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THE **Club Insider** **NEWS**

The Pulse of the Health, Racquet & Sports Club Business Worldwide

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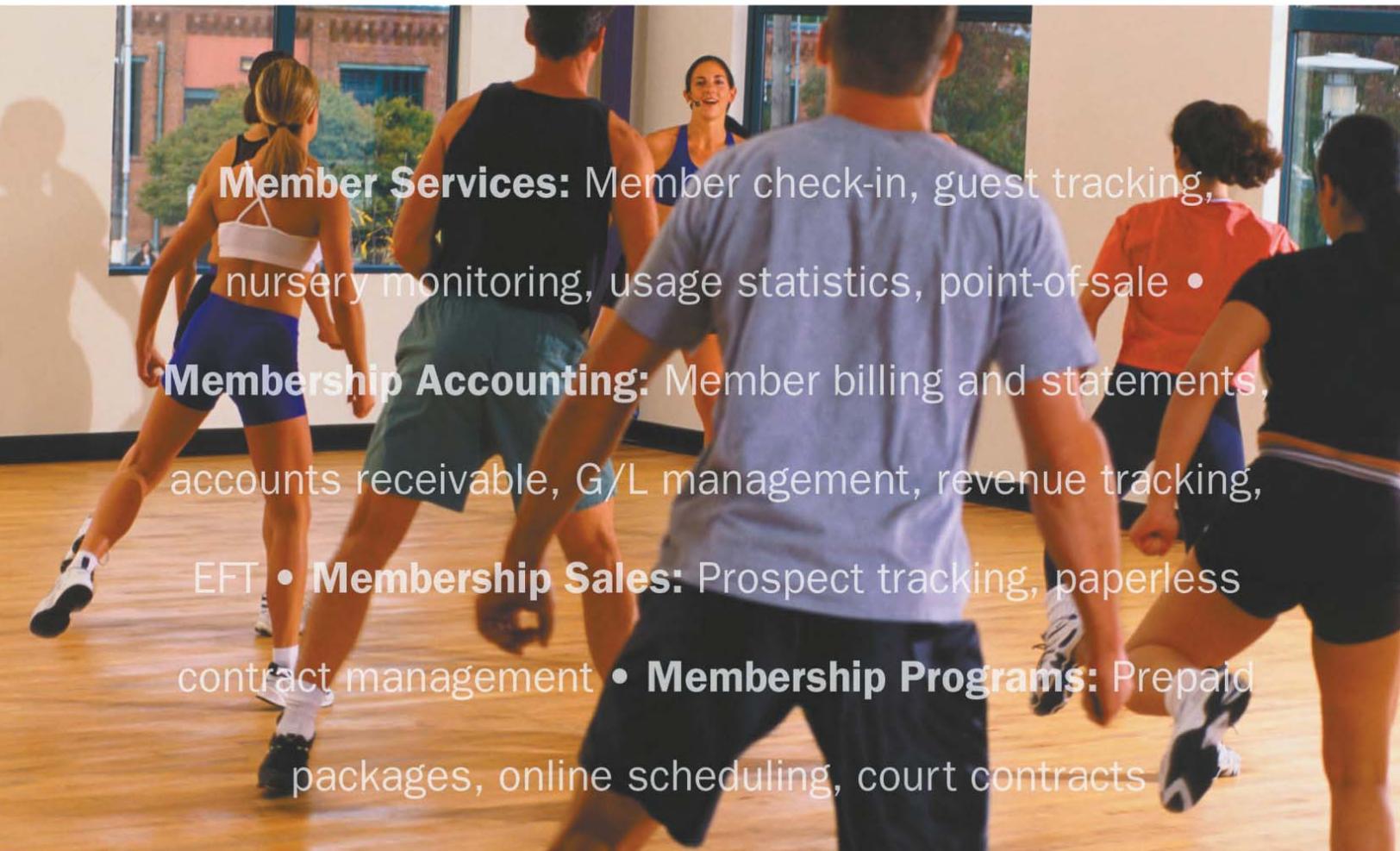
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Norm Cates' **THE Club Insider** NEWS

The Future of **IHRSA**

The View of IHRSA's 1st President, Co-founder And Dedicated IHRSA Supporter

By: Norm Cates, Jr.

John McCarthy, IHRSA's 24+ year highly esteemed Executive Director, announced his retirement at the Opening Session of IHRSA's 24th Annual Convention in San Francisco in March. This resignation announcement by McCarthy, combined with the vastly changed landscape of the health, racquet and sportsclub industry in the past 10 to 15 years, presents the Association with a rare, actually never present, opportunity to make some changes for the better in the Association and time to coordinate those changes with

the change in leadership at IHRSA is still available.

Recently, in IHRSA's CBI Magazine, Julie Main, IHRSA's outgoing President, wrote about how tough it will be to replace John McCarthy. Currently, there is an IHRSA Executive Director search in motion, headed by Board Member Greg Lappin. A number of individuals, including former IHRSA President, Tom Behan, and club industry guru and long-time consultant Thomas Plummer, have their hats in the ring along with several others.

Three months ago, in CLUB INSIDER's April edition, with coverage immediately after

the San Francisco IHRSA Convention in March, I wrote: "Big John 'The Alliance Master' McCarthy *could never be replaced*. I wrote that whoever might be selected would be facing huge challenges similar to those experienced by the Green Bay Packers when they tried to replace the legendary NFL Football Coach Vince Lombardi when he stepped aside years ago. I mean, how do you replace an icon and a legend like the one John McCarthy has become? Vince Lombardi had set a *standard* for NFL Coaches that no one has yet ever matched, and John McCarthy has done the same in his field at IHRSA. (Yeah,



Julie Main and Joe Moore

I know you New England fans might disagree about my Lombardi comment since Bill Belichick's great success in New

England).

After much thought, today I write: "**Replace**" John (See IHRSA Page 6)

Wall Street...

What The Experts Think About The Health Club Industry

An Interview by Norm Cates, Jr. with David King

Part I

The world of public stock offerings and private equity funding is a meticulous, careful world. For years, Bally Total Fitness and the Sports Club Company have been the only publicly traded health club companies in the U.S. That changed dramatically last year

with the recent, very successful Initial Public Offering (IPO) of Bahram Akradi's LifeTime Fitness.

We recently had the pleasure of speaking with three Wall Street experts who have extensive involvement and experience with the health club industry: David King, Senior Managing Director of Bear Stearns Merchant Banking, whose focus is private equity; Jon Maxwell, Managing Director of Fixed Income Research for

Merrill Lynch, whose focus is the public debt side and Paul Lejuez, Vice President and Senior Analyst with Credit Suisse First Boston, whose focus is on the public equity side.

These gentlemen were kind enough to share their views and thoughts with CLUB INSIDER, and we thank them all.

We also want to thank Rick Caro, the health, racquet and sportsclub industry's acknowledged leading expert on Wall Street/Club industry business matters for arranging these interviews for CLUB INSIDER.

The interviews will be covered in a two-part format. In this issue's Part I, we hear from David King. In Part II, to be published next month in our July issue, we will hear from Paul Maxwell and Paul Lejuez.

This Wall Street coverage is being presented at a time when Bally Total Fitness awaits the July 31st release of its financial re-statements of the last four years of the company business. These re-statements came as a result of SEC sanctions and have been long awaited by Bally Total Fitness management. CLUB INSIDER will have in-depth coverage on Bally, its re-statements and what the plans for Bally Total Fitness' future are in an upcoming month's issue to be confirmed at a later date.

An Overview

Going beyond the financial restatement matters, these 3 experts believe that the Bally Total Fitness Finance issue has held back investors over the



David King

years even before the financial statement issues arose. Bally's relationship with investors has slowed holding the Bally stock (See Wall Street Page 16)

Inside The Insider

- Can You Walk the Walk?
- Scudder's NEW - "The Way I See It"
- Are Your "Skill Essentials" Guaranteeing Your Success?
- Norm's New "**PERSONAL**" Notes

•Norm's Notes•

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● **HELLO EVERYBODY!** This is your friendly CLUB INSIDER Publisher for 11.7 years checking in for the 139th month in a row! Also, be sure to check out my new Norm's PERSONAL Notes on page #28 in this edition.

● **Subscriptions are rolling in and I want to thank those of you that have invested!** The last few months I've been asking for you kind folks to: 'step-

up', 'throw me a bone' and **SUBSCRIBE to CLUB INSIDER** because once in a while we have mailed you a complimentary copy so you could decide if you want to receive CLUB INSIDER every month. Well, I am happy to report that many of you are sending in your \$89 (12 months) or \$119 (18 months) investments. I write 'investment' above because that is exactly what it is. For approximately .0225% of the cost of a the average new treadmill, you too can receive CLUB INSIDER every month and find a publication that is down to earth, easy to read and that **Tells-It-Like-It-Is!** Go to: www.clubinsidernews.com or **use the subscription form** on the bottom of this page, fax your order with credit card# and exp. date to our **secure fax#:** 770.933.9698 or call me anytime at: 770.850.8506. **Don't forget... beginning May 1, 2005, CLUB INSIDER began to offer a 100% unconditional money back guarantee. If you**

subscribe and read CLUB INSIDER every month for the term of your subscription and find you are NOT satisfied with your investment, we'll refund your M-O-N-E-Y!

● **Hot and yet to break news out of Washington, D.C. is that DON KONZ,** the Founder and former owner of the **Sport and Health Clubs** who sold the chain a few years ago is buying the chain back. I confirmed my first source with a second reliable source who said "the deal is to close by late July." So, **STAY TUNED!**

● **LATE BREAKING NEWS! PAUL GRYMKOWSKI and RICH MINZER,** formerly two of the key players and real drivers for **Gold's Gym International,** have co-founded and are launching a new club licensing organization called **365 Fitness.** 365 Fitness will develop facilities that are 8,000 square-feet or larger. For info, call **Rich or Paul at: 800.955.4365** and go to: www.365fitnesscenter.com



Justin Cates and Norm Cates, Jr.

● **Body Training Systems (BTS) splitting off from Les Mills International (LMI)** was covered in our April cover story and in our May issue. I received a letter from LMI CEO, **JILL TATTERSALL** in late May asking me to publish her two-page, single-space letter to me "as is" to obtain **balance** in my reporting. I declined that fine opportunity. I had not had the benefit of an interview with LMI's **PHILIP MILLS** and I found discrepancies between my information and the statements made in Ms. Tattersall's letter. Only an interview with Philip Mills would enable me to verify the statements and get to the facts of the situation. I offered instead to provide the suggested 'balance' in my reporting they thought I needed by doing what I did with my original reporting of the BTS cover story... **I studied the legal document and I spoke in depth with the headman, BTS Founder, RICH BOGGS.** I explained in my response to Tattersall that the **only way** to get this so called 'balance' they sought was by interviewing **PHILIP MILLS.** Tattersall never replied to my request. But, in NYC at the **Club Industry East Show,** I learned 'the real inside story' from one U.S. **Group Fitness Director with whom I spoke for one hour** about the dilemma LMI has **deliberately created for this entire North American industry. What IS the**

DILEMMA? The 'deal'. **The only deal LMI would agree to with BTS was one with a 'blackout' of all news on developments about the matter until May 1st with a June 1 switchover schedule!** It is turning out that **this extremely short, 30-day timeframe, dictated by their 'deal',** has put **hundreds of BTS client clubs in the U.S. into a real fix.** On the one hand, a number of BTS client clubs **want to stick with the AMERICANS: RICH BOGGS and RAY IRWIN of BTS.** On the other hand, as expressed by the very dismayed Group Fitness Director I spoke with, her organization felt that given the work that would be necessary to do in the ridiculously short timeframe (it really boiled down to JUST two weeks after the announcement smoke cleared), they had to **temporarily stay** with the New Zealand group... **and I emphasize: temporarily.** So, the early report from the 'battlefield' by LMI claims **that 700 of the 1140 BTS clubs** are 'staying' with LMI. That is a **half truth. No, I can't say that. At best, it is a 1/4 truth. Trust me folks... that number is changing** as I write this. **What LMI's release did not state was this: Boggs did the right thing for their client clubs: they told their entire 1140 club client base right from the beginning** and since then, that **if the timeframe for this conversion** (See Norm's Notes Page 7)

Thank You

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...IHRSA

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McCarthy? Never. So, why even try?

Why have I made this comment? There are a lot of reasons, but from my perspective, the number one reason that Big John will never be *effectively replaced* is because IHRSA and the entire health club industry landscape has changed so dramatically since its creation in 1980. These dramatic changes have been most significant over the past 10 to 15 years. John McCarthy has handled the IHRSA Executive Director job fantastically for 24 years, but while he has been doing so, he has grown with this industry and with the Association.

However, the IHRSA Executive Director position has become a job for way more than one inexperienced person. I think the job will chew up and spit out even the most talented people found in this search. I say that because John McCarthy has grown with the job... kind of like the story about the young farm boy that starts lifting a calf up off the ground each day of the calf's life. Pretty soon, the calf is a cow. Amazingly, the boy can still stoop down under the cow and amazingly lift the cow off the ground! This is just my way of saying: "John McCarthy has done an awful lot of heavy lifting by himself for IHRSA over the past 24 years. The next guy in line will not have the benefit of growing with the job as the job is

already grown."

IHRSA has been very fortunate indeed to have had such an extraordinary man as Big John 'The Alliance Master' at the helm as its Executive Director for almost 25 years. John has put his heart and soul into IHRSA. McCarthy has shaped the Association, through his hard work and the work of his "Team IHRSA" with over 100 IHRSA Board Members over 24 years.

But now, the 'future' is almost here. It is right around the corner. The Association now faces the challenges of continuing without John McCarthy or his great "Vision". I write today about how that might be achieved.

A Little History On IHRSA

It is important to note that IHRSA has been very fortunate to have had individuals like IHRSA Founder, Rick Caro, Dale Dibble, Todd Pulis, Jennifer Michell, Peter Donahue and Curt Beusman to serve in their founding roles right at the beginning. Over the past 24 years, three of us have remained involved in IHRSA in various ways: Caro, Pulis and myself.

Dibble, Pulis, Michell, Donahue and yours truly met in Chicago in 1980. The meeting had been arranged by Rick Caro. Caro's idea was to shut down the failing National Tennis Association (NTA) and the failing National Court Club Association (for racquetball clubs) to form a new, enduring, financially-viable

club trade Association that would start with a clean balance sheet.

That 9-hour, Chicago meeting resulted in our recommendation to Caro that his idea was sound and that we, as a group hand-picked by Caro to evaluate the idea, recommended a GO! Just weeks later, at Caro's offices in New York City, we founded IRSA. (The International Racquet Sports Association) The rest, as they say, is history. But now, the Future of IHRSA must be and will be addressed.

This is a special time period, almost tailor made, for change at IHRSA. BIG Special changes! John McCarthy's upcoming departure in June, 2006, will give Joe Moore, as the new incoming IHRSA President in June, 2005 and the IHRSA Board, a one-year-long, "once-in-25-years" opportunity. This opportunity involves looking at the realities of the commercial health, racquet and sportsclub world now and the "rest" of the health and fitness constituencies worldwide. It will also involve the 'realities' of what has gone on at IHRSA over the past 10-15 years up until right now.

Over 100 IHRSA Board Members have given their valuable time, energy and creativity to serve the Association without compensation. IHRSA has been very fortunate indeed to have the wonderful contributions and efforts of these selfless individuals.

The Future of IHRSA For the Next 25-Years Is At Stake

John McCarthy has accomplished many remarkable things during his 24+ years at IHRSA. The most remarkable McCarthy accomplishment in the view of this Author has been how he has continued to successfully move IHRSA forward strongly on many fronts via all kinds of initiatives crafted by members of IHRSA's Board of Directors working with John and his great "Team IHRSA." While at the same time, McCarthy has moved and positioned IHRSA to be the world leader in initiatives to promote and communicate the value and power of regular exercise to people worldwide.

The Association was originally founded by independent club owners for independent clubs. During the first 24 years, the Association has evolved into something very different than what was intended



John McCarthy

IHRSA's 24+ Year Highy Esteemed Executive Director at IHRSA's Government Summit Washington, D.C.

by the Founders.

Therefore, the "Future of IHRSA" should reflect new, 'outside the box' thinking... and this writing is intended to provide input for the IHRSA Member Clubs that financially support IHRSA and the IHRSA Board of Directors, whose job it is to represent those IHRSA Member Clubs.

The IHRSA Board of Directors will meet June 22nd and 23rd. This June, 2005 Board Meeting may be the most important meeting since our Chicago Founding evaluation meeting in 1980. First, Julie Main, a woman of remarkable passion, intelligence, drive and love for our industry and for IHRSA, will turn over the IHRSA President's gavel to Joe Moore of Dayton, Ohio at the June 22/23rd meeting.

Julie Main has served extremely well as IHRSA's 24th President. IHRSA is indeed fortunate to have Julie Main and Joe Moore in these important leadership roles at this particular point in time. Julie will continue on the IHRSA Board for one more year, as the IHRSA Ex-Officio President, providing transition assistance to Joe Moore. Joe Moore, as IHRSA's 25th President, will lead IHRSA into the future, and the Association's

second 25 years on the way to the year 2030.

IHRSA's Multiple Constituencies Call For Special Attention To Each Interest Group

As I stated above, in the beginning, IHRSA was founded to serve independent club owner/operators. There was just one primary constituency then and that was the Independent Club owner group. Now IHRSA serves several important constituencies. And, constituencies in an Association are a lot like health club members. If they begin to feel like they are not getting what they should or if they begin to feel neglected, then you've got trouble. As IHRSA constituencies have grown and changed, a number of independents have quit IHRSA citing to me in numerous conversations: "Norm, IHRSA has changed so much in the past 10 years or so it is just not for me anymore. It is just not what I want in an Association." Many of the former IHRSA Independent Club owners feel alienated, particularly by the attention and recognition they say IHRSA is constantly heaping on the big IHRSA chain

(See IHRSA Page 10)



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son was *too tight* for them they should simply pay LMI their fees and continue 'as is' until they have time and are comfortable to work and flow through the process of change. That's what LMI's alleged 'signing' of 700 BTS clients is actually about! The *truth* here is that this deal never, *ever* should have had this *very short 30-day window of time (demanded by LMI)*. If LMI really *cared about* club operators, as they *say* they do, *90-days as a minimum should have been provided to club owners to make their decision and their conversion process*. This 'deal' gives 'high-pressure-sales' in our industry a *whole new meaning*. By that I mean LMI *knew full well going in that this 30-day timeframe would create confusion, consternation and indecision amongst the client base of BTS*. That was their *intention*; their 'battle-plan'. Next month in our July edition I do hope to include my anticipated interview with Philip Mills. The War between BTS and LMI has just begun. I am very, very concerned because I saw the *TEARS in the eyes of that Group Exercise Director* toward the end of our long conversation about this mess. She told me, "Given this very short time constraint, we had no choice but to stay with LMI. I am very concerned because I feel these 'Down-Under' people don't give a hoot about my friends, you club owners and operators of North America! I am very concerned that you folks that stick with LMI are *not going to get many of the things that are being promised by them*. LMI is in *approximately 50* other countries and it puzzles me how they plan to deliver on all these promises they are making in the U.S. while keeping the other 50 countries happy with their existing product. If you have not, I would suggest that you go back to the *BTS materials* and carefully re-study and understand clearly the terrific things BTS is doing for their 350+ clients clubs they've already resigned to stay on for the long haul. Especially, study the new membership marketing support BTS is providing. And, when Philip Mills is ready to be "interviewed by me, I am ready to interview him. STAY TUNED for our next edition, July 2005... It promises to be very interesting.

•In a related story to the one above, in *Canada*, LMI has licensed the *exclusive rights* to their program to DAVID PATCHEL EVANS, the owner of 100 *Good Life Clubs!* Do you know what that means? That means in *Canada all 73 clubs* who had *invested heavily* in the LMI programs were *terminated with 25 days notice* and *no options* provided by LMI. That means that no LMI programs will be available anywhere in *Canada* outside Evans' clubs. So, I ask you fine Canadian club owners this: "Do you think that LMI gives a *HOOT* about ya'll? *NAH...*" I wonder if this situation will be repeated in the U.S.? What if *24 Hour Fitness, LA*

Fitness, Bally or TSI cut a deal with LMI for an 'exclusive' right in some region of the country? This is just one of the many questions I would like to ask Mr. Mills.

•*24 Hour Fitness has been sold to Forstmann Little & Company*, New York City investors that paid a *9.5 multiple* for *24 Hour Fitness*. The icon and legend, RAY WILSON says this deal was bigger than all of the *big deals in the history of the health club industry combined*. I am looking forward to seeing what Forstmann Little & Company do next. Don't be surprised if we all wake up and one day find out about a *24 Hour Fitness club giant of 1000 or more clubs*. *Rumor has it they will develop 52 new clubs over the next 12 months!*

•About a year ago, TRT Holdings, Inc. Dallas, Texas, and owners of about 40 Omni Hotels, acquired *Gold's Gym International*. Word on the street is that as the deadline for Gold's operators to switch to the new pure Gold's Franchise program, many are getting ready to dump the Gold's brand.

•Last month I *stated that Bally Total Fitness leaders* were waiting for the revised company financial statements from the past four years to be released soon. It should have read *JULY 31st*. I will have an in-depth Bally report shortly thereafter. *STAY TUNED!*

•About the piece I wrote this month entitled: "The Future of IHRSA". It's about the next 25 years of IHRSA, beginning in June, 2006, when "Big JOHN the Alliance Master" retires. It is *NOT about anything being wrong with IHRSA right now*. But, the IHRSA Board of Directors meets June 22nd and 23rd in Boston and I wanted all of them to have the benefit of some new, "outside-the-box" thinking I have been doing for a long time about IHRSA's future. John McCarthy has set a *standard for our club world* that I am sure will continue to get better and better because of the "Team IHRSA" big John will leave at 263 Summer Street in Boston. Regardless of whether you are a current IHRSA Member, a former IHRSA Member or a club owner/operator who has never joined and supported this great work called IHRSA, this "Future of IHRSA" has information for all club operators. Please take the time to read it. The article, not including my long-time contemplation and incubation of my ideas, took me *17 hours at this keyboard*, all done in one day from 8:30 a.m. until 1:30 a.m. the day after I had returned driving my car to Atlanta from Club Industry East in New York City. I sure hope my dedication, passion and love for IHRSA resulting in these ideas are not wasted, but at the same time, I realize how complicated IHRSA has become. I trust IHRSA's excellent Board of Directors, led now by *Board President JULIE MAIN*, and beginning in June 22nd/23rd, *JOE 'The Gladiator' Moore*, to do the right things for IHRSA's future. But, the *TIME IS NOW*. Given my love for all the IHRSA Members, former IHRSA Members, Staff

(See Norm's Notes Page 8)

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...Norm's Notes

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and everyone in our wonderful industry, I simply could not and would not let this critical time pass without weighing in. **STAY TUNED.**

•Speaking (writing) about **Club Industry East** in NYC, what a *nice, well-done event!* There was a great educational component produced by everybody's pal **HOWARD RAVIS**. **SAM POSA** delivered another busy **Trade Show** with lots of new stuff. Next stop: **Las Vegas, Nevada September 8-10th at the beautiful Rio Hotel Conference Center and Casino.** See the National Fitness Trade Journal ad on page #26 of this edition.

•As usual, I had the pleasure of meeting a bunch of great people at **Club Industry East in NYC**, including **GARY PATTI**. Gary is the 26-year owner of **Gold Medal Fitness** in Garwood, N.J. (See the first photo of the Club Industry East photo coverage on page #29). Gary is one nice and interesting guy. He has 65 full and part-time employees and 12 personal

trainers working with him. *Gary, nice to meet you and Mrs. Patti!*

•Boy-oh-boy! Check out the interview with **DAVID KING of Bear Stearns, NYC** as the **Wall Street** financial expert shares his enthusiasm in **Part I** of our **Wall Street Journal** article this month. He has great things to say about the health club industry in North America and around the world, and David, THANKS AGAIN for your time. Next month in our July edition, **Part II** will feature in-depth interviews with **JOHN MAXWELL of Merrill Lynch and PAUL LEJUEZ** (pronounced "Ledgeway") of **Credit Suisse First Boston.**

•**MIKE GRUNDAHL** is the **Founder and CEO** of **Planet Fitness**. Last month Mike wrote an angry letter to me about my **Part II** of our "**Low Cost Clubs**" article. I published it in our May edition. Today Mike called me and said, "**Norm, I'm not angry at you anymore.**" Grundahl had just spent two days with industry guru **MICHAEL SCOTT SCUDDER**, so maybe "**Brother**" Scudder calmed him down. But, in response to Mike's letter to me last month received

the day before our deadline: 1) Mike, you call my '**tone**' **lopsided... THANK GOD ALMIGHTY AMERICA** is a free country! Our boys are dying overseas so you can call my writing tone lopsided. I respect your right to your opinion. I am glad you're not mad at me anymore!; 2) calling me '**ignorant**' in your comment #2 will win you friends around the country, **I am sure. DUHHHHH!** No worries mate... I've been called a lot worse. I've got a **thick skin** and it bothers me **not one bit**; 3) I characterized your comments to me during our various conversations before writing the piece as '**Boasting**' because that is what it was. Did you forget that my role and job as this world's **only CLUB INSIDER** is to: "**Tell-It-Like-It-Is**"? **It was boasting... now 'fess up' dude!**; 4) "**we don't want them**", as you wrote referring to people that "**do not know working out should be part of your lifestyle and need to be sold on fitness**" watch out there Mike... remember your **mantra... no judgments!**... you might lose some business; 5) for you to write "**What the heck is remarkable about them?**" when

referring to my friend, **MIKE'S URETZ's World Gym International... now I'm PISSED!** Let me bring you up-to-date **youngman**. First, health club **business rule # 1- never BAD MOUTH your competition!** World Gym International is '**fixin**' to become the **world's largest franchise/licensing organization**, and I might add the **reasons that is true. Reason #1:** the most important reason is that Mike Uretz is one of the smartest, most articulate, even keeled, professional people I have ever met in this industry. He is a **first class** guy all the way. He has a mind like a 'steel trap'. And, he **leads** the way for a group of people who strive everyday of their lives to deliver **excellence** in their operations at all times, and they work hard at it. **Reason #2** is what is happening with **Gold's Gym International**; 6) **success in low demographic areas is a good thing...** when I wrote that Planet Fitness was not '**time tested**', I was **specifically** referring to your **franchise organization, that unless I am mistaken, has a much shorter track record than your company owned stores**; 7) you say you can take **2000**

members from any of your 'company owned stores and still pay the bills.' Congratulations Mike... you say, "very few clubs can say that"... that speaks well for your excellent cost control. But, can you say that about your franchises?; 8) you "**wouldn't be caught dead in Planet Fitness Monday thru Wednesday**" - club business rule #2: **never** bad mouth your own product in public! Imagine how your members feel during that time when they are standing in line to get on a treadmill and those are the **only times** they can fit in a workout during the week... do you offer **REFUNDS?**; 9) **Touché** when you write: "**BULL**, having 7-8,000 employees takes sound management, well trained employees, sound demographics and excellent marketing" in response to my assertion that it is "**easily achieved.**" Nothing is "**easy**" in this health club business and I stand well corrected by you Mike; 10) Mike, you wrote to me; "and this last one makes me **REAL MAD**": "Success may not translate as well as is being represented by the franchise seller." Then con- (See Norm's Notes Page 23)



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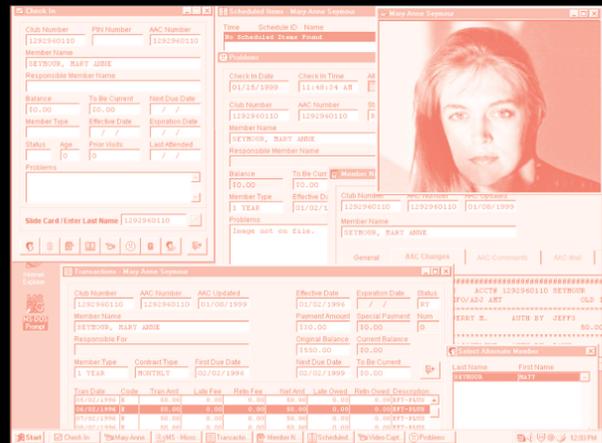
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operations. Even though IHRSA successfully recruits new Independent Club Operators to offset the departing members, the total U.S. number has continued to trend downward when the chains are subtracted from the U.S. total.

Importantly, over the past 10-15 years, a segment of the independent club owner/operator constituency has become somewhat alienated from the Association. The percentage of independent clubs in IHRSA has continually declined over the years. Reportedly from a very reliable source, IHRSA now has just 16% of the U.S. independent clubs amongst its membership (Calculated by first subtracting approximately 1200 chain clubs included in the IHRSA U.S. club number). If my source's stated 16% figure is accurate, I believe that is too low, given the fact that Independent Clubs *still* compose a very high percentage of the nation's estimated 28,830 health clubs. For a successful long-term *Future* for IHRSA, that low Independent Club support number needs to be reversed. A new, focused Independent Club recruitment effort can be created and *worked hard*.

The IRSA Board in 1993/94 Was "Right" and They Were "Wrong"

In the summer of 1993, IRSA's Board of Directors, headed by President, Larry Krieger, voted 9-0, without any IHRSA Member Club involvement or knowledge, to change the name of the Association from IRSA (The Association was called IRSA: The International Racquet Sports Association then). The renaming of the Association to "Exercere", Latin for: "To Exercise" was a total surprise to almost all of the IHRSA Member Club owners. The name had been selected and recommended by Brian McBain, a consultant retained by the IRSA Board, to conduct a name search and name recommendation.

The problem is that this particular Board, loaded with smart, well-intended, excellent individuals, got the 'cart *before* the horse'.

After 11+ years of contemplation and conversations with many people, this Author has concluded that the IHRSA 93/'94' Board of Directors, including such luminaries as Patricia Laus and Bruck Buckbee, had done *some advanced, way "outside-the-box"* thinking for that era of IHRSA. I strongly believe that this group had the same or a very similar plan to the one I have proposed here, and they intended to follow-up that ill-conceived, approved and delivered name change with announcements of that plan. Somehow, that IHRSA Board decided that the best way to proceed was to make the name change first, *and then explain* to the IRSA Membership *why they did it*. Like I said, I believe my friends had gotten the "cart-before-the-horse".

The '93/'94' IHRSA Board announced the name change to "Exercere" in a CBI article with Brian McBain on the cover with fireworks in the background. Perhaps the fireworks bursting in the background was a precursor of things to come with this name change effort. A series of very enthusiastic and eloquent letters were written by IRSA elders and mailed to IHRSA Member Club owners espousing the wonderful new name: "Exercere". However, the rhetoric included in the CBI article, and those letters failed to really explain any new planned "Vision" for IHRSA's future. So, I am stating here without confirmation, that the name "Exercere" was to become the name of a "huge umbrella Association", formerly known as IRSA, to include all fitness service providers in the world (Not to include not-for-profits). It was a bad idea at that time, but maybe a great idea today. Since no one on that Board has ever disclosed to me what they were up to I have produced the following proposals with no help.

The IRSA Member Club Owners Objected Loudly and Angrily!

Enter the IRSA Member Club owners. Ironically, CLUB INSIDER had just launched its first edition at the same time of this IRSA name change initiative. CLUB INSIDER was *immediately inundated* by many IRSA Member owner's letters, faxes and phone calls protesting and objecting to this already Board approved name change for IRSA. They were upset that the Board had voted 9-0 to make the Association name change without their knowledge, input or any involvement whatsoever. They wondered why the Board that really represented them would make this move without their input, knowledge or involvement. Essentially they felt left out. Had the name change been handled in some other way there may not have been an IHRSA Member Club owner rebellion.

In the fall of 1993, IRSA was an Association that could easily have split wide open and failed dramatically. I say that because those that opposed this announced name change then were the *same people*, the 'Independent Club Owners of America', that had supported the Association financially for 14 years and had been active members of IHRSA in many ways. At that point in time, they *were the IRSA constituency*, but John McCarthy knew things were changing with respect to the constituency needs of the Association. So did the IRSA Board of Directors. Rather than consult the IRSA Members first, for some unknown reason that board decided to move on the name change first and then informed the members. Based upon what happened after the announcement, it appears they made the wrong choice at that time.

When I write that this Board "got the 'cart before the horse'" I mean this: Had this Board involved the supporting IRSA Member Club owners *first* in this very important name change process and had the Board asked the members *what they thought about it and why*, then the outcome might have been dramatically different and much better. Instead, they kept it secret from the Member Club owners until it was a 'done-deal.'



The CLUB INSIDER Was "Tested" From Day One!

I learned of the "Exercere" Name Change from an IHRSA member that was on the "inside" about one week before my first deadline ever for CLUB INSIDER. That was about two weeks before it had been announced by the Board to the IHRSA Membership.

In our first edition of CLUB INSIDER, dated December, 1993, but distributed in mid-November, 1993, I wrote and published a brief half page article about the IRSA name change to Exercere. I stated simply that: "If the IRSA Members approve of the new name "Exercere" for the Association, the new name would stand and would be just fine". But, in this writing, I also stated that the IRSA Members *should and would* have the *final say*, and they, without a doubt, did have that *final say*.

During the 3 months after the name change announcement, CLUB INSIDER published some of the hundreds of objections and complaints to the IRSA name change we had received. After all, our founding charter called for CLUB INSIDER to be a tool to help the health, racquet and sportsclub industry whenever possible. Frankly, I never dreamed that right out of the gate I would end up having to publish such hot, hot news and commentary. I still can't believe the ironic timing of it all, but I made a promise to this industry. The first month of publication tested my promise and I kept it. And, in this writing as well, I have continued to publish commen-

tary intended for only one purpose... to help this industry.

In one of those 3 editions right after the announcement, I published commentary suggesting that an IRSA Member Club owner "Open Forum" could be held in Reno, Nevada at the IRSA Convention of 1994. That *Open Forum* was held and provided interested and caring IRSA Members with their *only* opportunity and platform to express their views about the matter. Express those views the IHRSA members did!

32 IRSA Member club owners stepped up to the speaker's podium to express their views of the new name change to 'Exercera'. *31 speakers expressed strong objections to and disagreement with the name change and how it had been handled.*

Only one person, Patricia Laus, IHRSA Board Member and owner of the world class Atlantic Club in New Jersey, stepped up to express support of the name change to "Exercere". The IRSA Members had spoken.

In the summer of 1994, the Board of Directors voted again. This time, the vote was to *rescind the name change to "Exercere"*. At the next IRSA Board Meeting in the fall of 1994, the Board voted a third time. That vote was about whether or not to change the name IRSA simply by adding the word "Health" in the name. Installation of the "Health" into the name and the "H" into IRSA was approved by the Board thus the new acronym, IHRSA was born. I (See IHRSA Page 12)

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might add, that idea was presented to many IRSA Member Club owners for their opinions before it was voted upon. Cecil Spearman and Frank Napolitano are the two IHRSA Member Club owners and former Board Members that were credited with the "Health" insertion idea for the new name.

The International Health, Racquet and Sportsclub Association (IHRSA) Rolls On

This simple insertion of the word Health and the letter "H" into the IRSA name told the vast world of health club operators, who previously had ignored IRSA because it was a racquet sports Association, that they were *wanted* and *warmly* invited to become part of this growing Association. This inclusion of the "H" for Health caused a "Boom" in IRSA Membership growth as hundreds of independent health club owners from across the country joined up.

But, that boom began to slowly decline four to five years later, and the IHRSA U.S. Membership base of Independent Clubs has continued to decline since then (Note: IHRSA's total membership numbers have been held up with the inclusion of approximately 1,200 chain clubs such as 24 Hour, Bally Total Fitness, LA Fitness, TSI and other big chains). With respect to the big chain memberships, I believe that there was and continues to be resentment by some of the Independents because the chains receive significant group discounts on the price of an IHRSA membership.

Was something learned from all this IHRSA name change activity? If anything was learned, it would be that if IHRSA Board Members decide to take major initiatives involving all of the Association, they should always *ask the supporting IHRSA Member Club owners what they think first before taking the final action and votes. They should*



then study what the members say, develop a plan that incorporates the desires of a majority of the membership and make those changes in direction accordingly. After all, the IHRSA Board of Directors are placed on the Board by the IHRSA Members to serve the IHRSA Member Clubs.

With this review of IHRSA history complete, now comes some "Meat and Potatoes."

"Outside-the-Box" Ideas for IHRSA Member Clubs and the Board's Consideration

Here is the promised "outside-the-box-thinking" from 'yours truly' for the IHRSA Member Club owners and the Board's consideration. These ideas come from my clear view that IHRSA's constituency base has *dramatically grown and changed. So has the Executive Director's job and responsibilities.* But, if IHRSA does not create, launch and pursue new ideas aggressively now to bring back the support of U.S. Independent Club owner/operators, the Association could one day end up as I have written about before. It could become an Association just for the chains and vertical markets.

IHRSA's, now \$12-million, budget has grown not by support of U.S. Independent Club Membership, but by the International Membership growth, the ever expanding Trade Show and

the many IHRSA Sponsorship offerings. Had IHRSA not had the support from those three growth areas, I believe IHRSA would be "*long gone*" by now. Kudos to John McCarthy, Rick Devereux, Chuck Leve (Sponsorships), Tom Hunt (Associate Members) and John Kersh's (International) as they are largely responsible for the fact that the Association has remained financially healthy for many years

Some "Meat and Potatoes" For the IHRSA Member Club Owner/Operators and the IHRSA Board

A "Vision" for the big-picture change was *not right* for the Association in 1993/94, because the Association consisted nearly exclusively of Independent Clubs. Since then, things have changed dramatically in the world of health, racquet and sports clubs. I believe that IHRSA must change to keep up with the needs, wants and desires of its member-base or risk losing more of that base. But, because of the large number of new clubs being built by Mom and Pops along with the other factors already mentioned, IHRSA is using a "churn" to keep up. By that I mean, if an independent club owner that has supported IHRSA for 15 years begins to feel left out and leaves IHRSA, there are many new startups to join and provide IHRSA with income to offset that loss. I would bet that is not the intention of or the wish of IHRSA leadership, but I would bet that is the reality.

I hereby propose for consideration by IHRSA's Member Club Owners and the IHRSA Board of Directors that IHRSA "*reinvent*" itself for the future. *Should you IHRSA*

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Members out there find the following ideas palatable and to your liking, Urge each of you to do two things: 1) Communicate your feelings about The Future of IHRSA to Julie Main, Joe Moore and John McCarthy; and 2) copy CLUB INSIDER on what you write or say to IHRSA's leaders so that we may 'stay in the loop' with respect to YOUR desires for IHRSA's Future.

Proposals For The Future of IHRSA "The World's Leading Exercise Association"

• *I propose for consideration that IHRSA should stake a claim on the title of "The World's Leading Exercise Association". (If someone does not already have that catch slogan registered). The Association has matured now... its time has come. The timing could not be better for change for the Future of IHRSA.*

• *I propose that IHRSA's Bylaws be changed to divide, yet unify IHRSA now. This could be accomplished by division of the Association into three primary constituencies:*

- 1) *Independent clubs*
- 2) *Chains of all kinds.*
- 3) *"Vertical Fitness Market Providers" (Corporates, Spas, For-Profit Hospital Clubs, no non-profits).*

• *I propose that instead of searching for the replacement of Big John "The Alliance Master" McCarthy as the single Executive Director, that the search be enlarged to hire three new IHRSA 'Directors' each serving their particular IHRSA Member Constituency Group listed above. Therefore, when John McCarthy departs for his well earned and so well deserved departure to a life of retirement he will know that what he built*

at IHRSA is in great hands.

• *I propose that the Association create a 2-year, or if necessary, a 3-year transition plan consisting of:*

- *A change of the IHRSA President's term from one year to two years. This change would involve the IHRSA Board President becoming IHRSA's worldwide spokesperson, its standing figurehead after John's departure. That role heretofore has been relegated and well handled by John McCarthy until this point.*

- *An immediate IHRSA outreach to past IHRSA members clubs of each of the above constituencies could be launched to begin to resell and re-attract former IHRSA members across North America. The new efforts could be easily directed to each of the 3 constituency categories: Independent clubs; chains and vertical market providers.*

- *The creation of 3 new "Constituency Advisory Boards" composed of IHRSA Members to make recommendations to the new Directors, who would in turn take the proposals to the IHRSA Board of Directors. These "Advisory Boards" would not have an actual Board vote on the proposals, but their role would be to develop IHRSA initiatives and ideas for their respective constituencies fully for submittal for IHRSA Board consideration, approval, funding (if needed) and implementation. The "Advisory Boards" would be inclusive and would help keep each new IHRSA Director in close touch with his particular constituency groups. The 3 Directors would attend Board Meetings without an official vote, just as John McCarthy does now.*

This would further assure representation, participation (See IHRSA Page 14)

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To paraphrase an old classic, we are in the worst of times and the best of times in the fitness business. Getting new memberships is harder, new clubs are opening faster than new members are joining, staffing is a nightmare on even the good days, and the chains seem to be on a mad track to do as much damage as they can to the fitness business in general and to the independent operator.

We are also at one of the great turning points in the history of the fitness business. The pendulum is swinging in our direction as the consumer finally is getting what the fitness industry can offer. Just like the turning point for smoking a few years back, the consumer is seeing that fitness is real, needed and articles talking about everything from low carbs to Pilates are in every magazine and newspaper in the country.

Before we can reap the benefits from a more aware and sophisticated consumer the industry itself has to change. In the next few years in the fitness business there will be a correction. Some clubs will thrive during these changing times and others will fail unable to compete or take advantage of the newer markets.

What will separate those that make it from those that don't could be as simple as a few new ideas for your business. A single but powerful idea, such as a new way to market, more efficient sales, a key staffing tip or simply a different way to niche your business, could be what separates you from the clubs that will struggle.

The amazing thing about the fitness business is that anyone can be beat. You can learn to compete against any competitor by getting a fresh look at your business and how you run it each day. And any fitness business can make more money and improve. Remember that just because you were successful in the past does not mean that success will continue in the future without a new idea to power the change to need to make.

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pation and involvement of the IHRSA Member Club owners, particularly the Independent Club owner constituency group as IHRSA continues to grow.

- The **IHRSA 2007 Convention** would be produced with 3 different Educational curricula, each carefully constructed, planned and tailor made exclusively for each of the 3 constituencies.

- Also beginning with the **IHRSA 2007 Convention**, each of the three Constituencies could have their own specific convention destination hotel where members from the above constituencies would reside during the Annual Convention, attend education seminars tailored specifically for their group and be able to meet more directly and easily with people from their same club type. That would encourage socialization, providing a more close knit, grass roots networking between club operators with members of their own constituencies, perhaps the greatest single benefit of the Convention.

As it stands now, the IHRSA Convention is totally a mixed bag of constituencies mixed into one big destination hotel with satellite hotels. Training rooms are everywhere. I firmly believe that this would allow IHRSA Seminar Scheduling at the Annual Convention to be more targeted to specific club operators. It would also potentially allow scheduling of all seminars to be completed much earlier in the day. This could result in a reduction of or possibly even the elimination of the educational scheduling conflicts that exist now with the very important IHRSA Trade Show.

Additionally, if the Awards Ceremonies were done entirely on the first morning of the General Session and there was only one Keynote Speaker on opening day each year, a lot of time could instead be used for education in the morning and Trade Show shopping and

buying in the afternoon. A lot of IHRSA money would be saved each year with just one Keynote speaker instead of three. To this day, I have never been convinced that Keynote speakers are why club owner/operators and managers come to the IHRSA Convention. I believe this would make both the Convention attendees and the vendors happy.

- **CBI Magazine**, could begin to include 3 specific sections with articles and news for each of the above constituencies published in their own section of CBI. And, as an important part of additional recognition of the support efforts of Independent Clubs, the new IHRSA Club Entrepreneur Magazine would continue publication with the slogan: "The Magazine for Independent Club Owners" added below the Masthead. Later on, if the demand was there, it would also be possible for IHRSA's great Publications Department to create specific magazines for the two other IHRSA Constituencies, the Chains and Vertical Market Clubs.

- The **IHRSA Trade Show** is booming, but more buyers could attend if education was focused in the four morning hours and all attendees had only one destination in the afternoons: the **IHRSA Trade Show**.

- Last, and for sure, **not least**, I propose a long-term idea. I propose that IHRSA build a plan to **FUND A NATIONWIDE ADVERTISING CAMPAIGN** to draw consumers in mass into IHRSA clubs and facilities all across North America. The cost of such a year-round campaign would be high. However, if we can grow IHRSA to 15 or 20,000 member clubs, this segment of my proposal for the future could become possible. Like the American Dairy Association runs its "GOT MILK?" campaign year round, these year-round PR and Marketing 'generic' campaign efforts could deliver IHRSA's new worldwide message easily with just two words: "GOT EXERCISE?", followed by the Website address for consumers

to assist them in finding and visiting the clubs and facilities that aired the GOT EXERCISE? message.

This is really a job for 'Superman', and the closest person we have at IHRSA to 'Superman' in raising IHRSA money is Chuck Leve. Leve could do this through a combination of nationwide sponsorships with Fortune 500 health focused companies and the nationwide campaign for "GOT FITNESS?" Also, IHRSA could potentially use its years of Washington, D.C. contacts to seek subsidized funding from the Federal Government's budget for the U.S. Surgeon General's Office and the U.S. Department of Health and Human Services.

I believe such a campaign would begin to quickly increase the commercial health club market penetration from the current 14% of the U.S. population (Where the industry has been stuck for some time). NOTHING is really working successfully now to increase this industry's penetration, even the massive Surgeon General's Anti-Obesity Campaign. So, any North American "Team Effort" of all IHRSA commercial, "for-profit" fitness facility providers would surely help grow the North American and worldwide member numbers.

Keep in mind, each 1% increase in the U.S. would represent approximately 2.85 million more health club members nationwide! (With 285 million as the base-population for this calculation).

No... I Do Not Intend To Found An Independent Health Club Owners Association of America!

Last, I think it is important to point out here that IHRSA is now "wide-open" to potential new health club Association competition, created specifically to serve U.S. Independent Club owners only. My proposals here could help address that potential.

Also, I want to state here that I have been asked by many if I am going to become

involved as a "Founder again" of a new Independent Club Owners Association of America. My answer is: I WILL NOT.

I will support IHRSA with all my heart and soul, as long as I know in my heart and soul that I am doing the right thing for my friends.

"My friends" I am referring to are current and past Members of IHRSA and the thousands of club owner/operators out there that have never even been IHRSA Member Clubs. It is my deep hope that IHRSA can be changed so as to bring back many past IHRSA Independent Club Members and many new, 'never-have been' - IHRSA members - Independent Clubs into the Association. The Future of IHRSA will not be about the chains. It will be about the Independent Clubs of America!

If you care about IHRSA, I hope you will review these proposals above again, think about them and immediately communicate your feelings about the proposals to IHRSA's leaders, Julie Main, outgoing President (email: juliem@sathletic.club.com, Joe Moore, incoming President (email: SJMOORE2400@aol.com, and John McCarthy, Executive Director (email: jmc@ihrsa.org) Also, please copy me at clubinsidernews@mindspring.com

I hope the IHRSA Board

of Directors will consider how the IHRSA Member Club owners feel about these proposals as these Board Members represent the members' best interest. All IHRSA Members deserve to have their Association leadership examine every possible option for continued improvement of the great Association called IHRSA.

In the mean time, although I know the IHRSA Board Meeting Agenda for June 22 and 23rd will be loaded, I hope the IHRSA Board of Directors will take some time to discuss these proposals. I spent a total of 17 hours on this writing and I would appreciate it if the Board would consider these proposals in the positive light and context in which they have been prepared and presented here. And, that is to give the Association's leadership some true, 'outside-the-box' thinking and some 'Meat and Potatoes' for The Future of IHRSA.

(Norm Cates, Jr. is a 32-year-veteran of the health, racquet and sportsclub industry and the Publisher and owner of The **CLUB INSIDER** News. Cates was the 1st President of IHRSA and a Co-founder of the Association in 1980/81. Cates was honored by IHRSA with its 2001 DALE Dibble Distinguished Service Award. Cates may be reached by phone at: 770.850.8506 or by email at: clubinsidernews@mind spring.com)

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David Patchell-Evans, President and Founder GoodLife Fitness Clubs, Canada

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...Wall Street

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around \$ 3 per share, down from the Bally Total Fitness high of about \$30 a few years back.

Our Wall Street experts view LifeTime Fitness, who launched its Initial Public Offering last year, as the 'financial darling of the industry.' No wonder. Check out the new late breaking LifeTime Fitness numbers: LifeTime is trading at a 33 times earnings and the stock price has risen to \$30 per share up from its 7/26/04 opening day closing of \$21.15. There is no end in sight for LifeTime Fitness.

Our experts also noted the significance of the recent acquisition of 24 Hour Fitness at a 9.5 times earnings price by Forstmann-Little as a great success story, suggesting that 24 Hour Fitness, under its new

ownership, is poised for big things someday on Wall Street. Stay Tuned.

David King is Executive Vice President and Senior Managing Director of Bear Stearns Merchant Banking. His financial involvement with the health club industry began when he helped Mark Mastrov capitalize his 34-club 24 Hour Nautilus chain years ago. Personally, David King is a regular exercise enthusiast as his comments in this interview clearly indicate. He has a very positive view of the health club industry's future.

Q. 1 - When and how did you become involved with the club industry financial world?

A. David King - "I was a fitness enthusiast and I thought this health club industry world was incredibly interesting. In the very

beginning I was misguided as I was looking at the big clubs, the high end very expensive boxes. At the time I was looking at that I had felt that the way to go was to invest at the high end of the spectrum. But, I was talking to a friend and he said, 'You know you've got one at the other end of the spectrum and you ought to meet these guys: Mark Mastrov and Leonard Schlemm of 24 Hour Nautilus.' I met them and that's how I was first introduced to the health club industry.

Q. 2 - What were your first impressions of the health club industry, and in your view, what were the strengths and weaknesses of the industry as you began your involvement?

A. David King - My initial involvement was with 24 Hour Fitness in its very early years. It was like all great investments. It was not so much that I had this incredible insight or there was something there that I was able to uniquely see. I showed up. I met Leonard Schlemm and Mark Mastrov. I liked both of these guys a lot. I thought they were great guys. I thought they had a great vision and a great company. I thought that we could be a value added investor. They had historically accessed the more traditional capital markets in commercial and investment banks. They had 34 clubs when we did the deal and they had done a really nice job of growing them, but they had no 'back-end' to it. They had no Chief Financial Officer, they had accounting systems and control systems that were not at the point that they needed to be given the growth at the front end of their clubs. They knew their business incredibly well. They knew how to sell memberships. Mark's sense of real estate was impeccable. You could just tell that these were great operators. I could tell that we could help them on the back-end of the thing and help on the capital raising side and that's how it went. These are great entrepreneurs. We didn't need to change any management. Mark had a great team underneath him. But, what he did need was to bring 24 Hour Fitness to the first world on the back-office side. That's where I spent a lot of my time and energy helping recruit a lot of guys in that area, really focusing on the back-end.

One of the big steps Mark took was when he acquired Ray Wilson's 69-club Family

Fitness Centers chain in the San Diego and Los Angeles areas. What Ray had more than anything, I think, was *great people*. They were really committed, long-term people who knew what they were doing. A lot of those people became key executives in our organization, and as you know, a lot of them also went on to found their own companies. Larry Gurney and Greg Rowe are good examples.

Ray Wilson could be compared to 'Bill Walsh'. Walsh, as the Head Coach of the San Francisco 49er's, mentored many Assistant Coaches who went on to become Head Coaches in the NFL. If you get to know Ray, you would find out about a tremendous number of great health club operators that Ray had mentored and trained. That's really what the Family Fitness acquisition did for us. It provided us with many great people, and Ray had the club membership systems. We just replaced Ray's system this year after using it very successfully for 10 years. That was the backbone of our club systems early on. We kept their Home Office operation in Carlsbad, California. We kept all of his people, plugged into Ray's Home office operations and we brought in a Chief Financial Officer, Gil Freeman.

Q. 3 - Were there comparable companies that you studied?

A. David King - Not really. In those days, the industry was doing in the neighborhood of \$6 to \$7 billion annually. One of the thesis of the investment was that if you analyzed the Top 10 players in the industry, you had Bally with 400 or so clubs, and then you had Ray's 69 clubs followed by 24 Hour Nautilus (before the name change to 24 Hour Fitness) with 34 clubs. So, the #3 player in the industry at that time only had 34 clubs. There were some 10,000 or so clubs in the industry at the time. We looked at the industry and said, 'This is a hugely fragmented industry. There has never been liquidity for a lot of the owners in the industry. At the time I met with Mark and Leonard and we were looking at the investment,



they had five deals they were looking at. They said, 'Look, we can do this, this and this.' Our thesis was not so much to say 'Look, let's go see how other guys have done it. Our thesis was, 'Look, we've got a great set of operators, we're going to build a back-office. Let's start building on this while it is still fairly cheap. We can do it.'

Q. 4 - What are the reasons that that you and Wall Street were attracted to the club industry?

A. David King - When we got into the industry, there wasn't any 'Wall Street' in the industry other than Bally's. Mike Talla had just taken the Sports Club Company public, but that was more of a real estate play or it was perceived that the investors were real estate investors. So, it was perceived as a real estate play. There simply wasn't a lot of Wall Street in the industry, and there weren't a lot of commercial banks lending to operators in the industry. It took a lot of years and a lot of hard work on the part of the company to convince people that this industry was worth lending to.

There was definitely a reputation problem in the industry when we got in. When we got in there wasn't a lot of month-to-month memberships. One of the things Mark and Leonard talked about up front was the month-to-month membership. They kept talking about the great opportunity with month-to-month memberships. They had not gone fully to month-to-month memberships, but they wanted to. I said to Mark and Leonard, 'Look guys, if you're so great and you're telling me that your customers love your service and if you look at the future of this thing, we've got to go month-to-month. That

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was really where they were headed. The decision had nothing to do with me, but with a change of control trans-action, I said, 'O.K., let's bite the bullet. Go ahead and do it.' It was still a turn-key industry before we got in. There was a history of guys taking the money and closing the doors, State Attorney Generals being all over various operators. That was the Wall Street view of the health club industry and the commercial banking world's view of it. It was a 'Mom and Pop' industry and there were enough examples of guys who had taken money from customers and closed their doors leaving customers P.O.'d that major commercial banks did not want to become involved in it. They did not want to have the industry affect their names negatively. Mark and Leonard told me I would not be able to bring financing to the table while we were negotiating the deal. I told them, 'You know what? I will.' We got financing and this was a big deal. The basis of the deal was that we could bring capital for growth in addition to our own equity capital. We brought Banque Nationale de Paris (BNP), one of the largest banks in the world. BNP came in, and they have remained great supporters. They have also lent to a number of other operators in the industry since then. That really started opening the doors. People started looking at it. The Bally's issue was always there, particularly in the later years.

The performance of Bally's has been an issue for the capital markets, but the capital markets have warmed to the health club industry in general. Now, particularly with this recent successful IPO of LifeTime Fitness they are looking more favorably. Also, in Europe during the late 1990's, we had a bunch of IPO's. But, in Europe they didn't have the negative history we have in the U.S. They didn't have the Living Well/Tom Fajto story about closing down 400+ clubs all at once and those sorts of things. The markets continue to warm up to the health club industry. I think that the Wall Street view of this business is today, 'Look, this is now a \$14 billion industry. You usually won't find anybody these days that isn't a member of some kind of health club. Everybody sees the inherent growth. Everybody

sees the problems with obesity and sedentary lifestyle in this country. Everywhere you look all day long, you see all kinds of information on health and fitness. Wall Street has finally warmed to the fact that there are some really great operators out there. You have guys like Mark Mastrov, Mark Smith and his team at TSI, the team at LA Fitness, Bahram Akradi... you have all kinds of really great operators who speak the language and have the back office capabilities to demonstrate to people exactly what they are doing and how they are doing. So, I would say now that Wall Street has a much more positive view of the health club industry.

Q. 5 - Since your early, initial involvement, what were the major changes you have seen?

A. David King - A lot more sophistication. I am afraid to tell you about when we first got in, the financial controls and what data we could look at, meaning what data we couldn't look at. Today, if you go into any of the major operators in the U.S. and ask, 'What's your attrition rate? What's the average age of your membership? What's the break down between sexes? What are your comp store sales, EBITDA margins and net revenue margins and all these metrics that people throw around on Wall Street? All of the operators are now comfortable with these margins. They can deliver you the facts, they can 'slice and dice' their data to really show you how they perform and where they perform.

Another major change has been that the real estate developers of the world realize that by having a fitness club as a destination in their shopping centers you can bring 2,000 people into their lobby everyday. If I am a real estate developer and I know I can get 24 Hour Fitness to be my anchor tenant, I can say, 'Look, I have 24 Hour Fitness bringing in 2,000 people per day. So, instead of having to deal with a 'Mom and Pop' shoe store, they can get a high-end shoe store tenant to come in. So, the real estate world has also really warmed to the health club industry and that is a major change. It is an unusual business. It's still not an 'everyday business.' I still talk to a lot of people about investments in club space and I look at a lot of deals. They always call me and say, 'Who can I get to run this?' It's not like you could take just anybody out of GE and expect to

say, 'Oh sure, he will do well in this business. It's a mix of skills that is unique. The development of the skill base in this industry has really been tremendous.

Q. 6 - How would you describe the club industry today to a colleague that has no knowledge of it whatsoever?

A. David King - As a guy who looks at lots of business models in all different industries I would say it is one of the more exciting industries. How good can it get when your job every day is going in to work with an enthusiastic group of people? There is no such thing as a 'bad workout, unless you injure yourself, which is rare. You may come in with bad news on your mind or you may have gotten up on the wrong side of the bed. You know what? When you get done, you are always going to feel better about yourself. So, imagine working in an industry where the typical customer experience is 100% positive, you get to be in that environment everyday with a bunch of upbeat people, providing a 100% satisfaction level of customer experience. I can think of very few industries and very few businesses that have that. As a business operator, my ability to recruit great people into this thing is tremendous. I can say, 'Look, you can go work at that restaurant, you can go work at that other retailer, you can go work for a corporation, or you can come here and be in an environment where it's positive and upbeat with great customer satisfaction and where you are central to delivering that customer satisfaction. You also get the benefits of working out and being in that environment. It's a great business model. It's kind of a sin that there is a business model like this. That's generally how I describe it to people. It's a dynamic industry. It's a global industry. I've looked at deals all around the world. It's pretty much the same everywhere.

Q. 7 - Who are the club groups most likely to be understood by**the financial community?**

A. David King - 24 Hour Fitness, Life Time Fitness, Town Sports International, LA Fitness, the Sports Club Company, the Spectrum Clubs, Bally's, the East Bank Club and Equinox. They're doing a great job. Equinox, among others, is still a small group, but they're doing a hell of a job.

There are a ton of solid, solid operators. If you look at the Top 40 operators in the U.S., by and large that is a really sophisticated group of operators. And, you've also got, I would guess, 20 really good operators in Europe and maybe 15 really good ones in Asia.

Q. 8 - Where do you see the industry going in the next one to five years?

A. David King - I see this as a pretty good year for the industry. For the next five years, I see the industry in a brand building phase. I've been saying that for awhile now. This is an industry that is characterized by no single national brand. There are great regional economies in this industry. I believe you're going to continue to see people focus on building brand and on building scale because I think people are going to want to build a national brand. If you think about the value of a national brand if you had it, name five great national brands in the fitness space. You have Nike and Reebok and maybe Adidas, you then run out of names really quickly. That is kind of an incredible thing, given how focused American consumers are in this country on sports, health and fitness. It is very important to the American lifestyles and American consumers. You might struggle to make a full list of 15 fitness brands. If I asked you to come up with a list of 15 grocery store brands, I think you could do that. My personal view is from an investment perspective, I think that is where the industry is headed. We've set the stage with professional management, great club operations with great club groups. That will give people the ability to create national brands running up to a total of 1,000 clubs. Maybe in the next five years we will see the first 1,000 club group.

Q. 9 - Given Bally Total Fitness and the Sports Club Company history, how did this effect the financial community's perception of the health club industry?

A. David King - I think



everybody always understood that the Sports Club Company was a different piece. It was a very, very large box. It was very expensive, and it was tied to the real estate development proposal. So, I think the market sees it that way. In the case of Bally, you know Bally' is really the only major player that finances memberships. Their model is fine. It's just if you're a Wall Street person and you're trying to understand the club business and you're having to look at it through the lens of the financing business, it makes it very difficult to understand. I think there has always been a lot of complexity associated with that. Over the years doing research on Bally's, that's always been the chatter. Are we really seeing through to the numbers? Can we really understand this? Can we really understand what attrition is? In a world where they sell a lot of three-year memberships, how can I compare that with four other big club operators out there? That's always been the complication. I don't think it has hurt the industry. I don't think it's stopped anybody from doing anything. Bally is having its issues now, but over the years they've had great operations.

Q. 10 - Did LifeTime Fitness clarify what a "typical" or "current" pure club play should be like?

A. David King - I think it helped. LifeTime is another of the large box players. Wall Street used that as the big-box retail concept. Bahram Akradi did a great job of putting fitness in the context of retail. One of the biggest issues for Wall Street with this industry was having to deal with questions like: 'What are the comparables? Is this a retail concept or a service concept? What is this thing? It has now landed squarely in the lap of
(See Wall Street Page 20)



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retail. For many, many years I don't think



people were quite clear. Is it a consumer play? Is it a service intensive play? Is it more like a hotel chain? Or, more like resorts? What is this thing? It is now really squarely in the retail end of Wall Street these days. People are very comfortable with it. They have done a very good job on the road marketing that. LifeTime is a great value proposition. When you think of WalMart to Home Depot, in our country, great value propositions are it.

Q. 11 - Are there any comparable other industries which you would use as an analogy? If so, which ones? What are the major similarities and major differences?

A. David King - I would say retail in general. This industry is a lot about day-in and day-out, face-to face contact where you have to have a fresh offering everyday. Do you think you can put up a clean, nice new box and let it just atrophy and not be clear on what the trends are in the market in terms of group exercise, etc? If you're not watching what's going on in other consumer spaces, if you're not watching what's going on in group exercise or in the equipment world, if you're not watching what is going on in other consumer spaces and adapting your box to that, you're going to *flat out lose*. It's a lot like hard core retail. You've got to know what is going on. You've got to be listening to your customers. You've got to be providing them with a service or product that they want. Things change all the time.

Q. 12 - If you were to sum up your thoughts regarding the health club industry as you know it today, what would you say?

A. David King - Great future. I think we've only just seen the start. I think in the U.S. we will have a very nice set of public companies that the average investor can invest in over the next several years. I think there is going to be a lot of action. A lot of companies are in the market right now for sale or change of control transactions. It is just astounding if you look at the last six months and then look forward six months, pretty much all of the big guys are in the works for change of control transactions. So, I think it is a very exciting time. It is an industry I love and one in which I will continue to be involved. It's just an industry you can get very excited about. Every time I meet with these guys from the very smallest operator to the largest operator, it always gets me thinking. It's always exciting intellectually and personally. Like I said, as difficult as it may be to get up and go to the club to workout, you always feel great when you finish!

Again, our thanks to David King for this interview and to Rick Caro for arranging it. Next month in Part II, we will bring interviews with Wall Street experts John Maxwell of Merrill Lynch and Paul Lejuez of Credit Suisse First Boston.

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Can You Walk the Walk?

By: John M. Brown

We've all heard, "It isn't bragging if you can do it". Can you "do it"... lead by example, get in the trenches, roll up your sleeves and do Club Business 101? When was the last time you actually sold a membership? Could you still do it? Have you ever done it? Are you asking things of your staff you couldn't do yourself?

While we're all surrounded by the ideas and pontificating of others, the best route for business success is for owners and managers to actually "work the business". All the lectures, workshops, conventions and consultants can't

replace a hands-on approach to operating your club. Sure the business is changing, but all the doom and gloom isn't necessary. The best hedge against any business adversity is proficiency, consistency and competency; and the ability to sustain these qualities through the storm.

No one is adept at everything, and yes, if you don't know how to do something, you should get some help. But, don't mistake an idea for execution. Don't confuse theory with action. If you are a manager or owner looking for help, then the following might help you move from "knowing about it" to "knowing it".

1. Are you "above re-

proach?" No one really is... but does your staff see you as someone who can do their jobs as well as than they can? Do you follow your own rules and systems or do you take shortcuts simply because *you can*? Do they ever actually see you in action? If they all walked out today, could you answer the phone, check members in and sell memberships all at one time and all day long?

Did you train your staff or did someone else? There's nothing wrong with outside professional training as long as you participate in the training also, and you use it like you're asking the staff to use it.

2. Are you a "back office" manager or are you out front? It's hard to get staff respect, much less demand performance, if you're always behind the scenes totally deferring your business to your staff. Yes, you have to delegate, but try taking a turn on a "walk-in" or a telephone inquiry. Put yourself in the loop. You'll hear what your customers are saying as well as sustain credibility with your staff. When the staff gives you "I can't" or "I couldn't" or "they didn't want to", you can say, "listen, if I can do it any of you can too!"

3. Inspect - don't expect. I know you trained them exactly how to do it. I know that's the way it's supposed to be done, but is it actually being done? Two words: verify and validate. Go check... Often. In order to maintain quality, continuity and sustainable sales, you have to ensure those qualities are actually present and recurring day-in and day-out. Don't *think* you know. *Know*. As Yoda said "No! Try Not! Do or do not. There is no 'try'!"

4. Get out there and Walk the Walk! Whatever works best for you (either serendipitously or on a scheduled daily basis): get out of your office and walk the walk. Check in some members. Review their screen information. See if it's all correct. Sell a membership, take a telephone inquiry or prospect for some new business. Let the customers, members and staff see that you are with them, not above them. Staff members get very motivated, and learn to respect you when you work side by side with them. Not only can you help them learn from example, but you

can also learn and gain the ability to coach "on the field". Most great professional sports managers and coaches were once players *first*. And, many were not the best players, but people who developed an understanding of the game from the "ground up".

5. Be vigilant and persistent on changes you initiate. Is this new idea or process the "thing of the week" in the staff's minds or do they know you will not relent? It can be difficult. Don't give up! When it comes to implementing positive changes or setting high standards, let the staff know they can't outlast you or wear you down. Many times staffs, just like children, will perform or behave well until you relax on your principles and then go back to doing it their way.

6. If you don't know how, or can't, then learn how! There is no shame in admitting you don't know something or admitting you don't have experience in something. There is however a problem with an unwillingness to learn, work at or participate in the business until you can! Nobody knows everything. But are you willing to learn or is it "beneath you"? The successful people I know in this industry (not the ones who say they are, but who *really* are) can walk into any club anywhere and start "working" any job, any title and in any market. The confidence and competence of these people is not only inspiring and infectious, but comforting, in our business environment of constant change. These unaffected and unflappable people remain one of our constants.

7. Ideas are not action, theory is not execution. There is a lot of good, and not-so-good advice floating around out there, but the difference between the "wanabees", and the really successful is generally *execution*. How well can you implement? How well can you deliver? And, can you turn this action into measurable, quantifiable results? When you start thinking you have an "original" idea, take a minute and consider that most good ideas are stolen. If you begin thinking you are really original, go type your idea into a search engine. Case closed. That doesn't mean you can't borrow ideas from practically everywhere! Many of them can



John Brown

be adapted to your business. But, remember, if it's going to work, most of the time it's because you *made* it work, not because the idea moved the mountain.

8. There is no substitute for experience! The actual performing, day-in and day-out of real front line skills will provide you more results than any seminar or guru can offer. Remember, true confidence comes from the immutable feelings and evidence that *you can do it*. Saying you can do it, but not doing it, is ego-centric and simply implies you read it in a book somewhere. Many very important aspects of this business are simply just not taught in any school or seminar. Things have to be "experienced" to be learned. These "experiences" may not always be pleasant or fun. They are lessons never forgotten, and many times they can't be explained to those without the same experiences.

Finally, go and seek out "experiences" and learning opportunities outside of our industry, so you can become increasingly valuable and versatile. Lifelong learning is a popular concept these days, but one rarely practiced. Lifelong learning-by-experience is virtually priceless! Go now and "Walk the Walk". Your customers, members, staff and you will be the better for it!

(John Brown is the President of Houston, Texas-based Professional Club Management, Inc. Brown, a 25+ year health club industry veteran club owner, operator and consultant may be reached at: Office #: 281-894-7909 or JBrown@clubexperts.com)

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By: Michael Scott Scudder

“WHY SO MANY U.S. HEALTH CLUBS WILL GO LOW-PRICE!”

You will notice that, beginning this month, I have changed my column title from “small is GREAT!” to “The Way I See It.” Also, those of you who remember the finish of last month’s column (“Push Has Come to Shove”) will note that I am *not* writing this month about “The Membership Masquerade.”

As for the former, I can’t say every month that I think that “small is great” if I no longer believe it. I don’t, and the reason is simple: there are just too many independents out there doing the same blasted thing time and time again for me to believe that things are gonna change much in their facilities and with the way they do business. They turn over members like musical chairs. So, I now think small is pretty *average*, and I’m not interested in putting my hard-earned experience into an every-month, try-to-help-you column when you don’t seem to want help. I sure as hell don’t want to speak for *average*. So, as of now, my regular column in Norm’s great industry newspaper will be “The Way I See It.”

Regarding the “membership masquerade” piece, I still have more data to collect and research to complete before I can write that one, so I’m begging your indulgence to let me set it on a “back burner” for a couple more months until I’ve got all the stuff together to write a really good piece.

Years ago, country music legend Merle Haggard wrote a song called “Are The Good Times Really Over For Good?” In that song, the “Ole Traveler” questions whether the country is “...rollin’ downhill like a snowball that’s headed for hell” and he moans the fact that standard values are disappearing rapidly and are being replaced by expedience. He could have been talking about our industry over the last decade.

You know, I’m a realist above everything else, and I’m the first one to recognize that as a business entity grows, it gets

more challenging to stick to original principles, to serve the customer and to “take care of business.” It becomes attractive to “go the easy route” and compromise.

Certainly our industry has grown... double the number of members in twelve years... triple the number of fitness facilities in the same time frame... worldwide recognition as a bona fide entrepreneurial entity and not a passing fad. But, in that time, not much has happened to create better customer service, richer member experiences... and it’s evidenced by a still-prominent single-digit profit margin (before taxes) as the standard for the industry.

Granted, there are exceptions to the rule... thank heaven. The larger, tried-and-true IHRSA-type clubs continue to improve and are holding their growth patterns, albeit more challenged now than ever before. Some of the chain organizations have proven their staying power in the marketplace, and let us not forget that there are the quality “niche players” like Robert Dyer of *Fit For Life Centers* in Fort Worth, TX; Mike Davis of *Nautilus Fitness and Racquet Club* in Erie, PA; Gary Patti of *Gold Medal Fitness* in Garwood, NJ... to name just a few of the really fine entrepreneurs spread across the country in independent clubs.

But, by and large, the health and fitness *club industry* is dominated in number by the smaller independents... some 22,000 of them by last count... clubs between 10,000 and 20,000 square feet with mid-high \$30s-per-month-dues-prices... and they are *not getting the job done*. That’s made perfectly clear by an ongoing 40%+ member-attrition rate. It’s substantiated by a 50%+ staff turnover rate every year. It’s why personal training studios are popping up all over the place and taking members from established clubs at an astounding pace. It’s the foundation of lower-than-last-year average dues and a consistently downward trend in initiation fees. The customer, on average, is not satisfied and is questioning value of health club membership in many sectors.

Earlier this month, at

“Club Industry East” in New York City, I presented a 3-hour workshop entitled “Building Your Business By Knowing What Not To Do.” In that seminar, I pointed out the 18 most common mistakes made by 90% of the fitness facilities in the industry. Proprietary rights keep me from re-printing those in entirety for you, but I can highlight a few:

- Not knowing members’ names at the reception desk.
- “Selling memberships” rather than listening to customers’ needs.
- Inappropriate and too-brief new-member introductory programs.
- Not understanding and practicing acceptable busi-

ness margins.

- Not having training systems for every club department.

Folks, those things above (and many more blatant sloppy business habits) are *your standard practices*. In other words, your business is *not about the customer*, it’s about *you* and what *you* want to do, and it’s raising hell in the fitness marketplace! You’re offering a barely-acceptable product and it’s causing low-price players to re-emerge at the most rapid pace we’ve ever seen!

You all know I do my homework. In the last month, as I’ve been on the road, I have visited no less than 8 low-price



Michael Scott Scudder

“chain” operations in three different regions of our country. In *each* of those clubs, at non-peak times, it was jammin’ with members of all ages, types and demographic makeup. *Each* of (See Scudder Page 23)

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...Norm's Notes

continued from page 8

tinuing with: "I want to go on record as saying I don't care if I ever sell another franchise!", I have two responses to your point #10 to close my little reply to your Letter To The Editor: 1) why are you spending a small fortune for advertising in CBI Magazine then? 2) your stated reason about exactly WHY you now sell franchises: "Why? Because 80% of the population does not belong to clubs, and without someone like us they probably never would?" my reply is: "Mike, that's where we do agree. By the way, it is 86% of the population. Moreover, as a former fat slob five years ago who lost 17 inches off his waist, is over 100 pounds lighter, more fit, happier and more dedicated to daily exercise, I simply believe that you indeed may be opening doors with your "no judgment" approach to health club operations that might have not ever opened for some people. In short Mike, you and your company clubs and franchises, like the 26,830 other U.S. health clubs in the U.S., are saving lives

and making lives better for everyone of your customers/members who pay their dues and use your facilities on a regular, dedicated basis. Regular exercise SIMPLY CAN'T BE BEAT as a 'cure-all' for many of the conditions that humans like I was with a bad back and an extra 100 pounds. Nothing wrong with that and I congratulate you and all our readers on literally saving thousands of lives from premature death and heart breaking despair from obesity and physical activity.

•Once again, this is the end of the line for this month's NORM's NOTES. Don't miss my new Norm's 'PERSONAL' Notes on page #28 where I write about how MedX saved my life, how my DAD continues to love and

use his new NuStep Machine to exercise regularly, and I tell you about the new, very interesting book: "Younger Next Year" and more!

• GOD BLESS our Troops, Airmen and Seamen as they serve our country and risk their lives in Iraq and other places around the world to protect our freedom as Americans. GOD BLESS the families of our Servicemen and women as those families must make huge sacrifices as well. GOD BLESS the people of Iraq as they try to survive the ongoing bombings and murders by the insurgents. GOD BLESS ALL OF YOU! GOD BLESS AMERICA!

And of course, STAY TUNED!

...Scudder

continued from page 22

those clubs was dues-priced at less than \$20 per month. Each of those clubs had sold over 5,000 memberships! Each of those clubs was showing better than a 15% pre-tax profit margin!

In each of those clubs, I went around and asked members why they were there. The three most frequent answers were:

1. "I belonged to another club at about double the rates and never got much service there, so I figured why not come here for half the price?"
2. "Here you just pay for what you get; they've got a lot of equipment, and it's clean. Why pay more at another club?"

3. "I figured I'd try fitness out and this club seemed to have a lot more than the others and the price is right."

As greater supply of clubs comes into the national fitness marketplace, as service at present clubs either stays the same or gets worse, and as people are crunched in their pocketbooks by a newly-inflationary economy... the writing is on the wall. Many, many clubs will go low price because they simply cannot (or will not) compete with new low-pricers... and they refuse to upgrade their standards of business practices... so they will be forced to try to make it on price alone.

(Michael Scott Scudder, a contributing author for the "Club Insider News," is a PERSONAL BUSINESS TRAINER operating FITNESS FOCUS, a consulting company offering private workshops and telephone conferencing on pertinent fitness business matters. Michael can be reached at 505-690-5974, by email at mss@michaelscottscudder.com or at his web site: michaelscottscudder.com.)

Make It Fun!

ARE YOUR "SKILL ESSENTIALS" GUARANTEEING YOUR SUCCESS?

By: Gary Polic

Let's begin our journey and consider the reality of club management and sales activity needed on a daily basis to gain optimal results. I estimate that approximately 70% of what you do on a daily basis is unplanned for. Therefore, we need to consider the following **SKILL ESSENTIALS** and commit to mastering them to guarantee success and they are: Organizational Skills, Time Management Skills, Delegation Skills and finally, Communication Skills.

Below are these **SKILL ESSENTIALS** broken down with specific To-Do's relating to Management and Sales positions, alike.

Organizational Skills are critical and most vital. Why? Because we all know that by being organized we can move quickly and address the issues in a timely manner. So, what organizational skills have you mastered as a Manager or Sales Rep? I have listed some quantified ways and they are;

Daily Sales Planner specific to a week at a glance. A week at a glance will empower you to manage yesterday, today and tomorrow at a glance. This is important because your day should be broken down into those 3 components... ALWAYS! Think about it, there is nothing as important as today,

this minute. Also, following up with leads will allow you to reach 80% of your desired result; therefore, yesterday needs attention, too. And finally, tomorrow is following the basic "failing to plan is planning to fail" quote we have burned into our subconscious since our promotion into management. This principle also applies for the month at a glance technique as well.

Posting your quarterly marketing plan will allow you to maintain a constant visual on the implementation process of your outflow. By posting last months marketing/results, this month's marketing with timelines and To-Do's, and finally, next months plan to adjust as your results come in, you will act with decisiveness and purpose. This way, when marketing indicators come in, you can immediately refer to your posted plan and call the audible as needed. Again, when it is up and visual it becomes a priority and constant reminder!

A-Z Ticker File to refer to vital documents regarding your daily appointments and To-Do's (i.e. follow up with an applicant and having the availability to address the notes from the last conversation). This also applies to an A-Z file to locate specific topics of interest as they present themselves (i.e. personnel files to keep a ledger of all activity observed or discussed between you and your team with dates and times). How about a

January-December file? Of course, the same applies. The A-Z has been very helpful in regards to following up with members and non-members alike when it comes to serving others pertaining to their needs (i.e. file a non-member in the B file regarding his high blood pressure issue and when you receive information on the benefits of regular exercise pertaining to high blood pressure you can simply follow up and serve the non-member with education and have a professional reason to call and go for the close). This activity (following up consistently on all when you come in contact with) leads to production. Again, you can accomplish this result when you serve a member or non-member alike. Now, we all know that the examples given can be organized in all types of fashions. The real question you have to ask yourself is; "What is your structure to stay organized and, most importantly, are you consistent using it and does it work for you?"

Memo Pad utilization at all times when you leave your office, inside or outside of the club. I have seen this with my own eyes and currently follow the same principle. I was taught this habit from a colleague of mine, Steve Strumpf. He is a proven veteran in the industry and has the numbers to back it up! It is simply an 80 cent 3"x 5" memo pad you purchase at an office supply store. Here is the habit you develop; for everyone you meet outside the club write down their name phone number or e-mail address (however they prefer to be contacted) and set a time and day to follow up with them in regards to the conversation and topic of interest. Of course, you could just collect business cards and write on the back but in some cases people do not have their cards or writing on the back is not possible due to the card being glossy or black or no space available. It has been a great reminder for me as I visit local retailers going about my personal business. When I reach in my pockets and feel the memo pad it reminds me to network! Networking and prospecting is primary in all you do. Try it and you may like it. It has landed me

more sales and corporate leads that otherwise I would never have generated.

Hit List your priorities for the day and carry them over each day. Highlight them as they present a higher priority and cross them out as they are accomplished. This one is a must for you multi-taskers!

Time Management Skills of your department or your daily responsibilities, for that matter, will either make you or break you. This one is simply a matter of prioritizing ones tasks on a moment-by-moment basis. Consider this one habit to ensure you get the most out of each day and that is this; "What's Important Now" (W.I.N.). At any given time of the day or night you need to ask yourself this question; "Is what I am doing at this given moment the most important thing I must do in order to achieve my goals?" If it is not, then go to your goals for the day and follow your yesterday, today and tomorrow plan as we discussed earlier and prioritize. If you do not have specific goals for the day then you need to meet with your immediate supervisor and establish those goals relating to sales activity, sales production, marketing (institutional and guerrilla) and management expectations on a monthly basis (administrative tasks, meetings, budgets, etc.).

Constant Interruptions will always be an issue whether you are walking around the club or in your office with the door open. Let's discuss walking around the club first. As you meet and greet the members you know and introduce yourself to the ones you don't know, keep in mind that your goal is simple and that is this; Always ask the question, "How are we doing for you today or how is your experience at the club?" This is when the memo pad comes in handy. Write down any issues that come up as you converse and later in the day follow up by writing down the issue in your day timer so you can follow up with that member as you promised.

Now don't miss this one and it is really simple. As you walk the club or are interrupted in your office keep it short by addressing the issues or small talk

then immediately go into time management mode by saying, "I have a call, I am in the process of preparing for a meeting, or I am about to begin a meeting but I will follow up with you (set a time and day as we discussed earlier, write it down and GO BACK TO THE TASK AT HAND, don't get distracted!

Tying down a date and time to follow up with all members or non-members will lead to developing the relationships that lead to results (i.e. the Sales Rep will ask when the member is coming back in and meet them at the front desk to walk them back to the locker room and have a brief conversation). This will allow you to build a relationship and eventually communicate a promotion which leads to referrals! You see it's really a matter of; "The more people you serve... the more people will serve you back" and that's the "Law of Reciprocity!" It's been around for 2000 years, since the birth of Jesus. You may want to experience the difference it will make in your life and more importantly others that you come in contact with.

Have a **Clock Manager Messenger** positioned on your door, which simply states the next time you will be available. I have had managers even let the front desk know that if any calls come in or members need to speak to them (other than an immediate attention issue) that they are unavailable until a given time and schedule a professional follow up.

Delegation Skills are essential for all managers at any level. By surrounding yourself with people whom have mastered specific tasks you can delegate those cumbersome duties to them as they arise. For example, if doing the sales team meeting minutes each week is keeping you from more important tasks, simply have a sales rep designated at the beginning of each meeting to take notes and type up the minutes. You then edit and distribute it in 24 hours. You can round robin this task week by week. Remember, you can't do it all, and if you think you can, you will most definitely not be prioritizing what needs attention most for the best overall result.

(See Gary Polic Page 25)

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...Gary Polic

continued from page 24

Add specific job responsibilities to a new hire or by way of promotion of a current team member. I would always consider what is keeping me from accomplishing more or where my weaknesses are as a Manager. Therefore, when I go to hire I will add those specific job responsibilities to the new hire's job description. It will make your life so much more productive and fun!

Each Sales Rep inherits a territory covering a certain quadrant surrounding the club and they should go out 3 times per week for several hours per day with a mentor to learn the trade of networking in the community. Also, coming back with business cards and most importantly, dates, times and the next level of expectation confirmed to move the relationship to the next level.

Uninterrupted phone

time is a big issue for the Sales Rep because the best phone time is usually the highest club traffic and appointment time. Therefore, delegate uninterrupted phone time each night by a trained apprentice. This will increase your appointments by over 50%. Also, what about 9:00 am to 11:00 am calls? Are we missing the window to reach a non-member on his cell or at work in the AM? Think about it... It's a MUST!

I want to leave you with this one to ponder... All sales are assisted by a Personal Trainer! This was a MUST 20 years ago and now we hardly ever see it. Why? Because we feel it is too much pressure. Well let me ask you this... "When you go to a doctor to fill a personal need, do you see the doctor and do they prescribe medicine and recommend immediate specific care?" Why then wouldn't we? Are we not as valuable as a doctor when we prescribe exercise as preventative medicine?

Communication Skills

are paramount in any management position. One easy way to be consistent and follow through to develop the habits you expect from others whether they are subordinates, peers or ones in higher authority is this, which by the way, is an inherent truth (renders itself timeless).

Have a Communication Line for any tasks expected in your job description (i.e. meet with the front desk supervisor once per week) and write everything down that has been discussed or observed. That means you need files on every person and/or department that you are in contact with in order to do your job. How you manage it is by referring to your manila folder located in your A-Z tickler file (i.e. your front desk folder would be filed under F for front desk).

Now even more vital is the way people prefer to be communicated with (i.e. a high D or dominant personality would prefer short and sweet, specific

to the numbers or bottom line).

Also, consider a visual clipboard for all Sales Reps to utilize when it comes to their observations or experiences with other departments. They simply write down the date, time, department, the person's name and give a brief description of the issue. This way the manager can quality control each department and communicate issues in his weekly scheduled meetings with other department heads by simply referring to the notes on the clipboard.

Are you having consistent weekly team meetings? Never cancel a meeting for any reason. Live with that philosophy and you will not cancel as many as you would otherwise. Also, consider this; is there a set agenda, conclusions to issues, task assignments and target dates to all agenda line items discussed, as needed? I can tell you first hand, I have sat in many a meeting where my superiors never came to one conclusion on

any agenda line item and it was a complete waste of time for the team. Is this type of progress going to take you and your team to the next level?

In closing... remember these are only a few ways to achieve total success in your day and there are many techniques and skills out there to utilize. However, I am confident that if you implement these **SKILL ESSENTIALS** discussed, you will position yourself and others to take the next step to a higher level of existence and result. If this is your goal, and I'm sure it is, then **MAKE IT HAPPEN** by beginning with the first step... **ACT NOW!**

(Gary Polic - Speaker for Communication Consultants Director of Sales Training & Development for XSPORT Fitness Gary has been a proven leader in the management, sales and marketing arenas in the Health & Fitness industry for over 24 years. To find out more about Gary go to www.communication-consultants.us and click on About Us.)

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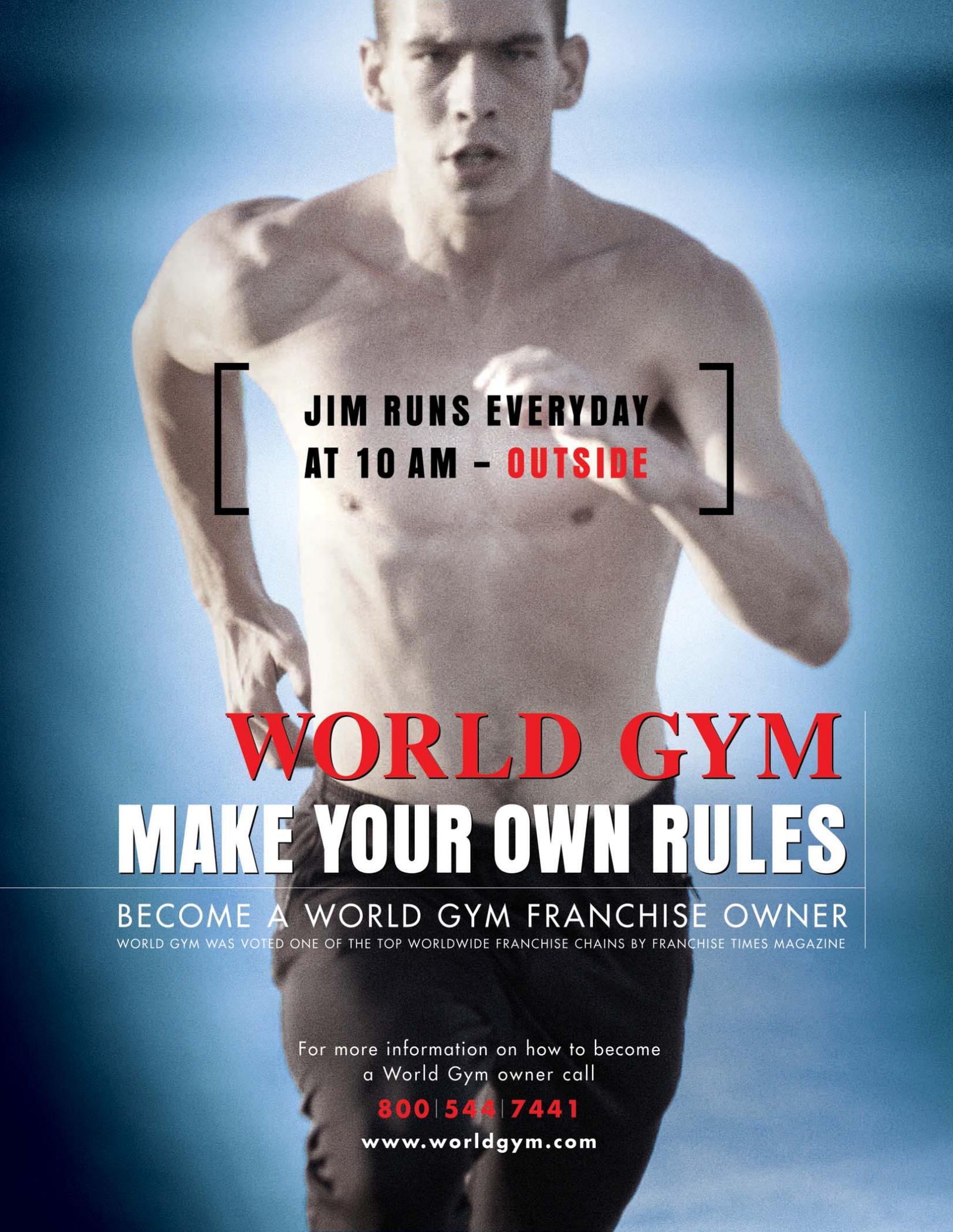
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Norm's "PERSONAL" Notes

•**MedX is life saving equipment** as far as I am concerned. Last month I wrote to you in these Personal Notes about my lifetime battle with my weight and most recent weight loss experience beginning on November 26, 2000. **That was absolutely my last big weight loss program of my life.** I am now slowly, but surely working my weight down to my old college football playing weight of 220. That is **123 pounds** less than what I weighed in November of 2000. It is also what I weighed when I was honored by being named 1st Team All Atlantic Coast Conference and Honorable Mention All America. In football, we had the best team in N.C. State history at that point, the 1967 Team (9-2). I told you about my book in progress called **"Leaving Fat City"** and that I have made a commitment to have it finished by the end of the year. Well, I left out two important comments about my weight loss of over 100 pounds and 17 inches off my waist over an 18-month period. What I failed to mention then is two very important facts about what happened.

First, my weight gain of about 10 pounds a year over 10 years was partially attributable to a very bad back injury I suffered in a car wreck on August 5, 1991. I had chiropractic and massage therapy sessions regularly for two years while the insurance was still covering those services, but I continued to suffer. About the year 2000, I was hurting so bad that I contacted my long time industry friend, **"BIG JIM" FLANAGAN**. Jim has been a friend since back in the 70's. I asked Jim if he could set me up with some workout sessions on the **MedX Lumbar Machine**. I had heard a lot about the amazing MedX Lumbar machine invented by **ARTHUR JONES, the inventor of Nautilus and MedX equipment.** Before my first appointment with the doctor for the exam and my first MedX Lumbar Machine therapy session, I regularly experienced what I can only describe as **electric shocks** that would hit me in my lower back when I would try to do anything physical, such as raking leaves or cutting the grass at my home. These shocks would be so painful they would, literally, bring me to my knees. Naturally, as I gained more and

more weight over the years it became progressively worse. The doctor approved my first workout therapy on the MedX Lumbar and it took about 35 minutes. I experienced a sense of change in my lower back and went home very encouraged. About a week later, I went back for another session. That one took about 40-45 minutes. I can tell you this; either I experienced a miracle or that **MedX Lumbar Machine fixed whatever was wrong with my back.** Encouraged by my improvement, I began to exercise very moderately every day, starting off with a 15-minute walk. Even *that* was a chore. Hell, back then I was such a load that getting up from a chair was a job! Then, as I began to lose weight, I increased my walks to the point where during that 18-month period, I was walking 6.4 to 9.6 miles per day. I also changed my diet to eliminate pasta, bread, potatoes, rice and all sweets, and I eliminated all calories from Jack Daniels, beer and wine. Until this day and for the rest of my life, I will always believe that the MedX Lumbar Machine is a life saving machine. Because reflecting back, I am sure that if I had kept on the path with my bad physical status I would have died way, way early. The sad truth is, I was a **"dead man walking"**. I still exercise daily except I only walk 3.2 miles per day at a 50 to 52 minute pace. Plus, seven months ago, I began doing upper body work in the form of 45 degree inclined push-ups. Not long ago, I was up to 750 per week split in two days. One day I do 400 in sets of 100 x 4 and a few days later 300 in sets of 75 x 4. Last week at the Club Industry East show, I had a friend of mine who is a real professional and a man for whom I have a great deal of respect for what he has achieved in our industry say to me, **"Norm, you've become a role model for people."** I just stood there in my Trade Show Booth stunned, smiled and thanked him profusely for such a great compliment. That one moment is one of the most wonderful single moments of my life, and I will work hard to live up to such nice praise.

Core Spinal Systems by MedX can help your members in your club! Now, without having to spend the \$50,000 or so for a single doctor's clinic

MedX Lumbar Machine, the Spinal Core System by MedX is available along with a line of other terrific MedX machines. The award winning **JOE CIRULLI, IHRSAs 20th President** and owner/operator of the **Gainesville Health and Fitness Club (Florida)**, now holds the North American and worldwide rights to distribute the equip-

ment. Pretty cool since Joe, long-time friend of **ARTHUR JONES**, worked with Arthur during Arthur's early weight equipment days when he first invented Nautilus. Check out Joe Cirulli's Core Spinal Systems ad on our outside back page of this edition. I cannot and have not thanked **Arthur Jones** and **"Big Jim" Flanagan** enough! So...

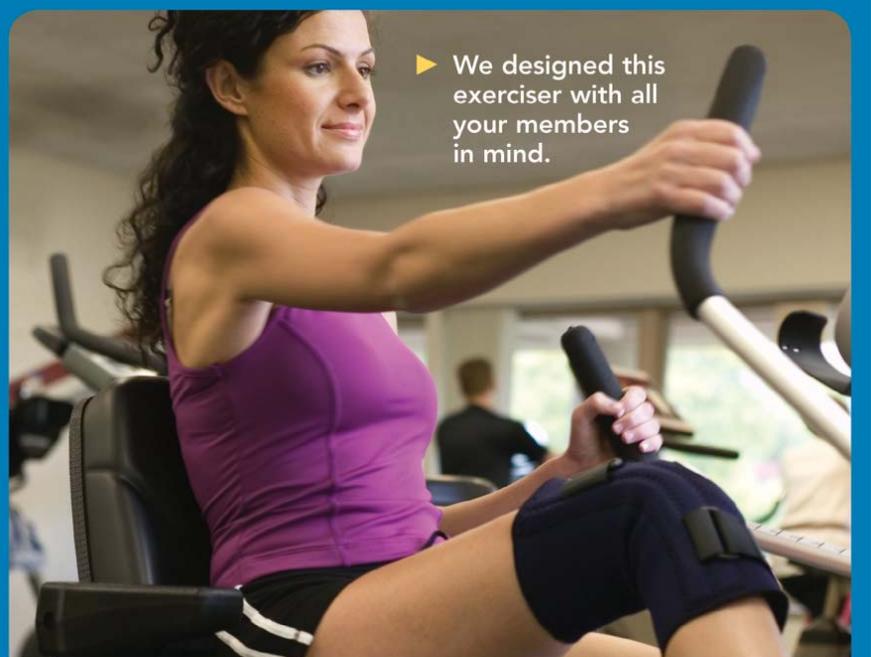
"THANKS ARTHUR" and "THANKS JIM!"

• The second item I mentioned above is about a really special person to me. **DEBORAH DENNISON**, the beautiful and wonderful Canadian who was formerly married to my good industry friend, **JACK DENNISON**, owner (See Norm's Notes Page 30)

Dad's NuStep Update

My **DAD, NORM CATES, SR., 87**, continues to marvel over the **NuStep Machine** I acquired for him a few months back. Dad had been walking 3 miles a day for 20 years when about a year ago he developed a problem with his hip. The hip issue made it too painful to walk even short distances. Hearing that news, I concluded that something needed to be done. So, I made arrangements to purchase a NuStep Machine and have it delivered to him at his Northwest Louisiana home. Since the NuStep Machine arrived, he has been working on it regularly, 3 days a week. Dad recently said to me, "Norm, most importantly, **the NuStep Machine allows me to exercise pain free.** Plus, my NuStep Machine is extremely easy to use as well. I really look forward to my exercise now." There you have it folks, the **testimony of an 87-year old man** whose life has been **vastly improved by the technology of the NuStep Machine.** I am very happy for Dad because he is a strong, energetic man. He is always working on his garden or his yard and this hip problem had really bugged him the most because he could not exercise. Now he can. Check out the NuStep ad below.

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Club Industry East 2005



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...Norm's Notes

continued from page 28

of the huge Cedar Spring Club in Burlington near Toronto. "Coach DD", as I affectionately call her, was invited to my great friend, RICK CARO and his lovely wife SUE DENISON's Wedding in the summer of 2001 at New York City's fantastic 'Tavern On the Green' in Central Park. So was I. After the ceremony Coach DD and I spent some time together talking, eating, drinking and dancing. I told her about my weight loss efforts and about the fact that to that point I had only lost 38 pounds in 8 months on my goal of over 100. Upon the return to our respective homes in Canada and Georgia, that wonderfully kind and caring woman, Coach DD communicated with me through the internet about my weight loss efforts on an almost daily basis. Coach DD had participated in Jack's club's

'Healthy Inspirations' program installed by CASEY CONRAD, but Coach DD never told me that. She just "kept on my case relentlessly" on the internet until guess what? I developed an absolute lifetime exercise adherence habit that I would stack up with anyone in America. For example, during 2002, with Coach DD's help, I only missed 5 workouts all year, exercising 360 days that year. Coach DD did not tell me about her experience with Healthy Inspirations until I had lost over 100 pounds. So, I just want to say again to Coach DD... God Bless YOU and THANK YOU from the bottom of my heart for truly helping me change and save my own life so that I may live the Next Third of it with the energy, the vitality and the happiness that my personal lifestyle change has made possible!

Speaking of the Next Third of Life... if you have not acquired the awesome book

entitled: "Younger Next Year"... A Guide to Living Like 50 Until You're 80 and Beyond, you should buy it soon and dig in. I can't wait to finish it. This book should be mandatory reading for people in the health club industry whose role it is to help people. I am only a few chapters into the book, but I can tell you that the early chapters are riveting, page turners containing amazing and helpful information for people 50+. The talented authors are CHRIS CROWLEY and HENRY S. LODGE, M.D.

My wonderful "East Coast Road Trip 2005" is something I will never forget for a lot of reasons. I drove my own car so I could stop and visit as many clubs as I could find up the East Coast. I went all the way North to Portsmouth, New Hampshire, where I saw a company-owned Planet Fitness Club and visited, I think, over 40

clubs along the way. I haven't had the time to count them yet. Then I went to Albany, N.Y., and down to New York City for two days at Club Industry East. I had to leave the Show on Friday. I left at 4:30 p.m. hoping to beat some outbound traffic. NOT! It took me approximately 2 hours to travel 10 NYC blocks to get to the Holland Tunnel. Then from New York City, 17 hours non-stop, except for gas, a couple of servings of Wendy's Chili (without the fingers) and two naps in my car around Greenville, S.C. (One for 10 minutes that didn't work, and a second for 25 minutes that recharged my battery enough so I could make that last two hours to Atlanta). I had to drive non-stop because my deadline for this June edition was Thursday, June 16th at 7 PM, and now, as I sit here typing this, I finish a total of 102 hours of work in the last 144 hours, all

dedicated to this issue. Can you say crossed eyed? Tonight and tomorrow all day I will be editing and my terrific son JUSTIN CATES will complete all the layout work, (he did another GREAT JOB this month) and transmitted them electronically to our printer's pre-press dept. Then I will be almost finished for June printing except for my Blue Line Review on Friday. June will be printed Monday, June 20th and will arrive as scheduled and as usual beginning with the last week in June. I'll tell you one thing though, I'll never-ever-ever again schedule a deadline just five days after the end of a 3000+ mile road trip again! Live... and... learn. Next month, I will have an "East Coast Road Trip 2005" Special Report along with a bunch of photos of clubs.

Dang! I almost forgot to tell you! My son Justin pulled a 3.25 G.P.A. at UGA his Sophomore year second semester! So, Justin enters his Junior year in Athens, Georgia definitely on track to graduate with honors... yep, just an academic whiz, much like his DAD! NOT! If you ever want to send an email to Justin his address is: jcat07@uga.edu

Have you ever heard the term: "A labor of love?" Well, what I do in publishing CLUB INSIDER must be IT! Because a gun to my head could not make me do this work for 139 months now if I did not LOVE ALL OF YOU!

YOU ALL are MY HEROES for what you do for your members everyday! They're lucky to have you at their club. Keep at it... never give up... "MAKE IT FUN!" for them... and you will reap treasures in your life that even a rich man could not hope for. I wish YOU ALL WELL and the best of health, happiness and club business success.

GOD BLESS our Troops, Airmen and Seamen as they serve our country and risk their lives in Iraq and other places around the world to protect our freedom as Americans. GOD BLESS the families of our Servicemen and women as those families must make huge sacrifices as well. GOD BLESS the people of Iraq as they try to survive the ongoing bombings and murders of the insurgents. GOD BLESS ALL OF YOU! GOD BLESS AMERICA!

And of course, STAY TUNED!



Norm Cates' THE Club Insider NEWS

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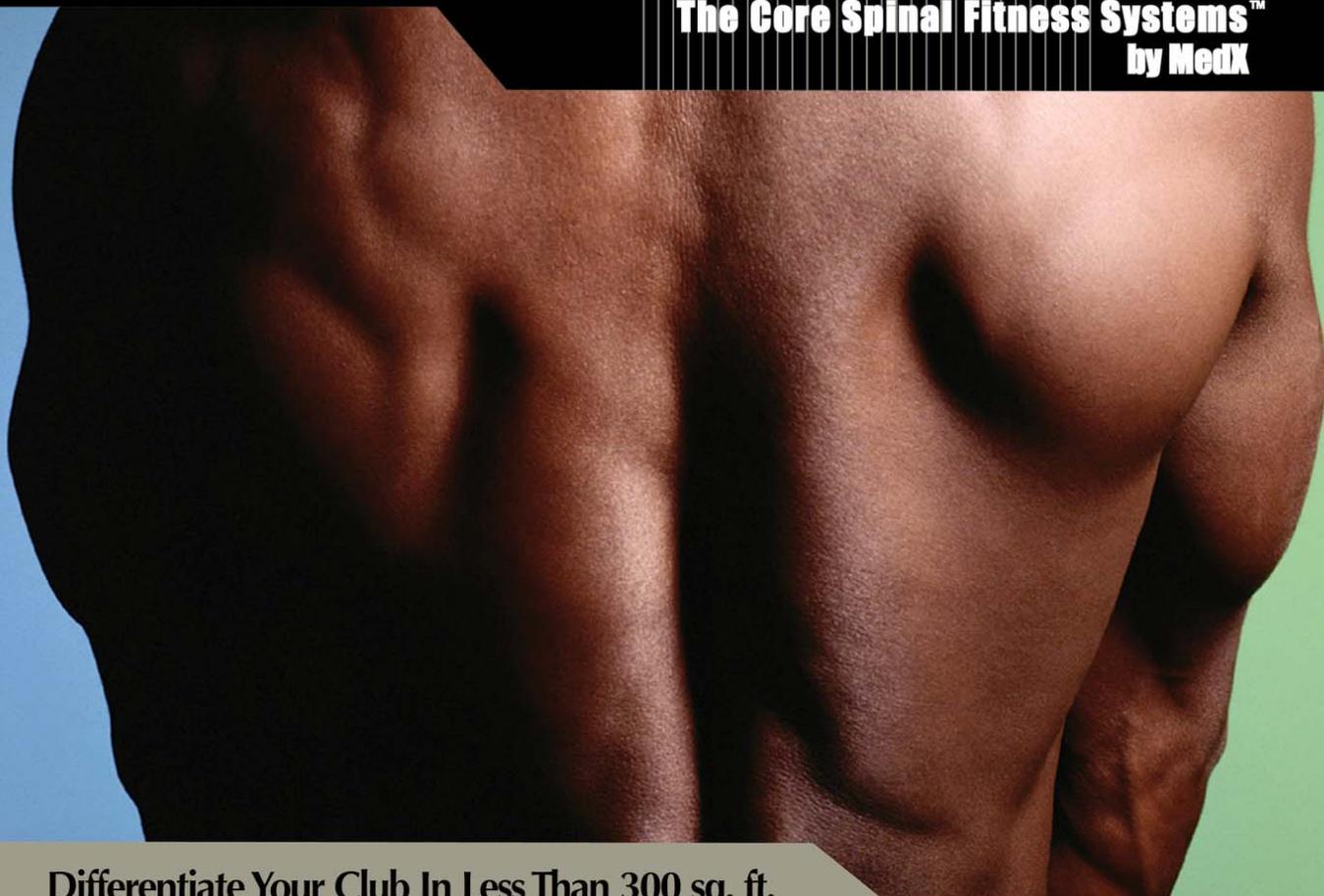
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