

Norm Cates'

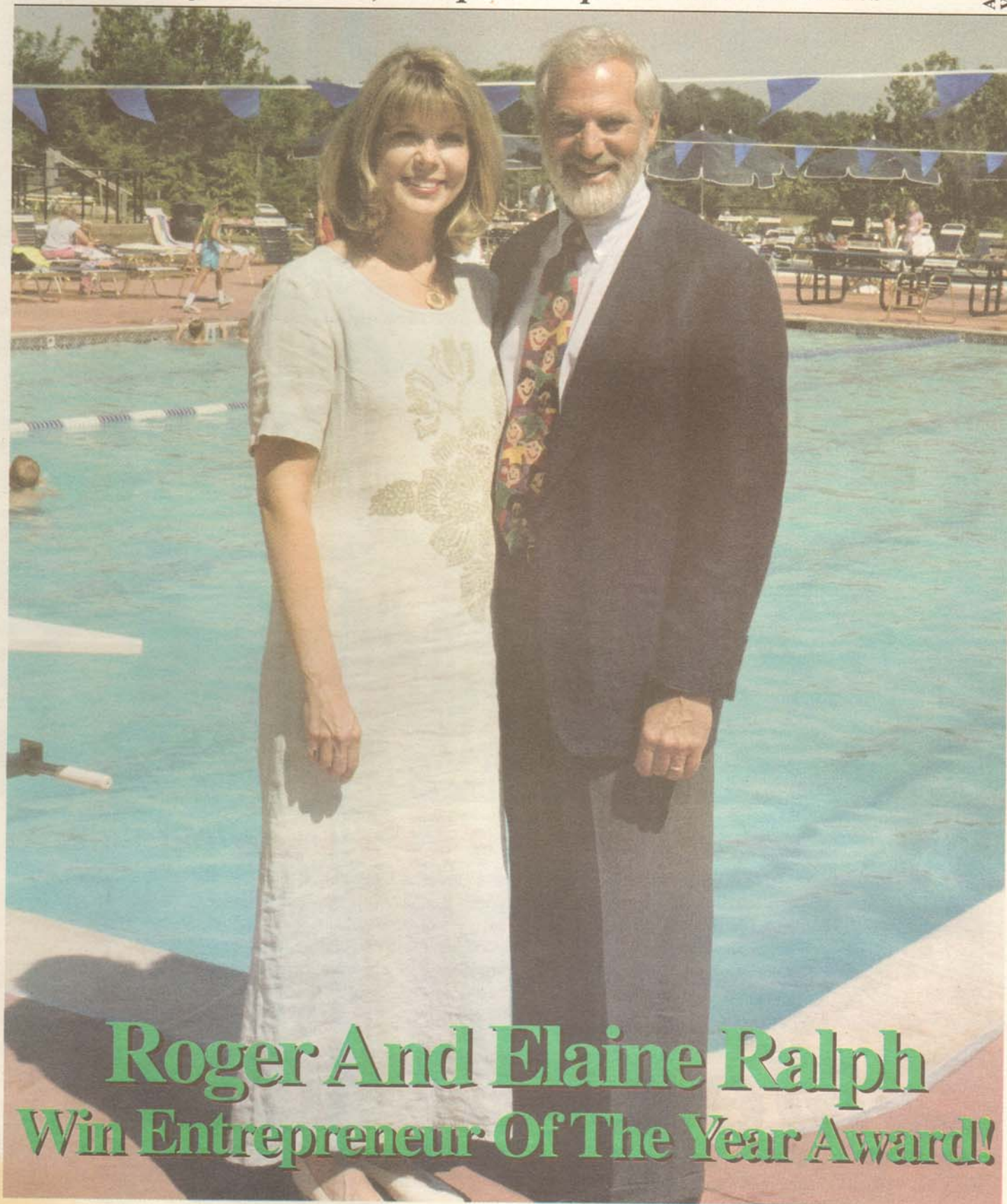
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THE Club Insider[®]

NEWS

The Pulse of the Health, Racquet & Sports Club Business

AUGUST 1998
VOLUME V NUMBER 8



Roger And Elaine Ralph
Win Entrepreneur Of The Year Award!

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THE Club Insider

NEWS

The Pulse of the Health, Racquet & Sports Club Business

ROGER AND ELAINE RALPH WIN ENTREPRENEUR OF THE YEAR AWARD!

PART I

By Norm Cates

Bel Air, Maryland - The Bel Air Athletic Club is one of the top clubs in the country because of the vision, hard work and determination of the founders of the club, Roger and Elaine Ralph, and the excellence of the team that they have assembled to serve their members.

The Ralphs have been in business in Harford County, Maryland since 1980 when they established the club as a 25,000 square-foot, 10 court racquetball facility with a Nautilus room. Since that beginning, the Ralphs have constantly pursued growth plans to improve the facility for the Harford County Community it serves. The Bel Air Athletic Club is now a 96,000 square-foot, multi-purpose club that offers virtually every facility and service you can imagine under one roof. The club now serves 12,000 members in this bedroom community of Baltimore, Maryland.

The story of how Roger and Elaine Ralph have developed their club, served the club industry nationwide and their community is truly a model for others elsewhere

who aspire for greatness.

The Bel Air Athletic Club has been ranked as one of the Top Five clubs in America by the International Health, Racquet and Sportsclub Association (IHRSA). Upon arrival, the club "feels" like Red Lerille's Health and Racquet Club in Lafayette, Louisiana and is comparable in scope to other great U.S. clubs such as Cedardale Athletic Club in Haverhill, Massachusetts. In 1998, the Bel Air Athletic Club is one of the largest and most successful independent health and athletic clubs in the U.S. in terms of membership size, scope of activities and financial performance. Its market penetration and member retention rates are significantly above the national average.

The Bel Air Athletic Club facilities and services include: a large fitness center with extensive lines of cardiovascular, selectorized weight machines and free weights, two group exercise studios, a two-court basketball gym, The Harford Dance Center, indoor running/walking track, 5 racquetball courts, extensive childcare facilities, a women's only fitness center, a large pro shop, spa services, martial arts studio, The WellSpring Center for prevention and stress reduction, Mollison Station Kids Summer

Camp, snack bar and five outdoor swimming pools for adults and kids (4 pools are covered by a 16,000 square-foot dome in the winter months). There is also a Computer Laboratory which provides computer training for members in cooperation with the Harford County Community College. The Computer Laboratory is a pet project of David Bradshaw, General Manager of the Bel Air Club.

The Bel Air Athletic Club has 5,000 dues-paying membership accounts. The 24 different club profit centers generate annual revenues of \$6,400,000!

The Ralphs have received numerous honors for their achievements. They received IHRSA's National Marketing Award in 1985. In 1991, Roger Ralph received the highest honor bestowed by IHRSA when he was awarded the Association's Distinguished Service Award. Now, the Ralphs have been honored in their home state and nationally as the winners of the prestigious 1998 Ernst & Young/NASDAQ Entrepreneur of the Year Award for the State of Maryland.

Ben Emdin, IHRSA ex-officio President comments, "I'm very happy to hear about Roger

and Elaine Ralph winning the Entrepreneur of the Year Award because no one deserves such recognition any more than the Ralphs. Roger is one of my favorite people that I've ever had the pleasure to associate with. He's a dear friend. He and Elaine deserve everything they have achieved. Roger is a true visionary. One of the few we have in our industry. He can see the big picture very quickly. The other thing about Roger that I just absolutely love is that everything that he does is structured around building a better community. That's a concept very dear to my heart. I don't know if there is anybody in our industry that does it any better than Roger. And he's able to do it with an eye on his business, our industry and his community. He has always structured things as a 'win-win' for everyone. He really is an extraordinary person!"

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The Entrepreneur of the Year Award Program is sponsored nationally by Ernst and

Young LLP and the NASDAQ Stock Market. It honors individuals whose ingenuity, hard work and perseverance have created and sustained successful, growing business ventures.

Nominated by the Harford County Chamber of Commerce, the Ralphs were chosen as winners for the health & wellness industry based on their commitment to their business and community, financial performance and innovation. They were selected from 26 Maryland Entrepreneurs of the Year finalists and were among nine award recipients who become finalists at the national competition held in Palm Springs, California in November. During this time the Ralphs will be inducted into the Entrepreneur of the Year Institute along with the other national winners.

The excellence of The Bel Air Athletic Club is mirrored by the Ralph's multitude of contributions to the club industry at large and their community.

Roger Ralph pioneered the relationship between the taxpaying health club and the President's Council on Physical Fitness and Sports and chaired the committee which developed IHRSA's Code of Ethics, now a requirement for membership in the Association. In 1987, he co-founded with Sport and (See *Roger Ralph* page 6)

Club Sports International Acquires New Mexico Sports & Wellness

Albuquerque, New Mexico- New Mexico Sports & Wellness (NMSW), one of the state's largest and most prominent

fitness club chain, has been purchased by Club Sports International, Inc. (CSI).

CSI is the largest upscale fitness club operator in the nation.

Currently CSI owns and manages over 50 clubs serving more than 400,000 members nationwide. Headquartered in Denver, CSI has approximately 4,000 associ-

ates working in its clubs in 15 markets across the country.

"We are very excited to welcome New Mexico Sports & Wellness and its members to our

family of clubs," said Ed Williams, CSI Senior Vice President. "The vision and hard work demonstrated by the entire organization has made it

(See *CSI* page 10)

Inside The Insider

- "A Brave Heart Is A Powerful Weapon"
- Looking For A Few Good Staff?
- A Successful System For Finding And Hiring
- Genuine Sales... The Key To The Future
- Communications Cross Training
- When Empowerment Really Works

Who Are The Hottest Prospects For Health Clubs? Former Members

At IHRSA's 17th Annual Convention and Trade Show, held this past March, IHRSA's Executive Director, John McCarthy, announced plans to rally the fitness industry — including health clubs, equipment

manufacturers, and allied professionals — around a single unifying goal: to increase the total number of health club members in the U.S. from the current 22.5 million to 40 million by the year 2010. As the industry moves forward with

plans to reach this goal, the first obvious step is to bring back into the clubs those who have left.

"There are 26 million former health club members in the U.S.," said Bill Howland, Publications and Research Manager for (See *Former Members* page 16)

THE INSIDER SPEAKS

• EDITORIALS • "INSIDER MAIL" • COMMENTS •

"A BRAVE HEART IS A POWERFUL WEAPON" Says IDEA Christine Macintyre Memorial Award Winner RUDY GARCIA-TOLSON

Oraldo, Florida- Born with rare multiple congenital birth defects (leg crippling Pterygium Syndrome, webbed fingers on both hands and a cleft pallet), he spent the first five years of his life confined to a wheel chair. Today, at age nine, he's one of California's most competitive athletes and perhaps its most courageous.

After 15 operations, doctors gave Rudy Garcia-Tolson and his parents a choice: amputate both his legs at the knee and fit him with artificial limbs or prepare him for life in a wheelchair. When Rudy was asked what he wanted to do, the then five-year old responded without hesitation, "Cut 'em off, I want to be like the

other kids."

Now, four years later, he's won 14 medals and 46 ribbons in competitive swimming against non-handicapped kids, completed a half-marathon and includes football, baseball, skateboarding and karate among his hobbies. And, he hasn't missed a day of school in over three years.

In recognition of his courage and the inspiration he gives to others, Rudy Garcia-Tolson has been given the 1998 IDEA Christine MacIntyre Memorial Award. The award, created in 1988 in memory of the late Editor of SHAPE magazine, recognizes an individual who has overcome great physical adversity to include fitness

in his life while providing inspiration to others. This award was presented at the 1998 World Fitness IDEA @ convention held in Orlando, Florida, July 23-26.

Rudy, a student at Crestmore Elementary school in Bloomington, California, displays some wisdom and insight well beyond his years. He has a motto which sums it: "A brave heart is a powerful weapon."

According to George Nunez, who taught Rudy to swim — and later to compete — while he was the Assistant Aquatics Director of the San Bernardino, California Easter Seals program. "He's an awesome kid. You can present him with an obstacle and he'll come up with a way

to go up it, over it or right through it. His disability hasn't stopped him."

Rudy's ultimate goal is to swim freestyle at the 2004 Paralympics. He dedicates much of his free time to a rigorous training program in swimming. He trains five days a week for two hours a day. He also competes on a regular basis throughout the year and he still climbs the "Giant" tree next to his home.

No matter where Rudy goes, his courage is always acknowledged by cheers, tears, handshakes and hugs. It's no wonder he's been called, "A profile of inspiration, motivation and courage."

(Our thanks to David Gilroy of IDEA for forwarding this heartwarming report to us just in time for our August deadline. IDEA is the world's leading membership organization of health and fitness professionals with more than 23,000 members in over 80 countries. Since 1982, IDEA has provided health and fitness professionals with pertinent information, educational opportunities, career development programs and industry leadership while helping them enhance the quality of life worldwide through participation in safe, effective fitness and healthy lifestyle programs. For more information on IDEA events, publications, education programs, member services or other activities, visit the IDEA Web site at: www.ideafit.com or call (619) 535-8979.)

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July 30, 1998

Norm Cates
Club Insider
P.O. Box 2378
Marietta, GA 30068-0021

Dear Norm,

Hoist Fitness Systems has asked us to participate in a request that a business card be sent to Craig Sheford at the following address:

Craig Sheford
C/o Children Perimeter Center East
3200 Perimeter Center East
Atlanta, GA 30346

Craig is a seventeen year old who is suffering from terminal cancer and has little time to live. Craig turned in his wish to the "MAKE A WISH FOUNDATION". His expressed desire is to have an entry in the Guinness Book of World Records for the largest collection of business cards by an individual. This is more difficult that it appears because he is allowed ONLY ONE BUSINESS CARD FROM EACH COMPANY. Please send your business card to Craig and then pass this request on to (10) of your business contacts.

Please be aware that time is of the essence.

I am certain that Craig will greatly appreciate your time and kindness.

Sincerely,

Julie Crow

Julie Crow
Account Executive

Make-A-Wish® Update on Craig Shergold

Page 1 of 2



Make-A-Wish Foundation®
of America

Chain Letters (Craig Shergold & Ryan McGee)

Media Release: Update on Craig Shergold

PHOENIX, AZ - An unauthorized chain letter encouraging people to send business cards to a seriously ill boy continues to generate thousands of pieces of mail each day, even though the boy is now healed and the family has requested an end to the mail.

News reports stated in 1989 that Craig Shergold, a 9-year-old English boy diagnosed with a terminal brain tumor, wanted to be recorded in the Guinness Book of World Records for receiving the most greeting cards. His wish was fulfilled in 1990 after receiving 16 million cards.

Shergold's tumor was successfully removed in March 1991. However, the cards and letters continue. Several versions of the letter exist, most of which wrongly claim that the young boy remains terminally ill and now wants to receive the largest number of business cards. The addressee is encouraged to gather business cards, forward them to an incorrect address in Georgia and then forward the chain letter to 10 friends.

"The chain letter claims that Make-A-Wish is involved," stated Tony Leal, Jr., Chairman of the Board of the Make-A-Wish Foundation® of America. "That is not true. Our organization is not, and has never been associated with the letter. Yet our office continues to receive numerous phone calls each month about the letter, diverting our staff time and resources from our mission. The Make-A-Wish Foundation requests that people please stop sending business cards or greeting cards to Craig Shergold."

The Make-A-Wish Foundation of America has set up a special 800 number to explain the situation. Callers can listen to a pre-recorded message by dialing (800) 215-1333, ext. 5184.

Make-A-Wish Foundation of America, based in Phoenix, has 82 active chapters in the United States. Any child between the ages of two-and-a-half and 18 who has been determined to have a life-threatening illness is eligible to receive a wish. The first wish was granted in Phoenix in 1980, and since then Make-A-Wish® has granted more than 43,000 wishes ranging from building a backyard fishing pond to an all-expense paid trip to Disney World.

For further information regarding the Make-A-Wish Foundation and qualifying children, contact (800) 722-9474 or refer to our "Chapter Listing" page to find the nearest chapter.

<http://www.wish.org/craig.htm>

8/11/98

•NORM'S NOTES•

THANKS to all of you that called or sent cards and letters after receiving last month's issue in which I chronicled my experience with Skin Cancer. I've also heard from a number of folks that have gone in for check-ups due to my article and have found problems and had them treated. That's terrific because Skin Cancer is nothing to fool around with and needs to be understood and dealt with early. I hope you will pass the article on to a friend. During the weeks immediately after my surgery, I had jokingly nicknamed myself, "Ol Craterhead Cates" due to the size and depth of the spot on the side of my head from where the cancer was removed. But now I am amazed at how well the spot is healing and am encouraged to report that I should be as good as new within a couple of months.

RUDY GARCIA-TOLSON is the nine year-old whose story appears on the top of page #5. Thanks to **IDEA's DAVID GILROY** for faxing the press release about Rudy to me in time for this issue. Also, there were a number of other Awards given at IDEA's recent 1998 World Fitness IDEA® convention held in Orlando, Florida, July 23-26. **World Team Sports** (The Exceptional Athlete Matters) received IDEA's first ever 1998 IDEA Leadership Award. **JIM BENSON**, founder and CEO, received the award on behalf of World Team Sports.

LEXIE WILLIAMS of Neutral Bay NSW, Australia, received the 1998 IDEA Fitness Instructor of the Year Award, and **MAUREEN HAGAN** of London, Ontario, Canada received the 1998 IDEA Program Director of the Year Award. And, **RADHIATOU MI** of Sfax, Tunisia received IDEA's first annual **PATTY HOWARD-JONES International Scholarship**. Congratulations to all of the IDEA Winners!

You will also notice two letters on the bottom of the opposite page. One is from a very nice person, **MS. JULIE CROW**, an Account Executive with Fitness Management Magazine. The other letter is an e-mail memo that I received from the "Make A Wish Foundation." I have published these two letters because over the past 8 years

I've received 8 or 10 requests from nice folks like Julie to help **CRAIG SHERGOLD** set a Guinness Book of World Records for business card collecting. The good news is that Craig did set the record years ago and had the previously diagnosed terminal brain tumor removed. The Foundation has asked for help in getting the word out that folks should stop sending cards and circulating the chain letters. I hope this helps spread the word so nice people like Julie can save their time and money for other endeavors.

JIM FLANAGAN, of MEDX gave me a tip that **GEORGE EIFERMAN**, one

of the fitness industry's great veterans, was in a hospital in Las Vegas. George will turn 73 in a couple of months. He has been described to me as one of the most well liked people in the industry. Unfortunately, George is having problems with his heart. First there was heart surgery about a year and a half ago which included the installation of a pacemaker. Now George has had a heart attack and was on life support. I called the hospital just before press time and he has been removed from life support and is in a normal room. It looks as though he will be in the hospital for a while. I'm sure he would appreciate a card or letter. Send correspondence to: George Eiferman, c/o Valley Hospital, Room 462- Bed A, 620 Shadow Lane, Las Vegas, Nevada, 89106. Best wishes George for a full recovery!

CHARLIE MCDERMOTT, owner of four McDermott's Athletic Clubs in the West Chester, Pennsylvania, has had a great 15-year career in the business. His clubs range in size from 7,000 square feet to 27,000 square-feet. Charlie broke ground in June on a new \$12 million- 100,000 square-foot club which will consolidate several of his locations into one mega-club. Charlie has researched his new project extensively and included a vast array of amenities in the plan. The club is scheduled to open in mid-1999. We'll have an in-depth report later.

PACKY WILSON, one of **RAY WILSON's** sons, has opened his pre-sale for the first club in a chain of clubs in Columbus, Ohio called California Fitness Centers. Good luck

Packy and Ray with the new project!

I contacted **TONY GARVIN** of Chase Manhattan's Merger & Acquisition department to try to get an update on the status of the sought-after sale of **Nautilus**. Tony said unfortunately there was no news that he could report. Stay tuned.

Town Sports International has filed the required S-1 (See Norm's Notes page 28)

In Memoriam: Dr. Michael Pollock

It is with great sadness that we acknowledge our colleague, Dr. Michael Pollock, who passed away from a cerebral aneurysm on June 5 in Orlando, Florida. He was 61 and is survived by his wife, Rhonda, and three children.

As director of the Center for Exercise Science at the University of Florida since 1986, Dr. Pollock was a central figure in the world of sports medicine research.

In addition to his work with the University, Dr. Pollock contributed widely in many areas, including serving as chairman of the Position Stand Committee for the American College of



Dr. Michael Pollock 1937-1998

Sports Medicine and as a Fellow of the American Heart Association. Dr. Pollock was also involved with the ACSM as a Fellow, Life Member, and Past President. Dr. Pollock published more than 275 articles, three books, and two monographs in the areas of exercise physiology, physical fitness, cardiac rehabilitation and sports medicine.

"To say that Dr. Pollock will be missed is a gross understatement," said Charles Barth, President/ CEO of MedX. "He was a supreme resource. His combination of professional capability and personal affability compounds this tragedy immensely."

♦ ♦ ♦

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...Roger Ralph

continued from page 3

Health CEO, Mitch Wald, the Mid-Atlantic Club Management Association (MACMA), dedicated to providing staff education and management training for club owners and staff in a five-state area.

Working with the President's Council on Physical Fitness & Sports and IHRSA in 1988, the Ralphs initiated a nationwide program to foster better physical fitness and health. Known as "Commit to Get Fit," the month-long program drew involvement by 170 clubs in its first year. Today, more than 2,000 IHRSA clubs participate in the annual program.

Mitch Wald, former IHRSA President and long-time friend of Roger comments, "Roger is one of the most thoughtful people I know. He is very committed. Not just to the success of his club, but to the success of the entire industry. That has been proven by all his past awards. But, even though he's done everything that can be done, he continues to have the same great attitude. His thoughtfulness is not just about business. As a friend, he's always willing to discuss your issues and challenges. He's a great thinker. He's developed one of the most successful family clubs in the country. I think that what he's done at Bel Air is a real model for the industry."

Roger and Elaine have been personally involved in many community projects. Roger serves as a member of the Board of the Harford County Boys and Girls Club. The Bel Air Club has endowed gyms for the Boys and Girls Club in Aberdeen and Edgewood to serve disadvantaged youth. Roger also initiated the development of "Healthy Harford," a nonprofit, community-wide health promotion

coalition. He presently serves as Vice Chair of the Harford Community College Foundation and is a member of the Board of the Harford Leadership Academy.

Elaine served as an active volunteer for the Harford County Sexual Assault/Spousal Abuse Resource Center (SARC) and served as a member of their Board of Directors. In 1992 Elaine received, on behalf of the Bel Air Athletic Club, the Governor's Victim Assistance Award for her work with SARC. Upon obtaining her Master's Degree and licensure in social work in 1995, she worked in community mental centers as a psychotherapist. Elaine subsequently established an independent business—The Wellspring Center for prevention and stress reduction. Leasing space from the Bel Air Athletic Club, the Center provides education and personal stress management tools for citizens of Harford County.

BUSINESS HISTORY AND CURRENT ACTIVITY

In the mid-1970's, many business experts felt America's interest in racquetball and health clubs was nothing but a fad. They were only partially correct in that racquetball did experience a massive reduction in popularity in the early 1980's while the national interest in exercise and fitness began to grow rapidly. Fortunately for residents of Harford County, Maryland, Roger and Elaine always believed in the future of the athletic club business.

"Our business at its core is not about facilities or equipment. It is about fun, health and serving people," says Roger. "We realized there was a need within



Elaine And Roger Ralph With 1998 Entrepreneur Of the Year Trophy

the industry for quality operations that were truly committed to member service, providing fitness education and activities for families within their communities and conducting business in ways that retained customer loyalty. This core concept, coupled with living breathing and working the business for what seemed like 24 hours each day, helped us survive 20 percent interest rates and skepticism about the staying power of our industry."

Roger worked for a year at the now defunct Columbia Tennis Barn's laundry room between the washer and dryer equipment. It was there that Roger and Elaine developed their dream in the late 1970's. They wanted a club which would incorporate a variety of facilities and services that would appeal to families. The site they had chosen - an acre of land behind the Harford Mall in Bel Air - was rural and distant from Columbia, their home. But they both believed Harford County was growing and needed a community facility. Larry Krieger, former IHRSA President and long time friend of the Ralph's recalls, "Roger started his entire vision - his empire - with a desk and a phone in the laundry room of the Columbia Tennis Barn in Columbia, Maryland. Roger would walk to work through the club lounge, by the tennis courts and by the main desk and walk into the laundry room. He'd sit down with a phone and a desk while people were coming in doing the laundry. That's where the Ralph empire started. We all thought he'd turn out to be the 'laundry king', but what the heck, he turned out to be the 'recreation king' instead!"

At that time, the "racquetball wave" was sweeping the country. The Ralph's market research reflected a significant decline in tennis play and dramatic growth in racquetball play and a movement towards health and racquet clubs which they regarded - unlike some bankers - not to be a fad. The Ralphs toured the country in an effort to identify successful models. They asked questions, considered their options and trusted their instincts. In 1979, with personal savings of \$70,000 and personal guarantees, they obtained a Small Business Administration loan of \$500,000 to construct a ten-court racquetball club in Bel Air.

Roger and Elaine, then 38 and 32, respectively, made their leap to entrepreneurship with no other source of income than Elaine's salary as the administrator of a subsidized housing project.

From the very beginning, the club paid its bills on time, but it had great difficulty obtaining the additional financing Elaine and Roger felt was necessary to develop their vision: to be the best community and family-oriented health club in the United States. They believed the addition of an indoor/outdoor swimming pool and expansion of their fitness center were key to future success. After being rejected by more than 30 lending institutions, Roger was able to convince his original lender, Equitable Bank and Trust Company, to provide an additional loan of \$500,000. They used these funds to convert three racquetball courts into a fitness area and to build one of the region's first indoor/outdoor pools.

Their strategy was to operate a new type of health and racquet club that emphasized cus-

tomers service, an orientation to children and their families, member retention and a commitment to steadily building a monthly dues base. Rather than require members to pay for their memberships in full with finance charges, the Ralphs gave members the opportunity to pay month to month via electronic funds transfers from their banks or credit card accounts. By stressing customer service, the club succeeded in retaining members while word of mouth about the quality of the club's programs grew in the community.

INNOVATIVE APPROACHES

1. A Commitment to Building a Family and Community Oriented Health Club

The most significant innovation the Ralphs have brought to the health club industry has been a model for the construction and operation of affordable family-oriented health clubs that would serve the community. Of the 13,800 tax-paying health clubs in the United States, only a few began as family facilities. The Ralphs pioneered this effort within the industry and their club has become a nationally recognized model for others in the health club industry.

2. Establishment of a Monthly Membership Dues Electronic Funds Payment Plan

Unlike many health club owners in the 1980's, the Ralphs wisely chose early in the operation of the Bel Air Athletic Club not to sell long-term memberships. Rather, they offered the consumer the chance to pay for their memberships on a monthly basis without a finance charge, which was

(See Roger Ralph page 26)

Norm Cates' **THE Club Insider**
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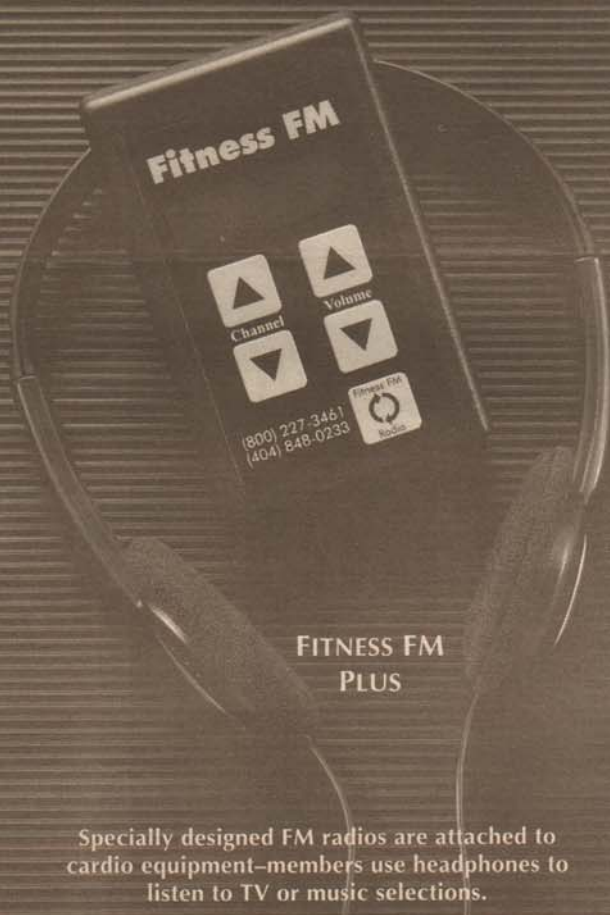
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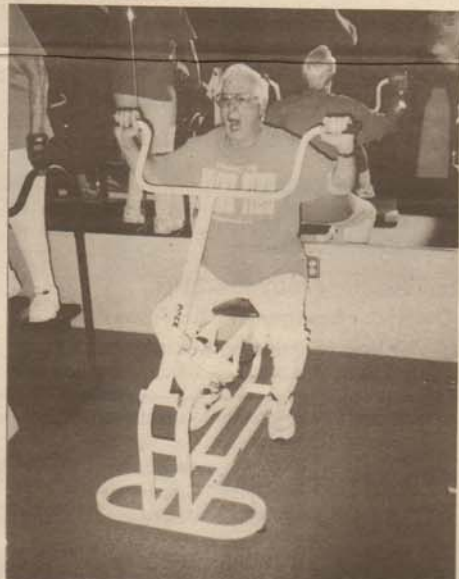
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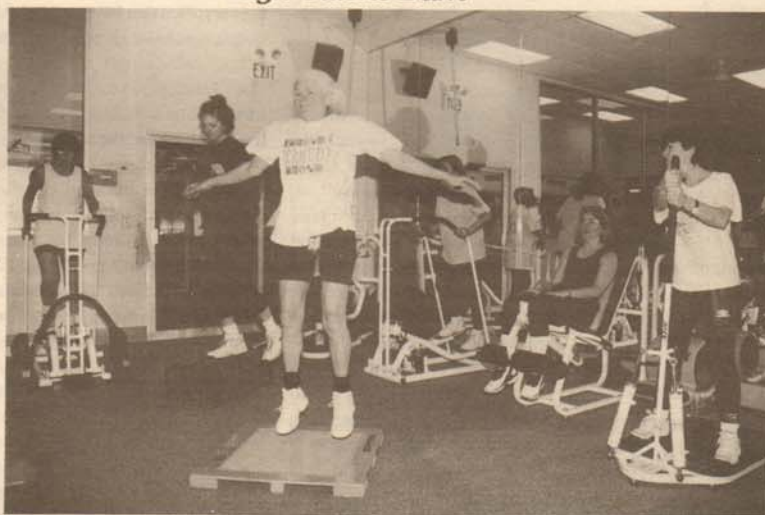


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JAZZERJAM '99 sponsors will enjoy direct-response exposure to their products and services through an affiliation with the strongest brand name in the fitness industry. 75% of JAZZERJAM attendees are customers to Jazzercise classes and 25% are Jazzercise instructors.

Jazzercise participants are:

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- 80% Ages 18-45

- 75% Married
- 60% Have children at home.
- 77% Have attended or graduated from college.
- 85% Work outside of their home

Combined household income of participants:
 21% Under \$35K
 46% - \$35-60K
 33% - \$60-100K

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...CSI

continued from page 3

one of the most successful operations in the nation."

"Members concerned that the buyout may adversely affect the quality of service need not worry," assures Andy Gillen, CSI regional manager, who will now reside in Albuquerque.

"CSI is committed to building on the successes which have established New Mexico Sports & Wellness as the premier fitness provider in the state," Gillen said. "Initial plans call for a complete assess-

ment of each club, the members and their expectations and substantial investment in facility upgrades and equipment."

With NMSW being one of the most successful fitness chains in the nation, former NMSW owner Scott Garrett had been approached several times over the past few years to sell the clubs. Garrett chose CSI to take over because CSI most resembled NMSW's business and culture and offered nationwide advancement opportunities for current associates as well as increased value to the current members.

"I am extremely proud

of what we have accomplished at NMSW and am appreciative of the reception that the people of Albuquerque have given us over the years," said Garrett. "I truly feel that the transition to CSI management will be seamless for the staff, the members and the community."

CSI has committed to spending \$1 million to enhance the five local Sports & Wellness centers. Approximately one-third of the money will go toward the purchase of new cardiovascular fitness equipment, including treadmills, fitness bikes and cross-training equipment. The remaining funds will go to refurbishing the locker rooms and "wet areas," including new carpet, fresh paint and other maintenance upgrades.

Additionally, members of the Albuquerque clubs will now enjoy complimentary access to other CSI clubs nationwide, located in cities such as Atlanta, Boca Raton, Chicago, Denver, Ft. Lauderdale, Honolulu, Houston, Minneapolis, New York, Nashville, Philadelphia, San Antonio and Tampa. Albuquerque members need simply to show their existing membership cards to gain access to any of the other CSI clubs, which will be listed on a

wallet-sized card available at the service desk of all local Sports & Wellness centers.

Williams said that plans for expanding the New Mexico Sports & Wellness centers in Albuquerque as well as throughout the state are "a definite possibility for the future."

CSI was founded in 1983 by Tom Lyneis and Ed Williams, both of whom have extensive hands-on experience in the commercial recreation business. During the 1980's the partners acquired and developed several multi-purpose athletic clubs in Colorado and Texas that were heralded throughout the industry for their cutting edge design and facilities.

New Mexico Sports & Wellness, Inc. was founded in 1984 by brothers Spencer and Scott Garrett. Their first Albuquerque club was at Highpoint, with four additional clubs opening over the next 11 years in Del Norte, Downtown, Midtown and Riverpoint.

The clubs have been nationally recognized for their excellence by a number of professional industry Associations. The International Health, Racquet and

Sportsclub Association (IHRSA) named NMSW's Dr. Mary Jane Johnson - Cybex "Fitness Director of the Year" in 1996 and the clubs received the Keiser "50-Plus Programming Award" in 1998 for their mature adult program, developed by Sharon Kernan. The Del Norte club was recently named one of the Top Five Women-Friendly Gyms by The Albuquerque Journal.

Scott Garrett and his family plan to remain in Albuquerque, where he and Spencer will continue their real estate development business. Currently Scott and Spencer Garrett own Del Norte Shopping Center, Apple Mountain Camp and have retained ownership of their multi-sport club in Ventura, California. The brothers have started a large retail complex development on 30 acres at Paseo del Norte and I-25.

NMSW clubs offer a variety of activities to members including youth activities for children ages 6 through 12, aquatic programs, corporate rates, personal training, child care, mature adult program and a range of groups exercise programs. Racquetball, basketball, tennis, volleyball and squash are also available.

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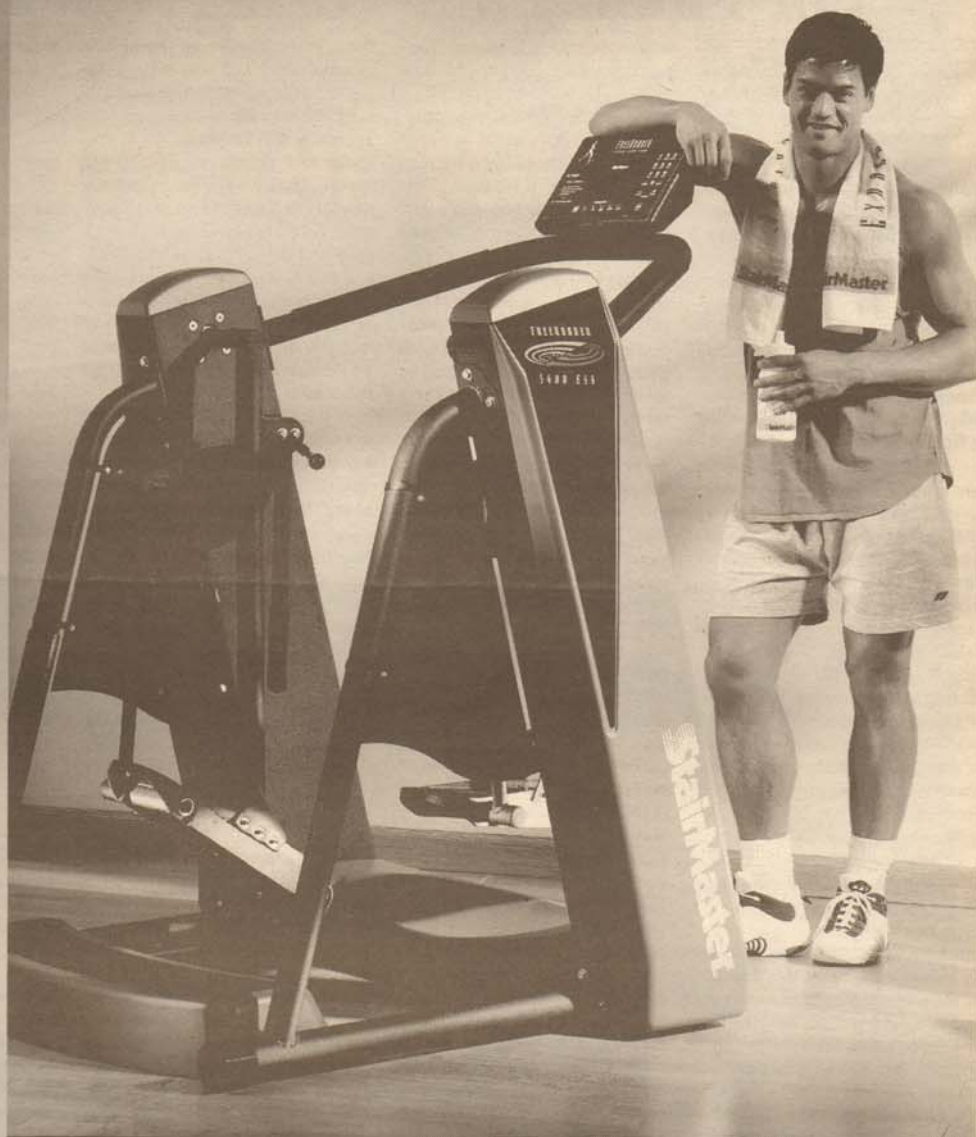
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Looking For A Few Good Staff? A Successful System For Finding and Hiring New Team Members

By Karen D. Woodard, President
Premium Performance Training

One of the biggest challenges facing any employer is getting and keeping good people and our industry is not immune to that challenge. I hear so often from clubs all over the country that they are having difficulty finding qualified staff for all positions that it is beginning to sound like an echo. The focus of this article is to create a template for you to minimize your risk and maximize your retention in finding and hiring staff.

Finding good people.... hmmm.... does that seem elusive to you? Are we just not getting qualified candidates from the ads we place? Perhaps that's part of our problem. What? Two problems in one sentence....1.) "Not getting enough qualified candidates" and 2.) "from the ads we place". Problem #1: If we are expecting to hire someone who is perfect for the position, who has all the qualifications, who has experience or who is completely trained, then we may be expecting too much. More often than not, my most successful staff experiences have come from people who had no experience or training but instead possessed the character and connection to the culture of the club. The other "qualifications" for success are easily trainable. Clearly, this depends on the position you need to hire for and it would not be advisable to hire a candidate for a technician's position that had no experience or education. The point being, that often times we become so rigid in what our "qualifications" are for a position that we pass on incredible potential because they need some training. If we give this more consideration and realize that we can train and develop people into what we want, then we don't have to demand such a limited scope when we hire. Ultimately, that gives you as the employer more freedom and breathing space. Isn't that a nice thought?

Problem #2 in that sentence is "from the ads we place". If you are relying solely on ads as your source for new candidates, you are placing yourself in a reactionary position that only allows you to see or take what dribbles in to you. There are times when we do need to use ads. If you are going to place an ad for staff, make sure that it creates the feel for your club that will attract the people you are seeking. Additionally, briefly describe the job, compensation ranges, benefits and have the candidates drop a resume by the club. Avoid having them stop by to see you expecting an interview. You

want to be able to see/speak/contact them when you have the time and can focus.

To find good people, you have to do just that — FIND them. That means you need to go out and LOOK for them. That also means that you can't just look for them when you need them because a current staff person has just given you their two weeks (or less) notice. Instead, you need to be constantly prospecting for staff. Similar to what membership sales staff need to do to continually grow their sales, we as managers need to continually be on the lookout for good staff people, whether we are in need of them at the moment or not.

The best way to do this is to go "shopping" for staff people. Before we discuss the best ways to shop for your staff, let's take a moment to discuss how not to do it. Please avoid going to your competition and offering your competitor's employees jobs at your club. I realize that this appears to be the easiest way to get trained, competent staff, but it causes much animosity and is a very sleazy way to do business. Remember, turn-a-bout is fairplay and it will come back to bite you. If your competitor's employees come to you because they read an ad or heard about an opening, that is completely different and ethically acceptable.

The best ways to shop for good staff: everytime you go to your bank, your doctor, your dentist, your hair salon, favorite clothing store, shoe store, favorite restaurant, bar, local hotels, etc., be on the lookout for people who are bright, look you in the eye, smile, are happy, are engaging, listen well, give great service, do a great job selling, etc. Each and everytime you come across a person that demonstrates these qualities, introduce yourself by giving them your card and saying:

"My name is _____ and I own/manage the ABC Club. Thank you for providing me today with great service. You've got qualities that match what we are looking for in creating a successful career in our organization. If you are interested in discussing employment opportunities with us, please call me within the next seven days. Here's my card and the club number is right here. What is your name? (use their name). It's been a pleasure to meet you and I hope you call."

If you do this regularly, literally, every time you come across someone who exhibits the qualities that fit your organiza-

tion, you will have an abundance of candidates and you may never have to place an ad again. Realistically, about 35% of the people you approach will respond, so if you spoke to 1 person per day, 30 per month, that would be 11 people monthly that would respond to your offer. Wouldn't you love to have 11 people to choose from in any hiring situation? Now you may not even have a position available for them and that's OK because you didn't say that you did. You simply said that you'd like to speak with them and that's what you're going to do.

The purpose behind this is to know who is out there and to have a person in mind when your current staff person gives two weeks (or less) notice. By being proactive and shopping for staff, you shorten the downtime that occurs when a staff person leaves and you place an ad, wait for people to respond, go through the interview process, go through the selection process, wait for the candidate to fulfill his two week notice at his current place of employment and then start training for the job with you for two weeks. That can be a minimum of two to eight weeks. Instead, minimize the downtime by simply calling someone "in the wings" that you've spoken to, know and feel confident that they can do the job. By doing so, it may only be a two-week transition time.

OK — we've covered how to find people and create an abundance of candidates. Now it's time to cover the interview process that helps to ensure more successful hires. A format that I've found to be particularly successful is a 2 - 3 round interview system with the first interview done in a group format. Most of you probably do multiple interviews but more than likely, few of you use a group format such as the following. Here is an easy step-by-step method to make it happen:

Step 1: Once you have a pool of candidates that you'd like to interview, contact them by phone to let them know you will be holding an interview on your chosen date and time. Let them know that this first interview is expected to last 1.5 hours and there will be 6 to 7 other candidates in the interview with them along with several staff at the club. The purpose of this interview is for them to get to know the club better and for us to get to know them better.

Step 2: During this group interview, start by giving every candidate a copy of the job description and compensation package at the very start. Give the candidates 5 to 10 minutes to look over the information and at the end of that 5 or 10 minutes let them know that if anyone does not want to stick around for the rest of the interview based on what they've read, they are welcome

to leave. Most will stay, very few will leave. The purpose of this is to provide full disclosure from the very beginning and clarity for everyone.

Step 3: After everyone has looked over the job description and compensation package, have them introduce themselves by full name to the rest of the group. This should take no more than 5 minutes.

Step 4: Take the next 10-15 minutes to go over questions the candidates may have about the job description and compensation package.

Step 5: The next 10-15 minutes will be used as an ice breaker activity to see how the candidates loosen up and demonstrate their ability to have fun. Remember, we want to hire fun people. During this activity, observe closely how each candidate behaves...how they relax (or don't).

Step 6: The next 45 minutes is for you and your staff to ask a list of prepared questions that are job specific. Let the candidates know that there will be a limited amount of time to answer the questions so if they have an answer, not to hold back. If they do, they may not get to speak. As you might guess, the energy level of the interview will more than likely escalate at this point. Be very clear with all of your staff about this — no leading questions, no waiting around for people to answer. If there is any hesitation, you're off to the next question.

Step 7: Take the last 5 - 10 minutes to see what questions have come up for the candidates and answer them. Explain to the candidates that you will be evaluating each of them and that some will be invited back for a second individual interview. Let them know that you will contact them either way in the next few days. Thank them all for coming.

Step 8: Immediately after the interview, get together with all of your staff who were at the interview and compare notes and observations. Make your decisions at the time while it is fresh in all of your minds who you would like to invite back for successive interviews.

Once you have made your decision, contact all candidates to let them know that they are either invited back for a second interview or thank them for their time in the first interview and wish them success in their search. You will then proceed with more in-depth interviews to determine



Karen Woodard

the best person for the position.

There are numerous benefits to using this format which include:

1.) Incredible time savings on your part. Using this format, you've only spent an hour and a half versus nine hours to interview six people.

2.) You get to see who really rises to the top. You'll see who works well in a group, who becomes a leader, who sinks to the bottom and who is too competitive.

3.) Your recall is stronger because you have all the candidates together at once and can make important comparisons while still fresh in your memory.

4.) You get more staff buy-in because multiple staff are assisting with the decision and want to see "their" candidate be successful in their job.

5.) This format is very high energy and a lot of fun.

By using the group format for the first interview, you will accurately see the best and the worst qualities to reveal the true nature of your candidates, which only lends itself to more clarity in the selection process. That in turn leads to better decisions for you and your organization. By being proactive in your search for staff people, you will not only find more candidates but better candidates. Additionally, you won't feel pressed to take the "best of the worst". The combination of consistently shopping for good people and using a well executed group format for the first interview will provide you with perspective and results unequalled. When you start to implement this combination, you will minimize your risks in hiring, maximize your staff retention and allow yourself to focus more on other high pay off activities for yourself and the club.

(Karen D. Woodard, President of Premium Performance Training, provides successful sales, service and management training to the health and fitness industry. She also has books and audio tapes to assist you with your success. She can be reached at: (303) 417-0653.)

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GENUINE SALES... THE KEY TO THE FUTURE!

By Ben Midgley

Sales in the fitness industry are at a very important crossroads and I believe many of our current beliefs about how to sell memberships are outdated and less effective than they could be. The evolution of professionalization that has happened in our product development, programming, equipment and management has not yet reached our sales strategies. I would like to share with you my thoughts on what I believe happened with selling in our industry and what we can do to improve it.

Right now the fitness industry is in a great position. We are in the midst of an explosion in popularity. Almost everywhere you look - TV, newspapers, magazines or radio you see

or hear something promoting health and fitness. We even have the Surgeon General's report urging Americans to become physically active! How much more could we ask for? This trend will only increase as more benefits of exercise are brought to the public's eye. So, the growth in health club popularity is inevitable. Some clubs will capitalize on it and others won't. The reason many clubs won't is that they're not selling as effectively as they could. In order to sell as effectively as you can, you must understand what works, what doesn't and why.

Let's start with why we're doing what we're doing now. Sales in the fitness industry evolved from other industries' sales styles. Most of those styles came from commodity sales or transactional selling. In that kind of sales it often didn't matter how you got the sale as long as you did, since you were probably never going to see that customer again. Early club owners, being un-

sure how to attract business, resorted to "typical" sales strategies of the time (automobile, insurance, etc.). These were viewed as the best way to sell anything. So standard training material became books by Tom Hopkins, Zig Ziglar, Brian Tracy and many others who are very respected at what they do, but none of whom have ever sold a club membership. They believed everything from cars to insurance to memberships could be sold the same way.

The fitness industry never developed a sales process of its own that would take into consideration the needs and concerns of potential club members and the long-term needs of club owners. So methods and techniques evolved such as: gaining and maintaining control, porcupining, trial balloons, never giving rates over the phone, limited time offers, up selling, Nuero Linguistic Programming, sales by personality types, emotional selling, first-visit incentives, assumptive closes, alternate choice closes, solicited point-of-sale referrals, etc. All of these "methods and techniques" set selling up to be adversarial instead of cooperative. These may have worked well with uneducated consumers in transactional sales of commodities, but are not appropriate in membership sales which is relationship based.

These types of sales techniques also make it much more complicated than it needs to be. Today's club sales people are overwhelmed with scripts, closes, prehandles, qualifying questions and pre-planned presentations, etc. A new sales person might hear from their sales trainer: "to go from point A to point B you need to go left for 10 miles, take a right at the street with a red sign, turn around, stop, go, take a left again - hope it's the right one and if that doesn't work, try plan C3". Rather than being told the fastest way from point A to point B is a straight line.

This type of selling just does not accurately address the needs and concerns of someone considering a membership. But, having no other options, the fitness industry adopted these theories and they grew to become the norm. Many salespeople or sales trainers will argue that "sales is sales" and does not matter what you are selling; the same techniques can be used to sell anything. Or that selling is mental sparing and sales people need some sort of advantage over the prospect in order to sell effectively.

I believe selling memberships to clubs today is very different than the selling of commodities in the past. There are three big reasons why the deci-

sion-making process of a person considering membership today is different than the process of a consumer purchasing anything in the past.

Reason #1: The decision to change a lifestyle is much bigger than the decision to buy any commodity, even if the money is less. Anyone who sells memberships knows that prospects who enter your facility are very commonly intimidated, self-conscious or nervous. I have had people in my office literally break down in tears because they are so unhappy with themselves. Others have been shaking like a leaf and very scared

to talk to me from the sheer intimidation of the facility and all the "pretty people" they thought were in it. This type of behavior does not generally happen when buying something else of equal monetary value such as a TV or a stereo. These aren't the thoughts that will go through someone's mind in Circuit City. So it's not the money! (Which is what brought about most of these sales techniques in the first place).

Reason #2: We are selling relationships, trust, support systems and ongoing service. We will continue to see these people daily for years to come. If we lose credibility at point of sale, our chances of successfully servicing that member are dramatically reduced. Along the same line, if we are unsuccessful closing a prospect after multiple closing attempts, that person is not going to be an advocate for us in the community. They actually will hurt our future sales by telling their friends; "Be careful when you go there, they're only concerned about signing you up."

Reason #3: Today's consumer is saleswise. These techniques have become less effective as the consumer has been bombarded with sales techniques from telemarketers, door-to-door sales people, add on sales at McDonalds, aggressive sales people from major department stores and automobile show rooms. They have seen movies which play up sleazy sales people and heard stories about clubs closing their doors the day after selling annual prepaid memberships. People want control when making major decisions about their lives. They hate to be "sold." Many of these techniques may close more memberships today by manipulating or coercing people. But if someone feels sold, how likely are they to stick with their program? Will they gladly offer you referrals? It appears to me, in an attempt to gain control of the sales process, we have actu-



Ben Midgley

ally hurt our long term profitability by losing our member's and prospect's trust. No one likes to be manipulated at any level.

A Solution? Genuine, Sincere, Responsible and Simple Sales

I believe the solution is genuine, sincere, responsible and simple sales. I call this Genuine Sales. If we want to modify our sales approach to increase more stable long-term sales, we need to be better at adapting ourselves to the customer's current wants and needs, not our own. It is the customer that keeps us in business. If you don't meet their needs and expectations, some-one else will.

The problem and our challenge is the pain of change. It is risky. It takes time. And, it is uncomfortable. I understand the fear of the loss of short-term sales. But, compared to the fear of a long slow death while our competitors adapt, we don't have a choice. We strive to be perceived as credible to investors, hospitals, insurance companies and our community. So, why try to up-sell a membership just to make an extra six dollars a month if we know the member will probably never utilize the additional services? How can we be overly concerned with our first-time closing ratio? How can we try to use psychology on someone to get them to buy? Do you think without a limited time offer no one else will join your club? Do you think a different enrollment fee each month helps your sales people establish the value of a membership to your facility? Or do you think controlling the phone call or the tour gives the salesperson special powers for closing? Do you think any of the above lay the pavement for a credible industry? All of this hurts sales and hurts

(See Midgley page 24)



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COMMUNICATIONS CROSS-TRAINING

By Amy Redfearn

There are numerous forms of communication available to get your message to consumers: advertising, direct mail, publicity, marketing, public relations, outdoor displays, sales promotions, etc. Which is the best? None of these, when used alone.

Integrated marketing communications is the most effective way to reach potential customers. Integrated marketing communication is not about advertisements, public relations projects or direct mail pieces. It is about the customer and how the customer actually sees everything as one flow of information. In other words, integrated marketing means approaching communications issues from the customer's perspective.

The consumer does not differentiate promotional materials from newspaper advertising from community responsiveness. They see all of these as "advertising" and that's how they identify them. To the consumer, a feature article about your company published by a news reporter in your local paper is "advertising," an outdoor billboard is also "advertising." Consumers lump together all forms of communication, including advertising, public relations and marketing and make judgements about your business based on the total of these re-

lationships.

Because the consumer does not put all forms of communication into separate compartments, it is important for business owners to cross-train their communications efforts. Integrated marketing requires collaboration on strategy, not just execution. This means that in order for a communications effort to be effective, the advertising, marketing and public relations staffs must work together and not as separate departments in a company. When all of these messages are strategically coordinated, the effect is far greater than when advertising, marketing and public relations are planned and executed independently. When each is independent, each department competes for budgets and power. In addition, each area may be sending out conflicting messages when they are not planned together.

So what's the difference?

Advertising is something that the business pays for, whether it appears on television, radio or in print. It is often perceived by the consumer as self-serving. People know that advertisements are paid for by the business that places it. They also know that the business created the message exactly how they

wanted it to appear. The effectiveness of advertising has been challenged over the past couple of decades. The significant increase in advertisements has caused a clutter of messages, creating a burden on advertisers who try to make their products and services known. The 1980's brought shorter television advertising spots, contributing to three times as many products and services being advertised on television as compared to 1970. And the spread of cable television brought even more outlets for advertising.

Marketing is often identified as the 4P's: product, price, place and promotion. It is literally defined as, the selling of a service or product through pricing, distribution and promotion. Marketing guru, Philip Kotler suggested that a fifth P, public relations, be added to the traditional 4P's of marketing.

Public relations is defined as the marketing of an organization. Since public relations is about building relationships between the company and its publics, it is the public relations professional that should lead the integrated marketing initiative.

Publicity can also be done through public relations efforts. In fact, publicity can be the most effective part of the marketing mix. It differs from advertis-

ing, in that it's free and usually is the best way to get your message across since it is presented as a news story and appears to hold less bias. Publicity is also highly effective for businesses with small budgets and strong competitors, since it is free.

It is important to remember that the roles of advertising, marketing and public relations are different and that none can do everything by itself. Advertising controls your company's message, marketing involves the customer and public relations provides the credibility for your company. Together they bring a great deal of success to your business, if each department works together and not independently.

In order to have a successful communications team, each department, advertising, marketing and public relations, must understand each other's role and must be knowledgeable in all areas. Let your communications employees out of their "boxes" and cross-train their brains to think as a whole instead of a part. Your public relations staff should be working side-by-side with your marketing and advertising staff, as one team. All three departments play a pivotal role in the success



Amy Redfearn

of your business because they are the ones who get your message to the public, which directly affects your bottom-line.

(Could your staff benefit from a communications makeover? Innovative Concepts & Consulting provides workshops and training for cross-training communications, that will optimize your team's potential. Call (352) 379-8301 for more information or send workshop requests letters to: Innovative Concepts & Consulting, P.O. Box 142335, Gainesville, FL 32614-2335.)

...Former Members

continued from page 3

IHRSA. "According to a new study done for IHRSA, 9.6 million of them - 37 percent — are ready to join a health club in the coming year."

The study, funded by IHRSA's Vanguard and conducted by American Sports Data, Inc. surveyed 969 former members at nine IHRSA-member clubs across the U.S. The results show that members resign from health clubs for a variety of reasons; only a minority (25%) are prompted by dissatisfaction with the club. Other reasons for not renewing fall into three broad categories:

- Situational (cited by 29%): e.g., relocation, pregnancy, injury, etc. Of this group, 35% said that they already had or would join another club in the coming year.

- Personal (24%): e.g., switch to outdoors exercise, a loss of interest, lack of an exercise partner. Fourteen percent of this group said that they intended to join another club.

- Financial (22%): e.g., not being able to afford the expense or a perception that the dues were too high. Twenty-five percent of this group intend to join another club.

As indicated earlier, in the short term, 37% of these lapsed members plan to either rejoin the club they left or to join another club. However, 67% felt that the original decision to join the club was a good one, an indication that most former members are good prospects for health clubs.

"If we can help these people overcome their reasons for quitting the club, we can draw them back in," said Mr. Howland. "In total, we are talking about more than 17 million potential members — 9.6 million of whom are ready to join in the next 12 months, while almost 8 million others are longer-term prospects."

Attracting Former Members

While the study done for IHRSA on former health club members does not

paint a good picture for clubs seeking to entice former members to rejoin, the prospects are bright for clubs seeking to attract the competition's lapsed members. Only 2.1 million (8%) of the nation's 26 million former members plan to rejoin the same club, but 7.5 million (29%) intend to join another club.

For most former members — 40% of whom were first-time club members who hold favorable impressions of the club experience — short-term programs and memberships, and pay-as-you-go activities are the most attractive incentives to try the health club experience again. Following is a snapshot of why people left their clubs, the likelihood of their rejoining a club or joining a new club, and suggested approaches to attract them to club membership.

• Overall reason for leaving club: Situational
 • Percent citing this reason: 29%
 • Number of former members represented: 7.5 million

Top five specific reasons:

- Other new demands on my time: 26%
- Inconvenient club location: 18%
- Moved/relocated: 16%
- New job made demands on my time: 12%
- Injury/illness/medical condition: 9%

Best approach to getting them to join/rejoin:

Most of the prospects in this category are particularly time-sensitive. Put an emphasis on the convenience of the club to their place of work or home; the hours that the club is open; the opportunity to take care of other tasks if that is a possibility at the club (hair salon, dry cleaning services, car detailing, travel agency, ATM availability, restaurant with take-out service, child care service, children's programming, etc.). Copies of club brochures should be made available at local real estate and apartment rental offices.

• Overall Reason For Leaving Club: Club-related
 • Percent Citing This Reason: 25%

• Number Of Former Member Represented: 6.5 million

Top Five Specific Reasons:

- Overcrowded: 27%
- Dissatisfied with staff: 13%
- Lack of personal attention from staff: 13%
- Dissatisfied with programs/activities: 8%
- Club management inaccessible/unresponsive: 6%

Best approach to getting them to join/rejoin: This group wants to test the waters. Since many of them cited overcrowding as a primary reason for leaving, most likely they were going to the club during prime time. The best bet for attracting them is offering specific activities or time-limited programs that they can pay for as they go. They will also be receptive to offers where the initiation fee is waived. Emphasis should be put on the credentials of the staff along with the array of programs offered by the club.

• Overall Reason For Leaving Club: Personal
 • Percent Citing This Reason: 24%
 (See **Former Members** page 22)



It's the green season in Costa Rica!

Villa Isla Azul & Villa de Papagayo

The most beautiful time of the year on Costa Rica's northwest Pacific coast is June through October.

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Picture yourself relaxing in the elegant surroundings of a luxury villa. Strolling through the rain forest to the howls of monkeys and the squawks of wild tropical birds. The ocean view, revered as one of the most beautiful in the world, is so spectacular Conde Nast Travel magazine featured it in a two-page color spread.

It is a magical world where everything is done for you and your only responsibilities are to yourself, your family and friends. Picture yourself dining in the candlelit intimacy of a moonlit terrace overlooking the Pacific. Imagine a world of elegant seclusion. This is a dream come true... Villa life.

Villa Papagayo and Villa Isla Azul are brand new luxury villas with a full staff (cook, maid and butler) located on the gorgeous Pacific coast of Costa Rica.

Villa Papagayo is a four-bedroom, five-bath villa. Villa Isla Azul is a six-bedroom, six-bath villa. Both have oversized terraces with swimming pools, swim-up bars and waterfalls. Each has spectacular 30-foot ceilings in the great room with TV, VCR, stereo, video libraries and air-conditioning in all the bedrooms.

Also available are the world's best sports fishing for marlin and sails; rain forest, tree top canopy, volcano and giant sea turtle tours;

birdwatching, scuba diving, snorkeling, sunset and party boat cruises, horseback riding, health club, rafting, tennis, golf and a colorful Costa Rican beach town two miles away with beach bars, a disco and a gambling casino.

An all-inclusive plan provides all your food and drink (an open bar) for one price. Mouthwatering meals, from fresh seafood to Italian dishes, are prepared daily from scratch by our talented Costa Rican cooks. The staff is there for your every need. Come to paradise!



Villa Isla Azul features six bedrooms and six baths



*Both villas feature spectacular, ocean views.
Villa Papagayo (below) is a four-bedroom, five-bath villa.*

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BALLY TOTAL FITNESS REPORTS STRONG SECOND QUARTER 1998 RESULTS

Net Income Improves To \$.09 Per Share From Loss of \$.59 Per Share In Prior Year

Chicago, IL.— July 30, 1998— Bally Total Fitness Holding Corporation (NYSE:BFT) announced results for the quarter ended June 30, 1998. Operating income for the quarter was \$11.6 million — an improvement of more than two and a half times over the 1997 quarter operating income of \$3.2 million — while operating income before depreciation and amortization ("EBITDA") improved 28% to \$23.4 million in the second quarter of 1998 versus \$18.2 million in the comparable year ago period. Net income was \$2.0 million (\$.09 per basic share and \$.08 per diluted share) compared to a \$7.3 million loss (\$.59 per basic and diluted share) during the prior year. Results exceeded the First Call consensus estimate of \$.05 per share.

For the second quarter of 1998, net revenues improved 12% to \$180.9 million from \$161.8

million last year. Initial membership fees originated increased 18% from the 1997 quarter, demonstrating the strength of the Company's strategy to emphasize popular, higher margin, all-club memberships. Same stores accounted for 97% of 1998 originations. Dues collected during the second quarter of 1998 decreased 5% from the same period of the prior year, primarily because the Company discontinued its prior practice of accelerating dues payments by offering discounts. Consistent with this, prepaid dues have decreased by almost 5% in the past twelve months. Revenues from new initiatives — consisting of personal training fees, sales of Bfit Nutritionals™, Bfit Essentials retail stores, and Bfit Rehab centers — grew by more than two and a half times over the prior year and 9% since the prior quarter to almost \$8 mil-

lion, yielding EBITDA margins of nearly 30%.

Lee S. Hillman, President and CEO of Bally Total Fitness, noted, "Our second quarter results showed continued strengthening performance in our core business, which indicates the key operating strategies we initiated in 1997 are taking hold more firmly. The strong growth in initial membership fees during the second quarter and the consistent trend of improving price-mix and credit quality of these memberships are strong indications the core membership business has significant growth potential. It is particularly pleasing to note our receivables portfolio is at its strongest point in at least eight years measured by credit and account aging statistics. Over 65% of our new membership accounts now make automatic monthly payments using EFT payment methods, a further in-

dication of the strengthening of our portfolio."

For the six months ended June 30, 1998, net revenues improved 11% to \$365.4 million from \$330.2 million last year. Initial membership fees originated for the year-to-date period increased 14% from the 1997 period. Same stores accounted for 98% of the originations during this period. Dues collected during the first six months of 1998 increased 1% from the prior year, reflecting the curtailing of discounted acceleration programs. Revenues from new initiatives have grown by more than three times compared to the prior year to nearly \$15 million.

Year-to-date operating income was \$23.6 — an improvement of one and a half times over the prior year's operating income of \$9.4 million — while EBITDA improved

28% to \$48.1 million in the first six months of 1998 versus \$37.5 million in the comparable year ago period. Net income was \$4.1 million (\$.19 per basic share and \$.16 per diluted share) for the 1998 period compared to a net loss of \$13.0 million (\$1.06 per basic and diluted share) for 1997.

Commenting on the Company's acquisitions of nine fitness centers completed during the quarter, Mr. Hillman expressed satisfaction with the early results posted by those acquisitions. "The integration of these new facilities into our operating systems has proceeded ahead of schedule and their early operating results are very positive. We look forward to driving continued growth by both developing and opening new fitness centers and selectively acquiring operations in new and existing markets, Mr. Hillman concluded.



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LAKEWAY ATHLETIC CLUB TO UNDERGO METAMORPHOSIS

Chicago, IL- Lakeway Athletic Club (LAC) in Metairie, La., which is managed by Chicago-based Tennis Corporation of America (TCA), will undergo a major expansion, TCA President and Chief Operating Officer, Steven Schwartz announced recently. The club is located at 3838 N. Causeway Blvd., 9th Floor, and shares the same building as the Doubletree Lakeside New Or-

leans Hotel which overlooks Lake Ponchartrain.

The current 15,000 square-foot facility will expand by more than 6,000 square feet and the fitness area will be doubled in size. Indoor cycling classes will also be added to the club's weekly group exercise schedule which includes aerobics and body sculpting classes. Fueling the expansion is the recent announcement that the

Premier Athletic Club (PAC) had closed its doors for good on July 31st.

LAC is working with PAC to transfer memberships and most of PAC's fitness equipment. More than 50 additional pieces of fitness equipment will be added, making LAC one of the most comprehensive clubs in the New Orleans area. Members will now be able to utilize nearly 100

pieces of fitness equipment at this multi-faceted club as well as an outdoor track, rooftop tennis and basketball courts, an indoor swimming pool, free weights and selectorized strength training equipment. LAC has also joined the local Crescent Society which can give members additional benefits.

"I'm excited about Lakeway's expansion,"

Schwartz said. "Premier Athletic Club members will feel right at home."

TCA currently owns and/or manages more than 40 clubs in the United States and consults for fitness and tennis facilities throughout the world. For more information on the Lakeway Athletic Club, call: (504) 836-5252.

TOWN SPORTS INTERNATIONAL ANNOUNCES 4th QUARTER RESULTS

Earnings and Revenue Increases During Completed Fiscal Year "Most Significant Growth Rate" In Company's History

New York, N.Y.- August 14, 1998- Town Sports International announced fourth quarter and completed fiscal year earnings for the period ended May 31, 1998.

For the quarter, the company reported revenues of \$24.4 million, which represented an increase of \$8.4 million or 53%, over the results of the fourth quarter, 1997. Further, adjusted earnings

before income taxes, depreciation and amortization and other non-cash charges (EBITDA) increased by \$1.5 million or 36%, to \$5.4 million compared to \$3.9 million for the comparable quarter last year.

The net loss was \$270,000 for the quarter, as compared to a profit of \$350,000 for the same period last year. Town Sports indicated that fourth quarter results were expectedly depressed due to the deferred compensation expense incurred in connection with stock options.

For the twelve months (See *Town Sports* page 24)



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When Empowerment Really Works

By Dr. Gerry Faust

Empowerment, like many other great ideas, is much more difficult to implement than some would lead us to believe. The rationale for empowerment is very sound. It is based on a relatively straightforward understanding of how long-term business is created.

1. Long term business success is based on the organization's reputation in the marketplace.

2. That reputation is determined by the outcome of thousands of interactions with customers called "moments of truth."

3. If a moment of truth results in a customer being delighted with the interaction or getting more than they expected, the reputation of the organization improves. If it results in disappointment, the reputation declines.

4. The people who manage the moments of truth are the people who deal directly with customers.

5. Therefore, for the good of the organization, we should empower them to be able to deal with

these moments of truth and to create more moments of magic and fewer moments of misery for customers.

Early on many believed that giving people more authority would do the trick. But now we know that is not enough. The challenge is to empower responsible, skilled, aligned and informed people. Empowering people who don't have these characteristics is like putting the inmates in charge of the asylum. It doesn't work. The challenge of managers is to develop responsible, skilled, aligned and informed people and then to empower them to handle the moments of truth.

Responsible. Responsibility is a personal choice. People can choose to be responsible or not. Responsibility in the work place is also a multi-dimensional concept. It involves responsibility to and responsibility for the right things. We want workers and managers to be responsible to the customers and to the organization. We need people who take responsibility for results, not just activities. People who take responsibility for activities may go through the motions, but may not accomplish critical results. The assistant who takes responsibility for getting a critical

package wrapped, addressed and in the hands of the Federal Express agent is not necessarily ensuring the addressee actually receives the package. Why? Because things go wrong. Workers and managers must know what results the customer and the organization want and must take responsibility for producing those results.

Skilled. The critical skills for empowered workers are problem solving and judgment. Unfortunately, things do go wrong in the implementation of even the best designed policy or process. It's then we count on responsible people to solve the problem so that the desired results do occur. Judgment is based on awareness, knowledge, experience and other factors. In business situations it often involves balancing the responsibility we have to customers, the organization and the people in the organization.

Judgment is also a skill. One that is developed through practice. Too few managers require their people to practice using their judgment and provide meaningful feedback when errors in judgment are made. These errors provide great opportunities to teach, to expand perspective un-

derstanding and to coach people in the sound decision making that makes for good judgment. By using the six magic words more often, managers can allow their people to exercise their judgment and find those great opportunities to coach. The six magic words are: "What would you suggest we do?"

Aligned. People are aligned when they know, understand, accept and are committed to the company's vision, mission, strategies and goals. Define and communicate these and then teach people their part in accomplishing them and you are aligning your organization.

Informed. People need information as to what is desired and how they are doing in order to be self correcting (responsible). Without information they can only guess what to do and what to change. That's not very motivating and makes people feel more like victims than the powerful people they generally would like to be.

Empowerment can be a powerful force in driving a company's success. But like most things it's not as simple as it first



Dr. Gerry Faust.

seems. If leaders are truly going to unleash the power of their people they need to be sure they are unleashing the power of responsible, skilled, aligned and informed people. When these conditions are met, empowerment really works.

(Excerpted from *Responsible Managers Get Results — How to Find the Best Solutions — Not Excuses* by Gerald W. Faust, Ph.D., Richard I. Lyles, Ph.D. and Will Phillips, Published by AMACOM, 1601 Broadway, New York, NY 10019. 1998)

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

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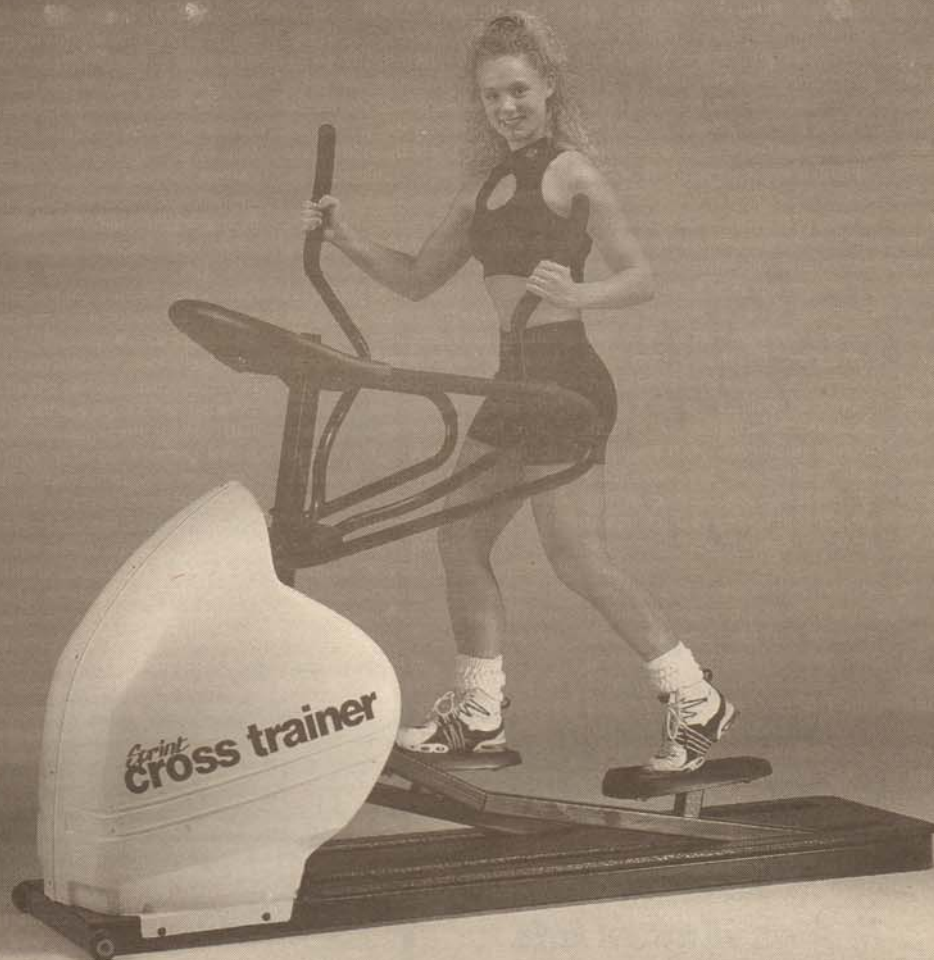
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IHRSA FAIRGAME UPDATES

YMCA First Target of Pennsylvania Law

Dave Cohan, owner of the Sports Club in Woodlyn, PA., has filed the first complaint with the Pennsylvania Department of State under the State's new Purely Public Charity Act. The Act, which was enacted last November, prohibits tax-exempt institutions from competing unfairly with small businesses.

Cohan, who worked with legislators to ensure that the unfair competition provision was included in the Public Charity Act, said he never imagined that he would be the first small business to file a complaint under the law. But that was before he learned of the Ridley area YMCA plans to significantly expand and upgrade its fitness facilities.

Cohan said he tried for

months to meet with YMCA officials to discuss ways in which he could help the YMCA serve the community's health and fitness needs, but they refused to meet with him. "They left me with no other choice but to file a complaint," he said. The YMCA has until August 12 to respond to the complaint. Under the law, an arbitrator will decide if the YMCA is competing unfairly.

This case will be watched by many on both sides of the fair competition debate. On July 31, the Philadelphia Inquirer featured a front page story on the complaint and the Delaware County Times ran a comparison of fitness services

offered by the Sports Club and the YMCA.

IMPROPER MEDICAL DISCLOSURE COULD COST YOU!

Here's yet another reason why club operators need to ensure that any medical information they obtain from their employees is kept confidential.

Earlier this year, Denny's Inc., agreed to pay \$35,000 in damages and attorney fees to an employee who claimed that a restaurant manager unlawfully disclosed confidential medical information regarding his HIV-positive status.

The employee filed a complaint with the Equal Employment Opportunity Commission (EEOC) after he learned that other employees and customers were notified about his condition.

In addition to the settlement, Denny's agreed to train all managers on the American With Disabilities Act (ADA). Under the ADA, a person with HIV or AIDS is considered disabled. Call IHRSA for a free legal briefing on AIDS or the ADA.

CANADIAN CLUBS TAKE ON THE Y

IHRSA clubs in Canada have embarked on an aggressive initiative to impact the fundraising efforts of the YMCA of Hamilton/Burlington. Club operators took action after the YMCA announced plans to raise \$29.2 million for capital developments, including

the construction of two new fitness facilities and the substantial expansion of a third facility.

Calling themselves the Clubs For Fair Competition (CFFC), Canadian club operators are conducting a direct mail and advertising blitz this summer aimed at the general public, the media, business owners, public officials and other opinion leaders. The CFFC hopes to generate public support to pressure the YMCA into scaling back its plans to build upscale fitness facilities. The CFFC wants the YMCA to direct its funds towards more charitable endeavors.

IHRSA has allocated \$10,000 from its Fund for Fair Competition and Legislation for this effort. Any club operators who would like to learn more about the CFFC should contact Mike McPhee at: (416) 486-7908.

NEW HAMPSHIRE ENACTS NEW HEALTH CLUB LAW

On June 26, New Hampshire IHRSA members won an important victory when Governor Jeanne Shaheen signed into law several changes to the state health club statute.

"This law will go a long way towards protecting consumers and enhancing the image of the health club industry," said Tom Oakley, owner of the Laconia Athletic and Swim Club, who coordinated club operator input into this legislation. Oakley

credits State Senator Edward Gordon, the Attorney General's Office, IHRSA and his fellow New Hampshire IHRSA members for their hard work during this two-year legislative effort.

New Hampshire club operators benefited from work done in Massachusetts in 1996. Massachusetts club operators drafted consumer protection legislation in conjunction with their state Attorney General. Although the Massachusetts bill did not pass, New Hampshire IHRSA members worked many of its provisions into their legislation.

Under the new law, all clubs will be required to offer consumers a monthly payment option. Other changes include limiting all contracts to a one-year maximum; eliminating the requirement that clubs place initiation fees into an escrow account; and limiting initiation fees to 25% of the cost of a one year contract. For a copy of the law, contact IHRSA: (800) 228-4772.

IHRSA would like to acknowledge the following members for their contribution to this effort: Suzi Parker and Al Parchuck, Salem Athletic Club; George Vierra and Celeste DiMambro, The Works Health & Fitness; Mike Benton and Paula Joyce, Executive Health and Sports Center; Margaret Chase, Nautilus Works; Peggy Chidester, Positive Steps Fitness Center; Peter Camann, Nautilus Health and Fitness Center; John Nelson, Racquet Club of Concord; Keith Callahan, Health Development Corporation.

First Impressions Count.

First impressions of a club significantly impact later perceptions of overall satisfaction with the facility, according to the study of former members done for IHRSA. Individuals who felt good about their initial experience with the club left with a positive impression. This, in turn, makes them the most viable candidates for rejoining the club.

Persons who reported the following positive experiences are the most likely to rejoin their former club.

Will rejoin club:

- Had excellent relationship with staff 22%
- Had an immediate sense of "belonging" 21%
- Club was responsive to my needs 21%
- Staff helped me achieve my fitness goals 19%

(Reprinted courtesy of IHRSA.)

...Former Members

continued from page 16

• Number of Former Members Represented: 6.2 million

Top Five Specific Reasons:

- Didn't make enough use of membership: 43%
- Lost interest/motivation: 17%
- Switched to outdoor exercise: 15%
- Didn't have an exercise partner: 13%
- Switched to home exercise: 13%

Best Approach to Getting Them To Join/Rejoin: These folks are having a tough time staying with their exercise program. For almost half of them, this was their first health club experience. They need to be sold and re-sold on the benefits of exercise. They will also be attracted to short-term programs, the ability to pay for activi-

ties as they go, and waived initiation fees.

• Overall Reason For Leaving Club: Financial

• Percent Citing This Reason: 24%

• Number of Former Members Represented: 5.7 million

Top Two Specific Reasons:

- Couldn't afford the expense: 30%
- What the club offers isn't worth the money: 14%

Best Approach To Getting Them to Join/Rejoin: As with those who quit their clubs for personal reasons, almost half of those who cited financial reasons were first-time members. They will be attracted by waived initiation fees, the ability to pay by the visit, or for specific, short-term programs or memberships (e.g. 30-day trial).

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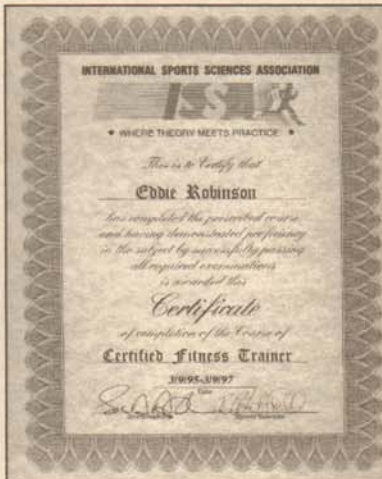
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HELPING MEMBERS SUCCEED

By Tom Cotner

September is the month when most members begin using our clubs again. Vacations are over, the children back in school and people are ready to renew their commitment to exercise. Health clubs are about to shift from low to high gear. The summer months, traditionally our quiet time, are coming to an end.

What kind of club year (traditionally September through May) will you have in 98/99? You'll have a prosperous one if you create good answers to the following questions before the heavy activity begins.

Member Service: Will our level of service be better or worse than previous years? What is our membership service philosophy? Does our staff know and understand it? Are we consistent in its delivery? Are we adding services members appreciate? Are we eliminating services that we're bet-

ter off without?

Programming: What past, present and new programs are we offering this year? Why are we offering these? What would happen if we dropped them? What problems do we foresee if we implement them? Are we prepared to solve them?

Sales: What's our game plan to increase membership? Will it work? Who else has used the plan? Will they share information concerning its strengths and weaknesses? What kind of club image does the plan create? Is this the image we want?

Retention: How many people will drop their membership this year? Why will they leave? What can we do to keep them from dropping?

Facility: What facility problems have we encountered in the past? Can we prevent these problems from happening again? If they do, are we prepared to solve them?

Staff: What level of

commitment does our staff have to the club's goals? If it's less than we'd like, why? What can we do to improve our commitment? Do we have the right people in the right place? Do our natural gifts match our position? What staff training programs are in place to help us succeed? How do we communicate with each other? Are we open and honest? Do we "gunny sack" our true feelings? Are there any "hot spots" that we should address now before the club gets busy? How can we help each other succeed?

Finance: What new revenue sources will we implement? How will we enhance existing revenue sources? Who else has tried these ideas? Do they work? What expense categories can we reduce or eliminate? What impact will this have on membership? On staff? Are we reinvesting in the club? Do our investments truly make a difference to our success? If we can't afford to reinvest, why? Should we increase membership dues to allow

the level of service and expansion to grow?

Personal: Are we personally prepared for the coming year? Do we have the right attitude toward the club, the members, each other? How can we avoid becoming fatigued and burnt out? How can we achieve more balance in the high demand club world? Do we like what we do? Why?

Which answers to the questions above make the most sense in helping our club succeed? Which answers will give us the greatest return for the resources we invest? Are our answers to these final three questions nearly one in the same?

They should be awfully darn close.

(Tom Cotner is the President of Employee Health Manage-



Tom Cotner

ment, Inc., a consulting firm specializing in worksite health and wellness. He is author of the book *Helping Members Succeed*. Contact Tom at: (605) 692-2071.)

...Midgley

continued from page 14

your club's reputation and future sales.

Sales is customer service, not a rivalry with potential customers to convince them to buy. I guarantee you that those of you who have been taught to sell with closing lines, limited time offers and clever scripts would have been better off being hired and told: "Take care of the customers and get them what they want." Plain, clean and simple "How can we help you?" and "This is what we will do for you." That's what people want to hear. Potential members know a salesperson being a salesperson and they know someone being straightforward, hardworking and concerned. With all the choices people have today, I feel a lot more confident with genuine and sincere sales people working in my club.

Genuine Sales requires only a few "principles" a salesperson needs to understand and be able to act on. First, you have to be genuine of character and have a strong sense of integrity. You are what you sell....do it with pride! You need to be one hundred percent engrossed in the prospect, not in the sale. You must act only in the prospect's best interest and do whatever it takes to get them the information they need to succeed (not just join). It's important to ask yourself, "where is my motivation coming from?" If you said MONEY, BUZZZZZ, wrong answer! If you don't sincerely care about every member in your club, every last one, and enjoy what you are doing, you'll never accomplish

what you have the potential to.

Second, you have to be empathetic. Understand everything that could be going through your customer's minds and be attentive to their real objectives and why they are important to them: their fears and uncertainties, their preconceived notions about clubs, what they think they have to do and how they feel about it. To do this you need to ask, listen carefully and actively.

Third, you have to help people reach their goals by offering realistic plans of action. It is very important to them to understand what they will be doing and why. They will look to you for help. It is also important to help them gain a sense of belonging. Once they join, effectively and responsibly integrate them into the club. You must follow through with your commitments, make the extra effort when your competition won't. By helping them beyond the transaction you gain their trust. Not until then are you worthy of their help in the form of referrals. Don't forget you need their help to succeed just as much as they need yours.

Fourth, as a great salesperson you need to be a team player and never above any job that needs to be done. You need to understand excellent customer service and be willing to provide it. You have to support and encourage the same type of performance from the rest of your club's team because no one can do it alone. Imagine how your members will feel about you if they see you mopping the

lockerroom floor or picking up trash in the parking lot. If you don't perform like this daily you are just going through the motions because it is your job. Your members will know that.

Last, we need to keep things simple. Unfortunately, simplicity seems to be difficult for many people. We crave systems, structure and control. In the process, we complicate things. Trust your instincts. Your members will know if you are thinking about them or if you're trying to remember what to say next. Any sales person can do incredible things if they keep it simple. The hard part is cutting through the garbage until you can see how simple and easy selling can be.

The list of things you need to do to succeed is a mile long, but if you follow these basic principles the rest will follow. Never forget there is a lot more to succeeding than just the numbers. So take the time, look at everything you've just read, read it again and think about it. Eventually you will realize that if you are always on the side of the customer you can never lose. I am reminded of the movie "Field of Dreams" when the famous line was spoken, "Build it and they will come." Remember this, "Sell genuinely, sincerely and responsibly and they will buy."

(Ben Midgley is the Sales & Marketing Manager for *Saco Sport & Fitness*, in Saco, Maine. Ben was honored as the 1995 IHRSA Salesperson of the Year and is a regular industry speaker.)

...Town Sports

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ended May 31, 1998, the company reported revenues of \$82.4 million, a 46% increase over the previous fiscal year. Adjusted EBITDA was \$20 million, 53% ahead of last year. Overall, the company reported net income of \$277,000 for the full fiscal year, as compared to a \$936,000 net loss last year.

Town Sports, a leading owner and operator of health clubs, increased the number of its open fitness clubs by six in the fourth quarter, to a current total of 49.

The company owns a total of 45 clubs and is responsible for managing four clubs. In addition, it had three new clubs under construction at the end of the quarter.

Commenting on the fiscal year just ended, Town Sports Chief Executive Officer, Mark Smith said, "We have just completed a year of pivotal growth for our business. The strength of our performance during the 1998 fiscal year has positioned the company well to take advantage of key strategic and financial opportunities in the future."

Mr. Smith noted that during the past fiscal year, Town Sports added 14 operating clubs to its network, increasing its club count from 35 on June 1, 1997 to a total of 49 on May 31, 1998. "This 40% growth rate is by far the most significant undertaken by the company during its history," he said.

"From an operational perspective, we have remained very

focused on executing well in the three key areas of our business: sales, service and retention of members," Mr. Smith continued. "We have carried over these efforts effectively into the new club acquisitions with the acquired membership base benefiting immediately from our operational expertise."

Commenting on the subject of club openings and acquisitions after May 31, Mr. Smith said, "It's been an active period. We have completed 13 club acquisitions, opened 2 greenfields that were under construction at the end of May and have a further 5 greenfield leases at the documentation stage which we will report on next quarter. That brings our total club count to 64."

He pointed out that in addition to its high level of new club activity, Town Sports has continued its ongoing process of club expansion and renovations.

During the past fiscal year, Town Sports completed an \$85 million senior note financing to repay an existing term loan, line of credit and subordinated note. Related fees and expenses were written off net of tax effect for \$700,000 as an extraordinary item.

New York-based Town Sports International is a leading owner and operator of fitness clubs in the Northeast and mid-Atlantic region of the U.S., and is the largest operator of such clubs in Manhattan. The company operates fitness centers in the New York, Boston and Washington, D.C. areas with an excess of 170,000 members.

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...Roger Ralph

continued from page 6

unique in the industry at that time, but is now common practice. Club staff then concentrated on providing consistently high quality service to the members to convince them to stay with the club. The strategy paid off. By 1986, the monthly dues the club received via electronic funds transfer covered all operating and debt service costs for the month. That meant that additional revenues from new member, pro shop or program sales could go directly toward reinvestment in club improvements and staff benefits.

3. Ability to Build a "Cadillac" on a "Chevy" Budget

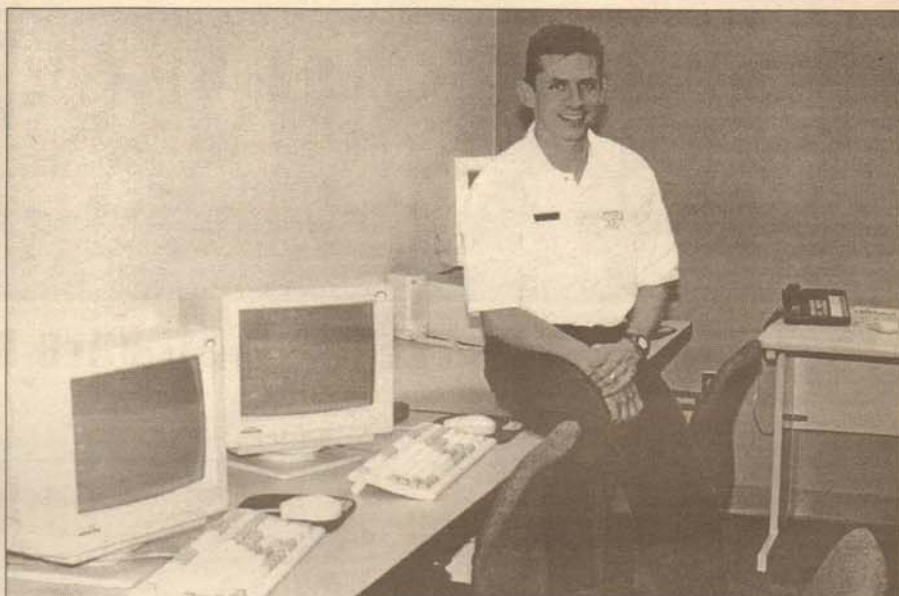
Another key to the club's financial success has been its ability to develop facilities in a cost-effective fashion. The original club was built in 1980 at a cost of \$30 per square-foot, at a time when the industry average was \$42. The 50,000 square-foot expansion, which opened in 1991, was built at a cost of \$50 per square-foot, while the industry average was approximately \$80 to \$100. Roger Ralph gives a lot of credit to industry leaders, Dale Dibble and Ed and Zoe Veasey of Cedardale for helping him learn to control construction costs. Roger comments, "Dale Dibble and the Veaseys were very helpful to us when we were traveling around the country looking at clubs 20 years ago. I remember vividly that they were very successful in controlling construction costs. We learned from them to always explore a range of alternatives before making final construction decisions. If you don't, the

natural momentum of your work to date on the project and your bias can make you blind to better and more cost effective options."

The Ralph's innovations in capital development and improvements were the result of their visiting Cedardale and dozens of other health clubs and related facilities, then applying the most creative and applicable lessons each had to offer. A good example was the club's construction of a swimming complex in 1985, consciously designed by Roger to be an indoor facility in cold weather months and an outdoor facility from June to September. The result was construction of one of the few pools in the region covered by an air structure. This commitment to "thinking beyond the box" was again reflected in the replacement of the club's original air structure in 1997. Despite resistance from the club's engineer, the air structure manufacturer and the club's long-time architect, under Roger and GM David Bradshaw's leadership, a 16,000 square-foot, trapezoidal-shape air structure covering its main pool, whirlpool, baby pool and teaching pool was designed.

4. A Contrarian Commitment to Build and Operate a Health Club that COULD Be All Things To All People.

"After we were in business for a few years," Roger recalls, "Many marketing experts were predicting failure because a core strategy for our business was to try to be 'all things to all people' and not be a health club with a limited niche." Roger was convinced that execution of this strategy would be the key to long-term success of the Bel Air Athletic Club.



David Bradshaw, GM Bel Air Athletic Club

letic Club. The actualization of this strategy — an infant nursery, after-school programs, spa services, computer training center, a separate women's gym within the club — has enabled the club to obtain a 10 percent market penetration.

The Ralphs believed that an "everything for everybody" approach would fail if the club and its staff were not able to create centers of excellence in its diverse activity areas.

Under Elaine's leadership, the Harford Dance Center was designed consciously as a dance center — not a multipurpose room. Elaine insisted that if the Bel Air Athletic Club was going to have the best dance program in the country, its space for this activity had to be first-rate and designed for dancers.

Elaine's organizational and creative skills have enabled the club to succeed from both a financial and programmatic standpoint. She supervised the hiring of top-notch dance instructors and a Dance Center director and helped create the first program of classes. The Dance Center operated in the black within its first year — a milestone practically unheard of for an artistic endeavor of its type. Today hundreds enjoy dance instruction at the Center.

5. Adoption of a Cooperation Rather Than Conflict Approach on the Battlefields of Fair Competition.

In January, 1994, Roger was praised in an editorial by the editor of *Fitness Management Magazine* for his insight into the issue of unfair competition in the fitness industry and his "visionary strategy.... for a cooperation-

based solution that aims to improve the quality of life in his whole community." Roger was at the forefront of urging the health club industry to: 1) Educate the public, elected officials and the business community about sophisticated fair-competition issues and 2) Find concrete ways for taxpayers business to work with potential competitive nonprofit and government organizations to make the best use of scarce resources. He was invited to address the U.S. House Committee on Small Business on this topic. Roger is currently working to assist in the development of a community center jointly operated by the YMCA, Boys and Girls Clubs and the Town of Havre de Grace.

It is the opinion of this writer that Roger Ralph is the foremost leader in the development of cooperative efforts between for-profit health clubs and competitive or potentially competitive non-profit organizations. Roger believes that IHRSA, the YMCA and national organizations representing hospitals, park districts and recreation departments must commence and sustain a dialogue that can create a framework for cooperation rather than conflict. "There is a need," he says, "to establish a set of principals and guidelines that are broadly accepted and truly helpful to elected officials and community leaders as they cope with a variety of fair competition issues. And these guidelines can only be developed if all parties work at finding common ground, appreciating the others' interest and work to develop relationships of trust. Absent this, ten years from now we will be no fur-

ther along than we are today. Board members of IHRSA and the National Board of the YMCA, in my judgment, must exercise the type of visionary leadership regarding the complex and emotional issue of fair competition that long-term is good for communities across the country. In short, the National Board of members of the YMCA and IHRSA's Board Members, along with senior staff, need to be talking formally and informally."

The Bel Air Athletic Club is clearly on the leading edge in America in terms of delivery of quality facilities, services and programs to its membership and community. The club truly is a model for the family-oriented clubs of the future and can be expected to continue to lead the way under the able direction of Roger and Elaine Ralph and their excellent team.

Next month in Part II we will cover: The Bel Air Athletic Club Statement of Philosophy, Goals and Objectives, Culture/Values/Incentives, Management Team, Future Plans, more on the club community involvement and an interview with Roger and Elaine Ralph and General Manager, David Bradshaw. Stay tuned!

(Norm Cates is a 25-year club industry veteran and the Publisher and Editor of *The Club Insider News*. Cates was a co-founder and the 1st President of IHRSA in 1980/81. This article contains verbatim quotes from information provided by the Ralphs from their Ernst Young/NASDAQ application, and we thank them for their sharing of the information used in preparation of this important two part series.)

Norm Cates' Club Insider

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...Norm's Notes

continued from page 5

document with the Securities Exchange Commission and will go public in the near future. TSI management is not at liberty to discuss the filing but I am sure that when they are, they will give us an update. Stay tuned!

•Congratulations to **KENT MITCHELL** and his **FITNESS FOR HER** team in La Jolla, California as they were recently honored by Health Magazine with a national distinction as one of **1998's Fitness Solutions for Women**. We'll have more next month.

•Don's miss the **CLUB INDUSTRY** Conference and Trade Show in Chicago, October 14-17th and the **IHRSA/Athletic Business Sales, Marketing and Programming Conference and Trade Show** in Orlando, Florida, December 2-5th. **PAT WILLIAMS**, the General Manager and Chief Operating Officer of the **Orlando Magic** will be the keynote speaker.

•ACE has created a neat poster illustrating the most common workout mistakes that we reported on last month. Contact **RACHAEL NARSH** at ACE for information: (619) 535-8227, ext.703.

•California Clubs of Distinction, Executive Director, **LIN CONRAD**, tells me that the Association now has 160 member clubs. Also, the CCD newsletter had some great news that the California **CONSUMER PROTECTION BILL AB2618** had been voted down. AB 2618 would have:

1) Prohibited pre-selling of memberships before a club was fully operational. 2) Allowed members to cancel a membership contract for any reason with just 30 days written notice and a prorated refund. 3) Prohibited cancellation fees. 4) Every membership contract must contain a statement that the club operator is required to give members 90 days written notice of planned closure of the club as well as a prorated refund upon closure.

•In case you need the **NFTA** Phone Number, you can reach **PAT PINE** there at: (303) 399-4545.

•**UNIVERSAL GYM EQUIPMENT** filed for Chapter 11 a while ago. Now the case has been converted to a Chapter 7. We contacted **ADRIAN GONZALES**, the

Trustee for the Southern District Court of Florida, to find out the status of the case. He told me that there would be no liquidation sale because the Corporation's \$6 million in assets all were secured by creditors.

•Word is that **Fitness Holdings, Inc. d/b/a 24 Hour Fitness** will file their S-1. We will keep you updated.

•And speaking of public companies, isn't it interesting to watch the **Bally Total Fitness** stock? Last month at this time the stock was trading at around 35. Since then the stock tumbled

down to around 22. I contacted an industry expert to ask for his ideas about why the stock had dropped so much and his comment was, "Most likely it is attributed to the analysts' dissatisfaction with the company's performance and is probably tied into the overall decline in the market in the recent past." **LEE HILLMAN**, Bally President and CEO has released the latest quarterly financial results and that information appears in this issue.

•**DON WANAT**, formerly CEO, has left **StairMaster**. Don and I swapped phone calls over the past two weeks, but

haven't connected yet. I'll have an update once we've been able to talk. The affable Wanat has been the leader of **StairMaster** for the last three and a half years as they have gone through a lot of changes.

•**RICK CARO**, the President of New York-based **Management Vision**, has been appointed by New York City Mayor **RUDOLPH GIULIANI** to serve on the **Board of the New York Sports Commission**. Among the challenges Caro and the other Commission members will be facing include a bid for the **Olympic Games** for 2012 and the

development and construction of four new sports stadiums.

•**WERNER DIERCKS** heads up an Atlanta company called **AmeriVap** that sells systems that clean showers, locker room tiles, etc. - without chemicals! Looks like a great product to check into. For information, call Werner at: (800) 763-7687.

•**NANCY GRAHAM** has been named as the **Aquatics Director** at the **Bel Air Athletic Club**. She will have five great pools to work with and we wish her well!

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PACE: Great Workout For Unfit, Fit and Ultrafit

By Rande LaDue

In the past I have repeatedly told **CLUB INSIDER** readers that the PACE Group Exercise Program™ may be done by anyone at any fitness level and can be a source of new revenue, especially as a seniors or weight loss program. However, I have failed to properly emphasize the fact that PACE is also an excellent program for your existing or potential fit or ultra-fit

members.

For example, at the recent IDEA World Fitness Convention in Orlando, Florida, we had several hundred aerobic professionals from around the world line up to take PACE classes led by our Master Trainer, Kevin Cavaretta. They received a free PACE T-shirt for surviving the class and there were hundreds of T-shirts being worn proudly throughout the convention. As one PACE participant said, "I earned it. I want people to know it!"

One of Pro*Fit Enterprises newest PACE Sales Reps, Bruce Cline, from Gold's Gym in Orange Park, Florida, took a PACE class and admitted it was one of the hardest of his life! "The beauty of PACE," Cline said, "is that with its accommodating resistance, I will be able to train several people of different fitness levels in the same class. I can kick the butts of the fit members and the out-of-shape members will get a workout that matches their efforts." "We will be using PACE

as our Group Personal Training; offering members a discount and servicing several people at the same time. I now know first-hand the camaraderie and motivation you can get from a PACE class."

During his PACE classes, Kevin Cavaretta was offering anyone who could break a PACE machine cylinder \$50; there were no takers. (Actually in the 7 years we have been selling PACE, we have seen only one "blown" cylinder done by a former Dallas Cowboy football player whose

name we cannot mention without paying him lots of money. Let's just say that he was very tall.)

PACE is definitely not just for beginners, kids, seniors or the deconditioned. If you want to offer your fit members one of the best workouts they ever had, consider PACE. For more information or a free PACE video, call Pro*Fit Enterprises at 888-604-2244. Pro*Fit has been recognized by the American Council on Exercise as a Continuing Education Specialist.

Rande LaDue Announces New Pro*Fit Sales Reps

Trabuco Canyon, California- Rande LaDue, President of Pro*Fit Enterprises, National Distributor of The PACE

Group Exercise Program™, has announced the addition of new sales reps for the following territories:

Kevin Cavaretta, in ad-

dition to his duties as PACE Master Trainer and trade show celebrity, will be covering the states of Louisiana, Mississippi and Alabama as the exclusive PACE Sales

Rep. Kevin is excited that he can now assist his customers in PACE planning and implementation as well as PACE Training. Kevin has been teaching PACE classes at Franco's Athletic Club in Mandeville, LA. for almost five years. His 5:30 am PACE class has nicknamed themselves "The Dogs," to illustrate the fun and good humor of the group which contains some people that are in their 70's.

Bruce Cline from Gold's Gym in Orange Park, Florida has accepted the position of PACE Sales Rep for that state as well as using his club as a PACE Showcase Facility. Bruce hails from Pennsylvania where he managed several Gold's facilities and was introduced to PACE for the first time. Bruce encouraged the owners of his new club in Florida to put in PACE, not only for the large senior population, but for the existing members, since he knows firsthand that a PACE workout can be as hard or as easy as the user wants. He admits that his PACE workout at the recent IDEA World Fitness Convention in Orlando was one of the hardest in his life.

Greg Sims and Jeff Borden of Interactive Fitness Systems in Raleigh, North Carolina, have been appointed PACE Sales Reps for North Carolina, South Carolina and Georgia. Both Greg and Jeff are well known in the aerobic industry and have been teaching Master Classes for several years. They are excited to add PACE to existing programs of safe, effective exercise.

Cathy Getchell of Sunnyside Retirement Community in Harrisonburg, Virginia, has been appointed the PACE Sales Rep for Virginia. Cathy has been using PACE for several years with her senior clients and is well qualified to assist other senior centers, health clubs, community centers, etc. in setting up their own PACE Group Exercise Program™.

PACE is a registered trademark of Henley Healthcare and is used by permission from Henley Healthcare. Pro*Fit Enterprises has been recognized by the American Council on Exercise as a Continuing Education Specialist. Rande LaDue may be reached at Pro*Fit : 1-888-604-2244.

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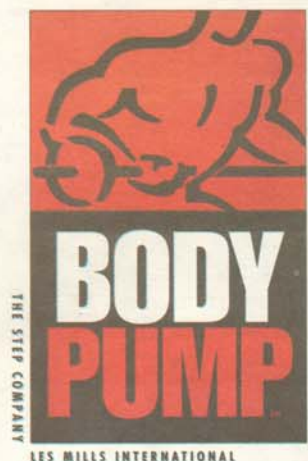
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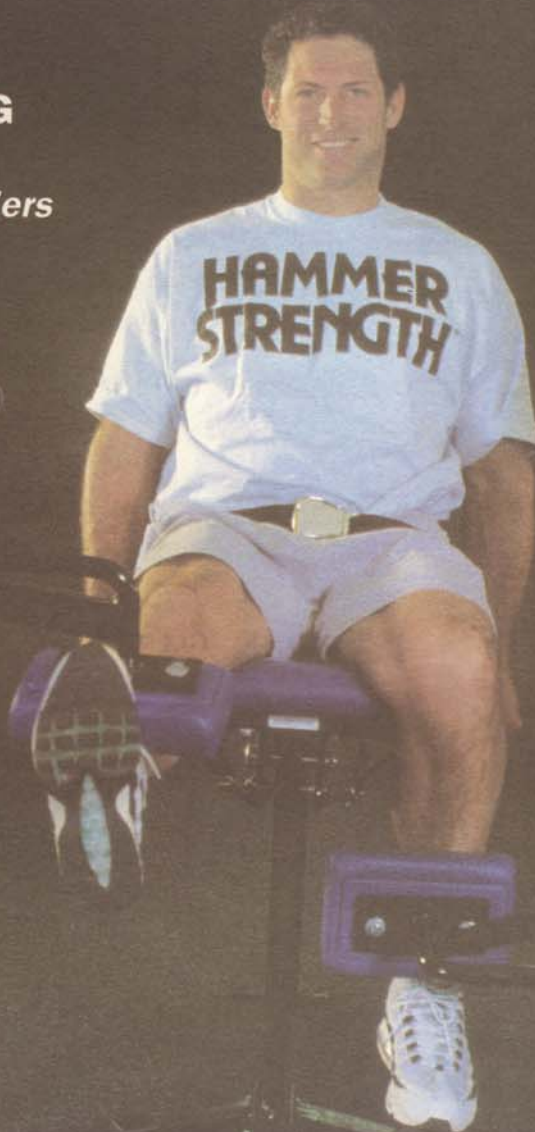
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