

Norm Cates' **THE Club Insider** NEWS

The Pulse of the Health, Racquet & Sports Club Business

POSITIVE CALIFORNIA LEGISLATION!



Ray Wilson Authors California Workplace Fitness Bill

By Norm Cates, Jr.

Ray Wilson has been in the health club industry for 48 years.

Inc., a company which had been developed by McCown and DeLeuw, a California based investment banking firm. In late 1994, Fitness Holdings, Inc. purchased controlling interest in Northern California-based 24 Hour Nautilus Fitness Centers. The acquisition of Family Fitness Centers now provides Fitness Holdings, Inc. with a company with revenues of

During that time he has developed and operated European Health Spas and Family Fitness Centers, to name a couple of his accomplishments. Recently, Ray Wilson sold controlling interest in his Family Fitness Centers to Fitness Holdings,

over \$170 million annually, which is poised to go public in the near future. It is projected that Fitness Holdings, Inc. will become a major force nationwide via the development of new sites and the acquisition of existing

club chains across the country.

One of the crowning achievements of Ray Wilson's career was the development and successful marketing of the LifeCycle stationary bike. The LifeCycle has been hugely successful and has helped club operators everywhere to sell and service more club members. Additionally, the LifeCycle helped launch the career of one of the club industries' most successful entrepreneurs, Augie Nieto, President and CEO of Life Fitness Corporation. Life Fitness is now the #1 seller of exercise equipment in the world. Through the tenacity of Ray Wilson and Augie Nieto, the LifeCycle was brought to market in the early 1980's and has changed the club industry landscape forever. The development and success of LifeCycle triggered an avalanche of new cardiovascular fitness products of all kinds which are now a significant portion of every successful club's equipment line-up.

POSITIVE STATE LEGISLATION - RESOLUTION #39
(See full text of #R-39 on side-bar page #10)

Over the years Ray Wilson has seen state governments impose new laws on the health and fitness industry, which in his opinion, have been detrimental to club operators. Now, Wilson continues in his pioneering ways as he has successfully convinced the California State Legislature to pass a Resolution which should be beneficial to all health club operators in California and possibly across the U.S.

In early August, 1995, after a two-year effort by Wilson and the State Assemblyman for his area, Mr. Howard Kaloogian of Carlsbad, the California State Legislature voted UNANIMOUSLY to approve Resolution #39 which declares the month of October, 1995, as the "WORKPLACE FITNESS MONTH" for the State of California. California Governor, Pete Wilson, signed the measure.
(See Ray Wilson page 10)

FROG'S... FROG'S... FROG'S...

By Norm Cates, Jr.

Nooooo... this is not about BUD-WEIS-ER! It is about FROG'S - an up and coming chain

of health clubs that is rapidly hopping up and down the coast of Southern California.

To describe the FROG'S Clubs as unique, unusual, zany, brainy, wild, fun, energetic, creative, off-beat, visionary, colorful, fun, relaxing, cool, vibrant, hot,

happy, fun, eye-jacking, atypical, humorous, contagious, graphic, special, high-tech, fun, neo-gothic, comfortable, un-dorky, social, personal, witty, revolutionary and fun might be O.K. ...for starters.

But, the truth is there ain't no way to adequately describe this combination of facility, equipment, spirit, teamwork, attitude, dreams and vision until you see it for yourself.

The FROG'S Clubs are the creation of a team of gifted entrepreneurs who have a vision
(See Frog's page 17)



• Inside The Insider •

- Attacking Hidden Expenses - PART III
- PR 101
- Colorado Physical Therapy Network Success
- How Hoist Was Born

THE INSIDER SPEAKS

• EDITORIALS • "INSIDER MAIL" • COMMENTS •

Editorial Clarification

Last month's editorial addressed the issue of "club bashing" advertisements in the fitness equipment field.

Based on some of the feedback from our readers, I feel some clarification of The **CLUB INSIDER** position is warranted.

I think it is important to differentiate between our attitude toward companies that use "club bashing" advertisements and companies who sell home fitness equipment as part of their product line.

We in no way object to or have any desire to be critical of

companies who manufacture and sell home equipment as well as commercial equipment. That is simply business, and we have no issue with home equipment manufacturers that promote their products without deliberately referring to their product as a replacement for health club membership.

In fact, recent studies have shown that home exercise equipment is not bad for commercial health clubs at all for several reasons: (1) The de-conditioned person may never step into a club because of his embarrassment about his poor physical condition.

Home exercise equipment might be the only way for a person to turn it around, ultimately making the person a BETTER candidate for a health club membership someday. The potential for a new membership sale to this person is increased by home exercise. (2) Our society is a very busy one and by having home exercise equipment, it can be reasonably argued that a health club member will be more likely to RETAIN his club membership because he is able to grab a quick workout at home when he can't get to the club. This provides a much better alternative

than skipping a workout because he is too busy to go to the club.

A recent study of home exercisers showed that 67% of the people who own home equipment also are health club members.

We stand by our comments about the "club bashing" advertisements.

We object to any equipment supplier that prints ads or runs radio or t.v. commercials which give the viewer the impression that they should buy their equipment INSTEAD of joining a health club. And, we particularly object to companies who try to have it both ways.

On one hand, they are telling club owners to buy their stuff. On the other hand, they are running advertisements designed to turn off the customers of the health club buyers.

Seems to us that these advertisers most likely have the skill and resources to craft their ads in a way which promotes EXERCISE and HEALTH without trying to turn off the health club's present and prospective membership customers. Sounds reasonable doesn't it?

VERY IMPORTANT CORRECTION

The **CLUB INSIDER** made a mistake AND an omission in our coverage of the Ms. Olympia Contest in last month's edition. Our thanks to Ms. Tracei Hutcherson of Stone Mountain, Georgia for her letter shown below.

No Dear Norm or heading appeared on the letter. It read:

My issue in the September issue of the **CLUB INSIDER** is your disregard to mention the Ms. Olympia winner and coverage on the Ms. Olympia Title. Your news is usually detailed on subject matter involved in the health and fitness field. This is why I and many others are disturbed and even frustrated of the blatant non-coverage or mention.

The second issue is Mia Finnegan won Ms. Olympia Fitness not Ms. Olympia. This information was incorrect and does not hold the partnership to the Mr. Olympia. Mr. Olympia and Ms. Olympia have been going on for years - Ms. Fitness Olympia is during its FIRST year. Please address priorities, importance, just due and correct title holder and titles.

Respectfully,
 Tracei Hutcherson
 cc: Joe Wieder

Lenda Murray (Ms. Olympia)

P.S. Please reprint correction in the next issue.

Dear Tracei,

My most sincere apologies to you, the others and Mr. Joe Weider for my error in reporting the very important results of these contests. I apologize. By the way, Joe has been doing the Mr. Olympia for 30 years now and we extend our most sincere congratulations and best wishes to him. Now, let me try my best to get it right this time:

- 1st Place Winner - Ms. Olympia - Lenda Murray
- 2nd Place Winner - Ms. Olympia - Kim Chizevsky
- 1st Place Winner - Ms. Olympia Fitness - Mia Finnegan
- 2nd Place Winner - Ms. Olympia Fitness - Carol Semple

Thanks for reading The Club Insider News.

Best regards,

Norm Cates, Jr.

Norm Cates, Jr.
 Publisher and Editor
 The **CLUB INSIDER** News

•NORM'S NOTES•

I'd like to extend special thanks to Mr. RAY WILSON, STEVE DATTE and HOIST FITNESS, ROGER BATES, NICK and JEANNIE COTSIDAS, CECIL and JEAN SPEARMAN, DR. and MRS. GERRY FAUST, BILL GOODING and MICHAEL DREIFUS for their warm hospitality during my recent visit to Southern California. The "Left Coast" is an amazing place..... while I was there they had two minor earthquakes..... but the club scene is truly amazing and in this

issue I'll share some of what I experienced while spending five days visiting clubs in Southern California.

The CLUB INDUSTRY CONFERENCE AND TRADE SHOW is October 18th through 21st in Chicago. If you haven't made plans to attend, there is still time! If you do attend, be sure to drop by and visit our advertiser's booths..... I've printed a listing of their exhibits which can be found in the September issue. Be sure to thank our advertisers for sponsoring The CLUB INSIDER News!

WALLY BOYKO provided me with some well deserved feedback about my comments last month on his Las Vegas trade show. I apologized to Wally for what I had published about the show results. My sources had very strong opinions and I based the note on that input. After talking to Wally, who seems to be a real gentleman, I want to provide ya'll with some more information. Wally tells me that 1184 people attended the trade show representing 1062 clubs. He indicated that 590 clubs were represented by some of the bigger buyers, such as two buyers from BALLY'S, one from 24 HOUR NAUTILUS, RAY WILSON from Family Fitness Centers, plus RON HEMELGARN, KEN MELBY, FRANK LEONESIO, CHARLIE LINDSEY and DEAN WALLACE. Wally also mentioned that he has the drayage problem that many vendors complain of under control with a \$110 per hour cost for set up and tear down. The show will be held next year on August 6, 7 and 8.

CECIL SPEARMAN, JR., the owner of the Laguna Niguel Racquet Club in Laguna Nigel, California has recently acquired the Monarch Beach Tennis Club in Monarch Beach California. This acquisition comes on



Norm Cates, Jr.



Monarch Beach Tennis Pro Tim Downey (left) and New Monarch Beach Tennis Club Owner Cecil Spearman

the heels of his sale of the John Wayne Tennis Club in Newport Beach to KEN STUART. Stuart held his Grand Reopening of the club under the new name of the Palisades Tennis Club, hosting a terrific Grand Opening Party on Sunday afternoon, September 17th

with over 1,000 witnessing wheelchair, juniors and professional tennis under the beautiful Southern California sky. Cecil Spearman owns a number of clubs around the country and was the President of IHRSA (The International Racquet and Tennis Association) (See Norm's Notes page 20)

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IT
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CLUB INSIDER NEWS PAST EDITIONS AVAILABLE

The CLUB INSIDER News has now been in publication for 22 months. During that time, we have published many informative and helpful articles on numerous club industry topics and issues. Along the way, we have kept our readers abreast of the latest industry events.

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MICROFIT'S HEALTHCARE CONNECTION

Colorado Fitness Therapy Network: A Success Story

By Neil Sol, Ph.D.

I have always been aware of the effort Colorado health clubs were making as it related to connecting to health care. However, it was not until I recently visited with Pat Pine, Executive Director of Western Association of Clubs (WAC) that I really understood how advanced and sophisticated that effort was. As I travel around the U.S. and observe an increasing number of clubs assuming their rightful place within the health care continuum as preventive health care providers I must admit that the Colorado Fitness Therapy

Network, a division of WAC is an advanced model, possibly a prototype of what clubs can become in the future.

WAC has developed a health program that insurance companies and self-insured corporations will be utilizing to promote both preventive and rehabilitative services among their subscribers and employers.

HOW IT DEVELOPED

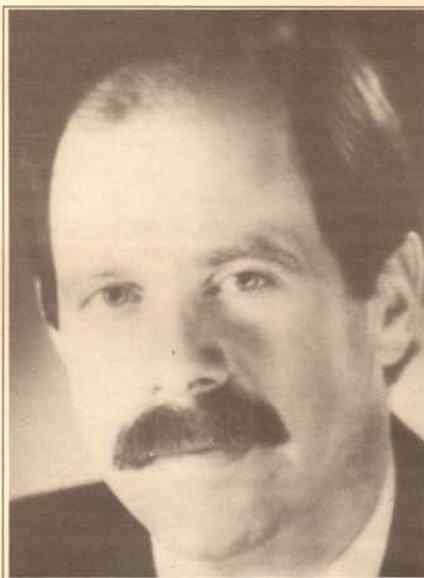
In 1990, 5 club owners in Colorado created the Colorado Association of Quality Clubs in an effort to organize and combat unfair competition of non-profit community recreation centers. The Colorado Association also was concerned with other is-

ues pertaining to the future success of the club business. Being visionaries they realized that creating relationships with health care was an important consideration. In 1993, the Board of the Colorado Association hired Pat Pine, who was at the International Wellness Center in Denver, for the role of the Association Executive Director.

Pat saw the opportunity to expand the Association to bordering states and soon the Colorado Association became WAC. WAC was a Regional Association affiliated with IHRSA and incorporated many of IHRSA's programs.

WAC quickly adapted the IHRSA Corporate Fitness Program, regionalizing the program for its member clubs.

Realizing success with this program, WAC identified a need to get involved with health care. In Colorado, health insurance companies were providing reimbursed club membership to employees in the final stages of workers' compensation rehabilitation. Insurance companies were providing as much as \$350 for annual membership to health clubs. However, the insurance companies were not concerned with the quality of the club. Pat and WAC approached the insurance companies and workers'



Neil Sol, Ph. D.

compensation case managers and offered a formal club-based rehabilitation program to the employees. This program called the "post rehabilitation program," was a 6-month program that provided outcome and utilization information to the insurance company pertaining to the client. What WAC was offering was "more bang for the buck" and thus was of interest to the insurance company and corporations. The division of WAC that offered the post-rehab program was the Colorado Fitness Therapy Network, (CFTN). The Colorado Fitness Therapy Network was a group of clubs that were members of WAC that agreed to develop and provide a standardized corporate wellness program that included:

1) a health education/

health intervention program inclusive of lifestyle modification education programs such as stress management, back care, CPR and intervention programs such as fitness assessment, HRA's and massage therapy.

2) Corporate Membership Program - which established a network of clubs geographically distributed that committed to providing their lowest membership rate to the corporate purchaser and

3) Post Rehabilitation Fitness Therapy Network which provided cost-effective exercise therapy specifically tailored to the needs of the client in progressing his/her rehabilitation. Within this program objective and subjective functional outcome was measured and reported.

Pat believed that insurance companies and managed care organizations were initially most interested in the post rehabilitation program and then became interested in the other programs of the Corporate Wellness Program for their subscribers/clients. This was verified as the Post Rehabilitative Program "opened the door" for other CFTN services to be a club member of CFTN.

To be a club member of CFTN, the club must first be a member of WAC. The club, if interested, would then have to comply with extensive requirements and standards of the CFTN. Their requirements include:

1) Adhering to the Health Fitness Standard and Code of Ethics of IHRSA.

2) Meeting a set of wellness guidelines compiled by the CFTN from guidelines established by the American College of Sports Medicine (ACSM) and other related groups.

3) Each club must have or hire a wellness director that has the expertise and credentials outlined in a 3 page job description.

4) Each club must meet the requirement criteria for provision of each program and service of the CFTN corporate wellness program.

5) Each club must provide the Microfit standardized fitness assessment.

6) Each club undergoes a site visit and audit by WAC representatives.

In as much as WAC is the parent Association they serve as the regulatory body of the CFTN to in-

(See Neil Sol page 19)



Executive Director of WAC Pat Pine



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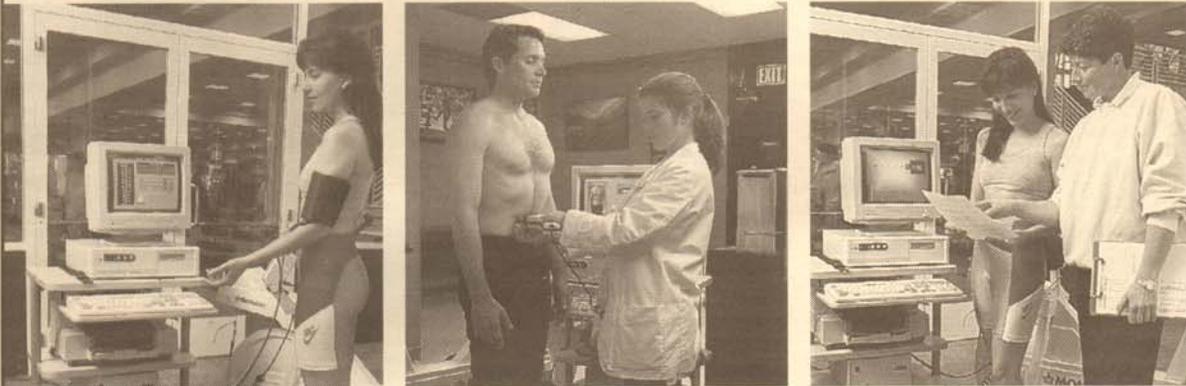
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ATTACKING HIDDEN EXPENSES - Part III

By Rick Caro

In the previous articles, it was pointed out that the ideal place to save on club expenses are those categories where all of the benefits flow to the bottom line and where the member never sees any change in the club's operation or level of service.

Part I dealt with the state-mandated Workers' Compensation issues and Part II with Unemployment Insurance.

This section will highlight a variety of other items which together could create a much more significant bottom line than the club had achieved previously.

CREDIT CARD FEES

As clubs continue to offer club memberships processed through Electronic Funds Transfers (EFT) technology, each membership dollar paid to the club is discounted. Therefore, a club may only receive 96-98% of each dollar paid to the club by the member.

Private credit cards (e.g. American Express, Discover, Diner's Club) are all realizing the pressure of competition and the ultimate threat of clubs' refusing to honor their cards. Recently, American Express lowered some clubs as much as 1.4%. This can amount to a substantial savings if their volume is sizable. These fees depend on how the cards are processed (data capture terminal, modem, mail) and timing for "good funds."

Bank credit cards (Master Card, VISA) are generally thought to be about the same by club owners. In fact, the rates vary widely among local banks in your area. When questioned as to why owners did not shop around for the best rate, many did not want to hurt their current relationship with their local bank. In fact, no harm is necessary.

A club can shop around for lower EFT rates for their bank credit cards and then once a month wire transfer the total dollars received from this other bank to the club's regular checking account bank.

The savings for some clubs after negotiating lower rates has amounted to over \$20,000 from the previous year.

BANK CHARGES

Most clubs do not negotiate their various bank charges for servicing their account. In fact, most owners do not realize that there is even a negotiation available. Banks keep a computerized analysis of the club's average balance in each of its accounts. Often, a club will have a regular checking, a separate payroll checking account and even a money market account to put excess cash in whenever dollars are available for as few as 3-4 days at a time. The bank has the technology to sweep these accounts and determine the collective balance.

Clubs can use this balance as a negotiating stance to lower fees, negotiate lower interest rates on mortgages and working capital line of credit charges



Rick Caro

(letter of credit fees, members' returned check fees, etc.)

A club's banking position is further enhanced if the owner has his own personal checking account or has other investments with the same bank. Some clubs have saved between \$5,000-10,000 especially on issues relating to financings (e.g. points, interest rates, etc.) as well

as the standard bank charges.

DISABILITY INSURANCE

Some states have mandatory requirements that all businesses must provide disability insurance for all employees. This is an inexpensive insurance cost to a club, but it is also one that is extremely competitive.

The club should use a local broker who is knowledgeable in this field. It is more likely to be the broker with knowledge of employee health insurance than the one who handles the club's property & casualty coverages.

There are two basic ways insurance companies compute the club's costs for such insurance and either may be favorable, depending on the actual calculations. The first is a simple calculation of certain costs for each male and a separate rate for each female employed by the club that month. Generally, the rates are dramatically higher for

(See Caro page 19)

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Shaping the Future of Fitness

How Hoist Fitness Was Born

By Norm Cates, Jr.

How does one go about starting an exercise equipment manufacturing company?

Necessity was the key for Southern California health club owners Randy Weber and Roger Cloyd, the founders and owners of Hoist Fitness Systems.

The partners owned the San Diego-area Coast Health Studio in the late 1970's. They built their first commercial machines for use in their club. The machines were built in a space about the size of a car garage. Now, their factory is 65,000 square feet and they have 100 full time employees.

After installing the new machines in their club they began to get a lot of requests from friends and club members to build machines for their homes. A high level of interest in exercise equipment from both club operators and home buyers made them decide to start a new company to build and sell commercial and home exercise

equipment. In 1978 and 1979 the club owners and fledgling manufacturers went to night school - taking extensive industrial courses in welding, blue print reading and metal fabrication. The first piece of equipment they personally built was sold to a businessman from Saudi Arabia. Since they had built the machine at the trade school, they made a nice profit on the sale and Hoist Fitness Systems was born.

Even though Hoist Fitness Systems began in 1979 to build and sell commercial exercise equipment, they continued to receive frequent calls for bikes and other forms of exercise equipment from home owners. That is how they developed their San Diego chain of retail exercise equipment stores called The Fitness Warehouse (No connection to the big chain in the Chicago area). The development of the retail stores provided them with the opportunity to sell their home gyms along with other products they retailed. They still operate one of the Fitness Warehouse stores today. Selling their clubs to concentrate on

Hoist Fitness Systems full time, the owners began to grow the business. During one period, Weber was so busy with commercial development and manufacturing, the retail stores and the home equipment manufacturing that he decided to rent out his house and moved into some space in the back of his factory to live. This saved him a lot of travel time and enabled him to work longer hours.

Weber recalls, "Hoist Fitness Systems never was 'just a home equipment company.' Since the beginning, we have been a commercial equipment manufacturer that also happens to build an excellent line of home exercise equipment." The name HOIST is an acronym for: Home - Office - Institutional - School - Training and describes the wide range of customers that Hoist serves.

Hoist is the only company in the business that will honor the warranty on its home gym



Steve Datte

machines even if they are installed and used in commercial health clubs. The Hoist home gyms are being used very successfully in women's fitness centers and in small personal training facilities all over the U.S.

In addition to an excellent warranty program, Hoist's backs all of its products both in-

stitutional and home with a very strong after-market program. Enter Gary Roth. Roth has been with Hoist Fitness Systems for 15 years. Like numerous other Hoist employees with long tenure, (many have 7 or more years) Roth has a very clear understanding of his role and a strong fervor for his work. Roth's job is to be sure that all of Hoist's customers receive good service after the sale. He believes that the secret to any success in business is well defined and communicated systems. Hoist provides operations manuals for all of their products. Roth likens the use of the manual to that of a playbook in football in that everything is spelled out carefully for the operators. Importantly, regular maintenance is given great emphasis and followed up by Roth and his associates at Hoist. Roth takes great pride in saying, "When our customers buy Hoist products, they also get Gary Roth." He and other Hoist after-market representatives personally make follow-up calls to customers and send reminder letters for main-

(See Hoist page 25)

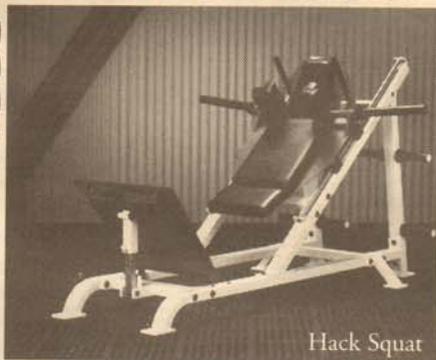
F860



Shoulder Press

- 180 degree pivoting seat allows rack to be in front or behind body while using adjustable back pad for proper alignment of various body widths.
- Adjustable seat for perfect use of various racking points. Optional plate holders. (not shown)

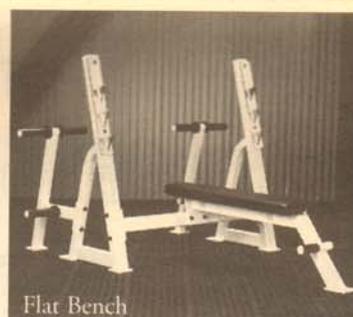
F356



Hack Squat

- Body contoured carriage for proper spinal alignment
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- Gravity controlled lock out system prevents accidents.

F170



Flat Bench

- 11 gauge steel design
- Raised foot rest for better back support and chest isolation
- Angled chrome racking mechanism for good looks and safer racking for years to come
- Shown with optional plate holders for better use of floor-space.

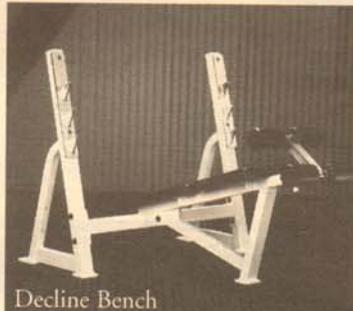
F172



Incline Bench

- 30 degree angle for maximum peck isolation without deltoid involvement
- Adjustable seat for wide range of heights
- Footrest for better back support and upper chest isolation
- Unique racking system combines good looks with safety and function. Optional plate holder. (not shown)

F177



Decline Bench

- 15 degree angle for low chest isolation with minimal shoulder involvement
- Adjustable raised knee leg support aligns low back allowing better peck isolation
- Multi sized two piece pad for better body support. Optional plate holders. (not shown)

HOIST

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5 Reasons You Deserve Media Coverage

By Michael Hoffman

Success can blind you to the need for Public Relations. It can make you eat sushi, offer too much advice and gloat instead of nurturing your relationships with local media. I recall one success - intoxicated big-time operator who said, "When you're really good, you don't need PR."

While the big-timer swagged, the competition worked with the local media and community organizations. They distributed annual press kits, invited the media and VIPs to special events and dis-

tributed a stream of clever news releases.

When sales slipped, the big-timer blamed the ad budget and sales staff. He got upset, fired salespeople one after another when their grosses slipped or the ads failed to draw. He doubled his ad budget to generate more traffic, enamored with an ad that showed a sexy young couple wearing "Two For The Price of One" t-shirts.

After getting the axe, one of the salespeople left a news clip on the big-timer's desk. The headline read - "Small Club Makes Big Impression On Seniors". The story featured a photo of two middle-aged instructors

showing an elderly couple how to use dumbbells. The story glowed with admiration for the club that hired instructors in the 40+ age group.

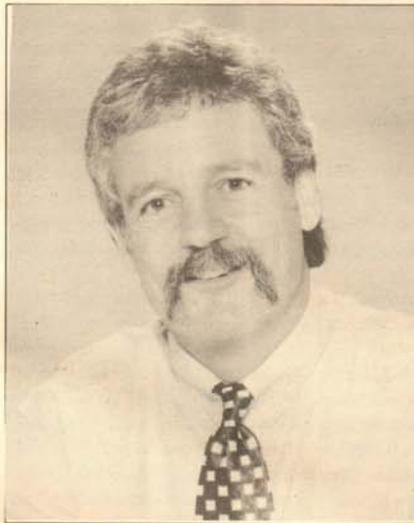
The story generated dozens of phone calls. One came from the director of an HMO looking for a group exercise environment for older subscribers. The big-timer's competition capitulated more than 1,500 HMO subscribers - just because the story made a point.

The moral to this story - Your club is a goldmine of news stories, not just a goldmine of income. Don't just generate sales; generate the publicity that can create those sales.

Shrewd reporters, like Shari Roan from the LOS ANGELES TIMES fitness department, looks for five basic types of news from health clubs. Make a list of every possible story in each of these categories. Keep brainstorming and you'll discover, more news you will find that you have. Here are the categories:

1. Personnel - What makes your staff so special? Are they better qualified than the media thinks? Do they have degrees and certifications and long track records in the industry? Do you employ older adults to train your senior members instead of hiring mostly young people? Think about it.

2. Equipment - What would interest the media and consumers about your club's equipment? You would be surprised at how little the average journalist really knows about things you take for granted - like heart rate



Michael Hoffman

ics, like exercise physiology, usually don't know much about those topics. After all, the reporters are trained in journalism, not science. So you have the responsibility of becoming your community's exercise science guru.

You would be amazed how well received you'd be if you offered to write a periodic column called something like - "The Most Frequently Asked Questions about Exercise for Middle-Aged Adults".

From your own brainstorming you could probably write a dozen interesting and informative stories about the latest research done by a university on target heart rate training or the effect of strength training on fat metabolism.

Of course, this means you have to stay well-informed yourself. Read the hot newsletters like the Penn St. Sports Medicine Newsletter. Read technical journals, too. Even take extension courses. Just become a research and technology information magnet, then turn around and give that information to the media.

SUMMARY

Step out of your dots and start thinking about your facilities, your people and your programs as potential news stories. It will put you ahead of the game, because most clubs simply don't take the time to generate news ideas. One clever newspaper story or one human interest TV feature can create more credibility and generate more foot traffic than a bucket full of display advertisements. Besides, who ever heard of an advertisement that improved your public image?

(Michael Hoffman is the President of California based Heart Communications and can be contacted at: (714) 831-7971; Fax (714) 643-1891; e-mail heartcomm@aol.com. This is #2 in the PR 101 Education Series from Heart Communications.)

monitoring, computerized machines, sophisticated strength training machines with bilateral movement.

Make your suppliers give you all their technical research material so you are up to speed when you explain to journalists how and why your equipment is so much more effective than equipment just a few years ago.

3. Programs - Clubs that get involved in community service and education projects always get good PR coverage. One club offers free VO2 max tests in partnership with the local chapter of the American Heart Association. Another administered the Russian Youth Fitness Test to grammar schools every year in partnership with the school district. In both cases, the clubs earned coverage because they provided a service and because they partnered with another health-related organization. What do you do?

4. Human Interest - There isn't a reporter in the world who can resist a touching human interest story. These stories always depict a person who has overcome seemingly impossible odds to regain their health, overcome an illness or learn how to walk all over again, etc. What you have to do is show how your club and your staff helped the person overcome the obstacles.

5. Exercise Science Research - It's a strange reality that the very people the consumer media hires to report on scientific top-

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Scott Garrett's UBIT Watch Fights Unfair Competition

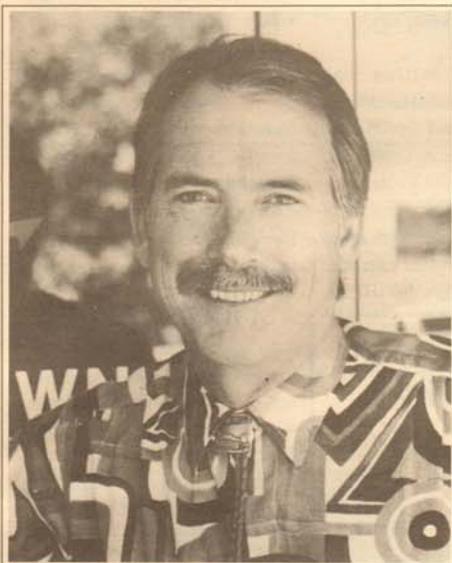
By Norm Cates, Jr.

ALBUQUERQUE, N.M. - UBIT (Unrelated Business Income Tax) Watch was founded by Scott Garrett, who with his brother Spencer, owns and operates six multi-use clubs: five in New Mexico and one in Southern California. In 1988 Garrett and Frank Eisenzimmer, Founder of the Cascade Athletic Clubs in the Portland, Oregon area, established IHRSA's Fair Competition Committee.

Scott Garrett has been active with the tax-exempt issue since 1986 and has become one of the leading experts in the area of tax-exempt recreation; his booklet: "When Is Recreation 501(c)3?" has become a tool and reference guide for numerous attorneys and accountants as it cites essentially all legal cases pertaining to recreation and tax-exemption. On two occasions Garrett has presented his work and opinions to the head of the IRS Tax Exempt Department and has communicated on a regular basis with the Internal Revenue Service. He also provided the IRS with a detailed breakdown on how tax-exempt organizations have managed to pass audits which they should have failed. Scott has always held that the problem of tax-exempt organizations (YMCA's, JCC's, etc.) is not a local problem nor can it be solved locally, but can only be solved or stopped through the power of the IRS.

Since 1992, the Albuquerque Jewish Community Center has been trying to gain permission to build a \$7 million upscale club in an affluent area of the city. To date, construction has not started. It is Garrett's belief that by notifying the IRS of the JCC's plans and requiring the JCC to seek IRS approval has stopped the project.

UBIT Watch began operations in July of 1995 to assist other club owners in their fight to stop unfair 501(c)3 exemption. UBIT Watch is currently working with



Scott Garrett

clubs in Pennsylvania, North Dakota, Tennessee, Michigan, Maryland and Massachusetts.

THE PROBLEM

The existing IRS process for determining tax exemption on a YMCA or JCC requires that the planned facility demonstrate that it will serve a community cross section of people (rich as well as poor) in the same proportions as exist in the entire community. Most upscale YMCA's or JCC's which sell two-tiered memberships with an additional cost for use of its more upscale or health club facilities are subject to UBIT.

The reality is that many existing YMCA's and JCC's would fail an IRS audit if proper arguments and demographics were provided to the IRS. The reason this has not happened is because the IRS exempt organization department is severely understaffed to the point that they only audit exempt organizations about every 75 years. As a result of this understaffing, the IRS will usually only be able to respond to problems or violations which are brought to their attention.

HOW UBIT WATCH WORKS

UBIT

Watch collects a wide range of data and information, then packages the arguments in an effective manner to submit to the Internal Revenue Service, showing that the YMCA/JCC organizations do not

warrant 501(c)3 tax exemption, rather that they should fall under either (c)4 or (c)7 tax exemption. Neither (c)4 or (c)7 organizations give tax deductions on donations received to build them. UBIT is most successful when initiated prior to the construction of a new facility or when major expansion of an existing facility is planned.

While there are no guarantees that UBIT Watch will be totally successful in stopping construction, it has been successful in delaying the start of construction for long periods of time. UBIT Watch believes that the Internal Revenue Service realizes how far this problem has gotten out of hand with the massive growth of the tax-exempt sector and is tightening its approval process to help stem obvious "unfair competition."

Another of the difficulties which UBIT addresses is the fact that most existing YMCA's and JCC's are building new facilities without seeking IRS approval. UBIT Watch creates a paper trail to force them to seek approval, thus giving the IRS the option to reject new construction requests as well as examine the existing operations of the facility. "We also believe that within four years, IRS will have new tax rulings and

more specific guidelines which they will follow and enforce limiting the operations of 501(c)3 organizations," says Garrett. "Therefore, buying time for the For-Profit sector by delaying the development of more nonprofit facilities, will hopefully lead to their never being built with tax-exempt status. This should keep them out of development (and competition) altogether, given that without the deductions for a donation, potential donors will not be as likely to make their donation."

UBIT Watch operates with a satisfaction guaranteed policy or your money back. All funds are used to operate UBIT Watch with any excess funds being dedicated to stopping unfair competition. References are provided upon request. UBIT works in concert with IHRSA's Government Relations Department. Scott Garrett may be contacted at: (505) 881-8338 or by writing to: UBIT Watch, 4100 Prospect Ave., N.E. Albuquerque, N.M. 87110



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• An industry legend & president of Club Marketing and Management Services, Mike is one of the leading club marketers in the U.S. He is a contributing author to numerous fitness journals, and is the guest lecturer for such organizations as IHRSA, Club Industry and BodyLife. Mike has been in the club business since 1965, during which time he has been involved in every level of the club operations, including a prestigious stay at the Los Angeles Athletic Club. Along the way he has owned and operated his own clubs. As a consultant, Mike has been involved in the development or management of over 1500 different clubs worldwide. He is quite simply the supreme educator who will transform your approach to club marketing and management.

• You will also have the opportunity to learn from other industry leaders and guest faculty.



...Ray Wilson

continued from cover

sure on August 29th making it official that October will be the first ever statewide "Workplace Fitness Month." This is also a first in the nation. This government acknowledgment of the value and benefit of regular exercise should be tremendously helpful to club owners and operators when they are marketing their club's services to corporations in the State of California and in other states. The endorsement of regular exercise by the California State Legislature could be the first major step in a

nationwide campaign to have similar legislation passed in other states. And, the end result could be that the Federal Government could begin to identify and recognize regular exercise as being vitally important to all Americans and could ultimately lead to the passing of Federal legislation which provides tax benefits to Americans who purchase and utilize health club memberships and services. Even more importantly, this effort could lead to governmental recognition of health clubs as part of the solution/cure to the health care crisis which occupied a huge portion of the current administration's time immediately after the inauguration of

President Clinton. This is a logical next step as many studies have clearly shown that people who regularly exercise experience less need for health/medical care.

RAY WILSON CREDITS IHRSA'S RESEARCH

Ray Wilson was quick to point out that he utilized the data produced by IHRSA (The International Health, Racquet and Sports Club Association) in his efforts to convince the California law makers about the benefits of regular exercise. He wanted to be sure that IHRSA

and Executive Director, John McCarthy, received the credit that was due for their role in the passing of this new California Bill. In fact, Wilson sent a framed copy of the California Legislation (as shown in the front page photo of Mr. Wilson) to McCarthy with a letter of thanks to IHRSA for providing the vital data necessary to convince the California law makers of the validity of this measure.

Two letters and graphs from Mr. Wilson and excerpts from IHRSA's Economic Benefits of Regular Exercise sent to the state representatives as support information for the proposal appear in this issue.

A NATIONWIDE THRUST

Ray Wilson has authorized The **CLUB INSIDER** News to publish copies of his letters to the California Legislature so that club operators in other

states may attempt to have the same legislation passed in their states. The ultimate goal is to help convince the legislatures of each state to declare October, 1996, as "WORKPLACE FITNESS MONTH." Successful legislative efforts could provide positive public relations for clubs across the land to use in their marketing efforts to corporations and HMO's.

The **CLUB INSIDER** News will serve as the temporary coordinator of this effort and will be seeking one club owner/operator from each state to step forward and spearhead the legislation for their respective state using the model created and successfully applied by Ray Wilson. To get involved call (800) 700-2120 or fax your thoughts to (770) 933-9698.

Congratulations to Mr. Wilson and California Assemblyman Howard Kooloogian for their success in have October declared "WORKPLACE FITNESS MONTH" in California!

California Concurrent Resolution No. 39

*ACR 39, as introduced,
 Kaloogian. Workplace Fitness
 Month.*

This measure would proclaim the month of October, 1995 as Workplace Fitness Month and would encourage all California workers to participate in regular exercise programs and physical activity for healthier lives and improved work performance and satisfaction.

Fiscal committee: no.

WHEREAS, A three year study by the Steelcase Company showed that medical claims cost were 55 percent lower for corporate fitness program participants than nonparticipants; and

WHEREAS, General Electric reduced health care costs for members of its fitness program by 38 percent in an 18-month period while nonmembers' health care costs rose 21 percent; and

WHEREAS, There is no question that regular exercise improves a person's ability to perform,

reduce stress and enhances self-image. General Motors found that employees in their physical fitness program had a 50 percent reduction in job grievances, a 50 percent reduction in on-the-job accidents, and a 40 percent reduction in lost time; and

WHEREAS, The Canadian Life Assurance Company reported that 47 percent of participants in a fitness program were more alert, had better rapport with co-workers and supervisors, and enjoyed work more than those who did not participate, and 63 percent of participants indicated that they were more relaxed, more patient and less tired during the work day; and

WHEREAS, The evidence pointing to the success of fitness programs in improving employee health practices, reducing medical and disability costs, and improving productivity is indisputable. General Electric found that employees who exercised were absent from work 45% fewer days than employees who didn't and the Dallas, Texas Police De-

partment reported a 29 percent decrease in sick leave for fitness program participants while non-participants' sick leave increased by 5 percent; and

WHEREAS, The California State Legislature supports the promotion of employee fitness programs as a means to reduce workplace absenteeism and employee turnover while bolstering employee morale and commitment; now therefore, be it

Resolved by the Assembly of the State of California, the Senate thereof concurring, That the Legislature hereby proclaims the month of October, 1995 as Workplace Fitness Month in California to encourage all Californians to participate in regular exercise programs and physical activity for healthier lives and improved work performance and satisfaction; and be it further Resolved, That the Chief Clerk of the Assembly transmit this resolution to the Governor of the State of California.

IHRSA Update

In his effort to convince the California State Assembly, Ray Wilson used the best ammunition available. That was data extracted from IHRSA's (International Health, Racquet and Sports Club Association) ECONOMIC BENEFITS OF REGULAR EXERCISE report. Several examples are shown below. To obtain a copy of the report if you are an IHRSA member call the association. If you are not, call and join IHRSA, the greatest organization for our industry in the world. Their number is: (800) 228-4772. You will be glad you did.

•DuPont found that, in a three - year study, it saved \$1.6 million in the first year of its fitness program, \$1.5 million in the second and \$3 million the third year.

•General Electric reduced health care costs for members of its fitness program by 38% in 18 - month period, while nonmembers' health care costs rose 21%. Costs for members averaged \$757 annually; costs for non members were \$941.

•Northern Gas Company employees who are in a cor-

porate exercise program have 80% fewer sick days than non-exercising employees.

•Kennecott Copper Company showed that, over four years, for every dollar invested in its corporate fitness program, the company returned \$5.78.

THINGS FOR CORPORATIONS TO CONSIDER

If you are planning an investment in an employee fitness program:

•The majority of companies currently offering employee fitness programs do so through memberships to high quality athletic and fitness centers.

•Typically, only very large corporations - ones with over 1,000 employees find it cost effective to build and operate on-site facilities.

•In a recent survey of athletic and fitness clubs, 83% of those responding offered either special rates or special services to corporations and businesses. The survey also indicated that one in five of all club members joined as a result of company-sponsored employee fitness programs.

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RAY WILSON'S POSITIVE LEGISLATION LETTER # 1
 (This sample letter is courtesy of Mr. Ray Wilson)

Ray A. Wilson
 Carlsbad, California

California Assemblyman _____
 Room # _____
 State Capitol
 Sacramento, Ca. 95814

Dear Assemblyman _____,

The attached was sent to us by the Marketing Research Department of the Los Angeles Times. They estimate that 18% of all Southern California adults belong to health clubs. I believe that the overall figure for all of California would be in excess of 15%. I have been told that the bill I refer to in the enclosed letter that I mailed in February will be initiated in both the Assembly and the Senate.

Sincerely,
 Ray Wilson
 Founder of Family Fitness Centers
 Designer of the Lifecycle Bicycle

**Los Angeles Times Market
 Research Department Data**

Los Angeles health club members are likely to be young, educated and affluent.

Demographic Profile

	Total LA Adults	Health Club Member
Age (Median)	38 yrs.	34 yrs.
Some college +	54.9%	64.6%
Professional/Managerial		
Technical Profession	19.6%	26.7%
Family Income (median)	\$39,530	\$48,278
Married	53.6%	51.5%

RAY WILSON'S POSITIVE LEGISLATION LETTER #2
 (This sample letter is courtesy of Mr. Ray Wilson)

RAY A. WILSON
 CARLSBAD, CALIFORNIA

Assemblyman _____
 Room _____
 State Capitol
 Sacramento, CA. 95814

Dear Assemblyman _____,

Here is proof that fitness centers can help reduce health care costs and increase work place productivity. Why not have a Corporate/Employee Fitness Month for California?

Decreased Health Care Costs. The American Journal of Health Promotion recently reported that the Coors Brewing Company saved \$1.4 million over six years as a result of starting a corporate fitness program. In a three - year study, Steelcase found that medical claims were 55% lower for company fitness participants than non-participants.

Reduced Employee Turnover. Employee turnover among high tech and highly skilled labor can drastically reduce profit, due to exorbitant training costs. According to the Canadian Journal of Public Health, The Canadian Life Assurance Company found turnover among fitness participants to be 32.4% lower than non-participants over a seven year period. Fortune magazine reported that Tenneco found participants in their wellness program to be 13% less likely to leave than non-participants. They also reported that having a wellness program enabled them to attract better personnel.

Increased Employee Productivity. Commercial magazine reported that General Motors found employees in their physical fitness program had a 50% reduction in job grievances and on the job accidents, and a 40% reduction in lost time.

Reduced Absenteeism and Disability Time. The American Journal of Health Promotion reported that General Mills experienced a 19% drop in absenteeism among fitness program participants versus non-participants. DuPont reported a reduction of 14%.

Please glance at the following corporate studies for proof of the value of fitness centers to corporations and to society in general.

Our lobbyist, Nick Medeiros, will be calling you in the near future to discuss support of a resolution to make October California Corporate/Employee Fitness Month.

Sincerely,
 Ray Wilson
 Founder of Family Fitness Centers
 Designer of the Lifecycle Bicycle



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SALES MAKERS Tip Of The Month

Let's define a Club.... (from Webster's) club (klub) n.

- 1) a group of people associated for a common purpose.
- 2) its meeting place -vi. to unite for a common purpose

Let's define a member.... member (mem'ber) n.

- 1) any of the persons constituting an organization.

Let's define a membership.... membership (mem'ber ship') n.

- 1) the state of being a member
- 2) all the members of a group or organization
- 3) the number of members

Let's define a prospect(Salesmakers) prospect (pras'pekt) n.

- 1) Anyone who is not already a member

If you allow a nonmember to use your club on an unrestricted basis, you don't have a club. It's for the privilege of using the club that the members pay their dues.



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Villa de Papagayo El Ocotal, Costa Rica

Villa de Papagayo is a brand new luxury four-bedroom, four-bath villa with full staff (cook, maid and butler) located on the Pacific Ocean in beautiful Costa Rica. The view from the villa is revered as one of the most beautiful in the world.

The lushly-landscaped villa includes an oversized deck with swimming pool and waterfall. There is also a spectacular great room with 32-foot ceilings, TV, VCR stereo and air-conditioning. Guests at the villa also have use of the amenities at the nearby Ocotal Resort Hotel, which includes three swimming pools, tennis, scuba diving, snorkeling, beach and health club.

Also available are the world's best sports fishing for marlin and sails, rain forest, volcano and giant sea turtle tours, birdwatching, horseback riding, whitewater rafting and various other nature tours.

An all-inclusive plan provides all your food and drink (an open bar) during your stay at Villa Papagayo. The staff is there to provide for your every need and your will enjoy daily wonderful meals of fresh seafood, fresh vegetables and fruits like you've never tasted before. The villa is ideal for parties of four, six or eight persons. Beds can be arranged as kingsize or single for your personal needs.



Those who have seen the view from Villa de Papagayo call it one of the most spectacular in the world. With parrots and monkeys in nearby trees one soon realizes he or she is in a nature's paradise.



The great room has spectacular 32-foot ceiling, French doors opening to the ocean, a catwalk with spectacular views, television, VCR and stereo.

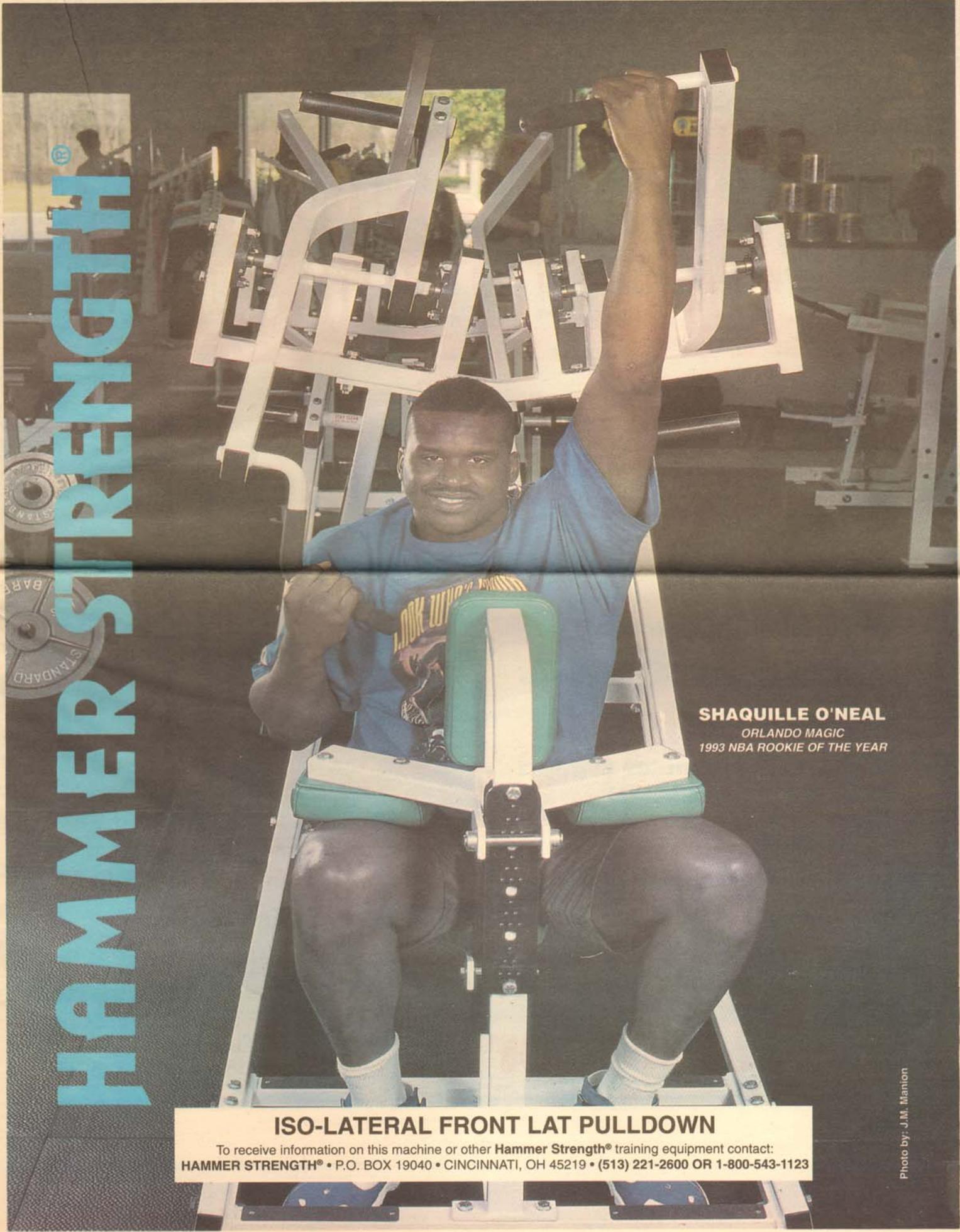


The villa has four bedrooms, including three master suites with ocean views, private terraces, air conditioning, overhead fans and full baths. A fourth bedroom has a full bath and bunkbed.



Villa de Papagayo's giant terrace overlooks the Pacific Ocean and includes a pool with swim-up bar, waterfall and rancho. In the evening guests dine outside under the stars.

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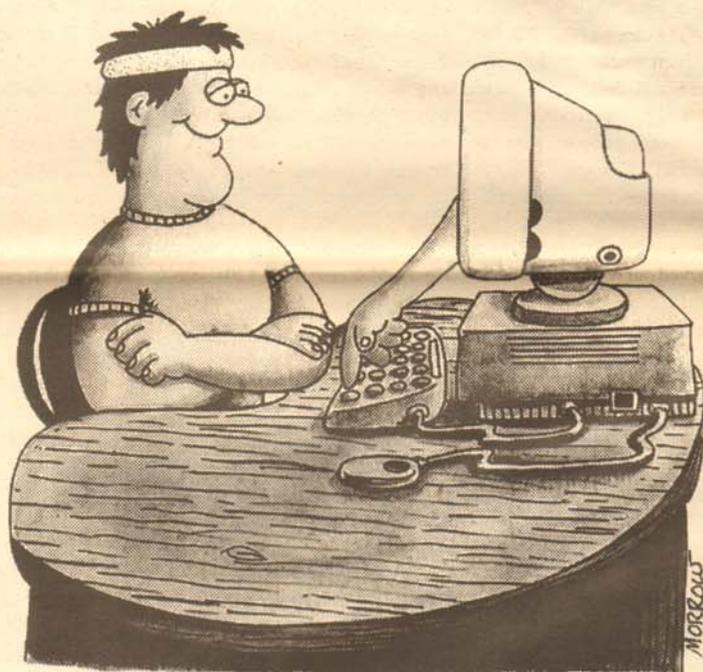
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...Frog's

continued from cover

of changing the world of health clubs for the better. They have clearly seen the light at the end of the tunnel and it is not a train..... but instead, it is a big FROG. The FROG'S Team has learned and applied some important lessons for club success. Here are a few:

LESSON # 1- MARKET DIFFERENTIATION

Market differentiation is that which sets a product aside from its competition. It is what makes people remember it first.....the distinguishing factors. Market differentiation factors can make a huge difference when it comes to competition in the market place. In the case of FROG'S, the market differentiation begins with the name FROG'S and is found in all aspects of the operation.

Many people wonder about the FROG'S name..... its origin..... its reason for being. The name was selected for several reasons: Roger Bates, the FROG'S CEO, served our country as a U.S. Navy Seal and Underwater Demolition Expert. Also, Roger's past included a time when he owned and operated a restaurant he had named FROG'S and the name was one that people remembered because it caused more questions than it answered. Most importantly, the use of the name FROG'S opened up many marketing and promotional opportunities for Vic Lee, the Marketing Director, to use his talents as a nationally syndicated cartoonist and illustrator. Last, and a bonus, was the fact that children have a great influence over the activities of their parents. The name FROG'S caused the acceptance levels of families with children to be much greater.

LESSON # 2- MAKE IT FUN!

In preparing to write this article, this writer visited the FROG'S Solana Beach and Encinitas, California locations and spent time with Roger Bates, the CEO and spoke with Vic Jonas Lee, the Marketing Director on the telephone. Roger, Vic and the other

partners, Peter Peterson, CFO, Craig Anderson, Director, and Nick Connor, Director, are all described in the FROG'S media kit with a page which says: "In the beginning there were 5 guys with nothin' better to do." The bios of the five partners are hilarious and display the focus on humor amongst the group. For example, Vic Lee's reads: "Vic Lee was born in a remote fishing village off the coast of Tucson, Arizona."

The FROG'S organization is focused from top to bottom on the idea of making the clubs a FUN place to be. The promotional materials are amazingly unique and filled with fun graphics, humorous content and cartoons by Vic Lee. Throughout the FROG'S literature little shots are taken at "traditional" health club ideas and procedures such as the back page of the FROG'S Member Handbook which explains that FROG'S has no membership salespeople and no closing rooms. The FROG'S Annual Newsletter is entitled: RIBBIT" and is 48 pages of the most humorous, unique material and advertising you will ever read. It is published by "Lily Pad Press." FROG'S monthly newsletter which covers the 120+ aerobic class schedule, club notes and local advertising is called: "FROG DROPPINGS..... straight poop on monthly activities."

Every year FROG'S goes all out to produce their annual Christmas bash. They remove every piece of equipment and thoroughly redecorate the club to be just like an upscale night club. They cover a portion of the parking lot with a big tent and five local restaurants cater the food under the tent. Valet parking is provided. Over 1,000 people attend the party at \$25 per pop and the event has been honored as the North County's event of the year in the trendy Del Mar - Solana Beach area.

LESSON # 3 - KEEP IT FRIENDLY!

Maybe the most telling part of FROG'S Mission For Fun is the people. They are very nice. I arrived unannounced at the Solana Beach FROG'S on a Tuesday night at about 6:30. I had been on the road and badly needed to

make a "Pit Stop". I hurried through the front door and told the young lady at the reception desk of my plight. Without hesitation, waiver form or aggravation and with a big smile she directed me to the rest facilities. I returned to the desk and told her I would like to see the club and get information on membership rates, etc. She smiled and said, "Come on in and look around. Here is our club handbook which has all of the rate information." She smiled and I went on my way. During my "walk around" a young fellow who was working out noticed me in my street clothes and asked: "Can I be of any help to you?" I said thanks but I was doing fine. Later, I learned that he was one of the full-time employees who was off duty working out. The club was packed to the rafters and it was "cookin" on this Tuesday night. Everybody was having a good time and the place exuded "member satisfaction."

This "club shopping" experience was vastly and dramatically different than the experience I had just gone through about two miles away at a gym in Cardiff By the Sea. When I had arrived at that gym I stood briefly in the foyer. Shortly, a young man hurried up to me and said the following words to me which I quote here exactly. "WHAT DO YOU WANT?" Amused by this barbaric greeting, I reached into my pocket and gave the fellow my business card and told him I was visiting clubs in the area. He said, "The owner told me to talk to you because he thought you might be one of our competitors." I laughed and said, "Sorry, but you have the wrong guy" and I left.

By the way, that gym had already closed down one time before. It was half empty during prime time, so with that attitude..... I wish them luck.

In the San Diego area, the friendliest clubs that I experienced were the Family Fitness Centers and the FROG'S Clubs.

I share this experience with you all because as club owners and operators you may not be aware of the behavior of some of your employees. You may not be aware of how many tens of thousands, even hundreds of thousands of dollars you can lose every year from your business because of employees with a bad

attitude. During my visit to the San Diego area, I visited a lot of clubs and I can tell you there are some employee attitudes there that are costing the owners money every day. And, I think the same is true no matter what the city. But, I can tell you.....a lot of prospective members and customers are being run off by employees with bad attitudes. Maybe nobody has had the guts to tell them, but I am here to tell you that it is happening. I hate to see it because I know how much club owners want to succeed. But, take my advice.....take a close look at each and every member of your staff. If they are generally hostile, if they are on the "juice" or if they have a "guarding the fortress" mentality.....they are costing you a small fortune. (This has been a free message for club owners everywhere to consider.)

Now, back to the FROG'S story. You may wonder..... how has FROG'S gotten its act together? (They have been in operation for only 3 1/2 years) and are preparing to open their fourth and fifth locations.) I think it is because of the experience and highly unusual talent of the owners - the leaders.

ROGER BATES - CEO

Roger Bates is a handsome and friendly giant of a guy. He is the kind of fellow you can spend 10 minutes with and feel like you've known him all your life. I predict that Roger's "people skills" will help him and his partners to make a real "splash" in the health club industry. (If you know what I mean.) Roger has an extensive background in business which includes 17 years in the real estate business in Alaska. During the Alaskan real estate boom years Roger's real estate company had over 100 agents and generated over \$200 million in annual sales. Times change and Roger decided to move to Southern California to a lovely little coastal hamlet that may be America's best secret.....Solana Beach, California. He met his partners there and developed the idea for the FROG'S Clubs. Roger's goals and objectives in the health club industry have been shaped significantly by two experiences: (1) Once he was a member of a gym

in which he worked out five days a week for a full year. One day he went into the gym and realized that NOT ONE PERSON WHO WORKED THERE KNEW HIS NAME! That experience caused him to focus on making his clubs very friendly. (2) Another time he walked into a gym with a blank check in hand and told the young lady at the front desk that he wanted to join the gym. She replied that he would have to see a salesman but he was busy. Roger told her he did not need to see a salesman, but if she would just tell him what it cost to join he would write the check and join. She refused to disclose the rates and whispered to him that she could not.....if she told him the rates she would be fired. That experience caused Roger to want to build the FROG'S Clubs without sales people. Everybody who works at FROG'S can enroll a new member.

Roger's comments about club membership sales give a lot of food for thought. He said: "We choose to respect the consumer as having a mind. We never discount. We never have specials except during pre-opening sales. We do not require a contract. We allow memberships to be cancelled with a 30-day written notice. If a member prepays for one year and decides to quit we will refund a pro-rated portion of his fee. FROG'S offers memberships for 1 day, 1 week, 1 month, Month to Month and 1 Year. Interestingly, Red Lerille of Lafayette, Louisiana has been in business for 33 years and has the exact same philosophy.

VIC JONAS LEE - Marketing Director

I met Vic and his lovely wife Lisa at the San Francisco IHRSA Convention last March. Vic is a handsome guy and looks like a Kato with brains. Not only is he a nationally syndicated columnist with Universal and King Features, he is a gifted, leading-edge thinker whose mind is intent on doing the FROG'S thing very differently, but very successfully. Vic is working with Roger and his other partners to roll out the FROG'S Club Management Team and the FROG'S University.

(See *Frog's* page 18)

Ace Certifies First Lifestyle And Weight Management Consultants

SAN DIEGO, CA. - The American Council on Exercise (ACE) announces the certification of its first 125 - ACE - certified Lifestyle & Weight Management Consultants. Eighty-three percent of the candidates who took the first

exam passed. The certification exam tests the knowledge required to develop sound, balanced weight management programs. These consultants earned a special "gold certification," signifying that they passed the exam before the release of ACE Lifestyle & Weight Man-

agement Consultant Manual (due out Summer 1996).

"ACE spent a year researching the demand for this type of weight management certification program after being approached by the weight loss industry to create such a certification,"

says ACE's executive director, Sheryl Marks Brown. "More than 80 percent of the survey respondents from the fitness and weight loss industries felt there was a need for this type of certification."

ACE also certifies aerobics instructors and personal

trainers. Currently, ACE has over 19,000 certified aerobics instructors and 14,000 certified personal trainers. For more information on ACE's programs call: (800) 825-3636.

...Frog's

continued from page 17

They are working with Doug Carter and the "Heroes and Legends" group to provide club operators with management and marketing training and services that are unique and very different than anything available in the world today. The entire focus is to teach club employees and empower them to do the right things for their members every time.

With Vic's talent and humor, he and FROG'S have won back-to-back national awards for best marketing in America and Canada in the 1992, 1993 and 1994. The FROG'S Newsletter *Ribbit* has also won awards. Vic is also in the process of producing a series of

kid's books on health and nutrition.

LESSON # 4 - Define Your Club's Culture and Teach It!

In discussing the challenges of "cloning" the Solana Beach FROG'S mentality with Roger Bates and Vic Lee, I expressed the concern that the most significant challenge that FROG'S was going to face with their expansion mode would be how to transplant the original and highly unique spirit and culture they had created from one club to another. They both agreed that this was going to be the key to their future success or failure.

In respect to club culture,

Roger Bates explained that they do not permit "outside" personal trainers to work in their facility. They will only allow staff trainers so that conflicts are kept to an absolute minimum and so that they have more control over the situation. He also explained that they do not allow "attitude" members to stay as members of the club. He believes firmly that members with hostile - bad attitudes will disrupt and make the other members unhappy and uncomfortable and will therefore hurt the spirit and atmosphere in the club. He cancels, on average, four memberships per month for "bad attitude." I suggested to Roger that he get some guest passes for these people to go to the gym in Cardiff By The Sea.

Maybe one of the most

interesting concepts in respect to culture that Roger and Vic shared with me was the idea of teaching their employees to learn to "Live Life As A Consumer". So, what does that mean? It means that they teach everyone in their organization to realize that they are there for their member's happiness and satisfaction. They are there to SERVE the members and that is their #1 objective. In order to accomplish that objective day in and day out....year in....and year out.....they want to teach all of their employees to "Live Life As A Consumer" because the club member is the consumer and to do so will enable the employee to FEEL what they FEEL, to WANT what they WANT and to EXPECT what they EXPECT. By mentally wearing the member's shoes ev-

eryday, all day.....they will be better able to deliver what the members expect.

The bottom line is that the FROG'S Athletic Club group has started a REVOLUTION in the way health clubs do business. It is long overdue. Far too many club operations in America have forgotten the importance of FUN, FRIENDLINESS, HELPFULNESS and COMMUNITY GOODWILL. While just a fledgling organization with high expectations and a great start....the FROG'S Clubs are well on their way to a breakthrough in club culture which has the potential to help all clubs everywhere. They teach their employees to treat each and every person who sets foot on their property according to the Golden Rule.

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Frog's Handbook

...Neil Sol

continued from page 4

sure that the established requirements for delivery of the corporate fitness programs are met so that they may obtain referrals from insurance, health care institutions and corporations. If a member does not comply with CFTN standards they are suspended or expelled from the Network and no longer receive referral from CFTN clients.

CFTN SUCCESS

The CFTN currently boasts a client list of over 50 insurance companies including Farmers Insurance Company, Rocky Mountain HMO, Prudential Insurance and Health One as well as corporations such as Pepsi Cola and HealthSouth, who use CFTN services provided by WAC clubs in the Network.

CFTN STANDARDS

Insurance companies and

corporations are interested in CFTN standards which the insurance companies accept as a requirement for a reimbursable preventive health care provider. As a result, the CFTN clients refer subscribers and employees to CFTN clubs for services and memberships.

CFTN MEMBERSHIP

Interestingly, membership to CFTN by a club costs \$1,000 plus the fee to join WAC

which ranges from \$200 to \$500, depending on club square footage.

The average CFTN club member can realize approximately \$10,000 in referred services provided/month, not including the numerous new memberships that are sold.

WAC and its CFTN is a precursor of preventive healthcare network. WAC has created the service that will be of desire to clients interested in providing quality preventive and rehabilitation service in an easily accessible and cost effective method to their cli-

ents or employees.

My sincerest congratulations to Western Association of Clubs and Pat Pine, Executive Director, for leading the way to the healthcare connection.

(Neil Sol, Ph.D. is the President of Health Vantage, Inc., a Houston, Texas - based club consulting firm. Neil is one of the industry's leading experts in the field of health care as it relates to clubs. Neil can be reached at (714) 344-9909.)

...Caro

continued from page 6

females with the explanation of pregnancy causing the disability and requiring some time off. The calculation is based each male and female (in total numbers) employed each month, even if it were for a 1-hour aerobics class as a substitute. This insurance is generally billed quarterly.

The second method is a straight percentage approach which is applied to the club's total payroll each month. The broker should get at least 3 bids and compare the specific calculations for each insurance company and request both approaches.

State-mandated disability

insurance is an area where there is much room for negotiation. Depending on the size of payroll, the savings can be \$2,000-\$5,000.

COST OF EMPLOYEE RECRUITING

Most clubs never stop to consider the real costs to acquire a new staff person, even an hourly front line employee. Furthermore, the time involved is never calculated, as the process of screening, interviewing, decision making and reference checking is never fully contemplated. Of course, the cost of training that new hire is also not fully costed out.

Most clubs can describe in detail the case history of a "bad

hire" but can not fully calculate the expense incurred. Finally, clubs have not learned what are the most efficient and effective methods for them at their clubs.

Typically, clubs place ads in their local newspapers - sometimes, in the local town publication and often, in the metropolitan or city newspaper. Typically, the ads are run for more than one day and for some clubs - are placed under more than one heading. Some place it under "health clubs" and others find the functional headings, (sales, clerical, bookkeeper, maintenance, etc.) are better. At best, these ads will attract a volume of responses but then must be screened extensively.

Obviously, using execu-

tive search firms for managerial positions has validity and the fees charged for this industry are very reasonable.

However, there are several ways of limiting the costs of identifying front line and junior managerial personnel. Encouraging current club employees to identify prospects and paying them a small referral fee is common and often proves successful. Recruiting at colleges or at local job fairs yields excellent results and the right "type" of candidates. Furthermore, developing regular internship relations with local colleges and universities - both at the undergraduate and graduate level - has proven to be very fruitful for clubs. This works best in fitness, computer, athletic programming

and back office departments. Finally, some clubs have worked with their State Unemployment Office to identify maintenance and housekeeping personnel, food preparers, landscaping and grounds staff.

Cost savings in this area along with the other three can add up to significant savings when computed over a year's time - and the member never knows of any of these expenses reductions.

(Rick Caro is President of Management Vision, Inc., a consulting company to clubs and an acknowledged expert in club finances, operations, valuations, feasibility studies and club sales. Management Vision, Inc. can be contacted at (800) 778-4411.)

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...Norm's Notes

continued from page 3

tional Health, Racquet and Sports Club Association) in 1991/1992. Cecil was instrumental in the reversal of IHRSA'S waning financial situation as a Board Member and President along with NICK COTSIDAS, MITCH WALD and RICK CARO and the other IHRSA Board Members. They accomplished a turn around from a deficit of a negative (\$325,563) to a plus \$751,615. A debate is now going on within IHRSA amongst the insiders whether to spend these nice and growing cash reserves on IHRSA member services (it now stands at \$1,207,000) or to keep a significant cash on hand position for a rainy day.

BRUCE HENDIN and his lovely wife **DANA** own and operate the San Antonio Racquetball and Fitness Clubs, a chain of six multi-purpose clubs. They celebrated their 20th Anniversary this year. Congratulations to Bruce as he was picked as the South Texas Entrepreneur of the Year!

The **BALLY CORPORATION** has filed with the S.E.C. to "spinoff" the Bally Health Clubs from the parent company. Also, Bally is now registered in 37 states to sell its franchise program. A recent ad in the Wall Street Journal garnered 80 quick responses.

TONY DE LEEDE, the owner of the 14 location and rapidly expanding Australian Body Works (ABW) chain in Atlanta has announced the alliance of his chain of clubs with Kaiser Permanente. ABW will provide Kaiser Permanente's 180,000 metro Atlanta members with exclusive membership rates, fitness assessments and recommended exercise programs for KP members who become ABW members.

MARC TASCHER has been removed as CEO of New York based TSI according to sources. **MARK SMITH** has been promoted to CEO and **BOB GIARDINA** will continue to serve as President.

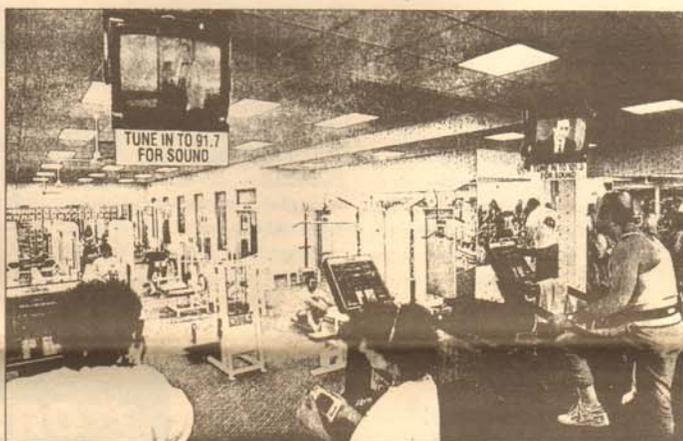
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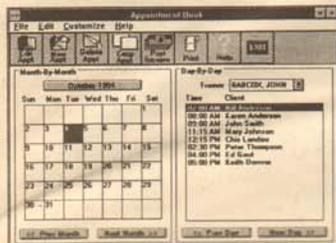
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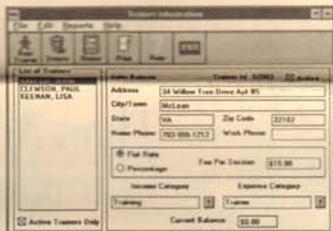
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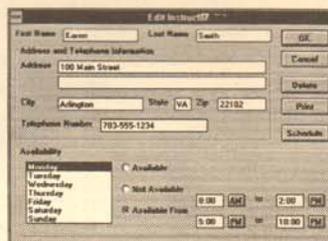
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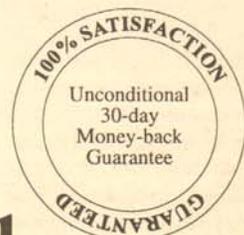
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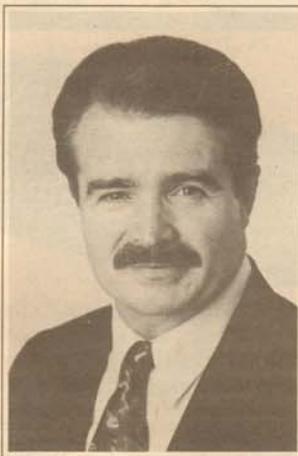
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Artificial Intelligence: A Substitute For Employees?

By James M. Evans

(Editor's Note: The following article is not a commercial. James Evans has served The CLUB INSIDER News as a contributing writer for the last few months and has provided some very helpful articles. This article describes a product which appears to be in a very mature stage in its development and application. I have promised to publish information which I believe is helpful to my readers in their pursuit of profits in the club/fitness industry. In this case, I am publishing the article without consultation with Jim because of a print deadline. I do not know where the company is located or what its phone number is, but I plan to find out. If you wish to obtain that information, call me at (800) 700-2120 after October 22nd.)



Jim Evans

ing workout. Artificial intelligence programming emulates the thought processes of fitness programs based on guidelines of the American College of Sports of Sports Medicine (ACSM). General conditioning, walking, cardiovascular training, weight loss, body shaping, weight training and training programs for virtually every sport are just some of the examples of the available training options. In addition to offering a safe and effective approach to achieving fitness goals, each of the IntelliFit workout provides the participant with a variety of individualized messages such as professional training tips, fitness reminders and nutritional information designed to meet the specific needs, schedule and objectives of the user.

All IntelliFit programs are designed to encourage participation because the system recognizes the motivational aspects of successful, planned training. Everyone's training is subject to highs and lows, inconsistent attendance, injuries, varied information sources, preferences for certain types of equipment and techniques, changing goals and a host of other variables. IntelliFit programs allow the freedom to change courses, equipment, activity, training duration, intensity and goals at any time. It will always prescribe an individualized workout based on the combination of needs and proven methods of ob-

taining results.

All workouts, performance evaluations, charts and graphs are printed on IntellForms, a specially designed workout format. The participant's name, training course, date and other incidentals are printed at the top of the form followed by specific messages developed to meet individual training needs. Messages and programs vary depending on the training activity, goals, time of the year, attendance, performance, etc. Additional suggestions on stretching, sports performance, training habits and everything that might be expected from a team of health professionals, coaches and Trainers is available through the IntelliHealth System.

Conceptual development of the IntelliHealth System began in 1982 as the Expert Instructor System (EIS) to meet demands of the Japanese National Health Care System and was quickly embraced by the Keio University Hospital, Tokyo University, Mitsubishi Corporation, Sumitomo, Honda, Toyota, Toshiba and Sony, among others. More than 6.2 million personalized exercise programs have been prescribed since 1986 with significantly high retention rates for individual users and a demographic mix of 45% men and 55% women ranging in age from 14 to 81 years.

The Heuristic Development Group (HDG) of Pacific Palisades, California, acquired the exclusive rights to the EIS technology and has devoted the past 18 months to enhancing the system's ability to serve the needs of U.S. corporate and hospital based wellness centers. Heuristic CEO Steven R. Gumins has indicated that insurance companies should also show an interest in the system because of its unique storage capabilities and its ability to generate statistical reports.

Participating systems will be connected to each other on-line by internal modems in the ITM which will allow members to key into other ITM machines across the country. If members

are visiting a participating center in another part of the country, their IntelliCard will provide access to their ITM machine too.

Should the IntelliHealth System or other forms of artificial intelligence be perceived as a replacement threat to fitness employees? Of course not. The fitness industry will always be a "people" business which will require interaction between our employees and our customers. Artificial intelligence does, however, provide us with a unique opportunity to enhance our service capabilities by servicing more members in less

time. Qualified fitness instructors and personal trainers can use artificial intelligence to work with several members simultaneously without sacrificing their quality of service. This new ability to increase our level of service can only strengthen our industry in the long run.

(Jim Evans is Executive Director of Heartland Health Center in Boone, Iowa and a 28-year veteran of the health and fitness industry. He was a featured speaker at the annual convention of the Association of Hospital Health and Fitness in Orlando, Florida.)

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HealthCare Dimensions Turning Trends Into Traditions

By Rachel D. Wray

Mary Swanson has been a member of a lot of health clubs. She remembers the running craze of the 1970's, has seen bodybuilding for bodybuilding's sake come and go and has watched as countless buddies embraced various diet crazes over the years. One trend, however, that Mary is predicting will have a lasting and positive influence on both clubs and club members like herself is the movement toward uniting wellness and fitness services under the umbrella of health care. And Swanson knows this not just because she is a club member, but because she is the

one who can effectively bring these integrated services to clubs nationwide.

Swanson is president and founder of HealthCare Dimensions, a Tempe, Arizona - based company wellness integration company for fitness and healthcare services and the nation's premiere business for bringing together health clubs and managed care organizations. Her mission focuses on durable and visible effects: HCD facilitates health clubs in shifting the paradigm of sickness and disease to wellness and prevention through unique solutions in programming, community partnerships and site delivery. In short, Swanson knows that prevention is the best medicine and it starts with a simple question, "What are you

doing to improve the health care of your members?"

For many clubs, however, the question is not so simple. Athletic clubs have primarily focused on fitness for much of their existence and it is only recently that medical-based wellness ventures are entering the realm of their services. And while club professionals are well-versed in conditioning, training and membership, they often do not have experience in providing members with scientific nutritional and physical care information. Fortunately, the majority of health clubs are open to service expansion, particularly when that expansion has the potential to attract new members.

As advocates for health clubs, Swanson and her team advise and broker healthcare provider networks, creating lasting community relationships for the delivery of wellness services. HCD's provider networks simplify the process of implementing wellness services to members by increasing the membership base through choices offered. More importantly, they efficiently teach clubs how to service their members' preventive medical needs by implementing measurement standards of quality assurance, health status and outcomes. The result is a profitable health club relationship that provides health club members and managed care subscribers with the means to realize

improved health.

One of their most recent success stories is a provider network currently being developed in California. A major California insurer is adding a resource for its senior members to exercise and learn about wellness by joining with a large chain of California clubs. Once the program is fully implemented, it will be the blueprint for the managed care organization's fourteen other state territories.

To ensure success, these senior members receive literature, attend specialized classes focusing on senior health and join support groups for learning about taking control of their health. Best of all, the seniors have myriad of clubs to choose from depending on their location or particular needs.

In this project and others, HealthCare Dimensions stresses the importance of ongoing wellness programming. "Our work doesn't end once the network is set up." Mary Swanson states, "We ensure that the programs are working to improve people's lives by constantly applying quality assurance tests and when necessary, changing and adding to the wellness services and programs. We take our vow to improve health status and contain health care costs seriously."

HealthCare Dimensions' second division is its hospital based services. The HCD team works with hospitals to create, from the ground breaking to the grand opening, fitness and wellness programs and services in a hospital-based health club setting. By acting on behalf of hospitals looking to widen their scope of services, HCD offers feasibility studies, facility design, construction administration and project



Mary Swanson

monitoring; the result is a working, successful health club with a strong emphasis on health care and physical therapy. These facilities are proof that athletics and medicine need not be exclusive of the other.

HealthCare Dimensions' success is wholly determined by its unique combination of employees. Swanson brings sixteen years of managed care and health services experience to HCD and has worked with many of the nation's largest insurance providers. Partner Ernie Zaik is a noted club industry leader with 12 years of experience as the President of the Western Reserve Athletic Club in Phoenix, Arizona and understands the inner complexities of creating, working with and improving networks of athletic clubs. Swanson and Zaik's chemistry and heartfelt passion in the implementation of health care services are definitely the secret to success.

HCD is expanding at a comfortable pace. Swanson and Zaik recently hired Lynn Lejcher, who will act as their Minnesota representative and network facilitator. The two partners will also speak at Riverside Hospital's Fourth Annual Wellness and Fitness Conference on managed care organization's responsibilities for subscriber wellness. And the future looks bright: with each club owner and managed care CEO they meet, Swanson and Zaik soundly convince that the club industry's newest trend-wellness and preventive services-is a profound and lasting development.... a new tradition rather than a trend.

(For more information about HealthCare Dimensions, please call (602) 966-5412.)

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...Hoist
continued from page 7

tenance timetables and procedures. He assures that replacement parts are rapidly delivered. He even oversees the re-upholstery service - a unique service of Hoist in the aftermarket. The Hoist employees all seem to share the high spirit for their work that Gary Roth has.

Hoist generates nearly \$10 million per year in their home equipment division through a network of 230 retail dealers throughout the U.S. and Canada. Currently the commercial division has only two full-time representatives. Reflective of that level of representation, the commercial division generates \$3 million per year in sales. But, that is increasing fast.

Enter Steve Datte. Datte, the new Hoist National Sales Manager, comes to Hoist Fitness with an extensive 12-year background in health club sales and management. Steve's last position prior to joining Hoist was as General Manager of the \$20+ million Sporting Club at Aventine in LaJolla, California. Prior to that he spent 7 years with Ray Wilson's Family Fitness Centers.

Datte, a young man, is blessed with an easy going style and a keen sense of business. He has a clear vision of what he plans to do to dramatically increase Hoist's presence in the commercial market.

Datte has been with Hoist for only 4 1/2 months, but already sales in the commercial division have tripled. He is just getting started. He plans to expand the Hoist Commercial Division rapidly by employing new representatives and by driving home the message to commercial club buyers that Hoist is not "just a home equipment company and never has been". He intends to use innovative marketing and public relations ideas to advance Hoist's market presence. Datte comments. "Hoist is a top of the line commercial equipment manufacturer. Club operators are keen and knowledgeable buyers and they know what is good and what is not. If they take a look at Hoist before they buy, they will find out that Hoist is on a par with any manufacturer in the commercial equipment field." He adds, "We plan to be very aggressive in pricing competitive bids for club buyers."

The story of Hoist Fitness Systems..... where they came from and..... where they are going is a great story about American entrepreneurship. Best of luck to Hoist and Steve Datte in their new relationship.

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Gary Yurich Gets Best Lights Patent

ROYAL OAK, MICHIGAN - Gary Yurich, the owner of Best Lights, Inc. and Commercial Building and Retrofit, Inc., announced recently that he had been notified by the United States Patent office that they had approved his application for the patent on his

unique light fixtures. His application for the patent was filed in December, 1993, and the patent was issued as of September, 1995, a 21-month process. The Best Light Fixture is an indirect metal halide fixture. The fixture's unique patent features are its suspended inner

reflector, base-down light bulb, rigid safety conduit systems that conceal the wiring and outer reflector producing more light. The fixture is delivering, on average - 50% more candle-light power, while using 33% less electricity every year. Best Lights are cur-

rently used for indoor tennis facilities, gyms and air structures; however, the potential applications for the newly patented Best Lights Fixtures are vast and include social, recreational, institution, military, educational, sports and many other applica-

tions.

(Gary Yurich is a veteran contractor and may be one of the world's best interior lighting specialists. He can be contacted in Royal Oak, Michigan at: 1-(800) 423-0453.)

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