

THE Club Insider[®]

NEWS

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The Pulse of the Health & Sports Club Business

BURNOUT... MYTH or REALITY?

By Norm Cates, Jr.

Is burnout a myth or a reality? What are the symptoms of burnout? What solutions are available for one who is suffering from burnout?

Webster's Dictionary defines burnout as: "Physical or emotional exhaustion, especially as a result of long term stress."

Here is what club owners and managers have to say about burnout:

PATRICIA BRENNAN LAUS
- Owner - The Atlantic Club, Wall, New Jersey. Patricia believes that YES, burnout is a reality. Both she and her staff have dealt with it.

- Symptoms: Pat consulted with her staff and they have described the symptoms of burnout as: boredom, negativity, lack of enthusiasm and ambition, low patience, fatigue, short tempered, lower work quality, forgetfulness and chronic complaining.

- Solutions: Develop a vision, professionally and personally and set goals to achieve it. Strive for

improved self-development, take time out to play, take some time off, exercise, talk to your manager. Patricia's Atlantic Club is one of America's most successful clubs. Her personal suggestion to remedy burnout would be: "develop a new hobby and attend an exciting Atlantic Club party to make some new friends. She says: "Most importantly, it's all about working toward balance in your life!"

BRUCE HENDIN
- Owner - Seven locations called The Racquetball and Fitness

Clubs of San Antonio.(Texas) Bruce says: YES, burnout is a reality. Both he and some of his employees have had to deal with it. (Bruce has been in the club business for 20 years)

- Symptoms: Going through the motions. Checking the clock. No enthusiasm. No goals. Inability to function.

- Solutions: Take time off. Re-assess goals. Look for new reasons to stay in present position. Feel better about yourself. Try never to be content. Always strive for new heights. Take pride in what you accomplish and make

someone else proud of you.

BOB PROVOST, SR.
- Owner - Greenville Racquet and Fitness Club, Greenville, S.C. Bob says: Yes, burnout is a reality. Both Bob and members of his staff have had to deal with burnout.

- Symptoms: A strong desire to NOT be in the club (a) After 6 p.m. daily. (b) Not to be in the club on weekends. (c) Also, a "we-them" staff-member mentality.

- Solutions: Re-involvement with positive, active members of the club, i.e. focus on positives, not (See *Burnout* page 10)

How To Produce A Grand Opening For Plenty Of Fun and Profits

By Patrick and
Marie O'Flaherty

The Amarillo Athletic Club in Amarillo, Texas, (an IHRSA member club) had a blockbuster Grand Opening of its 9,000 square-foot club addition, selling 156 new memberships in one day! The Amarillo Athletic Club is owned by Roland Rebele and co-managed by Patrick and Marie O'Flaherty, the principals of Classic Club Manage-

ment, Inc. The Grand Opening action is described below.

EXTENSIVE ADVERTISING DIDN'T COST A FORTUNE

The advertising campaign included radio, newspaper, two big name fitness people brought in for the one day event: Anthony Clark, The World's Strongest Man and John Parillo, America's bodybuilding and nutrition expert. We also used 12 billboards, had a PR tour with Anthony Clark the day prior to the

event, sent a direct mailer to membership highlighting a one-month referral incentive for each friend referred on that day only, sent a direct mailer to prospective members who had been in the club before, placed announcements in the club newsletter, ordered 12 specially made posters featuring the photos of the big names - 4 were displayed in the club and 8 were displayed in the community; displayed a huge (50' X 4') banner on the building announcing the Grand Reopening, passed out flyers in the community and posted flyers throughout the club.

cast worth \$2,000, also done on trade.

four quarter-page ads the week prior to the event. The cost was \$2,425.

NEWSPAPER included

(See *Grand Opening* page 11)

RADIO time was obtained by membership tradeouts with 5 local radio stations with the ads starting two weeks prior to the event. Each radio station included a different format (i.e. oldies, country, etc.). Ad schedules varied from 10-15 spots per day per station. The radio total was \$16,800, all in trade. We also had a live radio station remote broad-



Amarillo Athletic Club Grand Opening

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- Finally, Club Industry Standards
- IHRSA Mandate
- Making Money In Rehab
- Norm's Notes

THE INSIDER SPEAKS

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IHRSA MANDATE!

By Norm Cates, Jr.

The IHRSA member clubs were recently asked once again to vote on a name change for the Association. 942 clubs voted YES to ratify the IHRSA Board's decision to change the name by adding the word HEALTH. The new name, INTERNATIONAL HEALTH, RACQUET

AND SPORTSCLUB ASSOCIATION (IHRSA) was overwhelmingly approved by 90% of the 1,051 voters.

This MANDATE should unify the IHRSA membership as the 90% - YES vote is an appropriate level of approval for a major decision of this nature. Previously, the name "Exercere" had received only 60% of the vote, even though the IHRSA leadership had

waged an all out Exercere promotional campaign. The closeness of the vote on Exercere and the objections of many long time IHRSA members persuaded the IHRSA leaders to drop the Latin name, Exercere, for a simple modification of the name by adding the word HEALTH. Several good things happened when that decision was made:

(1) The Association expanded its membership prospecting world significantly by signaling that IHRSA includes HEALTH, RACQUET AND SPORTSCLUBS. (2) The Association retained the old name equity, since the new name will be pronounced phonetically the same as IHRSA. Many had argued that the IHRSA name equity built up in the world marketplace should not be lost. (3) The Association now has a name that is more descriptive than

either IHRSA or Exercere were. (4) The Association will be UNIFIED by this move instead of split into two separate opposing camps as was happening due to the choice of Exercere.

The IHRSA leaders and members are to be congratulated as they have chosen a name which should serve the Association well for decades to come.

Is Health Care Reform The Right Direction For IHRSA?

By Steve Wild

Like many others, I listened with great interest to the views expressed at the Open Forum at this year's IHRSA Convention. The controversial name change seems to be a symptom of a much larger issue: namely health care reform.

Positioning for health care reform was a pervasive theme throughout the convention. Presumably, the idea behind the name "Exercere" is to better position IHRSA for a meaningful role in the new health care system. Not being privy to all the information, I do not have a definitive position. I do, however, have some very real concerns about being part of any new health care system.

Can Federal Legislation Change Individual Human Behavior?

John Mc Carthy believes that capitation (an equal tax levied on all citizens) will cause significantly more people to exercise than do now. According to John, what are now revenues (under a fee for service system) will become costs to the health care system. Accordingly, the system will have a reason to keep people healthy, and exercise will supposedly play a key role. I disagree. Government has repeatedly demonstrated its total inability to deliver goods and services efficiently. If the school system is any indication, capitation will only increase government bureaucracy and

waste. (1)

What Is The History of Small Business Interaction With The Government And Insurance Companies?

Ample evidence exists in America's own recent past to be distrustful of alliances with government agencies and insurance companies. Pharmacists handling Medicare and Medicaid probably had the same discussion in the 1960's that IHRSA members are having now. Why not look at their experiences? I am reasonably certain most pharmacists would not choose the Medicare/Medicaid route again if given the chance. Chicago pharmacist, Sheldon Weiner can cite numerous cash flow horror stories, often waiting 120 days for his Medicare/Medicaid reimbursements. The same is true for auto body owner Arnold Harvey. Body shop prices have been artificially depressed for years by large insurance companies.

Is Being a "Low Cost Health Care Provider" Congruous With The Club Industry?

Ken Dychtwald and others seemed to emphasize the concept of cost as it would relate to potential involvement with the new health care system. Low price appears to be paramount in competing for health care contracts. In essence, clubs would become "low cost purveyors of health care."

In economic terms, clubs would shift the nature of demand for their goods and services from

an inherently inelastic luxury good to a highly elastic, or price sensitive, commodity. Presumably, the exchange would be volume. In other words, club owners would exchange a few luxury good customers for many commodity good customers at a lower price. Once again, the above rests on the assumption that government can stimulate individual behavior.

Being a "Low Cost Health Care Provider" Will Substantially Increase The Power of Customers

If members can be a problem in today's environment, just imagine how difficult it will be when a handful of customers can put a club out of business. In the health care future that Dychtwald describes, there will be a handful of very powerful alliances making up a substantial portion of a club's revenue stream. In Michael Porter's (2) terminology, being involved with health care would vastly increase the power of the customer.

(1) The U.S. spends more than any other country on education, with disastrous results. Less than half of the money spent actually gets to the classroom.

(2) A Harvard Business School professor that has written extensively about the composition of industry.

(See Health Care page 11)

May 23, 1994

John McCarthy
Executive Director - IHRSA
253 Summer St.
Boston, Ma. 02201

Dear John,

This letter is in response to the letter submitted to the IHRSA Board about hospital based fitness centers by Kim Fuller. Mr. Fuller has presented some interesting and factual information about non-profit classifications. However, the question at issue is: do we, as an Association, want to be in the health care business; or do we want to be in the exercise business; or do we want to be a leader in the industry and represent all these?

IHRSA was formed as an Association for tennis and racquetball clubs in 1981. Since then, it has expanded its membership to include a variety of types and sizes of athletic, health and fitness clubs. This part of the industry is going through a major transition period. I am convinced that for the club industry to survive and grow in the future, it must align itself with the health care system as health care providers.

There have been many articles written and much research done on the role of health/fitness clubs in health care reform. The one common factor that always comes up is the relationship of the clubs to the health care system (hospitals, medical clinics, rehab centers, etc.). As the Executive Director of WAC that currently represents 38 clubs in Colorado, New Mexico and Wyoming, we have chosen to work with the health care system, not against it. We not only support memberships for hospital-based fitness centers, but encourage IHRSA to actively pursue it.

More than likely this entire issue will become irrelevant as most, if not all, hospitals will lose their 501 (c)3 status within the next three years due to pressure from the IRS. Please feel free to contact me if you have any questions about WAC's position on the issue.

Yours for better health,
Patrick Pine
Executive Director
Western Association of Clubs

• NORM'S NOTES •

LYNNE BRICK has opened her third Women's Health and Fitness center in Silver Springs, Maryland. Lynne is an internationally acclaimed aerobics and fitness expert whose clubs in the Baltimore area have been recognized as being tops in their area. Lynne and husband, **VICTOR BRICK**, are sharp - dedicated quality club operators who are a credit to the club industry. Lynne also has produced a dozen highly acclaimed exercise videos and has her own line of home fitness products. Lynne and Victor can be reached at (410) 622-7774.

CRAIG PEPIN-DONAT, formerly the President of New York Health and Racquet Club, has resigned and moved to California to join Mark Mastrov's 24 Hour Nautilus chain of clubs. From the looks of the Press Release sent out by **KEVIN SAGAFI**, the CEO of New York Health and Racquet Club, Craig will be missed. However, Sagafi has indicated that he has no plans at present to replace Pepin-Donat.

BETTY SACKS is the Director of Club Services for the gigantic and terrific **EAST BANK CLUB** in Chicago. If you have not seen this club, then you have not seen what truly is the **MOTHER** of all multi-purpose clubs on this entire **PLANET!** 400,000 square feet with everything under the sun for the members. The **EAST BANK CLUB** is the Title Sponsor of the 3rd Annual **TRAILS-TO-SAILS BIKE-ATHON** which benefits Scleroderma research. Scleroderma means literally - "hard skin" - it is not just a skin disease. (It is an autoimmune disorder that attacks the body's connective tissues, causing hardening of the skin and internal organs. This disease affects more than 300,000 victims in the U.S. alone, primarily women of childbearing age. Currently, almost 70% of those with the most serious form of the disease die from kidney, heart or lung failure within seven years of diagnosis.) The **Bike-A-Thon** will take place on Saturday, September 10, 1994 in Chicago. To enter, call: (312) 923-0155.

TOM LYNEIS and **ED WILLIAMS** of **CLUB SPORTS INTERNATIONAL** tell me they have recently opened two new deals: (1) The **SPA** at South Coast Plaza, in Costa Mesa, California - a 17,000 s.f. "pampering place" which is as elegant and well appointed as they get. The finish cost was \$4 million, put-

ting the finish cost at \$235 per square foot! (2) The new Illinois Center Golf Course - 31 acres in downtown Chicago - a Dye designed course which is Club Sport's first foray into the golfing world.

SPENCER GARRETT of the Pierpont Racquet Club in Ventura, California, has succeeded once more in cracking me up with a note he sent recently with a \$99 subscription check. The note read: "Norm - I've come to my senses realizing I could not live (or function) without the benefit of **THE CLUB INSIDER**. I had been paying \$20 per issue for second hand copies, so \$99 is a bargain for an original." Spencer played a significant role in the recent name change brouhaha at **IRSA**. After the Open Forum, Spencer, an **IRSA** Board Member, sent out a questionnaire to **IRSA** members to obtain a greater understanding of their feelings on the proposed name change to **Exercere**. The information received by Spencer was instrumental in the decision not to change the name to **Exercere**.

JOHN Q. aka John Quatrocci, one of Atlanta's long time club operators who owns **WORKOUT AMERICA**, recently went into a deal with a club called **UNSQUASHABLE USA** which was intended to provide the new operator, **ALI RAZI** with a fitness component to go into his 52,000 square-foot club building. **RAZI** is renovating the club formerly known as **Sportlife**. The deal didn't work and John Q's financial involvement and operation has been pulled out. Razi says that the new club is now open and his equipment will be delivered this week.

ED PITTS, the Founder, Editor and Co-Publisher of **FITNESS MANAGEMENT MAGAZINE**, is angry about the flyer that his nearest competitor is using to attract advertisers. The **CLUB INDUSTRY** people have represented to advertisers that **FITNESS MANAGEMENT** is not presenting vital management information for health and fitness facility operators, citing such articles as the June **FITNESS MANAGEMENT** articles on (1) **Bodybuilding Light: Workouts** (2) 50

Nifty Facts about Your Muscles and Strength Training (3) **Facts of Friction in Exercise**. Ed Pitts writes; "When a flyer like this reaches your desk, it not only wastes your time and insults your intelligence, but corrodes the bonds of credibility that help us do business in the fitness industry." Pitts continues: "My hope is that you will tell the next **CLUB INDUSTRY** representative who calls that you don't appreciate receiving misleading promotions and that you don't want to see the marketing information you get from ad representatives degenerate into the slinging of fabricated mud." I wonder what **CLUB INDUSTRY** Publisher, Tom Morgan, had to say to Pitts about the letter which was sent to club vendors and suppliers nationwide?

SUBSCRIBERS of **THE CLUB INSIDER** apparently believe in what we are doing here. Two good examples of that are: (1) Recently when dealing with a bank lending committee for the financing of a major expansion/remodeling of his Saw Mill River Club, Curt Beusman was asked by the bankers to describe how his club was different from the Bally Health Clubs. Curt explained some things to the banker and then he decided that the best way to fill the bankers in was to give them copies of the **CLUB INSIDER** coverage on Bally. (2) One of our subscribers is purchasing a subscription for his State's Office of Consumer Affairs. He says that he thinks it will help educate the Consumer Affairs people about the activities of Bally.

I've cut **NORM'S NOTES** short this month to use the space to give you a Summary Report from our Six Month Subscriber Satisfaction Survey, so here tis:

CLUB INSIDER SATISFACTION SURVEY RESULTS

• **OVERALL IMPRESSION OF ALL RESPONDENTS:**
Rating: EXCELLENT - 6 (40%), 5 (35%), 4 (15%), 3 (10%), 2 (0%), 1 - AWFUL (0%).
• **JOB OF RESPONDENTS**
OWNERS 40%
GM's 50%
OTHER 10%
• **AVERAGE TENURE OF RESPONDENTS** - 13.6 YEARS

Here are some of the comments of the respondents:

Question # 1 - What did you like most about **THE CLUB INSIDER**?

- Honesty
- Fresh approach/tell it like it is?
- Very refreshing and not rehashed B.S. from other publications.
- Personal stories of owners.
- Your candor.
- Variety of news/just the facts/"down-home" straight talk.
- The candid commentary.
- Red Lerille's Club Case Study and club profiles.
- Honest - in depth articles - more than scratch the surface.

Question #3 - What did you like least?

- Feature articles too long.
- Too opinionated
- The self-aggrandizement of contributing writers.
- All the information about Bally's problems.

Question #4 - What changes would you like to see made to the publication?

- More editorial.
- Continue to focus on Bally's and other "SPA-BOYS" to expose questionable practices.
- Soften the overall presentation.
- Continue to focus on different clubs.

- More exchange of promo ideas and reports on what other people are doing to make the industry more professional, appealing, etc.

- Much less personal opinion from the publisher/editor! Report information as it occurs, not as you perceive it! Opinions disqualify the facts.

- More information on what the regionals are doing. What other Associations are there? What are they doing?

Question #5 - What would you like to see covered that we didn't report?

- Sales aids.
- Expense ratios.
- Innovative retention.
- More on non-profit issue.
- Equipment information.
- More West Coast information.
- Wellness programs. Insurance affiliations.

OTHER COMMENTS/ SUGGESTIONS:

- Norm - Keep up the great work!
- Norm, I think your paper is one of the best publications in the industry.
- Focus on burnout in the industry - how to revive managers and owners.
- It's hard to start a new publication and most of your subscribers (See Norm's Notes page 8)

Norm Cates' **THE Club Insider**
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Attacking Hidden Expenses

PART II

By Rick Caro

The ideal place to save on club expenses is the category where all of the benefits flow to the bottom line and where the member never sees any change in the club's operation. Part I dealt with the state-mandated Workers' Compensation Insurance issues. This section will address another such hidden expense.

UNEMPLOYMENT INSURANCE

All clubs are subject to state and federal unemployment insurance rates. These are calculated

based on the club's actual unemployment experience.

A new business is given a high rate on both its state and federal unemployment insurance. For example, a new club may be paying a combined 5% of its payroll. As each year passes, the state evaluates the dollars contributed to the unemployment insurance "bank" versus the dollars paid out to former club employees by the state for their unemployment claims. If there is a favorable balance of excess premiums paid in, the club will receive a lower rate for the following year; an unfavorable rate will create a rate increase.

The importance of this calculation is there can be a wide fluctuation, especially in the first

five years of a business or if there are several claims of well paid former employees for long periods of unemployment wages. This could mean a .5% -1% increase. If that is multiplied by the club's entire payroll, the increase may be \$2,500-\$5,000; for a large club, it could mean \$4,000-\$8,000 or more. This may seem insignificant, but any savings can fall right to a club's bottom line this year and may create a lower base for future years.

It would seem obvious that all clubs should contest any claim by a former employee that seems unwarranted. Yet, few of these illegitimate claims are protested by clubs and protested effectively. Instead, the club allows the former employee to take advantage of the club. However, what may be worse is that the club has created a standard for other employees to follow when they might leave the club.

THE INCIDENT

A club employee leaves the club while on duty and goes to a liquor store to buy a quart of vodka. She returns to the club and offers bloody mary drinks to both members and working club staff. She signs for 18 tomato juices at the club cafe. This action creates a series of violations of the club's personnel policy manual and—more importantly—a violation of the state's liquor law as the club only had a wine and beer license. Dispensing alcoholic beverages is a criminal offense and could result in the club's losing its current liquor license. Also, no insurance company provides coverage for clubs who break the law. So, if any club member or staff member gets into an automobile accident and blames the club, the club's insurance company will deny coverage. Consequently, the club's entire assets will then be exposed.

This sounds like a simple situation where the employee should be terminated and immediately ruled ineligible for any unemployment benefits. This was not the case.

First, the club utilized its mentoring mentality by only writing up the employee with a warning. The employee denied her in-

volvement and refused to sign the written warning form. Three other employees were also issued written warnings and signed them. All three implicated the first employee, the purchaser of the alcohol and the distributor of the drinks. This same employee called in "sick"; the next day after the warning meeting. Yet, in the middle of what would have been her 8-hour shift, she showed up at the club to work out.

Second, she was now confronted the following day with another written warning for her newest offense. She refused again to accept either as the truth and was immediately terminated for cause.

The next steps are generally procedural. The local unemployment office sends a form asking for data on wages over the preceding 26, 39 or 52 weeks, the reasons for termination or resignation and whether the club would hire the person back if an opening was available. In this case, this was a full-time employee who had over \$26,000 in wages and would never be hired back.

For whatever reason, the club had no further communication and thought the matter was resolved appropriately. However, several weeks passed before the club received notification that this former employee was collecting \$250 per week each week since she was terminated. Obviously, this was charged against the club's account and would affect its favorable unemployment insurance rate.

UNEMPLOYMENT HEARING

The club requested a hearing in writing, since no oral request would be honored. Since the club wanted to bring several people, the initial hearing dates were changed to accommodate employee schedules. Then, the former employee received delays. The end result was that the actual hearing occurred 4 1/2 months after the termination. By that point, the ex-employee had received almost \$5,000 from the state. This was even more frustrating to the club when it learned that she had been working all during this period for another local



Caro

club "off the books."

The key to success at a hearing is proper preparation. The club needs to provide a complete personnel file on the former employee with copies available for the hearing. Ideally, the club should have a written personnel policy manual and each employee should sign the front page indicating he/she had received it and was responsible for its contents. This signed sheet should be kept in the employee file folder. The personnel policy manual should enumerate all of the club's policies. It should list some—but not necessarily all—of the behaviors which are unacceptable and subject to immediate termination for cause. In these cases, no written warnings are required.

Other written evidence should be assembled for the hearing. The notarized affidavits of eyewitnesses, the written chits at the cafe for the bloody marys, the name of the vodka brand, the stacked up plastic cups still on the former employee's desk found the next day, a copy of the liquor license, the time cards of that employee, any photographs (including her working out on a "sick" day), etc.

There was a range of staff and club members who could serve as witnesses in the hearing—general manager, her direct supervisor (department head), other staff who were violators who accepted the drinks, club members who were given the bloody marys, the club's owner, etc. Since many of these were not able to attend a hearing during a day with little advance notice, the burden generally falls on the senior staff and other current employees. Each should immediately jot down his/her recollection of all aspects of the incident. They should be asked lots of questions to help them refresh their memory on what happened before, during and after the incident, how did it happen, who was there, where did it occur and what was their role. Honesty and completeness are crucial.

(See Caro page 8)

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Making Money In Rehabilitation

By Joe Cirulli

I have always believed the health club environment was ideal for the development of a rehabilitation center. At the same time, I knew nothing about creating one. There were dozens of physical therapy clinics in our area and I assumed they were good at what they did. It wasn't until I suffered a severe knee injury that I found the disparity between what I thought was done inside a clinic and what actually took place. In no way do I mean to discredit the physical therapy occupation (I have five great therapists who work in my clinics), but

what I learned was that strength training was such a small component of traditional rehabilitation. Active rehabilitation, like we practice in our clinics, has not really been emphasized in most schools of physical therapy. My beliefs were that strength training WAS rehabilitation. I also thought that combining a total fitness regime with specialized training for an injured person was ideal.

After my ACL reconstruction, I started laying out my plans to have my own physical therapy center. It was not until I became involved with the University of Florida research of MedX Medical Machines that I really saw the light. Based on the results of these studies, I opened

up a small rehabilitation center in my co-ed facility. I still knew nothing about the business, but I knew one thing: I had machines and programs that could get people better. I could have added physical therapy through a variety of ways. I could have let a physical therapist rent space in my facility or I could have become a partner with one. Instead, I chose to take another, riskier route.

When I feel something is right, I have no problem with a READY-FIRE-AIM approach. I knew this was the right thing to do, I figured that as I went along, I would learn the business of rehabilitation.

After six years, I have learned quite a bit about health care and physical therapy, but I still have a lot to learn. If you are thinking of adding sports medicine to your health club, I will give you the benefit of my experience. The saying goes "Success comes from good judgment, good judgment comes from experience and experience comes from bad judgment." When possible, use other people's bad judgment as stepping stones to your success. The following are some important points you need to know before you open your rehabilitation center.

10 STEPS TO REHAB PROFITS

We have determined there are 10 steps to developing a rehab clinic inside a fitness center. As you go through these 10 steps you will notice there is virtually no overlap between the two businesses. This is critical to understand. The health club is the perfect environment for instituting physical therapy but it has been designed as a totally separate entity. As a separate entity, it has to have its own strategy, marketing and operational plan.

Here are the 10 Steps:

- (1) Evaluate the market
- (2) Hire appropriate staff
- (3) Develop a business plan
- (4) Choose a name, logo licenses and permits
- (5) Develop policies and procedures
- (6) Determine the design of your facility and purchase equipment and supplies
- (7) Learn the billing process
- (8) Develop your marketing plan
- (9) Apply for provider numbers
- (10) Learn the lingo.

Although all ten steps are critical, steps three and eight are the most important. You can't even begin a rehab center if you don't have a physical therapist or chiropractor staff. Physical therapists are available, but you have to find one who has a philosophy similar to your own. If you are contemplating adding rehabilitation to your facility, you obviously view physical therapy as active, not passive. As I stated earlier, you will want a therapist who believes in an active rehabilitation program, also. Those therapists who do believe in exercise are probably already working out in your Center, but be prepared for some negativity as they may see you as a threat. I experienced this for a number of years. I can say that the local therapists were not excited about my entry into the field. I have heard Arthur Jones, the inventor of Nautilus and MedX, state that there are five steps a business or a person goes through when they introduce something new to the marketplace. First, people will ignore you and hope that you go away. Second, when you don't go away, they ridicule your idea. Third, when you are still there, they begin to attack you personally. Fourth, they copy you and finally, they say it was their idea in the first place. So, be prepared once you launch your new enterprise.

There are other avenues available when searching for a therapist. You can advertise in your local newspaper or in the classified section of a larger city near your center. You can give a scholarship to a PT student with a contract for employment once they graduate. We estimate it takes about six months lead time to find a Physical Therapist. Find one with good people skills as this person will help you develop the rest of your staff.

CHIROPRACTOR PLUSES AND MINUSES

If you elect to team up with a chiropractor, there are pluses and minuses.

- The pluses are:
- (1) They are more available;
 - (2) They may be more business oriented;
 - (3) They may be more exercise oriented;
 - (4) You can promote directly to the general public for referrals.



Cirulli

The big minus in general is, the traditional medical community has not embraced chiropractic practice. This attitude is slowly changing and many chiropractors have found that adding exercise to their program has helped to make them more credible.

In step #8, developing your marketing plan isn't so simple as to put together an advertising campaign or contacting businesses for referrals. You're continually blasted with the term Health Care reform. You may not be aware that reform is constantly taking place. Changes are occurring at an alarming rate.

Once you have a Physical Therapist or Chiropractor ready for referrals, you have to have a source for those referrals: physicians, insurance companies, corporations, emergency medical centers and attorneys.

It's not that simple. You have to become familiar with the big insurance networks in your area and work to become a provider (member) of those networks.

This is where the true value of having a rehab center in your health club comes into play. Our therapy programs are not just a temporary solution to overcoming an orthopaedic injury. We deal with lifestyle changes as our program encompasses strength training, cardiovascular conditioning and nutritional guidance. We offer step-down programs to keep a person healthy once we get them healthy. The insurance companies and physicians embrace this attitude. If you believe strongly enough in what we can offer, the process of adding physical therapy will be an exciting challenge.

The other eight steps are more procedural and require time and effort. If you'll call me at (904)373-2116, I'll send you the (See Cirulli page 7)



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Finally, Club Industry Standards

By Neil Sol, PhD.

Clubs have a responsibility to provide quality professional services to its membership. In the past, however, this quality service has not been defined. In fact, the nature of services provided to a club's membership was reflective of the management's commitment to quality as no operational reference criteria existed. Clubs were on their own. There was no established professional view of how clubs should conduct their business. Typically, the conscientious management team studied a variety of written resources, attended professional meetings, and applied the best intent on providing a sound and safe experience for its membership. It appeared, however, that only some clubs would make this effort. Others would not and as a result, their members found themselves exercising in other than optimal facilities.

In the recent few years the ACSM and IRSA has taken

proactive steps to establish coalesced guidelines that can serve as the reference for the operation of a quality club. Created by club and health and fitness experts and reviewed and critiqued by industry professionals, these standards and guidelines represent the first effort to standardize the club industry and expand the credibility and importance of our industry. Compiled from referenced and researched information, standards and guidelines now exist on personnel qualifications, safety, programs, and facility and equipment. These documents offer clubs an opportunity to comply with a minimally accepted standard of operations and exceed that minimal level if so desired.

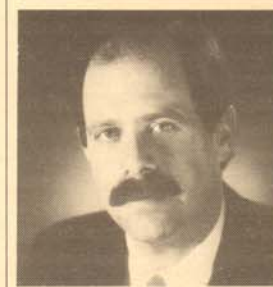
These industry standards can serve as a criterion to measure to which clubs can be compared in an effort to accredit an individual club or health and fitness center. "Accredited" will suggest to the public that a given facility operates and provides a standard of care that is accepted as the finest in the industry. With

the questionable practices that dot the history of the club industry and in an environment where the purchasing public is knowledgeable about issues in health and fitness, these standards will serve to elevate our industry and serve as an excellent marketing and sales tool. This country is looking for preventive health leadership provided by respected facilities. Already by these standards are steps to furthering our respectability.

The hospital and health care industry participates in rigorous "accreditation." Hospitals who do not comply with accepted standards of care do not receive accreditation and thereby cannot practice medicine. Since clubs are in the allied health care business, it is my opinion that accomplishing an accepted level of care is as important as it is for hospitals. Within the new health care reform, there is a strong possibility that preventive services, such as those provided at clubs, will be insurance reimbursed. Preventive programs have not readily been reimbursed in the past because third

party carriers had difficulty discerning who was a quality and qualified provider. In comparison, insurance reimbursement for hospitals was rarely an issue because the accreditation verified that hospitals were qualified providers. They practiced accepted standards of care. Clubs may fall into an analogous situation. If a club receives accreditation, then it may serve to approve that club as a preventive health provider and thereby qualify it for third party reimbursement. The criteria for accreditation may be either that of IRSA or ACSM standards and guidelines.

As a club manager, it is incumbent upon you to comply with industry standards. It is good for your members and it is good for your business.



Sol

(Neil Sol, PhD., is the President of Health Vantage, Inc. a Houston, Texas club consulting firm. Neil may be reached at (713) 494-5550.)

...Cirulli
 continued from page 6

ten steps in more detail.

After six years of being

intimately involved in the field of rehabilitation, I am now more enthusiastic than ever. I have seen the changes we have made in people's lives and the impact we have made in our community. With effort and determination,

I'm sure you can produce the same results. Good luck! (Joe Cirulli's two clubs have over 20,000 members with daily traffic in excess of 3,600! His rehab center grosses over \$1 million/year.)

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...Caro

continued from page 4

DYNAMICS OF THE HEARING

The judge who administers the hearing is often a civil servant who is not a lawyer nor trained as a judge. The judge may simply be a 50 or 60 year-old who attended some classes on the rules of a hearing and the basis of eligibility for unemployment benefits. Often, the hearing is limited to one hour. Each person takes an oath and a tape recorder is used. It is typically in a small room- rarely a court room — in an old government building.

The club is not required to bring its lawyer along and spend substantial dollars in preparation and hearing time. Rather, the club should designate a top person in the

organization (owner, general manager, director of human resources, controller) to take the lead. Often, the judge will grant much more flexibility in how the evidence is presented, the manner of questioning and how the witness can be led, the inclusion of non-essential information and even, hearsay. Each side can cross-examine the other's witnesses. Generally, the only witness for the ex-employee is that person. He/she may bring a lawyer, but only if it seems cost effective.

The hearing's results were not sent for another 3 weeks after the hearing and the ex-employee continued to collect unemployment wages. The decision was granted in favor of the club. The

employee was ordered to reimburse the state, and the state had to garnish her wages (10% per week).

The state never corrected the club's unemployment account even after this favorable decision. In fact, the club received an .8% increase in its rates or a proposed \$5,600 additional payment for the following year. After a series of three letters over five months, the account was clarified.

The actual preparation time was 2 1/2 hours, the hearing lasted one hour and the paperwork another one hour cumulatively. This resulted in a \$1,200 return per hour expended. Not bad since this could have been a compounded cost going forward if not contested.

Many clubs have had actual terminations due to proven employee theft, an employee hitting a child in the nursery, drug abuse and selling drugs on the club premises, damage to club property and repeated no-shows for member appointments costing the club considerable revenue. Many clubs have chosen not to fight the unemployment process because it seemed too unwieldy and there was such a strong bias toward the employee.

Perhaps, the unemployment situation should be rethought by the club. Philosophically, the club deserves to win and does not want to create a climate for other non-qualifiers to follow. Practically, it deserves to win and the time and effort involved are not substantial.

(Rick Caro is President of Management Vision, Inc., a consulting company to clubs and an acknowledged expert in club finances, operations, valuations and sales. Management Vision, Inc. can be contacted at (800) 778-4411. Editor's Note: Last month and this month, Rick Caro has contributed two excellent articles on ATTACKING HIDDEN EXPENSES - Part I & II. The information he has shared with our readers is very valuable in terms of the long range money and problem saving for club owners. Rick Caro is probably the most informed expert on club business finance in the world today. The CLUB INSIDER thanks Rick for his contribution of this and other excellent articles to The CLUB INSIDER!)

Norm's Notes

continued from page 3

ers realize this and your effort to improve is appreciated.

- Continue the way you're

going. Get more "scoops."

- Thank you Norm, for all of your insights.

IN SUMMARY - I hear you folks! I think there was a lot of excellent input provided to me

by you all and I appreciate your help and support. My objective is to utilize your input on the Six Month Satisfaction Survey to make The CLUB INSIDER better. My hope is that each of you will give consideration to contrib-

uting articles on issues and ideas that are close to your heart. What you know and experience is what this publication is all about and your willingness to share will help everyone in the industry. Thanks for your support!

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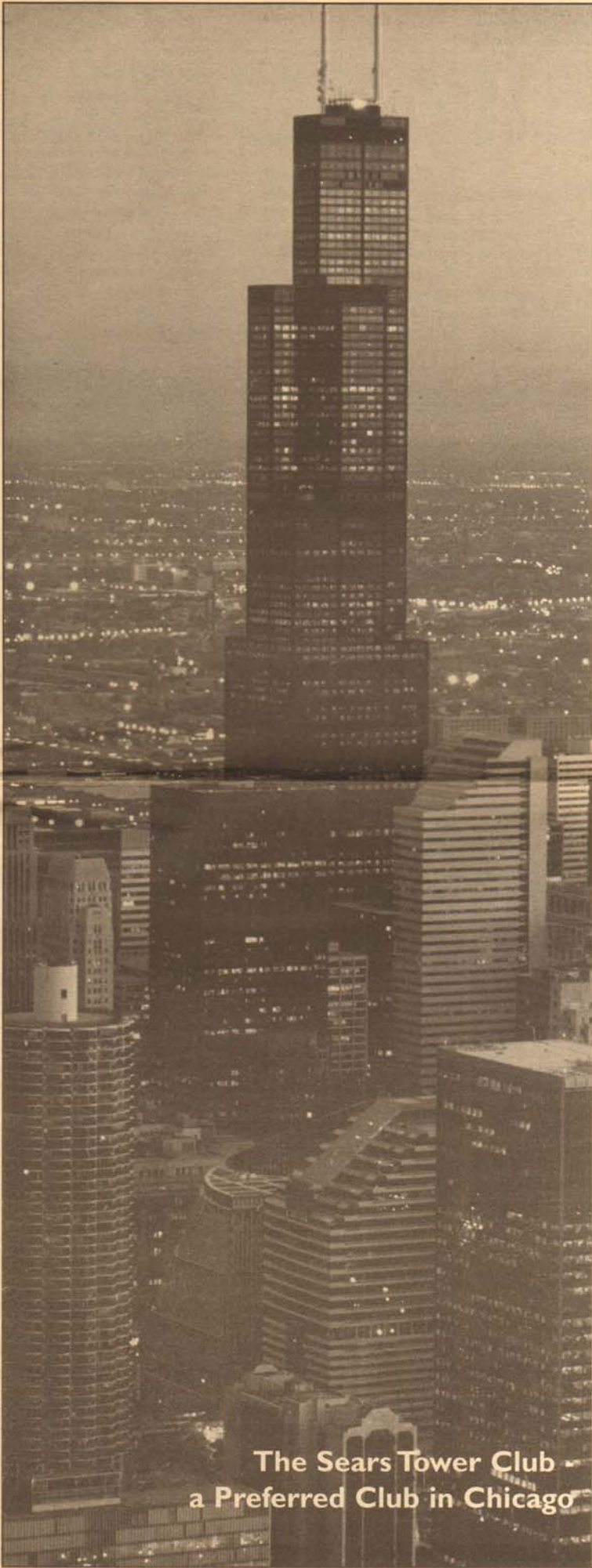
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...Burnout

continued from cover

negatives of the business.

RED LERILLE - Owner - Red Lerille's Health and Racquet Club, Lafayette, La. Red Lerille has been in business in the same location for 32 years now and has built and expanded his club to over 120,000 square feet on 15 acres. Red's club's annual revenues are \$6 million. Red says: "Yes, he believes burnout is a reality for a lot of people in the club and other businesses as well. But, he adds, it has never happened to him and it never will.

- Symptoms: People lose interest in what they are doing. They lose their excitement. A lot of guys kind of forget about the members and begin to operate on a higher level.

He explains that people get into this office mentality and Red asks: "how much is there to do for a club owner in his office?" (Red has no office just for himself.)

- Solutions: Make regular and frequent changes/improvements in your club to excite you, your staff and your members. Make regular personal contact with your members. Get involved in their programs and share their excitement about their results. Leave the "higher level" method of operation and become a "hands on" operator because this is a "hands on" business.

(Author's note - Red informed me that he and his lovely wife Emma are riding their two Harley Davidson Motorcycles 3,000 miles from Lafayette, La. to the Banff Resort, Calgary Canada to attend a Faust Executive Roundtable Meeting in September! Red keeps from getting

burned out by enjoying his hobbies of collecting and flying his antique airplanes and by riding his Harley on extended road trips with Emma.)

PRESTON FIELDS - GM of the three New Courtsouth Clubs in Knoxville, Tenn. Preston feels that burnout is a "frame of mind." A 16 year club veteran, Preston believes that if a person feels that they are burned out, then that perception becomes a reality. Therefore, burnout is a reality. He relates: "there have been a few times when I have had a 15-second pity party. I then will direct a few curse words at myself, tell myself I'm a big baby and then get recharged and refocused." On employees: "I feel those employees who have burned out have let outside personal problems affect their daily business lives. They lose control of their surroundings.

- Symptoms: Lethargic, going through the motions, short tempered, become introverted and quiet until they explode.

- Solutions: Look at a total picture of your life as a whole, if it is prolonged burnout. You will see prolonged burnout is a general dissatisfaction of where you are in life, personal and at work. Get control back in your life instead of life controlling you.

MIKE ARTEAGA - Owner - All Sport Fitness & Racquetball Club, Poughkeepsie, N.Y. Mike is a 23-year club veteran. Mike says: "Yes, burnout is a reality. I call it frustration or a period of when you feel you are unable to control your life." Both Mike and some of his staff have dealt with burnout and Mike comments: "We all have bouts of this from time to time. The question is, how we react to it."

- Symptoms: Exhaustion, regardless of how much sleep you get, loss of sense of humor and perspective.

- Solution: Make a decision about where you are going with your life and act on it. You can use these periods to pick a new direction and energize yourself or you can "accept your fate" and continue your negative direction.

WARREN WERTHEIMER - Owner - Rolling Hills Club, Novato, California. Warren says: "Yes, burnout is reality."

- Symptoms: Burnout is "an attitude." A symptom might be not looking forward to coming to work.

- Solutions: "Work where you

are happy and love to be."

JOE CIRULLI - Owner - Gainesville Health and Racquet Club, Gainesville, Fla. This highly successful, 16-year veteran says: "I believe burnout occurs when one loses sight of their goals." He personally has experienced burnout once - he then rethought his goals. And, he has had employees who have been burned out and says: "I found that it happens when personal problems mount up and they lose focus."

- Symptoms: Lack of sleep, a pessimistic attitude - no concentration.

- Solutions: Every morning, read about the lives of successful people - spend time dreaming about your successful future. He also comments: "Most people stress out more than burnout." Challenges become too great. Read positive motivational material and listen to tapes."

MOLLIE NELSON - formerly General Manager of Lloyd Athletic Club, Portland, Oregon. Yes - burnout is a reality. Molly has experienced burnout and as a result, she has resigned from her job of 15 years. Molly comments: "The service business keeps getting more difficult to be successful - expectations of consumers are always going up, never backward or steady. Demands on the fitness business in particular require quick response. Appropriate study in trends vs real issues is critical. I believe burnout occurs to individuals who tend to be perfectionists, who have high standards and continue to strive to keep doing more and better at everything they do."

- Symptoms: "Burnout happens when one loses perspective and gets 'out of balance' - the merry-go-round goes faster and faster and you can't get off! You fall into the "too many projects and not enough time" trap and consequently, mediocrity sets in and this is not acceptable to the person with "high standards." Therefore, you work harder and longer and generally are met with less satisfaction from those with whom you work (members, owners, etc.). Your own fitness regimen and "self-improvement" goes away, family suffers and it's a no-win situation."

- Solutions: TIME-OUT! Take enough time to get back from the situation and take a reality check. Gain perspective. Be thoughtful about what you can do to change the way you're doing things, to get balance and satisfaction back. A break may have to be as long

as one to two months - a sabbatical. Consider job sharing; regularly scheduled sabbaticals (one computer high - tech company I am aware of requires employees to take a two-month sabbatical every 7 years) - not a bad concept. Be sure you're doing something you're passionate about or else burnout can come quicker due to lack of satisfaction with the job "fit."

Molly also shares the following: "Burnout is not easily identified by the 'burnout-ee' It is most often disguised, as well as ignored. This makes it worse! If you do recognize it happening, ask your employer to work with you on appropriate time-off, shift in job duties, job sharing, counseling, etc. Employers want to keep good employees - get their cooperation to explore the symptoms before you consider quitting your job - especially if you are passionate about what you are doing. I was passionate about my work, but I was also tired. I was tired of working harder to satisfy customers and owners, for less satisfaction and reward. My family was important enough to me and my own fitness suffered because of the time and energy I spent working. "I also got tired of being responsible for employees who did not seem to care about taking responsibility for themselves. I know what I can do, what I can offer a company and I no longer am willing to take responsibility for those who don't take it upon themselves to be the best they can be!"

JOHN BRINSON - Owner - Lehigh Valley Racquet and Fitness Clubs, Allentown, Pa. John says: "Yes, burnout is an unnecessary reality." While he has not had personal experience with burnout, he has had employees who have had the problem.

- Symptoms: Lack of enthusiasm and energy. Fatigue and depression.

- Solutions: "Live one day at the time. Everyone should take some time every day to rest, relax, recreate and refresh."

BIZ STARK - Owner and general manager of the Market West Athletic Club, Philadelphia, Pa. Biz has over 17 years in the club business and says: "Yes, a definite reality - especially with mid-level or hourly workers." No personal burnout, but he has had employees who have had the problem.

- Symptoms: Classic lack of meaningful results - peers no longer willing to be co-workers.

- Solutions: Regular (6 month max.) employee review - listing of (See *More Burnout* page 11)

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More Burnout

continued from page 10

what the worker wants to be doing and providing for the club. Ask - don't tell. Provide cross-training between areas and facilities.

ANONYMOUS COMMENT CONTRIBUTORS SAY:

(A-1) - It exists very much in our business due to the 7-day week and 18 hour per day operation

- Symptoms - Short tempered mainly. But, staff can also lose their focus on the job.

- Solutions - Make sure the staff takes their vacations on time or that

you get them out of the club for a few days at a time if you can't schedule them for vacation for whatever reason.

(A-2) - Management staff and owners - "YES"

- Symptoms - overreacting, lack of patience, feeling of being overwhelmed - not able to focus.

- Solutions - take a few days off to re-focus, find time for yourself - workouts help.

(A-3) - Myth in the athletic club business.

- I believe the word "burnout" is a "cop-out" or excuse for other problems.

All except one of the respondents to our "Burnout Survey" expressed feelings that YES

- burnout IS a reality. If you or others in your organization have experience and feelings about "Burnout", then take a moment and complete the Survey at the end of this article and fax it or mail it in. Let us hear from you, especially if you have done or are aware of someone who has done creative/innovative things to combat the problems associated with "burnout." If we receive an adequate response, we will publish "BURNOUT - PART II."

"BURNOUT - MYTH OR REALITY? A SURVEY OF PROFESSIONAL CLUB OPERATORS"

(1) In your opinion, is "burnout" a myth or a reality?

(2) Have you personally experienced periods or bouts with "burnout?"

(3) Have you ever had an employee(s) who was/were having problems with burnout?

(4) If you believe that burnout is a reality, please define it and list the symptoms of burnout.

(5) If you have experience with burnout, what solutions would you recommend for one who is trying to deal with burnout?

Please share any other comments and feelings that you have about burnout? Your name: _____

You may use my name in Part II.

Club Name: _____

City: _____ State: _____

Phone#: _____

Anonymous-don't use my name in part II.

FAX TO #: (404) 933-9698 or mail to: CLUB INSIDER, Box 671443, Marietta, Ga. 30067

Health Care

continued from page 2

With All The Talk About Health Care, the Non-Profit Issue Is Slowly Becoming A Non-Issue.

The only apparent reason to let medically based non-profits join IRSA would be the health care strategy. Judging from the suc-

cess of Tom Rhind's talk, IRSA members are definitely interested in medically-based fitness. The only problem is the non-profit issue. If we let hospital based non-profits join IRSA, why not the YMCA's? Heck, at least Bally clubs pay taxes. The health care reform strategy appears to be driving IRSA to compromise itself on the non-profit issue. More importantly, IRSA is compromising its members who are at risk as own-

ers competing with these state-of-the-art monoliths.

Is the Health Care Reform Direction Consistent with the Owner's Original Mission?

Being an entrepreneur is about much more than making a living. It has to do with the core beliefs and attitudes of a person. Why else would seemingly rational human beings risk as much as

they do to own a business? Surely, there are other, less risky ways of making a living. Being a low cost provider of health care is as good a business as any. The question is whether or not being a government contractor or at least involved in a heavily regulated area, remains consistent with the thoughts, attitudes and beliefs of the owner.

Clearly, the IRSA leadership has done an outstanding job of making IRSA the fine organi-

zation it is and deserves every benefit of the doubt. My concern is that the IRSA clubs of the 1990's do not become the body shops and pharmacies of the twenty-first century.

(Steve Wild is the owner and general manager of The Libertyville Tennis Club in Libertyville, Illinois and a member of IRSA.)

...Grand Opening

continued from cover

DIRECT MAIL - The cost for 15,000 postcards - \$3,445.00

SPEAKERS - The cost of Anthony Clark was \$1,750 plus airfare and food. John Parillo's fee was the advance purchase of \$1,000 worth of his products and to pay his travel expenses and food. We have a trade-out with a hotel, thus saving \$175. Total cost for Clark - \$1,940 and Parillo - \$1,515.

BILLBOARDS - 12 billboards were up two weeks prior to the event. They featured a silhouette of Anthony Clark lifting a car and were captioned: "See The World's Strongest Man" along with the club's name, address, phone number and day and time of the event. This was also a trade, valued at \$4,800.

POSTERS - Displayed pictures of Parillo and Clark along with the times for each event. The posters also highlighted the one month dues credit for each referral. Cost of the posters - \$650.

OUTDOOR BANNER - Displayed outside on the front of the club for one month prior to the event. Cost - \$700.

TV - 2 network TV stations came out to the club to interview Anthony Clark the day prior to the event and the news story ran on the evening news that night. The two network affiliates also came out the day of the event when Clark and Parillo were entertaining and once again, aired the spot on the evening news. This free publicity was facilitated by the presence of Clark and Parillo.

OTHER COSTS - Microphone rental, chair rental, food cost, special staff Grand Opening shirts and extra staff for the day of the event came to a total cost of \$1,827.

THE BIG DAY

The day started with a psych-up staff meeting stating the goals of the day. 15 extra staff were on duty ready to handle the huge influx of people. Donuts and juice were provided for the staff. All staff members wore bright, special staff shirts purchased just

for the Grand Opening. The club was decorated with festive helium balloons.

The Chamber of Commerce came out in the morning for a ribbon cutting ceremony. The aerobics department held an aerobic marathon to benefit St. Jude's Children's Hospital. \$735 was raised for the hospital. Food was served afterwards - all of which was donated by local merchants. A newspaper photographer was there the entire day - again, another trade for membership. There were activities for the kids all day including: an air-filled trampoline/bouncer, face painting, free cotton candy, popcorn and balloons, spin art and the purple dinosaur was walking around. The kids activities were done on a \$400 trade. Lunch and dinner was catered in for the staff to reward them for their hard work and also so no one would have to leave the club to eat. A complimentary food table for guests was displayed all day which included vegetables and cheese trays.

John Parillo gave a 3-hour talk including questions and answers. A table displayed his products all day.

Anthony Clark gave a strength demonstration including bench pressing 605 for 2 reps, incline pressing 405 for 6 reps and deadlifting a car and then walking with it!

A local clothing distributor displayed his merchandise and grossed \$1500 in sales for the day with the club's commission on the sales being \$200.

SPECIAL OFFER - GREAT RESULTS!

On this special day only, we did not charge our normal enrollment fees which range from \$89 to \$159. We had not offered any membership specials in over 21 months and for the last 3 years, we have never "waived" the downpayments. Our reputation as a quality, non-discounting club has been well established in Amarillo and the market was ripe for our promotion and our new offerings. We averaged 16 sales per hour all day long!

Contrary to what one would predict, new membership sales didn't dramatically bottom out after the Grand Opening. In fact, we exceeded both our May and June membership goals by

about 10%! The expansion added \$3,500 per month to our debt service, but it appears that the investment in expansion will be well worth it. As you will see below in the summary, we almost doubled that amount with the increase in our monthly dues line.

SUMMARY OF COSTS AND INCOME GENERATED

- Out of pocket cash costs \$12,502
- Traded costs \$24,250
- Cash revenue that day \$5,000
- Monthly dues increase \$6,500
- Projected one-year revenue \$83,000
- Return on investment - 664% (for every \$1 spent, we earned \$6.64 in revenue!)

(Editor's Note: The Grand Opening production described above could be used as a blue print for any Grand Opening event. The energy and enthusiasm that Patrick and Marie delivered to their club and community is a great example of the entrepreneurial spirit that exists in the club industry. Thanks to Patrick and Marie for sharing their Grand Opening with The CLUB INSIDER!)

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