

Norm Cates' CLUB INSIDER™

The "Pulse" of the Health, Racquet, and Sports Club Industry

Established 1993



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Simon Meredith Celebrates 30 Years with East Bank Club

JUNE 2010

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Norm Cates' CLUB INSIDER™

The "Pulse" of the Health, Racquet, and Sports Club Industry

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Simon Meredith Celebrates 30 Years with East Bank Club

By: Norm Cates

Simon Meredith celebrated 30 years with East Bank Club (EBC) on May 5th, 2010. He's originally from England. His parents owned and operated a hotel for 25 years, so he grew up in the hospitality industry and was a natural for his work at EBC. Upon graduating from law school in 1975, Simon traveled

to America to visit his sister in California. After traveling the U.S. in early summer of 1976, he took a job teaching tennis in Northern Wisconsin. At the end of the summer, he traveled to New York to see his friend, John Feaver, a British Davis Cup player, who was playing at Forest Hills in the U.S. Open.

Meredith had planned to head back to England after

the U.S. Open; however, he was offered an opportunity to interview for a Head Tennis Pro job at an 11-court indoor tennis club in Chicago. The club had been in business for a year and was seeking a new tennis pro to take over the program in time for the Fall season. He drove to the club for an interview in mid-August in a 1969 Chevy Impala he'd bought for \$500, and he met

the owner of the club and two of his friends. One of them was Frank Parker, one of America's Top 10 tennis players for 17 years running, not to mention a two-time singles champion of both the French Open and the US Open. The other was the 1949 Wimbledon and French Open doubles champion, Pancho Gonzales. So, after a couple of sets of doubles, Meredith

interviewed for and got the job as Head Tennis Pro at Evergreen Bath and Tennis Club. This was before the days of monthly dues, so the club charged just \$60 per year plus court time for use of the tennis and racquetball courts. Later, the Evergreen owners built a second tennis/racquetball club in the Hyde Park neighborhood of Chicago, and Meredith became
(See Simon Meredith Page 12)



Chicago Lake Front Afternoon Mural that Appears in East Bank Club Cardio Room by Artist Peter Hurley

IHRSA Makes Positive Changes for 30th Anniversary Trade Show - See Norm's Notes

Mike Grondahl Comments on Missed Deal

By: Norm Cates

Mike Grondahl, the Founder and CEO of Planet Fitness, spent the last four months negotiating a deal to sell a minority, 45% interest in his company to Goode Partners, LLC, a New York-based private equity firm, for \$108 million. Had the deal gone through, Grondahl would be even richer than he is now, but he learned something

about such deals on the way to the end their negotiation. Even though the negotiation started in January and lasted until they shut down on May 26th, Grondahl emerged with great respect and kind words for the potential buyers, David Oddi and his company, Goode Partners, LLC. Grondahl looks back with no remorse.

Planet Fitness, a Newington, New Hampshire-
(See Mike Grondahl Page 23)



Health Clubs Down Under Take Big Economic Hit On Music Fees!

Publisher's Note: The health and fitness club industry down under had been expecting this bad news for some time now. Released on May 17th, this news has traveled around the world at a rapid pace.

From the Photograph Performance Company of Australia, LTD. Website:

Australian recording artists and record labels have welcomed today's decision of the Copyright

Tribunal which will see improved rates paid for licensed music when it is used in fitness classes.

After hearing evidence over five weeks, the Tribunal has ruled on a new fee structure for licensed sound recordings used in fitness classes which will see profit-driven fitness operators pay a new rate of \$15.00 per class or \$1.00 per attendee in a fitness class.

Previously, Australia's \$1 billion dollar a year fitness
(See Music Fees Page 10)

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Norm's Notes

• **Hello Everybody!** This is your **CLUB INSIDER Publisher and Tribal Leader since 1993** checking in! Hold onto your hat as this is a heck of an edition for you! Not only do we have a terrific cover story interview with **SIMON MEREDITH**, the **General Manager** of the amazing, 400,000 square-foot **East Bank Club** in Chicago, as he celebrates 30 years with the club, but I have also completed **Part I** of my promised writing about **IHRSA**, its influence on shaping the industry's evolution and what our industry would be like today and in the future, without **IHRSA** to rely on. I want to point out this **Page #6 "Insider Speaks"** article because my message is very important to the future of our industry. I encourage you to read this entire edition from front to back because everything in it will help your business, including three excellent **Contributing Author** articles by **WILL PHILLIPS**, **DEREK BARTON** and **DONNA KRECH**.

• **Is America** a great country or what? **Hmm... hmm... hmm!** **God bless America!** God bless all of the folks, the birds and the sea animals down on the **Gulf Coast**.

• **DENNIS TINERINO**, a **Hall of Fame Bodybuilder**, passed away at age 64 on May 7th after a long battle with stomach cancer. My sincere condolences to his wife, **ANITA**; daughters **TARA** and **MARISSA**; and son, **DENNIS**, as they mourn their loss. Dennis, a former **Mr. America**, **Mr. Universe** and **Pro Mr. Natural America** in 1978 had become a Christian evangelist with a worldwide ministry. **May Dennis Rest In Peace.**

• In my report about **IHRSA**, beginning on **Page #6**, I've explained the importance of **IHRSA** over the past 30 years and to the future of our industry. Recent testimony by **IHRSA** about **Senate Bill 1043 (A Proposed Personal Training Law)** in **California** is a good example of the importance of **IHRSA** and what it does. I think it is very important for everybody in this industry to know that, during the last 18 months, **IHRSA's** record of defeating bad legislation that could have potentially hurt your club business is **24-0**. So far this year, **IHRSA** is **9-0**. Please be sure to take the time to read this article because it's truly about the future of your club business.

• **Congratulations to DR. CURT BEUSMAN**, also known as "**BROTHER BEUSMAN**" in honor of his fun and amazing portrayals of an evangelist at some of our earliest **IHRSA's** conventions, as he's been named by **Club Industry Magazine** as its **2010 Lifetime Achievement Award Winner!** Curt is the **Founder of the Saw Mill Club** in **Mt. Kisco, NY** and was one of the **Founders of IHRSA**. A few months ago, Curt and his son **RICK** lost **Jane**, their beloved wonderful wife and mother. May she rest in peace. **Rick** is **CEO** of their **Saw Mill clubs** now and also just finished his last year on the **IHRSA Board** on June 30th. Last year's honoree was the one and only **JACK LALANNE**. Previous winners include my friends, **RICK CARO** and **ALAN SCHWARTZ**. Others honored include **JOE GOLD**, **JOE WEIDER**, **JUDI SHEPPARD-MISSET** and **DR. KENNETH COOPER**. The Award will be presented during the **Club Industry Show, October 6, 7 and 8th** in Chicago.

• **WALLY BOYKO**, the **Publisher of the National Fitness Trade Journal**, has announced that **MIKE BALFOUR**, the **Founder of Fitness First** in England, will be honored with **NFTJ's Lifetime Achievement Award**. Additionally, **JOHN AGLIALORO**, **CHUCK FEDORKA**, **KEVIN STEELE** and **MIKE ZINDA** will be honored with **NFTJ's 2010**

Distinguished Service Awards.

• **Big news from Planet Fitness!** **JOHN CRAIG** is that the major deal **MIKE GRONDAHL**, **Planet Fitness Founder and CEO**, was negotiating with **Goode Partners, LLC**, a New York City private equity firm to acquire **45% of Planet Fitness**, has fallen through. But, as Mike told me a couple of months ago, regardless of how it turns out, he would be fine either way. Great news from Planet Fitness is that they have gotten **188 Planet Fitness** locations in nine markets to work together to raise and donate **\$215,000 for Breast Cancer Research!** The funds were raised when the Planet Fitness owners had a big membership special of \$10 down and \$10 a month and sold 21,000 new memberships in a week and donated the \$10 down payment to the cause! **Congratulations to Planet Fitness and all of those Planet Fitness owners** for making such a huge contribution happen!

• Well, the **Music Tariffs** for clubs down under in **Australia** have been increased by **1500%**, and the next place it could happen appears to be in **Canada!** Check out the report on **Page #3** that includes comments from **RICH BOGGS**, the **Founder and CEO of Body Training Systems** and **PHILLIP MILLS**, the **Chairman of Les Mills International**. It was originally published on our website, **www.clubinsideronline.com**, on



Norm Cates

May 18th.

• **DAVID "Dr. Feelgood" PATCHEL-EVANS**, also known as "**Patch**," will complete his one-year term as **IHRSA's Chairman on June 30th**, and **DR. ART CURTIS** will become the **new IHRSA Chairman on July 1st**. Dr. Art will be featured in our **July Cover Story** so **Stay Tuned! Congratulations to "Dr. Feelgood"** as he was recently honored by **Canada's Venture Capital Private Equity Association** with its **2010 Entrepreneur of the Year Award!** Dr. Feelgood has come a long, long way since he crashed a motorcycle, ended up recovering and rehabbing in a hospital and embarking on his involvement in the health and fitness club industry over 30 years ago. Dr. Feelgood's Goodlife Fitness chain now has 275 locations and 750,000 members, and knowing
(See Norm's Notes Page 7)

Norm Cates'
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Established in 1993
17 Years and Counting!!!

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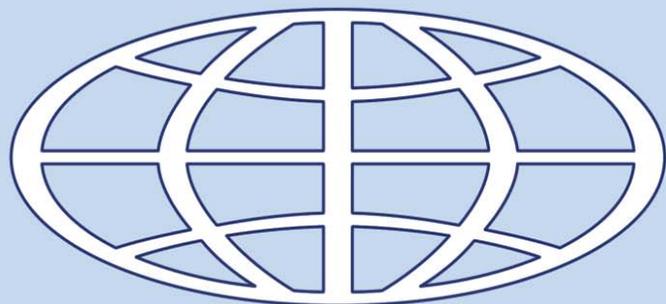
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The "Insider Speaks"

*To Benefit the Health and Fitness Club Industry
 Imagine The Evolution of the Health Club Industry Without IHRSA!*

By: Norm Cates

Part I

This article is about the health and fitness club industry. It is about our industry's beginning, its evolution until now and where it can and will go in the future. As with anything, to understand where you are going, you must first know where you came from. In order not to repeat history, you must know your history. In this two-part article, you will learn about the history of how our industry began, what it took to initially grow (for better and for worse), how IHRSA changed that path and what our industry would be like were it not for that change. In this writing, a lot will be covered, so I invite you to take the journey. Let's begin.

Our industry does not have a specific starting date that is acknowledged and agreed to by all. So, for the purpose of this and future writings, I'm going to state that the commercial health and fitness club industry is 'about' 75 years old, instead of 60 as I've written in the past. I've begun to use 1936, the year Jack LaLanne opened his first health club in Oakland California, as the starting point for the commercial health and fitness club industry in America. Now, looking back on that 75-year history, we can see that the industry evolved

relatively slowly for the first 45 years and more rapidly over the past 30 years. That more rapid evolution of the past 30 years has occurred since IHRSA was founded in 1981.

In January of 1981, five people met in Chicago to discuss the creation of a new trade association with the goal of taking our industry from an era of no rules and no standards to one of quality clubs, professional practices and ethical consumer treatment. Yours truly, and four others, Dale Dibble, Todd Pulis, Jennifer Michel and Peter Donahue, met to discuss the feasibility of combining the National Court Club Association (NCCA) and the National Tennis Association (NTA) to form a new industry trade association to accomplish these goals. Upon completion of that nine and a half-hour meeting, the group decided that we would recommend to Rick Caro, the fellow whose idea this merger was, and who had set up the meeting, to proceed. And, proceed we did...

Approximately three weeks later, at Caro's offices in New York City, we met and founded IRSA, the International Racquet Sports Association (The H, for Health, was added to the IRSA name in 1994, becoming IHRSA). We also created a Board of Directors that day, and I was very honored to be elected to

serve as the first President of IRSA in 1981/1982. I was also very honored to be the last President of NCCA, an Association for racquetball club owners. The NTA had served tennis clubs. The next year, starting on January 17, 1982, my 36th birthday, IRSA held its 1st Annual Convention and Trade Show.

This was a very important fork in the road for this industry...

Our goal was to take an industry that was then only 45 years old, and without any real established leadership, and change it in a positive way so that our industry began to be more professional and better suited to attract and serve more and more American consumers. We sought a new world of professional club operations. We sought different marketing ideas, different customer service ideas and different membership sales ideas. We sought ethical operations. We sought the opportunity to network with others as a primary goal. With our 1st Annual IRSA Convention in Las Vegas, Nevada at the Tropicana Hotel, we began the process of making all clubs better.

You may be a health and fitness club owner who's never been involved with or supported IHRSA. You could even be totally new to our industry and to IHRSA! If that's the case, let me first welcome you to our great industry! You've picked a terrific industry to be involved in! In addition to Club Membership, which makes up the majority of its membership base, IHRSA also offers specialized memberships for Clubs in Development, Students and Individuals in the industry that don't necessarily fit in any of the standard membership categories. And, of course, IHRSA has the Associate Membership for the manufacturer and supplier side; **CLUB INSIDER** is an IHRSA Associate Member. There will be much more said about this later.

The Purpose of This Writing

First, let me mention,



this is not a paid infomercial! This writing is from the heart of IHRSA's 1st President and Co-founder of the Association, and my three purposes for it are:

- To update my chronicles on the evolution of the health and fitness club industry by reviewing the very significant and positive impact IHRSA has had on the health, racquet and sports club industry over the past 30 years.
- To recruit you to join and support this important Association if you're not a member of it now. Trust me when I say *your business will benefit financially*, and in many other ways, by becoming an IHRSA Member Club in good standing.
- To state my opinion about what our industry could be like without IHRSA in the future, thus emphasizing the importance of your support today and from now on.

"A Rising Tide Floats All Boats"

IHRSA's mission is to

grow, protect and promote the health and fitness club industry and to provide its members with benefits and services that will help clubs be more successful. John McCarthy, 25-year IHRSA Executive Director, now retired, said it like this years ago, "A rising tide floats all boats." Amen, Big John!

Based in Boston, IHRSA has a full-time staff of 55 individuals led by the terrific fellow, Joe Moore, now IHRSA's President and CEO, who stepped into John McCarthy's big shoes three years ago. Their sole mission is to help your club be the best it can be, period. IHRSA also has some very dedicated, longtime employees who've been with the Association since almost the beginning, and they include: Cathy McNeil, Vice President of International Operations; Anita Lawlor, Chief Operating Officer; Pam O'Donnell, Vice President of Member Experience; Helen Durkin, Executive Vice President of Public Policy; Jay Abloni, Executive Vice President of Global Products; Meredith (See *IHRSA* Page 26)



IHRSA Members (L to R) Dick Trant, Jean and Cecil Spearman, Paula and Carl Porter Networking at IHRSA 2008 In San Diego

...Norm's Notes

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him, it will keep on growing. Thank you, Patch, for your service on IHRSA's Board as a Member and Chairman.

•IHRSA's Global Industry Report was released in early June and mailed with the June Edition of CBI to all IHRSA members. All new members are eligible for the report for free. Call (800) 228-4772 to join IHRSA.

•IHRSA's made some real good adjustments to their Trade Show plan for the 30th Anniversary Conference and Trade Show in San Francisco, March 17th and 18th, 2011 and they are:

1. Instead of two different trade show halls in San Francisco, as IHRSA had used for its last two San Francisco Trade Shows in 2005 and 2009, the Trade Show has now been consolidated into ONE HALL! The truth is during the past two shows in San Francisco with the two halls, many exhibitors missed out on potential customers, and many

customers missed out on seeing the entire Trade Show because it was impossible to tell where the other hall even was unless you studied a chart or examined a sign very carefully to understand you should use the ¼-mile long tunnel under Moscone Street to find it. This is a major good move, and I congratulate IHRSA's JOE MOORE and TOM HUNT on getting it done, even though I know it was a big pain for both of them.

2. Saturday Trade Show hours have been dropped. CLUB INSIDER lobbied for this change starting five years ago. Since then, I've spoken to a number of exhibitors who wanted this to change and will be happy that it has. I'm real glad to see Saturday dropped because the truth is hardly anybody, except for the people staffing the Exhibits, show up on Saturdays anymore.

3. IHRSA had gotten into a very bad habit of scheduling many afternoon seminar sessions during the exact afternoon hours of the Trade Show, and this was causing the Trade Show attendance traffic

to be off a great deal on the two days that should have lots of customer traffic, Thursday and Friday. Had this continued, I believe an awful lot of the small exhibitors were going to drop out of the show altogether because it had become such a waste of time and money for them. So, IHRSA's DAVID PATCHELL-EVANS has stated in writing that IHRSA will "schedule fewer seminars than ever during the prime Trade show hours." This is a huge positive move as long as Patchell-Evans' promise is kept. This situation for the past four or five years had gotten out of control and was not only unfair to the companies who have been exhibiting, it was just not right to rent space to exhibitors and then keep the promised customers away from them with 20 or more seminars at the same time.

•FITNESS 4U is a local Atlanta chain of five clubs that sells memberships for \$10 a month. Recently, I was watching the local CBS News when a report featured comments from a man whose daughter had joined the gym and signed up for six personal

training sessions for \$249 only to have \$2,310 for 72 sessions of additional Personal Training purchases filled into the blanks on the contract where the length of the agreement and total cost were not filled in on the original contract she had signed! The daughter had contacted the gym a month after her purchase to get a copy of the contract from them, which they provided; however, the copy of the original contract they sent to her had the additional purchases filled into the blanks on the original. The Father showed the first copy of the original contract given to his daughter with the blanks on it to the reporter. The CBS Reporter spoke with the Father, WADE MITCHELL, and the gym's General Manager, WAYNE ABLES, in the TV report. When asked if the gym would cancel the contract with the unauthorized personal training amount written and put that cancellation in writing, Ables said, "Sure, we'll cancel it." So, here we have one more incident of a single health club trashing the reputation of the entire health club industry in the Metropolitan Atlanta area of 5.5 million people when somebody filled in blanks that should have been filled in with the customer present and signed off on by the new member. What does this 5-minute report say to the public in the Atlanta area? It says that (1) at least one of the people at the FITNESS 4U gyms is dishonest and does dishonest things and (2) every other gym in the Atlanta area could have dishonest people. So, one more time... some dishonest people in our industry have hurt the industry for the rest of the legitimate operators out there. When, oh when, will the owners of health clubs everywhere come to understand that you can't do things like this and get away with them without damaging your company and everybody else's in the area?

•Anytime Fitness has announced that it's moving into Europe, according to Anytime Fitness Vice President of International Development, JOHN KERSH. Anytime now has over 1,250 clubs in the U.S. as well as clubs in Canada, Australia, New Zealand, Mexico and India.

•STEVE NERO is out and MIKE LEVEQUE, a 17-year veteran with the Star Trac, is IN as the new President and COO. Good luck Steve, wherever you

land, and Mike as you move into this important new role!

•LARRY GURNEY's RUSH Fitness has launched pre-sales operations for new Rush Fitness Complexes in Dalton, Georgia and Winston-Salem, North Carolina. The new Winston-Salem club, Gurney's 2nd club in that city, will open in September, and the Dalton club will open in October. Best of luck Larry and the Rush Team!

•24 Hour Fitness has raised some mega-bucks, \$675 million, to be exact, using the services of J.P. Morgan Chase. \$600 million was for Senior Debt and \$75 million revolving credit.

•The New York Health and Racquet Clubs have brought in ABC Financial to provide billing and electronic funds transfer (EFT) services, as well as club management software, online membership software and credit card merchant services. Check out the Press Release on Page #28.

•Welcome to GYM WIPES by 2XL Corporation, and LINDA GIAMMANCO as a new CLUB INSIDER Advertiser. If you've read CLUB INSIDER for a year or more, I bet you've read my comments about the great importance of keeping clubs and equipment clean. So, I'm thrilled to have Gym Wipes on board as their line of products will go a long way toward helping you keep your club(s) clean! Check out the Gym Wipes Ad on This Page, and contact Linda at (310) 574-1994.

•Cybex has launched its Second Annual Pink Ribbon Run for breast cancer research, and we hope you will buy at least one of their Pink Treadmills for your club and help in the effort! The Breast Cancer Research Foundation (BCRF) will receive funds as CYBEX donates \$0.10 for each mile logged on its custom-made pink treadmills during Breast Cancer Awareness Month, October, 2010. Stay Tuned!

•A group of clubs in Virginia, acting under the auspices of The Charlottesville Area Fitness Club Owners' Association, have sued the governments of Albemarle County and the City of Charlottesville, Virginia claiming that they unlawfully awarded over \$3 million in capital funds to the (See Norm's Notes Page 8)

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...Norm's Notes

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Piedmont Family YMCA for construction of a new pool in a local park. The Association includes **PHIL WENDEL'S Atlantic Coast Athletic Clubs**, the local-area **Gold's Gyms** and **Total Performance Sports and Fitness**. The suit maintains that the county and city violated the **Virginia Public Procurement Act** by not giving for-profit health clubs the option of bidding on the aquatic services that will be offered by the YMCA. **Stay Tuned!**

• Washington, D.C.-based **Sport & Health Clubs** have opened a new 38,000 square-foot club in **Ashburn, Virginia** in the Brambleton Town Center. The Grand Opening is scheduled for **June 12th**.

• **Congratulations to RUTH STRICKER** and her **Team at The Marsh** in Minnetonka, Minnesota as they celebrated their **25th Anniversary on May 19th!** Ruth has a great team at the Marsh led by **TIM MORTENSEN, Director of Operations; CECE McCAN, Membership Director; and COLLEEN HAGERMAN, Programming Director**. What a huge asset **The Marsh** is to their community!

• The **Gold's Gym Franchise Association (GGFA)** has announced that, after years of dedicated service on the **Executive Board of Directors, BLAIR McHANEY** and **GORDON JOHNSON** are retiring from Board service. I wish these two great guys all the best, and I'm sure GGFA members have let Blair and Gordon know how much they appreciate their Board service. In my opinion, these guys have made the GGFA into a real life saver for Gold's Gym operators everywhere while the parent company, **TRT Holdings of Dallas, TX**, messed around with several CEOs who didn't work out. All the while, Blair and Gordon were getting important things done for the franchisees through the GGFA. Good on 'ya, Blair and Gordon.

• **JUDI SHEPPARD-MISSETT's JAZZERCISE** is in its **50th decade of business** and their **1st Quarter revenue was \$20 million, up 23% from a year ago**. They currently average over **32,000 classes per week in 32 countries**. Judi Sheppard-Missett

has been one of the greatest fitness people in the history of the business for a long time now. Congratulations to you and your Jazzercise Team, Judi!

• **EQUINOX** is doing something unusual and outstanding as they are **conducting free fitness classes in 42 New York City Parks and Recreation Department locations**. In the past, I've written about building community relationships and **TRUST** in your community, and I applaud **HARVEY SPEVAK** and his **Equinox Team** for a brilliant community move! Coordinating their efforts with **MAYOR BLOOMBERG's Office**, Equinox is getting a lot of positive publicity from this effort. Why not do something like this in your city?

• **National Academy of Sports Medicine (NASM)** has been sold to **Assessment Technology Institute (ATI)**. ATI is a Stillwell, Kansas-based company that specializes in preparing Nursing Students for exams. This makes for a strange combination, and it will be interesting to see what they do with NASM.

• There is a group of six clubs in **Charlotte, NC** called the **Sports and Fitness Clubs**, and I got word that in one of their locations, they prevented an adult male from kidnapping a child from their child care center. **Kudos** to whoever stopped him! I got this news right at press time, so that's all I know, and I'll report more later. **Stay Tuned!**

• **The Spectrum Clubs** have sold a minority interest in their company, which includes 22 clubs in San Antonio and Southern California, to a private equity firm called **LLM, Capital Partners, LLC**, a Boston-based private equity firm. LLM is a previous minority partner of 24 Hour Fitness before it was sold to Forstmann/Little. It's nice to see money people come back to our space after previous experience. Brentwood Associates will continue to control the majority of the company.

• Word is **BOB GIARDINA**, again **President and CEO of Town Sports International (TSI)**, is focusing on marketing and sales since his return for his second run at the helm of TSI. He's also looking for new club opportunities as TSI has held off

new club development so far this year. **Stay Tuned!**

• Well, if you read my report last month about **SHANE FRANKLIN** being hired by **American Club Systems (ACS)** to manage a **Gold's Gym** in **Indianapolis, IN**, you'll know that I'm continuing to look for more information about this guy Franklin with hopes of someday helping him spend some time in jail, where he belongs. So, the following is an email memo from a fellow named Kent White of Tracy, California, who sadly, became involved with Franklin in some Powerhouse Gyms and was swindled out of hundreds of thousands of dollars. Here is Kent's exact email, word for word:

"Hi Norm:

I came across your article yesterday while reading your magazine (which by the way is very good) titled "Industry Embarrassment" and just wanted to let you know that my partner Keith Saunders and I were the ones that Shane conned into investing hundreds of thousands of dollars into Powerhouse Gym franchises within Nevada, California, and Arizona. At least I thought they were legitimate franchises through Powerhouse but later found out they weren't. Shane's operandi was incredible. He would negotiate TI monies to build out a gym (keeping some of the money for himself), negotiate 6 months or more free rent with a landlord through a broker friend of his and would get kickbacks from the broker's commission. Do a massive pre-sale while the gym is being built out (again pocketing the money from paid-in fulls), fill the gym with semi-used equipment when it was ready to be opened and work it for 6 months until the lease payments were due. He did this with four gyms and when I told him I had no more money to invest he started forging my name to lease documents and asset purchase agreements for gyms he outright purchased. It finally started to catch up with him when payroll checks started to bounce and none of the bills were being paid (power bills, phone bills, monthly lease payments, etc.). He would then skip out of town and leave the financial mess for his investors to clean up. Keith and I finally figured out something was going wrong when payroll checks started to bounce. When

we confronted Shane up in Reno on January 21st, 2009, we found out it was a lot worse than bounced payroll checks. We immediately held a Board meeting and fired Shane. It was while we were going through the files that we came across forged documents (including 3 notarized ones), gyms that were bought by Shane with our forged signatures, as well as forged documents from loan companies and Moneytree Inc. for cash. This took place between June and December of 2008 and when it was all said and done, Shane had nine gyms going on in different phases (of which we only knew of four of them). The outcome was devastating as we found out we owed hundreds of thousands of dollars (approx. \$500K) in back rent, power and equipment bills, etc.

In regards to the police investigation in Reno, it was a farce. Over the eight months they may have spent a total of 2 weeks' worth of time on the case. I was called by the chief investigator in December of 2009 with the bad news that they were not going to prosecute Shane or charge him with anything as in their eyes it boiled down to his word against ours when it came to the forgery accusations. I then asked them about the 3 notary documents that were forged and they told me that those happened outside their jurisdiction and they couldn't proceed. We did in fact have the notary person (who was also a friend of Shane's) charged for fraud and she was indicted, but it didn't help recouping the lost monies. As of today we have 3 of the 9 gyms left of which two are up and running with a third one starting to build out. There is much more that could be told about Shane and our dealings with him but it would take several more pages to complete. So Norm, if you are interested in hearing the whole story in detail, let me know and we can get together either by phone or in person. Nothing and I mean nothing would give me more pleasure than to see Shane behind bars as that is where he belongs. I call him the Teflon man

as nothing sticks to him. He is a crook and absolutely anything he talks about or says is a lie. Believe me he is stealing from Gold Gym; they just haven't caught him yet.

Regards,

Kent

P.S. Please send me your file as I would like to read it and possibly fill in some blanks."

So folks, now you have the latest Shane Franklin update. Please realize and remember that I'm not doing this reporting on Franklin for my health, and I honestly wish I didn't have to do it. But, I pledged to take on bad actors in our industry as a service to you all, and somebody has got to do this for our industry. If you would like to receive the document file I have with about 30 pages of other Shane Franklin information, just send me an email at **Norm@clubinsideronline.com** and I'll email it to you. And, anybody else out there that can provide information for me on Shane Franklin's activities, past and present, please do so by calling **(770) 850 - 8506**.

• **God bless** all of you folks, the birds and all the animals in **Louisiana, Mississippi, Alabama and Florida** as the oil creeps on.

• **Congratulations to and God bless the Class of 2010!**

• **God bless our troops, airmen and sailors** in the **Middle East** and around the world as they protect America's freedoms and liberty. **God bless you, your family and your club(s). God bless America!**

(Norm Cates, Jr. is a 36-year veteran of the health, racquet and sportsclub industry. Cates was the Founder and is in his 17th year as the Publisher of CLUB INSIDER. He was IHRSA's 1st President, and a Co-founder of the Association with Rick Caro and five others, in 1981. He may be reached by phone at 770-850-8506 or email at Norm@clubinsideronline.com)

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...Music Fees

continued from page 3

industry paid a recorded music tariff of just 96.8 cents per class. For a class of 25 attendees, this worked out at approximately 4 cents per person. This scheme was reviewed after an application to the Tribunal by the Phonographic Performance Company of Australia (PPCA), representing Australian recording artists and record labels.

PPCA Chief Executive Stephen Peach said, "Today's decision by the independent umpire represents an important improvement for artists and labels whose music is widely used in fitness classes to attract and motivate participants. The Tribunal has recognized the previous scheme undervalued the

undoubted contribution music makes to the fitness industry."

In its judgment the Tribunal found:

This application to the Tribunal has permitted the first comprehensive examination of the use of music in fitness classes. It has revealed that recorded music is an essential accompaniment to such classes. Without it the classes would not function in the manner in which they are presently conducted and which fitness class attendees have come to expect. No evidence was provided of satisfactory alternatives to the provision of music as an accompaniment to the classes. In the Tribunal's view, the amount currently being paid does not reflect this essential nature

of music in classes. The Tribunal believes that it is appropriate that users of recordings in fitness classes should pay an amount that reflects the value of music to such classes.

Mr. Peach said the fitness industry had "waged war" against any increase in the music tariff. The multinational chain Fitness First admitted it largely bankrolled the courtroom fight which saw an enormous amount spent in opposing fair returns to artists and labels.

Bizarrely, however, the Fitness First chain announced last month that regardless of the outcome of today's ruling it was not prepared to abide by the umpire's decision on a fair price and will force the introduction of second-rate cover version music in all its fitness classes.

Mr. Peach said, "Fitness First has treated both its members and recording artists with utter contempt. We've seen a groundswell of discontent from gym members and fitness instructors who've been ordered to use cover music and who are even being encouraged to turn in colleagues who try to use real music in classes."

"Of course, fitness centre operators have a choice about whether to use real music in their classes. We are confident that many fitness centers will choose to continue to use real music and that they will have a strong business advantage over those that take what we think would be a very short-sighted decision to switch to low-quality cover versions."

Responding to the Copyright Tribunal decision, Lindy Morrison (PPCA Board member and former drummer from the Go-Betweens) said, "This demonstrates that the license fees paid for the use of recorded music in gyms were inadequate and did not reflect the value of the music. Bands are small businesses and like all small business need to be rewarded for their product, which requires specialist skills, time, and costly resources to create."

At the start of the Copyright Tribunal hearing artist Marcia Hines added her support saying, "I do believe musicians should be paid for the music they create: it's only fair."

Phillip Mills Weighs In

Club Insider (C.I.) - How does this impact your use of original

music in Australia and the US?

Phillip Mills (PM) - The Australian Copyright Tribunal ruling applies to Australia only. Les Mills has always believed in the power of original music, and we will continue to use original music where possible for the majority of our classes in the US and the more than 70 other countries where our classes are offered. We note that no date has been set for the implementation of the new tariff in Australia but we have been working with our Australian agent on options for offering Australian fitness clubs a choice between using music that is controlled by PPCA and music that is not controlled by the PPCA in our programs.

C.I. - With the hearings in Canada on the music issue, will that impact LMI and how?

PM - No decision has been made in Canada.

C.I. - Do you feel this is a trend worldwide?

PM - It is too early to tell whether there will be similar attempts to increase prices elsewhere. The issue has been in process in both these jurisdictions for some time, and we are not aware of any other jurisdictions considering the same move. However, the price increases sought in Australia and Canada are clearly part of a move by record companies internationally to look at how they can maximize their revenues from sources other than retail sales.

C.I. - Will this spill over to clubs in the US and what steps is LMI taking to assist club owners who are impacted economically?

PM - There is not a comparable performance right in sound recordings under copyright law in the US, so we have no immediate concern although we are aware that there have been suggestions that US copyright law should be amended to create a performance right in sound recordings. We will monitor the situation in the US closely and would expect to work with IHRSA, US clubs and our US agents in the event that there are any changes proposed to the US legislation.

Rich Boggs Weighs In

Rich Boggs, Founder and CEO of Atlanta-based Body Training Systems commented on the development, "BTS is in total agreement that all artists should be fairly compensated when their

music is used, which is done with each of the 80+ songs used by BTS every quarter. BTS and our music vendor ensures that the song writers, singer(s) and instrumentalists all receive the money that is due them. The new BTS clubs in Australia and New Zealand along with our clubs in the US and Canada will not have any worry or impact from PPCA or similar groups trying to charge usurious fees to health clubs using BTS programs."

"We certainly take exception to several references on the PPCA website to "cover music" being inferior to the original artists. This is the same as saying all restaurants are bad after having one bad meal. There are many benefits to quality covers because they allow BTS to have music produced with very specific requirements to ensure it is the best possible music to drive the workout experience. All of these have helped BTS to achieve the highest rated historical scores by our customers over the past two years. Our customers know they may count on high quality, popular music where all composers, authors and publishers' royalties have been paid in addition to marketing campaigns and experienced management support to ensure their success every step of the way."

Other Reactions, Including This from Fitness Australia:

"Copyright Tribunal is out of tune," says Fitness Australia. "For an average-size fitness center with 1,500 members and running 30 fitness classes per week, today's decision represents an annual cost increase from the current \$1,510 per year to \$23,400 per year, or an increase of 1,500%. The PPCA had sought an increase in fees of approximately 4,000%. The fitness industry said it is extremely disappointed with the Copyright Tribunal decision to substantially increase copyright fees for the use of music in group exercise classes, following the outcome of a fierce battle with the Phonographic Performance Company of Australia (PPCA)."

"The current PPCA license fee is 96.8 cents per fitness class with a capped annual maximum of \$2,654. The Copyright Tribunal has today increased this substantially, to either \$15 per class or to \$1 per participant."

Stay Tuned!

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...Simon Meredith

continued from page 3

the Director of Tennis for both clubs, until May of 1980.

Meredith got wind of a new, mega club being built by real estate developers Daniel Levin and James McHugh in Downtown Chicago. He was able to secure an interview, and he struck a rapport with them. He was hired on May 5, 1980 by Levin and the club's Executive Director, Max Davidson (Big Ten Tennis Champ in 1934 representing the University of Chicago). He became EBC's Assistant General Manager at the ripe old age of 24. Meredith had the benefit of being hired six months before the club opened, so he truly got in on the ground floor of this landmark club development.

Imagine a 400,000 square-foot multi-purpose sports club with over 11,000 members, its own parking garage, a rooftop swimming and tennis complex, a ¼-mile indoor track, racquetball and squash courts, world class strength and cardio areas, indoor golf training center, spa services and a food and beverage business that generates \$9.2 million a year and annual club revenues totaling \$52 million! EBC was recently named one of the best gyms in America by Fitness Magazine. It was described as, "Disney World for the sporty set," and EBC earned the title of "Sports-Minded Clubs: Best Surf and Turf" after a nationwide poll of fitness professionals and *Fitness Magazine* readers.

All of the above describes East Bank Club in Chicago where Simon Meredith has spent the last 30 years meeting and greeting between 3,000 and 4,000 members on an average day. During years

one through five, Meredith was the Assistant General Manager, and he's served as the General Manager for the last 25 years. Congratulations to Simon Meredith on an amazing and excellent run at East Bank Club. **CLUB INSIDER** is pleased to share a very engaging conversation with Simon Meredith, the General Manager of one of the world's top clubs, Chicago's fabulous East Bank Club.



Simon Meredith

An Interview With Simon Meredith

CLUB INSIDER (C.I.) - What was it like bringing a facility like East Bank Club (EBC) to Chicago?

Simon Meredith (SM) - The city was really excited because there really wasn't anything in Chicago quite like EBC. It's really an interesting phenomenon. It was in the right location, and it was large and upscale enough that people would say, 'Hey, this is kind of a different place to go!' People didn't have places like this to go. Maybe they had bars and restaurants, but the clubs were generally men's clubs and often times segregated by religion. There really wasn't anything going on that had any

sort of dynamic feel to it. EBC had that excitement from day one. People would write articles about the social scene here being singles oriented. Some people were dressing up and congregating in our bar area, and some reporters thought that was kind of interesting from an anthropological point of view. And maybe, that wasn't bad for business. Maybe it still isn't bad for business because we are known as a very social club. There's always action at the club. Not too many clubs I know of have a \$9 million a year food and beverage business, and it's not a business most people would necessarily choose to be in because it is so hard to do well. I believe, if you can't do it well, don't do it because it just doesn't reflect well on a club. Members don't give you points for trying. We have 148 staff members who work in food and beverage. We are a very social club. It's a place where you can be with your family, with your friends and with your business associates. So, it works on a number of different levels, more so than just a place where you can go to work out. As you and I well know, if that was the only thing we were offering, we would have been in trouble. The variety was a key to our success.

C.I. - You mentioned the EBC generates \$9 million a year revenue in food and business. What is the club's total annual revenue? **SM** - \$52 million.

C.I. - WOW! Simon, I'm sure that, over time, it's become a labor of love for you, as well as work.

SM - It's always a challenge. One would think that after 30 years of doing something that it would be easier. But, I think it gets more complicated... and more intriguing. Obviously, the challenges of keeping a very large membership happy is something that we find challenging, especially during these economic times. Norm, we've been through a few cycles in 30 years. We don't get too excited about the ups, and we don't get too depressed about the downs. We just keep focused on what we think we can accomplish within the parameters of our community. I'm excited though! Last year, we invested \$3 million in upgrading our facility. It's tremendous to be a Manager and have that vote of confidence from our ownership that has always wanted to reinvest in the business. We've had a



Aerial View of East Bank Club

membership that is always excited about the club and wanting us to do the best and were willing to pay for it. So, that's the bargain for us in management. We have 65 folks managing all of our various areas. We're thrilled and honored to be given that charter to run the club and be given the tools to make it the best it can be. That's not true for every club. A lot of managers get squeezed between ownership that doesn't have foresight, they don't have the money or there are other complications. Or, membership just can't afford it, and they are grumbling about one thing or another. Fortunately, we haven't had that tension over the years.

C.I. - Simon, do you have highlights of those 30 years that stick in your mind?

SM - Norm, that's sort of an intriguing question. I don't tend to dwell on any specific dates. I tend to think about running a club as the day-to-day business. How are we doing today? Were the staff who were opening the club this morning at 5AM prompt? Were they well-trained? How were they dressed? How did they treat the members this morning? So, I'm focused on the issues of today and what is going to help us succeed tomorrow.

We were pleased, however, to accept IHRSAs' Dale S. Dibble Distinguished Service Award that we won as a club five years ago in San Francisco. For the 25th anniversary, we threw a party for the Charter Members. I remember one of our members saying to me, 'I've been a member for 25 years and have spent an average of \$4,000 or \$5,000 a year... that's \$100,000. What are you going to do for me for the 25th Anniversary?' I thought about what we should

do that would be symbolic or make this longtime member feel appreciated. We had about 1,000 Charter Members at the time, so I hit upon the idea of inviting them to a special VIP Reception that evening with a photographer. It didn't cost a lot, but it did convey our appreciation to this special Charter Member group. About 130 of them showed up for the party, and we sent them all a large print of the group photograph. That's what's so wonderful about running a club... the spirit of the members. We're given this very special responsibility. We create an environment that they will enjoy coming to, they give us their money and we never want to betray that trust. We want the members to know that it's all about them. Without the members, there is no reason for us to be here. There's plenty of other ways they could spend their money. It's like organizing a one-off event or party. We're the hosts. We're going to make it happen, and it's going to be fun. It's going to be healthy. It's going to be good for them, and if they have a good time, they'll keep coming back. If they don't have a good time, they'll let us know. If they really are dissatisfied, they'll drop out. They get to vote every month; so far, so good. But, I think about what we can do today. I don't think about, 'Hey, we've been doing a good job all these years; therefore, we can rest easy.' I think we have built up a lot of credibility because of the continuity of the club and our management and ownership. We've built up that trust. Members expect us to deliver... and, by golly, we're going to deliver. We're not going to have fluctuations in levels of service. Members will say to me

(See *Simon Meredith* Page 14)



Maxwell's at the Club



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...Simon Meredith

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occasionally, 'Well, you guys make it look easy.' I respond, 'Trust me, it's great that you think it's easy because, as a member, you shouldn't have to worry about how difficult it is to run a club and how many things can happen on a daily basis. It's our job to make it a wonderful, relaxing experience for you as our member and not have things go wrong. We have to anticipate all the things that could go wrong and do our level best to make sure it's just perfect.'

C.I. - You make plans to deliver that type of high quality club product. Every day that you're successful doing it is gratifying, but you know you can hardly even blink an eye before something might go wrong.

SM - That's right. I like the expression, "Under promise and over deliver," because our members have high expectations because they're captains of industry, and they would not take kindly to us saying we're going to do something, and somehow, it doesn't happen.

C.I. - What changes have you seen in the needs and wants of your members during your 30 years, and how have you gone about satisfying those?

SM - I think it's an organic process for us. We never sit still; the club is always evolving. I think it's true of most clubs. I think of Red Lerille. I think of Dale Dibble himself. I think of them as the pioneers in that whole notion of we're just going to keep doing something different for our membership because we want them to be intrigued and involved and because we're always giving back to our members. I see that as offering a variety of things. Our members travel, and they

see different things so they want to see the club constantly improving. I guess that's the hallmark of any business. If you can keep improving and keep delivering ever-increasing value, then I think you're going to be a successful business.

C.I. - Speaking of delivering increasing value, how did you guys spend that \$3 million that you mentioned for club renovations?

SM - Very carefully, HaHa! Let me give you a breakout of that. We replaced our chiller and that cost us \$750,000. We spent \$400,000 remodeling our free weight room, which had gotten a lot of wear and tear over the years. We focus on function, but we also think about the aesthetic, so we can't just have a room be utilitarian. You've seen our cardiovascular room and how it's laid out with a huge mural on the west wall. No other club's going to commission an artist for \$100,000 (that goes back 12 or 13 years) to paint a mural. Nobody would spend that money. We're very keen on the aesthetic, ambiance and the atmosphere of the club. We also spent close to \$500,000 last year on the driveway. We put in pavers with a snow melt system. So, on a lousy snowy, icy cold winter's day in Chicago, we will have a perfectly clean driveway. The pavers also give a great first impression of the club. When you pull up to a nice hotel, it's a great first impression.

We've been thinking that we want to come out of this particular economic period stronger than ever. In terms of residential expansion, our neighborhood's development may be unprecedented in the country. It was not a heavy residential area when the club first opened. Now, it's a residential neighborhood and a very vibrant part of downtown. So, people



East Bank Club Cardio Room

are now walking around our neighborhood visiting restaurants and stores, which is just terrific to see. Chicago is a wonderful city, a world class city, and we really think we anchored that to a certain extent because we are kind of a community center. We provide a way to spend a very comfortable few hours. You're not just working out. You can dine. You can socialize. You can sit around and chat with your friends and neighbors. And, there's action... we've got 3,000 or 4,000 people coming through here every day, so you're going to find somebody you enjoy hanging out with!

C.I. - EBC has set a standard for all clubs to strive for. Tell us about the Founders and Owners and their vision for the club.

SM - Daniel Levin and his partner, James McHugh, were developing high rise apartment buildings for a number of years. They thought this plot of land would be good for high rise apartments with some kind of recreational facility attached. The late 70's, however, weren't conducive to the apartment concept being financially viable, so they decided to build a club instead. They had done the market research, so they thought that this could work. The people of the city thought, 'Hey, this was a good idea!' There's a lot of activity going on 365 days a year, morning, noon and night. It's right downtown. It's convenient. You can rub shoulders with the movers and shakers of the city. So, what a great environment, and fortunately, that's how it turned out!

C.I. - Let's discuss some of EBC's celebrities.

SM - First, let's talk about President Obama. He was a member from 1994 until he moved to the White House. Regardless of one's politics, he's a nice man. Here's what I would tell people, though. Way before he ever got going on his pursuit

of the Presidency, he always had time for our frontline employees. Not all members do. They want to check in, and they want to do it in a hurry because they're preoccupied with whatever they're thinking about. Mr. Obama would always have time, and he would stop and have a quick conversation with the staff. I know the staff appreciated it. Obviously we were very excited when he was elected President.

C.I. - Oprah is a member, too, isn't she?

SM - Yes, she is! One day, I called my mother back in the old country and said, 'What are you doing Mom?' She said, 'I'm watching Opera on television.' I responded, 'Oh, who is singing?' She said, 'No darling. I'm watching the TV talk show host, Oprah.' She liked Opera, and she liked Oprah.

C.I. - Please provide some suggestions for long-term General Management success for our readers.

SM - There is an author named Fredrick Reichheld who wrote an article about customer loyalty for the *Harvard Business Review* in December of 2003. He also wrote a book called *The Ultimate Question*, and that question was 'How likely is it that you would recommend this company (in our case the club) to a friend or colleague?' He wrote another book called *The Loyalty Effect*. He's a consulting expert with Bain & Company in Boston. He would ask people to answer that question on a zero to ten scale. Zero means not at all likely. Ten means extremely likely and five means neutral. So, we had done surveys before, and people would tell us they like the locker room or they don't like them and other similar questions. Then, we'd try to figure out what they really meant. Fredrick Reichheld says you can ask those things if you want, but the real question to ask is, 'How likely is it that

you would recommend the club to a friend or colleague?' For a number of years, we did without a marketing campaign because we thought the mystique about EBC is that it would be word of mouth. So, when we did these surveys, and this was the main part of them, we found out that we scored very well. Reichheld calls the people who scored nine or ten the Promoters. People who score seven or eight are happy and quietly content, but they're not talking about the club to their family and friends. Those scoring zero to six are called detractors, and they are not happy with the club and are probably sharing that with other people. So, they're talking badly about you.

He then takes the top category and subtracts the bottom category and comes up with a score that he calls, 'Net Promoters.' If you get a Net Promoter score of 75% or better, then you are considered world class. He does this in a number of other businesses. So, we ended up scoring in the upper 70's. That's actually been quite a good thing for us because it gave us a quantitative way of looking at the club, understanding it and how our members felt about the club and the value we offered to them. Importantly, it helped us know how they were going to promote it to their friends. We've done that survey five times. We do it every couple of years and we get some very interesting feedback. It's conducted by a market research company that makes random phone calls to our members, and when they realize that it's EBC calling, they are kind of flattered and are willing to participate. It takes about 12 minutes to go through the whole survey, but the big and ultimate question is, 'How likely is it that you would recommend the club to a friend?' So, that whole loyalty thing is very important in the club setting. Building those relationships with
 (See Simon Meredith Page 18)



East Bank Club Indoor Pool

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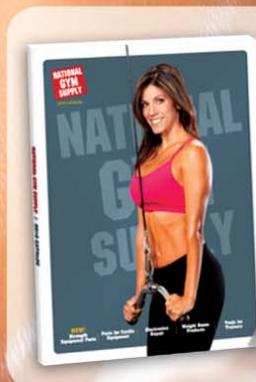
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...Simon Meredith

continued from page 14

your members is a powerful thing. We pay attention to that very closely because it's a lot easier to keep a member than it is to find new ones. We'd prefer not to spend our resources in sales and marketing. We always put our best efforts into delivering a good value for our members because that's going to build loyalty and keep them coming back.

This may be a second point, but it sort of hinges on the same theme. The other thing about loyalty is delivering loyalty to our employees. Having a base of employees that's stable, capable and committed; every club would want that, but how to get there? I don't know if we know that answer on day one, but it evolved over the years with a strong human resources component. We have four people that work in that department, and they really work hard at understanding what it takes to build loyalty from our employees. We have 350 employees out of a total of 630 who have been here more than five years. Take food and beverage as an example of why tenure is so important. What happens when you have an employee who's been here for a period of time? After a while, they get to know the ropes, they get to know the culture and they get to know the members. From a member point of view, these folks know who I am, they know me personally, they know my family and they know what my preferences are. Today, a fancy term for that would be 'Customer Relations Management,' and they'd put it on a computer. We know our members because we have a core of staff that have been here for a number of years. So,

our employees know how to put on a Mother's Day Brunch for 800 people. That's much harder to do if you have employee turnover because the new guy has no clue how to put together a program that feeds 800 people on Mother's Day. So, somehow, the quality of that event is going to be impacted by the longevity of the restaurant staff. Our crew, especially behind the scenes, has been here for 20 to 25 years. They are just proud, loyal workers who feel like they are well treated, they are recognized and they have great benefits. They stick with us, and we honor them. We have an awards ceremony every year where we just go out of our way to honor these folks who are just wonderful people and fabulous workers.

Another management tip might be our employee loan program. I have never heard of any other business doing this. Our staff are from all over the world, and they have all kinds of living circumstances. Sometimes, things go wrong for them, and they don't have an emergency fund to solve the problem. So, we decided to help our employees in these situations. We'll give them an interest-free loan and spread it out over a year or two. You can imagine what kind of loyalty that breeds. I think we do approximately twelve of these loans a year. A couple of thousand dollars is not a gigantic sum, but the loyalty from those employees and what that means in terms of how they will treat our members is a wonderful thing. We're in this together. The club has resources, so thinking these things through, it's all about how people are treated! It's not just about the compensation or their other benefits. That's important, but it's how you treat people. Of

course, that goes for members and staff. I guess I learned it from my parents; the old Golden Rule is how you treat people. Treat them the way you want to be treated.

C.I. - Well, you know the great thing about that is that it goes around... because of the treatment they get from your management team, that's got to pay off every time they have a one-on-one relationship with a member.

SM - Absolutely! We spent \$200,000 on a Member Service Training Initiative. We spread it out over three years. We hired a training expert. We told him we wanted to have a program like the Ritz Carlton's or Disney's training programs. Do we just buy this thing off the shelf? Does that really work? Or, do we do the Seven Habits of Successful People? So, we said let's do something ambitious. We'll just figure a program out from scratch. We will come up with a Mission Statement that resonates with our people. We will include employees from different departments and different levels of our organization. We will just try to figure out what our culture is all about. What is the language we're going to use? How are we going to impart this knowledge so that people will say that captures what we want EBC to be and how we want our employees to feel about EBC. But, I've got to tell you that, when we came up with a finished product, we did videos of people about how they felt about the club. This was just a home run, and we're imparting this. It takes 13½ hours of training for our employees to go through five different modules (See **Sidebar on This Page**). It's kind of a cool thing, and we think it's a Ritz Carlton program for us. The employees get into it. They see the videos during training which include discussions with all the different departments. With 630 employees, there are a lot of departments. They don't always interact, but here, they're doing this training program. They're talking about the culture of EBC and what makes it special. So, it drills down to concepts and ways of dealing with people and how we want to interact with our employees, all under the headline of helping our members live well. That's our Mission.

C.I. - Tell us how IHRSA has influenced your work at the EBC.
SM - Well, I guess we knew about IHRSA right from the early

1980's because it was forming from two associations. You were there, so you know. I remember meeting John McCarthy at the first IHRSA Institute I attended in Ann Arbor, Michigan. I thought this was pretty slick. These guys had put together this special program. Rick Caro was there, so was Jill Stevens Kinney and Professor Dee Eddington of the University of Michigan. It was an eye opener to me that there was this much going on that was specific to our industry.

IHRSA got the manufacturers involved and really laid it out so any club could benefit from the information. It really was a tremendous value. So, we were just thrilled that IHRSA was around to allow us to bounce ideas off of them and provide a context for what we were doing. We're big IHRSA boosters. We love being part of the industry, and we love what the industry teaches us. I have nothing but good things to say about IHRSA. (See *Simon Meredith Page 19*)

One of a Kind Service

East Bank Club's Member Service Training Initiative

Purpose: This customized training initiative was designed by Richard Friend, Ph.D. with the active support of the club's executive leadership as well as a team of managers and hourly employees. The vision behind this process is to provide information, resources and tools ensuring that what makes the club unique is something that all employees internalize and model every day with every member and with each other.

This initiative's success has been supported by the development of a series of engaging videos that give voice to the club's unique history, mission, values and each of the service standards through the stories and experiences of over forty of the club's employees. In addition, active executive support, managerial participation and the development of internal trainers through a train-the-trainer process have contributed to the process's ongoing success.

Overview: The training process is designed around five core modules as well as the integration of key messages and learning into the on-boarding of new employees through their orientation process. Throughout the five modules, employees that represent a cross section of departments, shifts and roles come together to actively participate in what they describe as a fun and insightful process of learning and skill development. Using an action learning approach, between each of the modules, employees have back-on-the-job assignments to complete. Following the modularized training, all managers and employees are also provided additional resources and tools to support their successful application of learning and the integration of the club's service standards into the day-to-day culture of East Bank Club.

The five modules are:

1. Overview of the Club's History, Mission and Values: This 2-hour module engages larger groups of employees in an exploration of the club's unique history and the enduring principles that define the direction and character of East Bank Club. As a core value, participants are introduced to the importance of "Service" as a foundation for achieving the mission of "helping our members live well."

2. Service Standards Kick Off: This 2-hour introductory module provides larger groups of employees with an overview of the club's four service standards: *Excellence, Professionalism, Empowerment* and *Presentation*. This "kick off" session also clarifies and sets expectations regarding the participant's role in the three modules that follow.

3. Excellence and Professionalism: This 3½-hour module provides a smaller cohort of employees from across the club an opportunity to understand key concepts related to the first two service standards: *Excellence* and *Professionalism*. Key concepts examined include:

- Pay exceptional attention to detail;
- Demonstrate expertise;
- Consistency;
- Personalize;

(Sidebar Continues on Page 19)



East Bank Club Golf Center

Simon Meredith
 General Manager
 The East Bank Club
 Chicago, IL

Hi Simon,

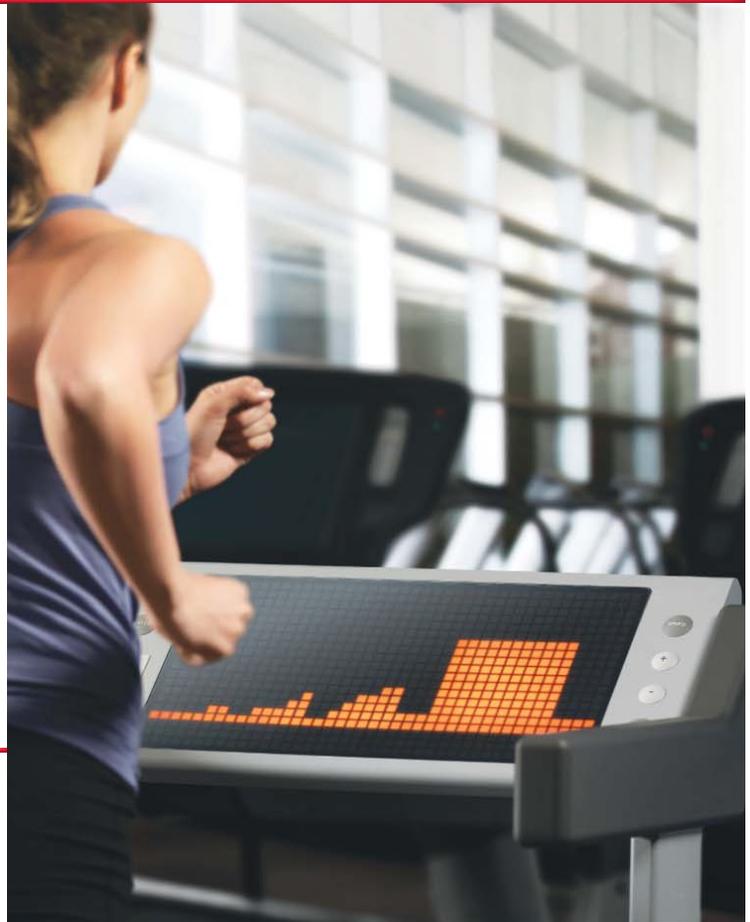
I just heard today that on May 5, you celebrated your 30th year serving as GM of the East Bank Club...

What a success you and your club have been, and what an asset you have been to the City of Chicago, to the members of East Bank, and to the health club industry as a whole

Heartfelt Congratulations!!!

My Best,

John McCarthy



...*Simon Meredith*

continued from page 18

C.I. - Simon, you said it well earlier in this interview... that we're all in it together at EBC. Well, the truth is we're all in it together in this industry, too. It doesn't matter if your club is the 400,000 square-foot East Bank Club or a 1,000 square-foot personal training studio, we're dealing with the American consumer, and if we can all be better, then we all benefit.

SM - Absolutely!

• • •

CLUB INSIDER congratulates Simon Meredith and all of his East Bank Club Team as Simon celebrates his 30th year with the awesome Chicago club. I would like to thank Simon for his time for this very illuminating interview.

Photo Credits:

Aerial photo: Vito Palmisano

Simon's headshot: Brian McConkey

Golf Center, Indoor Pool and Cardio Room: Bruce Van Inwegen

(Norm Cates, Jr. is a 36-year veteran of the health, racquet and sportsclub industry. Cates was the Founder and is in his 17th year as the Publisher of CLUB INSIDER. He was IHRSA's 1st President, and a Co-founder of the Association with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of IHRSA's highest honors. Cates may be reached by phone at: 770-850-8506 or email at: Norm@clubinsideronline.com)

Sidebar Continued From Page 18

- Be proactive;
- Be authentic;
- Manage boundaries;
- Use exemplary communication.

4. Empowerment and Service Recovery: This 3-hour module provides the learning cohort an opportunity to define *Empowerment* and examine its importance for member service. Employees are introduced to the Club's "*Here's what I CAN do*" Service Recovery Model as a tool for transforming member dissatisfaction into member delight.

5. Service Recovery and Presentation: In this final 3-hour module, employees practice using the "*Here's what I CAN do*" Service Recovery Model and examine the three components of *Presentation* as a service standard. These components are: *The Employee, The Team* and *The Club*. Included in this is an examination of the importance of personal appearance and demeanor; the components of teamwork and factors that contribute to team effectiveness in supporting member service; and the responsibility of every employee in ensuring that the club's atmosphere is warm, gracious and inviting.

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Got Milk? Yes. Got Fitness? No.

By: Derek Barton

Publisher's Note: It's terrific that Derek Barton, one of the brightest marketing minds in our industry, presents a concept here whose time has come. The idea? That our industry should unite to create a "Got Milk" style pr/advertising campaign for the entire health and fitness club industry nationwide. Speaking with Derek I learned that he originally had this idea in 1994 but had not pursued it. Also, Chris Rondeau, a partner in Planet Fitness, had mentioned the idea to me in an email a year or so ago. And, I have mentioned it several times in **CLUB INSIDER** over the past five years. So, great minds work alike, and I totally agree with Derek's idea, shared in this article. I believe it's high time that our industry create and deliver a central and focused marketing message for the health and fitness club industry to all of the American public, just like the highly successful "Got Milk" ads. I think Derek Barton and the other great marketing mind in this industry, Mike Grondahl, Founder and CEO of Planet Fitness, should team up and figure out how to lead the way to get this done!

• • •

I was thinking about the award-winning ad campaign from the Milk Advisory Board, "Got Milk?" and how sales for milk went up dramatically across the nation after the launch of that campaign. Then, I thought of other advisory boards and associations that boosted their members' sales from a national ad campaign. The Raisin Growers of California came to mind with their animated raisins dancing across our television screens to the hit song, "I Heard it Through the Grapevine." Thus, another award-winning campaign that took a losing product out of the red and into the black.

This made me think about the fitness industry. What if our Association, IHRSA, led a powerful ad campaign that could give gym owners the same kind of success the Milk and Raisin campaigns did for those industries?

Why not employ the

same marketing strategy with the more than 30,000 health clubs in the United States? Since IHRSA needs more members, and gym owners need more members, and our government is trying to tackle the obesity epidemic, this could be a win/win/win for everybody.

Let's create a really memorable ad campaign that people will talk about and that will inspire and motivate them to go to their local health club. Can you picture full-page ads in *USA Today*, *People* and *Time Magazine*? Can you picture great billboards around the country? Can you picture a brilliant and widely talked about TV commercial during the Super Bowl? I can!

If Snickers candy bars can make a hit TV commercial using 88-year old Betty White and 89-year old Abe Vigoda, who most of the country thought was dead, then we can certainly make a memorable one using 95-year old fitness guru, Jack LaLanne, who still has a great sense of humor and the energy of a teenager. There are so many great brands, like Budweiser, that have produced funny and memorable ads using fitness as a backdrop. The ideas are endless.

Now, some of you might be saying, "Okay, we agree, but how do you propose this national ad campaign to happen, and who pays for it?" Here's one idea. You may have an idea about how to do this, too. As a gym owner, you may already pay yearly dues as an IHRSA member. If you don't, you should; they do a great job for the health and fitness club industry. There are over 30,000 health clubs in the United States. If they all paid IHRSA dues, which they all should, then maybe IHRSA could afford to set aside a percentage of those dues for a national ad campaign. Help them help you.

Just as an illustration, if each gym pays \$500 a year in dues, let's take \$50, or better yet \$100, out from each paid member for a national ad campaign. That's \$3 million; not huge, not small, but it's a great step in the right direction. Is there more money around? I'm glad you asked. Yes!

IHRSA spends a ton of money on their keynote speakers to motivate you to attend their conferences, when you really

should attend regardless. I love those speakers as you do, but I can't help but think that you would rather have that money spent on motivating more members to join your club. As my uncle Warren would say, "I reserve the right to be wrong."

Also, as I mentioned, our government is trying to fight obesity. I'm sure they would like to pitch in to find a solution, as would the American Heart Association, American Council on Exercise, American Diabetes Association and others. Many of us have contacts in these organizations, and I'm sure someone has Michelle Obama on speed dial.

Two-thirds of Americans are overweight, and half are obese. Health clubs can be their solution, but 85% of Americans don't even train in your health clubs. They obviously need some inspiration and motivation. If a great national ad campaign can work for the Milk and Raisin industries, it can also work for the health club industry.

The Florida Orange Growers, along with the Florida Department of Citrus, have spent tens of millions of dollars over the decades on national ads educating the consumer on the health benefits of Florida orange juice. Their commercials don't preach because experience shows that preaching doesn't work with consumers. Their commercials, like the Milk and Raisin campaigns, inspire and entertain, and they get their message across with a simple tagline like, "A day without orange juice is like a day without sunshine." And their newer one, "It makes you feel good."

Now that says it all, doesn't it? It's what we all want. It's the pain and pleasure principle. We are creatures, just like in the animal kingdom, seeking pleasure while trying to avoid pain. Who in their right mind wants the pain of sitting on an airplane flying for 18 hours unless the pleasure at our destination is worth it? Bingo. Hello, Crocodile Dundee! Cheers to the Australian Tourist Industry who understood this and gave us actor Paul Hogan, who put another "shrimp on the barbee" for us. Australian tourism grew from those international commercials,

and so did Hogan's reputation. Now, Tourism New Zealand is doing some inspirational marketing to get people to visit their great country.

The national campaign, "SKI UTAH," also worked to get people from all over the world to ski on "The Greatest Snow on Earth." Mexico is currently spending almost a hundred million dollars trying to boost its tourism with international ad campaigns. How about Canada's Tourism Commission, which did those great international commercials during the 2010 Winter Olympics? They definitely made you want to visit Canada. So, if all these countries, commissions and associations can emotionally connect with people through great ad campaigns that drive those people to buy their products and get them through their doors, maybe we can too! There's only one catch. You gotta clean up your backyard first.

Through great marketing, you can get a whole town to come into your health club, but if your club is dirty, if the machines are broken, if your staff is substandard, if the atmosphere and experience are boring, if it's a place with no emotional connection or no positive results, they will never come back again, no matter how great your ads are.

Sometimes, you only get one shot at something. First impressions are vital. Do you know anyone who wasn't impressed walking into a Ritz Carlton or a Nike Town or an Apple Store? I don't. Have you seen the excitement in an Apple Store with all those people sampling the products? Health clubs should have the same excitement from people losing weight and looking and feeling better!

Most Americans wake up in the morning to an *advertised* alarm clock. They use an *advertised* razor, eat *advertised* cereal, drive *advertised* cars, type on *advertised* computers, use *advertised* cell phones, go to *advertised* movies, read *advertised* books and stay at



Derek Barton

advertised hotels. But, most Americans, 85% of them, don't use *advertised* health clubs. Why? Most Health Clubs, like their ads, simply do not measure up.

So, if IHRSA were to preside over a great national ad campaign that inspires and motivates people to walk through your door, will your club measure up? Let's work on it. LET'S GIT 'R DONE!

As Columbo would say, "Ah, just one more thing." One of my favorite books on marketing, and I feel I've read them all, is a book called *BEYOND DISRUPTION, Changing the Rules in the Marketplace*, by Jean-Marie Dru. It's creative people like Dru who try to change conventional thinking, which leads to innovative marketing for his clients like Apple, thus, the tag line, "Think Different."

Norm Cates also "thinks different," which is why we share the same passion and the same bold ideas that I have mentioned here that could change the fitness industry in a big way. Check out his "Insider Speaks" article with Part I, starting on **Page #6** of this issue and Part II coming in the July.

Until next time, "think different!"

(Derek Barton is the President of Barton Productions, Inc. a Los Angeles, California-based marketing firm. Derek may be reached at derek@bartonproductions.com)

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Managing People Productively

Step Ten in the Series: Fifteen Steps to Paradise

By: Will Phillips

"The greatest good you can do for another is not just share your riches, but reveal to them their own."

-Benjamin Disraeli

Knowing how best to manage your staff is critical to your club's success. The guidelines in this article will measurably improve your club's productivity. It will also increase your confidence in their competence and reduce your time with 'managing people problems.' And finally, these guidelines will generate the highest morale and staff retention. A new Key Performance Indicator can be generated and managed to track your progress in improving your management of staff.

Books, theories and seminars on how to manage people abound as one of the most common management consulting scams. The various theories are based on psychology, politics and opinion. Many conflict in their views. All have a bit right and a lot wrong. All this trash was swept aside by one of the largest, most comprehensive studies of what really works. Most management theory and insights reported in the various business school journals are based on a small number of cases and usually set out to prove the author's hypothesis.

The Gallup study of

management began with a rigorous design and a search for what behaviors were associated with the most productive employees. The research was extensive WITH OVER 100,000 interviews and assessments. Even better is that much of the research was in service industries. Finally, and this is the best part, the researchers would look at a business with essentially identical branches or locations and select those with the highest productivity and ones with the lowest.

Then, they explored to find out what the managers in the most highly productive units did differently, and here is what they found out. The very best managers operated on three simple principles:

1. People don't change that much.
2. I don't waste time trying to put in what was left out.
3. I do try to draw out what was left in. That is hard enough.

To a large extent, this says *stop trying to train people to be different*. Remember the parable of the animal school where the principal set up standards: All animals must learn to swim and climb.

The research is reported in a simple and clear book, *First, Break All the Rules: What the World's Greatest Managers Do Differently*, by Marcus

Buckingham and Curt Coffman, Simon & Schuster, New York, 1999. The lead author has spoken at IHRSA conventions twice. Here is how the title of the book came about. You have been managing your people in such a way that people don't really want to work in your organization unless you pay them! I don't mean you should not pay them. I do mean that it is possible to manage your people so others are standing in line to work for you.

It's simple, there are only a few things to do! They will produce the highest productivity from your work force. Unfortunately, doing these twelve things requires you to break many of the rules of traditional personnel management. Over the last few decades, organizations have done a poor job of managing people. Employees complained, but few listened. So, the employees went to their elected representatives who did listen and created thousands of new employee rules. These rules are so complex, pervasive and fearful that most organizations put more emphasis on complying with them than on managing their people. In fact, in the majority of organizations, compliance has taken the place of real people management.

The research now shows that, if you follow all the rules, you will have the worst management and the lowest productivity. The research showed you only have to ask a dozen specific questions to predict, with accuracy, if a business is managed to be highly productive or not. These twelve questions can be summarized into four:

1. What is my work?
2. How meaningful is my work?
3. How important am I here?
4. Do I have a future here?

Other factors, such as pay and benefits, do not distinguish productive management and high morale. Understanding the power of the twelve questions is valuable because you can manage the twelve behaviors, and these behaviors produce the numbers. Yet, you can do nothing to manage the numbers. They are all historical. The events

that produced the numbers all occurred in the past.

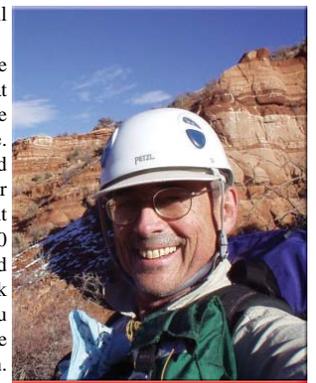
This area is one of the few well-researched areas that give you leader-specific guidance on how to improve performance. It is easy, straight forward and powerful. First, buy the book for yourself and your management team. Meet weekly for 30 minutes to read it together and discuss how to apply it. Work with your direct reports until you have made real progress before going deeper in the organization. Whenever someone responds to one of the questions with less than a *strongly agree*, pause and explore why.

In this conversation, you must be very careful not to engage in any behavior which destroys trust and honesty. Doing this will improve the scores but not the behavior.

For opening the conversation:

"Question one averaged out at 80%. Can you help me understand what might lead someone to rate the question this way? In what areas are you unclear about 'what is expected of you?'"

Now, it is time for you to stop talking. Let silence do its work to encourage your team to start talking. When they start, simply encourage them, "Tell me more." Be cautious about taking notes. Some may suspect you are taking names. Use a white board or flip chart to take public notes. This helps the team see what you are writing and to



Will Phillips

fine tune it. Only after some real progress in clarifying the specifics should you look for ways to address the issue. You might ask, "What would help clarify 'what is expected of you?'"

Resources:

First, Break All the Rules: What the World's Greatest Managers Do Differently by Marcus Buckingham and Curt Coffman, Simon & Schuster, New York, 1999.

(Will Phillips is the President of REX Roundtables for Executives. REX chairs eighteen club owner Roundtables in the U.S., Australia, New Zealand, and Brazil. Apply now for admission to one for you. The newest REX Roundtable will focus on Small Giant businesses in all industries. Your comments and inquires are welcome at Will@RexRoundtables.com. Will's blog is www.HealthClubGuru.com)

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...Mike Grondahl

continued from page 3

based company, had revenues in 2008 of \$99 million, and in 2009, they were \$129,467,556. Company-wide revenues were more than \$500 million.

CLUB INSIDER caught up by phone with Mike Grondahl at his New Hampshire offices on June 8th and this is how the conversation went.

**An Interview
With Mike Grondahl**

CLUB INSIDER (C.I.) - Mike, I'd like to thank you in advance for this interview because it's rare for such a negotiation to go on, not get done and then one of the parties to talk about it. Let's start with this. What advice would you give anyone else who might one day have the opportunity to negotiate such a deal?

Mike Grondahl (MG) - I would make sure that you know exactly what you want going into the deal and that you don't deviate from it because, as you get involved in the deal, they change a lot and not usually for the sellers benefit.

And, make damn sure you can live with a partner.

C.I. - What can you tell us about the New York private equity company, Goode Partners, LLC?

MG - I dealt specifically with David Oddi. I can tell you the private equity guys are some of the smartest business guys I've ever met. Extremely bright guys... These are the Harvard, Wharton Business School kind of guys. They're extremely tough, smart businessmen.

C.I. - Mike, although this deal didn't work, would you anticipate being approached by other groups?

MG - It never stops! Ever since we made the Inc. 500 list, our phone rings all the time.

C.I. - This whole investor thing has really become part of your job, hasn't it?

MG - Yes it has, and everything becomes a huge distraction!

C.I. - Well Mike, you'll be all right, and don't forget what you told me a couple of months ago. I quote you, 'Either way it goes, I'm going to be just fine.'

MG - Norm, I actually think I'm going to be better off for the time being. I think the biggest mistake that we made going into this deal is that we were going to sell a minority interest, as opposed to selling a majority of the company. As we got further and further down the road, I realized I was going to have a partner that I was going to have to answer to. And, I don't necessarily believe I play well with others. You know? You can say that, Norm.

C.I. - HaHa! Mike, I was talking to somebody who is very familiar with the big investment banker money world about your deal and the reports from a couple of sources that you were selling a minority interest and would still maintain control of the company. He told me, 'Just wait. When someone spends that much to buy a minority interest in a company, the seller doesn't really maintain the control he thinks he's going to have going in. Continued control just doesn't happen!'

MG - One thing I want to make sure is clear; half of the comments in both of those articles you mentioned were wrong. The first

reporter talked to an employee who had left to go work for another company, and half of that report was wrong. And, for the other guy, I wouldn't talk to him because I had promised you the story first. So, for example, without talking to me, he said we were bringing these people on to be able to get more financing for the franchisees. That was bull. We were bringing these people on so I could have a check in my pocket for \$100 million! But, let me close by saying that these were really good and bright guys, and I would have liked to have done business with them. It just became apparent through the process that we were trying to put a square peg in a round hole. What happened is the deal changed along the way. Usually, I don't think people will stand up and say 'I'm not living with this.' But, I did.

C.I. - Well Mike, I think you're a pretty extraordinary individual, and I take my hat off to you for being able to do that!

MG - It takes some balls to turn your nose up at \$100 million! But, you know what Norm? I sat

and really thought about it, and when it was getting close to the end, I thought about the guys who I've made multi-millionaires. I wasn't sure that doing a deal with these guys was going to give us a company that would continue to put the franchisees first. I just wasn't convinced that the culture of the company wasn't going to change. We've made over 50 guys millionaires through them using our franchise systems. I'm just not ready to give that away. At this point, I really want to look at taking our company public. If I do, we will be one of the first in the history of this industry to do it. I've got a great crew, and I just didn't want to take the chance of screwing it up.

C.I. - One of the great things in life is knowing when to hold them and when to fold them! Thanks for the interview, Mike!

(Norm Cates, Jr. is a 36-year veteran of the health, racquet and sportsclub industry. He may be reached by phone at 770-850-8506 or email at Norm@clubinsideronline.com)

How to Attract the Overweight Population

Solving Obesity, Having the Medical Community Feed Your Club and Doubling Your Income in the Process

By: Donna Krech

Part I

Okay, long title, I know. I attended IHRSA's Summit for a Healthier America in Washington, D.C. in early May, and during our visits to Capitol Hill, one fact kept showing up. Obesity is THE main focus in our nation's mind, and this same fact was the focus of our IHRSA meeting. The truth is simple for us as health club people. We should be the solution to this problem... and we can be. We simply have to learn how to be the solution. We need to learn how to bring in the overweight member. We need to realize he will respond to us when we speak to him in a language he can relate to, and he will bring money with him. Your medical community will partner with you when you treat him, and he will even feed these folks to you. He will be loyal. Attract him, take care of him, and he will never leave you.

The following visualization will permit you to understand why our clubs have not typically attracted the overweight market up to now and what we can do to change that. Imagine... you've made your way through a large, grassy field, crossed a deep ravine, trekked your way through a dense forest of trees, climbed a large, rocky terrain and finally scaled a steep mountain. What a workout! But hey... you feel grrrrrrreat!!! Not only do you know how fantastic you feel, you also have a sense of accomplishment from achieving such a feat! And your confidence... well, it's soaring! You're motivated beyond belief and psyched about the fitness level you've attained when you turn around only to behold the BEST part of your journey yet. The view from this place is unlike anything you've ever beheld! You can't find the words to describe the beauty! From the top of this fitness proving peak, you can see lush, kelly green valleys, crystal clear river beds and absolutely breathtaking scenes of eagles soaring, clouds rolling by and peaceful tranquility all around you.

You see someone you

care about who is not a fit person at the threshold of the original field you crossed. Your cell phone rings, and it's that person. You're adamant about the beauty and want so desperately for him to experience it too. You convince him quickly, and he wants to join you. He wants what you have, but he doesn't know how to get there. He doesn't believe he can. He has never crossed such a vast field nor encountered a ravine, nor needless to say, climbed a mountain! With a hopeless, disappointed tone, he tells you he'll just see you later. What do you do? Of course, you go get him! You *meet him where he's at* because you know he'll never be able to do what you've done without your help. You know his fitness level isn't high yet, so he may not make it all the way. But, the view is one you so want for him to see that you're willing to help him get there. This, my fit friend, is how you attract the overweight market.

I entered the fitness industry the same year I entered the weight loss industry, 1982. I've been working out for many, many years and own and/or am licensor of both types of facilities, so I well understand your passion for the benefits of fitness because I live them everyday myself. I also understand your love for the fitness business because I am a club owner just like you. However, what I realize, which is what some in our industry don't realize, is that I have to go to meet the weight loss member wherever he is, not expect him to come to me. I know exercise is magic®, I know it takes years off my body and adds them to my life. I know I need it to survive in a stress-filled, light-speed world. But, my overweight friend doesn't buy the idea without my coming to where he is and helping start his journey of falling in love with fitness from that point. As a matter of fact, my overweight friend perceives fitness as a punishment for being overweight.

In Part II of this article, I'll share steps on exactly how to do this. First you need to understand where this person is and what he's actually been through, so let's look at some

history that may surprise you.

In 1982, the weight loss trend leaned toward the quick fix. Liquid protein was in and the attitude in the business was that it was a short-term concept, so weight loss centers opened, sold all they could and closed. No one was told to exercise... ever. The people working in the fitness industry paid no mind to these concepts whatsoever.

By 1988, the business had become product intensive. Jenny's Cuisine and NutriSystem foods were the rave. The attitude in weight loss concerning fitness was simple, "NO WAY!" We were taught that people gave us money so the scale would go down, and we should actually CHASTISE them if we found out they were exercising! As far as the fitness industry, the attitude concerning people who were overweight was, "You're fat, why don't you just join a club?" The two worlds were more separate than ever!

By 1994, the weight loss world still had no interest in fitness but recognized that members weren't keeping weight off. They decided to simply increase the nutrition education. Surely, that would take care of it. WRONG! Some health clubs (my company included) were finally beginning to see the correlation and "added" weight loss to the club. We missed over 90% of the market that wouldn't step foot in a club. **We were trying to get him to climb an unfamiliar mountain without our help, when he needed us to go to where he was so we could teach him and he could climb that mountain.**

Today, the most successful weight loss movements are about real benefits for real life, and they're no longer product intensive. Instead, they are people and results intensive. Oh, NutriSystem is out there, and so are protein products, but successful programs are helping members change eating AND behavior. This includes getting people to move! Programs that produce lasting results are helping the person with his motivation. You could begin selling weight loss inside your club, but that would mean limited prosperity

for everyone. If you really want to help the whole picture be better, go outside your club and bring new, overweight members in!

Thoughts on meeting a new member where he is:

- **96%** of those who ate real foods they enjoyed while losing weight **say losing weight was easier and more enjoyable** than with pre-packaged foods, and according to statistics, they **kept their weight off 400% more** than the other group!

- Those who follow a guided program for losing weight **lose three times faster** than those who do it on their own.

- **90%** of members who enroll in traditional weight loss facilities are **NOT exercising** anywhere now.

- Overweight and obese people (who are not members of traditional weight loss facilities) say they don't exercise because they don't like it and/or don't have time to do it.

- **Up to 80% of the members in traditional weight loss facilities have NEVER been members of a fitness club.**

- **Up to 40% of members at traditional weight loss facilities have NEVER been involved in any regular exercise of any kind.** 95% of those who *have* exercised before say they stopped because they felt the environment "wasn't for them." 89% say they didn't feel heard or understood, 83% say it wasn't fun, 77% say they weren't motivated and 51% say they didn't see results fast enough (participants in poll were asked to check all answers that applied).

- **100% of people in traditional weight loss facilities have lost weight before.** When those who've lost weight before were asked why they believe they gained weight back, their response



Donna Krech

was, "I started eating again." They don't know how to enjoy their favorite foods and don't know exercise is the miracle that will keep it off of them.

Our industry is THE industry that's called to affect the obesity epidemic that's running rampant in our country. Yet, the facts are clear... those that need us are not coming to us. Why? They don't want to exercise! Can we help them? YES! We just have to work on *meeting them where they're at*®, not only letting them know how wonderful the view is from the mountain top, but actually going down to the valley to show them how to climb... at their pace and with their readiness of spirit, not ours.

Stay tuned for next month's Part II article, as I will tell you exactly how to do it. Don't want to wait until next month? No worries. Give us a call at **1 (866) 260 - 8446**, or visit us at www.thinandhealthy.com for a free report on how to attract the overweight market, make money in weight loss and have the medical community in your area sending you business.

(Donna Krech is the Founder and owner of Thin&Health Total Solutions®, a Lima, Ohio-based company. Donna may be reached at donna@donnakrech.com)

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...IHRSA

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Poppler, Vice President of Marketing and Sales; and Craig Waters, Editor-In-Chief of CBI Magazine. To understand how instrumental IHRSA was in bringing our industry to where it is today, though, it is important to understand our industry's history prior to the founding of the Association.

Early Beginnings

To begin, there are actually people who have had huge impacts on our industry but were never actually in the health club business, such as Bernarr Macfadden, the Father of Physical Culture. Born in 1865 and living until 1955, Macfadden was nicknamed, "Body Love," by Time Magazine. Macfadden was a flamboyant personality, true visionary, millionaire publisher and lifelong advocate of physical fitness, natural food, outdoor exercise and the natural treatment of disease (according to the very interesting website dedicated to his memory produced by Jim Bennett, www.benarrmacfadden.com). Although he was branded a "kook" and charlatan by many, was arrested for obscenity charges and denounced by the medical establishment because he campaigned tirelessly against "pill-pushers," processed foods and prudery, he inspired millions of people around the world to live healthy and vigorous lives. Bernarr Macfadden lived an amazing 87 years as a practitioner of physical culture, and his life's work help set the stage for the commercial health and fitness club industry in America and Europe.

The Bernarr Macfadden

of the 20th century, Jack LaLanne, is a master of promotion. One of Jack's earliest promotional stunts was when he went to the top of the building where his new health club was located in downtown Oakland, climbed up the flag pole and did a handstand while pedestrian onlookers on the street gawked upward in amazement! Jack LaLanne continued to do promotional stunts all of his life, including swimming across San Francisco Bay on his 70th birthday while towing a chain of 70 rowboats with 70 people aboard! The LaLanne legend lives on as Jack, now 95 years old, was honored last Fall in Chicago at the Club Industry Show with its 2009 Lifetime Achievement Award. Before receiving the award, Jack and Elaine LaLanne gave a fun presentation to a crowd of several hundred Club Industry conference attendees.

When Jack LaLanne opened his first club in 1936, industry growth consisted of primarily privately owned and operated gyms with no significant chain activity until the 1950s when Ray Wilson and Vic and Armand Tanny accelerated the growth of their chains, sparking a gym war. Jack LaLanne gave both chains and independent health club owners a lot of help with his daily TV Shows on exercise during the 1950s and was instrumental in creating a market for health clubs.

Bert Goodrich, the first Mr. America in 1939, opened his first gym on Hollywood Boulevard in Hollywood, California in 1949. Ultimately opening seven gyms, Goodrich employed Ray Wilson in his early days, until Wilson started his American Health Club chain and bought all seven of Goodrich's clubs in 1956. Goodrich's wife, Norma, was the

sister of Vic Tanny, the man that turned out to be Wilson's greatest competitor. After being named Mr. America, Goodrich also became famous for his Muscle Beach handstand acts performed with partner, George Redpath.

Leading club industry pioneers in addition to Bert Goodrich, Ray Wilson and Jack LaLanne included Vic Tanny, Joe Gold, Donahue Wildman, Bill Hubner, Rudy Smith, Robert Rice Rice, Ken Melby, Jerry Kahn, Ron Hemelgarn, Bob DelMonteque, Charles Tartella and others who blazed the trail for our present day industry. The events from our industry's first 45 years, however, both good and bad, defined our industry early on and still impact, in one way or the other, your health and fitness club business today.

The Pace Picks Up!

After IHRSA was founded in 1981, the pace of the industry really picked up. Under John McCarthy, 25-year Executive Director of IRSAs, the total number of known health and fitness clubs increased from what I would estimate as less than 3,000 to more than 29,000, clearly making this era the greatest health and fitness club growth surge in the history of the industry.

It's important to understand, though, that during the first 45 years of our industry's history, health club developers and operators winged it because there were no rules, no policies and no standards for best practices. Consider this comment made to me by industry icon and 60+ year veteran, Ray Wilson. He was telling me about the early 1950's when he first got in the business. He and Vic Tanny were growing their two health club chains very aggressively in a fledgling health club world with no rules or boundaries. Ray said, "Norm, have you ever watched the HBO Series *Deadwood*?" I said, "Yes, I watch it every week when it's on!" Then he said, "Well, when I got into the health club industry, it was just like *Deadwood*, that HBO TV Show. There were no rules... there were no laws. We just did what was necessary to survive."

That's a really good explanation, straight from the lips of Ray Wilson, about one of the reasons why our industry still has, until this day, a reputation with consumers in America that could surely stand to be improved. For the first 45 years of our industry's



(L to R) Joe Cirulli, John McCarthy, Norm Cates, Sandy Coffman, Howard Ravis and Fausto DiGiulio Networking at IHRSA Phoenix in March, 2002

history, there really was no national organization to help club owners improve their operations, and looking back on it, we can't fault the early pioneers like Ray Wilson, Vic Tanny and others for doing what they felt was necessary to survive in the business.

The truth is these special and dedicated pioneers were selling access to clubs that provided exercise and fitness. At the time, this was a service that American consumers had not asked for, did not really want and even considered to be work. So, health club memberships were much, much harder to sell than they are today.

You Are A Pioneer In The Evolution of the Industry!

Have you ever thought of yourself as also being a pioneer? If not, think about it; if you're engaged in making your living in this industry right now, you are a pioneer. Let me explain.

In my previous writing about our industry's history entitled, *The History of the Health Club Industry - Parts I, II and III*, published in June, July and August of 2003, I divided the history of the health and fitness club industry into two time segments: the "pre-IHRSA" era (the era I also call the "Spa Wars" era) and the "IHRSA" era that we are in now. You are part of that new, "IHRSA" era, and where our industry will go during that this era is still to be determined. It is to be determined by YOU, so let us learn from the past.

Publisher's Note: *The History of the Health Club Industry* writing (over 20 single space pages and 15,740 words) is available for free to all current CLUB INSIDER subscribers or with a new or

renewal subscription investment of \$49 for one year or \$89 for two years. Both subscription options include print and online editions and archived issues dating back to 2005. Contact Justin Cates by phone at (770) 595 - 6086 or email at Justin@clubinsideronline.com.

In the late 1800s and early 1900s, there were some big athletic clubs built in major cities. For example, the Los Angeles Athletic Club was founded in 1880 and the Downtown Athletic Club opened in 1930 in New York City. There were also "health emporiums" and "exercise salons" prior to that time, actually dating back to the early 1800s. But, the true mass commercial health club business really started growing in the 1950s, a little over 60 years ago, when Ray Wilson, now 82, and the late Vic Tanny, were having their gym wars in Southern California.

For years, I've referred to the "pre-IHRSA" era as the "Spa Wars" era because, before IHRSA came along, Ray Wilson and Vic Tanny were engaged in an all out war in the 1950s when each of them were building health clubs as fast as they could and were doing aggressive things to compete with each other, such as teaching and using high pressure sales methods, stealing each other's employees, etc.

In an interview with Mike Bundrant of Healthy Times Newsletter, Wilson said, "Vic Tanny had opened a chain of health clubs in Southern California. So, I competed with him, and we had a gym war, more or less. We both went national and went kind of bananas and spent huge amounts on advertising, tripling our advertising budgets. We just really had a war. We'd steal each (See IHRSA Page 27)



Ray Wilson (L) and Ray Gordon at 1st (H)RSA Convention in 1982

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other's people by paying them more. All of this really blasted the industry off in America and made people much more aware of fitness, but at the same time, it hurt both companies. I opened 270 locations nationally by the time I was 28 years old and Vic Tanny had opened about 150."

Ray Wilson recently wrote in his memoirs, provided to **CLUB INSIDER**, "In the 1950s, Vic Tanny and I brought our industry from the black weights 'sweaty gyms era' into the 'modern era' with health clubs having air conditioning, carpets, mirrors, chrome weights and some machines. However, some of the machines, such as the vibrating belts, massage rollers and vibrating tables, though necessary, were a completely 'phony worthless compromise.' The reason why we had to do this was that almost everyone was against 'exercising' in those days, and we had to have some 'frosting' in order to get them to participate at all. In this 'sweaty gyms era,' the 'then market' was some high school boys and a few muscle heads like Vic Tanny and myself. We broadened the 'then market' some, but in general, *exercise* was still a *dirty* word in society."

Few, if any people in the industry, know that those 1960s gym wars triggered serious legislative efforts in California. Ironically, Ray Wilson was involved in helping prevent the negative action. Then, in the 1980s, the California legislature took another serious run at the industry, to pass legislation that, had it not been stopped, could have stymied health club industry growth for years in California. I believe that, had the proposed legislation been passed

in California, it would have been copied by other States and would have spread across the United States literally causing thousands of clubs to close. Read more about **Public Policy of the Day** in the **Sidebar on This Page**.

The One and Only Red Lerille

There were others in our industry who had gone on a separate path during this early pioneer era. For example, there is one rare individual in this industry today who didn't adopt the early pioneer methods and concepts at all, but instead, did it his own way. This man has been in business in one location in Lafayette, Louisiana for 47 years, and his name is Red Lerille. By the time we started IHRSA, Red had been in business for 18 years! When he was a kid, his dream was to be Mr. America and to own a health club. His dream was spurred on during a conversation with Joe Gold in 1953. Joe Gold, Founder of Gold's Gyms and World Gym International, opened his first gym called "Ajax Gym" in New Orleans in 1953. Though Red was just a kid at the age of 17, Joe really seemed to like him. One Saturday over lunch, Joe looked at a magazine with Bill Pearl on the cover and told Red that "You could win Mr. America one day." From that day, Joe became Red's mentor. Red went on to become Mr. America in 1960, and on January 13, 1963, he opened his club, a 4,000 square-foot facility at that time. "Red's" is now 185,000 square feet on 22 acres and has 12,000+ members, generating around \$14 million a year in revenue.

Gratitude to the Early Pioneers

Ray Wilson, the late Vic Tanny and others I have



Red Lerille

mentioned created a totally new industry. In doing so, though, they proceeded in a manner that, as described by Ray Wilson, stuck for decades and is still present in some ways today. Unless we were wearing their shoes, though, who among us can condemn them for doing what it took to stay in business? Certainly, not me... For decades, many of the less-than-perfect industry practices Ray Wilson and Vic Tanny created and used were emulated by many other early health club pioneer owners, and those pioneers passed on those same mindsets and procedures to their people. These early health club pioneers were doing something nobody else had done; they were actually creating the health club industry one day at a time and passing on what they created to their younger people.

The truth is, though, all of us making a living in this industry today owe all of those early pioneers of our industry a true debt of gratitude because they had the guts and worked extremely hard to make their living in an industry that had literally just been born and for which there was no interest or consumer demand. As Jack LaLanne and Ray Wilson have said to me over the years, the market was not there when they started. They had to CREATE the market, and that, they did.

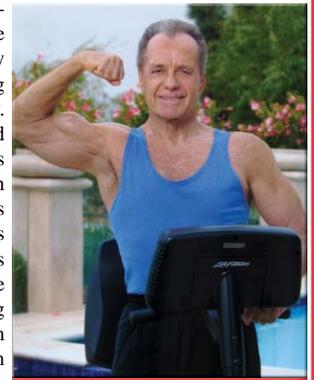
What About the Future?

Do you want to see our health and fitness club industry reach its full potential? Do you want to help advance our industry to be one that has more *credibility* and one that more American consumers *trust*, and thus, do business with? And, in the process, do you want to make more money in your health and fitness club business?

If you earn any portion of your living in this industry, IHRSA is a health and fitness club industry *community* that you should absolutely be part of. There are now over 9,200 IHRSA Member Clubs worldwide, and one of my goals for this writing is to help IHRSA reach 10,000 Member Clubs by March, 2011, when IHRSA will celebrate its 30th Anniversary. If you're not a member, we need you to join IHRSA. If you are an IHRSA member, we need you to *reach out and find at least one more club owner to join IHRSA in the coming months, but preferably (See IHRSA Page 28)*

Public Policy of the Day

To illustrate the make-it-up-as-they-went nature of the health and fitness club industry in the early days is the following story, and it is one of true irony. The one whose gym wars and admitted high pressure sales techniques contributed to an effort by California legislators to pass industry damaging laws in the 1960s and 1980s was also the person who was the most involved in preventing California legislators from passing those laws. That man was Mr. Ray Wilson. He is a smart guy and figured out back in the 1960s that the health club industry needed to prevent bad legislation from being passed by State governments.



Ray Wilson

In his memoirs, Ray Wilson talked about those experiences. Commenting on Jack LaLanne's impact on the health club industry, Wilson wrote, "Without Jack's TV programs, these two health club chains would not have done nearly as well. In fact, they probably would not have existed. Our two chains were the start of 'high pressure' selling in the fitness industry. Instead of employing low pressure and ethical people like Jack LaLanne, our two chains, and *the fitness industry that followed*, used high pressure selling and high pressure closings with the most aggressive sales people we could employ. We felt that we had to use 'hard sell' techniques because it was very difficult to sell people on changing their lives, especially when 'exercise' was thought of as 'work,' and the product we were selling was looked down on by the medical profession and the government at that time. People really did think of exercise as work that you should get paid to do."

LifeCycle to the Rescue!

In the 1980s, the California legislature had prepared and was in the process of passing a new law that would have prohibited all health clubs from selling *any* prepaid memberships. The California law called for an overnight change to an Initiation Fee and Monthly Dues system only, and the Initiation Fee could not be any more than one month's dues! If this legislation had been passed, many existing health clubs in California in the 1980s would have failed. Even today, there are thousands of clubs that would go out of business if a draconian law, such as this one, was passed in California or any other State.

Ray Wilson didn't ignore the proposed legislation and made an all out effort to do something about it. He went to Sacramento to meet with Willie Brown, the Speaker of the House in California. Here is Wilson's recollection:

"No politician wanted to be on the side of the horrible health club industry. If anything, they wanted to be against health clubs to get themselves publicity. Even the paid lobbyist didn't want to represent us. You know you're in real trouble when lobbyists refuse your money.

Even Willie Brown, who eventually became my good friend, didn't want to meet with me. I spent over eight hours sitting in Willie's office reception room waiting for him to meet with me. He knew what I was there for, and he left in the late afternoon through the back door. I didn't waste my day, though, as I made friends with Willie's middle-aged and very knowledgeable receptionist. I learned a lot about Willie and legislative processes from her. When she finally had to tell me that Willie had left, she said that she thought it was very unfair of him not to at least talk to me, and she told me where Willie went to exercise after work. Willie went to the Capital Athletic Club, so I immediately went there. When I walked onto the floor in the workout area, Willie was riding a LifeCycle.

(Sidebar Continues on Page 28)

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today! I know you can do it!

There are many reasons why you should be a member of IHRSA, and they will be covered in Part II, but let me start with just these two:

Reason #1 is that IHRSA is saving our industry from dangerous government legislation, day-in and day-out, by carefully monitoring legislative proposals in all 50 States and making timely efforts to oppose and defeat laws that could adversely affect the industry. IHRSA was undefeated (24 - 0) in fighting off bad laws over the last 18 months, and so far in 2010, they are 9 - 0 in their efforts. If you want

justification for your IHRSA dues investment, or if you're not a member and want justification for joining and supporting IHRSA, **Reason #1: Fighting off Bad Laws** is more than enough.

Reason #2 is the opportunity to network with other club owners and operators met at IHRSA Conventions and Trade Shows. I know of many club owners who regularly stay in touch with friends from across the country that they've met at IHRSA Conventions. They travel to visit their IHRSA peers at their clubs, where they see different club layouts and share management, marketing and sales ideas, equipment knowledge, etc. *Networking is extremely valuable and the networking*

contacts alone are also worth the annual IHRSA membership dues investment! IHRSA's slogan, *Success By Association*, summarizes IHRSA's networking opportunities very well.

To close Part I, IHRSA will celebrate its 30th anniversary at the 30th Annual Convention and Trade Show in San Francisco, California, March 16-19, 2011. If you are not yet a member in some capacity, be sure to join prior to this event and come celebrate the 30th anniversary of the Association with 10,000+ industry friends. Together, reaching the 10,000 Member Club milestone is achievable. Don't wait though, join today!

Next month, in Part II, I will add more detail to the argument that we're all still paying for our industry's bad practices of the past. I will also share many reasons why and how IHRSA is the one leader in the world we can depend on to help us repair that image and build *Credibility* and *Trust* with the American consumer. You will learn how great the potential future of our industry is and what needs to happen for our industry to reach its full potential in the future. To bring it all full circle, we will take a look at what our industry could have been like without IHRSA. Finally, I will discuss that history will show that *Credibility* and *Trust* are the keys to the future of our industry; we



Longtime IHRSA Friends Networking at IHRSA2010 in San Diego (L to R) Steve Tharrett, Herb Lipsman, Dr. Gerry Faust, Gale Landers and Clive Caldwell

must build both to grow. So, **Stay Tuned and Subscribe Today** at www.clubinsideronline.com so you don't miss anything!

Contact IHRSA and Join Today!

To close, I urge you to join the special community we call IHRSA. This single move will position you and your club business venture(s) for greater success over the long haul. Be part of the surge as IHRSA grows to 10,000 members by next March, 2011!

To inquire about membership contact IHRSA and ask for any one of the following **IHRSA Staff. Call: (800) 228 - 4772** and ask for: Bob Pelletier,

Jes Harwood, Rob Boucini, Elizabeth Kelleher or Senior Sales Manager, Nicole Johnson.

(Norm Cates, Jr. is a 36-year veteran of the health, racquet and sportsclub industry. Cates was the Founder and is in his 17th year as the Publisher of CLUB INSIDER. He was IHRSA's 1st President, and a Co-founder of the Association with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of IHRSA's highest honors. Cates may be reached by phone at: 770- 850-8506 or email at: Norm@clubinsideronline.com)

Sidebar Continued From Page 27

The fact that Willie totally liked my LifeCycle was really my lucky break this time. When I walked onto the workout floor, he recognized me immediately, frowned and then said in an aggressive, mean voice, 'What are you doing here?' I ignored his question and asked, 'How do you like my LifeCycle?' Willie said, 'What do you mean, your LifeCycle?' I said, 'Well, I spent over a million dollars and seven years developing it, so I guess I should be able to call it mine.' Willie didn't say a word for about 15 seconds, while he was thinking, and then he said, 'Be at my office tomorrow at 11AM, and I will talk to you.'

A Successful Resolution

So, Wilson's tenacity had once again served him well. After he got his foot in the door, he got to know Willie Brown, and the Speaker agreed to allow Wilson to address the legislators. Brown told Wilson, though, that being associated with our industry was not good politically, and his involvement would have to be very limited. But, the key was that Ray Wilson did speak to the legislators and convinced them that outlawing prepaid health club memberships at that point in time would be devastating to the health club industry at large, especially the small Mom and Pop operators, because they would not have enough monthly dues income built up to meet their club expenses and keep on going. He explained that many of them would be forced out of business by the new law, and this author believes Wilson was absolutely correct.

For those of you who're in that situation today, imagine what it would be like if, all of a sudden, your state legislature voted in a law that prohibits you from selling any advance payment memberships? How long would your club last? Many of you reading this are nodding and thinking to yourself... well... we'd last about two weeks or two months!

So, for the record, our entire industry owes Ray Wilson a debt of gratitude because he fought to prevent a law in California that would have shut down many clubs in that State, and ultimately, many more clubs across the country as other States passed similar copy-cat laws. Ray Wilson was involved in helping our industry avoid bad legislative situations, and I think we all owe him a "Thank you" that he got this done, especially in California in the 1980's. Ray Wilson's experience in the government realm is invaluable to the entire industry.

It's also important to note that in on March 31, 1997, Ray Wilson was honored by the California State Legislature for his 50 years in the health and fitness club industry when it passed a unanimous resolution by the California Senate and the House honoring him for 50 years of service to the fitness of the citizens of California. I believe that, back in the 1980s, it had become apparent to those California legislators that Ray Wilson had prevented them from making a horrible mistake and some of those in the Assembly remembered those days when the resolution was adopted.

New York Health & Racquet Club and ABC Financial Join Forces

LITTLE ROCK, AR - New York Health & Racquet Club (NYHRC), the premier health club in the Greater New York area with 11 locations announced on May 18th that it had selected ABC Financial to provide billing and electronic funds transfer (EFT) services, as well as club management software, online membership software and credit card merchant services. The software and services will be implemented beginning in June, 2010.

The new partnership will provide NYHRC with the ability to streamline data management and supply up-to-the-minute access to member information via ABC's club management software. The clubs will be able to collect, update and store member data in real time, manage

corporate accounts, automate repetitive tasks, and create a seamless interaction between all NYHRC facilities.

In addition, billing services will be customized for flexible payment processing and enrollment options for members and present same-day payments for NYHRC. ABC Financial club billing is compliant with Payment Card Industry (PCI) standards, which ensures that members' account information is safeguarded and guarantees safe credit card transactions for NYHRC and its members through end-to-end credit card encryption on all EFTs.

Howard Brodsky, president and CEO of NYHRC, said, "As the premier health club in Manhattan, we knew that we needed the premier provider of

billing and club software. That's why we've decided to partner with ABC Financial. Their software, bill processing services and extreme focus on customer service are a perfect match for us since we are always focused on making our members' experience more enjoyable. From online enrollment of new members to state-of-the-art data security, ABC will help us better serve our customer's needs."

Through the MYiCLUB-online software, members of NYHRC will have enhanced, 24/7 access to the club through self-service club accounts. Members will be able to manage their account information online, review billing history, schedule classes and personal training sessions, purchase club merchandise, join online and more.

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

Programming Tip of the Month: *Sprechen Sie "Fun?"*

By: Sandy Coffman

I recently returned from Heidelberg, Germany where I had the opportunity of speaking to 50 of our soldiers stationed there. Among other things, I was asked to give them some tips on creating successful programs, certainly something that was near and dear to me.

Selected soldiers from seventeen garrisons in Germany attended a weeklong conference called "B.O.S.S." (Better Opportunities for Single Soldiers), a program that supports the overall quality of life for service members. The program encourages and assists members to identify and influence well-being issues and concerns that can directly enhance their morale, living environment or personal growth. It was enlightening and inspiring to listen to their take-aways at the end of the week and to outline what they felt was

needed to guarantee productive exciting events and activities that met their MWR (Morale, Welfare and Recreational) goals. Surely, fitness defined by mind, body and spirit was high on the priority list.

My 30+ years in the industry and the experiences I share in my book, *Successful Programs for Fitness and Health Clubs: 101 Profitable Ideas*, all played a part in my presentations and discussions, but it was interesting how these soldiers were able to pinpoint the keys that they knew would make the difference to the quality of *their* programs and to *their* participants. They have accepted the opportunity and the responsibility of making a difference by inspiring each other to save lives. They need to stay healthy and fit in all dimensions of wellness to make that happen.

Here are a few of the keys that the B.O.S.S. participants outlined as being paramount to

programming success:

1. Professional Leadership:

We discussed the difference between *inspiration* (to affect one's thinking) and *motivation* (to change one's actions). They all agreed that a true leader must develop a professional personality that inspires others to motivate themselves. The soldiers found a direct correlation between being fitness leaders and leaders in the field. I led spirited activities demonstrating energy, enthusiasm, excitement and entertaining ways of creating positive attitudes and proactive, take-charge actions. Many expressed how they needed to work on that every day as soldiers, as well as fitness leaders.

2. Focus on Interaction and Encouragement of Sixty Per Centers:

Getting *everyone* involved in fitness was the goal. They told me of a program called S.N.A.P. (Schweinfurt Newcomers Awareness Program). They realized that the *new* soldier

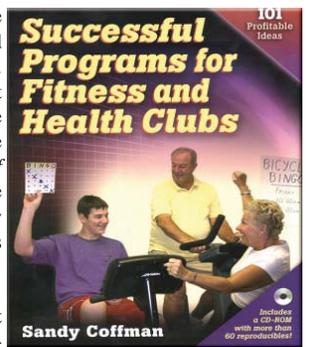
assigned to a unit would be most likely to be less active and involved in the fitness programs. They structured a meet and greet program that would encourage new participants to get active by first establishing a *sense of belonging*. Leaders took charge with motivating, upbeat, friendly and inviting communication styles that encouraged participation.

3. Group Activities Are Most Successful:

Recreational activities including competitions and leagues created retention and growth. Racquetball, basketball and volleyball leagues and tournaments were fantastic, and since there were families on the base, *everyone* would get involved. Team sports, fitness classes and group personal training programs eliminated excuses not to exercise. All programs were headed up by the most energetic enthusiastic personalities. They found that smiles and positive attitudes were contagious.

4. Take Action:

Just as their



vocations dictate, *taking action* would be the only key that made everything else work. Their biggest challenges were combating stress, anxiety, fear and loneliness. They concluded that an active mind, body and spirit fitness program that provides *fun* experiences was the only antidote. A healthy mind, a strong social environment and creative programming provides a confident happy environment. Did they learn from me? Or, should we learn from them? It was a valuable experience.

Sprechen sie fun?

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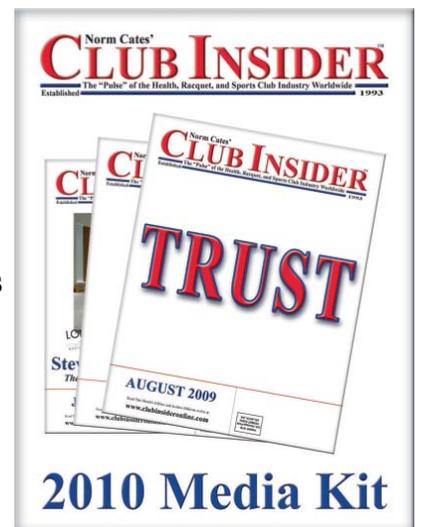
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All who have advertised, purchased subscriptions, pitched in as Contributing Authors and read CLUB INSIDER! We are now in our 17th year of publication! All of you are on the "Team" that makes this publication, and we will be grateful to you forever. **I appreciate and LOVE 'Ya!**

Very Sincerely,

Norm Cates, Jr.



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"I have never seen anything else in the industry have such a high impact on guest traffic, member retention, member satisfaction and profits. With BTS we've increased monthly group participation from 800 visits to 6,000 visits, added over 2,600 new members increased retention from 50% to 73% and increased profits by over 400%!"



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Co-Owner, Global Fitness Centers

"We have learned the impact that marketing BTS programs can have on driving traffic into our clubs. We have advertised FREE classes to non-members in various media which has increased traffic by over 25%. On top of that, 90% of prospects who visit WOW! and experience a BTS program, join that day!"



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Mike Silva
Owner, The Edge

"BTS is the single best investment I have ever made, not only in Group Fitness, but also for my club as a whole. It services our members, sells memberships, markets our club and motivates our members and staff, including me! BTS has enabled me to increase my membership price from \$30 to \$49 per month, and we no longer compete on price."



Jason West
Owner, Gold's Gym Elite

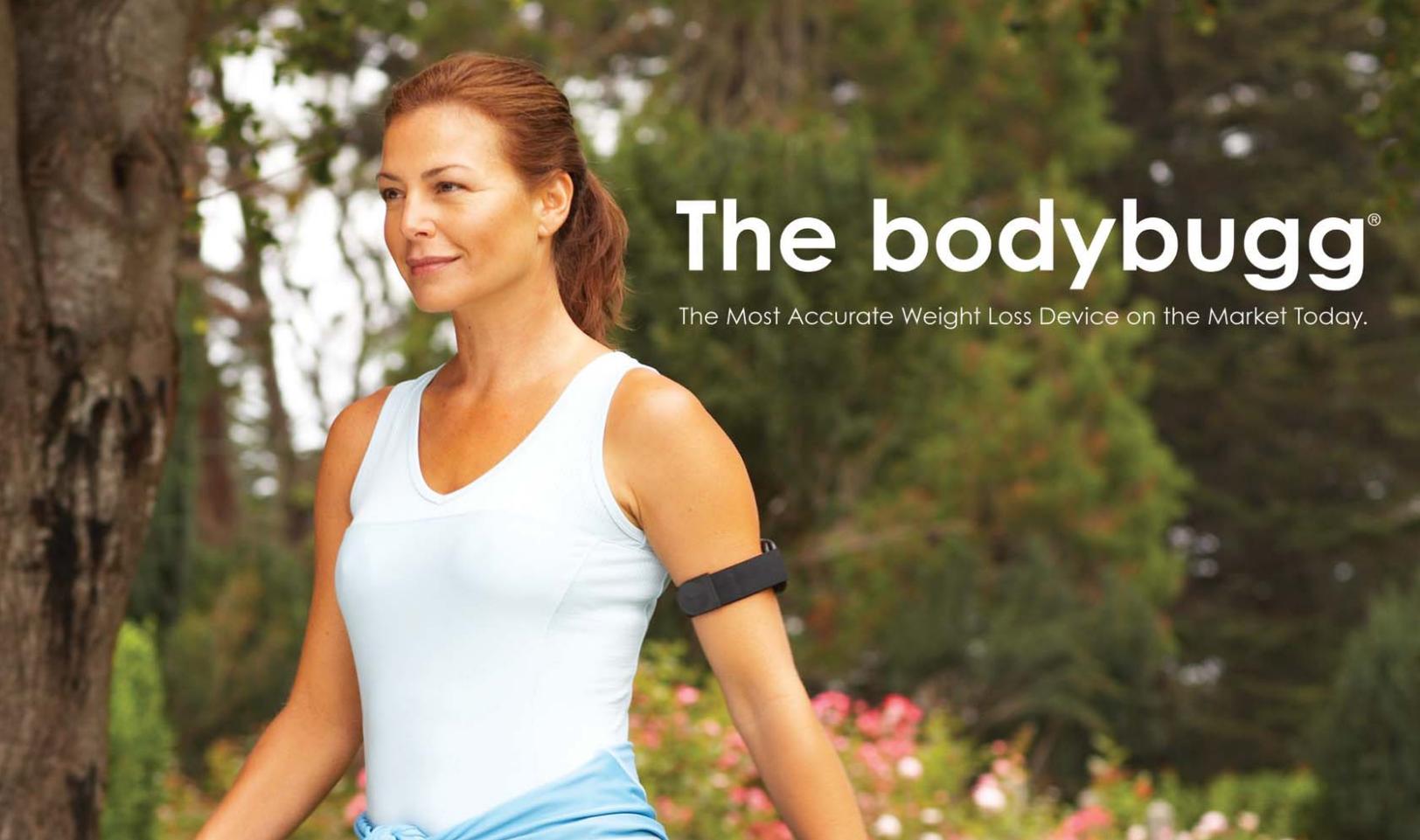
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