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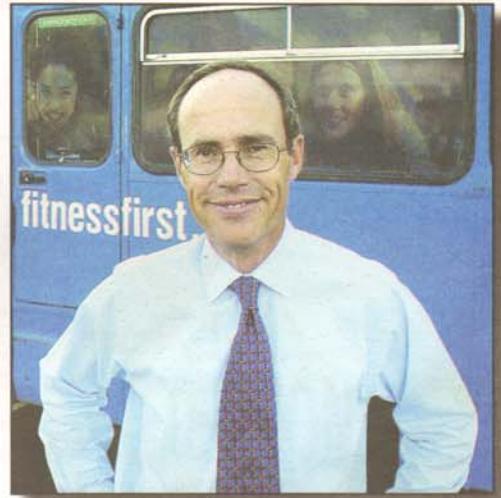
NEWS

The Pulse of the Health, Racquet & Sports Club Business Worldwide

VOLUME 11 NUMBER 8
AUGUST 2004



Michael Balfour

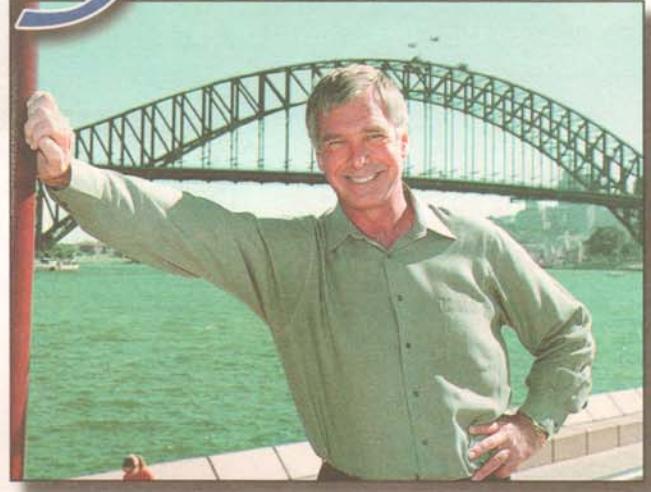


Michael Metcalf

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Tony deLeede

Fitness First

Reaches One Million Members In 400 Clubs!



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Norm Cates' THE Club Insider NEWS

Fitness First

Reaches One Million Members In 400 Clubs!

By: Norm Cates, Jr.

Fitness First, the giant health club chain in the United Kingdom and Europe, is an amazing success story. Fitness First has four key players now charged with making the 400 club worldwide chain a success. They are: Founder, former CEO and current Deputy Chairman, Mike Balfour; Mike Metcalf, new CEO and Board Member; Jim McGoldrick, European Director and Board Member; and Tony deLeede, Australia/Asian Director and Board Member. We had the opportunity to get in touch with all four of these key men and their comments appear below.

**Mike Balfour—
Fitness First Founder**

Mike Balfour founded Fitness First, now a 400-club

worldwide chain in 1992, after he acquired his first club in England and identified the need for fitness at affordable prices. Fitness First is now the largest health club chain in Europe and the 2nd largest in the world, with over 1 million members in 400 clubs (as of September) in 15 countries. Fitness First now offers those one million members reciprocal membership rights in 15 countries around the globe.

The Fitness First Mission Statement

The Mission Statement of Fitness First is: "We put fitness first so our members can feel good about life. At Fitness First everybody is welcome - it's about providing high quality, value for money, fitness facilities and services that are convenient, flexible and easy to use."

In 1996, Mike Balfour

led Fitness First to become the first health and fitness company in the United Kingdom to become involved in the Alternative Investment Market, the UK's version of NASDAQ. In 1999, Fitness First moved to the London Stock Market and has since expanded globally at a rapid pace. In July, 2003, Fitness First reverted back to being a privately-owned organization and is no longer listed on the London Stock Exchange. Industry financial analysts view Balfour's stepping down as CEO of Fitness First as an early move in preparation for the booming company to go public again at a later date. Thus, Michael Metcalf, an experienced and veteran retailer, has been moved into the Fitness First CEO role replacing Balfour effective August 1, 2004.

Michael Balfour, a Chartered Accountant (CPA in the U.K.), gained his experience

in the fitness industry as a Director of the Houstonian Club in Houston, Texas, from 1986 to 1992. Balfour has been honored with "Entrepreneur of the Year Awards" from Price Waterhouse and Ernst and Young. Balfour was also honored by FIA (European counterpart to IHRSA) with its "Distinguished Service Award" for his achievement and commitment to the health and fitness industry. We asked Michael, "What was your 'vision' when you founded Fitness First?" He replied, "I had acquired a bankrupt squash club in the Queens Park area near Bournemouth, United Kingdom. My vision was to provide affordable, convenient fitness for all of the population, a population that at the time, was just becoming aware of the value of regular exercise."

We asked Balfour, "Reflecting back on your

creation of Fitness First, what memory stands out the most for you?" Balfour replied, "The most prominent memory was in 1996, when we took Fitness First public on the Alternative Investment Market in the United Kingdom. We had six clubs at the time and going public allowed us to begin to grow very aggressively and rapidly with expansion overseas to Germany in 1998 and Asia and Australia beginning in 2000. The availability of capital has been and will continue to be a key to our growth."

We asked, Balfour "What are your plans now that you've handed over the CEO role to Michael Metcalf?" He replied, "I will continue to serve Fitness First as Deputy Chairman of the Group. I won't have operational responsibility anymore as that will become Mike Metcalf's responsibility. I will continue as

(See Fitness First Page 6)

By: Norm Cates, Jr.

Big John McCarthy, after serving the fitness industry for over 23 years as IHRSA's highly esteemed Executive Director, will finally be honored for his dedicated and excellent work. The National Fitness Trade Journal will honor John McCarthy at its Annual Conference and Trade Show with its "Lifetime Achievement Award." The award presentation will take place at the Rio Hotel in Las Vegas on September 9, 2004. The NFTJ Lifetime Achievement

A Tribute to John McCarthy

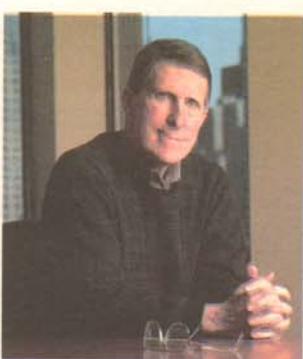
Award is not given to lightweights in our industry. Previous recipients of the honor are: Arthur Jones, Jack LaLanne, Rudy Smith, Ray Wilson, Ron Hemelgarn, Jerry Kahn, Robert Rice, Joe Gold, Bill Pearl and Ken Melby.

In 1981, John McCarthy was selected to be the Executive Director of a new club trade association called IRSA, The International Racquet Sports Association. IRSA was a combination of primarily U.S. clubs from the National Tennis Association (NTA) and the

National Court Club Association (NCCA). NTA consisted of tennis clubs and NCCA consisted of racquetball clubs and the two club groups had come together due to the idea and suggestion of IHRSA Founder, Rick Caro. McCarthy, a former club owner and operator in New England, had come highly recommended by Dale Dibble and Dick Trant and the members of NERSA, the New England Racquet Sports Association. The name IRSA was changed by the Association to IHRSA in 1994 with the inclusion of the "H", for Health. The new name opened the doors to health club owners who previously had viewed IRSA as not being a club association for them or their clubs. The Association boomed in membership immediately thereafter, growing to worldwide membership now of over 7,000

clubs in 78 countries.

IRSA's Founders had a vision for this Association. The founders' vision was for an Association that would embrace values such as ethical, honest business relations with members, employees and competitors. The Association would provide its member clubs with networking opportunities. And, the Association would provide services directly related to the needs of its member clubs. Services would include education on club industry best practices, reciprocal memberships between clubs, membership discounted buying power and an annual convention and trade show. John McCarthy and his IHRSA team, supported by thousands of club owners and hundreds of manufacturers and vendors worldwide, grew the fledgling



John McCarthy

Association to become the dominant health club trade association in the world.

**Boundless Passion
and Enthusiasm**

John McCarthy was the man for
(See John McCarthy Page 4)

Inside The Insider

- Get the Real Picture of the Business
- "small is GREAT!"
- "Make It Fun!"
- The Proof, Making Big Money in Weight Loss
- Gold's Gym Award Winners Honored •And, More!

...John McCarthy

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IRSA and he took on the job with great passion and enthusiasm. From day one, McCarthy's strong passion and enthusiasm for his job have never changed. And, his passion and enthusiasm has been contagious. In fact today "Big John", as this author affectionately calls him, has demonstrated for all of us to see, the ability to operate over the long haul with never wavering passion, enthusiasm and a single minded dedication to the Association's goals. John's persistence, dedication, devotion and passion for the fitness business and its members has been remarkable for all that have known him.

Although Big John McCarthy's passion and enthusiasm have not diminished, the Association he directs has changed dramatically. That change can be directly credited to another John McCarthy talent: **VISION**. McCarthy arguably is the health, racquet and sportsclub industry's greatest visionary. Many of his visions over the past 24 years have become recommendations to the IHRSA Board of Directors. Many of McCarthy's recommendations and those of many others, have resulted in the Association growing from an annual income of less than \$500,000 to an annual income of over \$12 million. IHRSA is a 503 (c) 6 non-profit corporation and most of that \$12 million in annual revenue is used to further the advancement of the fitness industry worldwide.

"To Grow, Promote and Protect the Fitness Industry."

IHRSA's Mission Statement is: "To Grow, Promote and Protect the Fitness Industry."

When you look at the growth in total U.S. health clubs from 7,000 "for-profit" and "not for profit" facilities when IRSAs was founded, to over 26,000 commercial "for-profit" and "not-for-profit" clubs today, it is clear that IHRSA has achieved the "grow and promote" aspect of its Mission Statement. Moreover, IHRSA has led the way in "Protecting" the industry through its close watch over government activities. IHRSA regularly helps clubs fight hostile legislation that has been proposed by sending out "Legislative Alerts", thus keeping club owners informed on new governmental changes that might impact clubs. For the past two years IHRSA has conducted its Annual Legislative Summit in Washington, D.C. where over 100 club owners have met with our country's lawmakers and have moved the fitness industry closer to those that govern America. It is the hope and goal that some day as a result of the ongoing IHRSA effort, the WHIP Act (Workplace Health Improvement Program) will provide tax credits to consumers for health club memberships and other potentially important governmental benefits for our industry.

Realize and Appreciate John McCarthy's Vision

I think all of us in this

industry should realize, appreciate and acknowledge the value of one of John McCarthy's most important visions, because that led IHRSA to push toward the single most important exercise and fitness educational effort for the public ever attempted. That thrust really consisted of three parts. Part I was when IHRSA published a small little booklet entitled: "The Value of Regular Exercise." This document helped clubs "define the value of their product." By defining the value of the product of regular exercise, clubs were able to increase the sales of their product. This fact is evidenced by the nearly 40 million health club members in the U.S. today. By teaching consumers across the land "The Value of Regular Exercise" clubs for the first time ever had and were able to provide consumers with specific, clear reasons why they should come and join health clubs. Without that huge educational thrust by our industry on "The Value of Regular Exercise" health clubs today might still be attempting to sell memberships to consumers for reasons that would not motivate people to become involved in exercise. That single IHRSA booklet, "The Value of Regular Exercise" set the stage for the next two important parts. Part II was when the original "Value of Regular Exercise" booklet was modified and expanded a couple of years later to also became a benchmark educational tool that has shaped change in our industry. That was the document entitled: "The Corporate Benefits of Regular Exercise." This second document helped launch and facilitated the true beginning of corporate membership sales in mass, an achievement no one had mastered before.

IHRSA's Two Landmark Documents Helped The Surgeon General

Through those two important documents John McCarthy and IHRSA set forth the most important message to potential club consumers everywhere. The "Value of Regular Exercise" message, in the opinion of this observer, triggered the process at the U.S. Surgeon General's office that ultimately delivered the landmark Report issued by the United States Surgeon General's Office in 1996. That report addressed the dangers of inactivity. The health

club industry would not be the same today were it not for the massive educational effort John McCarthy and IHRSA produced.

Two years ago, the U.S. Surgeon General's Office declared war on the disease of obesity. Now, the entire United States is inundated daily with the results stemming from that report. The U.S. Surgeon General's declared war on obesity signals that many Americans have yet to heed the 1996 warnings of the U.S. Surgeon General. At the same time, there has never-ever been more awareness of the need for proper nutrition and regular exercise. Now is the time. The world is the place. IHRSA is the organization. But, there is much work to do. John McCarthy's vision is to bring exercise to the world. And, we are all in this battle together and it is a good battle because we can win it one person at a time.

SAINT JOHN McCARTHY

John McCarthy has a heart of gold. He is kind and considerate of everyone. He seeks peace amongst all parties in all cases. A Notre Dame graduate and formerly a student of the seminary, John McCarthy tries his hardest to accommodate every IHRSA member and to personally deal with every issue or complaint that his members bring to him. He has a single focus and passion. That is to make his members happy. If a club owner/operator would seek a blue-print for making members happy, it would have John McCarthy's image on it. For 23+ years John McCarthy has been the closest thing to a Saint our industry could have ever asked for or will ever see. There is no one on this earth that could have done a better job for all of us. For 23+ years John has dealt with 23 IHRSA Presidents and over 100 IHRSA Board Members and countless IHRSA committees.

He has helped hundreds of IHRSA Associate members grow their businesses through doing business with IHRSA clubs. He has overseen the development of CBI Magazine, growing the publication from a little four-page

newsletter to a monthly 100+ page glossy magazine with 25,000 circulation worldwide. He has authored three books for the industry. He has traveled hundreds of thousands, if not millions of miles across the world meeting with club owners and operators, manufacturers and vendors and anyone else that our industry needed to be in touch with. He has been a remarkably good and positive ambassador for all of us. He has kept the Association, and actually the fitness industry worldwide, headed in a positive, results producing direction at all times. And, John has assembled a truly talented and loyal team at IHRSA Headquarters in Boston. They are totally dedicated to their work. And, they are good at it. What a terrific Team IHRSA John McCarthy has assembled in Boston.

The health, racquet and sportsclub industry is indeed fortunate to have had John McCarthy at the helm of IHRSA, the Association that "changed the world." And, we are fortunate to have this great man in excellent health and poised to lead IHRSA, "The Association of Quality Clubs," into the future. The industry we all love is still in its infancy, still heading toward opportunities of monumental proportions, still needing to learn and get better and yes, still facing challenges that must and will be met.

IHRSA and the health, racquet and sportsclub industry worldwide is vastly improved due to the presence and participation of John McCarthy over the past 23+ years. We all should sincerely congratulate and thank him.

(Norm Cates, Jr. is the Publisher of The CLUB INSIDER News and a 31-year veteran of the health, racquet and sportsclub industry. Cates was the 1st President of IHRSA and a Co-founder of the Association in 1980/81. Cates was honored by IHRSA with its DALE DIBBLE Distinguished Service Award in March, 2001. Reach Cates at: 770.850.8506 or clubinsidernews@mindspring.com)

**Thank You
and
Congratulations
"Big" John McCarthy**

THE Club Insider NEWS

*Established 1993
11 Years and Counting!*

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PRINTING AND MAILING SERVICES: Walton Press

www.waltonpress.com

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•Norm's Notes•

•**The Jury Is In!** It is rumored that IHRSA's Board of Directors have decided, pursuant to recommendations by the IHRSA Membership Committee, that there is *not enough evidence* against ROYCE PULLIAM'S Global Fitness Holdings, Inc. for the Board to take any action on JEFF GRAUE's written complaint. It is also *rumored* that the IHRSA Membership Eligibility Standards Statement will be modified to somehow state that the Association *stands for those standards*, but *does not enforce those standards*. Right now, the statement published on page #89 of IHRSA's August - CBI Magazine states: **Members of the association must comply with IHRSA's baseline health, safety and ethical standards.** I write above that "it is *rumored*" because this decision, made during the June 25th and 26th IHRSA Board meeting, has been kept private amongst IHRSA and the parties. I was informed that, "It is IHRSA's policy not to disclose the results of standards complaints to anyone but the parties involved." The "parties

involved" included Royce Pulliam and Jeff Graue.

•**The National Fitness Trade Journal** will honor JOHN McCARTHY with its "Lifetime Achievement Award", to be presented at the Rio Hotel in Las Vegas, September 9, 2004. I think John has done an absolutely terrific and amazing job for IHRSA and the health club industry since he started in 1981. That's exactly why I wrote the "A Tribute to John McCarthy" article for this edition. I can't let these IHRSA standards politics keep me from expressing feelings that I and many IHRSA members have about Big John. I hope to see you in Las Vegas, September 9th-11th at the National Fitness Conference and Trade Show. Be sure to check out the NFTS full-page ad on page #25 of this edition.

•**RAY WILSON** recently informed me that his former partner in Ray Wilson's California Fitness Centers in Asia, ERIC LEVINE, has bought the rights to Ray Wilson's Healthy Exercise Centers in Thailand. Levine plans to build

two mega-clubs and 50 to 100 of the Healthy Exercise Centers in Bangkok and other cities in Thailand. Wilson and Levine sold their Asian clubs to 24 Hour Fitness a few years back.

•**ROBBY GINEPRI** and **JERRY BASKIN** have bought the Olde Towne Athletic Club right here in our wonderful East Cobb County community! Ginepri, a local tennis phenom in this tennis hotbed of East Cobb, is currently ranked #54 in the world. Robby has earned over \$950,000, since turning pro in 2000 and he made it to the rounds of 16 at Wimbledon, the U.S. Open and the Australian Open. Baskin is a hell of a tennis coach and has coached 250 kids who earned tennis scholarships. He continues to teach 250 kids ages 7 thru 18. The selling price for the club that includes 10 tennis courts, a swimming pool, fitness facilities and private party space and services, was \$2.5 million.

JIM RIDDLE, N.C. State graduate and local realtor, was the seller. Best of luck to Robby and Jerry in their new club!

•This just in! **GARY and DIANE HEAVIN**, the Founders of Curves For Women, have donated \$2 million to Thomas Edison State College, in Trenton, N.J. The \$2 million is the largest donation ever in the college's history and will be used to create the Gary and Diane Heavin Family Endowed Fund. I would like to suggest this to Gary and Diane: "Hey folks, congratulations on such a generous and wonderful gift to your Alma Mater. I am sure it will be well used. But, how about this idea? Why don't you consider establishing a fund of a significant amount, maybe \$5 million to start, and lead the way for the creation of a "U.S. Healthclub Membership Security Endowment Fund" whose

sole purpose would be to augment Bond refund money when clubs close, leaving members at a loss for what they have paid. I had this idea about 5 years ago but it didn't seem practical at the time. But, anything is possible in America! I know big companies like Bally Total Fitness, 24 Hour Fitness, LA Fitness, Town Sports International, Lifetime Fitness, Tennis Corporation of America, Club Corporation of America and other chains along with independent club owners could chip in, if you would lead the way with this endowment gift. This new endowment fund could be administered by IHRSA, since IHRSA is a 503 (c) 6 non-profit corporation, and it could hugely bolster relations with health club members and their friends and neighbors across the U.S. Many club owners who have had to close a club would have loved to have had some kind of back-up plan to avoid their members suffering a total loss when they've been good dues-paying members. Unfortunately, sometimes at the end of a club's run, there is nothing left to give back to the members, thus causing one of our industry's longest running PR problems. Yeah, I know, ya'll are sitting there saying, "Dream on, Norm!" O.K. I will.

(See Norm's Notes Page 8)



Norm Cates, Jr.

Thank You

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Deputy Chairman to be involved in strategic thinking and planning."

We asked Balfour, "You took Fitness First public in 1996 and 14 months ago returned the company to private equity ownership. It is believed that the current ownership is planning to take Fitness First public again. Can you comment?" Balfour replied, "Fitness First is in the hands of private equity holders and naturally with private equity owners, there is always a plan for an exit strategy. Certainly reentering the public market is one of those exit strategies being considered."

Mike Metcalf Now Fitness First Chief Executive Officer

Michael Metcalf came

to his new role as CEO of Fitness First on August 1, 2004, after having spent 6 years at the United Kingdom's tony Burberry retail giant. We had the opportunity to ask him some questions that will hopefully illuminate the future for Fitness First.

Michael, share your background with our readers please?

Michael Metcalf - "My career has been spent almost entirely in consumer facing businesses which operate on an international basis - the very aspect which attracted me to Fitness First. For the last 6 years or so, I was the Chief Operating Officer of Burberry, the iconic luxury brand which has been successfully repositioned in its major markets; it is a complex business, distributing apparel and accessory product through its own retail stores as well as

wholesale and licensee channels. Understanding the opportunities and limits for this great brand was critical to the turnaround. Prior to Burberry, I spent 7 years as Chief Executive Officer of Thorn Group, the world's largest consumer durable rentals business (TVs, white goods and furniture) with over a \$3b annual revenues generated by significant operations in USA, Europe and Australia. In consumer durable rentals, customer retention is the absolute priority. Looking back over my experience, I've learned about the importance of customer loyalty and the drivers which affect it; the power of consistent branding and excellent operational execution; and the value of alert and responsive management. I am a devotee of businesses which are strongly positioned in attractive industries and able to execute consistently well on the ground."

We asked Michael, if it was not too premature, to give us an insight into his first and most desired initiatives as he moves forward as the new CEO for Fitness First?" Metcalf replied, "It is certainly a little premature, having been the Chief Executive Officer of Fitness First for just under one week! I am also mindful of the outstandingly successful business which is Fitness First so I don't think I should be rushing to action... don't fix what ain't broke! I expect to apply my enthusiasm and experience wherever it is relevant - for instance, an effective and efficient organization is critical to the success of every business. I expect I will be focused on driving growth, both in existing and new markets, on extending the range of fitness product offered and on building secondary income streams and affinity relationships which add value for the member. Above all, I believe that member loyalty and retention will be the critical determinant of long term success and I intend to invest a lot of time in pursuit of that goal. It seems to me that our industry has enormous growth opportunity - but, because it is relatively new, it is yet to really leverage processes developed in more established industries... such as sophisticated direct marketing or employee profiling."

Michael, your predecessor as Fitness First CEO, Founder Michael Balfour, set a blistering pace putting up 400 clubs in 12 years. Do you plan to



Fitness First Club - United Kingdom

continue such an aggressive growth pace for Fitness First under your watch? Metcalf replied, "Mike Balfour, Tony de Leede, Jim McGoldrick and the senior team generally at Fitness First have set the standard for growth! Hats off to an extraordinary achievement - and I am delighted that Mike will remain closely involved with the business going forward... a source of sound advice and practical experience. But, getting back to the question, I would make two observations. First of all, the pace of growth may clearly differ between markets: everything else being equal, the fastest rate of growth should arise in the least developed markets. Secondly, notwithstanding the first point, I think the health club industry has only recently begun to broaden its appeal and is only now nibbling at the mass market. The mind boggles at the industry's potential if the real value of its offer - in terms of better and longer living - is fully marketed! There are so many factors which are positive in terms of the industry's outlook... for instance, the increased policy and media focus on health and more particularly the key role of exercise in a healthy lifestyle. Anyway, everybody cares how they look, how they feel and how long they live... not many product offers are so universally desirable, and it's up to the industry to deliver ways that help members translate all that potential benefit into actual results."

We sought to learn from veteran retailer, Michael Metcalf, about areas of common ground in retailing and the health club industry. We asked, "Mike, you have an extensive background in retailing. What common ground

does retailing share with the health club business and where will you attempt to link and use that common ground to advance the fortunes of Fitness First? Metcalf replied, "An interesting and important question as I think there is substantial common ground between the health and retail industries. I think similarities exist at both macro and micro levels. In macro terms, retailing is about having the right product at the right price at the right time - and providing an enjoyable experience for the customer. The dictum "retail is detail" is absolutely right - a vast array of matters must be right each and every day; one component can undermine the customer experience and winning that customer back will be no easy task. And, customers are very perceptive....they notice details, appreciate change for the good and come back for advice and support delivered in a quality way. The importance of staff attitude and the relationship forged with customers cannot be overstated. It's the trust and expectation that brings the consumer back to repeat purchase. And of course there is property - the right location and facility design will always be key because convenience and ease of usage always matter. In addition there are many specific retail skills and practices which I think are of direct relevance in our industry. For instance, understanding customer segmentation and the consequent ability to develop attractive offers is a great strength of retail and so, usually, is the speed and clarity of management response to changing market conditions. To sum up, I guess I'd say there are many ways in which the health club industry would benefit from Fitness First Page 7

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...Fitness First

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fit by examining itself from a retail perspective."

**Jim McGoldrick Focuses
On Germany and Europe**

Jim McGoldrick is Fitness First Director for Europe. He is an American, born in Germany of an American dad and a German mom, and he was educated in the U.S. He has undergraduate and MBA degrees. He began his business career in banking in New York City with Deutsche Bank. He moved on to a career in international and investment banking, working with Morgan Stanley in London and Frankfurt, Germany. In the early 1990's he set up his own private equity firm together with three German partners. In 1991, Jim and one of his partners, Marcel Franke, bought a 16,000 square-foot club in Frankfurt called "Judokan". McGoldrick and Franke acquired the club as a personal investment. McGoldrick recalls, "We realized fairly quickly that you could go a long way with this business. Germany, and the rest of Europe, were very underdeveloped markets for health clubs at the time. The club we acquired was on the decline when we bought it. It had 1,800 members and within two years we had it up to 3,400 members. We realized that if we stayed on top of the business we could probably do something with it. When we got up to 3,400 members the club was getting crowded, so we built a second club. That's how it all began."

McGoldrick continues, "The second club led to the third, fourth, fifth and sixth. From 1994, when we opened the second club, up until 1998 when we had six clubs and two further clubs under construction, it was still not a full-time business for us. That was the time when we began to realize that we either had to get serious about the business or get out of the business altogether. It was a choice of either expanding or selling. So, we decided to stick with the business. We exited our private equity investments and committed ourselves full time to the health club business. With six clubs and two under construction, it was stretching our private resources. We recognized that we had to gain access to further capital in some form or another. So we started searching for potential sources. We were approached by and were in discussions with three different companies, each of which wanted to buy into the company we had developed (which had since been renamed "Fitness Company"). Two of the companies were very large health club chains, one U.S.-based, one international. The smallest of the three potential partners was Fitness First. The two larger companies wanted to acquire 100% of the business. We were pleased that Fitness First wanted to buy only 50%. That was great for us, because it enabled us to work not only for the group as a whole, but to

increase the value of our own equity, as we still retained 50% of the company. That was in 1998 when I met Mike Balfour for the first time. Mike, at the time, had 21 clubs and with our six clubs we had a total of 27 clubs when we closed the deal on August 1, 1998. We had 12,000 members and Mike had 40,000 members, giving us a total of 52,000 members. So, from that start in the Summer of 1998, after only six years, we've gone from 27 clubs to 400 clubs and over one million members! Let me repeat that because it is truly remarkable. Only six years ago, we had 27 clubs with 52,000 members in two countries. Now, we have 400 clubs (actually the 400th club opens in September) with over one million members in 15 countries. It has been quite a roll since we started!

McGoldrick oversees Fitness First club operations in Germany (81), Belgium and Luxembourg (24), Holland (13), France (9), Italy (12) and Spain (18) for a total of 157 clubs serving 360,000 members! He manages this huge challenge in many ways and commented, "I maintain very close contact with our country managers because you can only be as successful as your managers are. We use email, telephone and we do video conferencing regularly. We have a Monday video conference meeting every week or two and the technology is really helpful. Video conferencing used to be very rare just a few years ago, but now it is mainstream. We're based in Germany and Germany is a very technology-oriented country. We are actually the first group within Fitness First to use video conferencing. Plus, I do meet with my key country managers here in Frankfurt or in their respective countries, at least once a month, often twice a month."

We asked McGoldrick what he thought the greatest challenges for Fitness First in Europe were and he replied, "The biggest challenge I have is finding good sites at reasonable lease conditions. Once you have a good site and construct the club (not overspending in the process!), the key factors of success are the same in each of the countries in which we operate. Those key factors are: being good at sales, good at retention and maintaining strict cost control. That's really the challenge I face in Europe; getting good locations at reasonable prices because landlords in Europe are not as sophisticated or open to having a fitness tenant as they are in some of the more developed countries like the U.S., the United Kingdom or even in Germany."

McGoldrick described his Fitness First Clubs, "The smallest club I have is a 7,000 square-foot women's-only club that has 2,200 members, all the way up to a 50,000 square-foot club that has swimming pools, racquet sports and all the rest. The typical Fitness First Club would have 20-22,000 square-feet with cardio, strength, group fitness, circuit training, spinning rooms, child care, free drinks, and free videos and DVD's for entertainment. I

(See *Fitness First* Page 10)


IHRSA Wall of Fame Winner

Greenville Racquet and Fitness	109% Increase
Aspen Hill Club (MD)	20% Increase
The Gym (England)	Pre-Sale Sold Out
Atlantic Club (NJ)	31% Increase
Lynne Brick's Womens Only (MD)	Pre-Sale
Bel Air Athletic Club (MD)	20% Increase
PACE Fitness (Australia)	Pre-Sale Sold 2065
Club at Woodbridge (NJ)	32% Increase
Solaris Sports Club (NY)	Pre-Sale
Padonia Fitness Center (MD)	23% Increase
Club Fit (NY)	69% Increase
Spartanburg Athletic Club (SC)	24% Increase
World Gym (NY)	42% Increase
Pinnacle Health Clubs (England)	Pre-Sale
Sportivo Fitness (St. Lucia)	Pre-Sale
Court House Athletic Club (CA)	37% Increase
Ronny Barnes Fitness & Nautilus	29% Increase
Gold Coast Fitness (NJ)	Pre-Sale
Genesis Health & Fitness (KS)	27% Increase
Westside Club (SC)	62% Increase
Maryland Athletic Club (MD)	Expansion
Court Sports I & II (NY)	30% Increase
Shulas Athletic Club (FL)	Expansion
Evanston Athletic Club (IL)	24% Increase
Spa at Fountainbeau (FL)	31% Increase
Gold's Gym (IN)	104% Increase
Sportset (NY)	31% Increase
Welshback Squash & Health Club	40% Increase
Lifestyle Health & Fitness (NC)	58% Increase
Westbay Athletic Club (FL)	Pre-Sale
Millennium Health & Fitness (NC)	32% Increase
Hudson Athletic Club (NJ)	31% Increase
What a Racquet Athletic Club (CA)	27% Increase
Westchester Health & Fitness (NY)	41% Increase
Westlake Sport House (CA)	30% Increase
Apple Athletic Club (ID)	44% Increase
The Ridge (MT)	34% Increase
Gold's Gym (VA)	34% Increase
Sports Club (Sweden)	44% Increase
Gold's Gym (CA)	23% Increase
Gold's Gym (GA)	17% Increase
Gold's Gym (NY)	38% Increase
Viva! (England)	Pre-Sale Sold Out
Evolution, Salt Lake City, UT	93% Increase
Sportsclub Simpsonville (SC)	PRESALE
Lakeview Golf Resort & Spa (WV)	34% Increase
Pikecreek Fitness (DE)	37% Increase
Cherry Hill Health & Racquet Club (NJ)	EXPANSION SALE
Better Bodies (KY)	20% Increase
Silverlake Family Center (KY)	42% Increase
The Clubs at Rivercity (IL)	16% Increase
Huntsville Athletic Club (AL)	18% Increase
Towne Athletic Club (OH)	23% Increase
Wimbledon Sportsplex (TN)	16% Increase
Mercy HealthPlex (OH)	56% Increase
Cornerstone Health & Fitness (PA)	28% Increase
Aerofit Health & Fitness (TX)	64% Increase
Premier Athletic Club (NY)	32% Increase
Sportsplex Bethel (CT)	↑↑↑↑↑↑↑
Sportplex Stamford (CT)	↑↑↑↑↑↑↑
Sportsplex New Windsor (NY)	↑↑↑↑↑↑↑
Mt. Kisco Athletic Club (NY)	↑↑↑↑↑↑↑
Saw Mill Club (NY)	↑↑↑↑↑↑↑
Sportclub Greenville (SC)	↑↑↑↑↑↑↑
Golds Gym Belleville & Whippany (NJ)	↑↑↑↑↑↑↑
Spring Valley Tennis and Fitness (PA)	↑↑↑↑↑↑↑
Memorial Herrman Hospital & Wellness Center (TX)	↑↑↑↑↑↑↑
Equinox New York (NY)	↑↑↑↑↑↑↑

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...Norm's Notes

continued from page 5

telling people the new club would open in June. Then the date was moved back to mid-summer. Now, the opening date is said to be November, 2004. The problem is that the new shopping center is just a shell now with no doors or windows. And, not one lick of work has been done on the club construction. "AFF" appears to be in violation of Florida bonding laws because Homan is conducting pre-sales in a small, approximately 1500 square-foot personal training center. The PT center was bonded, but the bond company went out of business. But, the new club allegedly being built is not bonded, as required by Florida State Laws. It is also believed that Homan is not escrowing the money he is collecting for pre-sales as Florida State Law requires. State of Florida officials should immediately ask for proof from Homan that he is in fact escrowing the pre-sales funds, and if he cannot produce real, bona-fide proof, they should shut him down. It is my view that Homan thinks he can avoid the escrow law because he is pre-selling in a club that is actually an operating health club. He also has now opened, we believe illegally, a satellite club, in a converted Blockbuster store. He opened the "satellite" club without an occupancy license or proper

bonding and other state paperwork. He supposedly is opening 10 of these satellite locations in the Coral Springs area. Separately, Homan is reportedly promising local investors that if they invest \$25,000 they will get back \$30,000 on the day the doors to the new About Family Fitness opens! But, it is very possible he is in violation of Florida Security Exchange Laws in doing so. So, here we have, without a doubt, one of the most ridiculous situations that I have ever, ever seen in that a known crook, a guy that some how got away with conversion of over \$200,000, is now getting away with violation of local, state, consumer and, we think, SEC laws. There is only one person seeking to bring all of this to the attention of local and State of Florida authorities and he is getting a run around from the officials that should be way on top of this case. His name is DEAN KACHEL and he will celebrate his 25th year of business in Coral Springs with his Quadrangle Athletic Club in October, 2004, and he has been getting very little assistance from government officials who are paid to deal with such operators as Homan. I predict the following: 1) Homan will NEVER get the 37,000 square-foot "About Family Fitness Center" open, 2) the investors that have put money into this illegal and illogical operation will lose every dime 3) Homan's satellite gyms will not survive and people

that have joined there will also lose their money, 4) all of the members who have bought pre-sales memberships for the "big club" will lose every dime of their money and 5) the health club industry in Southeast Florida will get another health club business damaging black eye. Our great industry will be set back once again and it could all have been prevented if some people had just DONE THEIR JOB and INVESTIGATED this amazingly blatant violation of Florida State Laws! STAY TUNED.

• **American Sports Data** has reported in a survey of 15,015 Americans, that approximately 3.8 million Americans (70% men) now weigh over 300 pounds and that 400,000 are over 400 pounds. And, 1 out of 9 men exceed 250 pounds and 1 of 6 women weigh more than 200 pounds. Pretty amazing numbers! More numbers from **American Business Information** says that there are now 26,046 U.S. Fitness Centers listed in the Yellow Pages of America's phone books.

• **Bally Total Fitness** has named **MATTHEW MESSINGER** as Senior Director of Media Development and Communications. Mathew will manage East Coast communications and will report to **JON HARRIS**. Also, **Crunch Fitness** has appointed **INNA SHAMIS** as Director of Public Relations. Congrats to both Mathew and Inna.

• **JERRY NOYCE**, the CEO of **Health Fitness Corporation** and his Management Team were featured on the cover of our **CLUB INSIDER** News a couple of years ago. It is great to see how well HFC is doing under Jerry's terrific leadership. He is a great asset to his company and to our industry. I am also glad to see Jerry's smiling face on the cover of **CBI Magazine** this month!

• **JOHN AGLIALORO**,

CEO of **Cybex**, announced they have brought in new institutional investors to purchase 2,430,000 shares of stock for \$8 million. John also just refinanced the Cybex debt, reducing their interest from 15.5% down to 5.5%. This is great news as now the Cybex debt will be reduced from \$37 million to \$21 million after the deal is done. John Aglialoro said, "This offering represents a major step along the way towards our balance sheet improvement, achievement of our growth objectives, and the strengthening of our capital base."

• **GEOFFREY DYER**,

the CEO of Tampa-based **Lifestyle Family Fitness**, has just announced his company has received a fresh equity investment of \$8 million. Geoff commented, "This capital infusion, coupled with additional debt financing, will enable us to add 30 to 35 new facilities in the next five years." That addition would increase Lifestyle F.F. to 45 to 50

locations! Lifestyle will be opening several new clubs in Florida in the next 12 months.

• "Congratulations and

Thanks" to **GEOFFREY DYER** and to **MARK SMITH**, CHAIRMAN of **Town Sports International**, as they both finished their IHRSA Board Service in June. They both put in a lot of time and energy into IHRSA, and we sincerely appreciate their service to the association.

• Lots of new folks coming on board this month! **RICHARD EKSTROM**, the Founder and CEO, of **Retention Management**, has announced that his company has added **JACK WOERNER**, as Chief Financial Officer. Jack came to Retention Management from Accenture, a major technology and out-sourcing group. Ekstrom really has something going with his company and you can see his ad on page #18 of this edition.

• **God Bless Our Troops, Airmen, and Seamen. God Bless America! And, Stay Tuned!**

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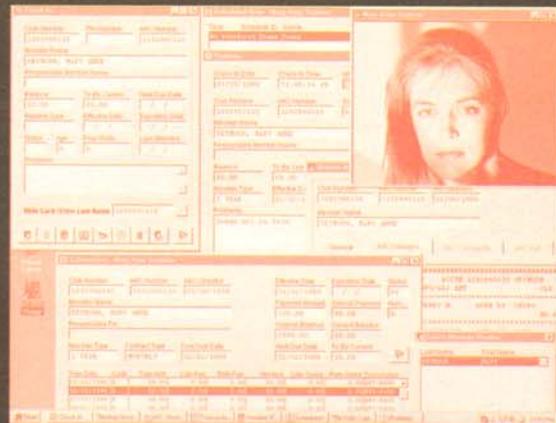
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...Fitness First

continued from page 7

I don't think anybody in this industry has found "the formula" yet. That's one of the things that is exciting about this business. We're always looking for the "Holy Grail", or the perfect formula. I'm sure we'll all continue to look for it as long as we're in the business. There are a lot of different ways to be successful in this industry.

The average joining fees and monthly dues for the German and European Fitness First clubs are 75 Euros, or about \$90 for joining fees, and monthly dues of 55 Euros or about \$66.

We asked McGoldrick to comment on Fitness First's strategy of going private in June, 2003, stepping away from the public capital arena. He commented, "We were a public company on the London Stock Exchange until last year when we did a management buyout in which Mike Balfour, Tony de Leede and I participated. We are tracking well against the goals we set at the time. Obviously, we aren't a public company providing public information anymore, but we do have a very specific business plan. We're in the second year of that plan and we are tracking well against it. The good progress we've made to date is also due to the fact that our majority investor, a private equity fund out of the U.K. called Cinven, has been very supportive of the business and our management team. We replaced our former Chairman when we did the management buyout and Cinven were very instrumental in recruiting our new Chairman, a gentleman named John Lovering. John is a very well-known businessman in the United Kingdom, a heavy-hitter. Things are going well.

When speaking with Mike Balfour last week, I asked the question if it is part of the Fitness First plan now to go public again one day. Care to comment on that? McGoldrick, "You have to bear in mind who the majority owner of the business is. If you have a venture capital company as the main shareholder of a business, obviously, they will seek to maximize and realize the value of their investment over the medium term. That may well entail taking the company back to the public arena. That's an exit option that Cinven will clearly be looking at. The markets would have to be

receptive to a public offer. Right now, the markets are a bit choppy. The company, of course, would have to be fit to go back to the public arena again. That's what we're working on now.

We asked McGoldrick, "In the U.K. and Europe, the health club industry is maybe 18 to 20 years old. That means that over there you all don't have to deal with some of the negative history the health club industry has in the United States. History such as pre-sales for clubs that never opened, high pressure sales, bait-and-switch advertising, midnight club closings, etc. Basically, what I am saying is that in Europe you don't have the stigma with consumers the health club industry endures in the U.S. Would you care to comment on that?" McGoldrick observed, "The consumer in Europe has not been burned to the extent that the consumers in the U.S. have. We've not had pre-sold clubs that have not opened, or heavy, high-pressure selling, or mass club closings, etc. I think the industry over here has benefited from a higher level of consumer confidence than you have had in the States.

Tony deLeede...World Class Fitness Entrepreneur... Cranks Up Fitness First Australia/Asia

Tony deLeede, now age 51, has achieved an enormous amount in his 22 years in the health and fitness club industry. deLeede has been a businessman since he started as a 12 year old kid trading stamps. As a young man in his early 20's, Tony deLeede owned and operated a clothing import business based in Sydney, Australia for 7 years. His business success allowed him to travel, and his travels took him to the United States. During one of his visits to the U.S., deLeede visited and fell in love with Atlanta, Georgia. In 1982, deLeede decided to start a small fitness club in the Buckhead area of North Atlanta. Tony deLeede's first club was a 10,000 square-foot, women's-only facility called Australian Body Works. He spent \$250,000 on his first club and admits "the club was not doing well during our first few years." After his first tough year in his new club, deLeede learned of a 2,000 square-foot space that was located in a well-located shopping center about 15 minutes from his first club.

deLeede figured that since this space was vacant and available immediately, he would give it a go. He had learned a lot from his first club on how not to spend too much money building out a club so he was able to complete the new club remodeling and opened it for just \$20,000. deLeede recalls, "I did all the architectural design and basically everything else that was involved. This second, much smaller club made more money per square foot right out of the gate than the first one ever did!" One of the main reasons Tony's clubs began to succeed was that Tony deLeede's Australian Body Works clubs offered an excellent and expansive aerobic class schedule featuring the club owner, Tony deLeede, as one of many "star instructors." Also, in 1986 deLeede began to open his doors to both men and women, and his coed Australian Body Works clubs began to become popular all across North Atlanta.

Tony deLeede worked hard and over a period of 18 years grew Atlanta's Australian Body Works to become one of the top health club operations in America. He also became known as a terrific lecturer at IHRSA, Club Industry and IDEA Conferences. In the Summer of 2000, deLeede sold his 23-club chain to LA Fitness for a figure that rewarded his 18 years of hard work. During the years deLeede owned and operated Australian Body Works, he also found another opportunity and seized it with vigor. That opportunity was the very tiny CardioTheater Company, which at that time, 1990, had only sold four systems. deLeede bought half interest in Cardio Theater for \$10,000. Later he acquired the other half interest. deLeede grew CardioTheater to become a wild success and continued to operate Cardio Theater until ClubCom and CardioTheater merged in 2002. Tony deLeede deserves credit for being the industry pioneer in "Making It Fun" for club members by providing them with CardioTheater entertainment while they work out. The combined companies were sold to Precor for over \$20 million. Tom Lapcevic, ClubCom founder and Tony deLeede spun off the media side of the business and currently own and operate Active Media, Inc., which sells advertising on the ClubCom systems. deLeede met Lapcevic in February, 2001 when they teamed up together with Mark Smith from Town

Fitness First Clubs

UK- 163

Germany- 81

Australia- 42

Asia- 40

Belgium- 24

Italy- 12

Spain- 18

Netherlands- 13

France- 9

Sports International and purchased the assets of the bankrupt E-Zone group. Ironically, less than 4 months earlier, deLeede had been in very active discussions to merge CardioTheater into E-Zone. One of the final conversations which had wisely led him not to proceed with the E-Zone acquisition took place when he was in Sydney about to embark on his next great adventure with Fitness First!

Healthlands Goes Into "Administration" a/k/a Bankruptcy

In 2000, Healthlands, an Australia health club chain with 11 large clubs, went bankrupt, or as they say in Australia, went into "Administration." The clubs continued to operate. Many of the Healthland members (20,000) had purchased five-year, paid-in-advance memberships and management had not focused on increasing its EFT monthly dues until its last year of business. Michael Balfour and Jim McGoldrick had Fitness First booming in the United Kingdom, Germany and Europe with over a hundred clubs in operation in a number of countries. Balfour, who at the time was CardioTheater's largest customer, was aware that Tony deLeede, originally from Australia, had just sold (in June, 2000) his 23-club Australian Body Works chain in Atlanta to LA Fitness. With perfect timing, Michael Balfour contacted Tony deLeede from the U.K. to offer Tony the opportunity to become involved in the club business again, this time in Tony's native Australia. Ironically, Balfour's call came just two days after Tony had returned from Sydney, Australia, where he had attended and worked on the

2000 Olympic Games. deLeede had played a major role in the 1996 Olympic Games in Atlanta, serving as an Olympic Games Ambassador. In 1996, deLeede also built, equipped and operated the CardioTheater Olympic Games Fitness Center, where athletes and coaches trained during the Atlanta games. In the Summer of 1996, Tony deLeede was one busy man, owning and operating his Australian Body Works chain, running and promoting his CardioTheater Company and serving as an Olympic Ambassador!

In October, 2000, deLeede was quite hesitant to say "Yes" to Balfour when Balfour asked him to become involved in the turnaround of the Healthlands club chain. But, after numerous conversations with Balfour, it became clear to deLeede that this was a good opportunity worthy of his close investigation and possible involvement. However, he made it clear to Balfour that he had no interest in becoming involved as an employee of Fitness First, but would entertain becoming a partner in the deal. He negotiated the acquisition of a 15% ownership position in Fitness First Australia and my guess is that percentage has grown with deLeede's involvement in the management buyout. Things happened rapidly for deLeede and Balfour in respect to the Healthlands deal. deLeede recalls, "Healthlands went into administration on October the 6, 2000. By the time I arrived in Australia, it was October 12th. And, we effectively started funding the operations around the 15th of October. We officially took over on November 1, 2000. I got off the plane on a Monday

(See *Fitness First* Page 13)

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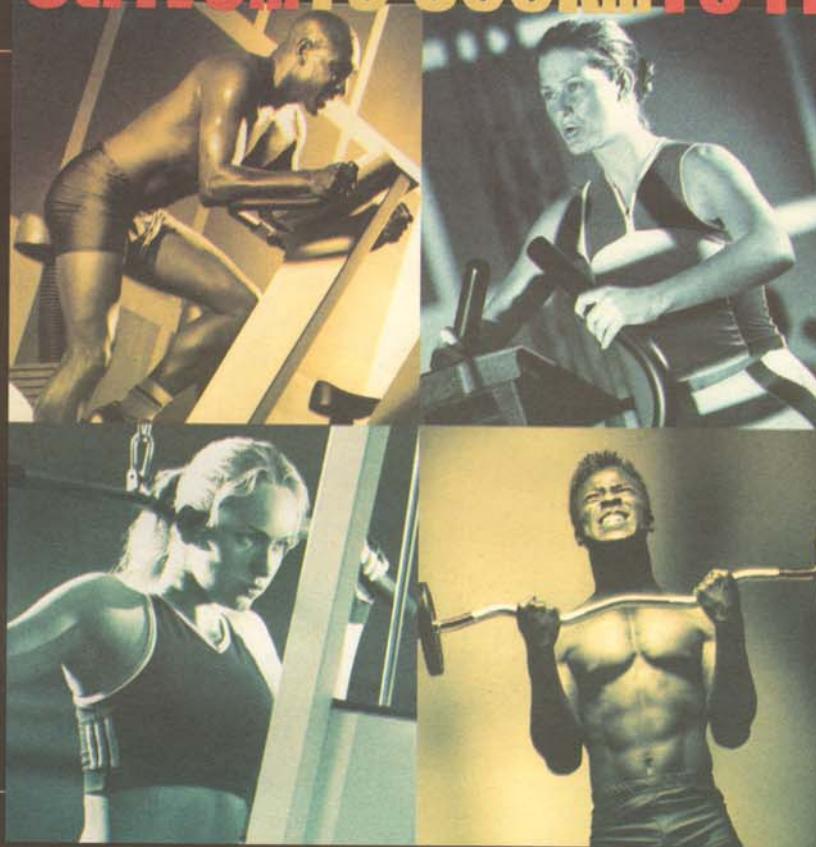
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...Fitness First

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morning, had a shower and went to the meetings with Mike. By Friday evening at 11 pm, we owned the company."

One of the biggest problems that Balfour and deLeede had to fix was the Healthlands excessive payroll cost of approximately 58% of gross revenues. deLeede recalls, "I recall we cut the payroll down immediately from 58%, down to about 44%. We are currently averaging about 36 to 37% for payroll." A key to success for the Fitness First takeover was that deLeede's team set the membership at ease immediately. He recalled, "We told all the members we would honor their membership with no changes whatsoever. Healthlands had a total of around 50 to 55,000 members, of which about 20,000 were paid-in-full. In the previous year they had wisely started switching people to monthly EFT and this pushed us over the edge to doing the deal. Even though they were at substantially lower dues than we were going to be charging, they were only on two-year terms. So, they had from six months to two years left to run when we took over. There were

around 30,000 members on monthly dues and the monthly EFT at the time was around \$1.2 million Australian, (\$800 K U.S.), if I remember correctly. We honored all those members. When the monthly dues memberships expired, we then said to the members that 'your membership is expired and if you want to continue with us you have to reenroll under a Fitness First membership, and here are our current prices.' It was very clean and easy. We had a few complaints because their dues were going to increase from around \$42 (\$29 U.S. per month to \$69 (\$50 U.S.) per month. But, we explained, 'Yes, that's the reason the company went broke. They weren't charging enough!' Then some of the people would bitch and moan, but we held our ground and simply told them if they were not happy, they could leave. Fortunately, we did not do any special deals. People are funny. We have about 5,000 of those long-term, paid-in-full memberships left. Some of them that are now coming up for renewal are complaining because we won't cut our standard prices for them! That's the nature of people, I think. But, we've done the Healthlands deal very cleanly. We have no issues with

the Department of Consumer Affairs. That's why we have a very good name and a very good reputation already, because under some pain to us, we've honored all the obligations we've had to honor."

An Amazing Achievement By deLeede In Just Four Years!

When Tony deLeede and Mike Balfour stepped into the fray in Australia, they took over 11 large, 30 to 45,000 square-foot, very upscale clubs that had been grossly mismanaged. In the United Kingdom and in Europe, Fitness First has been growing rapidly under Balfour and Jim McGoldrick's leadership. Now, Fitness First Australia has 37 clubs and Tony deLeede projects 100 Fitness First clubs with 400,000 Fitness First members in Australia within five years. This is in a country with a population of 20 million and currently only 2,500 clubs, most of whom are "Mom and Pop" clubs. One of the key aspects to the Fitness First success in Australia is an area where deLeede had excelled with his Australian Body Works in Atlanta, USA. That area? EFT dues collections. deLeede comments, "We now bill about 155,000 members on EFT out of

165,000. We still have some people that pay in full. I just received our latest EFT run and we have just cracked \$10 million (Australian) per month. That's about \$7 million U.S. per month.

Tony deLeede has served IHRSA for years as one of its best speakers at conventions. In June Tony joined IHRSA as a member of its Board of Directors and will serve on the Board for the next four years. He is looking forward to working with the others on the Board and in particular, he is looking forward to serving on the IHRSA Public Policy Committee.

Fitness First Hits 400 Clubs Serving One Million Members!

Fitness First will open its 400th location in Sydney, Australia, and it will be a new prototype club called The Platinum Club. The facility will be a significantly upscale facility in downtown Sydney, and among other things, will offer both standard and upgraded lockerrooms with private year-round lockers and many other upscale services and amenities. The new Fitness First Platinum Club will charge a premium and will actually compete with another Fitness First Club

located just blocks away from The Platinum Club.

STAY TUNED as the amazing Fitness First Club chain advances its march to become the #1 health club chain in the world. At this amazing pace, and under the continued leadership of John Lovering, Chairman, Mike Balfour, Mike Metcalf, Jim McGoldrick and Tony deLeede, that should happen in the fairly near future. STAY TUNED!

(Norm Cates, Jr. is the Publisher of The CLUB INSIDER News and a 31-year veteran of the health, racquet and sportsclub industry. Cates was the 1st President of IHRSA and a Co-founder of the Association in 1980/81. Cates was honored by IHRSA with its DALE DIBBLE Distinguished Service Award in March, 2001. Reach Cates at: 770.850.8506 or clubinsidernews@mindspring.com)

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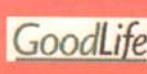
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CLIENTS INCLUDE:



“MAKE IT FUN!”

By: Sandy Coffman

We in the fitness industry have been talking about “Making Fitness Fun” for several years now. In fact, Norm Cates, Publisher of this newspaper, has been publishing small little “MAKE IT FUN!” ads for ten years and 9 months now. He does so as a constant reminder to you all that you should strive to “MAKE IT FUN!” in your club for both your club members and your employees.

But, have we accomplished it completely? Not really, but in some instances we are making great strides. First of all, we have changed the buzz word “FUN” to “EXPERIENCE.” We’ve realized that in order to “MAKE FITNESS FUN” we must create a “FUN EXPERIENCE.”

A full blown “FUN EXPERIENCE” will:

1. Result in retention – People will want to return again and again to a “fun experience,” but conversely, they will NOT return to an experience if it isn’t fun – no matter how beneficial it is for them. Sad, but true. The goal of programming is retention, so it is imperative to make the experience FUN in order to keep them coming back for more.

2. Spread the word – Sixty to Eighty percent of your new business comes from word of mouth which results in referrals. People tell other people about their experiences – especially if they are fun. Referrals build business.

MAKING FITNESS FUN, therefore, becomes big business. Our industry has an opportunity and a responsibility to take our knowledge and expertise and transform it into an experience that results in happy, healthy people, living longer, and enjoying more active lifestyles.

But, again, it’s big business. Achieving this goal may take more training than you think is necessary. You must be willing to change the way you’ve done things in the past, and focus on markets or activities that you yourself may not favor. Yes, it will take a commitment – total commitment – and energy – lots of energy – to achieve the result.

There is a proven program that has been tried and proven successful across our country for the past two years.

This program is now a template for many other programs. It’s been successful in several IHRSA clubs and many other facilities as well, and it, or a creative, innovative facsimile of it, can be successful in your club, too. The program is called **WELCOME BACK TO TENNIS!**

Why tennis? Well, tennis has always been touted as a “lifetime” activity. Yet over the last 5 years tennis has lost about 5 million players, most of which have been from the older, aging adult market who couldn’t or didn’t wish to meet the demands of the sport in the same manner as they did twenty years ago. Yes, I know you all think you have “senior” tennis activities going in your community, but I’m not talking about the few that played tennis for 20 years and are still playing today as a senior. I’m talking about combatting the problem of ATTRITION. I’m talking about getting the people back on to the tennis courts, those who quit playing 5, 10, 15, 20, 25 or more years ago and now know that they need it more than ever and would like to take it up again, as a fun, social, recreational activity that would get them exercising and active again.

These are the people who want it and need it most. They used to play, plan to play, know they should, wish they would, and would like to, if only someone would invite them back at their level, on their terms. Yes, every club offers beginning tennis lessons – and other “beginning” level activities too. But people are not signing up for them. They’re apprehensive, intimidated, skeptical, downright scared, and for good reason. Can you imagine being someone 60+, who possibly moved into a new community, with few friends, even fewer who play tennis, wanting and needing to get involved in an activity and walking into one of our clubs? This is not a warm, friendly, sight and it is precisely why people aren’t signing up for your beginning programs.

WELCOME BACK TO TENNIS!

For the past two years I’ve had the time of my life presenting the WELCOME BACK TO TENNIS weekends

across the country. Under the auspices of the USTA (United States Tennis Association), we have brought WELCOME BACK TO TENNIS events to a dozen sites and now many other clubs are wanting to get involved. The list of facilities is strong and diverse. Included in the list are IHRSA clubs as well as other independent clubs, commercial clubs, parks, and tennis facilities. Read on. You’ll see that you can run this event too.

I mentioned that it is a “weekend event.” The **main event** is a **three hour party**. All participants, in the **50+ niche of new or inactive** players are invited to a **social environment** that will allow them to **ease into a physical activity (tennis) in a non-threatening atmosphere, with their peers**, at their own pace. The event combines **socialization, food and beverage, music, fitness activities, education** on the newest technology, and **tennis** with door **prizes**, grand prize drawings and low-cost **follow up programs** available for **immediate sign up and commitment**. With this combination, we knew we would meet the multiple needs and wants of the **50+ customer**. The objectives, are to grow the sport by increasing tennis activity within the **50+ population**, and to specifically get **inactive** people **back to an active, healthy lifestyle**.

THE MARKETING

Originally the USTA partnered with AARP to get help with marketing to the **50+ market** in a given demographic area. Direct mail pieces were sent out to our specific market in a ten-mile radius of the event site. We used marketing lingo that gets the right response from the right people...*invite, join, party, peers, lunch, tennis, fun, free*. This year, the ICAA, International Council on Active Aging, is the USTA partner/sponsor for the event.

HERE'S THE SCOOP

A **personal invitation** was sent out by direct mail “**inviting them to a party!**” They were offered **free lunch**, use of a **free racquet** (provided by Wilson), **fun**, and a **social environment** made up of **other people exactly like themselves** –

who have not played tennis in 5 – 25 years. Oh yeah, if they brought an old racquet to the party they would receive a prize for it. This was spectacular! The vast majority proudly brought their old racquets to the events and each person had a story to share.

The best events included other marketing vehicles too, such as newspaper ads, radio spots, and flyers inside the clubs. The participants had to call in to register to attend and, of course they could register their friends as well. Huge banners saying WELCOME BACK TO TENNIS and others from the USTA, the manufacturers, and ICAA, are displayed on the courts. All staff and volunteers involved in the program wear specially designed T-shirts with a “Welcome Back To Tennis” logo and the sponsors names on them.

BREAK DOWN THE BARRIERS

The goal is to get 50 to 100 participants at the event. The more, the merrier! A fun, social experience happens when you integrate specific activities designed around fun, fitness and friends. The large group of people helped make everyone feel more comfortable. There was a great deal of emotional and psychological support. The barriers to getting involved were all but eliminated!

THE PARTY

Upon arrival, the participants do not have to fend for themselves, finding the area at the site where the party will be held. They are enthusiastically greeted in the parking lot, directing them to the registration area, where they are enthusiastically and professionally greeted again. They are given a name tag and directed over to a coffee and cookie table, where they are enthusiastically, professionally, and sincerely greeted again and introduced to other participants. Immediate comfort, immediate friends. By the way, appropriate music is playing in the background.

Everyone automatically is introduced to two programs designed specifically for this group at this event. They will



Sandy Coffman

have the entire party time to sign up for them. The fun begins with a gathering together for introductions, a little education, a few jokes to put everyone at ease.

I get to warm everyone up on the courts – all 100 of them at one time with some great music. Everyone is laughing, moving, stretching, and exercising. A group of organized and enthusiastic pros then take over and the entire group is on the courts for an hour of tennis drills and practice activities that keep everyone involved for the full time. Each person will meet at least 5 or 6 different people (partners during the tennis portion), and everyone will experience success.

Yes, I get to cool them down on the courts after the tennis activity too. It’s a big finale with lots of laughter and a feeling of pride and enjoyment.

THERE'S NO FREE LUNCH!

Lunch is next – and very welcome at that. A good party has a **host or hostess**, and during lunch the conversation and excitement continues as **promotions, prizes, and programs** are the orders of the day. The programs offered are **nominaly priced** and while all are caught up in the “fun” the **sign ups** begin. The follow up programs are specifically designed for this audience. They are four to six weeks of doubles instruction and play. Doubles is fun, more social, and easier to execute in terms of court coverage.

Keep in mind, “**Making It Fun**” is big business. The **objective** of the whole event is to get people to sign up for the **four week programs**...on the spot. (See Make It Fun! Page 16)

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The PROOF, Making Big Money in Weight Loss!

By: Donna Krech

The numbers are in and the proof is real! Twenty seven thousand dollars was profited in TWO AND ONE HALF MONTHS by attracting brand new members... those members who had never come into the club before!

1. Fact- 65% of our country is overweight

2. Fact- 84% of dieters eating low carbs to lose weight are weary of doing it

3. Fact- 14% of our country is a member of a health club

4. Fact- A sedentary, deconditioned person isn't coming into the club to enroll

5. Fact- YOU CAN GET THEM IN BY FOCUSING ON THEM!

In 1982, I became an employee of both a weight loss facility and a fitness facility. It was obvious very quickly that the two crowds visiting the two

establishments weren't made up of the same people. In 1986, I opened my first weight loss center, and in '91, my first fitness facility. Again I saw two extremely different groups. Today, the story is the same. Weight loss facilities are still doing big business in helping people shed pounds and fitness facilities are helping people become more fit. I know, as veterans of this business, we think they should be able to do both of these things in our health clubs, but the fact is they don't. And, they don't, simply because they're not coming into them. So, what should we do? We should offer them a place they can come to that feels non-intimidating and safe. And, we should set it up so our club benefits and our bottom-line soars. We place weight loss next to fitness and prosper! The following tells you the benefits of getting involved with any good, solid weight loss organization. Those who still view it as

The best comparison available is that of racquetball and tennis. Racquetball was a very popular pastime for a while, but those who passionately loved the sport almost always led it. Tennis, on the other hand, was not only led by those who loved it, but also those who had an understanding of its business potential. The rest is history. Tennis popularity rose even unto the degree that tennis clubs became amazing and wonderful for the full service club! Racquetball facilities and even most courts became group fitness rooms, childcare areas, and even mere storage! When attention was given to tennis as a business and not just something that was available as part of the club, tennis lesson profits soared! Personal training could be viewed the same way. Those facilities that have seen it as its own business have experienced record-breaking revenues. Those who still view it as

something available within the club, benefit from it in a minuscule way.

So goes the story with

fitness and weight loss. One, not seeing it as its own business will never bring the profit you desire. Two, you can't just throw some computer-generated diet into a club and think prosperity will come. Reid Hans, an industry veteran and Thin&Healthy licensee says, "Success will come in weight loss when it isn't done in a hodge-podge manner. In one of my clubs years ago I tried to put an old Universal and some worn out bikes. It didn't go. I put in the right equipment and it worked! So it goes that you can't throw weight loss into the corner of a club, where it isn't the focal point, and expect it to go. Inside the club, we just weren't able to do a good job with it. We've made it the second sister. People from the outside just wouldn't come to it. We set it up as its own business next



Donna Krech

door to the club and they came!" In Appleton, Wisconsin, right next door to Fitness America, sits a Thin&Healthy weight management facility that has had over 350 people enroll who were NOT members of the Health Club. This means Reid, Corinne and their fantastic team have brought over 300 potential new members to (See **Donna Krech** Page 17)

...Make It Fun!

continued from page 14

This is not another event for procrastination. Any good business knows that a 50 - 60 percent closing rate is pretty good, and we have achieved that. The "Learn To Play Doubles" and "Doubles Strategy" classes start the following week. When you make it fun, the people are ready, willing, and able to get involved immediately. More good news - we are getting 100% participation from those who do sign up. That's a good indication that the event and programs were set up correctly. Our business is successful.

After more door prizes, questions and answers, and the distribution of "goody bags," the participants leave with lots of smiles, new friends, and the beginning of a new lifestyle. The "goody bags" all have a "Welcome Back To Tennis" T shirt in them along with a few other small items and promotional materials. The T shirts are very appreciated and are worn around the community to promote the next event!

As they leave, we don't say good-bye, we say "WELCOME BACK TO TENNIS!"

HOW DID IT REALLY HAPPEN?

Wait a minute. This sounds easy. It may be "simple" but it isn't "easy." If you remember, I said this was a weekend event. The party lasts for three hours, but the event takes the whole weekend. The day before the party there is a training session for all staff and volunteer staff that will be responsible for making the event a success.

The training includes education of the market. Demographic facts, personality traits, social and psychological needs and wants, and physiological differences are discussed in order to make sure everyone understands the value of the program and its effect on the lifestyle of this market.

Included, too, are communication skills. It takes practice to learn how to properly greet the people as they arrive, guide them through the various activity locations, and encourage them to sign up for the continuing program of their choice.

Everyone on staff knows exactly where to be, what to say, and how to say it. With this, the atmosphere is a guaranteed upbeat, exciting, and fun one. A minimum of 8 - 10 professional greeters and social connectors are needed to ensure a successful

THE TENNIS PROGRAM

The training also includes extensive on-court training of the pros and instructors on how to handle large crowds effectively (50 - 150). They also learn what drills to teach, what not to teach, and how to get every person to enjoy the game and be successful. The coaches are professionally coached and are set up to deliver success. Often times the most experienced coaches find new ways of teaching through this event.

The success of the event may be attributed to the food, music, prizes, sociability, and constant fun along with the physical activity and education. Yes, you got it - MAKING IT FUN is big business. It doesn't just happen, but it sure is the key to the success of our business.

THE RESULTS ARE IN

In 2003 we took this event to The Lexington Courts Tennis Complex, Lexington, South Carolina; The Alomona Park Center, Waikiki, Hawaii; the Florida Tennis Center, Daytona Beach, Florida; Sun City Center, Fort Myers, Florida; Frosty Hollow Racquet Club, Phila-

delphia, Pennsylvania; and The Paseo Racquet Center, Phoenix, Arizona.

In 2004 WELCOME BACK TO TENNIS EVENTS have been successful at The San Francisco Tennis Club, San Francisco, California; Center de Tennis, Bayone, Puerto Rico; Echo Farms Country Club, Wilmington, North Carolina; Wood Valley Racquet Club and Fitness Center; Topeka, Kansas, The Sports Club of West Bloomfield, West Bloomfield, Michigan; Memorial Park Tennis, Houston, Texas; Peachtree City Tennis Center, Peachtree City, Georgia.

TESTIMONIALS

Hearing it from the participants themselves tells the story.

• "I've been trying to get my husband involved for years. He agreed to come to this event because it sounded fun and not intimidating. He even brought an old racquet. Now he's hooked and we'll be playing together. I'm very happy."

• "I didn't play much before retirement and then the last couple of years it's been a lot of starts and stops. Now I signed up for the four weeks of lessons and I know that will be fun."

• "The day accomplished everything I had hoped.

You can say I have been reintroduced to tennis."

• "I was impressed with how warm and friendly the staff and volunteers were, they truly made you feel welcome to the event and the game."

• "This is a terrific opportunity for what we want, plus we met people from our neck of the woods. We are both beginners, like a lot of the people participating. It was lots of fun."

• "I asked myself if I would have the ability and strength to just hit the ball, and after Saturday I saw light at the end of the tunnel. They offered nuggets to hold onto for the future."

It's all about the "experience." Invite the older adult market to a fun, social, guaranteed successful experience. Then deliver it. The party propels action if the experience is uplifting, energetic, sincere and fun.

The good news is that this format can be successful with many other markets and with many other activities. You know what you must do... MAKE IT FUN!

(Sandy Coffman is the President of Programming for Profit a Bradenton, Florida-based club consulting company. Sandy may be reached at: (941) 756-6921.)

...Donna Krech

continued from page 16

Fitness America. The goal is to bridge them to the club and with a Thin&Healthy member base where 90% didn't do any form of exercise upon enrollment and 60% of that 90 now does something regularly. Combined with our strategic marketing promotions, this should occur fairly effortlessly. What would you say to over 300 truly qualified, interested, ready potential members for your health club?

In Evansville, Indiana Thin&Healthy Weight Management has opened, adjacent to Tri-State Athletic Club, a TCA club. While 34 of the over 350 members enrolled came to us from the Club, that leaves 316 that came from the outside that told us they simply wouldn't enroll at Tri-State. Now, if you know anything at all about TCA clubs, you know they're magnificent, so the lack of enrollment wasn't because of the club at all. It was simply because it was a club! We had people make us promise them over the phone, when booking an appointment, that they wouldn't have to walk through the club. Now, a formerly anti-exercise group of over 300 people is getting ready to be bridged to Tri-State!

The bottom line *IS* the bottom line! You can increase yours by leaps and bounds by seeing weight loss as the business it is and joining forces with a strong company who can help you achieve that goal. Tri-State Thin&Healthy has enrolled 100 average members per month and seen accrual profit of nearly \$27,000 in a two and a half month time frame! What are you waiting for? You know you've got questions. Write them down and call us. I'm at 419-991-3407 and Reid can be found at 605-261-4769. The proof is in the numbers! There's big money in weight loss!

(Donna Krech is the Founder and CEO of Thin and Healthy Weight Management, Inc. She may be reached at: (419) 991-3407.)



Sandy Coffman
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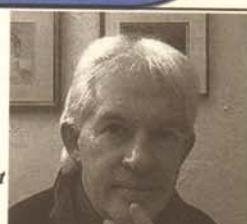


**Thanks To This Month's
Contributing Authors**

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Chavez
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Michael Scott
Scudder
Page 24

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~Julie Nadeau, Contours Express, Brighton, MI

Thin&Healthy has brought an additional profit center to the club with the program and product sales profitting \$18,000 to our bottom line in six weeks! After researching the weight loss industry for over two months, we found Thin&Healthy had all the elements of a weight loss program we were looking for and in less than five months our members have lost over 1,000 pounds. Thin&Healthy has changed lives, that is our mission and we're having fun.

~Linda and Paul Geyer, Peak Physique. Troy MI



**Contact Thin&Healthy Now for your Free
Weight Loss Business Assessment
and let us show you how to add more
profit to your bottom line!**

Gold's Gym Award Winners Honored

Body Training Systems Now In 230 Gold's Gyms In North America!

By: Norm Cates, Jr.

Gold's Gym franchise owners from around the world met in Las Vegas, Nevada, July 12-14th, for the Gold's Gym annual convention. This was an exciting time for all of the Gold's people because Gold's Gym International, Inc. was, at the time, under contract to be purchased by Dallas, Texas-based TRT Holdings, Inc. TRT, the owners of 40 Omni Hotels, officially became the owners of Gold's Gyms, Inc. on July 21, 2004. The Las Vegas event was attended by over 1,000 Gold's Gym people from 14 countries. Among other things, Gold's Gym International, Inc. honored its best operators in 22 different categories. (The list of Gold's Gym award winners are shown below.)

The Gold's Gym Alliance of the Year Award Winner is...
The G-3 Atlanta Alliance!

Congratulations to all of the Gold's Gym Award winners and especially to the G-3 Atlanta Alliance that won the Gold's Gym Best Alliance Award. G-3 Atlanta was chosen from 10 U.S. Gold's alliances including: G-3 Atlanta, Gold's Gym of the Carolinas, DC Alliance, Northeast Alliance, New England Alliance, South Florida Alliance, Suncoast Florida Alliance, Northwest Alliance, Midwest Alliance and Utah Alliance.

Gold's Gym alliances have become very popular amongst Gold's Gym owners across the country as they are able to provide reciprocal membership privileges to all their members of their Gold's Gym locations, they share regional advertising costs, they save on group

purchasing and in general, they share "Best Practices" as they all strive to improve their businesses. Atlanta's G-3 Gold's Gym Alliance was originally founded by Gordon Johnson about six years ago. At that time, there was only one other Gold's Gym alliance in the U.S. and that was in Los Angeles.

Johnson commented on the G-3 Atlanta Alliance of the Year Award, "As far as the Alliance Award, not only are we Atlanta owners appreciative of the award, the fact of the matter is that we have all received tremendous benefits by having our 28 gyms in the alliance come together in such a positive way. As with any organization with such diverse membership, there have been challenges along the way, but those challenges pale in comparison to the benefits we have derived from leveraging the Gold's Gym name in the Atlanta fitness market. The Atlanta G3 alliance has shown how impactful this type of synergistic relationship can be both for the business and for Atlanta Gold's Gym members."

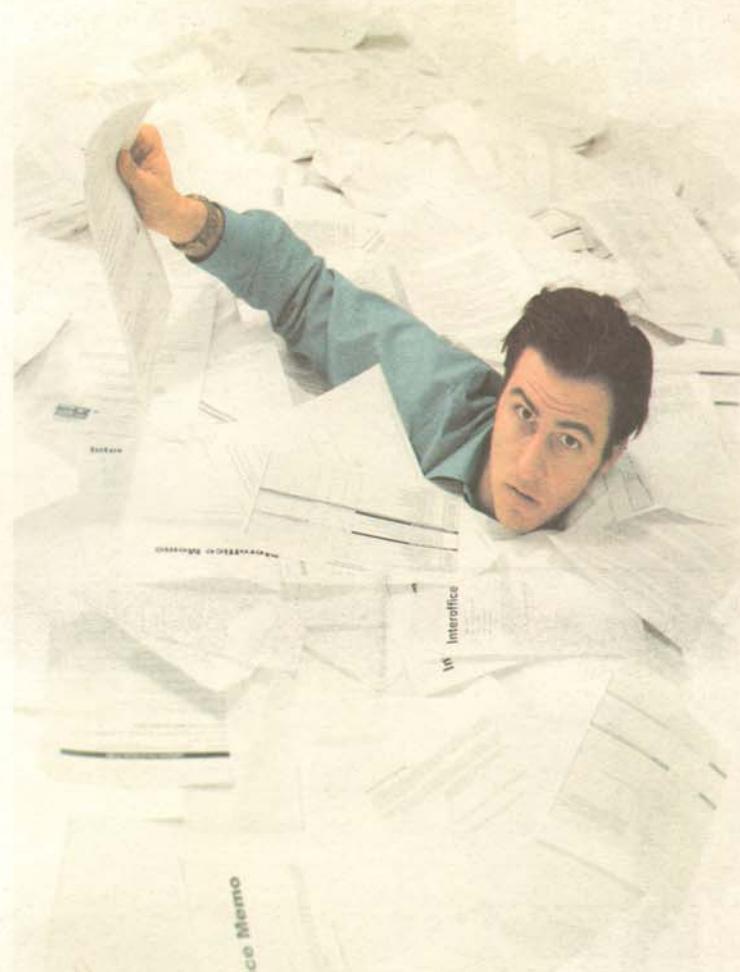
Gold's Gym Marietta/West Cobb Wins Gold's Gym "Best Customer Service Award!"
•BTS Instrumental

Gordon Johnson's Gold's Gym Marietta/West Cobb won the Gold's Gym "Best Customer Service Award", a coveted honor. One very important contributing factor that helped Johnson's Marietta/West Cobb Gold's Gym win the Gold's Gym "Best Customer Service Award" is the group exercise program, featuring Body Training Systems and directed by Leslie Austin, Group Fitness Director.

(See Gold's Awards Page 26)

Gold's Gym Awards

1. FRANCHISEE OF THE YEAR EIJI TEZUKA	11. BEST OVERALL BRANDING BRNO, CZECH REPUBLIC
2. VISIONARY OF THE YEAR MIKE EPSTEIN - PARAMUS, NJ	12. BEST CUSTOMER SERVICE MARIETTA, GA
3. HUMANITARIAN OF THE YEAR PLEASANT LEWIS - WINTER SPRINGS, FL	13. BEST MAINTAINED GYM HOLLYWOOD, CA
4. GOLD'S GYM OF THE YEAR: NATIONAL PRINCETON, NJ	14. BEST ADVERTISING DOMINICAN REPUBLIC
5. GOLD'S GYM OF THE YEAR: INTERNATIONAL CONO NORTE, LIMA, PERU	15. BEST MARKETING MUMBAI, INDIA
6. BEST NEW GOLD'S GYM EAST BOISE, ID	16. BEST YOUTH PROGRAM LAKE RIDGE, VA
7. MOST IMPROVED GYM OF THE YEAR GUAYAQUIL, ECUADOR	17. BEST SENIOR PROGRAM MODESTO, CA
8. MOST OVERALL CLUBS ROYCE PULLIAM (17) EIJI TEZUKA - JAPAN (17)	18. MOST NEW GYMS (SINGLE OWNER) EIJI TEZUKA - JAPAN (6) FABIZIO BALLI - PERU (6)
9. BEST INTERIOR EAST BOISE, ID	19. BEST GRAND OPENING VADNAIS HEIGHTS, MN
10. BEST EXTERIOR WEST JORDAN, UT	20. BEST PRESALE SAN MATEO, CA
	21. BEST GGX PROGRAM LIMA, PERU
	22. BEST REGIONAL ALLIANCE ATLANTA, GA



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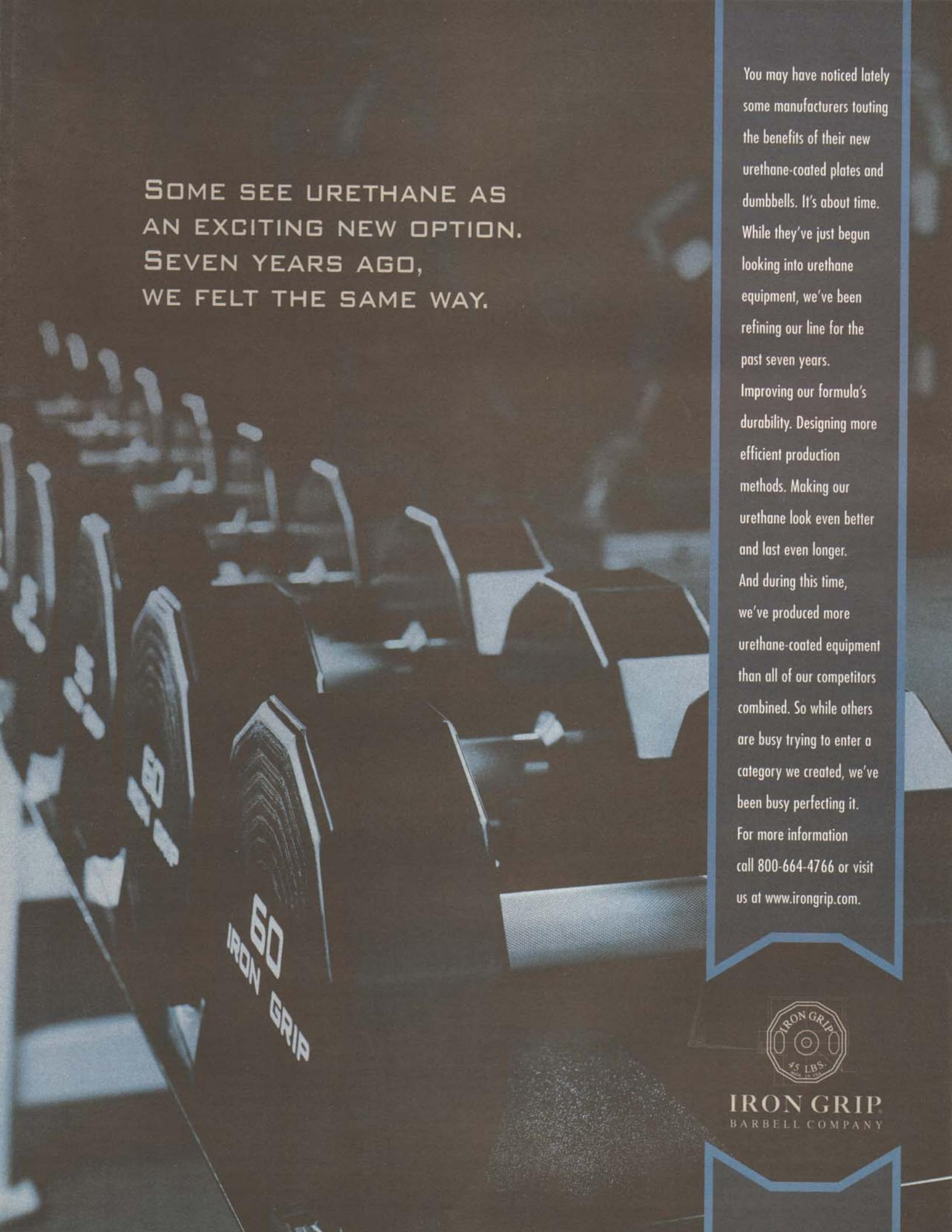
Increase Net Member Growth with Retention Management as your full time partner:

- We develop and deliver customized, meaningful, relationship building communication between you and your members.
- Our automation of attrition defense systems proactively targets at-risk members before they become a statistic.
- Drive non-dues revenue through enhanced marketing of your ancillary services.

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We focus on retention so you can focus on your club.





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You may have noticed lately some manufacturers touting the benefits of their new urethane-coated plates and dumbbells. It's about time. While they've just begun looking into urethane equipment, we've been refining our line for the past seven years.

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And during this time, we've produced more urethane-coated equipment than all of our competitors combined. So while others are busy trying to enter a category we created, we've been busy perfecting it.

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FitnessAlliance.com Offers Club Buyers and Sellers Excellent Options

By: Norm Cates, Jr.

The challenge of selling your club or of buying a club just became easier. FitnessAlliance.com is a new service launched this month by club industry veteran, Peter Kroon. FitnessAlliance.com enables sellers and buyers of health, racquet and sportsclubs to meet on a confidential basis, qualify each other discreetly and if interest is mutual, to proceed to negotiate potential club deals.

If you own a club or a group of clubs and you would like to sell your business, you may have no clue of where or how to start. But, one thing you do know is that in the health club business, the mere *fact* that you wish to sell your club can be used as a weapon against your club(s) by your competitors. FitnessAlliance.com overcomes that obstacle. If you are not a club owner now, but are considering entering this industry as a club owner again, you may not have a clue of where or how to start. FitnessAlliance.com will open its doors for you. FitnessAlliance.com helps buyers by assembling club deals in a single convenient place, by helping sellers to make their offerings easy to screen and by organizing the support services that many buyers need.

Peter Kroon is a club industry veteran with experience and success on both the club and vendor side. In 1982, Kroon graduated from business school and was recruited and hired to work for Club Corporation of America as Vice President of Development. Jim Shankle had recruited Peter for the job and it was valuable experience for a young man, as he learned from master deal-makers, Bob Dedman, Dick Poole, Jim Maser and Sid Simmons.

Kroon's career path took interesting turns from there

and he shares some of those experiences and his new FitnessAlliance.com innovation with us here.

Q. "Peter, how did you move from working for Club Corporation of America to club ownership?

A. My Club Corp territory was the Eastern Seaboard, and I found a tough market for dining club deals in New York where the venerable old-line private clubs were entrenched. I became involved in dealing with athletic and health clubs when I did two athletic club deals. I learned quickly that the athletic club field had great potential. In the summer of 1985, I met Bob Stauble and Ken Navarro and we formed a company to acquire clubs. Our goal was 100 clubs. The name of our new company was Healthtrax Properties. Within a year we had signed a \$17 million joint venture with Fair Lanes, Inc., a publicly traded chain of bowling centers. Not only did we get a commitment of equity, we got Walter Hall, CEO of Fair Lanes, Inc. and his team on our Board of Directors.

Q. I remember Healthtrax from those days. What happened?

A. Starting quickly, we grew to 16 clubs and 800 employees by 1989. And then a big recession hit New England, causing all three of our lenders to go out of business. Our \$12 million debt was accelerated and we were forced into a 'survival' mode. Sometimes tough times cause good things to happen. That was the case with us as we moved on without our capital partner living up to its commitments. We focused on tightening operations and one of my projects was to upgrade billing systems. We had been doing EFT from the early 80's, so we hired Eric Schuler, a programmer, to re-write our software. Eric is a talented guy, and the title "programmer" does

not give you the full picture of him.

Q. So, is that how your Twin Oaks Company got started?

A. Further setbacks included both of our EFT processing banks going out of business within a few months, so here we were looking for a processor at a time when net worth was negative and all of our debt was in foreclosure. Eric helped us do that, and in turn, I helped Eric get started selling Twin Oaks software services to club owners I knew in New England. Eric and I became friends and eventually he offered me half of his company, if I would take it from around 15 accounts to what we felt was possible. It's been a winning business partnership for sure as we now serve over 1,000 clubs at Twin Oaks. Since then, due to the excellence of our team of nearly 40, led by MJ Laliberte, Andy Irish, Carole Oat and Bill Appell, I have been able to focus my attention on other related things.

Q. How did you get started in the club brokerage field?

A. One day a club owner called me with a crisis at his club and told me he wanted to sell it. Three phone calls later a \$3+ million cash sale was made. I knew who was in the market for that kind of opportunity because of my daily contact with hundreds of club owners. That is when I realized the need for club brokerage services and ultimately my work in that field led to the FitnessAlliance.com launch we are announcing here!

Q. What happened since then?

A. I closed eight more deals in the three years after that first sale. During that period I came to the conclusion that the health, racquet and sportsclub industry needs a neutral clearing house for club transactions. There are

plenty of sellers and plenty of buyers. But, the process is disorganized. Better stated, the process has not really existed... FitnessAlliance.com provides a process. FitnessAlliance.com is an easy way to match sellers and buyers of clubs simply and at a low cost.

Q. Let's hear more?

A. FitnessAlliance.com is obviously an Internet-based service. Sellers list their clubs for a very modest fee, less than the cost of a single classified ad. In turn, they get a national marketing campaign that exposes their club to all the right buyers and through six layers of confidentiality, we will bring buyers and sellers together. Confidentiality is assured by including a confidential email system, password protected, that allows them to qualify buyers without name, club name or any confidential information disclosure.

Buyers, on the other hand, can search nationwide for free. If they find a club that sounds interesting they pay a small annual membership fee to join the alliance. Alliance membership allows them to see the complete listings, to communicate directly with sellers, to post their profile, and to create a Saved Search to be notified automatically if a club comes on the market that matches their search criteria. This means that sellers and buyers can access services as needed a la carte in the FitnessAlliance.com neutral marketplace, instead of paying a big fee to a single broker.

We've also assembled a FitnessAlliance.com Directory of deal-related service providers who help with evaluations, negotiation advice, market studies, operational strategy and raising bank debt, all services crucial to the selling and buying process.

The CLUB INSIDER

News contacted two veterans and club consultants, Rick Caro and Michael Scott Scudder, to get their impression of Kroon's new FitnessAlliance.com.

Rick Caro, President of New York City-based Management Vision, Inc., and IHRSA Founder and former President said, "I think this is an idea that can work very well. Peter has put a lot of thought into meeting the unique needs of club sellers and buyers, and his reputation is



Peter Kroon

excellent. If anyone can make it work, Peter can."

Michael Scott Scudder is the President of Fitness Focus, a Taos, New Mexico-based consulting firm and partner in the Fort Worth, Texas Fit-For-Life Club group. Scudder observed, "I've known Peter for over 15 years. He's a hard worker and a smart worker, and I like what he's done so far. There's definitely a need, and he's come up with a great solution. I think this professionalization of the marketplace for clubs could result in a 25% rise in club values over time."

There are very few areas in the health, racquet and sportsclub industry today that are virtually unserved and the realm of bringing together club owners who wish to sell their clubs with qualified buyers is one of them. This new Peter Kroon innovation, FitnessAlliance.com, should be a major step toward filling this void. Go to www.fitnessalliance.com and check it out for yourself. Best wishes to Peter Kroon and his FitnessAlliance.com company as they launch this important initiative. I've got lots and lots of club business pals that could and hopefully will use Peter's new service as they reach their retirement years. Plus, I am sure there are a bunch of you young "up and coming" club managers who would like to someday own your own club that will also go to www.fitnessalliance.com

(Norm Cates, Jr. is a 31-year veteran of the health, racquet and sportsclub industry and the Publisher and Founder of The CLUB INSIDER News. Cates was the 1st President of IHRSA and a Co-founder of the Association in 1980/81. In March, 2001, Cates was honored with IHRSA's DALE DIBBLE Distinguished Service Award. Reach Cates at: 770.850.8506 or clubinsidernews@mindspring.com)

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Get the Real Picture of the Business

By: Karen D. Woodard-Chavez

The best operators in the industry share some common elements and practices. One of these elements is having an objective view of their business. By having an objective view or an accurate perception of reality, they are able to make better decisions on both a day-to-day level and a strategic level. One of the tools used to obtain this information is a survey I designed and I would like to share it with you.

The following questions are designed to inspire you (the General Manager or Club Owner) to take a critical look at your facility and operations, show you what areas you are excelling in or conversely determine what areas are ripe for improvement.

If you choose to answer the questions on this survey, be thorough, detailed and honest with your self. If you do not know the answers, find them. To complete this survey, plan on approximately 1 - 2 hours. Another method of completing this survey is to assign appropriate parts of the survey to the right department heads to create a higher level of awareness among the management team.

Describe your club (facilities, age, sq. feet, atmosphere).

Describe your market (population of your community, demographics, location/neighborhood of your club, competition)

What is your competitive edge in the following areas?

Facility
Programs
Equipment
Services
Staff
Business philosophy

Would your Members say the same thing? If not what would they say?

Please list your club's profit centers outside of Membership Dues, the monthly gross for each and the respective percentage of gross revenues:

1.

2.

3.

4.

5.

6.

7.

8.

Are you pleased with what your profit centers are producing?

What is your selling system for selling these services?

How is your "non-sales" Staff selling the club?

How would you describe your sales style or philosophy?

What is your most immediate need for your club in the next 6 months?

What, if any weaknesses, do you see in your selling Staff?

Are you exceeding your projections for new Members?

Are you meeting/exceeding your retention goals or not? (Please circle one and elaborate)

How are you calculating your retention?

Does your entire staff have the ability to provide the level of service to your Members that the Members expect? If not, why not?

How many people are on the Membership Sales Staff?

How much turnover did you have in the past year?

What would you like to see changed in the Membership Sales Staff?

What is the cost per new Membership and how long before you start to see a profit on each Membership?

How do you plan your sales goals?

How is the distribution of production among your sales Staff?

Are sales goals distributed based on Staff production? Please elaborate.

What is your sales compensation structure?

What is your range of closing ratios?

What are your greatest sources of leads?

How many call-ins per day does your club receive?

How many walk-ins?

What percentage of your gross revenue is allocated to advertising and promotions?

What is your guest pass policy?

Describe your ongoing sales training program?

What sales training has your Staff had in the past 6 months?

Is this limited to Membership Staff only?

How many more dollars would you add to your bottom line if each of your Membership Staff were producing 15% more than they are now?

With regard to cost containment, are you under budget for the year, at budget or over budget and why?

What areas of expense control are your biggest challenge?

Has the club made its annual bottom-line regularly over the past four years? If not, why?

Do you have a realistic 3-year projection plan in detail?

Do key department heads and the General Manager share in the achievement of the club's bottom-line?

Do you have any other profit sharing program that affects all Staff?



Karen D. Woodard-Chavez

Does ownership regularly reinvest capital back into the club? If so, at what % of gross revenues?

Can you (the General Manager or Club Owner) take a 3-month leave of absence from the club and still have the club operate efficiently and move forward?

What is your exit plan?

If you choose to take the time to complete these questions, you will find it quite revealing and more than likely recognize areas that need attention. Your next step is to prioritize what areas, if any, are presenting roadblocks to your club's success and develop a plan to work through them.

I will make an offer for the first ten readers who complete this survey – if you forward it to me by October 15, 2004, I will review it for you and give you my perspective to help you construct your plan to move forward. Ready, Set, GO!

(Karen is President of Premium Performance Training in Boulder, Colorado. She has owned and operated clubs since 1985 and now consults with and trains club staff throughout the world. She provides her services on-site, online, by phone and through books, tapes, and manuals. She can be contacted at 303.417.0653 or karen@karenwoodard.com)

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An exclusive column featured only in Norm Cates' "Club Insider"

By: Michael Scott Scudder

"PLANNING - OR REPLANNING - YOUR BUSINESS - PART IV"

If you subscribe to The CLUB INSIDER News and have been reading this column regularly, you recognize by now that you already have three of the four essential sections of a successful Business Plan nailed as we presented those in previous CIN editions. This month's column concentrates on the fourth and final section of a plan: Resource Requirements, Business Goals & Objectives, and Financing Requirements. When combined with the other indispensables (Mission Statement, Executive Management Summary, national and local Fitness Market Summaries, Demographic Market Area Analysis, Business Concept, Competitive and Opportunity Analyses and the Risk/Reward Scenario) plus well-documented Pro Forma Income Statements for three years, you will have a superior readable and bankable small facility Business Plan!

So let's look at the remaining pieces of the puzzle.

Resource Requirements

This area is what I refer to as the "left-handed, red-headed stepchild" of the Business Plan. It's often forgotten or hastily included, when in fact it may be the selling point for financing and ultimately for business success! Too many owners of too many clubs have thought that if they just put a plan together with a good location, everything else will take care of itself. Not!

Smart investors and bankers look at this section closely...it tells whether the business operator has really looked at everything. A club has the following Resource Requirements: personnel, technology, advertising/marketing/promotional, and external - products, services and/or programs required to be purchased outside to help run the business. Useful questions to ask are:

Personnel Requirements.

oWho will the general

management of the facility be? What is their experience level in management of health clubs and/or other retail/service establishments?

oDepartmental management - is there an available pool of qualified department managers to run this club? What are the skills and/or certifications necessary? Do the selected department managers have those skills?

oFitness instructors, trainers and group exercise instructors - is there a readily available supply of qualified, certified, experienced professionals to meet the needs in a high-quality operation? Or is the company filling slots with warm bodies?

oAdditional service personnel (reception, sales, child care and maintenance) - are qualified, trustworthy, mature people available for these jobs?

(Note about this area: If you, as an owner/operator, cannot satisfy the above, think twice about starting a business...or seriously think about a staff training program if you are re-marketing a business. The success of a club lies right here...NOT in all the numbers!)

Technology Requirements.

oYou will need a semi-sophisticated and capable phone system. Generally these are readily available. (Caution: do NOT buy "phone routing systems" that filter a caller through numbers and "press this" and that kind of stuff! It turns off potential customers and members and says that you really aren't interested in people, you're interested in processes. Make sure there is quality phone training for every member of your staff.)

oComputers and Internet systems - available everywhere. Shop online for computers, printers, cameras, etc... the best prices are there. Make sure you have current capabilities with graphics, video and audio cards - you WILL be using them in a modern club!

oClub management, data management, and billing processing systems. We probably have the best selection of these services in the health club industry. Don't overbuy

systems...establish what you want, what you are going to do, and select the system that most closely fits your parameters of operation. (Hint: if you're a small club, buy a system that specializes in small club operation - not a country club system!)

Promotion Requirements.

oHow are you going to promote - advertise - market your club? How will you handle public relations when you're busy trying to sell memberships, keep employees and members happy, and deal with the many unanticipated crises that come up every week?

oWill you create your own advertising...or buy it from established fitness advertising firms? (Hint: most club operators absolutely suck at advertising! They think a good ad is a price special with starbursts and their entire menu of equipment and classes jammed into as small a space as possible!)

oHow will your promotions differ from your competitors? How will the public know that your facility is exceptional?

External Requirements.

oFitness equipment - who will you buy from and what will you buy? Are you going to do "same old, same old" or are you going to match the equipment to your members' needs?

oExercise programming - what, how and who will you program to handle this sensitive area of a club's operation? Should you even have group fitness? Can you make money at it or will it be a constant cost factor? (Hint: it is a loser in two of every three clubs!) Will you try to invent your own, or will you go with any of the proven "packaged programming" venues available through the national marketplace?

oMember service programs - how will you develop these...or will they be an afterthought?

oOngoing mentoring and business-skills refinement - how will you learn what you need to know...by trial and error, or will you hire industry-known experts to guide you? Will you budget

annually for conferences and trade shows, or will you go it alone, inventing the wheel all over again?

Business Goals & Objectives

This area defines how you are going to operate and what your stated targets for income and expenses are. It is looked at critically by investors and/or bankers.

It should be simple in the new facility, somewhat more sophisticated in the mature facility that is re-marketing itself. It should be based always around a Three-Year Plan, supplemented by your Pro Forma Income Statement. (Hint: if you don't know how to do it, don't fake it. Get a professional club expert to help you. It'll be a wise investment and will save you hundreds of dollars in aspirin!) As a guideline:

oBecome breakeven-operational within the first year of business.

oOperate with double-digit profit margins in the second and ensuing years of business.

oStabilize operational expenses and operating income within 24 months to assure continued long-term success in business.

(Hint: if you honestly can't say the above, don't do the project! If you're a re-market and can't say the above, consider selling the business now - if you can!)

Financing Requirements

Here's the piece de resistance...it should be short, sweet, and to the point. This is where the investor, banker, or potential business partner finds out what you need in terms of cash to make this sucker work!

Again, as a guideline:

oThe ownership group has how much investment capital to put up? Or, in the case of a re-market, how much net equity does the ownership group have? (Hints: don't go in with less than 25% of the whole enchilada in a new venture, don't show less than 35% net equity in a redo...neither will fly unless you have those numbers.)

oIf you are applying for a Small Business Loan: how



Michael Scott Scudder

much, how long, and at what interest rate? Show the payback capabilities. Will you have to personally guarantee the loan?

oHow will the proceeds of financing be distributed? How much to facility buildouts? How much to fitness equipment, furniture and furnishings, technology, programs, utility prepayments, lease obligations, etc?

oHow much capital in reserve will you have for the first six to twelve months of the project? (Hint: if the answer is none, take your money and open a hot-dog stand!)

oFolks, that's it. Four issues, four total sections of your Business Plan. Go to it! Get it done! Plan your business...run it...don't let it run you because you didn't take the time to plan it.

Until next month -
MICHAEL SCOTT SCUDDER

(Michael Scott Scudder, a contributing author for "The Club Insider News," and the subject of the January 2004 CLUB INSIDER News cover story, is a three-decade veteran of the fitness industry. He heads FITNESS FOCUS, a club management training company based in Taos, New Mexico, offering regional-city 1 1/2 day intensive seminars on fitness business matters. This year's tour subject is "Building An Outrageously Profitable Personal Training Business." Michael can be reached at 505-690-5974, by email at mss@michaelscottscudder.com or at his web site, www.michaelscottscudder.com. Comments and questions are welcomed and encouraged.)

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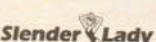
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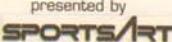


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...Gold's Awards

continued from page 18

Gordon Johnson commented on his recent Gold's Gym Marietta/West Cobb honor: "The Customer Service Award was especially exciting for our entire team because it is unique confirmation that we are on the right track in growing the business through service-oriented excellence. With the increasing large number of quality Gold's Gyms world-wide, we are honored to have been chosen to receive this recognition."

Johnson recently moved his Gold's Gym West Cobb operation to a brand new world-class 26,000 square-foot facility that is now seeing close to 60% of its monthly workouts from Body Training Systems


Gold's Gym Best Customer Service Award Winners

classes! The new Gold's Marietta/West Cobb facility was

designed by Rudy Fabiano and offers three group exercise rooms, one of 3,500 square-feet that will accommodate 70, one of 1,800 square-feet that will accommodate 40 and the 900 Sq. Ft. RPM Group Cycling room that accommodates 50.

Body Training Systems is changing the entire club industry across North America as now, over 1,100 club owners and operators are providing Body Training Systems classes for their members. Over 300 of that 1,100 clubs are approaching the

Body Training Systems "Platinum" level, offering all five BTS classes in their clubs. Plus, there are now 230 Gold's Gym facilities in North America offering Body Training Systems classes. And, many Gold's Gym and other club operators across North America are doing what Gordon Johnson has done. They have followed the systems developed by the BTS team, led by club industry veteran, Rich Boggs, Founder and CEO of Body Training Systems and Terry Browning, BTS President, who recommend that clubs should allocate 20 to 30% of their total space to group exercise to realize maximum profits. Gordon Johnson's new Gold's Gym Chapel Hill and his new Gold's Gym West Cobb have three areas for group exercise, because the excellence of the Body Training Systems classes are filling the clubs' group exercise space and improving club profits dramatically. Body Training Systems offers: BODYPump, BODYAttack, BODYFlow, RPM (cycling) and BODYStep. (Platinum level includes all five BTS classes.)

Norm Cates'
Club Insider
NEWS
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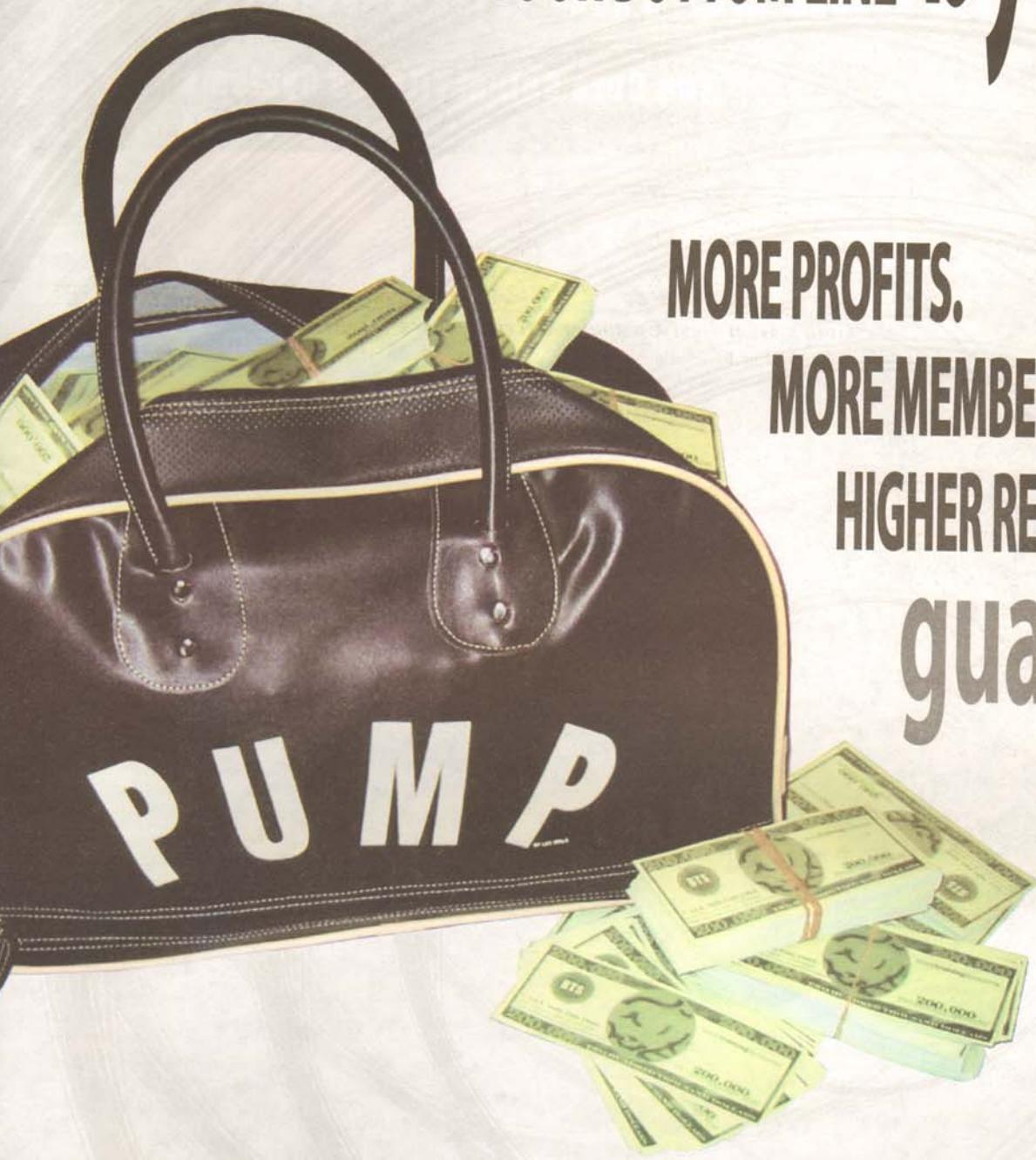
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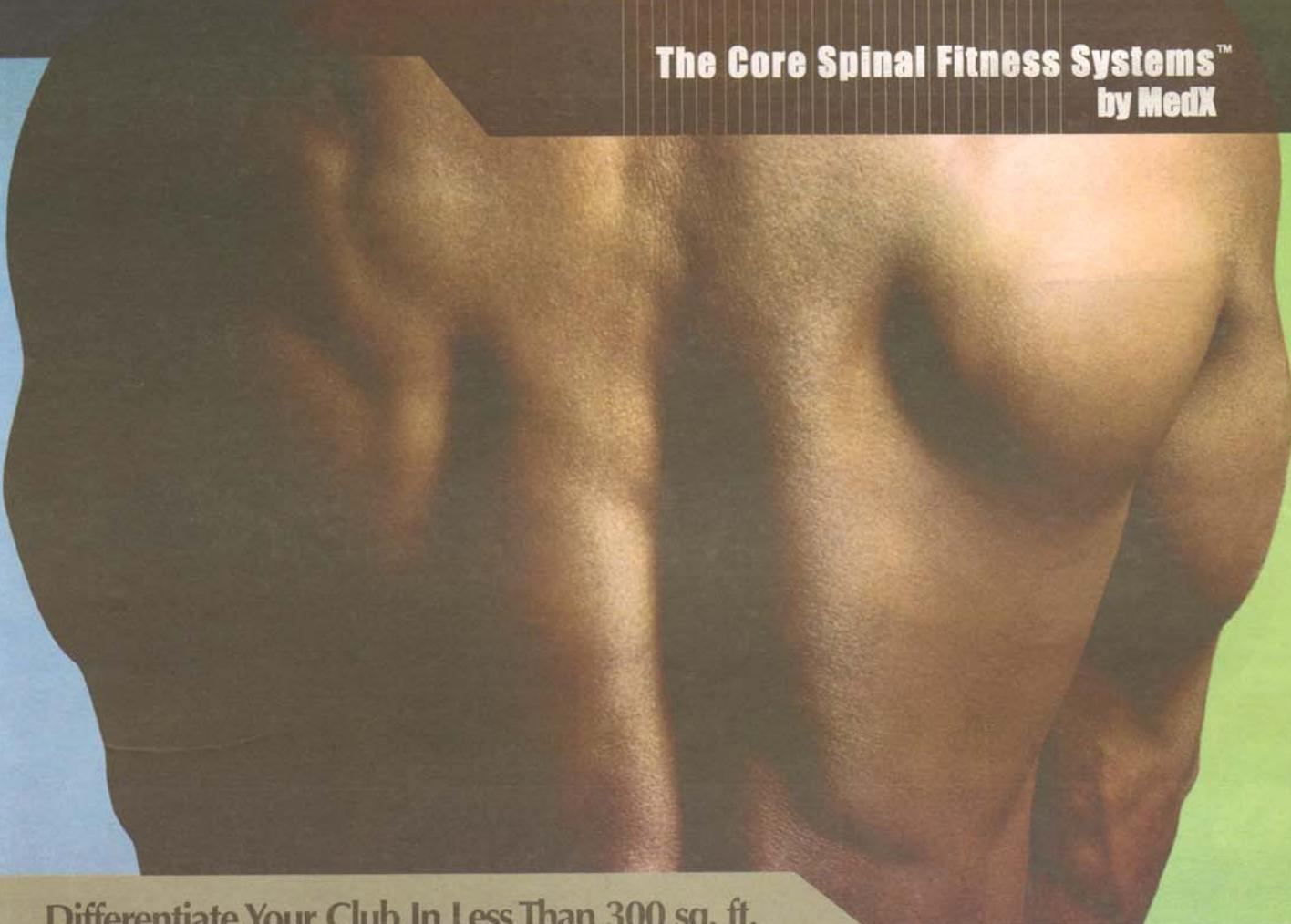
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