Norm Cates'

THE Club Insider NEWS

The Pulse of the Health, Racquet & Sports Club Business

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(Lto R) Gordon Johnson, John Cristiano, James Broussard, Joe Williams, Dr. Mike Proccocini, Mark Montgomery, Chris Palmer, Skip Johnson, Jamie Lee and J. D. Holmes

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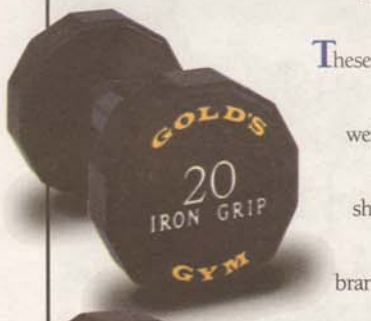

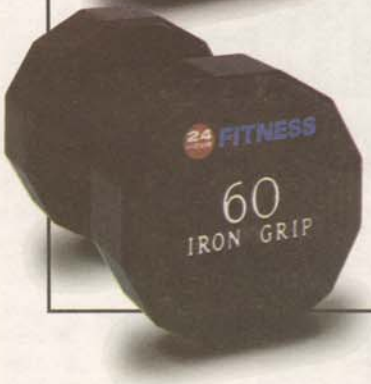

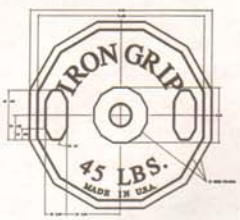

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THE Club Insider NEWS ©

The Pulse of the Health, Racquet & Sports Club Business

The Gold's Gym Legend Grows In Georgia

Alliances and partnering between businesses are common today. Airlines code share with other airlines, Microsoft partners with other software companies and clubs often ban together for mutual advertising and joint projects. In Atlanta, twelve Gold's Gyms have formed a legal alliance: Georgia Fitness Legends, Incorporated. What is unique about GFL is that individual entrepreneurs, each fiercely independent, have had enough foresight to commit to common goals, establish legally binding relationships and operate a wide variety of programs for the benefit of their 30,000 members and for the benefit of the businesses. GFL has leveraged the Gold's Gym brand name in the Atlanta area and intends to take their respective businesses to new heights.

Interviews with the officers of GFL and observations at one of their membership meetings have provided interesting insights. The trend toward businessmen operating health clubs is no where more evident than in the GFL. Of the seven owners who own the 12 Gold's Gyms of GFL, four have had significant careers outside the club industry and two have had major corporate experience with the larger club chains.

Gordon Johnson is President of GFL. He had been the chief manufacturing executive of an $800 million manufacturing company. After three years in the Marines, he pursued a parallel career in the Marine Reserves, retiring as a full Colonel. With a Master's degree from Georgia Tech and 15 years in the club industry, he brings a lot of credentials to GFL. His multi-purpose IHRSA clubs, Gold's Gyms of Douglasville and Marietta, have garnered award after award, including the international 'Outstanding Gold's Gym' in 1997 and local Chamber 'Business of the Year' in 1998.

Johnson elaborated on GFL, "Our Georgia Fitness Legends, Inc., was forged from failure. The initial organization fell apart but we picked up the pieces, learned from other alliances and our own mistakes. We now have a model alliance and it's growing stronger every day."

"Our strength, like in all effective organizations, is our people; the owners and their staffs. Mark Montgomery came in with 3 gyms, he's working on 4 and 5, and he has a wealth of industry background as an executive from several large chains. Mark championed our city-wide corporate membership program, which will be our biggest revenue producer and provide corporations the opportunity to give health club benefits to their employees at our 12, soon to be 18, Metro Gold's Gyms."

"Chris Palmer, co-owner of Gold's Gym of Roswell is our advertising guru. Chris and partner, Jamie Lee, are about to announce their next gym. Chris developed our version of the EAS Body Transformation contest. We have put up $25,000 in prize money, and $10,000 in advertising and promotion money. Gold's Gym corporate is matching $10,000. Our members love this contest. It gives them the opportunity to challenge themselves and reach their goals."

Johnson continued, "There are less than obvious benefits for the GFL owners. It has made it easy for alliances within the alliances. With the high trust level, it's not unusual for 4 gyms to commit to a local print ad with a simple phone call. Now that we have a full-time person managing our corporate program, it will be an easy transition to bring on a full-time PR person. Trust breeds trust."

"And success breeds success. GFL was largely responsible for bringing two multi-purpose clubs into the Gold's Gym chain," Johnson concluded.

In mid-1998 as GFL was taking shape, multi-purpose club owner, J. D. Holmes, was advised by Johnson, his long-time friend and Gold's Gym owner, to convert his upscale clubs to Gold's Gym. Holmes' reaction was emphatically "NO"! After a very successful career as owner of a manufacturing business and then a turnaround specialist for numerous banks, Holmes founded Club Peachtree, an IHRSA club, in Peachtree City, an upscale suburban enclave South of Atlanta. It was ironic that during his stint as a turnaround specialist that he had three troubled health clubs as clients. He learned the club industry from the business side, not the fitness side.

(See *Gold's Gym* page 10)

Crunch Fitness And Personal Trainer Sued For Member Death

New York, N.Y.- Anne Marie Capati, 37, a $220,000 per year New York knitwear designer, suffered a stroke while working out at Crunch Fitness site on October 1, 1998. She lost consciousness and was taken to St.Vincent's Hospital where she died around 9:45 p.m. that night.

A lawsuit for $320 million in punitive and compensatory damages was filed recently in the State Supreme Court in Manhattan asserting that Ms. Capati's trainer at the Crunch Fitness at 404 Lafayette Street in Greenwich Village told her to supplement her exercise and diet program with five drugs and accompanied her to a Vitamin Shoppe store to buy them. August Casseus, the trainer, and the Vitamin Shoppe were also named in the lawsuit along with Crunch and the manufacturers of the supplements.

The lawsuit said that the woman should not have been using the supplements, which included an over-the-counter drug containing ephedra, because she was also on medication for hypertension. Ephedra, an herbal substance, is not supposed to be used by people with high blood pressure. Ephedra is also used for weight control. It contains a natural stimulant, ephedrine that has been linked to more than three dozen deaths.

Philip J. McManus, Councel for Crunch Fitness, stated that he was limited in respect to comments he could make at press time because the answer had not yet been prepared to the complaint and because he had yet to see the results of the autopsy. McManus indicated that once the answer had been completed and filed that he would provide The CLUB INSIDER News with more information about his client's position in regard to the case.

The trainer, August Casseus, was recently dismissed by Crunch for unrelated reasons but has denied recommending nutritional supplements to Ms. Capati, according to Ms. Dayna Crawford, a spokeswoman at Crunch. Vitamin Shoppe Industries had no comment.

The complaint indicated that Ms. Capati joined Crunch Fitness in February, 1998 with the objective of losing a few pounds after the birth of her second child. After a couple of months she hired the trainer who had been described to her as a "level-two personal trainer/nutritionist." According to the lawsuit he "was not properly trained to do his assigned job and specifically was unknowledgeable and untrained in the field of nutrition and dietary supplements." Ms. Crawford, speaking for Crunch, indicated that Crunch has no such classification known as "trainer/nutritionist."

Paul D. Rheingold, a lawyer representing Ms. Capati's widower, Douglas Hanson, did not fault Ms. Capati's program at Crunch. But, the complaint did indicate that even though Ms. Capati had informed Casseus she

(See *Crunch Fitness* page 10)

Inside The Insider

Health Club Complaints Decrease 92%

Industry Improves on Better Business Bureau's Rating

Boston, MA.- According to the 1997 Annual Inquiry and Complaint Summary published by the Council of Better Business Bureaus (CBBB), the health club industry's ranking has dropped to number 193 in terms of the total number of complaints registered per industry. In 1991, the CBBB reported that health clubs were ranked number 14.

"This means that in 1997, 192 other industries had more complaints against them than did the

(See *Club Complaints* page 15)

THE INSIDER SPEAKS

• EDITORIALS • "INSIDER MAIL" • COMMENTS •

Why Operate In A Vacuum?

By Norm Cates, Jr.

I received an e-mail from one of my readers expressing his grave concern for a new YMCA Fitness Center that is opening just down the street from his club. He wrote: "Back in 1994, about the time you got your "Club Insider" going, you published one of my articles about the YMCA and its unfair practices in the fitness industry. Well, I need your help! Just to help refresh your memory, I have been losing business to the YMCA and battling them for eleven (11) years. Now that they have milked my community for all these years and not put one penny back in, they are putting in a "FITNESS CENTER" (looking very much like ours) approximately 300 yards down the road at the main intersection.

This is going to hurt this tax paying gym - big time! I am just getting my ducks in a row, so when this YMCA opens next month I can protect myself (if that is possible). The help I need from you or anyone in the business, is direction toward a good legal team or group that can help me. I have already spoken with the ACLU, but they can not help, for it is not a constitutional matter, even though it may be an antitrust matter.

I have seen this before, too many times, now I am the one about to GET RUN OVER BY THE YMCA!

It has taken me over twenty (20) years to build this 15,000 square-foot facility and the new YMCA could put me out of business in that number of days.

And all help is GREATLY APPRECIATED."

I responded to this gentleman's e-mail with the following message:

Hello,

I received your message about the YMCA competition. A lot of new things are happening in regard to non-profit competition.

Are you members of IHRSA? If not, you should contact them at: (800) 228-4772 to learn about their work against non-profit competition. It may be too late to stop them, but with good work, you may be able to force the YMCAs in your area to pay taxes just like you all have to do.

Let me know what is going on with your follow-up. Best regards, Norm

AN AMAZING RESPONSE FROM THE CLUB OWNER

I was amazed at the response of this club owner that was seeking help. Read on.

His response:

Thanks Norm,

To answer your question about IHRSA, No, I am not a member. The reason is because I find it hard to be a member of a NON-PROFIT organization when I've been battling NON-PROFIT organizations. You know what I mean! But thanks for getting back to me and I will keep you in the know as to what is going on.

Please feel free to send my e-mail and/or address to anyone you think may be interested or can shed some light on our fitness industry problem!

HERE IS WHAT I THINK.

GET OUT OF THE VACUUM FOLKS!

I think it is important to understand that IHRSA is the single organization in the United States that is doing the most to fight non-profit competition. The fact is there is no organization that is EVEN CLOSE to IHRSA in this aspect of the industry.

And, to use the fact that he can't join and support IHRSA because it too is a non-profit organization shows a lack of understanding by this gentlemen of the value of a good trade association like IHRSA! Sure IHRSA is non-profit. Virtually all trade associations are non-profit. If it were not, the organization would have never been able to last 18 years nor would it have been able to muster the co-operative efforts of the IHRSA Fund, Vanguard Group and the many other inner-IHRSA services that are provided.

So, the guy asked for help. I gave him the information he needed to obtain the only help in the world that is available for his problem. And, what does he do? He refuses to even LEARN what might be done to even the playing field that he is on with the YMCA in his area!

But, I stand by my recommendation to him! The gentleman should RUN, NOT WALK, to the nearest telephone and call IHRSA at: (800) 228-4772 and ask for membership information and for information on all the things IHRSA is doing to fight non-profit competition.

And, just in case any of you want to give this gentleman some advice about his dilemma, his e-mail address is:<k-d@mindspring.com>

Correcting A Wrong Impression

By Norm Cates, Jr.

Last month I published in this Insider Speaks section a letter to the members of the Washington, D.C. area Sport and Health Clubs signed by Don Konz, CEO for Sport and Health and by Mitch Wald, COO of Sport and Health. Next to the letter was a reprint of the ad that Konz and Wald had placed in the Washington Post not long after the Columbine High School Massacre. The headline on the ad read: "When Does Someone's Right Become Wrong?" Sport and Health had spent $64,000 to run the ad one time. Directly opposite the ad in the Norm's Notes section, I had attempted to make it clear that the letter and the ad shown on the Insider Speaks page was not my position on the highly controversial gun control issue. But, I apparently didn't make that clear enough. I blew it when I failed to place a statement of my neutral position on the issue directly above the letter and ad reprint. And, it also has become clear that I further blew it when I reprinted the letter and the ad under the heading "The Insider Speaks." That has created a WRONG IMPRESSION about what I was attempting to do because it DOES look like one of our editorials at first glance. But, folks, I reprinted both the letter to the members and the ad because I thought it was important club business news for a club owner to go public with a strong gun control message, given the highly strung emotions across the country relative to the subject.

The only purpose I had for reprinting the letter and the ad was to provide you, our readers, with news about ongoing events in the club industry.

So, I have heard from some folks about the letter and ad reprint on the June Insider Speaks page in no uncertain terms. The people that have contacted me are clearly anti-gun control zealots that did not take the time to read my Norm's Notes comments relative to the Insider Speaks and clearly got a Wrong Impression I would like to attempt to correct that impression.

As I said in my Norm's Notes comments, " I am one of those people that believe that people do the killing, not guns.." I further stated; however, that I found it hard to argue with the amazing statistics in the ad."

Gun control issues and decisions should be left to the politicians. And, in the future I'll do my best to avoid the mine-field of political commentary and leave that to the daily newspapers across America.

Norm Cates' THE Club Insider NEWS

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• NORM'S NOTES •

•We've reported two exciting new statistics this month! The report that the **Better Business Bureau's** complaint tracking for health clubs is down 92% is huge! In my view, that statistic is very strong evidence that the health, racquet and sportsclub industry has truly turned the corner in the eyes of our society and is positioned to aggressively pursue that illusive 89% of the American population out there that is not currently a member of a health club. And, the revised report that the total number of health club members is now 29.5 million is even more evidence of the progress our industry is making. Let me be clear. Each of you club owners, managers and operators out there that work hard every day to provide your members and guests with a clean, friendly and efficient club environment deserve the credit for this progress. And, importantly, credit should go to the Associations that have helped advance the state of the industry significantly over the past 15-20 years. They should all be recognized for the great job they do. IHRSA, IDEA, ACSM, ISSA, ACE and IPFA are groups that have helped many of you advance your professionalism in the club business. And, of course the manufactures and venders have really been an anchor for the industry.

•Speaking of Associations and how they can help you and your club, this month I've written a brief editorial on the opposite page entitled: **"Why Operate In A Vacuum?".** My commentary is about an e-mail message I received from one of my readers asking me to help him fight a new-fancy YMCA Fitness Center opening just down the street from his 15 year-old club. Check it out.

•And, while you are on page #4, be sure to read the editorial entitled: "Correcting A Wrong Impression". It seems that last month some folks read the letter and **Gun Control ad** that we published simply as news and interpreted that to mean that I am promoting gun control. Not true. Even though some folks got bent out of shape with that idea, I was not promoting gun control. I just published the items as club business news items. So, if you got your panties in a wad over it, I apologize for not clearly labeling the letter and ad as a news item!

•O.K. Last month I announced that beginning with this edition we were going to feature a new monthly page entitled: **"Best Health Club Advertisements"** featuring the best ads we received from participating clubs. Wellllll, we didn't receive a single ad by our print date so please get up and go to the file where you keep your old ads and pick out the best print ad you've ever created. Make a nice clean black copy of it and send it to us so we can get the ball rolling on this terrific idea. What are you waiting for? Do you think your competition down the street is going to use it? Got news for you. They've already seen it! Send your ad entries to: CLUB INSIDER News, P.O. Box 681241, Marietta, Ga. 30068-0021. Each winning entry that is published will receive a free one-year subscription to The CLUB INSIDER News!

•**The Northwest Athletic Club** group in Minneapolis/St.Paul, now owned by **Club Sports International,** has entered into an agreement with the Minnesota Timberwolves pro basketball team to build a new 12,000 square-foot practice facility within the Northwest Athletic Club-Arena in the Target Center. The new **"Wolves Den"** will consist of an NBA-sized basketball court with special flooring and lighting, training room, weight room, video room, coaches offices, locker rooms, meeting rooms and media reception room. The facility will be used exclusively by the **Timberwolves** and the new WNBA team, the **Minnesota Lynx.**

•Congratulations to **CHERYL SISTO,** the newly elected President of the **New England Health, Racquet and Sportsclub Association.** Four new directors were elected in May and they are: **PATTI DALY, Boston Athletic Club, JENNIE DAVIS, River Valley Club, BILL PATJANE, The Wellbridge Company and MICHAEL MAJEWSKI, Mid-Cape Racquet and Health Club.** Also, make plans to attend the NEHRSA/NEACSM(New England American College of Sports Medicine) Conference October 27-29 at the Rhode Island Convention Center in Providence. For information, call JAN WOODMAN, (617) 951-0055 ext.115.

•**Bally Total Fitness** continues to hover just below the 30 mark. Also, Bally has announced that they have expanded their line of proprietary nutritional supplements from13 to 44 products.

•**STEVEN SCHWARTZ, President of Tennis Corporation of America,** has appointed **BRETT GARGANO** as the new Controllerof the 43 club group.

•**LYNN HOGGAN,** the president of **Hoggan Health Industries,** has named **DEAN OFFRET** as the new Marketing Director. Dean will be responsible for all marketing and promotional programs. Lynn's company is approaching the 25-year mark.

•**LOREN BRINK,** the CEO of **Health Fitness Corporation,** has announced the acquisition of 50 corporate centers in the United Kingdom.

•A recent article in the Atlanta Journal/Constitution gave a "brilliant and brainy" rating of the new book: **"Muscletown USA: Bob Hoffman and the Manly Culture of York Barbell."**

•**LOU HOLTZ,** the new **Head Football Coach** for the **University of South Carolina,** will be the keynote speaker for the **14th Annual IHRSA Club Business Conference** in Orlando, Florida, December 1-4, 1999. If you haven't seen Lou speak, you are in for a real treat as he is one of the most entertaining speakers you will ever see. Also, don't forget to make your plans to attend **IHRSA 19th Annual Convention and Trade Show** in San Francisco, CA., March 22-25th, 2000. The destination will be the **San Francisco Marriott, Moscone Center** and reservations may be made by calling Marriott at: (800) 228-9290 and tell them you want the IHRSA Convention rate. If you need IHRSA membership information call: (800) 228-4772 and ask for Meredith at ext. 129 or Jill at ext. 109.

•More IHRSA News: the **IHRSA Management Institute** was once again a sellout with 85 club professionals from 11 countries attending the week-long program. It was held at the **John Hopkins University Homewood Campus** in Baltimore, June 11-16. Also, IHRSA and **Schwinn** will launch a **"Building Membership"** Program for health clubs in September, 1999. The program is intended to drive the 50 Million By 2010 membership initiative announced by **IHRSA's JOHN McCARTHY** in March. And, last, **Tennis Corporation of America** is sponsoring a new tennis award called the **IHRSA Community Tennis Development Award** recognizing the best job of working with community partners to promote and support the creation of new tennis players.

•**TONY deLEEDE, the "Head Roo"** for **Australian Body Works** in Atlanta has opened his 22nd location at Town Center. This new unit is 22,000 square-feet and has "state-of-the-art" everything!

•**RANDE LaDUE,** the owner and president of **Pro*Fit Enterprises,** National Distributor for the **Pace Group Exercise Program ™,** has a new Website address: **www.pacegroupexercise.com**

•**TBG Development Presi-**

(See *Norms Notes* page 6)

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Marketing For Results

By Brenda Abdilla

When revamping the way you market your club, it's hard to know where to begin. Traditionally, clubs operate from one of two extremes - either they handle the marketing completely in-house or they hand the whole task over to an advertising agency or marketing consultant.

Both of these extremes come with their own set of problems. Handling all aspects of the marketing in-house is not very time or cost efficient. If you are having your work designed in-house, chances are it shows and doesn't look nearly as good as it would if a professional graphic designer worked on it. If you are labeling and bundling the actual pieces in-house, it may be taking longer than it would at a mail-house, which delays your promotion.

On the other hand, you lose control of your promotions by letting an outside source handle all aspects of your marketing. This usually leads to excess costs and may not always produce results. However, there is a happy medium in all of this. You can hire out some help in areas that will be cost effective and potentially increase your response, while keeping control in the areas relating to budget and overall message to the marketplace.

Below are eight general tips to help you get started in the right direction:

1. Hire yourself as the new marketing project manager. Consider yourself to be the "project manager" of your marketing efforts. You decide what will be done, and find someone to handle all of the details that need to be executed to make it happen. This means managing contract personnel, printers and mail houses, for instance. There are an amazing amount of details to be coordinated to make a marketing plan successfully come to life. There is nobody better suited to do the job than you. Consider yourself hired.

2. Find a graphic artist. I am always amazed at what a graphic designer can do with my mocked-up (handwritten or drawn) work. Don't let them start from scratch, as it can take forever and gives them too much control over the message. Designers make the print eye-catching and have the time and patience, which project managers do not often possess, to fine tune any written work.

3. Start being very selective about your marketing expenditures. As the marketing director of several clubs, I found myself being bombarded by salespeople telling me that their newspaper - or television station or coupon book - was the absolute answer to my dreams of new memberships. At first I met with all of them and, not surprisingly, got drawn in by each presentation and completely lost control over my budget and marketing plan. Later, I learned to simply explain to them that my budget was set for the year and that I would keep their information in a file to be reviewed at budget time next year.

4. Spend money to make money. For every club out there spending money in the wrong places, there is a club that just doesn't spend enough money to make an impact on the local market. Most owners I know would rather buy a new piece of equipment than spend money on a direct-mail campaign. This is completely understandable, since the piece of equipment is an asset with tangible value. But a properly executed marketing campaign becomes an "asset" to the business when it covers its own cost and creates an additional three, seven, 25, 50, or 75 new members.

5. Get your product in tip-top shape. It is pointless to create traffic for a product that is run-down and out of shape. There are clubs that have great member-appreciation parties but never spend the money to replace the missing tiles around the whirlpool. If you have plans to renovate your club, make sure you market to that effect. While you're at it, make sure you keep your members informed of your progress with signs and banners inside and outside of the club.

Brenda Abdilla

6. Take a walk-through of your club. What you're looking for here is not so much what needs capitol improvements, but how your club might look if viewed through the eyes of a prospective member. Are the signs throughout your club handwritten or written in a condescending manner? Is the club cluttered with paperwork, debris or too many signs? These are things that don't usually cost money but can seriously affect the impression your club makes on prospects touring your club.

7. Create marketing momentum. Make sure you are giving an idea, or a promotion, enough time to work. For instance, I find that it can take members several referral promotions to get the idea that they actually get a gift when a referral of theirs joins the club.

Similarly, if you are getting results - either internally or externally - it is important to keep the efforts up so as not to lose the momentum you have created. Increasing your market share is a building process. Each marketing effort hopefully plants a seed deep in the mind of the prospect. Efforts made now have a residual effect for months and even years to come.

8. If it's complicated, don't do it. If your marketing idea has steps, tiers or special instructions, it will probably fail. It may be a fantastic idea, but it is probably too difficult to communicate to the prospect. If you can't communicate the idea verbally to someone else in one or two sentences, or if the person has questions, the promotion won't work.

Brenda's Bottom Line: You will see far improved results when the marketing is being managed by one main person within your club. Clubs tend to disperse the marketing responsibility among several staff members to lower the overall risk. This, unfortunately, dilutes the success in the process. Work out the details as to who will manage the marketing effort, hire outside assistance for items which are best handled professionally, and get the club physically cleaned up.

(Brenda Abdilla, a 17-year veteran in the Health & Fitness Industry, runs Oregon-based Club Profit Systems. Her specialty is helping fine clubs take their sales and marketing departments to the next level of success. Brenda works with club management to focus intensely on the two most important elements of bottom-line success: generating more traffic and updating the systems for selling memberships.)

(This article was excerpted from Marketing for Results, A Common-Sense Approach for Health Clubs by Brenda Abdilla.)

Norm's Notes

continued from page 5

dent, JEFF BENSKY, has announced the opening of Healthpoint, a new 100,000 square-foot flagship athletic and fitness center in Waltham, Ma. **Healthpoint** is a partnership between TBG Development, **The Care Group** and the **Boston Celtics.**

•**ROYLE C.BERRY,** a long-time club industry consultant who specializes in Corporate Membership marketing, was kind to write an article for us a couple of months back. I failed to list his phone number with his bio on that article. To reach Royle call: (972-483-6016 or e-mail: royle@azmail.net

•The **USPTA** has hired **FRED VIANCOS** as its new Director of Professional Development.

•**Gold's Gym Enterprises, Inc.** is still in hot and heavy talks with an acquisition goup. However, Gold's Gyms, **RICH MINZER** tells us that no deal is done and no details are available at press time. **STAY TUNED!**

We're presenting our cast of wireless systems around the world. And getting rave reviews. It's the biggest variety show ever introduced in the Exercise Entertainment™ business.

No one else can offer such a wide selection of wireless systems. Priced on three levels, there's something for everybody.

Presenting our three star performers:

Wireless Cardio Theater, our veteran performer, sets the stage with an unbeatable 16-act show.

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- easy to maintain
- easy on your budget

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Caveat Venditor: The Reality Managers Refuse To Face

By Rick Barrera

Many speakers and authors today are talking and writing about constant, discontinuous change and chaos in the marketplace. Frankly, that's not what I see. Yes, there is plenty of change but the change has been following a repeated and predictable pattern for the first macroeconomic cycle, the agricultural age, through the macroeconomic cycles of the industrial age and the information age.

The pattern is similar to the product life cycle curve with the exception of the last portion of the cycle. The typical product life cycle curve has four stages: introduction, growth, maturity and decline. *(See diagram 1)*

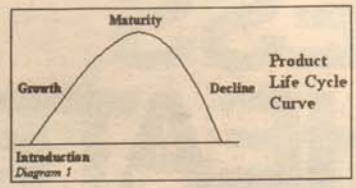

Diagram 1

The macroeconomic life cycle curve also has four stages: gestation, growth, maturity and aging. *(See diagram 2)* The key difference is the fourth stage. The curve flattens in the fourth stage because demand for the products of that cycle are still needed, but demand is fairly constant, only growing in line with population.

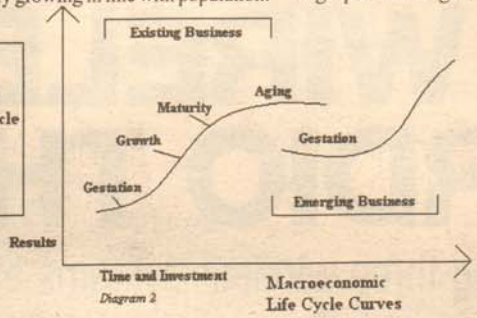

Diagram 2

Macroeconomic Life Cycle Curves In Business

What all this means is that if we want to position our businesses for the future we need only look down the curve to see what's next and begin to position our businesses to profit in the coming portion of the cycle. In the first quarter of each cycle it has been the product of innovators who have created wealth. In the second quarter, improvements on, adaptations of, and applications for the new innovation have been the wealth creators. In the third quarter most of the technical improvements have been made so it's superior marketing that creates wealth. (Right now we're in the 3rd quarter of the information age.) In the fourth quarter, only low cost producers survive and the rest of us are freed up to move into the gestation phase of the next cycle.

At the turn of the century 80% of the population was farmers. Today, less than 2% of the population produces more than we could possibly eat. In the 50's", 80% of us worked in the industrial sector. Today, less than 25% do, but they produce more than we can buy.

What has changed radically is the speed with which we have gone through these cycles.

We were Hunters and Gathers for 100,000 years. We were in the agricultural age for 10,000 years. We were in the industrial age for 100 years. It looks as if the information age will last for only 60 years and I predict the next cycle will take only 20 to 30 years.

There is, however, a far more pervasive and fundamental change sweeping the business landscape that is not widely recognized and that, in my view, threatens to wipe out whole businesses and whole industries who do not fully understand its implications.

From the beginning of economic history until about the early 1980's, demand exceeded supply for virtually every category of goods. There was not as much available that the market as a whole wanted to buy. As a result, operations thinking pervaded all of our management models. In the industrial age we organized to distribute large quantities of generic goods to mass markets with high demand.

When demand exceeded supply for everything from automobiles to telephones you could have it in any color you wanted as long as it was black and you would only have to wait six weeks to get it! This kind of market-efficient, operations-oriented thinking created fat profits and operations oriented managers rose quickly to the top.

In too many companies and too many industries those managers are still at the top trying to use operations thinking to create profits in a very different marketplace. Today, we must reorganize to deliver small quantities of specialty goods and services to small niche markets who have many choices of supply. The bottom line is that for virtually every product category today, supply exceeds demand! If you don't believe me, answer this question: If your company went out of business tomorrow morning at 9:00am, how long would it take your customers to replace you?

If your answer is anything longer than a few minutes or hours, I want to invest in your company. Most of my clients and audiences tell me that their customers keep their competitors on speed dial!

Understand this: for the first time in economic history, the customer owns the marketplace. Caveat emptor (buyer beware) is dead. Caveat venditor (seller beware) is alive and well. Few managers today fully understand the pervasive shifts required by this fundamental change. There is no department, discipline or person in the company who will be untouched by this change.

If supply exceeds demand, how important is superior product design? If supply exceeds demand, how good must your marketing team and sales team be? If supply exceeds demand, how important is quality? If supply exceeds demand, how long will your customers wait for your product or service? If supply exceeds demand, what kind of pricing or financial package will be required? If supply exceeds demand, what level of customer service will your customers demand?

The answers are essential, exceptional, critical, a nanosecond, better than your competitors and world class. Not many of us can claim to be all of these things, and for the time being, that's what is allowing us to stay in business. But as the smarter companies reorganize for this fundamentally different era. Those who do not will quickly disappear.

I am not sharing this with you to scare you but rather to alert you to the actions true leaders must take quickly. Too many companies have relied on downsizing to sustain profitability as their customer bases shrink and orders per customer become smaller and less frequent. You will never shrink your way to greatness! Downsizing is merely a strategy to dodge the bullet while you reorganize for this new, ever more competitive marketplace. In the end, if you don't truly change the fundamentals of your thinking, your people and your systems to be truly marketing driven (the third quarter wealth creation strategy), you will have just postponed your ultimate fate.

My company and this publication are dedicated to bringing you the best ideas we can find to assist you in making the necessary transitions. We hope you find them useful.

(Rick Barrera is the President of Rick Barrera and Associates, a Southern California based Management Consulting firm. Barrera and Associates may be reached at: (619) 759-2559.)

Rick Barrera

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AFFILIATED ACCEPTANCE CORPORATION

Crunch Fitness

continued from page 3

was taking prescription medicine for hypertension, he encouraged her to buy the supplements and provided her with hand-written instructions on when to take them. According to the complaint, the products Casseus recommended included Whey Fuel, EFA, a supplement of essential fatty acids, Thermadrene, containing ephedra, Lean Body Shakes and Yohimbe Bark Extract.

Ms. Capati suffered the stroke and died after several months of taking the supplements.

TRAGIC IRONIES

Crunch Fitness has branded itself as a very unique health club organization with good-will and humor as a significant part of its product mix. However, the tragic irony of that thrust lies in some of the intended to be humorous materials distributed by the internatonal organization. For example, the personal training brochure has a line stating,"Besides having minty-fresh breath, the trainers have a license to kill." The brochure continues with, "Use a personal trainer when it's time to meet your fitness goals, or die trying."

New York Post Investigation! "How Safe Is Your Gym?"

In a New York Post investigative article, Richard Cotton, Chief Exercise Physiologist and spokesperson for the American Council on Exercise in San Diego, was quoted as saying, "There are unfortunately many trainers out there without good credentials and most certainly aren't qualified to give nutritional advice."

So, the New York Post sent reporter Hallie Levine, a-125 pound regular exerciser, undercover to visit four New York City gyms. She attended three personal training sessions and one nutritional consultation.

The results were eye-opening:

New York Sports Club Rating : Excellent

Crunch Fitness Rating: Fair

Equinox Rating: Poor

Art of Fitness Rating: Poor/dangerous

This sad event and the subsequent undercover reports produced by New York Post reporter, Hallie Levine, make it clear that there is vast disparity between the qualifications and skills of personal trainers. This event should serve as a "red-flag" for all club owners to scrutinize the credentials, experience and practices of their personal trainers. It could end up saving you a bundle!

...Gold's Gym

continued from page 3

After 10 years of club prosperity leading to two clubs, Holmes was looking for a new marketing high. Although his reaction to the Gold's Gym conversion was negative, he respected his friend's advice and dramatic success with the conversion of his multi-purpose clubs to Gold's Gym. The pros and cons of conversion lay heavily in favor of the Gold's Gym license, but the lingering perception of Gold's as a muscle-head organization remained in Holmes' mind and he wasn't persuaded.

As the decision was being weighed, Johnson invited Holmes to attend a meeting of GFL. Holmes attended the meeting and credited his impressions of the Gold's Gym owners and their approach to business as one of the key and final decision factors that resulted in his decision to license the Gold's Gym name for his clubs.

No "Muscle-Heads" Here

Holmes related, "I was expecting a bunch of muscle heads and seat-of-the-pants operators. What I found was a group of intelligent and experienced entrepreneurial businessmen who had forged an alliance between themselves and were taking their businesses to a new level with their cooperative relations. I was surprised and impressed. Two weeks later I was in Venice, California completing my franchise agreement. Now, as a Gold's Gym, a participant in Georgia Fitness Legends and an IHRSA member, I am rock-solid positioned."

Today, Holmes is Secretary respectively of GFL as well as serving on the GFL board. He brings an array of general business, financial and legal knowledge to the GFL. The Atlanta metro area has a population of about 3,400,000. There are 19 Gold's Gyms in that area, twelve of whom are in the GFL. There are at least three gyms on the drawing board for 2000. Presently, the projection by the end of 2000 is for GFL to have 18 member gyms with at least 40,000 members.

The twelve metro Atlanta Gold's Gyms have seven different owners and serve over 30,000 members. GFL is a Georgia Corporation. Each Gold's Gym owns and votes 10 shares of GFL stock. The initial capitalization was $1,500 per gym and monthly dues are $250 per gym. Dues are primarily spent on advertising and education of staff and owners. The principal reasons for organizing as a corporation, rather than just operate as a casual group, were to be able to enter into contracts, legally bind the members to each other and to establish a credit history. There are five Directors elected by the respective Gold's Gyms, who meet monthly to lay the groundwork for the members at the regular business meetings.

One of the first accomplishments of the GFL was to create a partial reciprocal use program for its 30,000 members. Now, members have the availability of using not only the national gyms but also the local GFL gyms as much as 14 times per year each.

Corporate Membership Program Launched

Acting on the strength of the Gold's Gym name, the high concentration of Gold's Gyms in the Atlanta area and the national Gold's Gym network, GFL launched a Metro Atlanta Corporate Membership Program. No one club could have done this alone; 12 acting together did it. Headed by a full-time Corporate Membership Director, Arman Ecklebarger, GFL is now providing citywide membership for corporate clients. The business plan is for each GFL gym to have a revenue increase of 10-20% within two years due to corporate memberships.

Does the alliance work? Do all these business owners get along? Is it productive? When Club Insider visited a GFL midday membership meeting at an Atlanta restaurant, it could have been any group of dedicated businessmen, sharing camaraderie and business topics, except that everyone sported Gold's Gym logos on their shirts. That particular day the focus was on public relations and the corporate membership program. The unity was obvious; there was no squabbling or rancor. Opinions were voiced, sometimes with passion. It was obvious that speaking one's mind was appropriate. There was a brief review of progress to date which highlighted local member usage reciprocity, radio, print & TV advertising, public relations, the $25,000 local Serious Fitness Contest, city wide Red Cross blood drives, training seminars and the corporate membership program.

Although GFL has been formed less than a year, the program has already produced tremendous synergistic results. For example, a reciprocity program for local Gold's Gyms (located within 50 miles of each other) has been put into place. The Travel Plus Program supplements the current international travel program which permits members to use Gold's Gyms worldwide. With Travel Plus, many Gold's Gym members may work out at other local Gold's Gyms which are participating in GFL.

Another opportunity for GFL is the wider use of public relations. The variety of facilities involved in Georgia Fitness Legends lends itself to an increased number of promotional events and publicity-related opportunities. Plus, the synergy created from the alliance has made advertising a GFL affair as opposed to an individual licensee activity. Advertising and marketing leverage is an important aspect of the GFL. The ability to access massive media exposure has become an important part of each gym's marketing plan.

Training and education among the participating gyms is another huge benefit. By pooling their resources, GFL has already contracted with well-known motivators and educators such as John Paul and Tony Davis to continue the inflow of business-related knowledge to the group.

Large-scale charitable activities have also become a staple of the GFL. A recent Red Cross blood drive, the second in 1999, netted the area Gold's Gyms an award from the Red Cross for the huge success of the citywide event. At this writing, the GFL is responding to an emergency shortage of blood and planning a drive on two weeks notice.

Mark Montgomery, owner of three Gold's Gyms; Kennesaw, North Marietta, and Acworth, commented "two major benefits we didn't mention are the sharing of knowledge and experience and the ability of our staffs to call on or visit any club to learn or pick up ideas. Between the owners we've got financial, marketing, planning, operating and sales experience from the club industry and at least five other industries. We play golf. We get along. With these guys, it's not nearly as lonely at the top."

A Rough Start

"Initially, the group wasn't always as organized and productive." commented Dr. Michael Prococcini, owner of Gold's Gyms of Lilburn and Duluth, Vice President of GFL, and Chairman of the GFL Board. Before shifting his business interests to Gold's Gyms, Dr. Mike, a graduate of Life College, was a successful chiropractor, opening 12 chiropractic centers in 3 states. He developed his chiropractic skills and also became a devoted student of success techniques.

A foundation belief of Dr. Mike's is that whatever you are doing, you do it to be the best. Acting on that belief was the genesis of the owners association. It could be the vehicle to enable paying larger salaries to better, more-qualified people to do more skillful work and to produce better results. A marketing professional, a corporate sales person, a public relations person and proper staff training are all vital in running a successful operation but all of that overhead is cost prohibitive for a single gym owner. By pooling their resources, they could afford more high-priced resources.

However, the initial formation, begun in 1997, never took off. There was disharmony, too much difference in pricing and special offers for effective group advertising and the meetings were like a tower of Babel. Several gyms would not honor their financial commitments. Advertisers wanted to deal with one billing location and not bill each gym.

Dr. Mike elaborated on the formation of GFL, "After much effort to keep the owners' association together, it nearly collapsed because of difference of opinions and no accountability. Several gyms wouldn't pay their share of the advertising. Advertisers didn't want to bill each gym individually. The organization was not credible. We were not making progress. Finally, the group did agree on one thing and that was to incorporate the organization and get some leadership. Also, we realized that by incorporating we would hold each other accountable to each other and it would eliminate misunderstandings. We incorporated less than a year ago, made legal and binding agreements through the GFL and put up some serious money. The gyms who couldn't stand the heat got out of the kitchen. We elected leaders and it's clicking."

"The group has been so successful because they have applied what is called the 'Disney Pattern' to their decision making process. The Disney Pattern has 3 steps: first you brain storm and dream of ideal situations; then you critique and find faults and potential problems; then you realize how to implement the dream."

" I guess I'm designated senior dreamer of the group," concluded Dr. Mike. "The idea is the simple part. It is the implementation that is hard. We have been good at assigning the right people to accomplish any given task."

When asked what the future holds for the GFL, Johnson replied, " Whatever we are willing to invest will be multiplied by the number of Gold's Gyms that participate. Our owners plan to open new gyms. We will be part of the IHRSA objective of 50,000,000 US health club members by 2010. Gold's Gym corporate gives us great support and that will continue to get better. The web will be an important marketing tool. We will employ more specialists to support the member gyms. I am confident that within 2 to 3 years the number of GFL Gold's Gyms will reach twenty-five."

(Our sincere thanks to all of the GFL leaders that assisted in the preparation of this article.)

Successful Strategies For Making Trial Memberships Work

By Casey Conrad

Mention trial memberships and many club operators roll their eyes while others give praise to such programs. What is the difference between these two people? Return on investment!

No doubt every club operator has at one time or another run some sort of trial membership program trying to drive potential prospects through the door in the hope that a significant percentage of those people will eventually convert into paying members. Unfortunately, many club operators are soured to trial memberships. This negativity usually stems from two main sources: One is a relatively low conversion ratio. The other is a sense that too many people coming in on the trial memberships are "habitual users" of these free passes, giving club operators the feeling of repeatedly being taken advantage of by certain people. Of course, this second issue would not be as big a concern if the club were enjoying a strong conversion ratio overall. This article is going to look closely at trial memberships, discussing everything from the psychology of the programs to the skills and techniques clubs need to use to make them an effective marketing strategy for you.

Why Trial Memberships?

Before we can discuss the specifics of how to make a trial membership program work, let us first look at why such programs should be a part of every club's marketing efforts. American Sports Data recently reported that 93% of Americans when polled said they believed an exercise program would definitely improve the quality of their life. 85% of those same people, however, admitted that the reason they had not embarked on an exercise program was the belief that they would not be able to stick with it; therefore, why start. Further, the most recent IHRSA reports stated that only around 11% of all Americans are currently members of a health clubs, leaving a whopping 89% as potential prospects.

The significance these statistics have for the justification of running trial membership campaigns is incredible. People want to exercise but they don't want to fail. They want all the benefits of an exercise program but they don't believe they can actually attain them. Trial memberships give the 85% of individuals who are skeptical about successfully sticking with an exercise program a "low barrier" entry into the club doors. Without a no-risk trial, the chances of these skeptical prospects walking into the club is slim to none. Therefore, if clubs wish to successfully attract new, deconditioned individuals who have never been a member of a club before, trial memberships provide the perfect vehicle. In addition to offering a low barrier entry, clubs can promote trial memberships without having to offer discount prices, thereby maintaining a higher level of value in the consumer's mind. Let's face it, if you are constantly offering price discounts, consumers will become conditioned to buy only when there is a deal.

Why Most Trial Membership Offers Fail

So, if trial memberships are such wonderful vehicles for attracting new members, why is it that many club operators report minimal success with them? Simple, trial members don't convert into long-term members because they don't experience results. Of course, even if someone has a 30 day trial, there are limits on physical results one can attain. However, when we speak of a trial member not seeing results, we are really referring to their inability to use the club on a regular basis. Most people realize (and admit) that it takes more than 30-days to reap substantial fitness benefits. What they want to see during their trial membership (and fitness salespeople hear this so often from skeptical guests)-is if they are going to actually use the club. In fact, many guests have histories of starting exercise programs (whether it is at home or a club) and quickly failing to stick with them. Therefore, it only makes sense that people want to try your club before they make a long-term financial commitment.

Now, don't get me wrong. All efforts should be made to get prospects to fully comprehend that the first step to sticking with anything is making a commitment. However, such logic is somewhat the chicken or the egg syndrome; which comes first, the mental commitment or the physical proof that one will stick with it? Because of this situation and the fact that high-pressure sales tactics aren't an option, the reality is that many who respond to trial offers will use the trial before making any financial commitment.

Casey Conrad

Having people use the trial memberships, however, isn't the problem. The problem is that trial members usually do not get the attention they need, resulting in low or no usage. Having used the club a minimal number of times convinces the trial member that they wouldn't have stuck with a program anyway and they end up not enrolling, perhaps never to step foot in a club again. This is

(See *Casey Conrad* page 19)

Communication Consultants Opens New Corporate Office

(L to R) Susan Johnson, Jenn Thunberg, Casey Conrad, Laura Ferry and Mike Campetelle

Wakefield, RI - June 17, 1999 - Casey Conrad's Communication Consultants has just purchased an office building that will be home to their new corporate offices. The official move will take place as of July 1, 1999. The new address will be 11 Kenyon Avenue, Wakefield, RI 02879. The company's new local phone number is (401)792-7009. The fax number is (401)783-9671. The company's 800 number will remain the same at (800)725-6147.

The decision to purchase an office building came as the result of the recent expansion of company services, products and employees. In March the company launched a product catalog division that features all 18 of the company's sales, marketing and management products specifically geared for the health club industry. In April the company launched a personal development division that specializes in customer service seminars and training and added three new employees to the team. "The move wasn't an option for us anymore," notes Conrad, "We simply needed more space."

The building provides enough space for the company's current needs while giving Communication Consultants room to grow in the future. According to Conrad, "Half of the building is currently rented out to other tenants but owning the building gives us the ability to take over more space in the future if and when the need arises."

Communication Consultants provides the fitness industry with a comprehensive system of live training seminars, tapes, workbooks, textbooks, on-site club consulting and trade show lecturing, with more than 19 products in use in over 1,600 clubs worldwide. In addition to being President of the company for the last 10 years, Conrad is an attorney, licensed in the State of Rhode Island.

The Fundamental Changes That Are Shifting The Way We Do Business in the Fitness Industry - and How You Can Profit from Those Changes!

By Michael Scott Scudder

We're Stuck In A Rut...

•Industry "Member Attrition" is STILL at 40% or higher!

•Average profit margins are STILL under 10%!

•Owners STILL can't hold on to valuable employees!

•The health club business is STILL price-driven!

But All Of That Is About To Change...

•Competition is keener than it's ever been!

•The new facility start-up rate is at a faster pace than the net membership increase rate.

•Non-profits are learning fast.

•Multi-club operations are growing exponentially.

What Are These Changes?

...and what effects will they have on YOU?

...and how can YOU profit from these changes?

#1 - Membership Pricing Will Change...

•"Contracts" will disappear in favor of higher-priced term-to-term agreements.

•There will be less emphasis on "membership" in progressive clubs.

•Initiation Fees will reflect quality of service and consistent proactive retention efforts.

•Renewals will be member-activity incentivized.

#2 - Employee Training Will Change...

•Owners will institute real employee training programs at all levels.

•High-profit clubs will be high employee-retention clubs.

•Internal company structures will be bottom-up or network-driven (instead of the traditional "top-down").

#3 - Investment Strategies Will Change...

•Operators will invest in less, and different types, of equipment (see "Marketing" changes).

•Clubs will put money into employees...wages will go up and be incentive/income-sharing based.

•Substantial dollars will go into technology and software, which will be "smart."

#4-Traditional Programming Will Change....

•"Aerobics" will disappear and blend into group activities.

•Member physical training will be group-based.

•Profit centers will be based on programs, not products.

•Customers, not features, will become the driving force of leading clubs.

#5 - Marketing and Advertising Will Change..

•Gym design will be seen as a marketing tool...not as physical space cost. (Soft Gyms will become the norm.)

•Equipment lineup will move from linear to exercise-user-functional.

•Traditional entertainment centers (cardio theater, TV) will become internal advertising, programming and marketing venues.

#6 - Marketing and Advertising Will Change (continued)...

•Marketing will be "in-driven," not "out-driven," and "customer-back."

•Clubs will spend LESS on sales and marketing.

•Operators will recognize the marketing value of retention and put advertising monies into members and staff.

Will YOU Change?

•Those who do not will be resigned to the results-and-limitations- the past.

•Those who do will carve out the promise - and benefits of the future.

(Michael Scott Scudder is President of Fitness Focus, a club management consulting firm. Michael may be reached at 505/751-4236.)

...Club Complaints

continued from page 3

health club industry. This is an indicator that the industry, serving 35% more members in 1997 than it did in 1991, is heading in the right direction in terms of industry ethics and customer service," says John McCarthy, Executive Director of IHRSA.

According to the report, there were only 263 complaints filed in 1997, down from 3, 140 complaints in 1991. While complaints have diminished, the number of health club exercisers has grown. In 1997, there were 28,305,000 U.S. health club members, 35% more than the 20,995,000 in 1991. So while U.S. health club membership has grown 35%, the complaints have decreased by 92%

The report showed there was a total of 2,044,048 complaints made to the BBBs during 1997. Health club complaints were a .01% of their total complaints.

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IHRSA's Capitol Report

Thanks to IHRSA for providing Capitol Reports for reprint.

Sewickley YMCA Lawsuit Enters Sixth Year

A lawsuit questioning the tax-exempt status of Pennsylvania's Sewickley YMCA is being dragged into its sixth year, according to the North Hills News Record.

Arguments before the Allegheny County Court of Common Pleas are expected to resume this month.

The County has said for years that they want the YMCA to be an equal partner in helping with the costs of services provided by the borough because taxpayers incur those costs on the YMCA's behalf.

But YMCA officials contend the organization should keep its tax-exempt status because it provides community services and has contributed considerably to the borough.

The two parties tried unsuccessfully to settle the issue before the appeal was filed in 1993.

The Allegheny County Board of Property Assessment, Appeals and Review ruled in December in favor of Sewickley, eliminating the tax-exempt status of the YMCA. The YMCA, however, filed an appeal seeking to have the ruling overturned.

If the Assessment Board's ruling is upheld, the YMCA could be forced to pay Sewickley $71,000 in taxes dating back to 1993. Penalty and interest charges could bring the total amount to $100,000.

But even the amount of taxes the YMCA will have to pay is a matter of dispute.

The borough has filed an appeal challenging the County Assessment Board's use of 1980 assessment figures to calculate the amount of back taxes the YMCA owes. Borough officials contend that several renovations since 1980 have increased the YMCA's value.

IHRSA will keep you posted on any developments in this case.

VICTORY! TEXAS CURBS COMPETITION FROM COLLEGES

Ramiro Galindo, Chairman of the Texas Health, Racquet & Sportsclub Association (THRSA), reports that while efforts to pass a broad fair competition bill in Texas fell short this year, an important victory was achieved.

"We were able to single-handedly pass an amendment to the biennial appropriations bill to include a provision that precludes community colleges (from receiving) state reimbursement for teaching physical education classes to persons not engaged in a degree plan."

According to Galindo, this legislative action was sparked when a club operator in Galveston noticed that a local junior college was advertising aerobics and weight training classes to the community at large. At $39/month, the taxpaying club couldn't compete with the $15/semester charged by the college, and the taxpaying club lost members. (The college even lured away the taxpaying club's instructors by offering them 150% of their previous pay.)

The college then billed the state approximately $400/semester per person that signed up and enlisted the instructors in its state benefits plan!

The lobbying effort was funded by THRSA, its member clubs and by IHRSA. Congratulations THRSA on a job well done!

NASHVILLE Y RULING MAKING HEADLINES

The front page of the June 24 Tennesseean included an article called "YMCA Tax Exemption at Risk." The following is excerpted from this article:

The YMCA of Middle Tennessee is losing its spiritual focus and ought to lose its tax exemption, according to a state administrative report.

The report is preliminary, but it sets in motion a legal showdown over whether the Y should pay property taxes on its popular fitness centers.

That prospect overjoys a group of for-profit fitness centers that says the Y uses an unfair tax advantage to compete for customers.

"The Y is getting a free ride at taxpayer expense," said Jay Ablondi of the International Health, Racquet & Sportsclub Association.

The report concludes there is probable cause to revoke the Midstate Y's tax exemption for its property used for "exercise, recreation and physical activities" of Y members.

The Midstate Y is a $38-million operation, with 21 centers and 107,000 members in seven counties. It's one of the fastest-growing YMCAs in the nation.

But owners of for-profit fitness centers say the Y's conspicuous

(See *Capitol Reports* page 21)

Your Public Relations Campaign Requires A Large Commitment And A Small Budget

By Paul Bosley

One form of marketing that is very often overlooked is your public relations campaign. During a recent conversation with a brutally honest client, even though the PR plan was viewed as a noble activity, it was also viewed as a low return for the time & money. My response is that depends upon how much time and how much money that you choose to allocate to implement your PR campaign. Many of the tasks can be delegated to your fitness staff and you should plan to allocate 5% of your annual marketing budget and you are there!

There are a variety of charity programs that exist that are designed for fund-raising within health clubs and fitness and wellness centers that require very little work. Two programs that we currently are recommending to our clients are: "Joints In Motion", offered by the National Arthritis Foundation in the Summer and "Team Diabetes" offered by the American Diabetes Association in the Fall.

Your facility becomes the destination training center for your interested members and other members of your community that wish to commit themselves to walk or run a marathon to raise funds for the designated charity. Your trainers become involved and the entire relationship becomes a natural and easy way to attract new friends and ultimately, new members to join your club. Everyone wins! The charity raises funds to help find cures for various diseases and conditioning and proper nutrition are promoted to improve the quality of life of the millions of members afflicted by these diseases. Plus, as a bonus, your members might end up training to run a marathon at some exotic destination like Hawaii or Southern California!

Other educational programs are also available to you from these two charities such as P.A.C.E. (People with Arthritis Can Exercise) which encourages members and non-members to become active exercisers to improve their quality of life. As a result, you become an education center where the ..."rubber meets the road" and where wellness squares off with illness. Many of these programs are already designed and easy to implement with little of your time and most of the tasks can be delegated to your Health & Fitness Dept or Head Trainer.

There are other programs offered by charities that are equally easy to implement. For example, during the Holidays there are the Angel Tree and Toys For Tots programs. In the Winter, the Dance For Heart, a fund-raiser for the benefit of the American Heart Association can be a terrific event. By participating in programs designed by charities for our industry, we minimize our time required since we do not have to reinvent the wheel. We also position ourselves within the community as organizations that work closely with local charities and over a period of time, your image within your community and our image as an industry will improve. For more information, please feel free to contact us at our toll free # at: 1-877-422-CMMA or contact the local chapters of the charities of your choice!

Paul Bosley

The Compulsive Athlete

Nancy Clark, MS, RD

"I know I exercise too much, but I'm afraid I'll gain weight if I don't."

"My wife thinks I'm crazy for exercising as much as I do, but I go crazy if I don't."

"I haven't missed a day of exercise in seventeen years-not even stress fractures stop me!"

Most of us are acquainted with someone who is an incredibly dedicated athlete. You know, the person who makes you feel like a wimp because you take a rest day at least once per week and skip a workout if you get caught in a work jam. But he or she exercises every day, at least once, if not twice, per day. Chances are, these athletes get lots of praise for their discipline. ("I only wish I were as dedicated as you...") But the questions arise: Is this praise misplaced? Is this dedicated athlete really an exhausted compulsive exerciser who is caught in the vicious cycle of exercising to burn off calories and control weight?

As a sports nutritionist, I spend most of my counseling hours helping people bring balance to their food and exercise programs. The typical client confesses, "I just don't feel good unless I exercise for at least an hour every morning. I don't even mind getting up at 4:00 am if I have to ... otherwise, I feel too guilty to eat. I know I should exercise less and eat better, but I just can't seem to do it. I'm afraid I'll get fat or out of shape."

If these words sound familiar, keep reading. Perhaps this article will offer a new perspective to help you be gentler on yourself.

Dedicated vs compulsive: a fine line separates the two words. I define the dedicated athlete as a person who does quality exercise to improve his or her sports performance. In comparison, the compulsive exerciser simply pushes his or her body to do excessive amounts of exercise; rest days are taboo. The underlying purpose of the exercise is to burn off calories and control weight.

Compulsive exercise is often associated with a desire to control some aspect of life. That is, when you can't control your spouse, children, parents, health, job, or other aspect of life, you can gain a sense of control and stability by exercising. For some people, the price for this control is a rigid, structured life that lacks flexibility and spontaneous living ("Let's celebrate your birthday"). Instead, the compulsive athlete chooses to exercise—again.

The desire to control one part of an unruly life is one component of compulsive exercise. The desire to control weight is another. Most compulsive exercisers believe the more they exercise, the leaner they'll be. Not true. As one woman lamented, "I should be pencil-thin for the amount of exercise I do." She reported having flab despite her punishing exercise program. She was very frustrated with her inability to control her body. Like many compulsive exercisers, she would eat spartanly until she lost control to her nagging hunger. She'd then binge-eat.

Compulsive exercise (and it's buddy, compulsive eating) is often a symptom of bigger life issues that can be defined through the question "Why do you have such a high need to feel in control?" The answer commonly is found in childhood scars. For example, many of my clients grew up with family alcohol problems. For them, the parent's drinking made life feel out of control; now they cling to situations they can control.

For others, family messages about weight left them feeling inadequate. "You know, honey, that dress looks nice—but it would look even nicer if only you'd lose a few pounds." And failing Weight Watchers at age 8 didn't help, either.

If you look back on your childhood, you can perhaps find similar hurtful situations. Resolving the hurt comes not in running another ten miles, sweating an extra thirty minutes on the stairmaster or training for a triathlon. If your life isn't working, as symbolized by your being ruled by exercise, and if you are discontent with the situation, the solution comes in resolving the issues with counseling or self-help reading.

You can also soften the demands you put on yourself and change your daily self-talk:

•Instead of exercising to burn off calories, you can exercise to improve your performance. This means fueling yourself properly for high quality(not high quantity) workouts and planning one or two rest days per week. Rest, after all, is an essential part of a quality training program.

When and if you allow yourself to take a rest day, don't try to cut back on food. You will be just as hungry because your muscles will be busy replacing depleted glycogen stores with the carbohydrates you normally burn off during exercise. For each 1 ounce of glycogen, you'll store 3 ounces of water. A rapid weight gain indicates better fueled muscles (not gain of fat).

•Trust that your body will not "get fat on you" if you exercise less. I even recommend you separate exercise and weight control. Enjoy exercise as the gift you give to your health. Control weight by regulating calories. Also note, the more you exercise, the hungrier you'll get and the more you'll want to eat. Why burn off an extra 500 calories only to devour 700 calories of frozen yogurt?

•Instead of trying to change your body into a perfectly lean machine, accept it for what it is and love yourself from the inside out. Who said you have to be perfect? Wouldn't life be easier if you could just be human—with bumps and bulges?

(Nancy Clark, MS, RD offers private nutrition consultations at her SportsMedicine Brookline office in the Boston-area. Her books offer additional advice: Nancy Clark's Sports Nutrition Guidebook, 2nd Edition (1997;$20) and The NYC Marathon Cookbook: A nutrition guide for runners ($20). Both are available by sending a check to Sports Nutrition Materials, 830 Boylston St., Brookline MA 02467.)

Nancy Clark, MS, RD

Casey Conrad

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unfortunate.

Usage is the Key

With any trial membership, the club's goal should be one primary thing-usage (Of course, friendliness and a feeling of acceptance is a pre-requisite.) After extensive research on retention, we now know that if an individual uses the club just 1.8-2.0 times a week, they are highly likely to stick with an exercise program. If we take this same statistic and apply it to trial members, the conversion ratio to new, long-term members should be similar. In fact, a recent study of two clubs using the strategies and techniques outlined in this article showed that if a trial member used the club an average of 2 times per week for a four-week period, an amazing 68% of them converted to a regular membership. Therefore, like there is a direct correlation between usage and retention, the same seems to hold true for conversion of trial members. Hence, clubs using any type of trial membership strategy-whether it is one-week, two-week or a month-need to take a serious look at the systems and strategies used to ensure club usage.

(See *Casey Conrad* page 20)

Lights, Camera. . . Fitness!

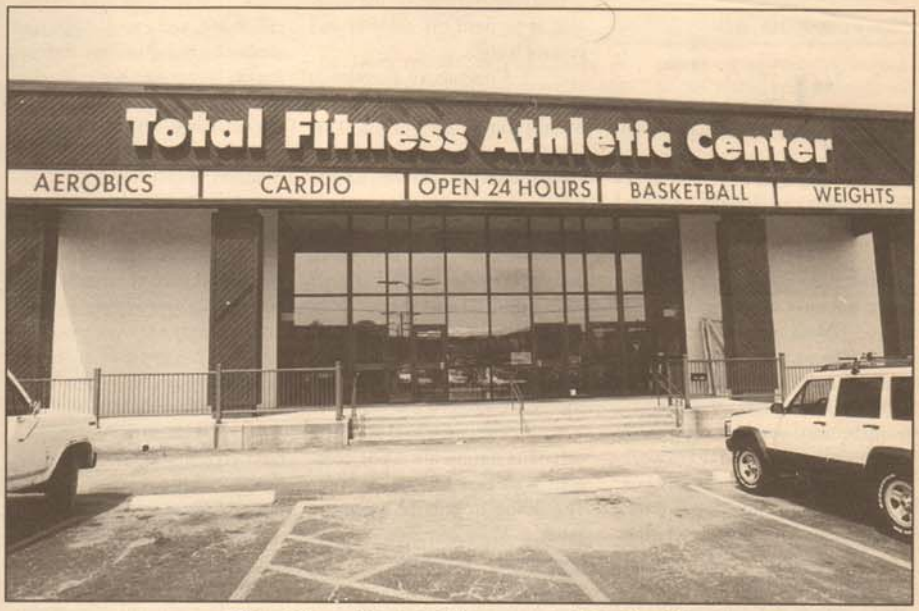
An old five-plex movie theater was the last place Total Fitness Athletics Center's President Marty Tuley thought to look when he began his seach for a new larger location. With 2,800 members the 10,000 square-foot fitness facility was primed and anxious to expand its operations. However, the club conversion process can be costly , specifically three important elements; air handling, electrical and plumbing . Despite prodding from a friend to look at the old theater, Tuley resisted. He thought the cost of a theater conversion would be too substantial. Tuley was soon to learn though, that the theater building was hiding a diamond in the rough.

"Our first thought was how do we make this building not look like a theater. That was our mistake. Once we began thinking in terms of incorporating the theater design and motif, the project took on new light" Fitness and entertainment go hand and hand. Despite a continuing and legitimate push by health clubs to solidify themselves as components of the medical industry, more and more health club owners are realizing that the entertainment aspect cannot be abandoned. Instead, intertwined is a product that accomplishes a two fold goal. Those goals are: 1) results for the clients and 2) an atmosphere that is motivating, inviting and stimulating . In short, members must have fun while exercising because physical results alone cannot provide the day-to-day incentives to continue an exercise program. Total Fitness Athletic Center creatively met the entertainment goal by utilizing the theater's existing theme. Anywhere it was possible Total Fitness Athletic Center left the theater intact or reincorporated the use of items in a different configuration. For instance, cloth wall hangings were left in the place so that in addition to saving on painting and general construction, they allowed for excellent noise control. All doors and door frames were removed and reused in the new floor plan. " This was an old theater, approximately 25 years. The doors providing entrance to the theater bays were solid wood. You do not just throw something like that away. One theater bay was left virtually intact. Total Fitness Athletic Center then hung and strategically placed all televisions within the circumference of the movie screen. Viola!... the real thing in cardio theater.

All of this reuse and creative architecture added up to real dollars and cents. Total Fitness Athletic Center was able to remodel a 19,000 square-foot theater for as little as $12.00 a square foot. These savings were more apparent when it came to the big three: air handling, plumbing, and electrical. The building was designed to hold 1,500 people. The existing air handling system was enormous. With 100 tons of air conditioning Total Fitness Center had one piece of the puzzle. "Plumbing and electrical were the same situation. Because the theater had large needs for both of these items, again we found them in plenty." Another standard dilemma with new construction these days is a continuing tighter and tighter grip on city perimeters of outside sign display. Total Fitness Athletic Center was able to circumnavigate these restrictions by again utilizing the existing structure. "By not changing the outside structure, only making cosmetic changes and utilizing theater signage, we were able to do much more signage than would ever have been possible with new construction."

When asked what the single best feature of the theater conversion was Tuley did not hesitate. "With out a doubt it is our front counter. The theater had an enormous front "u" shaped counter that is positioned prominently as soon as you enter the building. Everyone who has visited during construction has been just stunned by its appearance." A counter already heavily wired, plumbed and outfitted. Yet another perk of the theater conversion.

Total Fitness Athletic Center has been so excited about the success of the project that additional theater conversions are a distinct possibility. "3 and 5-plex theaters are quickly becoming a part of the past. With their high ceilings, large spacious rooms and ample parking there is a legitimate place for theater conversions and health clubs as tenants."



The New Total Fitness Athletic Center

Casey Conrad

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Touring Strategies

Successfully converting trial membership promotions begins at the touring stage of the sales process. Because the salesperson is aware of the trial offer, he must do two crucial things during the tour to set the stage for a future conversion. First, he must bring the guest through a time management exercise to establish which days of the week the individual will be committing to their workouts. This scenario might unfold something like this:

John, what we know about people starting an exercise program is they need to establish a schedule for themselves-just as exercising was any other important appointment-that is realistic and achievable. If you were to say there were two days a week that you were going to absolutely be able to make it in to exercise, what two days would that be?

Once the guest has given those days, the salesperson needs to get him to commit to a time of day and the amount of time they will be able to stay in the club. Finally, the salesperson needs to get commitments from the guest that, "Yes, those times are realistic," and, "Yes, I understand and appreciate the need to establish a set schedule during the first 30 days in order to ensure success.

Once a time schedule has been set, the salesperson can move onto the second crucial stage of the trial membership tour, which is eliciting the guest's buying strategy. Eliciting a buying strategy means finding out what needs to happen in order for the guest to eventually become a member of the club. That conversation might go something like this: John, I'm curious, I know you came in because of the trial membership offer and I think that's great. Obviously you are serious about getting the benefits of a regular exercise program. Do you mind my asking, what is it that you need to see, learn about or experience here before you decide to become a member of the club?

Of course, some follow-up questions regarding the specifics to the individual's response may be necessary to completely uncover what the guest's buying strategy is. However, the great thing about this question is that the guest tells you exactly what needs to happen in order for them to buy a membership from you. Once you know that, you show the guest how all of those things will happen if they become a member. Further, even if they end up taking the trial period, you now know the exact buying criteria for that individual, greatly increasing the chances of your being able to fulfill those criteria during the trial period.

Closing Strategies

The close is the next important area that will effect the conversion ratio of trial memberships. Let's assume that all good closing skills have been utilized and the guest still wishes to use the trial period before they make any commitments. At this point it is important that the salesperson not let the guest leave without discussing and re-affirming the specific things that need to happen in order for the trial member to eventually enroll. That conversation might go like this:

Okay John, I can appreciate your wanting to use your trial period before you make the commitment to a membership. Earlier you mentioned that you felt the trial period was going to allow you to see if you are actually going to use the club, correct? And, we established the two days a week that you carved out of your schedule for exercising as well as the specific times. So, if at the end of the trial you have used the club an average of two times a week, at that point will you be ready to get started on a membership?

Again, the beauty of this question is the guest will give you a straightforward answer; it's either, "Yes" or "No." If it is "Yes," then your job is simply to do whatever it takes to get the member in that many times per week. If the answer is "No," you now have the opportunity to uncover what the guest really needs to be convinced that a membership is right for them.

Proper Launch & Club Integration

Of course, it should go without saying that properly launching and integrating a trial member plays a huge part in the ultimate conversion ratio. Unfortunately, many clubs don't give trial members the time and attention they need up front simply because the individual has not made the financial commitment. This is a short-sighted attitude that is equivalent to saying, "I'll invest in the company when it shows a profit." The fact of the matter is, if a club does not give trial members the attention they need and deserve at the beginning of their trial, they won't get comfortable with the equipment, and then they won't work out, so why bother coming to the club. The non-usage, of course, results in a low conversion ratio. It's a vicious cycle that must be broken by the club! Therefore, it is imperative that clubs give trial members enough introductory workouts to ensure that a level of comfort and confidence with the equipment is attained. Even if it takes an additional $15 worth of expenses with labor, if the club is converting 68% of the trial members into regular, long-term memberships, the extra expense more than pays for itself.

(See *Casey Conrad* page 21)

Health Club Memberships Much Higher Than Reported

The good news just got better. Not only did total health club memberships in the US increase by 4% from 1997 to 1998, but IHRSA has learned that total membership over the past decade was significantly higher-by 26%-than originally reported.

Employing a new research methodology, the 1998 IHRSA/ASD Health Club Trend Report stated that there were 29,483,000 US health club members as of Dec 31, 1998. Using a different methodology, the 1997 edition of the annual study reported that there were 22,464,00 members. Based on the new methodology, the 1997 figure has been revised upward to 28,305,000.

"Intuitively, the numbers seemed low in the past," said Bill Howland, Director of Research and Public Relations for IHRSA. "Based on the new numbers, the industry will achieve the goal of having 50 million US health club members by the year 2010 a year ahead of schedule if the growth rate remains the same as it has for the past decade."

Howland noted that from 1987 to 1998, total health club membership in the US has grown by 70%, from 17,351,000 to 29,483,000.

In describing the new methodology, Harvey Lauer president of Americain Sports Data, Inc. (ASD), said, "It's probably best to think of this as analogous to the new 2000 census methodology, which, if instituted, will find that there are more people in the U.S. than previously counted under the old methodology. The new sampling technique will simply enumerate more people because fewer will be missed.

"So it is with the new ASD methodology. We have projected a higher number of health club members because fewer remain uncounted." Lauer noted that the major reason for the higher estimate is that the health club section in the new survey instrument is much larger (quadrupled in size) and far more prominently displayed. As a result, fewer respondents who actually are members will "miss" the question, as they may have in the past.

A second reason for the higher estimate is that this year's data were collected for only on respondent per household, versus two on all prior studies since 1987; i.e., one individual would answer all the questions for two persons. "This less demanding requirement minimizes respondent fatique," Lauer said.

The Power of Belief

The power of belief is strong. A recent NDC television program on this subject reported on an experiment in which half of a college psychology class was given a pill that was labeled as a stimulant; the other half was given a pill labeled as sleeping medication. Most of those receiving the "stimulant" reported feeling energetic and rested despite getting very little sleep after taking the pill. Similarly those who recieved the "sleeping pill" reported having the longest, most restfull sleep they had ever experienced.

In fact, both groups had received a placebo. It was their will to believe, rather than the substance they took, that produced their experiences.

Two new studies on exercise underscore the power of belief. The first shows that most Americans strongly believe in the value of exercise. The second shows that club fitness staff can play a crucial role in helping members to believe in their own ability to perform well, thereby helping them to stay with their exercise program.

Consumer Attitudes Toward Health Clubs and Physical Fitness was conducted for IHRSA by American Sports Data, INC (ASD). The study found 78 % of all people who have never been health club members think that living a good clean life with proper nutrition is not enough to live a healthy life. Rather, they beleive that exercise is also a necessity when it comes to healthy living. Among other benefits held by persons who never joined a club are:

*72% believe that exercise is good for them;

*69% beleive that people who exercise regularly are more productive;

*73% believe that those who exercise are happier than those who do not.

When these non-members become members of health clubs, statistics show that their beliefs will be reinforced- even if they later drop out. The beliefs listed above are held by even greater percentages of current members and former members. Perhaps this is because of the diffrence a supportive fitness staff can make in the minds of their members.

By way of illustration, a recent study reported in Health Psychology shows that club staff can have a powerful effect on how people feel during and after exericise. The study invloved 46 undergraduate women at the University of Illinois all categorized as "low-active"(participating in exercise no more than once a week).

Divided into two groups, the women were given individual exercise tests and then given false feedback on their performance. Regardless of how they performed, the women in one group were told their results were below average while the other group was told their results were excellent.

The women believed what they were told. When asked to exercise again a few days later, the women were reminded of how they had performed on the previous test. They were then asked a series of questions — before during and after exercise -designed to assess their sense of well-being , psychological distress and fatique. The women who were told that they had performed well on the first test responded far more positively than the women who had been told their performance was poor.

As these studies show, people believe in the value of exercise. They want to believe that they can perform well. And they are ready to believe someone they percieve to be an expert-someone who could be the fitness director at any of IHRSA's 5,000 member clubs.

The Psychographics of Health Club Members

Consumer Attitudes Towards Health Clubs and Physical Fitness, a new study conducted for IHRSA by American Sports Data, Inc.(ASD), reveals that, when compared to people who have never joined a club, current health club members are more likely to be: competitive, perfectionist, individualistic, self-confident, adventurous, spontaneous and "joiners". They are less likely to be : homebodies, TV watchers and people who derive more satisfaction from work than leisure.

Health Clubs Gain Favor

Two years seems to have made a big diffrence in how public views health clubs. The new study conducted for IHRSA by the AMD found that in 1998, 76 % of all Americans agreed that the health club atmosphere provides a motivation to exercise that many people would not have on their own. In 1996, only 67% agreed with that statement.

Casey Conrad

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Effective Follow-up Procedures

Finally, although the trial member has been launched properly, there is still one more critical step to successful conversions; follow-up. Remember the primary goal that the club is working towards with trial members is usage. Therefore, printing weekly usage reports to see if each trial members usage meets the average of 1.8 per week is important. Of course, every trial member who did not meet the minimum requirement on usage should get a phone call from the club inquiring as to their absence. (And you can do this since you got them to make the commitment during the tour and the close.) If a phone call is impossible because of labor constraints, have your computer run labels on all low-usage trial members and send them a nice post card reminding them of their workout commitment to themselves. And, even if a trial member is using the club at or in excess of the minimum, the more phone calls and postal contacts that are made, the more likely they are to feel good about your club, increasing the chances of their converting to a regular membership.

Incentives to Join

The final step in successfully converting trial memberships is offering incentives. Let's face it, human beings like getting bargains and free things-even when it really is just the appearance of getting something extra at no or low cost. One way to set up an incentive program is to have a sliding scale of initial costs based on when during the trial period a guest converts. For instance, if you have given away a 30-day trial with a value of $50, you may make it so if the trial member enrolls during the first week, they get $50 off their enrollment fee. If they do it during the second week, they will get $25 off and after that they get no credit. Any type of incentive, coupled with regular usage and proper follow-up will result in greater conversions.

Trial memberships offer clubs an incredible opportunity to attract guests into the club who would never have otherwise stepped foot in the door. If the proper amount of time is taken to develop good sales skills, trial members are properly launched and integrated into the club and the appropriate amount of follow-up happens, you will watch you conversion ratio on trial memberships increase substantially.

(Casey Conrad is the Founder & President of Communications, 401/792-7009)

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focus is on running its workout centers. And it does so at cheaper rates and two-thirds the cost of for-profit operations because of tax breaks, capital drives and other forms of public support, Ablondi said.

"We have no quarrel with the Y's tax exemption for its charitable work. If they're going to compete with taxpaying clubs, they should pay taxes."

He said controversy hasn't followed the YWCA — Young Women's Christian Association — because YWCAs "seem more devoted to their mission of providing services to women and not concentrating on building upscale programs."

YMCA REVENUE TOPS $3 BILLION; UP 13.3% IN 1998

For the YMCA, 1998 was another year of rapid growth. Ys raised $599 million in donations — an increase of $103 million (or 20.8%) over 1997.

Across the country, 56 new YMCA's were built.

1998 figures were released in Chicago this week by YMCA of the USA. Ys collectively are the nation's largest not-for-profit "charitable" organization.

Total membership at Ys grew by 884,078 (or 5.5%) last year, totaling 16,891,093 at the 2,283 YMCAs. Total revenue for the Y climbed from nearly $2.8 billion in 1997 to $3.1 billion — an increase of 13.3%.

By contrast, the average growth in revenue for taxpaying IHRSA clubs in 1998 was 9.6%, according to Bill Howland, IHRSA's Publications and Research Manager.

In 1998, donations to Ys of $599 million included more

(See *Capitol Reports* page 26)

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4 New Programs Join BodyPump

Atlanta, GA - July 27, 1999 - bodytrainingsystems, a division of The Step Company which introduced BodyPUMP to the U.S. in 1997, debuted four additional programs this week at the IDEA Convention - BodyATTACK, BodyFLOW, BodySTEP and rpm.

BodyPUMP has been an ideal way for clubs to test and validate the bodytrainingsystems concepts of prechoreography, training, quality control, and branding. The four new programs represent the evolution of bodytrainingsystems as a multiple program source.

Extending a Dependable Brand Name

"BodyPUMP has proven that the simple, fun and consistent experience of prechoreographed classes with a recognizable brand and turnkey marketing support continue to draw new members and generate new enthusiasm from existing members," says Rich Boggs, president of The Step Company.

"We offer the same consistently high level of training and branding with BodyATTACK, BodyFLOW, BodySTEP and rpm. Our expanded system, solves clubs' age-old problem of inconsistent classes by providing a core group of programs that address all facets of fitness - strength, cardiovascular and flexibility. This is the future of group fitness," Boggs continues.

Both Tony deLeede of Australian Body Works and Gordon Johnson, who directs a consortium of Gold's Gyms in Atlanta, will be among the first large-scale operators to launch all five programs from bodytrainingsystems this Fall.

Adding Safe Kickboxing, Yoga, Step and Cycling Programs.

The four new classes along with BodyPUMP offer a turnkey training and programming group fitness solutions.

BodyATTACK - The world's first prechoreographed kickboxing program that emphasizes and ensures a safe, quality controlled group fitness experience built around martial arts movements.

BodyFLOW - Combining the best of yoga, Pilates and mind/body training set to uplifting music that is ideal for everybody.

BodySTEP - A retro movement taking us back to the days of packed classes with fun, simple and athletic routines which produce results all set to highly motivating music.

rpm - A solution that brings consistency and quality control to the popular indoor cycling movement. rpm is geared to all fitness levels on all brands of indoor cycles.

World Class Slogan

The Step Company has also adopted a new tagline - 'Experience World Class' - to reference the quality and comprehensiveness of bodytrainingsystems. The line also refers to the international origin of the programs, which were developed by Les Mills International in New Zealand in the 1980's and have been successfully marketed in more than 3,000 clubs in 40 countries.

Turnkey Training and Marketing Support

Because consistency is central to all bodytrainingsystems programs, BodyATTACK, BodyFLOW, BodySTEP and rpm instructors will be certified by the same exacting standards as BodyPUMP instructors. The system includes initial training modules, required continued education, quarterly workshops and video assessment. Australian-born fitness expert Cathy Spencer, who is the National Training and Program Director for body training systems and one of only five Les Mills International Master Trainers in the world, will oversee the programs.

Cathy Spencer

The marketing packages for the new classes include the same high quality P.O.P., posters and banners, advertisements, and sales presentation scripts as the BodyPUMP package, body training systems, a division of The Step Company, offers the fitness industry's most comprehensive system of simple, fun and consistent group fitness programs for development of strength, flexibility and cardiovascular conditioning.

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than $248 million in capital campaigns, $133 million from individual and unrestricted corporate and other contributions, $91.7 million from the United Way and $36 million from grants and foundations.

HOSPITAL SEEKS EXEMPTION FOR HEALTH CLUB

(Indiana) St. Margaret Mercy Health Care Centers, which purchased the Omni 41 Health and Fitness Connection in Schererville last year, is asking the Property Tax Assessment Board of Appeals to exempt 75% of the land and buildings at Omni 41 from taxation.

Timothy Galvin, a lawyer for the hospital, believes that the facility should be exempt because it fulfills the hospital's mission of promoting wellness in the community. However, many people disagree.

St. John Township Assessor Hank Adams said that a health club is not eligible to be tax-exempt just because it is owned by a hospital.

"Omni hasn't changed since it has been owned by St. Margaret. It's being used the same way as it was before," he said.

Edward Krygier, operator of Gator's Health Club in Highland, agrees. He believes that all health clubs in the area should qualify for the exemption if "promoting wellness" is the only criteria that must be met to be tax-exempt.

The Community Hospital in Munster has also submitted a request for an exemption for Fitness Pointe, a wellness facility it opened in October.

"What the hospitals are doing is running the private health clubs out of business," Adams said.

Omni 41 has paid about $200,000 per year in property taxes, placing it among the top six taxpayers in the Township.

In a similar case two years ago, the State Board of Tax Commissioners ruled that Home Hospital in Lafayette would be exempt from paying property tax on the portion of the health club designated for medical purposes but that taxes must be paid on the remainder of the facility.

GOVERNMENT AT YOUR FINGERTIPS

U.S. IHRSA members should keep an eye out for a special mailing containing a set of personalized rotary cards with the names, addresses, and phone and fax numbers of their elected officials.

IHRSA has matched each club with its state and federal representatives and senators (as well as its governor) to make it easy for members to identify and contact their lawmakers.

"Most people know who their U.S. senators are and who their governor is, but beyond that it can be tough to keep track," said Jay Ablondi, IHRSA's director of government relations.

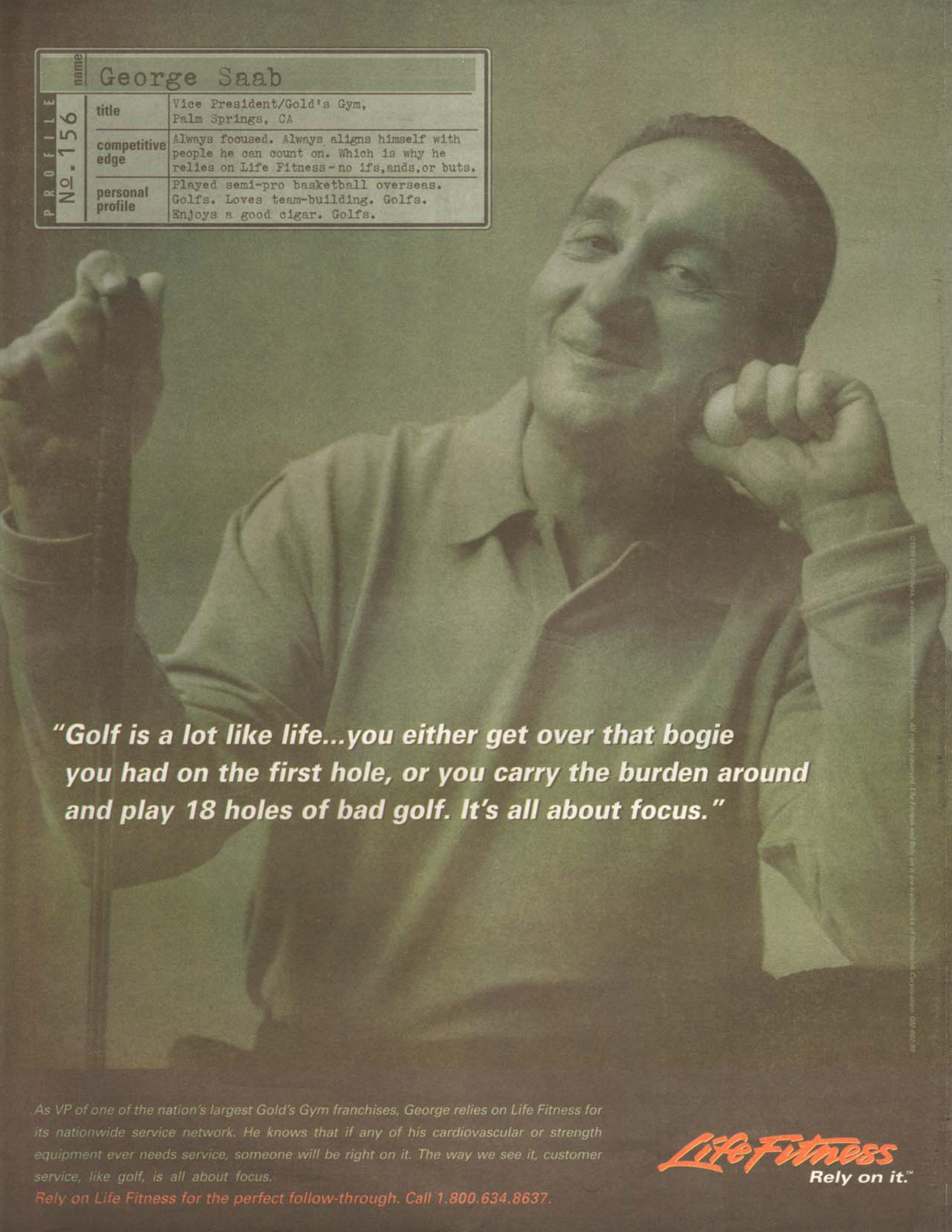
One card contains each club's username and password needed to access the member-only section of www.ihrsa.org.

"Each state's health club statute, IHRSA's legal briefing papers, and lots of fair competition material can be retrieved through the member-only section," Ablondi said.

"There is a tremendous amount of material available to IHRSA members on-line and we encourage club operators to take advantage of it," he said.

IHRSA members can also send a pre-written letter (or compose their own) by e-mail to their legislators from the Government Relations section of www.ihrsa.org. In the past month alone, nearly 100 letters have been sent to U.S. senators urging them to support the Physical Education for Progress (PEP) Act.

Members who would like an additional set of rotary cards should contact IHRSA.



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