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©
SEPTEMBER 1998
VOLUME V NUMBER 9

THE Club Insider

NEWS

The Pulse of the Health, Racquet & Sports Club Business



**Jim Flanagan... Med X
And Club Business Leader**

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NEWS

The Pulse of the Health, Racquet & Sports Club Business

Jim Flanagan... MedX And Club Business Leader

By Norm Cates, Jr.

Jim Flanagan is special. Very special.

In the health, racquet and sportsclub industry there are few people, if any, that can match his persona, accomplishments, experience or success.

Flanagan's contributions to the health, racquet and sportsclub industry throughout his career with Nautilus and MedX are immeasurable. His story is one of dedication, loyalty, hard work and integrity. He is one of the industry's true straight shooters.... a man of his word that has earned the respect of everyone with whom he has been associated. Jim Flanagan is a giant in our industry whose lifetime efforts have been instrumental to the worldwide professionalization and evolution of the health and fitness business.

PUMPING IRON AT MILo'S GYM

In 1968, Jim Flanagan

began weight training at Milo's Gym in Orlando, Florida. Henry Milo Steinborn, one of the legends of the iron game, was the proprietor. In 1921, Steinborn was the first strongman in history to full squat with 500 pounds. Through Milo's training, Flanagan increased his weight on his 6'5" frame from 190 pounds to 240! Although Milo's gym charged only \$10 per month, Flanagan feels it was the best \$10 he had ever invested because it opened the door for him to pursue a career in physical fitness. In 1970, Flanagan returned to the University of Central Florida and played basketball for the team as a 6'5" power forward. Later, Flanagan graduated from UCF with A Bachelor's and Master's Degrees in Education.

FLANAGAN MEETS ARTHUR JONES

Flanagan learned a lot of what he knows about exercise from the one and only.... the genius, Arthur Jones, inventor and Founder of Nautilus and MedX. Flanagan comments, "I knew pro-

gressive weight training had changed my body and my life, but I didn't understand the cause and effect of proper strength training until I met Arthur Jones in the spring of 1971. I'd heard these stories of this man named Jones who was introducing an efficient system of exercise and I drove to Deland, Florida to meet him. The rest is history. The information was flowing and was attached to an unbelievable product named Nautilus. I drove there three times per week (28 miles one way) to use the Nautilus machines Arthur made available at the Deland High School free of charge. These were some of the first machines Nautilus had ever made. The results were unbelievable, but more important was the information coupled with such simple, logical analogies.... things we weren't getting in physiology books."

OPEN IN ORLANDO

In 1973 Flanagan opened his own gym, called Jim Flanagan's Nautilus Fitness Center in Orlando, Florida in part-

nership with George Tuttle. Initially, the facility was 1800 square feet and equipped with six Nautilus machines. It was expanded to 4,000 square-feet with three lines of 40 Nautilus machines. "That club ownership paved the way for opportunity for me because it was within those walls that I had to learn how to sell and service to survive. As a result of that, Arthur Jones gave me an opportunity to work on the sales force for Nautilus. I've been involved in personal training and selling memberships and equipment in this business for 27 years now," Flanagan recalls.

Flanagan was highly successful selling Nautilus for Jones and eventually rose to a top sales position in the company. During those years Nautilus was the most sought after product in the business and often had back orders of up to 3 months. The business was booming and the down to earth approach of Jim Flanagan contributed greatly to that. Flanagan stated, "There were many people who contributed to

the overall success of Nautilus. I like to believe that I was just one of many."

Arthur Jones comments, "I've worked directly with Jim for over 20 years. He's a good man. He probably knows more people in the field than anybody else, including me. He's very knowledgeable."

JONES SELLS NAUTILUS

In 1986, Arthur Jones sold Nautilus to a Texas based company, Ward International. The sale changed Flanagan's life significantly. Flanagan recalls, "When Arthur sold Nautilus, it was like a ball had just been deflated. I recognized that change was coming and that Nautilus would never be the same. And it hasn't been. I gave the new owners of Nautilus six months' notice in April, 1987 and resigned in September, 1987. I went to work with Arthur at MedX on September 30, 1987. The first MedX product, a Medical Lumbar Extension Machine, became available in October, 1987 and we previewed that first machine at a spine (See Jim Flanagan page 4)

BALLY TOTAL FITNESS UNFAIRLY SLAPPED BY WALL STREET JOURNAL

By Norm Cates, Jr.

Bally Total Fitness has been attacked by a Wall Street Jour-

nal article which alleges in the lead-in paragraph, "The nation's largest health-club chain is getting worked over by skeptical investors, who quarrel with its accounting methods." The article was

published on August 26, 1998, during a period where BTF stock and many others were in a free-fall.

According to the Wall Street Journal article, analysts

"don't believe in the turn-around of the previously none-too-healthy fitness centers. They cite puzzling changes in depreciation and gaps between cash collection and anticipated rev-

enue. And they don't think Chicago-based Bally is keeping enough reserves for membership fees that may not be paid. The writer of the article, Staff Reporter, Linda Sandler, (See Bally Fitness page 20)

Inside The Insider

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- Helping Members Succeed

Roger And Elaine Ralph Win Entrepreneur Of The Year Award!

PART II

By Norm Cates, Jr.

Roger and Elaine

Ralph are the founders and owners of the 96,000 square foot Bel Air Athletic Club in Bel Air, Maryland. Recently the Ralphs were honored when they won the Ernst Young, LLP and Nasdaq Entrepreneur of the Year

Award for the State of Maryland. This is Part II of a two-part series on the Ralphs' careers as developers and operators of one of the top multi-purpose clubs in America.

(See Roger Ralph page 10)

•NORM'S NOTES•

•W e will celebrate the 5th Anniversary of **The CLUB INSIDER** News in December at the IHRSA/ATHLETIC BUSINESS Convention and Trade Show in Orlando, Florida! Look for a date and time for a little party that we plan to throw in celebration of this MILESTONE in publishing.

•In my opinion, the leading expert in our health, racquet and sportsclub industry in terms of the true financial state of the industry is **RICK CARO**, President of **Management Vision, Inc.** a New York based club industry consulting firm. Caro, a 25-year club industry veteran, recently made a statement that is exciting in respect to the current status of our industry. Caro said, 'I can't remember a time when the industry has been so strong financially. There are more dollars coming into the industry, more growth in membership, more expansion going on, more optimism and a little more buying and selling of clubs.' Caro is a 'master' of the understatement. So to hear these words from his mouth is truly exciting. But, I hope everybody will remember that one BIG reason that the state of the club industry is so terrific right now is that Rick Caro, in 1980, dreamed up an idea that became what we now know as IHRSA (The International Health, Racquet and Sportsclub Association). In my opinion, IHRSA has advanced the state of the industry more than any other institution has during its 17-year history. Yes, I know.... there is IDEA, ACE and others.... but, IHRSA remains the 'Bell Cow' for the industry world-wide under the able direction of Executive Director, John McCarthy and a long line of good people who have served the Association on Board of Directors. Don't miss the IHRSA Sales, Marketing and Programming Convention in Orlando, Florida, December 2-5th and the 18th Annual IHRSA Convention and Trade Show in beautiful San Diego, California, March 24th-27th, 1999.

•I spoke with the one and only **ARTHUR JONES**, the inventor of Nautilus and MedX, in preparation of our cover story article about **BIG JIM FLANAGAN**. I want to go on record expressing my sincere thanks to Arthur for what he has

done for our industry with his invention of Nautilus and MedX. Arthur said to me, "MedX is far superior in many ways to Nautilus because I combined all of our experience in the design and construction of Nautilus with the new technology we had developed with our MedX rehab machines for the back, neck and knee to create the line of exercise machines called MedX." Thanks Arthur!

•Speaking of Nautilus, sources tell me that the **Bowflex Corporation** of Vancouver, WA. is right now doing due diligence for the purchase of Nautilus. We placed a call to Bowflex head man, **BRYAN COOK** to confirm this report, and he said yes, we are doing due diligence, but we have no deal yet. Stay tuned!

•Don't miss the **Club Industry Conference and Trade Show** in Chicago, October 14-17th. Be sure to visit all of our advertisers including: **Affiliated Acceptance Corp.**-Booth #851, **Pro*Fit Enterprises (PACE)**- #348, and **Paramount Fitness Equipment**-#724.

•**DALE DIBBLE** is one of the finest gentlemen in our industry and a Founder and former owner of the world class **Cedardale Athletic Club** in Haverhill, Massachusetts. I just learned that Dale is now enjoying life in Naples, Florida by teaching computer classes at a local community college. Dale was a true pioneer in our industry and probably the greatest sharer of knowledge that the business has ever known. Years ago, before he sold his interest in Cedardale to his partners, **ED** and **ZOE VEASEY**, Dale installed a computer training center in his club. **ROGER** and **ELAINE RALPH** have done the same with a computer training center that provides college credit for classes attended at the club. Dale.... we love you and hope you and your wife **OLIVE MAE** are enjoying your walks on the beach in Naples, Florida!

•I owe my friend, **RED LERILLE**, owner of Red Lerille's **Health and Racquet Club** in Lafayette, Louisiana, an apology. A few months back, Red had a plane crash. I reported the cause as fuel starvation caused by Red placing a

fuel switch in the wrong place. Well, I've since learned that yes, the airplane had run out of fuel, but it was not really pilot error by Red. The actual cause was a design flaw in the aircraft system which caused the fuel starvation and subsequent engine failure. In any case, Red, we sure are glad you are still with us and we wish you and the family well!

•**Bally Total Fitness** has made a deal with **KESSLER REHABILITATION CORPORATION** to build 100 or more rehab facilities in Bally clubs throughout the country. Also, **LEE HILLMAN**, BTF President and CEO, has hired **HOWARD SCHWARTZ**, as Assistant Vice President, Retail Operations and **AMY SHULMAN** as Senior Director, Corporate Development to strengthen the management and help accelerate the growth of its retail and branded product businesses.

•**Club Sports International** has purchased all partnership interests in both **Colorado Athletic Club - Inverness** and **Colorado Athletic Club - Monaco**. Monaco is a 100,000 square-foot facility with outdoor pool and tennis courts. Inverness is a 130,000 square-foot facility, also with outdoor pool and tennis courts. CSI has committed \$4.5 million for capital improvements to both facilities, with construction to begin October, 1998. CSI is still actively seeking acquisition partners and is currently in negotiation to begin development on new facilities which should be under construction in the first quarter of 1999. Also, the **Starwood Corporation**, CSI's Joint Venture partner, has acquired 11 "W" Hotels and plans to put major clubs in each of them, with CSI as the operators.

•The **KEISER FAMILY**, owners of Chicago's Lakeshore Athletic Clubs, have won the bid on the former **Sporting Club at Illinois Center** which has been managed by CSI for the past few years.

•Everybody knows that **DOUG LEVINE**, owner of New York-based **Crunch Fitness** is an entrepreneur of monumental accomplishments, having developed

a company that is generating in excess of \$20 million. But, get this. **The Crunch Fitness** Los Angeles location has a JUICE BAR that generated \$350,000 in annual sales in just 54 square feet! Maybe my math is off, but that works out to about \$6,500 per square foot! Wow!

•**TODD PULIS** and **FAMILY** are experiencing great success with the new multi-million dollar facility to which they have moved their 28-year old **Thoreau Club** in Concord, Massachusetts. The new, 1-building complex, is running significantly ahead of income budgets for the year and it is expected that the early success will certainly continue as the Pulis' perfect the operation and roll into next summer with the adjacent **Thoreau Summer Camp**. Stay tuned for a feature story on the Thoreau Club in the near future!

•**TONY de LEEDE**, the owner of Atlanta's **Australian Body Works** and partner in **Cardio Theater** has opened his 19th location in the tony Lenox/Buckhead area of Atlanta. Tony also has told me that his 20th and 21st locations are near deal completion and should be open around the New Year. Cardio Theater was honored earlier this year when **IHRSA** selected the company for its **Wall of Fame**.

•**Fitness Holdings, Inc.** d/b/a **24 Hour Fitness** has filed the required S-1 documents to go public. The filing was filed on July 8th, just in time for the recent stock market adjustments. Word is that the \$75 million public offering is now on hold due to the condition of the marketplace.

•**TOWN SPORTS INTERNATIONAL** has also filed the necessary S-1 documents for a \$57.7 million public offering. Those papers were filed on August 13th and the deal is now on hold, according to sources, while the stock market smoke clears.

•**Tennis Corporation of America** has hired **ROGER SARGENT** as General Manager of the Mid-Town Tennis Club in Chicago and **SCOTT WALTERS** as General Manager of the City Club in Pittsburgh, PA.

•**ROBERT WEST** has built one of the world's most unique **Gold's Gyms** in Madison, Wisconsin. Get this. West spent \$5 million to build and equip the 22,000 square foot free standing gym!

•Congratulations to **BRUCE HENDIN**, owner of the **Racquetball and Fitness Clubs** of San Antonio as he has been named by the **Texas Health, Racquet and Sportsclub Association**, (THRSA) as the recipient of their 3rd Annual **Man of the Year Distinguished Service Award**. Bruce and his lovely wife, Dana, have just opened their 7th San Antonio location. They also have a **Mega-Club** in the final stages of planning that is going to be terrific. Congratulations, Bruce and Dana!

•**RANDE LADUE**, the President of **PRO*FIT Enterprises**, distributors of the **PACE Group Exercise Circuit**, has appointed **CINDY MISTRELLA** as the Pace rep for the State of Texas. Also, LaDue has appointed **JAN SKIERKOWSKI** as the rep for the States of Indiana, Illinois and Michigan. Cindy has taught **PACE** classes at **Franco's Athletic Club** in Mandeville, LA. Jan is the owner of the new **Ladies Fitness Zone** in LaPorte, Indiana. Good luck folks!

Norm Cates' Club Insider

NEWS
Established 1993

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MAKE IT FUN!

35 Cost Saving Techniques to Increase the Club's Bottom Line

By Rick Caro

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

The difficulty in achiev-

ing cost savings is that:

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

Since the recession many years ago, clubs got a wake-up call that revenues would not be as predictable as before. The attention shifted to the expense side. Then, as the recession lessened and clubs became optimistic about revenue growth, the focus on the expense side ebbed. Certain expense categories grew and started to slip

out of the detailed control of a few years ago. Now, clubs are reevaluating their bottom line, finding the dollar amount or percentage of growth unsatisfactory. They are paying more attention to controlling expenses than they did previously.

SALARIES AND BENEFITS

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

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

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

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

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

5. Employment Law Compliance. Also, clubs are learning to avoid very expensive Federal and State penalties and interest for their lack of conformance to statutory wage and hour laws. Now, audits and violations of such labor laws are less frequent, but they still may be triggered by dissatisfied former employees.

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

7. Hiring Trends. Other hiring trends include the increased employment of 50+ aged workers (often to match up with the older membership levels) and tie-ins with

university intern programs. Clubs continue to re-examine their staffing patterns and reorganize wherever appropriate, especially after a department head leaves.

8. Incentive Pay

Creativity. Clubs continue to create more incentive-based pay, directly tied to performance, so salaries are more variable than fixed. This is true for more than just the sales staff, as a greater proportion of department heads and above are receiving their compensation based on verifiable and controllable results. There are fewer base salary increases (less than 4% per year), so these staff are motivated to achieve goals to receive the additional compensation. Often, staff

have their incentives tied to both their departmental goals and the club overall. The range of incentives are not just monetary. They include new titles, new opportunities and responsibilities along with the recognition, paying for related education, extra vacation days, prizes, club employee discounts, pension plan, free parking and recognition in the local community (local newspaper, events, etc.).

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

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

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

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

PURCHASING

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



Rick Caro

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

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

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

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

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

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

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

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

21. On-Call Maintenance. More clubs continue to benefit from (See Rick Caro page 20)

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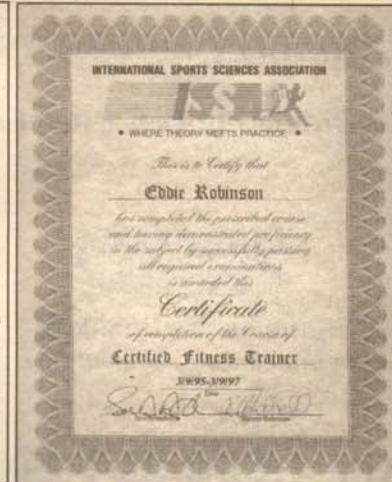
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Waivers and Releases...

Recent Cases Clarify & Change Waiver Laws in Several States

Doyice J. Cotten
Sport Risk Consulting

The general rule regarding waivers: In most states, a well-written, properly administered waiver that is voluntarily signed by an adult will protect the club owners, employees, and independent contractors from liability for injuries caused by their own negligence. That said, club owners and fitness professionals relying on or planning to rely on a waiver for liability protection should realize that included within that rule are several limitations — the waiver must be carefully written, it must

be administered in a manner that is fair to the signer, it must be signed voluntarily, and in most states the signer must be an adult. Further, the club owner or professional should realize that waiver law is always subject to change or interpretation. The subject of this article is to announce some changes or clarifications to waiver law in several states.

Use of "Negligence" in the Waiver

An Indiana court recently stated that a waiver must include wording referring specifically to the "negligence" of

the club. American Health Fitness Center of Fort Wayne was used by a client who was injured at the club (Powell v American Health Fitness Center of Fort Wayne, Inc., 694 N.E. 2d 757 [1998]). The waiver language included a promise to "... release.... the club... from any and all claims....". The court concluded that an "exculpatory clause must both specifically and explicitly refer to the negligence of the party seeking release from liability" and declared that American Health Fitness Center's waiver did not release the center from liability caused by its own negligence.

In a Connecticut case (Bashura v Strategy Pluc, Inc. et al., 1997 Conn. Super LEXIS 3084), Bashura was injured while playing "paint ball." He had removed his protective goggles to remove a particle from his eye and was struck in the eye by a paint ball. He had signed an agreement titled "Rental and Waiver Agreement" which said "I shall hold both harmless from any and all claims, [bold added]....".

The court stated that "it imposes no great burden on sports facilities engaged in high risk activities to require that their exculpatory agreements include language that explicitly states that the patron, if injured, waives any claim he or she might have against the operator of the facility even though the injury was caused by the operator's negligence." The court then ruled that the waiver was not enforceable because it did not specifically refer to the "negligence" of the service provider.

So, two more states are added to the list of states essentially "requiring" the inclusion of the word "negligence." Currently, 15 states have this requirement.

Waivers & Minor Clients

The general rule is that minors may disaffirm or void a contract (waiver), thus making waivers ineffective in protecting clubs from liability for injuries to minor

clients. Several recent cases reveal some possible exceptions to the rule.

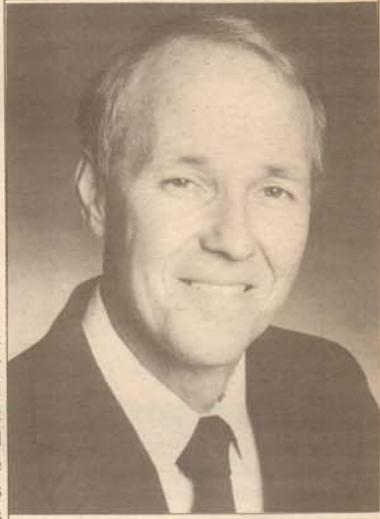
In a California case (Aaris v. Las Virgenes Unified School District, 1998 Cal. App. LEXIS 535), a young cheerleader suffered a knee injury. The mother of the cheerleader had signed a waiver of liability and the court ruled that it is well established that a parent may execute a release on behalf of his or her child and cited Civil Code section 35. The court stated that waivers signed only by the minor may be disaffirmed, but that minors are bound by waivers signed by parents on behalf of the minor.

In an Arizona case (Bothell v. Two Point Acres, Inc., 1998 Ariz. App. LEXIS 32), a 10-year-old and her father signed a waiver prior to a horseback injury. In a Mississippi case (Quinn v. Mississippi State University, 1998 Miss. LEXIS 328), a 12-year-old and his father signed a waiver when the boy went to baseball camp. In each case, the court failed to uphold the waiver because of the ambiguity of the waiver — not because a minor was involved. Though it was not specifically stated in either case, the indications were that had the waivers been properly worded, the minor would have been bound by the contract.

So, it is clear that in California a minor is bound by a waiver signed by the parent and it seems that the same may be true in both Arizona and Mississippi.

Summary

These cases illustrate the need for club owners to stay up-to-date regarding waiver laws as well as other laws affecting the health and fitness club industry. The best way to get up-to-date re-



Doyice Cotten

garding waivers is with one of the author's books listed below. Along with each book, the author includes an update sheet which gives waiver information since publication.

Two guidelines you can draw from these cases are: 1) ALWAYS use the word "negligence" in the waiver. One never knows when a court within a state is going to begin requiring this for enforcement. 2. If you are going to use waivers for minor clients (remembering they will NOT work in most states), be certain to require the parent's signature.

Dr. Doyice Cotten owns Sport Risk Consulting, through which he consults with clubs and other organizations regarding risk management. He has written two books on waivers: *Waivers & Releases for the Health & Fitness Club Industry* and *Legal Aspects of Waivers in Sport, Recreation and Fitness Activities*. Each includes 1) summary of waiver laws in each state, 2) comprehensive guidelines for writing waivers, 3) recommendations for administering waivers and much more. He may be contacted at 403 Brannen Drive, Statesboro, GA. 30458; Phone: (912) 764-4848; E-mail: doyicej@gsaix2.cc.gasou.edu. Call to order.



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HELPING MEMBERS SUCCEED

By Tom Cotner

Fundamentals are basic, foundational building blocks that must be in place before further progress can occur. Vince Lombardi, the late great football coach of the Green Bay Packers, believed in fundamentals. Mastering them, he said, is the key to winning.

What are the fundamentals of the club business? What foundational blocks must we lay before further progress can be made? Before we answer, note that it's possible to build a club without foundational blocks and many have done so. These unsteady foundations, however, soon crumble to whimpering ruins from the many years of whining income statements!

Management gurus remind us to "keep it simple" so let's remember the club fundamentals with the acronym SHOCK. Let's "shock" our club's into financial security by making certain they are:

S=Service Driven. Yes, I

know. You've heard this again and again. But how many of us are truly getting it right?

Last week while on vacation, I stopped by several clubs to check them out. I didn't let on that I was in the business, but pretended I was a prospective member. Shock! At one large, prestigious club, I spent 20 minutes in their fitness center looking at exercise equipment, the cardio-theater and climbing wall. The young man at the fitness desk didn't look at me.... not even once! He was talking on the telephone the entire time... a personal call. On my way out, I approached the desk to pick up some fitness literature. Still no eye contact, no hello, no nothing. This reminds me of a television commercial I saw years ago about a man who owned a local office supply store. He was in a restaurant and couldn't get waited on because the waiter was too busy talking on the telephone again (again, a personal call) and smoking a cigarette. The man looked into the television camera and said "If he

worked for me, he wouldn't work for me." I heartily agree.

H=Hassle Free. Our clubs should be refuge to our members from the hustle and bustle of life. Let's eliminate every possible hassle from our clubs: parking, entry way, front desk, lounge, locker rooms and all club facilities.

While on vacation, the club I belong to re-designed its fitness room. They moved the dumbbell rack from the corner to a central location. Now I don't trip over other members when I retrieve the hand weights. Their exercise equipment is spread further apart so it feels less crowded. The owners placed soap dispensers in the showers so now I leave my soap box at home! Simply put, the club is more hassle free. They only made two changes that create more hassle. Now, their garbage can is next to the drinking fountain. The water tastes less refreshing as I stare down into the assortment of gum, tissue paper and spit. They moved their Roman Chair from the wall to the middle of the room. Maybe I'm

too self-conscious, but I don't like my butt sticking way up in the air for everyone to see as I bend over to do back extensions. And I'm fairly thin! I wonder what some of the really overweight members think?! Let's think of everything from the member's perspective.

O=Outcome

Oriented. Outcome is a scary word because it is associated with accountability. Here's the bottom line: What are your members getting from your club? What result, effect, consequence or outcome? What kind of return are they getting on their investment? I'm not just referring to fitness. I'm referring to all of the reasons members pay their membership dues. These include: access to a fitness and recreation facility, a place to exercise, a place to meet new friends, a caring staff, an escape from a hectic work day, the social benefits, the



Tom Cotner

morning coffee, the morning newspaper, the good feeling they possess in body and mind while leaving the club. All of these add to the total club experience. Are these outcomes worth the money they are paying? Ask them "What's in it for you? Why do you

(See Tom Cotner page 25)

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...Roger Ralph

continued from page 3

BEL AIR ATHLETIC CLUB MANAGEMENT TEAM

Since the Club's inception, the Ralphs have insisted that every management decision be based on the Club's core vision — to become the best family-oriented club in the country. That insistence has contributed to the development of a business which is considered to be among the best managed in the industry.

In the club's establishment of a management team, the Ralphs have emphasized the importance of always treating members, staff and vendors with respect and building long-term relationships. Early in the history of the business, Roger hired key managers only after watching them relate to members and other staff. Some future-hires were given free memberships to the Club to get to know the owners, and vice-versa. Many key staff members, including General Manager, David Bradshaw, came to the Club with a background in the industry.

"Because Elaine and I recognized that the long term success of our club was dependent on having sound management systems in place, and because I am a better entrepreneur than manager, we knew our general manager had to be able to lead others. David implemented systems and training programs that made our managers and supervisors truly managers of their own profit or cost centers," explains Roger Ralph.

"Program managers who

weren't comfortable with numbers now can develop and manage realistic budgets. Accounting staff has learned to become managers on duty. And fitness staff can now effectively participate in the cross-staff planning process for the new Kids' Arena which will be built in 1999," Roger adds.

Roger says David's hiring is now typical of the approach in hiring for all senior management positions. David was offered a job at the Bel Air Athletic Club only after extensive staff panel interviews and careful reference checks of his work with subordinates, peers and supervisors. "And our own 'gut check,'" adds Roger.

David has improved our hiring process. Candidates for senior positions must complete an extensive pre-interview questionnaire. Those who complete it and get beyond their first on-site interview ultimately participate in a group interview with our staff. Operations Manager, Michael Meehan, had two other offers on the table from health club chains when he interviewed with us. He accepted the Bel Air Athletic Club's offer partly because of the quality of his hiring process."

Roger cites other examples of the Club's success in building a management team. "Patty Swann, a kid's program manager, moved to Bel Air recently and became a member of the Club. She and her family loved the experience and Patty came to us saying, 'I worked in a KidSports program in the mid-west and I think I can help improve what you do for kids.' Our staff loved her enthusiasm and

her references. She was both a team player and a producer. Patty has doubled the enrollment in KidSports simply by calling members to tell them how much their child would like this or that particular activity. "Stacey Rebbert, Marketing Director, lived in Bel Air but was commuting to Baltimore for her job as marketing director for a retail chain. We had not intended to hire anymore from outside the industry, but found Stacey's professional skills so strong that we interviewed her further and became convinced she would take us to a level far beyond our existing capability. Stacey understands how to reach our members and potential members. One of her first successes was to switch from producing a glossy but stuffy club program guide to a newsprint activity guide for members and nonmembers. The new guide is far more exciting and more effective than what we had been doing. Her business sense has resulted in a reduction in marketing expenses while increasing club membership."

"Rodney Sample, our building manager, came to us from Nordstrom. He understood the importance of member service and the implementation of systems necessary to ensure that a 96,000 square-foot club — serving anywhere from 1,500 to 2,500 members and guests a day — was really clean. Not an easy task. But the 1997 survey conducted by an independent survey company showed that our housekeeping department improved more than any other over the previous 12 months," comments Roger Ralph.

Membership Manager, Bob Book, instituted a formal on and off-site monthly training program using the Sandler Sales System. It has been in place for more than three years. It has enhanced both the sales staff's closing ratios and the sales staff's teamwork within their department and with other departments.

Senior manager and supervisors now are able to routinely create clean, concise and measurable objectives consistent with the club's operating culture. Department staff, rather than management, create department budgets. The budget process at the Bel Air Athletic Club is now viewed by young staff not simply as something to get through but as a meaningful management tool. The value of this budget process is reflected in the fact that the club's revenue for the

first six months of FY98 was within one percent of budget!

BEL AIR ATHLETIC CLUB STATEMENT OF PHILOSOPHY

The Bel Air Athletic Club is a business of which we are proud, which captures our enthusiasm, and which challenges us to be the best in our field of endeavor. Our foundation is the knowledge that what we offer our members is inherently good for their health and their spirits.

Our responsibility is to provide a safe, friendly, clean, attractive, supportive, and fun environment which enables our membership to achieve the objectives they had upon joining our Club.

GOALS AND OBJECTIVES

1. WE WILL STRIVE TO HELP OUR MEMBERS ACHIEVE THEIR GOALS AT EVERY LEVEL OF OUR ORGANIZATION.

This means assisting members in defining goals and giving them the tools, measures and support necessary to achieve their goals. We must recognize that each member will have different needs. For instance, some members will want help only in finding a racquetball partner, for others it will involve showing how they can determine their training target heart rate; and for others it will mean providing a relevant article on the latest nutrition tips or helping with proper technique on a Nautilus machine.

2. WE WILL BE THE BEST CLUB IN OUR REGION AND A LEADER IN OUR INDUSTRY.

Being OK or average or good is not enough. We want to be the best in terms of the quality of our service to members, the programs we operate, and the way in which we conduct our business.

We constantly try to improve on what we currently do and educate ourselves about new opportunities in our industry which we can implement at the Bel Air Athletic Club. We are flexible and willing to experiment with new approaches which are likely to benefit members and the Club. In carrying out this process, we will sys-

tematically consult our membership. In short, we want to be a leader and an industry example.

3. WE WILL PROVIDE OUR MEMBERS WITH AN ENVIRONMENT WHICH IS FRIENDLY, FUN, ATTRACTIVE, SAFE, AND CLEAN.

It is a vital part of the culture of the Bel Air Athletic Club that all members and guests feel welcome and know their satisfaction is important to us. This means that staff is friendly, smiles readily, and consciously tries to greet all members by name. Members are to be encouraged and supported in their activities at the club. We want them always to feel that we are glad to have them as members and that the Bel Air Athletic Club is a place where they, their families, and friends will feel comfortable and where they can come to have fun, get in shape or both.

The Club must be clean and mechanically sound with building systems functioning properly at all times — not just most of the time. All staff is expected to contribute to this end — whether it is picking up paper, emptying a trash can, or ensuring that management is informed of any problem or potential problem. The Club's environment will be both safe and as attractive as we can make it.

4. RETAINING MEMBERS THROUGH EXCELLENT SERVICE AND A COMMITMENT TO CONTINUOUSLY IMPROVING THE BEL AIR ATHLETIC CLUB IS EVERYONE'S PRIORITY.

It is crucial that our existing members are active members. Satisfied members are our best advertisement and our most

(See Roger Ralph page 14)



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Founder and CEO, Full Stepper: Patty (right) and VP of International Operations, Sherry (left)

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Certifications and the Future of The Fitness Industry

By Eric Durak, MSc

In the July issue of CLUB INSIDER News, I discussed the impact of health club accreditation on the future of the industry. It is the opinion of a few health club leaders that accreditation may be one of the most powerful tools in gaining an edge in negotiations with health care agencies. Negotiations for what? For health club memberships for seniors in these health plans - who, according to IHRSA statistics, have at least one type of medical condition. It is imperative that health clubs start thinking like health care providers. So what is the next option for them?

In health care, the initial credentialing step is licensure. However, in the health and fitness industry, licensure is associated with government bureaucracy, higher member prices and increased liability. True or not, licensure may not become a reality in the near future. With all of the efforts concentrated by a few professionals in 11 states on licensure, it is the fitness agencies who are the most against it. They feel they are doing the best job of preparing professionals to perform their jobs at the present.

Certification agencies exist within health and fitness not just for continuing education. They

function now as the profession's licensing process. This is not true just for fitness, as other allied health care professionals also have certification programs. Health educators pass the CHES exam (Certified Health Education Specialist). Dietitians pass their RD (registered dietitian). In some states, this is a licensure process (RD/LD). In many, it is still part of a certification process.

I recently spoke with exercise physiologist, John McPhail, at an ISSA Fitness Therapy seminar in East Lansing, MI. As an educator and clinician, he is one of the best in the business. He told me that he is credentialed from the state of Michigan as a Certified Rehabilitation Counselor. He receives many referrals from physicians, and bills most of his services (cardiac rehab, weight management, etc.) out of pocket.

What is the difference between continuing education and certification? CEU's maintain professional status. They are usually within the scope of education and practice of the practitioner. Certification may be used for continuing education as well. However, the attendee may receive a certificate upon completion of the course (pending passing of an examination), and it usually is an expansion of their education process. In other

words, it may be in an area where the attendee is not already trained in-depth.

This is seen by an expansion of the fitness certification courses within the past few years. Table 1 highlights the initial certifications that were started by some of the leading agencies within the industry.

cal journals every month. The Surgeon General's Report can be interpreted as stating that exercise is a medical necessity. Also, managed care plans are interested in doing business with the health and fitness industry if they can establish

TABLE 1

Agency	Initial Certification	Additional courses
American Council on Exercise	Personal Trainer	Weight Management Clinical Exercise Practitioner (due out in 1998)
American College of Sports Medicine	Health Fitness Track Clinical Track	Advanced Personal Trainer Advanced Nutrition
Aerobics & Fitness Association of America	Aerobics certification	Personal Trainer Fitness Triage Fitness Practitioner
International Sports Sciences Association	Certified Fitness Trainer Sports Conditioning	Performance Nutrition Fitness Therapist™ Specialist in Martial Arts Conditioning



Eric Durak

there are a number of agencies that provide those continuing education classes, workshops, and even video tape productions to fulfill needed units.

National Academy of Sports Medicine	Certified Personal Trainer
National & Strength & Specialist Conditioning Association	Certified Strength Certified Personal Trainer Conditioning

This brings us to the reimbursement issue. It is my opinion that future health plans will certainly pay for health club membership and fitness therapy services.

Why? Because of the increasing reimbursements for alternative medicine in general. A recent health care series article from the Los Angeles Times points out that over 35% of Californians partake in some form of alternative medicine, and that six major health plans in that state now offer alternative medicine as part of their coverage¹. It is an 18 billion dollar industry-up from 14 billion when David Eisenberg published his landmark study in the New England Journal in 1993.

lish credibility, and earn profit off of fitness-related services².

How will certifications play a role in the coming years? By continually developing credentials in line with health care programs. There are many agencies that have developed post-rehab certifications, and more are on the way.

Recently, I had a discussion with a colleague about the state of certifications within the fitness profession. His comment to me was! "I can't believe that we have ANOTHER certification! When will it end?" My response to this remark is: "Why should we put an end to continuing education? In my opinion, the need for certification in the industry is greater than ever before. Why? Because the expansion in the depth of the field demands more types of continuing education/certification for all elements of the profession.

What my colleague perhaps has failed to realize is that certification courses are the driving force for continuing education within most aspects of health care professions. Physicians, nurses, physical therapists, etc., all are required to take a certain number of continuing education classes during each year, and

Another important reason for continuing education is the dichotomy in the educational realm to teach the fundamentals of fitness in the classroom setting. The variation between the theoretical and applied aspects of exercise and conditioning may be the biggest reason for the boom in certification courses nationwide.

It seems as though certification courses are gaining in momentum. More and more importance is being placed on the value of continuing education in fitness, as it has been for allied health and medicine for years. It is certain that certifications are expanding, and will continue to play a predominant part of teaching our professionals the additional skills they need to succeed in tomorrow's joint venture between health promotion and health care.

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...Roger Ralph

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effective source for obtaining new members. Year in and year out, we want to achieve an increase in our retention rate which is essential to our overall success. Likewise, we must continuously seek new members, new market areas and new sources of revenues so that our growth and success continues.

5. WE WILL BE AN EDUCATION VEHICLE FOR OUR MEMBERS AND THE COMMUNITY AT LARGE IN THE FIELD OF FITNESS.

The Bel Air Athletic Club will help its membership and the larger community learn more about physical fitness. We have a responsibility to ensure that our membership "works out" in a way that is safe and maximizes the efficiency of their workouts. We will promote knowledge about the latest and most effective conditioning techniques in ways that reach the Harford County public. These may be via newspaper articles or training programs that we sponsor for Harford County teachers,

coaches, and recreation department volunteers.

6. WE WILL BE A SIGNIFICANT ASSET TO HARFORD COUNTY.

We will be an asset to Harford County through the services we provide our members and their guests. Our reputation relies on our involvement both individually and as a Club through community activities. The Bel Air Athletic Club will make its space available to community groups and help them raise dollars directly or indirectly to support appropriate activities to benefit the Harford County community. We will strive to increase the number of Harford Countianians exercising whether at our club or elsewhere.

7. OUR EMPLOYEES ARE SPECIAL AND WILL BE TREATED THAT WAY.

We think our staff is the best and the Club will not tolerate members who are abusive to the staff. On the other hand (it goes without saying) that staff must always be professional in dealings with members. All staff are encouraged at all times to contribute suggestions which will improve the operation of the club. All staff have a responsibility to do this. Staff mem-

bers are expected to continuously improve their professional skills. The Club will abet this growth through on-going training programs in-house and elsewhere.

8. OUR DECISION-MAKING PROCESS AMONG STAFF IS OPEN AND INPUT IS ENCOURAGED.

We seek to obtain a variety of opinions that affect Club policies, planning and operations before decisions are made. Most Club decisions are by consensus via the Club management group. When decisions prove wrong, we are willing to go back and start fresh. We recognize that continued positive change and growth both as individuals and as an organization are essential to consistent improvements, satisfaction, and long term success.

9. OUR FINANCIAL OBJECTIVE IS TO BE A PROSPEROUS BUSINESS.

As a business, we must make a profit. We want to make a sufficient profit to insure growth, the freedom to experiment, and the freedom to try and fail as well as to succeed. We want to maximize the Bel Air Athletic Club's compensation to Club em-

ployees who are both productive and the team players and make contributions to community service activities.

CULTURE/VALUES INCENTIVES

1. A Value Placed on Clarity and Articulation of Goals from Inception of the Business in 1980.

Elaine and Roger feel fortunate they had the advantage of being part of Columbia, Maryland's growth in its early days. Because of Jim Rouse, Columbia as a city had a clear philosophy and goals. The Ralphs wanted their own small, new business to have as a foundation a worthy and uplifting philosophy that reflected their own values and generated a positive culture for both the present and the future. The specific goals of the Bel Air Athletic Club, first articulated in 1980, were a product of this commitment:

a. To provide an environment which enables members to achieve their personal health and fitness objectives.

b. To promote the personal and professional growth of its employees.

c. To be a leader in the

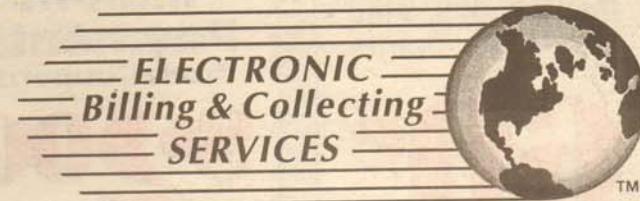
health club industry nationally and a significant asset to the Harford County community.

d. To be a profitable business that can reinvest steadily in improving its services, facilities and community contribution.

2. The Bel Air Athletic Club has developed systematic programs to train and reward its employees. All new Bel Air Athletic Club employees participate in a group orientation program which includes a video about the Club, entitled: "Welcome To The Team." The video introduces employees to the Club's history, its values, commitment to customer service and how all are important to the Club's success. All staff, regardless of the number of hours they work, receive a free Club membership. Staff members are encouraged to use the Club to exercise regularly and, more importantly, to better appreciate the Club from a member's standpoint.

The most significant reflection of the value the Club places on its employees is the systematic focus the Club has developed in advancing the profession-

(See Roger Ralph page 18)



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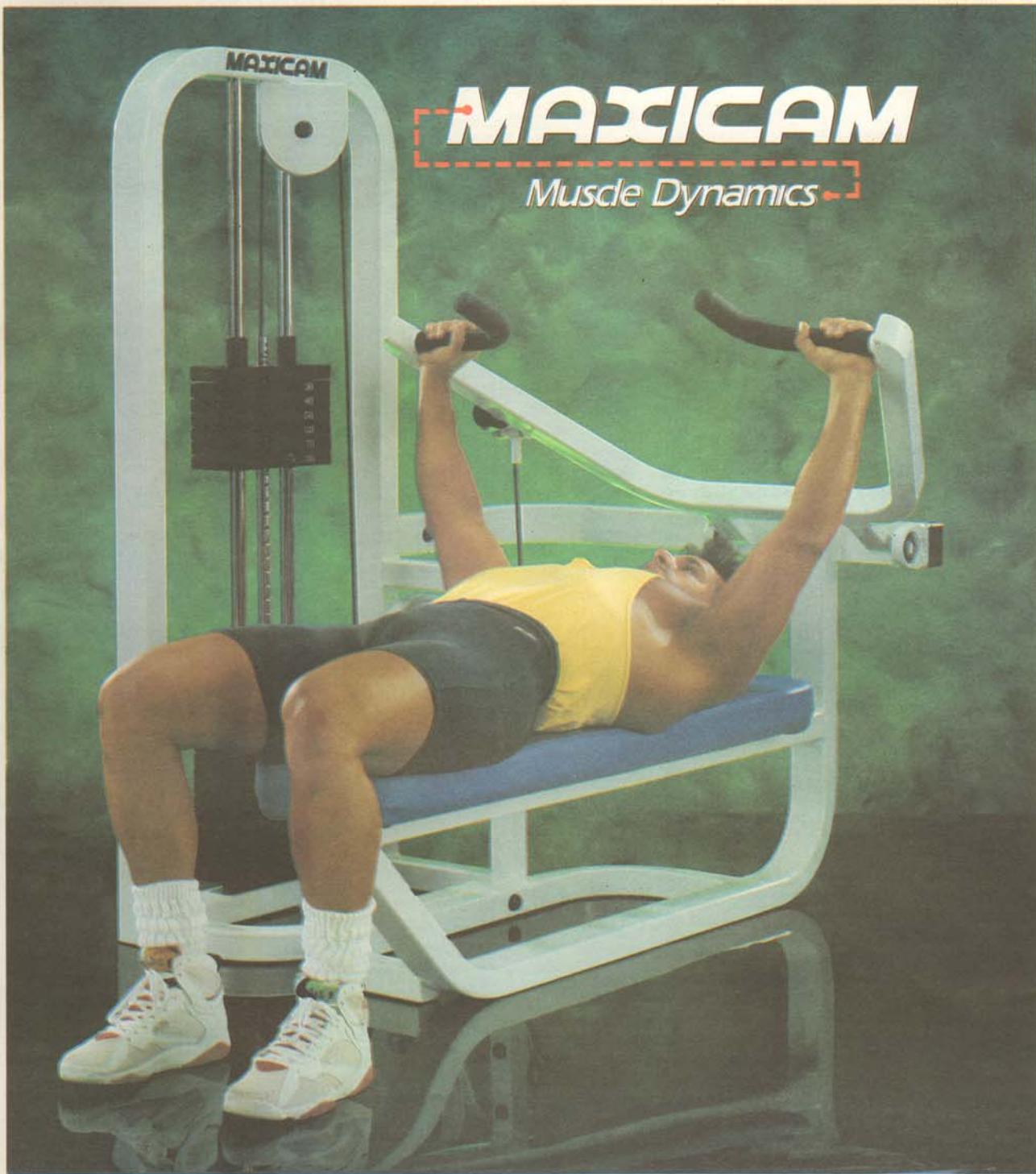
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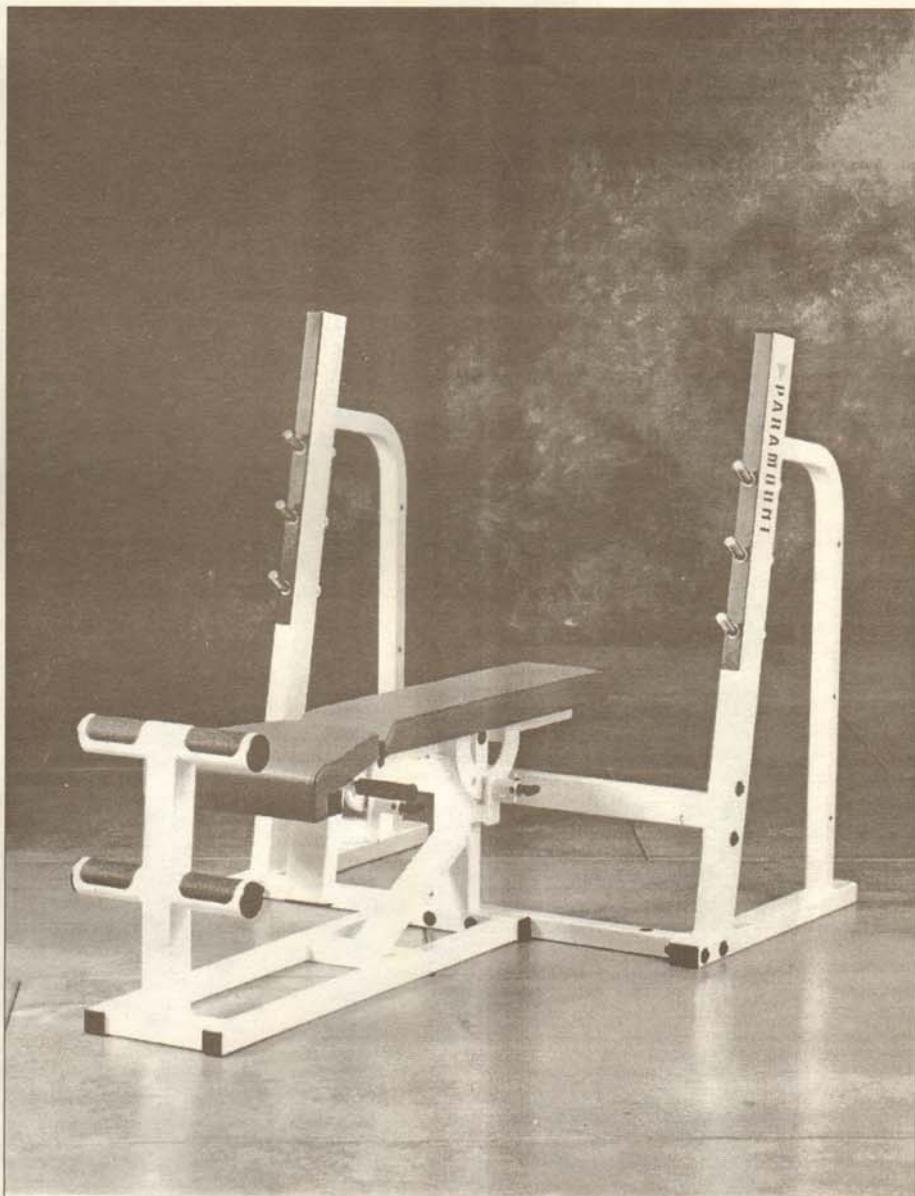
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...Durak

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(Eric Durak is Director of Medical Health and Fitness in Santa Barbara, CA. He was in-

volved with the California Coalition on Health Promotion - sponsoring Senate Bill 891 for licensing health professionals in that state, and also serves as Director of the Fitness Therapist CEU course for the International Sports Sciences Association. Eric may be reached at (800) 892-4772.)

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...Roger Ralph

continued from page 14

alism of its employees. Examples include:

- Weekly production meetings for senior managers with the General Manager to review personal and professional goals, strategies and progress.
- Annual three-day work/play/cook-together retreat for 15 to 25 managers and supervisors.
- Monthly meetings for 25 managers and supervisors.
- Bi-annual meetings for the entire staff of 250-plus.
- Encouragement and financial backing for participation in industry seminars.

The Bel Air Athletic Club routinely awards and recognizes staff with:

- A well-developed system of annual and ongoing awards
- References in the bi-weekly staff newsletter
- Spontaneous and unexpected rewards —weekends for two at a local bed and breakfast, for example.
- Enrollment in national industry education programs paid for by the Club.

• Gold Eagle pins for staff cited by members for outstanding service. In 1998, six staff members have been "pinned" out of 100 citations. Among them: Michael Meehan, Club Operations Manager, who helped staff the Nursery so that a new member could attend a Club new member orientation session without worrying over her energetic small child who required one-on-one care.

The club has a 401(k) plan and makes an annual matching contribution to participating employees' accounts. The Club's compensation system also includes bonuses for achieving team and individual goals. In addition to these programs, 10% of the club's pre-tax net income is allocated to a profit pool which is distributed semi-annually to club managers and supervisors.

3. Bel Air Athletic Club

Employees are Encouraged to Initiate Changes The culture of the Bel Air Athletic Club and the respect Roger and Elaine have for their staff has meant that Club employees feel they have the freedom to try new things to improve the Club and make mistakes when in pursuit of doing things better for members. Staff members who have responded to this freedom include:

- Accounting Manager Glenna McGuire, who felt that the Club needed a new payroll software system. She researched the

options, justified her recommendation and convinced the General Manager and owners to make the largest single software investment in the Club's 18-year history.

• Swim Team Coach Rich Shinnick, who started a Club swim team which became the #1 winning team in Harford County in three years.

• Dance Center Director Charlotte Sommers, who choreographed an annual dance concert involving 250 of her students.

• Tracy Hornbarger, assistant to the General Manager, who developed a new employee group orientation program.

• Programs Manager, Tammy Joy, who developed a Club sleep-over program for the Girl Scouts.

• General Manager, David Bradshaw, who developed an industry-wide lecture on "Emotional Compensation" in the workplace.

• Fitness Manager, Mark Miller, who developed and implemented a training program for disabled individuals, which is reimbursed by insurance companies.

• Trish Gensler and Claire Ward, Youth Sports directors, who developed and successfully obtained licensure from the State of Maryland for a preschool at the Club.

• Marketing Director, Stacey Rebbert, whose leadership lead to the creation of an agenda jointly developed by the Club and Bel Air Middle School staff for an ambitious and sophisticated "Adopt-A-School" program.

• Cheryl Spath, who established a management system that enables the Bel Air Athletic Club to effectively handle an average of thirty children's birthday parties a weekend.

• General Manager David Bradshaw, who established a computer training center in the Club to serve members and the community. Harford Community College now offers for-credit computer courses at the Club center.

4. The Community Contributions of the Ralphs' and the Bel Air Athletic Club Have Served As Model for the Health Club Industry.

Elaine and Roger Ralph themselves consistently demonstrated their own belief that successful businesses have a responsibility to contribute to the improvement of their communities. The Club contributes to approximately 100 Harford County community and recreation organizations each year. The Bel Air Ath-

letic Club has been the major corporate financial sponsor of the Harford County Sexual Assault/Spousal Abuse Center (SARC) and the Harford County Community Outreach Center. Elaine developed SARC's information brochure. Roger helped the Boys and Girls Club with the design of their gymnasiums and creation of their annual capital campaign. Bel Air Athletic Club staff wrote and printed the Boys and Girls Club's brochure for 1995.

Roger's concept and behind-the-scenes efforts have led to the creation of Healthy Harford, Inc. in 1994. Roger's leadership resulted in the creation of this non-profit organization which brought together private business, the YMCA, the Harford County Parks and Recreation Department, the State of Maryland Health Department, and Upper Chesapeake Health System. The purpose of the organization is to work together to promote health, fitness, nutrition and related programs which will help make Harford County the healthiest in Maryland. One of the organization's first projects was to provide the Harford County School System with fitness equipment donated through the Healthy Harford organization. More than 190 usable pieces were collected via its "Recycle Your Cycle" program.

As Chairman of IHRSA's National Committee for Fair Competition, Roger has been at the forefront in encouraging cooperation rather than competition between the health club industry and non-profit organizations and government entities. Locally, Roger's value system and leadership have resulted in cooperative efforts between the YMCA and Bel Air Athletic Club staff. There have been staff visits, including a management presentation by the Greater Baltimore YMCA Executive Director, Lee Jensen, to Bel Air staff.

Roger believes one of his most important long-term contributions to the growth of the health club industry was playing a role in educating the public and private sectors about fair competition issues and the need to create win/win institutional situations within communities.

FUTURE PLANS

The future plans of the Bel Air Athletic Club are grounded in its philosophy of providing opportunities for its staff to grow personally and professionally, to work always toward improving what it offers its members and the community and to serve as a model for the industry.

Driving the future direc-

tion of the club are major shifts in the demographics of Harford County, time pressures faced by individuals and the Ralphs' beliefs in the value of face-to-face relationships.

1. New Kids' Arena

Construction of a 20,000 square-foot Kids' Arena will enhance the club's ability to serve its members who are of diverse ages and interests. Roger comments, "We currently have 3,000 members under the age of 12 and 1,500 over the age of 80. It's important that we provide spaces and programs that work well for both eight-year-olds and 80-year-olds in the same building. It will be a key to our success in the next decade. This arena will prove to be a state-of-the-art facility as it has involved planning teams from virtually all club departments over a twelve-month period.

2. Doubling the Size of the Women's Gym

Increasing the capacity of the club's Women's Gym represents a response to both current demand and anticipation of a significant increase in the club's older female membership over the next five years.

3. Increasing Spa Services

The Bel Air Athletic Club will expand its personal care center, The Body Works, by 30 percent. Director, Cynthia Moore, is visiting other spas and identifying spa industry trends in shaping plans of The Body Works.

4. Growing the Club's Wellness Programs

Elaine Ralph has developed the Wellspring Center for Prevention and Stress Education on the lower level of the club as a source of insight and tools for increasing personal well-being through the reduction of stress. The environment that Elaine has created is consciously nonmedical and noninstitutional. The Bel Air Athletic Club's Yoga and Tai Chi programs will eventually be expanded and located at the Wellspring Center.

5. Development of More Sophisticated Staff Planning and Training Systems

While physical improvements are important to the club's continued success, the club's quality of staff, cultural consistency and increasing sophistication of hiring and training programs in the health club service business will prove to be even more important. The club will provide more opportunities

for managers to learn to coach and train better. General Manager, David Bradshaw, is developing systems that will bring the hiring process that is used for senior managers and supervisors to all positions.

General Manager, David Bradshaw, Marketing Manager, Stacey Rebbert, Operations Manager, Michael Meehan and Accounting Manager, Glenna McGuire are currently participating in an Executive Insight Program which consciously does not include club owners, Elaine and Roger. This formal program, developed by Dr. Gerry Faust of Faust Management Corporation and led by David Bradshaw, takes place at the club and is designed to create a set of planning system development objectives which accurately reflect the company's strengths and weaknesses and avoids "the founder's trap" which can negatively affect the long term success of businesses founded and operated by entrepreneurs.

6. Brodening Opportunities for Staff in Club-Sponsored Community Programs

The club will expand the depth and breadth of its Adopt-A-School Program which has started with its adopted school, Bel Air Middle School.

We had planned to include an interview with Roger and Elaine Ralph and David Bradshaw in this issue, but we have run out of space. So, we will include the interview with the Ralphs and David Bradshaw in our October edition. Our apologies for running long on this article. We have done so because we believe that the story provides great information for other club operators to use in the development of their clubs and business plans.

Roger and Elaine Ralph have set a great standard for our industry and it has been a pleasure providing this report to our industry. In all industries there are leaders and followers. Roger and Elaine Ralph and the Team at the Bel Air Athletic Club clearly are leaders that can provide a guiding light to others in the industry as we move into the next millennium.

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

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BUT DON'T JUST TAKE OUR WORD FOR IT...WE'LL PUT YOU IN TOUCH WITH OUR CLIENTS!

...Bally Fitness

continued from page 3

quoted Blair Baker of Precept Capital Management in Dallas as follows, "it would have lost significant amounts of money, instead of making eight cents" (per share) in the quarter if Bally's accounting was more conservative."

The writer of the Wall Street Journal column called: "Heard On the Street" took what this writer views as a cheap shot by citing two cases where "accounting is a hot topic". The two cases the writer mentioned were "cases of evaporating earnings at Cendant and Livent." "Those cases are vastly dissimilar from the alleged Bally accounting issues. The reporter indicated that, "Ironically, skeptics are warier of Bally because Mr. Hillman and Mr. Dwyer are known as savvy accountants." Regardless, the reference will be viewed by Wall Street observers as being the gospel, even though the comparisons are not appropriate or true. One industry expert recently commented during a briefing he was giving on Bally Total Fitness, "What was more damaging to me were the comments of two research analysts who said, "Anytime you have an article that talks about or makes a reference

to two proven companies that have been found guilty of fraud and have had terribly bad press and the stock has gone into the toilet and their CEO's have gotten fired, Cendant and Livent, even if they (Bally) are innocent, they have been disparaged in a great way and a lot of people won't know if they have been found guilty (or even charged of any violation). They just assume that where there is smoke, there must be fire." He also commented, "I will tell you that everyone on Wall Street reads this particular column. "Heard On the Street" is one of the most read columns going, so this is not something that might slip by with no one noticing." In other words, the damage is done by inuendo regardless of the merits of the situation. That is not right and is unfair to the people at Bally Total Fitness who are making serious efforts to correct the culture of the company and elevate the entire operation to one that is respected by consumers and competitors alike.

This attack on Bally Total Fitness' accounting practices could not come at a more inopportune time as the BTF stock had lost about 69% of its value over the previous month. The stock recently had reached a high of 35 and had dropped to 14. The BTF stock is making a comeback and was trading at around 19 at press time.

We contacted Bally Total

Fitness President and CEO, Lee Hillman, to ask for his response to the Wall Street Journal attack. He commented, "Norm, you know what, those kind of articles are a function of being a public company. When there are investors out there that are playing the market on the up and playing the market on the down, you are going to get those kinds of articles that get seeded into publication. Misinformation becomes a fact of life. Disinformation becomes a fact of life. You spend, unfortunately, a considerable amount of your time and effort fighting off those types of negative programs that in particular, people on the down side or the short side of the market are promoting. It is a difficult fact of being a public company and that is something that I am not sure if people in the club industry understand. The idea of being in the public market is not necessarily a pleasant one. It creates an awful lot of distraction to running a business. I would say over the last two to three months that I've had to spend up to 75% of my time some weeks dealing with issues that are external to the business itself. And that's unfortunate. That's a reality of it and that's what I get paid for. The things that were written about us were wrong. At best they were wrong

and at worst they were just out and out lies. The articles were very carefully written, employing techniques of developing inuendo and using third-person type language that avoided liability. Nevertheless, that is something that is a vagary of the public market and the media exposure that you get as a public company. The ability of people on the short side of the market to go out and spread rumors and lies and really not be held accountable (is there). There is very little that we can do other than just run our business and perform well."

I told Hillman that I was describing the comments about Cendant and Livent as being a "cheap shot" and Hillman had this to say about that: "Calling it a cheap shot doesn't even do it justice. It's not even close.... it is like comparing apples and oranges. The accounting that Cendant is trying and struggling to adopt today, (in addition to their alleged fraud problems, which is an entirely different issue), is the accounting that we adopted over a year ago. We didn't struggle with it. We adopted it very efficiently, very effectively, very quietly. We told the world about it, but we didn't make a big deal of it. Cendant is struggling with it. The comparison with Cendant, therefore, is irrelevant because we've already been down that road and succeeded in making

that transition. As far as Livent, that is off the wall stuff. That is alleged fraud and theft and all kinds of different things that have nothing to do with any issues that relate to us in any way. So, to call it a 'cheap shot' does not even do it justice. Anyway, that's unfortunate. The articles were written very carefully with words that were barely defensible, but yet were defensible. In fact, one news service, Bloomberg, actually corrected their article because they were concerned about being sued. In the case of Bloomberg, I've actually received a letter of clarification and apology from the head of Deloitte and Touche because of the confusion caused by his comments and the Bloomberg mischaracterization of the comments. It has been an unfortunate distraction, but I guess the lesson to be learned is that as a public company, you are the target of a very wide constituency with many diverse interests and they are not always wholesome."

(Norm Cates, Jr. is a 25-year club industry veteran and the Publisher and Editor of The CLUB INSIDER News. Cates was a co-founder and the 1st President of IHRSA in 1980/81.)

...Rick Caro

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

UTILITIES

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

22. Utility Money Savers.

Some clubs are undergoing lighting retrofits, switching to gas, purchasing water conservation systems, installing light sensors, etc.

23. Energy-Wasters.

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

24. Energy Management

Systems. A few are investing in

energy management systems to deal with demand limiters and cycling to control the demand charge on the monthly electrical bill.

TELEPHONE

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

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

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

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

SECURITY CONTROLS

More clubs are dealing with theft, fraud and abuse. Many clubs are being challenged by employee theft or embezzlement. This

has led to a change in systems, multiple controls, more frequent visits by the outside accounting firm, and a study of the club's books while key staff are on vacation. Often, there is limited insurance coverage on the typical policy to protect the club.

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

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

OTHER KEY AREAS

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

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

banking fees.

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

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

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

35. Renegotiating Leases. A few have renegotiated their real estate leases and have found inaccurate square-footage measurements or inapplicable common area maintenance (CAM) charges.

COST SAVINGS DEVICES

Some clubs have mobilized a team of their top management to review each area as a "cost savings team." They are collectively compensated based on some

formula of realized savings. Other clubs offer all employees - both full time and part time - a chance to participate in a semi-annual or annual cost savings contest. They reward each cost savings idea, give additional dollars if any result in more than \$1,000 of annual savings and give a fee for the best simple idea. Some clubs average as many as 8-10 ideas per employee.

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

(This article was reprinted with permission from Club Success.)

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

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12 Feb 1998

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ORIGIN: Yellow Pages	HEALTH: Diabetic Stress	OBJECTION: Convenience
FACILITY: Aerobics Free Weights	GOALS: Gain Muscle Lose Weight Tone-Up	EXPERIENCE: Walking

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By Rande LaDue

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Q. How does PACE work?

A. A PACE program works on a work/recover/work/recover format alternating between the hydraulic exercise stations and recovery stations, such as jogging squares or step benches for a set interval, usually 30-45 seconds each. You can begin anywhere in the circuit and start exercising at your own pace. After warmup, you should try to maintain your target heart rate for the duration of the class.

Q. What will PACE do for me?

A. The major benefit for the PACE user is inches lost. You will burn lots of calories and strengthen your muscles while having fun. You will look and feel better quickly and safely.

Q. I never worked out before. Can I do PACE?

A. Yes! Anyone at any fitness level can do PACE. PACE is safe because it automatically adapts the resistance to match your level of effort. As you begin to fatigue, the resistance decreases automatically.

Q. Will I get sore muscles from PACE?

A. No. Because PACE machines use hydraulic resistance, there is no "negative" (lowering the weight) resistance which causes muscle soreness. You will feel a very satisfied "fatigue" after a workout, but no soreness the next day.

Q. Will I get big muscles from PACE?

A. No, for very much the same reason that you will not be sore; there is no negative or eccentric resistance with PACE which is necessary for bodybuilding and developing bigger muscles. What you notice are stronger, leaner, more toned muscles. The nice benefit of stronger muscles is an increase in your resting metabolism, which means you will be burning more calories during everyday activities.

Q. Will I lose weight from PACE?

A. Yes and no. You will lose body fat faster than any other 30-minute workout. However, as you increase your muscle strength, you may gain a pound or two of muscle weight. Again, the major benefit will be inches lost.

Q. How does PACE burn fat faster than any other 30-minute workout?

A. PACE burns fat 3 ways. 1. You burn more calories during your workout. Each machine works two major muscle groups, thereby utilizing more muscle mass and burning more calories. 2. You burn more calories following your workout. (The body's metabolism stays higher longer.) 3. You will increase lean body weight and metabolism. A pound of muscle will burn about 50 calories per day more than a pound of fat.

Q. How many calories does a PACE workout burn?

A. Research has shown that a 30-minute PACE workout burns between 350 to 900 calories. This depends upon two things:

1. The more intense the workout, the more calories burned.

2. The more lean body weight, the more calories burned. As you progress in your PACE workouts, you will be able to push harder and you will be getting stronger, so you will be burning more calories progressively.

Q. Why does PACE have the "in-between" stations?

A. They serve two purposes. For those people pushing hard on the hydraulic machines, they act as "rest" stations and allow the user's heart rate to lower into their target zone. For those people not pushing quite as hard, they act as aerobic stations and

(See Pace page 25)

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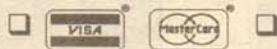
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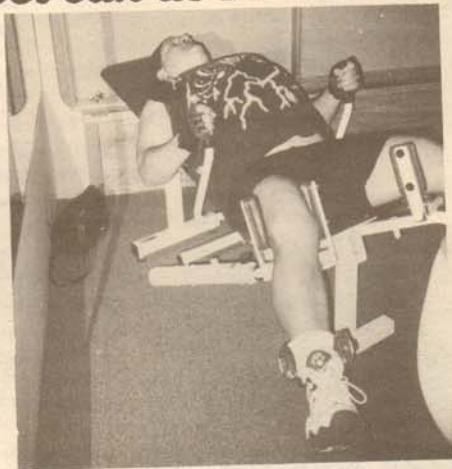
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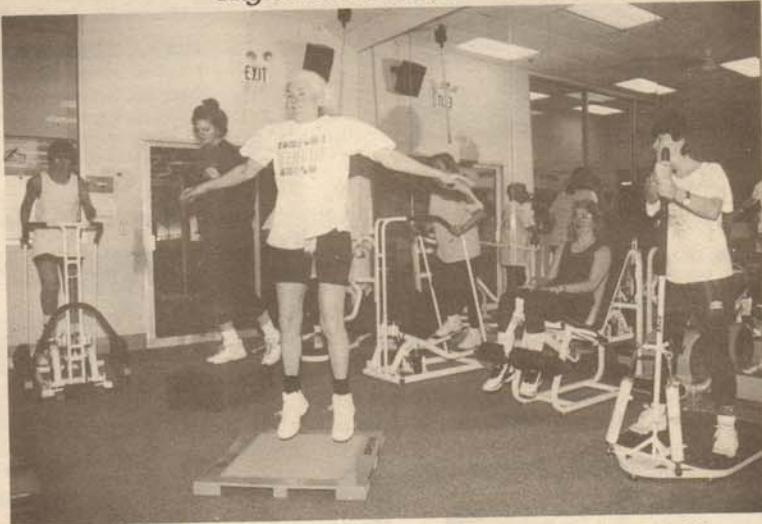
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...Tom Cotner*continued from page 9*

belong to the club? What do you like and not like? What outcomes keep you paying your membership dues?"

C=Caring Managers, Staff & Members. Do you truly care about your staff? Does your staff truly care about your members? If the answer is yes, your caring will likely "rub off" on your members and they will, in turn, be polite and caring to one another. Is

the result one big happy family? Perhaps not but certainly you'll have a more positive, relaxed and upbeat atmosphere than if you don't care about the people in your club. How do you implement a policy of caring? First, hire people who care about others. These people are out there. And when you find them, hang on tight. They're worth their weight in gold. Second, treat your people right. A staff will treat members the way they are treated by their supervisors. Effective supervisors

lead through coaching and serving. They are not dictators. Third, avoid burn-out. Every time I've disliked the club, my staff and the members, it was a warning sign....I was fatigued and over committed. I needed to get away from the club for a while.

K=Klean & Working

(sorry for mis-spelling clean but SHOCK demands a "K"). Winston Churchill rallied England against Nazi Germany in World War II by urging his countrymen to "Never, never give up." Our

rallying cry against dirt, grime and malfunctioning equipment should be the same. These enemies are relentless. They never give up. Nor should we. Establish written policies regarding the repair of broken equipment. Keep maintenance logs on everything. Take nothing for granted. Declare all out war on dirt, grime, and any non-working equipment or facility. I know a club who failed to keep dirt from crossing their border. They became known as "the dirty club" in town. After

two years of operation, new management became determined to "clean up" the problem. Today, ten years later, they're just beginning to lose their reputation as "the dirty club."

Our business is complicated and at times, overwhelming. We can simplify the complexity of club life by remembering to master the fundamentals. This new club season, remember "SHOCK."

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

...PACE*continued from page 22*

serve to elevate the heart rate into their target zone. The PACE work/recover/work/recover format which burns more calories and helps eliminate boredom.

Q. How is PACE different from other aerobic programs?

A. Aerobic activities such as step bench classes, stair climbing, cycling, jogging, etc. are all good cardiovascular exercises that burn body fat. However, some programs require a degree of skill and coordination and tend to intimidate the unfit person. Others can place a great deal of stress on the joints and do not provide muscle toning, especially for the upper body. PACE is fun and easy for anyone to do and provides a total body strength and cardiovascular workout.

(Continued next month)

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TENNIS CORPORATION OF AMERICA AND FITNESS FORMULA ANNOUNCE ALLIANCE WITH CHICAGO SOCIETY AND CLUBCORP

Chicago, IL.- Chicago-based Tennis Corporation of America (TCA), the Chicago area's largest owner and manager of upscale athletic clubs, and Fitness Formula (FF), have formed an alliance with the Chicago Society and Dallas-based ClubCorp, the world's largest owner and manager of private clubs and resorts. Participating TCA and FF club members will have additional membership privileges at some of the Chicago area's finest private city, dining, athletic and country clubs.

Through this agreement, the Chicago Society nearly doubles the number of clubs participating in the program, growing from 16 to 29. The Society now features four dining city clubs, 16 athletic clubs and

nine fee-play golf clubs. Members of the individual TCA and FF clubs who join the Society receive reciprocal privileges at these local clubs, as well as preferred access and pricing at the nine Chicago-area golf clubs.

"We're excited to be able to offer our members access to the most exclusive network of high-quality athletic, dining and golf clubs in Chicagoland; every geographic area is covered," said Steve Schwartz, president and chief operating officer of TCA. "This combination makes a lot of sense. We have the same operating philosophy and are committed to offering our members the very best. Our members can increase the value of their current membership without

having to join another club."

Members will also be able to take advantage of travel packages, special events, VIP seating at select concert, theater and sporting events, and will have privileges at private clubs and resorts worldwide. An additional monthly fee will be charged to those who upgrade to the Chicago Society.

The Chicago Society is a wholly-owned subsidiary of ClubCorp. Through its affiliate companies, ClubCorp currently owns or operates more than 220 private city clubs, country clubs, golf courses and resorts. Local ClubCorp-affiliated properties belonging to the Society include the Metropolitan Club, the 410 Club, the Monroe Club, the Plaza Club

and the Meadow Club.

"Chicago Society members will now have privileges not only in the downtown market where many of them work, but also at well-respected clubs in the suburban markets where they live," said Terry Hanley, manager of the Chicago Society. "This expansion allows us to involve more families in Society activities."

TCA-affiliated properties which will be part of the Chicago Society program include Mid-Town Tennis Club, Willowbrook Athletic Club, The Bannockburn Club, Forest Grove Athletic Club, Four Lakes Athletic Club, Grand Ohio Athletic Club, Onterie Fitness Center, Edens Athletic Club, Oak Park Athletic Club and Presidents Fit-

ness Center.

Fitness Formula, also based in Chicago, owns, operates or co-manages five health and fitness facilities in the Chicago area. FF-affiliated properties belonging to the Society include Fitplex, Gold Coast Multiplex and Deerfield Multiplex. Central Park Athletic Club, which is jointly run by TCA and FF, will also be part of the Society.

"Fitness Formula always has believed in the reciprocal membership concept," said FF Co-Founder and President, Gale Landers. "The Chicago Society brings an exponentially greater member value to this philosophy."

MEDX COMPUTERIZED KNEE MACHINE TESTS & REHABILITATES

OCALA, FL.- The MedX Computerized Knee Machine tests the functional ability of the quadriceps and hamstrings muscles and provides effective dynamic exercise of the knee musculature. MedX engineers state-of-the-art computer equipped rehabilitation equipment as well as strength training and flexibility equipment.

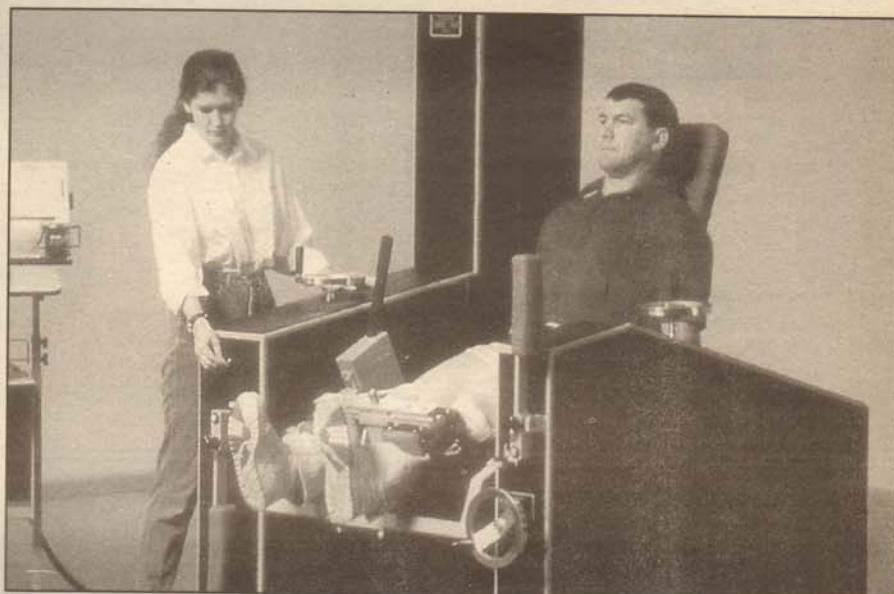
The MedX Computerized Knee Machine provides testing and exercising procedures either bilaterally or unilaterally, with support provided for the idle leg. Accurate range of motion and force output are independently assessed. Isometric testing can be quantified every 12 degrees through a 120 degree range of motion. With more than 240 resistance levels, the patient is assured optimal training results.

All MedX rehabilitation products are endowed with the

company's standard quality features: patient adaptable settings, computerized testing and rehabilitation, biomechanical precision, low friction operation, tested and proven medical effectiveness, and virtually maintenance-free operation.

MedX is headquartered in Ocala, Florida, with sales representatives stationed throughout the United States and around the world. MedX rehabilitation equipment is virtually maintenance free. The company also manufactures computerized testing-and-training medical machines for lumbar and cervical spine rehabilitation. MedX has rehabilitation equipment in use in over 800 clinics around the United States and the world. Additional information is available at the MedX website:

www.MedXonline.com.



MedX Knee Machine

HOUSTON INDEPENDENT SCHOOL DISTRICT DEDICATES MORE THAN \$400,000 OF FITNESS EQUIPMENT DONATED BY BALLY TOTAL FITNESS

Donation of More Than 250 Pieces of Equipment Was Arranged By the Black State Employees Association of Texas

Nationwide, Bally Total Fitness' "Stronger Communities" Campaign Has Donated Equipment Valued at More Than \$4 Million

Houston, Texas- In a ceremony held on September 15th at the Houston Independent School District's (HISD) Dunvale Education Center, the school district ac-

knowledged the donation from

Bally Total Fitness of more than 250 pieces of fitness equipment with an estimated value of \$400,000. In accepting the donation, District Superintendent Rod Paige noted, "This equipment will enable us to improve our physical fitness programs and the athletic training facilities utilized by our students. Our students are serious about wanting to become the best they can be, and we're grateful to Bally Total Fitness for providing us with some important new tools to help our students achieve their

goals."

Since last summer, Bally Total Fitness has been making donations of fully functional strength training equipment to inner city schools, park districts, police departments, fire departments, and other community service organizations all across the country through its "Stronger Communities" campaign. In fact, the total number of strength training pieces donated by Bally nationwide now exceeds 2,500, which have an estimated aggregate value of more than \$4 mil-

lion.

"Bally Total Fitness is a community-based organization—we're happy to be able to give back to the communities in which we operate by donating this well-maintained and fully operational equipment to the Houston Independent School District. We are confident they can really put it to good use to help strengthen the bodies, and character, of young people in this community," said Lee Hillman, President and CEO of Bally Total Fitness. "We're proud to be able to share some of

our success with the people that help the communities in which we do business every day."

Echoing the feelings of many who have received equipment from Bally Total Fitness, HISD's Girls Athletic Trainer, Denise Thornton said, "This is great! We need exercise machines like the leg press to do rehabilitation. Leg press exercises are a major part of knee rehab, and the best part is that the equipment is donated. We will definitely be able to put this equipment to good use for all of our students."

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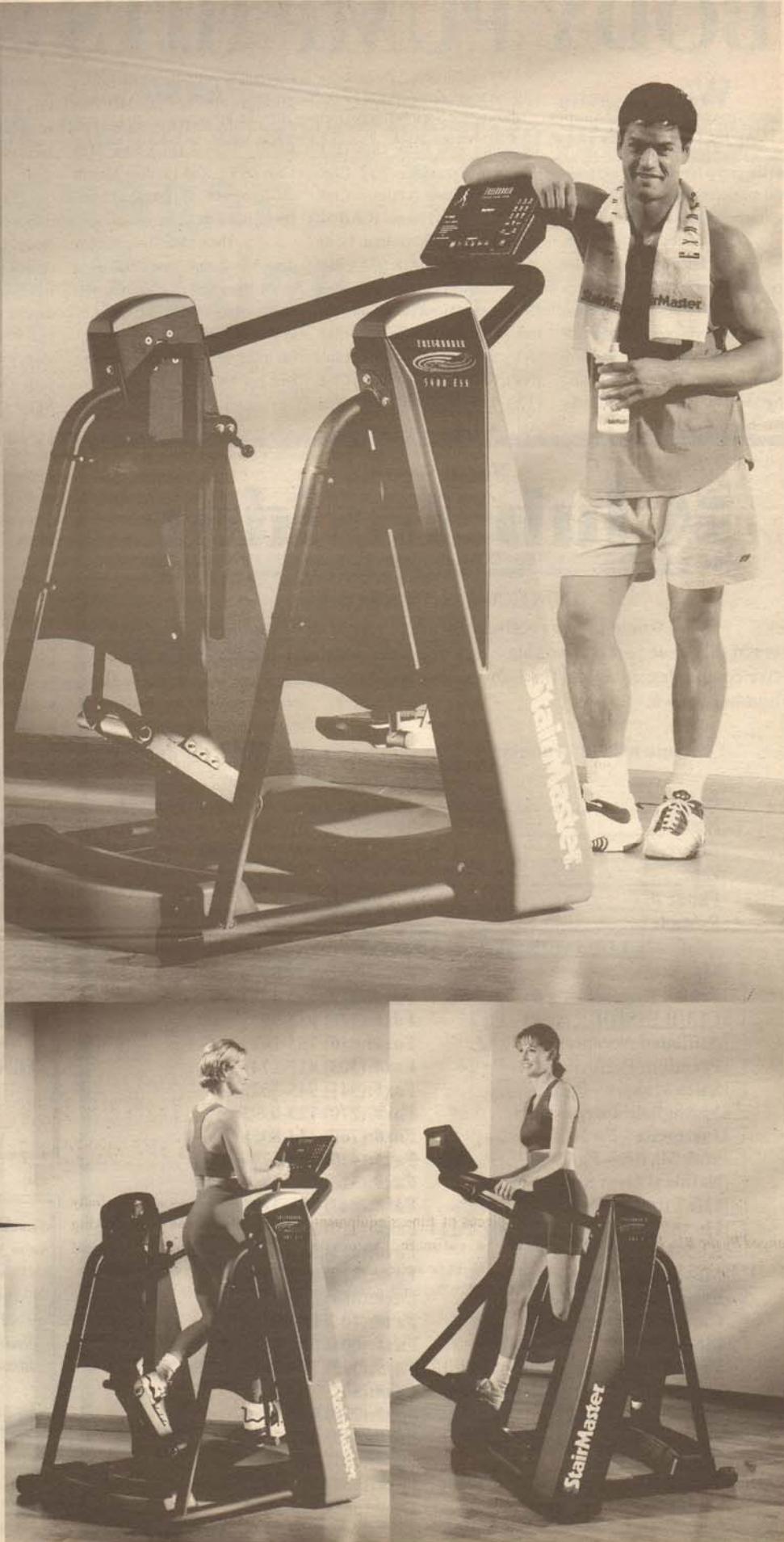
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In just over one year, BodyPUMP has made its way into some of the country's hottest clubs including East Bank Club (IL), The San Francisco Bay Club (CA), Franco's Athletic Club (LA), 24 Hour Fitness (CA/NV/OR/ID/HI), Australian Body Works (GA) Sportslife (GA), East Hills Athletic Club (MI), Equinox (NY), Lake Forest Health and Fitness (IL), Las Vegas Athletic Club (NV), Las Vegas Sporting Club (NV), Nike (OR), Signature Club (TX), TSI (NY, CT, MA, DC), Bel Air Athletic Club (MD),

Cedardale Athletic Club (MA), Michigan Athletic Club (MI), Pinnacle Fitness (CA), Lifestyles Family Fitness (FL), Saw Mill Club (NY), Red Lerille's Health and Racquet Club (LA) and Courthouse Racquet Club (MS).

These clubs have quickly discovered that BodyPUMP is more than just a great barbell class. BodyPUMP is a turnkey system designed to increase member referrals, member retention and personal training revenue. The ongoing training system

builds teamwork among instructors and personal trainers while communicating skills necessary to increase group fitness participation.

In fact, The STEP Company is so confident that BodyPUMP will increase group fitness participation, member retention and referrals in your club, they're offering a risk-free guarantee. If after 90 days, BodyPUMP is not working for your club for any reason, The STEP Company will repurchase

the barbells including freight and reimburse the entire three months' license fee. There is absolutely no risk and no better time to put BodyPUMP on your schedule.

Currently there are over 150 clubs scheduled for training before the end of the year. Make your New Year's resolution today to get BodyPUMP in your club before January 1, 1999. Call The STEP Company at 800.SAY.STEP or visit the website at www.bodypump.com for more information.

Norm Cates' **THE Club Insider** NEWS

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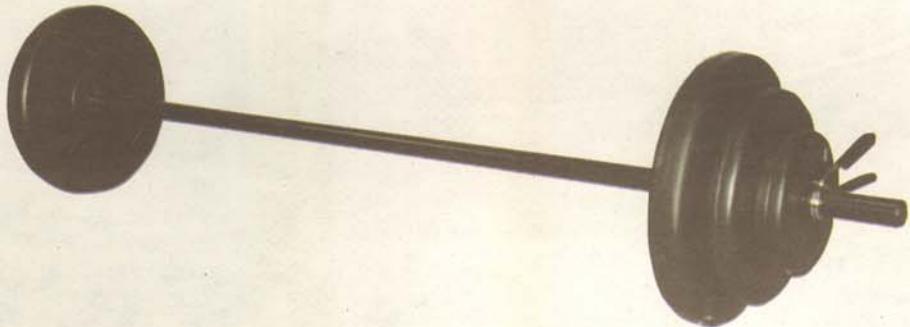
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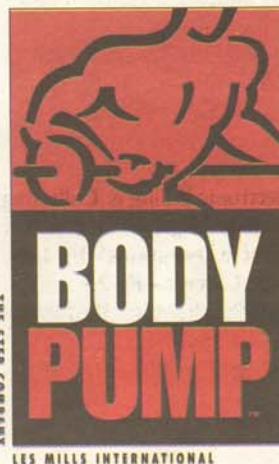
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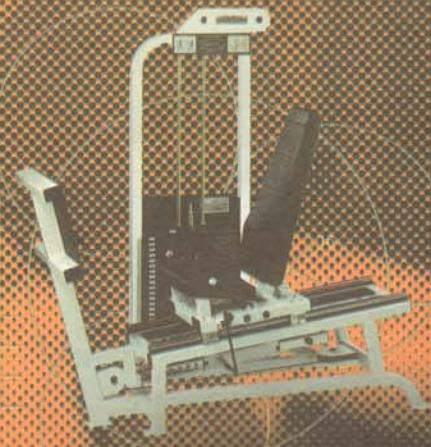
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