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THE Club Insider

NEWS

The Pulse of the Health, Racquet & Sports Club Business

JUNE 1999
VOLUME VI NUMBER 6



**Bahram Akradi... Living
The American Dream!**



Atlanta



Dallas



Houston



New York



Chicago



San Francisco



Los Angeles



Chattanooga



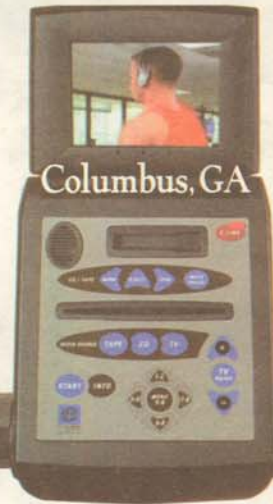
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NEWS

The Pulse of the Health, Racquet & Sports Club Business

Tennessee Ruling Strikes Blow For Tax Fairness!

Courtsouth Total Conditioning Centers and Coalition of Area Club Operators Join With IHRSA To Support Complaint

Nashville, TN.- On May 28th, the Tennessee State Board of Equalization ruled against the YMCA of Nashville and Middle Tennessee on a Complaint filed in October, 1996 alleging that YMCAs are in fact health club businesses and should be subject to taxes just as commercial health clubs are. The State Board of Equalization decided that the de-facto mission of 13 facilities operated by the YMCA of Middle Tennessee was to compete directly with private, taxpaying clubs and therefore "anything relating to health, fitness and recreation purposes of the YMCA should be considered non-charitable." The Board of Equalization was blunt in its assessment of the YMCA of

Middle Tennessee, waving off traditional YMCA rhetoric about its history and purpose. The Board's conclusion, written by attorney Forest M. Norville stated:

"Notwithstanding what the YMCA may have been in the past, notwithstanding what the YMCA's charter may or may not proclaim it to be and notwithstanding any Internal Revenue Service determination about the YMCA tax status, as a matter of fact the present day YMCA of Middle Tennessee is a secular membership organization. Its primary purpose is to furnish facilities and equipment to its members for exercise, recreation and other physical fitness activities."

Norville continues, "As a further conclusion, it appears that a financial benefit inures to the members of the YMCA in the form of excellent facilities made possible in part because of its preferential tax status. Therefore,

[the Board of Equalization] determines that probable cause exists to revoke the exempt status of the real and personal property to the extent that it is used in whole or in part for exercise, recreation and physical fitness activities of its members."

Norville wrote that those portions of the [Y] that are used by inner city teens and youth groups should not be taxed. However, discovery of information for the case uncovered the fact that no one under age 18 is even allowed in the Nashville Uptown YMCA and that charitable services were only performed in a limited area of the Downtown YMCA.

The Board of Equalization's decision culminates a process that started in October of 1996. At that time Club Systems of Tennessee, Inc. and an organization called Quality Health Clubs for Fair Tax

Treatment filed their original complaint, asserting that the YMCA did not qualify for property tax exemption. The YMCA will have one more chance to overturn the decision upon appeal, but IHRSA and taxpaying clubs in Tennessee say they are confident the Board's May 28th decision will stand.

John McCarthy, Executive Director of the International Health, Racquet and Sportsclub Association (IHRSA), has led the U.S. commercial health club industry in the war against unfair non-profit competition. That campaign has principally been financed by the IHRSA Fund, a coalition of concerned member club owners that have vowed to fight to the end for a level playing field for all health club operators. The thrust of the Fund is not limited to YMCAs. JCCs, Parks and Recreation Departments, University fitness com-

plexes and non-profit hospitals all have enjoyed an unfair advantage over the taxpaying commercial club operators and are also targets for the IHRSA Fund efforts.

McCarthy comments about the ruling, "Every YMCA in the country should realize that the cost of being a rogue Y is severe. Just because the IRS doesn't enforce the tax laws doesn't excuse their abuse. The mission of a tax-exempt organization is the sum total of its deeds, not the lofty words it types on an application and mails to the IRS." McCarthy specifically cited the unvarnished language of the Board's decision as a victory in itself and an indicator that the Board is strongly disposed to stick to its guns during the appeal process. "What is especially gratifying is that the Board didn't hide behind loopholes, definitions, exceptions and nomenclature. Everybody knows the difference be-

(See *Tennessee Ruling* page 18)

Bahram Akradi... Living the American Dream

By Tom Zenner

Arriving in the United States at the age of 17, Bahram Akradi carried with him little more than the clothes on his back, a passion for fitness and exercise, a sense of freedom and excitement and the desire to prove to his father and himself that anything could be accomplished in this wonderland called America that he spent years reading and dreaming about in his native Tehran, Iran. That was the summer of 1978. Over the next 21 years he has gone on to truly define what the great American success story is all about, and become one of the most active leaders and true innovators in

the sports, health and fitness industry. As Founder and current President and CEO of LIFE TIME FITNESS, based in Minneapolis, Minnesota, Bahram has built the company from one small club located in an undesirable section of town into a burgeoning company that is experiencing its most exciting year of growth yet. In 1999 LIFE TIME FITNESS will open 6 brand new state of the art, 100,000 plus square-foot-facilities in the Detroit, Indianapolis, Columbus, and Centreville, Virginia markets, as well as acquire 2 more facilities in the Minneapolis/St. Paul market bringing their total in that city to 11.

To find out how the company has been able to not only

grow at its dramatic pace, but at the same time never once miss hitting the pro forma projected in the business plan, you must go back to 1978, when Bahram moved to America. "My impressions of the United States before I arrived were of Hollywood and Manhattan." Needless to say, he suffered a little culture shock and disappointment when he didn't see any movie stars or skyscrapers in Colorado Springs, the city he landed in. "I had a cousin and a brother in the Springs, so that's why I moved there. I was expecting a fancy environment. Tehran at the time was a modern city like Paris, so going to Colorado Springs was almost like being in a time warp," he continued. "I spoke English fairly well, so I didn't have a real bad language barrier, but it was hard being away from my father." Bahram didn't have time for homesickness or feeling sorry for himself, because he was too busy working. "I recognized early on how easy it is in this country to get ahead," Akradi proclaimed. "To me the formula is simple: you put your mind to it and work hard. I realized this in my first

job in a restaurant. I was working as a dishwasher, but wanted to be a cook. Within two months I learned what the backup cook did, and when the position opened I asked for it and got it. Than I set my sights on line cook and then chef. I found out that in this country, if you want to do well, all you have to do is put your mind to it and try."

For his first three years in this country Bahram worked in restaurants to support himself and eventually put himself through college. One of his first goals was to be self-supportive and not have to rely on asking his father to send money. Another was to get his degree, and that too was accomplished when he graduated with an Electrical Engineering degree in December of 1982. So how did someone with an engineering and restaurant background go on to manage, design and run health club companies? "During my fourth year in this country I took on a new part-time job working in a health club. I started with the graveyard shift, working from 11:00 at night until 7 in the morning. I cleaned the clubs, the pools, and the fil-

ters. I taught all kinds of classes, even aerobics. I love exercise and have done it since I was 14 years old. Working in the health clubs was just a natural for me because of my passion for fitness. Eventually, I managed the clubs and tried my hand at sales."

Needless to say, his colleagues at the Nautilus Fitness Center in Colorado Springs had never seen anything like Bahram before. Working as a part-time sales rep as he finished his final year of school, he still outsold everyone else at the club just from working two days a week. The secret according to Bahram, is a lot easier and clearer than what you would discover reading through every motivational and self-help book at your local library. "Selling is an incredible profession if you're doing it with passion. If you believe in your product and you know that your customer needs it, then it's simply a matter of conviction. Are you convinced that they need it, and can you convince them that they need it? I did. I believed that everyone needed to exercise, and I pushed people to work out. I didn't care if they trained with me

(See *LifeTime Fitness* page 21)

Inside The Insider

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THE INSIDER SPEAKS

• EDITORIALS • "INSIDER MAIL" • COMMENTS •

NOTE: This letter went to 50,000 Sport & Health members and the ad to the right appeared in the Washington Post.

Dear Member:

The events of April 20th in Littleton, Colorado are tragically seared into the hearts and minds of us all. We are both outraged and concerned. Outraged that handguns and assault weapons have worked their way into our schools and our everyday lives. Concerned that a massacre like Littleton's could happen again-by anyone, anywhere and at any time.

Handgun and assault weapon control is an issue we want to personally strengthen. We're writing to you today to ask for your help in this effort. In addition, we asked Sport & Health's network of vendors, suppliers and friends-whose names you see below-to support this call to action. We have a vision of a less violent society. If you share this view, voice your opinion for stricter handgun control to your legislator by completing the postcard below. We will deliver your response to the member of Congress in your district. This is one quick and easy step to help make the world safer. And there's even more you can do:

- Call (202) 898-0792 for your Citizen's Action Kit from Handgun Control, Inc. or visit www.handguncontrol.org to learn current laws and pending gun legislation.
- Contact Ceasefire, Inc., at (202) 429-1741 or www.ceasefire.org. They work to educate parents about the dangers of handgun ownership.
- Talk to your kids about guns and the difference between violence on TV and in real life. Teach them tolerance.
- Take part in the upcoming Student Pledge Against Gun Violence this October 21. Call (507) 645-5378 for additional information.
- In Maryland, contact Ginni Wolf, Marylanders Against Handgun Abuse, at (410) 889-1477. In Virginia, contact Virginians Against Handgun Violence at (757) 623-7918. In Washington, DC, call the Center to Prevent Handgun Violence at (202) 289-7319.
- When voting, find out where the candidates stand on gun control and support them accordingly.

Undoubtedly, you've heard cries and pleas against violence caused by guns many times before from concerned citizens and organized groups. However, we think it's time to hear this same message from the private corporations of the country. If private business, with all its capital resources, gets behind this movement, maybe a change can occur. We believe it is about time for more corporations to take a stand and get involved in raising the level of consciousness of this fundamental issue. Together, all of us can make a difference.

On the other hand, we also respect our members' right to their own opinions, and as importantly, the right to enjoy their use of our club facilities free from intrusions of others. We recognize that a club is often used by its members as a sanctuary from the harsh stimuli of the everyday world. Therefore, our message against violence caused by guns/assault weapons will not be broadcast to you while you use the facilities. Your club is about getting fit and remaining healthy, not a forum to espouse causes.

Don Konz and Mitch Wald
Sport and Health

The following organizations and friends support handgun control and have helped sponsor this message: Carl Marks & Company • George F. Kettle Enterprises • The Heiserman Group • Orbitel • idev • Edmar, Inc Brotman Winter Fried Communications • August, Lang & Husak • Hollman, Inc. • HVAC Precision Services, Inc. ValPak of Virginia & Washington D.C.

Norm Cates

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When does someone's right



become wrong?

Our forefathers wrote the right to bear arms into the American Constitution. We've interpreted that right to include weapons like handguns and assault weapons.

Today, this right has become tragically wrong.

These weapons have saturated our culture, and bring everyday violence to innocent citizens. This outcome could not be what our founding fathers intended.

In 1996, handguns killed 30 people in Britain, 106 in Canada, 211 in Germany, and 9,390 in America. That's handguns alone. Today, 81.3% of all firearm deaths in this country are caused by handguns.

The effect on our kids is no less chilling. In one year alone, 6,093 students were expelled for bringing these weapons to school.

On a personal level, we've had enough debate.

If you feel as we do, then let's take a stand. Join us and our network of vendors, suppliers and friends. We want corporate America to put its resources behind the cause to get rid of handguns and assault weapons. Our citizens will support responsible corporations who take the right stand.

We all think it's too easy to simply feel sorry about Littleton. It's tougher to do something. But not that tough. Here are some things you can do, right now, to help bring sanity and safety to America's gun control policy.

Some things you can do to help control handguns and assault weapons:

- 1) Call (202) 898-0792 for your Citizen's Action Kit from Handgun Control, Inc. You'll get a wealth of ideas, including everything you need to petition your Congressional representatives. Visit their website at www.handguncontrol.org to learn current laws and pending gun legislation.
- 2) Contact Ceasefire, Inc., 1290 Avenue of the Americas, New York, NY 10104, (212) 484-1616 or www.ceasefire.org. Their stated goal is to promote "handgun-free homes and families" by claiming that gun ownership is a public health threat.
- 3) Talk to your kids about guns the way you'd talk about drugs or sex. Make sure they know the difference between violence on TV and in real life. Teach them tolerance of others, and the importance of not fueling hate relationships.
- 4) In Maryland, contact Ginni Wolf at Marylanders Against Handgun Abuse, 3000 Chestnut Avenue, Ste. 203, Baltimore, MD 21211, (410) 889-1477.
- 5) In Virginia, contact Alice Montjoy at Virginians Against Handgun Violence, P.O. Box 271, Norfolk, VA 23501, (757) 623-7918.
- 6) In Washington, DC, contact the Center to Prevent Handgun Violence, 1225 Eye Street, NW, Suite 1100, Washington, DC 20005, (202) 289-7319.
- 7) When voting, find out where the candidates stand on gun control and support them accordingly.
- 8) Make a little noise in your neighborhood. Don't be afraid to ask your neighbors if they own guns, and if so, how they're stored. If they don't have the right answers, tell your kids they can't play there.
- 9) Take part in the upcoming Student Pledge Against Gun Violence this October 21. It's a national observance with lots of specific activities for all concerned participants. Call (507) 645-5378 for more information.
- 10) Any new ideas? Make sure they're heard. Write letters to editors of magazines and newspapers.

Don Konz, CEO, Sport & Health Clubs
 Mitch Wald, President & COO, Sport & Health Clubs

• NORM'S NOTES •

•I met with my Board of advisers a couple of weeks ago in Chicago and we have come up with some new ideas for The **CLUB INSIDER** News. Beginning with next month's issue we will begin to publish more photos and brief stories provided by you, our readers. Whenever you have something special going on at your club, be sure to take some photos of the events. Just send your photos and brief reports and we'll run them on a space-available basis. Also we will begin to publish a page of the Best Health Clubs Ads we can find. Again, this will involve your contributions. Also, beginning this month we are going to publish a monthly Nutrition column written by Ms. Nancy Clark. Send your photos, brief stories and best club ads to: **CLUB INSIDER** News, P.O. Box 681241, Marietta, Ga. 30068-0021.

•Last month I wrote and published an editorial entitled: 'How Can We Help Save Our Country?' which was a plea to all of you to join me in making efforts to stop the causes of the sick trend of school shootings that has happened across the country over the past two years. I argued in my writing that there are a number of contributing factors that have caused these kids to go nuts and shoot their classmates and teachers. The factors that I listed included: the violence shown on TV, in movies, in video and computer games, rap music and professional wrestling. In this edition, I have published a letter and an ad produced by **DON KONZ** and **MITCH WALD** of **Sport & Health** in Washington, D.C. promoting gun-control as the solution to the problem. **Sport & Health** is the first club organization that I am aware of that has taken the gun control argument directly to their members and public. While I am one of those that believes that people, not guns, kill, I find it hard to argue with the **Sport & Health** position on the matter after reading the statistics and comments in the ad and letter. Check out the letter and ad on page #4.

•Speaking of the Washington, D.C.-based **Sport & Health** club group, they have just acquired the **Loudon Racquet, Swim & Fitness Club** in Leesburg, Virginia and they plan a \$1 million renovation to the 55,000 square-foot facility. This brings **Sport & Health's** total club count to 26. **Sport & Health** employs more than 1,700 and the company's annual revenues are projected to exceed \$60 million in 1999! Good luck with the new location Don and Mitch!

•**GOLD'S GYM ENTERPRISES** is being sought for

acquisition by several different groups according to my sources. Speaking with Gold's **RICH MINZER**, I learned that YES, the rumors are true, but NO, there is no deal concluded at this time. We'll have the news when it breaks. Also, next month, check out our feature story on Gold's Gyms.

•**The Physical Education for Progress (PEP) Act** was introduced in the U.S. Senate. The bill would provide incentive grants for local school districts to develop minimum weekly requirements for physical education. I hope that passes. Also, why not begin now a nationwide effort led by commercial health clubs to lobby the IRS to provide a full tax write-off for health club membership fees and dues? That would provide a huge boost to health and wellness in America and would fit nicely with the 1996 Surgeon General's Report citing inactivity and a major contributor to disease and death. Why should this not be done?

•It was nice to see that the folks at **24 Hour Fitness** donated \$5,000 after the **Columbine High School** massacre to the **Mile High United Way's Community Healing Fund** that will support the needs of the shooting victims and their families. **Bally Total Fitness** has also offered their 335 locations as collection points for donations to the same United Way Fund. **Bally** will match a portion of the funds collected at its centers as another part of their contribution effort.

•Another real **HOT** story in the works is a relationship that is brewing between **Life Fitness, E-Zone** and **Fitlinxx**. E-zone, as I predicted, is taking off like a rocket ship and is being installed nationwide. Members love it. For example, word has it that E-Zone is being installed at 23 **Tennis Corporation of America's** locations.

•**DENNY DIPOLA**, the former General Manager of **RallySport** in Boulder, Colorado, has bought the 40,000 sq.ft. club from his partner, **DAVE HIGHT**. Denny has been in the business for a long time and for 14 years was the General Manager at **RallySport** and was a minority stockholder. Good luck Denny!

•The new **Association** for manufacturers and vendors has been formed because the companies feel that they don't have any control over the trade shows they support, and that trade show producers must be forced to change to suit the wishes and desires of the vendors. A couple of prime issues are trade show schedules and locations and exorbitant drayage costs such as those recently charged in New York where \$1.23 per pound drayage was charged at **Club Industry East**. Club business trade show producers should really try to work with them to address their issues. Regardless of the real underlying reason that this As-

sociation has been formed, it should result in reduced trade show costs. Hopefully, those reduced costs will be reflected in long-term pricing reductions passed on to club owners.

•Speaking of trade shows, the **Miller Freeman Company**, publishers of the **Health and Fitness Magazine**, is hosting their first conference and trade show in Denver August 12-15th. The event is called the **Health and Fitness Business Expo and Conference** and will be held at the **Colorado Convention Center**. The exhibit hall is about the size of several football fields and is sold out. For information on registration for the show call **ADAM O'BRIEN** at: (800) 950-1314.

•**STEVEN SCHWARTZ**, President of **Tennis Corporation of America**, has announced that **TCA** has been selected to manage **Kraft Food's** on-site fitness centers in Northfield and Glenview, Ill. And Tarrytown, N.Y. Veteran **MELISSA McDOUGAL** will manage the Northfield facility, **BETH JACOBSEN** will manage the Glenview facility and **JEREMY TADILLO** will manage **Kraft's** facility in Tarrytown, N.Y.

•I received an e-mail memo from **PAT PINE**, Founder of the **NFTA** referencing an alleged bill going through Congress that will impose a \$.05 charge for every e-mail. Turns out the whole deal is a big hoax. Bill 602P and the alleged Congressman Schnell do not exist according to the **Atlanta Journal/Constitution** on June 11th and it is all a big hoax. Never a dull moment in this country!

•**GEOFF DYER**, owner of **Lifestyle Family Fitness Centers** in the Tampa Bay area, has announced that he has signed a deal for his 7th location in the Tampa area, in Largo, FL. This new club strengthens Geoff's already strong position in Tampa. And, Geoff has teamed up with **PERRY** and **RAY WILSON** to include their Tampa facility in the **Family Fitness** marketing group. Also, Geoff's Central Office has been keeping the books and collecting dues for both **Perry's** Tampa club and **Ray's** other son, **PACKY WILSON's** 3 new facilities in Columbus, Ohio.

•Speaking of Florida, recently **SEHRSA**, the club owner group assembled in Florida to try to eliminate the sales tax on memberships in Florida lost in their first real try at the Florida State Legislature. However, they aren't going to give up and I'll predict success one day for this group led by **JOE CIRULLI**, **GEOFF DYER** and **BOB KARSHNER**. They spent \$44,000 on lobbyists the first time around and are planning to continue the fight. Good luck guys!

•The lovely **JANET**

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LOSSICK, formerly with **Club Sports International** and a 20-year club industry veteran, has struck out on her own to create a company called 'Vision In Action'. **Janet** and **KAREN WOODARD** are the two women that dreamed up **Club Industry Magazine's** awards for club business women that are presented annually at the Club Industry Convention in Chicago. I'll have more on Janet's new project next month. Good luck Janet!

•**MICHAEL SCOTT SCUDDER**, a busy club business consultant, is conducting what he calls: **The 1999 "STUFF THAT WORKS" National Health Club Seminar Tour**. Michael will have stops in June in Phoenix, July in Albuquerque, N.M., August, in Salt Lake City, September in White Plains, N.Y., October in Nashville, TN, and Indianapolis, IN, and November in Cincinnati, OH, and Arlington, TX. For information on Michael's seminars call him at: (505)751-4236.

•Word is that the **Linda Evans Fitness Centers**, while not performing well since inception, is connecting with **24 Hour Fitness** to create a membership network between the two groups. I would not be surprised to see a 'Lady 24 Hour Fitness' sign before long.

•**BRENDA ABDILLA**, the President of **Club Profit Systems** and a 14-year club industry veteran, has written a very impressive book entitled: 'Marketing For Results'...a Common-Sense Approach for Health Clubs. The book was published by **CBM Books**, a Division of **Cardinal Business Media**, based in Fort Washington, PA. Brenda has promised to write an article for us on

'Marketing For Results' next month. Stay tuned.

•**VICTOR** and **LYNNE BRICK**, owners of the **Brick Bodies Fitness Centers** in the Baltimore area, have added a kids Summer Camp they call the **X-cape Camp** to their club offerings. The camp will serve kids age 10 to 16 and will provide windsurfing, sea kayak, sailing, and catamaran lessons along with an array of land activities including beach volleyball, inline skating, daily eco-hikes and swimming. Sounds like a lot of Summer fun is on tap for kids in the Baltimore area.

•**KEN GERMANO** has left **Reebok/Cross Conditioning Systems** to join **E-Zone** as the Vice President of Business Development. Ken is also the fellow that has done terrific work with the development of 'Operation Fit-Kids', an organization devoted to the acquisition of used exercise equipment for installation in Boys and Girls Clubs, community centers and other places where underprivileged youths might have the opportunity to get into fitness. Good luck Ken on both the E-Zone and Operation Fit-Kids fronts!

•**PRICE COSTO CORPORATION** has sold their **Portland, Oregon SportNation** to **LeisureSport** of Pleasanton, CA. **SportNation** is about 140,000 square feet and was recently selected by **Shape Magazine** as one of the Top 5 clubs in America.

•**Nordic Track** has been bought by the **Icon Fitness Corporation**.

•**Fitlinxx** has raised \$15 million in funding from four different private equity firms and continues to grow and prosper.

•**Weight Watchers** is being sold and their clubs in New York and Canada may come on the market as a

(See Norms Notes page 20)

Norm Cates'

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Media's Messages: Killing Us Softly

By Nancy Clark, MS, RD

"Many ads suggest I can eat as much of fat-free foods as I want-guilt free. I've done that and I've gained weight. Shouldn't the ads also say fat-free can be fattening?"

"When I was 14, I studied the models in fashion magazines and decided that's how I wanted to look. One year later, I was in the hospital with anorexia..."

We are surrounded by media's warped messages about food and weight. Every day, when we read newspapers and magazines and watch TV, we get bombarded by damaging messages about food and weight that are softly killing us-and our sons, daughters and athletes. Thankfully, more and more consumers are complaining about these mis-

shapen messages. And the good news is, the food and fashion industries are starting to listen.

Given that food problems, disordered eating, distorted body images, and outright eating disorders are prevalent among exercisers and athletes of all ages and genders, the following information may offer a perspective that helps you/your friends be more at peace with food. This article summarizes the highlights of a program offered by the Harvard Eating Disorders Center (www.hedc.org) during Eating Disorders Awareness Week, February 22-29, 1999. Media & the Food Industry: The food industry loves people who overeat! Clearly, overeaters spend lots of money on many types of foods-including chips, soft drinks, fast foods, and candies- items that occupy the majority of food commercials. Have you noticed that

many food ads actually encourage you to overeat? ("I'll bet you can't eat just one...") The ads also strive to normalize overeating; they depict food as an effective way to reward yourself, cope with emotions and escape from life's problems. ("You deserve a break today...") The inappropriate use of food as a drug simply diverts your attention temporarily-but creates other problems, namely weight gain and its associated shame, to say nothing of health problems.

Speaking at the Harvard program, Jean Kilbourne EdD, known for her study of images of women in advertising as well as her film "Killing Us Softly: Advertising and Images of Women," reminded us we need to improve our relationships and connections with people-not food. No amount of food will solve any problem.

Many diet-food ads ask

women to live up to idealistic/often unrealistic body images. Case in point: Special K's white bathing suit campaign and their "change fat into muscle" messages. Because consumers have complained they find these messages offensive, not inspirational, Kellogg's has changed its advertising campaign. Their new "Reshape Your Attitude" ads advocate for positive self-esteem and the right to feel good about yourself, with no body images attached to the message. According to Karen Kafer, Director of Communications for Kellogg USA, the company has gotten seven times more



Nancy Clark, MS, RD

(See Media Message page 8)



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Cirulli and Matkozych Call E-ZONE A Genuine Exciter!

By Micheal Hoffman

The reaction to the E-Zone Network has been great! Word of mouth is driving the sales of the headphones. The promotion we're doing just adds to the excitement. The reason I put the E-Zone system in is because I believe, in order to get the customer of the future, we have to become more of an experience than simply a place to work out. E-Zone is a large part of that experience." - Joe Cirulli, Owner- Gainesville Health & Fitness Center

When Joe Cirulli, owner of the Gainesville Health and Fitness Center and his General Manager Jan Matkozych committed to 60 new pieces of cardio equipment for an April, 1999 club upgrade, they knew what would happen. After a while, the excitement value of the new machines would wear off and members would be looking for the next new "exciter".

According to Matkozych, who spends most of his time on the floor getting member feedback, just making a club bigger with more equipment no longer has much effect on attracting new members, retaining existing ones or gaining a lasting competitive edge over your competition. He says you have to offer something that makes a long-term impression on the minds

of members and guests.

Double Whammy - Competitive Edge AND Retention

By installing E-Zone along with the new cardio equipment, the club instantly has a unique selling proposition to market against the competition. Retention, though, is an equal motive for offering the new entertainment system. It proves the club's commitment to staying on the cutting edge by offering members more than just new machines. By providing a new technology that allows them to make a personal choice about what they can watch or listen to during their workouts, it exceeds their expectation about what a club can offer.

Long-Term Excitement

Matkozych, who has worked with Cirulli since 1979, has seen hundreds of new product introductions and admits that new "exciter" product eventually loses its flash. However, he believes E-Zone can be an exception.

"No product has ever come out of the box with the instant versatility and long-term upgradability of E-Zone. It's as unlimited as anything the per-

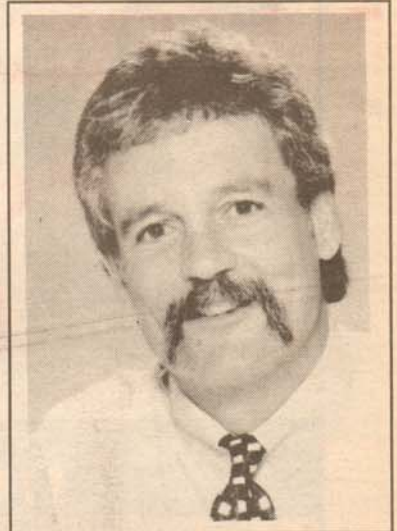
sonal entertainment industry has to offer - music, TV, movies, educational programs, radio. That's what I call a genuine exciter for any club's members," he says.

Marketing the Entertainment Factor

Gainesville Health and Fitness has made E-Zone a living feature of its marketing, not an add-on. Every guest gets an E-Zone demonstration during their tour, and all new members get three complimentary E-Zone sessions during their initial training. "The depth of people's excitement about E-Zone is genuine," says Cirulli. "We've exceeded our projections for sales of the headphones to veteran members and most of the new members buy them before their three complimentary E-Zone workouts are over," he claims. It

works for old and new alike. Gainesville Health & Fitness hardcore members tell Matkozych they appreciate the E-Zone upgrade, but Matkozych says the gratification expressed by members whose commitment to fitness is just beginning to develop and who are high-risk candidates for dropping out, is equally impressive.

"Our job isn't done once we have helped a person make the decision to join. We have to continue to make their experience as enjoyable as possible, no matter how intimidated they might be. E-Zone has provided our more timid new people a fun experience they never expected to find in a club. It's like just when they need it most," says Matkozych.



Michael Hoffman

Iron Grip Barbell Company Files Suit Against Icarian For Patent And Trade Dress Infringement

New York, N.Y. - Iron Grip Barbell Company has filed suit against Icarian for patent and trade dress infringement. Iron Grip alleges that Icarian's recently introduced Jade weight plates with openings forming grips infringes its intel-

lectual property, including its patents and trade dress rights. A health club chain is was also named in the suit. Iron Grip alleges that this health club chain, by using Jade plates, infringes its patents.

Iron Grip is also engaged in a lawsuit against Ivanko Barbell Company for patent and trade dress

infringement. Iron Grip has 5 issued patents, as well as numerous additional patents pending. Iron Grip also has additional intellectual property under development.

For more information, call (800) 664-4766 OR (714) 850-6900. Info@irongrip.com www.irongrip.com

...Media Message

continued from page 6

(positive) consumer responses praising the change than they would have normally expected. Media & the Fashion Industry: The fashion industry traditionally uses super-thin models to sell their clothes. With the help of anorexia and air-brushes that delete any physical flaws, each model appears perfectly beautiful (according to industry standards, that is.) But take note: "Kate Moss Gets Tossed" is the latest headline from Anne Klein's advertising department. Kate has finally been deemed too skinny.

Anne Klein has switched its advertising focus from anorexic-looking super models to "real women" who are role models of success. Their current advertising campaign high-

lights thirty high profile women dressed in Anne Klein clothing. The criteria for inclusion in this Significant Self campaign are simply the woman's credentials, not her body size, age, nor traditional standards of beauty. Who knows, maybe this breakthrough reality-based campaign may start to revolutionize the fashion industry's ads. So what can you do? As an innocent bystander, you are a victim of media's messages-messages such as thin is best, exercise builds perfect bodies, fat-free is guilt-free/calorie-free. These messages can warp your attitudes and influence the way you view food and your body. Don't hesitate to complain to the companies that generate offensive ads! Write, call or e-mail their customer relations departments. Hopefully, they will listen.

On the home front, you can stop judging yourself from the outside in by throwing away your scale. Scales do not weigh athletic success nor beauty. Do honor your goal to be healthy and fit-but ac-

knowledge you can be healthy, fit and fat(ter), all at the same time. You can also choose to live your life by the following tenets recommended by the Eating Disorders Awareness & Prevention Organization (www.edap.org): I will accept my body in its natural size and shape? I will celebrate all that my body can do for me each day? I will treat my body with respect, give it enough rest, fuel it with a variety of foods, exercise it appropriately, and listen to what it needs? I will not avoid participating in activities that I enjoy (e.g., swimming, dancing, enjoying a meal) simply because I am self-conscious about the way my body looks. I will recognize that I have the right to enjoy any activities regardless of my body shape or size? I will believe that my self esteem & identity come from within.

(For additional information, please contact Nancy Clark, MS, RD at: 617-739-2003.)

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SALES MAKERS

“Revs Some Engines” At 13th Annual Sales and Marketing Classic!

Fort Myers Beach, Florida - The 13th Annual Sales Makers Sales and Marketing Classic has once again received rave reviews from Club Owners, Sales Managers and Membership Staff from all over the U.S., including two attendees from Puerto Rico. Ray Gordon and Ed Tock, the two principals of Sales Makers, hosted the 2 1/2 day seminar May 14, 15 and 16th. The seminar has become an industry tradition since 1986. Coinciding with this years seminar was the World Off-Shore Power Boat Championship races, which seemed to serve as an appropriate “back-drop” with the race course’s only turn taking place directly across from the Conference hotel. With beach-side training as part of Sales Makers protocol, the seminar focused on delivering attendees an in-depth look at the highly successful Sales Makers system. The Sales Makers system is simply the most results-producing sales system in the industry and these time-tested proven methods increase membership sales without discounting monthly dues.

Lyle Schuler, a 20-year club industry veteran, who until selling his interest last year owned and operated five successful clubs in N.Y. and CT., also provided valuable insight on increasing membership sales and retention. For the past year, Lyle has been working with the Sales Makers organization and was himself a former client who experienced a 30% increase! Not bad results, considering his clubs made Club Industry’s “Top 50” list for four consecutive years.

During the conference a sales management software demonstration was provided by Brian Homan, President of Tools System Management. Their software systems are very well developed and include many unique aspects that won’t be found elsewhere. As the industry continues to mature, the benefits of an effective lead management sales software program are becoming less of an option and more of a necessity than ever before. Brian’s club background has been a tremendous plus in designing a program that appears to be truly “dialed



SalesMakers Class of 1999

in” on what club owners and sales departments need to operate in today’s club.

Attendees Speak Out....!

“Going to Fort Myers was probably the single best investment I ever could have made for myself as well as my staff”.

Mary B., Michigan
“The information presented was exactly what I needed (See *SalesMakers* page 22)

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“I look forward to each Roundtable session as a chance to step back and clear my mind. The combination of friendship, ideas and renewal of my own energy have made the sessions invaluable.”

“I consider the Roundtable a critical resource for my business, it gives me a competitive edge. The seminar and new ideas, as well as a chance to learn about myself, have helped me to become a better manager.”



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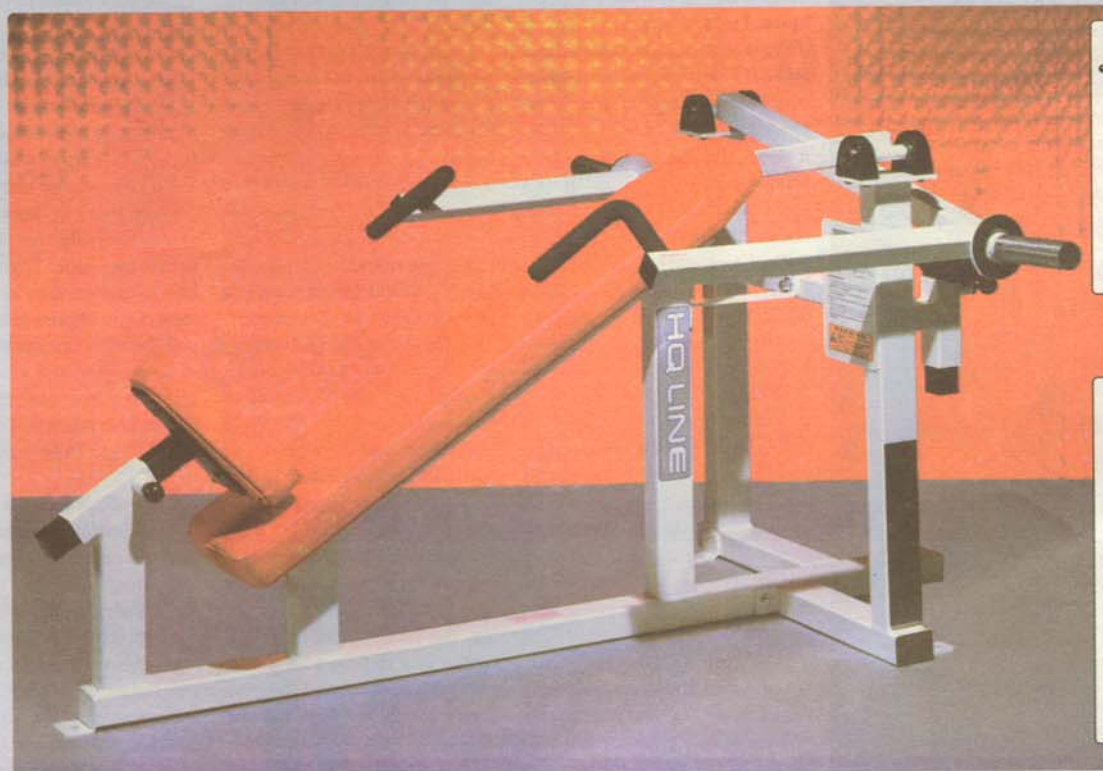


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KEEPING YOUR CUSTOMERS

By Rick Barrera

Every company I talk to says they want to deliver exceptional customer service. That is until it becomes uncomfortable, complex or too expensive. It's easy to deliver great service when the customer is happy and everything goes right. True customer-driven companies deliver exceptional customer service all of the time, even when it may not feel good. If you want to truly be a customer-driven company, you must adopt my three laws of exceptional service delivery and practice them 100% of the time.

Rule #1: The customer is not always right, but they are al-

ways the customer! You should never teach your people that the customer is always right. Have you ever been faced with a customer who was wrong? Yes, but is it more important to prove that they're wrong or keep them as a customer?

David Nordstrom has a video that he shows every employee before they even see a customer. That video says, "Hello, my name is David Nordstrom. I am the President of Nordstrom. I have a clear and simple message for you. Whenever you come face to face with a customer, I do not want you to argue with them. I want you to understand that I want you to give my money away. Please. I would consider it a personal fa-

vor if you would give my money away, because I never, ever, want you to argue with a customer. That will not only hurt that customer and your relationship with that customer, it will hurt our reputation in the marketplace."

Nordstrom had a woman a few years ago return a set of tires. The clerk looked at her and asked how much she paid. She told him \$64 apiece. He took the money out of the register and paid her. What makes this a little unusual is that Nordstrom does not sell tires. Now, in most companies, what would happen to this employee? He'd be fired. Nordstrom made him the Employee Of The Year! What kind of message do you think that sends to the rest of the employees? "Wow! They're not kidding about this 'don't argue' stuff. The guy's an idiot and they make him Employee Of The Year."

I went to the luggage store the other day and bought my 10th or 11th piece of luggage from them. I took it on one trip and the zipper broke. I took it back and asked for a replacement. The sales clerk asked if I had a receipt. I asked her why I needed a receipt, and she replied "I need to know if you bought it here." "I just told you I bought it here," I said. Was she calling me a liar? I said, "Let me ask you a question. Is this paperwork really that critical to your operation?" She said, "Oh, absolutely. Can't function without it." I said, "Great. Then where is your half of the paperwork?" She couldn't produce it. Why should I keep my half when they didn't bother to keep their half? Her response to that question was, "Sir, we sell thousands of pieces of luggage here. We can't be responsible for everyone's receipt." In that instant, it was more important for her to follow the rules and prove me wrong than it was to keep me as a customer.

Rule #2: Never say "No" to a customer. You have two options you can say "Yes" and you can say, "Yes AND the price for that will be..." The key to making this rule work is to put a price tag on the request that will make the extra effort worth your while. In fact, you should be thrilled when they take you up on your offer.

I went to a printer one night at 4 a.m. The sign said "Printing while you wait." I had promised a hand-out for a speech the next morning. I had just finished that handout and asked the clerk if

he could copy them for me. He said, "Not now. In three days." I took him outside and pointed to the sign that said "Printing while you wait." He said, "You're going to wait three days." I had anticipated this problem because I had been there before. My client spent a lot of money with me and was very demanding. If I showed up without the handouts, I would be in big trouble. I made the decision that I was willing to spend up to \$1,000 over and above the cost of printing to

get the guy to take the job right now. I went to the guy, and he said he couldn't help me because he had jobs ahead of mine. I asked him to name his price. At this point I was getting desperate. He said there was nothing he could do to help me. Do you think the owner's of the business would have felt the same way? I wonder if they even know about the lost revenue from that night.

Rule #3: Whenever you come face to face with a customer, it's your turn. You own that customer until they're happy. I taught this concept to a new employee in my company. Two weeks after she had been on the job, a customer called from Australia and said he wanted to buy one of my books. She told him that the cost of the book was \$14.95. He asked her if she would Fed-Ex the book to him. She said, "Oh, absolutely." That decision cost me \$175 in Fed Ex charges for a book we sell for only \$14.95." I wanted to choke her. But I told her whenever she comes face to face with a customer it's her turn and she is to handle things her way, and she did.

I walked out to her, put my arm around her and said, "That's what I want, Responsiveness to the customer. That's the most important thing." The next day the guy called back and ordered 3,000 books. Now how do I feel? Short-term loss, long-term gain is part of turning customer service into a profit center.

Doesn't all this high-



Rick Barrera

level customer service cost a lot? Can you really afford it? To determine this, I want you to calculate the lifetime value of a customer in your business. To do that, take the average length of time that an average customer starts buying from you until they either die or move away. Next, multiply that number by their average purchases for the year. This is the lifetime value. The second number you need to look at is what it costs to bring in a new customer. What does it cost you to recruit a new member? In other words, what is your total sales and marketing expenses for a year? Divide that number by the total number of new customers you acquire in a year. Once you know the average lifetime value of a customer, and what it costs to bring in a new one, then you can decide how much you can afford to spend to keep a current customer.

(Rick Barrera is the President of Rick Barrera and Associates. He is the co-author of the book Collaborative Selling and the multimedia training system How To Gain the Competitive Advantage in Selling and is a recognized expert in the areas of customer service, peak performance, relationship skills and collaborative selling. He has been selected by a wide range of prominent companies including AT & T, Xerox, IBM, Intel, Johnson Controls, Blue Cross/Blue Shield, Tupperware International, Gannett Media and Glamour Magazine to teach their top achievers how to stay a step ahead of their competition. Rick may be reached at his La Jolla, CA. Headquarters at: (800) 835-4458.)

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The background image shows a treadmill console with a digital display and a keypad. The display shows 'TIME', 'HR', and 'LEVEL'. The keypad has buttons for '1', '2', '3', '4', '5', '6', '7', '8', '9', '0', and 'START'. A hand is shown pressing the 'START' button. A mechanical part, possibly a roller or pulley, is shown in the foreground. A red dashed arrow points from the text 'START HERE' to the 'START' button on the console.

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MAKING THE SUMMER COUNT

By Norm Cates, Jr.

By the time you receive this edition it will officially be Summer.

For owner/operators with multi-purpose clubs Summers mean a lot of activity around the swimming pools, tennis courts and other outdoor facilities. For fitness-only facilities with indoor-only facilities the Summer can mean a quiet time with sagging revenues.

I think the key operative words here are: CAN MEAN a quiet time. It doesn't mean that it MUST MEAN a quiet time with sagging revenues.

It is all in your mind. If you LEAD your club into the Summer with a plan FOR ACTION, you can MAKE THE SUMMER COUNT!

Here are some ideas for you to consider to MAKE THE SUMMER COUNT:

(1)- MEMBER APPRECIATION PARTY - If you don't already do it, begin to plan and deliver a monthly MEMBER APPRECIATION PARTY. Pick the slowest night of the week and host a get-together for your members.

Go out into the community and secure trades from local restaurants for food in exchange for memberships or other club services. Obtain gift certificates from local movies, amusement parks and other businesses to give away as door prizes. Restaurants, theaters and other businesses will gladly work with you for exposure on your invitations and other promotional materials. Be sure to encourage your members to invite their non-member friends to attend the party and prepare a nice gift certificate for them for a two-week free trial membership. A properly planned and executed monthly member appreciation party can be delivered very inexpensively every month of the year and will produce terrific results in terms of member and staff morale and will also produce new member prospects every time. Just keep it simple, but upbeat and do it EVERY MONTH of the year, not just the Summer months. And, use your imagination and the imagination of your staff to MAKE IT FUN every month!

(2)- COST CONTROL AUDIT AND BUDGET PLANNING - Use the Summer

Months to carefully study and evaluate your Expenses for the business. You will be amazed to see the savings you can make on operational costs just by knowing exactly where you are spending your money and why.

Checkout "Mr. Cost Control," Rick Caro's article Entitled: 35 Cost Saving Techniques to Increase Bottom Line in our September '98 edition.

(3)- GET TO KNOW YOUR ORGANIZATION- When was the last time you took the time to really sit down and discuss your business with your staff? Do you know how to go about engaging in a meaningful staff discussion about the business, where it has been, where it is going and how you are going to reach your goals? An excellent business diagnosis tool and the best one that I am aware of in the business, is the Executive Insight Program produced by Dr. Gerry Faust of Faust Management, Inc., San Diego, CA. The Executive Insight Program is a self-contained and complete system with audio instructions that will open your eyes more than anything you have ever done. And, if you are not the group facilitator type, Faust Management, Inc. can provide a

trained facilitator to assist you with the business diagnosis. For information on this terrific business diagnostic system, contact Faust Management, Inc. at: (619) 536-7974.

(4)- SHOP YOUR COMPETITION- Here is another 'WHEN WAS THE LAST TIME' question for you. When Was the last time you did a thorough CLUB SHOP of all of the clubs in your market? Yeah, I know. For some of you, showing your face as a club shopper would probably result in the folks in that club immediately going on the defensive. But, do as Bob Provost in Greenville, S.C. and just give your market competitors a friendly call and tell them you would like to drop by their facility one day to see their operation and get to know them. Most likely you will receive a polite response and an offer for a personal tour from the owner or manager. The worst thing that can happen is the owner/manager can turn your request down, so what do you have to lose? Regardless, you are much better off if you know your competitors and are on speaking terms with them. There are many alliances across America that have

grown from such an initial contact.

(5)- MODIFY YOUR WORK SCHEDULE- The club business pretty much puts owners and front line managers on call all the time. And, in case you haven't been at it long enough, a sustained schedule, unmodified for a long time can get old if you don't take a break once in a while. Play with your work hours so that you are in the club during different times. You will learn a lot. You will learn about your staff during those hours and you will learn about the members that frequent the club during those times. Regardless, variety is the spice of life and you can't go wrong by varying your schedule once in a while, especially in the Summer months.

(6)- A GREAT TIME FOR MAINTENANCE AND REPAIRS- One club group I know shuts down their large (135,000 s.f.) club for an entire week during the Summer for maintenance and repairs. They use this time to do all of the things you can't do regularly with members coming and going. And, they have successfully done this now for over 20 years. The key here is you can use the slower Summer months to do some of the (See *Make Summer Count* page 22)



Membership Sales Success Institute

3 Days of Hands-On Workshops to Take You & Your Club to The Next Level Immediately!

All Sales Directors, Membership Reps, & Club Managers Should Attend!

Day 1: (9am-5pm)

Are You Qualified to Close?

Develop a System That Makes Asking For The Sale Simple

This is the session for you if your sales process doesn't flow toward a smooth close or if you simply want to increase your closing ratio - and who doesn't? If you've been selling fitness for years or only days, this session will be a power tool in taking your production to the next level, and making your sales process more profitable. In this interactive session, you will learn:

- What work/don't work for you, and how to use only what does
- When, where, and how the close begins
- The cold to sold continuum and where you and the prospect stand on it
- Using a model that creates flow for you and the prospective Member
- Creating Urgency
- Handling objections before they become objections.
- Creating differentiation and desire on the tour
- What to do when they don't join today

Day 2: (9am-5pm)

Turning Calls Into Appointments

The phone line is a vital life line for the Membership sales team and the more comfortable we are with it, the more profitable it will be for us. This session will help you identify your level of comfort, get to a higher level, and turn those calls into appointments! At this interactive session, you will learn:

- The real purpose of the phone call
- Classic problems to avoid
- Why we are often at a disadvantage over the phone
- How to set yourself up for success
- Verbiage, verbiage, verbiage!
- Tips for follow-up and leaving effective messages

20 Tips To Increase Traffic in 30 Days

Whether your club has a large marketing budget or none at all, this session will give Marketing Directors, Sales Directors, Membership Sales Staff and Personal Trainers 20 tips to create more qualified leads and hit their goals before the end of the month. In this session you will learn:

- Whose job it is to create business for the club
- The importance of long and short term prospecting plans
- Why we don't prospect
- Proven tips to create traffic
- Proven tips for Sales Directors to motivate their staff in creating traffic
- How to create your own 30-90 day Prospecting Plan

Day 3: (9am-4pm)

Tools To Create & Manage A Super Star Sales Team

This session is for anyone in your club who manages a staff. It includes emphasis on how best to manage a revenue producing department - and what department isn't? We'll discuss what works and what doesn't, focusing on Membership Sales, Personal Training, and Massage, however this information is a template for leading any department to success professionally as well as personally. Some specific areas we'll cover are:

- Creating a success perspective for you and your Staff
- Mistakes for new, as well as more experienced managers to avoid
- Professionally directing your staff without being parental or hardline
- Accountability to ensure what needs to get done gets done
- Staff meetings and how to make themizzle
- Compensation plans for results
- Discussion and solution finding for specific club issues
- Implementing a staff selection process that minimizes mistakes and maximizes staff performance and retention

The points will be enhanced through a combination of lecture, discussion and skills practice. This is a very hands-on session.



Presented By:

Karen D. Woodard,
PPT President

Karen D. Woodard, President of Premium Performance Training in Boulder, Colorado is an international author and consultant devoted to successful sales, operations and management training in the health and fitness industry. She has owned a variety of clubs over the past 14 years including a body/mind center, 3 fitness centers, and 2 indoor rock climbing facilities. Her philosophy is "even if you're on the right track, you'll get run over if all you do is sit there".

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"I learned a ton of practical information. If I just use 30% of what I learned I can double my sales." - Dax D., Georgia

"Exceeded my expectations and gave me valuable information and plenty of new ideas that I can implement right away." - Connie O., California

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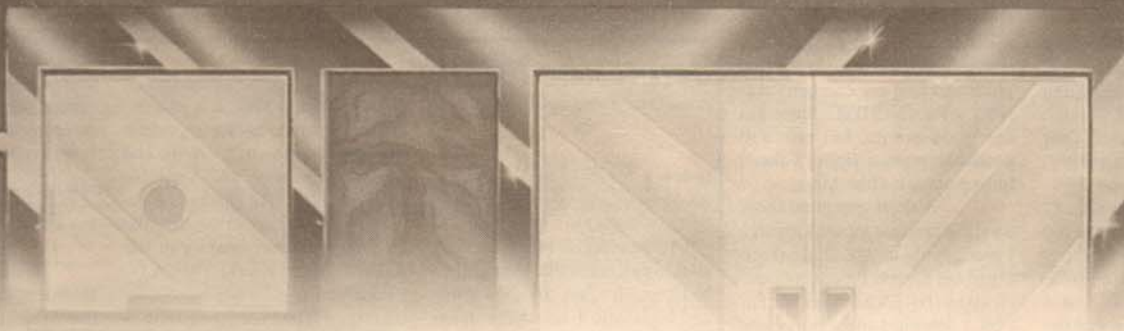
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"I'm Too Fat To Join A Health Club"

By Rande LaDue

These words were spoken by my own Mother recently during a 'far too long in between' visit. We were chatting about her life and how she keeps busy with Dad gone for two years now. Most of all, she gave me all the gossip of her nosy neighbors.

Of course, me being the health fanatic that I am, I manipulated the conversation into reasons for her to join the local health club (after all, I was once a partner with the owner, I could probably get her a discount). She gave me many excuses, which any rookie sales person could overcome. Finally the true objection came out, "I'm too fat to join a health club even if it were free! I would be too embarrassed to have all those people watching me". I said to her, "What if the club had a separate room and a program designed especially for fat, mean old ladies like you? And what if the equipment were safe and there was no coordination -necessary, so even a klutz like her could do it? And what if it did not cause muscle soreness so you wouldn't have anything to bitch about? And what if there were an Instructor to watch your form, motivate you and make every workout fun?"

She said, "Is he cute"? My Mom is something else, but she did promise that if I could talk my former partner into adding a PACE Group Exercise Program™ in a separate room in his facility, that she would try it. My Mom is not alone; the majority of the US population

is overweight, especially both ends of the spectrum. Over 25% of America's children today are considered obese; we are raising a sedentary generation with computers, pagers, cell phones, video toys, etc. At the other end, the senior population is the fastest growing segment of the US population; most of them are de-conditioned, having never gone into the doors of a health club.

Mom did say that she would be more likely to go into a diet center or women's club with user-friendly equipment and a weight loss program than go into a larger, multi-purpose club. As a matter of fact, one of her few friends had actually called to get information about a Women's-only club co. only to find out that the equipment cost about \$20,000, but then saw it was a franchise and she would have to pay \$395. per month for the next ten years (about \$48,000) plus an advertising allowance.

Mom showed her friend some of my brochures and told her that she should buy the equipment from me since the other company copied mine in the first place and that my company was NOT a FRANCHISE. Mom has her good points, but she will probably want a finder's fee. I turned out a lot like Mom.

A short statement about a very important topic: Although I was unable to attend the meeting of the Fitness Products Council at the IHRSA Show in San Diego, I applaud the efforts and hard work of Dave Levy, Co-Publisher of Fitness Management

and all others involved in trying to unite the fitness manufacturers into a more cohesive group, especially when dealing with trade show organizations. Enough is enough with trade shows!

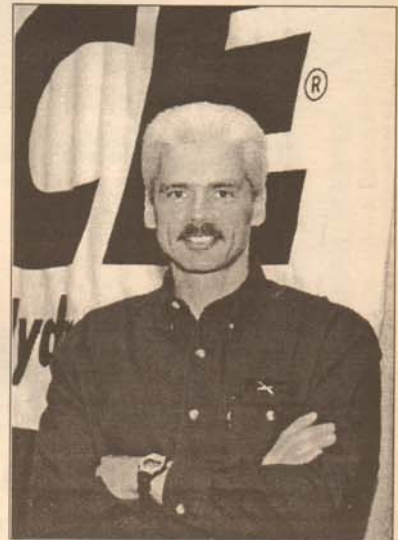
'This was the first year in many that I did not attend the Club Industry East Show. Besides the problems with drayage and dealing with unions, the hotel costs to bring in Reps is ridiculous; not to mention the fact that this particular trade show organization wanted payment in full six months ago. We decided not to attend this year.

Last year, in attempting to reestablish brand awareness to PACE after a 3-4 year hiatus, we purposely went way over budget on our marketing spending, going to virtually every trade show and advertising in every fitness magazine out there. It paid off in sales; now, we feel we can be more selective in where and how we spend our marketing dollars. Our show plans for the remainder of this year include; the National Fitness Trade Show in Au-

gust (Wally knows we all complain about the attendance every year, but darn if this show doesn't pay for itself several times over each year), the Club Industry Chicago show in October and the AB/IHRSA Show in Orlando in December. We also have a few "Specialty" Shows we may be attending as well as some regional shows.

As far as fitness magazines we plan on working with, *The Club Insider* News will remain in our long range plans, still being our #1 source of leads.

We plan on continuing to use the best of the rest, but on a tighter budget basis. Note: We should also mention that we receive about 45,000 'hits' a month on our website and that we have just changed the address to make it easier to find us at www.pacegroupexercise.com. Call us at



Rande LaDue

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Tennessee Ruling

continued from page 3

tween a business and a charity. It's obvious and you don't need to be a tax lawyer to figure it out. If you're running a business, you should pay taxes like every other business. It's just common sense and logic and I see that echoed simply and forcefully in Tennessee's decision." Taxpaying fitness clubs have long argued that tax-exempt organizations should not operate commercial fitness clubs unless they are willing to pay their fair share of taxes. They say that the financial advantages tax-exempt clubs enjoy are a critical handicap for taxpaying clubs and that this competitive imbalance dissuades new tax paying clubs from entering the field.

In 1998, a group of the largest IHRSA multi-club operators joined together to contribute over \$1 million to fight the fair competition fight. The future now looks even better for the fight for fair competition after the ruling.

One of the club operators who led this effort, Brett Roper, General Manager of the Court South Total Conditioning Club located in Knoxville, says that the best part of the Board of Equalization's decision is that it also applies to any other not-for-profit health clubs or fitness centers in the state. It sets an important precedent."

PERTINENT FACTS DISCOVERED DURING CASE INVESTIGATION

"There is no factual dispute that the YMCA is in competition with the taxpaying health and fitness centers of Nashville and Middle Tennessee. On April 16, 1999, the Nashville Business Journal published a table comparing the 20 largest fitness centers in the Nashville area. 9 were YMCA facilities".

"The greatest subsidy is 80% for one person with an income of \$7,000. The smallest is 10% for one person with an income of \$27,000; 10% for a two-person household with an income of \$31,000; and 10% for a three-person household with an income of \$33,000."

"The total value of annual subsidies (not including corporate discounts) is 1.2% of the total value of memberships at the Uptown Y...[and] 5.2% of the total value of membership at the Downtown Y."

"The amount of subsidized membership income was 8.6% of the total value of [YMCA] income from membership and program fees."

"The YMCA seems to take the position that all of its property is exempt simply because it meets the definition of 'charitable institution' as defined [by TN law]. The [Board of Equalization] is of the opinion that if it was ever the law in Tennessee, it was changed by the decision in the Middle Tennessee Medical Center case which makes it clear that simply because property may be owned by a charitable institution, the property must be used for charitable purposes in order to qualify for an exemption."

"The Board's determination [shall] apply to all YMCA locations throughout the state and any other not-for-profit health clubs or fitness centers.

THE CASE THAT MADE THE DIFFERENCE

In 1994, The State Board of Equalization ruled that the Middle Tennessee Medical Center, a not-for-profit hospital corporation, must pay taxes on 85% of its fitness center.

The Board found that the 15% exemption accurately corresponded to the proportion of visits to the fitness center by hospital patients sent there by their doctors, as opposed to the 85% of visits by hospital employees and members of the general public. It noted: "...the great majority of those who use the Center are not under a doctor's care. They have chosen the Center over competing health spas for reasons of their own, and it is not the role of this court to encourage that choice by according the Center a more favorable tax-exempt treatment than that permitted to its competitors."

"We feel it would be misuse of the tax exemption granted to charitable hospitals if every revenue-generating venture the embarked upon automatically benefited from the exemption, so long as that venture could be characterized as in some way promoting health."

Stay tuned to *The CLUB INSIDER* News for updates on this important story.

Town Sports International Executives Named Finalists For Ernst & Young Entrepreneur of the Year TSI Is Only Health Club Network To Join The List of Nominees

New York, N.Y.- On June 8, 1999, Mark Smith, Chief Executive Officer and Bob Giardina, President of Town Sports International, parent company of New York Sports Clubs, as well as Washington, Boston and Philadelphia Sports Clubs, have been selected as finalists in the Ernst & Young Entrepreneur of the Year Awards Program. Past recipients of this prestigious award include Howard Schultz of Starbucks Coffee and Michael Dell of Dell Computer Corporation.

Thirty-eight finalists representing 30 New York City companies were selected from more than 100 nominations. Award recipient will be announced on Thursday,

June 24, at the New York Marriott Marquis in Times Square.

Smith is a resident of Manhattan; Giardina resides in Edison, N.J.

New York-based Town Sports International is a leading owner and operator of fitness clubs in the Northeast and mid-Atlantic region of the U.S. and is the largest operator of such clubs in Manhattan. Currently TSI has 79 locations in operation with 11 under development and construction. TSI serves approximately 180,000 members in fitness centers in New York, New Jersey, Connecticut, Massachusetts, Pennsylvania, Washington, D.C., Maryland and Virginia.

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"duh."

- New York Sports Clubs

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Wisconsin Athletic Club Expanding Rapidly

WEST ALLIS, WI.- The Wisconsin Athletic Club has completed a rapid 10 month expansion plan that has more than doubled club locations and membership totals.

Formerly known as the West Allis and Waukesha Athletic Clubs (original founding members of the International Health & Racquet Sportsclub Association), WAC has opened three new clubs in Downtown Milwaukee, Wauwatosa, WI. and Greenfield, WI. to become the dominant private club group in Wisconsin with over 14,000 members.

In 1998 IHRSA named WAC runner-up for the National Racquetball Programming Award, based on WAC's outstanding 23-year history of maintaining nearly 100 weekly racquetball leagues involving over 1,000 players.

Wisconsin Athletic Club's officer/owners are former IHRSA President and Board Member, Ted Torcivia, Keith Nygren and Ray O'Connor. O'Connor recently was given IHRSA's President's Award for his efforts in the fight against unfair competition.

Norm's Notes continued from page 5

result. •Our thanks to MARK SMITH of Town Sports International in New York for sharing his most recent series of print ads with us. A sample of a couple of one of their ads appears on page #20 of this edition. Beginning next month we are going to start a monthly GREAT CLUB ADVERTISEMENT page featuring reprints of some of the best print ads done by clubs. Check out page 20 for details. •Looks like FRANK LEONESIO and the Q. Clubs are recovering from the blow dealt by the SEC a couple of years ago when the Commission required the Q. (See Norm's Notes page 22)

If You Are Going To Buy Fitness Equipment And Spend \$40,000, Give Us Only \$25,000 To Complete The Same Order. Even If You Only Need One More Treadmill And Expect To Pay \$4,500, Give Us Only \$2,500 For The Same Kind Of Treadmill !

Buying Professional Fitness Equipment Is A BUSINESS EXPENSE ! That's why we give YOU money saving solutions to help your business cut costs without sacrificing durability or name brand. In fact, most of our customers buy higher quality fitness equipment, and more of it, than they originally budgeted.

Worldwide Fitness Will Help Your Business Cut Overhead Expenses. Based on the premise that buying fitness equipment is a business expense. Based on the fact that reducing the COST of doing business directly improves bottom line profits. We look at you as a business operator, not as a place to showcase our fitness products.

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

We Know Business owners Wanted To Save money On Operating expenses To Free Up More Capital For Advertising.

If you can save \$30,000 when buying fitness equipment and add this new found capital to your advertising and marketing budget, you will see exponential growth in cash flow and profits. A Health club can turn a \$30,000 savings into 200 new members. If you make \$350 per new member in the first year, that's \$70,000 added to gross profits. This is new found money over and above what you are currently doing. Could your business use an extra \$70,000 ?

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

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

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

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

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

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

We Have Over 1,000 Happy Customers That You Can Speak With To Give You Buying Confidence. In today's business climate you have to protect yourself from mis-information. You can't take advertising statements as fact. We understand this, and make accessible to you our past customers so you can make your own judgements, we don't want you to make a mistake. We want to make sure this is the right buy for your business.

"Worldwide Fitness Saved Me Over \$150,000 And My Maintenance Staff Still Thinks The equipment Was Brand New, I Don't feel I Sacrificed Anything. I Will Do All My Future Purchases With Worldwide. Call Me If You Have Questions" (Mike Boccien is the CEO of SYMCA's in Alabama)

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

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...LifeTime Fitness

continued from page 3

or at our club, I just pushed them to exercise, period. And that helped me sell tremendously." Selling, and convincing people on the benefits of exercise came as naturally to Bahram as tattooing and piercing came to Dennis Rodman. He realized that being involved in the fitness industry was where he wanted to be.

It was at this point that he made a key decision that has shaped his future from that point on. The small fitness chain he was working for in Colorado had set its sights on expansion, and a little club in the Minneapolis area was one they wanted to acquire. Upon being offered the opportunity to go manage that club, Bahram put his engineering degree to good use and did the math. Pursuing a career in the health club industry, where his heart and soul was would easily pay him 2-3 times as much as a full-time electrical engineer would make. And that's just what he projected his earnings would be working part-time in clubs. Realizing that the sky was the limit for him personally and professionally, he purchased some thermal underwear, packed his car, and set off on the move that would eventually change the landscape of the Minnesota sports, health and fitness industry in a big way. "I decided to give it a try, and if I didn't like it, I could always come back and pursue engineering."

The Land Of 10,000 Lakes

Minnesota is known as the land of 10,000 Lakes, and as Bahram discovered, it was also the land of about 100,000 people who it wouldn't hurt to get in the gym and work out. Not only did he work on selling memberships for the company that was now called Nautilus Swim and Fitness, but also he became intricately involved in the pricing, physical design and overall strategy. As the company he was running achieved more and more success, he found more and more job opportunities rolling in. Being the shrewd and intelligent businessman that he is, Bahram approached the partners of the club and informed them that it was in their best interest to keep him around. "I met with the owners and they worked out a plan for me to become a partner. Within a month of entering Minnesota I was an equal 1/8th partner in the company," he said.

With the new title came new responsibilities, namely he was in charge of site selection, development, management of clubs as well as sales and operations. His

duties encompassed everything with the exception of financing and legal. His goal was simple: Build clubs. Mammoth, big-box facilities that would blow away the competition in the Minneapolis marketplace. Under the direction of a still very young Bahram Akradi, Nautilus Swim and Fitness started building, growing from 1 to 3 clubs by 1984. With the success came all the rewards, and very few people enjoyed life to the degree of Bahram. No car or motorcycle was fast enough, no toy or material possession out of his budget as he was really starting to discover how exciting and invigorating it can be when you are a success in America.

At all times Bahram never lost focus of where he envisioned the company going. And as he discovered at a corporate meeting in Florida in 1984, it was going in a direction that was different than the path he felt it should follow. A disagreement in marketing strategy among other things forced him to propose to his fellow partners that some serious changes needed to be made. One of the main causes he trumpeted was another name change to reflect a more broad appeal as the company continued its expansion nationwide. Bahram suggested the name U.S. Swim and Fitness for the clubs, and in 1985 that is what they became. By then he had opened two more clubs in Minnesota, and had an underling working on deals in Boston and San Francisco. Corporate giant Bally's realized the potential of the company, made an offer, and despite Bahram's pleas to hold out and not sell, the other shareholders could not be swayed. It was the end of the road for U.S. Swim and Fitness, but just another crossroads for Bahram Akradi.

At this point he was making the type of money usually reserved for lottery winners or Major League Baseball outfielders, but Bahram still seriously contemplated leaving the company. "I was really torn, but decided to stay with Bally's in hopes that I would learn something, and I didn't want to make a hasty decision. I had a 5-year contract but I was only able to stay 2 years and 8 months because I simply didn't like the way they were doing business. On May 31st, 1989, Bahram gave himself a birthday present. He left Bally's to attempt to start his own company.

A New Start

It was time to roll up his sleeves, and use his competitive juices to design and create his own vision of sports, health and

fitness centers. Because of a non-compete contract with Bally's, he would have to do it way outside the Minnesota borders. "I did some homework on different parts of the country and I knew what regions were right for the type of club I wanted to build." The type of club he wanted to build was a 60,000-70,000 square foot shrine that at the current time did not exist in San Francisco. At least not at the level of professionalism, service and class that he envisioned for his clubs.

Armed with his life savings and the energy, confidence and swagger of someone who made it to the top of his profession by the age of 30, Bahram went digging for gold in California, hoping to hit it big with a line of clubs he intended on calling Fitness Corp of America. For three years, before a shovel could be put into the ground, he pounded the pavement in California, Minnesota and all points in between trying to line up investors for his vision. No matter how hard he worked or how hard he tried, he simply could not find the financial backing that would be needed for his mammoth project.

Back To Minnesota

He didn't leave his heart in San Francisco, but he did leave a tremendous amount of money. By 1992 his personal fortune was basically gone, after sinking between 30 to 40 thousand dollars a month into trying to find the funding for his dream. By the end of 1991 his non-compete clause with Bally's had expired, so he shifted his focus from building state-of-the-art architectural wonders to simply just getting one club, no matter the size, off the ground. Three years of frustration and disappointment had certainly been costly, but on the other hand, he learned a lesson that no money could buy. "I asked myself what did I do wrong? I knew my vision was right, I knew the product was right, but I obviously was doing something wrong because I couldn't get anything going. When I look back now I realize that strategically I erred by wanting to do something too big from the start. My advice to someone starting a new business is if you can start something manageable, just start. Meet your objectives, improve and know what you can do next. It's difficult to start small and grow when you have a big vision."

The eye opening experience was just what he needed. A small, 27,000-foot club with a long history of failure in Brooklyn Park, Minnesota became available and Bahram decided to make his move. No, it wasn't the type of facility he dreamed about, and had blue-

prints and architectural renderings on, gathering dust in his closet, but it was a start. The next step was to liquidate everything he owned to gather the capital he needed. Gone were the cars, the motorcycles, the jewelry, the boats, and the toys. Everything he owned that wasn't necessary for survival went on the auction block. "I sold everything I had to open that little club in Brooklyn Park. It was a "C" market at best, and three other clubs had failed at that site, so by no means was it a sure thing."

The pro forma Bahram had written called for the club to sell 2,700 memberships by the one-year anniversary. After 12 months a total of 2,702 had been sold. The club now is one of the most potent revenue producers in the LIFE TIME FITNESS family, generating in excess of half a million dollars in revenue each year.

Once that club was off and running, it was time to continue to go after investors and build the type of facility that he had hoped to build in California. And that is when Bahram's true selling skills were put to the test. "When Bahram first came to me I had no idea who he was, and frankly I thought what he was trying to sell me on was an impossible dream," said LIFE TIME FITNESS shareholder Wheelock Whitney. "He wanted to build a bunch of clubs in the Minneapolis market, and having a knowledge of the competition I thought he was crazy. I said 'You have got to be kidding'. He then explained to me his vision, and how the clubs would be different, and I began to buy into it. One thing I can say about Bahram is he always delivers the goods," Whitney continued.

The Dream Grows

Keep in mind, it wasn't simply the beautiful, big box design that Bahram was selling, and now building. But the services and amenities he was offering were basically unheard of in the industry. That's what blew everyone away when his second club in Minnesota opened in 1994. The facility in Eagan was what he had dreamt of building for almost a decade, and to see it standing exactly as he described and promised sold his investors, and the Minnesota consumer as well. Not only was the club a thing of beauty, but it was open 24 hours a day, members did not sign contracts but instead were on a month-to-month basis. The club offered free towels, free child care and a money back guarantee. "A lot of people in the industry thought we can't

have a high-volume quality facility. People said members would drop out and we had no type of security with month-to-month memberships. My belief was that if you can't keep your customer happy, you don't deserve to keep them anyway. Our philosophy is to build the facility nice enough, build the service nice enough and continue to improve it so the members want to stay, and you don't have to hold them to a contract."

1999 A Historic Year

1999 has been a historic year in more ways than one. Besides the national expansion that has been received with unbelievable enthusiasm in the respective markets, the company is evolving into a provider of sports, health and fitness facilities that encompasses more than the enormous 100 thousand square-foot prototype. The company announced recently that they have entered an agreement to take over the athletic facilities at the historic Minneapolis Athletic Club, and refurbish the 84-year-old structure into the most premiere downtown athletic club in the entire country. Besides providing a club consistent with any five-star resorts in the country, LIFE TIME FITNESS is also upgrading the club's restaurant to put it on par with any fine dining experience in the Midwest.

It's all part of a future that looks extremely bright for Bahram Akradi and LIFE TIME FITNESS. The company has a run rate of nearly \$60 million in revenue in 1999, and has continued to meet or exceed every single pro forma from day one of its inception. The company plans on continuing its expansion in earnest in the year 2000, with plans on entering 4 brand new markets in year one of the new millennium.

For a young man who as a child dreamed of coming to the United States, achieving success and making his father proud, Bahram Akradi can go to bed at night and sleep pretty well knowing he's accomplished much more than he ever believed possible. But for Bahram there isn't much time for sleep. He's too busy running a company, planning it's expansion, flying his airplane, working out, educating people on the benefits of exercise and how their body's metabolism works, and just basically being a living example of the American dream.

(Tom Zenner is a Contributing Editor for Details Magazine and a Feature Writer for Maxim and Men's Journal Magazine.)

BodyPUMP Boosts Marketing Support With Video Seminars

Simple, Memorable, Results-Oriented Experience is Key Message

ATLANTA, GA. - Effective immediately, all current and future BodyPUMP licensees will receive the company's branded program launch package and quarterly marketing update kits as part of their license fee.

The marketing kits, prepared by Communication Consult-

ants, include camera-ready advertisements, news releases, in-club signage and detailed sales scripts that maximize membership sales by emphasizing BodyPUMP's promise of a consistently fun, results-oriented experience. The launch kit has proven successful at dozens of clubs and is valued at \$900. Quarterly kits are valued at \$295.

BodyPUMP will also now offer Cathy Spencer's 60-minute group fitness seminar - "Five Steps to Take Control of Your Group Fitness Program" - on videotape for club operator convenience. The tape cites a 46.9% drop in fitness attendance since 1987 and explains how creating an ideal exercise environment and providing

a repeatable, fun experience from class to class can reverse this trend. Spencer is a recognized Australian fitness authority and is National Training and Program Director for Body Training Systems, a division of The STEP Company.

BodyPUMP was conceived by Les Mills group in New

Zealand in 1990 and the STEP Company acquired U.S. and Canadian rights to market the program in 1997. BodyPUMP, similar to Starbucks' Coffee in its consistent quality, is reviving group fitness by capitalizing on the experience of pure fun, results-oriented, prechoreography and comprehensive, branded marketing.

...SalesMakers

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and I can't wait to implement what I've learned." - Shannon H., Washington State

"Thanks Sales Makers, it was terrific and I'm confident it will make a huge impact on my personal sales." - Eileen W., South Carolina

The added bonus for all conference attendees was that the weather which had been rainy and

overcast for the week prior to the seminar, was picture perfect for three consecutive days. Sunny and mid 80's temperatures had participants "gobbing" on the sunscreen even on the 20-minute breaks. Kelly from Hyde Park, NY received top honors for "best tan in the least amount of time", while top volleyball play honors went to Dax from Atlanta, Georgia.

The true success for many of the conference attendees will of course be measured with what they can successfully bring

back and implement in their respective clubs. It should be noted that Sales Makers has worked in over 450 clubs and throughout the 90's has averaged over a 20% increase in sales for their clients. The majority of Sales Makers business is on-site training of sales and management staff which also involves trouble-shooting club challenges and implementing customized systems. Time after time I have been told by club owners how pleased about the results they have obtained from the work done by Sales Makers.

nicely into some extra 'vacation time'!

(9) ENROLL IN PR 101-

Intelligently planned and carefully executed public relations programs can and will produce a significant amount of new club traffic and new membership sales year-round if club operators understand PR and how to get about making it happen. Plus, great PR is a natural morale booster for both members and staff and often will produce referrals. Select a local Community College or other university and enroll in their PR 101 class. Attend regularly and learn all you can about the subject because you'll be amazed at the results your club can obtain from a successful Public Relations program.

(10) CREATE AN ANNUAL PUBLIC RELATIONS PLAN- Once you understand the fundamentals of Public Relations, sit down with your key staff members and map out a month-to-month annual Public Relations Plan. Be sure to include media contacts, month-by-month club activities aligned with national events such as National Fitness

Month. Organize events at your club to raise money for local community charities or special causes. (Example: The Battle of the Atlanta Cheerleaders was an event that I produced matching the Atlanta Falcon Cheerleaders with The Atlanta Hawks Cheerleaders in a number of in-club contests including running, swimming, volleyball, racquetball and aerobics). Adopt-A-Mile on a local highway and make a big event with members and staff when you go out to care for that section of road. (You know, do the work, then throw a party for the workers and be sure to: (1) Invite the local press, radio and TV producers to both the work detail and the post-work party. (2) Take photos and conduct mini-interviews with members that have participated. Create a bulletin board in the club to 'showcase' the work done and the party for other members to see.

The bottom-line with Public Relations is that literally every day of the week, there is an opportunity there if you are educated on PR and know where and how to look!

some of the most innovative and independent thinkers in the industry and do a great job with their clubs.

*Word is 'Club Industry Nice Guy' PETE JONES, one of the founders of the Western Athletic Clubs, is back full time with WAC. Hi Pete and good luck with the new projects!

*Things continue to go nuts over in the U.K. I think I'm just going to have to get on a jet and go over there and see what's up. Certainly, I'll check in with my friends, 'The Spice Girls' while I am there!

about that new tax break in the form of IRS write-offs for money spent by smokers on smoking cessation programs and therapy! Now, I really believe that the IRS should provide write-offs for health club fees and membership dues. It is the perfect time now to launch a major initiative to make this happen!

*The folks in the Northwest at Fit Life have just installed a reciprocal membership program for the 63-club group. Also, Fit Life has launched a \$200,000 joint marketing program in the Portland, Oregon area. The folks in Fit Life are

I've personally witnessed the Sales Makers team increase sales in several clubs that were facing formidable new club openings literally right down the street. Simply put.....if you're not happy with the results your sales department

is generating, you should call Sales Makers today. I can guarantee you that if you will attend the training, learn the system, adhere strictly to the system and "inspect what you expect" in regard to managing the system, you can't go wrong.

SALES

FITNESS PROFESSIONALS...The STEP Company has full-time inside/outside sales position available. Seeking focused, goal-oriented, player to market the hottest new international fitness program. Requires 2 years sales experience, strong communication skills, degree or equivalent business experience. Salary + commission and benefits. Fax (770) 424-1590 or mail resume to: 1395 S. Marietta Pkwy, Bldg., 200 Suite 222, Marietta, Ga.30067, Attn: Sales Manager. NO PHONE CALLS PLEASE.

THE Club Insider

Norm Cates

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Norm's Notes

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Clubs to rework their financial reporting methods. That action caused Q. Clubs a lot of problems, including the abandonment of two new club projects in South Florida that already had the plumbing and steel framework in place. Word is now that Leonesio may be bringing in a new investor- GEORGE SOROS! Good luck Frank!

*Late breaking news! How

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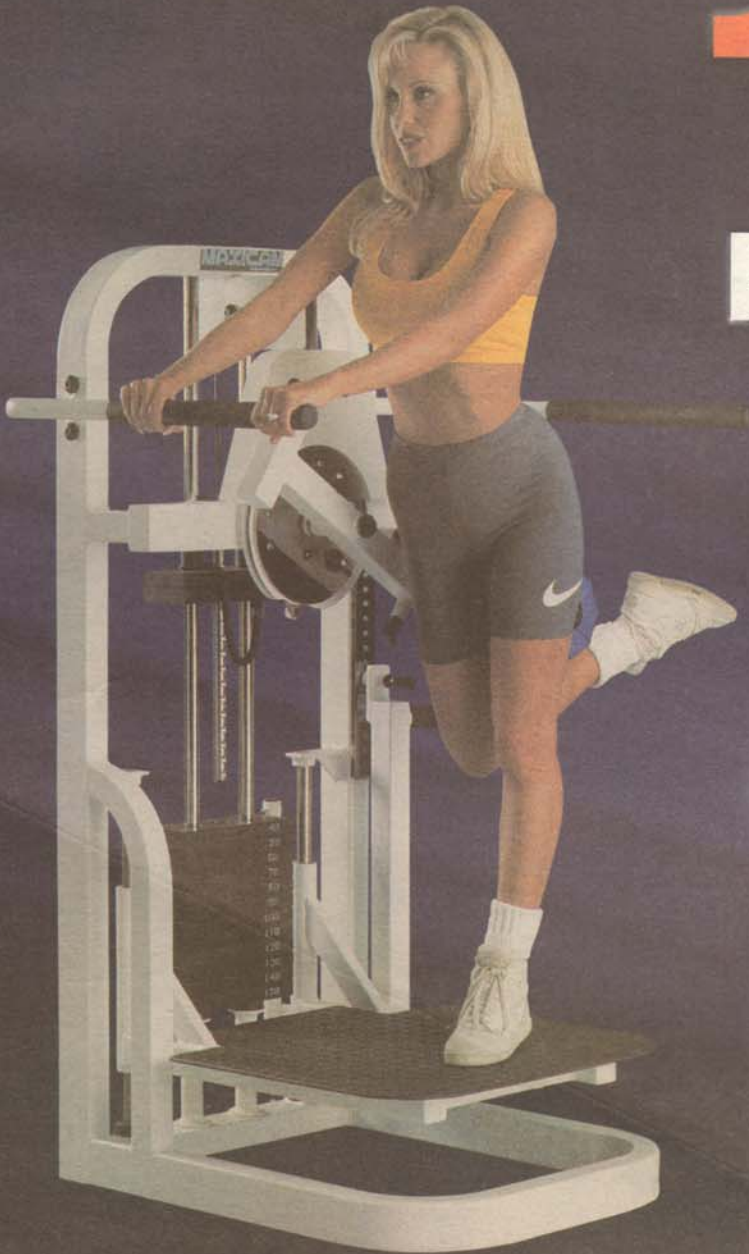
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