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NEWS

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The Pulse of the Health, Racquet & Sports Club Business



Bally Total Fitness Acquires The Sports Clubs Of Canada



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NEWS

The Pulse of the Health, Racquet & Sports Club Business

Bally Total Fitness Acquires The Sports Clubs Of Canada

By Norm Cates, Jr.

The stockholders of The Sports Clubs of Canada (SCC), a Toronto-based 10-club chain of upscale fitness centers, sold controlling interest in the company to Bally Total Fitness on July 22nd. The Sports Clubs of Canada had become, after 25 years of business, one of the top club organizations in North America and maybe the

world. Michael Levy, CEO and President, and Jay Kell, Executive Vice-President and Chief Operating Officer of The Sports Clubs of Canada, are remaining with the organization in an arrangement that might best be characterized as a partnership with Bally Total Fitness. They will continue to manage and operate the 10 SCC locations and 3 Toronto-area Bally Total Fitness facilities under terms of the agreement.

This acquisition marks

one of the most remarkable transactions in the recent history of the club industry. The significance of the union of these two organizations was well summarized by comments made by John McCarthy, Executive Director of IHRSA (The International Health, Racquet and Sportsclub Association) who said, "I think it is probably the most significant transaction in the industry in the past five years. Everybody in the industry has enormous respect for Michael

Levy and Jay Kell of The Sports Clubs of Canada. It says volumes that Michael and Jay have gone into a relationship such as this one with Bally Total Fitness. It is a sign of the whole industry coming together."

BALLY TOTAL FITNESS GROW- ING WITH EXCELLENCE

Bally Total Fitness,

the world's largest health club chain, has been making remarkable improvements and gains since Lee Hillman took the helm as CEO and President in October, 1996. When Hillman stepped into the role of leadership of the company, he established and enforced a new standard of behavior for all Bally Total Fitness employees. He went forward with a strong-willed resolve to change the culture of the organization from top-to-bottom. Few (See *BallyTotal Fitness* page 4)

Universal Gym Equipment Company Is Resurrected!

By Norm Cates, Jr.

If you are a club owner that has Universal Gym strength or cardiovascular equipment, you probably will be happy to learn that the strength division of the company has been restarted and that another company has acquired the parts necessary for repair of the cardiovascular machines and is now marketing them!

About three years ago Universal Gym Equipment filed for Chapter 7 Bankruptcy and was ultimately sold at auction through the bankruptcy process. The assets of

both the strength and cardiovascular departments of Universal Gym Equipment, Inc. were acquired by the Flexible Flyer Corporation, a company based in West Point, Mississippi. The Flexible Flyer Corporation manufactures trampolines, swing sets, go-carts and mail boxes, to name a few of their products.

The Flexible Flyer Corporation subsequently sold the assets of Universal Gym Equipment to two different parties.

The strength equipment component was sold to Steve Sadler, his brothers and a group of local investors in Cedar Rapids, Iowa. The parts for Univer-

sal cardiovascular equipment was sold to Pro Fitness Sales and Service, a Lantana, Florida-based company.

We contacted Steve Sadler in Cedar Rapids, Iowa to learn what we could about the resurrected Universal Gym Equipment Company. Sadler, after a 20-year career in Cedar Rapids in the machine shop, metal finishing, welding and fabricating business and a truck parts distribution company, had semi-retired 3 years ago and began teaching religion in a local high school in Cedar Rapids. But, he has now come out of that role to work with the resurrection of the Cedar Rapids.

Sadler had been familiar with the company because Univer-

sal had been located in Cedar Rapids for years prior to being moved to Florida by the new owners in the early 1990s.

Sadler's background had been primarily in distribution and customer delivery. Sadler commented, "That's why our emphasis has been in getting customer service back up and trying to handle parts and service right now. I'm learning a lot about the business as we go along. I had grown up using Universal equipment and I used to work out at George Nissen's facility which had Universal equipment. I recently talked with Harold Zinken, the original founder of Universal in 1957. He has a lot

of pride in what he had created and was very happy to hear that we had restarted the company. Harold told me that he has just published a new book entitled: 'Remembering Muscle Beach.' I just ordered it over at Barnes and Noble."

At one time Universal Fitness Equipment, Inc. employed 300 people in Cedar Rapids. And, it was some of those former employees that had informed Sadler about the fact the Universal had gone bankrupt. Sadler commented that almost to a person, every former Universal employee he has spoken to had reflected back on their days at Universal (before it was bought and moved to Florida) as being the most enjoyable job (See *Universal* page 14)

Inside The Insider

- 35 Cost Saving Ideas
- Knowing Your Customers: The Key
- Three Ways To Weaken Your Workouts
- Defining Fitness Therapy
- StairMaster Appoints Rene Jaggi Chairman
- Working Missed Guest Leads Correctly

NEWS ON THE EDGE

•Q CLUBS MERGER WITH 24 HOUR FITNESS DEAL INKED

•GOLD'S GYM ENTERPRISES DEAL CLOSE TO COMPLETION (See Norm's Notes For More)

...Bally Total Fitness

continued from page 3

gave Hillman a ghost of a chance of succeeding with the monumental challenges facing him in the 14,000-employee company. However, the man displayed an iron will to accomplish his objectives for the company and is now proving for all to see that even a huge organization such as Bally Total Fitness can be changed. There are two keys in the view of this writer to Hillman's success to date: (1) Lee Hillman, a CPA, is a man of his word, and, (2) Upon arrival, Hillman provided all staff levels at Bally with a very clear understanding of the new ethical and other standards he would require. True to his word and his commitment to the company, Hillman has aggressively enforced those standards through termination of employment of those who failed to comply with the new direction of the company. In addition to the new company ethical and operational standards at BTF, the initiatives Hillman launched include a massive club remodeling and re-equipping program, the implementation of a variety of new retailing and service programs and an aggressive new club building and club acquisition program.

Hillman's Initiatives Paying Off!

Lee Hillman's initiatives are paying off now as Bally Total Fitness has just reported significant Second Quarter financial results, highlighted by a 82% increase in operating income. And, Wall Street

seems to like what Hillman and his Executive Management Team have been doing as the Bally Total Fitness stock reached 30 1/4 on August 10th. The current stock price marks an amazing turnaround since Hillman took over with the stock at around \$4 per share just prior to his assuming his position of CEO and President

The Sports Clubs of Canada - A Benchmark Acquisition!

The sale of the Sports Clubs of Canada (SCC) by the ownership group of Michael Levy, Jay Kell, Michael Goldstein and Louis Silverstein is one of the most significant transactions in the history of the health, racquet and sportsclub business for several reasons: (1) It further positions Bally Total Fitness in the high-end segment of the business following the acquisition of the high-quality Pinnacle Athletic Club group in Northern California. (2) It is another significant step forward for Bally Total Fitness to enhance the profitability of the publicly held company, as The Sports Clubs of Canada have been profitable since 1981. (3) The new relationship with the talented duo of Michael Levy and Jay Kell will give Bally Total Fitness a significant resource to draw upon as Bally moves into the upscale segment of the industry.

Lee Hillman commented on the acquisition, "We are delighted to have Michael and Jay join us to help manage and grow our business in Canada. They are the kind of people we believe will make a tremendous contribution to our operations."

The Sports Clubs of Canada - A Special Finely Tuned Club Culture

A review of the well conceived and written SCC document called: "The Sports Clubs of Canada-The Right Fit" provides ample information about the corporate culture that Levy and Kell have so carefully crafted. Here are some excerpts from that 12-page document.

It begins with: "The Sports Clubs of Canada, as determined by consistent profitability and membership renewal, is the leading health and fitness organization in Canada and one of the leaders in this industry in North America. SCC's near-term plans are to build on this position to become the dominant health and fitness organization in its Toronto home market. In the long run, it is the Company's intention to first lead and eventually dominate the North American health and fitness club industry."

It continues, "Words are cheap. SCC measures its actions in results. In an industry known for instability, failure and high turnover, SCC has a 25-year track record of growth and success, with consistent profits every year since 1981. Throughout its history, it has never missed an obligation. It has 23,000 members in 10 Toronto clubs, with a renewal rate of approximately 65% over the last five years. The Company has a solid financial foundation, with positive cash flow and only modest amounts of debt financing for a company of this size and in this industry."

The SCC "The Right Fit" document places great emphasis on the importance of the club environment for the happiness of the members. An example of one phrase communicating this philosophy is: "We believe in keeping the clubs clean, well maintained, safe and attractive at all times. We pay an enormous amount of attention to detail. We know that doing all the little things right shows members that we really care."

"But all of the effort to keep equipment in repair and the facilities clean merely supports the creation of an atmosphere where the club members can look good, feel good and have fun. This, in fact, is taken as SCC's principal marketing mes-

sage as: look good, feel good, have fun."

"SCC's employees are friendly, attentive and supportive, for they have been taught that this is important to both the club members and to their own compensation. The club membership creed says, in part: "Our members are the most important people in our club. Our members are not dependent on us. We are dependent on them."

"The company philosophy is "If you pay peanuts, all you get is monkeys." SCC believes in finding good people, giving them the freedom to operate, then giving them a portion of what they produce in the form of profit-sharing."

A Conversation With Michael Levy and Jay Kell

We spoke with Michael Levy and Jay Kell and learned their feelings about the transaction. First, Michael Levy stated, "I must tell you, I am very impressed, extraordinarily impressed, with these people." (Lee Hillman, Bill Fanelli and John Dwyer, Bally CEO and President, Director of Operations and Controller, respectively). In fact, Norm, your article on "Bally Total Fitness Then and Now" was one of the reasons that we sat down to talk with them. We wouldn't have done it without that article. You know, until you meet Lee and Bill and John and Cary Gaan, David Smith, Mike Dolski, Dave Southern and a whole bunch of other people, you don't realize how different the organization is. During our negotiations I visited the Bally headquarters many times and Jay and I were very impressed."

Levy added, "We were approached by two or three different firms. What we took a look at was why would The Sports Clubs of Canada want to link up with anybody else? I think that is probably one of the major issues any founding group ever faces. Do we want to give up the ownership to be part of something bigger or do we want to be something small and unique? We made the decision for a number of reasons. I think primary was that after 25 years we had taken The Sports Clubs of Canada almost as far as it could go on our own. Particularly in Canada, accessibility to capital in this country is almost impossible for small privately-

owned companies. When you reach 50 you get to a point where you have a different attitude than when you are 30. Secondly, we looked at the growth curve for our team members and we said there is a bottleneck now. With 10 or maybe 11 clubs, that is about as big as we might get. Jay is still relatively young. I am not quite as young as Jay. Neither one of us is looking forward to leaving. That was a very important issue for us. The third thing was to join forces with a group to which we could bring something to the table. This was as important as the fact they could bring something to the table. Those were primary considerations."

Levy indicated that they are currently negotiating for three new Sports Clubs of Canada. The current SCC clubs range in size from 30,000 square feet up to 50,000. Levy indicated that the SCC revenue for 1998 was \$20 million and that they were targeting \$24 million for 1999.

Prior to Jay Kell's arrival at the interview, Levy shared his thoughts and feelings about his operational partner, Jay Kell. "Jay joined us in 1981 as General Manager of our then four-club group and became an equal partner in 1983. Jay has been, if not the key ingredient, certainly as close to it as you could ever get for the operational success of our business. I think Jay is the finest club operator in the business. Jay would always say he doesn't mind sharing our systems because it is one thing to have it on paper. It is another thing to implement it."

We discussed the length (8) months and tone of the negotiations with Hillman and Bally and Levy commented, "The thing that was satisfying about the entire process was that the original agreement that Lee, Bill and John Dwyer made with Jay and me is the deal that we ended up doing. They are real gentlemen. They never changed anything. They never went back on their word. Their word was their bond. One of the reasons that we decided to do this business with them is that we had complete and total trust that these were good business people."

While discussing the cultural changes that Hillman has made in Bally, Levy said, "There is nothing worse than having to let go of people that have been loyal to an organization for a long time; but, on the other hand, if the di- (See *Bally Total Fitness* page 13)

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THE Club Insider
NEWS

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PUBLISHER AND EDITOR: Norm Cates, Jr.
COMPUTER LAYOUT DIRECTOR: Cathy Brown
COMPUTER OPERATIONS DIRECTOR: Justin Cates
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Box 681241, Marietta, GA 30068-0021 • (770) 850-8506
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• NORM'S NOTES •

Spoke to RICH MINZER of Gold's Gym Enterprises, Inc. and he informs me that the owners of the company announced at the recent Gold's Gym Convention that they had entered into a letter of agreement to sell the company to parties to be disclosed. What he would not or could not tell me and that I learned elsewhere is that the Washington, D.C. based operator of 10 or 11 Gold's Gyms, KIRK GALIANO, is one of the key people that will be involved in this big deal. I've also learned that the deal might happen before the end of August. Once again, STAY TUNED as we'll bring the story to you as soon after it happens as possible.

Seems like more has happened in the last six years since I've been publishing The CLUB INSIDER News than happened in the entire 15 years before that! For example, another deal that has been unofficially announced to his employees by FRANK LEONESIO, President of the Q Clubs, is that he is merging the company with 24 Hour Fitness. However, neither Frank or officials at 24 Hour Fitness will comment at this time. At the risk of sounding like a broken record, STAY TUNED for the details when they become available. Man! Talk about MERGER MANIA!

I had the pleasure to speak with HAROLD ZINKIN, the gentleman that founded Universal Gym Equipment Company in 1957. One of the real pioneers of the industry along with RAY WILSON, BILL HUBNER, BOB DELMONTEQUE, BILL PEARL and others, Harold has published a really interesting book entitled: "Remembering Muscle Beach" which recounts with numerous photos the early days of body building and the beginning of the gym business. Great story! To acquire the book contact the Angel City Press in Santa Monica, CA. (310) 395-9982 or a book store like Barnes & Noble. It is great to see that Universal Gym Equipment Company is being resurrected by STEVE SADLER in Cedar Rapids, Iowa. Check out the story about Universal on page #3 of this issue for details on Universal strength equipment and how to order new parts for Universal Cardio Equipment.

Congratulations to DICK CHURCH, long-time club owner/operator in the Boston area on his sale of his Boston Racquet Club to FITCORP.

CONGRATULATIONS to GORDON JOHNSON, owner of the Douglasville and Marietta, Ga. Gold's Gyms as he was recently honored at the Gold's Gyms National

Convention by his selection as the winner of the "Mr. G" Award. The "Mr. G." Award is given in Memory each year of MR. GRIMKOWSKI, the father of PETE and PAUL GRIMKOWSKI. Also, congratulations to J.D. HOLMES, the owner of the Fayette County, GA. Gold's Gym, as he was honored at the Convention as the Conversion Gym of the Year for his work with the conversion of his well-established Club Peachtree in Peachtree City, Ga. and his second club, Workout Xpress in Fayette County. Over 400 Gold's Gyms were represented by over 1,000 attendees at the Gold's Gym Annual Convention held recently in Las Vegas.

Don't forget to make plans to attend THE CLUB INDUSTRY Conference and Trade Show in Chicago, October 13th-16th. Club Industry is one of the best Conferences and Trades Shows in the industry each year. To register to attend, call: (800) 927-5007. The primary hotels are the Hilton Palmer House (800)HILTONS and the Hyatt Regency McCormack Place (800)233-1234 and the Essex Inn On Grant Park (800) 621-6909. If you wish to Exhibit at the Trade Show, call SAM POSA at: (800) 525-9154. While attending the Club Industry Trade Show, be sure to visit our terrific CLUB INSIDER News sponsors and advertisers whose names and exhibit booth numbers are shown on this page. They are some of the finest folks in the business and they welcome you to come by to see their equipment, products and services. Because of the size of this show, it is always a good idea to call our advertisers in advance to set a time convenient for you for demonstrations of the equipment and services. Please SUPPORT OUR ADVERTISERS because if it were not for

them we would not be able to bring you a terrific publication like The CLUB INSIDER News!

And, I'd be remiss if I didn't remind you to make plans to attend IHRSA'S CLUB CONFERENCE AND TRADE SHOW in Orlando, Florida, December 1st-4th. Call (800) 228-4772 to join IHRSA and to register for the Orlando gathering.

MICAEL ROJAS, owner of Iron Grip Barbell Company, has named ELIZABETH BIANCHI as the Marketing Director and JENNIFER PARAS as the Marketing Manager for the Costa Mesa, CA.-based company. Congratulations ladies!

VOICES I continue to hear tell me that trade show and club business associations should take HEED NOW about their future, as "TIMES-THEYAREACHANGIN." Specifically, the voices I am hearing from are casting signals of concern about the future that possibly could be in store for anyone that depends heavily on trade shows for a significant portion of their operating revenues. I cite the following 'OBITUARY' published in the 'Sporting Goods Intelligence' newsletter. "NSGA Chicago Show: Following a long illness, the NSGA Chicago Show succumbed at the age of 69. The show was born at the LaSalle Hotel in 1930 and attracted 130 attendees. By the late 1970s, the show had become a powerhouse. Despite some horrendous February weather, the show spilled over the old McCormick Place at times. By the mid-1980s, the NSGA (National Sporting Goods Association) realized it couldn't continue to mix the February time slot and Chicago. Rather than stay with the February time slot and move south, it chose to stay in Chicago and move the show to warmer months. That opened the door for The Super Show to compete head-on for the February business and it has been no contest since

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The Atlanta Show opened. The Chicago Show is survived by Total Sports, which will move to Las Vegas in June under MILLER FREEMAN."

LATE BREAKING STORY. See page #16 for complete coverage. Looks like StairMaster has a new Chairman of the Board, a gentleman whose background resembles that of none other than a POWERHOUSE. His name is RENE C. JAGGI and he will replace JOHN RUTLEDGE as Chairman of StairMaster. STAY TUNED!

ROGER and ELAINE RALPH, owners of the 106,000 square-foot Bel Air Athletic Club in Bel Air, MD. have hired SUSAN SELCKMAN as the Assistant General Manager and SCOTT SIMMONS and MARK BONITATIBUS as Aquatic Director and Assistant Aquatic Director respectively.

LEE HANEY, 8-time Mr. Olympia has been appointed as Chair of the President's Council Of Physical Fitness and Sports.

JOHN GIBBONS has been appointed Chief Executive Officer of the Sports Club Company, succeeding MICHAEL TALLA, who will continue as Chairman.

RAY BALADAD, General Manager of The Bannockburn Club, announced the appointment of ART SIFUENTES, as the General Manager of TSI's new AthletCo Sports Medicine and Physical Therapy Center at the Bannockburn Club.

Congratulations to MINDY MYLREA, of Santa Cruz, California, who has been named the IDEA Fitness Instructor of the Year and JULIE McNENEY has been named the IDEA Program Director of the Year. Both were honored at the recent 1999 IDEA World Fitness IDEA convention held in Las Vegas, July 25-30th.

KERRY GIVENS has been named by CSI as General Manager of the Year, DEBRAREGAN received the CSI President's Award, SUSANNE CYPERT was named Rookie General Manager of the Year, STUARD GODFREY was named Controller of the Year and DONNA WRIGHT was named Sales Director of the Year as Club Sports International recognized the top leaders and performers from its 5,000 employees across the country.

JILL STEVENS KINNEY and her husband JOHN KINNEY, the owners of CLUB ONE in San Francisco, continue their acquisition tear. This time they have acquired the Frog's club chain in San Diego, a Gold's Gym and another location in California that I failed to learn about at press time. Best of luck Jill and John!

Bally Total Fitness continues to engage in excellent strategic alliances. The just recently announced an agreement with giant Proctor and Gamble for personal care products and a deal with the National Football League to make the Bally Total Fitness clubs nationwide the destination fitness center for all current and former NFL football players. And, the beat goes on.

I'll be at Booth #174 at Club Industry. Please come by and visit!

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35 Cost Saving Techniques To Increase Your Club's Bottom Line

By Rick Caro

A while ago, Management Vision, Inc. conducted a study representing over 300 clubs on how operators were finding cost savings. In addition, other industries were teaching us where they have been successful in expense management. It is still obvious that a \$1 savings in expenses increases the bottom line profits by \$1. However, increasing revenue by \$1 often means less than \$.40 falling to the bottom line, as there are associated expenses related to that revenue increase (marketing costs,

sales commissions/bonuses, printing/postage costs, etc.).

The difficulty in achieving cost savings is that it:

1) is less fun and less interesting than focusing on revenues, 2) needs a team of staff to achieve, 3) needs appropriate incentives, 4) requires goals and regular monitoring and, 5) needs the attention of the whole hierarchy of the club (owners, general manager, department heads).

Since the recession many years ago, clubs got a wake-up call that revenues would not be as predictable as before. The attention shifted to the expense side. Then, as the recession

lessened and clubs became optimistic about revenue growth, the focus on the expense side ebbed. Certain expense categories grew and started to slip out of the detailed control of several years ago. Now, clubs are reevaluating their bottom line, finding the dollar amount or percentage of growth unsatisfactory. They are paying more attention to controlling expenses than they did previously.

SALARIES AND BENEFITS

This area continues to be one of the biggest expense categories under management control. No club owner is intentionally trying to reduce the level of service to the member, so the attention is on how to maintain or increase service while being more efficient and cost productive.

1. Hiring. Clubs are re-examining their hiring process - screening, multiple interviewing and reference checks - as they realize the cost of a "bad hire." The time and costs involved for an unsatisfactory employee include hiring and training, employee reviews and warnings, additional coaching, the negative effect on co-workers and the need to start over after termination.

2. Training. There is a renewed effort to create better packaged and better organized training programs, rather than just on-the-job training and testing employees along the way.

3. Employment Policies. Trends show clubs are putting together proper employee handbooks with the help of a lawyer. This generally includes hiring employees at will so there are no employee termination rights. This is important since few clubs can afford employee practices insurance.

4. Restructuring. More clubs are not automatically replacing staff when they leave; instead, they shift around the duties to other key staff (at a lower total cost) and simultaneously create a promotion for the remaining staff.

5. Employment Law Compliance. Also, clubs are learning to avoid very expensive Federal and State penalties and interest for their lack of conformance to statutory wage and hour

laws. Now, audits and violations of such labor laws are less frequent, but they still may be triggered by dissatisfied former employees.

6. Overtime Pay. Clubs are reorganizing to eliminate the need for unnecessary overtime pay. They use more part-timers to avoid such occurrences and have them "on-call."

7. Hiring Trends. Other hiring trends include the increased employment of 50+ aged workers and university intern programs. Clubs continue to re-examine their staffing patterns and reorganize wherever appropriate, especially after a department head leaves.

8. Incentive Pay Creativity. Clubs continue to create more incentive-based pay, directly tied to performance, so salaries are more variable than fixed. This is true for more than just the sales staff, as many employees are receiving their compensation based on verifiable and controllable results. There are fewer base salary increases (less than 3% per year), so these staff are motivated to achieve goals to receive the additional compensation. Often, staff have their incentives tied to both their departmental goals and the club overall. The range of incentives are not just monetary. They include new titles, new opportunities and responsibilities along with recognition, paying for related education, extra vacation days, prizes, club employee discounts, pension plan, free parking and recognition in the local community (local newspaper, events, etc.).

9. Benefits Restructuring. Benefits are being reviewed, so clubs are looking at reducing their share of health care costs (increasing deductibles, shifting toward HMOs, increasing the percentage paid by the employee, changing the definitions of eligibility, etc.)

10. Unemployment Insurance. Clubs are also looking at contesting unemployment situations, where the employee was fired for cause, to keep their Federal and State unemployment insurance levels down.

11. Disability Insurance. They shop their disability insurance programs as they are very competitive right now.



Rick Caro

12. Workers' Compensation Insurance. They are also reviewing their Workers' Compensation Insurance to ensure that their employees are being rated in the right classifications for that state.

PURCHASING

Clubs are realizing that there is a real weakness in the purchasing function, as some employees lack expertise, too many staff are involved and there is little accountability.

13. Shorter Lead Times. More clubs are using vendors with shorter lead times, as the timing element is becoming more critical.

14. Purchasing Cards. Some have gone to a local wholesale warehouse and obtained a corporate procurement card (purchasing card) which is only available to a small set of club employees.

15. Purchase Order System. In other cases, a real purchase order system is in place where an approval signature is not automatic.

16. Increased Bartering. Bartering is still an effective method of purchasing, with a proper paper trail documenting each transaction.

17. Preferred Pricing. Some clubs have cleverly negotiated a year-long agreement commitment to one vendor (e.g. towel manufacturer) for a minimum number of items to be purchased over the course of the year-but at a fixed price during that term with no price increases permitted.

(See Rick Caro page 14)

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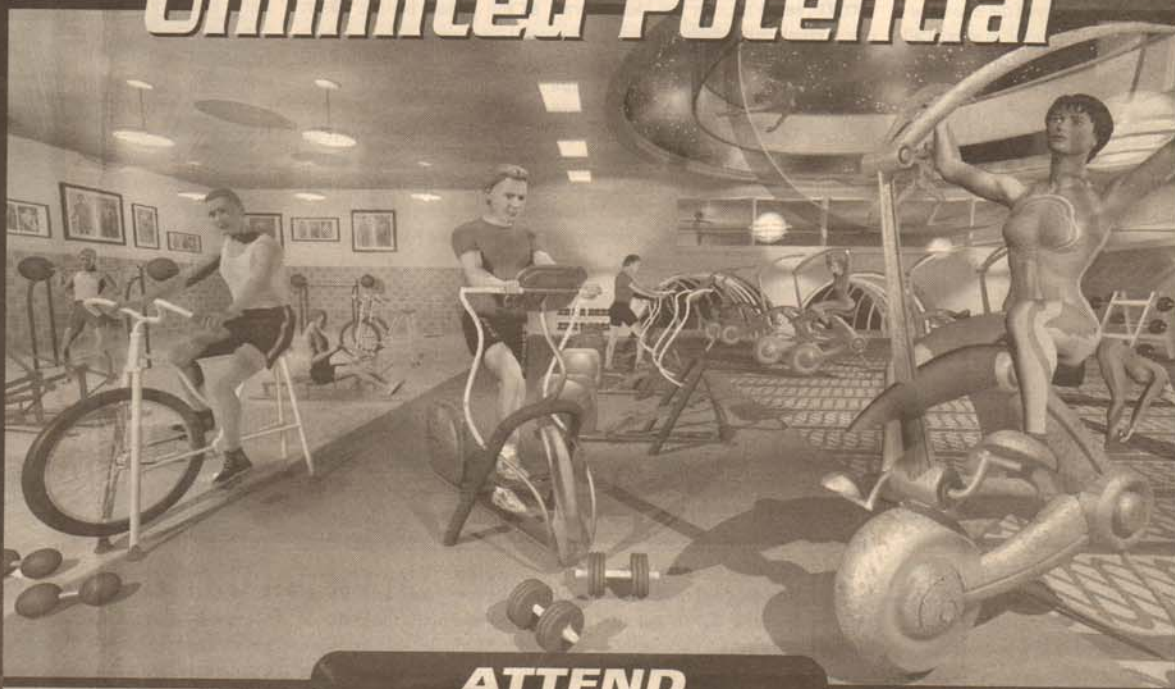
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Knowing Your Customers. The Key To Products, Services, Promotions And Organizations That Work

By: Dr. Gerry Faust

The day of the mass market is more or less gone in almost all industries. If there is a driving force in today's markets it is that people know what they want and they are looking for it. They are even willing to pay more to get products and services that are designed just for them. The key to understanding customers is to realize that they are divided into markets. Markets are groups of people (or businesses) that share similar needs but also have needs that are different from other groups. The key to understanding markets is to understand what they want, what they need, what they value and how they are different from other groups, so you can give them something special—just for them.

Markets can be defined on multiple dimensions. For example, different age groups can be different markets. Baby Boomers (age 35-53 today) are different from the Echo Boomers (aged 3-25 who are the children of the baby boomers). They want, need and spend their money on different things. But, you can cut across these differences in age to

identify markets, such as the health conscious, the price-driven buyer, outdoor enthusiasts, ethnic groups, those with incomes above \$50,000, etc. Whenever you identify a group with distinct needs and different buying logics you have different markets and the opportunity to create more efficient, focused marketing efforts and special products and services that will attract and provide added value to those markets.

Some markets are more valuable than others are. Obviously, markets that contain people/companies likely to spend more with your organization may be more valuable to you.

Dominos Pizza identified a number of national trends. For example, several years ago they realized time is becoming a more precious commodity than money to many people. People are often too busy to cook but would often rather have hot food at home than to go through the trouble of going out to get it. Pizza is growing in popularity, especially for young people. Dominos created a product and service to meet these needs and then identified locations where

people with these needs were concentrated (college campuses and military bases) and a multi-billion dollar business developed. By the way, as the young people (Baby Boomers) grew older, they took these needs and tastes with them and the high value locations for Dominos expanded.

Customer research, not customer satisfaction research, is the key to identifying your markets and customizing promotions, products, services and facilities for them. Customer research involves learning what people like and don't like, what they value most, and how they would like to see you change. When customer research focuses on specific markets (e.g. seniors, then Baby Boomers, then Echo Boomers), it is even more helpful. It helps you identify what you need to do differently to get your message to, attract and keep those specific groups as customers. When you summarize data about needs across markets (e.g. use broad random samples), you often wash out the richness and often the potential marketing insight value of that data. Customer satisfaction research helps you understand whether people were generally satisfied or dissatisfied with your service, product or facility, but seldom gives you enough information to make them much better. And, research has shown us that customer satisfaction research can lull us into a false sense of security. Even customers who say they are satisfied may leave you. Customer satisfaction does not ensure customer retention.

Meet The Echo Boom

The youngest generation, known as the Echo Boom is made up of the children of the Baby Boomers. They are now between the ages of 3 and 25 and include 72 mil-

lion Americans (28% of the US population). In numbers, they are just shy of the 78 million strong Baby Boom generation that drove the U.S. and in fact, most of the world economy for the last several decades. By the way, Baby Boomers were born between 1946-1964 and are now between 35 and 53 years old.

The Echo Boom 57% of whom are under 15, is making itself known as it is now causing overcrowding in elementary schools and sell-outs of favorite toys (remember Tickle Me Elmo) each Christmas season. Children have always been an important target market and now that group is growing fast. The Echo Boomer will drive economics in the U.S. for the next 50-60 years. Getting these kids to be avid health club enthusiasts would have a major impact on the industry market share well into the next millennium.

Time and money are two major drivers in leisure and recreational activities and time is growing in its importance. Today's families are more time starved than ever. Recent studies indicate that 60% of children live in households with two working parents. Children spend their days in school or child care and after school programs including sports. They generally spend more than eight hours a day away from home. Parents are struggling to fit their careers, parenting, home tasks, relaxation and personal time into 24 hour days. In a recent survey 21% said they feel they don't



Dr. Gerry Faust

have time for fun anymore and 38% say they are cutting back on sleep to make more time for other things. The value of relaxation and quality family time together is increasing dramatically.

The Echo Boom is different from the Baby Boom in many ways. One key difference is ethnicity. Today about 33% of children in school are African-American or Hispanics. And the percentage of Asians is growing rapidly. Asians and Hispanics represent a promising market for those who offer family activities because of their emphasis on family and family activities. Hispanics and Asians are part of the dying culture of nuclear families, meaning families where grandma, grandpa, mom, dad, kids and sometimes aunts and uncles, all live together. It is very important in these families to do activities together. In 30 years, minorities will approach majority status among young adults while older populations will remain mostly Caucasian.

BALLY TOTAL FITNESS ANNOUNCES SECOND QUARTER RESULTS

Operating Income Improves 82% - Earnings Per Share \$.34 Versus \$.08 a Year Ago

CHICAGO, August 3, 1999-Bally Total Fitness Holding Corporation (NYSE: BFT) today announced second quarter 1999 results - with fully diluted earnings per share of \$.34 versus \$.08 in the

prior year and operating income of \$21.1 million - an improvement of 82% over the 1998 quarter. Earnings before interest, taxes, depreciation and amortization for the 1999 quarter grew to \$33.8 million, a 44% improve-

ment over the 1998 quarter, and the positive trend of growth in operating cash flows continued.

Commenting on achievement of another strong financial quarter, Lee Hillman, President and

(See Bally page 12)

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Three Ways To Weaken Your Workouts

By Nancy Clark, RN, DN

As a sports nutritionist, I commonly listen to active people describe their (sub-optimal) fueling patterns. They then state with frustration "Something must be wrong with my diet ... I'm just not getting what I want out of my exercise program!!!"

The following article highlights common fueling blunders that weaken the workouts of novice exercisers and elite athletes alike. Hopefully, this article will deter you from making the same mistakes.

Error #1. "I exercise on an empty stomach..."

Somewhere in sports nutrition history, the idea was born that pre-exercise food sits in the stomach and hinders athletic performance. To this day, numerous casual exercisers and competitive athletes alike go to great efforts to avoid food for at least three or four hours before exercise. By doing so, they miss out on the performance benefits associated with being well fueled. The "first put gas in your car, then go" theory that works so well for automobiles also works well for active people. You'll have far greater stamina and endurance when you run on fuel, not fumes. The following study confirms this point:

On two occasions, seven cyclists exercised to exhaustion, maintaining a moderately hard pace (70% VO₂max). In one trial, they ate a 400 calorie meal (breakfast) three hours before exercising. In the second trial, they simply had a dinner the night before, but no breakfast. When they exercised "on empty," they biked for only 109 minutes, as compared to 136 minutes with the breakfast. That's almost half an hour longer! Exercising "on empty" left them lagging. (Med Sci Sports Exerc 31(3):464, 1999)

...Bally

continued from page 8

Chief Executive Officer of Bally Total Fitness, said, "Bally continued to demonstrate success and gain momentum as evidenced by the growth in earnings and positive trends in cash flows. By implementing the plan we presented two years ago, we are continuing to invest in programs

Error #2. "I don't bother to drink anything during exercise if I'll be working out for an hour or less."

Whether you're going for a one-hour run, climbing the StairMaster for 45 minutes, or skating hard during the 50 minutes of allotted ice-time, you may be tempted to "not bother" to bring a water bottle, to say nothing of a sports drink. After all, you're unlikely to get dehydrated in that short amount of time...right?

Think again. Despite popular belief, what you drink during a short (1 hour or less), intense workout or competitive event does have a significant effect upon performance. Here's what the latest research shows:

Athletes were asked to complete, on three occasions, an exercise test designed to simulate a 25-mile bicycling race. They biked hard for 50 minutes (80% VO₂ max) and then completed a 10 minute sprint-to-the-finish, during which they worked as hard as they could. When the athletes drank lots of water (48 oz., the amount needed to offset dehydration), they sprinted 6% faster compared to the baseline trial during which they drank only 7 oz. of water in the initial 50 minutes of riding. When they drank 300 calories of a sports drink during the first 50 minutes of riding, they improved 12% over baseline during the sprint. (Med Sci Sports Exerc 27:200, 1995)

Whether you are an ordinary athlete or an Olympic hopeful, this study means: consuming an easily digested combination of water and carbs (such as a sports drink or water and hard candies, defizzed cola, figs, gel, etc.) will help you exercise harder and better at the end of an hour. Wouldn't you want to be 12% better than your (poorly fueled) opponent when the event is down to the wire?

that achieve results with rapid returns. Our aggressive program of facility upgrades, new product and service offerings and club expansion efforts are demonstrating their value. We have now added 26 new fitness centers during 1999, including our recent acquisition of The Sports Clubs of Canada, a profitable, upscale 10-center group in Toronto. Also, as we had expected, second quarter new member joins grew 9% over

Error #3. "I know I'd be a better athlete if I could just lose these last few pounds..."

Runners, cyclists, skaters, and soccer players alike—as well as many female athletes and myriads of health club members—sincerely believe they'll be able to exercise better if they could shed some body fat. Yes, trimming excess flab does lighten the load and having less to lug around can help you exercise better. But starving yourself to shed the few pounds that resist leaving your thighs or abdomen will NOT transform you into an Olympian! The cost of dieting to a "perfect" weight is often greater than any benefits gained by being lighter. Skimping on calories to lose body fat simultaneously results in skipping on:

- carbohydrates your muscles and brain need to perform well.

- protein your muscles need for growth & repair.

- vitamins and minerals to help your body's engine run well.

Athletic performance only improves when you exercise longer or harder. When dieting, you are unlikely to exercise neither longer nor harder. And if you have to severely cut calories in order to see any weight loss, what makes you think you'll be able to keep off those resistant pounds once you do manage to lose them?

Weight is more than a matter of will power. If you are far leaner than other members of your genetic family, think again about trying to lose to the "perfect" weight. If you are already lean but want to be leaner-yet, pay more attention to improving performance with optimal fueling and training. Trust that appropriate eating and appropriate exercise will pave the way to an appropriate weight for your body.

prior year levels while seasonal attrition was 5% lower than prior year trends." Mr. Hillman concluded, "A significant driver of our business success, member satisfaction, is improving dramatically, as seen by these trends. And our focus is to make the member experience still better by continuing to execute those initiatives."

No proof exists in the literature that the leanest athlete is the best athlete. You just can't expect to train at your best, nor compete at your best, if you are dieting too hard and have poorly fueled muscles. Athletes perform better when well fed!

(Nancy Clark, MS, RD is nutrition counselor at Boston-area's SportsMedicine Brookline. Her popular Sports Nutrition Guidebook, 2nd edition (\$20) is available by sending a check to 830 Boylston St #205, Brookline, MA 02467 or via www.nancyclarkrd.com)

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...Bally Total Fitness

continued from page 4

rection the organization is taking is different, you have to do what is good for the business. To a similar extent when Jay joined us in 1981, we had the same problem. Some in our organization looked at the club operations in one way. We brought Jay in because we felt the organization had to go in other directions. I give Jay credit. He took the hard choices. He said we can make it quick and painful or we can make it slow and painful."

Jay Kell had graduated in 1973 with an Honors Bachelor of Science in Kinesiology. He worked for two years at the Fitness Institute working on the gym floor. He developed his own company in the mid 70's called Fitness Development which provided fitness assessments and exercise programs for small clubs in the city that couldn't afford full-time staff. After about a year he got involved in membership sales with another group. Kell recalls, "The first night I worked in sales I sold 5 memberships and made about 8 times more than I ever made in fitness assessments. So, I quickly became a membership sales person. From that I managed a series of clubs in Toronto until 1981 when Michael called me and said 'Come on out and apply for this position, which I did and the rest, is as they say, history.'"

Michael Levy has an MBA in Finance and is a Chartered Accountant, the equivalent in Canada of a CPA in U.S.A. He got into the business in 1974. He had read Alvin Toffler's book, "Future Shock" where Toffler predicted by the 1980's that recreation was going to be extraordinarily important because the computer was going to make work obsolete and people would have more time for recreation. He took that to heart and found investors to help him build his first club. Levy comments, "Bally is doing very well with their in-club stores. In addition, they do some really good things. No one ever talks about the donations of equipment in inner-city areas. They did that in early June in Toronto. They went into one of the more lower income areas to a high school and donated about 35 pieces of equipment. I had the pleasure of attending the occasion and the look on those kids faces was worth 10 times the value of the equipment. It is a wonderful and very special program. I have toured over 25 of their clubs over the last few months and what is very interesting is that there are clubs in inner-city areas, very ethnically diverse areas. And, I think that's fabulous. And they are successful which just proves that you can make money in these areas. The fact that people look a little different than Jay or me or you, doesn't mean that they are not entitled to a good club. Physically I am very impressed with what they are doing with their new clubs. They have brought a new physical structure—a new physical look

to the clubs that is terrific. Just a state-of-the-art club. We're learning more about how to move more people through a club. I think their model is excellent. It provides a great environment. The quality of the music and the lockerrooms is certainly as good as anything I have seen."

"KELLISMS"

Levy continued, "I think that the future will be exciting for all of us. I've been with Jay for about 18 years and he summarized it well with what I call "Kellisms." The Kellism by Jay on this situation is: "We're going to take the best practices for both groups and just do wonders out there!" We're not arrogant enough to think that what we do is the only way of doing things. They have systems and capabilities that are really going to be fabulous for us. We have a service and a programming mentality that's really going to enable them to revolutionize what they're able to do as well."

Jay Kell added, "Another important aspect of this situation is that the staff of our Bally clubs here in Toronto are excited about this also, because we will have local management and more career opportunities because we have 13 clubs in this marketplace. We will be able to tailor-make the marketing and compensation programs, etc. for this marketplace. The combined companies will provide many more career opportunities."

It is nice to see a couple of truly self-made club entrepreneurs reach a true milestone in their career. I wish Michael and Jay and the Bally Total Fitness team the best as they move forward with this new arrangement.

The consolidation fever in the health, racquet and sportsclub industry is reaching a feverish pace and this deal is just one of a number of transactions that are in the process of being completed. They include: the merger of the Q Clubs with 24 Hour Fitness, the sale of Gold's Gym Enterprises to a consortium of Gold's Gym owners led by Washington, D.C.-based gym owner Kirk Galiano and a yet to be announced assemblage of top end clubs led by a former IHRSA leader. Stay tuned for the news on all of these major transactions as they become available.

(Norm Cates, Jr. is the Publisher and Editor of The CLUB INSIDER News and a 20-year veteran of the health, racquet and sportsclub industry. Cates was a Co-founder and the 1st President of IHRSA in 1981.)

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...Rick Caro

continued from page 6

18. Cost-Benefit Analysis. Clubs still do cost benefit analyses on the "big" items. More managers are questioning why a purchase is necessary and challenging staff to defend their actions.

19. Written Cleaning Systems. More clubs are creating written systems for exactly how the club gets cleaned, step-by-step, and at what hours. There is less cleaning now at peak-time hours and better systems to compensate for the regular staff turnover in this category.

20. "Cleaning Level" Lighting. Clubs now also control the lighting by creating a "cleaning level" of lighting, so their peak demand load for utilities does not occur when members aren't using the facility.

21. On-Call Maintenance.

More clubs continue to benefit from an on-call handy-person. This versatile person gets involved in such diverse activities as fixing a whirlpool, resurfacing racquet-sport courts, installing carpeting, painting, doing basic HVAC work, building a room, etc. Others do preventive maintenance on fitness equipment and are responsible for controlling their pool chemistry.

UTILITIES

More utility companies will help clubs analyze their utility bills at no cost and take a percentage of the savings achieved. Many utility companies will provide rebates (40-100%) depending on the type of improvement to the utilities.

22. Utility Money Savers. Some clubs are undergoing lighting retrofits, switching to gas, purchasing water conservation

systems, installing light sensors, etc.

23. Energy-Wasters. Other clubs are focusing on energy wasters (leaks, vents, sealing overhead doors, pool blankets).

24. Energy Management Systems. A few are investing in energy management systems to deal with demand limiters and cycling to control the demand charge on the monthly electric bill.

TELEPHONE

The telephone is a surprising cost both in terms of direct costs as well as staff time, as the cost of "telephone tag" in the U.S. last year was 302 hours a year per employee.

25. Long Distance Discounts. Some clubs have switched to a reseller for long-distance service.

26. Automatic Response Systems. Many clubs have adopted an ARS (Automatic Response System) with voice mail. This sorts the calls and routes them. Ideally, the system should limit the caller to 4 or less options, initially, and should have a minimal opt-out rate.

27. Pay Telephones. A few clubs have decided to buy their own pay telephones for cost reasons.

SECURITY CONTROLS

More clubs are dealing with theft, fraud and abuse. Many clubs are being challenged by employee theft or embezzlement. This has led to a change in systems, multiple controls, more frequent visits by the outside accounting firm, and a study of the club's books while key staff are on vacation. Often, there is limited insurance coverage on the typical policy to protect the club.

28. Security Precautions. Obviously, better screening at the hiring stage, using undercover employees, prosecuting where the local police recommend it, and creating an anonymous channel of communication for employees to report misconduct without reprisal, are some of the alternatives.

29. Password Access. Blocking out long-distance telephone access and creating a series of computer passwords are important.

OTHER KEY AREAS

30. Real Estate Taxes. Clubs continue to achieve major real estate tax reductions (whether they own the real estate or help their landlord with their leased space).

31. Financing & Banking Costs. Many clubs find major benefits in refinancing their mortgages and negotiating their banking fees.

32. Postal Rates. Clubs are working with the postal office to discover ways to change their way of doing various mailings to take advantage of certain postal rates.

33. Collections of Delinquent Accounts. Many clubs are improving their dunning systems to collect their member accounts receivable more efficiently and, timely.

34. Desktop Publishing Savings. Many clubs use desktop publishing to a limited extent. But many clubs are now finding that this software is so easy to use, that they can expand their utilization of desktop publishing to save on typesetting and design.

35. Renegotiating Leases. A few have renegotiated their real estate leases and have found

inaccurate square-footage measurements or inapplicable common area maintenance (CAM) charges.

COST SAVINGS DEVICES

Some clubs have mobilized a team of their top management to review each area as a "cost savings team." They are collectively compensated based on some formula of realized savings. Other clubs offer all employees both full time and part time-a chance to participate in a semi-annual or annual cost savings contest. They reward each cost savings idea, give additional dollars if any result in more than \$1,000 of annual savings and give a fee for the best single idea. Some clubs average as many as 8-10 ideas per employee.

Clubs are continuing to discover the need for regular expense management. They realize the impact on the bottom line and are trying to create a culture that permeates the top levels of the club - and, hopefully, even reaches down to the front-line personnel. It is possible to have simultaneous expenses savings in the same year, yielding a much improved set of net profits.

(This article was reprinted in the September, 1998 edition of The CLUB INSIDER News with permission from Club Success. We reprinted it again due to the importance of the message.)

(Rick Caro is the President of Management Vision, Inc., a New York City, New York based club management consulting firm. Caro is a co-founder of IHRSA and past President of the Association.)



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...Universal Gyms

continued from page 3

situation they had ever had.

So far, Universal has done little in respect to marketing. Sadler has acquired the old 800 and local phone numbers that been used by Universal Gym for 25 years and was attached to

over 50,000 pieces of Universal Equipment all over the world.

Sadler comments, "Since we moved the operations in May from North Carolina we've been receiving 15-20 calls per day from folks just off of the labels on the machines!"

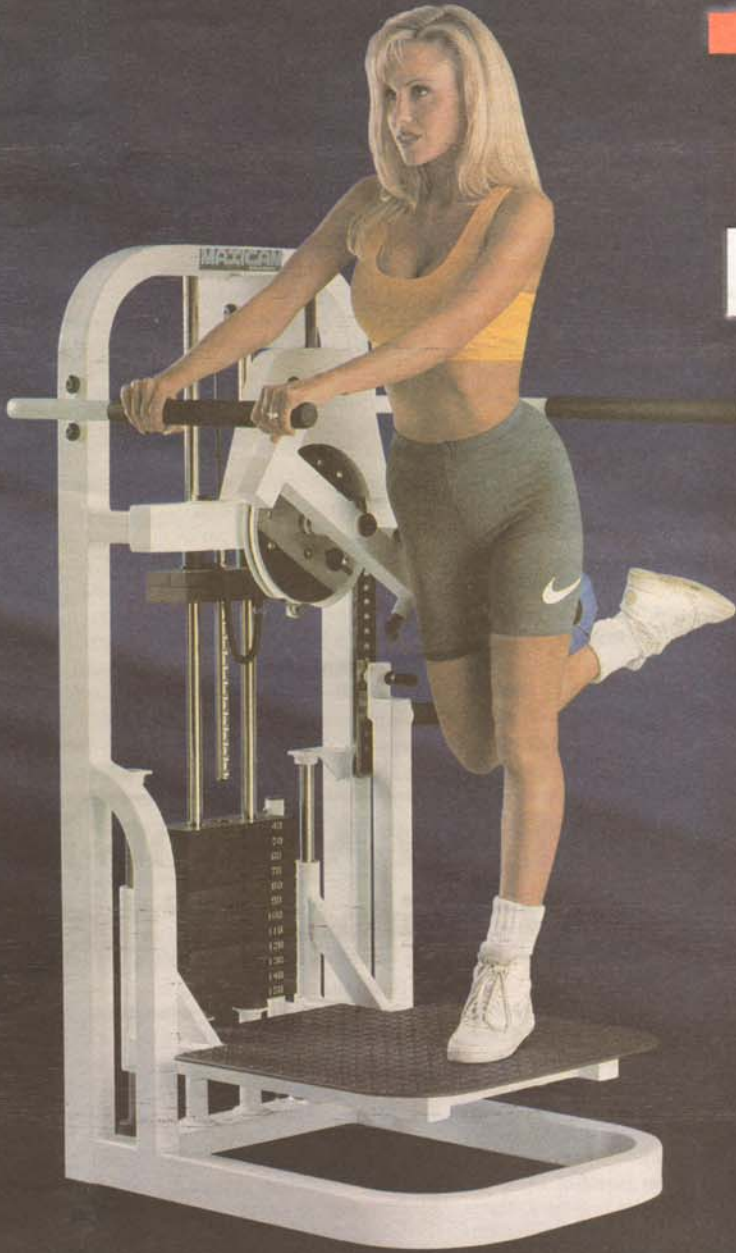
So, if you have Universal Gym Equipment and would like to obtain parts or service call Steve's new company at: (800) 843-3906.

And, if you have Universal cardiovascular equipment and need parts and service, Call Scott Vanecek's company, Pro Fitness Sales and Service in Lantana, Florida at: (561-540-3924. I am sure that they will both be happy to assist you with any of your Universal Gym Equipment needs.

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DEFINING FITNESS THERAPY

By Patrick Pine

One of the biggest gaps in the health care industry is between a supervised physical therapy program for rehabilitation and a self-care program for ongoing physical fitness. The common denominator between these two programs is exercise. The challenge is to identify the transition process between the two programs. This transition process is accomplished by integrating therapeutic resistive exercises and cardiovascular exercises into a post-rehab setting. This will help patients achieve greater gains in physical and mental well being beyond that of general functional ability.

Before we can identify this transition process and put a name to it, we must first understand the components of this process. The first thing to identify is the terminology used in this process. Webster defines "Fitness" as the quality or state of being fit and "Physical" as of or relating to the body. Therefore, we can assume that Physical Fitness is the state of the body being physically fit. "Exercise" is defined as bodily exertion for the sake of developing and maintaining physical fitness. Finally, "Therapy" is defined as of or relating to the treatment of bodily, mental or behavioral disorders and disease by remedial agents or methods.

Next, we must identify the application components of this transition process. These include a wide range of activities such as: strength training, cardiovascular training, flexibility, fitness assessments and testing procedures, outcomes' measurement, exercise contraindications, medications, and the patient's response to exercise and to other health issues. This process also involves knowledge and experience in dealing with the needs of patients from special populations that include cancer, heart disease, diabetes, osteoporosis, stroke, obesity, asthma, hypertension and orthopedic and sports injuries, to name a few.

The final component is to identify the qualifications of the individuals and the facilities that will be providing the care and treatment for those patients making the transition from physical therapy to self-care. The health care business is recognized as a profession and as such has specific professional requirements for its providers. Physicians, chiropractors, physical therapists, registered nurses and occupational therapists must meet specific professional requirements. In most cases, that means a postgraduate degree, licensure, professional certification, on-going continuing education and accreditation. Therefore, the minimum requirements to be recognized as a post-rehab fitness provider would be a

four-year degree, certification specific to the needs of the patients and accreditation as a means of monitoring compliance and accountability. The National Fitness Therapy Association (NFTA) offers professional accreditation for fitness professionals wishing to be recognized as post-rehab providers. An Accredited Fitness Professional (AFP) is recognized by the health care industry as a qualified provider of post-rehab and preventive health care services. Facilities providing the services and equipment must also meet strict professional requirements such as quality assurance standards and facility accreditation. NFTA also offers facility accreditation for those facilities wishing to be recognized as quality providers of health care services.

There are many names being used at the present time to identify this transition process. Some of the most popular are Medical Fitness, Post-rehab Fitness, Rehab Fitness, Clinical Fitness & Rehabilitation and Post-Rehabilitation Exercise. If this process is to be recognized by the medical community, the insurance industry, the legal establishment and the general public, it must be standardized and have a single identity and a single meaning. Taking everything we have talked about into consideration and putting a name on it is relatively easy. The process to tran-

sition a patient from physical therapy to self-care has been identified by the NFTA as "Post Rehabilitation Fitness Therapy." The method of treating a patient from a special population group or a patient with a clinical diagnosed condition that has been referred from the health care system is identified as "Fitness Therapy." By standardizing the name, it adds credibility and validity to a standard of care that can be recognized by other health care providers. The ultimate goal is to have this process and method of treatment for referred patients be acknowledged as a true health care service and to be eligible for third-party reimbursement.

Fitness Therapy is an untapped market and offers tremendous opportunity for the fitness industry. The typical fitness center is better equipped and with a few changes could be better staffed than the typical physical therapy center, and should take advantage of this opportunity by cashing in on the therapy market. It is a very difficult market to capture unless you know the tricks of the trade. But don't let that discourage you. Success is just around the corner if you understand how the game is played.



Patrick Pine

(Patrick Pine is the President and founder of NFTA. He also served as the Executive Director for the Western Association of Clubs (WAC), a regional association of IHRSA, from 1993 to 1998. He has a Master's Degree in Physical Education from Colorado State University and more than 30 years of experience in the health and fitness industry. His experience includes teaching, coaching, recreational director, sales manager, wellness director, club owner/manager and consultant. He may be reached at (303) 399-4545. Information is also available on the NFTA web site at (www.nfta.org.)

TOP 10 REASONS WHY FITNESS PROFESSIONALS SHOULD ADD FITNESS THERAPY SERVICES

1. Enhances your credibility and image as a Fitness Professional
2. You work with a minimum amount of people for a maximum amount of dollars
3. Can open up the possibility of being eligible for insurance reimbursement
4. Individuals being treated for injuries are more loyal and easier to work with than members in a typical health club
5. Many Fitness Therapy patients become a dues paying member of the facility you train them in and continue to schedule training sessions after complete recovery
6. You don't need expensive or special equipment to provide Fitness Therapy
7. Scheduled appointments for Fitness Therapy clients are very seldom broken
8. Appointments can be scheduled around the typical busy times within a fitness center
9. Establishes you as a leader in the fitness industry
10. Can be used as a marketing tool to enhance your business and separate yourself from the competition

StairMaster Appoints Rene C. Jaggi Chairman of the Board

KIRKLAND, WASHINGTON - Aug. 11, 1999 - StairMaster, announced today that Rene C. Jaggi has been appointed Chairman of the Board. John Rutledge, the previous Chairman, will continue to serve on the StairMaster Board of Directors. Jaggi will also become a partner of Rutledge Capital, an investment firm based in Greenwich, Connecticut.

Tom Bryant, CEO and President of StairMaster, said, "The appointment of Mr. Jaggi to the role of Chairman for our company is a huge coup for StairMaster. To add his years of board-level, industry, international and operating experience to

our Board and to continue to have Mr. Rutledge playing a key role will enhance an already strong team."

Rene C. Jaggi will continue to be based in Basle, Switzerland, where he is Chairman and Owner of Jstracon AG, a Switzerland-based holding company. Jstracon controls Romika GmbH (leisure/shoes) in Trier, Germany; John Valentine Fitness Club in Basle, Switzerland; Hotel Anfi Palace Ag in Murren, Switzerland; and Sport Gerspach AG (sporting goods/retail), also in Switzerland. He is Chairman of the Board for the HTM (Head, Tyrolia, Mares, Penn) in Vienna, Austria, which employs 2,400 people and has \$450 million in sales. He is also President of the

Swiss professional soccer club FC Basle.

Prior to his current role, he spent seven years as President/CEO of Adidas, Zone Manager Central Europe for Duracel AG/Dart+ Kraft in Basle, Cologne, London, U.S.A. and Japan, Sales Manager of Eastern Europe, Middle East and Africa for R.J. Reynolds and Sales and Marketing Manager for W.R. Grace Chemicals.

Jaggi holds diplomas and degrees from the University of Basle in Physical Education, Waseda University of Tokyo in Sports and Languages and University of St. Gallen in Systematic Marketing. He is fluent in several languages.

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IHRSA's Capitol Report

Capitol Report Reprinted Courtesy Of IHRSA

A CLOSER LOOK AT THE YMCA'S REPORT TO IRS

Last week, IHRSA reported that the YMCA submitted a memorandum to the IRS in the hope that it will influence the congressionally-mandated report the IRS is preparing on "the standards used to determine whether the health and fitness activities of universities and hospitals are substantially related to their exempt purposes."

Some of the arguments the YMCA uses to support tax-exempt fitness centers are:

"The promotion of health for the benefit of the community and the promotion of education are recognized charitable purposes."

"Congress has twice reviewed and approved the 'community accessibility standard' as applied to YMCAs."

"The Unrelated Business Income Tax (UBIT) rules were never intended to protect for-profits when charities provide services that further their core purposes."

"The cost of membership in [a] YMCA's health center [is] far less than the average family expenditure for recreation, [demonstrating] that most segments of the community could afford the cost."

Therefore, the YMCA maintains that:

"The community accessibility standard applied by the IRS to YMCA fitness centers is equally applicable to universities and hospital fitness centers."

Needless to say, IHRSA strongly disagrees and will formally tell the IRS why the Y's arguments are flawed in a written submission later this month.

IHRSA members who would like a copy of the YMCA's 20-page submission to the IRS should contact IHRSA Government Relations.

ILLINOIS HOSPITAL HEALTH CLUBS FACING STATE INQUIRY

Chicago's Daily Herald has reported that approximately a dozen hospitals are being questioned by a state board over complaints they are competing with taxpaying health clubs by opening their own facilities without proper state permission.

Hospital officials received letters from the Illinois Health Facilities Planning Board in Springfield asking them to explain their health clubs.

In Illinois, hospitals must receive the board's approval before building any facilities that

cost more than \$2.6 million.

It was the Illinois Health Facilities Planning Board, in January, that denied the certificate of need for the Palos Community Hospital's proposed \$14.5 million, 80,000 square-foot fitness center.

Board members are gathering information from the hospitals and may discuss it at a September 30 meeting in Chicago.

The Board has found that some of the facilities in question were built years ago, or are designed for patient care or employee use. Others charge for memberships and would appear to compete more directly with the private health clubs in the area.

If the Board determines the hospitals should have sought permission, it could order them to go through the review process.

YMCA HEAD MISSES THE POINT

On May 28, the Tennessee State Board of Equalization ruled that probable cause exists to revoke the tax-exemption of 13 YMCA fitness centers.

When asked by The Nonprofit Times to comment on this decision, David Mercer, Executive Director of the YMCA of

the USA, gave the following response:

"YMCA's are committed to serving the whole person and the whole community and there are those without such a mission who see the YMCA as a threat to their recent, wholly commercial enterprises. New on the scene, their vision is to weep and wail when YMCA's serve the community in a much more meaningful and more holistic way than they can dream of."

It is revealing that Mercer's response is not to deal with the facts at hand, but rather to resort to a strategy of belittling the contributions of fitness clubs in Tennessee who build their communities not only by paying taxes, but in many other positive ways.

The facts of the Tennessee case are indisputable. The Tennessee Board of Equalization reported that the YMCA is a "secular membership organization" whose primary purpose is to "furnish facilities and equipment to its members for exercise, recreation and other physical fitness facilities."

One would think that what has happened in Tennessee would call for contemplation and soul-searching by the YMCA.

This is not about your competition, Mr. Mercer. It's all about the YMCA.

TAXPAYER BOND ACT IS BACK

U.S. Representative Gerald Kleczka (D-WI) has introduced the Taxpayer Bond Fairness Act into the 106th Congress. This marks the third consecutive Congress in which Kleczka has introduced this important legislation.

The measure, H. R. 726, would "amend the Internal Revenue Code of 1986 to provide that the furnishing of recreational fitness services by tax-exempt hospitals shall be treated as an unrelated trade or business and that tax-exempt bonds may not be used to provide facilities for such services."

Kleczka has long opposed tax-exempt status for hospital-based spa/fitness centers.

"Not only do communities stand to lose property taxes, but this method of building this type of facility totally undercuts competition by entrepreneurs who are already serving their communities," Kleczka said.

"I am fully supportive of hospitals and their health care mission. But I am also for fairness — and public financing of a non-hospital related spa doesn't measure up."

Congressmen James Sensenbrenner (R-WI) and John Lewis (D-GA) have cosponsored the bill which has been referred to the House Committee on Ways and Means.

Call (202) 224-3121 and ask your U.S. representative to support H. R. 726.

To find out who your representative is, contact IHRSA Government Relations.

DID YOU KNOW?

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A F F I L I A T E D A C C E P T A N C E C O R P O R A T I O N

Working Missed Guests Leads Correctly Will Give Your Club A Boost In Fall Sales

By Casey Conrad

September marks a very special time of the year for health clubs: the end of summer! Although clubs with a strong sales team can hold their own during the summer months, nice weather, outdoor activities, school breaks and family vacations all result in a slow-down of walk in traffic. To make matters more challenging, those prospects that do come into the club often have many excuses why they "just can't begin an exercise program until the summer ends." However, with summer coming to a close, people will begin considering an indoor exercise program and the phones will begin to ring again with interested prospects.

Of course, every club should prepare themselves for the increased fall guest traffic by sharpening up the sales skills. How to convert an information call into a booked appointment, qualifying prospects, touring, presenting memberships, closing and overcoming objections and getting referrals should all be reviewed and role played extensively so everyone on the sales team is prepared.

In addition to the increased guest traffic though, fall presents itself with another wonderful sales opportunity—working missed guests and converting these "warm leads" into happy members at your club.

A missed guest is an individual who visited the club to inquire about memberships but for some reason didn't buy. After a new hot lead, missed guests can prove to be a great source of sales prospects. The reason for this is two fold. First, a missed guest already has a higher than average level of interest in a club membership (his visit is proof of that). Second, most people who visit a club and don't enroll end up not joining anywhere and also fail to start any home fitness program. Therefore, missed guests are people who have fitness goals who have most likely NOT been achieved yet. This usually results in missed guests being more easily motivated to re-consider an exercise program.

Of course, working missed guests isn't a new concept. However, the reason most salespeople don't have great success with regaining missed guest's interest is because they ask the wrong

questions during the follow-up phone conversation. Traditionally, when a salesperson calls a missed guest he often asks questions like, "Are you still interested in a membership," or "Are you still thinking about a membership at the club?" Such questions invariably result in very short conversations. When the missed guest says, "No," the salesperson has nowhere to go but to end the call. This is truly unfortunate because often the "No" isn't because the person has no interest but rather because they were not properly engaged in a conversation.

By following a simple four-step process, you can more successfully engage missed guests into a conversation about their fitness goals and ultimately convert more of these people into happy new members at your club. In the worst case scenario, the call will result in establishing a future course of contact with the missed guest, keeping open the possibility for a future sale.

The first step in successfully working missed guests is to get the leads organized. There are a variety of different places in a club that missed guest leads might be found. For one, the guest register should have the names, addresses and phone numbers of all missed guests. If a club has a good system, all prospects on the guest register should be dispositioned with a note or a code indicating what the status of the visit was. Did the person re-schedule? Was there no interest or perhaps a follow-up visit made? Having such information always makes a missed guest call a bit easier.

Another source of missed guest leads is the profile cards salespeople fill out when touring guests. These can be particularly useful if the club doesn't have a central guest register or just to provide more in-depth information about a particular individual, his exercise history, his goals, etc. Next, missed guest leads can be found by locating former sales employees prospecting boxes and or files. Very often, with the turnover in the industry, clubs have hundreds of leads sitting in boxes from old employees that never get harvested. Finally, you might be able to find some decent missed guest leads through one-day workout waiver cards. These cards are the forms that guests fill out if they are just in the club for a workout, either with a friend or from paying a guest fee, but didn't want to

meet with a salesperson. Some of these guests are locals to the area who just didn't want to speak with a salesperson at the time. Who knows, they may now be interested in a membership.

Once you have located all missed guest leads you next want to sort them into categories. This should be done on two levels. The first is sorting by date chronologically. Of course, there is no guarantee that someone who visited the club more recently has a greater level of interest but the fact of the matter remains that the experience and discussion of his fitness goals is probably fresher in his mind. Once a chronological order has been established, sort leads by level of interest based on any notes that were taken. For instance, an individual who scheduled a follow-up visit or a follow-up phone contact with the salesperson probably has a greater likelihood of still having some interest than someone who told the salesperson they were not interested. Again, time and circumstances might have changed everything but what is being done here is creating a logical plan of attack that will maximize return on time invested.

The next step in the process is simple. Before calling any missed guest that you are not certain about, check the computer to make sure the person hasn't since become a member. There is nothing more embarrassing than making a missed guest call only to find out the person is a member at the club!

The final step in working missed guest leads is the most important—making the call. Two different scenarios will be encountered when working missed guests. The first is calling a prospect that you worked with in the past. The second is calling a prospect that you had no contact with. With each of these scenarios there are five stages to an effective missed guest call with differences in the early part of the call. Let's go over each one here, giving you step-by-step questions to ask.

Call #1: An individual you worked with in the past.

Step 1: Introduction
Hi, is (Name of missed guest) there?

Hi, (Name of missed guest), this is (Your Name) from the (Name of your club), how are you today?

The reason for my call

today is that I was going back through my record of your visit to the club back in (month they visited) and I was wondering, had you begun a regular exercise program anywhere yet?

Step 2: Qualify
Now, if I remember correctly, you were interested in (fill in with the person's fitness goals); have you been able to achieve those goals with any type of home fitness program? (Of course, the answer will almost always be, "No.")

Well, when we toured the club you thought that (re-emphasize what areas of the club they thought were most likely to meet their needs) would help you achieve your goals by (fill in with what that type of program will do for them).

Do you mind my asking, what has prevented you from starting either a home program or a structured program at a club like ours?

Step 3: Re-create Interest

If there was a way that we could help you (replay back their fitness goals) and (make a statement that deals with the reason they haven't been able to start), would you be willing to consider a program at our club again? (For example: If we could help you lose that 20 lbs., tone up and do it with a program that would fit your tight time schedule, would you be willing to consider a program at our club again?)

Great, because we have (fill in with a quick, concise statement about one or two areas of the club that will meet his needs or something new that is going on that wasn't talked about during their last visit).

Step 4: Close for the appointment

What hours would you be using the club, morning, afternoon or evening?

I have openings this _____ or _____; which is best for you? (Closing for day of week.)

I have times available at _____ or _____; which is better? (Closing for time of day.)

Okay, so I have you down for _____ at _____ and I only ask one



Casey Conrad

favor. If for some reason you are unable to make that time, please give me a call because I work by appointment-only, okay?

I look forward to working with you then. Have a great day!

Step 5: Establish course of contact if he is not interested at this time.

I can appreciate that now is not an ideal time for you given (fill in with the reason they have given for not being able to start). May I ask, at some point in time in the future if the time were right to start a program, would you be considering our club as an option?

Wonderful, so would it be okay if I kept in touch with you via mailers regarding events and perhaps a phone call to see how you are doing?

Okay, I'll put you on our mailing list and I'll plan on giving you a call say in three months just to check in, how does that sound?

By following the system for working missed guest leads and using the 5-step phone process, you can effectively turn warm leads back into hot prospects who might just be ready to finally get started on an exercise program. This extra resource of leads can make a huge difference in your fall sales and increase the level of professionalism your club projects to community members who have previously visited the club.

(Casey Conrad is Founder and President of Communications Consultants, a Rhode Island based club consulting firm. Casey may be reached at: 800/725-6147.)

IHRSA/SGMA Youth Fitness Campaign A Success

Campaign Aids Industry Growth Initiative

Boston, MA- Of all the public service announcement (PSA) ad campaigns that ran in 1998, the Youth Fitness Campaign, funded by the Interna-

tional Health Racquet and Sportsclub Association (IHRSA) and the Sporting Goods Manufacturers Association (SGMA), ranked number six nationally in the total dollar value of the coverage. The three-year campaign is designed to encourage pre-teens and teens to exercise regularly and was presented under the auspices of the President's Council on Physical Fitness and Sports.

The campaign — honored with three creative awards earlier in the year — received nearly \$63 million in estimated total media support, a 220% increase over the 1997 Youth Fitness media value. The only national campaigns that exceeded the 1998 dollar value of the Youth Fitness campaign initiative were: Crime Prevention, Drunk Driving Prevention, Educational Reform, Recycling, and The Four-

H Council.

"The IHRSA/SCMA Youth Fitness PSA Campaign surpassed everyone's most optimistic expectations," Comments John McCarthy, Executive Director of IHRSA. "IHRSA, SGMA, and the Ad Council were all astounded by its reception."

The Ad Council attributes the success of the campaign in part to radio executions, participation in the Office of National Drug Control Policy (ONDCP) media match, excellent creative that included multiple creative executions and lengths in the TV and radio spots, as well as good placement of the campaign. The Youth Fitness TV received significantly more prime and daytime slots and substantially less late-night time than average, and the radio campaign received more

time than average during afternoon drive time and evening.

"The success of the joint IHRSA/Youth Fitness campaign is an outstanding example of what can be accomplished when key groups in the industry work together. The SGMA is excited by the prospects of what may be done as we look at the issue of physical education in America's schools," adds Gregg Hartley, VP of Marketing and Development for SGMA.

IHRSA and the Fitness Products Council (FPC) of the SGMA, are also currently working together on an industry-wide initiative to grow the current 29.5 million U.S. health club members to 50 million by the year 2010.

IHRSA is a nonprofit trade association representing more than 5000 health, racquet and sportsclub worldwide.

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We Believed Business Owners Wanted to Save Money On Operating Costs To Free Up More Capital To Grow.

If you buy your cardio equipment from Worldwide Fitness and save \$30,000. And you add this new found capital to your advertising and marketing budget, you will see exponential growth in cash flow and profits. This \$30,000 savings can bring in 200 extra members. If you get \$350 for each new member in the first year, that's \$70,000 added to your gross sales. That's extra income over and above what you're already doing.

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The whole operation is a huge undertaking. With over 25 employees and a monthly payroll around \$50,000. More than \$30,000 in building leases. Over \$20,000 a month is spent on replacement parts to refurbish the equipment. The cost to buy this depreciated equipment is over \$150,000. The point is we have made the necessary investments to insure a consistent and reliable product for you.

We've put ourselves in a position that forces us to perform for you or we don't make a profit. I'm not trying to impress you but I want you to see our commitment. We must satisfy you so you will buy from us on your next fitness room project and refer more customers to us. We can't service out huge overhead without repeat business.

Guaranteed To Look Like New, Work Like New, And Make Everybody Think You Paid Full Price.

When our client's come see our National headquarters in Orange, California, they're amazed. They enter our gigantic warehouse with over 1,000 machines on racks 3 stories high. It looks like 50 health clubs went out of business and we bought all their inventory. When we tour them through our state-of-the-art remanufacturing facility, they say they've never seen anything like it. When they see our finished product they think it's brand new, and after we convince them that it is not, they say they will never buy brand new fitness equipment again.



We warranty this equipment, give you a National service technician network, and give you 24 hour technical information on our award winning website. You see, the only equipment we sell is the top brands: LifeFitness, Cybex, Stairmaster, Trotter, Precor, Star Track, Paramount, Technix, Quinton and others. These manufacturers have built a national service network that we have access to when our customers need service. It's as easy for us to repair a treadmill in New York as it is in California. We take care of your business.

We Have Over 1,300 Customers That You Can Speak With To Give You Buying Confidence.

In today's business climate you have to protect yourself from miss-information. You can't take advertising statements as fact. We understand this, and make accessible to

you our past customers so you can make your own judgments, we don't want you to make a mistake. We want to make sure this is the right buy for your business.

"Worldwide Fitness Saved Me Over \$150,000 And My Maintenance Staff Still Thinks The Equipment Was Brand New, I Don't feel I Sacrificed Anything. I Will Do All My Future Purchases With Worldwide." (Mike Boccieri is the CEO of 5 YMCA's)

"I Bought My Equipment From Worldwide For my second Club. I Saved Over \$25,000 And Used These Savings To Increase My Advertising Budget. This Extra Advertising Money Allowed me To Hit My One Year Sales Goals In My First 90 Days." Stephen Priest, MS, Fitness Health Club.

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American Council On Exercise (ACE) Study Released On Popular Workout

ACE Research Team Counts Calories, Confirms Benefits of Cardio Kickboxing

SAN DIEGO-Whether or not Billy Blanks Tae-Bo workout tapes have anything to do with it, exercise enthusiasts across the country are demanding cardio kickboxing classes at their neighborhood fitness centers. At gyms across the country, the classes are hot and now, thanks to a recent study by the American Council on Exercise (ACE), consumers can be assured they are getting a good aerobic workout.

The ACE study, the first publicly released research about the physiological effects and benefits of cardio kickboxing, found that the activity provides a workout sufficient enough to improve and maintain cardiovascular fitness.

To perform the ACE study, Len Kravitz, Ph.D., headed a team of

researchers from the University of Mississippi. They measured heart rate, caloric consumption, oxygen consumption and ratings of perceived exertion for each of four kickboxing concentrations: upper-body predominant (e.g., upper cuts, jabs); lower-body predominant (e.g. roundhouse kicks, front and back kicks); combination of upper and lowerbody; and conditioning (e.g., jumping jacks, simulated rope jumping).

Participants in the study of 15 women with an average weight of 135 pounds burned the most calories while performing a combination of upper and lower-body movements. Overall, caloric expenditure ranged from 6.45 calories per minute (with predominately upper-body exercises) to 8.3

calories per minute (with an upper/lower body combination).

The caloric findings indicate that most cardio kickboxing participants can expect to burn an average 350 to 450 calories per hour less than original estimates, but enough to be considered a good workout

Original estimates suggested that cardio kickboxing can burn up to 500 to 800 calories per hour, ACE's Chief Exercise Physiologist, Richard Cotton said. Realistically, only a very large person exerting an above-average amount of energy for an extended period of time would be able to do that."

Burning 350-450 calories, an hour-long cardio kickboxing session is roughly

equivalent to an hour of brisk walking or light jogging. Cardio kickboxing, however, provides additional benefits not associated with walking or jogging such as increased strength and flexibility, as well as improved coordination and sharper reflexes.

Participants in the ACE study also maintained a heart rate of 75-85 percent of maximum, well within the recommended 65-85 percent range for aerobic exercise.

Those who start a cardio kickboxing program should be aware that the moves might be unfamiliar to beginners, so the possibility for muscle and joint injury is increased. Trained instructors who can demonstrate proper kickboxing technique should teach classes. Before signing up for a class, make sure

the instructor is properly certified by an organization such as ACE. Consumers can call ACE at 800-825-3636 to check to see that the instructor is ACE-certified.

The American Council on Exercise (ACE) is a non profit organization dedicated to promoting the benefits of physical activity and protecting consumers against unsafe and ineffective fitness products and instruction. As the nation's workout watchdog, ACE conducts university-based research and testing that targets fitness products and trends. ACE sets standards for fitness professionals and is the worlds largest non profit fitness certifying organization. For more information on ACE and its programs, call (800) 825-3636 or log onto the ACE Web site at: www.acefitness.org

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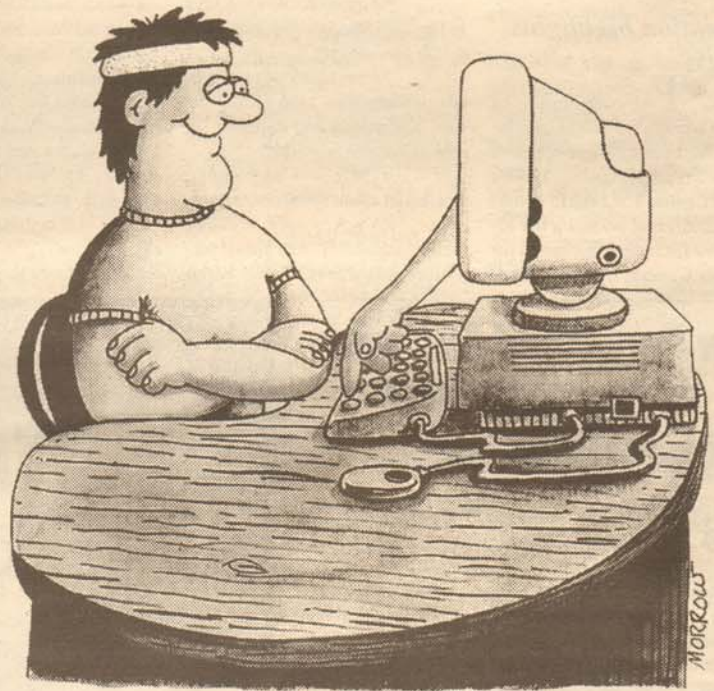
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JAZZERJAM '99

SAN DIEGO, CA.—More than 4,000 fitness enthusiasts from around the world recently gathered at the Jazzerjam '99 fitness convention in San Diego, CA. To celebrate 30 years of Jazzercise, fitness, friendship and fun!

"Jazzerjam was a blast!" exclaimed Judi Sheppard Missett, Founder and CEO of Jazzercise. "I am proud to say that we have never lost sight of our primary purpose to provide a fabulous, fun fitness experience that motivates people to keep coming back for more! We've been going strong since 1969 and look forward to another great 30 years!"

Convention highlights included:

The culmination of the 1999 World's Largest Jazzercise Benefit for breast cancer research at Rush-Presbyterian-St. Luke's Medical Center. The benefit generated \$1.2 million, boosting the total amount Jazzercise has raised for the Rush Cancer Institute since

1993 to more than \$3 million.

•A stellar lineup of celebrated speakers including Judi Sheppard Missett, Founder and CEO of Jazzercise; Peter Vidmar, 1984 U.S. Olympic Gold Medal Gymnast; Marci Shimoff, co-author of *Chicken Soup for the Soul* books.

•An array of exciting workout sessions, (eg. Jazzercise by energetic guest instructors from Italy, Japan, Mexico, Canada and other foreign countries; Street Jam; Kickboxing; Yoga; and Dynamic Walking) with a variety of international fitness professionals.

•An attempt to set the world record for the largest female group golf lesson was staged.

•A giant finale class was led by Judi Sheppard Missett with 4,000 participants.

•A multitude of networking opportunities with fellow fitness enthusiasts and certified instructors were provided.

•There was an exciting line-up of event sponsors, including: RYKA, AV Now, Souplantation/Sweet Tomatoes, Ceres, Arrowhead, Wells Fargo



Judi Sheppard Missett presents \$1.2 Million Check for Breast Cancer

Bank, KPMG Peat Marwick, Worldwide Sport Nutrition, Applied Nutrition, The Step Company, OMRON, Whirley Industries, MemberWorks, Inc, ASICS, Spri Products, Aerobic Fitness & Aerobic Association and Premier Fitness & Wellness.

•A tantalizing shopping expo providing conventioners the opportunity to purchase their

workout gear and pampering products all under one roof!

This original dance exercise phenomenon "Jazzercise" offers a blend of jazz dance and exercise science set to a variety of music from top 40, jazz, country, funk and classics- Easy-to-follow, fun choreography including a gentle warm up, 30-minute aerobic workout, muscle toning

and strengthening segment with weights and a stretch finale. And now, there is a whole selection of different class formats designed to lift everybody, including Jazzercise Plus, Step, Body Sculpting, Cardio Quick, Circuit Training, Musical Chairs, Junior Jazzercise, etc.

Headquartered in Carlsbad, California, a community in north- (See JAZZERJAM page 26)

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CLUB INSIDER News 1999

Contributing Author Team

The 1999 **CLUB INSIDER** News 1999 Contributing Author Team is listed below. Our thanks to all of our authors for sharing their expertise and taking the time to write The **CLUB INSIDER** News.

- MIKE CAMPETELLE - Communications Consultants - (401) 792-7009
- RANDE LaDUE - President, Pro*Fit Enterprises- (888) 604-2244
- MICHAEL HOFFMAN -

President-Heart Communications (949) 489-0301

•KLAUS HILGERS- President-Epoch Consultants- (727) 447-1773

•SALLY GOLDMAN-Owner-The Weymouth Club- (617) 696-2627

•KAREN D. WOODARD - President-Premium Performance Training- 9303) 417-0653

•JULIA WHEATLEY - Owner- Women's Fitness Center- (540) 434-9692

•SIMON D'ARCY- President-Business Success Teams- (805) 566-8213

•TOM MORRIS- Founder and Chairman-Morris Institute of Human Values-(888) 279-1537

•DR. GERRY FAUST- Founder and President-Faust Management Corp.-(619) 536-7970

•RAY GORDON- President-Sales Makers- (800) 428-3334

•EDDIE TOCK- Vice President- Sales Makers - (800) 428-3334

•ANDREW NERE-Vice President-Innovative Lease Services- (800) 438-1470

•ART CHAPPELL- Owner-Courthouse Athletic Clubs- (503) 885-1964

•PATRICK PINE- Founder-National Fitness Therapy Association- (303) 399-4545

•BRENDA ABDILLA- President- Club Profit Systems- (800)448-0180

•TOM ZENNER- Life Time Fitness - (612) 752-7000

•NANCY CLARK, MS, RD- (617) 739-2003

•RICK BARRERA- Founder and President- Rick Barrera & Associates (800) 835-4458

•MICHAEL SCOTT SCUDDER- President- FITNESS FOCUS- (505) 751-4236

•CASEY CONRAD - Communications - (800) 725-6147

•RICK CARO - President - Management Visions - (212) 987-4300

..JAZZERJAM

continued from page 24

ern San Diego County, Jazzercise employs about 115 corporate staff members who carry out the company's accounting, marketing and corporate operations, An ad-

ditional 40 managers throughout the US, oversee the franchises in the field.

Apart from its mainstay of dance exercise, Jazzercise has extended its business to include a variety of successful divisions and related companies. These include: Jazzertogs, a retail catalog division offering activewear, vid-

eos, accessories and Jazzercise logo merchandise; JM Productions, a video and television production division providing broadcast quality videotape production, post-production and duplication services; and most recently, Cyberstretch by Jazzercise, a new company offering an innovative screensaver program designed to

provide the computer user with a series of simple stretches to reduce the risk of repetitive stress injuries

Jazzercise is the world's largest dance fitness program with 5,000 instructors teaching 19,000 classes weekly to 450,000 students in 33 countries around the globe.

Norm Cates' **THE Club Insider** NEWS

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