

THE Club Insider[®]

NEWS

AUGUST/SEPTEMBER, 1994

The Pulse of the Health & Sports Club Business

U. S. POSTAL
BULK RATE PAID
PERMIT #3592

Boycott Baseball!

By Norm Cates, Jr.

GREED. GREED. GREED. GREED. GREED. GREED. GREED. GREED. GREED.

GREED is defined by Webster's Dictionary as: An overwhelming desire to acquire or have, as wealth or power, in excess of what one requires or deserves.

Can you imagine what would happen to your club business if you decided to shut it down be-

cause you were not making enough money or because things in the business world did not suit you?

Yes..... we can all imagine how fast your members would find another outlet for their money, their energies and their exercise/fitness/fun needs.

But, here we are at the end of a summer of America's Pastime and the United States is being subjected to a MONUMENTAL DISPLAY OF GREED that ought to make all Americans angry whether they are baseball fans or not. This display of greed

is coming from two groups which represent some of the wealthiest people in the land..... the owners and players of professional baseball!

Don't get me wrong..... I am living just fine without baseball..... and so is my 9-year-old son, Justin. And, I am sure all of you are surviving this baseball strike equally as well. But, I want you to think about the thousands of people who make their living on baseball..... the vendors, the ticket sellers, the field crews, the parking attendants and all of the others. What are they supposed

to do? And, think about the people who had planned their summer vacations around the great game of baseball.

And, it is a great game. As I sit here, the Acting Baseball Commissioner, who also just happens to be an owner of the Milwaukee team, is telling the world that it is all over as of Wednesday if the players don't buckle. This is his second deadline in a week. The players want more guarantees to enhance their already fat average earnings of \$1.2 million per year! And, the owners say they want their way or they will can-

cel this year and maybe even next year.

Well, I say let's help them ALL to get out of the game of baseball by **BOYCOTTING BASEBALL** whenever these jerks decide to go back to work if they ever do. I say that health club owners across America should all join together NOW to start a major campaign to **BOYCOTT BASEBALL** until both the owners and the players are busted! **BOYCOTT BASEBALL** and in each city, find leaders who will acquire minor league players and start a **NEW MAJOR** (See *Boycott* page 10)

Ruth Stricker Honored As Healthy American Fitness Leader

By The Marsh Staff

Her ideas of mind-body interaction were germinated during her childhood and college years and grew during her early career responsibilities with the YWCA. She personally discovered that physical activity, social interaction, humor and protecting the joy in her life was an effective formula for learning to live

with a chronic disease. She has shared the joy of movement with stroke patients and their families, taught chemically dependent children the natural "high" of exercise, worked closely with local high school mentor programs and introduced seniors to mindful exercise. Choosing not to see herself as a victim, but rather sharing her story with a large population she has committed herself to a life of health, wellness and

mind-body principles.

Ruth Stricker's indefatigable energy and willingness to achieve her objectives of helping others illustrates the depth and sincerity of her desire to promote optimum physical, mental and spiritual balance in the lives of all people. She built The Marsh advocating fitness/wellness, balance of body/mind and integration of physical exercise into a total lifestyle. The facility is a platform

to present her ideas and philosophy. In addition to providing a beautiful center for local people, she has made The Marsh a learning laboratory/model for students and professionals to come and

learn to apply these principles in their lives.

It is no wonder that Ruth Stricker has been the featured cover story of three major publications (See *Stricker* page 11)



Ruth Stricker

By Norm Cates, Jr.

With the winds of change blowing at the Bally Health Clubs, the CBI MAGAZINE, published by IHRSA, The International Health, Racquet and Sportsclub Association published in their September issue,, a feature article on MIKE

LUCCI, the CEO of Bally Health Clubs, entitled: **BALLY'S NEW STORY.**

I had been asked by Sue Hildreth of *CBI Magazine* to write an article about my view of what is going on at Bally which was to be printed in the same issue in conjunction with the Lucci article. For some reason, CBI elected not to print my work. Therefore, I will

print my article and my response to the Lucci report in next month's *CLUB INSIDER News*. Stay tuned! (Norm Cates, Jr. is the Publisher and Editor of The *CLUB INSIDER*, a co-founder of IRSA and its 1st President. Cates is a long time *BALLY WATCHER* who has in the past taken an aggressive approach opposing the idea of admission of Bally to IRSA.)

• BALLY WATCH •

• Inside The Insider •

- Add Value To Health Club Memberships
- A Club Industry Perspective by Roger Ralph
- General Manager's Compensation Survey
- Attacking Hidden Expenses III by Rick Caro
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- 3 Common Myths of Leisure Programming
- Club Industry Trade Show Exhibitor Listing
- Gainsharing: A Win-Win Incentive
- Dorian Yates wins third Mr. Olympia Title

THE INSIDER SPEAKS

• EDITORIALS • "INSIDER MAIL" • COMMENTS •



June 13, 1994

SENT VIA FAX (617) 244-7739
 AND FIRST-CLASS MAIL

Mr. Larry Krieger
 Wellbridge Center
 135 Wells Avenue
 Newton, Massachusetts 02159

Dear Larry:

I want to congratulate you and the IRSA Board for resolving the name change issue in such an outstanding manner. You have embraced the fitness aspect of our Association without downplaying the clubs that were the genesis of the Association. Most important of all to me, we will still be known as "UR-SA" with a different set of the alphabet being the basis for the term "UR-SA." My only question is why did it take so long for someone to come up with this great solution to our problem?

You have demonstrated great leadership throughout this name change issue. You have opened up communication, listened to the membership, worked hard to build consensus and the end result is a great solution to a complicated problem. I am confident you will receive support from the vast majority of the Association's membership. Certainly, I support the change and will be happy to help you make the transition to our new name.

While the name change issue has caused some distractions, I believe the Association will be stronger in the future because of the open communication between the membership and the Board that you developed while resolving an issue that was very important to many members of our Association.

Congratulations again to you and your entire board for fine leadership in selecting a new name that recognizes the health clubs, but still allows us to be known as "UR-SA."

Sincerely,

C. E. SPEARMAN, JR.

CES:tc

bcc: Mr. Norm Cates/FAX #(404) 933-9698
 Mr. John McCarthy/FAX #(617) 951-0056

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Mr. Don L. Jones, Ph.D.
 Sentara Hampton Health & Fitness

Dear Don,

Thank you for your letter. I read it with great interest.

It seems to me that your argument mixes two different matters and I think that clarification might be appropriate.

You are referring to paying consulting fees to dues-paying IRSA members for "sharing their knowledge and experience" with you. You are also mentioning in the same letter, the hypocrisy of these actions.

Relative to the IRSA members who consult with hospitals, we should keep in mind that these are individuals who have not made a pledge to

their membership about what they will do and whom they will do it for. On the other hand, IRSA, The Association of Quality Clubs, is not an individual. It is an association of FOR PROFIT CLUBS who have joined together for mutual benefit. These clubs have signed up for IRSA membership with a standard that says: "only clubs which pay property taxes and do not accept tax-deductible contributions for capital or operating costs can be members of the association." To give you an idea of how many of the IRSA member clubs feel about this situation, please read the letter from Kim Fuller published in the CLUB INSIDER recently.

The letter from John McCarthy reprinted in that CLUB INSIDER edition speaks volumes and it

will now be up to those IRSA member clubs who object to the admission of hospitals, non-profits and otherwise, to speak out. Please don't confuse my commentary on this and other subjects as being an "ultimatum." The CLUB INSIDER will watch this situation and will report to our readers what is going on, the rhetoric notwithstanding. This debate should be resolved before IRSA will be able to figure out what it is going to be and whom it is going to serve in the future.

Yours Truly,

Norm Cates, Jr.
 Publisher and Editor
 The CLUB INSIDER

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 Hampton, Virginia 23666
 (804) 766-2658

The CLUB INSIDER News
 P.O. Box 671443
 Marietta, Ga. 30067-0025

Dear Norm:

I read with great interest your article on page 2 of the May CLUB INSIDER dealing with the issue of IRSA and Non-Profits. I have worked for YMCAs, two different municipal Recreation Departments, two not-for profit hospital owned fitness centers and now a for-profit fitness center owned by a hospital.

In your second paragraph you state that, "Should IRSA's membership policy be changed to admit any and all applicants, the result would be that clubs who compete with non-profits for their livelihood would be asked to share their knowledge and experience with the very people with whom they are competing."

I find this interesting because I know of many instances where managers and owners of for-profit clubs are actively working with non-profits. It therefore appears to me that: (1) many in the private sector are willing to "share their knowledge and experience" provided there is material gain to be realized; and (2) by default, these private sector owners and managers are undermining IRSA's mission as you state it (to help FOR PROFIT CLUBS.....) by sharing that knowledge and experience.

I have paid a few thousand dollars to for-profit IRSA clubs to "share their knowledge and experience" with me (translate- consulting fees) when I was Manager of a non-profit hospital owned facility. No one ever said to me, "Don, we simply cannot consult a non-profit club no matter what you are willing to pay". My money was welcome.

On the other hand, I related a concern I had to an IRSA Board Member about my application for a position on IRSA's Board of Directors. I said that I felt I would have a difficult time being selected because of my position as manager of a non-profit hospital owned club. I said that when attending IRSA conventions, I often felt I should be on the back of the bus. The Board Member said: "Don, most would probably wish you were not even ON the bus" And, he was being kind.

Hypocrisy? Many of IRSA's for-profit club owners and managers are more than willing to accept my MONEY for consulting fees but they do not want me to be part of their organization?

And now, Healthcare reform. All of a sudden, for-profit clubs are seeking alliances with hospitals. For-profit or not-for-profit hospitals - it makes no difference. IRSA clubs have been urged to align themselves with local hospitals.

If, as you say, the flood gates of conflict and dissension within IRSA will open (if IRSA includes non-profits), why hasn't this already happened? We have been a dues paying member for EIGHT years (seven years as a non-profit) and member of the Vanguard for a least four years. It has always struck me a little odd that a contributing member to "The Fund" is willing to accept consulting fees from a non-profit. Is it okay to "share knowledge and experience" for a fee even with "the competition"?

It appears to me that when there exists the potential for material gain (consulting fees, dues, alliances, etc.), many IRSA club managers, owners and others blatantly seek out and accept the money and other potential beneficial alliances offered by the non-profits.

I would urge caution in your highly emotional appeal for justice and advise you not to throw out the baby with the bath water. I agree that many non-profits abuse and take advantage of their status. However, IRSA clubs, owners, managers and consultants are not the purists you would have your readers believe them to be. Otherwise, we (and other non-profit hospital groups) would have been asked to leave IRSA a long time ago.

I have always felt that the issues regarding non-profits (hospitals, YMCA's, Rec. Centers, etc.) have been too emotionally charged. I do not disagree with the fight against them. I just disagree with the way it is often conducted. I do not feel it is an "us against them" war. There are ways for many alliances (for profits and non-profits) to be mutually beneficial.

However, asking us to get off the bus has simply got to stop. The rhetoric is damaging to the entire industry. While The Association of Quality Clubs (hospital-owned included) fight among themselves, Bally's, et.al. continue to grow. Let's discuss the issue before any more ultimatums are issued.

Sincerely,

Don L. Jones, Ph.D.
 Director

• NORM'S NOTES •

ROYLE BERRY is the former General Manager of the Woodcreek Athletic Club in Tyler, Texas. He has been hired by **GERRY ALLES** and **LOU OFF**, the owners of Atlanta's **SPORTLIFE CLUBS**, to head up their new Sportslife Club Management Systems (SCMS) and Sportslife University. SCMS is a new contract club management company which plans to assume management responsibility for existing and planned facilities nationwide. Sportslife University is the club consulting division serving clubs who need assistance. Berry has developed a very successful corporate membership sales program, which he has sold to 350 clubs. Best of luck, Royle, in your new role and ventures with Sportslife!

FITNESS MANAGEMENT MAGAZINE has recently distributed a promotional flyer which really tracks both **CBI** and **CLUB INDUSTRY MAGAZINES** in terms of the content provided to readers. In this flyer, **Fitness Management** describes a survey conducted by a firm called **READEX** which included numerous rating categories. Here is a summary of the flyer:

Most Credible: **Fitness Management** - 48% / **Club Industry** - 12% / **CBI** - 4 %

News Coverage: **Fitness Management** - 37% / **Club Industry** - 27% / **CBI** - 5%

New Product Coverage: **Fitness Management** - 44% / **Club Industry** - 22% / **CBI** - 3%

Management Topic Cov: **Fitness Management** - 59% / **Club Industry** - 9% / **CBI** - 4%

Ad Selection: **Fitness Management** - 38% / **Club Industry** - 21% / **CBI** - 3%

Most Useful Overall: **Fitness Management** - 55% / **Club Industry** - 11% / **CBI** - 4%

Importantly, this survey was conducted by asking 1,000 from **FITNESS MANAGEMENT's CIRCULATION LIST** what they thought. I wonder what a survey conducted independently from the industry at large, instead of from their own list, would have said? Maybe someday the **CLUB INSIDER** can be included in this FUN!

IHRSA's 9th Annual Sales & Marketing Conference is set for Nov.30-Dec.3, 1994 in Orlando, Florida. This concentrated focus on sales and marketing will highlight presentations by **Desi Williamson** and **Joe Girard** and will include seminars conducted by professionals from both inside and outside the club industry. To top off a great agenda, this conference will be held in Orlando, Florida so you can plan some fun for you family as part of the event. To reg-

ister call (800) 228-4772.

TERRY & DARYL STAFFORD are the owners of **BODY ATTACK**, a personal training business serving clients from all over Atlanta. About a year ago, they set up their business in a 3,000-square foot space in **TONY de LEEDE's** new **AUSTRALIAN BODY WORKS** location in North Atlanta. Daryl is a former Mr. U.S.A. and Terry has claimed titles as Ms. All South and Ms. Atlanta honors. According to Tony, they are doing really well and are a welcome addition to his new location. If you are in Atlanta and want to pump some iron with them, call (404) 262-7272.

CONGRATULATIONS to **CLUB INDUSTRY MAGAZINE** as they recently celebrated their 10th Anniversary with a really neat issue in which they recounted excerpts from the last 10 years of our industry! Oh yes, don't forget to attend the **CLUB INDUSTRY SHOW** in Chicago on October 12-15, 1994. To register for the Seminars and Trade Show, call: (800) 541-7706.

MICHAEL HOFFMAN has informed me that **LIFE FITNESS's** patent lawyer, **MICHAEL McMURRY** has issued an exciting statement about

their treadmill product: "Life Fitness has received notice from the U.S. Patent and Trademark Office that its **FLEXDECK** patent application filed in 1989 has been allowed. Life Fitness believes that this patent will broadly cover its **FLEXDECK** feel and feature benefits that have been so instrumental in the success of the **Lifestride** treadmill." The key design feature of Life Fitness **FLEXDECK** system is a series of patent pending elastomeric Lifespring supports which absorb bodyweight impact at the point the user's foot strikes the deck surface.

DIANE HESS, the talented Program Director who had built the **Lakeshore Athletic Clubs** in Chicago to an incredible mix of fitness/athletics and FUN, has left the clubs to start her own Program consulting firm. Diane was featured in the July, 1993 issue of **CLUB BUSINESS INTERNATIONAL** with an article entitled: "FIRING UP FOR FALL". It might be a great time to pull the article out and review it. Thanks Diane for writing the article in this month's **Club Insider**. To reach Diane regarding her services, call Diane Hess or John Marshall at (908) 873-5752.

DANIEL CARTER is an Area Director for several of the Australian Body Works clubs in

Atlanta. Dan is planning to set up a series of management roundtable meetings for club managers and if you are interested in attending, call Dan at (404) 255-8889.

NICK ORLANDO's **Stairmaster Company** is making a great offer to clubs who can afford to make a purchase of 10 or more Stairmaster products under one invoice - purchasers at this level will receive FREE their choice of either the **StairMaster Crossrobics 1650 Cardio Squat** conditioning system or the **Crossrobics Kayak** conditioning system - a \$3,395 value. To speak to your Regional Sales Representative, call 800-635-2936.

REBA's COUNTRY FITNESS is the front page headline on the September/October issue of the new **VIE Magazine** published by the principals of the Atlanta Sportslife clubs. The feature article is on country music star **Reba McEntire's** fitness program. This magazine looks like a great opportunity for clubs to promote themselves with a high profile color magazine. For information on the new **VIE Magazine** club program, call: (404) 984-0031.

NERSA (the New England Association of Quality Clubs) will hold its Annual Fall Conference on Thursday, September (See Norm's Notes page 8)

Dorian Yates Wins 3rd Mr. Olympia Title

By Norm Cates, Jr.

Atlanta, Ga. - Dorian Yates the 5'10" - 260 pound of muscles with 6% bodyfat won his third Mr. Olympia title on September 10 in a contest that wasn't even close. Yates, from England, hauled away the \$100,000 first prize money and appears to be on a roll just like his superstar predecessors, **Arnold Schwarzenegger** (seven titles) and **Lee Haney** (eight titles). The audience of 4,000+ and most of the other competitors gave Yates standing ovations. To the surprise of many, Yates' toughest competitor, the 6'1" - 270 Canadian, **Paul Dillett** finished a lack-

luster 4th place, pocketing, \$25,000 in prize money. The \$25,000 was the same amount that **Chris Dickerson** won in 1982 when he won the Mr. Olympia title. Finishing second and banking a nice \$50,000 was **Shawn Ray**.

Also in Saturday's competition, **Lenda Murray** of Detroit won her 5th straight Ms. Olympia title and **Robbie Robinson**, age 43, won the first ever Master Olympia competition, beating **Lou Ferrigno** who has returned from his Incredible Hulk days and 17 years away from competition. Also competing in the Master Olympia was 48-year-old legend, **Boyer Coe**.

At the end of the first

round of judging, the judges asked the final six to leave the stage while final total were calculated. A spontaneous "pose-off" happened when **Dorian Yates** went back out on the stage to pop a few more poses. Wanting no part of Yates' solo act, **Ray** and **Dillett** hit the stage and a mini-contest between the three lasted three or four minutes and the crowd went nuts.

The Mr. Olympia contest is hosted by **Wayne DeMilia**, president of the International Federation of Body Builders pro division and has 23 competitors from 10 countries, all of whom have earned a spot to compete by winning or finishing as a finalist in other championship events around the globe.

Norm Cates' **Club Insider** NEWS Subscription Form

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Attacking Hidden Expenses

CREDIT CARD FEES

PART III

By Rick Caro

In previous articles, it was pointed out that the ideal place to save on club expenses is those categories where all of the benefits flow to the bottom line and where the member never sees any change in the club's operation or level of service.

Part I dealt with the state-mandated Workers' Compensation issues and Part II with Unemployment Insurance.

This section will highlight a variety of other items which together could create a much more significant bottom line than the club had achieved previously.

As clubs continue to offer club memberships processed through Electronic Funds Transfers (EFT) technology, each membership dollar paid to the club is discounted. Therefore, a club may only receive 96-98% of each dollar paid to the club by the member.

Private credit cards (e.g. American Express, Discover, Diner's Club) are all realizing the pressure of competition and the ultimate threat of clubs' refusing to honor their cards. Recently, American Express lowered some clubs as much as 1.4%. This can amount to a substantial savings if their volume is sizable. These fees depend on how the cards are processed (data capture terminal, modem, mail) and

timing for "good funds."

Bank credit cards (Master Card, VISA) are generally thought to be about the same by club owners. In fact, the rates vary widely among local banks in your area. When questioned as to why owners did not shop around for the best rate, many did not want to hurt their current relationship with their local bank. In fact, no harm is necessary.

A club can shop around for lower EFT rates for their bank credit cards and then once a month wire transfer the total dollars received from this other bank to the club's regular checking account bank.

The savings for some clubs after negotiating lower rates has amounted to over \$20,000 from the previous year.

BANK CHARGES

Most clubs do not negotiate their various bank charges for servicing their account. In fact, most owners do not realize that there is even a negotiation available. Banks keep a computerized analysis of the club's average balance in each of its accounts. Often, a club will have a regular checking, a separate payroll checking account and even a money market account to put excess cash in whenever dollars are available for as few as 3-4 days at a time. The bank has the technology to sweep these accounts and determine the collective balance.

Clubs can use this balance as a negotiating stance to lower fees, negotiate lower interest rates on mortgages and working capital line of credit loans and to eliminate certain charges (letter of credit fees, members' returned check fees, etc.)

A club's banking position is further enhanced if the owner has his own personal checking account or has other investments with the same bank. Some clubs have saved between \$5,000-10,000 especially on issues relating to financings (e.g. points, interest rates, etc.) as well as the standard bank charges.

DISABILITY INSURANCE

Some states have mandatory requirements that all businesses must provide disability in-

surance for all employees. This is an inexpensive insurance cost to a club, but it is also one that is extremely competitive. The club should use a local broker who is knowledgeable in this field. It is more likely to be the broker with knowledge of employee health insurance than the one who handles the club's property & casualty coverages.

There are two basic ways insurance companies compute the club's costs for such insurance and either may be favorable, depending on the actual calculations. The first is a simple calculation of certain costs for each male and a separate rate for each female employed by the club that month. Generally, the rates are dramatically higher for females with the explanation of pregnancy causing the disability and requiring some time off. The calculation is based on each male and female (in total numbers) employed each month, even if it were for a 1-hour aerobics class as a substitute. This insurance is generally billed quarterly.

The second method is a straight percentage approach which is applied to the club's total payroll each month. The broker should get at least 3 bids and compare the specific calculations for each insurance company and request both approaches.

State-mandated disability insurance is an area where there is much room for negotiation. Depending on the size of payroll, the savings can be \$2,000-\$5,000.

COST OF EMPLOYEE RECRUITING

Most clubs never stop to consider the real costs to acquire a new staff person, even an hourly front line employee. Furthermore, the time involved is never calculated, as the process of screening, interviewing, decision-making and reference checking is never fully contemplated. Of course, the cost of training that new hire is also not fully costed out.

Most clubs can describe in detail the case history of a "bad hire" but can not fully calculate the expense incurred. Finally, clubs have not learned what are the most efficient and effective



Caro

methods for them at their clubs.

Typically, clubs place ads in their local newspapers - sometimes, in the local town publication and often, in the metropolitan or city newspaper. Typically, the ads are run for more than one day and — for some clubs — are placed under more than one heading. Some place it under "health clubs" and others find the functional heading, (sales, clerical, bookkeeper, maintenance, etc.) are better. At best, these ads will attract a volume of responses but then must be screened extensively.

Obviously, using executive search firms for managerial positions has validity and the fees charged for this industry are very reasonable.

However, there are several ways of limiting the costs of identifying front line and junior managerial personnel. Encouraging current club employees to identify prospects and paying them a small referral fee is common and often proves successful. Recruiting at colleges or at local job fairs yields excellent results and the right "type" of candidates. Furthermore, developing regular internship relations with local colleges and universities — both at the undergraduate and graduate level — has proven to be very fruitful for clubs. This works best in fitness, computer, athletic programming and back office departments. Finally, some clubs have worked with their State Unemployment Office to identify maintenance and house-keeping personnel, food preparers, landscaping and grounds staff.

Cost savings in this area along with the other three can add up to significant savings when computed over a year's time — and the member never knows of any of these expense reductions.

(Rick Caro is President of Management Vision, Inc., a consulting company to clubs and an acknowledged expert in club finances, operations, valuations, feasibility studies and club sales. Management Vision, Inc. can be contacted at (800) 778-4411.)

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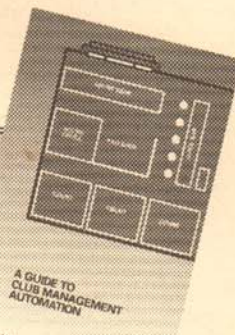
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Rene Duncan
Lockheed Sports & Fitness Center
Fort Worth, TX

It's a Lot of Fun...

"On behalf of the Illinois Valley YMCA I would like to thank you for your outstanding promotion program. Again, it was a big hit and a lot of fun with our 6,000 members. We appreciate the program."

David P. Potthoff
Illinois Valley YMCA
Peru, IL

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Denise Fink
Westinghouse Electric Corp.
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Ann Marie Mills
National Promotions Director

Add Value To Health Club Memberships

By Norm Cates, Jr.

When a new member has just joined your club, what tangible evidence does he/she walk away with which will reinforce that buying decision? Many clubs provide new member information kits and perhaps, an initial fitness evaluation and program write-up. But, by and large, that is usually it and it is up to the member to begin showing up at the club in order to receive any value from his buying decision.

Many clubs are gaining an immediate relationship edge with their new members by adding value to the membership through health club product sampling programs. Additionally, the product sampling programs can provide your existing membership with an unexpected bonus. These programs cost the club virtually nothing, but the results they are obtaining include, but are not limited to the following:

(1) **IMMEDIATE VALUE** - The new members will receive goods, which if purchased in a local store, might cost as much as \$50. Thus, the new member will perceive immediate value from the membership purchase, even before leaving the club that day.

(2) **"BUYERS' REMORSE"** can be reduced as the new member will have received something which he/she can use immediately and which was not expected from his/her decision to join.

(3) **"WORD OF MOUTH"** advertising for your club will be enhanced due to the exposure of the new or existing member to the complimentary products. It is natural for your member to tell his/her friends about the products because everybody likes something for free.

You might ask: "Why do companies want to give away their products to health club members?" It's just like the concept of "test driving" a new car before you buy it. In this case, your members get to "test drive" numerous new products before they decide to purchase. Major companies want this exposure of consumers to their products and the health club product sampling business is a big business.

Take for example two major players in the health club product sampling industry: **PROMOTE IT INTERNATIONAL** and **AMERICAN HEALTH CLUB MARKETING**.

PROMOTE IT INTERNATIONAL

Established in 1990 by health

club and marketing professionals, Promote It International (PII) provides "good for you" product samples to as many as 3,500 fitness facilities nationwide. Their member retention program which continues throughout the year requires clubs to sign an enrollment form outlining the sampling promotion instructions, time line and invest \$50 annually. In addition to thousands of dollars worth of free product samples, health clubs are presented with quality sampling kits that include specialties the clubs have requested to make the sampling as "turn-key" as possible. The sample kits include everything from table covers to disposable cameras.

PROMOTE IT INTERNATIONAL provides two Toll-Free hot lines for fitness facilities too call if they have any questions. PII also offers on-going incentives that reward exciting prizes to club managers and their members, including paid vacations to Breckenridge, Colorado, and top of the line AVIA cross-training shoes. AVIA is among many of PII's prestigious national sponsors. Participating "Fitness Rewards" facilities receive recognition and credit for the valuable free samples they offer to their members. Promote It International believes in maintaining a low-profile in the promotions, thus giving the club the "credit" for providing the free gifts to their members. Participating fitness facilities range from upscale athletic clubs like New York's Peninsula Spa to neighborhood YMCAs nationwide.

In addition to distributing millions of samples and valuable coupons, PII is in the process of producing the first FREE newsletter that will be distributed to member clubs nationwide three times per year. Promote It International's non-exclusive agreement with thousands of clubs around the country allows health clubs to maximize their opportunities to add value to their memberships whenever possible.

AMERICAN HEALTH CLUB MARKETING

AMERICAN HEALTH CLUB MARKETING (a division of Reader's Digest Association) is launching the **NEW MEMBER KIT** sampling program in April of 1995. The New Member Kit is an attractive and colorful gift box filled with nutritious food products and valuable health and beauty aids that meet the needs and desires of new health club members. Both male and female kits are available and the estimated value of each is \$12.00. That's over \$7,000 of FREE marketing value for qualifying clubs that have an average of just 50 new (See Value page 10)

A Free Marketing Tool For Your Club!

THE
NEW MEMBER
KIT

AMERICAN HEALTH CLUB MARKETING, owned by Reader's Digest, launches the **New Member Kit (NMK)...**
a FREE gift for all new members when they join your club.

- NMK is offered at **NO COST** to qualified clubs
- NMK is an attractive and colorful box
- Contents include nutritious food products and valuable health and beauty aids
- Male/Female versions
- Shipped bi-monthly for easy storage

Distribution begins April 1995

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Visit **AMERICAN HEALTH CLUB MARKETING** at the Club Industry Trade Show Booth # 763,765

THE NEW MEMBER KIT APPLICATION FORM

APPLICATION DEADLINE: NOVEMBER 1, 1994

Club Name: _____

Address: _____

City: _____ State: _____ Zip: _____

Contact: _____ Title: _____

Phone: () _____

(circle one)

Are you presently enrolled in **CLUB PACK**? YES NO

Are you presently enrolled in **PROMOTE IT**? YES NO

Club Square Footage:

Total Membership:

Daily Traffic:

Send completed application to: **AMERICAN HEALTH CLUB MARKETING**, 28 West 23rd Street, New York, NY 10010. Attention: Jean Hanham 1-800-234-6918

Gainsharing: A Win-Win Incentive

By Curt Beusman, Ph.D.

Get to know the word "Gainsharing". It's a new incentive concept for the club industry, with real advantages over conventional bonuses and profit share schemes.

For the past three years at Saw Mill River Club, we used a 10% of base salary bonus for team captains who bring their departments at or above their profit goals. Team goals - created jointly between the captains and General Manager - were based on quarterly team contributions (the net of team income vs team expense).

John James, our General Manager, pointed out five major

problems with our 10% bonus plan:

1. Captains focused on their own team success rather than club successes and only captains benefited, not their whole staff.
2. Complex, multi-team projects caused bickering about allocation of costs and profits.
3. Lack of incentive to better the profit plan this year plus a disincentive to plan aggressively the next year.
4. The perception that only club owners benefit from exceeding the plan.
5. Too long a lag between performance and payout.

John gave me a book

outlining the gainsharing idea. "Gainsharing is simply sharing any gain in contribution arising from bettering the profit plan each month. Contribution is the difference between income and controllable expenses. Gainsharing has been used successfully in manufacturing for years but has only been recently applied to services businesses."

Here's how it works at Saw Mill: If the monthly contribution from all operations exceeds the monthly goals, all employees receive a piece of the "extra" pie that month. The monthly coverage is split 50/50 between the club and the employees. Each employee receives a monthly gainsharing check in proportion to their wages to the total labor pool for that month. Part of the bonus is held in reserve against a "negative" month. Only non-controllable costs are excluded - for example - bank interest, rent, real estate taxes, depreciation, owner's salaries and profit.

These costs are beyond the control of the staff.

Every employee is in the pool, except owners and the General Manager. Senior team captains with higher salaries obviously receive more gainsharing bonus than a front desk person. But, everyone receives a check each month if there is something in the monthly gainsharing pool.

For the club, exceeding the budget is clearly a benefit since the planned profits were considered acceptable at the start of the year. As an owner, it was difficult for me to accept the idea that extra profits weren't all "mine". But, the more I thought about it, the 50/50 split seemed fair and it

also came to about the same as the 10% bonus money of the previous plan.

Experience shows that gainsharing doesn't always work. It needs a champion within the company and acceptance by all the key players. It can create interteam conflict when one department screws up the monthly pool or fails to meet goals. If you miss a few months, people can get discouraged and stop believing in the concept.

Another pitfall is the possibility of sacrificing quality of service for a quick cost savings. We were especially concerned about this and established a team to study quality measurements. Also, there is an added bookkeeping burden since gainsharing checks must be figured each month along with calculating the bonus pool and reserve. We also publish the results in "Team Talk", our bimonthly employee newsletter.

The benefits are an increased sense of team work and a greater awareness of the need to get and keep members. When Jill, a part-timer at the front desk shows off her new ring which she "bought with her gainsharing check", everyone feels good about a job well done that month.

One of the first things to come out of gainsharing was the creation of three task teams: Family Membership Team, Housekeeping-Maintenance Team and a Quality Team. These teams were created during a brainstorming meeting where we evaluated various ways to enhance gainsharing. Teams had between 6 and 8 people, with an administrator, a facilitator and de-

cider assigned. We used Gerry Faust's Team Building Manual as a guide to effective teamwork.

The Family Team came up with improved family marketing ideas. For example, they decided to offer our after-school Action Club as a free benefit of family membership. That cut income somewhat, but helped sell more family memberships. The H-M Team decided to eliminate night cleaning and went with during-the-day cleaning. This saved significantly, allowed for better supervision and hopefully, will result in a cleaner club.

We were lucky from the beginning, because we had five months in a row where gainsharing bonus checks were distributed. A total of \$35,000 has been paid out to date and the reserve pool stands at \$14,000. We had a big gainsharing contribution in May. Our summer kids and tennis camp enrollment far exceeded our goals and the added revenue built up the pool. Conversely, we missed the goal in July because the increased camp enrollment required more counselors and a higher than expected labor cost.

Is gainsharing right for your club? I don't know - you will have to do your own homework and decide. First, read the book. (We got it from the local library). Have your key people read the book. Second, take a look at your current incentive plan. If you have had it in place for a few years, chances are it's a little stale and your staff thinks of the bonus almost as part of their pay. In that case, gainsharing might change their attitudes and refocus them on bottom-line results. I am a firm believer (See *Gainsharing* page 10)

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Norm's Notes

continued from page 3

ber 22, 1994 at the Ramada Hotel Rolling Green in Andover, Ma. CASEY CONRAD will share her wisdom as the Keynote Speaker at the conference entitled: "MAKING A DIFFERENCE." To register, call JAN WOODMAN at (617) 951-0055 ext. 115 or (800) 228-4772 ext. 115.

LYNNE & VICTOR BRICK, the owners of Brick Bodies in the Baltimore area, are putting together a really terrific looking cruise next April on Royal Caribbean Cruise Lines. It will

be a fitness packed cruise featuring all sorts of on-ship activities and will stop in St. Thomas, San Juan, and Coco Cay. For information, call (800) 526-2769.

CASEY CONRAD, the author of the book *SELLING FITNESS* - The Complete Guide To Selling Health Club Memberships, now has a new program called *MASTERING FITNESS*, which is a monthly audio tape on membership sales and marketing that she provides to her clients. To order her book or any of her audio tapes, call Casey at (401) 725-6147.

JACOB'S LADDER is a

new treadwall climbing machine which is hitting the market. The new machine has a lot of positive qualities and a special introductory price of \$3,995. Next month's *CLUB INSIDER* will include a product announcement on JACOB'S LADDER with more details. For immediate information call: 1-800-626-1573.

The ATLANTA FALCONS have come out with a new monthly publication which promotes the team and its new Head Coach, JUNE JONES. The name of the new publication: "THE ATLANTA FALCONS INSIDER."

Fair Competition and Future of our Industry

by Roger Ralph

HEALTH CLUB INDUSTRY COMING OF AGE

The August, 1994 issue of **CLUB BUSINESS INTERNATIONAL (CBI)**, the magazine published for members of IRSA, (IHRSA as of Oct. 1) is as important symbolically as it is substantially. This issue contains and provides a symbolic and substantive overview capsule picture of our industry. Features include an informative message from IRSA President, Rob Goldman and Strategic Planning Committee Chairman, Spencer Garrett, that articulates IRSA's current mission statement and talks about THE DEVELOPMENT OF A STRATEGIC PLAN FOR THE YEAR 2001. John McCarthy, the Executive Director of IRSA says in his monthly memo: "The success of existing hospital clubs has constituted one of the brightest chapters in the recent history of our industry." But, John also notes in detail that a South Dakota's Supreme Court in March, 1994, reversed the Second Court of Appeals' decision that had granted a 501(c)3 tax exempt status to the Wellness Center, a 69,000-square foot facility owned by the Sioux Valley Hospital. Other content clips promise learning opportunities about "Going Global," 25 discrete off-membership revenue opportunities and the IRSA Medical Advisor, Dr. Jim Rippe's advice that clubs "need to stress gentle, consistent physical activity in order to attract 40- plus (age) prospects."

My point regarding the above is not to swell the heads of the CBI staff. Anyone reading **Club Industry, Fitness Management, Athletic Business** and **Norm Cates' CLUB INSIDER** is well aware of our industry's scope, its steady increase in quality and sophistication, and its potential to make an impact. We are a very, very young industry with great, but challenging opportunities ahead of us. In my judgment, all of us involved with the health and fitness industry will make an extraordinary short-sighted mistake if "we" undervalue our ability to construct and implement vision for our clubs and our communities that can make a difference in the daily lives of millions and millions of people worldwide. We are frequently far less cognizant of and far

less optimistic than we should be about using the industry's youthful enthusiasm and varied entrepreneurial skills. In 1993, there were an estimated 12,000 tax-paying health/athletic clubs, 8,000 municipal facilities, 4,000 corporate fitness facilities and 3,000 Ys and JCCs engaged in health and fitness activities. Years of institutionalized traditions and attitudes of government, insurance companies and the medical profession regarding health care, life style, preventive medicine and medical cost assumptions have suddenly been shaken. Never before has there been more positive focus or understanding about what our industry tries to do, day in and day out—promote healthy living via exercise and sensible eating. Not all that complicated a concept is it? Would you rather be charged with the task of getting more Americans to lead healthier lifestyles or with the task of obtaining unity on such issues as gun control, abortion rights or the "right" to die? Yes, it is possible to change behaviors on a broad scale and our industry should be thinking about this and leading the way.

INDUSTRY DEFINITION SHOULD BE BROAD TO INCREASE COOPERATION ON "COMMON ISSUES"

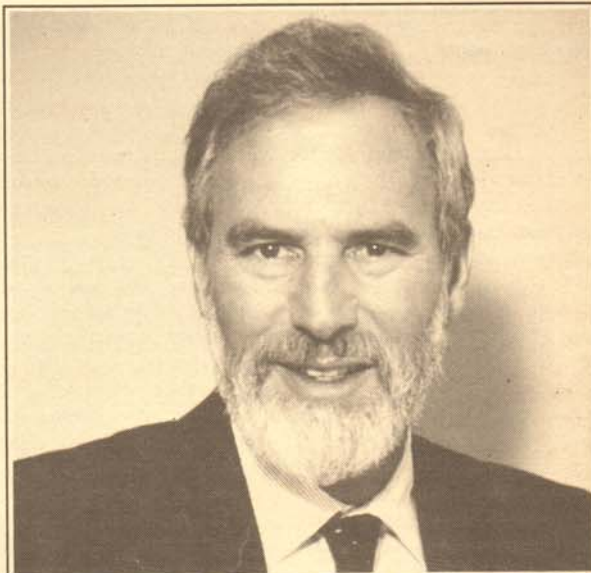
It is important to define what is meant by "our industry." Is it only tax-paying health clubs and their employees? Is it corporate fitness centers and tax paying health clubs? Is it our industry IRSA-members only or does "it" include all of the above and the Ys, JCCs, Parks and Recreation, hospital-sponsored clubs, and spas? Defining "our industry" is an obvious starting point which IRSA is now addressing in its strategic planning. My own answer is in looking at the big picture. Greater long-term impact will come from a broad-based collaborative approach that is inclusive rather than exclusive. We all have in common one goal: to help people lead healthier lifestyles. Regardless of age, economic level, quality of facility or the formal education level of staff - each of us shares this same goal. An idealistic view? Definitely. Naive? Perhaps. Hopeful? Yes.

One absolute concrete result of the Clinton

Administration's health care reform initiatives for our industry has been the emergence of a broad-based Fitness Coalition. The primary legislative purpose of the Coalition was to get a healthy lifestyle incentive provision incorporated in whatever health care reform bill is adopted now or in future years. The Coalition was comprised of fourteen national organizations, including The American College of Sports Medicine, The Association for Worksite Health Promotion, IRSA, The Sporting Goods Manufacturers Association and the U.S. Water Fitness Association. It will take quality players in promoting lifestyle change. There is no doubt in my mind, for example, that if the tax-paying health club sector had been effectively working more closely with The American Heart Association, the American Heart Association would serve the public better. More funding, for example, might have been directed to the crucial issues of behavioral change strategies, tactics and programs and less to academic research. It should be unthinkable that The American Heart Association as recently as this year convenes a strategic summit on health and fitness issues and does not seek representation from IRSA members or the 10,000 other tax-paying health clubs. Likewise, a Fitness Coalition forming around a national issue of common ground should include The American Heart Association, the Ys and JCCs and the National Parks and Recreation Association. Regardless of differences regarding fair competition issues, we should unite when there exists "high ground" opportunities.

TAX PAYING CLUB OWNERS NEED TO BE MORE PRO- ACTIVE

National and regional media campaigns should be accomplished which convey the benefits of exercise and the availability of high quality tax-paying health clubs. For example, Tony de Leede, President of Atlanta's Australian Body Works and co-owner of Cardio Theater, advocates a national T.V. campaign about IRSA clubs as a necessary counter to perceptions fostered by Bally's health club marketing. He feels this effort also is appropriate to educate the American consumer about IRSA's high quality clubs to (See *Ralph* page 13)



Roger Ralph



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Anchor Your Club To Success

By Casey Conrad

I'm not telling you anything new when I say that "In order to attract and retain members, it's necessary to give them positive experiences when they are at your club." What you may not know, though, is that the process of getting an individual to associate certain feelings and emotions to another person or product has been extensively studied. Neuro-Linguistic Programming refers to this association process as ANCHORING.

Perhaps the best known study related to the process of anchoring is Pavlov's stimulus-response experiment. Pavlov took a group of dogs and didn't feed them for a while. When they became ravenous he fed them. While they were being fed, he rang a bell. He did this process over and over with the

dogs until he had created within the dogs an association that "ringing bell = eating time." What Pavlov found was that once this stimulus-response was created, just ringing the bell would make the dogs salivate. Hence, the dogs ANCHORED certain feelings and behaviors to the bell.

Whether you are aware of it or not, this same concept applies to people and your club. Every time a prospect or member walks through your doors, a stimulus-response process begins. If one has positive experiences at the club, their brain will create an ANCHOR that "the club = pleasure." Of course, it also works the other way around. If one has negative experiences at the club, their brain will create an ANCHOR that "the club = pain." Now, even when that person just thinks about the club, they will experience those feelings and emotions which they have anchored to the club. That

is powerful!

Unfortunately, as service businesses, health clubs are faced with a challenge. In order to create and maintain a positive anchor, positive experiences must be numerous and continuous. Conversely, it only takes a couple of negative experiences to create a negative anchor or to change a positive anchor to a negative one.

Just suppose that the average member comes into the club 2.5 times a week or ten times a month. What if, successively, two of those ten times the member ran into long lines for cardiovascular equipment? Even if the member had been into the club 30 times prior to that without having to wait for equipment, those two incidents could be enough to alter his anchor to the club. If his anchor was a very positive one, maybe those two incidents would not be enough to make it a completely negative one, but what if his anchor was less than positive to be-

gin with?

What all this means is that you need to be doing everything possible to ensure that members and guests get positively ANCHORED into your club.

To keep people positively ANCHORED to your club, you must create an environment where your entire staff (not just your front desk) goes out of their way to interact with as many members as they can as often as they can (not just prior to their enrolling). If every time a member came into the club at least one staff person took the time to say "Hello, how are you doing?, Are you enjoying the club?, Is there anything I can do for you?," you would be amazed at the effect it would have on the overall happiness of members.

Remember, if you want members and prospects to feel good about coming into your club on a regular basis, make sure you are casting positive ANCHORS



Conrad

for them to hold on to!

(Casey Conrad is the author of the book *Selling Fitness-The Complete Guide To Selling Health Club Memberships*. *Selling Fitness* may be the best work YET on how to sell health club memberships. Casey is a rising star whose future in the Club Industry is great. To order the book, (which by the way is also available on four audio tapes), call her at Communications Consultants (401) 725-6147.)

...Boycott

continued from cover

LEAGUE FOR BASEBALL which is comprised ONLY of current minor league players. In a year, nobody will know the difference and the great game of baseball will SURVIVE the egos of these players and their club owners!

START TODAY! Each club owner can start today by placing in each of your clubs, a pledge drive of those members who agree to pledge to do the following:

(1) BOYCOTT ATTENDANCE AT ANY MAJOR LEAGUE BASEBALL GAME THAT IS PLAYED AFTER THIS STRIKE IS OVER.

(2) BOYCOTT PURCHASING ANY PRODUCT FROM ANY ADVERTISER WHO SUPPORTS MAJOR LEAGUE BASEBALL AFTER THE STRIKE.

(3) TURN OFF YOUR

TVs and RADIOS and IGNORE THEM WHEN THEY COME BACK!

The truth is the game of baseball is much, much BIGGER than the owners and current major league players. It is about time that the people (THE FANS) who have made these fat cats what they are, finally wake up and realize that if we want to see this strike situation go on in future years, just start to support baseball again when they restart play. We can either take a stand now or we will have to put up with this ridiculous situation in future seasons, so why not break their banks now?

(Editor's Note: Yes, I know that this baseball strike is not about the club business. But, I also know that the health/athletic/sports clubs of America have POWER collectively, and if clubs all across the land launch and support this BOYCOTT..... maybe this will be the spark that is needed.)

...Value

continued from page 6

members per month. New Member Kits are shipped bi-monthly to participating clubs in quantities determined by individual club's new membership sales. This allows for easy storage and program monitoring. The program is SIMPLE and offers club employees the opportunity to make an immediate positive impact on ALL new members by giving them a FREE gift at the time they join.

AMERICAN HEALTH CLUB MARKETING'S New Member Kit (NMK) concept was tested in 250 clubs from September, 1993 through January, 1994 and feedback from club operators was impressive. "NMK had a very positive impact on our new members. The perception was the appreciation for their business", said owner Adrian Dofaolo of the Randolph Athletic Club. Vincent

Samsone, president of GOLDS GYM said: "Our members loved the New Member Kit; please enroll us for the 1995 New Member Kit Promotion."

Only 1,000 clubs will be accepted into the 1995 New Member kit sampling program. Interested clubs should contact American Health Club Marketing at 1-800-234-6918.

CLUB INDUSTRY TRADE SHOW EXHIBITS COMING SOON!

Both PROMOTE IT INTERNATIONAL and AMERICAN HEALTH CLUB MARKETING will be exhibiting their programs at the upcoming CLUB INDUSTRY SHOW in Chicago October 13-15th. The booth locations are:

PROMOTE IT INTERNATIONAL - CLUB INDUSTRY BOOTH # 1060..... AMERICAN HEALTH CLUB MARKETING - CLUB INDUSTRY BOOTHS #763&765.

For immediate information regarding product sampling for health clubs call: PROMOTE IT INTERNATIONAL - Ann Marie Mills -800-895-2582, AMERICAN HEALTH CLUB MARKETING - Jean Hanham - 800-234-6918

...Gainsharing

continued from page 8

that incentives have to change every few years to stay fresh.

One thing is for sure, gainsharing has helped Saw Mill River Club. The morale is better! We've got over 100 people work-

ing toward a common goal, excited about success in each other's departments. For now, we are happy with the concept and will continue it next year. We're even going to implement it at our other two clubs for 1995.

(Curt Beusman and his wife Jane founded the Saw Mill River Club 22 years ago. Curt has

a Phd. and was a scientist prior to entering the club business. Curt competes in tennis on a national level along with his partner, John James. Curt was a co-founder of IRSA and serves on the IRSA Advisory Council. In 1992, Curt was honored by IRSA, which presented him with its Distinguished Service Award.)

SPECIAL NOTICE

Due to our first print date in late 1993, we have found our dating of each month's publication running late in respect to each issue's date, although we publish monthly.

Therefore, this month's issue is dated August/September. The October issue will be sent in early October and future issues will go out during the month in which **The CLUB INSIDER** is dated. All subscribers will receive 12 issues each year as promised.

...Stricker

continued from cover

and been the subject of numerous magazine and newspaper articles. She has also been recognized by "Who's Who of American Women" and Skyway's Business and Profes-

sional Woman's "Woman of the Year," among other noted awards.

The magical part of this story comes when you ask Ruth about her achievements. She will shrug her shoulders and say "I'm just little Ruth Ann, daughter of a Presbyterian minister, from Windom, Minnesota." Well, the President's Council on Physical

Fitness thinks Ruth is more than just a small town girl. On September 16-18 in Palm Springs, California, Ruth Stricker will be one of ten recipients receiving the highly prestigious "Healthy American Fitness Leader" award. She joins such notable former winners as President Ronald Reagan, former Apollo astronaut

James Lovell, Jr., and "Father of Aerobics" Dr. Kenneth H. Cooper in being recognized for this national award. Conducted in cooperation with the United States Junior Chamber of Commerce, honorees are selected for their unique strides toward personal and professional advancement in the health and fitness industry.

source for its many members, she routinely makes available to her membership and to the Twin Cities community at large the world's most influential writers and thinkers in the area of mind/body/spirit integration."

A team of Marsh staff, family and friends will join Ruth in celebrating this remarkable achievement.

Executive Director of the

International Health, Racquet and Sportsclub Association (IHRSA), John McCarthy, nominated Ruth Stricker for this reputable award. "Among fitness leaders worldwide, there is no more persuasive or eloquent spokesperson for the role of exercise in healing and integrating mind, body and spirit than Ruth Stricker," wrote McCarthy. "In addition to the leadership role she has played in mind/body research, and to her ongoing experimentation in making The Marsh a unique health re-

(Editor's Note: I could not find better words to describe the achievements and justification of this award for Ruth, so I have published the above article written by Ruth's staff at The Marsh - the world class facility that is probably decades ahead of the most of the club industry in its focus, understanding and delivery of satisfaction to its members and community. Congratulations to Ruth Stricker and to her dedicated staff at The Marsh!)

CONFIDENTIAL CLUB GENERAL MANAGER'S SURVEY

In the upcoming CLUB INSIDER, I am going to write a feature article on General Manager's Compensation and key elements of satisfaction in the club industry. Your answers to the following questions will be helpful in developing this article. Please take a few moments to answer these questions. If possible, please complete and return the survey to me via FAX by October 1, 1994. Your name or club name WILL NOT BE REVEALED. Thanks very much!

Norm Cates, Jr.

Publisher and Editor, The CLUB INSIDER News

Your Current Club: (Check ONE per box)

1. Type: Indoor Only: ☐ Outdoor Only ☐ Indoor & Outdoor ☐

2. Description

- a) How old is club? years old
 b) How big is it? Indoor Sq.Ft. # Acres
 c) What is its total gross revenues? \$

3. Your Background:

- a) How long have you worked there (in all positions)? years
 b) How long have you been the club's General Manager? years
 c) If you were a General Manager prior to this club, how many years did you serve in total as other clubs GM? years
 d) How much is your total compensation for last year? \$

- | | |
|-------------------------|-------------------------|
| 1) Base Pay | \$ <input type="text"/> |
| 2) Bonuses/Commissions | \$ <input type="text"/> |
| 3) Profit Sharing | \$ <input type="text"/> |
| 4) Pension Plan | \$ <input type="text"/> |
| 5) Health Benefits | \$ <input type="text"/> |
| 6) Free Club Membership | \$ <input type="text"/> |
| 7) Car (Bought/Leased) | \$ <input type="text"/> |
| 8) Other | \$ <input type="text"/> |
| 9) Other | \$ <input type="text"/> |

Total \$

e) Are you the owner of the club? Yes ☐ No ☐ (if "No", skip to "h")

- 1) If you are, what %
 2) Any dividends received? Yes ☐ No ☐
 3) How much in dividends in 1993? \$

f) If you owned the club and would hire a General Manager today, what would you pay him/her as a base salary? \$

g) What would be his/her total incentives besides the base pay you would offer?

h) What is the one thing the club could do specifically to motivate you more?

i) If your compensation is not the only thing contributing to your satisfaction at the club, what are the other things you like about your current experience?

Thanks for your cooperation!

FAX TODAY TO (404) 933-9698 or MAIL BY OCTOBER 1, 1994.
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3 Common Myths of Leisure Programming

By Diane Hess

Many clubs across the country are realizing the importance of lifestyle programming (non-skilled based). The benefits derived from successful programs can be enormous for a club: an increase in new member prospects, added initiation fees and dues dollars, a lowered attrition rate and an overall satisfied membership.

Once a club begins to offer programs to their members, especially after the first year, programmers are prone to fall into certain "pitfalls" that are in reality "myths." The most common one: the philosophy that programs are only good for member retention;

hiring the wrong people for programming positions and lastly; trying to service a member whose needs and lifestyles is not known. These pitfalls can be avoided by proper planning.

MYTH #1: PROGRAMS ARE ONLY GOOD FOR MEMBER RETENTION

In the early 80's, when lifestyle programming first became popular in the private club industry, the general wisdom was that they were good only for retaining members. Member retention is important to capture dues dollars. However, from a logical standpoint, this is difficult to track on a consistent basis. Members generally leave a club for a variety of reasons.

What is traceable, however, is the number of new members who join because of the leisure programs. This is the primary reason a club should offer lifestyle programs, with the secondary benefit of retaining members and lowering attrition rates.

Lifestyle programming is a sophisticated approach to marketing that creates a personality for the private club facility, which in turn, creates a "clubby" feel to prospective members. The club's programs become a strong marketing tool for the membership sales team, especially in attracting the family and mature adult markets (ages 60 and older). The unique and creative programming a club offers is often the trigger for the prospect to join, particularly, if the competition down the street can only sell fitness.

Generally, when clubs take the retention philosophy approach for programs and ignore the many other benefits, they are setting themselves up for ultimate failure. Why? Programs are treated as though they are another piece of equipment with minimal maintenance requirements. Clubs budget programs for a loss or break-even point, and especially in the first year, it will invariably cost the club more money to facilitate programs than originally forecasted. The revenue loss, in general, is due to poor planning and not making allowance for some program failures which will be corrected in the program design learning curve. Lifestyle programs are the first to be cut when the club's overall budget design is exceeded. When the club picks up again financially, more programs are added, but by then, member confidence and enthusiasm is lost. PROGRAMS DO NOT HAVE TO LOSE MONEY. The fact is; a balanced combination of family programs, camps, corporate sponsorships, leagues and travel programs, that are well planned add tremendous value to the club's bottom line through increased profits and increased new member enrollments.

MYTH #2: ANYONE CAN ORGANIZE AND RUN PROGRAMS

All too often, some managers do not invest enough time into the hiring and training process. This myth is based on the misconception that everyone knows how to have fun. In most adults, fun and play is a learned



Diane Hess and John Marshall

behavior. The results follow a pattern: If fun, creative and enthusiastic people are not hired... your programs are not going to be fun, creative and enthusiastic.

Some small private clubs feel they cannot justify bringing on a full-time employee to run programs. Managers will add programs to another employee's job description. Where an employee with little programming experience, other than running an adult basketball league, is given the responsibility of running all the club's programs, they will run into trouble trying to organize a ladies' tea party. Then the club often wonders why their programs do not work out.

Programmers are the club's front line people and will be interacting with members on a daily basis. They can make a member's experience with the club an enjoyable one, or one that will add to their decision to resign. To ensure hiring the right person for the right job, prospective candidates for programming positions need to be subjected to several different screening and interviewing processes. The following are the four basic steps to hiring the best person for programming.

STEP ONE: Have a specified job model and responsibilities prepared ahead of time so the candidate will know exactly what the

club's expectations are. Also, it is imperative to have an established salary range based on job experience prepared before the interview process begins.

STEP TWO: To save a manager's valuable time; a phone interview is strongly recommended—this also serves as the initial screening. The objective of the phone interview is to identify the candidate's phone skills. Identify their enthusiasm, professionalism and their ability to speak clearly. Ask the candidate about their educational background. Degrees in sports or entertainment marketing, public relations, recreation administration or related fields are preferable. Ask if they possess any job related experiences at the conclusion of the phone interview. If they are a good candidate, set up an interview at the club. Have them bring a resume, with three references, and any other information that is of importance to the position.

STEP THREE: For the interview at the club, which should last no more than a half an hour, prepare a set of questions in advance to ask the candidate. A co-interviewer who remains mostly silent during the interview process should be present. At this time, the candidate should be allowed to review the job model and responsibilities. The interviewers should look for the candidate's enthusiasm for the job, (See *Programming* page 15)

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continued from page 9

offset the recent state of negative national publicity caused by Bally's various legal battles with entities such as the Federal Trade Commission and various state attorney generals.

Illinois club owner, Steve Wild, in the August, 1994 issue of **CLUB INSIDER** suggested that the government's health care reform efforts could end up hurting rather than helping tax-paying health clubs. He feels the industry's focus on the issue could simply be a waste of time. The business community can especially appreciate Wild's frustration with "too much government." Nonetheless, there is a critical synergy between what happens at the local level and what happens nationally.

SYNERGY BETWEEN LOCAL & NATIONAL EVENTS REFLECTED IN FAIR COMPETITION ARENA

The subject of fair competition as it affects the health club industry is one that generally attracts interest only after one is directly impacted or faces the threat of being impacted. My fear for the growth of the tax-paying health club industry is that it will never come close to fulfilling its potential to contribute to the financial and physical health of our communities and our country if the direction of municipalities, hospitals, insurance companies and non-profit organizations is to ignore the principals and implications of what happens in the market place when there is unfair competition.

The complexity of the fair competition issue is such that a close look must be taken at each institution and each specific situation.

HOSPITALS SHOULD BE ENCOURAGED TO BUILD "FOR-PROFIT" HEALTH CLUBS

Hospitals and other medical providers will increasingly enter the health and fitness business. Some in the health club industry express little concern about this because they think the

hospital mentality, atmosphere, and lack of experience and entrepreneurship in the health club industry will make hospital success limited. This view may be unrealistic. Necessity is the mother of invention. Virtually every hospital in the U.S. is under financial pressure to operate more efficiently, serve their communities better and generate new revenue centers. Some hospitals believe that their facilities differ from health clubs because their clients are different, they are more medically based and have better trained staff. This may be true now, but the future will bring clubs closer to medically-based facilities and medically-based facilities closer to clubs in such areas as fun and the social component.

Hospital administrators, in general, are bright, competent people who will quickly discover the potential for success in owning and operating health clubs. Or, they will find the best entrepreneurs in our industry and work out a variety of financial and management arrangements with them. In some instances, one will not necessarily know that the club is really owned by a medical entity.

Thus, the direction of the hospital industry regarding their tax-paying status is extremely important, not only to them, but to tax paying clubs. In Baltimore, Sinai Hospital has been in the health club business as an owner of a health club and a manager of health club services for the government and others. On July 1, 1994, it opted to reorganize its health club operations as a tax paying for-profit entity. It plans to construct a \$5,000,000 state-of-the-art health club in Baltimore. Even as a tax-paying entity, the scope of this facility and its quality will challenge nearby health club operators. But, can you imagine competing with Sinai if they used tax free donations to build and equip their facility? On a \$5,000,000 project, their non-profit status could translate into an annual \$900,000 operating cost. (See chart on page 19.)

In general, the community and the hospital will be better served if they organize their health club operations and athletic clubs as for-profit entities. Within this framework, however, they should establish structures that provide sliding scale membership fees to insure access to those who desire and would benefit from membership, but cannot afford the market price. It is conceivable that non-profit funding sources could finance this pro-

gram.

IRSA NEEDS SUPPORT IN EFFORTS TO DETERMINE & EN- FORCE MEMBERSHIP CRITERIA

Historically, club membership in IRSA has, in general, been for tax-paying health clubs. While there are multiple variations, almost always, IRSA clubs pay income taxes, real estate taxes, applicable sales taxes, full postage rates and MOST IMPORTANT OF ALL, PROVIDE THEIR PRODUCT AT MARKET PRICE AND DO NOT USE TAX EXEMPT FUNDS TO BUILD, EQUIP OR OPERATE THEIR FACILITIES.

At the 1994 IRSA Convention, the Director of the Lake Forest Health and Fitness Institute in Lake Forest, Illinois, Tom Rhind, found himself in the midst of an on-site controversy during a seminar he presented on hospital-sponsored health clubs. Kim Fuller, a California club owner and strong advocate for fair competition in the health club industry, questioned Rhind about the appropriateness of his organization's membership in IRSA. It was not clear in the heat of the verbal arguments that, in fact, the Lake Forest Health & Fitness Institute pays sales and property taxes, but also market rates for a loan through the Lake Forest Hospital Foundation. Should Lake Forest be an IRSA member? Should IRSA clubs that obtain revenues via management of municipal recreation facilities be IRSA members? What about IRSA members that develop innovative relations jointly with non-profits? Regardless of where IRSA ends up re these issues, they must be examined fully in light of our past and likely future.

The result of this process needs to be agreed upon principles that are followed consistently. Where exceptions are made, there should be a rationale for each of these that is known and documented. We cannot be afraid to delve beyond the periphery of these complex issues and the IRSA Board should be commended for taking a fresh look at complex IRSA issues of membership.

COMING NEXT MONTH A PERSPECTIVE - PART II

By Roger Ralph

Building The Foundation for
Fair Competition Success
& Fighting City Hall

(Roger Ralph is the President of The Bel Air Athletic Club in Harford County, Maryland which he and his wife founded in 1980. In 1991, the Bel Air Athletic Club was recognized by IRSA as one of the top five clubs in North America. He is a past member of IRSA's Board of Directors, chaired the committee which drafted IRSA's code of eth-

ics and was responsible for initiation of the industry national "Commit To Get Fit" campaign. In 1985, he won IRSA's National Award for marketing excellence and in 1991 its Distinguished Service Award. He was a co-founder of the Mid-Atlantic Club Management Association. In 1994, Elaine and Roger Ralph won the SBA's Entrepreneurial Success Award for the Mid-Atlantic.)

FOR THE PARENTS...

Each second we live is a new and unique moment of the universe, a moment that will never be again... And what do we teach our children? We teach them that two and two make four, and that Paris is the capital of France. When will we also teach them what they are? We should say to each of them: Do you know what you are? You are a marvel. You are unique. In all the years that have passed, there has never been another child like you. And look at your body - what a wonder it is! Your legs, your arms, your clever fingers, the way you move. You may become a Shakespeare, a Michelangelo, a Beethoven. You have the capacity for anything. Yes, you are a marvel. And when you grow up, can you then harm another who is, like you, a marvel? You must cherish one another. You must work - we must all work - to make the world worthy of its children.

Pablo Casals

IRSA TO CHANGE NAME

IHRSA

International Health, Racquet & Sportsclub Association

Boston, Ma. - Effective October 1, 1994, IRSA, The Association of Quality Clubs will become the International Health, Racquet and Sportsclub Association (IHRSA). The new name, which has been ratified by 90% of the Association's voting membership, was chosen to be more descriptive of the composition and purpose of the association and to be more inclusive for the more than an estimated 25,000 potential member clubs worldwide.

Founded in 1981, the Association has grown to comprise 2400 health, racquet and sports clubs in 35 countries worldwide. IHRSA provides programs and services designed to help its member clubs improve their profitability and professionalism. All member clubs agree to abide by the Association's Code of Conduct, and to adhere to its health, safety and ethical standards.

The Association offers five basic services, including information, promotions, group purchasing, government relations and public relations. The nonprofit trade association is headquartered in Boston, Massachusetts. To join IHRSA, call (800) 228-4772.

The MARSH Chosen
"Best Of The Best"

The MARSH was chosen as one of the eleven best health clubs by Fitness Magazine. In their September/October 1994 issue, writer Judith Zimmer highlights The Marsh's meditation tower, mental gym and Makoto as elements that make The Marsh the "best mind-body connection" club in the country.

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Health Promotion - Health Products

By Daryl Lynn Yurkewitz, RPh

The health club industry is currently undergoing tremendous change as health clubs try to secure a role for themselves as health care providers. Accomplishing this goal will lead to unprecedented opportunities for the growth of the health club industry.

Government agencies and national health organizations are recognizing that regular exercise and nutritional programs are essential elements of preventive care. In

fact, strategies and tactics for preventive health care (health promotion) may be the "magic bullet" to solve our health care problems.

As your health club increases its health promotion activities, your members will increasingly see their health club in a new light; one of health necessity versus luxury. The expectations and responsiveness of your members will also change - health promotion will lead to a heightened interest in health products available at your health club.

To help you take advantage of this heightened interest, IRSA has selected a health care

consulting and marketing organization called HealthPro (a division of BIMARK, Inc.), to identify appropriate high quality, highly profitable health products that your members will want to purchase. HealthPro will develop and implement educational, marketing and merchandising programs to help you sell these health products through IRSA's HealthPro Center Program.

The first line of health products available through the HealthPro Center is a high quality line of vitamin supplements — Synergy Plus Vitamins — now the official vitamin line of IRSA.

If health club members

haven't started taking vitamins regularly yet, it is probably time to think seriously about it. "There is, after all, mounting evidence that taking vitamins may be beneficial and even protect us from serious disease," according to a recent article in the Club *BUSINESS* International Magazine by James M. Rippe, MD, Medical Adviser and Director of the Exercise Physiology and Nutrition Research Laboratory in Shrewsbury, Massachusetts. "IRSA went to great lengths to find a reputable company that understates its claims and has high manufacturing standards."

Within the last six

months, two major studies published in the New England Journal of Medicine, demonstrated that people who took substantial amounts of Vitamin E had significant reductions - 40% to 50% - in their risk of developing heart disease." Additional studies with other antioxidants such as Vitamin A and C have also found very encouraging results in protecting against heart disease and cancer.

(Editor's Note: Author Daryl Lynn Yurkewitz, RPh may be reached for additional information on IRSA's HealthPro Center Program by calling (201) 894-5312.)

Programming

continued from page 12

sense of responsibility, experience, creativity, a team player attitude, any special talents that they can contribute to the position, outgoing personality and a high maturity level. After the meeting concludes, the interviews should meet and discuss their observations. If both are in agreement, then the candidate will be brought back for a situation interview. Also, at the conclusion of the interview, ask the candidate for three more references. The first three names given are likely to be friends and the second three are more likely to be job related.

STEP FOUR: The situation interview is the best way to find out if the candidate can "walk the talk." Inform them ahead of time what type of situation you are going to put them into. This step lasts for no more than 45 minutes. First, the candidate should receive a tour around the club and be introduced to other programmers and key management people. Observe how they interact with others. Do they converse comfortably and personably with people of all ages?

For a child related position, putting the candidate in the playroom or in a birthday party to help organize and run an activity is advantageous. It will give you an opportunity to assess their level of comfort in the environment. Look for skills that are essential to children's programming. How is the candidate prepared and organized? Do they have good control

over the group? Do they get down to the child's level to communicate? Are they creative in their activity selection and implementation? Afterwards, converse with the children to get input as well as input from other adult observers.

For a programming position, dealing with many adults, place the candidate in a social outing with a group of members. If it is a bus trip to a ball game, have them coordinate a trivia contest with the group organizer. Are they easy to work with (team player)? Do they generate enthusiasm within the group? How do they conduct themselves? Have the candidate submit a list of possible adult programs with descriptions of how they would execute them. Do they understand how to add special value and exceed member's expectations? Another situation is to introduce the candidate to a member and have the candidate explain an upcoming event. What was the member's reaction? Of course, in this situation, the member should be prepared in advance of his or her participation in this process.

A good programmer is hard to find. The position requires a "jack of all trades." At times they will need to put on the hats of many professions such as marketer, advertiser, sales person, travel agent, coach, graphic designer, teacher, event planner and coordinator, cheerleader, public relations person, writer, editor, baby-sitter, entrepreneur, accountant and at the same time, not lose sight of their original selves.

Managers need to spend

more time and effort in the hiring process of the club's programmer. Once a person is hired, and is given proper training, solid coaching, creative freedom and periodic reviews will then ensure that the programming position has been successfully filled. The right programmer will impact the club in many constructive ways.

MYTH #3: THE ASSUMPTION THAT WE KNOW WHO OUR MEMBERS ARE

Some clubs offer an annual member survey for information on how well their club is doing, and to receive suggestions on how to service members better — via additional equipment, more hairdryers in the lockerroom, etc. Then the club adds a piece of equipment here, an extra hairdryer there, and overall, tries to meet the members' needs as much as possible. The club then waits another year until the next survey, in the meantime, thinking their members are satisfied. Is this enough? Our industry average attrition rate suggests that this is not the case, otherwise the member losses would be lower than they are, possibly in the single digit percentage rates and a lot closer to the relocation/mobility rate of their membership population.

To be successful in the lifestyle programming arena, a constant line of communication must remain open between the programmers and the members. How can you possibly service a member without knowing what

interests them? People and their interests change constantly.

It is recommended that periodic member focus groups be held, divided into three basic market segments: families, adults (without children) and mature adults (generally 60 years and older). These meetings should be upbeat and positive, lasting no more than an hour. Keeping the groups small, 15 to 20 persons, allows everyone a chance to be fully involved. It is important that a non-staff person lead the group. If program staff is present, it will intimidate the group's true feedback. The purposes of focus groups are to find out what activities your members want the club to offer, and more importantly, what members will participate in. The group leader should be prepared to keep the discussion focused on the objective of the meeting and off personality issues.

Program evaluations and new member questionnaires are also good ways to investigate lifestyles. Offer amenity incentives or guest passes to member's for their time. Always show appreciation for their involvement. When members know their opinions and suggestions are important, they are more likely to participate in the programs. This will also motivate the member to spread the news to others about the club's happenings.

There are other pitfalls' programmers fall into in addition to the three already discussed. Some of which are: job burnout; lack of program space; event attendees consisting of more employees than members; a break-

down of in-house communications; the constant struggles of avoiding stagnate program offerings.

To aid your club in stepping over some of the major pitfalls, set achievable short and long term programming goals, put the "special" into each special event, have your employees take ownership over their jobs, ensure tight in-house communications, keep employee enthusiasm high through creative and innovative management techniques, and always strive not only to meet your members' expectations — but to ACHIEVE them.

INTRODUCING PROGRAM DEVELOPMENT SERVICES

Diane Hess and John Marshall are the founders of Program Development Services (PDS) which offers a wide range of recreational, non-athletic consulting services nationwide. PDS is a service available to the private recreation industry. The main focus of PDS is to integrate leisure and lifestyle programs successfully into the private club environment as well as country clubs, recreational facilities and resorts. PDS programs are designed specifically to increase not only club revenues, but also member satisfaction. PDS is available to lead innovative workshops and seminars. For more information call or write: PROGRAM DEVELOPMENT SERVICES, 14 Bayberry Drive, Somerset, New Jersey 08873-(908) 873-5752.

REGIONAL FOCUS

Why should a club owner affiliate his/her club with a Regional Club Association? The answer is simple: to help the club compete in the marketplace in which it is located. How do club associations help clubs compete? By providing opportunities which will improve their knowledge, expertise and professionalism in all aspects of operating clubs. These learning opportunities come in the form of conventions and trade shows, magazines, newsletters, group purchasing, health alliances and maybe, as importantly, lifelong industry friendships. The bottom line is that your competitors are probably engaged in efforts to get better and if you want to stay competitive with them, membership in a regional club association will help you in that effort.

This new monthly "REGIONAL FOCUS" page will be devoted to keeping you informed about what is happening with regional club associations in the U.S.

NACA - Northwest Athletic Clubs Association Executive Director - Irma Campbell - Cook, 8495 S.W. Mapleridge Dr., Portland, Oregon 97225, Telephone - (503) 297-4947.

Oregon - 40 clubs
Washington - 36 "
Idaho - 9 "
Montana - 2 "
N. California - 5 "
TOTAL - 92 clubs

PRIMARY ISSUES:

(a) Fair competition - NACA has hired lobbyist for the state of Oregon and the state of Washington to work for fair competition - introducing bills in the legislative sessions.

(b) In the state of Washington, NACA is working on repealing the sales tax on physical fitness services which was recently enacted by the State Legislature.

(c) Health alliances with insurance companies and hospitals is on the agenda. NACA is receiving calls from these entities and are meeting and in the process of working out arrangements for cooperative efforts for preventive health programs.

BENEFITS TO CLUBS:

States and Club #'s

*Educational/Network-

ing Events: A four-day Summer Conference and Trade Show for NACA personnel at a minimal registration fee tops the list. NACA also provides quarterly retreats for owners and managers for networking and education. Free monthly Staff Seminars, semi-annual Fitness Forums and owner/manager meetings are scheduled in each of the five areas.

*Corporate Programs: Programs for regional corporations provide 50% discount off joining fees for Corporation's employees and immediate family members at the NACA clubs.

*Legislative Programs: See above.

*Public Relations/Community Outreach: Activities include production of a NACA image video which clubs can use to position themselves as quality clubs. Designed and provide training and materials for an Adopt-A-School program - an excellent community outreach program.

*Group Purchasing: Clubs benefit from group purchasing agreements.

*Racquetball Promotion: NACA has Oregon and Washington Racquetball Associations which promote racquetball and organize quality Tournament Tours.

*Club Member Benefits are also a part of the association programs. A "Fitness-To-Go" Program provides for free reciprocal use of NACA clubs outside a thirty mile radius of a member's home club. Also, NACA club members who transfer to another NACA club are guaranteed a discount off joining fees.

TO ENROLL YOUR CLUB — DUES AND FEES :

*Annual Club Dues - \$500 for the first club, \$200 for each additional club. Dues are billed semi-annually.

*Annual Associate Dues - \$550

-Maintain an attractive club environment.

CRITERIA FOR MEMBERSHIP

STATEMENT OF STANDARDS: As a member of the Northwest Athletic Club Association, we pledge:

(1) Our primary objective is dedication to club excellence in service and facilities.

(2) We conduct business honestly and professionally. Our pricing policy is designed to provide high quality service while insuring the long-term viability of the club. Our advertising represents the true merits of the club.

(3) We assure that our staff has the qualifications and expertise necessary to insure the safety and education of those they serve.

(4) We contribute positively to the community by increasing public awareness of the value of healthy lifestyles and by participating in and providing support for charitable events.

(5) We act in such a manner as to command the respect of the public for our industry and the goals toward which we strive.

CRITERIA FOR QUALITY

1. A member club shall meet the following service criteria:

- Have a clearly defined plan for providing a proper orientation of facilities, programs and services to all new members.

- Have a clearly defined program for integrating the new member into the club.

- Provide adequate staffing to provide accessible service to its members.

2. A member club shall meet the following facility criteria:

-Maintain a neat and orderly facility with regard to safety, accessibility and personal health.

3. A member club shall meet the following pricing criteria:

-Shall have no pricing practices (such as guaranteed dues rates) which would result in a high ratio of inactive members, and little motivation on the part of the club to reactivate them.

-Shall provide 10 sq.ft. per membership to insure accessibility to service.

NACA clubs sit high on the regional club association list in terms of quality- standards - and benefits. The following currently serve on the NACA Board of Directors:

President - Debbie Eisenzimmer - Cascade Athletic Club, Gresham, Oregon.

Chuck Richards - Sunset Athletic Club, Beaverton, Oregon.

Jennifer Harding - East Side Athletic Club, Milwaukie, Oregon.

Bob Brandts - Bellingham Athletic Club, Bellingham, Washington.

Carole Schmidt - Hood River Sports Club, Hood River, Oregon.

Neal Simps - Roundup Athletic Club, Pendleton, Oregon.

Mike Alpert - Athletic Club of Bend, Bend, Oregon.

Jim Kusnerik - Athletic Club, Medford, Oregon.

Jack Tawney - Harbor Square, Edmonds, Washington.

EX-officio: Non-voting members of the Board.

John Voget, Past President, Athletic Club of Bend, Bend, Oregon.

Irma Campbell - Cook, NACA Executive Director.

Norm Cates' THE Club Insider NEWS

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REGIONAL CLUB ASSOCIATIONS

NAME OF ASSOCIATION	STATES & Exec.Dir.	# OF CLUBS	PHONE #
Great Lakes Club Management (GLCMA)	Michigan— Shellie Saunders	30	(810)625-2447
IRSA - Ontario	Canada — Don Longwell	52	(905)873-8777
Mid Atlantic Club Management Association- Delaware, Maryland, Penn.,(MACMA)	Virginia, West Va., Wash.,D.C. W. Brent Arnold	135	(703)264-5049
NERSA (New England Association of Quality Clubs)	Connecticut, Maine, Vermont Massachusetts & N.Hampshire Jan Woodman	227	(617)951-0055 (800)228-4772
WAC (Western Association of Clubs)	Colorado, Kansas, Nebraska, New Mexico, Oklahoma & Wyoming Patrick Pine	38	(303)399-7687
NACA (Northwest Athletic Clubs Assoc.)	Oregon and Washington IRMA Campbell -Cook	89	(503)297-4947
TCMA (The Association of California Clubs of Distinction)	California Mary Beth Quallick	60	(916)782-1145

REGIONAL PAGE

CONNECTICUT SALES TAX REPEALED- In a special session held this past summer, the Connecticut Legislature repealed the 6% sales and use tax on health and athletic club services. The repeal becomes effective on January 1, 1995. NERSA & IRSA members Fred Timme, Craig Nation, Fred Fallon and Steve Capezone spent three years of hard work and lots of patience to reverse this taxation decision. All club owners in Connecticut will benefit from their work!

NACA has great turnout for its Annual Summer Conference - Over 300 club operators from the Northwest attended the annual summer conference held by NACA. The event included keynote speakers Brian Tracey, Dr. Gerry Faust and John McCarthy, IRSA Executive Director. The event was held at the beautiful Inn of the Seventh Mountain in Bend, Oregon.

NERSA installs new Board Members. New NERSA Board Members John Atwood of the Longfellow Sports Club, Cindy Curley of Orchard Hills Athletic Club and Bob Schwartz of Fitcorp were installed to replace retiring members Gary Klencheski, Jerry Martin and Craig Nation. Also, Keith Callahan of Boston's Health Development Corporation has been elected to serve as President of NERSA.

WAC under the leadership

of Executive Director Patrick Pine, has created an excellent CORPORATE FITNESS PROGRAM for its member clubs which includes the following benefits:

(1) Pre-exercise screening questionnaire. (2) The Best Membership Rates for company employees. (3) Quality fitness programs designed just for corporations. (4) Passport Travel Program tied in with IRSA clubs (5) One week free trial membership for all company employees. (6) Each participating CFP club offers a 30 day money back guarantee on any initiation or enrollment fees to any participating member who is not satisfied.

IRSA ONTARIO provides its members with four major professional development days each year which focus on Programming, Sales, Management and Member Service. The Association also is actively involved in Unfair Competition issues.

NERSA will hold its 1994 Annual Fall Conference and Trade Show whose theme is "Making A Difference" on September 22nd at the Ramada Hotel Rolling Green in Andover, Massachusetts. On October 7th NERSA will host a Sales Managers Network seminar called: "Mastering Your Leadership Potential". To Register contact Jan Woodman (617) 951-0055 Ext. 115.

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The CLUB INSIDER advertisers listed above will display their products at the upcoming CLUB INDUSTRY SHOW in Chicago in October.

We urge you to drop by and get to know these suppliers and their products and services!

We hope to see you there!

Member Retention... The "Permanent" Club Challenge

By Norm Cates, Jr.

CHURN - My Grandmother used to milk the cow and then pour the milk into a vessel called a churn. She would then make butter with this churn.

CHURN - In the club industry, the word "churn" means to turn over members, by reselling more and more memberships to replace those who quit.

Club operators who study such things have come to realize that it costs more to effectively attract and sign a new member than it does to keep that member. From this realization has emerged an industry term - "retention" - which is to keep members with your club over an extended period of time.

During the last fifteen years, there have been two dominant philosophies about how to retain members and reduce the dependence of the "churn."

PHILOSOPHY # 1 - Retention through frequent and regular member utilization of the club. Typically, this club will have an initiation or enrollment fee up front with monthly dues and the member will have the right to cancel the membership by providing the club with a stipulated advance written notice.

PHILOSOPHY # 2 - Retention through a legally binding contract. This operator will sometimes collect the payments on this contract in house. Sometimes, the operator will "sell the paper" on the contract for cash advances, thus separating the process of collection from the club which sold the membership.

PHILOSOPHY # 1 - This club will provide a maximum effort from the first day the member joins to involve the member in the club. Typically, a new member will be given a great deal of early stage attention which often involves a fitness assessment, a program write-up and goal setting and initial training which enables the new member to get started on his/her chosen activities in a safe manner. Along the way, this club operator will make every effort to know the name of the member, to track the member's club visits (usually by computer) and to treat the member in a helpful and caring way. If the member fails to show up for an extended period

of time, this operator will know about it due to the daily tracking and will make a contact by phone or mail inquiring about why he/she has missed coming to the club. This "high touch" approach helps in keeping the member involved in the club and thus paying membership dues.

PHILOSOPHY # 2 - Some club operators believe that the best way to keep a member paying is through a legally binding contract which requires the member to pay his/her dues each month, whether the member uses the club or not. In many states these contract term lengths are limited to a maximum of three years. The club operator may or may not make efforts to involve and energize the new member, as does the operator in #1 above. The new member who joins under this type of plan does not have the option to cancel his/her membership before the term expires, but in some cases, the membership may be sold or transferred to another who assumes the obligation.

A MERGED PHILOSOPHY

With time and experience, some of those who had in the past believed that #1 above was the way to go have changed their way of thinking. These operators have concluded that to keep a member paying, they are going to combine both philosophies. They provide great facilities with a heavy focus on service and they require a member to sign a legally binding contract for a specified term of membership. Some of the leading clubs/chains now set a minimum of one year commitment for their club memberships. This might be the most long term economically viable method of operation because the forces from both philosophies work to help the club.

The **SPORTSLIFE CLUBS** in Atlanta are a good example of the "merged" #1 and #2 philosophies. The motto of the SportsLife Clubs is "The Science of Good Health." They require their members to enroll for a minimum of one year and they also offer financial incentives to people who join for two and three year terms. They provide their members with a medically-based

program which entails a fitness assessment and program write-up and they provide, in their six clubs, some of the best facilities, equipment lines and programs in the market. SportsLife has revenues of \$14.5 million annually from their 53,000 members. Jerry Alles and Lou Off, the owners of SportsLife, have set a high standard in Atlanta using the "merged" philosophy.

EXAMPLE - PHILOSOPHY # 1

A good example of clubs which employ Philosophy #1 exclusively and have been highly successful with it, are the Cascade Athletic Clubs in Gresham, Oregon.

The Cascade Athletic Clubs, founded by club industry veteran, Frank Eisenzimmer, have created an excellent new member participation program which has become a key tool for member retention. The 135,000 square foot "mothership" Cascade Athletic Club and two satellite clubs, are jointly owned with Frank and operated by Mark and Debbie Eisenzimmer. They call their new member participation program "FITNESS FOR LIFE." "This program begins the day the member joins. He/she receives a written check list which the member is asked to complete within the first 30 days of membership. The check list has a variety of club activities involving all aspects of the club facilities and programs. If the new member participates in a minimum of 12 of the 15 possible activities within the first 30 days, he/she is rewarded with a \$25 gift certificate which can be used for purchases of various services or products sold by the club. This early initial involvement goes a long way to getting the new member into "the habit" of coming to the club and participating in more than one activity plus it introduces the new member to many of the staff and members of the club.

EXAMPLE - PHILOSOPHY # 2

The best example of a club(s) which operates under Philosophy #2 is the Bally Health Clubs. They are noted for the sale of two and three year member-

ships bound by legally enforced contracts. Their sales organization in each club is highly trained on high pressure closing techniques and very financially motivated by commissions. They are also noted, not for their delivery of service, but instead for their "promises" of service after the sale. The present Bally operation is a classic example of a pure Philosophy #2 operation. However, based upon the newly hired executives at Bally, it appears that they have begun to "see the light" and will at some point begin to actually deliver the services they have promised at the point of sale. If they are successful in shifting the heretofore heavily sales oriented mentality to one which is focused on sales and actual delivery of promised services, then they will be moving Bally into a "merged philosophy" as described above.

"BREAKING THE HABIT"

It is strongly believed by many club operators that the first 90 days of a person's membership is a pivotal time period. Many agree that the "key" is helping the new member "break the habit" of not showing up at the club or, stated another way "making showing up at the club a habit." Dean Wallace and John Miller of the Courthouse Athletic Clubs in Salem, Oregon, have developed a program they call: "The Member Assistance Program" - MAP. Their Member Assistance Program involves a team of "coaches", each of whom is responsible for early on development of what they call "exercise independence" by the new members. They now use a tracking system developed by Olympic Coach, Dick Brown, called "LEAP" (Lifetime Exercise Adherence Program) which helps track and manage the 300-400 average number of members assigned to each coach. LEAP uses what is called an "Effort Point System" which treats each person as a unique individual, considering their interests, experience and goals. The rights to the LEAP system are now owned by The STEP Company and the LEAP program will be made available to club operators everywhere. The "Effort Point System" is in effect, a system which assigns a

numerical value to all physical activity in which the member engages during a given period of time, regardless of where the activity took place. The LEAP tracking allows the MAP "Coach" to efficiently monitor and adjust the member's progress by examining the LEAP reports and modifying the program accordingly.

Interestingly, 3,000 miles away, another MAP Program has been developed. In this case, the MAP stands for "Member Adherence Program" which has been created by James Annesi, PhD., the Director of Enhanced Performance Technologies of Woodbridge, New Jersey. Jim provided The CLUB INSIDER with an article about his MAP Program entitled: "Programming Individual Profiles" which we published in our June edition.

Look at your club operation. Do you have a special step by step process like the "Fit For Life" Program at the Cascade Athletic Club? Do you track your members attendance and activities in an automated manner which produces data from which you can manage and improve your member's attendance and results, such as the LEAP Program at the Salem Courthouse Clubs? Do you rely too much on "churning new members" rather than "keeping members?" Do you depend solely on your contract to keep them paying, with little emphasis on your new member's early and ongoing participation?

Consider this. If you consistently spend significant dollars to generate new members which come and go through the "churn" in your club, would it not be worth it to allocate significant dollars to create a "step by step" program which will help you reduce the number of new members you must sell each year? If you can establish and rigorously work such a plan as this, it could mean \$100,000 - \$200,000 or more per year to your club! Could you use these increased profits?

The greatest single factor affecting your membership retention is the regular use of the club by your members. Your members will stay longer and pay longer if they get involved early and regularly participate in club activities. The clubs who have figured this out and have created action plans to involve and monitor the member's utilization from day one are the clubs which are thriving. Is your club one of them?

...Chart

continued from page 13

**THE NON-PROFIT Or GOVERNMENT SECTOR CAN ENJOY AS MUCH
AS A \$900,000 ANNUAL OPERATING COST ADVANTAGE OVER
THE PRIVATE SECTOR ON A \$5 MILLION HEALTH CLUB (1)**

	Annual Cost To Public Or Non-Profit Sector	Annual Cost To Private Sector
1. Annual Land Carrying Cost (assuming a land value of \$125,000 per acre and a 15 year loan on \$500,000 at 9% interest)	0	\$60,856
2. Annual Building Mortgage (assuming a \$4,000,000, 15 - year loan at 9% interest.)	0	\$486,842
3. Furnishings and Equipment (\$500,000 borrowed for 5 years at 11%)	0	\$130,455
4. Postage (tax exempt or public sector entitled to a 33% discount.)	\$20,000	\$30,000
5. Real Estate Taxes (assuming a property value of \$4,000,000 at 50% assessment and a tax rate of \$4.00 per \$100.00)	0	\$80,000
6. Personal Property Taxes (will vary per locality and depreciation schedules. Here a 90% assement valuation is used on \$500,000 at a tax rate of \$4.00 per \$100)	0	\$18,000 (1st year)
7. State Income Taxes (state tax rate of 7% on profit of \$300,000)	0	\$21,000
8. Federal Income Taxes (federal rate of 22.25% on first \$100,000 and 39% on next \$200,000)	0	\$100,250
TOTAL ANNUAL COSTS	\$13,320	\$927,403
COST DISADVANTAGE TO THE TAX PAYING SECTOR		\$914,083

(1) In this example, the private sector would have to pass on more than \$900,000 in annual costs to the consumer simply to cover real estate taxes, property taxes, income taxes and debt service. For a health club with 2,000 members, each member would have to be charged \$450 annually or \$37.50 extra each month simply to cover costs which government or non-profit organizations can avoid.



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