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NEWS

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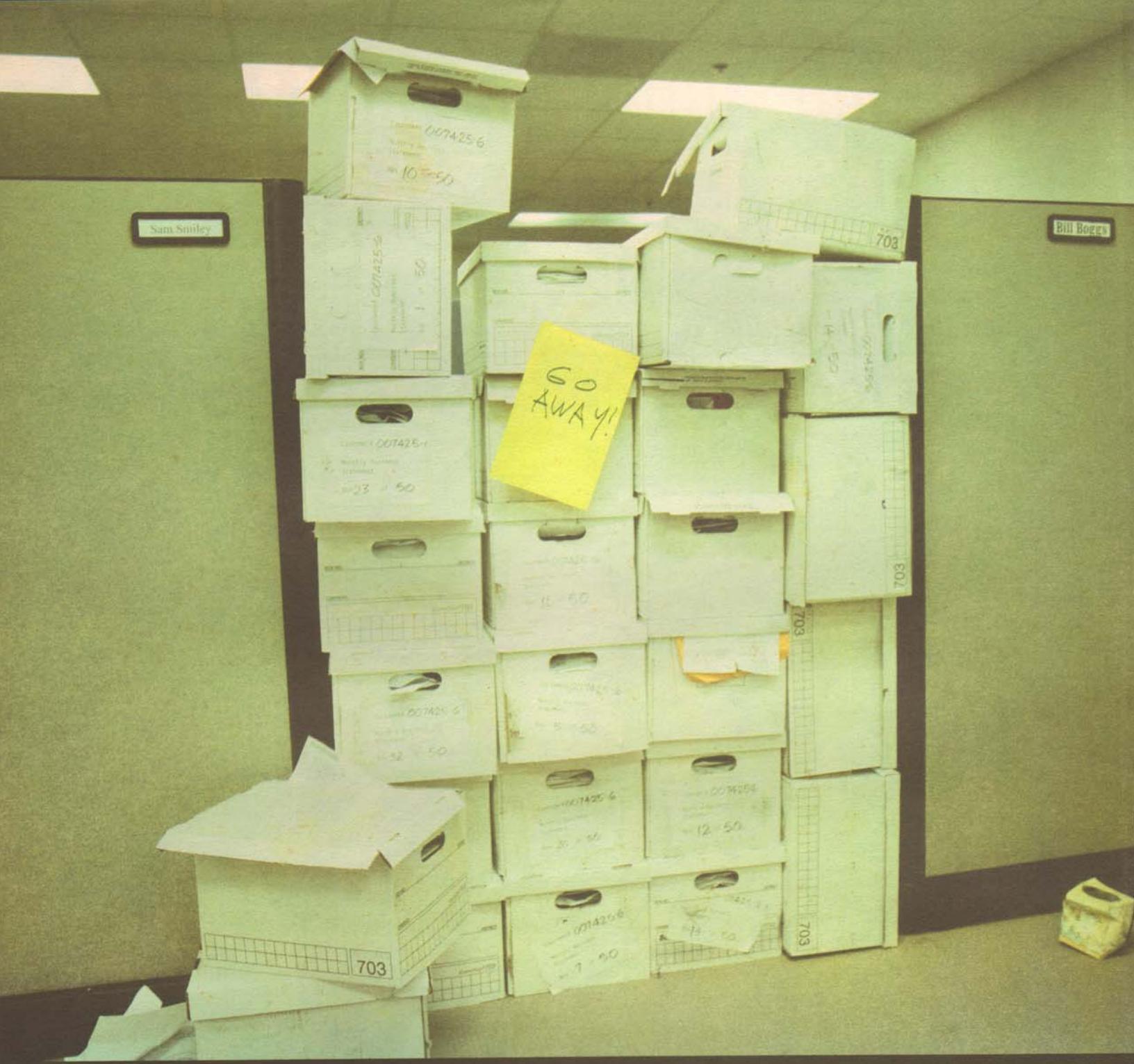


Mario Bravomalo, Founder

Daron Allen, CEO

VISUAL FITNESS PLANNERTM
complete business transformation system

VOLUME 10 NUMBER 9
SEPTEMBER 2004



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THE Norm Cates' Club Insider NEWS

Visual Fitness Planner...

Open the Door to More Club Business Success!

By: Norm Cates, Jr.

This story is about a breakthrough. That breakthrough is called the Visual Fitness Planner (VFP) and it will open the door to more club business success for you and your club. The VFP breakthrough will help your club attract more membership prospects, sell more memberships and retain more of your club members. VFP will also help you increase your Personal Training sales, an area for significant club revenue growth for all clubs. Installation of the Visual Fitness Planner program in your club will translate into greater bottom line success for your club financially. That's what this story is all about. More success for you, your members, and your club. Don't stop reading.

This story will introduce you to the VFP Program and the two key people behind this

fledgling company's success. Those key people are Mario Bravomalo, VFP Founder and Daron Allen, VFP CEO and President. So, kick back, read this and then pick up the phone. Or, after reading this, go to www.vfp.us to learn even more and then send an email to Daron Allen.

The Importance of This Cover Story

The *CLUB INSIDER* News has many aspects in its Mission. A key aspect of our Mission is to draw your attention as club owners to *people that can help your business grow and prosper*. For 10 years and 10 months, most of our cover stories have been success case studies about some of the great club owner/operators in the business. Rarely do we use this space for any other focus. But, this month we bring you the story of a three-year-old company, Visual Fitness

Planner (VFP). And, because I am convinced that the Visual Fitness Planner program can *greatly help your club*, I am producing this cover story about the VFP group. Their story is one of great entrepreneurship, dedication to a cause and hard work. The Visual Fitness Planner Company is just scratching the surface with over 230 club installations now, and the future looks really great! You should seriously consider installing the Visual Fitness Planner in your club as soon as possible. Read on.

What Is The Visual Fitness Planner?

The Visual Fitness Planner is a high-tech program that will enable you to provide your club members and member prospects with an in-depth analysis of their current physical condition and then show them graphic images of how they will

look once they've lost weight and toned up due to regular exercise and nutritional modifications. Beyond the images they will see, the subject member is also given an eye-popping look at what their health risks for heart disease, diabetes and other diseases are and how those health risks will be reduced from involvement in regular exercise and modified nutritional habits. The bottom line is that these images give your club members

and prospective members motivation and direction about their fitness issues and what to do about them. But, you should not just take my word on this.

Don't Believe Me... Believe The Industry Leaders Who Have Signed On With Visual Fitness Planner

Don't just rely on me
(See VFP Page 4)



	Total	Prior	Improve
Prospect Visits	1096		
Sales Closed	717		
Closing Ratio	65.42%	56%	16.82%
Add On @ Point of Sale	87		
Add On Closing Ratio	12.13%	8.93%	35.90%
Fitness Orientations	459		
Programs / PT Sessions Sold	459		
Programs / PT Sessions	136		
Closing Ratios	29.63%	17.24%	71.85%

STATISTICS

IHRSA Joins Council of Better Business Bureaus

Boston, MA. – September 22, 2004 – As the commercial health club industry in North America continues to grow and become ever more diverse, the International Health, Racquet & Sportsclub Association (IHRSA) has formed a strategic partnership with the Council of Better Business Bureaus (CBBB). IHRSA will promote the CBBB's resources to its clubs and the

CBBB will serve as an objective source on ethical business practices for IHRSA.

Recognizing the value IHRSA's membership has always placed on promoting quality and self-regulation in the industry, IHRSA teamed with the CBBB so that the Association and its members may better access the vast and readily available resources of the Better Business

Bureau network throughout North America.

"For decades the Better Business Bureau has worked to promote responsible business practices, becoming a highly respected resource to businesses and consumers alike," said John McCarthy, IHRSA's Executive Director. "IHRSA knows and understands that running a quality, consumer friendly club is not only the right thing to do, but it is also a great long-term business decision for any business in our industry."

"Joining the national Council of Better Business Bureaus links IHRSA to quality-conscious organizations across many industries, and it allows us to draw upon the many

phenomenal resources the Council has to offer the club industry," continued McCarthy. "Working with the Council and local bureaus, club operators will derive direct benefits for their businesses while demonstrating to consumers that our industry is committed to their needs."

As a first step, IHRSA will work in concert with the CBBB to provide consumer education, producing a guide to choosing a quality club that IHRSA members may use in their local markets.

On an ongoing basis, IHRSA will also work with the CBBB to develop a grassroots effort to promote ethical business practices by encouraging IHRSA

member clubs to join their local Better Business Bureau. IHRSA also plans to tap the CBBB for assistance in developing club industry specific tools and guides for best practices on subjects like employee customer service training, dispute resolution, ethical advertising practices, and more.

The International Health, Racquet & Sportsclub Association (IHRSA) is a nonprofit association dedicated to the growth, protection, and promotion of the health club industry, and represents more than 6,500 clubs worldwide. IHRSA is an international leader in health club industry education and research.

Inside The Insider

- **Small is GREAT!**
- **Key Characteristics of High Retention Clubs**
- **The Equation for Your Success**
- **BTS Summit Draws Record Audiences**
- **Apex Fitness Group Begins VFP Launch!**

...VFP

continued from page 3

about the value of the Visual Fitness Planner to clubs. Since the Visual Fitness Planner Company is one of our advertisers, I might be biased. So, let's go immediately beyond any bias I may have and hear directly what some key industry leaders have to say about Visual Fitness Planner.

Health Club Industry Icon – David Patchel-Evans Weighs In
**David Patchel-Evans**

five locations in the Dallas / Fort Worth market with literally hundreds of competitors and VFP helps to give us a tremendous advantage. We not only use the system on every prospect but we use it to remotivate our existing members. We use it for all of our outside marketing projects and corporate presentations. It's absolutely the best investment we've made using technology to better interact with our members and guests.

I was speaking at Dallas Mania last week and happened by the booth that Visual Fitness Planner had at the convention and I spoke with some folks that seemed interested and explained in depth how we used the system at all levels in our organization and what a great tool it was to better manage our members and their goals and health risks."

Chief WOW!zer Steve P. Roma Shares Excitement!

In New Jersey, the father/son team of Steve P. Roma and Stephen S. Roma own and operate WOW! Workout World Clubs and franchises. Here is what Stephen P. Roma, Chief WOW!zer had to say, "Visual Fitness Planner brings the prospective member tour to a new level. Instead of the sales counselor "painting a mental picture" for the prospect, VFP allows the counselor to show a 3-D "visual image" to the prospect. Visual Fitness Planner creates excitement for the prospect, where they can actually see a similar body type of their own transform in front of them, making their dream to look and feel better, a tangible reality.

The advantage is the "third party" (i.e. VFP) which reinforces the importance of making a commitment to fitness to obtain the goals that they outlined with the counselor.

As it relates to exercise retention, we understand how important it is for new members

**Steve P. Roma**

to be enrolled at WOW! Work out World with realistic health & fitness goals in mind. During enrollment, new members will actually have an opportunity to see their results before they even happen. On top of that, the Visual Fitness Planner goal timeline function clearly defines the exercise commitment and time period it will take someone to achieve their specific health & fitness goals.

After enrollment, new members will then experience a more robust version of Visual Fitness Planner, which will be utilized to identify the type and intensity of support best suited for each member based on his health & fitness goals and the timeframe he wishes to achieve them within.

Initially, Visual Fitness Planner will help our Sales Counselors establish realistic expectations with each prospect he meets with, and it will help our Personal Trainers to identify the best personal training and support program suited for each member."

Respected Club Industry Consultant Michael Scott Scudder Observes:

"Any time a club can show a prospective new member what he/she will look like after a few months of exercise in that club, plus how that person will reduce health risks by a simple plan of activity, you have a winner! That's Visual Fitness Planner in a nutshell."

Apex Fitness Group Launches Customized Version and Distribution

Apex Fitness Group founder Neal Spruce is extremely bullish on the impact of this technology. Neal states, "As the "new health club" breaks out of the old mold of selling memberships to fit people, VFP has taken the lead on creating a sales tool that can speak

everyone's language. The product displays a visual presentation based on actual data on how a structured program can dramatically improve your health while transforming your body within a certain time frame. The power of the visual and true data lead to impulsive buying behaviors but more importantly the presentation creates the understanding that the consumer is buying a solution to their goal and not a membership to a "box" full of beautiful people.

Incorporating this presentation style accomplishes 3 things: 1.) it simplifies an often complicated sales approach that sells services at POS; 2.) the presentation can be performed anywhere to anyone such as in corporations, malls, etc. allowing people to see we have a solution for everyone; and 3.) most important of all, proper use of the VFP can change the way the community looks at health clubs - in other words we are not just a gym, we can and will personalize your fitness experience."

Erik Christoffersen, VP of Sales and Business Development says "Our customized version which we are branding the Apex Results Tool (ART), is the tool that personal trainers and sales counselors needed to help them make it easier to present and sell programs (weight loss and PT). Rather than trying to create that tool ourselves, we identified VFP as an ideal partner and decided to adopt their tool with Apex customizations, to be a tool that would help drive Apex success within our clubs. What is so exciting to us is that trainers and salespeople, especially

when high dollar amounts are attached, may not be as confident as we would like, and this VFP tool generates confidence and excitement enabling these staff to achieve greater results. The genius of this tool is that it causes the member or prospect to ASK for the program rather than forcing the sales person or trainer to HAVE to sell the programs. In the more than 1,000 clubs across the US, Apex realizes that they have a high success rate when people get on an Apex program, but the personnel still struggle when it comes to presenting and closing on the program to new clients. It generates the desire to participate in personal training and weight-loss programs Apex provides. For Apex, specifically what this tool does so well is, it helps prospects and members FULLY UNDERSTAND the health risks that they may have in conjunction with being overweight and not exercising. The tool visually conveys how they can mitigate those risks and dramatically accelerate the timeframe to get the results they desire."

The Visual Fitness Planner Is "Right On Target" For The North American Obesity Epidemic

The Visual Fitness Planner (VFP) is one of the best health club membership marketing and servicing tools this author has seen. It is precisely "on target" for the obesity epidemic currently raging in North America and (See VFP Page 6)

THE Club Insider NEWS

*Established 1993
11 Years and Counting!*

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**Robert Dyer**

Norm's Notes

• Hello Everybody!

This is your friendly **CLUB INSIDER** News Publisher since 1993 reporting. If anybody out there **doubts the power of GOD Almighty**, all they need to do is take note of what is happening to the weather in the Caribbean and the Southeastern United States. I hope those of you who pray will join me in praying for the many people in Florida, Alabama, Mississippi and many places in the Caribbean who have lost their homes, their jobs and life as they know it. **God Bless them all** as they recover!

• Speaking of the hurricanes, **Hurricane Charley** hit dead on at **Punta Gorda, Florida**, about 12 miles from **Cape Coral** where **RAYBOB** and **SANDI GORDON** live. RayBob is the founder of **SalesMakers**. Ray owns a beautiful 30' sailboat named the "Odyssey" that he keeps right in his back yard on a canal with access to the Gulf of Mexico, and he wrote a really amazing report about the experience he and Sandi went through and emailed it to many of their friends. The bad news is

that Ray and Sandi's beautiful home suffered over \$40,000 worth of damage. The good news is that the "Odyssey" is doing just fine as RayBob had secured it with ropes from both sides of the canal enabling the Odyssey to ride out the storm.

• **GEOFFREY DYER**, CEO of Tampa, Florida-based **Lifestyle Family Fitness** chain informs me that his organization lost its Orlando club to **Hurricane Charley**. Geoff writes: "We did lose a club. It filled up like a bucket as the roof was torn off. We were able to open a 3,100 square-foot club within 6 days and re-open a local closed gym within 6 more days. Insig-nificant loss of members and full retention of staff." God Bless you Floridians, mate! Geoff also recently announced a newly designed Website: www.llf.com

• In New Orleans, LA., **KEN KACHTIK**, GM of the world class Elmwood Fitness Center, informs me that, "Everyone here is fine. We were very fortunate that the storm just missed us and we didn't suffer any damage or

flooding. I am glad to hear that news for those folks in Louisiana, but I am worried about the folks in the Florida panhandle and Southern Alabama. **Hurricane Jeanne** is boiling down in the Caribbean and as of now it looks like it will miss the U.S. I sure hope so!

• I would like to direct your attention to the **APOLOGY** and **CORRECTION** shown on page 19. Last month we published a terrific article by **DONNA KRETCH**, the President of **Thin and Healthy Weight Management, Inc.** Due to a very unusual computer glitch, two important **BOLD FACE SIDEBARS** were left out of the article. So, my apologies to both Donna Kretch and my old friend from four decades ago, **REID HANS**, for this error. I also want to draw your attention to the article by Donna this month on page #18 and her ad on the opposite page #19.

• **WALLY BOYKO**'s **National Fitness Trade Show** in Las Vegas, September 9-11th, was simply a great time! As usual, the **Rio Hotel** was terrific. But for me, this was the most fun NFTS event yet because of the fact that "BIG JOHN McCARTHY" was honored with the NFTJ Lifetime Achievement Award. In attendance amongst the crowd of several hundred people and seated at our table, were old friends John McCarthy, **RAY WILSON** and **KEN MELBY**, **IHRSA**'s **CHUCK LEVE** and **DONNA GARRITY**, **CECIL** and **JEAN SPEARMAN**, **JOHN** and **JAN DOYLE** and **RICHIE WAGNER**. Chuck Leve did a really terrific job of sharing some wonderful historical facts about John McCarthy. And, after

Chuck's remarks about John, **Master of Ceremonies, RON HEMELGARN**, introduced **RUDY SMITH** and **RAY WILSON**, who also made some terrific observations and comments about Big John. The NFTJ Conference was terrific with **MICHAEL SCOTT SCUDDER** conducting the **World Gym University**. The highlight of the conference for me was the beautifully done 30 minute DVD with **The JOE GOLD Story** presented really, really well and I want to thank **World Gym CEO, MIKE URTEZ, Esquire**, for having the DVD produced and showing it to us. The NFTJ Trade Show was terrific, too and was bigger than the last couple of years, but none-the-less, it was just the right size to have quality time to speak with folks and catch up. I enjoyed seeing and catching up with old industry friend, **JERE KNOWLES**, the owner of the **Westroads Athletic Club** in Lincoln, Nebraska. Plus, on Friday and Saturday nights the **Ms. Fitness USA** and **Ms. Fitness World** contests were held. Check out our website (www.clubinsidernews.com) for some terrific photos from the NFTJ Conference and Trade Show.

• In October, **ALL ROADS LEAD TO CHICAGO**! That's right, take trains, planes, automobiles, helicopters, motor-scooters, horseback, even come on foot if you have to, but **BE IN CHICAGO** for the Annual Club Industry Conference and Trade Show October 13th thru 16th! Highlights for the event will include, of course, the always great educational content, annually well presented by **HOWARD RAVIS**. On Thursday, (See Norm's Notes Page 8)


Norm Cates, Jr.

Thank You

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New Paradigm Partners - #771

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...VFP

continued from page 4

other parts of the world. The VFP not only provides a terrific new membership marketing opportunity for clubs, it provides an amazing member retention tool as well as member referral tool. Currently, the Visual Fitness Planner System is employed in over 230 clubs in North America and around the world. But, that number is growing rapidly as more and more of you see, study, scrutinize and eventually decide that you must have the Visual Fitness Planner system for your club. Read on as we share, in their own words, the comments of the Founder and CEO.



"The key thing in business is to know when to catch the wave. A high tide raises all the boats and this is a tool that will help any and all clubs to be far more profitable. We wanted to be there first. I feel the Visual Fitness Planner™ is guaranteed to increase sales, retention and personal training... probably double profits...all for the price of a treadmill. It was an easy decision. I absolutely love it."

David Patchell-Evans, President and Founder
GoodLife Fitness Clubs, Canada

Comments From
Mario Bravomalo - Founder -
Visual Fitness Planner

The Visual Fitness Planner is the creation of VFP Founder, Mario Bravomalo. Bravomalo, age 40, is a Texas Certified Physical Therapist. He operates a business in Fort Worth, Texas called The Smart Institute of Sports Medicine and Rehabilitation of Texas. Mario's Institute was founded in 1997 and employees 32 people. They serve 1800 clients per month with physical therapy services.

Mario Bravomalo was born in Troy, Michigan and went to West Texas State University (WTSU). He became involved in a special program offered at West Texas State University called: "The Student Handicap Awareness Program." This program provided handicapped students with roommates who had agreed in advance to provide assistance to handicapped students while they attended WTSU. Bravomalo recalls, "I began in a business major. That didn't work out for me. Because I didn't have any way to pay for college, and since football didn't work out for me, I got hooked up with an organization called "Student Handicap Awareness." They put me with a guy who was a quadriplegic, a guy who couldn't

move his arms or legs. They asked me if I wanted to live with him and take care of him; they would pay for my room and board. I had no other way of paying for school and I didn't want to go home, so I said, 'Yeah, I'll do that.' His name was Steve Garcia. I drove Steve to his first physical therapy appointment. I saw what therapist were doing with him and I fell in love with it! That's how I got involved with Physical Therapy. It was really amazing. What happened was that Steve was the first handicapped guy who had applied there. So, they allocated the ground floor of a men's dorm for him. Then, they had to reconstruct a whole bathroom set

up. So, I got together with others and we started recruiting handicapped people from all over the world. Before I knew it, we had a whole section of that men's dorm that were either quadriplegic or paraplegic. I had six other techs who worked for me and lived with other guys and we got it paid for by the Texas Rehab Commission. What we started was a large program that is still running today. We went out and recruited kids from all over the country who had either spinal cord or head injuries. The accessibility of those buildings was excellent for what we were doing because of the lack of stairs in the buildings. Until then, a lot of kids never even thought about going to college. They wondered, 'Who will take care of me? Will they understand my needs? So, we put together a whole training program and took students who were looking to get into physical therapy and trained them, then hooked them up with a paraplegic or a quadriplegic when they would take care of. I graduated with a degree from West Texas State University with a biology major. I used that to go to Southwest Texas State to get my Physical Therapy Professional Equivalent degree which is comparable to a Master's Degree."

**Providing the
Health Club Industry
With Motivation, Education
and Support For Its Members**

We asked Mario to retrace the years after graduation from college and how he got involved in the health and fitness industry. He recalled, "I had gotten involved in playing competitive volleyball and had gotten into working out. So, I noticed while walking around the health club that not that many people were actually getting results, and they would not be there very long. Three months later I wouldn't see the same faces anymore. I started going back and forth from my Physical Therapy business and comparing my clients who were making great progress, learning to walk again, etc., but in the health club industry it seemed that nobody was making any progress. I understood the business model was different. Financially, we get paid hundreds of dollars for a visit and they get paid \$40 or so per month. So, they didn't have the money to spend with people. And, the education piece was missing. I realized with the amount of time they have to deal with members and to deliver the kind of education that somebody needs to actually get results and change their body, the health club industry would have to have something that would be a quick way of motivating, educating and supporting people. That's where the Visual Fitness Planner concept came from... trying to provide a cost-effective way for the health club industry to deliver motivation, education and support for its members. At that time, I had picked up a copy of IHRSA's publication, "Why Members Quit", that they had produced in 1999. The publication stated that education, motivation and support is something that you have to deliver to people if you expect them to get results. It just seemed like there was no way for the health club industry to do that with the prices that they charged. I thought that if I could visually show people what it would take, how they could get there and exactly what they needed to do in a 5-8 minute presentation, the industry would have something to deliver to people."

Daron Allen was the VP/General Manager of the Health and Fitness Connection in Fort Worth, Texas and had finished second in IHRSA's 2000 General

Manager of the Year honors. Mario had met Daron at some point at the Club. Bravomalo recalls, "I had put together the concept. I had actually mapped it all out. I had gotten involved with a group called, "Business Incubators." The first thing that they told me was that if I wanted to be a serious competitor in the health club industry and know enough about the industry to deliver a product, I needed to find somebody who was an expert in this industry. The hospital that I worked for, the Osteopathic Medical Center of Texas, owned the Health and Fitness Connection, where Daron Allen was a VP and the General Manager. I had had some business relationships with Daron before as part of the hospital. When they told me I needed to find somebody in the industry, he was the first person I took the concept to. I showed him the whole outline of the concept and he fell in love with it right there. Since then, Daron has introduced me to hundreds of people in this industry and all of them have nothing but great things to say about him. I think it was a huge business advantage for me to hook up and partner with him."

Club Insider - "Daron has what I call the "P" word. He has the PASSION. You can't replace PASSION!"



"To be able to demonstrate visually to a customer how they are actually going to look at their goal weight is very powerful. We've found that in nearly all cases they have no real perspective of how their body will transform nor how their health risks will significantly decrease. And when they do, they get it!"

Robert Dyer
Owner Fit For Life Centers, Fort Worth

Visual Fitness Planner now has 230 clubs in the U.S. and Canada, plus 30 overseas. Those 230 in the U.S. and Canada includes 78 Good Life Clubs in Canada, owned and operated by industry icon, David Patchell-Evans.

We asked VFP Founder, Mario Bravomalo, "With the obesity epidemic going on in the U.S. and the associated huge media storm happening, it seems to me you could not have had better timing to be bringing the

Visual Fitness Planner concept to the world. Care to comment on that?"

Bravomalo responded, "Absolutely. The product itself was specifically designed to attract the unfit population. When I originally came up with it, I was trying to find a way to reach the non-exerciser, the people that it would benefit the most. I would say that the 10 to 15% of people who are currently exercising, the same 15% that the industry is always fighting over, is going to work out somewhere anyway. You could lock the door and they would break in! The industry has needed a vehicle to reach the unfit population to tell them it's O.K., to come in here. It's O.K. to work out here. We have a solution that combines nutrition along with exercise and that provides them with a health risk assessment that they can see where they currently are. For a lot of them, looking better is not their key motivation. Their key motivation sometimes is that they just want to be healthier. The Visual Fitness Planner will be able to give them an idea. The other thing is that it provides an amazing amount of hope. A lot of people can provide health assessments. But, we're the only tool that can show you, that if you choose some simple actions here, how your health risks can be reduced, and we can predict what your new health risks

will be if you perform these actions."

Research & Principle Foundations of the Visual Fitness Planner

The Visual Fitness Planner was created as an educational tool to assist health and fitness professionals in demonstrating physiological changes that occur with proper nutrition and exercise. The pro-
(See VFP Page 10)

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Ed Tock, based in Garrison, NY, is a partner in Sales Makers, a marketing and sales training consulting firm and recent winner of the IHRSA Business of the Year award. The company has worked with more than 825 clubs worldwide, including more than 160 presales and grand openings since 1979. Sales Makers clients have averaged a 28% increase in sales. Ed has spoken at every Club Industry show since 1993 and has presented at 40 different sessions during that period.



Jeff Masten of Newburgh, NY, is a consultant with Sales Makers, a sales training and marketing consulting firm. He has been in the fitness industry since 1983, working in management, sales and personal training. Jeff is also the owner of Fit-Touch, a personal training and massage company.



Ray Gordon is an industry expert, and the founder of SALES MAKERS. He is a person that enjoys his work. Traveling to clubs in the health industry, he gets to implement the SALES MAKERS systems while training, advising and motivating staff. Ray's 25 years of extensive experience allows both new and experienced membership staff to improve their skills.

Thousands of membership staff have used his training techniques and membership responsibilities to bring real pride and results to their job.



Thursday October 14 #G2 2:00 pm- 4:00 pm with Eddie Tock

Executive Roundtable: Managing Sales at a Multipurpose Facility — Pricing, Staffing, Selling

Who should attend: Owners, managers, marketing directors and sales directors

Friday October 15 #H2 8:30am - 10:00am with Eddie Tock

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Executive Roundtable: Managing Marketing at the Multipurpose Facility

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Who Should attend: Owners, managers and marketing directors



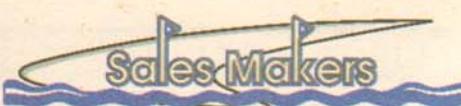
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...Norm's Notes

continued from page 5

October 14 at 11:30 am, **WORLD GYM'S MIKE URETZ** will accept, on **JOE GOLD'S** behalf, the **Club Industry Magazine's Lifetime Achievement Award**. The presentation will happen in Room N 228 at McCormick Place, immediately after the keynote address. The learning opportunities at the 115+ seminars held in Chicago will be enormous as will the **Club Industry Trade Show**. I hope to see you in Chicago at our Booth #110 !

• Grab your calendar and make a note in December to mark your 2005 calendar for March 16-19, 2005, the dates of **IHRSA's 24th Annual Convention and Trade Show** to be held in San Francisco, California. Amongst many, many events and activities, **The CLUB INSIDER** News will honor the one and only, **RED LERILLE** and post-humously, **JOE GOLD** with our **2nd Annual "Health Club Pioneer of the Year Awards."** The date and time of the award presentations will be announced at a later date, so **STAY TUNED!**

• Speaking of IHRSA, I am very happy to bring your

attention to the **IHRSA Press Release** on page #3 announcing **IHRSA's new alliance** with the **Council of Better Business Bureaus** of America. I think this is a really good step that has been taken by IHRSA leadership with the objective of managing consumer issues and complaints stimulated by club operators that are operating outside the bounds of ethical behavior. I view this arrangement as a really good opportunity for consumers to seek results and behavior change by rogue club operators. So, that should go a long way to helping protect consumers. With respect to club operators that are at each other's throats, let me suggest this. If you know that one of your competitors is clearly in violation of your State's consumer laws you should write a letter of complaint about that behavior to your State's Attorney General's Office. If that behavior impacts both you as a competitor and your members as consumers, I would also suggest that you enlist some of your members to write and mail a similar complaint letter to the State Attorney General's Office. Be sure to have a written handout that has the Attorney General's name and

mailing address on it made up to give to members. And, be sure to teach your staff how to handle such matters by referring complaining members to your General Manager or to you, if you serve in a GM capacity. The bottom line is this. If the health club industry wishes to actually increase, year after year, its penetration of the U.S. population, club owners, operators and staff members need to treat consumers honestly and fairly, and they should also treat their competitors with decency and respect. This may sound oversimplified, but we are not going to be able to get the consumers of the U.S. to trust us and buy memberships and other services from us if we as club owner/operators are behaving in an unethical and deplorable manner. In other words, it really boils down to the **Golden Rule:** "Do unto others as you would have them do unto you." And, "others" in this case, means both consumers and competitors. Oh yes, one other thing. Once you've written your letter to your State Attorney General's Office, right at the bottom, please write the following: cc: Norm Cates-**The CLUB INSIDER** News and

then fax or mail or email a copy to me. **Fax #:** (770) 933-9698, **Mail:** The **CLUB INSIDER** News, P.O. Box 681241, Marietta, GA. 30068, or **Email** to: **clubinsidernews@mindspring.com** I will look into it too and I will attempt to contact you first and then the parties about whom you've written the complaint. The **Mission of The CLUB INSIDER** News is: 1) To publish and deliver the latest industry news first, before all others; 2) to provide excellent educational articles every month, month after month, 3) to "Tell-It-Like-It-Is" about individuals or companies in our industry that in our view are in need of scrutiny and public exposure. If all else fails, we will provide that scrutiny and public exposure. **STAY TUNED.**

• The **Florida Health Club Association (FHCA)** is hosting its **4th Annual Conference** in conjunction with the **Athletic Business Conference and Trade Show** in Orlando, Florida, November 11, 12 and 13. The FHCA has arranged a very impressive line-up of speakers including keynote speaker, **CAL RIPKEN, JR.** (Courtesy of **Athletic Business**). **IHRSA's JOHN McCARTHY** will speak on

Member Retention and several other notable speakers will be there including: **DEBRA LEE**, Gainesville Health and Fitness Centers; **MICHELLE GUERRA** of Human Kinetics; **SANDY COFFMAN** of Programming for Profit and **TERRY BLACHEK** of Lifestyle Family Fitness. For additional information contact **NICOLE JOHNSON**, Director of Communications for FHCA at: (813) 964-9126 or email: **nj@ihsra.org**

• **JIMMIE PACIFICO**, age 16, is a phenom you must hear about. Jimmie is the son of my lifetime friend and former **Rome Free Academy**, Rome, New York, high school track teammate and weight lifting buddy, **LARRY PACIFICO**. Larry won the **World Power Lifting Championships 8 years in a row**. His son Jimmie is something else. A sophomore at **Vandalia Butler High School** in suburban Dayton, Ohio, Jimmie won the **National High School Shot Put Championship** last summer with a throw of **61' 4"**. He also threw the **discus 171' 7"**. Get this: Jimmie Pacifico is a **10th Grade, 5' 9", 213 # pound running back** for **Vandalia Butler**

(See Norm's Notes Page 20)



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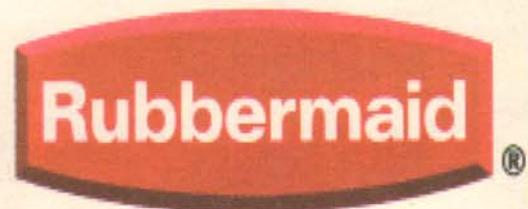
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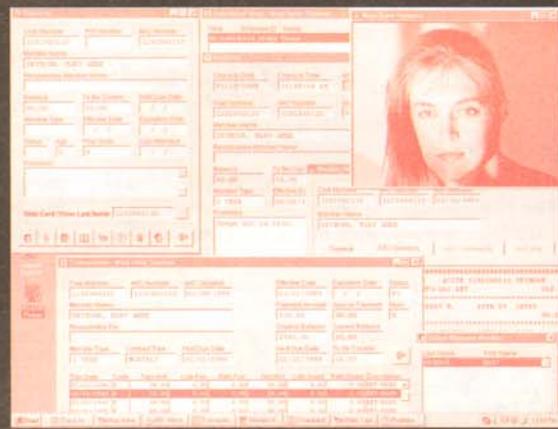
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...VFP

continued from page 6

duct is based on scientific studies and widely accepted research. The physiological principles that hold true for all humans are illustrated throughout the Visual Fitness Planner. However, there are individual physiological principles that are unique to each human and cannot specifically be represented within the Visual Fitness Planner.

The health risk portion of the Visual Fitness Planner™ is based on the seven risk factors identified by the American Medical Association, the American Dietetic Association, and the American Heart Association.

The seven risk factors are as follows:

- Age
- Family history
- Activity level
- Smoking
- High blood pressure
- High cholesterol
- BMI

We inquired of Bravomalo about how the VFP Program is documented. In other words, how do they keep score? He replied, "We have the VFP Business Transformation Plan (see www.vfp.us) to guide club owners and to show how its impacting your business. Then, to illustrate for the club member how their health risks are reducing and how their program is going, we provide the images tracking their risks before and after. We store their plan and we can reassess it. We have some clubs that reassess every 15 visits and some clubs that reassess every 30 visits. And, we do have some clubs that don't do any reassessments at all, although the reassessment process is a key factor for member retention."

We asked Mario, "What is your vision for the future of the Visual Fitness Planner? Bravomalo replied, "Daron Allen and I make a really good team. I have the ability to do the 'vision' stuff, but I am terrible at execution. And, Daron is very good at putting together an execution strategy and sticking to it everyday and working the process so that the ideas that we come up with get done. The overall vision for the Visual Fitness Planner hasn't really changed since I drew it up in 1999. The idea was to get a

product out there like we now have, the Visual Fitness Planner Sales Pro, and imbed it into enough health clubs around the United States and the world. Once we had that in place we wanted to launch a 'consumer' product. The Visual Fitness Planner Consumer Product is where we really want to get the word out through the internet, Oprah Winfrey, Dr. Phil, etc. using mass publicity to hand out disks that people can use The Visual Fitness Planner at Home to find out what their current health risks are and what their bodies' potential is. The idea is when they look at that and they are ready to do something about it, we will link them with clubs that have the Visual Fitness Planner in them already. I believe that the #1 thing that any vendor can do is to provide club owners with new member prospects. The whole system was designed to engage people at home so that they would come to that point where they would say, "Yep. I need to make this decision. I need to change my lifestyle." We are about 50% into our development of the Visual Fitness Planner Consumer Product. It is at least one year away. We want to get to the point where we have a significant number of facilities utilizing the Visual Fitness Planner before we launch the VFP Consumer Product campaign."

*The Visual Fitness Planner
Business Transformation
Plan... A Roadmap to Success!*

into their clubs. Club operators are constantly teaching us ways that they are using Visual Fitness Planner to attract new member prospects. What we are doing is putting together a manual of 'Best Practices' of the clubs that have been successful in attracting people. The Visual Fitness Planner is a great motivational selling tool right at point of sale for memberships and personal training. So, we found those who are the most successful of our clubs out there doing it and how they are doing it. We produced the scripting and other information and put it into a manual we are now distributing to all of our clubs. And, we didn't even realize what a retention tool VFP was until one of our customers in San Antonio actually started using it only in retention. They remodeled their system and it has been extremely successful. They report their documented retention rate has risen from 55% to 85% over the course of the last 12 months. Our clubs are teaching us creative ways to use the product. The reason that it's so adaptable is that the health and fitness industry really only sells two things: you are going to look better and you are going to feel better. And, our product really is the only product that addresses those core things up front and can really show you the benefit of spending your money. That's why it's become such an integrated part to each of those pieces of the business. Our role is that of a sales and marketing piece to really show people the true benefits of those facilities, how good their staff is, the good uses they can put the equipment to, etc. Really, we're a sales and marketing piece that has never existed before. All other vendors in this industry have been very supportive of our product."

Mario, if you'd like to add anything else to this terrific interview, feel free to do so now. Bravomalo responded, "One of my true passions and something I really believe in is pairing up the health and fitness industry and what they have with big business and corporations because I think that is the true partnership and gold mine. Corporations are getting hit with 11 to 12% increases in their medical insurance each year. And, nobody has profit margins that large. Big business is very motivated to help their employees become healthier to help control their healthcare

costs. There used to be the old adage that "What employees do on their own time is their own business." I've modified that to: "What employees do on their own time effects their business." So, now businesses are having to get involved in educating people on why it's important to have a lower BMI, start exercising and stop smoking. I really believe that our tool, when utilized properly by health clubs and taken into corporations, into their break rooms with the permission of Human Resources, we can get non-exercising people motivated to exercise through the use of Visual Fitness Planner right there in the company break room or lunch room. When these people start exercising and losing weight, the employee benefit costs are going to go down. It creates this beautiful wellness partnership between the health

club and the corporation. That's really where our company is focusing a lot of effort."

*Comments From Daron Allen
Visual Fitness Planner
CEO and President*

I call him "Rocketman." That's because Daron Allen is always on the go. Daron is one of our industry's greatest "road warriors", logging hundreds of thousands of miles per year traveling to see club owners and operators. When "Rocketman", Daron Allen calls you at your club, I hope you will take the time to hear what he has to say. But, before then, contact Daron at www.vfp.us and make plans to visit the Visual Fitness Planner team during the 2004 Club Industry Show in Chicago, October 14 thru 16th. You will be

(See VFP Page 12)

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Our Processing Division offers full service accounts receivable processing - EFT, credit card and monthly payment books. From start to finish we monitor every aspect of your members account.

... **Customized Marketing Programs.**

Our Club Enhancement Division offers a wide range of customized sales and marketing programs designed to enhance club operations, increase sales and improve your bottom-line profit. Club marketing services include "Friends are Free", a customized referral program; "VIP Preferred Program", our exclusive member retention program, and our comprehensive membership renewal program "Renewal Plus".

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...VFP

continued from page 10

impressed with what you see.

We had the chance to spend some time with Daron and associate Robert Hatch while they were in Atlanta last summer. To say that these guys exude excitement and enthusiasm about their product, The Visual Fitness Planner, is an understatement.

Daron Allen originally entered the club industry in 1991 when Karen Kirby (current *CLUB INSIDER* Contributing Author) hired him to work at Bruce Hendin's San Antonio Racquetball and Fitness Clubs. Daron had a degree in Exercise Physiology earned at Schreiner University in Kerrville, Texas. He worked for Bruce Hendin's San Antonio Racquetball and Fitness Clubs for a time serving as a fitness staff member. In 1993 Daron was hired as a Fitness Instructor at the Health and Fitness Connection, the Fort Worth, Texas-based health club owned by a local hospital system. Daron quickly moved up to roles as Fitness Director, Sales

Manager, General Manager, Executive Director, and Vice President within the hospital system. As Mario Bravomalo mentioned, that's where Daron met Mario. During Allen's tenure at the Health and Fitness Connection, he was honored by IHRSA as he was named the runner-up in IHRSA's 1999 General Manager of the Year Award competition and was a finalist again in 2000. In addition, his Fitness Director, Amy Simpson, won the 1999 IHRSA Fitness Director of the Year award.

**Visual Fitness Planner =
Attract - Sell - Retain Members**

Daron Allen commented on developments with the Visual Fitness Planner. "We've created a very comprehensive training manual for all VFP clients. The manual gives very specific instructions for club operators that describes exactly how to incorporate and maximize the profitability of the Visual Fitness Planner in their clubs. We are breaking down our business

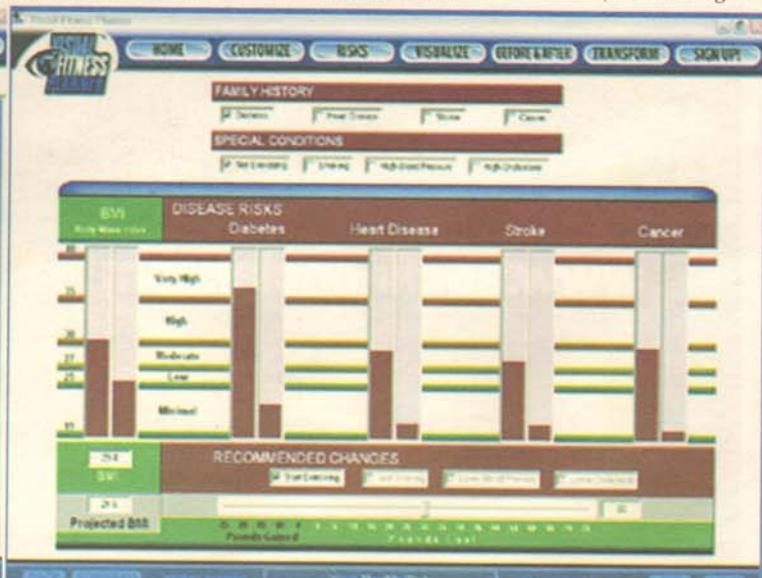
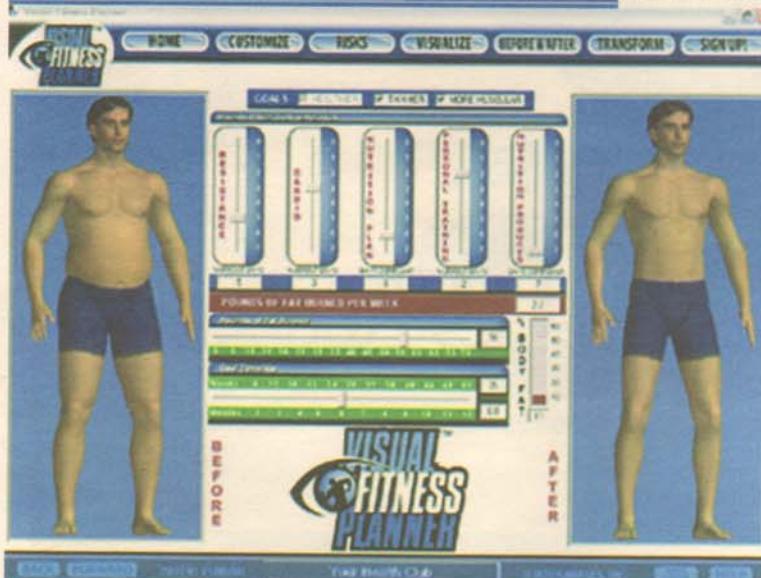
transformation systems into three really critical areas: *Attract, Sell and Retain*. Beyond that we address the *Seven Pillars of Club Success* one pillar at a time, teaching how the Visual Fitness Planner impacts every area of their club business. Our goal really is to elevate the professionalism of how they market, sell and retain their members through a technology resource that really helps to illustrate the benefits and the values of exercise and a healthy lifestyle. It's interesting because we have a passion and a drive to help facilities manage their members' fitness experience. I think a lot of people have managed their members' billing experience and their account experience, but I don't know how many great turn-key systems are out there that actually manage the members' fitness experience, which is why they came into the club in the first place. So, we're really passionate about that. The biggest thing that our technology does is help sell fitness and health. I believe that selling fitness and health in the past has been a very intangible sale. It is one of the only sales where you come in, pay a bunch of money and walk out with nothing more than a plastic membership card. Sure, maybe you have a piece of paper or a new member package, but basically it is the sale of an intangible. What our technology does is it truly makes the sale of health and fitness tangible. In my opinion, it is the first time that a prospective member/consumer in our industry can actually come in and get their hands around what they are buying. They have never been able to do that before.

They can actually see what their body looks like today. They can see what they hope to look like in the future. But, most importantly, they can see how long it is going to take them to get there. I think it is really key for people to understand how long it is going to take them. What we have actually found is that most important is our new health risk calculator. We specifically calculate and visually display what a person's actual health risks are for diabetes, heart disease, stroke and cancer (See charts on this page.). This is a tremendous impact in that we calculate in real time how the exact solutions clubs offer can change the member's health risk. This increases the emotional readiness of the prospect to stop procrastinating and take action on their health and body."

USE EVERY SINGLE TOOL!

I mentioned to Daron that, 'The clubs need to use every single tool as an industry to penetrate the 175 million or more Americans who are overweight or obese and get them to start exercising in our clubs.' Allen replied, "Yes. That's one of the things that is actually a real foundation and philosophy of our system. That is that the majority of people are very intimidated to walk into today's health club. Very intimidated. With our focus, not just on weight loss and how you can transform your body, but with the real emphasis on reducing health risks and our government's focus on the war on obesity, etc. we have the ability to visually demonstrate to people what their health risks are and how it

(See VFP Page 14)



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“small is GREAT!”

An exclusive column featured only in Norm Cates' “Club Insider”

**“OUR HEALTH CLUB
DOESN'T CONCENTRATE
ON SELLING
MEMBERSHIPS!”**

I've been doing a lot of traveling lately, making presentations, attending international conferences, and visiting small clubs. This year, more than any previous, I have truly been a “road warrior!” I have visited 22 cities in 8 months, conducted 18 intensive private business workshops, attended 5 conference/trade shows...and recently spent a fair amount of time in Australia, British Columbia and Ontario. What I'm finding in a certain sector of the small club industry is what is commonly known as a “paradigm shift.”

What do I mean by a “paradigm shift?” And, what definition do I use for a “small club?”

I'll answer the latter question first and then try to explain the paradigm and its shift. Although it is tough to clarify, I roughly define a small club as either less than 20,000 square feet and/or less than 2,000 members and/or less than \$1,000,000 in gross revenues. This definition encompasses basically 75% of the U.S. club market and 85% of the international club market!

The paradigm exists within the thinking that I've been doing for the past four or five years...that it looks to me like most small clubs cannot compete any longer in the larger-club “operating mode” – that is, selling massive numbers of

...VFP

continued from page 12

It visually impacts them. Those risks just increase depending upon their risk factors of heavier weight, family history, whether they smoke and if they are not on a regular exercise program. It visually makes a huge impact on them emotionally. We're finding it pushes people to stop procrastinating! The foundational philosophy of our company is that people learn and take action off of visual stimuli.”

**Sales Beyond
The Club Membership**

I brought up the subject of sales in clubs beyond the club membership. Allen had this to say, “One of the things the club owners are really excited about and are

memberships and hoping that a certain percentage stick on the books. And, now my suspicions are beginning to prove valid. I think its best exemplified by a great women's-only operator up in British Columbia, Chuck Lawson, who said to me in July: “We (Just Ladies Fitness – a dozen quality clubs around the Vancouver area) don't concentrate on selling memberships! While memberships are certainly important, and the core of any system's cash flow, we focus on RPM – revenue per member – and not on how many memberships we sell. And – to steal a phrase that I have heard you use many times – we think that a membership is ‘just the ticket to the dance.’” By the way, those words in various forms have been reiterated to me by dozens of real sound operators in the U.S. this year. So the paradigm is “just selling memberships.” And the shift is to seeing memberships as the entry point, not the final step in a process.

What does it mean – “entry point?”

To answer that fully, I believe you have to take a step back in time. For years, this industry benefited from a great international economy and a sincere, pressing demand for our product – which, up until recently, could really be defined as a “club membership.” And, most clubs could stay on top of things by selling enough memberships to not only cover those exiting via the back door, but to incrementally grow year by

achieving great results on is selling ancillary services like personal training. One of our top tier clubs is achieving phenomenal results selling personal training during the fitness orientation using our system. They have seen a 150% increase in their closing ratio. And, they are now selling as much as 35% of their new members on personal training!

**Amazing Return On Investment
With Visual Fitness Planner!**

The bottom line on this story is profits! Hear this amazing comment from Daron Allen, “For the clubs that are implementing our systems, the majority are receiving anywhere between a 500% and up to a 3,000% return on their investment! And, we have an ROI spreadsheet that we present to club owners. It calculates the projected

year. That game has changed in modern times.

One, the economy weakened about four years ago and hasn't picked up measurably. There are many analysts who believe that we have been in a steady recessionary cycle since 2000, and that that cycle is likely to continue for another couple of years. Two, the growth of club offerings has outpaced the growth of net membership numbers. If you compare published numbers for the last five years, you realize that the “average club” in 1999 had about 1,400 members...and now the average club has about 1,100 members.

What has caused that phenomenon of lesser numbers of members per average club?

An obvious answer is the simple law of supply and demand. Supply is growing faster than demand. That always causes a reduction in average numbers. The less obvious answer is the growth of “niche clubs” – small women's-only, express clubs, the re-birth of group exercise studios, the tremendous growth in personal training studios and the “category-killer” clubs that have emerged in major markets. All of this has created, perhaps temporarily, a saturation of clubs in many marketplaces. Which means, plainly, that there are more offerings for the consumer to consider...and that dissatisfied or underserved customers do not have to, and likely will not, stay with a facility that doesn't cater

ROI for the club based on the number of members they have, their sales closing ratio, their membership retention numbers and their ancillary/non-dues revenues and the percentage impact that Visual Fitness Planner makes on each of those areas. That return on investment is phenomenal.”

**Mario Bravomalo and
Daron “Rocketman” Allen
Blazing a Path To Success!**

Over lunch I asked Daron Allen, “How many frequent flyer miles do you log per year?” He responded, “Oh, I am not sure. 75 to 100 thousand per year. But, I am enjoying it. I am obviously very passionate about what I do and I truly enjoy it!”

Well, Mario Bravomalo and Daron Allen's passion for the

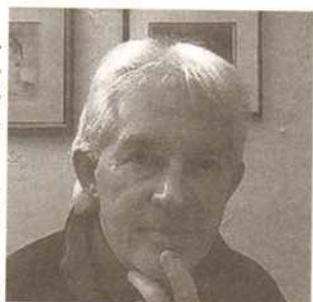
to their needs.

The million-dollar question here becomes “What about pricing and how does that relate to the true cost of new membership in a club?”

As supply increases, what appears inevitable is commoditization. It's already happened in most service-and-retail industries, why shouldn't it happen in ours? For simple explanation's sake, read that as the likelihood that more players will enter the market and offer lower initial prices, thus putting a top or threshold on membership pricing...at least until there is a major shake-out in the club marketplace. Couple that with the average-cost-per-new-member (which in most clubs exceeds \$100 per new sign-up), and you can conclude that clubs, especially small independents, cannot continue to pursue the old paradigm and possibly make any money! They *have to* sell other products and services to new members, because membership dues, combined with initiation fees, do not come close to covering the cost of a new member! Most small clubs need to sell “other services” in the first year of membership amounting to over \$200 per member (at a 30%+ profit margin) to avoid losing ground!

How does a club estimate “average-cost-per-new-member?”

Add up all of your annual advertising, marketing, public relations, sales salaries and commissions, bonuses,



Michael Scott Scudder

taxes on wages, initial membership administrative costs, initial member orientation/training expenses and any other extraordinary expenses related to new membership sales...and divide that by the number of annualized new memberships sold. You will find, in most cases, that that net number exceeds \$100 per new member! In a marketplace where the predictable profit margin is about 8% pre-tax and the predictable average yearly per-membership income is about \$500, you realize that the *average new member loss in a facility is usually over \$60!* It's a straightforward equation...if you don't produce ancillary income, you can't stay in the game very much longer!

There is no cookie-cutter way to solve the problem. I do think, however, that most small facilities have got to recognize that they must sell additional services and products to members to be able to stay viable in business. For example, my experience has been that those facilities that concentrate

(See Scudder Page 22)

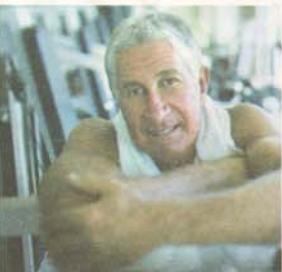
Visual Fitness Planner completed and ready to go.

The CLUB INSIDER News wishes the Visual Fitness Planner Team the best of luck and success in the future. And, we urge you to go to: www.vfp.us and learn more. Then call Daron Allen at: 877.VFP-1212 to get involved. STAY TUNED!

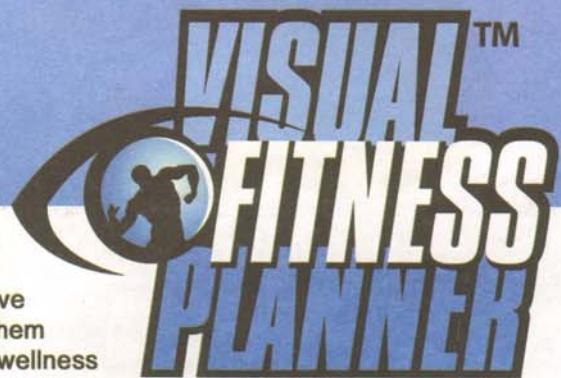
(Norm Cates, Jr. is the Founder of The CLUB INSIDER News and has been the publisher since 1993. Cates, a 31-year veteran of the health, racquet and sportsclub industry, was a Co-founder and the 1st President of IHRSA in 1980/81. In March, 2001, Cates was honored by IHRSA with its DALE DIBBLE Distinguished Service Award. Cates may be reached at: clubinsidernews@mindspring.com or by calling: 770.850.8506.)

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- Sales team
- Personal training
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- All of the above



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I absolutely love it!"

David Patchell-Evans, President and Founder GoodLife Fitness Clubs, Canada

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www.vfp.us

Apex Fitness Group

Begins Launch of Visual Fitness Planner

Apex Fitness Group announces the launch and distribution of **Visual Fitness Planner**. This strategic partnership helps Apex facilities market and deliver the most comprehensive and innovative weight-loss solution within the health club industry. Currently, Apex Fitness Group provides the only weight-loss solution that is tied to energy expenditure as opposed to calorie counting. The Visual Fitness Planner (VFP), which is the only imaging technology that helps clubs attract more, sell more, and retain more members, combines with Apex to create a complete delivery system.

VFP utilizes 3D technology to illustrate the dra-

matic benefits of weight loss/exercise which lowers all major health risks. VFP is now fully customized with the Apex components and logos providing a seamless transition to any Apex program. VFP can be used at the point of sale, during training assessments, and even during your corporate outreach presentations

"This is a tremendous partnership for both companies," said Daron Allen, president and CEO of the **Visual Fitness Planner**. "By combining VFP's three-dimensional modeling technology and health risk assessment with **Apex Fitness Group**'s proven nutrition

and fitness solutions along with their incredibly strong training modules and nutrition products, this partnership will enable participating club members to not only achieve results they desire, but also see the results before they happen. This tool increases the emotional readiness to purchase and programs."

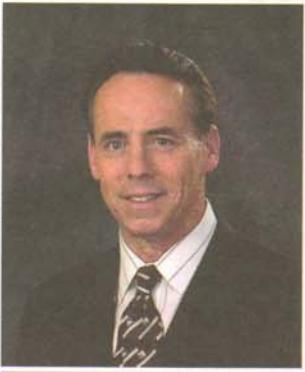
"The time could not be better for VFP's software into **Apex Fitness Group**'s solution set for health clubs," said Erik Christoffersen, Vice President of Sales and Business Development for Apex Fitness Group. "VFP offers a complete attraction, sales and retention

tool that drives the profitability of Apex programs and offerings. We are confident that this tool will drive increased revenue per member through increased closing percentages on new membership sales and increased personal training sales."

The **Visual Fitness Planner** is the only sales tool in the health club industry that addresses the core business of the health and fitness industry by using three-dimensional graphics to show not only an individual's potential for weight-loss, but also their likelihood of contracting Type II Diabetes, having a stroke or developing cardiovascular heart disease.

Apex is a leading provider of nutrition and fitness solutions for health clubs. Serving over 1,000 health clubs facilities in the U.S., Apex drives two important profit centers – personal training and retail nutrition products. Apex provides its licensees with customized fitness, sports conditioning and weight-loss programs; a full line of nutritional supplements, and all the materials necessary to market to members, the general public and local medical and business communities. In 2003, more than 400,000 gym members will use an Apex program and more than 1 million will consume an Apex dietary product.

(Erik Christoffersen - VP, Sales and Bus. Development
www.apexfitness.com 800-656-2739 erik@apexfitness.com APEX Fitness Group. Daron Allen - President and CEO Visual Fitness Planner 877-837-1212 dallen@vfp.us www.vfp.us)



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Key Characteristics of High Retention Clubs

By: Richard Ekstrom

The natural tendency to use aggressive new member acquisition to grow your fitness business has become an incomplete strategy of the past. Market penetration has significantly increased and the marketplace continues to grow even more competitive. Amplified attention, therefore, should be given to member retention.

Member retention is an issue of growing concern and focus among our clubs in the fitness industry. In the preface to his recently published *Guide to Membership Retention, Industry Lessons on What – and What Not – To Do*, John McCarthy, Executive Director of the International Health, Racquet and Sportsclub Association (the complete report is available at www.ihsa.org), suggests that the increased attention to membership retention has become urgent. "Today, new members are not only harder to find, but they are also more expensive to acquire. As this trend progresses (and there will be no end to this trend), more and more clubs will be placing a greater emphasis on membership retention, i.e., on keeping members they already have," McCarthy states.

It's important for club owners and managers to study successful retention methods, to learn our own club members' needs and to secure the resources to fulfill these needs. IHRSA's *Guide to Membership Retention* outlines the characteristics of high-retention clubs. McCarthy's excellent list of characteristic points is a great place for all of us to start analyzing our own club's distinctive traits and to make

positive changes in our club's member retention accordingly.

Member-to-Member Connections

Member-to-member connections as opposed to member-to-staff connections are integral to clubs with high retention because the social environment gives them an advantage. Participants in group fitness and other group activities have a higher retention rate than "machine members" or those whose only interaction with their club is with the particular machines on which they exercise. Friends – new and old – are a great membership draw and a good retention tool.

Length of Operation

Not only do new facilities have higher retention rates because of a distinct appeal or attractiveness factor, but also because attrition at new clubs is solely the result of people leaving who have been members for a relatively short period of time. According to IHRSA's recent report, at older clubs, attrition is a function not only of members who have been there for one or two years, but also for those who have been members for three, six and 10 years. The longer a club is in business, the larger the attrition factor can become. It's important, IHRSA reminds us, that clubs must continue to reinvest and refresh their facilities in order to lower attrition rates.

Fees

Price is a symbolic value. According to IHRSA's report, clubs with higher joining fees (\$250+) as well as clubs with a higher monthly fee are

perceived by the member to have a higher value. A higher price is often the symbol of higher quality. Within the industry, there is and has always been a correlation between price and attrition: the higher the price, the lower the attrition; the lower the price, the higher the attrition.

Equally important is the buyer's commitment. Studies have shown that the more one is willing to pay, the more deeply one is committed. This fee factor also holds true for members who spend more money in the club on products and services.

Furthermore, members who pay monthly are more likely to renew than those who pay annually. However, this should not be confused with the length of membership agreements – on average, the longer a member commits contractually to your club, the better their retention will be.

In its report, IHRSA stresses that it is important, however, for the health club industry to have clubs for every sized wallet that can be accessed at every possible price point.

Usage Rates

IHRSA's report emphasizes the fact that members who use their clubs twice a week or more are more likely to stay than those who use it less frequently. This also holds true for members who use multiple services at the club. For example, you want to encourage your members to use the treadmill, personal training services, group exercise, the steam room and the pro shop rather than just the treadmill. Members who use multiple services at your club are more connected and less likely to leave.

Logically, new members, too, are more likely to remain members if they visit the club regularly for the first few months of their membership. Predictably, declining usage is a red flag. Former members surveyed in IHRSA's earlier report conducted by American Sports Data, Inc of *Why People Quit* were visiting their clubs less than twice a week at the time they left.

Member Demographics

According to IHRSA, older members, couple members and family members are more stable geographically and economically than younger, single members. Likewise, members who live or work closer to the club are more likely to maintain their memberships than those who live or work farther away. Clubs should therefore remember to encourage individuals to include their spouses, family members and/or significant others in their memberships.

Facility

New facilities and those facilities that focus on continuous improvements are attractive to members and tend to do a better job at retaining their membership. Publicizing the positives and promoting the changes in the facilities can be a big plus. IHRSA recognizes that in this business, as in many others, consumers are buying the future at the same time they're buying the present.

Fitness Orientation

IHRSA acknowledges that people tend to enjoy activities at which they excel. So, for people with no fitness or sports orientation, the likelihood that they will enjoy your club's activities is low. That is, of course, unless your strategy includes ways to create a paradigm shift in the novice member. This is critical, as the late Dr. George Sheehan stated: "No one will for long continue in any activity which they do not enjoy." People who have never participated in a fitness program can learn to enjoy one. Group activities have a special relevance because they add a social dimension to activities, making them more pleasurable and, thus, more



Richard Ekstrom

sustainable.

New Member Experiences

To begin with, members who sign a one-year agreement have significantly higher retention rates than those who don't. And members who sign a two-year agreement have an even higher rate of retention. The new member's experience in the first months and the first year of his membership is extremely important. IHRSA continually challenges us to provide new members with a constant flow of incentives that help keep the members coming in and launch them into their second year of membership.

With margins becoming ever tighter and tighter, focusing on your club's member retention program is one of the best steps you can take in finding more revenue and increasing your overall financial performance.

(Richard Ekstrom, President of Retention Management, can be reached at 800-951-8048 ext. 2 or riche@retentionmanagement.com. Comments and questions are welcome and appreciated. *Retention Management* is a privately held company that manages the complexities and time demands of running a comprehensive retention improvement service for health clubs. It focuses on new member orientation, member attendance, health/fitness education and the automation of attrition defense systems. *Retention Management*'s mission is to create a positive impact on a club's bottom line through improved member retention.)

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The Equation for Your Success:

Instant Cash + Higher Residuals = Less Attrition & More Profit!

By: Donna Kretch

"Help!" says one of the millions who want to lose weight in our country. And they're saying it to us! But do we realize that? Do we hear them? They've been on every diet imaginable and nothing's worked, they're avoiding fitness, and still hoping for a magic pill or insurance-covered scalpel to save their proverbial day. The entire country's been on the same diet for the last year and a half and the obesity rate is still climbing! Stop the insanity!! My experience tells me we need to approach this from a different perspective, perhaps even a mathematical one.

We all learned long ago in school that $400 + \$45 = \445 . That's all fine and good, but it isn't until we're holding those 445 soft, green George Washington's in our hot little hands that it becomes real and personal to us. My goal in writing today is for this equation to become very real, and very personal to you.

Story Problem No. 1- In the fitness business, our goal is to get an enrollment fee and a monthly dues base built from and on every member. This is great as long as those memberships total enough to increase our income to where we want it to be, and as long as we keep attrition controlled. Unfortunately many of us experience the disappointment of less cash flow than we'd hoped and the agony of approaching the bank for a bridge loan. How do we increase money, both instant and ongoing?

Factual Solution- When a weight loss business was added to attract the market that wasn't visiting Tri-State Athletic Club in Evansville, Indiana, \$141,000 was discovered in 3 1/2 months. This is interpreted as something we all know and love called **INSTANT CASH!** Residual income was also added via 300 new members and an opportunity for future sales was created because these members were people who wouldn't even consider being fitness club members before this time.

Problem No. 2- The fitness business keeps losing

members! Getting the sale is but a part of the puzzle. We then need to create constant avenues for motivating our members to stay with us. How do we ensure that retention climbs?

Factual Solution- Each time an ancillary amenity is added, retention goes up. When you've taken a member of your club and gotten him involved in group fitness, you've kept him longer. When that same member began sessions with the Personal Trainer, his staying power increased again. Their family got involved- up it went. Yoga, tennis, basketball, again, again, and again. When we offer them more reasons to stay with us, they don't leave us. Many of you have already added weight loss classes and are seeing some success with them. Has it made you \$141,000 in 3 1/2 months? Hmmmmmm. Instant cash and dues base increase all with an

end of the day, the fact is the same- **WE HAVE MORE PROFIT.**

Story Problem No. 4-

Fourteen percent of our country is a member of a fitness club, over sixty-six percent is overweight. It doesn't take a PhD to see that most of those who are battling with weight issues aren't walking through our doors. One- we know movement is the answer. Two- we know they don't want to move. Three- we have to figure out how to offer the answer in a way they'll receive it. Some clubs have attracted some outside folks, but not many. How do we get people to come to us who have never come before?

Factual Solution-

In Appleton, Wisconsin adjacent to Fitness America is a weight loss facility where over 350 people who would never come into a club have walked through the doors. When we can attract a

prospect, one you've not seen before. Just think of the possibilities!

Story Problem No. 5-

Over the past 5 years the avg. American has been on an outrageous number of diets! They're not joining the club, and they're not getting the hope and help they need. How do we become the solution that we KNOW we are?

Factual Solution-

When you begin to offer the program that's different, the program that offers a permanent solution, you become the expert on the topic in your community. Our locations get phone calls on an ongoing basis from area businesses, community and civic groups and others to come share with them every week! Because of the lives we get to touch when we go, we walk away with at least 50 leads per week that we didn't



Donna Kretch

do you know that a weight loss prospect won't do the same thing?

Factual Solution-

People who are overweight are NOT just looking for another diet! If they're in the building, they're looking for one of the benefits they know we offer. A strong weight loss model will guide you through not only understanding the weight loss member's needs, but also how to communicate the meeting of those needs so a guaranteed enrollment will occur. I've personally held a 99% closing percentage for 20 years now. When you're passionate, you close sales, you get more members, you touch more lives and you make more money!

The equation is simple, $400+45=445$. But four hundred and forty five soft, green George Washington's in your hand several times per day equals instant cash for you, plus the residual income that comes with it, plus another reason for members to stay involved, plus, plus, plus!

amenity that pushes our retention upward. This is a real and very personally wonderful thing!

Story Problem No. 3- The profit margins in the fitness world are 5-15%. This means we're busy, busy, busy yet the return isn't so high. How do we profit more?

Factual Solution- In our weight loss business in Lima, Ohio the profit for 3 years running has been 20-35%! Whether we're looking at the fact that we're getting \$400 cash up front or we're examining the evidence that residual is building. At the

large group of prospective members that we've not managed to attract before we are definitely headed in the right direction! When those people give us cash up front to help them solve their problem, that's even better! When we now have a database of lives that we didn't have before, our business can prosper

that much easier and their likelihood of getting hooked on the benefits we offer just skyrocket! More bodies in your group fitness classes, more members for Personal Trainers to train, more tennis lessons, more pro shop sales, more leads for more enrollments and even more ancillary sales. It's a new

have before. A good weight loss business model will not only provide you with a great program, but also with marketing techniques that are appealing and comfortable for the market you haven't brought before. People are looking for hope; when you're the provider, they respond.

Story Problem No. 6-

When a prospect comes into our club, he is looking for a gym membership (or at least that's what he thinks he is looking for). Sometimes we enroll them, sometimes we don't. The truth is if your USP's aren't solidly intact, you could lose them to a competitor down the street. How

Many years ago, Charter Hospitals did a powerful ad campaign, which addressed the issue of depression. It talked about the paralyzing affects this condition can have on us and shared the hope for beating it. At the end of the ad were words that have stayed with me and they're how I feel about you putting some kind of weight loss close to your club. The market is ready, they're begging you to help them, the time is NOW! There's money to be made and lives to change for the better! There is literally no reason you can provide me with which would convince me you shouldn't be getting involved in this business.

If you don't get involved with Thin&Healthy for a weight loss business- get involved with something.

(See **Donna Kretch** Page 19)

...Donna Krech

continued from page 18

I've been in this industry since 1982. I've seen every program out there. I know them from a nutrition standpoint as well as from business perspective. I've been successful, I've made mistakes. I can talk you through your challenges and can help you solve your own story problems. Reid Hans is available too, (605) 261-4769, should you want to talk to a Thin&Healthy licensee. It's time, call now! Get in on your success equation that can only come from getting involved in the weight loss businesses.

(Donna Krech is CEO of Thin&Healthy Weight Management, a company which owns and licenses internationally and has successfully combined fitness and weight loss. She can be reached at (419) 991-3407 or by email at: info@thinandhealthy.com)

Our apologies for leaving out the quotes shown below from Donna Krech's article: "The PROOF, Making Big Money in Weight Loss! It appeared in last month's issue.

"When we met with you, Donna, to discuss why weight loss hadn't had success in our clubs, you told me, 'It has to be the focus.' I realized it was your company's focus. The resource was there for what we needed. We put in our commitment and we saw profit of ten thousand dollars our first month!" Reid Hans

IMAGINE...

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"I've never seen a health club turn a profit as quick as Thin&Healthy. My Thin&Healthy realized a first month profit of over \$10K! We had 45 calls the first week, booked 40 of them and sold 32!"
-Reid Hans, President, EEMIII, Appleton, WI

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Eric Abts, General Manager of the Tri-State Athletic Club, says this about TCA's relationship with this weight management company. "I'm very pleased with our relationship with Thin&Healthy. Couldn't be prouder to have them in the (building) as another option of health, fitness and well being that we wanted to offer our members as well as people from the outside.

I am very impressed by how aggressive Thin&Healthy markets (promote themselves in the community), the number of appointments they put on the board, number of sales required, and type of nutritional counseling. From a company perspective Thin&Healthy does a lot of in-depth training, in fact, we've taken bits and pieces from what they do and incorporated it into our sales systems.

Another thing, we naively thought that we did all components of fitness well, but we didn't. We never did nutritional counseling very well. We do PT all the time but we are not strong in the weight management portion of the business so, T&H is the missing component, someone we can turn to for consultations. That's another advantage for us.

...Norm's Notes

continued from page 8

High and last year as a 9th grader, averaged **14 yards per carry!** This year Jimmie bench pressed 380 pounds, (his Dad's best in competition was 545 pounds) and he accomplished a full squat with 645 pounds, with a near miss at **675 pounds!** Exciting news also is that Larry and the **Fitworks Fitness Center chain** are discussing a merger with Larry's **Champions Gyms**. **JOHN JANSZEN**, Fitworks CEO, tells me they are close to making a deal and will inform me when it is done. This Fitworks group in Ohio and Kentucky is rolling with the recent acquisition/merger of **JOE "The Gladiator" MOORE'S - Moore's Fitness World**. Joe Moore, a 33+ year health club industry veteran, is also an **IHRSA Board Member**. I gave Joe his "Gladiator" nickname a few years ago in honor of his amazingly dedicated and great work fighting off and defeating taxpayer funded Public Parks and Recreation Fitness Centers. STAY TUNED!

• **COLIN MILNER's International Council On Active Aging** will present its "Active Aging 2004- Catching the Wave" annual conference in Orlando, Florida, November 11, 12 and 13th. Milner also announced that the ICAA has been named a 'Champion Partner' in the YouCan! campaign by the U.S. Administration on Aging. (AoA). On September 27th, the first day of AoA's Active Aging Week, ICAA will feature a meeting in Washington, D.C. with ICAA members and Assistant Secretary of Aging, **JOSEFINA G. CARBONELL** discussing the future of aging. The YouCan! campaign is the aging component of the Department of Health and Human Services (HHS) Steps to a Healthier US Initiative. The HHH program supports **PRESIDENT GEORGE W. BUSH'S** goal of "helping Americans lead longer, better, healthier lives." The AoA outreach effort takes direct aim at the rising epidemic of chronic disease and obesity among people of all ages, including older adults. For additional information go to: www.icaa.cc

• **BONNIE PATRICK MATTALIAN**, a principal in Club & Spa Synergy Group, LLC, and a **CLUB INSIDER** News Contributing Author for years,

was recently in a bad auto accident. We wish Bonnie all the best in her recovery as she suffered whiplash injuries to her neck and temporary amnesia. **Get well soon Bonnie!**

• **LA Fitness** has announced that they are getting ready to hit the Dallas/Fort Worth, Texas markets with 10 to 12 new facilities in the next 36 months. The new clubs will be built at the cost of **\$7 to \$8 million per pop**. LA Fitness is also reportedly headed to the **Houston and Austin, Texas** markets. And, the beat goes on...

• **LEE HILLMAN**, former Bally Total Fitness Chairman, CEO and President has teamed up with **ALLAN FISHER**, former CEO of Holmes Place and they have acquired controlling interest and exclusive distribution rights for **Power Plate (TM)** and its advanced vibration technology.

• Word out of New York City is that the Town Sports International Summit was a great success with hundreds attending. Amongst those in attendance was "Big John McCarthy", who flew from Las Vegas where he was just honored to New York City for the TSI Summit. **MARK SMITH**, TSI CEO, has done a really terrific job with that booming company that now boasts over 135 locations!

• Has anybody seen **SCOTT THERRINGER**, former owner of 5 Dallas/Fort Worth, Texas area Gold's Gyms? If you have, let us know at: clubinsidernews@mindspring.com

• **HARVEY**, "We're not going to Albuquerque" **SPIVAK**, CEO of Equinox Fitness Clubs, has reloaded with development capital from two private equity firms and announced the upcoming opening of three additional clubs in 2004. That will bring the 2004 total of new clubs to five including their new North Michigan Ave. club in Chicago and the Time Warner Center in New York City. Harvey's Equinox company is known for its leading edge club designs and upscale, world-class environments. Good luck Harvey as you change the club world for the better!

• **BOB CARPENTER** has named **GREG MAURER** as the new General Manager of the Pike Creek Athletic Club. The recruitment and placement was handled by **JEFFREY RANDALL**, the President of JLR Associates. JLR Associates is a long-time advertiser and supporter of The **CLUB**

INSIDER News and you will see his ad on page #10 of this edition.

• Congratulations to **JHAN and HILARY DOLPHIN**, author and former club industry consultant, on the arrival of their new son, **CHASE MITCHELL DOLPHIN** on Friday, August 27, 2004 at 1:04 am! God Bless the baby Chase and his Mom and Dad!

• **MIKE CHAET, Ph.D**, has named **RYAN d'Esterre** as the new PR Director for Club Marketing and Management Services. Good luck Ryan!

• Club business veteran, **GEOFF HAMPTON**, is the creator of the "Wellness Wakeup Challenge" - Changing the Shape of America, a national anti-obesity/diabetes campaign. Geoff is also a terrific writer and will join our Contributing Author Team soon.

• The 900 Pound Gorilla, that is Life Time Fitness, is trading at close to 40% higher than when its IPO was launched not long ago. No wonder. The organization is on a roll, as is **BAHRAM AKRADI**, whose millionaire face graces the cover of **IHRSA's CBI Magazine**.

zine's August edition! Life Time Fitness now has 38 mega-clubs serving over 275,000 members. Projections are for 200 to 300 of these big box 'category killer' clubs to open over the next few years!

• **RETENTION MANAGEMENT**'s **RICHARD EKSTROM**, has launched what they call their "Quick Start Portal."

Using a new on-line setup, clubs now have a more cost effective, easy to use process to start on a premier retention program. Clubs enter basic club contact information into the Quick Start Program to begin the creation of a structured member communication program that includes attendance-based support, health information and special greetings. The program also includes the **Automated Attrition Defense Program** that not only identifies members that are an attrition risk but also takes action to integrate them into the club environment. Check out Richard's article on the next page. You can reach Richard by email at: riche@retentionmanagement.com.

• **KEN MELBY** and

BOB RICE, both six-decade health club industry veterans, have sold their five Utah-based **Lifestyle 2000 Fitness Centers** to **Gold's Gyms of Utah**. **RON LITTLE BRANT**, COO of Gold's Gyms Utah, commented, "The acquisition of the Lifestyles 2000 fitness gyms allows us to jump-start our presence here in the Salt Lake area, and we look forward to building several more gyms according to the demand in the area." Melby and Rice still own **23 facilities** in Louisiana, Alabama, Tennessee, Florida, Canada, Mexico and Puerto Rico.

• **CHRISTINA COX** of the **National Academy of Sports Medicine (NASM)** informs me that NASM has launched a new, computerized testing program using assistance from **Laser-Grade**, a nationwide test administration company.

• **GOD BLESS** our troops, airmen and seamen. **GOD BLESS** the families of our troops. **GOD BLESS** the dead, the injured, the homeless and the helpless from the recent wrath of hurricanes. And, **GOD BLESS AMERICA!**

Norm Cates' **THE Club Insider NEWS Consumer Edition**
"You Must Train Your Mind To Train Your Body"

• The CIN "Consumer Edition" will be a new monthly publication by **Norm Cates, Jr.**, Publisher of The **CLUB INSIDER** News for 10 years and counting. Cates was **IHRSA's 1st President** and a **Co-founder of the Association** and has chosen the motto: "You Must Train Your Mind To Train Your Body!" for the Consumer Edition.

• Mission Statement- "To provide health, racquet and sportsclub members with inspiration, motivation and knowledge that will help them get better results from their membership, thus increasing new member referrals and retention for Distributing Clubs."

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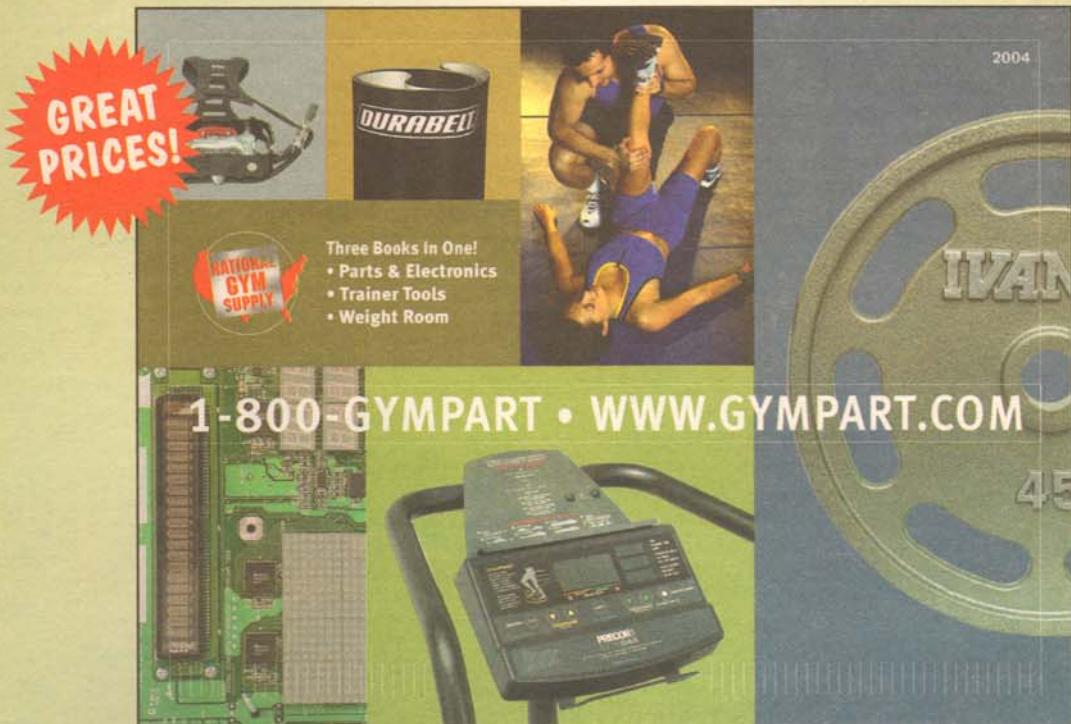
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...Scudder

continued from page 14

on personal training sales to new members in particular not only enjoy a much higher retention percentage (over 70% - thus meaning less stress to sell new memberships), but show revenue

streams from this one source of over \$200,000 per year at a net profit of over 30% average! Now that's saying something!

John McCarthy (Executive Director of IHRSA) said something 5 or 6 years ago that hardly anybody needed at the time. And that was, to paraphrase

John, that "...we have to think differently about the members-only paradigm of doing business." John was right, and small clubs should look at the possibility of offering short-term programs for people, whether they buy a membership or not. Many facilities have capitalized

on this strategy by substantially marking up an 8-or-10-week program offering, thereby immediately making a profit on the new customer...and they have benefited by having people commit at a higher initial rate plus a very lucrative "conversion rate" to membership down the

road - at a much lower cost to the facility!

In later columns this year I will be sharing ideas that I have seen work in many clubs in my travels.

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

READ THIS!

We cordially invite you as educators, certifying agencies and other club organizations to contact us about the impending IHRSA Initiative.

In order to get a consensus for the benefit of the entire industry, we want input from everyone, including the employers. We would like to invite you to participate in addressing the participant's third party accreditation, national board of fitness examiners and a few other groups with some proposals to help standardize personal trainers. This invariably will lead to other disciplines like group exercise as well.

A meeting is tentatively set for the evening of October 12, 2004 in Chicago prior to the Club Industry Trade Show. The IHRSA formal meeting is October 13, 9am just prior to the Club Industry Trade Show.

Please join AAHF, Sara City, WITS and a host of others in this pivotal time in our industry.

* For more information on the subject and the options available, please
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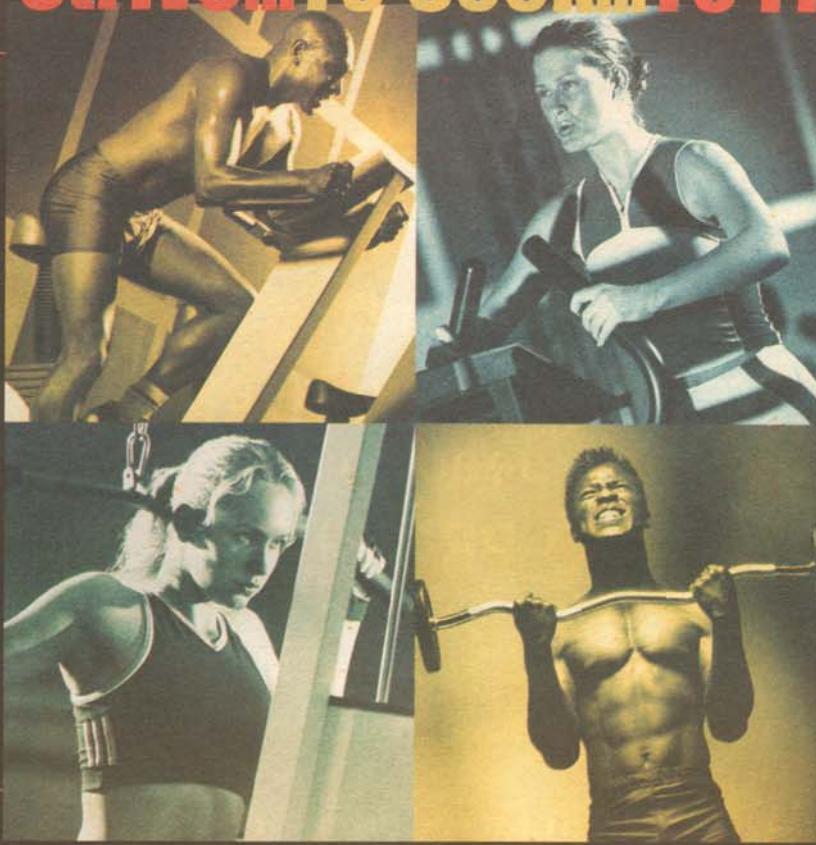
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BTS Summit

Draws Audiences in Baltimore's Inner Harbor

September 2, 2004—ATLANTA, Ga. — Body Training Systems® (BTS), provider of a comprehensive group fitness solution, recently hosted its most successful BTS Summit event to date. Held August 26-28 at the Baltimore Convention Center, BTS Summit Baltimore delivered memorable experiences to a packed audience of over 400 health club owners, managers and group fitness instructors.

"BTS Summit Baltimore was a comprehensive event that

provided me with viable tools and knowledge to succeed as both an owner and instructor," stated Leighann Moll, owner of Momentum Female Fitness Center located in Mechanicsburg, PA. "The tangible energy we experienced during the Summit has transformed my team. Members have commented on our newfound energy, increased momentum and finely-tuned skills."

The event offered nationwide attendees advanced

education, team building experiences, and most importantly, ways to share their proficiency and enthusiasm with health club members nationwide. While instructors had the opportunity to polish their technique and teaching skills, club owners attended workshops focused on increasing profitability, referrals and retention.

The success of BTS programming, training, management and marketing is apparent with more than 10 million health

club participants in U.S. and Canadian BTS classes each year. BTS programs are conducted in 12,000 classes per week with an average of 240,000 participants.

Body Training Systems delivers new classes and marketing materials for each program quarterly and provides constant management and instructor training to its licensees. In addition, beginning in 2005, BTS will offer an additional Summit event, hosting one event per quarter. By doing so, BTS

will be able to reach more club owners, managers and instructors in North America.

BTS National Training and Program Director, Cathy Spencer-Browning, commented on the success of BTS Summits by saying, "BTS Summits educate and motivate health professionals to deliver powerful group fitness experiences. Club owners and group fitness instructors are able to experience firsthand all that Body Training Systems offers."

Congratulations To Our Olympians!!!

With the world at war against terrorists, the United States of America once again excelled in the Olympic Games held in Athens, Greece during the month of August. Congratulations to our 500+ Olympians and to the United States Olympic Committee on a job well done!

-The Club Insider News

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THE Club Insider NEWS

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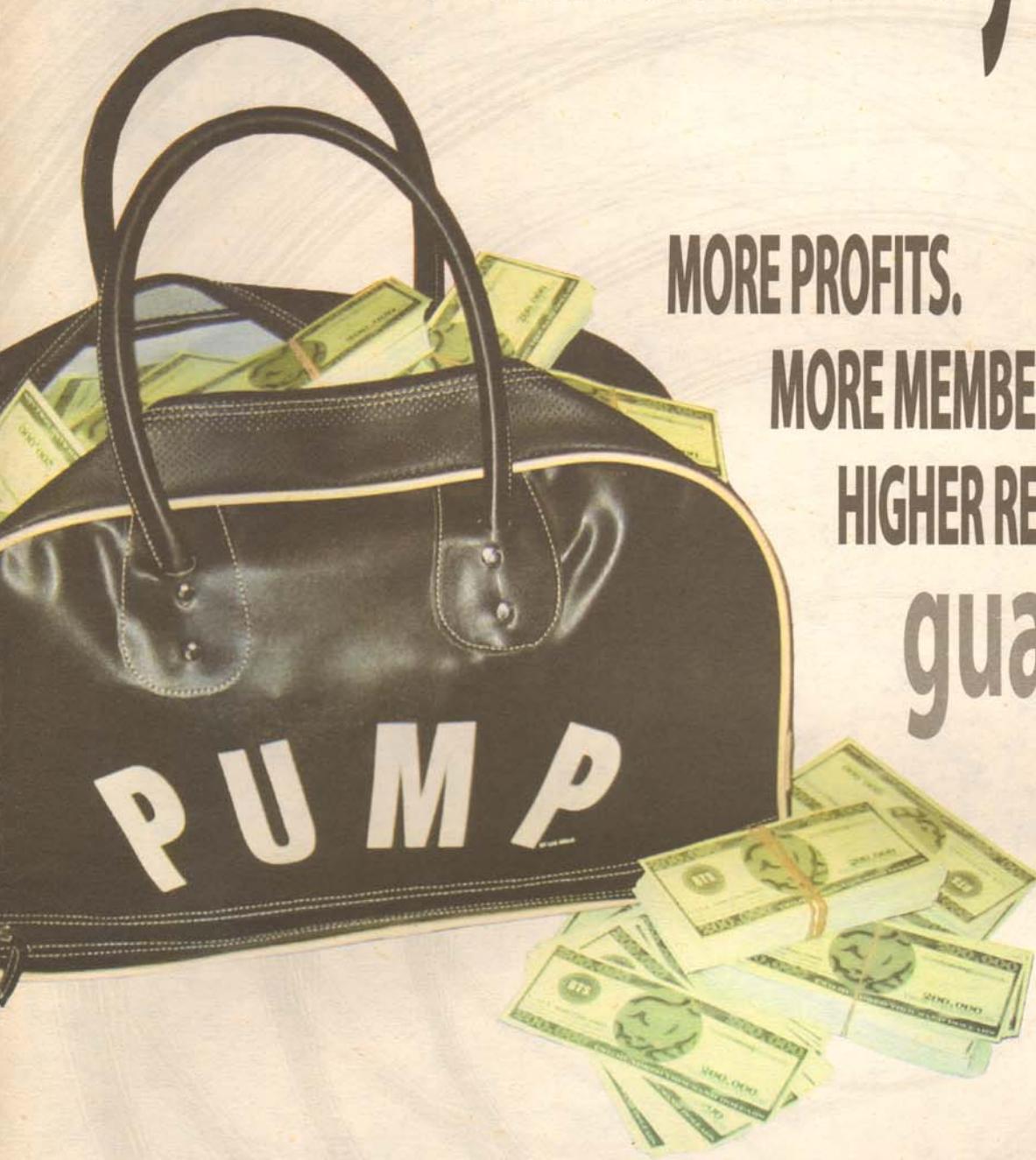
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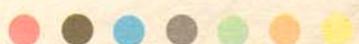
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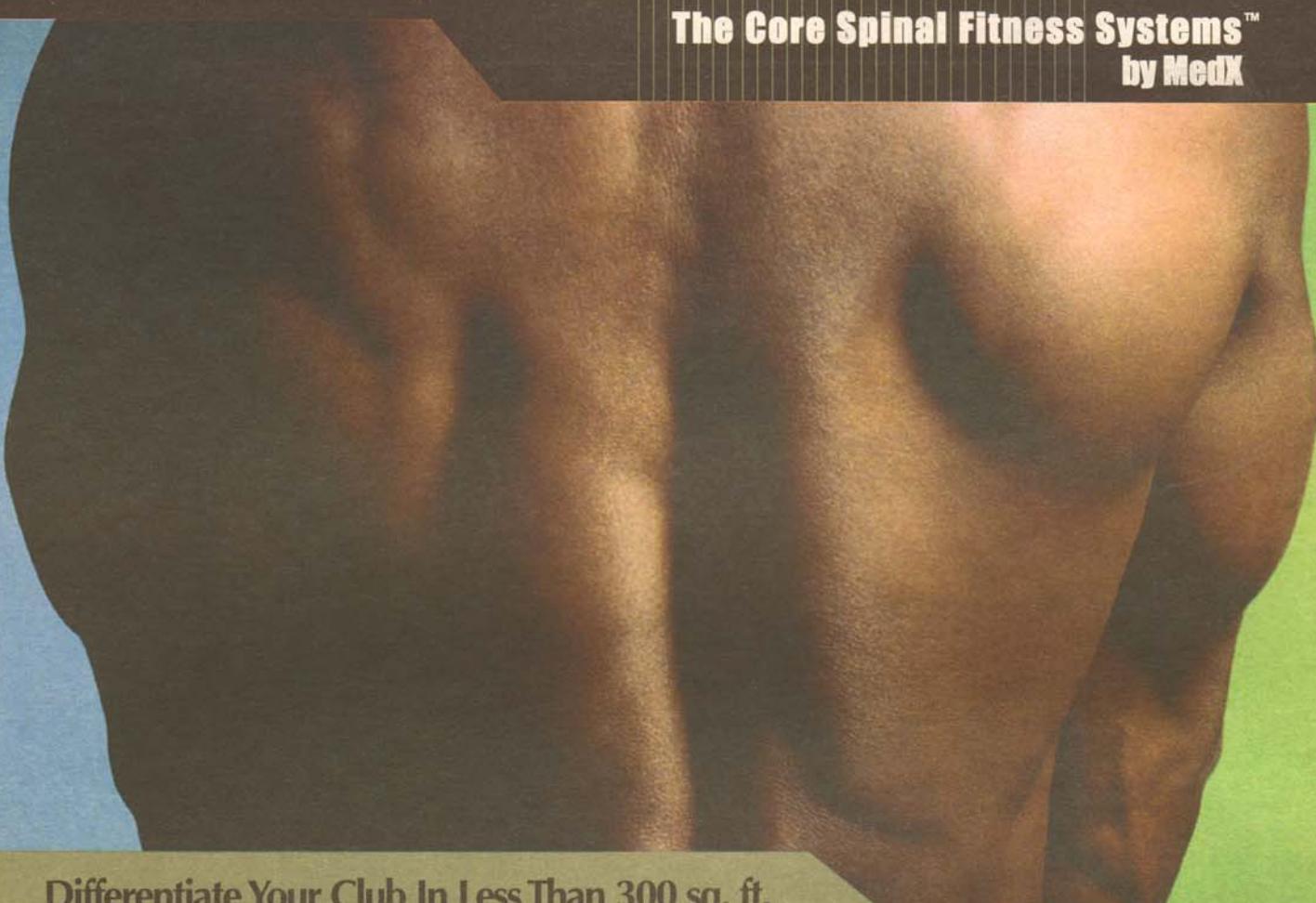
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