

Norm Cates'

THE Club Insider

NEWS

The Pulse of the Health, Racquet & Sports Club Business

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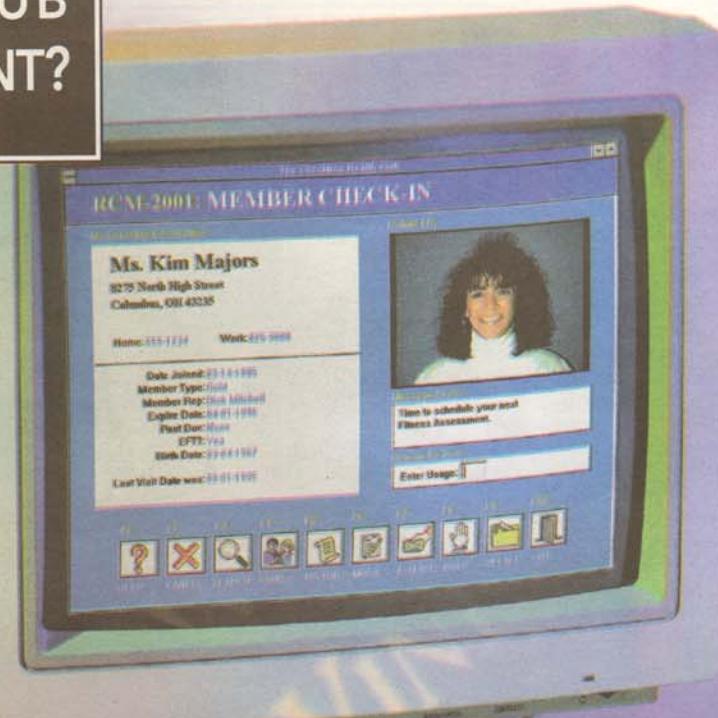
NOVEMBER 1996
VOLUME III NUMBER 10



(From Back Left) Dick Mitchell, Scott Manion, Barry Bluer (Front Left) Brian Kappler and Debbie Pitzo

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Norm Cates'

THE Club Insider[®]

NEWS

The Pulse of the Health, Racquet & Sports Club Business

JOIN THE CLUB!

By Norm Cates, Jr.

If you are a club veteran of many years, you can probably remember the days when you first entered the club business. I do. Or, if you are just getting started, you should read this so you will be better prepared for what you will face in the club business before and after you open. Some of us lacked the business experience and background to set up and administrate the collection, accounting and other financial matters of the business and found ourselves 'chasing our tails' at a rapid pace. Over the years, Pete Kight, the Founder of CheckFree Corporation and Dick Mitchell, the Founder of RCM Systems, Inc., helped stop that chase for many club owners across North America.

Millions and millions of dollars are lost in the health club industry every year by club owners/operators who have failed to establish and operate the necessary collection systems, member identification, membership accounting, marketing management and usage tracking systems. Just think about it. Each month, literally thousands of very important transactions take place in the average club. Those transactions include dues collections, membership documentation and record keeping, membership income accounting, membership and guest communications and mailings, daily usage tracking and the list goes on. All totalled, these many transactions boil down to huge sums of money for each club on an annual basis. From the beginning, the highly successful clubs do it right and do it right over and over, year-in and year-out. The less successful clubs fail to recog-

nize the need for sophisticated systems and fail to invest the most important dollars they can invest in the club business in this very important area of club operations.

CHECKFREE CORPORATION GROWING AGGRESSIVELY TO SERVE CLUBS

Pete Kight created the CheckFree Corporation in 1981 to

collect health club dues via Electronic Funds Transfers. His CheckFree Company has grown dramatically since that time and went public on September 28, 1995, going from 400 employees to more than 1300 in a span of one year. In the last year, CheckFree Corporation has acquired Servantis Systems, Inc., Security Interactive Solutions, Inc. and Intuit Services Corporation and has established itself as the nation's leading provider

of electronic commerce solutions. In 1995, CheckFree processed more than 79 million transactions, moving \$15.4 billion.

The Health & Fitness Division of CheckFree, headed by Dick Mitchell, has earned the reputation of being the leading club management software provider for the health and fitness industry. CheckFree's Health & Fitness Division continues to lead the industry with the partnerships it has de-

(See *Join The Club* page 8)

Club Insider News Celebrates Third Anniversary

Break out the champagne! Isn't it amazing how fast time flies! This month marks the end of our third year of publication!

I would like to thank our advertisers, our contributing writers,

our paid subscribers, my Dad, Norm, Sr. and his wife Louise, and Dr. Gerry Faust and the members of the Faust Executive Roundtable #1, for their support and contributions over the past three years.

We will look forward to serving you all in the future!



(from back row, far left) Ken Dray, Victor Pezzi, Valerie Schiefer, Greg Williams, Steven Stepp, Tito Delpin, Lee Herbst, Ronn Black, Travis Risner, Rhonda Maynard, Linda Guthrie

Promotional Subscription Discontinued

• Inside The Insider •

- IHRSA 'Value-Check'
- Don't Shoot The Messenger
- Crunch Fitness - Part II
- Analyze Your Competition
- Good Start: Guidelines
- Top 10 Reasons Tennis Has Declined

For 16 months we have provided you with a monthly free copy of *The CLUB INSIDER News*. This was done at significant expense... expense which continues to rise.

We hope you have enjoyed receiving *The CLUB INSIDER News* and have been able to use the publication to improve your business and stay abreast of what is happening in the health, racquet and sportsclub industry.

By reading *The CLUB INSIDER News* every month and

using the ideas and concepts delivered by our excellent contributing writers, you are better prepared to stay ahead of your competition.

Unfortunately, we must discontinue the regular free monthly editions.

So that you may continue to stay close to the latest industry news and innovations, we invite you to subscribe today. Just \$49 for 12 editions or \$79 for 18. For your convenience we have enclosed an invoice for you. All that is needed is for you to

complete the form and mail a check for \$49 or \$79 or charge the subscription to your American Express or Discover Card.

We have enjoyed the opportunity of providing you with the publication that "Tells It Like It Is," *The CLUB INSIDER News*. We hope to continue to do so in the future.

Our very best regards,
Norm Cates, Jr.
Publisher and Editor
The CLUB INSIDER

THE INSIDER SPEAKS

• EDITORIALS • "INSIDER MAIL" • COMMENTS •

IHRSA 'VALUE CHECK'

Since we began publishing The CLUB INSIDER News in December, 1993, we have devoted a significant amount of ink to IHRSA - The International Health, Racquet and Sportsclub Association.

We support the Association and have promoted membership in the organization to you, our readers, whenever we have the opportunity.

"Perceived value", as we all should know in the club industry, is what the consumer thinks of that product in relationship to what he or she pays or is asked to pay for said product.

The 'perceived value' of IHRSA membership varies depending upon the interest level and participation of the Association members.

It appears that the growth of IHRSA Membership is on the upswing internationally and may be somewhat stagnant in the U.S.

If that is the case, maybe it would be a good idea to have an 'IHRSA Value Check' so that our readers know exactly WHY it would be a good idea for them to join IHRSA now, and if they are IHRSA Members, WHY they should stick with the Association and support it with more active participation.

WHY JOIN AND MAINTAIN IHRSA MEMBERSHIP?

Our industry is approximately 60 years old. During the first 45 years in the history of our industry, very little was done to professionalize the industry. Since IHRSA was founded in 1981, more has been done to professionalize the health, racquet and sportsclub business than in the previous 45 years combined. How has this happened?

It has happened in many ways:

IHRSA BENEFITS AND FEATURES

IHRSA was the first club Association in history to do the following:

- Adopted a Code of Conduct and Membership Pledge by its membership.

- Produces Annual Industry Data Survey for its member clubs to help them understand the financial end of their business.

- Provides two annual conventions for its membership... one Annual International Convention & Trade Show and one Annual IHRSA/ATHLETIC BUSINESS Sales, Marketing and Programming, Convention and Trade Show.

- Publishes a 4-color magazine for the membership called Club Business International (CBI).

- Set and enforces standards for member clubs.

- Established a summer University Program for Management Level employees. (IHRSA Institute).

- Created a group buying program for member clubs.

- Establish a fully staffed government relations and legal assistance department for members.

- Created a Fitness Club Network to provide a connection between IHRSA Clubs and HMO's.

- Established the IHRSA Institute on Exercise and Health to provide research on all aspects of exercise and health.

- Conducted a consumer outreach program called Commit To Get Fit.

- Funds numerous research projects and publications on the health club member and the benefits of regular exercise.

- Established 'The Fund' a coalition of IHRSA Members united to oppose tax-exempt and non-profit competition.

- Publishes 'Fair Game' a Newsletter to update activities of 'The Fund.'

- Created a significant Resource Center for IHRSA Members to provide a source of educational materials.

IHRSA also provides the 'Passport Program' which is a world-wide reciprocal usage program for members of participating IHRSA Clubs.

In addition to the many services and results-oriented things that IHRSA does, it has also been very supportive of the network of Regional Club Associations, the Fitness Products Council, the American Council on Exercise, the President's Council on Physical Fitness and Sports, the American College of Sports Medicine, the United States Tennis Association and many other organizations.

Collectively, IHRSA and these many other fine organizations have moved our industry forward with giant steps over the last 15 years.

So, if you have ever been a member of IHRSA and have dropped out, maybe it would be a good time to consider rejoining and getting involved. And, if you have never been an IHRSA Member, now is a great time to get involved, as in December in Orlando, Florida, where IHRSA will hold its 10th Annual Sales, Marketing and Programming Convention. And, in April, 1997, in San Francisco, IHRSA will host its 16th Annual International Convention and Trade Show. These conventions will provide you with several positive results: (1) You will have your choice of many excellent educational seminars presented by club professionals who contribute their time and energy to make our industry better. (2) You will have the chance to network and make new friends with club owners and managers literally from around the world. That alone makes every convention trip worthwhile. (3) You will have the opportunity to attend the Trade Shows and see the latest and finest of technology and equipment for our industry. (Membership in IHRSA is not required to attend the Trade Shows, but you really should not miss the learning and sharing opportunities provided by membership and attendance at the convention seminars.)

There are a lot of terrific people involved in the IHRSA operation. Over 15 years, there have been several hundred club owners and managers that have served as IHRSA Board Members. And, the IHRSA Staff is composed of a

group of true professionals who make IHRSA their passion and do a terrific job.

By joining IHRSA now, you can attend the Conventions and Trade Shows and learn more and more about your business.

And, no matter how long you have been in the business, it is a good idea to do that.

To connect with IHRSA, just call: (800) 228-4772. You can't go wrong!

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•NORM'S NOTES•

KAREN

WOODARD, the President of Premium Performance Training and JANET LOSSICK, the Vice President of Los Caballeros Sports Village in Southern California, two of the sharpest and top professionals in our industry, hosted a workshop and Executive Roundtable for Women in the Industry at the recent Chicago Club Industry Show. The sessions were provided under the auspice of "VISION IN ACTION", (VIA) a foundation that Woodard and Lossick founded five years ago. The purpose of VIA to support, nurture and empower both the professional and personal growth for women in the industry and create a dynamic process to turn their visions into action. The response to the workshops and roundtable were strong especially with the introduction of the VIA Mentor/Protege Program. For more information on VIA or Mentor/Protege Program, send a self addressed envelope to Vision In Action, 711 Heliotrope, Corona Del Mar, Ca. 92625

RAY WILSON of 24 Hour Fitness (Formerly Family Fitness and 24 Hour Nautilus) has done a lot in his nearly 70 years of life, but this may top it all. Recently when the fires hit the Carlsbad/LaCosta, California area, Ray's son, PACKY WILSON's brand new home got into the path of the wind driven fires. Ray, his son PERRY WILSON and Son-In-Law, JUSTIN, went to the scene and found the fires lapping at Packy's two neighbor's home and precariously close to Packy's new home. Ray and the guys pulled out the hoses and fought off the fires from both of the neighbor's homes and Packy's home, saving those three properties from the raging fires which claimed over 70 homes in the neighborhood. Incredible! To give you the idea of the kind of guy Ray is, I spoke to him about two weeks ago and he didn't even bring it up, I learned about it from MARK MASTROV at the Club Industry Show.

MARK MASTROV, the President of 24 Hour Fitness, informs me that they have recently acquired 16 facilities making their current total: 135 clubs. They bought 12 Gold's Gyms in Houston and Dallas, Texas from BRUCE NICHOLS, RICK ZIMMER and MIKE SCHNAKENBERG. Following their plan for acquisitions, Mastrov explained that the former partners will stay on with the company and continue to operate the 12 locations and will be involved in future expansion plans with 24 Hour Fitness. Mastrov also revealed that they had just bought four of MIKE TALLA'S Sports Connections in

Southern California. 24 Hour Fitness will operate them. I discussed the future of BALLY TOTAL FITNESS with Mastrov and he says, "I think Bally's will be fine. I hold Bally Chairman, ARTHUR GOLDBERG in the highest regard and I think he is a brilliant businessman. I think they will raise the capital they need and they will be fine."

TONY de LEEDE, co-owner of Cardio Theater, hosted a reception for the many club industry manufacturers and suppliers that provided equipment and services for the first ever OLYMPIC VILLAGE HEALTH CLUB. The facility, located smack-dab in the middle of the Olympic Village at Atlanta's Centennial Olympic Games, served an average of 500 users per day during the Olympic Games. Tony's Cardio Theater Company has come out with new wireless technology which should make the already very popular Cardio Theater systems even more popular with club operators.

Congratulations to 10 year old AUSTIN NIETO for winning the leadership award for 1996 on his football team, the Winnetka Eagles! I spoke to AUGIE NIETO, Austin's Dad and the Founder and President of Life Fitness at the Club Industry Show in Chicago and you will never find a prouder Dad. Way to go Austin and keep on leading 'em just like your Dad does!

Speaking of football, JUSTIN CATES, 11, my son, (just-in-case you forgot his name, just remember- Justin Cates), finished his first year of football with a very good performance in his last game of the season. Way to go Justin C.! He is a 6th grader, playing on the Walton High School Raiders 7th grade team. You will notice a classified ad in this issue from the Walton High School Fa-



Justin Cates, 11

cilities Foundation. The Walton High School Booster club has just built a new field house and they have a 3,000 square-foot weight room we are trying to equip with flooring and used weights. In 1985, I donated 16 Nautilus Machines to my high school in Rome, New York and wrote off the depreciated value of the equipment as a donation. Since the organization that built the fieldhouse is the Walton High School Facilities Foundation, Inc., you can legally write any donation of equipment off of your personal or club taxes for 1996. Give MAURY STEAD a call at: (770) 319-9889.

CARL PORTER is a good friend and the President of Michigan based MED SPORTS, INC., the operator of the awesome 170,000 square-foot, Michigan Athletic Club in East Lansing, Michigan. He told me about an expansion of the hospital owned facility that he has under way. Get this! The expansion of facility will add 100,000 square feet and will cost nearly \$9 million! Can anybody out there top that one for a club expansion plan? Good luck Carl!

I spoke with RAY O'CONNOR of The Waukesha Athletic Club and JOHN GEBHARDT of the Lake Country Racquet Club and KAY YUSPEH in Chicago and learned that even though they were successful in blocking the Waukesha Hospital from building an \$11 million tax-exempt health club, the hospital is going ahead with the project using other financing. Looks clearly like a sham to me — in that I would expect the hospital to try an "end-run" and try to switch the status back to a tax-exempt status. If they try that, I'll bet that Congressmen, Gerald Kleczka and F. James Sensenbrenner will have a thing or two to say about that! Give 'em hell boys!

Speaking of The CLUB INDUSTRY SHOW in Chicago, congratulations to TOM MORGAN and TERRY MOFFATT and their team for delivering another excellent Conference and Trade Show!

DAVE PICKERING heads up IHRSA's Corporate Fitness Network and is getting some really terrific results for the participating IHRSA Members. Next month we will have a report on what Dave's IHRSA Corporate Fitness Network has been able to accomplish.

My apologies for the delay, but I'm late on the report on the new Legislation that is being passed, I'll have that report in the next edition.



Norm Cates, Jr.

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MICROFIT'S HEALTHCARE CONNECTION THE CLUB NETWORK TIDAL WAVE

Don't Shoot The Messenger

By Neil Sol, Ph.D.

I recently had the opportunity to present a seminar to health club professionals on the growing phenomenon of health clubs developing into preventive provider networks to fulfill the needs of health insurance company's managed care plans. In giving this presentation, I experienced an interesting reaction on the part of the attendees. Many were getting upset that it might be

inevitable that they would have to become part of a network of clubs to remain in business in the future and become a preventive provider to an MCO. They also became upset because they realized that they potentially could lose some control of their businesses and might have to capitulate to the desires of a MCO attempting to secure services and membership for its large subscriber population.

In other words, an MCO presents club networks with somewhat of an ultimatum, in that the network of clubs will have to provide qual-

ity preventive services and memberships at preferred pricing (discounts) or the MCO will direct their subscriber to another club chain or network.

The discomfort I observed in these club professionals seemed to not only arise from the possibility of an MCO ultimatum, but also from the idea that all clubs in the network are not equal in provision of quality services. However, by virtue of being part of the network and signing a contract with the MCO purchaser, all clubs will be perceived as equal and will receive similar payment for memberships and services rendered. Additionally, to gain access to the large subscriber population the MCO offers, the club member of a network would have to decrease their prices, risk high club utilization from members paying a discounted fee and limit the amount of club space available to full paying non-MCO clients.

The club professionals' concerns as they relate to these issues about networks is certainly understandable. However, my role in this seminar was to offer insight to the future potential of large purchasers dictating to clubs on pricing and quality as they do and have done to the medical industry.

Clubs forming into networks to support the needs of MCOs is a current reality. Club networks have and are forming. We cannot and should not turn our backs to this eventuality. The Arizona Fitness Network, Colorado Fitness Networks and the IHRSA Network currently exist and are operational with contractual relationships with numerous health insurance MCOs.

Additional private companies are popping up in our industry organizing club networks and representing these networks to insurance companies and other purchasers throughout the country.

The future suggests that like physicians and hospitals, clubs will be members of provider networks; listed in company directory; and subscribers will be incentivized to use network

(club) providers to obtain the financial and programmatic benefits of the pre-negotiated relationship.

Becoming part of a network is however, NOT.... I repeat NOT, a requirement for your club. You can choose to be independent. The choice is strictly a business decision. If you believe your club offers better quality and is a step above your competitors and enjoys a relationship where you believe members will want to pay full price for your services and membership, it probably is best that you not become involved in a club provider network.

Individuals who have purchased health insurance with companies that offer club networks have the option and the right to purchase services outside of the network. If a subscriber in this situation obtains services from a club out of the network they would have to pay more and may not receive any reimbursement. It is important, however, to note that the insurance company who is the primary payer for this service will disincentivize their subscribers from purchasing services outside the network by requiring a higher co-pay or full pay from the subscriber.

Additionally, you can bet that the insurance companies will not promote out-of-network clubs to their subscribers because of the additional expense. The out-of-network club would have to promote itself (at a significantly higher expense) and hope that the MCO subscriber can discern quality and a difference in services between their club and one in the network and that the difference is worth the additional expense.

Social, recreational and dining type clubs that have a country club feel probably will be insulated from needing to join a club provider network because their member will probably self pay for the membership and not consider their club membership as something that would be subsidized by their insurance.

However, the generic fitness club will not be as well insu-



Neil Sol, Ph. D.

lated from MCO demands. Their leverage with clubs will be the large population of people they are purchasing services for, their willingness to create their own club network of providers and their willingness to direct their subscribers to another network other than yours.

This sounds like a scary proposition. The club has to join a network or become a passive bystander in this wave of change. It comes down to a decision to join a network or stay independent.

It does not, however, have to be where the club is controlled. If clubs organize into networks, establish quality criteria that must be achieved for membership in a network and approach the MCO with an attitude that we offer a service and commodity that will be beneficial to the MCO, we will be able to dictate our destiny. The network can then obtain fair pricing although preferred for the services rendered. However, if we put our heads in the sand and not acknowledge the potential of this change to our business, we will surely get the short end of the stick and be at the mercy of the insurance company and any other large purchaser, such as hospitals and corporations.

Although the health insurance industry is a big industry, much larger than the club industry, we still can negotiate on an equal footing because we have services the MCO needs (for their sales and (See Neil Sol page 14)

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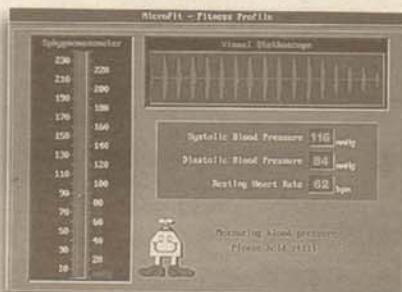
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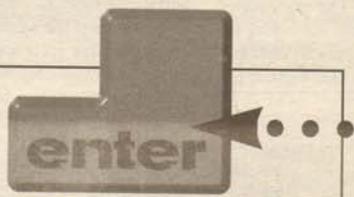
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...Join The Club

continued from page 3

veloped with Life Fitness, MicroFit and Collectech.

CHECKFREE AND LIFE FITNESS

To provide club owners/operators with greater efficiency, CheckFree has also established working relationships with Life Fitness to establish front desk check-in systems which interface with Life Fitness' LifeCenter® interactive fitness system, a multimedia kiosk that makes it easy to create customized workout programs for all fitness facility members." "The connection of these two systems eliminates the need for club members to check-in at both the front desk and the

LifeCenter kiosk," said CheckFree Health & Fitness Services Vice President, Dick Mitchell. "Members simply swipe their membership card through CheckFree's system when entering the club, and an electronic message is automatically sent to the LifeCenter system. The LifeCenter system registers the club member and makes available his customized computer workout", adds Mitchell.

CHECKFREE AND MICROFIT

CheckFree has established a working relationship with MicroFit which will interface MicroFit's Computerized Fitness Evaluation Systems with CheckFree's club management software products. "Creating this link between the systems allows clubs to offer their members the most advanced services, without creating a lot of extra non-productive work for the club owners," comments MicroFit Vice President, Rob Rideout. "With this link, member information will be entered in CheckFree's club management system once, and then easily transmitted to the MicroFit system so that members enjoy the most accurate fitness evaluations available today, without taking club owners and personnel away from other facets of growing their business," adds Rideout.

CHECKFREE - FIRST CREDIT AND COLLECTECH SYSTEMS

To enhance the collection capabilities of clubs, CheckFree has established a relationship with First Credit Services, the leading collection agency for the health and fitness industry that will allow club owners to electronically send membership contracts to collections and with Collectech Systems, Inc., that provides third-party collections and first party customer retention services.

CHECKFREE AND RCM SYSTEMS, INC.

In July, 1992, CheckFree acquired RCM Systems, Inc., which was owned by club financial veteran, Dick Mitchell. Dick Mitchell has long been recognized in the club industry as the greatest computer mind in the business. He has been a leader in the NCCA (National Court Clubs Association) and IHRSA (International Health, Racquet and Sportsclub Association) as its Chairman of the Associate Membership Committees.

From the union of CheckFree Corporation and RCM

Systems, Inc. was spawned the CheckFree Corporation's Health & Fitness Services Division. The Health & Fitness Services Division provides a number of financial services for clubs including the new RCM2001-THE NEXT GENERATION™.

THE RCM2001 - THE NEXT GENERATION™

R

CM2001- The Next Generation™ was developed with one goal in mind: to make the club more profitable. It's a total system combining hardware, software and Electronic Funds Transfer (EFT) services with simple, efficient, cost-effective club management. And, it's equipped with Windows for greater automation.

The five major functions of RCM2001-The Next Generation™ are:

Electronic Funds Transfer

- You manage the electronic funds transfer of your members' fees from their checking or credit card accounts. It also provides direct deposit of your receivables into your business account and automatically updates members' payments and/or returns in-house.

Membership Database

- Organizes and tracks all membership information, permitting

retrieval by member name, number or bar code.

Membership Accounting

- Performs all accounts receivable functions, including daily cash receipts and charges, monthly/annual membership billing and online transaction history.

Marketing Management

- Allows you to fully analyze your membership and guest files for special marketing programs, trends and demographics. You can also produce lists and labels for guests and members.

Usage Tracking

- Provides a detailed diary of each member's club usage by time, day, week, month and year for two years. Low usage or corporate usage may be identified through special features of the program.

Additional special options

give you the following capabilities:

- (1) Sales prospecting
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- (6) Front Desk Check-In using the Card Reader
- (7) Progress results report generator-provides formal reports for corporations and other special tracking users.
- (8) Electronic credit card processing for rapid transfers of funds.

(See *Join The Club* page 20)



Crunch Fitness... Way Out and Right On!

PART II

By Norm Cates, Jr. With
Crunch Founder, Doug Levine

In Part I last month we heard from Doug Levine, Founder and President of Crunch Fitness, who gave us an interesting and in-depth interview about his very unique and successful organization, New York-based, Crunch Fitness. In Part II of this report we've covered a number of other topics with Doug with a continuation of his interview.

Q. CLUB INSIDER - "How do you go about selecting employees and training them for your clubs?"

A. Doug Levine - "We interview them and talk about the kind of place it is. We emphasize that we are not looking for Barbie and Ken types that are going to intimidate people. We don't care what you look like, but, we are looking for you to go out of your way to be very, very accomodating and at least for the time you are working for us, not be snickering and making inside jokes at the expense of other people. And with managers, that philosophy is really indoctrinated into them. We work with these people and I guess we actively try to hire a diverse group of people."

Q. CLUB INSIDER - "You are doing a host of things, including publishing a book, marketing video tapes, C.D.'s, T.V. shows, apparel, "Internet Dream Shop", international licensing, Crunch Course Infomercials, Crunch Course for Kids, Hypoxic Training, etc. and you are just one guy.... how do you keep up with all this?"

A. Doug Levine - "What we do is we really are focus from day one on creating fun environments in the gyms. Then, what we are looking to do is to joint venture or to license to very substantial manufacturers and distribution partners. We don't call Barnes and Noble book stores and say, 'Hey-did you see our Crunch book?' Doubleday, which is one of the largest publishers in the world, calls Barnes and Noble and sells the book. They have the clout. We don't

call Tower and Virgin Records and say, 'Would you take our C.D.'s?' We did our project with RCA Records....they have a 50-year relationship (or longer) with the retailer. The same thing is true with our video tapes. I wouldn't know how to sell K-Mart no matter what. Handelman is in that business - they are the largest distributor of music and tapes in the world. They have that relationship. The same thing is true with our apparel licenses. So what we like to do is pick strong manufacturers and distribution partners and we provide the advertising and marketing creativity."

Q. CLUB INSIDER - "For club owners out there that would like to 'build-a-brand', what does this really mean?"

A. Doug Levine - "Let's say you're in Gary, Indiana - and there are other businesses that are unique to Gary, Indiana. There are all kinds of things that you can do together. I mean there has got to be a local bottled water company. There's got to be the advertising of the club. I was in Nike Town yesterday. The door knobs on the bathroom stalls have the little Nike swooshs on them. So, when you push down you're really pushing down on the Nike swoosh logo. That's branding. Every little aspect. So, first you have to figure out what your image is and then you have to reinforce it through advertising and your promotional materials and the looks and the designs of the clubs. Through your whole philosophy. Through the way that you train your employees to the image that you want to have that's consistent. To the events that you sponsor. You know.... becoming a part of the community and having every part of the community see what your name

is. A huge company.... Oxford industries, the HMO, doesn't spend money on consumer advertising to speak of, but they sponsor Little League teams that have their Oxford logo and their corporate philosophy on the back of all these kid's jerseys. To me that's a grass roots way for for somebody to build a brand. The problem is the clubs.... you have to do a little soul searching and figure out what it is that they are all about. There are many different brands out there and not all of them have non-judgmental philosophies beyond the edge. There are brands that stand for quality, for example, Master Lock - they advertise every year on the Super Bowl with somebody shooting at that lock. Over and over. O.K. There are a thousand different images out there. And, a lot of clubs have spent a lot of money and the image of quality and service is there. You can get that image across, but that's what you've got to do."

Q. CLUB INSIDER - "Are you going to do licensing for Crunch clubs in the U.S.?"

A. Doug Levine - "We're going to open the major markets ourselves, then we are going to play it by ear."

Q. CLUB INSIDER - "How many locations do you project for L.A. and what are your next target cities?"

A. Doug Levine - "3 in L.A. and we're looking in Miami, San Francisco and Chicago after that. Tokyo would be a licensing deal if we do it."

Q. CLUB INSIDER - "Could you tell me a little about the Hypoxic Training Room and how that is going?"

A. Doug Levine - "The Hypoxic Room has become sort of

a self-fulfilling prophesy- because we get as much publicity as we get - different inventors, whether they be equipment manufacturers or people that have new different teaching techniques, come to us because they think we are a good partner for them to get exposure with. So this gentleman brought a Hypoxic Room that simulates training at 9,000 feet above sea level, which is where the Olympic Training facility is in Colorado. We have one bike and a treadmill in there. The idea is New York City is basically at sea level and the best way to live is to live at sea level and train at 9,000 feet above sea level, so that gives you the best of both worlds. It is a 9' x 9' room."

Q. CLUB INSIDER

"What is the story on your ESPN2 T.V. Shows and your VH1 Thanksgiving TV Special?"

A. Doug Levine - "The ESPN2- TV show airs Monday through Friday at 9am and 10:30 am. Our one hour VH1 Special will be on Thanksgiving Day at 3 pm and will re-run again at 3pm on Saturday and Sunday of Thanksgiving weekend."

CLUB INSIDER

"Doug, thanks for your time for this interview."

Doug Levine - "Thank you Norm."

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Analyze Your Competition To Find Your Strengths

By Karen Woodard
President,
Premium Performance Training

(The following article is #2 in a six-part series focusing on enhancing your sales process)

If you're going to be an expert in your field you need to not only know your business inside and out, you also need to know your competition as well. The knowledge of what they do well, don't do well, what they offer, what is unique, what they charge for fees, etc. is impa-

tive to your success in being able to make an accurate comparison of your facilities, programs and services. That knowledge will help you address concerns of a prospective member. It is also a key step in developing a strong U.S.P. as discussed in article #1 in the October edition of The CLUB INSIDER. If you are still not sold on the importance of performing regular competitive analysis, think about this: how often do you make improvements/changes in your facility whether they be new equipment, new services, programs or renovations? If you're making regular changes, then what makes

you think your competition is standing still? That's why it's called "competition"—we're always trying to "beat" the others in the market. We want to know when our competitors make those changes and the potential impact the change has on the marketplace as early as possible so we can stay ahead and choose the best position for ourselves.

The optimal timeframe for doing regular on-site analysis is every two or three months and phone analysis should be done every month to know what your competitors are doing for promotions. Regarding phone analysis, simply call the clubs and let the receptionist know you're interested in membership information. When they transfer you to the membership department, you have two choices: to either identify yourself and what you're doing or to present yourself as a prospective member. Your choice depends on how good of a relationship you have with your competition and how forthcoming you believe they will be when you identify yourself. If you chose to identify yourself, the following verbiage works well: "Hi Bob, this is Karen at ABC Club. Hey—the reason for my call is that from time to time we get prospective members coming through our doors that we know are better suited for your club than ours so we want to be able to give them a feel for you—what's going on in membership this month so I know what to tell them?" If you have a good relationship with your competitors, this will work 80% of the time. If you don't, they may respond with "Well just tell them to come over here and we'll tell them what's going on."

The other choice is to not identify yourself and simply call and say "Hi—I'm interested in membership information" and let them roll. The choice you make on deriving the information is entirely up to you.

On-site analysis is a bit different and still presents the same choice as phone analysis—whether or not to reveal your true identity. The problem with revealing your true identity is that we know that the presentation/tour will immediately change because we are no longer a prospective member for the membership rep-

resentative. That's a problem if one of the pieces of information you want involves their sales style. If all you're doing is analyzing the facility, services, programs, fees, etc., then there is no reason for you to not identify yourself.

Prior to going on-site, mentally prepare yourself for what you are about to see by being observant of the following details:

- exterior impression: trash, fresh paint, signage, etc.
- overall feel and smell of the facility upon entering
- greeting/acknowledgement upon entering
- cleanliness and organization
- level of usage at that time
- demographics of the membership
- unique programs, services or amenities and how they're promoted
- amount, type, condition, placement of equipment
- facilities
- staff appearance/availability/approachability
- listen to how the members and staff interact with each other and about the facility

These are just a few of the areas you'll want to be observant of on the tour. You'll also want to get as much literature as possible on pertinent programs/services/fees. Upon completion of the tour, go to a quiet place off site where you can document * what you've seen. The purpose of the documentation is to share it with the other membership representatives at your club to have a stronger position with which to work through the objection of "I still have other clubs to see". You'll now be able to respond with: "Ms. Prospect, I understand how you feel—this is a significant decision and you want to know you've made the right one. Maybe I can help—you see our training not only requires us to stay on top of what is happening in the industry from a big picture perspective but also on a local perspective so that we can continue to provide the best there is to offer. That means



Karen Woodard

we regularly visit the other clubs in town to know what we all have and are doing. Which clubs will you be seeing and what can I tell you about them?"

My experience as a Membership Representative, Sales Director, Club Owner and Consultant tell me that for some people, competition analysis is one of those sticky, uncomfortable duties of selling. If this sounds like you, it may be time for a paradigm shift. There is no successful business alive today that does not know intimately what their competition is doing. By doing a competitive analysis, it not only gives us a more accurate picture of our placement in the market, it also gives us another opportunity to make our clubs that much better and improve our closing skills. When we can speak intelligently and with authority about our competition, we have that much more credibility in the buyer's mind creating a stronger desire to buy from you.

*If you'd like a free copy of a Premium Performance Training competition analysis form, please send a self addressed stamped envelope to the address below.

(Karen D. Woodard is President of Premium Performance Training located in Boulder, Colorado. She has owned and operated fitness facilities in Colorado for over 12 years and can be reached at: (303) 417-0653 and Premium Performance Training, 100 County Road, Boulder, Co. 80302.)



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'Good Start' Guidelines For New Club Developers And Guidelines On

How To Close A Club (If You Must)

By Norm Cates, Jr.

Last month I promised I would publish an article on "How To Close A Club." However, a friend of mine with whom I was discussing the article suggested that to entitle the article: "How To Close A Club" was too negative and that I should change the title. I decided to change both the title and the con-

tent. This article is about some guidelines for those of you who are just getting started in the club development world. And, it also is about How To Close A Club. Because, when you really think about it, club closings are often about what happened or did not happen during the initial club development stage. In other words, if you do your homework carefully when putting a new club together, you greatly enhance the odds of your club's long-term sur-

vival. And, if you have a club that is having some difficulty, you might even use these 'Good Start' Guidelines to turn your club around.

GOOD START GUIDELINES FOR NEW CLUB DEVELOPERS

So, you want to be in the health club business. You may have decided that because you spend so much time in the gym working out that you might as well build your own. Or, you may have gotten an inheritance and don't know what to do with it. Or, this may be your lifelong dream that has or is coming to pass. Regardless of your reasons for getting into the business, here are some time tested 'Good Start' Guidelines on club development.

(1) Financial Qualification - Avoid undercapitalization! The #1 'Kiss-of-Death' in the club business is undercapitalization. So, if you are thinking of developing a health, racquet or sportsclub, you had better be financially qualified to do so. To determine if you are qualified you must know: (1) What kind of facility you want to build. Is it a gym/fitness only facility? Is it a multi-purpose facility which offers a fitness facility, swimming pool, racquetball and squash courts? Or, is it a full-blown 'sportsclub' which offers several fitness facilities(co-ed, women only, and kids club), several pools (indoor and out), all racquet sports(indoor and outdoor tennis, racquetball, squash), basketball courts/ outdoor volleyball, spa facilities, child-care, bar/lounge/restaurant. Depending upon what you want to build, you and your partners must be able to 'ante-up' as little as a half million up to \$10-\$12 million.

The reality of the 'real dollars' necessary is undeniable and you should not 'kid yourself' into thinking you can build your club from pre-sale membership revenue, because that is the easiest and most frequently made mistake in the business. It is a good idea to have developed a clear fi-

nancing plan before you move forward. This is done by taking 'ball-park' figures along with conceptual drawings to the banks or investors that you think might help fund your project. By taking this step you rapidly move toward the reality of the deal or you find out that there is little chance that you can pull the deal together. As part of this process, but for your use only, not for the lender's eyes, it is a good idea to prepare a 'Best-Case- Worst - Case' Scenario in which you project your estimated business numbers from a profit and loss standpoint using any rents, debt amortization and all estimated operating costs you expect to experience. This will give you a start on the preparation of your five-year pro-forma that you will need for your financing package and it might also be a dose of reality that you need at this stage. Proven experts should help the newcomer at this phase.

(2) Feasibility Study

Your site selection may be the single most important decision you make. A professionally done feasibility study on the primary site and others you are considering will provide you with important information about whether the population density/income levels around your site will be adequate to support a profitable venture. It analyzes the relationship between supply and demand. Feasibility studies are done using demographic information from census bureaus and it is a somewhat technical process. The investment you make in a feasibility study is the wisest and first investment you should make. The most experienced company I am familiar with that does professional feasibility studies is Management Vision, Inc. in New York City. (212) 987-4300.

(3) Architectural

Drawings- Once you have concluded from your feasibility study that your desired site is good, you should take the next step. That step is the crucial de-

sign step. You should use an experienced club architectural firm, preferably one that has had dealings with the building department governing your chosen site. Your plans and specifications should be complete and will need to be stamped and approved by the building department for your site. Remember also... carefully done plans for the bidding will save you significant dollars in the end. And also remember... every change order you make after the bid has been accepted by the contractor will cost you significant dollars. Avoid change orders like the plague by doing the initial planning carefully and sticking to it.

(4) GENERAL CONTRACTOR- Once you have complete plans and specs and before those plans and specs are submitted to the building department in your city, it is a good idea to interview bonded General Contractors by thoroughly reviewing the plans and specs individually with each contractor candidate. This process accomplishes several things: (1) You will get to know how the General Contractor thinks. (2) You may uncover some serious problems with your plans before the final plans are submitted to the city. (3) You should be able to develop a 'working relationship' with the contractor prior to the formal 'bidding process' actually begins. Once you have interviewed several bonded building contractors from your area and have actually visited sites that they have built, you can then submit your final plans to the city (after the architect has made any modifications per input from the builders). Once the city has stamped and signed off on the plans, you should then submit the plans to your choice of the top three General Contractors for competitive-sealed bids. Do not get caught in the trap of allowing the 'halo-effect' of a contractor's nice personality to convince you he is the one. Only the numbers on his sealed bid should convince you. Make sure the bids are really competitive. Naturally, once the numbers show that the guy with the nice personality is also (See 'Good Start' Guideline page 18)

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Dieters Take Heart: New Advice Still Cuts Fat, But Trims The Guilt

So instead of vegetables, you had three slices of carrot cake with cream frosting? Don't torture yourself with guilt. Just try to do better in the next few days.

That advice comes from the American Heart Association, which has issued reduced-guilt guidelines aimed at getting people to eat right over several days or a week, instead of obsessing over every day or every meal.

The guidelines don't

change the recommended maximum levels of fat and cholesterol in an overall diet, but they do cut people a little slack, allowing gluttony one day if people eat less the rest of the week.

These are the first changes since 1988 in the Heart Association guidelines, which were first published in 1961. They appear in today's issue of the Association's journal, Circulation.

The updated guidelines recommend that people avoid

foods high in sugar and limit daily sodium intake to 6 grams. Other advice:

- Get 25 to 30 grams of fiber per day from foods, not supplements.
- Balance food intake with exercise and maintain or reduce weight.
- Choose a diet low in fat, saturated fatty acids and cholesterol and high in vegetables, fruits and whole-grain products.

edge as power to realize a fair relationship.... if and when you are faced with a decision of becoming part of a club network or not.

(Neil Sol, Ph.D., is the President of Health Vantage, Inc., a consulting firm for the health, racquet and sportsclub industry which specializes in the relationship between the health care community and health clubs. Neil may be contacted by calling: (303) 399-3224.)

...Neil Sol
continued from page 6

for decreased health care use.) We must remember that and must not break ranks to negotiate separately or under-cut our fellow network member. We need to be unified and demand fair negotiation.

MD's have finally realized that they needed to be organized to

negotiate with MCOs and form IPA's to negotiate their network contracts with insurance companies.

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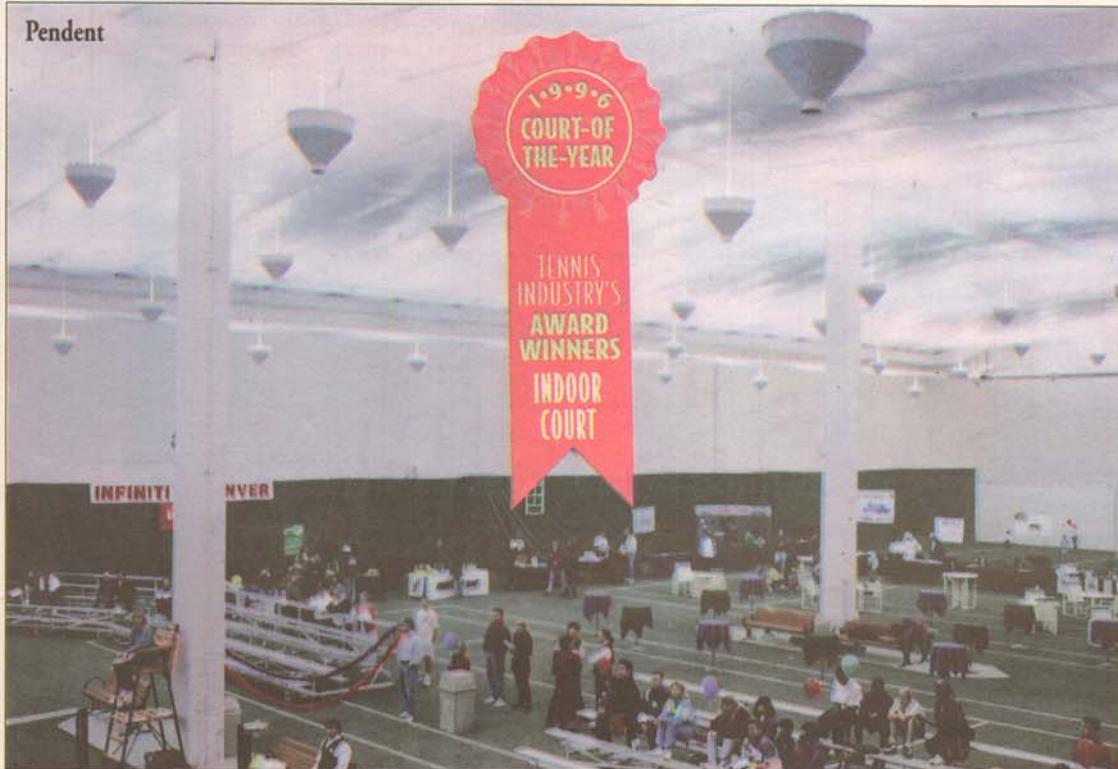
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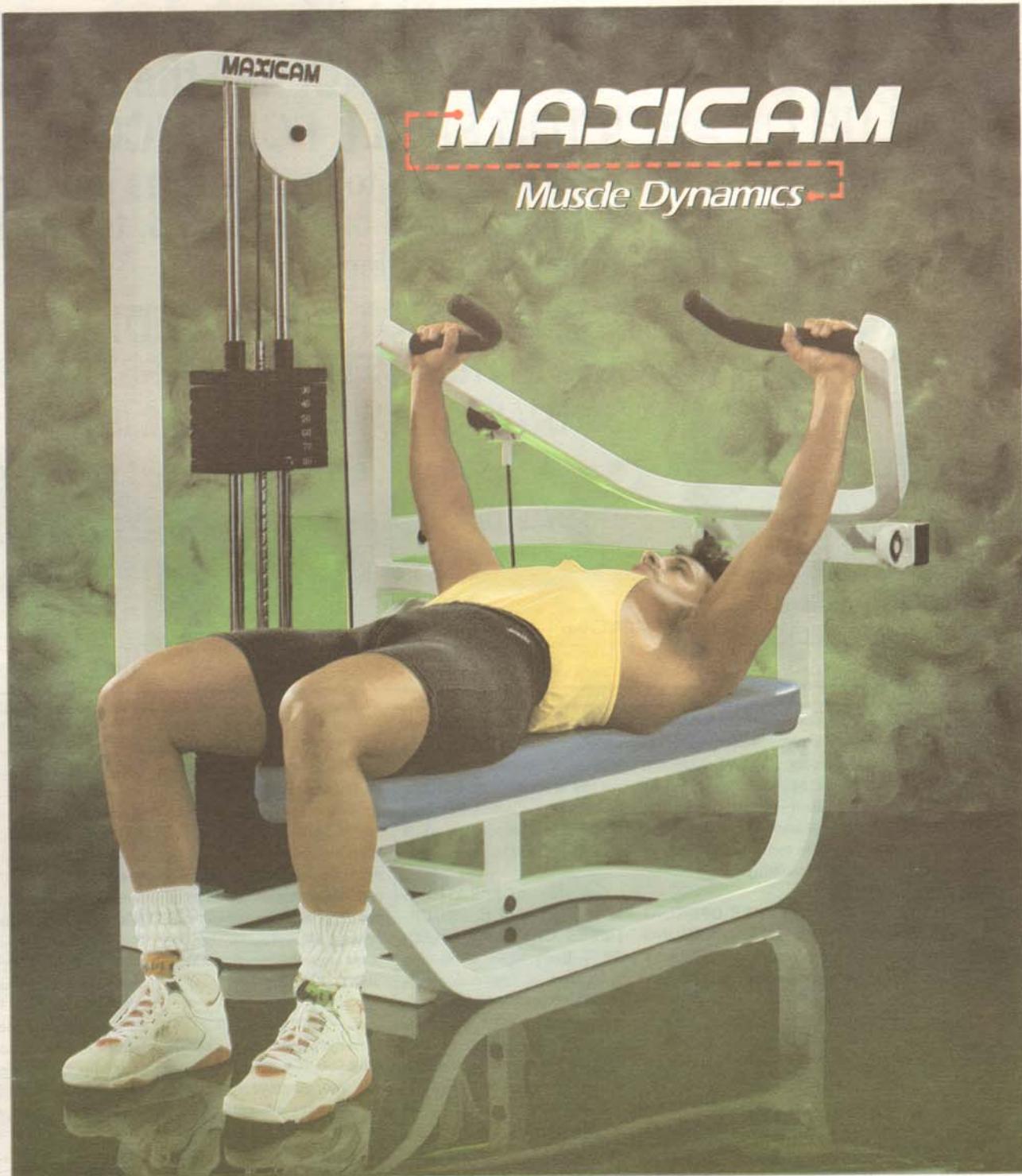
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... 'Good Start' Guidelines

continued from page 12

competitively bidding the project, you can then make the decision to award the bid to him. Remember, to carefully check the references of several clients of the General Contractor before you move forward and sign a legally binding contract. And, remember that the contract should include a 'subject to acceptable financing' paragraph which releases you from any obligation if you are unable to obtain acceptable financing for the project.

(5) FINANCING - Once you have your final bid, you can assemble your final numbers package for financing. This package must be comprehensive and should include: (1) Total building costs. (2) Total furniture, fixtures and equipment cost. (3) Pre-opening and 1st Year marketing plan and plus working capital costs. (4) Pro-forma budget for your project for the first five years. (5) Financial statements for you and your partners. (6) A statement of how much actual cash you and your partners will invest and

how much you wish to borrow and the terms under which you would like to obtain the loan. Naturally, this will be decided by the lender, but it is always good to ask for what you want first and then leave the ball in their court. (7) A copy of your feasibility.

(6) PRE-OPENING AND 1ST YEAR MARKETING PLAN - You should conduct a 'pre-opening' membership sale whose length of time is determined by the estimated construction time of the club. The pre-sale of memberships is very important to the start of the club because the energy level in the club during the first few months and the early financial performance of the club during the first year or two will be determined largely by the success or failure of the pre-sale. Be sure to note any state laws regarding Pre-Sales.

(7) MEMBERSHIP SALES MANAGEMENT- As part of the pre-sale it is imperative that you develop a membership sales management structure and install a sales manager who will select and train your member-

ship sales department. The most experienced organization in the business to develop and install a results oriented sales team is SalesMakers. Contact Ray Gordon, the President of SalesMakers at : (800) 428-3334.

(8) OPERATIONS MANUAL, CLUB PROCEDURES AND STAFF SELECTION- Every aspect of the club operation from front desk procedures, new membership guest procedures, maintenance and cleaning procedures, opening and closing procedures and inspections, workout floor management, aerobics procedures, scheduling and staffing, pool and whirlpool system management, etc. must be described in a written job description and a manual. All new employees must understand and be trained in their job responsibilities. It is a good idea to have written exams for each department and each employee should sign an acknowledgement that he has received his job description and the manual of club policies that he has agreed with.. This step will save you a lot of aggravation later on.

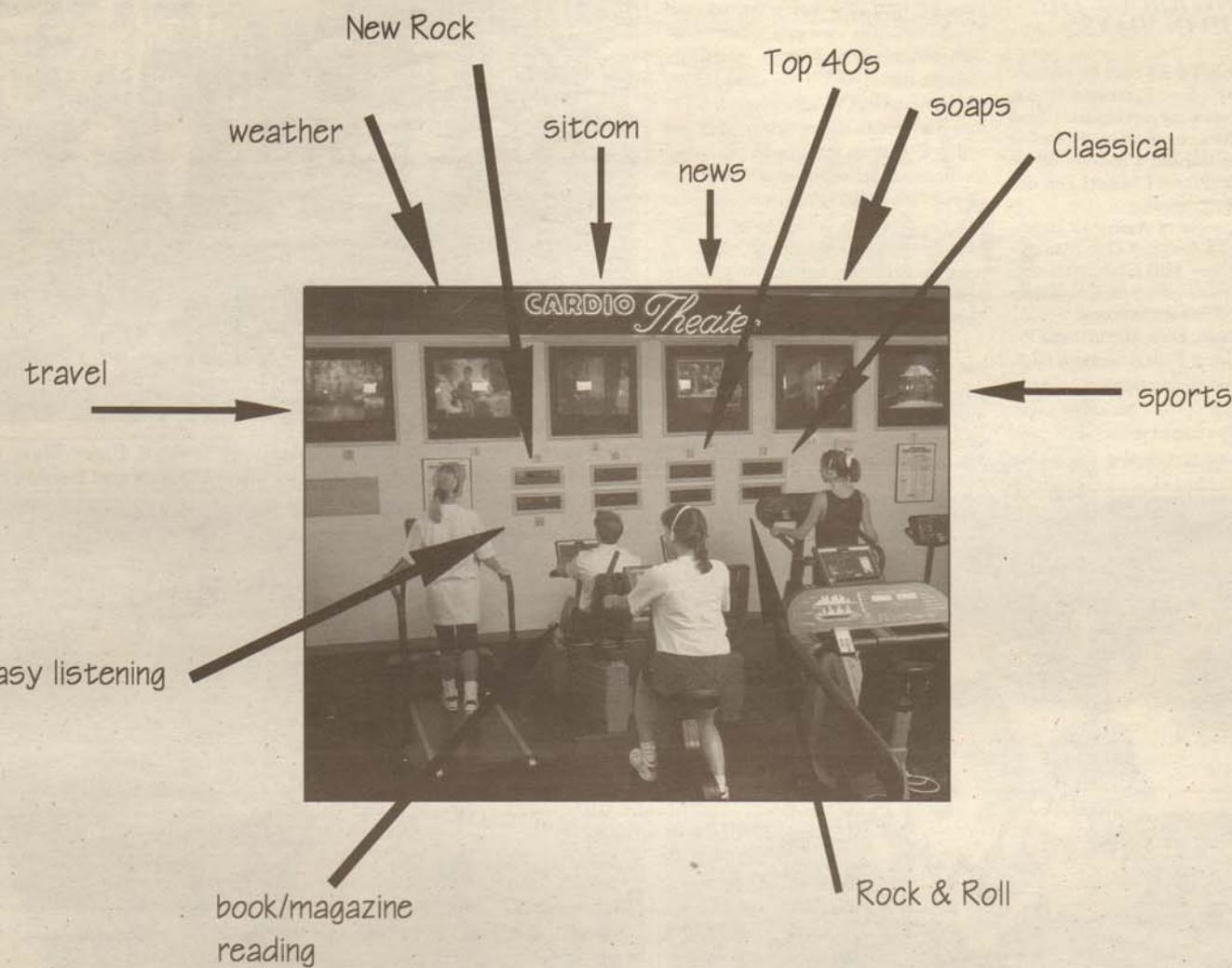
(9) BUSINESS MANAGEMENT OFFICE- A crucial, but often overlooked aspect of the club business is the business management office. This is the true 'nerve center' of the business. Whatever you do, get this part right. Because if you don't, you will lose control of the financial end of the business and you may never get control again. (See our cover story this month entitled: 'Join the Club').

(10) MAKE IT FUN! From the beginning, you should make your best effort to provide both your employees and your members with a fun place to be. This concept of fun has taken a back-seat as the club industry has marched relentlessly toward a union with the health care world. But, never forget this. Showing up and working out on a regular basis is HARD WORK for a lot of people. And, there are plenty of competing 'fun-things' that your members can decide to do if they don't view coming to your facility as 'fun.' It is very important that you use great care to find and hire friendly, gregarious, people loving staff and that you

train and give them the best place to work that you can. For it is your happy staff that will pass your love and affection on to your members every day. This item, above all, should be considered and made a high priority. Good ideas about how to MAKE IT FUN! • Monthly Member Appreciation Parties, Surprise, - In-Club Birthday Celebrations for Staff Members, Give A Rose To Every Lady Who Enters Your Club on Valentines Day, Annual Christmas Party For All Members, Know The Member's First Names and Use Them, Birthday Cards for Every Member Every Year, Annual Staff Retreats To Bond and Be Happy, Annual Road Race for Members and Friends, Monthly Newsletter focused on fun (with cute jokes) and education (lifestyle tidbits for results), Funky-Off-Beat Aerobics Classes, (See Crunch Fitness - Part I), etc.

HOW TO CLOSE A CLUB

O.K..... I understand that an article on How To Close A Club is a bummer and is definitely not a positive subject. But, it sure (See 'Good Start' Guidelines page 20)



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WE PUT FUN INTO FITNESS

...Join The Club

continued from page 8

THINKING ABOUT THE 'GOOD OL'DAYS'

When I think back on my first days in the club business in the mid 1970's, I can remember when my partners and I spent over \$100,000 for a computer hardware and software system that did a fraction of the things the CheckFree RCM2001 can do! How times have changed!

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Pete Kight, Dick Mitchell and the CheckFree Health & Fitness Services Division have helped their clients who have "Joined The Club" (The CheckFree Club) and they can help you and your club as well.

If you are just starting in the club

business, don't fail to organize your financial matters in advance. If you are already in the business and realize that you are losing money due to lack of organized systems or because your current financial services provider is dropping the ball, call CheckFree. You owe yourself and your club members - excellence in your financial operations! And, if you make the decision to contact CheckFree Health & Fitness Services Division, that is what you will get! But, no matter who you select for financial management guidance and support, you should spend the time and invest the necessary dollars to get it right from the start and keep it right, because it could mean literally millions of dollars to you over the life of your club! (Call CheckFree at: 1-800-242-9522)

(Norm Cates, Jr. is the Publisher and Editor of The CLUB INSIDER News and a veteran of 20 years in the health, racquet and sportsclub industry. Cates was a co-founder and the 1st President of IHRSA in 1980/81.)



(Back Row From Left) Debra Neff, Anthony Treboni, Barry Bluer, Brian Kappler, Tamara Loh, Darcy Speaks, Dick Mitchell and Debbie Pitzo



(Back Row From Left) Jeffrey Holmes, Bruce Obenour, Vannessa Winnstaffer, Susan Sproul, Elizabeth Robins, Tim Wagner, Christy DeVoe, Sylma Eckert and Mike Andrews



(Back Row From Left) Sherri Stephens, Denise D'Andrea, Beth Coughlin-Fox, Jane Wrzyszczynski, Karen Martin, Lawanda White, Michelle Power and Judy Rowland

... 'Good Start' Guidelines

continued from page 18

as heck is a reality in the club business. So, here are just a few guidelines that you should study and follow if you ever find yourself in this fix. You, your staff, your members and your former competitors will come out of it a lot better off.

(1) DON'T GIVE UP WITHOUT USING ALL THE TOOLS AVAILABLE TO YOU! When the going gets really tough, don't forget that the U.S. Bankruptcy Laws of our country are designed to help businesses and individuals that have gotten into serious financial situations. Remember, if you have a landlord that is trying to railroad you, he/she must use due process and must

comply with the laws of your state. Seek legal counsel, but be sure that the counsel is ethical and genuinely has your best interests in mind. Consider going to your members to raise capital and save the club. Don't be afraid to write to them, tell them the truth and ask for their help as a group. Don't let the IRS or utility or mortgage companies or landlords shut you down. Go to them, show them the list of things above and describe to them how you are going to use some of the ideas to save your business. Give them a plan that describes what you are going to do and ask for their cooperation in giving you the time and help to keep on trying. **DO NOT GIVE UP WITHOUT A FIGHT!**

(2) COMMUNICATE EARLY! If all of your efforts to save your club have failed, you should establish a closing date, hopefully with the cooperation of your

landlord, lenders and utilities, that will allow you to give adequate advance notice to your staff and members. As soon as you are able to pinpoint a definite closing date, begin to communicate. First, sit down with your staff and explain to them the efforts you have made to continue, but to no avail. Then ask for their help and cooperation as you continue the operation until the specified closing date. Explain to them the importance of executing the closing in a manner which will give all of you a degree of pride after it is all over. Be prepared to deal with high emotions and sadness. But, don't fail to communicate with your staff immediately, before the word gets to them from other sources.

Next, immediately prepare letters to your members announcing the fact you are closing, when you are closing and if you have easily understood reasons for the closing, mention those too. Then communicate

the information developed from item #3 below. Also, be sure to immediately post the announcement letters in several locations in your club so that those that don't read their mail or don't get your letter for some reason will be informed. And, have a supply of your announcement letters to hand out at your reception desk as members depart.

(3) SEEK MEMBERSHIP TRANSFER OPPORTUNITIES! Don't communicate to your staff or your members until you have proposed and hopefully arranged a transfer of membership to your competitor's locations. Hopefully, this is where your good citizenship in the community will pay off. Make your best efforts to arrange a transfer of all memberships to two or three locations which vary in distance from your club. Naturally, one transfer to one location might be easiest, but in most

(See 'Good Start' Guidelines page 21)

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Our Visit Makes The Difference

... 'Good Start' Guidelines

continued from page 20

cases, that situation will not satisfy the club to where they would be transferred because it will overcrowd and overburden the facility. And, one location may be suitable for some displaced members while it may be way out of the way for others. Also, some may offer certain facilities or programs different from others (pools, racquet-sports courts, seniors programs, etc.). Remember that if you have sold many prepaid memberships, you will most likely have some difficulty in finding a competitor that will honor all of them. But, if you have a significant number of monthly dues paying members, you can use those as leverage to hopefully negotiate a fair arrangement for all. The idea of involving several clubs in your area is the best of all worlds and could be the best for you and your competitors. Give every effort to give your members the best possible consideration and help as

you go through this difficult time.

(4) KEEP GOVERNMENT, THE MEDIA AND OTHER AGENCIES ADVISED. As soon as you have clearly determined your closing date and if possible your membership transfer arrangements, contact in writing your State's Office of Consumer Affairs, your State's Attorney General Office and your local Better Business Bureau and advise them of all of your plans including membership transfers, closing date and times, and any other special or important information. Contact your local newspaper, TV Stations and Radio Stations and give them the news immediately. Most likely, it will disarm them because it will not be really be 'prime-news' at that stage and by the time your facility does finally close, it will be 'old news' and will not meet their requirements for 'prime time' coverage, such as TV and Drive-Time Radio. The key is to be totally forthcoming and be willing to let the chips fall where they may. This approach is much, much better than to close

without any notice to anybody and then let the media get into a feeding frenzy about the story. Remember.... candor is king!

(5) QUIT SELLING MEMBERSHIPS! Do not continue to sell any pre paid memberships or monthly memberships with registration fees or upfront cash. Don't sell anything but clearly documented one week memberships and daily passes. It is a good idea to quit selling any prepaid memberships at least two weeks prior to your closing date. The last thing in the world you want to be accused of is "he/she sold memberships right up until the day/night they closed." That rap is not good for our industry and certainly is not good for you!

(6) PAY YOUR EMPLOYEES AND THE IRS IN FULL! Remember that your employees have trusted you and they have worked for you with an agreement to be paid in full. Don't fail to pay them in full - every dime - including commissions due to sales staff. And, don't forget to reserve money and pay the IRS

941 Withholding Taxes, because if you don't, that is one of the liabilities from the club that you will not get rid of until it has been paid. And, the penalties they assess on 941 delinquent taxes are very stiff. You are also personally liable for payroll and taxes.

(7) KEEP A POSITIVE SPIRIT AND BE VISIBLE. A really tough thing to do. But after you have accomplished the above planning, you have every reason to hold your head high and be proud of how you have handled a difficult situation. Remember.... you probably have many, many friends in your club that you have not seen or talked to lately. Make a point of being with them for the 'final days' and be sure to express your appreciation for their support and participation in your club over the years.

(8) BE PREPARED FOR THE PAIN. If you truly love your members and truly love the club business, the closing of your club will be a painful experience for you and your fam-

ily. Be prepared for that pain. Try to be ready for the negatives that most likely will come and realize that these problems are part of the process. Keep your head up and work through this time with the understanding that for as long as your club has been open, you have been doing something good for every member and guest that worked out there. In the end, be at peace with yourself, that you did the best you could do in a tough situation.

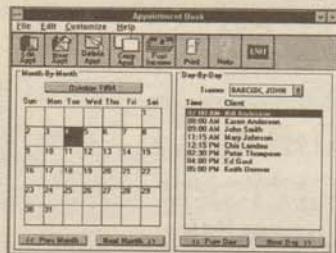
BEST OF LUCK AND GOD BLESS!

(Editor's Note: Ken Estridge, former owner of eight Boston area 'Joy of Movement' clubs, experienced a very difficult closing of his clubs. He was kind enough to write an article for The CLUB INSIDER News, February, 1994 edition entitled: "How To Successfully Close A Club" in which he chronicled his experience. To order that edition, send a check for \$10 to: CLUB INSIDER News, P.O. Box 671443, Marietta, Ga. 30006-0025, along with a 9" X 12" self addressed envelope with \$1.01 postage.)

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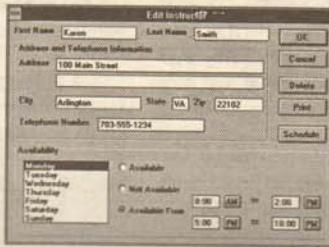
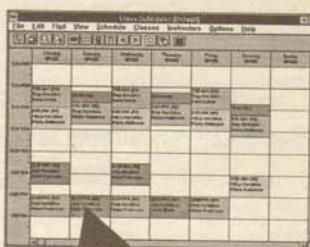
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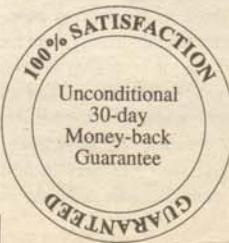
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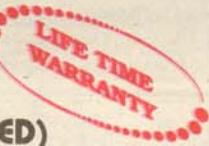
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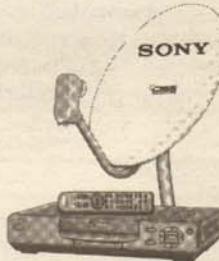
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By Jack Tiller

You've been to five Time Management Courses, read three books, invested in a Daytimer, DayRunner and a Franklin Planner, and still you have guilt pangs and frustrations from not really reaching a comfortable level of productivity. Don't feel like the Lone Ranger because most of us are having the same challenge. But here's the great news.... it's fixable... today!

Suppose I made you this offer, "I'll meet you at the Waffle House of your choice every morning at 7:00 a.m. We'll have coffee and I'll give you \$1,440 in cash with this proviso - you have to spend every dime of that money before midnight or you have to give it back. Now, for you left-brain analyticals, that is \$43,200 per month or \$518,400 per year and I'm talking tax free.

Well, guess what? Every day we're given 1,440 minutes to invest as we see fit. We make choices that determine our destinies. The reality of this issue is that we all waste a lot of time! There's a quote that states, "Yesterday is a cancelled check, Tomorrow is a promissory note, but Today is cash." Count how many times in a day you hear someone say, "I just don't have time." What they are really saying is that the request is not a priority or they're so disorganized and out of focus, that they have no idea how to finish existing commitments. So, what do we do to fix this universal problem?

Let's take a hard look at the real "bad guys" in this story. Their names are Procrastination, Interruptions, Poor Planning, Poor Delegation, Perfectionism, and The Inability to Say No.

Now here's the great news I promised:

Step One - Take a good look at what's really important in

your life and ask yourself some serious, thought provoking questions. Am I really happy with how things are going at work? How about at home or in your relationships with loved ones? A friend once told me his kids spell love t-i-m-e. Examine your value systems and see if you may be a little out of balance. If your are, slow down, smell the roses, and reset some clearly defined goals.

Step Two - What is a clearly defined goal? It must fit the following criteria - be specific in relation to amount, be measurable, be action-oriented, be realistic, and most importantly, must have a target date for completion.

Step Three - Create a sample time picture that outlines a perfect week..... just a snapshot that shows existing commitments. It will disclose other opportunities for you to "fit-in" re-



Jack Tiller

ally important items. (Winners make commitments; poor time managers make excuses.)

Step Four - Get rid of the multiple systems you use and reduce them to one system.

Step Five - Keep it with

you almost always.

Step Six - Schedule all appointments on a monthly calendar so you can see the big picture at a glance.

Step Seven - Schedule 2 to 3 hours to plan each month's commitments.

Step Eight - Track your progress daily on your most important goals, both personal and professional. Remember, it builds your self-esteem when you complete tasks.

Step Nine - Have fun doing Steps 1 through 8. Remember, "Life is not a dress rehearsal... this is all we get. So make the most of it!"

Tip: Do all of your scheduling in pencil because it will change and you'll need to make corrections, deletions, etc...

(Jack Tiller, "The Coach" of the Tiller Group, specializes in Time Management sales training. He may be reached at: (770) 984-1112.)

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The Top Ten (Odd & Ironic) Reasons Tennis Has Declined

By Spike Gonzales

REASON #1 - Tennis is too inexpensive! Unlike golf, skiing and bowling, tennis can be played for free! It can be played at high schools, colleges and public parks just by walking on the courts.

How does this hurt us? First, much of the game is played in 'non-user friendly' environments. Participants have to contend with the elements of wind, rain, heat, cold, sun, darkness and humidity. These all combine to diminish playing enjoyment. These environments also usually have low-quality nets, lines, surfaces, backgrounds, fences and sitting and social areas — all further making play sometimes arduous and non-aesthetic.

The surroundings and facility factors of free tennis have perhaps discouraged some people from continuing to play. More important, however, is that we in the club industry haven't distinguished the value of our product from the free product! We've allowed "tennis" to be "tennis". Why should participants pay what it costs to be a club member when they perceive the same product available at public facilities is what you offer at your club?

Not perceiving, publicizing or promoting the differences between "public" tennis and "club" tennis, many owners have succumbed to "apologizing" for their pricing and have kept the reins on fee increases. Many operators are



Spike Gonzales

still struggling with price structures that simply make it impossible to make a reasonable profit. Their inability to upgrade facilities ultimately hurt the image of the game, along with their inevitable closings of the business.

In some areas of the country such as Long Island, northern New Jersey and western Connecticut, owners have failed to recognize the potential of selling tennis as a club membership activity. They have not seen the sport as an affiliation activity, bringing together people sharing a common interest. They haven't actively developed social and club-like activities or put out club newsletters and informational mailings.

They have simply sold court time, not much differently than bowling establishments that rent alleys. I've never heard of bowling centers called "clubs", yet

I've seen many tennis "clubs" simply provide the bare bones necessities of playing the game. Some owners of these facilities have lamented even when they've got high occupancies, "We just can't make a profit!"

Their problem: they haven't upgraded the perceived value of the product. They haven't created a membership environment and charged dues as membership organizations do. Their revenues are dependent on the vagaries of weather. They have huge variances in cash flow.

I think the ideal way to price our product is with a mixture of dues and court fees. Dues should reflect the value presented by the owners in "just having the facility there." They should represent the customers' share of the capital investment, utilities, taxes and staffing. Court fees should reflect the differences of utilization of each member. Those who play more, should pay more!

Commercial clubs without dues are simply going to keep struggling to be profitable. Commercial clubs offering unlimited play with a dues-only structure often simply can't meet the expectations they've laid out for bargain hunting players. Even when they can avoid the consequences of having "court-hogs", they frequently lose members who start feeling they

aren't playing enough to justify the expense.

The degree of success of member-owned and commercial tennis clubs is a huge factor in the growth and image of our sport. That success greatly depends on how well we've portrayed and priced our product! (Reasons 2-10 to follow in future editions of **CLUB INSIDER**.)

(*Spike Gonzales has been building tennis markets since 1971. He was a prime developer of Tennis Corporation of*

America's "Tennis In No Time"®, and an advisor to the USTA in starting Play Tennis America. An influential member of the USPTA, USTA and IHRSA, he helped bring those organizations together to found the National Tennis Rating Program. He presently serves as an advisor to Tencaps, Inc., a USPTA-endorsed tennis rating and handicapping system, and consults with clubs wishing to improve their marketing, management teams and tennis professionals. He may be reached at: (941) 774-2442.

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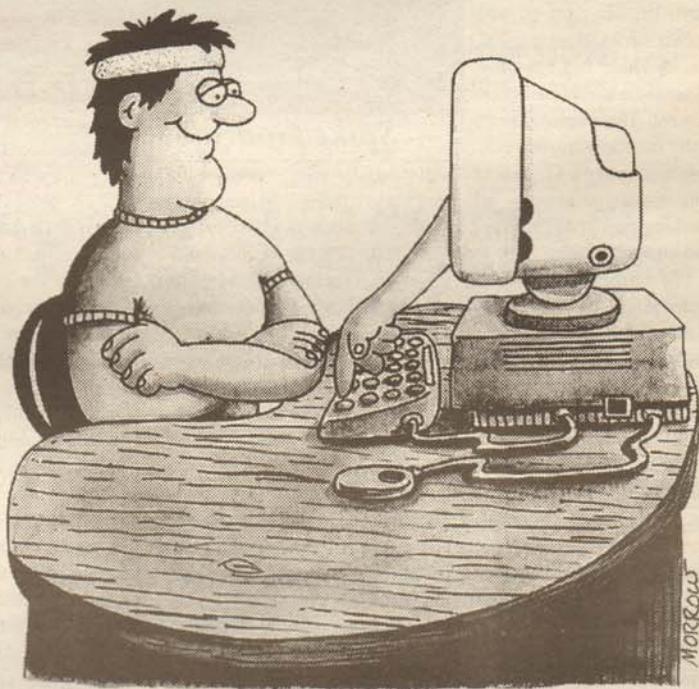
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American Fitness Centers Close

owner Bill McDowell announced Wednesday that he would be closing the Jefferson County clubs.

Employees were wondering if they would be paid and where they would find work.

Hundreds of members telephoned the Kentucky Attorney General's office inquiring about refunds, said Communications Director Jennifer Schaaf. It's unclear how much money members will get back or how long it will take to receive a refund.

Schaaf said American Fitness was required to post a \$50,000 bond for each of the three clubs, and members can file a claim for refunds. She said the Attorney General's office is in the process of contacting the bonding company and other clubs regard-

ing the possibility of transferring memberships.

Yesterday the clubs estimated 14,000 members were being told that their contracts would be honored at SuperFitness Center on Bardstown Road. However, Jeff Bair, spokesman for SuperFitness, said he is still trying to work out details with the Attorney General's office.

Bair said the 15,000 square-foot club in the Eastland Shopping Center can accommodate 800 to 1,000 users daily.

Joseph Lelea, who travels frequently, said he would be willing to give SuperFitness a try for the remaining months he has on his membership. But Jan Parrott, a nine-year member, said SuperFitness' location is inconvenient for her.

Some members were not completely surprised by American Fitness' closing.

Diana Hughes, one of 110 members who notified the Better Business Bureau last month about malfunctioning equipment, faulty cooling and heating systems and health hazard concerns, said she and the others have already sought relief and joined other health clubs.

"He promised so many things that had not materialized," Hughes said of McDowell.

"That's why a lot of people are gone."

Employees say the clubs at 9913 Shelbyville Road, 2464 Bardstown Road and 4150 Outer Loop have had extensive maintenance problems for more than 18 months.

McDowell "Band-Aided the issue," said Sherry Marshall, an employee of the Shelbyville Road club. "He got the pool up, but it wasn't completely fixed. The air conditioning worked in some parts of the building but not in others."

Scott Bland, manager of the Shelbyville Road club, said all three American Fitness clubs are expected to remain open until 6 p.m. tomorrow. However, that depends on whether employees return to open and operate the clubs. Of the 100 American Fitness employees, the child-care workers and some aerobic instructors had already been laid off, Bland said.

I don't know if I'm working right now for free," Marshall said. "Bill hasn't told us anything. The news told us."

McDowell unexpectedly moved out of his corporate offices in Lyndon overnight Tuesday, according to his landlord, Allen Philpot.

Several attempts to

reach McDowell at home and at his clubs yesterday were unsuccessful.

McDowell said two weeks ago that he was working on a deal to sell the clubs and that he expected them all to remain open. Employees at the Shelbyville location said prospective buyers even visited the club and introduced themselves to the members.

"They were in here shaking hands, saying they were the new owners," Bland said.

But the deal apparently fell through.

(Reprinted courtesy of Louisville Courier Journal.)

(Editor's Note: The **CLUB INSIDER** News contacted SuperFitness Center new-owner, Bob Moffett to determine if an arrangement had been made for SuperFitness to service some of the displaced members. Bob informed us that the Attorney General had determined that once the clubs became insolvent, the contracts became null and void and could not legally be transferred. He also indicated that as far as he knew, there was a \$50,000 bond in place for each of the 3 American Fitness Centers which means that at least some of those who had pre-paid membership fees should receive partial refunds.)

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24-Hour Fitness/HARD TIME Fitness Gear Means Dollars For At-Risk Youths

Pleasanton, Ca. - 24 Hour Fitness, the largest privately-held fitness club company in the U.S., has developed a unique partnership with Inkcarcerated Industries, a privately-owned, screen printing company that hires and trains San Quentin inmates to produce clothing for sale in retail stores. 24 Hour Fitness is launching this unique line of fitness wear HARD TIME, exclusively in their facilities across California, Nevada and Hawaii beginning this month.

In November of 1990, California voters approved the Inmate Work Initiative (Proposition 139), an initiative which allows businesses to own and operate ventures which hire and pay selected inmates. 24 Hour Fitness recognized this as a unique business enterprise, because the program does much more than just give inmates

something to do with all their free time. "When Inkcarcerated Industries first approached us with their line of clothing we were naturally curious just how joint venture programs work. It appears that both the taxpayers and the inmates benefit from this innovative joint-venture approach," said Mark Mastrov, CEO, 24 Hour Fitness.

With the realization that corporate America can play a much larger role in bettering their communities, 24 Hour Fitness has a long history of seeking out organizations that are truly "making a difference" in the lives of the American people. Past contributions have included such causes as AIDS/HIV research funding, Multiple-Sclerosis, as well as programs promoting sports/education, programs that teach kids how to improve their attitudes, self-esteem and grades. "As a fit-

ness organization, we try to help our members reach their goals towards a more healthy, productive lifestyle. Given the opportunity, people do want to better themselves, and not just physically," Mastrov added.

24 Hour Fitness has chosen the National Association of Midnight Basketball Leagues, Inc. to be the recipient of a sizeable donation from the sales of the HARD TIME clothing line. The Midnight Basketball League is a nationally heralded community outreach program that offers safe, constructive alternatives for at-risk young adults between the ages of 17 and 25 during the "high crime" hours of 10:00 pm and 2:00 am. It is one of the most effective outreach programs for the targeted population. The donation from 24 Hour Fitness will be used to provide case management of participants, counseling,

mentoring and mandatory workshops focusing on areas such as education, personal development and responsibility, health and conflict resolution. With well-run, organized basketball games as the incentive to participate in the program, the Midnight Basketball Leagues have been extremely effective in strengthening their communities and reaching at risk, inner-city kids.

"We saw the program as one that fit our philosophy as

a company as well as an opportunity to reach out to many communities across the country where we have facilities. It's ironic that the clothing line is being made by San Quentin inmates. That alone made us think, 'How can we help get to kids BEFORE they go down the wrong path', and that's how we chose the Midnight Basketball Leagues. We think this will be a starting point for a positive partnership," said Mark Mastrov.

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SALESMAKERS TIP OF THE MONTH

KNOW YOUR PRODUCT!

Develop an accurate explanation of all programs and equipment in your club. The best way to accomplish this is by participating yourself in as many things as possible. It's impossible to sell something effectively if you don't know it. Even if you are unfamiliar with an area, for example, the fitness equipment, you should go through a workout yourself. Ask the trainers to explain things and do some reading on the subject so you are equipped to give an educated basic explanation of what it is about. If a customer wants more in-depth information, don't hesitate to call on a trainer to help with the explanation. Telling the customer, "I would like to talk to John, he has a much more extensive knowledge and can do a better job answering your questions than I can." Don't ever try to bluff your way through. You will lose your credibility and possibly lose the sale.

Along with knowing your product, current details, procedures, etc., understand that sales ability is not a skill you are born with. It is a skill that is learned and can be developed like any other skill, with training and practice.

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