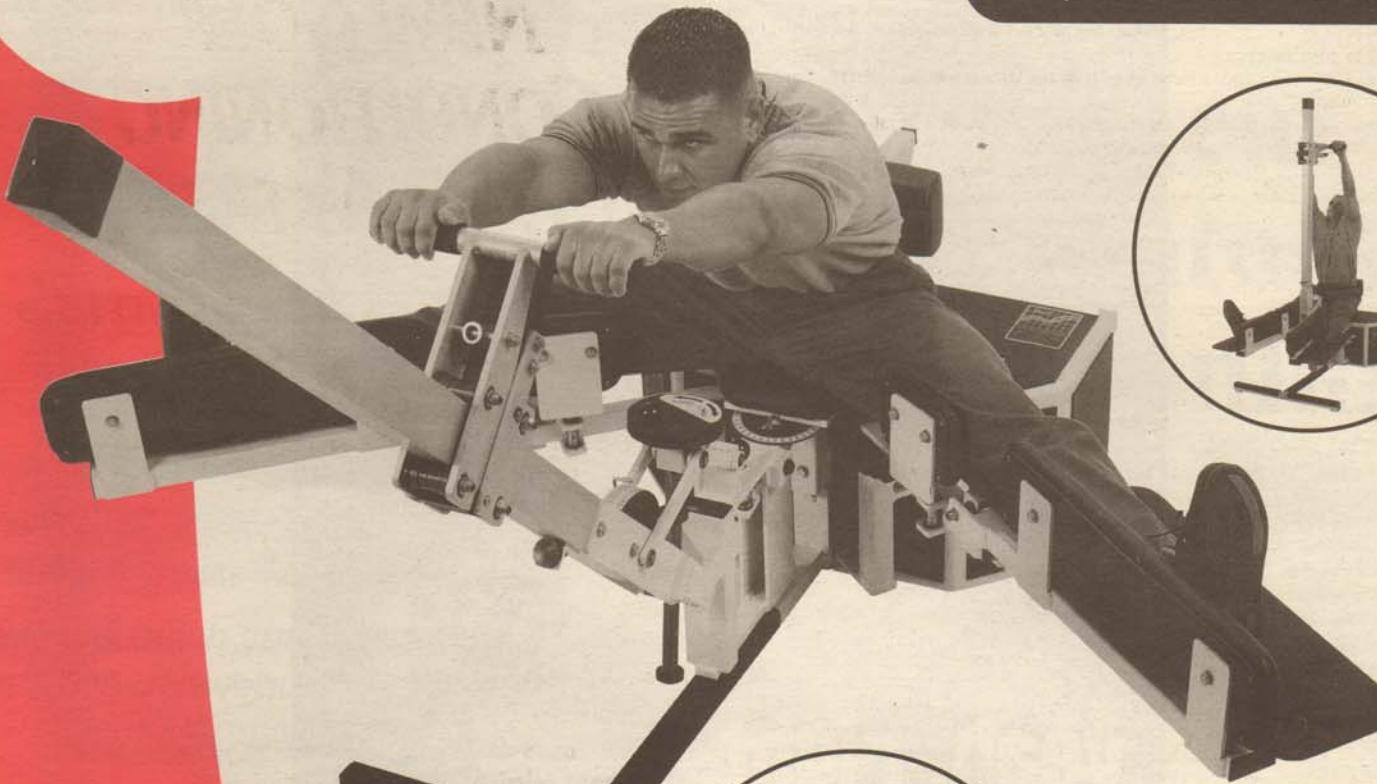
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DOT.COM World Glossary

- **AltaVista**- An excellent World Wide Web search engine, at www.altavista.com
- **America Online (AOL)**: A value-added online service that provides many services in addition to Internet access, including access to popular chat groups.
- **Archive**- A single file containing a group of files that have been compressed and glommed together for efficient storage. You have to use a program such as PKUNZIP, Stifit, tar, or WinZip to get the original files out.
- **ARPANET**- The original ancestor of the Internet, funded by the U.S. Department of Defense.
- **ASCII**- American Standard Code for information interchange, the way most computers store text files.
- **Attachment**: A computer file electronically stapled to an e-mail message and sent along with it.
- **AUP**- Acceptable-use policy. Guidelines a company or school issues that specify inappropriate uses of their Internet connection. (If you have to ask, it's probably a no-no.)
- **Baud**- The number of electrical symbols per second that a modem sends down a phone line. Often used as a synonym for bps (bits per second). This usage is incorrect, but only 43 people on the entire planet know why or care. Named after J.M. Baudot, the inventor of teletype.
- **Bit**- The smallest unit of measure for computer data. Bits can be on or off (symbolized by 1 or 0) and are used in various combinations to represent different kinds of information.
- **Bounce**- To return undeliverable. If you mail a message to a bad address, it bounces back to your mailbox.
- **Bps**- Bits per second, a measure of how fast data is transmitted. Often used to describe modem speed.
- **Broadband**- A technology for sending multiple channels of information over a coaxial or fiber-optic cable. Used with cable modems.
- **Browser**- A superduper, all-sending multiple channels of information over a coaxial or fiber-optic cable. Used with cable modems.
- **Byte**- A group of eight bits. Computer memory is usually measured in bytes.
- **CC**- Carbon copy, or courtesy copy. Cc addresses get a copy of your e-mail and other recipients are informed of it if they bother to read the message header.
- **Channel**- In IRC, a group of people chatting together. America Online and CompuServe call channels rooms. Value-added providers sue channel to refer to a major interest area you can get to easily, like a TV channel.
- **Chat**- To talk live to other network users from any and all parts of the world. To chat on the Internet, you use Internet Relay Chat (IRC). America Online, CompuServe and Delphi have similar services.
- **Cookie**- A small test file, stored on your hard disk by a Web site you have visited, that contains information to remind the site about you the next time you visit it.
- **CyberPatrol**- A program that tries to keep kiddies from accessing Web sites the company deems inappropriate.
- **Dial-up Networking**- The Internet communications program that comes with Windows 95 and Windows 98.
- **Domain**- Part of the official name of a computer on the Net-for example, iecc.com. To find out how to register a domain name.
- **Download**- To copy a file from a remote computer "down" to your computer.
- **DSL**- Digital Subscriber Line
- **Dummies**- People who don't know everything but are smart enough to seek help. Used ironically.
- **e-mail**- Messages sent electronically, usually over the Internet.
- **FAQ**- Frequently Asked Questions, a collection of answers to questions that come up in online discussions or that the person who compiles them thinks ought to come up. Many newsgroups have FAQs that are posted regularly. To read the FAQs for all newspapers, FTP (see File Transfer Protocol) to rtfm.mit.edu or search on topic FAQ at deja.com
- **Firewall**- A computer that connects a local network to the Internet and for security reasons, lets only certain kinds of information in and out.
- **Flame**- To post angry, inflammatory or insulting messages. When two or more individuals exchange a number of flames, we call it a flame war.
- **FTP**- File Transfer Protocol, a method of transferring files from one computer to the other over the Net.
- **Gigabyte**- One billion bytes or characters or data.
- **Gov**- When these letters appear as the last part of an address (for example, in cu.nih.gov), they indicate that the host computer is run by some government body, probably the U.S. federal government.
- **Handle**- A user's nickname or screen name.
- **Header**- The beginning of an e-mail message containing To and From addresses, the subject, the date and other gobbledegook that's important to the programs that handle your mail.
- **Home page**- A Web page about a person or organization.
- **Host name**- The name of a computer on the Internet for example, iecc.com.
- **HTTP**- HyperText Transfer Protocol, the way in which World Wide Web pages are transferred over the Net.
- **Internet**- All the computers in the world talking to each other.

(See Glossary page 28)

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By Dr. Gerry Faust

Faust Management Corporation and MentorU are developing club industry training and mentoring programs designed to increase your team performance and make a measurable difference in your results. These year-long programs will bring the world's

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Every month your ENTIRE TEAM will receive new programs that they can access at home or at your club. They can participate live or using recorded programs, with interactive computer driven exercises and tests that assess their learning. Every month you will get a report on lessons and scores on nationally normed tests.

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*(Left) Bob DelMonteque (age 80)
and Kelly Nelson (age 73)*

...Netpulse

continued from page 12

workout programming, and incentive programs. Netpulse's Internet appliance and network were named a Business Week "Best Product of 1999."

The Netpulse Network reaches millions of consumers through partnerships with 9 of the top 10 operators of commercial fitness facilities and many major hotel, university and corporate fitness centers, including Bally Total Fitness, CRUNCH, YMCAs, Gold's Gyms, New York Health & Racquet Clubs, The Sports Club Company, Sport & Health, Powerhouse Gyms, The MGM Grand Hotel & Spa, Hyatt San Francisco, and The St. Regis.

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BRICK BODIES On E-Commerce

By Kim Donovan

A web site can be a more effective means of promoting your business than a newsletter or a major ad campaign. However, it can only be an effective marketing tool if people visit it. In order for you to get people to visit your site you must do a good job of promoting it.

Five effective low cost ways of promoting your web site include:

1. Including your web address on every single thing you print. Handouts, brochures, newsletters, etc. Be sure to include it in all radio ads, TV ads, billboards, brochures, etc. It is an excellent way for people to get more information about your health club after they see your ad, or hear your commercial.

2. Internal marketing campaigns. Create internal marketing campaigns where you give members an incentive to visit your site. One of the incentives you can use is a quiz that requires the mem-

bers to "surf" through your site to find the answers. This will get your members familiar with your site. If they get the answers correct, they receive a shirt, which they pick up at the club. Advertise the quiz all through out the club and have a special web site tee shirt that you can give as the prize. You may even want to dedicate a whole month to this campaign.

3. E-mail your members. Obtain your new members e-mail addresses on their contracts and leave cards around the club so your current members can give you theirs. Compile these addresses on a server list and e-mail your members once or twice a month or even weekly! Update them on schedule changes, specialty classes, etc... and encourage them to visit your site for more information.

4. Go Group Exercise schedule paperless! Take all of your group exercise schedules out of the normal place they have been in and replace it with a sign, "We invite you to visit our website at www. (URL).com to view an updated group exercise schedule." Ask

your instructors to announce the "new" way of getting the schedule and have your staff encourage your members to do it! Of course, leave schedules behind the desk for those that don't have computers or insist on having one in front of them.

5. Enrich your site and add profit to your club is by including e-commerce on your web site. Sell whatever you do in your club on your web site. Including memberships! Advertise trial memberships such as "Four weeks for \$29". This will allow you to generate solid leads from your site. An excellent time to heavily promote these Internet specials is during the gift-buying season such as Christmas, Mother's Day & Father's Day. It is also possible to expand your web site into selling videos, vitamins, books or any fitness products that you may not sell in your club. There are many companies out there such as amazon.com & mothernature.com that will link to your website and give you a commission of every sale that comes from your site. This

is an excellent way to forgo the fulfillment issue while at the same time giving the added benefit to the user/member. A great way to drive people to your online shop is to hold sales for Internet users only. Discount your sports wear that you sell in your club to your web site users and let your members know it!

The amount of hits you should expect to receive per month depends heavily on the promotion of your site; that is why promotion of the site is the only way for success. You can experience highs such as 200,000 hits a month and lows such as 33,000. Be sure to go over your web site report monthly to see what pages are being hit the most and spent the most time on. Likewise, be sure to examine the least popular. It is important to improve upon what works and eliminate what does not work.



Kim Donovan

(Kim Donovan is the Director of Marketing and Advertising for Brick Bodies Health Clubs in Baltimore, MD. If you are interested in health club website consultation, Kim can be reached at 410-252-8058 or e-mailed at kim-brickbodies@erols.com.)

CLUB INSIDER News

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...NGS

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is just showing the product offering. There is the incredible book called 'Futurize Your Enterprise'. This book provides guidance about how you can go about getting your customers to tell you what they want. Whereas before, you might have an Internet sight which shows cleaning, polishing and solvent products for sale. Your customer might

click on cleaning products, but all you are doing is essentially showing your customer what your product line is. What you're not doing is asking the customer what he wants! The two companies that have really built their companies by asking their customers what they want. They are Dell Computers and Microsoft. If you go onto the Dell Website the first thing they ask you is who are you? Are you an individual, are you a student, are you a business? Then they ask you a series

of other questions. The point is, before they even try to sell you something, they've qualified you to know enough about what you need. You can do that on the Internet, but very few companies are actually doing that. These are what are called 'customer-driven' companies. They interviewed the President of Microsoft and he said, 'If we ever lose our focus and we start wondering what we should be doing, all we have to do is ask our customers! What Microsoft has always done

instead of creating products and trying to shove them down the world's throat, they have always gone to their customers and asked them, 'what do you want us to do now?' And, in many cases, the customers tell them how to do it as also. In the future, customers are not only going to tell you what they want, they are going to tell you where to get the parts for it, how to build it and they are going to literally run your company for you. It is all through

the power of the Internet because you have such instant communication with people.

My point is, so many websites are so bizantine and so bland. People do it because everybody else is doing it, but they are not beginning to tap into the power of the Internet. In my opinion, most of the fitness industry has yet begun to use the Internet as fully as it could be used."

Life Fitness Celebrates Grand Opening Of Expanded Consumer Division Facility

Minnesota Job Skills Partnership Presents \$263,000 Training Grant

RAMSEY, Minn. - June 6, 2000 - Life Fitness, the leading manufacturer of a full line of cardiovascular and strength training equipment for homes and health clubs, today celebrated the grand opening of its recently-expanded consumer headquarters in Ramsey, Minn., approximately 26 miles northwest of Minneapolis. The facility expanded nearly 175 percent, from 103,000 square feet to approximately 283,000 square feet.

As part of the grand opening, the Minnesota Job Skills Partnership, in cooperation with the Anoka-Hennepin Technical College, presented a \$263,000 training grant to Life Fitness. The grant is awarded to help businesses pay for training and enables Life Fitness to establish formal training programs taught by the college's instruc-

tors. Conducted over the next three years, the training will focus on all aspects of the business, particularly information technology and manufacturing.

"The rapid growth Life Fitness has experienced and the additional jobs it has created have benefited our community tremendously, so we are delighted to present this grant to the Life Fitness consumer division," said Mike Auger, business community development representative, Minnesota Job Skills Partnership.

Attending the grand opening were Tom Gamec, Ramsey Mayor; Peter Larson, Brunswick Corporation Chairman and CEO; Augie Nieto, Life Fitness President; Jerry Dettinger, President of the Life Fitness consumer division; and nu-

merous Life Fitness authorized specialty fitness dealers. "This grand opening is a testament to the tremendous success of the Life Fitness consumer division," said Nieto. "As the home fitness equipment market thrives, we look forward to an even stronger future with continued growth of this division."

The Ramsey facility serves as headquarters for Life Fitness' consumer division, which is responsible for Life Fitness' products made for home use. It houses consumer engineering, sales, marketing, customer support services and manufacturing of the company's ParaBody brand of strength training equipment for home use and Life Fitness' Strength 8000 Series for light traffic health club use. The facility is beginning to take over manufacturing of

all Life Fitness consumer cardiovascular equipment, including treadmills, Lifecycle exercise bikes, Cross-Train-ers and stairclimbers.

About Life Fitness

Life Fitness, a Brunswick company, is the global leader in designing and manufacturing a full line of reliable, high-quality fitness equipment

for home and health club use. Its cardiovascular and strength training products, including the renowned Lifecycle exercise bike, are used in health, fitness and wellness facilities, as well as in homes, worldwide. The company is headquartered near Chicago and distributes its equipment in more than 120 countries.

"It Has Come To The Point Where Buying Brand New Fitness Equipment Is A Waste Of Money!"

Buying Professional Fitness Equipment Is A BUSINESS EXPENSE!

That's why YOU need solutions to help you cut costs without sacrificing durability or name brand. You know lowering the cost of doing business directly improves bottom-line profits.

Worldwide Fitness, Inc. has a way for you to improve profits by reducing your operating costs. Without your members having any idea that you didn't buy brand new equipment and spend twice as much money as you did!

Worldwide Fitness offers fitness center products that have already depreciated in value. We provide you a consistent supply of **Bank Repossessed, Refurbished, Brand New, and Factory Bleimed** gym fitness equipment.

We Believed Business Owners Wanted To Save Money On Operating Costs To Free Up More Capital To Grow.

If you buy your cardio equipment from Worldwide Fitness and save \$30,000. And you add this new found capital to your advertising and marketing budget, you will see exponential growth in cash flow and profits. This \$30,000 savings can bring in 200 extra members. If you get \$350 for each new member in the first year, that's \$70,000 added to your gross sales. That's extra income over and above what you're already doing.

Could your business use an extra \$70,000?

We Invest Over \$250,000 Every Month To Assure You Save Money.

The whole operation is a huge undertaking. With over 25 employees and a monthly payroll around \$50,000. More than \$30,000 in building leases. Over \$20,000 a month is spent on replacement parts to refurbish the equipment. The cost to buy this depreciated equipment is over \$150,000. The point is we have made the necessary investments to insure a consistent and reliable product for you.

We've put ourselves in a position that forces us to perform for you or we don't make a profit. I'm not trying to impress you but I want you to see our commitment. We must satisfy you so you will buy from us on your next fitness room project and refer more customers to us. We can't service out huge overhead without repeat business.

Guaranteed To Look Like New, Work Like New, And Make Everybody Think You Paid Full Price.

When our clients' come see our National headquarters in Orange, California, they're amazed. They enter our gigantic warehouse with over 1,000 machines on racks 3 stories high. It looks like 50 health clubs went out of business and we bought all their inventory. When we tour them through our state-of-the-art remanufacturing facility, they say they've never seen anything like it. When they see our finished product they think it's brand new, and after we convince them that it is not, they say they will never buy brand new fitness equipment again.



We warranty this equipment, give you a National service technician network, and give you 24 hour technical information on our award winning website. You see, the only equipment we sell is the top brands: *LifeFitness, Cybex, Stairmaster, Trotter, Precor, Star Trac, Paramount, Tectrix, Quinton* and others. These manufacturers have built a national service network that we have access to when our customers need service. It's as easy for us to repair a treadmill in New York as it is in California. We take care of your business.

We Have Over 1,300 Customers That You Can Speak With To Give You Buying Confidence

In today's business climate you have to protect yourself from miss-information. You can't take advertising statements as fact. We understand this, and make accessible to

you our past customers so you can make your own judgments, we don't want you to make a mistake. We want to make sure this is the right buy for your business.

"Worldwide Fitness Saved Me Over \$150,000 And My Maintenance Staff Still Thinks The Equipment Was Brand new, I Don't feel I Sacrificed Anything. I Will Do All My Future Purchases With Worldwide."

(Mike Boccieri is the CEO of 5 YMCA's)

"I Bought My Equipment From Worldwide For my second Club. I Saved Over \$25,000 And Used These Savings To Increase My Advertising Budget. This Extra Advertising Money Allowed me To Hit My One Year Sales Goals In My First 90 Days." Stephen Priest, MS, Fitness Health Club.

We Make The Buying Process Simple, So You Can Spend More Time Running Your Business

Your time is valuable so we make the process easy. It starts with a phone call from you, to one of our customer assistants. You are asked some questions to provide us with needed information. Next, a complete packet of information is expressed out to you. This packet contains: A video tour of our facility, a customized video of the machines you need. A proposal with all your options, prices and freight charges, room layout if needed, samples of rubber flooring and other samples.

When you receive your packet you'll get a follow up call from your customer assistant to answer any questions. When all your questions are answered and your proposal looks better than any of your other options, you can get the deal started by faxing us a copy of your 50% deposit. Technology has provided a time saving payment solution called "Checks-By-Fax". Of course you can mail your deposit if you want. *This way your order starts immediately.*

You Can't Afford To Pass This Up Without At Least Getting A FREE Packet And Proposal.

The pressure to grow in today's business climate is high. Grow or die is the rule of the future. You have to look at all your options and do what gives you a competitive advantage. Your customers think the best fitness equipment is what you provide them. They like the equipment your staff trains them on. A treadmill made 2 years ago is no different than the one made yesterday. The only difference is how much money it cost YOU. How much of your operating capital had to be used to acquire the new equipment? Anybody can spend too much money. The most successful and wealthy business people are the most spend thrifly.

Call 714-283-0355x23 Today. Send an email to

Get A FREE Video Tour and Packet So You Can See For Yourself.

www.wwfsi@ni.net, and/or go to our award winning website www.Worlwidefitness.com

Sincerely
Steve Patterson
Worldwide Fitness, Inc.

P.S. It's hard to grow a business and waste money at the same time.

IHRSA's Capitol Report

Capitol Report Reprinted Courtesy Of IHRSA

CALIFORNIA YMCA FACING STATE REVIEW

The California Board of Equalization plans to review the tax-exempt status of Redding's Shasta Family YMCA, the Record Searchlight reported on May 20.

Board tax counsel Susan Scott said the state is interested in 12 aspects of the nonprofit YMCA's operation, including membership dues and fees for activities such as swimming lessons and camps.

Complaints by IHRSA members Mark Lewis of Kangaroo Kourts and Jim Howard of Total Fitness, both located in Redding, led to the decision

to send board representatives to Redding on June 15, Scott said.

"This is what we have asked all along, for this to be evaluated," Lewis said. "The YMCA should prove on a daily basis that they are deserving of a tax exemption. We feel they are not."

Susan Hinz, president of the Shasta YMCA's board of directors, said she welcomes the review. "It doesn't worry me. It gives me a great opportunity to provide sufficient information that we are not in competition with (private clubs)," she said.

If the YMCA were to lose its tax-exempt status, it would be required to pay property taxes, which competitors believe would put it on a more equal footing with them. The

county assessor's office and the state Board of Equalization approve the exemption each year.

The Shasta Family YMCA's membership has grown from 800 in 1995 to 8,500 today. Its officials estimate that the club will have 13,000 members by 2005.

The Shasta YMCA has embarked on a \$1.8 million capital campaign to accommodate those new members. An indoor pool, multipurpose gym, family picnic area and new locker rooms will be among the additions.

"They're making all this money and going out into the community to ask for money to build this Taj Majal. Where is the charity in that?" Howard asked.

The YMCA's annual rev-

enue increased from \$577,460 in 1995 to \$1.8 million in 1998, according to tax returns.

Meanwhile, Howard said membership at Total Fitness has dropped from 2,400 in 1995 to about 1,200 today. The club earned \$430,161 in 1995 — three years later, earnings dropped to \$266,615.

Kangaroo Kourts' membership has dropped from 1,400 in 1995 to about 1,100 today. The club lost about \$100,000 during 1997 and 1998, Lewis said.

Lewis believes that catering to children should not automatically earn the YMCA tax-exempt status. "When it comes to children's activities, any business can run children's activities. That doesn't mean you're entitled to a tax break,"

said Lewis, whose club offers day care and youth activities.

"What we have found, in most cases, (is that) children's activities at the YMCA are for-fee," Lewis continued.

The crusade by IHRSA members in Redding to get officials to explore the YMCA's practices is just part of a campaign being played out across North America.

As a result of other efforts, YMCA's in Pennsylvania, Tennessee, Wisconsin and elsewhere are being scrutinized by local and state taxing authorities.

IHRSA will keep you posted on this and all other fair competition developments.

For IHRSA Membership information call: (800) 228-4772.

...Glossary

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•Internet Explorer- A popular Web browser from Microsoft that comes in Windows and Mac flavors.

•Internet Society- An organization dedicated to supporting the growth and evolution of the Internet. You can contact it at www.isoc.org.

•IP- Internet Protocol. The rules computers use to send data over the Internet.

•ISP- Internet Service Provider. The company that connects you to the Internet.

•JPEG- A type of still-image file found all over the Net. Files in this format end in .jpg and are called (pronounced JAY-peg) files. Stands for Joint Photographic Experts Group.

•Kill file- A file that tells your newsreader which newsgroup articles you always want to skip.

•Link- A hypertext connection that can take you to another document or another part of the same document. On the World Wide Web, links appear as text or pictures that are highlighted. To follow a link, you click the highlighted material.

•LISTSERV- A family of programs that automatically manages mailing lists, by distributing messages posted to the list and adding and deleting members, for example, which spares the list owner the tedium of having to do these tasks manually. The names of mailing lists maintained by LISTSERVE often end with -L.

•Mail server- A computer on the Internet that provides mail services.

•Mailbot- A program that automatically sends or answers e-mail.

•Mailing list- A special kind of e-mail address that remains

all incoming mail to a list of subscribers to the mailing list. Each mailing list has a specific topic, so you subscribe to the ones that interest you.

•Majordomo- A program that handles mailing lists.

•Megabyte- One million bytes or characters of data.

•Microsoft Network (MSN)- A commercial online service that provides many Internet services, including e-mail, Usenet newsgroups, and access to the World Wide Web.

•MIDI- A way to transmit music as actual notes rather than as digitized sound. Many electronic instruments have a MIDI output.

•MIME- Multipurpose Internet Mail Extension. Used to send pictures, word processing files and other nontext information through e-mail.

•Modem- A gizmo that lets your computer talk on the phone or cable TV. Short for modulator-demodulator.

•Net- A network, or (when capitalized) the Internet. When these letters appear as the last part of a host name (in www.abuse.net, for example), they indicate that the host computer is run by a networking organization, often as ISP.

•Net Nanny- A program that tries to keep kiddies from accessing Web sites the company deems inappropriate.

•Netscape- The maker of the popular Web browser Navigator that comes in Windows, Mac and UNIX flavors. Now owned by AOL.

•Network- Computers that are connected together. Those in the same or nearby buildings are called Local-Area Networks; those farther away are called Wide-Area Networks;

when you interconnect networks all over the world, you get the Internet!

•Network computer-(NC)- A computer that lacks a hard disk and gets all its data instead over a computer network, such as the Internet.

•Newbie- A newcomer to the Internet (variant: clueless newbie). If you have read this book, of course, you're not a clueless newbie anymore!

•Nickname- The name by which you identify yourself when you're chatting. Also called screen name or handle.

•Org- As the last part of a host name (in www.uua.org, for example). Indicates that the host computer is run by a nonprofit organization, usually in the U.S.

•Page- A document, or hunk of information, available by way of the World Wide Web. Each page can contain text, graphics files, sound files, video clips- you name it.

•Password- A secret code used to keep things private. Be sure to pick one that's not crackable, preferably two randomly chosen separated by a number or special character. Never use a single word that is in a dictionary or any proper name.

•Plug-in- A computer program you add to your browser to help it handle a special type of file.

•POP- Point-to-Point Protocol, a scheme for connecting your computer to the Internet over a phone line. Like SLIP, only better. Most dial-up Internet accounts use PPP.

•Protocol- The agreement rules that computers rely on to talk among themselves. A set of signals that mean "go ahead", "got it," didn't get it, please resend," "all done." And so on.

•RealAudio- A popular streaming-audio file format that lets you listen to programs over the Net. You can get a player plug-in at www.real.com

•RTFM- Read The Manual, a suggestion made by people who feel that you have wasted their time by asking a question you could have found the answer to by looking it up in an obvious place. A well-known and much-used FTP site named rtfm.mit.edu contains FAQs for all Usenet newsgroups.

•Search engine- A program used to search for things on the World Wide Web. An example of a publicly available search engine is AltaVista.

•Serial port- The place in back of your computer where you plug in your modem. Also called a communications port or comm port.

•Server- A computer that provides a service- such as e-mail, Web data, Usenet, or FTP-to another computer or computers (known as clients) on a network.

•Shareware- Computer programs that are easily available for you to try with the understanding that, if you decide to keep the program, you will send the requested payment to the shareware provider specified in the program. It's an honor system. A great deal of good stuff is available and people's voluntary compliance makes it viable.

•Smiley- A combination of special characters that portray emotions, such as :-)

•SMTP- Simple Mail Transfer Protocol, the misnamed method by which Internet mail is delivered from

one computer to another.

•Surf- To wander around the World Wide Web, looking for interesting stuff.

•Text file- A file that contains only textual characters, with no special formatting, graphical information, sound clips, video or what-have-you. Most computers, other than some IBM mainframes, store their text by using a system of codes named ASCII, so these files are also known as ASCII text files.

•Upload- To put your stuff on somebody else's computer.

•URL- Uniform Resource Locator, a standardized way of naming network resources, used for linking pages together on the World Wide Web.

•Viewer- A program used by Internet client programs to show you files that contain stuff other than text.

•Virus- Program that adds itself to ("infects") another program or document and then creates copies of itself to infect others. Some viruses travel over the Internet, carried by programs or documents attached to e-mail.

•Web Page- A document available on the World Wide Web.

•WinZip- A file-compression program that runs under Windows. It reads and creates a Zip file that contains compressed versions of one or more files.

•World Wide Web (WWW)- A hypermedia system that lets you browse through lots of interesting information. The Web is the central repository of humanity's information in the 21st century.

•Yahoo! - A set of Web pages that provide a subject-oriented guide to the World Wide Web. Go to the URL, www.yahoo.com

•ZIP File- An archive that has been compressed by using PKZIP, WinZip, ZipMagic or a compatible system.

...Paterson

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gym.

Inside each frame is a colorful (poster size) billboard ad promoting each participating business. The Billboards are done with creative design and congruent colors and are very appealing to the eye.

Each billboard ad generates \$600 per month and there are 340 billboard ads between the 5 locations generating \$204,000 in profits every month for FreeGyms.com.

3) RETAIL LOBBY

SALES - The next affiliate strategy is a mini trade-show in the lobbies of all 5 locations at FreeGyms.com. FreeGyms.com rents table space to 4 different businesses at a time (in each location). The tables are placed just off to the side of the front desk/lobby area. The members could easily walk past these promotions or simply take advantage of the special offers for the week.

The lobby tables generate \$500 each per week per table. 4 tables in each location contribute \$8,000 every week in revenues or \$40,000 every month for all 5 locations.

The lobby vendors have one representative seated to answer questions and hand out brochures and coupons to interested members. This low key presentation is successful due to the traffic flow passing the front desk.

4) GymBusiness.com
Group - Another very profitable af-

filiate strategy is accomplished with a profit generating company called the GymBusiness.com Group. (deborah@gymbusiness.com)

GymBusiness.com Group brings in profit generating products and trains FreeGyms.com staff to sell these products and health related seminar courses. They come in with the motive to "make FreeGyms.com make more money from the members they already have".

(Publisher's Note: This segment of this article is NOT FICTION. According to Deborah Golden, President of GYM BUSINESS.Com Group, "A gym is like any other business. It has to make money to stay open. We've designed multiple packages, including weight management and women's workouts, that any club owner can use to service members and make money doing it. Our number one 'Business Within A Business' offering is the Individualized Nutrition Technology (INT) Weight Management System. (See ad on page #14) This premium computerized system was developed from years of scientific and medical research to allow true and accurate weight management based on the extensive history of individual oxidative typing. INT is an easy 'turn-key' system that can be installed for a minimal initial investment. INT maximizes revenues for club owners." Golden adds, "The projected annual INT rev-

enues for just 300 members is \$250,000 and taps into the \$60 billion weight management industry." Jim Ciarlo, owner of the World Gym, Cherry Hill, New Jersey, has added INT to his gym and comments, "I am broadening my business horizons with marketing methods and systems from the GBC Group. I no longer have to rely only on new members for revenue." Ciarlo also plans to install the GBC Group's prepackaged women's workout center in a 1500 square foot space in his gym.)

The GymBusiness.com Group profit generates gross profits on average of \$25,000 every month per location. This provides \$125,000 in gross profits every 4 weeks between the 5 locations.

5) The Gift Shop Affiliate Strategy - This service is a big hit and huge time saver for the participating FreeGyms.com members. When the gyms were designed, a 1,000 square-foot Gift Shop was included adjacent to each lobby area.

All the products and services available at the gift shop are online at the FreeGyms.com Website. The members can order online gifts for all occasions. The gifts are gift-wrapped for free and packed and shipped for the members who receive a 15% discount off retail for the items they ordered.

There is also a catalogue that allows members to buy products from affiliate partners on the FreeGyms.com Website. Or they may order items when they come

into the gym. The gift shop serves as a pro shop too and sales and special offers are emailed to all the members providing sales to 70% of the members who rarely (or never) come into the gym.

The FreeGyms.com gift shop became a big hit and sales are \$100,000 every month at each location. This produces gross profits of nearly \$200,000 every month on sales of half a million.

FreeGyms.com has 200,000 members 90 days after opening. They have a very attentive audience because they have provided thousands of local residents and businesses with a free gym membership. These members feel more obligated to make purchases from the sponsor. This magic formula weaves all these strategies together and brings in profits faster than you can hire accountants to count it.

I have shown you 5 affiliate program strategies that generate profits. There are over 100 methods known today. FreeGyms.com will generate \$12 million dollars in gross PROFITS at the end of the first year without ever selling a gym membership!

I think you can agree that this business model shows potential to say the least. Now the next question is what fitness chain is going to make the first move? Will it be called FreeGyms.com, FreeFitness Centers.com, or maybe Free HealthClubs.com? Or will the winner be the club chain who doesn't change their name but

changes their whole business model and implements the Free Gym Membership Affiliate Strategy?

Nobody knows at this stage of the game. But, I predict that you will hear about gyms using this marketing strategy before The Club Insider News publishes the January 2002 issue.

(PUBLISHER'S NOTE:

We repeat. This article was based entirely on FICTION with the exception of the introduction written by Steve Paterson and the segment marked by ***** describing the GymBusiness.com Group. We also want to repeat that in no way does The CLUB INSIDER News endorse or support the concept of giving away free health club memberships in an industry that has labored for 60 years to earn the right to market memberships to the public at a fair price for fair services rendered. We have published this article simply to illustrate the extreme range of ideas represented by the DOT.COM World. Where the health, racquet and sportsclub industry goes from here in the DOT.COM World is truly impossible to predict and this article is simply the vision of one individual that makes his living in the industry using extensive e-commerce marketing and sales efforts. To contact Steve Paterson go to stevep@worldwidefitness.com Also, be sure to check out the Worldwide Fitness ad on page #27 and the website: www.Worldwidefitness.com as it is one of the best you will see.)

MANAGER

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Gold's & Body PUMP...

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BodyPUMP in health, racquet and sportsclubs across North American. BodyPUMP, a group programming innovation from the Les Mills World Fitness Organization in New Zealand, is exclusively marketed by The STEP Company in North America. BodyPUMP is now enjoyed by over 300,000 people per week in clubs around the world. And, the organization now has over 7,000 certified instructors. BodyPUMP is blazing the trail for four other Body Training Systems programs, BodyFLOW, BodyATTACK, RPM and BodySTEP.

The new agreement with Gold's Gyms International calls for the installation of all 5 Body Training Systems in the company-owned Gold's Gyms and the endorsement of the programs for all new and existing Gold's Gyms Franchises.

We contacted Kirk Galiani for his comments about Gold's Gyms' move to install BodyPUMP and the Body Training Systems Programs and he said, "First, let me comment about Rich Boggs, (the President of the STEP Company.) I can't say enough good things about Rich. He's not just into this business for the money. Group exercise delivered the way Body Training Systems has put this together makes very good group exercise classes obtainable for everybody. The direction that Gold's Gyms wants to go is to provide excellent group exercise classes all the time. Rich has done a very good job of incorporating a variety of classes and made it very easy for clubs to have excellence in their group exercise classes.

I believe that the passion that he brings to this product is tremendous. Really, the thing that keeps coming through about Rich is that he's a good guy who really cares about the people he is working with. He is not just caring

about the almighty dollar! He really cares about the success of every group that he works with. It just shines through. You've heard the old saying, 'Do what you love and you will be good at it.' He is doing something he really loves and it just radiates out of him! What Rich is doing with Body Training Systems is very good for the industry. I think involving our gyms with the Body Training Systems Programs will result in excellent group exercise classes for all of our gyms."

We spoke with Rich to get his comments on the Gold's deal and he said, "The Galianis are sharp owners who understand the benefits of group fitness consistency to a chain or group of clubs. As you know, Kirk and John were highly successful Gold's Gyms owners in Virginia before they bought Gold's Gyms Enterprises, Inc. Kent Lehnoff, Director of Franchising for Gold's Gyms, has used the Georgia Gold's Gym group, led by Gordon Johnson, as a model for other Gold's Gyms operators in other major metropolitan areas. One of the initial areas of concentration was group fitness. We met with Kirk at the Super Show in February, pursuant to the urging of Kent Lehnoff, for our first official presentation to Gold's. Then Kent and Gene LaMott brought a committee of Gold's Gym owners to visit us in Atlanta. Their mission was to evaluate Body Training Systems and its potential for Gold's Gym International. They have been very forward thinking in evaluating the importance of group fitness for their operations in the future. The whole concept of program consistency throughout Gold's is why it went forward. Kirk and John realized the importance of group fitness consistency because they ran very good group fitness programs in their Gold's Gyms in DC/Northern Virginia area. Based on this experience, they looked very carefully at the challenge of creating consistent group fitness throughout Gold's franchises and whether they should create it or outsource it. Gold's Gyms International is recommending the entire system, which includes the 5 programs plus the Group Fitness Management Workshops, which must then be approved by each individual club. Body Training Systems will be holding monthly workshops at the Gold's Gym University in Venice and Northern Virginia where they train existing and new Gold's Gym operators on best practices. We are helping Gold's franchises to better understand how to maximize group fitness. We are also looking at the possibility of co-branding merchandise with the Gold's name and our programs. That would happen after the programs are up and

running. It is a win-win situation for both parties."

Currently, there are 50 Gold's Gyms enrolled in BodyPUMP and the other Body Training Systems Programs and Boggs said he expects that number to triple in the next 8 to 12 months.

**Lori Lowell,
Reluctant 15-Year
Club Industry Veteran
Sees The Light**

We contacted 15-year club industry veteran, Lori Lowell. Lori just opened a new 40,000 square foot (7,000 outdoors) Gold's Gym in Woodbridge, Virginia. We asked Lori to tell us how she became involved with Body Training Systems and why she decided to enroll her new club in all 5 programs. Lori, formerly a group exercise program director before she became a club owner, had initially seen BodyPUMP about two years ago at the Gold's Gym Convention, but had been reluctant to sign up until a few months ago. She recalls thinking at that time: "I couldn't justify paying a monthly fee for someone to show me how to do a bicep curl! What I didn't understand was the amount of effort and energy that this company has put into really studying not only the movement, but what the members really want and the importance of movement with the music. I realized how much easier it is ultimately for the teacher, because they just turn on the ignition when they walk in. New teachers aren't coming out of the woodwork. We're all 40 and 50 years old now. I think there is a fear by new teachers coming into the arena. But, having programs like Body Training Systems that are completely spelled out for them gives teachers or people interested in teaching an opportunity to teach in the aerobics arena without having to worry about creating their own choreography. I have a dance background so it's easy for me to think about choreography. But, other people who could be great teachers are hesitant about their ability to create great choreography. This gives instructors the opportunity to follow something structured. We need teachers! The entire industry needs teachers! So, I said, O.K., I'm going for it. You just have to zone in and do it the way that Body Training Systems recommends. Then your results are positive. I fought them for a long time. I kept saying, I don't think so, I don't think so. I kept arguing against it as a cost issue. But, over time, they showed me how to weigh the pros and cons. The Galiani's have moved toward standardization of the experience in the Gold's whenever possible. They want to have a similarity

between gyms. So, I was asked to be on the Gold's Gym owner's committee to research BodyPUMP and Body Training Systems. We did it and I truly believe in it now. The members like consistency and they want results. Rich's company has a phenomenal team. Peggy Cleland, who did our certification for us, was wonderful. But, it all started with Kent Lehnoff (Gold's Director of Franchising) and Gordon Johnson (owner of 3 Gold's Gyms in the Atlanta area). Kent got me rolling with it and Gordon basically gave me a lecture on why I should join in. (Gordon has had phenomenal success with BodyPUMP and the other programs in Atlanta) It just went from there."

Lori, an extremely innovative club operator, with a visionary approach to the business, also had very positive things to say about Boggs and Body Training Systems: "Rich is real. He gets it. He totally gets it. So, I decided to go in full force and take the BodyPUMP system seriously, follow their entire programming system and do it the way they recommend. I can hopefully take it to the next level and bring other Gold's Gyms into that kind of philosophy of organized fitness."

Lori and her staff have just completed certification with Body Training Systems and plan to have their Launch Class on July 1st. They are now in the process of conducting video taping of all 11 of their instructors to become certified to teach Body Pump. Lori's Gym will initially offer two BodyPUMP classes per day on Monday, Wednesday and Friday and one class on Tuesday and Thursday with one class on each weekend day.

Boggs concluded, "The Galiani's are dedicated to the concept of upgrading the entire organization with more standardization and Group Exercise is one of their key areas of focus. They are moving very aggressively to ensure that group fitness is a major part of their organization and that it appeals to a broad range of consumers. I believe Gold's will be a major factor in many markets worldwide. I think they will continue to be a more aggressive competitor. After getting to know Kirk and his team, I am really impressed with their people and their process. Kirk and John Galiani are winners who are bringing on some really good people to grow the organization. Ed Connors, Kent Lehnoff, Bruce Ebel, Gene Lamont and others in the organization are going to really move the Gold's organization to new levels."

(Norm Cates, Jr. is the Publisher and Editor of *The CLUB INSIDER News*. Cates is a 27 year veteran of the health, racquet and sportsclub industry and was a co-founder and the 1st President of IHRSA in 1982.)

THE Club Insider® NEWS

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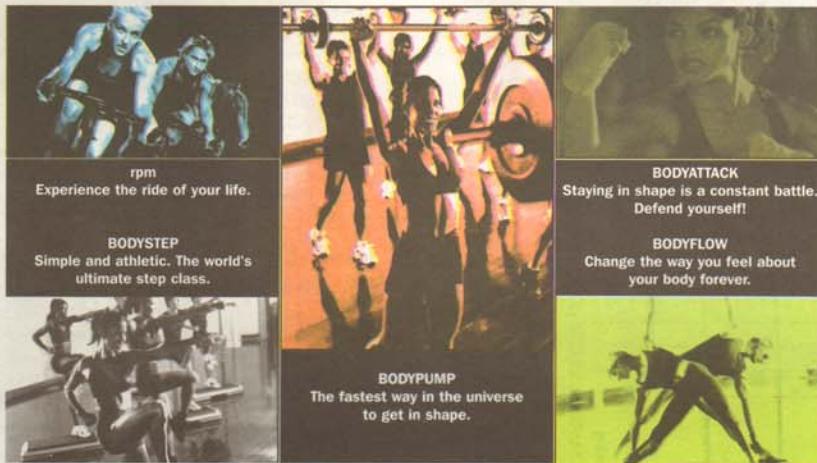
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PROFILE No. 156	name	George Saab
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	personal profile	Played semi-pro basketball overseas. Golfs. Loves team-building. Golfs. Enjoys a good cigar. Golfs.



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