

Norm Cates' **CLUB INSIDER**TM

The Pulse of the Health and Fitness Club Industry

RVC
River Valley Club



(Front Row - L to R) Tracy Billings, Dee Smith, Matt Westgate, Maria Cote, Cassie Armstead, Veronica Giguere, Jenn Parker, Janet Greger, Jen Poljacik, Cindy Summer, and Mark Lewis (Back - Row - L to R) Jennifer Karr-Muzey, Ted Mortimer, Chris Acker, Tom LeBrun, Lindsay Knittle and Zack Belanger

The River Valley Club Soars After a Rough Start

The Evolution of a Huge Mess to a Huge Success!

JUNE 2012

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Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry

The River Valley Club Soars After a Rough Start

The Evolution of a Huge Mess to a Huge Success!

By: Norm Cates

Publisher's Note: Before beginning this cover story, I think it's important to point out the nature of CLUB INSIDER cover stories for all of our readers, old and new. We do not produce fluff articles for our cover stories. We produce articles that are truly learning tools for people who wish to advance their knowledge of our great industry. We publish articles that, while they may be very thorough, are also loaded with learning and advancement opportunities for professionals in this industry. This very special cover story about the evolution of a dead duck club that had run out of construction money is one for the ages. You should allocate the time to read ALL of this cover story in one sitting just as

if you were in college. Once you have done that, you will then know a great deal more about the field that you aspire to earn your living in. Moreover, you will get a better idea of the massive wealth of information contained in the CLUB INSIDER cover stories we have archived from the past seven years on our website, www.clubinsideronline.com, available to our Paid Subscribers. Our eventual goal is to archive all years of CLUB INSIDER publication. Read on folks. Take notes. Act like a college student for awhile. Advance your knowledge of our industry big time right here and now!

• • •

What do you get when a smooth talking

salesman with no real club industry qualifications or job experience whatsoever successfully poses as an experienced health and fitness club developer/operator and uses the BS skills he possesses to convince 55 intelligent and wealthy people to invest in his idea anyway? Does this sound familiar?

The Answer: A Huge Mess!

The huge mess that investors Joe and Elizabeth Asch found themselves embroiled in was a limited partnership approved by the State of New Hampshire and peddled by an imposter/huckster that, by the end of the money, had only produced

(See River Valley Club Page 10)



Joe Asch, Owner of RVC

Former Peak Fitness Owner Banned from Health Club Business for 12 Years

RALEIGH, N.C. - Jeff Stec, former owner of more than 20 Peak Fitness locations across North Carolina, was banned from the health club business for 12 years for repeatedly violating a state law that requires health clubs to maintain sufficient bonds, Attorney General Roy Cooper announced.

"Consumers who've paid for a gym membership deserve a refund if their health club expires before their membership does," Cooper said. "That's exactly why these bonds are required and why we keep pressing to make sure health clubs have them."

North Carolina law requires health clubs that sell prepaid memberships to purchase an appropriate bond and file it with the Attorney General's Office. If the club shuts down, the bond can be used to help pay refunds to members.

Under terms of a consent judgment approved this week by North Carolina Superior Court Judge Robert H. Hobgood, Jeffrey R. Stec and his former Peak Fitness associates, are banned from working in the health club business in North Carolina for 12 years. If Stec violates the ban, he'll have to pay a \$2 million penalty to the state.

At one time, Stec owned or operated Peak Fitness health clubs in Apex, Asheville, Cary, Chapel Hill, Charlotte, Clayton, Clemmons, Concord, Cornelius, Durham, Fuquay-Varina, Harrisburg, Garner, Knightdale, Lincolnton, Raleigh, Statesville, Wilmington and Winston-Salem. Since 2006, Cooper's office has received more than 700 complaints regarding Peak-related health clubs.

Cooper's Consumer Protection Division first began investigating Stec and

his health clubs in 2006 and filed a lawsuit against Stec in 2007, alleging that he failed to get proper bonds and committed other unfair and deceptive practices when operating the Peak health clubs. To resolve that lawsuit, Stec agreed, via a January, 2009 consent judgment, to get proper bonds and make other changes to Peak Fitness' business practices.

Later in 2009, Peak Fitness filed for Chapter 11 bankruptcy and its bonding company cancelled all of the clubs' bonds. Around that time, Cooper's office received sworn statements from Stec regarding health club bonds that significantly understated the outstanding liabilities of several Peak health clubs. Cooper's office filed another lawsuit against Stec in May of 2009, alleging he violated North Carolina's health club statute, and the prior Consent Judgment, by

failing to maintain proper bonds. Today's Consent Judgment resolves the second lawsuit against Stec and bans him from the health club business.

"We've been able to recover more than \$1.3 million for hundreds of North Carolinians who were members of health clubs, gyms or dating clubs that shut their doors," Cooper said. "If your health club closes down unexpectedly, let us know about it."

Cooper encourages consumers to check out a health club thoroughly before signing any contract. If you have problems with your health club or want to check up on one before joining, contact the Attorney General's Consumer Protection Division at www.ncdoj.gov or toll-free at (877) 5NO - SCAM.

Inside The Insider

- Management Mistakes All Gym Owners Make - **By:** Jim Thomas
- The Birth of the Low Price Competitor! - **By:** Maria Parella-Turco
- The 5 Factors to Making More Money In Your Club - **By:** Donna Krech
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- Health Club Membership Tops 16% of U.S. Population

- Matrix Fitness Achieves 28% Commercial Growth
- Proactive Partners Announces Company Name Change to Midtown Health
- Dr. Art Curtis Joins Cybex Board of Directors
- Charley Matera Joins REX Roundtables for Executives
- ABC Financial Announces Release of the New MYiCLUBonline App
- And of Course, *Norm's Notes*

Norm's Notes

•Hello Everybody! This is your CLUB INSIDER Publisher and Tribal Leader Since 1993 checking in!

•Is America a great country or what? Not to offend our International Readers in many countries, but to my fellow Americans... isn't it wonderful and very interesting to be an American? BARACK HUSSEIN KARDASHIAN! Hmm... Hmm... Hmm!

•First, let me share my family's grief and very deep sorrow over the loss of our very beloved dog, **Mister Bill**, at age 10, on Friday afternoon, June 8th at 3:08PM. *Mister Bill had to be put down*, as he was starting to experience pain from bone cancer in his skull. We were very blessed to have found and used a service called **Sweet Dreams** to help us through the difficult process. They were extremely professional and gave my wife, Ilena and I, much consolation because of the way they handled things. We had him cremated so that *he can be close to us for the rest of our lives*. *Mister Bill gave new meaning to the term, "World Class Dog."* This guy could *run like the wind!* His greatest love and joy in life was *chasing a rubber lacrosse ball across our big back yard* and bringing it back for another throw, and another throw, over and over, and virtually every day for years walking with me down by our beautiful **Chattahoochee River**.



Mister Bill, A World Class Dog, 2002 - 2012

Mister Bill was born to run. Over the years, I've often told folks that *if there were a Heisman Trophy for dogs*, I'm sure Mister Bill would win it! Mister Bill served as my **Honorary Assistant Editor** with his service primarily rendered with his big brown eyes when he would regularly come to my side while I've been hammering this keyboard for hours and hours and hours, sit down beside me and look up at me with his big brown eyes speaking volumes and saying, *"Dude... when are we going down to the river for our walk?"* or *"When are you going to go out and throw the ball for me?"* I would conservatively estimate that Mister Bill and I walked 3,000 miles together down by the beautiful

Chattahoochee River near our home.

I even taught Mister Bill to talk!

Yes, you may be saying now, *"Norm, you need some rest... dogs can't talk!"* Well, I say, *"wait a second here!"* Mister Bill did successfully learn to say the word **"Out"** whenever he needed to go out and do his business in our back yard. This verbal communication, while you may still say, *"No way, Norm,"* was real, and he spoke the word **"Out"** clearly many times in his life. He liked speaking out loud because *that got immediate action from me*, no matter whether I was seated at my CLUB INSIDER desk pounding away on the keyboard or when I was in my easy chair just a few feet from my desk. Just close your eyes for a second and *hear the word "Out" in a deep voice in your mind*, and you may hear what I heard Mister Bill say many times.

To close this very special **Mister Bill Norm's Note**, I want to *thank all of you from the bottom of my heart who have, since IHRSA Los Angeles in March, sent many email messages of hope and prayer to me about Mister Bill*. Yes, I know it was unusual for those of you who received my email announcing Mister Bill's passing. But, my thought was that, shoot, I write about everybody in our industry who passes away, so *why not send an email to folks announcing the passing of Our Family Member, Mister Bill*, and writing about him in this important Norm's Note. He, like your own beloved pet(s) must be to you, was one of a kind and very



Norm Cates

special. Mister Bill changed and made my life infinitely better, and I will be forever and always grateful to him for that. He had the same impact on my wife, Ilena. We gave Mister Bill every possible bit of love we could possibly express during his life, and especially at the end. We will always remember him for the amazing puppy dog that he was. **Mister Bill truly taught me why GoD is DoG spelled backward. Amen folks. May Mister Bill Rest In Peace.**

Mister Bill
A World Class Dog!
 2002 - 2012

•Our special cover story this month is about **JOE ASCH's River Valley Club**
(See Norm's Notes Page 6)

About Club Insider

Established in 1993

19 Years and Counting!

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...Norm's Notes

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in Hanover, New Hampshire. Joe is a very astute businessman originally from **Canada** and now living in **Paris, France** with his wife **ELIZABETH** and two children, **HENRY** and **TORY**. Joe graduated from **Dartmouth College** in **Hanover, New Hampshire**. Asch owns a medical products company that's based in **England**, and he oversees that business from his home in France and also devotes his business life to his **River Valley Club (RVC)** from across the pond. Importantly, and fortunately for him, Asch has a *true leader* working for the RVC. Her name is **JENNIFER POLJACIK**, and she's the **Chief Operating Officer (COO)**. This is clearly a case-study, cover story, and it contains many lessons for you folks who make your living in the health and sportsclub industry. You will learn a great deal from the lessons shared by Asch, Jennifer and Jeff Russo, their very helpful personal training sales consultant. *Don't dive into this month's cover story without a pad and pen and without allocating the time necessary to read it and fully comprehend all it says. And I mean all that it says!* Do not view this cover story as recreational reading, but instead, as educational reading. *There's not a club owner, operator, manager, department head or personal trainer in this industry anywhere in the world who will not benefit from reading this special case-study, cover story and benefitting from what you will learn from the very wise Joe Asch, his COO Jen and their consultant, Jeff Russo.* Now, finish these **Norm's Notes** and get into this month's cover story with a **Mission, and you will be glad you did!** By the way, *thanks to my long-time industry friend, RICK CARO, for introducing me to Joe Asch!*

• **Planet Fitness News:** Here's some *good news* from **MIKE GRONDAHL** about the **Planet Fitness lawsuit** against Planet Fitness franchisees, the **Bronx, New York-based INNOCENTI brothers**: "We are close to a settlement, but it is not done. We are hopeful it will be over by the end of this month. It was an extremely difficult situation." Good luck to the Planet Fitness owners, Mike and **MARC GRONDAHL** and **CHRIS RONDEAU** in their effort to get this situation settled out of Court!

• **Congratulations to legendary former Miami Dolphins Head Coach DON SHULA, BILL HIGGS and their Shula Athletic Club Team** as they're celebrating the **30th Anniversary** of the club with a major club renovation. **BRUCE CARTER, President of Optimal Design Systems**, wrote an article about the effort and provided some cool **Before** and **After** photos that you'll see with his **Article on Page #28**.

• Here's an **absolutely amazing Note** with

the kind of news that's **not just great for the person who was helped, but great and very positive news for Anytime Fitness and our entire health and fitness club industry.** **RADLEY WEST**, Co-owner, with her husband Andrew of the Anytime Fitness in **Lake Murray, South Carolina**, donated one of her kidneys to one of their members, **RYAN BROOKE!** Being an owner of a gym, it's expected for Radley West to lend a hand to a member who needs help. **But, donating a kidney? WOW! That's clearly way, way, way beyond the call of duty!**

It may seem like West went above and beyond for an acquaintance that she only knew from the club, where he's a member, but according to reports from people who know Radley West, it's not out of the ordinary for her. "I've met many of our franchisees. We have more than 1,900 clubs, and I have never met anyone who cares about their members more than Radley West and her husband," said **MARK DALY, Anytime Fitness National Media Director**. "It surprises me that anyone would be so selfless to do this, but when I heard it was Radley doing it, a smile came across my face. If I had to guess which franchisee would do it, she'd be at the top of my list," added Daly. Miracle recipient, Ryan Brooke, was obviously surprised and elated at what West was offering. Since eight family members were either denied due to lack of compatibility or health reasons, the prospects were looking dim for him. "For her to act so selflessly I think is just amazing," Brooke said. "She's a firm believer in God. She told me God gave her two kidneys so to give up one is something he would want her to do. It was a miracle." **CLUB INSIDER** asks now: Who among us say, **Praise God!** Congratulations to Ryan on your new kidney! And, special congratulations to Radley West for her amazing gift to help one of their members who was suffering greatly. I'm not sure, but this might just be the greatest and most heroic act by a health club owner in the history of our industry. **Thanks and congratulations, Radley, for your amazingly selfless act and for helping give our industry a great reputation in your community!**

• Speaking of **Anytime Fitness** and *great selfless acts*, hopefully you saw **CHUCK RUNYON** and **DAVID MORTENSEN**, Co-Founders of Anytime Fitness, when they were featured on the **Secret Millionaires**, the 1-hour, primetime reality TV show on the **ABC TV Network**. The show shares how Runyon and Mortensen went and lived in **Oklahoma City, Oklahoma** for a week in a very meager, rundown house complete with cockroaches, crickets, spiders and an air conditioner that barely cooled. The house even had weeds growing through the walls! So they would really appreciate the other side of life, they were given **\$71.03 to live on for a week** in what could be described as *a really poor and run-down*

neighborhood. Their mission was to meet charities in the community that helped people who need help. In shooting this show, they got to know and help a couple of guys who had established a wrestling club for kids called the **OKC Youth Wrestling Organization**. They also helped the folks at an organization called **Limbs for Life** that **needed artificial legs, arms or hands** for folks on their 200-person waiting list. This show became an emotional experience for these two really good guys. At the end, they disclosed who they really were, millionaire owners of Anytime Fitness, the largest coed fitness chain in the world. Then, in each case, they gave the folks financial help with **\$39,000 for the Youth Wrestling Organization** and **\$100,000 to Limbs for Life**. They also surprised everybody, including the audience, when they gave **TYLER WILLIAMS**, and his partner **SHELBY**, the keys to a brand new, fully equipped **Anytime Fitness Club** right in Oklahoma City! Chuck Runyon and Dave Mortensen both showed what **truly decent human beings they are!** Kudos also to the following **Anytime Fitness vendors** who contributed to the equipment and services line up for the brand new Anytime Fitness Club they gave to Tyler and Shelby: **ABC Financial, Target Commercial Interiors, Life Fitness, Precor, Fitness on Request, Hammer Strength, Big Ass Fans, Bodyworkz, Ecore, ETS Tan, Bluewater Marketing, Signation Sign Group, First Choice Uniforms, In-Store Graphics, Leadbox, HPI Marketing and Sundesa.**

• **GARY and DIANE HEAVEN**, Founders and owners of **Curves International**, also appeared on the **Secret Millionaires** reality TV Show on the **ABC TV Network**. As did the **Anytime Fitness** guys, Gary and Diane lived for a week in some conditions that surely shocked them. This was because their home, which was shown early in the show, is essentially an estate suitable for a King and Queen. The rich couple lived for a week in a Houston neighborhood in the **Third Ward**, not far from where Gary was born. The area could be best described as a slum area, and the home for the week was a run-down little frame house with no air conditioning.

With just \$90 in their pockets and no credit cards, they too, lived on very little for the week. In real life, the Heavens live on a **1,000-acre ranch in Gatesville in Central Texas**, own their own plane and buy whatever they want or need. But, both could relate to the poverty they saw around them in the historic Third Ward, where almost 46% of the households earned less than \$15,000 in 2009, according to city figures. So, to say this experience was shocking for them would be right. The couple chose three organizations to help financially: **No More Victims**, an advocacy group for the children of incarcerated parents; **Lazarus House**, dedicated to helping Houstonians combat and manage cachexia (disease-related muscle loss); and the **Sean Ashley**

House, which serves children and adults diagnosed with mental retardation with a focus on the autism spectrum. At the end of the show, just as the Anytime guys did, they disclosed their real identities and gave a **total of \$410,000** to the three groups. The show really showed what nice and kind people the Heavens are, and to me, they had to leave the viewers with a positive view of the Curves Founders and owners.

• **PHIL WENDEL's** **Atlantic Coast Athletic Club (ACAC)** and the **Gold's Gyms** in his market teamed up and filed suit in 2010 against the **YMCA** because they believe they should have been able to bid on the **\$15 million project** that was to be built on **publicly-owned park land leased to the YMCA for \$1 a year**, but they were not allowed to bid. ACAC and Gold's Gym argue that the deal violated the **Virginia Public Procurement Act**, and they decided to test that issue in court. But, the YMCA leaders say the fight is about bigger issues. Then, when the YMCA people were sitting down with contractors last Summer, they received word that the **State of Virginia Supreme Court** had agreed to hear the clubs' appeal. **It was heard on June 7th.** ACAC and Gold's contended in court briefs that, because the YMCA hammered out a deal with the city and county to provide fitness memberships to residents at discounted rates in return for financial support, the exchange amounts to a **procurement of services**. Thus, Wendel's group argues, the municipalities should have done the same thing State law requires they do when seeking any other service for residents: They should have allowed anybody interested to submit a bid. Instead, said **EDWARD LOWRY, Esquire**, who is the lawyer representing the clubs, the city and county structured their request for proposals so narrowly that only one entity qualified, the **YMCA** and **called their contributions gifts**. "What's happening here is not a gift, because they're procuring services in exchange for the money," Lowry said, and the law says the privilege of providing the service goes to the lowest bidder. "If a non-profit can do it cheaper because it's non-profit, that will show up in the bidding process," he said. "That's what the **VPPA** is there for, to be sure the best price can be achieved," Lowry said. In an email right at press time, Phil Wendel also informed me that, and I quote, "the **Virginia Supreme Court** heard our case last Thursday. The decision will be rendered in **early September**."

• On a separate **ACAC Note**, **PHIL WENDEL** also informed me that his brand new **Richmond, Virginia West Broad Village, 60,000 square-foot club ACAC Club** will open in **mid-December** of this year, a **perfect time to open a new club and just in time for a shakedown of all the little punch list stuff, so they will have the club perfect for the New Year!**

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...Norm's Notes

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• **Former Texas health club owner, R. ALLEN STANFORD, sentenced to 110 years!** - R. Allen Stanford began his business career as a *bodybuilding gym owner in Waco, Texas*, in a gym that he bought and that ultimately failed. Stanford graduated from his early start in the gym business to the real big time in business, where he would be involved in a long list of businesses, including that of investment banking, and ultimately, would be sentenced by a **Federal Court Judge** in June to 110 years in prison! Flashing back

here to two years after graduating from **Baylor University** in 1974, Stanford went into the health and fitness business in Waco, Texas by purchasing an existing health club and quickly expanding into a handful of other cities and small towns in the Lone Star State, including **Galveston** and the **State Capital, Austin**. Stanford struck a deal with **Nautilus (NLS)** to become an early distributor of the pioneering weightlifting machines in the **Western U.S.**, according to people familiar with Stanford. In the early 1980s, Stanford tried to expand his health club business into **Houston** but overextended himself with his plans to open a giant club

in a Houston high rise that was opening in the downtown area. The oil market crash at the same time caused many of the new office buildings in downtown Houston to sit vacant. So, the club crashed and burned, too, as Stanford fell behind on the rent for his health clubs. His clubs were branded **Total Fitness Centers**, and Stanford ended up filing for bankruptcy for them in 1982.

ROYLE BERRY, CLUB INSIDER

Contributing Author and a **long-time friend of mine**, worked for Stanford for six years managing a facility Stanford had in Austin, Texas. Berry says he knew the bankruptcy wouldn't slow down his former boss. Berry recalls, "He was quite charismatic and was able to win everybody over." Berry certainly was no friend of Stanford's, as he had to place a lien on Stanford's house to collect on a court judgment he won during the bankruptcy proceeding. "He was an incredible salesman and loved you as long as you were making money for him," said Berry. Berry believed that Stanford would find a new business endeavor with a new crowd of followers in no time, and he did. His career, after his early health club days, is littered with all kinds of businesses and financial ups and downs. He tried **offshore banking** and lived a life of glamour. However, Stanford's glory days as a swaggering financier, when he had an estimated fortune of over \$2 billion, was awarded a knighthood by Antigua, boasted a fleet of jets and a collection of yachts, and even had his own professional cricket team (complete with a stadium he owned on the West Indies island) all came to a screeching and very abrupt stop. For Stanford, the mastermind of a \$7 billion fraud that snared depositors in his offshore bank, appearances have long been deceiving.

In 1984, just two years before he opened his bank in the **Caribbean**, Stanford was deep in debt and filed for bankruptcy. Yet, over time, Stanford developed all the hallmarks of being one of the richest men in the world. But securities regulators, in a civil complaint, allege that much of Stanford's **\$2.2 billion personal fortune** may have come from treating the offshore bank he created like **his own personal ATM**. If the **Securities and Exchange Commission's** allegations are true, the man was a **"Master of Illusions."** One of his crimes? Deceitfully paying returns to investors from funds deposited by other buyers of high-interest certificates of deposit issued by his **Stanford International Bank in Antigua**. Obviously, the far-flung financial empire Stanford built by selling high-yielding bank certificates of deposit was a house of cards. Stanford's real skill was his ability to rewrite his past with illusions of success, even dating back to his first health club business venture. But, even as far back as February, 1984, Stanford and his wife, **SUSAN**, stated to Federal Courts that they had assets of **\$229,735 in assets and debts of \$13.6 million**.

The verdict of guilty and

sentencing of Stanford to 110 years for bilking investors out of more than \$7 billion over 20 years was one of the largest Ponzi Schemes in American history. This sentence rendered by **U.S. District Court Judge, DAVID HITTNER**, represented the end of a remarkably shady career that began when he bought that Texas fitness club. But, he actually got off light because the **Texas Prosecutors were asking for a sentence of 230 years for the 62-year old Stanford, who's clearly up the creek without a paddle**. But, Stanford will not admit any wrong doing! Nonetheless, Stanford's dynasty was destroyed, and he was charged in 2009 when a slew of trucks and cars carrying federal authorities pulled up to the Stanford Group headquarters to shut down what the regulators called a "massive ongoing fraud" that stretched from **Texas to the Caribbean** and around the world. R. Allen Stanford has been in jail since his arrest in 2009, and this 110-year sentence, although it took three years to obtain, really should work as a warning for all scammers that the line of work they have chosen might not be their best choice. The sentence works for all Americans who want a signal sent to crooks out there that we're fed up and we're not going to take it anymore! And, as to R. Allen Stanford: **Good riddance!**

• Today, I received an email from **IHRSA** mentioning that, so far, this year's campaign for the **IHRSA's Industry Defense Fund** had raised **\$955,000**. That's the **good news**. The **bad news** is that about **one-third** of those funds were contributed by **only 15 IHRSA clubs!** **LA Fitness, Anytime Fitness Corporate and Franchisees** and **Curves International** each contributed at least **\$100,000**. **Bally Total Fitness** and **24 Hour Fitness** donated between **\$30,000** to **\$59,999** each and **Atlantic Coast Athletic Clubs (ACAC), Club One, Inc., Equinox Fitness Clubs, Fitness Formula Clubs, The Houstonian, Leisure Sports, Inc., Life Time Fitness, In-Shape Health Clubs, Snap Fitness Corporate and Franchisees and Tennis Corporation of America (TCA)** each contributed between **\$15,000** and **\$29,999**. So, what does this mean? It means that, when you subtract the 80 club(s) that contributed so far this year from the **current IHRSA U.S. Member Club count of 5,746**, we have **5,666 IHRSA Member clubs**, not to mention the remaining **24,334 non-IHRSA Member U.S. clubs** that are not supporting **IHRSA's effort to be prepared when some yahoo State legislator proposes and gets rolling legislation that will put you out of business!**

GO FIGURE! Hello! Are you there? Hello! Are you reading this or just looking at it? DO YOU REALIZE HOW IMPORTANT IT IS FOR OUR ENTIRE INDUSTRY, NATIONWIDE, TO BE FINANCIALLY PREPARED TO FIGHT STATE and FEDERAL GOVERNMENTS TO PROTECT

(See Norm's Notes Page 8)

#!%@&?!

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Health Club Membership Tops 16% of U.S. Population For Third Consecutive Quarter

BOSTON, MA - The International Health, Racquet & Sportsclub Association (IHRSA) released *The IHRSA Trend Report: First Quarter 2012*. Conducted in partnership with the Leisure Trends Group, Boulder Colorado, the *IHRSA Trend Report* explores consumer attitudes' towards health club membership. The latest report focuses on why Baby Boomer and Eisenhower Americans join, stay, and leave their health clubs. Also provided are recent health club member penetration rates for all Americans and breakouts by generation.

"For the third consecutive quarter, 16% of Americans ages 16 and older were members of a health club," said Jay Ablondi, IHRSA's Executive Vice President of Global Products. "Although the membership rates for the Baby Boomer and Eisenhower generations are lower than younger generations, health clubs are in a unique position to meet the needs of these older generations."

"The current installment of the *IHRSA Trend Report* provides club

operators with specific opportunities on ways to attract and engage the Baby Boomer and Eisenhower generations, which account for more than 105 million Americans," Ablondi stated.

For the quarter ending March 31, 2012, 11% of the Baby Boomer Generation and 16% of the Eisenhower Generation were health club members.

Definitions

Generation Z: Those between the ages of 16 and 20;

Generation Y: (Millennials): Those between the ages of 21 and 30;

Generation X: Those between the ages of 31 and 45;

Baby Boomers: Those between the ages of 46 and 65;

Eisenhower Generation: Those 66 and older.

The following were the top reasons why these two segments join health clubs:

Baby Boomers:

1. Need to stay healthy;
2. Lose weight;
3. Maintain strength;
4. Stay flexible

Eisenhower:

1. Need to stay healthy;
2. Look better;
3. Maintain strength;
4. Feel better about myself.

may help engage Boomers."

Although cost was the top deterrent in joining a health club for Boomer and Eisenhower consumers, these segments were also more likely to cite an existing injury/condition as a barrier than younger generations. More than one out of four (27%) Eisenhower Americans and one out of five (21%) Baby Boomers selected this reason for not joining in comparison with less than one out of 10 (8.1%) Gen X'ers and one out of 20 (3.2%) of Millennials.

Even though one out of four former health club members cited "no time" as a barrier to joining a health club, only five percent of Eisenhower Americans selected this reason. "The amount of free time available to older generations presents opportunities for health club operators," said Ablondi. "Conveying how the health club can help this segment feel better, stay healthy and meet personal wellness goals should help target this group for frequent health club usage." To order the *IHRSA Trend Report*, go to www.ihsra.org/store.

Matrix Fitness Achieves 28% Commercial Growth

Johnson Health Tech, Inc. Q1 Retail Sales Up 36%

COTTAGE GROVE, WI - Johnson Health Tech, Inc. (JHT), manufacturer of Matrix Fitness, Vision Fitness, AFG, Horizon Fitness and LIVESTRONG by Johnson fitness equipment, recently announced its first quarter sales results revealing a 23% gain in global retail sales over the corresponding 2011 time period. Overall,

worldwide sales for Q1 rose by 22%.

JHT's North American retail market, consisting of six brands in the sporting goods/mass market and specialty business segments, experienced the most significant growth with a 36% increase over Q1 2011. The company's North American commercial channel, including

the premium Matrix Fitness line of cardio and strength equipment, saw 28% growth over the prior year.

"In the last nine months, JHT has launched 69 new retail products and 57 new commercial products worldwide," said Mark Zabel, Vice President of Global Marketing for Johnson Health Tech

North America. "The combination of our aggressive flow of innovative products and sales distribution strategy, supported by our global service capabilities has produced increased market adoption and customer acceptance that continues to accelerate positive incremental growth in both retail and commercial segments."

...Norm's Notes

continued from page 7

YOUR CLUB(S) from stupid, unnecessary and disastrous State or Federal legislation? Every one of you club owners who rely on your club to feed your families owe it to your family to PROTECT YOUR CLUB! And, you must come to realize that **you are NOT QUALIFIED**, nor do you have **ANYTHING** that **you can do** rapidly if, all of a sudden, in the middle of the night, some State legislation dream ups an idea that is going to kill your business slap dab dead. **WAKE UP!** Wake up and get involved and **GIVE AT LEAST \$500 to IHRSA's Industry Defense Fund so that you don't end up with your family in the street because your club had to shut down due to bad legislation.** I do not know any stronger language to use than what I have written here. So, if your club ends up down the tubes because of State or Federal legislation that was passed, legislation you never dreamed could possibly be passed, don't blame me. The end is near for some

of you, and you don't even understand or know it. If you are now awakened from your mental slumber, please call **MEREDITH POPPLER of IHRSA's Public Policy Department** and gate keeper for **IHRSA's INDUSTRY DEFENSE FUND**. She may be reached at (800) 228 - 4772 or mpoppler@ihsra.org. Trust me when I say that, some day, you could really, really, really be glad that you made this call or sent this email. Talk to **Meredith** and send at least \$500 today!

•**JEFF STEC**, former owner of more than **20 Peak Fitness** locations across North Carolina, was **banned from the health club business for 12 years** for repeatedly violating state laws that require health clubs to maintain sufficient bonds, Attorney General **ROY COOPER** announced on May 22nd. Under terms of a consent judgment approved by **North Carolina Superior Court Judge ROBERT H. HOBGOOD**, Stec and his former Peak Fitness associates are banned from working in the health club business in North Carolina for 12 years. If Stec violates

the ban, he'll have to **pay a \$2 million penalty to the State**. So, **Jeff Stec** is now among the deadbeats that I've written about over the past 19 years of publishing **CLUB INSIDER**. These folks just do not get it. They do not get that, when they are doing illegal or unethical things, they are also damaging the businesses of everybody in their marketplace because consumers have eyes and ears, and they talk. So, it is no wonder why our industry has been **stuck around 15% membership penetration** for ten years now! Such a shame.

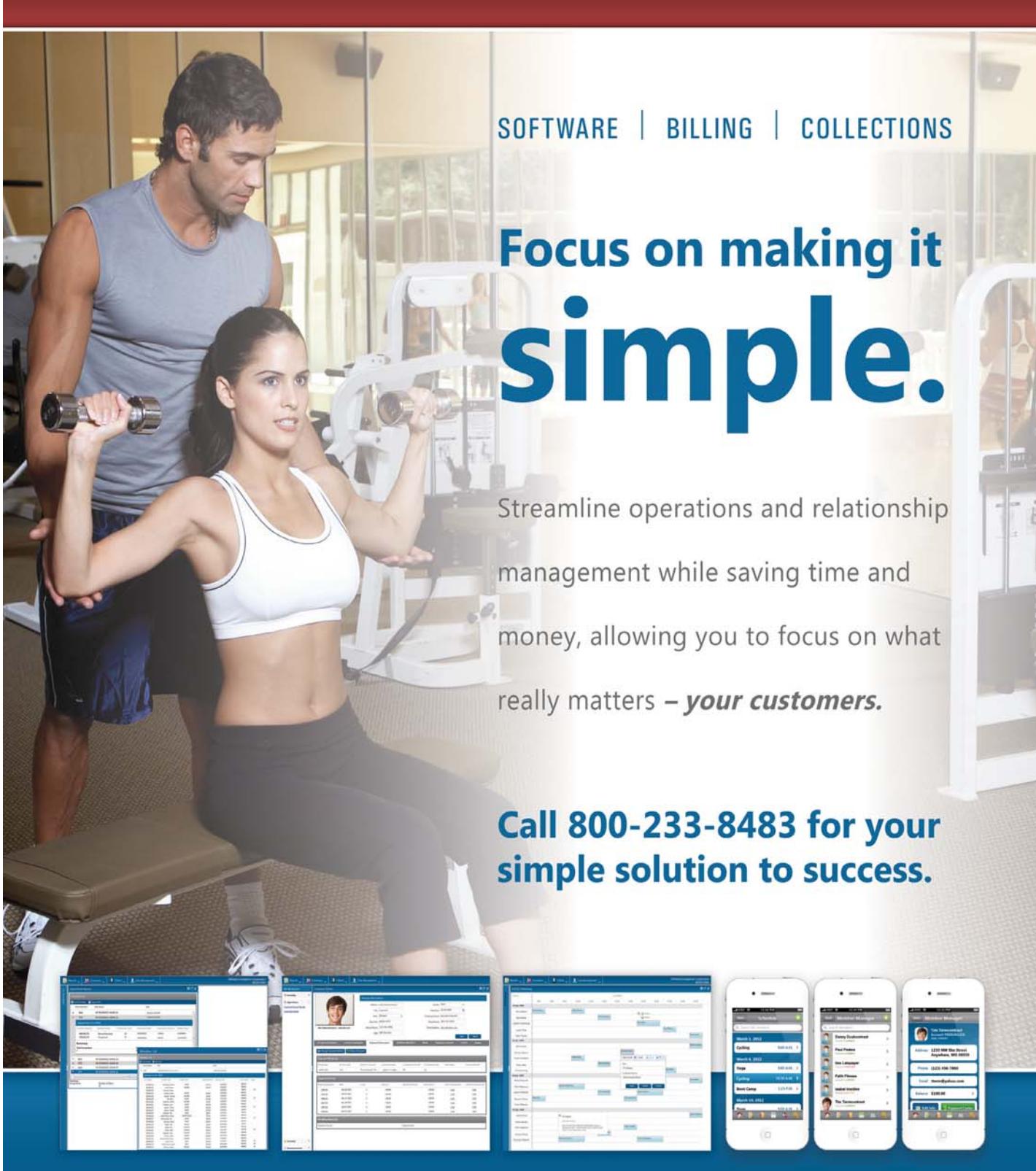
•**This BREAKING NEWS** was released to **CLUB INSIDER** just before press time by **LA Fitness' KATHY POLSON: LA Fitness and Lifestyle Family Fitness** announced today that they've **entered into an agreement for LA Fitness to acquire assets relating to all 30 of the Lifestyle Family Fitness clubs in Florida**. According to Kathy's Press Release, "The transaction is subject to various closing conditions. While the parties are hopeful that the transaction will be completed within the next several weeks, there can be no

assurance as to when or whether a closing will occur."

•**Some** may not know that **CLUB INSIDER** is a **Paid Subscription-based Publication**. Are you a **Paid Subscriber**? If the words **PROMOTIONAL COPY** appear above your name and address on the cover of this month's edition, you **are not a Paid Subscriber** and **are not** enjoying the **full benefits** of a **Paid Subscription** to **CLUB INSIDER**. Don't delay, subscribe today by going to www.clubinsideronline.com/subscribe.

•**God bless all of our troops, airmen and sailors and keep them as safe as possible in the War in Afghanistan and all around the world. God bless you and your family, your staff, your members and your club(s). God bless America!**

(Norm Cates, Jr. is the Founder and Publisher of CLUB INSIDER. Cates may be reached by phone at 770-635-7578 or email at Norm@clubinsideronline.com)



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...River Valley Club

continued from page 3

an unfinished building with little value to anyone in the form it was in. The Asch's motive for the deeper plunge into this dark abyss was their 40% ownership of the Limited Partnership. Absent heroic moves by Joe and Elizabeth Asch, this incomplete and empty shell would have ended up being a total waste after it had gobbled up, like a Pacman, all of the investors' dollars. It all came to a screeching halt when the club developer, **The BSer Extraordinaire, Jack Panzica**, ran out of limited partnership and all other money.

Clearly, the 40% ownership stake owned by Joe and Elizabeth Asch was the largest of all of the investors, and that provided them with the greatest incentive to save the busted club project. So, to say that Joe and his wife had a lot at stake would be quite accurate. The now successful River Valley Club story starts off right out of the gate as one of the best resurgence stories in the club industry. This club was flat dead on arrival and actually had to be born before it could begin to live. *Clearly, this save of what is now the River Valley Club (RVC) was all about making lemonade out of lemons.* Had the Asch's just given up and written off their investment, it's quite likely that they, and all of the 54 other investors involved, would have ended up with a great big old goose egg. Even worse, Hanover, New Hampshire and the surrounding communities would have missed having a truly state-of-the-art and well-run health and fitness club to enjoy while changing their lives.

This industry has some really talented owner/operators, and I'd argue that the three individuals I interviewed for this story are some of the most talented people in our business anywhere. This author should know talent when he sees it, and I SEE it in these three. In addition to Joe Asch and Jennifer Poljacik (COO), Jeff Russo is a professional club consultant



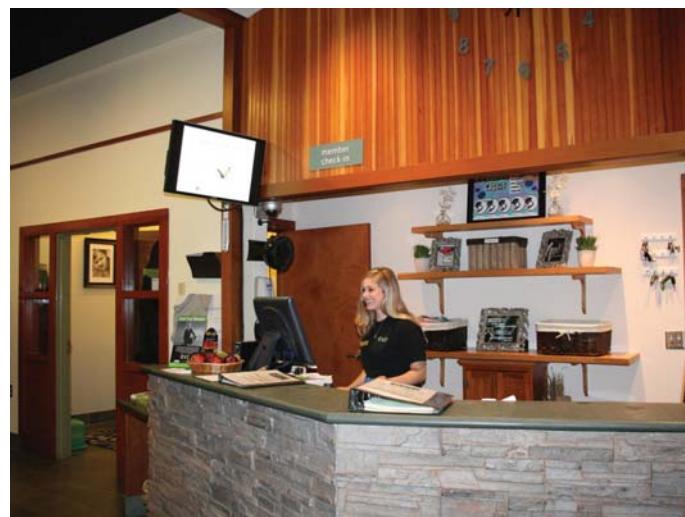
Jennifer Poljacik

who specializes in personal training sales and service delivery with his Pro Fitness Program Company. Jeff has made a huge and positive impact on the RVC operation.

Joe Asch, after saving the RVC from a financial disaster, recruited one of the most dedicated and talented club operators you'll ever come across in this industry, Jennifer Poljacik, ACE, NASM-PES. Jennifer started working for the club before it even opened. The only original RVC employee from the very start, Jen has worked extremely hard to grow her skills to the point where Joe saw fit to promote her to the leadership position of Chief Operating Officer (COO). Along with CFO and part-time rock musician, Ted Mortimer, this team provides Joe and Elizabeth with the freedom to live abroad most of the year.

Jeff Russo's Training in Sales and Delivery of Personal Training Made All the Difference!

A key player in the development of the hugely successful RVC Personal Training Department that led to the evolution and the current success of the club is a Canadian named Jeff Russo. Russo's company, the Pro Fitness Program (PFP),



RVC Reception Desk Staffed By Ms. Dee Smith

was founded in 1998 and Russo has since worked with 60 clubs on their personal training sales systems and operations. Amazingly, before Russo became involved at RVC in March of 2000, their personal training revenue was only \$69,000 a year. Now, the RVC personal training operation employs 28 trainers and does, on average, between \$1.8 to \$2 million annually! Talk about a success story within a success story!

The very fact that it's still open!"

When I asked, Joe Asch, "What are you most proud of as owner of the River Valley Club?" Asch responded, "**The very fact that it's still open!"**

Joe's feeling certainly is justified and well deserved since he really did save the day, not just for his family's investment, but he saved the investments of 54 others who had put up the 60% along with the Asch's 40% of the total originally invested.

The following interviews with Joe Asch, Jennifer Poljacik and Jeff Russo are more than interesting. They're filled with wisdom and comments that very clearly can help you as a club owner/operator if you do operate a multipurpose club with personal training as a leading feature. In short, you will learn from this article how to go about positioning personal training as much more of a "must buy in order to succeed with your membership" product. To preview, the RVC club has 35% of their members involved in personal training. Any questions?

We'll start with comments from Joe Asch, and as we get into his interview, we'll mix in, share and showcase Jennifer and Jeff's comments on **Pages #17, #18 and #19**, literally full of ideas. Importantly, Joe Asch and Jennifer Poljacik truly have an admirable and amazing teamwork going on at RVC, and the blend of Joe and Jennifer's comments will illustrate how well their team effort works. They will

provide you with nuggets you might use in your own club business. So, please read on as we share over two hours of interview comments and wisdom from Joe Asch, Jennifer Poljacik and Jeff Russo.

An Interview with Joe Asch, Founder and Owner of The River Valley Club

CLUB INSIDER (C.I.) - Joe, where were you born, and where did you grow up?

Joe Asch (JA) - I was born in Montreal, Canada and went to school in Hanover, New Hampshire at Dartmouth College.

C.I. - Are you married? Do you have children?

JA - I'm married to Elizabeth, and we have two children, Henry and Tory.

C.I. - I understand that you own and operate another business. Please tell us about that.

JA - I have a medical products business that's based in England. It's a very stable business now. I oversee that, but I don't really have to participate very much at all in it. I spend more time on the club than I do on that business. I've had the business in England since 1988.

C.I. - Tell me about acquiring the River Valley Club?

JA - It's actually a very long and painful story. But, let me give you the nickel version of it. My wife and I were investors along with 54 other people in a project that was put together by a fellow named Jack Panzica. Jack came to Hanover, and he talked about his long history in the health club business. He had bought clubs and had sold them, he said. He had run them. You know... he said he was a figure in the health club industry. He really was very persuasive. He said what Hanover needed was a high-end health club. He put together a very elaborate offering package selling limited partnerships, an offering that was

(See River Valley Club Page 12)



One of Three RVC Fitness Floors

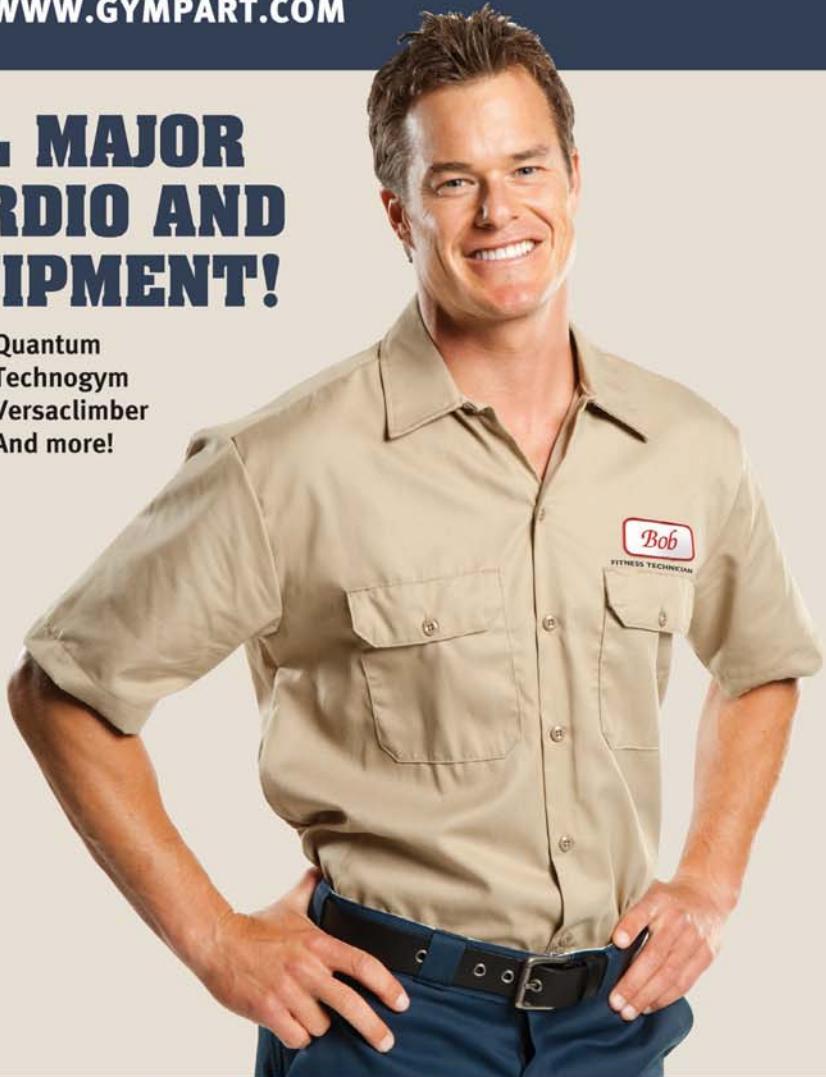


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...River Valley Club

continued from page 10

certified by the State of New Hampshire. It gave his background and stated that he had run a big prestigious club for seven years, and he gathered together investment money from 55 different people. We had about 40% of that investment money. 55 people invested, and he got a big bank loan. He started to build a club, but he built a monstrosity. He ran out of money before the Club even opened. We were following along. It was a small community. We were hearing from the people who were doing the construction that 'This guy's out of control. This guy doesn't know what he's doing in terms of construction!' So, I went back and did our due diligence again, a little more in-depth. It turned out that he'd been a club (membership) salesman. He actually had been a general manager of a club for three months before he was fired for incompetence and various improper things. As the owners of that club said when I got them on the phone, 'It looks like he's doing to you what he tried to do to us!'

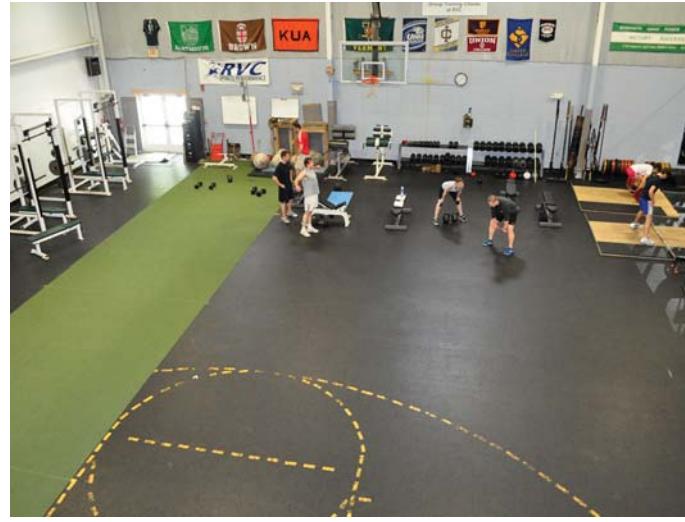
So, we pulled the partners together and said, 'Look. The club's out of money. We have a choice here. We can walk away from our several million dollars by calling up the bank and handing them the keys and saying sorry, this guy has ruined things. Or, we can roll up our sleeves and get involved.' Because my medical product business was quite stable, this was in the Spring of 1998, I said, 'Elizabeth and I will take charge of the day-to-day things, run Jack out of town and see if we can make a go of the place.' The limited partners supported us in that. There really wasn't much of a choice. It was either that or give the club to the bank. So, we took over like that, and Jack Panzica was eventually fined by the State of New Hampshire for fraud because he utterly misrepresented his background in the prospectus that he had filed. So, we took it over, and we ran it for

several years.

We had a large bank loan at a very high rate of interest. After about two and a half years, we went to the bank and said, 'Hey guys, we all made a big mistake. We've been paying your interest and paying back the principal, but we just can't keep doing that because we've all made a mistake here. We've put in money, time and effort, and it's up to you guys to make an effort here, too.' The bank said, 'No way. You're going to pay off every penny.' We said, 'We didn't get us into this mess. This guy Panzica did.' So, we went through Chapter 11 from 2001 to 2003 and got the bank off our back. At that point, Elizabeth and I took over the club completely with the accord of the limited partners. They recognized that we had put in money subsequent to taking it over, and we were doing the work. So, what we did was give all the partners lifetime memberships. Now, we're 14 years down the road, and they all consider that they are in profit given the value of their memberships. We took over the club, and we've made it work.

We're proud of what we've done with the club because we were utterly behind the eight ball with this building. You know the ratio of approximately 10 square feet per member in a non-tennis club? We now have about 2,200 members. Excluding our new tennis facility, which we consider separate, in our basic health club facility that Panzica built, we've got 54,000 square feet. It has great long hallways. It was just a remarkably inefficient building. A couple of years ago, when energy prices were high, we had an energy bill for electricity and gas of \$300,000! It's crazy. With Panzica, when money got tight (toward the end of construction), he said 'We'll take the insulation out of the roof, we'll go with the minimum required by code, we'll put in residential pumps in all the pools, etc. He cut the bone and left all the fat.'

C.I. - He set you up with a lifetime of maintenance miseries!



RVC Functional Training Floor

JA - You know, we've probably put another \$2 million into this building over the past 14 years just to keep it running. We put a new roof on a 10-year old building because it was a dark green, almost uninsulated roof. You couldn't even walk up there in the summer because the roof was so hot. We put in an insulated roof with a bright-white surface which keeps itself cool, even in the hot sun. Whereas the tennis facility that we built about 6 1/2 years ago now, we literally haven't even changed a light bulb in it. If you build with the right insulation and the right materials, things are fairly maintenance free.

C.I. - How did you 'learn' the club industry? Did you have any mentors? Any outside help? Any involvement in IHRSA?

JA - I've not been very involved in IHRSA, but Jen goes to the IHRSA shows, if not every year, certainly every second year. She's also done a lot with NEHRSA and the NEHRSA RoundTables, which have been great! But, the primary mentor for us has been Jeff Russo. Jeff is the fellow who came to us at the suggestion of a General Manager who we had running the place at one point. This GM was from Toronto, and he said Russo had redone the personal training program in a couple of clubs in Toronto, and they had been really successful. Jeff came down, he did a report and he had a bunch of suggestions for us. I said to him 'Well, this is great. So, where do we go from here?' He said, 'Well, you've got the guidelines; you've got the report. It's up to you to implement it.' I told him about my own experience. After I finished school, I worked for Bain and Company, the management consultants. Bain and Company is like McKinsey, Booz-Allen-Hamilton, the Boston Consulting Group or any of those big strategy consultants.

C.I. - Is that GOP Presidential Nominee Mitt Romney's crew, originally?

JA - That's right. Mitt Romney hired me to work at Bain. He left the consulting

part of Bain to create Bain Capital, which is the thing that's been very controversial during the campaign. What I explained to Jeff Russo is that the way Bain consulting works is they form a long-term relationship with a business. They don't just write a report, hand it to the CEO and say 'Good luck. Follow our recommendations. Let us know how it goes.' They are part of a longer-term relationship with their clients.

So, we have a long-standing relationship with Jeff Russo. He comes and visits at the club every four to six months and spends three or four days with us, checks how we're doing, lets us know what's going on in the industry, and he trains our people to get them completely up to speed on his method for implementing a personal training program at the club. I think, in terms of teaching us about the health club business, Jeff Russo, and then Jen's experience at IHRSA and NEHRSA, have been the most important sources of information. My goal is essentially to take these suggestions and run them through the filter of my business experience and logic. But, I don't really have health club experience to bring to bear there. That's what those guys have. You should definitely talk to Jeff! He's been extraordinary. Think of it. We have 2,200 members, and we're doing \$2 million dollars of personal training! There's a club down in Manchester that has 8,000 members and does \$300,000 to \$400,000 in personal training! That's true for most of these clubs. We have about 35% of our members involved in personal training!

C.I. - Well Joe, I've been doing these cover stories for 19 1/2 years now, and have, as of this month, produced 222 editions. During this long time, I've reported on only one club in our industry that rivals the personal training your RVC is producing. That's the Telos Fitness Center in Dallas, Texas, co-owned by Brent Darden and his partner, (See River Valley Club Page 14)



RVC Spinning Studio

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...River Valley Club

continued from page 12

Everett Aaberg, who is also the Personal Training Director.

JA - Talking in general I would say that the health and fitness club industry was in three stages: There was the YMCA barebones phase. Then there was the *buildings with machines phase*, which we're still in for the most part. Then the next phase is personal training. I haven't been into the building to exercise without having a trainer next to me in six or seven years. To spend an hour with a trainer who stretches you, works your cardio system along with some strength work, mixes in a bit of Yoga and Pilates, it's an hour spent so productively, instead of going in there and doing only the thing that you really like to do, and then chatting with your neighbor. What's the ratio? One hour with a trainer is worth three hours alone in the club. So, I think personal training is the future of the business.

The biggest challenge we have with personal training is getting enough trainers! For us, this is a profession now. We have trainers who do 1,400 to 1,500 hours a year! If you're not training 20 hours a week with us, we really don't want you to stay on staff because you're not a successful trainer. A lot of our trainers work 25 to 30 hours/ week training, then they teach a group exercise class per day. They might also work the fitness floor a little bit. You can raise a family on that income, and of course, it's a lovely package for a mother because there is flexibility. You can arrange your work schedule around school. By the way Norm, for anyone that is a personal trainer looking for a great home, we would love to hear from them. They may contact Jen at programsgalore@rivervalleyclub.com, and we'll be glad to hear from them. We are always looking for highly qualified personal trainers.

C.I. - Joe, please tell us about the work

culture you've created for your staff at RVC.

JA - I talk about that a lot with people. Because I'm not in the health club business, I say to people that *I'm a student of the health club business*, and I want to learn as much as I can about the health club business. I want everyone else in the building to learn about the health club business, and the best place to learn about the health club business is from each other. So I like to think that our culture is a place where anybody who sees a way to improve the club, whether it's adding a new class, exercise machine or anything like that, can all come to me or their manager and have their idea heard. It's the kind of thing that you can talk about a lot, but if you really do it, particularly if someone comes to you with a new idea and you implement those ideas and give that person a lot of public credit for it, you create an environment where everybody sees themselves as a manager. They are participating in the progress of the club... I think that's the most important thing that we have. I have had people suggest things, and I will call the construction company that afternoon. My joke to everyone is, 'We have an unlimited budget for good ideas and there's not a nickel available for bad ideas' Of course, if people have a good idea, I give them credit. I'm happy to give them credit. The more credit I give to people for their good ideas, the more people come to me with other good ideas. They're proud of the fact that they can point to something and say 'That's there because I suggested it to Joe, and he thought it was a great idea and right away we did it.'

I've done some reading in management, and one of the things that's very common in the literature is that the 8th most important thing for an employee is how much they're paid. *The first seven things are some variation on being listened to, on being respected, being appreciated, being rewarded with recognition by management for the work that they do, etc.*



RVC Pilates Class

I think that's really important. Frankly, I think that's the only way to treat people if you're actually a civilized human being. So, we have all sorts of people, even the cleaning staff have come to us with ideas. I'm thrilled to talk to them. I bend over backwards to see the goodness in the idea so that then we can say, 'We implemented this idea from this person.' *That's the most important thing in our company culture. As I said, the more ideas you implement from the staff, the more ideas you get from them.*

C.I. - Now Joe, let's talk about the club culture you wanted to create for your members?

JA - There's two elements. One, I want them to *really know that we care about them*. We really take pains to hire employees who are empathetic, who want the best for their members. Don't forget that about 35% of our members have a very close relationship with a trainer. That's a much tighter relationship than virtually any other relationship between a member and an employee. Our trainers are going out to dinner with their clients, and they're seeing them socially. We want a sense that everybody at the club is a friendly, caring person who wants the member to have a sense that we really are invested in their success. *Secondly, we want the members to know that we really have a cutting edge club with the new programs, the newest equipment at the club and that this is a place where they can learn about fitness before they see it anywhere else.* Interestingly enough, we've had several of our trainers go work for various coaches at Dartmouth College which is a school with Division 1 athletics. We really try to be the place where you can be on the edge of what's happening in the fitness world.

C.I. - Joe, obviously you put a great deal of faith and trust in Jen. How long has she been the Chief Operating Officer of the River Valley Club? What was her original role? How has she since developed?

Please describe your working relationship with Jen, the ups, the downs and the in-betweens.

JA - I think Jen is the only original employee left at the club. She was hired in March of 1998 when the club started. She was just a trainer at the time. She's been COO for about a year now. Our structure is that my wife Elizabeth and I keep tabs on everything overall. But then Jen as COO, and Ted Mortimer, CFO, are the management on the ground. The thing about Jen is she is a wonderful student. You can't overstate the importance of always learning, learning, learning... she's constantly reading books, going to business roundtables and learning things from Jeff Russo. She's at the point now where, on her vacation, she'll do consulting work for Jeff because she knows his systems so well. She's a person who has just always kept improving herself, day-by-day and year-by-year as she's worked for us. That's the important thing. She is doing things today that she was certainly incapable of doing ten years ago, but she's managed to educate herself in every way by experience, with mentors, by reading and attending conferences. Jen just gets better and better.

Plus, Jen's husband, Chris, is a superstar in his own right. He runs our *Movement Specialist Program*. It's a combination of physical therapy and rehabilitation. The guy's got a fantastic understanding of anatomy. The highest paid Dartmouth professors and the leading orthopedic surgeons at Dartmouth's teaching hospital train with Chris. He's a remarkable guy and we've set up a team of people underneath him. He trains and oversees people who practice his specific type of training.

C.I. - Joe, please tell us about Jeff Russo's Pro Fitness Program (PFP) and how it's helped RVC grow Personal Training (PT).

JA - *Jeff teaches that you have to organize your club around personal training.* (See River Valley Club Page 16)



One of Three RVC Group Exercise Studios



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...River Valley Club

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When someone comes and takes a tour of the club, they're hearing the sales rep pointing out all the people who are training and talking about personal training among the most important features of the club. People already have that in their heads. Then, when people join the club, they have to buy either one, or a package of four, personal consultations where we do a very thorough review of their fitness level. We make recommendations for them about the best possible way for them to get fit, lose weight and get healthier. Needless to say, one of the strongest recommendations is personal training. Our consultants work a great deal with Jeff Russo. About 30 or 40% of their consultations will end up in a personal training package. I think the smallest package we sell now is 12 sessions. So, if you join the River Valley Club, and you're one of those 30 or 40% of people (and you already know about personal training because it's so well known in our community from all of our marketing and newsletters), then you hear about personal training on your sales tour and then you have your consultation where you hear about the importance of training and the results people get. Then, you spend 12 hours with a trainer over the course of a month. You're going to be pretty hooked and you're going to be noticeably fitter! That's really the core of the whole thing. We really sell that very strongly to people. Most importantly, they actually get results.

C.I. - How is the club positioned in the marketplace?

JA - We didn't have much of a choice. You know, Volkswagen is a successful car company and Mercedes is a successful car company. We had to be a Mercedes. We're the most expensive club in the area. We're probably twice as expensive as any of the other clubs. Our notion is 'Yeah, we're twice as expensive, but we're three times

as good.' So, the *value proposition* is there. But, I tell you, if I didn't have a big interest rate bill, and if I didn't have a massively expensive building, if I could take away the things bequeathed to me by Panzica, I'd be happy to cut the club's fees because I know I would bring in more members. But, because we have such a fat cost structure, we have to position ourselves as a high-end club that charges a lot and gives a lot. That's the only way we can cover our costs with 2,200 members in a 54,000 square-foot club. We're the club for people who are serious and thoughtful about fitness and really want something exceptional. If you just want a building with a bunch of machines in a room where you can check in, work out, take a shower and leave, you don't come to The River Valley Club -- you can get the bare-bones experience for a lot less money elsewhere.

C.I. - As a *somewhat absentee* owner (which I hope is an accurate way to describe you, Joe), what are three key tips you would share as advice to anybody else who might be contemplating absentee club ownership? How do you learn about the key aspects of the club? How do you communicate with Jen?

JA - There's an old saying... 'What are the three factors to have a successful retail store?' The answer: location, location, location. How to be a successful absentee owner? You've got to have really good people who're back at the club doing the work. We went through a number of General Managers during the years before we settled in on the strong management team we have now. There's no way you can pilot something from a distance if you don't have good people, honest people and competent people. The second thing is all of our trainers are really running their own businesses. They have their own clients, and they're always trying to get more clients. Of course, we're bringing them clients via the consultations, but it's up to them to keep their clients. So, I don't have



RVC Spa

to stand over them telling them to work hard because the harder they work the more money they make. We have that incentive structure with all the different programs that we have, Pilates programs, etc.

A great number of the people are motivated because they're essentially in business for themselves, even though they're in the context of The River Valley Club. Also, because we've got a great big building, you have to have good people because they are spread out all over the building. If they don't want to work hard, they can probably find a corner to hide out. So, if you want to have your club clean, you have to make sure you have really good people who you motivate and appreciate, but at the same time, they have to be hard workers by nature. We're very demanding in terms of our people. We tell people, 'If you want to keep a job at the River Valley Club, you have a job for life as long as you work really, really hard. But if you don't work hard, and you come in late, then you're not going to have a job for the rest of the week!' That's the important thing. People are in control of the situation. They realize that we are fair, but we've got a business to run and members to satisfy. In terms of being an absentee owner, it's all about making sure that you really have high standards in terms of people. That's the essential element of it.

C.I. - How rapid was the club growth in revenues and membership?

JA - In terms of memberships we were at 2,000 members after the second year or so. The membership has gone up and down approximately 10% ever since then, depending on the economy mostly. So, our growth has depended almost entirely on personal training and the other services that we provide: the day care center, the spa, things like that. And, of course, we've raised prices every year both for personal training and other services, and of course, memberships. That has helped.

C.I. - Do you have specific facility growth plans now for RVC? If so, what are they and what's the time table?

JA - Nothing. We've pretty maxed out our space. We've modified rooms and things like that, but I think, at this point, there's not a whole lot that we can do with the zoning restrictions. To give you an example of how ridiculous this building is, we have 2,200 members, and we have 1,000 lockers! Again, 54,000 square feet for 2,200 members is nutty. So, for us, our growth is from our existing members. We'd like to get 60 to 65% of the members doing personal training if we could. Personal training gets results. If you're really going to do what a trainer tells you for an hour, and you do that three times a week, after a couple of months your friends are going to say things like: 'Wow! You just look great! Have you lost weight? Your face looks good! You look fitter.' When those people get compliments like that, and they all do, their response is going to be, 'Yeah, I'm doing personal training at the River Valley Club.' You remember 15 or 20 years ago, personal training was something that Madonna and people in Hollywood did. In our community, it's something that's very, very common. If you're not doing it yourself, you certainly know somebody who's doing personal training.

C.I. - In addition to Jen, who is your COO, and Jeff Russo, who is a consultant, who are other key staff that you might want to mention?

JA - Ted Mortimer is our Chief Financial Officer (CFO). He's an interesting guy. In addition to being a Certified Accountant, he's also a rock musician, and he plays in clubs around the area. He's in charge of all of the financial stuff, and he also is in charge of the building. He does a great job.

C.I. - What are you the most proud of as owner of the River Valley Club?

JA - (Laughing) You know, I have to say (See River Valley Club Page 17)



Two RVC Indoor Pools

Jennifer Poljacik, ACE, NASM-PES, MTS, River Valley Club Chief Operating Officer, Comments...

• **On her amazing 3-sport athletic experience in college:** “I graduated from Lyndon State College in Vermont. At the time I actually went to play sports, but along the way, I managed to get a wonderful degree in Sports Club Management. That has proven to be a perfect match for my professional career. I was a 3-sport athlete in high school and college: soccer, basketball and softball. Sports were definitely my life and have given me the competitive spirit that I carry with me today. I was a 1,000-point scorer in basketball both college and high school and at one time held the NCAA record for the best 3-point shot percentage. I am the youngest athlete to be inducted into my college athletic hall of fame.”

• **On her family:** “I’m married to Chris Poljacik, who works at RVC as a personal trainer and is responsible for creating our successful *Movement Training Specialist Program*. We were married seven years ago, and we have a beautiful little girl, Alexandra, who’ll be four in July, and a big, strong two-year old boy, Austin. It’s the perfect set up for us to have the kids are here in the club in full-time childcare while we work, and Chris and I can visit them anytime during the day. Having the ability to raise a family and keep them close by while we work has enabled us to keep many quality staff members at RVC.”

• **On her involvement in the club industry and how she became the RVC COO:** “In 1992, I did my internship at a small club in Vermont called the Old Mill Racquet and Sports Club. They hired me as soon as I graduated. I started with the front desk staff and teaching aerobics. Then, I got my hands wet a bit in sales. Then, I heard about the River Valley Club. So, I came down here before it was built, applied, got lucky with a position as an Activities Director. I slowly moved into Program Director, Fitness Director and then Executive Committee Team member. I was then named by Joe Asch to be his Chief Operating Officer (COO) about a year ago. I started with the club in Feb., 1998, and the official Grand Opening was March 31st, 1998. I was also on the Board of Directors and served as President of NEHRSA. I’m now on the Owner REX Roundtable with Will Phillips. That’s been just awesome. It’s a great resource, a great group of people and so good for networking. I’m also currently a fitness consultant for the Pro Fitness Program, Jeff Russo’s company out of Toronto, Canada. So far, I’ve gotten to work with two clubs, Cedardale and Orchard Hills Athletic Club, both in Massachusetts. That’s been a fabulous experience.”

• **On the Hanover, New Hampshire market and competition:** “We have four



Jennifer Poljacik Training Tim Kealy, RVC Tennis Pro

primary competitors, and they’re all nonprofits, except for one Anytime Fitness and a few small personal training studios. We have no for-profit facilities like ours competing with us. There are many things about RVC that differentiate us from our competition. For example we’re an adult-only facility, and all of the locations I just mentioned allow kids. Our childcare facility is located in front of the club, and

unless you’re 13 years or older you do not have access to the facility, unless you’re in a group swim lesson or one of our group tennis lesson.”

• **On terrific key RVC Staff Members:**

“We have 45 full-time and 60 part-time employees. Our Staff is truly one of the main reasons for our continued success. (See Jennifer Poljacik Page 18)

...River Valley Club

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the fact that it EXISTS! The only alternative use for it would be to tear it down and put something else up because we’re on two floors. So, the load bearing capacity isn’t even sufficient to make it a warehouse. The fact that we could make this business work in a building that’s completely inappropriate for a health club is amazing. Secondly, I’m very proud of the fact that it’s such an important part of people’s lives.

C.I. - If the saying in the movie Forrest Gump, ‘Life is like a box of chocolates... you never know what you’re gonna get,’ carries weight, what would some of those ‘surprise’ pieces of chocolate be in your experience with the River Valley Club?

JA - Well, the first one would be the need to be creative in finding revenues. Then, being careful in controlling costs. So, finding the revenues, the main thing of course was personal training and then justifying a high level for membership fees. Our basic membership fee now is \$103.50 per month, which is at the high end of the spectrum for anything except for an urban club in

an expensive place like New York or Los Angeles. But, we just watch every nickel that we spend. What we spend on energy... What we spend on personnel... You name it, we’re really careful about it, and we’re constantly negotiating with suppliers. If we can save 10% on detergent, we go for it; there’s just no way to survive, otherwise.

C.I. - Joe, this has been a particularly fun and informative cover story interview. Thank you for your time! Is there anything else you’d like to comment on before we call it a day?

JA - Let me restate that the biggest challenge for us is getting enough really good people, particularly personal trainers. We’ve got a system now that people really want to do personal training with us. But, we have to have trainers that have professional credentials and a proper personality to do a great job in order to satisfy that demand. I hope that the people in the club industry understand that personal training is the future of this industry. That’s where you can really increase your revenue without really adding anything in terms of facilities. Once more, I am going to provide Jen’s email address so that highly qualified personal trainers seeking work may contact her:

programsgalore@rivervalleyclub.com.

C.I. - Personal training is a tremendous profit center... if it’s done properly. You guys are on the leading edge of ‘properly done’ in my opinion. As I mentioned before, I only know of one other big club operation that’s mastered the personal training sales and delivery business to the huge extent that your RVC has. That’s Brent Darden and Everett Aaberg’s Telos Fitness Center in Dallas, Texas, one of our former **CLUB INSIDER Cover Story** subjects. For you folks that would like to reach out to Jeff Russo to inquire about his personal training consulting business, The Pro Fitness Program, his phone number in Toronto, Canada is **(416) 252 - 5700**. His company website is www.profitnessprogram.com.

JA - Let me mention one other thing before we close. When we were in Chapter 11, we called Rick Caro in as an expert witness. He did a really great job for us. He kind of gave us an intellectual framework. You know Rick. On the witness stand, nothing could be smoother than silk as Rick Caro. He was just wonderful!

C.I. - Joe, Rick is the most extraordinary person in our entire industry. I feel about

him as I would feel about a brother.

• • •

CLUB INSIDER would like to extend our sincere thanks and appreciation to Joe Asch and Jen Poljacik of The River Valley Club, and Jeff Russo of the Pro Fitness Program, for their time for their interviews and cover story pre-publication reviews. Special thanks also to Jen for putting together the photos and her assistance facilitating the cover story production. Also, let me add my sincere thanks and appreciation to Rick Caro who kindly provided the introduction to Joe Asch and the River Valley Club.

(Norm Cates, Jr. is a 38-year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of **CLUB INSIDER**, now in its 19th year of publication. Cates was IHRSA’s First President, and a Co-Founder with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. Cates may be reached by phone at **770-635-7578** or email at Norm@clubinsideronline.com)

Jeff Russo, Founder of Pro Fitness Program, Comments...

• **On his background and company, Pro Fitness Program (www.profitnessprogram.com):** "I started in the fitness industry in 1986 as a personal trainer. Then, later on, I moved into the area of membership sales and club management. I actually was an owner of a club in the Toronto, Canada market. Then, I started my own club consulting company in 1998 with my wife Stacy. What we really realized at that time was that we had a heart for the Mom and Pop independent club owners who cared about their community and their members and wanted to give back. They have the respect of their communities but didn't necessarily have predictable business operating systems to help them compete with some of the large club companies. So, we had a heart for teaching, educating and motivating. Since we started with our club consulting business in 1998, we've worked with 60 independent fitness clubs in Canada and the United States, with the majority of our U.S. business being in New England. The River Valley Club was

one of our first club consulting projects in March of 2000. They were doing about \$69,000 a year in personal training sales and had five part-time trainers. So, we started putting our Personal Training Sales System in place there and educating their staff. It was still very new to us. We spent a lot of time down there. Also, the owner, Joe Asch, provided me with great advice. Actually, it was the best advice I've ever received in terms of my business, and that was that we should focus on Personal Training Sales. So, we started specializing in developing programs specifically for improving personal training departments. The rest is *history*. *The River Valley Club is kind of a 'Flagship' for our company, but we have duplicated that success many times now.*

• **On his Core Vision:** "For me, after working in the industry in many positions over many years and seeing companies that were simply getting people to come in and invest in a membership (memberships

with such a high turnover and not getting any results), I said there's got to be a better way to do business! I think we're doing a disservice to all of these individuals who buy a membership and simply get to access the place and equipment and are not achieving any results. These individuals need education, motivation and a plan to get results. They're not getting that. So, as a result, I thought we have to change the way we do business. Back in the '90s, when I was owning and operating fitness clubs, I started experimenting at that time and said, 'Wait a second. Let's not just sell people memberships. Let's start selling the education, results and knowledge, and let's INSIST on them getting a mandatory fitness consultation.' That's what really changed things for us. I think that *revolutionized* the way our clubs did business. Since then, the way our consulting clients have done business. I think we have a responsibility. As fitness business professionals, we have a moral responsibility to offer and sell something to people that actually works for them. We used to have the market share in terms of the fitness clubs, and we sort of lost our market share given all these other solutions for weight loss and fitness out there. We have to own up to it. We did it to ourselves. We were just interested in *selling memberships, memberships, memberships* to people who weren't getting results. From that point onward, and this is true with any of our clients who use our programs and systems, we don't allow somebody to just



Jeff Russo

buy a membership. In combination with their membership purchase, they have to have a fitness consultation, no matter what. They must receive that kind of education and knowledge, and we must point them in the right direction in terms of what it takes to get results. Of course, we believe that one-on-one personal training is the best possible solution for long-term real results for life.

I believe tremendously in my vision, and that's why I do what I do.

• • •

Jeff Russo may be reached by phone at (416) 252 - 5700 or email at jeffr@profitnessprogram.com.

...Jennifer Poljacik

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and they have significant tenure. Every RVC employee deserves to be mentioned as we are a true team! The following is our senior management team plus our sales staff with their length of service following their name. They are (years are rounded off): Jennifer Karr-Muzey, 12 years; Ted Mortimer, 9; Chris Acker, 1; Tom LeBrun, 7; Lindsay Knittle, 3; Zack Belanger, 8; Tracy Billings, 8; Dee Smith, 2; Matt Westgate, 7; Maria Cote, 9; Cassie Armstead, 4; Veronica Giguere, 1; Jenn Parker, 5; Janet Greger, 13; Jen Poljacik, 14; Cindy Summer, 12; and Mark Lewis, 4."

• **On the RVC membership:** "We have about 2,200 members. Approximately 650 people use the club on any given Monday. Our rates are a \$195 signup fee and \$103.50 per month for individuals. For couples, the same signup fee for each person, plus 10% off of \$103.50 each, which is \$186.50 per month for couples."

• **On how and why the RVC is experiencing and achieving such totally amazing Personal Training business results:** "We have 28 certified and full-time

personal trainers who charge between \$68 and \$100 per hour. Our Personal Training department has been using Jeff Russo's Personal Training sales and service delivery systems for over 10 years now. "It is our moral obligation as fitness professionals to sell you something that will deliver results." Every person on our team believes in this philosophy. I was the Fitness Director at RVC for ten years. Then about a year ago when I was promoted to Chief Operating Officer, we promoted Jennifer Muzey to Fitness Director who is doing a wonderful job managing this department. Pro Fitness Program's *smallest PT package is for 12 sessions and the largest is for 144 sessions*. To convert those to dollars, *our least costly package is \$850 (for 12 sessions)* up to *\$11,000 for 144*. We are specific about what we are selling: results, knowledge and education. *You cannot join the club unless you go through a thorough 90-minute fitness consultation*, from which, we'll have benchmarks for you to work from and an action plan to achieve your individual goals.

Using Jeff Russo's PT sales and delivery system, we went from \$69,000 annually to \$2 million annually in PT revenues, and that was with just 2,000-2,200 members. Our membership has

been flat for many years. We've actually gotten down to a low of 1,800 members, and now, we've built it back up to 2,200, plus or minus a few. We're also proud and fortunate to have *35% membership penetration for Personal Training. This converts to about 770 RVC members out of 2,200 who participate in regular personal training!* By the way, this is way, way beyond the typical industry standard for a percentage of membership participation in PT in a club."

(Publisher's Note: Hey folks! Who out there knows what the average PT percentage of membership penetration actually is? I'm just guessing... about 5 - 10%.)

"Clearly, the reason for our success in PT here is Jeff Russo's Pro Fitness Program, which we've been dedicated to for over twelve years and have developed and grown with Jeff Russo as he's grown the company. It's very simple. *It's just integrating the idea throughout the club that everyone can and will benefit from personal training. The other thing that I say over and over again is that it is our moral obligation to sell something to our members that will actually help them. For example, I'm not going to sell you a 3-pack*

of personal training just because it feels nice to ask for only \$300.00. I know in my heart of hearts that will not produce long term results for you. So really it is simple, we have over 100 people working here at RVC who believe in that philosophy 100%, provide solutions that work. We make it as affordable as possible for our members by accepting EFT payments for the personal training packages, so you don't have to come up with that money all at once and it becomes a way of life for most of our members.

Through the consultations, we're able to prescribe to our members the most efficient and effective way to get results. We're not going to just say, 'Here's a treadmill. I hope it works for you and good luck.' Instead we say, 'We're the professionals. Allow us to help you the best way we know how. You've come this far. You're investing over \$1,200 each year in a membership; consider investing a bit more to give you some real education to help you figure out what you need to do.' We know we can get our members results with our RVC Personal Training team. PT is not all we recommend for success; we recommend a blend of exercise classes, swim classes, Yoga classes or whatever we

(See Jennifer Poljacik Page 19)

...Jennifer Poljacik

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find that will be necessary for members to get the results that they came here looking for. Another factor of our long term success is we've got trainers with a depth of knowledge who are vision-aligned, with best team-like atmosphere that I've ever come across. The trainers are committed, very committed, to helping our members. *We need more excellent Personal Trainers, and that's one of our biggest challenges right now!* I'd love it if somebody reading this article would say *'This RVC club is pretty cool. I think I'll give Jen a call* because I'm a good trainer, and I want to advance my career! *I can tell everyone who's interested that, if you, as a qualified and excellent Personal Trainer, were to come here, we'd have you booked full of clients within two months!"*

(Publisher's Note: To contact Jen Poljacik, you may send an email to her at programsgalore@rivervalleyclub.com, or you may call her at **(603) 643 - 7720, Ext. 118**)

•On her mindset on the culture she and Joe want to and are creating for Staff and Members:

Staff Culture: "I think the culture that we have created is driven by what Joe says all the time, 'There's a ton of money in the budget for good ideas, and there's no money in the budget for a bad idea.' *We listen to a thousand ideas! We need new ideas! We want new ideas!* Our staff are the people that come up with all these wonderful ideas, so we're *very open* to communication and thoughts promoting their ideas. But, we have also tried to make this a very professional environment to work in. What I mean when I say that is that, as a personal trainer, you can't be a part-time employee here. I personally don't believe you can be good and be part-time at anything. *So, we have full-time trainers only. We want committed individuals who believe in our cause: improving people's lives every day. A primary reason we are succeeding at RVC is that we have full-time, full-fledged and totally-immersed-into-the-profession people who do the very best they can every single day."*

Member Culture: "Our staff is fun and friendly. We're really all about being results-driven, and we're trained to create relationships. Because every person who walks in here is going to get a different prescription based on what his needs are, we are here to provide the education and the results that members need. So, that's what you should expect when you come here. *You should expect NOT to be left alone. If you want to join and not be talked to, not be approached and not be held accountable, then we are DEFINITELY NOT the club for you. We are definitely holding our members accountable to deliver on why they came*

here. Otherwise, they quit and they don't succeed. We live on referrals. We're not in a very dense market. You could almost say that we've saturated our market for people who can afford our memberships. So, we do need referrals. *About 80% of our new members are from referrals.* When you have somebody who's engaged in personal training, they really don't quit because they're loving it. They've made a relationship, and training is a central part of their life. That's the River Valley Club culture."

•**On what her proudest achievements at the RVC are:** "The Personal Training program has actually changed the community because people have seen results, and they've had great things happen to them. *Financially speaking, our doors would not be open had it not been for our Personal Training Program. 40% of our revenue comes from our Personal Training! PT has literally kept the doors open."*

•**On her personal achievements in the club:** "Hmmm... It's hard for me to take individual credit for anything."

CLUB INSIDER (C.I.) - Jen, that sounds like words from a great leader!

Jen Poljacik (JP) - (Laughing) - I think being part of the Personal Trainer team that went from **\$69,000 to \$2 million** with a flat membership is pretty amazing. You know, when I see some of the staff who worked with me since the beginning and now have had an opportunity to have full-time jobs, afford beautiful homes, raise a family all because of a BEHAG (big hairy audacious goal) we had ten years ago, that makes me pretty proud that I had something to do with that.

C.I. - Jen, I bet you have an awful lot of smiles walking around that place! Isn't that a great feeling just to be able to wake up to the very thought of going there to work every day?

JP - (Laughing again) - Oh, I am so fortunate!

C.I. - Just pinch yourself, Jen! Pinch yourself and *make sure you're not dreaming!*

•**On the River Valley Club's community outreach efforts:** "We do a lot! Never enough though. Just to name a few, we're very involved in CHAD, which is Children's Hospital at Dartmouth, and we sponsor a big 5K race to benefit CHAD every year. We're involved in the Haven Homeless Shelter. We do a Spin-A-thon to raise money for that. Our childcare does what we call a 'Tot-Trot,' where all the local daycare centers come to RVC and the kids walk as far as they can to get sponsorships. We have strong man competitions every year, and we give all the proceeds to the Humane Society. We are very much supporters of our community events and try to help out where ever we can. We do a lot!"

•**On what she'd like to achieve in the next 2 to 3 years:** "For the club, we'd like to grow the membership to 2,400. 'We'd like to increase our personal training revenues to \$2.5 million and push close to 50% of our members being involved in Personal Training! We also want to grow from 28 to 40 full-time Personal Trainers. And, we want to keep having FUN!"

C.I. - Right on, Jen! Every month for 19 years and 6 months now, throughout our **CLUB INSIDER** editions, we've been inserting little ads that say, **'Make it FUN!'** I've been publishing those little 'Make it FUN!' ads since day one in our December, 1993 first ever edition. I do that because, during my 20-year career in the club industry, long before I started publishing **CLUB INSIDER**, I came to realize that the *more fun you can make it for both your staff and your members to be there, the better chance you have of hitting homeruns in this business.* Obviously Jen, you've got that *FUN mindset* big time, and that's a biggie for the leadership role that you have at RVC. Now, what about your personal goals for the next 2 to 3 years?

JP - I want to make more of an impact because I know I've helped change the Hanover community here at River Valley Club with our personal training department. *I'd like to take the skills that I've been given and achieve that with clubs throughout New England because I don't know if the multipurpose club model is going to survive if it doesn't take on an approach like this. You need to differentiate your club to compete with the low-cost, low-price model. People join health clubs for a solution to their problems, and I'm embarrassed that our industry cannot do better than 50% retention.* We are in a business where, at the end of the day, half the people quit, and that really bothers me. My personal BHAG is that if you

Google: Personal Training, I want my name to come up saying that I helped the industry improve. But, higher on my list of priorities is teaching my children healthy habits for their own health and well being. Become the best role model I can to them and inspire them to improve people's lives just like their mom and dad get to do every day.

•**On RVC involvement with IHRSA:** "RVC is an IHRSA Member Club, and we're big participants in NEHRSAs, as well. We attend the IHRSA Trade Show at least every other year. On the IHRSA website (www.ihrsa.org), when you click on their 'Ask An Industry Leader's button, you will see comments from me on that. So, I answer a lot of the personal training questions that come up on the IHRSA website."

C.I. - Jen, have you made any convention presentations at IHRSA?

JP - I have not spoken at IHRSA, but I've made probably ten presentations at NEHRSAs over the years.

C.I. - Well Jen, my readers at IHRSA who run the convention speaker scheduling really should consider you and Jeff Russo for a speaking slot at the upcoming IHRSA 2013 Convention coming up in Las Vegas in March, 2013. They, and the IHRSA Members, will be glad if they do! I mean, you and Jeff could sit down with one piece of paper and write a diagram and description of the RVC Personal Training Department and really help a lot of multipurpose clubs, which IHRSA has the most of in the world. There's a lot of people in this industry struggling to make truly significant personal training dollars in their clubs, and they really and honestly don't know what they're doing! So, I KNOW for a fact that hundreds of IHRSA multipurpose clubs could use your help.

Make
It
Fun!

Management Mistakes All Gym Owners Make

By: Jim Thomas

Actually, we see these mistakes in many situations... by first time *and* veteran health club owners. When you're running a gym for the first time, you're bound to make a few management mistakes along the way. Since gym owners are typically experts in the field of fitness, they will many times get caught up in the technical aspects of the gym, rather than developing strategies to manage and grow it.

But, that's the last thing you should do. At the end of the day, you want to be creating a company and philosophy that embraces your people because they are your most valuable asset. Unfortunately, not doing this is a common denominator for many gyms that struggle. You want to stay away from the mindset of only seeing your staff as a line item expense.

Here are some common management mistakes that we see of first-time and even veteran gym owners and some thoughts on how to avoid them:

1. Lack of Proven Gym Systems and Processes - New gyms often lack proper

systems and processes to ensure that gym employees are working efficiently and effectively. This seems to be particularly true when it comes to membership sales and marketing. Without these systems, gym employees run around without direction, focus and accountability. You can start by documenting everything your gym does. Establish goals, outline steps and create an operating manual. Write a plan of action and follow it.

2. Gym Owner Not Willing to Let Go - There is a tendency for many gym owners to think they know best. But, micromanaging and an unwillingness to let go will stifle employees' productivity and their loyalty to your gym. Instead, be sure to train your employees carefully and well in the beginning on how to do their jobs and exactly what you expect of them. Then, give them the freedom they need to do it. Getting gym staffers involved in decision making can also encourage productivity and make them feel valued. Elevate yourself so that you're not a task manager and can focus on growing your gym business. As the adage goes, "*inspect what you expect.*"

3. Failure to Define Job Descriptions for Gym Staff - Creating the right job descriptions will help you hire the right people for the gym. Too often, gym owners will make new hires without defining their roles. That results in less productive workers and more responsibilities for the gym owner. As you're growing your gym, you need to define jobs so staffers can do them and optimize performance.

4. Working on Clutter - Too many gym owners confuse activity with results (not only for themselves, but for staff). For example, spending two hours checking email instead of making membership sales calls. If you're too consumed with the clutter or tasks that take away from the most important needs of the gym, you will need to delegate this work or make a new hire. It's all about results.

5. Lack of Vision for the Gym - First-time gym owners often fail to define their vision for the business clearly. We still come across gym owners without a business plan and an operating budget. If you get employees on board with your gym early on, it will create happier, more efficient employees. It will



Jim Thomas

also give you more time to work on growing your business. If you properly *instill vision*, then your business can operate without you.

Now, go make your gym a success!

(*Jim Thomas is the President of Fitness Management, U.S.A. and may be reached at 800-929-2898.*)

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**Proactive Partners Announces
Company Name Change
to Midtown Health**

CHICAGO, IL - A leader in the fitness center management industry, Proactive Partners announced that it has changed its company name to Midtown Health. The goal of the new name is to align more closely with its sister division, Midtown Athletic Clubs, which owns and operates ten upscale tennis and fitness facilities throughout the United States and Canada.

"Our new company name reflects Midtown's position as the industry's leading provider of fitness center management and wellness solutions," said Debra Siena, President of Midtown Health. "We're in the business of health, delivering health to our clients' bottom lines and to their employees, patients and club members."

Siena notes that the name change will align Midtown Health more closely with its Midtown Athletic Club brand, thus making it the industry's only fitness management partner with extensive central services support and owned athletic clubs across North America.

To support the new name, a new logo and website (www.midtownhealth.com) were unveiled, along with a new tagline, "Healthy Results," to personify what Midtown Health delivers to its clientele.

Midtown Health has over 40 years of successful fitness center management experience, partnering with renowned hospital and health systems, such as Mercy Health Partners and Henry Ford Health System as well as blue chip corporate clients including CDW, Sears Holdings, Kraft, McDonald's Corporation.

In addition to the name change, Midtown Health has recently entered into a new partnership with Astellas North America to provide management services for The Well Fitness Center, scheduled to open on July 1 in Northbrook, IL.

**Make
It
Fun!**

The Birth of the Low Price Competitor!

By: Maria Parella-Turco

Please don't dislike me when I say this: the birth of the low price competitor is the best thing to happen to the fitness industry. With over 60 million people still obese in our country and now over 30,000 health clubs, we haven't exactly been the solution to getting our nation fit

and healthy. With some exceptions, most of the industry has been driven more by membership sales than it has by results.

Health club operators are not experiencing a mass exodus of members when a low-price competitor comes to town. Instead, it's the once upon a time guest traffic that no longer exists. This, in turn, causes fewer new member activations

monthly and a net loss of members over time. Sometimes, club operators don't even know it's happening before it becomes too late.

Competition, especially low priced competition, is forcing our industry to change for the better. The birth of the low price competitor specifically has forced our industry to forgo empty platitudes and focus on service delivery and programs. As a consultant traveling the country and being in and out of hundreds of clubs a year, I can tell your first hand that there is a lot of pain due to competition, more so than the economy. This has forced club operators to become even better, and hence, the level of service and programming in clubs has increased.

A health club prospect's view is, "Why should I join your club when the club down the street offers more and newer equipment for only \$19 bucks a month?" And, they are right! If you are still just leasing space to your members and you're a mid-priced club, you're days may be numbered.

Here are some successful strategies clubs have employed to assist them:

1. Become Results Driven and Program Rich and Train, Train, Train!

- There are four categories of training that every club should employ. One-on-one, Semi-Private, Small Group and Camps. Group training is on the rise like never before. While operators initially thought that group training would cannibalize one-on-one personal training, they need to think again. I have witnessed dozens of clubs who implemented group training and found that their one-on-one personal training revenue grew. A particular system my firm endorses, and put in 21 clubs, has generated a minimum of \$8,000 to \$12,000 in Month One. If you have 600 - 1000 square feet of space, you can be immediately profitable in Month One.

2. What are you marketing? - Get your members results and exploit them. *Everything must scream results.* Most of your marketing should be testimonial in nature, marketing no-commitment, short-term programs and results! Consider running regular fitness studies to activate new members. These types of programs have been successful in penetrating the "80%" of health club prospects not typically likely to join our clubs.

3. Monopolize Your Market! - If you're successful, yet susceptible to competition, then consider opening another location to help secure your market share. Our firm has been diligent in suggesting to mid- to high-priced club owners that they open up "express" clubs. With the right strategy, cannibalization is minimal. **It will help**



Maria Parella-Turco

secure your brand and help secure market share.

4. If you can't beat them, join them! - Our firm has helped dozens of clubs convert their pricing to lower dues. This is not always the right strategy; however, when it is, it can certainly be employed with a great amount of success. There are a lot of nuts and bolts to this process; for example, cash flow considerations which should be mapped out with a well thought out set of assumptions and a financial Pro-forma.

"And while the law of competition may be sometimes hard for the individual, it is best for the race, because it ensures the survival of the fittest."

- Andrew Carnegie

(Maria has been working in the fitness and wellness industry since 1990. She and New Paradigm have assisted hundreds of centers with conception, business plan development, finance, facility development, management and staff training. She and New Paradigm own and operate a highly profitable and successful 30,000 square-foot "consulting model" health club that is used as a testing and university center for the firm. Her mission is to optimize her client's mission and profit objectives, and her consulting has facilitated increased profitability for many clients. As a Senior Partner of New Paradigm Partners, Maria serves as a professional consultant to the fitness industry. As a facilitator, she is a lead trainer for the NPP University and Franklin Covey's 7 Habits of Highly Effective Health Club Managers. In addition to her senior partner role with New Paradigm Partners, Maria serves as a founder and COO of fitrewards. Maria was featured on the cover of Club Insider in March, 2008. She can be reached by email at map@newparadigmpartners.com or phone at 609-332-5689)

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The 5 Factors to Making More Money In Your Club

By: Donna Krech & Brian Tracy

As fitness industry professionals, we build our businesses on our passion. In a continuation of last month's conversation with Brian Tracy, I asked about making more money.

Let's talk about businesses making more money. You hear about passion a lot these days. In the fitness industry, passion has been the business guide for decades. Let's say someone is opening a new club; they want to make a lot of money and want to know the best way to do that. Say an existing club wants to make more money; they're going to add a new service, product or profit center. With a great service or product being the goal, are they best served by asking what the market wants to buy or should they explore what they're passionate about and create a product and service around it? Brian Tracy said it has to be a combination of both.

1. Passion is really important, but it's highly overrated. It just isn't wise to try to increase your income on passion alone. You have to ask the market what it wants.

Creating a business, service or product is hard work, but here's the good news: go back to our old friend endorphins. If you do the work to develop a product or service, and people like it, you'll feel happy. You'll feel like a winner. You'll feel like you made it. You'll start to beam, your body will radiate endorphins, and you'll develop a passion for that work.

Amy Chu wrote, *Revenge of the Tiger Mom*, which illustrates how Chinese mothers drive their children to excel. Critics said, "Isn't that a little bit pushy? Shouldn't they have time to enjoy their lives?" She said, "Nothing is enjoyable until you're good at it."

If you're not good at something, you don't get any pleasure out of it. So what these parents do is force their children to be

winners. They force their children to spend the time, whether it's learning to play a musical instrument or getting excellent grades, so they do it really well. As a result, it's fun. They love to do it.

2. Nothing is fun until you're good at it.

Think of riding a bicycle, driving a car or any sport. Try skiing; see if it's fun when you start off. Nope. But, once you get good at it, wow! The passion comes after you throw your whole heart into offering something people really want, need and are willing to pay for.

One of the biggest problems in business is that many people are trying to sell mediocre products with tricks, gimmicks, discounts, clever advertising and even deceit. But, really successful people are offering a really good product.

How do people know it's a good product? Brian suggests a guarantee. He guarantees everything he sells for a year. In our facility, we guarantee results.

People say, "You can't do that. You can't give guarantees." Many are shocked. They wouldn't want to give a guarantee. What if people use the product and they don't like it? Well, then they shouldn't be made to keep it. They should send it back immediately.

We don't want unhappy customers out there, we want happy people. So, on a product that is returnable, give an unconditional, 100% one-year guarantee. I sold \$500 million worth of products in the last 25 years, all over the world. My return rate is 1 in 400. But, because of my guarantee, I have to work very hard to make sure it's a good product before I sell it because I can't afford a lot of returns. The guarantee is my motivation to make sure the product is great.

What about skill then? Knowing passion is overrated, should we produce a product or service based on what the market wants, or produce a product or service based on where our skill set lies,

where we have ability? We have to find where the two meet.

First, you can't produce a product or service unless you have the core competencies to do it, but there are millions of products and services. The number of products and services you could bring to the market are unlimited, like the stars in the sky and the sands on the beach.

3. Find something you really believe in, then identify your own natural talents and abilities so you're only doing things you're good at or capable of becoming good at.

You have to produce a product or service that you love and think is really good, that you use yourself and would sell to your mother, your brother and your friends. Many people try to sell a product that they don't use themselves.

I have this discussion with clients. One said, "My sales manager is having problems with his sales crew. He doesn't use our product, and he tells them and me he uses a competitor's product. What do you think we should do?" I said, "Fire the guy. Get rid of him!" What could be more demoralizing than a person with a flamethrower in your office? He's in charge of the sales force! Just imagine. It's enough to make you scream!

4. You have to love your product and consume it all the time.

Then, you have to really care about the people you sell to. This is important. You have to really like and care about them.

I was just talking to a client in Russia, making plans for me to speak to 800 businesspeople in Moscow, and they asked, "Would you want a separate room during the seminar so that you can have privacy and not be around the seminar attendees?" I said, "Absolutely not. I will be there early so I can meet people. I'll be there at the breaks, have lunch with



Donna Krech

them and I'll be there afterward to answer questions. These people are important to me. These are the people who make my career possible."

They said the last person that spoke refused to have anything to do with the audience. He came out from behind the stage, gave a 90-minute talk and left. They paid a lot of money, and the audience was turned off.

So, people who want to succeed like to meet the people they're selling to in order to ask and answer questions and shake hands.

5. You have to love your customers.

Love yourself, love your product or service and love your customers. You get those three together, and you'll not only make more money, you'll have a great life!

For FREE audio on How to Profit on Purpose, go to www.purposedprofit.com/profit or call (866) 260 - 8446.

(Donna Krech is the Founder and owner of Thin & Healthy Total Solutions. She may be reached at donna@donnakrech.com)

Dr. Art Curtis Joins Cybex Board of Directors

MEDWAY, MA - Cybex International, Inc. (CYBI), a manufacturer of premium exercise equipment, announced that Art Curtis, Ph.D, was elected to the company's Board of Directors at its Annual Meeting of Shareholders held May 23, 2012. Curtis, President of Curtis Club Advisors LLC, brings more than 30 years of experience and leadership in the fitness industry to the Cybex board.

"We're excited to welcome Art Curtis to the Board of Directors," said John Aglialoro, Chairman and Chief Executive Officer of Cybex. "Art has a long-standing

personal interest in health and fitness, extensive management experience in running successful athletic club and spa enterprises and a wealth of knowledge on the needs of our customers. His input on the board will be invaluable as Cybex continues to provide our customers with innovative premium fitness equipment."

Curtis, 62, has held a variety of senior athletic club industry executive positions over the past 30 years. He is currently serving as the Chairman of the Board of Directors of the International Health, Racquet and Sportsclub

Association (IHRSA) in a term that ends June 30, 2012. He has a Doctorate in applied physiology from the University of Maryland, a Master's Degree in health and physical education, and a Bachelor's Degree in business administration from Bowling Green State University.

"I'm privileged to join the other directors on the Cybex Board," said Curtis. "They have built a strong company in Cybex, and I'm looking forward to learning from them as we work together in the coming weeks and months."



Dr. Art Curtis

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Charley Matera Joins REX Roundtables for Executives

REX Roundtables for Executives are pleased to announce the addition of Charley Matera as their newest REX Chairperson.

REX Roundtables for Executives is the premier process for executives who want to improve the performance of their organizations and the quality of their life. REX brings noncompeting CEOs of leading companies in the same industry together on a regular basis to learn from each other and from our experienced chairpersons.

Along with being a REX Roundtable Chairperson, Charley is the Principal of *HiComm Consulting*, "...

home of Conversation by Design...”, an easy-to-use, interactive method for getting Real Results in organizations. Following careers in IT systems marketing and human resources, he began *HiComm* to provide management and organization development consulting. Using Strategic Linkage, his work with clients aligns human performance with business goals.

Charley holds a BA from Colgate University and an MBA from University of Connecticut, as well as excellence citations teaching at Lesley University, Bentley College and Baystate College in Boston. He promotes networking and

learning through leadership roles in several professional associations for organizational development and business consulting.

REX helps businesses and nonprofits outperform the competition. Since 1985, CEOs, Executive Directors and General Managers have participated in REX Roundtables in their industry. Sharing detailed best practices within an industry is the single most powerful way to improve performance and success. Currently, REX has 120 health club owners as members in REX groups on four continents.



Charley Matera

ABC Financial Announces Release of the New MYiCLUBonline App

LITTLE ROCK, AR - ABC Financial, the leading software and payment processing provider to the health and fitness industry, announced the release of their new MYiCLUBonline iPhone/iPad App.

The ABC Financial MYiCLUBonline App allows health club members the ability to perform functions associated with their membership privileges, club activities

and billing account. This can include booking and canceling appointments, viewing personal training appointments, class schedules and also allows members the ability to check-in to the club using their iPhone or iPad Apple device. All of their scheduling membership management needs are at their fingertips.

“The MYiCLUBonline App is an

invaluable self-service tool. We are truly proud to release a product that will be as beneficial to the club owners as it will be for the club’s members,” stated Steve Ayers, Chief Revenue Officer.

Download the free MYiCLUBonline App via iTunes or at <http://bit.ly/LIRK0B>.



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Renovating a Legend

By: Bruce Carter

After winning a Super Bowl and having a perfect season, Coach Don Shula, along with his partners, the Graham Companies, opened a spectacular club in Miami Lakes, Florida in 1982. They hired a General Manager, Bill Higgs, whose objective was to achieve the success with the club that would live up to its namesake heritage. The 45,000 square-foot Shula's Athletic Club opened with beautiful facilities, including fitness, racquetball, basketball and tennis.

The club changed with the times over the years while consistently maintaining a substantial level of dependable success, a testament to the operator, Bill Higgs, who's been with the club for over 30 years. Racquetball was eventually eliminated to make more room for fitness. Physical therapy and a full service spa were also added.

A number of competitors have opened in recent years, and Bill communicated to the owners that it was, once again, time to make changes. But, this time, the club needed an entirely new atmosphere to go along with its reputation of being friendly, inviting and welcoming to families and the serious minded fitness market.

Shula's image somewhat mirrored the Shula Hotel and Conference Center, The Shula Golf Club and the original Shula Steakhouse, all within a mile of one another. It had a country club style décor that, at one time, gave the facility an exclusive upscale image. But, a

new environment was needed to keep the club a leader for fitness recreation in the Miami marketplace.

Shula's interviewed a variety of architects for the renovation and selected Optimal Design Systems International, because of our vast experience of making dramatic club changes while also being very strict on getting the most value for the dollar.

We knew from the beginning that the renovation had to be dramatic and worthy of the Shula name. We started off by making recommendations on what should be done and then dividing it up into two phases. The first phase was to create a new, exciting image, and the second phase would involve adding on to the building for more facilities. Then, a number of contractors submitted bids, and we assisted in selecting and making recommendations on awarding the bids. The Graham Companies has extensive experience in the bid process, having developed millions of square feet of commercial property.

The renovation took about five months, and the club remained open the entire time. Different areas were shut down at different times, and they had the ability to shift the entrance of the club to different areas as well to allow the remodeling to go on without delay.

The result? According to veteran General Manager, Bill Higgs, "We had planned on renovating the club for several years and finally chose Bruce Carter and the Optimal Design Team to head up our project. The finished product is far better

than I imagined, and I've never heard so many members say, 'Thank you,' in my 30 years of club operations and numerous prior renovations. The club has a totally new feel and attraction to it, and the buzz generated around our community is proving to be the best marketing initiative in years. The key is I feel we got the best 'bang for our buck' from our remodeling investment."

Before and After

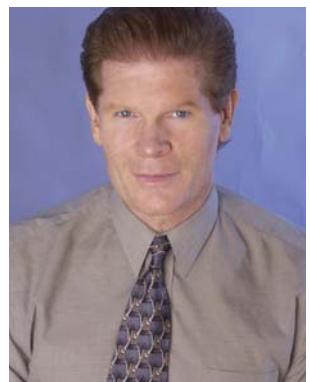
Lobby - The lobby involved all new finishes for the walls, flooring, desk and paint. The only new addition to the space was a water wall that replaced a solid wall giving the first impression an upscale "WOW" factor. This provided a lot of change for minimal dollars.

Cardio Area - The cardio area off the lobby was changed from racquetball courts a number of years ago. Again, only finishes and lighting were changed, including new paint, flooring, hanging drum lights and graphics with accent lighting.

Upstairs Walkway - The changes include new paint, flooring, new signage and windows looking into different studios.

Studio 1 - The club has four group studios, and they all received new paint, floor refinishing and hanging drum lights for an entirely new look. The larger studio added storage to eliminate the clutter in the room.

Locker Rooms - Received new vanities,



Bruce Carter

granite, wall coverings, sinks, faucets, wall tile and locker refinishing.

The Shula Athletic Club has always been one of the premier clubs in South Florida, and this recent renovation has resulted in increased business, even after all these years of being in operation. Members now, more than ever, want to be at the club. The staff has always been exceptional, and the new atmosphere makes Shula's better than ever.

(Bruce Carter is the Founder and President of Optimal Design Systems International, a Weston, Florida-based design firm. Bruce may be reached at bruce@optimaldsi.com or 954-888 - 5960.)



Shula's Lobby (Before)



Shula's Lobby (After)



Shula's Locker Room (Before)



Shula's Locker Room (After)

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Ask Sandy!

By: Sandy Coffman

Develop a Professional Personality

I was asked to give the closing keynote address at the SEHFA (Southeastern Hospital Fitness Association) Conference on May 11th in Staunton, VA. SEHFA serves hospital fitness professionals and front line employees in five States. The 4-day conference was well organized, well attended, and from all reports, very beneficial. The attendees were eager to learn, very interactive, and I was so impressed that the majority stayed for the final hour, even though many had several hours (8 and more) to drive back home. There were several seminars offered on programs, etc., during the week, but the final day was saved for leadership skills. I loved it!

As many of you know, I hire on happy, energetic, enthusiastic personalities, and I follow up with developing pro-

fessional personalities that enable them to work effectively, energetically and in an upbeat way with every person who enters your facility. The audience was right on board with everything. But, they asked a couple of questions that I'm sure many of you would have asked as well. Here's one:

Sandy, I really think we have some good people working for us, but outside of telling them that they must appear happy, create a fun environment and encourage a social atmosphere, what does an actual 'training program' in developing these skills entail?

First, evaluate your club and your staff through visualization. Imagine potential members standing outside your fitness center and asking members as they leave, "How would you describe the experience you just had?" Your members look for and need education, social interaction, direction, motivation, a personal challenge, a feeling of

accomplishment, and yes, an experience that is satisfying emotionally, as well as physically. Because few members rarely get emotionally involved with a piece of equipment, their response would be apathetic at best unless they had some form of interaction from the floor trainers or instructors. To impart knowledge or engage in any conversation at all, the leaders must be visible and accessible.

I hope you're doing a quick evaluation of your staff right now or at least visualizing how you would like to see your fitness center in action. Would your members describe the experience they just had by giving examples of engaging conversations they had with your staff? Or would they just say, "Whew! I'm glad that's over!"

What if we were able to evaluate a prospect's or member's experience at every point of contact during a visit at the club? The front desk, the lobby, the locker rooms, the child care area, the pool, etc...

Could you recognize opportunities to promote programs, sell participation in programs or even sell memberships? With this visualization exercise, can you see many missed opportunities as well? Does your staff consist mostly of professional communicators or "fitness sentries" waiting to be approached?

My book has several tests and evaluation tools to use in your training program, but first, "visualize" exactly what's happening and then write down what you would like to see happen. You then work on teaching how to look for red flags and how to recognize people who need or appreciate attention. For example, look for:

- Someone standing alone;
- Someone reading directions;



Sandy Coffman

- Someone using poor form;
- Someone grimacing, perhaps needing a compliment or word of encouragement.

Next, role play, practicing:

- Introducing yourself first;
- Aim a smile directly at them;
- Offer a compliment or a suggestion;
- Add a little humor to the conversation - **Make it FUN!**

Communication skills take practice.

(Sandy Coffman is the Dean of Club Programming and a 40-year veteran of the club industry. Sandy contributes articles from her home in Bradenton, Florida, and is available for telephone and internet consultations as often as you might need her. Sandy may be reached at slcoffman@aol.com)

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