

Norm Cates' **CLUB INSIDER**TM

The "Pulse" of the Health, Racquet, and Sports Club Industry Worldwide

Established **1993**

SEPTEMBER 2008

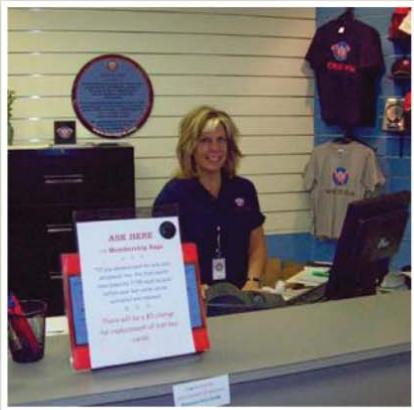


Rick Caro's 2008 IHRSA Financial Panel - (From L to R) Rick Caro, Joe Pellegrini, Doug Lehrman, Matt Carroll, and Ed Aaron

What The Guys With The Money Think

an innovative concept meets a **powerful brand**

A startup's success



Pam Trader worked in the insurance business for 16 years, but her heart was always in the gym.

So when she and her husband started exploring the idea of opening their own health club, they looked for a brand with some muscle behind it.

"That's why we chose World Gym," Pam says. "As first-time gym owners, we wanted to go with a brand that was recognizable to people. We liked the aggressive approach to marketing, but we really liked the name. We wanted instant credibility."

For the Traders, World Gym 1440 was the right fit – a small, 24-hour key club developed by one of the most powerful brands in the fitness industry.

The Traders opened their 5,000-square-foot World Gym 1440 in Millsboro, Del., this month, and sold 400 memberships in pre-sale.

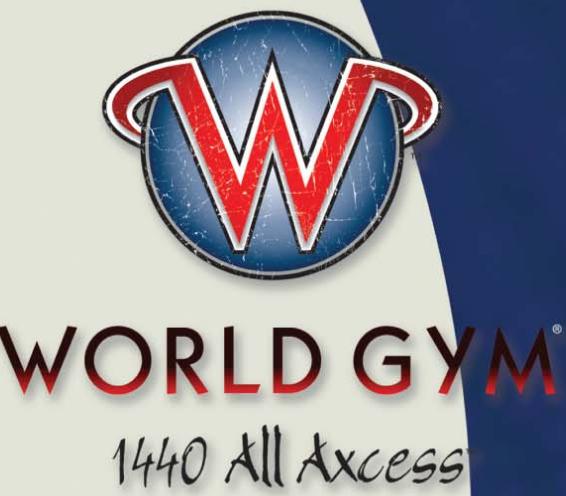
That's right – 400 memberships. Even before the doors officially opened. For Pam, it was goodbye insurance business, hello entrepreneurship.

"We've got beautiful equipment from Cybex and Life Fitness, and a mission statement that makes people feel welcome," Pam says. "Plus, being open 24 hours is convenient for our members' busy lives."

"We're really excited about the future," she adds. "We've got the passion and the commitment to succeed in the fitness business, and the brand name to help us get there."

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Norm Cates' CLUB INSIDER™

Established The "Pulse" of the Health, Racquet, and Sports Club Industry Worldwide 1993

What The Guys With The Money Think

By: Norm Cates

Publisher's Note: Rick Caro's 12th Annual Financial Panel at IHRSA 2008 in San Diego, CA included: **Rick Caro**, President of Management Vision, New York City, NY; **Matt Carroll** of WestView Capital Partners, Boston, MA; **Ed Aaron** of RBC Capital Markets, Denver, CO; **Doug Lehrman** of North Castle Partners, Greenwich, CT; and

Joe Pellegrini, formerly with Wachovia Securities.

Matt Carroll is a General Partner with WestView Capital Partners (WCP), a Boston-based private equity firm focused exclusively on lower middle market companies. WCP currently manages approximately \$200 million and commits \$5 to \$25 million to companies in a variety of recapitalization, growth, buyout and consolidation

transactions. WCP builds supportive relationships with management teams and tailors investment structures to accommodate the needs of all shareholders, enabling WCP to act as either a majority or minority investor.

West View Capital Partners was co-founded in 2004 by Carlo A. von Schroeter and Richard J. Williams. WCP private equity money sources include: insurance companies, very high

net worth family offices, banking institutions and some individuals. Most importantly, nearly 20 prior company operating executives and board members are investors in the fund. All partners originate investment opportunities, perform due diligence, monitor investments, sit on the board of directors and follow through on investments. WCP takes both majority and minority positions and holds board positions that

closely mirror the investments they make with their chosen partner companies.

Ed Aaron is 10-year veteran analyst with RBC Capital Markets (RBC) and covers the health/active lifestyle space, a combination of leisure, natural and organic food companies. In addition to following fitness companies like Life Time Fitness (See *The Money Guys Page 14*)

CheckFree Continues Data Security Focus In Chicago

An Interview with CheckFree's Ron Poliseno and Data Security Expert Jonathan Rubens



Ron Poliseno

By: Norm Cates

Consider during the last ten years how many convention seminars you may have attended that focused on important industry matters such as general management, membership sales and sales management, retention management, personal training management, group exercise management and programming and the list goes on and on. I bet there have been over a thousand seminars on these subjects.

Now, think about how

CheckFree

is now part of **Fiserv**

many seminars there have been that have focused on back-office operations data and information security matters. There are just two, and one of them has not even happened yet! But, when CheckFree Health and Fitness, now part of Fiserv, brings Ron Poliseno and lawyer, Jonathan Rubens to Chicago to present "While You're Running the Club,

Who's Guarding Your Members' Financial Data?, you are going to have the opportunity to listen and learn how to protect your club business from a potentially crippling financial disaster

The first data security seminar, sponsored by CheckFree, at IHRSA San Francisco in March, 2007 introduced Frank Abagnale, Jr., now a 30+ year consultant with the FBI, to the club industry. Abagnale was the subject of the amazing movie "Catch Me If You Can", starring Leonardo DiCaprio

(See *Security Page 8*)



Jonathan Rubens

Generating A Waterfall of Leads 125 Membership Lead Sources

By: Will Phillips

Summary of Part I

The most persistent sales problem for clubs has always been the lack of leads. Review your club's records for the number of prospects walking into your club each month over

the last five years. Unless it was great and remains consistent over the years, you may need a new strategy. Clubs that have invested heavily in their sales process and training are finding that the same level of effort is producing fewer leads and sales. By the way, this is a commonly reported phenomenon in most

industries. *We are spending more on marketing and getting less* is a common refrain in retail.

HOW TO GENERATE MORE LEADS

First of all, forget home runs, base hits win games. McKinsey did studies in small

businesses in the 70's which showed the top performers in several industries were in the top two percent by focusing on base hits and not home runs.

THE RIVER BASIN

Think of managing your lead channels as managing a river

basin with hundreds of small streams which converge and create a mighty river. Managing a channel professionally means three things. First, a champion (a key person) is assigned to each channel who takes responsibility for it. This means the champion keeps detailed records of what (See *Will Phillips - 125 Page 20*)

Inside The Insider

•Halftime - By: Justin Cates

•Is Selling Dead? - By: Jeff Masten

•Your Best Program Needs Your Best Promotions! - By: Sandy Coffman

•Want To Increase Retention? Want More Referrals? - By: Ed Tock

•Apex Fitness' bodybugg - By: Justin Cates

Norm's NOTES: •Justin Cates Named President of CLUB INSIDER •Augie Nieto and Family Appears on Jerry Lewis' Labor Day Telethon •Disaster On The Way... Music Taxation Jumps The Big Pond From Australia to Canada! What's next? •Bill Kazmaier and Others To Be Honored in Las Vegas! •Rick Caro Letter Published in INC Magazine •Gold's Gym Franchise Association Waiting for Change at GGI! •Alan Schwartz and Others To Be Inducted into the USTA Mid-West Hall of Fame! •Maria Parrella-Turco Announces Addition of Rachel O'Holla to fitRewards! Team •Ron Poliseno and Jonathan Rubens to Speak on Data Security at ClubIndustry •Downtown Athletic Club in Miami Celebrates 24th Anniversary! •PTA Seeking Community Relations Partners to Promote Exercise and Proper Nutrition to Students Nationwide •Weight-based Bias in the Workplace is a Big Problem! •Atlanta-area YMCA Announce Cost Cut Target of 4-5% on Their \$100 Million Annual Revenue! •IHRSA European Congress to Convene October 23-26th

Norm's NOTES

•Hello everybody! This is your friendly **CLUB INSIDER Publisher Since 1993** checking in! Here's the news on what's up!

•Is **America** a great country or what? A belated **Happy Labor Day To You!** Today, Labor Day, I am laboring away at this keyboard writing these **Notes** to you and editing Part II of **WILL PHILLIPS'** great cover story from August, entitled: **"Generating A Waterfall of Leads - 125 Membership Lead Sources"**. Folks, here are real ways for our industry to find new members from the **85% of the U.S. population that do not do business with our industry!** Read Part II and be sure to keep and use both of your August and September **CLUB INSIDER** editions as a guide for your future new membership marketing efforts.

•**China** showed the world how it was capable of building its 4,000-mile long **Great Wall of China** while also hosting the most impressive grand **Opening** and **Closing Ceremonies** in the history of the **Olympic Games**. And, how about that **MICHAELHELPHYS**! Again, the Americans won more medals than any other country, but China cooked in the Gold Medal category, winning more than the USA. Congratulations to all U.S. Olympic Team Members and to all the Olympic athletes from around the world.

•I have named my son, **JUSTIN CATES**, **President** of **CLUB INSIDER**. That is quite a title for

a 23-year old and a fresh college graduate of a few months less than one year. In this edition, I have also asked him to write two reports for you. On **Page #6**, Justin has delivered an article he calls: **"Halftime"**. This article is being presented to give all of you perspective with respect to America's current economy as to whether the United States is in an economic recession or not. The second article from Justin this month is about his impressions as a new user of **Apex Fitness' bodybug** system and program. Check it out on **Page #34**, and check out the ad for our new advertiser, **Apex Fitness** on that same page. Apex Fitness is now headed by my long time industry friend, **STEVE DATTE**, and I want to welcome Steve and Apex Fitness aboard!

•**AUGIE NIETO**, who has **ALS**, a/k/a **LOU GEHRIG'S Disease**, his wife **LYNNE**, daughter **LINDSEY** and son **AUSTIN** were introduced on **JERRY LEWIS' Labor Day Telethon for MDA** by **NANCY O'DELL**. Again, Augie was a featured guest on the annual TV show and demonstrated the device that now allows him to talk through electronic signals from his brain to the device which then transmits his thoughts audibly. To date, **Augie's Quest** has raised **\$15,899,449**. Please chip in to this worthy cause by going to www.augiesquest.com. Also, for information on how to produce a special event at your club to fight ALS go to www.clubsforthecure.com. See their

story on **Page #28** and ad on our **Outside Back Page**.

•The now creeping and potentially devastating **music taxing legislation** has leaped the big pond from **Australia** to **Canada**! What's next? **The USA? I sure hope not. Stay tuned!**

•As of our September press time, **BILL KAZMAIER** is scheduled to be honored in Las Vegas with **Wally Boyko's National Fitness Trade Journal Lifetime Achievement Award**. This is **WALLY and MESHELLE BOYKO's 27th year!** Additionally, **TERRY BROWN, CHRIS CLAWSON** and **FRANK TRULASKE** will be honored with **NFTJ's Distinguished Service Awards**. In October in Chicago, **DR. KENNETH COOPER**, the **Father of Aerobics**, will be honored with **Club Industry's Lifetime Achievement Award** and will be the **Keynote Speaker** on October 16th at 11:30 a.m. Join us folks in celebrating these men's great achievements. For sure, please **visit our Advertisers and do business with them during both of these trade shows!** Check out the **Club Industry Exhibit** list on this page for booth numbers of our advertisers, and when you visit their exhibits, please say two **secret words** to them: **CLUB INSIDER!** Also, **don't miss RICK CARO's Panel** in Chicago at the **Club Industry Conference on Friday, October 17th, 11:45 a.m. - 1:00 p.m.** Rick's panel will feature comments on the industry from him, **CARL LIEBERT**,

CEO of 24 Hour Fitness, GALE LANDERS, owner of 9 Chicago area **Fitness Formula Clubs** and **JEFF KLINGER, CEO of Anytime Fitness**. Join this respected group of industry leaders representing various segments of the industry as they discuss the impact of the current economy on the state of their business and examine business survival, opportunities, membership economics and even fund allocation in a difficult economic climate.



Norm Cates

erroneous assumptions. In the end, tennis and health clubs are service businesses. Their success is directly related to the local market conditions. The accepted method of valuation in this industry is based on income, not real estate. There may be inadequate demand to support any tennis club in Boone, regardless of the quality of the facilities. Perhaps the owners should consider more residential development on the property. **Richard M. Caro, Jr., President, Management Vision, New York City**

•**BLAIR McHANEY** is the talented **President of the Gold's Gym Franchise Association (GGFA)**. Last month Blair presented **Gold's Gym International (GGI)** with a magnificently crafted letter essentially telling GGI: (A) some of the Gold's Gym Franchisees needed more bang for their buck and better support for the money they were paying and (B) absent of vast improvement of GGI's support of the Gold's Gym Franchisees, the overwhelming opinion was that they were

(See Norm's NOTES Page 10)

Thank You

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- Will Phillips - Roundtables for Executives - www.REXonline.org

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in•tu•i•tion•ary *adj.*

The ability to understand something immediately without the need of conscious reasoning through simplification, causing to happen a complete or dramatic change.

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The "INSIDER SPEAKS"

Halftime

By: Justin Cates

The debate rages on. Are we in Recessions? Are we headed to Depression? Is this just a slowdown, a correction?

The National Bureau of Economic Research (NBER) defines a recession as, "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales". From this, however, a general rule of thumb has been adopted, "two or more quarters in a row of negative real GDP growth".

You may ask, what about the other elements of the NBER definition, such as real income, employment, industrial production, and wholesale-retail sales? Well, if you are numbers person, like me, I encourage you to go to www.bea.gov, as they have all the numbers you could ever want. However, for a quick explanation, think of it this way: Gross Domestic Product is simply the total market value of all final goods and services produced within a country in a given period of time. Things such as real

income, employment, industrial production and wholesale-retail sales are embedded within the aggregate figure of GDP. Some elements may show negative results during the given time period, while others are positive; therefore, GDP is the indicator used to describe the overall condition of the economy because the accumulation of these results provides us with an overall number we can use to make general assertions.

Given this, let's take a look at the facts. The rule of thumb developed from the more complex definition of a recession is relatively simple to discuss. According to the Commerce Department's Bureau of Economic Analysis, real GDP for the United States Economy in the first and second quarter of 2008 was an annualized .9% and 3.3% respectively. I might add the figure of 3.3% is an upwardly adjusted amount, as compared to the initial 1.9% estimate. Further, this does not meet the "classic" definition of a recession, and additionally, the earliest we could be considered in true recession is in the first quarter of 2009. That is, of course, if the third and fourth quarters of 2008 show negative growth. So,

is the case closed? Not exactly...

Because of the complexity of our economy and the delay of truly accurate figures, the Commerce Department is almost constantly revising its figures. In fact, it has revised all annual real GDP estimates since 2005 downward to better reflect the true state of the economy at any given time during that period. None of these revisions, however, have caused the United States Economy to fit the definition of a recession during any of those years, but they have shown a downward trend.

This downward trend has been caused by a host of factors including the well known "mortgage meltdown" and the "energy crisis" and, in turn, created a swell of worry. The truth is, only the independent National Bureau of Economic Research and a committee of their economic experts can officially designate the United States Economy to be in recession. You can believe they take many, many factors we could only hope to understand into consideration, not just GDP or article after article, newscast after newscast, and political speech after political speech saying we are in recession.

So, what does this mean to you as a club owner? Simply this: **The Jury Is Still Out.**

In reality, the economy is working exactly the way it is supposed to. There are ups, and there are downs. What you do when you are up will affect you when you are down, and what you do when you are down will affect you when you are up again. What did you do a year or two ago to prepare for today? What are you doing now to prepare for tomorrow?

Membership sales are down. Well, find new members in new places. Find those who don't fit the mold of a typical member. With a market **85%** untapped, you will find more prospects than you expect. How you ask? Just so happens, CLUB INSIDER is concluding a two-part article this month that offers 125 new membership lead sources. This would be a great place to start, as there are some really "out-of-the-box" ideas presented by Mr. Will Phillips, Founder of Roundtables for EXecutives. Part I, with 60 ideas was published in

our August issue and Part II, with the remaining 65 ideas, appears this month beginning on **Page #3**.

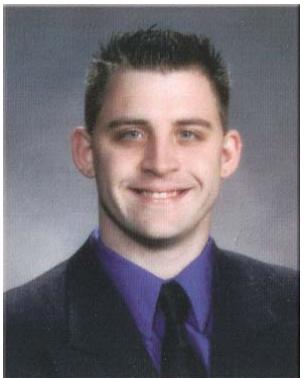
All in all, it comes down to this. Regardless of whether or not we are in a recession as a nation, your mindset will dictate whether or not you enter a personal recession in your business. Even during hard times, though, some fare much better than others. Why? Because they keep doing what they need to do to succeed, regardless of the macroeconomic outlook.

Are you negative and/or influenced by negative thinkers? Is your world coming down because the United States is not posting the numbers we did in the early 2000's?

Are you positive and/or influenced by positive thinkers? Regardless of what you hear in the news or hear others complaining about verbally, or in print, are you doing what you need to do now to excel even if a recession does actually hit the United States?

More than anything else, the economy is about expectation, and if expectations are negative, negative outcomes are more likely. As I stated before, the economy is doing what it is supposed to do. There are ups, and there are downs. Like a fully-padded football player in the end-of-summer heat, the economy can overheat. The key is letting it slow before it explodes. In football, that time period is called halftime. Coaches use it to regroup their players, trainers cool them down, and they enter the second half with a revised game plan. Well, all pertinent statistics show we are entering halftime. What will you do to prepare for the third quarter and onwards? Don't come out flat for the second half. Be vigilant and ready, for there is no telling what tomorrow will bring.

Publisher's Note: Justin Cates is now President of CLUB



Justin Cates

INSIDER. Justin graduated from the University of Georgia's Terry College of Business with a 3.6 major G.P.A in Management. During his senior year at UGA, he produced an in-depth case study of the health club industry and CLUB INSIDER for a graduate level business course. As part of that study, he produced the long-term business plan for the improvement and growth that CLUB INSIDER follows today. Justin has worked with and for CLUB INSIDER for almost fifteen years. He grew up in a publishing environment where deadlines are a way of life, and during his involvement with CLUB INSIDER, Justin has worked roles in the following areas: Mailroom, IT, Web Design (including the redesign of our website, www.clubinsideronline.com), Layout Design, Writing, Editing, Marketing, Finance, Sales, and Strategic Management. Before the age of six, Justin attended many IHRSA Conventions and Trade Shows in a stroller, and as an adult, he has attended three IHRSA Conventions and Trade Shows, as well as Club Industry East in New York City. He will continue to attend the bigger events, so definitely say hello if you see him, as Justin is well on track to become Publisher of CLUB INSIDER on January 1, 2013.

Make It Fun!

Is Selling Dead?

By: Jeff Masten

Is Selling Dead? Three small words, one powerful and provocative question. The answer has potentially severe consequences for most clubs dependent on sales teams, not just for growth but survival. I have been reading our trade journals recently, and there have been more and more articles written on getting away from the dependency on sales as your primary revenue source. They talk about "thinking outside of the box" in creating other profit centers and new memberships and getting away from the "traditional sales team" and again the reliance on new sales as your sole source of income. As I read these articles, and with the competitive nature of our industry, I do agree that increasing other revenue streams is a must, but like it or not, new sales and renewal sales (retention) will always be your primary

revenue maker. With that said, the attention and the commitment to creating a professional sales process has to be there.

The problem that I experience in most clubs, and in talking to most owners, is that traditional growth strategies based on new sales of walk-ins alone and not retention have become increasingly ineffective in the new economy, and in our industry, which features many more alternatives than most markets. Most clubs sales processes are only prepared to excell in market conditions that no longer exist and probably never will return again. To answer the question, is selling dead? No, it is just broken!

To paraphrase Peter Drucker, the purpose of any business has always been to create and keep new customers. How do we create and keep new customers when selling is broken? The answer, I believe, is part of being able to help your sales team have

a systematic selling system as a priority throughout your sales organization. The Sales Makers system is divided into 7 easy steps:

- Prospecting, strategic activity that equals more sales.
- Greeting the prospect and building trust and rapport.
- Questioning the prospect to uncover needs (bridging the gap between buyer needs and your capabilities).
- Listen and apply the answers in a value and benefit proposition.
- Convince and make a recommendation based on the prospect needs.
- Ask for the sale, positively impacting buyers.
- Coaching Systems, which include formal skill and goal setting coaching. Both can be conducted in a 15-minute daily meeting and more extensive training in a simulated environment/role playing.
- An Appropriate CRM or follow-up system that not only

allows the sales person to collect vital information, but more importantly, also strategically helps guide them to choose the proper steps to "yes".

● Reporting and management systems that yield the types of information that can verify the sales person is executing the sales system properly.

Systems are the mecha-



Jeff Masten

allows the sales person to collect vital information, but more importantly, also strategically helps guide them to choose the proper steps to "yes".

● Reporting and management systems that yield the types of information that can verify the sales person is executing the sales system properly.

(See Jeff Masten Page 8)

Are you finding it harder to sell in today's economy?

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Sales Makers
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Ray Gordon
ray@salsmakers.com

...Security

continued from page 3

and Tom Hanks. The very enjoyable movie told the story of Frank Abagnale, Jr., the son of a U.S. Postal carrier who, as a 16-year old kid, masqueraded as an airline pilot, and later, a doctor. During that time, the kid became one of the most notorious check counterfeiters and financial swindlers of all time. The kid, Abagnale, was ultimately caught and imprisoned, but it was not long before the FBI figured out that he could be a great help in their overall efforts to stop financial security issues, such as check forgeries across America, and gave him a reduced sentence in exchange for going to work for them.

Fast forward 30 years. There stood Frank Abagnale, Jr. in San Francisco at IHRSA2007 presenting information to a large crowd on the issues of back-office compliance in health clubs, and in particular, the new PCI Compliance Laws that had just been passed.

So, please mark your calendar now for Club Industry, October 15th from 2 p.m. to 3:30 p.m. Room W194A. The seminar room is located in McCormick Place on the Ground Floor level where the buses drop off attendees. To attend, register by going to www.clubindustryshow.com/national or calling: (800) 927 - 5007 or (508) 743 - 0105.

A Little Peek At What You Will Learn

A pre-presentation peek into the content by CheckFree's Ron Poliseno and Jonathan Rubens follows. Poliseno is the Vice President of Client Development for CheckFree. Rubens is a San Francisco-based lawyer for Bullivant, Houser and Bailey, a large full-service law firm with six offices in Washington State, Oregon, California and Nevada. Rubens, a Dartmouth graduate and UCLA Law School-educated attorney, is a corporate lawyer who counsels companies in a variety of industries on privacy, data security and other information technology issues.

CLUB INSIDER (C.I.) - Ron, please give our readers an overview of CheckFree's planned presentation for Club Industry in Chicago.

Ron Poliseno commented, "One of the big things that we talk about Norm, and CheckFree did

this in 2007 at IHRSA, was the whole prospect of this credit card compliance issue that is starting to rear its ugly head in our space. With the software packages and processes that have been enacted over the years with personal and private information being shared or utilized by devious people, the issue now is that clubs are very, very sensitive to a breach. With the conversation we had a year and a half ago at IHRSA with Frank Abagnale and Michael Scott Scudder, we first introduced this PCI issue to the industry. This was the first time that people heard this, and it was kind of a shocking situation.

Then, I went to the California Clubs of Distinction meeting and spoke with one of Jonathan's counterparts. They enlightened me to another level of privacy information: addresses, telephone numbers and those types of things. One of the things we want to bring to the table at Club Industry is that the credit card information is one thing, but now, it's an entirely different playing field as it relates to personal information. We market to these people every day from our businesses, and we really need to understand as club owners what the impact would be if we violate these rules. More importantly, we need to understand these rules so we don't violate them. That's really the key. We'll be going through some PCI information, how the clubs process and store data and repeat best business practices in this realm. Jonathan is going to address the issues with personal data that are also rising up now.

Jonathan Rubens commented, "The club industry and others are starting to become aware of pressure from the credit card industry to comply with these nationwide standards. Ron is going to cover what those standards are and how you can comply. He can really do a lot to help the club folks understand more about those standards and what to do, and that's very important. I am going to talk about the additional privacy and data security issues the club industry faces. Like other businesses that deal with consumer information, we need to understand that PCI compliance is now just one piece of the overall puzzle for the overall consumer privacy and data security compliance obligation for all businesses that accept consumer payments.

We'll discuss the general rules that are coming out of the FTC on privacy and data security compliance generally, and we're going to talk about some of the recent legislative activities across the states in creating obligations to deal with privacy data breach situations. And, we're going to talk generally about best practices as companies address this growing area of concern nationwide."

Polineno added, "Norm, from our standpoint, you definitely share the news, especially around these kinds of issues. You're on top of that. One of the things I think is important for the industry to understand is that we all tend to want to bury our head in the sand and say, 'O.K. Well, it's not going to happen to me.' I can tell you, I know of three particular organizations that have been penalized because of this. One severe breach and two not so severe have occurred. The point being, those are the ones I know of. I know of several others that have been audited, etc. But, the point here is that everyone in this industry... from the personal training gym with 100 active members all the way up to 24-Hour Fitness and everybody in between is impacted by this. You know, we all are capturing this kind of data on a daily basis.

More importantly, we have that issue in today's world.

...Jeff Masten

continued from page 7

Without such systems, individual members of the sales team lose discipline, experience poor step selection and poor skill execution. Investment in and dedication to such systems is necessary.

Having a systematic selling process will transform your transactional sales team into a disciplined unit of business people who sell. That is your goal to create a team, not of sales people, but a team of business people who sell.

The problem I see with most clubs is that they do not have a professional sales system in place. If you sat down with each sales person, each one would have a different approach and basically have created his own system. Most times, this is out of survival because, either they were never properly trained or they are not being properly managed on a daily basis. This usually leads to lack of success, frustration

In tomorrow's world, wellness and fitness are coming together faster than many of us could have possibly imagined. When that starts to come into play, things like medical privacy information become another difficult issue, and Jon can definitely speak to that. The point being, these are trends that are occurring in our industry that we, as club owners and operators and managers, need to understand how they are going to impact us in the future. More importantly, how to prevent these things from having any kind of devastating effect to our business, because ultimately, that's what's going to happen. You could ultimately end up with fines you cannot afford to pay. With the average industry profit margin at 8% net, how are you going to survive if somebody hits you with a \$50,000 to \$60,000 monthly penalty? Even if it is \$25,000 a month, how is the average club going to survive that?

Rubens concluded, "Club business owners need to understand that there is not a uniform set of laws and regulations that apply to businesses in terms of dealing with private customer information. Unfortunately, there is a growing and proliferating set of statutes, laws, policies and regulations that may apply to your business. That's the bad news. The bright side is there is

and eventually turnover (sound familiar?). If you take a look at the most successful clubs in our industry, they have one thing in common; they have a professional selling system in place. Whether you choose to use the Sales Makers selling system or some other systematic approach, it will give you and your team a common language to discuss with both prospects and members.

Developing a disciplined sales framework has paid tremendous dividends to organizations who have instituted them. Without a disciplined framework, sales people fall prey to inconsistency and chance, resulting in lost selling opportunities.

Our clients view their framework not only as a competitive weapon and source of greater sales productivity, but in many cases, a source of value for potential strategic growth (locations).

and this industry needs to start allocating part of their overhead to implementing those practices. And, they need to understand that these standards will evolve and they will evolve as the technology evolves.

Folks... Protect the investment and hard work you have put in your club(s) over the years to become successful! Make plans to be at *CheckFree's* session, "*While You're Running the Club, Who's Guarding Your Members' Financial Data?*", featuring **Ron Poliseno** and **Jonathan Rubens**, on September 15th from 2 p.m. to 3:30 p.m. at McCormick Place Room W194A during Club Industry in Chicago.

(Norm Cates, Jr. is a 35-year veteran of the health, racquet and sports club industry. Cates was the Founder and is now celebrating his 15th Anniversary as the Publisher of CLUB INSIDER. He was IHRSA's 1st President and a Co-founder of the Association with Rick Carr and five others, in 1981. In March, 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of IHRSA's highest honors. Cates may be reached at: 770-850-8506 or email: Norm@clubinsideronline.com)

Again I ask is selling dead or is your selling system broken?

Notes: Marc Miller - *Selling is Dead* published by John Wiley and Sons, New Jersey

Publisher's Note: If your sales system is broken, Jeff Masten will be presenting an All Day Session on sales and retention: "Your World is Changing" on Thursday October 16th from 9:00 a.m. - 4:00 p.m. at Club Industry in Chicago.

(Jeff Masten has been an industry leader in sales and marketing for over 23 years. He has successfully used the Sales Makers Selling System that has helped over 1000 clubs since 1979 to effectively increase their sales an average of 12-36%. Jeff can be reached at 845-562-2031 or by email at Jeff.Masten@gmail.com)

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...Norm's NOTES

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paying too much in fees for too little support from GGI. I, not the GGFA folks, characterized the letter in Norm's Notes as a "GGFA Revolution". The GGFA will hold its owners meeting at the end of September, and Blair wrote to me on September 2nd: "This is our 4th annual Owners Conference. The event is owned and operated by the GGFA. We have 2 keynote speakers this year including Raj Sisodia, co-author of one of the best business books of 2007, **Firms of Endearment**, from Wharton School Publishing; and Marcus Luttrell, Navy Seal and Author of Lone Survivor, the story of Operation Redwing. The GGFA Owners Conference is about building better leaders, better business people and a better

bottom line. It is franchisees helping other franchisees. We are very proud to have the line-up that we have for this year." The GGFA Owner's Conference will take place in Santa Monica, California on the 25th and 26th of September. Best wishes to the GGFA and all Gold's Gym owners.

• My friend and club business icon, **ALAN SCHWARTZ**, will be inducted into the **USTA Midwest Hall of Fame** along with **TODD MARTIN** and **BARBARA MUELLER** on December 6th, 2008. Congratulations Alan, Todd and Barbara! **JAY P. HACKER**, the **Past President** of the **USTA Section & Midwest Youth Tennis & Education Foundation**, recently sent a letter making the announcement and soliciting donations to fund the **2008 Hall**

of Fame Induction Ceremony and Charity Gala Fundraiser to be held in downtown Chicago. **Congratulations Alan, Todd and Barbara!** If you'd like to chip in for this event and gala, please call Jay at: (317) 965-7782.

• **MARIA PARRELLA-TURCO** of **fitRewards!** recently announced the addition of **RACHEL O'HOLLA** as Program Consultant. Miss O'Holla comes to the fitRewards! team with a background in sales and marketing specific to the health and fitness industry. She graduated from the **University of Delaware** with a B.S. in Health Behavior Management and Fitness Management. She has served as an operations and marketing manager at various health clubs throughout the country. Her role within the fitRewards! organization is to educate the industry on the benefits and performance of reward and loyalty programs for both members and employees.

In the **Newsbeat** monthly from **Fitness Business Pro** on September 1st, in a response to the question by Joel from East Brunswick, NJ: "I see a lot of different industries using reward programs to increase customer loyalty --Barnes & Noble, American Express, Staples, etc. How is it working in our industry? Are your clients seeing increased loyalty? How do they measure that?" Maria responded, "The magic question is, what is 'loyalty'? In the health and fitness industry, thus far, we have measured our programs performance and impact in the following ways with the following results: We have seen up to a 15% improvement in referral generation, 8% increase in non-membership dues revenue and 5% improvement in annualized retention. We are currently compiling more measurable data on some of our clients who have instituted the program to impact healthy behaviors. Provided you agree that an increase in referrals and club spending and a decrease in cancellations constitutes a 'successful impact on loyalty' then YES, we are seeing an increase. Thanks Joel, great question!"

Check out Maria's **fitRewards!** ad on Page #25.

• Check out the article on Page #3 about **CheckFree's** seminar in Chicago at the **Club Industry Conference** on October 15th, featuring **CheckFree's RON POLISENO** and data security

expert, **JONATHAN RUBENS**. This is a very important event that you should attend to protect the future of your club investment and your hard work!

• **Correction** and more **Congratulations!** Last month, I incorrectly noted that the **Downtown Athletic Club (DAC)** in Miami, Florida was celebrating its **25th Anniversary** in August. Well, I got it wrong, and again I congratulate the DAC in Miami, but this time on their **24th anniversary...** a great run in anybody's book!

• Community relations partners are being sought to team up with local **PTA** to teach kids about **healthylifestyles**. Specifically, the nation's largest child advocacy group is looking for local partners to support the **PTA Healthy Lifestyles Program** in November. In 2007, hundreds of PTAs across the country held events such as health fairs, encouraged students to walk or ride bikes to school, introduced families to healthy food and launched ongoing fitness programs. Partnerships such as these, where clubs connect with their local communities on an issue of importance to both the community and the club, are a vital source of relationship building. Such efforts not only educate the community about what health clubs do, but also generate goodwill, increase member loyalty and potentially bring new members into clubs. To learn about how to work with your local PTA and the Healthy Lifestyles program, visit www.pta.org.

• **"Weight-Based Bias in Workplace a Big Problem"** is the headline of a recent **Atlanta Journal/Constitution** article. The first two words in the article are: "Weight matters." The next sentence says: "Not only can it cost you your health, it can cost you your job." Here, in three lines, the AJC summarizes one of the key selling points health/fitness clubs really should be using when dealing with prospective members. You may recall that I have mentioned this in my recent **TRUST** cover story and last month in Norm's Notes; both times, as one of 10 real benefits for regular exercise, you should tout to prospective members in your club advertising, instead of your 25,000 pounds of free weights.

• The **Young Men's Christian**

Association (YMCA) was founded in London, England, on June 6, 1844. The experience of the commercial club industry, with tenure of about 60 years, somewhat pales in comparison to the 164 years of experience the YMCA's of the world have. In another recent **Atlanta Journal Constitution** article, the headline read: **"Metro YMCA Plans Cutbacks"**. The sub-heading read: **"A Down Business Cycle: Layoffs Will Be Part of Cutting 4% to 5% From Annual Operating Budget"**. Folks, this is one of the things you should be doing along with using Will Phillips' 125 lead generating channels set forth in Part I last month and Part II this month, to generate more new members.

Sure, we have a down economy right now. But, contrary to what some **naysayers** say, the United States is NOT technically in a recession. Regardless of what we are in, this is just the way it is and we all must do what the **United States Marines** do: **"ADAPT!"** By looking carefully at your club expenses and making carefully chosen cost cuts, (keeping a keen eye on avoiding cuts in areas where they might negatively impact the positive experience your members expect each time they come to your club), your club will make it through this downturn! The AJC article by **CHANDLER BROWN** began with the words **"The downturn in the economy"**, etc. Notice here the author did **NOT** begin the article with **"The recession"**, etc. My point here is that sure, we are all experiencing a downturn in the economy, but we are not in a true recession. Even if we were, health club owners and small businesses can do only what the YMCA is doing... look for ways to trim expenses and keep working to offset any income losses we experience by being smart and working hard to generate new business. So, why not do these things, instead of stewing over something you can't control? You will be amazed at the costs you might cut by going line-item by line-item and many cuts can be made without your members even knowing about it.

And, using **WILLPHILLIPS'125** lead sources, you should be able to take a big whack at generating more membership revenue.

• Folks, if you're thinking about going to **Europe**, here's an opportunity to go and write off (*See Norm's NOTES Page 12*)

JLR Associates

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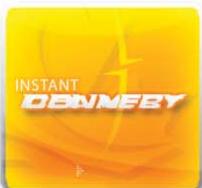
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- ✓ DO WE CONTINUOUSLY RAISE OUR CLUB'S 'WELLNESS CREDENTIALS'?
- ✓ DO WE PROVIDE OUR TEAM THE RIGHT TOOLS FOR CLOSING THE SALE?
- ✓ DO OUR TRAINERS HAVE THE RIGHT RESOURCES TO BUILD BETTER RELATIONSHIPS?



- ✓ DO OUR SALES STAFF PERSONALLY AND EFFECTIVELY BUILD RELATIONSHIPS, CONVERTING MORE PROSPECTS TO MEMBERS?
- ✓ ARE WE PROVIDING TARGETED OUTREACH, SAVING OUR BUDGET?
- ✓ DO WE HAVE A CUSTOMIZED, PROFESSIONALLY WRITTEN LETTER SERIES FOR EFFECTIVE FOLLOW-UP?
- ✓ DO WE CONTINUOUSLY BUILD BETTER RELATIONSHIPS WITH OUR PROSPECTS?



- ✓ DO WE HAVE AN EFFECTIVE WAY TO COMMUNICATE ANY MESSAGE IMMEDIATELY TO OUR MEMBERS AND MEMBER GROUPS?
- ✓ DO WE HAVE AN EMAIL TEMPLATE DESIGNED EXCLUSIVELY FOR US, ENSURING THE MOST PROFESSIONAL OUTREACH POSSIBLE?



- ✓ ARE THE PERSONAL TRAINERS ON THE FLOOR TRAINING AND GENERATING REVENUE?
- ✓ DO THEY HAVE UP TO DATE, INTERNET BASED TOOLS TO ENSURE SUCCESS?
- ✓ DO WE PROVIDE OUR TRAINERS WITH BRIDGE-BUILDING PROGRAMS AND RESOURCES DESIGNED TO BUILD BETTER RELATIONSHIPS WITH THE ENTIRE MEMBERSHIP BASE?
- ✓ DO WE PROVIDE THE MOST EFFECTIVE INTRODUCTORY PROGRAM TO ENSURE BETTER RETENTION?

Planet Fitness Makes The Inc. 5000

472 Percent Growth Is Tops Among Health Clubs Nationwide

DOVER, N.H. - Health club operator, Planet Fitness, was named to Inc. Magazine's annual list of the 5,000 fastest-growing private companies in the United States. Planet Fitness finished 732nd overall and held the number one spot among all U.S. health club companies.

The Inc. 5,000 list ranks businesses according to revenue growth in the four previous years. From 2004 to 2007, Planet Fitness's annual revenues leaped from \$8.4 million to \$48.5 million --an increase of 472 percent.

With 230 health clubs

in 29 states, and 320 more in development, Planet Fitness is the country's premier low-cost/high-value gym operator. As recently as 2003, the company consisted of a handful of clubs in its home state of New Hampshire. But, when Planet Fitness began franchising in 2003, it triggered a rapid national expansion.

The company's business model is vastly different than that of other health clubs. Membership prices are extremely low --\$10-\$19.99 a month. In addition, Planet Fitness clubs have no salespeople. They don't

offer child care or group exercise classes, and there are no pools or spas --just stylish facilities outfitted with a huge selection of top-notch cardio and strength machines. The company's core customers tend to be first-time and occasional gym users drawn to Planet Fitness' Judgment Free Zone® philosophy, which allows members to relax and have fun, without the intimidating atmosphere of other health clubs.

The Planet Fitness model began to take shape in 1992, when company founder Mike Grondahl acquired a financially

struggling gym in Dover, N.H. and dramatically reduced prices to try to compete against better-financed and better-known brands. The impact was immediate. Membership rolls swelled, and Mike's brother, Marc Grondahl, soon joined the business, followed by Chris Rondeau in early 1993. Together, the three brought an entrepreneurial fervor to Planet Fitness and concluded that health clubs were putting considerable expense and energy into group-exercise programming, childcare, and other services that weren't being utilized by the majority of

members. By eliminating those services and the expense of running them, they discovered Planet Fitness clubs could operate profitably at price-points that were unheard of in the industry.

For several years, they continued to refine the Planet Fitness business model. By 2003, the company had laid the groundwork for a full-fledged franchising operation. Today a number of Planet Fitness clubs have as many as 10,000 members, and no other health club company competes in the same niche or offers a comparable value.

...Norm's NOTES

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part of the trip! **IHRSA's 8th Annual European Congress** will host 400 representatives from 25 countries in *Lisbon, Portugal - October 23-26th*. **JOE MOORE, IHRSA's President and CEO** commented, "The 2008 IHRSA European Congress is a unique opportunity to build a strong connection with European club operators and advance our knowledge of the health club market in Europe." The Congress offers a superb array of new program activities and speakers to its roster. With so many valuable features, and approximately 400 attendees from over 25 countries, this year's Congress is sure to provide practical insight, applicable to any aspect of today's global fitness industry." The European Congress includes four

keynote presentations by: **Gene LaMott**, Chairperson, IHRSA Board of Directors, Former President & CEO, Gold's Gym International, and Chairman of the Board, TW Holdings; **David Lloyd**, Founder, David Lloyd Leisure, UK; **Mike Rosenberg**, Director of International Executive Education, IESE Business School, Barcelona, Spain; and **Kell Ryan**, Co-Founder, Ryanair, the largest low-cost airline in Europe. Also, there will be two Educational Tracks: *A Leadership Track*, for individuals making executive-level decisions; and a new *Operations Track* which will provide attendees with real numbers, from real situations, in the real world. There will be translators, Networking receptions, special activities for first-time Congress attendees, focus group discussions, and evening and lunch receptions will give

club operators the opportunity to build relationships with colleagues from throughout Europe. Additionally, tours of some of Lisbon's premier health clubs providing an opportunity to meet one-on-one with fitness industry suppliers will be featured (sponsored by **MATRIX FITNESS SYSTEMS**). Event sponsors are the *American Council on Exercise, AGAP, CYBEX International, Deloitte, gym80 International, Kids' Athletic Club, Les Mills International, Leisure Industry Week, MATRIX FITNESS SYSTEMS, Milon, Nautilus, Polar Electro, Inc., Precor Incorporated, Qualitop, SPRI, Star Trac, Technogym SpA, and Vital People*. Please visit www.ihsra.org/congress or email **ALISON O'KANE, aok@ihsra.org** or **BLAKELY SULLIVAN, bls@ihsra.org** for more information.

• **God bless our troops, airmen and seamen** as these brave men and women risk life and limb

everyday for all of us in the *Middle-East*. **God bless their families** for the sacrifice they make for all of us. **God bless** the people in the Middle East as they deal with death and destruction that continues there. **God bless** the citizens of the new *Republic of Georgia*. **God bless** you and your family, and **God bless America!**

(Norm Cates, Jr. is a 35-year veteran of the health, racquet and sports club industry. Cates was the Founder and is now celebrating his 15th Anniversary as the Publisher of **CLUB INSIDER**. He was IHRSA's 1st President and a Co-founder of the Association with Rick Caro and five others, in 1981. In March, 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of IHRSA's highest honors. Cates may be reached at: 770-850-8506 or email: **Norm@clubinsideronline.com**)



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...The Money Guys

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and Town Sports International, Ed covers everything ranging from Whole Foods to Harley Davidson. RBC is a premier investment bank that provides a focused set of products and services to institutions, corporations and governments and high net worth clients in 160 countries. With over 3,000 professionals and support staff, RBC operates out of 75 offices in 15 countries and delivers their products and services through operations in Asia, Australasia, the UK, Europe and in every major North American city. According to Bloomberg, RBC is consistently rated among the top 15 investment banks in the world. RBC is part of a leading provider of financial services, Royal Bank of Canada (RBC). Operating since 1869, RBC has more than \$650 billion in assets and one of the highest credit ratings of any financial institution --Moody's Aaa and Standard and Poor's AA-.

Doug Lehrman is a 10-year partner in North Castle Partners (NCP) with two others, Founder, Charles F. Baird and Louis E. Marinaccio. Investors in healthy living and aging, NCP is a leading equity firm focused exclusively on investments in consumer-driven product and service businesses that benefit from "Healthy Living and Aging" trends. NCP targets high-growth, middle market companies in the Aesthetics & Personal Care, Consumer Health, Fitness & Recreation, Home & Leisure and Nutrition industries. NCP is a hands-on, value-added investor and utilizes their cumulative knowledge and network, which results from our industry focus, to partner with management and entrepreneurs to create market-leading companies.

North Castle Partners has invested almost \$1.5 billion and built several market leading companies. NCP's recent successes include the sales of Equinox Fitness, CRC Health, Naked Juice, Doctor's Dermatologic Formula and Avalon Natural Products. NCP's current portfolio includes such well-known brands as Red Door Spas, glominerals, Enzymatic Therapy, and Ocatane Fitness. NCP entered the health/fitness industry in December, 2000, when it acquired Equinox. In 2005, NCP sold Equinox to The Related Companies, an \$8 billion

company founded by Stephen Ross in 1972. Additionally, NCP recently acquired The World Health Clubs and the ClubFit chains in Calgary and Edmonton, Canada and another large, long-running chain in Western Canada could be in play, perhaps to be acquired by NCP as well.

Joe Pellegrini has been a Managing Director/Senior Investment Banking Officer in consumer products with a very strong orientation to sporting goods and fitness equipment companies and other fitness/sporting related companies. Pellegrini is a graduate of Harvard and the Columbia Business School. He played professional football for the New York Jets and the Atlanta Falcons from the early 1980's to 1987 and entered the investment banking business in the late 1980's after retiring from pro football. He joined Robertson Stevens Investment Banking in 1990 and left in 1999 to join Lehman Brothers. Leaving Lehman's to join Wachovia in 2003, Pellegrini departed from Wachovia in late Spring, 2008. Pellegrini is now on a three-month sabbatical and indicated that by October, 2008, he will choose from three firms he is currently considering. Pellegrini's career as an investment banker has been focused on consumer products with a very strong orientation to sporting goods and fitness equipment companies and other fitness/sportingrelatedcompanies.

Club Financial Guru

Rick Caro's Comments

To lead into the comments of the financial panel, we spoke with Rick Caro and asked him to share his perspective as this industry's #1 financial guru. Following Rick's comments are responses from the panelists to questions posed by CLUB INSIDER.

CLUB INSIDER (C.I.) - Rick, as the health club industry's #1 financial guru, please tell our readers why this cover story should be important to them.

Rick Caro (RC) - The reason why this story is important is because people inside an industry often spend too much time only talking to themselves. No matter how smart and astute the various people who are doing the talking are, there is a perspective that says that they may be missing things because they are too close to the situation. So, it's always

beneficial to have outsiders, learned outsiders, giving a fresh perspective, in this case, from the financial side. In addition, these four panelists from the IHRSA 2008 Financial Panel are all experts in the financial world. They live in that world, they understand it, and they know how to apply their knowledge to a specific industry, in this case, the health club industry. Finally, they know how to interpret how the financial community judges the fitness community using mainly public companies and what they see in their crystal ball for this industry. At their disposal is an awful lot of information from other industries, whether they be retail, service or whatever, and a lot of companies in those industries. They are even able, in some cases, to use analogies that help them understand how like or unlike the health club industry is and compare various data between one or more industries. So, they give us a fresh perspective in ways often we can't do for ourselves.

C.I. - Please share examples of companies who, 10 years ago, were closely held private and small club organizations, but today, have grown their organizations significantly with the very important ingredient many smaller club organizations lack: *ready access to growth capital*.

RC - There have been a lot of companies that have really benefitted once they had the opportunity to find growth capital. Some of the major ones that everyone can think of right away would be Town Sports International, 24 Hour Fitness, LA Fitness, LifeTime Fitness and Equinox. But, along the same line, there are others that have benefitted from growth capital: Lifestyle Family Fitness, The Rush Fitness, Spectrum Clubs, Wellbridge and Gold's Gym International. The more recent story of chains that have just started receiving growth capital in the last year or less are: World Health Clubs based in Canada, California Family Fitness, Titan Fitness and SNAP Fitness.

In terms of small club operators today, there are several things that come to mind if they are really planning to grow in the future and want to be eligible for accessing growth capital:

First, they need to make their existing businesses successful so it is clear to an outsider that what they are

providing as a platform is a profitable and well understood story that can be built upon and used as a base for growth.

Second, they need to insure they are using proper accounting for third party financial examination. If they have been trying to minimize taxes and have taken very aggressive, if not even more than aggressive, positions on how they have treated some of the accounting statements or created excessive perquisites for the owners, the business could be less attractive to outsiders. They could even create financial statements for previous years or this coming year that will be more representative of what the business does without overly ambitious tax treatment and the use of proper accounting as a result.

Third, they need to create a prototypical club. Initially, many club companies have grown opportunistically. That is, they have seen a potential deal and gone after it through acquisition or development, but it wasn't their sweet spot. It wasn't really their ideal size or the ideal configuration or concept of what they now believe is their future club and would like to develop over and over again. Often, the key for growth capital is to understand your concept. The more that you can create that concept, and not just talk about it, or apologize for what you've done in terms of being a little off the mark of your ideal concept, the better off you're going to be in terms of moving fast and having people understand your story. Alongside that concept, you need to create differentiation. If what you talk about is a club that sounds like other clubs, or if we can do the *magic test* where if I can put another name of an existing club on your club and no one really feels there is a disconnect or any confusion, then you haven't differentiated enough.

One of the challenges is making sure clubs do not present themselves as a "knock-offs" of each other, but as really differentiated products. This will become more and more important as we develop what has been, to some extent, an immature industry and as we get more growth in underdeveloped markets in the United States

Invest Early In Quality Staff, Financial Systems and Information Technology

In addition, one of the



Rick Caro

other challenges is to invest in quality staff and quality systems early so it's clear that we have financial systems, we have information technology, we have proper oversight systems for management and we have quality staff in all the key positions. All of that becomes very important when you are trying to build a company and leverage that company, perhaps faster than it has been leveraged previously.

The last thing you need to do is create a plan for growth. First of all, I think one thing to do is study how others have grown and accessed capital. See how they have done it, and maybe interview some of those people in different parts of the country to understand what they had to do, what they put together, how they created their long range plan, etc. Then, go out and think about how they would, in effect, organically grow their existing business and how they would expand. Expansion could be either through new builds or acquisitions. How would they do some of the preliminary thinking of identifying new sites and new targets for acquisition early on, even if it's not finalized, to help educate financial people as to where the company could grow?

C.I. - Rick, great comments. Is there anything you'd like to add?

RC - One thing I didn't mention is that one of the reasons why the IHRSA Financial Panel is so effective each year is that we get a blend of very talented people of different backgrounds. With Ed Aaron, we had someone who really followed public stocks, someone who understands how they behave in the public market and what tools they use to succeed and grow. With Joe Pellegrini, we had someone from investment banking who really understands sophisticated financial tools, how to understand the macro side of (See The Money Guys Page 16)

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...The Money Guys

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industries, how to look at not only how clubs fit in the industry, how it all works together and what the trend lines are in big picture way. And with Matt Carroll and Doug Lehrman, we had two people who've actually invested in companies that are fairly small in size, big perhaps for our industry, but small in size in general. They've used their skills and experience with their previous portfolio clients, and they know how to coach and help those companies grow properly, grow systematically and become much bigger players than they would have if they had followed the standard course of doing, perhaps, one or two new deals per year. They have provided these club companies with proper infrastructure or proper tools to really grow systematically. So, it's a very interesting set of perspectives that have been assembled and therefore, are part of the article that is being presented here.

Comments From
IHRSA Financial Panelists



Matt Carroll



**WEST VIEW
CAPITAL PARTNERS**

C.I. - Matt, what are the reasons that you and other people with the money are attracted to the health club industry?

Matt Carroll (MC) - Years ago, Rick Williams, John Turner and I worked at a firm called Triumph Capital, and Triumph was a large investor in 24 Hour Fitness. Just to be clear, John and I did not do that investment, but we were at the

firm when it was done. Triumph had great success with that investment. Similarly, John was at Norwest later in the 2000's, and they were in LifeTime Fitness and had great success with it as well. So, those two experiences sort of whet our appetite for fitness. Then, when we got to WestView, we first started to look at fitness reactively as deals would come in from other places. Then, we said, 'Let's spend some time in the space'. We got proactive. We started calling on companies. I wouldn't say we met with them all, but we certainly touched all of the bases in terms of the guys out there who were playing in the various segments. So, over a year or two, we really tried to get smarter on fitness and know what was going on. To be sure we were up to date, we talked to bankers, analysts and hedge fund guys with stakes in the public companies.

In the Summer of 2007, the guys at M & T Investment Bank brought us Titan Fitness. John Turner and I jumped on it. We saw two things in Titan Fitness that we had already figured out we wanted and needed to make a fitness investment: (1) a team and (2) a brand. To summarize why we're attracted to the fitness space, we're at the very beginning with fitness. When fitness transcends from what was once a vanity industry to a wellness industry, you have a whole bunch of dynamics playing out in this country that really favor fitness. Disease management and how to control the chronic diseases of obesity, diabetes, stroke, etc. So, you have all this disease management activity going on. In health care, you also have power, money and decision-making moving toward the end user, the consumer. Employer groups are pushing dollars onto the consumer. The consumer is more in control of where his or her dollars are spent. Employers are looking at either reimbursing fitness club memberships or outright paying for them. They are much more interested in cutting corporate deals.

For example, our Raleigh, N.C. stores were well built and really well run by Kirk and John Galiani. They also added some nice stores, such as the one at the North Hills Mall in Raleigh. One of the things Jeff did there was build up corporate membership sales. We've been pleasantly surprised with the unbelievable receptivity of the corporations in the Raleigh-Durham Research

Triangle area to make corporate membership deals. The area became a miniature Silicon Valley. But when the tech bubble burst, the Raleigh/Durham market didn't drop. Big companies came into that market and the Raleigh/Durham area grew. We're going to see more of this continued focus by corporations on their employees and this presents a huge growth opportunity. The private equity folks and the public equity investors all see this long-term trend, too.

Our competitive differentiator is that there are certain situations in which the management team, who has a big stake in the company, doesn't want to give up control. It's an emotional issue and not every fund can work with that. We really try to make it abundantly clear upfront that we're not operators, we don't come out of operational backgrounds and that we're here to help on financing and acquisitions. We've seen a lot of growth, so we understand the organizational development as companies click through \$20 million, \$50 million, \$100 million in revenue. We also help them on the exit side, but we don't intrude. One of the things we are looking for is a full management team, such as the Titan Fitness team, led by Jeff Skeen.



Ed Aaron



C.I. - Ed, are there any other comparable industries to the health/fitness sector that you might use as an analogy when discussing Wall Street's interest? If so, which ones are similar and what are the major similarities and differences?

Ed Aaron (EA) - "I think there are some comparisons made to retail, but I think you can also

draw comparisons to other sectors as well. When it comes down to it, health clubs are essentially asset utilization models. The success is largely based upon the extent to which you can fill up the asset with paying customers. In that respect, there are similarities that can be drawn to hotels, cruise lines and airlines.

C.I. - In 2005, what were your first impressions of the health club industry in general as you began your involvement with LifeTime Fitness? And in your view, what were the strengths and weaknesses of the industry then?

EA - Basically, my first impression was that it was a tough sector to make money in over the long term, mainly because there just hadn't been a lot of successful public companies going into the space. That was the bias I had

about it. From the very beginning, I was attracted to the stable cash flow characteristics that make this business fairly predictable, and that was certainly a plus. If you look back at the historical data from the industry, there had been very consistent upward growth for quite a long time, and I was surprised that could happen so consistently in a business where the annual attrition rate is 35 to 40%, on average. This could be because it didn't seem like a very customer centric business in terms of the consistency quality of service and the whole process of signing up.

C.I. - Well, I think that is partially attributable to the fact our industry is so young, kind of an infant really, when compared to other industries.

(See *The Money Guys* Page 18)

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L have been in the health club business for 8 years: 4 years without Thin&Healthy’s Total Solution and 4 with. Before THTS my club was barely surviving with an average of 4 enrollments a month. I realized we would have to do something different in order to even survive and I started looking for something to put into my club. While attending a Club Industry show I found THTS and knew it was the answer.

Before adding THTS we were just a small, friendly, hometown club. There are more people in the club and more excitement in the air now. We have something going on all the time with THTS. Since adding THTS our retention and referrals have gone way up. We have ongoing education and contact with our members so they stay with the program, they see results, and - the best part is - they tell their friends about us!

In the past 4 years we have probably enrolled as many people as we did in 8 years at the club. I’m talking about anywhere from 20 to 40 enrollments per month versus the four enrollments per month we had before adding

THTS! The turn-around and the impact this new concept has had on our club has been incredible!

Another great difference of the THTS program is the ancillary coaching program option. Coaching is a natural feed from the people we work with. We know that being overweight is not about the food; the real issue is what’s getting in the way of your motivation to stay at a healthy weight. Sometimes people need more help

with those big issues than just a 15-minute coaching session, and we can help by making sure they set big goals, holding them accountable on a regular basis, and helping them work through the obstacles that get in their way. That ancillary revenue stream has paid off very nicely.

When I first became a THTS licensee we immediately started selling the weight loss program to our club members and about 25% joined the program. Then we began to market and enrollments really went crazy. We were selling about 15 memberships a week. It was nuts! That might not be nuts to other club owners, but it was crazy for me because I was the only one selling and I was used to only 4 enrollments a month!

My increase in numbers has a lot to do with the marketing techniques I’ve learned from the THTS systems. When the club owners I meet at industry conferences find out I’m a part of THTS and ask me for more info, I always talk about how the support is incredible. Every system is taught so you can go back, drop them right into place and immediately be successful. There is ongoing support too, so it’s not, “Okay, here is your stuff. Good bye and have fun.” Anytime you have a question, you can get an answer very quickly and everybody is willing to help. The biggest benefit for me is the ongoing support. The THTS team is always right there, ready to help.

I’m involved in a lot of community and charity events. Currently we are building wellness programs where we’re going into the businesses that are located far from our club and we’re working with their employees right onsite. We’ve got several big companies in Wichita and we’re working on more.

THTS has always paid for itself. I have never had to put more money into that business and I have always been able to get paid from it. Beyond the money, the best things about THTS are the relationships that I have built, with people in our community and locally as well as people in the THTS organization as well. Those are priceless relationships for me.

I have learned so much about marketing techniques and business systems. I had no idea about this stuff before! I have learned so many incredible things, I don’t even know if I could share all of them!

My absolute favorite part of this whole story is how adding THTS helped one of my dreams come true. A couple summers ago my brother was working in London and my mom, who is 82, and I had the opportunity to spend 7 days in London and 4 days in Paris. What an amazing experience I was able to have with my mother that I would not have been able to have otherwise because I wouldn’t have had the funds to do it! That memory is worth more to me than absolutely anything.

Adding Thin&Healthy’s Total Solution has had a huge impact on my club, my members, my own life and my bottom line! X

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...The Money Guys

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EA - Yes, that was another perception I had from the beginning. It didn't strike me as one of the most sophisticated industries I had ever looked at.

C.I. - Ed, what are the changes and improvements you've seen?

EA - There are some fairly well capitalized companies that are expanding and gaining market share. So, you take a LifeTime Fitness or a LA Fitness, it is just a natural evolution of any business that industries tend to get better over time. So, the best companies grow the fastest, and they take more market share. When you compare a LifeTime Fitness to much of anything that existed 20 years ago, you would know where the consumer preference would lie.



Doug Lehrman

NORTH CASTLE PARTNERS

Investors in Healthy Living & Aging

C.I. - Doug, what are the strengths and weaknesses you've seen in the health club business?

DL - Well, for the next five years, I'd say we will continue to be an aggressive and interested investor

Doug Lehrman (DL) - (1) the increase in the number of participants and (2) the number of the facilities that are out there. There is a significantly greater number of competitors, and that makes it all the more important to choose investing in a differentiated product basis. After selling Equinox, we spent quite a period of time, over two years, looking at a wide variety of investment opportunities in the fitness club industry. In March of this year, we went up to Calgary, Canada and bought World Health Clubs and followed that with our acquisition of ClubFit in Edmonton.

C.I. - What is the allure for North Castle Partners' thinking in Canada?

DL - I think it is the combination of being able to acquire the market leader in World Health and the geography and population in Western Canada, where there is an extremely strong economic environment. This is a place where we can expand the operation, both in Calgary and Edmonton, and potentially, in other places in Western Canada adding clubs through a greenfield basis and through acquisitions. They have excellent models, and there is a tremendous growth opportunity in personal training.

C.I. - Where do you see the industry and North Castle Partners in five years?

and builder of companies in this whole sport/fitness/recreation space. Whether it be clubs or a variation of that theme, we will be a very active investor. As far as the next five years for the industry, I think there will be an increase in consolidation over that period of time.



Joe Pellegrini

C.I. - How would you describe the club industry today to a colleague that has no knowledge of it whatsoever?

Joe Pellegrini (JP) - Fitness has always been important to college and professional athletes, but with the advent of advanced aerobic training and strength equipment, we've seen tremendous advancement in exercise, and we've seen tremendous innovation in the equipment industry. Therefore, the club industry has been able to link itself to these innovations to provide the consumer with a tremendous experience. The clubs in the early 70's and 80's were kind of a place to meet other young people because the people that were really getting into fitness were the Baby Boomers, and I include myself in that group. People were aware of keeping themselves healthy and fit as a way to have a higher quality of life, and they would look good and feel good. In the late 1970/80's, the health club industry was a cottage industry that was about to take off.

C.I. - How would you describe it now?

JP - I think the fitness club industry is populated by not only people that are passionate about their business and bringing a cutting edge quality of fitness experience to the consumer, but I think there has also been a tremendous injection of professionalism and sophistication into club management and from the financial performance standpoint.

C.I. - Joe, how has the recent bankruptcy of Bally Total Fitness and the subsequent infusion of \$236 million in capital into the company shaped the thinking of people in your world?

JP - Certainly, people pay attention when an equity investor steps in like this because equity investors have more control over the business. I assume they will try to install professional management and apply some of the cutting edge practices at Bally. But, every business model is different. LA Fitness is a different model from Equinox which is different from Western Athletic Clubs which is different from LifeTime Fitness. Now, you have some of these upstart business models like SNAP Fitness that have their own business model. What we are seeing happen is business models evolving to reflect changing preferences of consumers.

One of the things that is good for the industry is that you continue to see above average growth in participation in the industry. I think more and more people are realizing how important fitness is to the quality of life. The awareness level in this country is getting better and more people are joining health clubs. People are more aware than ever of what true fitness is. Being a former professional athlete, I'm astounded at how well people are keeping themselves in shape. These are people that are coming to health clubs. I predict that the industry will become less equipment centric as more and more people are interested in more core fitness activities. Some trainers are excellent and some are not, but as trainers get more professional, I think a big move to core fitness, with less and less people focused on machines, will happen. Sure, aerobic machine

use will continue, but the whole idea of doing reps in isolation on strength machines is going to diminish and become more and more out of favor. I think you will begin to see machines that will help you do multiple core exercises. I think you are going to see a trend back to pull-ups and push-ups. For example, there is a neat company out in Hill Valley, California called "The Perfect Push Up" that's now making the perfect pull-up and perfect push-up a big focus. People want to have function. When I played pro football, I'd be on the bench with 450 pounds to get big and stay big before and during the season. Now that I am 51 years old, I am much less interested in how big I am. I'm interested in how functional I am.

There you have it folks! "What The People With The Money Think." Clearly, the people with the money in our world think a lot of good things about our industry. Don't forget that your future is in your hands, and the advice these money men have shared with you today could help shape the future of your now small club business so that, when the time is right for you to grow, you may do so in a calculated, controlled and well prepared manner.

(Norm Cates, Jr. is a 35-year veteran of the health, racquet and sports club industry. Cates was the Founder and is now celebrating his 15th Anniversary as the Publisher of CLUB INSIDER. He was IHRSA's 1st President and a Co-founder of the Association with Rick Caro and five others, in 1981. In March, 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of IHRSA's highest honors. Cates may be reached at: 770-850-8506 or email: Norm@clubinsideronline.com)

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A club in Canada reports – “Fitness Managers are averaging PT packages of \$3,500-\$6,000 per PT deal.”

A club in IL reports – “The VFP helped build our monthly PT drafts from \$0 per month to over \$40,000 per month in our 15,000 sq. ft. facility.”

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was done to work the channel, what it cost and the number of leads and sales it produces. This information now becomes the stimulus for improving each channel's performance. This means innovating, experimenting to find out what works better. All the one hundred plus channels described work for the club that spent time and effort fine tuning it.

No one channel by itself will be spectacular, but together you can create a river of leads. Do not abandon a channel just because it is producing low or no leads. Manage it! Learn how to operate that channel better and in a cost efficient manner.

125 LEAD CHANNELS

These are presented in twenty-one categories as a stimulus for you to invent more channels in each category and think of new categories! Of course, many of the promotions have links across several categories. Because of the size of this document, it has been presented in two issues of **CLUB INSIDER**.

Part I of this article covered the following categories and channels 1 through 60:

- Awareness
- Referrals
- Traditional
- Guerrilla Marketing By Individual Sales People
- Significant Emotional Events
- Internet
- Medical Niches

Part II covers the following categories and channels 61 through 125:

- Current Events
- Gambling
- Anniversaries
- Holidays
- Strategic Partnerships
- Corporate Connections
- Community Outreach
- Strategic Stars
- Strategic Niches
- Sales Territories
- Programming
- Unique Promotions
- Public Relations
- Social and Emotional Bonding

I would like to acknowledge the sources of these lead channels from the 100 club executives in REX Roundtables and from the writings of Rick

Caro, Casey Conrad, Jamie Hayes, Justin Tamsett and Karen Woodard-Chavez.

Part II

Category #8 CURRENT EVENTS

When the general news spotlights an item, it drives sales of items that are related to the news. When the Mars Lander arrived on the planet Mars, it was in the news for weeks, and the sales for MARS Bars jumped up during those weeks. Link your promotions to current events. For example:

61. GAS PRICES SOAR! JOIN NOW - \$100 GAS CARD OR -

For every month of membership you buy (you can extend current memberships), we pay your gas cost to come and workout. 10 mile average commute X 1 workout a week = 40 miles a month = 4 gallons x \$4 = \$16 a month discount.

62. \$40 BILLION IN TAX REBATES GOING OUT NOW -

Some retailers gave 10% discounts if the prospect spent his tax rebate with the club. This plan works well for IRS tax refund checks as well.

63. NO SALES TAX WEEK-END -

A Massachusetts tradition in August.

Category #9 GAMBLING

Link some promotions to gambling. For example:

64. NO PAYMENTS UNTIL PATRIOTS LOSE!

65. SPIN THE WHEEL! The noise attracts people. People love to gamble. It builds crowd energy. Put various offers on the wheel such as a free month, five free Personal Training sessions, a water bottle, six months free, then add a \$20 and \$100 bill. Sign up for our newsletter and get a spin. Buy a wheel online or call 410-866-4300, the sales distributor.

66. ROLE THE DICE FOR YOUR DOWN PAYMENT

- Use enough dice so that all sixes equals the current down payment.

fight for freedom from your old habits and the extra pounds you carry around.

67. THE MORE YOU WEIGH, THE LESS YOU PAY -

Get a one dollar discount for each pound you weigh over your ideal weight. If you weigh 220 pounds and your ideal weight is 180, you get a \$40 discount. Fitness DK in Denmark, a chain with forty clubs, did a one day sale like this and sold 5,000 memberships.

Category #10 ANNIVERSARIES

68. YOUR CLUB'S ANNIVERSARY -

Celebrate your club's founding/opening with free food, a hot local band, a health fair and a special membership promotion. Do this every year.

69. FOUNDING OF YOUR CLUB'S TOWN OR CITY -

Contact the local historical society and create a joint celebration.

70. LOCAL HISTORICAL EVENTS -

Contact the local historical society for a joint celebration.

Category #11 HOLIDAYS

71. VALENTINE'S DAY - Who do you love? Give them the gift of love --health! Decorate your club with hearts. Lovers join with no initiation or an extra 2 months. The club using this Valentine's Day special added 25 members in one day.

72. THANKSGIVING DAY -

Fight the annual weight gain from the holidays by joining now and losing a few pounds.

73. MOTHER'S DAY -

Keep Mom Healthy. Do you know a mother who is stressed, in menopause, recovering from cancer or has arthritis?

74. FATHER'S DAY -

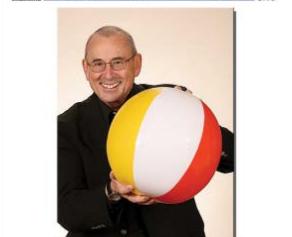
Keep Dad healthy!

75. MEMORIAL DAY -

Celebrate the arrival of Summer!

76. JULY 4th -

Celebrate America's Independence Day and



Generating a Waterfall of Leads
125 Membership Lead Sources

77. CHRISTMAS IN JULY*

Join now and get December FREE, and you'll have more money for presents! *Arthur Saran, of Davol Fitness and Spa, Providence, Rhode Island, quadrupled his July membership sales.

Category #12 STRATEGIC PARTNERSHIPS

78. RETAIL PARTNERSHIP -

Here is an example of what you might do with retail partners. Approach a nutrition or sporting goods store to setup a booth in front of the main entrance to the business on a Saturday. Setup your booth with a contest promotion box (Lead BOX) for a FREE 6-month membership drawing. The business will like it because you are attracting people to their store. At the booth, offer free body fat testing, group fitness demonstrations and/or Personal Training demonstrations using exercise balls and/or bands. "Spin and Win" wheels work well in attracting a crowd. People love a contest to win anything. Have a drawing every 15 minutes for one month free. Tell the people waiting for the drawing to browse the store until its time for the drawing. Call all leads immediately and setup appointments for a "second chance" drawing at the club.

79. BAR/NIGHT CLUB PARTNERSHIP -

Have a "best chest" for guys and dolls contest with your most club friendly local bar operation! The bar offers cash prizes and you offer a free 6-month membership. All of the "best chest" contestants, as well as the customers, enter a drawing to win a 6-month free club membership and other door prizes that you might arrange with other local community businesses. Use the entries to book a second chance drawing, maybe at a mini party at the club.

80. RESTAURANT - CLUB LINK*

This is a great membership lead generating promotion for a high end club to team up with a dozen high end restaurants. The guest passes includes local restaurant promotion, shopping promotion and additional guest passes are provided for people the hotel guests are visiting. The hotel guest becomes your agent... so their buddies choose that hotel!

81. COUPON BOOKS -

Feature 10 to 12 or more products and services, such as sporting goods and travel discounts sold for a good cause, such as school sports programs. The coupon book sellers are partners and students. All partners finance the coupon books.

82. TALENT SCOUTS OPEN CALL -

Club arranges relationships with modeling/talent agencies to host open calls in the club. The agencies structure the events with individual interviews or performances for talent scouts in hopes of gaining representation. One of my client clubs hosts one of these events a month. The events draw up to 100 participants. Everyone gets a one-week free membership and a drawing for a longer-term free membership. Hotels often host these events and charge the agency for space in the hotel. In a strategic partnership between your club and a modeling agency, your club provides the space for the modeling agency and you get the leads.

83. HOTELS -

Charge hotels a flat fee for unlimited passes for their guests. The guest passes includes local restaurant promotion, shopping promotion and additional guest passes are provided for people the hotel guests are visiting. The hotel guest becomes your agent... so their buddies choose that hotel!

84. DRY CLEANER TAGS -

Produce dry cleaning hanger tags with a printed club offer on one (See Will Phillips - 125 Page 22)



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side and a strategic partner/local merchant offer on the other side (a sporting goods store, a local restaurant, a weight watchers clinic, etc.). The local merchant pays for the tags. The inducement for the dry cleaner is that an offer from the dry cleaner appears on the bottom of each side of the tag. Use sparingly so they don't become common.

85. PROFESSIONAL SPORTS

- Several clubs have partnered with professional sports teams. The club provides workout space for the team or the team's cheerleaders in return for highly discounted tickets they can use in promotions, billboards in the stadium and/or Jumbotron ads for their club e.g. This touchdown brought to you by SUPER FIT HEALTH CLUBS. There are a myriad of other promotional partnerships where the pro team supports kids fitness or fund raises with the club for a local charity like the Boys and Girls Clubs.

86. REALESTATE DEVELOPERS

- These are people to connect with and explore how your club can be an amenity to

residential or office buildings they own. In return, they foster your prospecting of their tenants. You might even consider designing and/or running small in-house fitness facilities for them or providing on site classes, massages, etc. In-office massage has become a fairly wide spread corporate perk, especially during peak work loads such a CPA firms during tax season.

87. BUSINESS BANK AND CLUB

- A great source of new member prospects is the bank where you and your club do business. Get to know your banker, if you don't already. Give him the idea of having a special "Hello Day from Club ABC/Bank ABC". Provide the bank with nicely done two-sided glossy cards that are about the size of a check. Make it a mutual deal. Arrange for his tellers and managers to each have a stack of your glossy cards and for them to give one to every customer with their deposit slips, cash, etc. (Be sure to give all tellers and managers the same offer before you start!) Make the offer on your card a good one: "One month free at your ABC Club or 50% off your Enrollment Fee". In exchange, offer to do the same thing at your reception desk

on the same day. Work hard for the bank at your club. Then later, discuss and arrange to do this once a month. A win - win deal.

Category #13 CORPORATE CONNECTIONS

Corporations are becoming more and more aware that exercise reduces health care costs and absenteeism, while improving morale and production. Begin by building a list of corporations within a 10 to 15-minute drive time of your club and make a list of your members and where they work. Then, start looking for connections and using some of the corporate programs below. Remember, a typical club sales person will not be prepared to sell at the corporate level. Most likely, the owner will be the best sales person here: one CEO to another.

88. CORPORATE FAT LOSS/MUSCLE GAIN CHALLENGE

- The local bank's business customers may nominate up to three of their top employees. The bank or the company pays for three months at the club, which includes personal training sessions four days a week and a

Monday weigh in.

89. REALTORS WELCOME TO THE AREA PACKAGES

- Be sure to get the realtors into your club and working out. Try a realtor's special. One month free will help your club link to new people who've transferred into your community and are in the home market.

90. WELCOME TO THE COMPANY PACKAGES

- Similar to the new movers welcome packages but for new staff hired by local companies. Make this connection by coordinating with the human resources department of local corporations. This opens the corporate door. The bigger the company, the more you should invest in opening the door. Some single clubs earn up to \$30,000 a month from corporate-sponsored memberships. Use public relations and press releases sent to local business media public relations to be sure this news gets out.

91. A CORPORATE PROGRAM

- The Club offers a discounted package with additional benefits to companies based on their size and level of promotional commitment and support of the club. Benefits to the corporate member:

- \$0.00 to \$50.00 enrollment
- Two weeks to one month free dues
- A corporate tanning card (10 free tans)
- A corporate guest card (30 days of free guest privileges)
- A corporate play center card (10 free visits)

92. DIFFERENT FORMS OF ADVERTISING WE OFFER TO COMPANY EMPLOYEES:

- Payroll stuffers
- Company newsletter article submissions
- PDF flyer to distribute via email
- Posters for break rooms

The club's marketing department creates all marketing materials for corporate accounts. Offer onsite enrollment opportunities right in the company office/business. If you do an "onsite", pair up with a fitness coordinator to do BMI testing or bring a massage therapist to do a chair massage.

- Produce corporate proposals professionally in 4 colors. Use all the hot Humor Resources language: Absenteeism, Presenteeism, Workers Comp Costs and Productivity. Deliver a big box of apples with a proposal on top. So far, this program has brought in \$35,000 in corporate membership sales.

94. CORPORATE STRESS MANAGEMENT* - Masseurs/Masseuses

Provide on-site classes in yoga. Conduct health-wellness fairs on-site. Provide membership program package during visit. *Reported by Chris Gallo in FBN.

Category #14 COMMUNITY OUTREACH

Sponsor events such as a middle school fun run. Support local charities so you are central in the minds of the community. Create and provide an adult education center on wellness issues and give access to your community for free.

95. SPEAKER SERVICE ON HEALTH AND WELLNESS

- Choose staff and/or members who have the ability to speak in public and formulate one or two presentations (this is not free form) about health and wellness topics. Then, promote your speaker services to groups in your community that have speakers and to all public schools at all levels. Speak mostly about the impact of exercise with a brief history of your club. Maybe some examples of how your club has changed some member's lives. Have an offer that you quietly place at each person's seat before you start speaking.

96. MEETING VENUE FOR THEIR GROUP

- If your club has nice meeting space, offer it for free to groups in your community, such as the realtors association, Chamber of Commerce, cancer support groups, etc. Provide great audiovisual support like a laptop and LCD projector, flip charts and pens, white board, etc. Offer to cater coffee or lunches. The goal is to increase non-member traffic and enable them to be comfortable meeting at your club and to nurture their referrals.

97. JOINT PROMOTION (TO HELP THEM RAISE FUNDS)

- Instead of waiting for a local (See Will Phillips - 125 Page 24)

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Association Insurance Group

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non-profit to solicit your support, design a health-wellness promotion that could enlist support and raise funds for an appropriate charity. One New England club has a spinning bike marathon and raises money for the local Heating Oil Fund for those not able to heat their homes in the winter. This event regularly gets evening TV News broadcast coverage.

Category #15 FUNDRAISERS

Utilize a **"10 for 10 Program"** to help schools, churches, charities and other civic groups with fundraising efforts. The cards allow 10 workouts and are sold by the charity for \$10 each. Do not charge the civic organization anything. Print the cards and deliver whatever amount may be needed. This program establishes a strong relationship with the community and consistently produces new leads and guest traffic

98. OUTREACH FITNESS TESTING LOCATIONS:

Clubs, Schools, Meetings, Mall, Sports Store, Community Center, etc.

99. ADVISORY BOARDS:

Medical, Elementary School, Middle School, High School, Adventure Travel, Religious, etc.

Form an advisory board that meets in your club 2-3 times a year to discuss how to encourage healthy lifestyles among the people the board represents.

100. ELEGANT SCHOOL FUND RAISER

- Begin with a health month at schools where every staff is in a class teaching health, exercise and nutrition fundamentals to youngsters. Build relationships and support with the school superintendent and the PTA. **"21 Days for \$21"**: Give to middle schools in the Fall to sell and raise money for the school. School collects the \$21. Everyone who shows up provides \$21 more for the school. The middle school with the most people participating gets \$1,000. The top 100 sellers get a family evening of fun at the club. Get a local business (perhaps a bank) to sponsor the fund raising and cover the materials and local adds in the newspapers.

School Example: A physical

education program for a local middle school. They lead a room full of kids through a group exercise class, crafting it to them, of course. Nutrition guidelines, frequent BMI and scale assessments, "at home" assignments for nutrition and water requirements are part of the program. There is local business support in offering prizes to the winners (almost all of them). The camps are broken up into 6-week courses with dinner at the end of each. Parents are invited to the dinner. Kids are given invitations to visit the club during the program. Obviously, the parents must accompany them. This has been a HUGE success. This program has generated sales for family memberships and created an enormous community buzz. And, there was a feature story about the events in local newspapers.

101. COMMUNITY WIDE ACTION

- 10,000,000,000 steps a day in our community, 1,000,000 pushups in 4 hours, Halftime group fitness demonstration at school sporting events.

Community Outreach: Rotary, Chamber, PTA, garden clubs, political parties, travel clubs, investment, alumni, church club, soccer coaches, historic, music, soccer leagues... all community groups that are worthy of support. Provide a speaker on fitness-wellness and build relationships with each Champion for each group.

102. CHAMBER OF COMMERCE - Best Lead Generation - One club representative reports, "The best lead generation program that I feel we have used is our involvement with the Chamber of Commerce and other civic groups, such as the Kiwanis Club. The Chamber has proven to be a valuable networking source for leads, as well as contacts that we can use within our day-to-day business. Even though the actual Chamber leaders may not be members of the gym, they constantly promote our business throughout the county.

Category #16 STRATEGIC STARS

The Local Stars have an audience. The Strategic Stars need such things as: Weight loss, Exercise, Post-operative Recovery, Stress Management, Meeting Space, and Training for

BIG Events. By recruiting them face to face for a trial membership, you have the opportunity to change their lives. To make them raving fans of your club, and guess who they will rave to about you? Consider all the following channels:

103. MINISTERS, PRIESTS, and RABBIS

104. MEDIA PERSONALITIES

105. POLITICIANS

106. SPORTS FIGURES

107. SPORTS TEAMS

108. ENTERTAINERS

109. HAIRDRESSER - Work out a relationship with each hairdresser in your shop of choice whereby they put a small fishbowl at their styling chair with a sign that says, "My customers receive a 2-week membership to ABC Club. Simply fill out a slip and drop it in!"

Hairdressers love to talk, and they have a fabulous rapport with their customers. What men may not know is that women book their hair appointments sometimes weeks in advance simply to ensure they can see "their stylist". The point is, if this hairdresser likes you and your club, they will refer clients to you. In exchange, either offer them a referral fee for anyone who joins (yes, that means \$) or give them a temporary membership to the club that is renewed on a monthly basis as long as they keep the fishbowl at their station. This is an ideal option for two reasons:

1. It doesn't cost you any out of pocket investment and 2. They become a raving fan. Thanks to Casey Conrad for this one.

Category #17 STRATEGIC NICHES

110. SPORTS SPECIFIC TRAINING

- Golf, Soccer, Baseball, Basketball, Hockey, etc.

**111. INDIVIDUALS WHO'VE
BEEN LAID OFF** - Have a special section of the club offering special staff and focus on helping the laid off person prepare for a new job. Offer special incentives to come in and exercise and special rate opportunities to help the laid off person find a new and better job.

112. SUPPORT GROUPS

One club has launched a support group for parents of autistic children. This becomes a unique and easily defined niche. Autism networks have promoted the group so that it is self-marketed. Why should this be in a club? Because it brings two things to the club: First, "Wow! Isn't that cool that the Super Health Club sponsors this and makes space available? Aren't they the good guys?!" This is positive reputation building which enhances all your marketing as it makes members and prospects proud to be associated with your club. Second, it brings people into your club who might never cross your threshold. Once in, they find out what a cool, comfortable place your club is to join!

113. SALES TERRITORIES

- By street, By development, By condo, By office building, By neighborhood, etc. Take half the staff and canvas a condo going door to door or an office building.

Category #18 PROGRAMMING

**114. PROFESSIONAL GROUP
EXERCISE** - Having a group exercise program with new choreography every quarter and classes at several levels gives you the opportunity of a new launch every three months. In the best group X, the participants can be your best sales people. Set up a strong referral offer for them to bring friends and family.

115. SPRING GARDENERS

SHAPE UP - If your club has some external landscaping, consider working with a local garden store to run a six-week "Spring Gardener Shape Up". A study in the U.K. showed that individuals ages 46 to 70 who gardened improved their fitness a bit better than those only using a health club. Learn how to garden without straining arms, legs back and shoulders!

116. FIVE-WEEK PROGRAMS

- These are five-week accelerated results programs. Two weeks to sign up plus six weeks of program equals two months a session. Create and offer several programs a session based on your community, your members and your staff's capabilities and interests such as: flexibility, balance, abs, legs, arms, butts, etc. Create catchy names, make the classes tough, and

tell participants exactly what to expect. Spell out what they will get, and guarantee it! Price at \$79 to \$149 a program for non-members and give members a big discount on the non-member rate. Design the program pricing to make membership attractive to non-members. Use half-hour classes and allow each participant to attend two a week, but schedule ten a week, so it fits the user's schedules. Let people reserve a class, and if they miss it, there is no transfer, they lose it. Keep classes small, say 20 people maximum for personal attention and to make these people feel special.

This is a great way to enable your best staff to earn significantly more income. Look for a champion for each type of program i.e. "Awesome Abs" and pay them for "Awesome Ab" classes that others teach. This way, a real go-getter can operate a mini-business with several part time staff members. One club claims that a Champion can earn another \$20,000 a year.

117. BEGINNER'S GROUP FITNESS TRAINING ON EQUIPMENT and FREE WEIGHTS

- This concept involves scheduling start times for new and current members to go through a beginners level group equipment and free weight training class with one instructor. Here is how it works: Each month, the club produces the Beginners Group Fitness Training Class Schedule and provides it to members just like the Group Exercise Class Schedule. Then, the club keeps a sign-up sheet for each class time at the reception desk. This is done to limit attendance to 10 to 12 members.

This number might be greater but depends on the fitness floor space and equipment alignment. This is a perfect program for Personal Trainers to teach the very basics for machine use and very basic free weight training. This initial contact will provide Personal Trainers with a very steady stream of potential new clients, as long as the Personal Trainer approaches this program with the spirit of an employee of the club first, then makes his presentation with an upbeat, friendly and helpful attitude and manner. Importantly, if you have 10 Personal Trainers, pick the ones with the best attitude about the program, and then, divide up the schedule so those trainers do the beginners teaching and get (See Will Phillips - 125 Page 26)



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Gary Borgatede, GM - Elmwood Fitness Center

referrals

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Bill Deitz, GM - Auburn Racquet & Fitness Club

retention

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Mike Revere, Manager - Sentara Hampton Health and Fitness Center

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"Never miss the opportunity to recognize or reward members. Recognition and rewards are a crucial part of every successful retention management strategy."

John McCarthy, former Executive Director of IHRSA

...Will Phillips - 125

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the prospects that result from the classes they teach. This introductory class can be the basis of a promotion. Ten Dollars for ten sessions: A Special Class Designed To Introduce Beginners to Free Weights.

118. MEMBER TRANSFERS FROM FAILING CLUBS

Keep tabs on all clubs near you that are small local operations. Contact and have coffee with the owners of any club that you know may be struggling. Wish them well, but make it clear that if and when they may need and be forced to close, your club will offer a transfer of their members to your club (instead of them just announcing that their club has failed and is closing, thus putting them in a position where they may have to pay refunds). Well, prior to the "D-day", arrange to have the owner announce to their members in a letter they will send that everyone who is a member of their club will automatically become a member of your club on the day that owner has chosen to close, and on the first of the month, the members of the closing club will be able to join your club at their existing rate. Remember, you will have to re-sign all the monthly members, and it is very wise to go ahead and honor the pre-pays for their term, too. This is important for a total takeover of the closing club's membership. Have the owner that is closing the club explain in his letter to his members that their current rates will be honored and will apply for X months, the length of their current contract and then their rates will increase to your club's rates. If you have developed a good and proper relationship with the club owner that is in trouble, a letter, carefully crafted and written by you on your club letterhead and then distributed by the closing club owner with his own announcement letter is an excellent way to make this transition.

119. WEIGHT LOSS CONTEST

Promote and sell a contest rather than membership. Choose a time-frame like three months and have big awards (\$1,000) for the Biggest Loser, and the team that loses the most per person, etc. Encourage families and teams and other local social groups, like the garden club, to field a team. Everyone has full access to the club for three months, and everyone pays an entry fee of \$99 or 10 times the number of pounds they want to lose in the three months. Have a kick off weigh-in and look for some TV coverage. Then, provide classes for

contestants 3 times a week, cardio, strength and nutrition. Offer all participants a special membership at the end.

Category #19 UNIQUE PROMOTIONS

120. SOCIAL CLUSTER CD -

Explain to your new members that whenever a person tries to change a habit or build a new one, like regular exercise, they will experience three forces that will work against the change. Those forces are:

1. The general environment ads, fast food, you deserve a break today, etc.

2. The people around you, your family, friends and co-workers. Explain and warn your new members that their family will want them home after work, not exercising. Explain that their friends can discourage them. Explain that they must have the discipline to show up and exercise regularly, at least 3 days a week.

3. Last is yourself, and your own lack of commitment or self-discipline. Clubs rarely address these barriers head on. Consider producing a very short audio CD for playing in the car which your new member can give to their family, friends and co-workers to learn how they can help you with your new commitment to exercise with an offer at the end for them to visit the club within two weeks of receiving this CD so they can learn how to become a true fitness supporter.

121. SORORITY SAMPLER -

If you are near a college with sororities (or fraternities), meet with the leaders of these groups and offer a contest. For every activity (group class, circuit, cardio equipment, etc.) a sorority member participates in they get 10 points. At the end of the month, the sorority most committed to fitness (most points) is announced and all the members are given a 25% discount. And, the club donates a dollar a point (or a dollar for 10 points) earned to the sorority's social fund.

Category #20 PUBLIC RELATIONS

Public relations is the process of getting covered in the media as NEWS. This means you don't pay for it, and it is a bit like free advertising. Clubs strong in this area count the minutes of airtime on radio and TV and the column inches in printed media each quarter. Clubs with strong PR might get a total annual count of 500-800 minutes and inches combined. This is a wonderful third party endorsement for your club. To get PR, you must understand

the needs of your local media and one of the number one needs is LOCAL NEWS. Search the web for a few basic articles on how to make PR work for your club. Consider hiring a part time PR expert in your community for \$1,500 a month. It is inexpensive advertising.

122. ONE HOUR SALE AT MIDNIGHT -

Party and dancing at eleven! And, a one-hour sale, let's say no joining fee or a six-month special.

123. \$129 BILL - Print up a weird \$129 dollar bill with your club logo on it. Make it FUN! Make it so funny it does not look like you are counterfeiting! And, be sure you print: *"Promotional Currency Negotiable Only for ABC Club \$129 Enrollment Fee"*. The offer is for a club with a standard \$129 enrollment fee, adapt this idea for your enrollment fee rate. Mail to all ex-members. The \$129 bill covers only the enrollment fee in a 1-day sale. One club sold 67 memberships in 5 hours, 33 brought in the \$129 bill.

Category #21 SOCIAL AND EMOTIONAL BONDING

124. and 125. Valuable research on customer loyalty has been done in close to a dozen other industries. Everything boils down to this statement by one of the researchers, Fred Reicheld, "All customer loyalty is emotionally based. Quality is a given. People expect good looking, well-equipped clubs. But, what keeps them there? The emotional connections they have with staff and with each other." In one of my early Roundtable meetings, fifteen years ago, Ben Emden reported some research he did on retention. The figures are representative. Family memberships were retained at 88% a year, couple memberships at 73% and singles at 70%. Any club with tennis is familiar with the high retention of tennis-playing members. All of this higher retention is based on the connections members have with other members, their friends. When your social circle is at the club, it is extremely difficult to leave the club. And when you make a new friend, they are brought to the club to join.

It is social and emotional bonding which has always formed the foundation of tribes and clubs. More recently, we have seen that the killer applications -- the ones which sell themselves and once someone starts using them they rarely stop-- all depend on social connections. For example: e-mail,

facebook, linked in, youtube etc.

As an owner or sales person, you should be a student of sociology and anthropology and a participant in several online communities so you can deepen your understanding of social/emotional bonding and begin applying it to your club and your club's sales process.

A FEW CLOSING SUGGESTIONS

1. **Marketing Champion.** You can benefit from having a marketing expert on your team, a person who is skilled in this realm and always doing market research and staying regularly tuned into your market.

2. **You or your marketing champion should read a marketing book every quarter.** **Apply what it says.** Try *The Irresistible Offer: How to Sell Your Product or Service in 3 Seconds or Less* by Mark Joyner, and innovate; doing this with peers is more powerful.

3. **Experiment.** Use a small pilot test first to get some idea of the effectiveness of the promotion. Consider trying several methods at the same time. For instance, in a direct mail piece, split each zip code into two and send one half one offer and the other half another offer. Or, try using two different photos. The point is that few really know what the best photo or offer is for your club in your market, but you can easily find out if you experiment!

Try tall thin lead boxes with unusual colors. Have some different graphics showing different age groups enjoying being at the club so that you can offer the host location the choice. "Which image do you feel would most appeal to your customers?" The image in a surf shop would be different to the one in a haberdashery. Test. Some lead boxes double as a "take one", where they can register and take a brochure or newsletter as well.

4. **Keep Records** on what you did, what you got in terms of leads and sales, and what it cost. Always debrief at the end of every promotion by sitting with sales people, front desk and others involved in the promotion and its follow up to discuss what worked and what did not and WHY? Keep good notes and extract a few insights from each promotion.

These records and insights may be the most valuable file you have on growing your revenue. The numbers reveal the performance. The managers' discussions reveal the insights, the insights lay the foundation of your future marketing

strategies and activities, and these are what your revenue is based on.

5. **A Longer Sales Cycle.** Instead of who is ready to sign up now, start thinking of how to connect and engage who is getting ready to join but is not ready to sign now. More Connections; plan on multiple contacts via multiple media to build traffic.

6. Improved Negotiation Skills.

Promotions where your club collaborates with other partners can be very powerful since your relation with the partner carries an endorsement of your club, and the hard dollar costs are either shared or close to nil because you piggy back on the partner's promotional media. Your ability to capitalize on these partnerships is directly related to your negotiation skills, and what I mean is your ability to craft win-win partnerships by surfacing the partner's needs.

There are few better investments a club owner can make than to take a serious course in negotiation. I plan to write a future **CLUB INSIDER** Article on this.

Publisher's Note: Folks, realize that of the 125 lead channels Will Phillips has presented here, only a portion of them will apply and work for your club operation. Categorize the ones you think may work into two groups:

1. Pick 10 that you can use immediately, as early as next week.

2. Pick 30, 40 or 50 or more that will work for your operation but will require time for study, creation, development and launch. Then, do just that. Study those you have chosen and create a timetable and action plan to roll all of them out, with proper Champions, over the coming year.

Remember what Will has said. You must have a Champion, one key person, for each channel to be successful. Study. Create. Work hard on each roll out. And, Produce! Make the rest of 2008 and all of 2009 your best new membership years ever!

Thanks to Will Phillips for his amazing work in this two-part cover story and to all whose ideas made this report possible.

(Will Phillips, Founder of REX Roundtables for Executives. REX operates twelve Roundtables in the club industry for owners and GMs. REX Roundtables are active in several other industries. Visit REXroundtables.com to learn more)



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The National Fitness Business Alliance and iHRSA have formed a partnership along with our elite team of industry leaders, to provide owners a variety of information, tools and products that will provide you financial success for today and the future. We can help you with almost any problem you encounter in your fitness business. Our workshops features an exhibitor showcase that will provide you the tools to overcome your staffing issues and network with other owners and managers who experience the same difficulties as you.

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The Clubs for the Cure / Augie's Quest Team Launches the Second Year Initiative to find the Cure for ALS

After successfully completing the initial Clubs for the Cure/Augie's Quest effort June 30, 2008, the Clubs for the Cure /Augie's Quest Team is ready to launch the next phase of the grassroots effort that will involve all sectors of the Health and Fitness industry. Our team of volunteers will once again work together with club owners and managers to provide any and all support required to successfully conduct an event at each club.

The Clubs for the Cure/Augie's Quest Team is excited to work with Owners and Managers who conducted fundraising events during the initial effort and look forward to working with these clubs again over the next 6 months. Based, on the input from Club Owners and Managers, the Clubs for the Cure Team has provided enhanced lead time for Clubs to promote their fundraising events to their Members.

The Clubs for the Cure/Augie's Quest formula for success over the next 6 months is focused on providing all Clubs, Studios and Trainers, a platform that provides a unity for clubs whether they are independent or chain based, college or university, hospital-affiliated, Jewish Community Centers or YMCAs, to act as one united industry to join The Clubs for the Cure Augie's Quest Team and work with Augie to find the cure for ALS.

What is the Clubs for the Cure/Augie's Quest Team Plan for The Next Six Months?

"Our goal," states Patricia Laus, owner of the Atlantic Club and founder of The Clubs for the Cure/Augie's Quest Team " is for the entire Health and Fitness Community to unite as one industry. We are requesting each Club owner and manager work together with other clubs across The United States for One or two days in February 2009, to not only raise funds but also awareness for ALS with their members and the communities they serve."

"We learned a lot from The Clubs for the Cure/Augie's Quest efforts we launched last January and look forward to an even better second phase of fundraising events," states Kevin McHugh, C.O.O of the Atlantic Club and Clubs for the Cure/Augie's Quest. "The feedback from Clubs that conducted events as well as from other Clubs that were not able to participate in our initial phase, have been incorporated into the second phase of the Clubs for the Cure/Augie's Quest Program to make it even better."

Logistics Coordinator for the Clubs for the Cure/ Augie's Quest Program, Jessica Hayes states, "Providing targeted dates for the industry to come together as one will make it easier for more clubs in the industry to conduct their event and join the Clubs for the Cure/ Augie's Quest team.

"For the Second Phase we recognized a need to expand the events beyond Indoor Cycling" states Jamie Byrnes, Clubs for the Cure/Augie's Quest Area Coordinator. "In the upcoming campaign, we have dedicated a date for special Group Exercise Classes so that all Health Clubs can join our team and come together as one industry to find a cure for ALS."

Nancy Ehrola, Area Coordinator for

The Clubs for the Cure/Augie's Quest Team heard from Personal Trainers across the country in both Health Clubs and Personal Training Studios asking to be involved in The Clubs for the Cure/Augie's Quest effort. In response, we have identified a one week industry-wide effort that will enable personal trainers to play a key role in the success of The Clubs for the Cure/Augie's Quest Team effort."

Clubs across the country demonstrated outstanding creativity in the types of fundraising programs they conducted. Fundraising efforts included Health Clubs donating Enrollment Fees generated by new memberships during a promotional period, and many clubs have already committed to conducting an Enrollment Fee program by the end of February 2009. This effort has a three-fold benefit since it creates goodwill within the community, builds awareness for ALS while generating significant funds to help find the cure for ALS.

The format is simple for The Clubs for the Cure/Augie's Quest Initiative. The request is for each Club to conduct One Event, on One Day, for One Hour, To Achieve One Man's Quest to find the Cure for ALS. There are many clubs that may be interested in conducting additional events throughout the program and we will support these efforts in anyway a Club owner needs.

Of course, The Clubs for the Cure/Augie's Quest Team is recommending specific dates as a guideline for Clubs to work together in building an industry-wide effort. However, Health and Fitness Clubs as well as Studios are welcome to conduct their event when it works best for their business. Our only request is that all events be conducted by February 28, 2009, and that you

register your Club on the Clubs for the Cure website.

"The Atlantic Club is committed to The Clubs for the Cure/Augie's Quest Team along with hundreds of other Clubs that participated in the original phase of the effort," states Ellen Veprek, Senior Manager at The Atlantic Club. "Our staff is committed to conducting a major Indoor Cycling Event on February 7th, One Step Closer to the Cure Event on February 14th as well as identifying the month of February as ALS Month and donating the enrollment fees collected throughout the month of February to this effort. Also, our Personal Trainers will participate in Trainers for the Cure Week from February 7-14th."

Kathy Guibord, Senior Manager at The Atlantic Club states, "The Atlantic Club staff and members are eager to help Augie in his quest to find the cure for ALS because several of our members have also been impacted by this disease and it is time we find a cure!"

"The Clubs for the Cure/Augie's Quest Team is equipped to provide any support that each club may need from a marketing/promotional standpoint as well as informational perspective," states Kristin McConnell, Marketing Director for Clubs for the Cure. "Please visit our website at www.clubsforthecure.com. This informational site provides key contacts as well as program outlines that can be downloaded for your use."

"I invite the entire industry to work together as One," states Pat Laus. "When we harness the power of our employees, members and individuals from the communities we serve, the possibilities are limitless. With this united commitment I am confident that as an industry we will play a significant role in finding the cure for ALS."



The Clubs for The Cure/Augie's Quest Schedule of Events 2009

Sat. 2.07.09

Riding for Augie Indoor Cycle Event

Health & Fitness Clubs, Recreation Centers, Colleges and Universities, Hospital Based Clubs join together to conduct an indoor cycling fundraising event



Sat. 2.14.09

One Step Closer for the Cure

Health & Fitness Clubs, Recreation Centers, Colleges & Universities, Hospital Based Clubs, Studios join together in a Group Exercise Class to raise monies



Sat. 2.07.09 - 2.14.09

Trainers for the Cure Week

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Programming Tip of the Month:

Your Best Program Needs Your Best Promotions! - Profitable Programming Ideas for YOU

By: Sandy Coffman

A new season, new members and new programs to grow your business are your challenges for the coming year. You can't afford to not make them dynamic successes. Let's start with Step #1 - *Dynamic, professional and productive promotions.*

My book, articles, seminars and consultations will all repeat the mantra, "The goal of programming is increased participation, retention and growth." One of the first keys to making that happen is to have productive, professional promotions. An effective promotional piece has two objectives:

1. It must promote participation in a specific activity or event.
2. Promote the image of the club and the position of the program in the club's "big picture".

How do promotions effect retention? Specifically, the club's "big picture" is retention. You need anyone who participated in a program the first time to participate in it again, and you need an equal number of new participants to come on board because of the reputation --word of mouth-- of the quality of the program. If the program quality was excellent, then every time someone sees that

same promotion, the image and identity of the club, as well as the program, comes to mind and creates excitement.

Be Visible

First, your promotions must be visible and memorable. A promotion should create an initial interest or catch the eye of a reader or passerby in two seconds. There must be something immediately visible to motivate further interest. Words, no matter what font or size, tend to run together. If you try to write all about an event or explain a program agenda in a promotional piece, chances are that it will not get completely read. How many people do you see perched in front of a bulletin board studying copy? For example, **THE FOUR STAR PROGRAM**, presented in my book, "**Successful Programs for Fitness and Health Clubs: 101 Profitable Ideas**", is an excellent group exercise retention program. It's based on a tracking system awarding one to four stars to each individual reaching the achievement of attending 25 to 100 classes. This may or may not seem appealing to a new or existing member, depending on the excitement of the promotion, but a bulletin board that is titled, "**Star Struck**" and is "star studded" with strings of silver stars outlining its perimeter is a good start to create interest. Add

pictures of students participating in classes and holding up T-shirts with four big stars on them, and you will have people really interested in learning more about the program and getting involved in it.

Be Memorable

Consistency is what makes the promotion memorable. Plan ahead and be sure to keep the message (rules of the program) simple. The next time you run the program, make sure you use the same location for your bulletin board with the same color scheme, logo, art and title. Make it easy for your members to recognize the program at a glance. Use pictures, colors, props and symbols to create the visibility factor. Be glitzy, creative and bigger than life to make the promotion memorable. Be consistent and professional in the look so that the member immediately associates fun, participation and success with the program whenever they see the promotion. This is an excellent way to "brand" your programs.

The summer months are now behind us. Your summer retention programs and camps hopefully were fun-filled events that kept your club busy, but now, it's time to GROW that membership and offer new and exciting programs for your new members, inactive members and

existing members. The use of pictures is a powerful promotional tool that is memorable. Anyone looking at a picture that depicts fun, sociability and camaraderie would like to be part of a scene like that. So, be sure to keep those pictures of your summer events in full view of all those who participated, and you will be sure to make those members feel proud and special. Those pictures are also important to your new members and potential members. Prospective members, for example, will actually feel like part of the club during a tour and get a sense of belonging by visualizing themselves in the pictures. At that point, you can direct their attention to the programs that are starting the new season.

One last reminder: The name of the game in promotion is to be visible, memorable and exaggerated. It has been said that people only remember 12% of what they see or hear, so if a promotion doesn't get the attention of your customers and make some kind of an impact on them, it just won't be effective and an ineffective promotion costs a lot of money!

Of course, the programs must be run successfully and professionally to make the promotions credible, but the promotions themselves set the

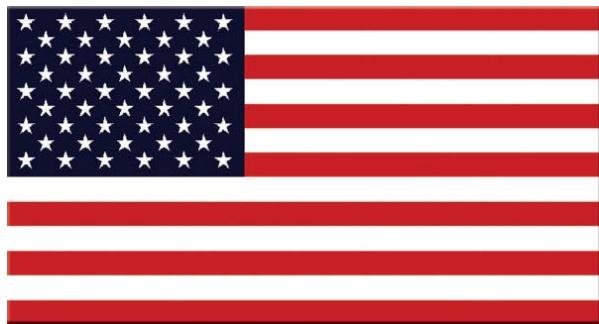


Sandy Coffman

stage. If the visibility of the promotion is huge, then the participation in the program will be huge. The total approach to promotion is what will make the program a successful venture. Whether internal or external, visible or verbal, promotion can be everywhere you are and in everything you do. Professional promotions will enable fitness facilities to more effectively reach customers, better serve members and ultimately find that they are programming for profit!

(To order Sandy's great new programming book, "**Successful Programs for Fitness and Health Clubs: 101 Profitable Ideas** go to: www.humankinetics.com Contact Sandy: SLCoffman@aol.com or www.sandycoffman.com)

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Want To Increase Retention? Want More Referrals?

By: Ed Tock

The retention process really begins as soon as the new member joins your club! It is not just a new sale but usually someone who is undergoing a behavior modification change in their life. According to industry studies, most new club members are regular non-exercisers when they first join, and 30% of them stop using your club in ONLY 3 weeks! To create a new habit of exercising, the new members need 21 days of positively reinforced behavior. Your sales team is a crucial part of your successful retention of these new members.

The sale really begins AFTER the customer has given you their money! This is also the heart of the sales system that I use and teach after having learned it from my former long-time partner in Sales Makers, Ray Gordon. This system has successfully helped clubs substantially increase their sales and retention. It is then the job of the sales team to "sell" the new member on the idea of coming to the club on a regular basis (at least once a week or more), getting some results

(usually feeling good and more energy in the beginning... weight loss and muscle tone take more time and discipline) and most importantly... telling all of their friends how great they now feel since they have been exercising, which will, in turn, increase both retention and referrals.

The retention process begins with the sales team. It should be the focus of each sales person first to motivate the customer on the tour by sharing the customer's vision of what results and benefits they desire. After he becomes a member, it is the responsibility of the sales person to help keep the new member motivated and encourage him to exercise as often as possible.

To systematically increase member referrals as well as increase member retention, you need to work smart. Send a handwritten thank you note to every new member the same day they join, birthday cards to members, and thank you notes to all members referring a friend who joins the club. Everyone needs positive reinforcement, not just when they walk into your club, but especially when they are

not at your club!

Recently, I attended a seminar given by John McCarthy, former Executive Director of IHRSA, and he suggested that we need to think and execute very similar to the hospitality industry and strive to give 5-star service and hospitality to all of our members. They need to feel they are getting more than just expected service (they expect you to be nice and to say hello every time they come in). We need to remember we are also in the entertainment business. We need to give all of our members, (not just the very regular exercisers) noticeably superior service!

With all of my clients' clubs, our sales teams are required to contact the new member 7, 14 and 30 days after they join. Most of these calls are made to the new member during the day at work (we have a better chance of talking to them during the day). After the initial three calls within the first month, the members are contacted or called monthly. These calls are also very positive calls and a great way for a membership consultant to start their day. These motivational

calls have effectively increased both retention and referrals!

Occasionally ask for referrals. Happy members are your best source for new leads. Always remember: A happy member is a renewing member. A renewing member is \$\$\$ for you.

More Retention = More Referrals = More Profit

- Members who exercise with someone they feel comfortable with are 6 to 7 times more likely to stay with their program and with the club.

- Exercising for most people is a new habit and needs at least 21 days of positive reinforcement and practice.

- Most referrals need to be "EARNED" through service excellence, not through prizes and trips.

- Referral gifts are thank you gifts, not the reason you get a referral.
- Over 93% of Americans may believe in the benefits of exercise, but only 15% actually belong to our clubs --once they join, don't "give" them an excuse to stop coming!

- It costs a lot less to keep a



Ed Tock

customer than to get new ones to replace them.

- All staff needs to give noticeably superior service all the time!

- If more than 50% of your new members are referrals from happy members, do you spend 50% of your time or money in this area? To receive the top 30 sales tips, please email me at eddie@eddielock.com or call (845) 736-0307.

(Ed can be reached at eddie@eddielock.com or at 845-736-0307)

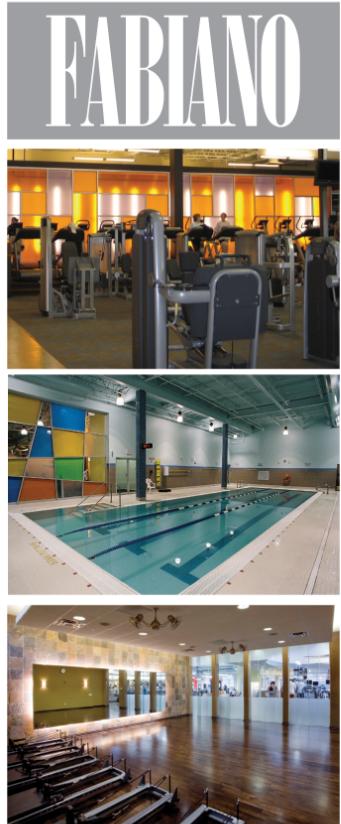
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Five Forks Sportsclub Another Outstanding Fabiano Designs Creation!

Fabiano Designs has completed the third club in a prominent Greenville, South Carolina area chain. This new 60,000 square-foot, two-story building has solidified the Greenville market for the Sportsclub chain. The club has 'green' building features, including an innovative heat-reducing interior open courtyard that will be the center of the club's activities, while allowing an abundance of natural light to filter through all the clubs spaces. Complete with full

aquatics, group exercise classes, juice bar, racquetball, courtyard court and an outdoor sports camp, day spa, multiple lounges, yoga, fire pit, basketball field, Sportsclub Five Forks

members now enjoy a truly affordable "country club" fitness experience. Sportclub Five Forks opened in May, and according to Sales Makers Founder, Ray Gordon, is doing quite well with membership approaching 2,000. This new Fabiano design is an iconic American family center where members of the family are welcome and all members will find many fun and healthy things to do.

Fabiano Designs can be reached at (973) 746 - 5100 or by email at info@fabianodesigns.com.



FABIANO



Apex Fitness' bodybugg

By: Justin Cates

It looks like a ladybug, only it has two small lights for eyes, a power button for a mouth, and a strap where the legs should be. It is the bodybugg, and thanks to Apex Fitness' Steve Datte and Kim Slover, I am now a bodybugg user and fan!

It, and what it provides as a platform, is the future, and the future is here. For years and years, one with enough time, paper and a calculator could track their calories, both in and out. But, what to do with and how to organize that information in a form that can provide beneficial analysis was another story. Until bodybugg...

Don't get me wrong, kinesiologists can do it manually, for a fee of course, but now, one without any background in exercise sports science can get knee deep in advanced calculation within minutes.

The bodybugg is much more than a simple calorie

counter, however. We have seen those before. They are embedded in our treadmills, ellipticals, stair climbers, bikes, and even some of our watches. Instead, the bodybugg is a piece of hardware backed up with great software that can show your members more about themselves and their bodies than they can imagine.

First, they start out by creating a bodybugg profile. Here, they input facts about themselves including height, weight, measurements (optional), eating habits, training tendencies and goals. From this information, the bodybugg software creates a program suited to their own individual needs. If they are trying to lose weight, it shows them how to program a healthy daily calorie deficit to get to their goal weight by a date they designate. If they are trying for performance, it will create a diet for them taking into account the need for higher carbohydrate intake. And, it can handle every

step in between: Weight gain, Performance with Weight Gain, Weight Maintenance, Weight Loss, Performance with Weight Loss, and more!

Next, it is time to set up the bodybugg hardware for the first time. Once connected to their computer, the bodybugg software loads all of the necessary body parameters to correctly track their progress throughout the day.

Now, they are all set. As it is worn throughout the day, it accurately tracks calorie burn, steps and activity time. With the addition of the optional display device, they can actually see their progress throughout the day in real time. If they compare workout results tracked by bodybugg with those calculated by the equipment they use, they will see quite a difference. The reason is the bodybugg tracks results based on the information it has about its user and its constant contact to the skin, not just a formula based on height, weight and exercise

time and intensity. At the end of the day, the user wirelessly loads his burn data to the web-based bodybugg software.

So, what about the intake side? Each day is broken into 6 meals/snacks; Breakfast, AM Snack, Lunch, PM Snack, Dinner, and of course, a Late Night Snack. For each of these, the user has the option to prepare and eat the meal recommended by the bodybugg software, search for the meal they ate in Apex Fitness' extensive nutritional database, enter a personal recipe, enter the nutritional facts from the package (cereal, canned items, microwave dinners, etc.) or skip the meal. Now, when I first learned this process was manual, I thought it might take more time than I was willing to put in; however, the exact opposite is true. Because the bodybugg software is web-based, the user can input his intake data anytime from anywhere, and believe me, it only takes a minute for a snack and up

to five minutes for a meal, but the valuable information it provides is worth the minimal amount of time required.

In fact, that is a good question... Why go through the effort of tracking individual meals? Well, as I said before, the bodybugg system doesn't just count calories. Yes, knowing whether you have a deficit or surplus today or over time is important. But, for performance athletes, knowing your carbohydrate intake is important; for weight gain, you need more protein; and for weight loss, deficits are great, but keeping fat content down is important too. Well, the bodybugg software tracks it all: Calcium, Carbohydrates, Cholesterol, Fiber, Protein, Sodium, and Total Fat (including Saturated) and saves the results so the user can view them graphically over time. This allows him to compare their daily results with their own historical values.

(See bodybugg Page 35)

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This is important because one saying they are going to lose weight for the New Year is not enough. In a society where we work more than we rest, fast food is everywhere, and the daily commute is the only movement some can manage, weight loss is not easy. It is a learning experience, and that is where bodybugg truly excels. It can teach the user how to maintain their body from the ground up.

So, how does all of this affect you as a club owner? Well, it is all about the members. That is why our industry exists, and the bodybugg helps bridge the gap between your members and nonmembers alike. For some of your new members, who may be out of shape or unhappy with the way their body looks, bodybugg can help show them tangible results, even if they cannot yet see it in their own body. This allows them to score victories, even on days off, and that will help with early program adherence, which as we all know, is a huge issue in member retention. Once results, such as weight loss or muscle gain, are actually visible, the new member more times than not will share his results. Someone might ask him how he did it, or even better, they will compliment him on his results. This creates motivation you cannot teach or coach. This will emotionally bind him to your club, and he will be more likely to recommend your facility to his friends and family.

For new members, the bodybugg is a first step. For society, it is a great step in the battle against obesity. Because of the way the bodybugg system is designed, people who use it will be more conscious of what they are simply unaware of; how easy it is to eat too much and how a little bit of exercise (using stairs instead of the elevator or pacing while on business calls) here and there can really add up. Small decisions every hour can and will provide a person with great personal success, and such is the case with developing a healthy lifestyle. Most importantly, this is what bodybugg can provide your members. It can teach them the lifestyle change that is necessary until evolution catches up with the industrial revolution.

(Justin Cates is President of CLUB INSIDER and may be reached at: Justin@clubinsideronline.com)

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The Color of Leadership

By: Andrea Sobotka

If you are a leader in your organization, then you already know that wearing many hats well comes with the territory, but one of your best fitting hats must be that of the Communicator. There are many facets of communication to consider, but at the human level, *you are responsible for influencing a group of people into collective action that will produce excellent results.* This alone is probably what most clearly defines a great leader. To be a world class Communicator, there are two key competencies you must possess before everything else can fall into place:

1. You must be aware of your own natural behavioral tendencies and how you may be perceived by others if your behaviors are not checked or adjusted.

2. You must be able to quickly assess a person's subconscious behaviors toward

you in order to determine his preferred communication style and what environment makes him comfortable and uncomfortable.

As a leader of people in any environment, it is critical that you take the time to first understand yourself, and then, learn how to "understand" other people and the common behavioral categories that we all fall into. This will pay off for you in dividends when it comes time to assemble, and LEAD, a team of people who can work in harmony TOGETHER, produce great results, and enjoy working for you. You should know how to assign your team members to tasks that they can naturally shine in. In addition to providing clear and well delivered technical training, (a successful organization **MUST** provide consistent and quantifiable training programs and job descriptions for the various roles in your operation!), this is what truly constitutes a "strong" team.

The 4 Main Quadrants

It is no secret anymore that all people tend to fall into one of four dominating personality "profiles". These profile quadrants are called different things by different institutes, but they essentially are all referring to the same thing --Drivers, Interactive People, Stabilizers, and Cautious Types. Rather than trying to remember boring technical terms for these groups, I like to give these groups a "color" because it is easy to identify with a color. It's more fun and it puts an interesting visual on your organization as a whole as you begin to identify each member's dominating profile, or *color*.

Although there is no perfect or better color, some colors are better suited to certain situations or tasks than others because of their natural tendencies. Let's take a fifty thousand foot view at the specific "colors" and see if you don't start

identifying not only yourself, but the people in your organization:

BLUES: These are our DRIVERS. This highly motivated group has a strong need to be direct, efficient, on time, and usually prefer to "get it done themselves" rather than delegate a task out. A driver is a decisive person who knows exactly what they want, when they want it and how to get it. Although they may come across as intense, abrupt or abrasive, they will not shy away from responsibility and will take it very seriously. These people tend to be impatient and have no use for all the "trimmings" --they just want the steak! Give it to them straight and let them get it done. Paying attention to detail or "soft" issues may not be one of their strengths.

REDS: The INTERACTIVE group. This fun and lovable group has a high need to be socially interactive. They are usually noticed first in a crowd, love to be



Andrea Sobotka

active, often start many projects at once and love to party! They are often looked to as leaders because of their "stand out" personas and ability to schmooze. Although they can sell freezers to Eskimos, they are hard pressed to get things done on time, finish ALL the projects they started, and are notoriously unorganized. "Hands On" management of this high (See Andrea Sobotka Page 37)

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...Andrea Sobotka

continued from page 36

maintenance group is required but can be very worth the effort, especially in sales or leading customer group activities!

GREENS: The STABILIZERS. This even keeled group has a natural desire to stabilize any situation. They do not like conflict and will bend over backwards to keep everybody happy. These people are great mediators and have a natural talent for diffusing potentially destructive confrontations. Customer service is their happy place and most people are naturally drawn to them when in need of comfort. Although they tend to have eyes in the back of their heads and an ear for everything going on, they are not comfortable if put in the position of having to make important decisions. They NEVER want to be responsible for upsetting anyone's applecart!

YELLOWS: The CAUTIOUS crowd. These are observers who have a high need to be careful, or analytical, before making a move or decision. They *need* to be correct so they will spend as much time as it takes to solve a problem or do research before going public with an end result. They are METICULOUSLY

organized, (organizing things makes them happy), usually enjoy number crunching and are "single task" oriented people. This group is often perceived as highly intelligent, but because of their loner tendencies and a preference to observe before speaking, they can be viewed as standoffish or arrogant. They prefer a quiet working environment and will avoid noise and confusion. If you plan to challenge this person's results, you better have concrete data to back yourself with. And, DO NOT surprise this person with unscheduled tasks or projects while they are still working on something else. Yikes!

Pulling It Together

Getting the colorful picture? Now, how does this relate to your organization? By identifying a person's natural tendencies and comfort zones, you can match them up with roles that require a good job done in specific areas that may be a "natural fit" for them. In reality, we all tend to have a mix of traits from each quadrant, but we all have an underlying dominant style. Once we learn to identify and control the negative tendencies in ourselves and highlight the positive, we can also learn to interact with other "styles" in a manner that will put them at ease rather than scare the

heck out of them, or rub them the wrong way.

By taking the time to understand these color quadrants, it is also possible to adapt and learn behaviors from all four quadrants to help you be effective in a variety of situations. The ideal leader will appear to be what we call "centered", meaning that they can modify their behaviors on demand allowing them to adapt quickly and easily to the people around them. However, most successful leaders have an underlying profile that is probably deeper into the Blue and/or Red Quadrants giving them the energy, people skills, decisiveness and action mindedness required to succeed in a position of leadership.

Take a look at each role category in your organization and give thought to what color (based on the descriptors provided above) would fit best in that role. When it comes to Sales, a successful team is going to be made up primarily with people from the Red quadrant... surprise, surprise! Success in Sales requires high energy, goal-making, charisma, being highly sociable, but thick skinned and able to just move on to the next challenge.

Conversely, think about what would be a bad thing to do: for instance; putting a Yellow (Cautious), person in a Front Desk position. On the surface, this may

seem like a good idea because of their organizational skills --after all, there are many things to keep organized at the front desk-- but what happens when the phones are ringing off the hook, a new prospect has just walked in looking for pricing information, a membership coordinator can't be found, AND a member has a problem to unload all at once? Sound familiar? At about 5 or 6 o'clock in the evening, this could be the scene at any club! Your very organized Yellow will have a meltdown, and probably at that moment, contemplate quitting but not before they have snapped everyone's head off. Ouch! This person is best suited to be in your back office taking care of numbers, files and technical or IT tasks.

Leave the front desk to your more service-oriented Greens and even some Reds, but just be sure to clearly define their responsibilities, decision-making parameters and priorities in busy situations.

Consider "pairing" one role with another to play off each others' strengths and cancel out the weaknesses. For instance, pair a talented Sales Manager who has the RED highly interactive tendencies but is hopelessly disorganized, with the very organized YELLOW from your back office as his administrative

assistant.

Leadership and Colors In Summary

A good leader, who has mastered an understanding of his own personality profile, as well as quickly identifying others', will make careful considerations when interviewing individuals for particular roles or doing performance reviews with existing staff. They will find the strengths and NATURAL tendencies in a person and put him in a position that best utilizes them. Everybody is happy, enjoys coming to work and productivity goes up!

A strong team utilizes ALL colors of the quadrant and has the right colors in the right roles while striving to learn and understand each other. Your team as a whole will come off looking seamless, running smoothly, harmoniously, and profitably. So what COLOR is your team? Hopefully, it is a complimentary pallet of colors of the rainbow!

(Andrea Sobotka is Co-Owner and Business Development Manager for both Fitness Club Success and Fitness Fundraisers. Andrea may be reached at: 866-855-5494 or email: info@fitnessclubsuccess.com)

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Instructors Excited To Bring Members Fall 2008 Programs

Atlanta, GA - September 4, 2008

- Body Training Systems® (BTS) held its three-day convention at the Connecticut Convention Center in Hartford, CT, August 21-23. Over 400 owners, managers and instructors, from just over 150 clubs, engaged in the three days of events that enhanced their knowledge, motivation and commitment to the industry.

The BTS Summit in-

cluded the Business of BTS Management Seminar and three additional sessions that focused on retention, REX Roundtables for EXecutives and best practices for owners and managers, and BTS Intensive workshops and BTS Super for instructors.

Mike Silva, owner of The Edge, commented that, "These Summits are the most valuable events I have been to

in years. BTS' understanding of the industry and the factors we face as operators, coupled with their solutions easily makes them my most valuable business relationship. The four management sessions gave us so many great things to work on to get better. Plus, my instructor team came back fired-up beyond belief, committed more to our members than ever before!"

Terry W. Browning, BTS President, explains, "We invest an incredible amount of time and energy to ensure The BTS Summit brings tremendous value to our customers. It's all about them and how we can help them succeed in a very tough, competitive market. We are extremely proud of what the clubs are doing with our system to be great operators. Once again, our Best Practice session, which is presentations by the actual owners and managers, was so impressive as they shared

what they do, day in and day out."

In the BTS Super, which is the exercise blowout of the BTS Summit, all attendees got to MOVE and experience the newest releases (Fall '08) for each program. They experienced eight hours of rocking music and new programming which will be launched in their clubs in October.

Kimberly McCormick, an Instructor from the Thoreau Club exclaimed, "The presenters were great --professional, friendly and encouraging! Energy in the room was powerful, lights and staging added to the mood. Overall an amazing performance."

"The programs are awesome!!! I cannot wait to launch the Fall 08 series. We're already plotting and planning to bring the energy of the BTS Summit to our launch," added In Shape Instructor Lynn Camera.

Rich Boggs, BTS CEO and Chief Cheerleader,

commented, "We were extremely thrilled to see the response from owners and managers to Clark Wigley's presentation on the benefits of joining the REX Roundtables for Executives, as we believe these roundtables are key for clubs to become great. Also, the interest to our newest product introduction due out in the fall, and The Retention People's software, was over the top! Retention is the Achilles heel of our industry, and we are hard at work to provide a complete solution --how to identify and track those members that are at high risk of drop-out and then how to service them."



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I appreciate and LOVE 'Ya!
 Very Sincerely, Norm Cates, Jr.

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Augie Nieto, founder of Life Fitness, was diagnosed with ALS in 2005. Later that year, Augie and his wife Lynne created the Augie's Quest initiative in conjunction with the Muscular Dystrophy Association (MDA).

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