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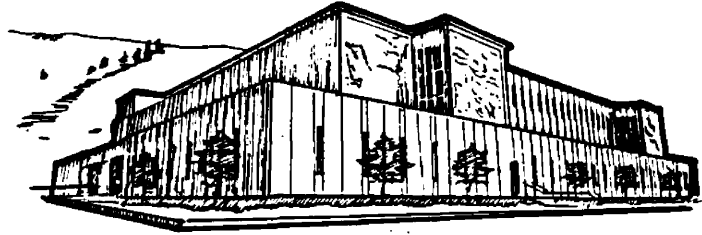
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University of  
**Montana**



A PRELIMINARY INVESTIGATION INTO THE OPERATION OF  
A MONTANA VACATION FITNESS RESORT

By

Roberta Dixon

B.A., Arizona State University, 1972

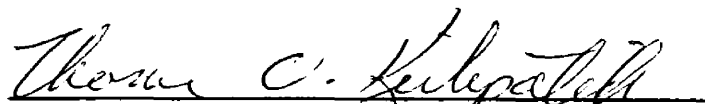
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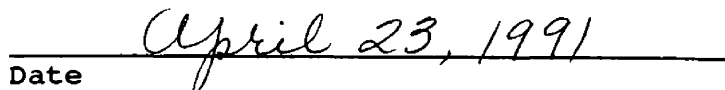
UNIVERSITY OF MONTANA

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## CHAPTER I

### PURPOSE AND BACKGROUND OF THIS STUDY

The intent of this study is to: (1) investigate the operation of a Montana vacation fitness resort, (2) select an appropriate location, (3) select the best combination of services to be offered for the Montana area, and (4) determine a method of financing.

A vacation fitness resort is holiday time used for maintaining existing or achieving new levels of physical or mental well-being. Yesterday's working men and women saw vacation time as an opportunity to escape and relax; today's travelers look for opportunities to expend additional effort in pursuit of a stronger body, a better self-understanding and perhaps a new self-image.

Currently, there are approximately 75 vacation fitness resorts throughout the United States, with the largest number of resorts located on the West Coast. Additionally, major spas are located in London and Mexico. These resorts vary from rustic accommodations to the most luxurious, such as the Golden Door located in the foothills near Escondido, California. This spa accepts only 34 women per week; however, there are designated weeks for men conducted eight times each year, during March, June, September and December. Couples' weeks are seven times per year, in March, June, September and December. All accommodations have private garden views and a moonviewing deck. Guests are required to arrive at the Golden Door with only one suitcase packed with personal items. All outer wear is provided by the spa. The Golden Door's staff consists of 120

employees who are experts in specialized areas of fitness and nutrition.<sup>1</sup>

Guests are attracted to spas in order to revive themselves from the stresses of daily living and to use the stay as a foundation for improved physical health and functioning.

The Duke University Medical Center advertises its diet and fitness program in the New York Times Travel Section. This is an indication that fitness spas are becoming increasingly popular. Mixing health and pleasure is rapidly becoming the appropriate use of leisure time.

As early as 1985, American Health's Gallup survey on exercise and health confirmed America's desire to integrate new concepts of wellness and recreation. According to Gallup, 56 percent of the men and women who exercise say being able to exercise while on vacation is important to them.<sup>2</sup>

Edward J. Safdie, spa developer, predicts that within the next decade, 30 million vacationers will invest a week or two a year at fitness resorts. Safdie's company operates three well-known spas: a Connecticut show place called the Norwich Inn, the Greenhouse near Dallas and the California Terrace in Monte Carlo, Monaco.<sup>3</sup>

Many health-oriented vacation spots are now also called "fitness centers," "resorts," "peak vitality centers" and "inns." Some offer professionals credentialed in nutrition or psychology; others offer the best in electronic exercise equipment and trainers. Some stress serenity or pampering which includes staff to perform services such as unpacking

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<sup>1</sup>Eric Sternlich T, "Spas," Shape, May 1985, p. 20.

<sup>2</sup>Bernard I. Burt, "33 Trend Setting Spas," American Health, April 1988, p. 65.

<sup>3</sup>Ibid.

guests' suitcases, performing facials, bodywraps and massage; others stress high action fun-in-the sun activities. This includes engaging the guest in eight to ten hours of vigorous aerobic exercise. All attempt to fill a particular need in Americans' hectic lives. Away from the pressures of job and family, the focus is on total fitness. What the typical spa guest wishes to bring home is a stronger, healthier body and mind and an improved self-concept which means a more positive perception of one's self-image.

Montana does not have a vacation fitness resort. With Montana's natural beauty and recreational potential, the opportunities to attract out-of-state guests interested in fitness are bountiful. Such a development would likely bring more money into the state and create more jobs for Montana residents.

The scope of this study included comparing Montana to other states with vacation fitness resorts. A mail questionnaire was developed to determine the interest Montana residents would have in such a resort. A phone survey of successful resorts located in other states was conducted. A proposed location, program, marketing, and financing plan was developed. Projected operating expenses, budget summaries, pro forma balance sheets, profit and loss statement, depreciation schedule, and cash flow statement were included in the study.

The validity of the findings are limited by the fact that the vacation fitness resort concept is relatively new; therefore, secondary sources of information are minimal and since there are no resorts of this type located within the state, the results of the in-state questionnaire used in the study is also limited. Because Montana does not currently have a vacation fitness resort and advertising for this type of resort is

limited to certain magazines, most residents are not familiar with the fitness resort concept.

In an attempt to determine the appropriate vacation fitness resort for Montana, the following chapters explain in detail the fitness business, economic conditions in Montana, research of potential customers and operations of a vacation fitness resort, location and design, proposed resort program advertising possibilities, and proposed financing.

## CHAPTER II

### THE FITNESS BUSINESS

The "time famine," as some sociologists call it, is an extraordinary paradox. Despite shorter workdays, the proliferation of labor-saving devices and unmatched financial resources, true leisure remains elusive.<sup>1</sup>

It is elusive for people ranging from the young professional and the executive elite, to the single mother and dual income couples. A new Wall Street Journal/NBC News survey shows that, however Americans define leisure, twice as many claim to have less of it today than do those who claim to have more.<sup>2</sup>

Unlike nations facing serious problems such as famines, the U.S. is "at the other end of the continuum." Americans have the material necessities, but they pay for it with a frantic life style.

The 40-hour work week, protected by federal law for nearly 50 years, is fiction for many wage earners. Professionals and managers worked an average of 45 hours a week in 1985, while manufacturing employees put in an average of 43 hours. Furthermore, they have less vacation time - an average of two weeks a year - than do their counterparts in every industrial country except Japan.<sup>3</sup>

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<sup>1</sup>Jolie Solomon, "The Business of Leisure," Wall Street Journal, 21 April 1986, Dec. 4, p. 5.

<sup>2</sup>Ibid.

<sup>3</sup>Ibid.

When they do get away from work, their leisure often seems a new form of labor - the fitness craze. The health conscious chart their daily progress on the jogging course or muscle-building machines much as they monitor profits and sales at the office.

Radical changes in American families contribute to the sharp reduction in time available for leisure. For many Americans, moreover, work and leisure increasingly overlap. "The Next Trend," a column in Advertising Age, recently had leisure advisers assuring that playtime is used productively. Never again will the executive waste two hours playing racquetball when all his best contacts are in the aerobics class down the street, the column predicted.<sup>4</sup>

To a large degree this trend reflects the growth of a service economy. The leisure industry exploits the drive to perform and markets everyday activities such as walking, as trendy sports requiring just the right equipment. The consumer has spent approximately \$181.1 billion in the past decade to purchase leisure products and participate in the trendy sports.<sup>5</sup>

Table 1 compares sports participation in selected recreational activities between the years 1959-1985. The top five activities, listed in priority order, are swimming, fishing, bicycling, bowling and running. All show an increase in participation between 1980 and 1985. Table 1 indicates an increase in sports participation in 17 of 25 sports. The largest percentage increase was in running/jogging, which increased 23

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<sup>4</sup>Jolie Solomon, "The Business of Leisure," Wall Street Journal, 21 April 1986, sec 4, p. 4.

<sup>5</sup>Ibid.

percent, reflecting a growing trend for this sport. The next largest increase was in fishing which shows an 8 percent increase from 1980 to 1985.

TABLE 1

SPORTS PARTICIPATION IN SELECTED RECREATIONAL ACTIVITIES  
1959 - 1985  
(18 years old and over, in prior 12-month period)  
(In Percentages)

	1959	1966	1980	1985
Swimming	33	33	37	41
Fishing	32	-	24	32
Bicycling	-	17	27	31
Bowling	18	27	24	23
Running/Jogging	-	-	-	23
Camping	-	-	19	22
Softball	-	15	16	20
Volleyball	4	12	13	15
Motorboating	-	16	12	15
Basketball	-	15	18	14
Hunting	16	-	13	13
Golf	8	11	8	12
Ping pong/Table tennis	-	15	13	12
Tennis	4	9	14	12
Baseball	11	11	10	12
Canoeing/Rowing	-	6	7	10
Flying disk (Frisbee)	-	-	17	9
Rollerskating	4	5	12	9
Horseback riding	5	8	7	8
Skiing	3	5	6	7
Waterskiing	-	6	7	7
Sailing	-	2	4	5
Ice skating	6	7	7	5
Archery	-	4	3	3
Handball	-	3	4	3

Source: Gallup Organization Inc., 1986. Wall Street Journal, April 1986. p.12.



TABLE 2

MAJOR RECREATIONAL ACTIVITIES, 1985  
(In Percentages)  
(18 Years old and over, in prior 12 month period)

MEN		WOMEN	
Swimming	42	Swimming	40
Fishing	41	Bicycling	33
Bicycling	29	Aerobics	31
Pool, Billiards	27	Fishing	24
Weight training	26	Bowling	23
Jogging	25	Camping	21
Softball	25	Jogging	21
Camping	24	Hiking	18
Bowling	23	Softball	16
Basketball	22	Volleyball	14

Source: Gallup Organization Inc., 1986. Wall Street Journal, April 1986, p.2.

Table 2 indicates the top recreational activities for men and women with swimming being the most important to both men and women; therefore, a swimming pool and swimming fitness programs would be an essential activity to include in a vacation fitness resort.

A Marriott Corporation random survey of 1,000 people found that 57 percent prefer shorter, getaway-type vacations to longer trips. The Palm-Aire Resort and Spa in Pompano Beach, Florida, reflects an increase of about 28 percent in business since it began offering four day stays along with its traditional eight-day packages.

The two week family summer vacation "is a dinosaur," says Roger J. Dow, Marriott's Vice-President, Marketing. Adds Joseph B. Garvey, Hyatt Hotels Corporation Vice-President, Marketing: "We're seeing a very

significant change in behavior patterns related to leisure-oriented travel." People are generally traveling more but over shorter distances and with less planning. Vacations also are conditioned more on a bargain price than on time of year or passion for a particular destination.<sup>6</sup>

Newer generations have different attitudes toward vacations, stemming from the "counterculture" and "me generation" of recent decades. The baby boomer has a different mind-set," says Ray Lewis, Vice-President, Marketing, of Holiday Corp's Holiday Inns Unit. They are willing to indulge themselves more.<sup>7</sup>

By marrying later and putting off having families, baby boomers are free to travel more. Also, vacation and travel time has become more flexible as the overall economic trends move toward the services and away from manufacturing. The factories would close for two weeks in the summer and encourage employees to take a traditional two week summer vacation.

The proliferation of two-career couples means more disposable income. Some two career couples, unable to coordinate their schedules for long vacations together, often turn to short get away trips.

Working couples, particularly working parents, say their lives are more stressful than those of previous generations. Parents feel they need to get away from children, and children need to get away from them.

Should these trends toward nontraditional vacations prove lasting, few businesses seem to have more to gain than the hotel and resort industry.

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<sup>6</sup>Jolie Solomon, "The Business of Leisure," Wall Street Journal, 21 April 1986, sec. 4, p. 5.

<sup>7</sup>Ibid.

After a decade of prompting by everyone from the Surgeon General to Jane Fonda, and a deluge of books, videos and ads promoting fitness and exercise, only a sliver of the American public seems to be getting itself into shape. "The data seem to show that the younger, wealthier and better educated are the ones who are more active," says James E. Misner, an exercise physiologist with the University of Illinois' physical fitness research laboratory.<sup>8</sup>

When polled, most Americans claim that they are more fit today than ever before. But that may be just wishful thinking and wishful spending. Sales of exercise equipment rose 10 percent in 1985, to \$1.2 billion, reports the National Sporting Goods Association. The International Racket Sports Association says that revenues at roughly 5,000 U.S. fitness and recreation clubs have been growing by about 10 percent a year since 1980, to about \$4.4 billion in 1985.<sup>9</sup>

But there are indications that buyers are more interested in style than sweat. A study by the Sporting Goods Association, based in Mount Prospect, Illinois, shows that roughly 70 percent of sporting goods sales are "soft goods," such as sweat suits and sneakers; 20 years ago, that same 70 percent comprised such "hard goods" as exercise equipment, tennis rackets and the like. Thus, a trend toward glamour and glamorous fitness resorts. Table 3 indicates consumers are willing to spend millions of dollars on sporting equipment and apparel.<sup>10</sup>

A U.S. Public Health Service study recently found that 80 to 90

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<sup>8</sup>Ibid. Sec. 4, p. 6.

<sup>9</sup>Ibid.

<sup>10</sup>Ibid. Sec. 4, p. 5.

TABLE 3

ESTIMATED CONSUMER EXPENDITURES FOR MAJOR SPORTING GOODS, 1984  
Consumer estimates in millions of dollars

SPORT	SHOES AND EQUIPMENT	CLOTHING
Exercise	\$ 1,060	\$ 754
Bicycling	765*	634
Camping	699	1,266
Golf	687	836
Tennis	686	470
Fishing	597	622
Running/jogging	591	896
Skiing (cross country & alpine)	502	775
Bowling	142	470
Aerobics	54	799

\* Includes 10, 12 and 15 speed bicycles; does not include shoes.  
Source: National Sporting Goods Association, 1986.

percent of all adults engage in too little vigorous physical exercise to boost their cardiovascular fitness levels. And a poll taken in December, 1985, by the Wall Street Journal and NBC News showed that 34 percent of the men and 42 percent of the women surveyed do not exercise at all.<sup>11</sup>

According to Metropolitan Life Insurance Company, at least 26 percent of all American adults tip the scales at 20 percent or more above the healthy norm, a statistic that helps explain the high rate of heart disease in the U.S. populations.<sup>12</sup>

While low-calorie cola, beer and ice cream sell like hot cakes, experts say the top contributor of fat to the American diet is still

<sup>11</sup>Ibid.

<sup>12</sup>"Fitness," Independent Record, March 1988, Sec. 2, p. 2.

the hamburger. And while the average adult is consuming roughly the same number of calories as 50 years ago, he is gaining weight, further suggesting a net decrease in physical activity.

Federal health officials increased attention to fitness after a survey found that a high percentage of Americans get no exercise at all. However, the study showed that people in Montana, Idaho and Arizona do much better with fewer than half of the residents in those states getting no significant exercise. In the 1985 survey, more than 25,000 adults in 21 states and the District of Columbia were asked about their physical activities to determine whether they exercised three times a week, 20 minutes at a time. That is considered the minimum amount of workout needed to really improve your health.<sup>13</sup>

Fifty-five percent of the respondents indicated they did not exercise. Less than half the American population is physically active to confer health benefits the Center for Disease Control reported. The Center believes that because of these findings, promotion of exercise should be a national priority.<sup>14</sup>

Men and younger adults were somewhat more likely to exercise, the survey found. Sedentary lifestyles were reported most often in the Southeast, somewhat less often in Central and Northeastern states and least often in the Southwest and Mountain states.<sup>15</sup>

The findings showed:

- MEN - The percentage of men indicating a sedentary lifestyle
- 

<sup>13</sup>Ibid.

<sup>14</sup>Ibid.

<sup>15</sup>"Fitness," Independent Record, March 1988, Sec. 2, p. 2.

ranged from 44 percent in Idaho to 66 percent in Tennessee. The percentage in Montana is 49.

- O WOMEN - Among women, the percentages ranged from 41 percent in Idaho to 71 percent in Tennessee. Only 43 percent of Montana women were sedentary.
- O YOUNG ADULTS - Among people aged 18-34, sedentary lifestyle responses ranged from 37 percent in Idaho to 66 percent in Tennessee (42 percent in Montana).
- O MIDDLE AGES - Among adults aged 35-54, responses ranged from 42 percent in Idaho to 73 percent in South Carolina (50 percent in Montana).
- O OLDER ADULTS - Among those 55 and older, responses ranged from 45 percent in Montana to 77 percent in Tennessee.

Source: Independent Record, March 1988, p.2.

Table 4 indicates Montanans are not as sedentary as are people in other states, with the exception of Idaho. The survey reveals 51 percent of Montana's male population and 57 percent of Montana's female population exercise at least three times a week, 20 minutes at a time.

The cost of a healthy getaway can vary from budget to luxury, from \$150 to \$3,000 for a week. Spa-goers often figure they are making a capital investment in improved personal productivity, not just spending on consumer services.

Evidence indicates that businesses pay a steep price for employee health problems that might be prevented. The Washington Business Group on Health (WBGH), a national employers' organization for health care issues, estimates that every smoker costs an employer from

TABLE 4

SURVEY OF SEDENTARY LIFE STYLES IN SELECTED STATES, BY SEX AND AGE GROUP  
(In Percentages - 1986)

	SEX		AGE GROUPS		
	Men	Women	18-34	35-54	55 And Over
Arizona	48	45	44	46	49
California	50	57	50	60	53
District of Columbia	51	55	46	54	59
Florida	52	52	52	52	52
Georgia	63	64	55	67	73
Idaho	44	41	37	42	48
Illinois	50	56	42	57	65
Indiana	62	66	57	65	72
Kentucky	65	61	53	65	68
Minnesota	56	57	49	57	65
Montana	49	43	42	50	45
New York	50	56	47	53	61
North Carolina	54	61	55	56	62
North Dakota	57	55	47	63	60
Ohio	60	61	53	62	68
Rhode Island	63	67	57	65	75
South Carolina	64	66	58	73	70
Tennessee	66	71	66	65	77
Utah	50	46	44	47	53
West Virginia	59	66	56	61	71
Wisconsin	55	55	49	57	59

Source: Great Falls Tribune, 1987. (Survey of 25,000 adults indicating they did not exercise three times a week, 20 minutes at a time).

\$624 to \$4,611 a year in illness, absenteeism, accidents, disability and death. Hypertension, according to WBGH, costs business \$2 billion

annually in lost workdays. It is also the primary cause of hospitalization and accounts for 7.5 percent of all physician visits.<sup>16</sup>

Vermeer Manufacturing Company, a Pella, Iowa, construction equipment manufacturer with 750 employees, estimates that for every dollar spent on smoking cessation, drug and alcohol abuse, and mental health programs, they will save \$10 on health care costs.<sup>17</sup>

Flexcon Company, a Spencer, Massachusetts, processor of pressure-sensitive films, offered a \$30 gift certificate each month to ex-smokers who did not resume smoking. Within a year, the number of smokers in the company was significantly reduced and absenteeism dropped.<sup>18</sup>

In Wellsburg, West Virginia, population 11,000, the average citizen was about 20 pounds over-weight. The incidence of heart disease was 29 percent greater than the national average. They ate more steak, eggs and butter than the rest of the American population. 76 percent of them had no regular exercise program. Then in May, 1988, the Bayer Aspirin Company initiated a wellness program, a two-year, \$4 million health and fitness project. With free workshops on everything from how to quit smoking to body sculpting, Wellsburgians of all ages became more health-minded. Every three months, an independent company measured the cholesterol, blood pressure, pulse and weight loss of a 1,000 member core group of Wellsburgians. At the last reading in November, 1988, participants had lost a total of 4,055 pounds while their average cholesterol level dropped 4 1/2 percent. Almost two-thirds of those screened said they were exercising more.<sup>19</sup>

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<sup>16</sup>"Vacation Workouts, "Newsweek, 7 May 1984, p. 96.

<sup>17</sup>Ibid.

<sup>18</sup>Ibid.

<sup>19</sup>Dan Zevin, "Fitness First," American Health, April 1989, p. 33.



Aerobic fitness is the cornerstone of Bayer's program. Wellness Program director Bill Reger and his assistants trained local volunteers to lead classes based on the "F.I.T." principle: frequency, intensity and time. Participants were encouraged to work out at their target heart rates for 30 minutes a session four times a week in aerobic dance or water aerobics classes, or by walking, jogging or stationary cycling. Bayer representative, Robin Mills, wants Wellsburg's success to continue. Better health education in the schools, healthier foods and better fitness programs are needed.<sup>20</sup>

The Champion International Corporation, located in Libby, Montana is willing to spend \$900,000 to setup a fitness center for its employees and their families because of the benefits derived to the company through avoided absenteeism. In the long term benefits, the company expects to save enough money from sick leave benefits to pay for the expenses associated with the fitness center.

The major companies such as Bayer Aspirin and smaller companies such as the Champion International Corporation are beginning to realize the importance of a healthy population and are willing to invest time and money in fitness programs to enhance the well being of their employees and thus, save large sums of money paid out in sick leave each year to their employees.

A major component of marketing the fitness business is to solicit support from the companies that have already realized the important benefits of healthy employees and convincing companies that have not yet made this commitment of the value it can have to their company. A

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<sup>20</sup>Ibid., p. 34.

major portion of the advertising dollar for the proposed resort would be spent on contacting the companies and proposing plans to incorporate a vacation fitness resort visit in the health benefit package of the company. Most companies give employees a paid vacation. The proposal will be that if an employee visits a vacation fitness resort on his or her vacation, regardless of the length of time spent at the resort, a portion of that cost would be reimbursed by the company. The amount, of course, would vary depending on the amount of money available for this type of activity and the length of time the employee spent at the fitness resort. The fitness resort would provide a necessary service to the companies and be more economical than the company building a fitness center for their employees. In other words, the vacation fitness resort would contract with companies to train employees in fitness. Spending a week at the resort just relaxing, exercising, eating properly, sleeping well, avoiding alcohol and being taken care of by an attentive staff will certainly enhance both mind and body of the employee. A package that should be easy to sell to companies concerned with employee stress and absenteeism.

According to Brian Shultz, director of marketing and business development for the Canyon Ranch health and fitness resort in Tucson Arizona, spas will be the vacation of choice in the '90s. The reason for this is because people do not want to go home from a vacation feeling worse than when they left. The core of any good spa program, says Shultz, is its commitment to the total person. Though the fitness trend among most of the country's spas is moderation (low-impact aerobics, water workouts, yoga), some spas are going for the gusto. Their fitness programs are designed for people who would rather climb a mountain or bike through backwoods than

partake in activities they could just as easily do at home.<sup>21</sup>

Chris Silkwood, an international spa consultant and co-founder of the Phoenix Spa in Houston, says, Spas were originally thought of only as beauty-oriented, pampering places. Now they offer much more serious and sophisticated fitness programs and cater to a fitter and more informed audience. Many of the fitness-oriented spas, like Topnotch and the new Spa at Camelback Inn in Scottsdale, Arizona, cater to couples. Often one person, usually the woman, would want a more beauty-oriented spa experience while her partner would prefer to be more active. Women once felt they had to leave their partners home, but not anymore. Men feel comfortable at a vacation fitness resort that offers a variety of programs.<sup>22</sup>

The 10 most popular trends in the healthy vacation area are the following:<sup>23</sup>

1. Eurotherapy, American-Style: This trend combines natural treatment products used at European spas with American fitness and nutrition concepts. The international Spa Resort near Miami's airport highlights this type of spa. The unique attraction is mud imported from the Terme di Saturnia spa north of Rome. Warmed and applied to the body, the plankton and mineral-rich mud comes from pools fed by volcanic springs. Aerobic classes, facials, massage, and a personal trainer on the David weight system (imported from Finland) are also available.

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<sup>21</sup>Ibid.

<sup>22</sup>Ibid.

<sup>23</sup>Ibid.

2. Aerobic Aquatics: University of South Florida studies show that aquatic exercise is a desirable no-impact alternative to jogging and running on land. The Safety Harbor Spa and Fitness Center near Tampa is the trendsetter in this area. Six times daily a spa guest can join hydroaerobics classes in shallow indoor and outdoor pools.
3. Shipshapers on the High Seas: Aerobics are part of Royal Caribbean Cruise Line's "Shipshape" schedule on the world's largest cruise ship, Sovereign of the Seas. The Homeric and Atlantic lines include the new "Sports Aweigh" program that involves trained instructors with computerized equipment to evaluate passengers' fitness levels. Excursions ashore offer snorkeling, or golf and tennis at island resorts.
4. Dieting Restructured: Nathan Pritikin proclaimed in the early 1970s that most degenerative diseases are caused by excessive amounts of fat and cholesterol in the blood. The original Pritikin Longevity Center, a converted beachfront hotel in Santa Monica, California, has been cloned in Downingtown, Pennsylvania, and Miami Beach. The trendsetting centers offer take-home diet and fitness help in spa settings. Thirteen day courses are available for stress reduction, weight loss and general health, with special sessions for reducing high blood pressure or treating mild diabetes. Also available: 26-day programs for those with more serious health problems such as heart disease, insulin-dependent diabetes, obesity or gout. The courses are highly structured and medically supervised and pair the guest with a specialist in

cardiology or internal medicine. During the stay guests are on the Pritikin diet - largely vegetarian with some fish and chicken. Food is available six times a day. When not exercising, strolling the boardwalk, or being tested, guests can attend lifestyle-retraining classes such as how to cook Pritikin-style: no added fat, and no salt, sugar or caffeine.

5. Mind-Tuners: Mel Zuckerman's Canyon Ranch, surrounded by inspiring desert and mountain vistas in Tucson, Arizona, now offers a trendsetting "Mind Fitness" program that claims to train the guest to control brain waves. The guest is seated in a small softly-lighted room with electrodes attached to the scalp. Tonal and digital feedback allows guests to monitor the speed of their brain waves. Once the guest learns to control the frequency of brain waves, the theory is the guest will be able to set his mind to the desired level of consciousness - whether the goal is to augment creativity or reduce anxiety. Training takes three hours a day for five days.

Zuckerman believes spas of the future will enhance the mind as well as the body, and that people in their 20s and 80s will go to spas to recycle their lives.

6. Caribbean Connection: Aspiring resorts throughout the Caribbean are capitalizing on Americans' desires for fitness vacations. The first to affiliate with an American fitness center is the Sans Souci Hotel and Club in Jamaica. It brought Chris Silkwood from Houston's The Phoenix to help plan its Spa.

The Jaragua, a big luxury hotel and casino in the center of Santo Domingo, Dominican Republic, is a complete European spa including elaborate hydrotherapy pools, supervised exercise programs and a jogging course.

Palmas del Mar, on Puerto Rico's eastern shore, has a Wellness Center amid Mediterranean-style villas and small hotel.

The Royal Bohemian, an upper-class resort on Nassau's Cable Beach, has a fitness center featuring mud baths and massage.

LePrivilege adds French élan to St. Martin. Highlights: tennis, squash and a fitness center with sauna. Two restaurants serving diet menus adjoin an elegant resort, L'Habitation.

7. Finding Inner Serenity: The Golden Door setting is a combination of Japanese and Southern California vistas. The Spa elevates wellness to a higher realm of inspiration. An advanced course offered over four days and limited to nine participants explores the "mind/body force," it offers meditation, accelerated learning, behavior modification, problem solving and spiritual disciplines.
8. Lifestyling Centers: Motivating the guest to live a healthier life rather than just tackling short-term weight loss or beauty treatments, is the goal of a growing number of fitness resorts that focus on another new trend: cross-training. Designed for healthy people who want to stay that way or improve their understanding of diet and exercise, the

programs combine high-tech gear with ancient philosophies. The Green Mountains of Vermont are the setting for Green Mountain at Fox Run, an educational community for weight and health management. The Green Mountain teaches obesity management by helping guests take charge of their lives. Diets do not work but exercise, stress management and behavior control does.

The Phoenix, a wooded enclave inside an executive fitness/management development center at the Houstonian Hotel was the first to introduce humanoid electronic coaches, the Powercise trademarked system of computerized machines that urge the guest on in workouts. After greeting the guest by name, six different units test endurance, and report the guest's progress by voice and with printouts. The machines even have a sense of humor and encourage the guest to try harder.

9. Executive Enhancement: Hotels and resorts are attracting meetings by offering spa services for executive enhancement. These trendsetters help companies combine organizational and individual development.

Instead of the usual corporate cocktail party, Saddlebrook Golf and Tennis Resort stages a Fitness Fair for group meetings at the Tampa Bay resort. The resort tests guests' heart rate and muscular endurance. The results are analyzed at workshops between golf games on the 36-hole championship course designed by Arnold Palmer.

In Connecticut's scenic countryside, Norwich Inn offers

corporate spa packages, and five, two, and one-day revitalizers. Featured are seaweed based treatments for body and skin, perfected in France.

10. Pampering Body and Soul: Today's spas cater to an international clientele and emphasize relaxation and take-home nutrition advice over quick weight loss. These spas feature a luxurious lifestyle in which the guest concentrates on looking and being the best. Cal-a-Vie Resort Health Spa offers hiking, yoga, tennis, seaweed wraps and underwater massage to a maximum of 24 guests, at the 125 acre resort. Cal-a-Vie offers a low-cal diet but does not put caloric counts on the menu. Nutritional balance is the concept.

The stressful lifestyle of today's world leaves little time for one's own pursuit of health; however, the fitness business has become a vast multi-billion dollar business appealing to people of all ages. The "vacation fitness" business is an integral part of the total fitness trend and is due mainly to the trend toward nontraditional vacations and a rising desire to attend glamorous resorts for revitalizing both mind and body.

The vacation health spas offer a variety of unique services to potential guests. Each spa focuses on different aspects of beauty and fitness.

The key to a successful resort located in Montana is the perfect combination of services and facilities unique to Montana's natural beauty.



## CHAPTER III

### Economic Conditions in Montana

The economic conditions in Montana are not unlike those in other western states and is very similar to existing economic conditions in the state of Utah which has three vacation fitness resorts.

The 1970's were a time of dramatic economic growth in Montana during which the state outdistanced the national economy and proved much less sensitive to the periodic recessions experienced across the United States. The greatest employment and income increases during this period were in service-producing industries such as health services, business and professional services, public services, retail trade, wholesale trade, and transportation services. Additionally, property income (dividends, interest, and rent) in Montana was one of the most notable areas of increase during the period. Growth also occurred in goods-producing industries such as mining, construction, and manufacturing. Declines were experienced in agriculture and metal mining.<sup>1</sup>

Erratic growth in Montana and the nation characterized the first half of the 1980s. Economic growth was interrupted by two national recessions from which the national economy fully recovered each time. The recessions had a deeper effect on Montana, and the state was unable to fully recover. In 1985, the state experienced another recession while the national economy was experiencing slow growth. Montana's

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<sup>1</sup>Phil Brooks, "Executive Summary," Economic Conditions in Montana, January 1988, p. 3.

difficulties over this period were evidenced by employment growth of 3 percent compared to the national figure of 11 percent and inflation adjusted non-agricultural earnings of a negative 6.5 percent in the state compared with a 10 percent increase nationwide.<sup>2</sup>

The first six months of 1986 was a period of slow economic growth in Montana and the U.S. as evidenced by a total personal income annual growth rate of 2.7 percent for Montana and 3 percent for the nation. In Montana, private services showed the strongest growth over the period with other gains registered in lodging and recreation services, metal mining, food processing, and fabricated textile products. Declines were apparent in wholesale and retail trade, oil and gas extraction, building construction, communications, and electrical machinery manufacturing.

Data from the U.S. Bureau of Economic Analysis show that over the period 1979-87, jobs in Montana increased by about 14,000 overall. There was a net loss of 11,000 wage and salary jobs, while the number of self-employed increased by roughly 25,000 (all in the non-agricultural sector). This movement represents a substantial shift from wage and salary jobs to self-employment. This shifting phenomenon was also experienced by the neighboring states of Idaho and Wyoming, and to a lesser extent by North Dakota and South Dakota, but Montana's self-employment growth rate was higher than the average for its contiguous states.<sup>3</sup>

The principal industries in which self-employment gains occurred included: assorted consumer services (e.g., recreation, repair, and health services), 8,000 jobs; various business services (such as management con-

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<sup>2</sup>Phil Brooks, "Economic Conditions in Montana," Build Montana, December 1986, p. 9.

<sup>3</sup>Ibid.

sultants, building maintenance, and data processing services), 6,000 jobs; real estate activities (operators/lessors, agents), 4,000 jobs; and special trade construction contractors (e.g., plumbing/heating, electrical), 2,000 jobs.

Wage and salary job losses occurred primarily in construction (principally building construction related jobs), 7,000; manufacturing (wood products), 2,600; primary metals processing, 2,100; food products, 1,400 about 6,000 jobs; railroads, 4,000; and wholesale trade, 2,500.

On the other hand, wage and salary employment increased in other segments of the Montana economy, with the largest increase in private services producing 9,000 jobs over the 1979-87 time period. Most of this increase was in health services (5,500 jobs), and in business services (3,000 jobs). Eating and drinking establishments also saw an increase of approximately 2,000 jobs.<sup>4</sup>

The Bureau of Business and Economic Research, University of Montana, forecasts growth in personal income of about 7.5 percent before inflation, and 1.5 percent after inflation for 1989. The per capita personal income (average income per person) varied from a high of \$12,300 in the Helena region to a low of \$9,200 in the Miles City region (in 1985 dollars).<sup>5</sup>

Utah, with its three fitness resorts, forecasts the 1986 per capita personal income (PCI) at \$10,800 which is approximately the same range as Montana's 1985 per capita income.

Tables 5 and 6 show population trends and square miles of regions in Montana. The regional breakout used originated from work done in 1970 and 1971 for "purposes of service, administration, planning and data report-

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<sup>4</sup>Ibid., p. 75.

<sup>5</sup>Ibid

ing." The result was aggregation of counties into economic regions that vary from three to six counties, and from 6,305 to 18,023 square miles.<sup>6</sup>

Montana is the fourth largest state in the United States and the regions are as large as some states in the U.S. The Glasgow-Wolf Point region is approximately half again as large as Connecticut and Vermont, and double the size of New Jersey. Connecticut has three vacation fitness resorts, Vermont has three and New Jersey has three.

Between 1986 and projected 1990, the U.S. Bureau of the Census, shows Connecticut, Vermont, and New Jersey increasing in population by approximately 3 percent and Utah's population increasing by 6.7 percent. Montana's population is shown as declining during those years by 1.7 percent.<sup>7</sup>

As indicated by Table 6, the Billings Region in South Central Montana (Big Horn, Carbon, Stillwater, Sweetgrass and Yellowstone counties) has experienced rapid growth resulting in the state's largest regional population at an estimated 150,300 in 1985. This region easily ranks first in population currently and has a population density of 10.2, the second highest in the state. The Missoula Region (Mineral, Missoula, Ravalli and Sanders Counties) has a population density of 12.4 percent which is the highest in the state of the twelve regions.<sup>8</sup>

The tourism and recreational industries and activities, such as skiing, hot springs, resorts, and outfitting and hunting are perhaps some

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<sup>6</sup>Ibid.

<sup>7</sup>Bob Gurwitt, "How We Spent the 1980s: A Pre-Census Look at a Changing America," Governing, August 1989, p. 28.

<sup>8</sup>Phil Brooks, "Economic Conditions in Montana," Build Montana, December 1986, p. 18.

TABLE 5

## SQUARE MILES OF LAND IN MONTANA REGIONS: 1980

Region	Square Miles	Percent of Total
Montana	145,392	100.0
Anaconda-Butte	14,636	10.1
Billings	13,312	9.2
Bozeman	7,812	5.4
Glasgow-Wolf Point	15,532	10.7
Glendive-Sidney	14,192	9.8
Great Falls	15,520	10.7
Havre	8,583	5.9
Helena	6,305	4.3
Kalispell	10,221	7.0
Lewistown	12,325	8.5
Miles City	18,023	12.4
Missoula	8,931	6.1

Source: U.S. Bureau of the Census. Compiled by the Office of Economic Analysis, Montana Department of Commerce, 1986. p. 17.

TABLE 6

## PERSONS PER SQUARE MILE IN MONTANA &amp; REGIONS: 1980

Montana	5.4
Anaconda-Butte Region	5.0
Billings Region	10.2
Bozeman Region	7.4
Glasgow-Wolf Point Region	2.2
Glendive-Sidney Region	2.2
Great Falls Region	7.5
Havre Region	3.2
Helena Region	8.5
Kalispell Region	8.7
Lewistown Region	2.0
Miles City Region	1.8
Missoula Region	12.4

Source: Derived from U.S. Bureau of the Census data. Compiled by the Office of Economic Analysis, Montana Department of Commerce, 1986. p. 21.

of the state's greatest and somewhat untapped resources.

Montana is rich in human and natural resources and in potential. Its people are well educated and industrious. The state still has vast water, wildlife, mineral, timber, and other natural resources. Montana has space, wild places, and clean air, which may in the long run prove to be some of its greatest assets.

Job growth in Montana, like Utah and the nation, is strongest in the service producing industries. Because of high productivity in the goods producing industries, the economy can produce as many or more goods with very little increase in employment. The relative shift in Utah from goods-producing employment to service producing employment means that Utah's economy will be characterized to a great extent as a human resource based economy rather than its traditional character as a natural resource based economy.<sup>9</sup>

The economic outlook for Utah and the Intermountain Region for 1987, is one of continued slow growth. Utah has recently experienced declines in its mining and manufacturing industries just as Montana has experienced.

Utah has basically the same economic conditions and forecasted outlook as Montana except for population movement. Utah shows increasing trends in population and Montana shows decreasing population trends.

Table 7 compares the various states, population, per capita income and number of fitness resorts located in each state.

The Western states of Arizona, California, Colorado, Hawaii, Idaho, Nevada, Utah and Washington have a total of 24 vacation fitness resorts; this is 32 percent of the total resorts in the United States. The average

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<sup>9</sup>Douglas A. MacDonald and Lance R. Rovig, "Economic Report to the Governor," State of Utah, February 1987, p. 3.

TABLE 7

STATE COMPARISON BY POPULATION, PCI, AND  
NUMBER OF VACATION FITNESS RESORTS

Population in 1000s \*

STATE	POPULATION	PCI***	FITNESS RESORTS**
Alabama	4,021	9,992	0
Alaska	521	17,487	0
Arizona	3,187	11,841	4
Arkansas	2,359	9,805	1
California	26,365	14,487	12
Colorado	3,231	13,847	1
Connecticut	3,174	16,556	3
Delaware	622	13,685	0
D.C.	626	17,113	0
Florida	11,366	12,763	9
Georgia	5,976	11,551	0
Hawaii	1,054	13,042	1
Idaho	1,005	10,092	1
Illinois	11,535	13,802	1
Indiana	5,499	11,717	1
Iowa	2,884	12,160	0
Kansas	2,450	13,248	0
Kentucky	3,726	10,300	1
Louisiana	4,481	10,808	1
Maine	1,164	10,813	1
Maryland	4,392	14,464	0
Massachusetts	5,822	14,784	1
Michigan	9,088	12,607	0
Minnesota	4,193	13,247	1
Mississippi	2,613	8,777	0
Missouri	5,029	12,151	1
Montana	826	10,546	0
Nebraska	1,606	12,430	0
Nevada	936	13,320	1
New Hampshire	998	13,192	0
New Jersey	7,562	15,440	3
New Mexico	1,450	10,262	0
New York	17,783	14,318	7
North Carolina	6,255	10,850	0
North Dakota	685	12,352	0
Ohio	10,744	12,355	1
Oklahoma	3,301	11,655	1
Oregon	2,687	11,611	0
Pennsylvania	11,853	12,314	3
Rhode Island	968	12,820	0
South Carolina	3,347	10,116	1
South Dakota	708	11,069	0
Tennessee	4,762	10,419	0
Texas	16,370	12,572	3
Utah	1,645	9,733	3
Vermont	535	10,802	3
Virginia	5,706	13,254	2
Washington	4,409	12,792	1
West Virginia	1,936	9,728	3
Wisconsin	4,775	12,474	3
Wyoming	509	12,224	0

\*Source of population estimates - "Statistical Abstract of the United States" 1986. Most recent population projections by state are as of July 1, 1985. p. 3.

\*\*Source: Affordable Spas & Fitness Resorts. Ventana Press, Chapel Hill. 1988. p. 20.

\*\*\*Source of Per Capita Income Data - "Statistical Abstract of the United States" 1986. Estimates are for 1985. p.3.

per capita income for these states is \$12,394 and the average median income for a 4-person family is \$30,797.

The Northeastern states of Connecticut, Maine, Massachusetts, New Jersey, New York, Pennsylvania, and Vermont have the second highest number of vacation fitness resorts with 21 located in these states. This is 28 percent of the total resorts. The average per capita income for the Northeastern states is \$13,575 and the average median income for a 4-person family is \$32,859.

The Southern states of Florida, Kentucky, Louisiana, Texas, Virginia, West Virginia, and South Carolina have 20 vacation fitness resorts which is 27 percent of the total resorts. The average per capita income for the Southern states is \$11,363 and the average median income for a 4-person family is \$28,677.

The Midwestern states of Illinois, Indiana, Missouri, Minnesota, Ohio, Oklahoma, Wisconsin, and Arkansas have the remaining 10 vacation fitness resorts which is 13 percent of the total resorts. The average per capita income for the Midwestern states is \$12,150 and the average median income for a 4-person family is \$30,077.

Table 8 shows thirty states having at least one or more vacation fitness resorts located within the state. The median income for a four person family ranges from \$25,316 to \$39,070. Montana's median income for a four person family in 1984 was \$26,072, again, comparable to Utah's median income.

All four regions have approximately the same per capita income and median income for a 4-person family; therefore, the economic conditions contributing to income does not seem to be a factor in the location and operation of a vacation fitness resort.



TABLE 8

## STATES WITH ONE OR MORE VACATION FITNESS RESORTS

## Median Income for 4-Person Families

State	1984
Arizona	29,431
Arkansas	23,075
California	33,711
Colorado	34,154
Connecticut	39,070
Florida	28,858
Hawaii	33,445
Idaho	25,499
Illinois	33,126
Indiana	30,302
Kentucky	25,815
Louisiana	28,430
Maine	26,237
Massachusetts	36,731
Minnesota	33,807
Missouri	30,050
Nevada	31,059
New Jersey	39,096
New York	32,665
Ohio	30,779
Oklahoma	28,856
Pennsylvania	29,573
South Carolina	27,810
Texas	31,031
Utah	27,497
Vermont	26,645
Virginia	33,480
Washington	31,585
West Virginia	25,316
Wisconsin	30,622

Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

Climate is not the determining factor either since the region with the highest percentage of vacation fitness resorts has many diverse climates in each state. California, Arizona, Hawaii, and Nevada are fairly warm climates, but Idaho, Utah, Colorado, and Washington can be cold and snowy during the winter months.

The common factor in all four regions is aesthetic location of resorts within the state. Each resort is located in uniquely pleasant surroundings which Montana can certainly equal or surpass.

Montana is becoming more aware of the "fitness craze" as indicated by the Champion International Corporation's willingness to spend \$900,000 to equip an acre-sized building as a fitness center for its 750 employees and their families. The company believes the center will pay for itself within two years through avoided absenteeism. It is scheduled to open August, 1989. The center will operate 24 hours a day, seven days a week, just as the plant itself does and it will be staffed with physical therapists and other health professionals. The company expects to save \$500,000 a year. It will be officially called a fitness-wellness rehabilitation center, and its purpose is not only to help healthy workers stay fit, but to get the sick and injured back on the job sooner. Programs in nutrition, weight loss and smoking cessation will be offered.<sup>10</sup>

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<sup>10</sup>"Millworkers at Libby get \$900,000 Health Club," Missoulian, 15 January 1989.

## CHAPTER IV

### SURVEY RESEARCH OF POTENTIAL CUSTOMERS AND OPERATIONS OF VACATION FITNESS RESORT

A mail questionnaire was developed in the preliminary investigation into the operation of a Montana Vacation Fitness Resort to determine public response to the idea of such a resort and willingness to use the facility. A copy of the questionnaire is found in Appendix I.

The mail survey is typically more impersonal which provides more anonymity than other survey methods and the respondent has time to consider responses to the questions. Since the sample was dispersed throughout the state of Montana, the mail questionnaire was more cost effective than personal interviews or a phone survey.

Mail surveys with a return of 30 percent are usually considered satisfactory. The response rate achievable is strongly influenced by the subject of study and the selected respondents. Another limitation of a mail survey is the type and amount of information which can be secured by this means. Normally, only a limited amount of information can be gathered because many potential respondents will not cooperate with a long or complex mail questionnaire. For better response to this type of survey, the respondent should be able to answer the questionnaire in no more than ten minutes.<sup>1</sup>

Since the Legislators are elected by the general populous and represent the desires and attitudes of the people, 150 pretested questionnaires

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<sup>1</sup>C. William Emory and Richard D. Irwin, Inc., Business Research Methods, (Revised edition., Homewood, Illinois, 1980) p. 308.

were mailed out to the 50th Legislative Assembly, both Senators and Representatives, and, of this number, 92 questionnaires were returned. This is a return rate of 61 percent which represents a better than average response.

The purpose of the mail questionnaire was to establish parameters of acceptability for such a facility. Would residents of Montana use the facility? What is the customer profile of a fitness resort? What kind of facility and types of service would best meet the needs of the customer?

The major survey limitation was the assumption that the Montana Legislature is a representative sample of the opinions and attitudes of the majority populace of the state.

The first three questions were designed to determine if residents of the state would use a vacation fitness resort located in their state and if so, how they would use the resort--for weekend retreats, a week at a time or longer, or both. Then, determine how often would they use a facility of this type--never, once a year, twice a year or more.

Questions four and five were included to obtain information about the most desirable design of the facility. Respondents were asked their preferences relative to deluxe accommodations or no frills rustic accommodations and what type of programs the guest would prefer to have included in the cost of staying at such a facility. Are they interested in a plush, luxurious, pampering type atmosphere and facility or do they want a more economical vacation fitness resort which would give the guest the opportunity to return more often?

Questions six, seven and eight were included to determine the customer profile. What are the characteristics of a vacation fitness resort guest? This information is critical for advertising and marketing strategy. What is the target market?

## RESULTS OF THE MAIL QUESTIONNAIRE

## Proposed Montana Vacation Fitness Resort

1. Would you use a vacation fitness resort in the State of Montana?

<u>Would use facility</u>	<u>Would not use facility</u>
47 (51%)	45 (49%)

2. Would the Respondent use the facility for:

Weekends:	23 (49%)
Week/longer:	8 (17%)
Both:	16 (34%)

3. How often would the respondent use the facility?

	<u>Never</u>	<u>Once/Year</u>	<u>Twice/year</u>	<u>More</u>
Weekends		17	10	5
Week/longer	1	15	2	
Both	1	11	6	

4. What type of resort would the respondent prefer?

	<u>Number</u>	<u>Percent</u>
Deluxe Fitness Resort	6	13
No Frills Rustic Fitness Resort	41	87

5. Areas of Importance (each respondent chose five).

	<u>Number</u>	<u>Percent</u>
Deluxe Accommodations	5	2
Rustic Accommodations	20	8
Low Calorie Gourmet Cuisine	7	3
Low Calorie meals	25	11
Nutrition Education	20	8
Facial - Manicures - Makeover	6	3
Massage, Herbal Wrap	10	4
Therapeutic Whirlpool, Sauna	26	11
Individual Diet/Exercise	30	13
Weight Lifting/Nautilus	6	3
Cooking Classes	6	3
Stress Counseling	15	6
Aerobic Classes	12	5
Running	9	4
Hiking	17	7
Swimming	21	9

## 6. Sex of Respondent.

	<u>Number</u>	<u>Percent</u>
Male:	21	45
Female:	26	55

## 7. Age of Respondent.

	<u>Number</u>	<u>Percent</u>
30-39	10	21
40-49	12	26
50-59	15	32
60-69	7	15
70-79	2	4
80-89	1	2

## 8. Income of Respondent.

	<u>Number</u>	<u>Percent</u>
\$ 5,000 - 20,000	5	11
20,001 - 30,000	17	36
30,001 - 40,000	13	28
40,001 - 50,000	2	4
50,001 up	10	21

Figure 1 -- Results of Mail Questionnaire

Of the 92 responses, 47 respondents said they would use a vacation fitness resort located in the state of Montana. Twenty-three respondents said they would use it for weekends only, eight said they would use it for a week or longer during a stay, 16 said they would use it for both weekends and a week or longer during a stay. Of the respondents, 17 indicated they would use the facility at least once a year, 10 indicated that they would use the facility at least twice a year and five said they would use the facility more frequently than twice a year for weekend stays. One respondent said he/she would never use the facility for a stay of a week or longer, 15 indicated they would use it for a week or longer once a year, two said they would use it for a week or longer twice a year. One respondent said he/she would

never use it for both weekends or a week or longer stay, 11 said they would use it for weekends and a week or longer at least once a year and six indicated they would use it for weekends and week or longer stay twice a year.

The results of the questionnaire indicate 51 percent of the respondents will use the vacation fitness resort and of these, 48 percent will use it for weekend stays, 34 percent will use it for weekends and/or week long stays. The majority of the respondents indicated they will use it at least once a year with various combinations of weekends and/or week long stays. Although the respondents did check more than one combination of length of stay and number of times used during a given year, the most frequent response was once a year for weekends with the second most frequent response being once a year for a week or longer stay.

Montana respondents preferred a no frills rustic fitness resort over the deluxe fitness resort combination. This may be due to the cost of a deluxe fitness resort or preferring to stay with the Montana rustic cowboy image.

Each respondent chose five areas of importance to be included in the vacation fitness resort. In descending order, the areas of preference were, individual diet and exercise programs, therapeutic whirlpool and sauna areas, low calorie meals, access to a swimming pool, nutrition education, hiking, stress counseling classes, aerobic classes, massage and herbal wrap, running, and low calorie gourmet cuisine meals. Weight lifting (Nautilus), cooking classes, facials, manicures, and makeovers, were at the bottom of the list all receiving the same number of votes.

Of the 47 respondents willing to patronize a Montana vacation fitness resort, 21 were males and 26 were females. The most frequent age of the respondent was between 50-59 years old with the second most frequent age range being 40-49 years. The most frequent income range was \$20,001-\$30,000 and the second most frequent range was \$30,001-\$40,000.

In summary, the Montana guest will stay weekends, in a rustic fitness resort offering individual diet and exercise programs, therapeutic whirlpool and sauna areas, low calorie meals, a swimming pool and nutritional education classes. The guest will most likely be a female in the age range of 50-59 years with an annual income of \$20,001 - \$30,000.

A telephone survey of eleven established vacation fitness resorts was conducted to determine the essential elements of a successful fitness resort. The magazine Spas Across America listed 22 vacation fitness resorts within the United States. The eleven selected for the phone questionnaire was determined by choosing every other one on the list. The size of their facility, average daily population, advertising methods, and customer profile were surveyed. The quality of the phone responses was excellent. The interviewer bias was reduced because of the lack of face-to-face contact and immediate response to the questions was advantageous since the selected vacation fitness resorts were as far away as Kentucky and Mexico. A copy of the questionnaire is found in Appendix I.

The major limitations to the telephone survey was difficulty in reaching the appropriate person to respond to the questions. Due to different time zones and work schedules, the person to whom the survey



was directed was not always available at the time phone contact was made with the facility. Also, because of the expense involved, the length of the interview had to be precise and very direct.

Through a random selection process, the resorts contacted were Bluegrass Spa, Stamping Ground, Kentucky; Greenhouse Spa, Arlington, Texas; Hilton Head Health Spa, Lake Geneva, Wisconsin; LaCosta Hotel and Spa, Carlsbad, California; Lake Austin Resort, Austin, Texas; National Institute of Fitness, Ivins, Utah; Olympis Spa, Oconomowoc, Wisconsin; Prospector Athletic Club, Park City, Utah; Rancho LaPuerta, Tecate, Mexico; and Rocky Mountain Wellness Spa, Steamboat Springs, Colorado.

The first three questions in the survey were to get a basic understanding of the demography of the facility. Did each facility have something in common with the other because of location? Did this type of facility need to be located in a large populous town or just near to the major transportation lines?

Then, how did the facility advertise and what is perceived to be their most successful advertising method? Although the measurement of return on investment for advertising is difficult to determine most facilities had a working knowledge of what areas of advertising brought in the most new guests to their facility. Also, for advertising purpose, what is the percent of guests from other states that visit the facility? Do the majority of guests come from within the state where the facility is located or do they come from out of state?

The capacity of the facility, the average daily population and average length of stay is important to be able to project revenue for a

similar facility as well as the average cost to the guest for a similar facility and program.

Questions 10, 11 and 12 were designed to get an idea of the guest profile in vacation resorts. What type of person attends a fitness resort and are the guests mostly male or female? What is the average age range and income range of the guests?

The population of the town where the resort was located or the population of the town nearest the resort did not seem to be a significant factor. The Bluegrass Spa in Stamping Ground, Kentucky, is in a town of approximately 600 people and is located within 20 minutes of an airport. The National Institute of Fitness in Ivins, Utah, is in a town of approximately 500 people and is located within 25 minutes of St. George, Utah, a much larger town with numerous retirement communities and golf courses. Lake Austin Resort in Austin, Texas, is within 40 minutes of downtown Austin with a population of approximately 700,000. The survey results showed five resorts located in or near a town of approximately 10,000 and six resorts located in or near a town of over 10,000 people.

Of the eleven vacation fitness resorts in the phone survey, ten indicated that magazine advertising was the most effective method for them. Only one said newspaper was the most effective advertising tool; however, most of the resorts surveyed said referrals or "word-of-mouth" was the second most important "advertising method." The magazine used for advertising by nine of the eleven resorts was Shape, although other magazines were used for this purpose such as American Health, Walking, Spas Across America, and numerous other sports magazines. In

RESULTS OF PHONE QUESTIONNAIRE  
Survey of Established Fitness Resorts

1. Population of town where resort is located or population of town nearest resort.

<u>No. of Resorts</u>	<u>Population</u>
5	0-10,000
6	10,000 - up

2. Most successful advertising method.

<u>No. of Resorts</u>	<u>Method</u>
1	Newspaper
0	Radio
0	TV
10	Magazine
0	Referrals (most resorts indicated that this method was the second most successful advertising method.)

3. Average daily population as a percent of capacity.

<u>No. of Resorts</u>	<u>Percent</u>
4	100
2	90
1	88
1	86
1	75
1	60
1	50

4. Capacity of Facility.

<u>Name</u>	<u>Guest Capacity</u>
Bluegrass Spa	14
Greenhouse Spa	39
Hilton Head Health Institute	40
Interlake Country Spa	144
LaCosta Hotel and Spa	482
Lake Austin Resort	80
National Institute of Fitness	45
Olympia Spa	380
Prospector Athletic Club	25
Rancho La Puerta	150
Rocky Mountain Wellness Spa	15

## 5. Average length of stay for guests.

	<u>No. of Resorts</u>
Weekends	3
One Week	6
Two Weeks	1
Three Weeks	0
One Month	1

## 6. Percent of guests from out of state.

<u>No. of Resorts</u>	<u>Percent</u>
1	98
2	95
2	90
1	80
2	75
1	70
1	50
1	40

## 7. Percent of female guests.

<u>No. of Resorts</u>	<u>Percent</u>
3	100
1	90
3	80
3	60
1	50

## 8. Average age range of guests.

<u>Age</u>	<u>No. of Resorts</u>
0-18	0
19-24	0
25-35	0
36-45	6
46-55	5
55 and up	0

## 9. Income range of guests.

	<u>No. of Resorts</u>
5,000 - \$20,000	0
\$20,001 - \$30,000	0
\$30,001 - \$40,000	6
\$40,001 - \$50,000	3
Over \$50,001	2

Figure 2.--Results of Phone Questionnaire

addition to Shape, Interlake Country Spa advertised in a local business magazine and the Hilton Head Health Institute advertised in the New Yorker and Bon Appetite magazines. The Greenhouse Spa in Arlington, Texas also advertised in the Neiman Marcus Christmas catalogue which allows the purchase of a gift certificate to be used for a stay at the spa. The Greenhouse Spa said they received excellent results from this type of advertising. Many of the resorts advertised in the Wall Street Journal besides their local newspapers and newspapers in the general vicinity of the resort.

The capacity of the vacation fitness resort facilities ranged from 14 guests at the Bluegrass Spa in Kentucky to 482 guests at LaCosta Hotel and Spa in California which has five executive homes on campus and planning for a \$100 million expansion to include more golf courses and exclusive housing for celebrities.

The average daily population at the resorts varied with six reporting that they were at least 90 percent of capacity every day of the year and four of the six reported 100 percent of capacity every day of the year. The remaining five resorts reported 88 percent to 50 percent of the total capacity. Six resorts said the average length of stay for guests was one week. Three resorts said their average length of stay for guests was weekends; one said two weeks was the average stay and one resort said one month was the average length of stay for guests at their resort.

The percent of guests from out of state that visit the resorts averaged 78 percent. This could be the result of extensive advertising in national magazines. Five resorts indicated that 90 percent or more of their guests are from other states. One said 80 percent, two

reported 75 percent, one said 70 percent, one said 50 percent and one said 40 percent of the guests were from out of state.

Three resorts said 100 percent of their guests were female only, one said 90 percent, three said 80 percent, three said 60 percent, and one said 50 percent of the guests were female with the average age range of the guests from 36 years to 55 years. The approximate income range of the guests was from \$30,001 to over \$50,000 with the majority in the range of \$30,001 to \$40,000.

Unlike the Montana mail questionnaire results, the results of the phone survey to established fitness resorts indicates the average guest is female in the age range of 36 years to 55 years, has an income between \$30,001 to over \$50,000, and stays as a guest of the resort for at least one week. The best method of advertising is in Shape magazine which is read primarily by women.

## CHAPTER V

### LOCATION AND DESIGN

As shown in Table 5, the Miles City Region is the largest of all Montana regions. It has 18,023 square miles of land and represents 12.4 percent of the total square miles in Montana. The second largest region is Glasgow-Wolf Point which consists of 15,532 square miles, 10.7 percent of the total square miles in the state. The third largest region is Great Falls with 15,520 square miles, 10.7 percent of the total square miles in the state. The fourth largest region is Anaconda-Butte with 14,636 square miles representing 10.1 percent of the total square miles in the state. Kalispell is the eighth largest region with 10,221 square miles representing 7.0 percent of the total square miles of land in Montana.

In Table 6, Missoula region ranks first for the number of persons per square mile with 12.4; Billings region is second with 10.2 persons per square mile; Kalispell region is third with 8.7 persons per square mile and Helena is fourth with 8.5 persons per square mile. However, as the phone survey results indicated, the size of the region or the population was not a factor in the location of a vacation fitness resort.

The per capita income of a state is not a significant factor in the location of a vacation fitness resort. The Western states with the highest percent of vacation fitness resorts had an average Per Capita Income of \$12,394. The Southern states with the third highest concentration of vacation fitness resorts had an average Per Capita

Income of \$11,363. Montana's per capita income is \$10,546.

As established in Chapter III, climate is not the determining factor for the location of a resort since many successful vacation fitness resorts are located in states with very diverse weather conditions.

Since size, populous, per capita income, or climate do not appear to be significant factors in the location of a resort, the major common factor found in the location of a resort is the uniqueness of the area. Each vacation fitness resort offered something aesthetically pleasing to the guest and just a little different than the resort offered in the next state. Montana's natural beauty and numerous potential outdoor recreational activities is an inherent asset to a vacation fitness resort located in the northwestern part of the state. The Institute for Tourism and Recreation Research at the University of Montana found that in 1988, 31 percent of the visitors to Montana are from the Pacific Coast, with 15 percent from Washington and 11 percent from California. Eight percent came from Canada while Idaho and Wyoming were next at 5 percent each. More than half, 53 percent, were on vacation, while 46 percent came to visit family or friends. The data were based on 2,519 questionnaires that were returned after being handed out at 13 highway entrances to the state and the six busiest airports. Scenery was an important attraction for about half of the visitors. Fishing was important for 27 percent of the visitors and hunting was an attraction for 6 percent. Also, day hiking, photography and visiting historic sites were popular recreational activities for the visitors.<sup>1</sup>

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<sup>1</sup>"Pacific Coast Good Source of Tourists for Montana", Great Falls Tribune, 22 February 1989, p. 14A.



According to Montana's tourism promotion chief, John Wilson, the 1987 summer increase in tourism represented a 13 percent growth in spending to about \$390 million for July, August and September. He predicted travelers in Montana for 1988 to have spent just over \$1 billion by the end of the season. That compares to about \$905 million in 1987 and \$854 million in 1986. The increase was due, in part, to increased promotion. The largest increase in tourism spending was in northwestern Montana, where accommodation tax revenue jumped 22 percent. The Great Falls area reported a 15 percent gain and the Billings area 11 percent. The tourism season was promoted with the "When Montana Sings" campaign in the spring, 1988 and benefited from an improved exchange rate between the U.S. and Canadian dollars.<sup>2</sup>

The concept of going to a fitness resort where health and fitness exercise and training are an integral part is something relatively new. This trend is a natural outgrowth of our society's renewed emphasis on overall health and nutrition. People look for natural beauty and unique surroundings when choosing a fitness resort. One of the most scenic locations in Montana with surrounding recreational potential is Whitefish and due to the fact that the northwestern corner of the state increased dramatically last year in tourism, proves the assumption that this area would lend itself well to a fitness resort.

Glacier International Peace Park is within 30 miles of Whitefish, as is the very popular Flathead Lake. Several of the nation's prime wilderness areas are located in this area of the state so many forms of wildlife can easily be seen. Recreational opportunities are numerous

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<sup>2</sup>Bob Anez, "State Tourism up 27 Million," Great Falls Tribune, February 1989, p. 1A.

and expansive with the Big Mountain Ski resort located within six miles of Whitefish. In the spring, summer and fall, fishing, sailing, water skiing, white water rafting, golfing, hunting, hiking, mountain/touring bicycling, and horsebackriding are just a few of the many outdoor activities available to be included in a fitness package.

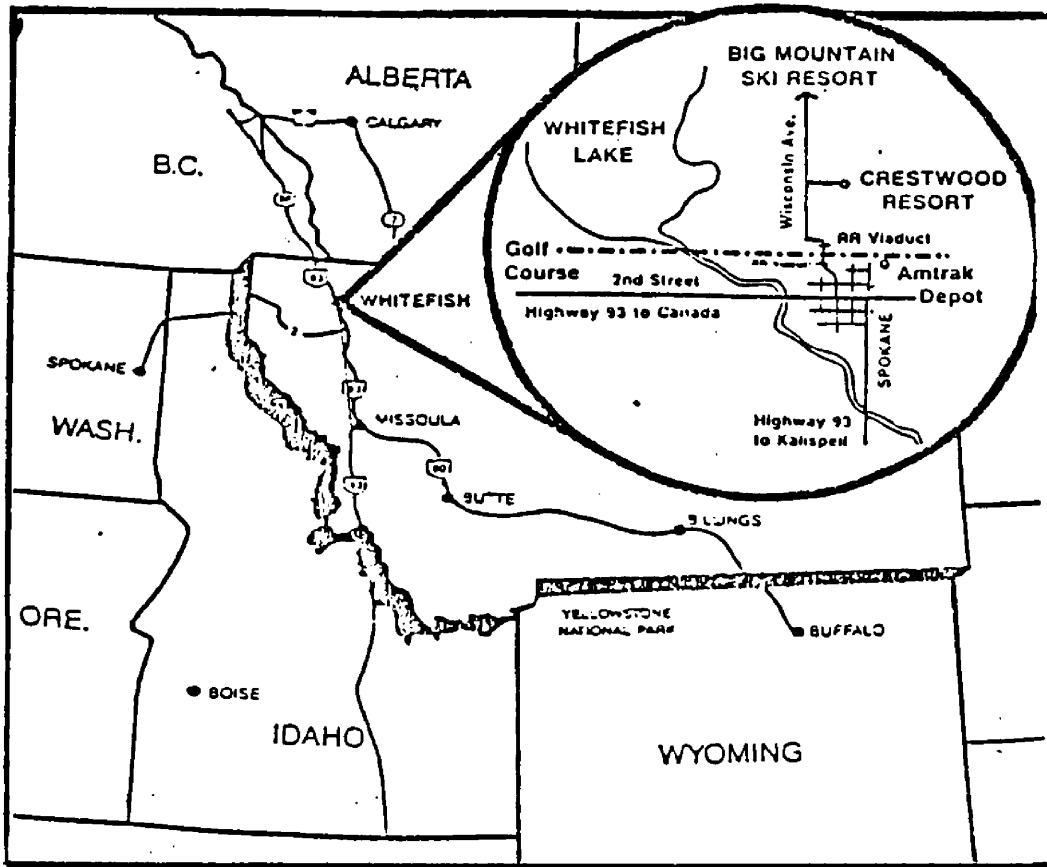
As for a specific location for the facility, the Crestwood Time Share Complex located in Whitefish has a racquetball building which is now vacant. The Crestwood Home Owners Association is attempting to purchase the building which will go up for auction sale in the summer of 1989. The home owners prefer to buy the building and lease it to prospective clients; thus, maintaining control of the activities occurring in their Time Share Complex. This is a prime location for a vacation fitness resort since the atmosphere at the complex is that of a vacation; the surroundings are unique and aesthetically pleasing; and the nearby area is limitless with regard to recreational activities.

Table 9 shows the exact location of the Crestwood Time Share Complex and Table 10 shows the existing racquetball facility . The building has 11,260 square feet on the main floor and 2,000 square feet on the second floor. Renovation of the building is necessary to bring it up to codes for occupancy. Table 11 reflects the proposed renovation of the facility.

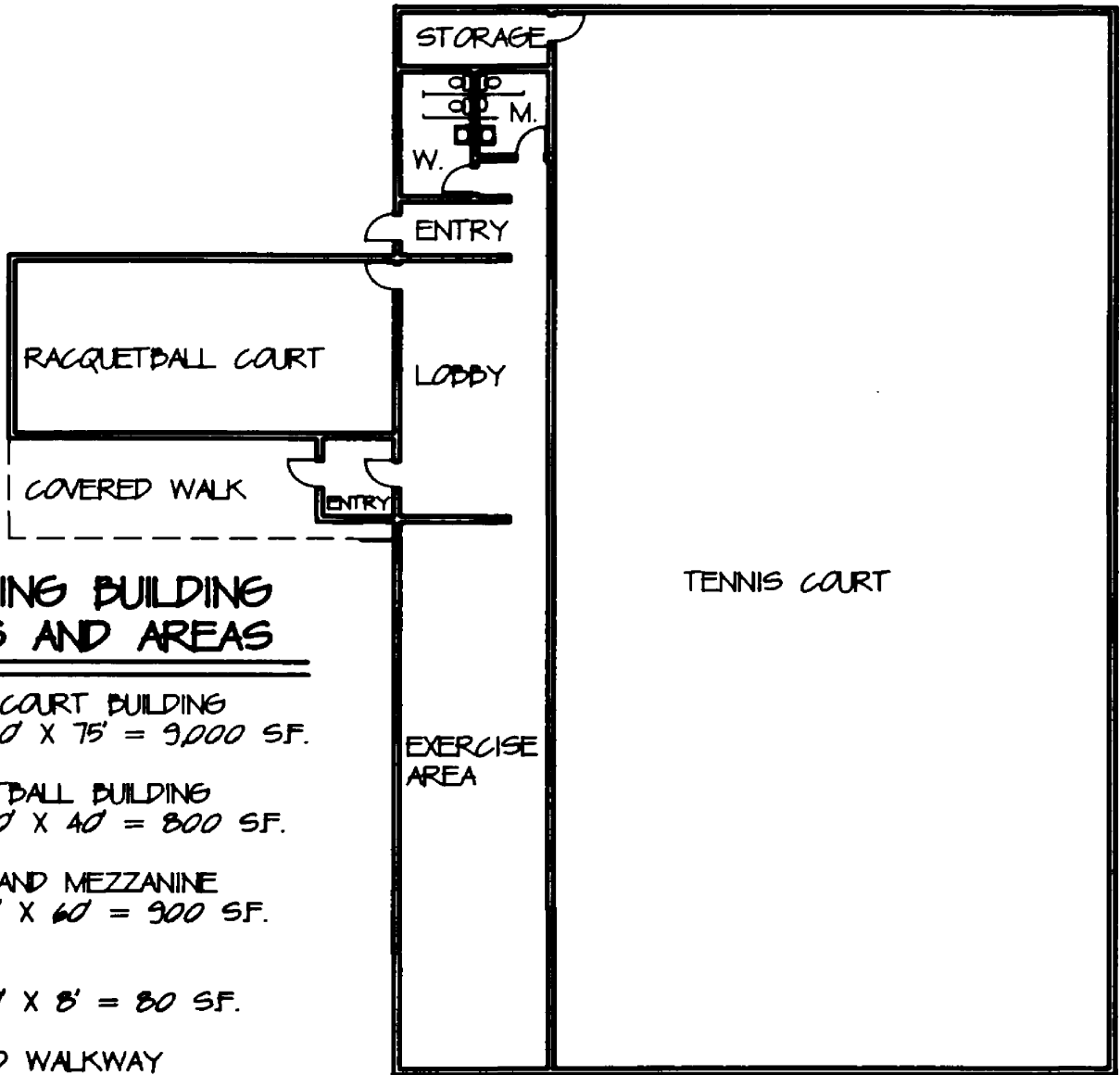
The renovated proposed facility includes all the necessary space for a complete vacation fitness resort. The old tennis area will serve three functions as a weight room, aerobics room and indoor track. A lap swimming pool would be added along with two wet areas which include lockers, saunas, jacuzzies, and steam rooms. A kitchen and dining area

TABLE 9

LOCATION-CRESTWOOD TIME SHARE  
MAP



# TABLE 10 EXISTING FACILITY



## EXISTING BUILDING SIZES AND AREAS

TENNIS COURT BUILDING  
120' X 75' = 9,000 SF.

RACQUETBALL BUILDING  
20' X 40' = 800 SF.

OFFICE AND MEZZANINE  
15' X 60' = 900 SF.

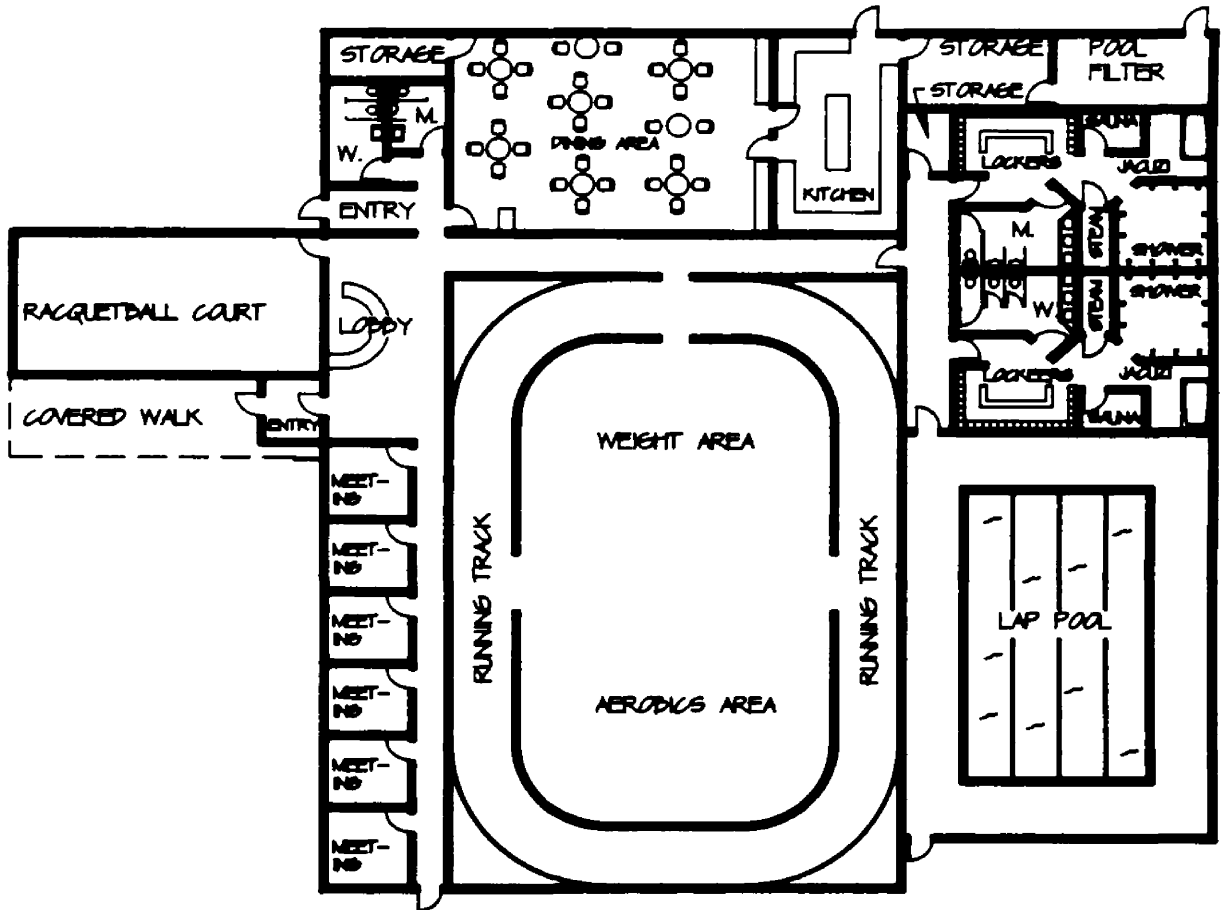
ENTRY  
10' X 8' = 80 SF.

COVERED WALKWAY  
12' X 40' = 480 SF.

## EXISTING FLOOR PLAN



# TABLE II PROPOSED FACILITY



4 - PLEX

4 - PLEX

4 - PLEX

## PROPOSED FLOOR PLAN



would be added to the existing facility to allow for controlled food consumption. The offices that are now in the building will become meeting rooms and rooms for counseling. A beauty shop, sun tanning room, and nurse's check-in room will occupy the additional space.

The initial three four plex housing units include two queen size beds, a TV and VCR, nightstands, carpet, chairs, credenza and mirrors. Each four-plex will contain a washer and dryer. As the program grows, the housing units will be expanded to included a total of six four-plex units to accommodate housing for a maximum capacity of 35 guests.

## CHAPTER VI

### PROPOSED RESORT PROGRAM

The proposed fitness resort's primary goal will be to find an exercise activity the guest will be able and willing to continue after leaving the program. The secondary goal of the program will be establishing healthy eating patterns through nutritional education and diet control while participating in the program.

The fitness resort is a reducing vacation based on eating high volume, high nutrition foods and exercising long and vigorously within safe bounds. The entire program of weight control and fitness is based on the fact that the weight of the body is dependent on a control center located in the brain. According to Dr. Marc Sorenson, Dixie Medical Center, Saint George, Utah, how much a person eats has little to do with becoming or staying slim. Usually no one with a weight problem ever keeps weight down without a program of vigorous daily activity. Therefore, each guest must learn to make vigorous daily activity a part of life and learn why physical activity is so important. Weight loss without exercise is a dangerous and unhealthful practice since much of the tissue lost is muscle, bone and blood rather than fat. A combination of healthful nutrition and exercise is one of the few safe weight loss methods. Exercise for the sake of losing weight alone is seldom a success for more than a short period of time. Exercise for enjoyment is the only way individuals will succeed. The program will include some activities that everyone will enjoy and teach new exercise skills to all

guests. Thus, the guest will look forward to activity rather than considering it to be drudgery.

The program will have four major component parts: education, exercise, nutrition, and luxury services. The education and nutrition components are mandatory but the guest will be allowed to choose from a variety of exercise options and luxury services such as makeovers, massage, and tanning. Commitment to the total person is the core of the program. Fitness resorts are no longer simply places to drop a few pounds in a hurry; they are places for anyone to begin making permanent life and health enhancing changes.

The education component will consist of regularly scheduled classes on fat control, nutrition, exercise physiology, stress counseling and cooking skills. Other motivational lectures will be incorporated into the weekly schedule with concentration on the take-home skills guests need to achieve fitness and weight goals after their stay is over. The primary goal of the lecture series is to reduce negative attitudes.

Common problems of older adults are depression, anxiety, low self-concept, a feeling of loss of control, and reduction in short-term memory. Researchers studied 42 volunteers between the ages of 60 and 79 to see if an exercise program would alleviate any of these feelings or complaints. Volunteers were divided into two groups: exercisers and controls. Those in the exercise group participated in a 14 week program where they spent 20 minutes doing calisthenics followed by 30 minutes of walking or running at 40 percent to 50 percent of their maximum heart rate. Controls did not exercise. Before and after the 14 week program, researchers measured the level of depression, anxiety, self-concept, feelings of control, and short-term memory for all groups.



Researchers found that exercisers improved in all areas except memory. The dropouts and controls showed no changes.<sup>1</sup>

The individuals in this study may have developed a sense of accomplishment and success because they became involved in a strenuous activity that, for the most part, had previously been reserved for younger participants. Second, the participants learned that change in their sedentary habits improved their physical health and appearance as well. Many of the exercise participants reported that they had lost excess weight during the 14 week program. Third, the exercise program improved the participants' general feeling of well-being. All who completed the 14 week program reported some kind of positive change in their lives.<sup>2</sup>

Age is, in large part, a state of mind. More and more studies seem to indicate that negative tendencies associated with aging can be reduced or eliminated if a person continues to exercise throughout his or her life.<sup>3</sup>

Implanting a positive mental attitude towards exercise and fitness is essential and although individual agendas will be different and many guests have no intention of losing weight, the sense of camaraderie and support brings the group together with a common goal of health and happiness. A lecture series to be offered in this area will be a "mind fitness" class to train people to relax and, thus, relieve stress.

The educational lectures will be conducted in the main complex and

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<sup>1</sup>"Aging and Human Development," Journal of Sports Psychology, Vol. 8, No. 2, p. 87.

<sup>2</sup>Ibid.

<sup>3</sup>Ibid.

mandatory attendance will be required of the guests. Video tapes and rental movies will be available on the subject of positive attitude, weight loss, health care, nutrition and fitness. Guests will be encouraged to check out the available material for leisurely viewing in their rooms at night.

The exercise program will consist of walking, running, cycling, aerobics, canoeing, swimming, stretching, racquetball, tennis, cross country skiing, downhill skiing, golf, fishing, and weight training. Each guest will be given a personal fitness evaluation on his or her first day which includes a blood pressure check, body composition test, flexibility test, strength test and weigh-in. A cardiovascular endurance test will also be used to evaluate the guest's fitness and help determine his or her fitness group. That group will participate in a program designed to meet the needs of each guest according to his or her personal level of fitness.

There will be three groups of fitness levels. Group "A" will be expected to exercise two to four hours per day; Group "B" will be expected to exercise four to six hours per day; Group "C" will be expected to exercise six to 12 hours per day. An example of options are shown in Table 12 and a required daily schedule is shown on Table 13.

Exercise studies show that exercise is the single most consistent factor in successful weight loss. Many obese people believe that they are not able to do the amount of exercise that it would take to make a difference in their weight loss efforts. The program schedule is to impress upon guests that they do not have to become athletes to reap the weight-loss benefits of exercise. Even exercise without dieting can help the guest lose weight. Walking 30 minutes each day can burn

TABLE 12

## DAILY ACTIVITIES

ACTIVITY OPTIONS			
ROUTINE FOR SUCCESS	GROUP A	GROUP B	GROUP C
1. Warm Up/Stretch	Attend Daily	Attend Daily	Attend Daily
2. Aerobics	Mini Aerobics Only- 4 times per week	Mini: Monday and Thursday Maxi: Tuesday and Friday	Maxi: Mon, Tues, Thurs, Fri
3. Mini Trampoline	First 15 minutes	Attend as scheduled	Attend as scheduled
4. Dance/Aerobics	Attend as scheduled	Attend as scheduled	Attend as scheduled
5. Morning Walk/Run	Strive for a 3 mile per day base	6 mile base	9 mile base
6. Swim Class	Attend as scheduled	Attend as scheduled	Attend as scheduled
7. Exercycle/Mountain Bike	10-20 minutes every other day	20-30 minutes 5 times per week	30-45 minutes 5 times per week
8. Tone and Stretch	Attend as scheduled	Attend as scheduled	Attend as scheduled
9. Lecture	Mandatory attendance	Mandatory attendance	Mandatory attendance
10. Tennis and Racquetball	By choice as fitness level allows	By choice as fitness level allows	By choice as fitness level allows
11. Weight Training	Perform routine Mon, Wed, Sat	Perform routine Mon, Wed, Sat	Perform routine every other day
12. Swimming (# of laps)	5 per day	10 per day	20 per day
13. Treadmill	By choice as time permits	By choice as time permits	By choice to main- tain 9 mile base
14. Additional walks	By choice as time permits	By choice as time permits	By choice to main- tain 9 mile base
15. Rowing/Canoeing	By choice as fitness level allows	1 session per day (100 strokes)	1 session per day (250-500 strokes)
TOTAL HOURS OF EXERCISE	2 to 4 per day	4 to 6 per day	6 to 12 per day

Sunday: free time for skiing, golf, fishing, etc. Activity day of choice.

TABLE 13

## DAILY SCHEDULE

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6:00 a.m.	Buildings unlocked
6:15 a.m.	Quick stretch (everyone) daily--Aerobics room
6:30 a.m.	Morning walk/hike/run (everyone) daily - 3 to 10 miles.
8:00 a.m.	Swim class--daily except Sunday--Pool
9:15 a.m.	Breakfast
10:00 a.m.	Stretch and Tone (everyone) daily except Sunday-- Aerobics room.
10:50 a.m.	Maxi aerobics (Groups B and C) weekdays - Aerobics room.
11:30 a.m.	Essential 20 minute cardiovascular (Groups A and B) Tuesday, Wednesday, Thursday - meeting room.
12:00 p.m.	Lecture - weekdays
1:15 p.m.	Lunch
2:00 p.m.	Low impact aerobics (Groups A & B) weekdays--Aerobics room.
	Essential 20 minute cardiovascular(Group C) Monday and Wednesday - meeting room.
	Weight training (everyone) Tuesday, Friday - Weight room.
3:00 p.m.	Aqua dynamics (everyone) weekdays - Pool Racquetball instruction (everyone) Tuesday, Friday, - Racquetball Court.
	Maxi-trampoline (Group C) Aerobics room Tuesday, Thursday
3:30 p.m.	Mini-trampoline (everyone) Tuesday and Thursday-- Aerobics room.
4:00 p.m.	Slow stretch (everyone) Tuesday and Thursday --Aerobics room.
5:30 p.m.	Dinner
7:00 p.m.	Mountain Bike ride (everyone) Tuesday and Friday.
7:00 p.m.	Evening walk/run (everyone) Monday, Wednesday, Thursday, Saturday. 3-5 miles.
8:00 p.m.	Luxury Service of your choice (optional).
SUNDAY: Free day. Sign up for an activity of your choice.	

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enough calories to lose 10 pounds or more a year. Exercise helps counteract the decline in the basal metabolic rate that occurs with dieting. It actually increases the guest's metabolism so that, even after exercise, the body continues to burn extra calories. The metabolic rate may stay at the increased level for hours after the guest finishes exercising.

According to Dr. Kelly Brownell, professor with the Department of Psychiatry at the University of Pennsylvania, yo-yo dieting, gaining and losing weight over and over again, changes the metabolism making it harder to lose weight and easier to gain it back each time the dieter goes through the lose-gain cycle.<sup>4</sup>

Brownell, directed a research project to study weight cycling. The scientist put rats through cycles of losing and gaining weight. The first time the rats were put on a weight-loss diet, they lost the specified amount of weight in 21 days and, once off the diet, gained it back in 46 days. On the second time around, the amount of time it took to lose weight and gain it back was practically reversed. It took the rats 46 days to lose the same amount of weight and only 14 days to gain it back. Brownell claims people experience the same thing. Their bodies learn to use calories more efficiently each time they diet.<sup>5</sup>

Thus, the program offered at the Vacation Fitness Resort teaches exercise and sound nutritional eating habits. The daily routine at the resort encourages movement of some type all day and hopefully, the guest

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<sup>4</sup>"Exercise for Weight Loss Success,"The Aerobics News, Volume 2, March 1987, 3.

<sup>5</sup>Ibid.

will find an activity he/she can enjoy and participate in when he/she returns home. Once the pattern of exercise is established, maintenance at home should not take more than an hour a day.

The nutrition component of the program will be a low fat, low salt and low sugar diet consisting of three meals per day which will be approximately 900 to 1,000 calories per day. The bulk of the nutrition plan will be composed of complex carbohydrate foods to furnish as much energy and as many nutrients as possible. To get the most out of pre-exercise meals, fatty foods, gas-forming foods, salt tablets, sweets, and caffeinated drinks must be avoided. The heavy exercise program demands this type of nutrition. All meals will be prepared for the guest and the guest should not eat anything that is not prepared by the fitness resort.

There will be a full compliment of kitchen staff to prepare and serve the meals to the guests in a pleasantly designed dining area. Cooking classes will be held in the dining area later in the evening to teach the guests how to prepare nutritious low fat, low salt and low sugar meals. Cookbooks containing recipes served the guest during his/her stay at the resort will also be available for purchase.

The program will offer, by appointment, other luxury services. The core package can be enhanced for an additional cost. However this is entirely up to the guest. Table 14 lists the additional optional services available.

In summary, the guest will be put through an intensive training program on nutrition, exercise, and education of the healthy life-style. The reasons most guests choose to subject themselves to such an intense regimen on their time off are for weight loss, rest and relaxation. The

resort visit makes guests more aware of their general well-being, how much exercise they get, how they handle stress, and what they eat. Awareness is half the battle. Exercise is mentally restful because it decreases depression.

In the mid-1970s, Dr. John Greist and his associates at the University of Wisconsin did a pilot study comparing the effectiveness of exercise and psychotherapy. Clinically depressed outpatients who came to the University Counseling Center were randomly assigned to running therapy or to one of the two kinds of standard individual psychotherapy.

At the end of treatment, all three groups showed similar reductions in depression, suggesting that running had significant potential as a treatment for moderately depressed outpatients. Not only was running therapy as powerful as the two forms of psychotherapy, but it reduced depression very rapidly. Six of the eight individuals in the running-therapy group were essentially free of depressed symptoms after three weeks and running therapy appeared to be durable. Of the people who received running therapy, 80 percent remained symptom-free, and most were still running at the 12 month follow up. By that time, half of those in the psychotherapy groups had returned to the clinic seeking further treatment.

Greist and his associates next expanded their research by inviting referrals from private psychiatrists in Madison. They treated a total of 30 depressed patients with running therapy. All but six recovered swiftly. Of the six who did not, four never became runners. This is an 80 percent success rate. In a benchmark National Institute of Mental Health study, only 50 to 60 percent of depressed outpatients improved over the course of 16 weeks when treated with the most commonly

prescribed tricyclic antidepressant drug.<sup>6</sup>

A Wisconsin research group headed by Dr. Marjorie Klein experimented with sixty clinically depressed individuals. They were randomly assigned to running therapy, meditation-relaxation therapy or a cognitive-interpersonal psychotherapy for 12 weeks of treatment.

At the end of 12 weeks, all three groups showed significant decreases in depression. Differences between the groups did become apparent, however, at the three-month follow-up. Members of both the running-therapy group and the meditation-relaxation therapy group showed further gains, while members of the psychotherapy group showed some regression back toward increased depression.

Exercise therapy not only guarantees immediate post-session mood elevation, but, practiced regularly, also helps most clinically depressed individuals become symptom free within three to five weeks.<sup>7</sup>

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<sup>6</sup>Keith W. Johnsgard, Ph.D., "Peace of Mind," Runner's World, April 1990, p. 73.

<sup>7</sup>Ibid.



TABLE 14

## LUXURY SERVICES

Facial and Make-Up Treatments	Beauty Salon
Deep Cleansing Facial	Design
Perk Up Facial	Consultation
Herbal Therapy Facial	Hair Cutting
Throat Treatment	Design Styling
Cocoa Butter Masque	
Make-up Application	Treatments
Make-up Lesson	Hot Oil
Color Analysis	
Clothing Analysis	Color Preparations
	Tinting
Massage and Body Treatments	Toning
	Semi Permanent Color
Upper or Lower Body Massage (Neck, Shoulders, Arms)	Bleaching
(Feet, Calves, Thighs)	
Full Body Massage	Permanent Waving
Deep Relaxation Massage	Conventional Perm
Body Wrap	
Permanent Hair Removal	Hair Waxing Services
Electrolysis	Lip, Brow or Chin
	Hairline Wax
	Under Arms Wax
	Arms Wax
	Full legs Wax
Hand and Foot Services	Bikini Wax
Manicure	
Sculptured Nails	
Pedicure	
Reflexology (foot Therapy)	
Polish Change	

Source: National Institute of Fitness Brochure. p. 5.

## CHAPTER VII

### ADVERTISING POSSIBILITIES

Some advertising possibilities for the vacation fitness resort will consist of traditional local advertising in magazines and newspapers. The out-of-state advertising will be in well-known catalogues, newspapers, and magazines. The primary emphasis will be incentive plans for state employees and other interested companies.

The target market for Montana is the guest that stays weekends, in a rustic fitness resort offering individual diet and exercise programs, therapeutic whirlpool and sauna areas, low calorie meals, a swimming pool and nutritional education classes. The guest will most likely be a female in the age range of 50-59 years with an annual income of \$20,001-\$30,000.

The phone survey to established out-of-state fitness resorts indicates the average guest is female in the age range of 36-55 years and has an income between \$30,001-\$50,000, and stays as a guest of the resort for at least one week. Also, the percent of guests from out-of-state that visit the resort averaged 78 percent. Therefore, it is assumed that, Montana guests will comprise 22 percent of the guest population.

Although the market survey indicates that the primary resort goer is female, the Montana Vacation Fitness Resort will offer programs for both male and female guests. This will expand the market potential and incorporate the new trend of spa vacations. The ideal location of the vacation fitness resort will lend itself easily to many different combinations of exercise packages suitable for both male and female.

As the results of the phone questionnaire indicated, the most successful method of advertising for existing resorts was magazine and the second most successful method was "word of mouth." The magazine used most often by the resorts was Shape since the majority of the guests were female and Shape is read primarily by women. It seems only logical to use Shape as a primary advertising source for the Montana vacation fitness resort. However, in addition to this magazine, a portion of the advertising budget will be spent on advertising in other national magazines such as American Health, Walking, Spas Across America, and the Wall Street Journal newspaper. The target market here is the female and the executive with perhaps a weight problem and/or stress and job burnout problems.

Another source of marketing will be to advertise in conjunction with the Big Mountain Ski Resort. This will target the more active vacation fitness guest. Big Mountain Ski Resort was recently featured in Snow Country magazine as one of eleven promising resort areas/towns for real estate investment and growth.

"This place is not expensive, and it is the kind of spot you can really consider home," declares Katie Cavill of Whitefish, Montana's Big Mountain. "People quit jobs in big cities to live here, even if they are not earning as much money." However, they are also "growth minded." A mall is planned in the village to improve shopping and dining opportunities, and Big Mountain is working hard to eliminate the idea it has an "off season." New summer programs call for music festivals, concerts, and camps in the mountains, and summer time hikers can ride a chairlift up to start their walk, with lunch or dinner in the summit

restaurant. Glacier National Park is just 12 air miles away. Six championship golf courses are within a half-hour of the resort, as are seven tennis courts. One and two bedroom condos at the lifts range from \$79,000 to \$135,000.<sup>1</sup>

The vacation fitness resort, located within six miles of the Big Mountain would be an additional drawing card for the resort and vice versa. Advertising in conjunction with Big Mountain will benefit both businesses.

Marketing the vacation fitness resort as giving a gift of health to a friend would target the market of gift giving for the hard to buy for person. Just as the Greenhouse Spa in Arlington, Texas advertised in the Neiman Marcus Christmas catalogue allowing the purchase of a gift certificate to be used for a stay at their spa, an additional step in this form of marketing would be the creation of a Vacation Fitness Resort catalogue. The catalogue would offer a listing and narrative of the fitness resorts located throughout the United States and the purchase of gift certificates for year round gift giving. The best circulation for these catalogues would be travel agencies, exclusive department stores, and health spas. The markets reached by this process would be limitless.

Another potential local market is state government. The state of Montana requires training for highway patrol officers, and game wardens. The Statutes require all highway officers maintain a high degree of physical fitness. Currently, new recruits are the only ones receiving physical training. All new recruits attend a 12 week program which includes 84 hours of intensive physical training. The Department of

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<sup>1</sup>Robert J. LaMarche and John A. Delves, "Ready to Grow," Snow County, April 1989, p. 52.

Justice uses their own staff for this part of the training and rents the law academy facilities in Bozeman. The academy is not always available to the Department for the time needed; thus, with proper lobbying efforts to the legislature for funds to maintain initial recruitment physical training and to begin an on-going, in-service, fitness program for not only highway patrol officers but game wardens as well, the opportunity exists to contract this type of service to a Montana fitness resort. It would be less costly to contract out a service of this type than maintaining state employees to provide the training.

The state also offers a wellness program which pays for some expenses of the employee if they participate in certain wellness classes. The budget is approximately \$30,000 for Fiscal Year 89 and is in conjunction with the state's health insurance benefit package. This market could be expanded and, again, with proper lobbying efforts, the vacation fitness resort health benefit to state employees could be included in the wellness benefit plan already in the initial stages of development.

The major advertising plan for the Montana Vacation Fitness Resort will originally include four major target markets:

1. Companies with health fitness oriented benefit packages offered to the employee.
2. Traditional advertising in magazines, newspapers and "word of mouth."
3. New markets of gift giving and a health vacation fitness resort Christmas catalogue.
4. New markets of state employees and training of state employees.

CHAPTER VIII  
PROPOSED FINANCING

Consultants can help raise money but they cannot be expected to replace management entirely in the fund-raising process. Even with the best consultant or broker, investors will want to meet and measure management's knowledge of its business plan and its ability to make the company succeed. They can only do this if management participates actively in the preparation of the business plan and in discussions with investors. The first step to financing the Montana Vacation Fitness Resort is the business plan. It will be a concise document written by the management of the corporation and describes the company, business methods, financial condition, and the need for funding. The plan will clarify the company's purposes and raise capital from private investors. The business plan is extremely important because it represents the first opportunity to make an impression upon potential investors. Accounting firms will help prepare financial statements and projections. Some have professionals who will review a business plan and provide constructive criticism. Some have detailed brochures on how to prepare business plans and the format necessary to allow the plan to reflect management's thorough understanding of its company, its products, and its market. The organization of the plan will be apparent so that investors can find what they want quickly without getting distracted by material that does not interest them.<sup>1</sup>

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<sup>1</sup>Clinton Richardson, The Venture Magazine Complete Guide to Venture Capital. (A Plume Book, New American Library, New York and Scarborough, Ontario, 1987), p. 43.

The initial section of the plan will contain a short summary that investors can read and understand the company's proposal. This will be at the beginning of the plan. The summary will highlight the company's opportunity in a way that leaves no doubt in the reader's mind what the company has and what it needs to succeed. If the summary is confusing or poorly presented, the venture capitalist will probably read no further. The summary will contain brief statements about the company's service and what distinguishes it from others in the market; a description of the company and its management team; why the company's market is attractive; who the investor should contact and how that person can be reached; a summary of the company's financial projections; how much money the company needs and when it will be needed; how the company will use the money and how the investor will get his/her money back.<sup>2</sup>

The next section will contain information about the company and the industry. This is the background section of the business plan. It will contain a concise history of the company, how management decided on its service and what operations have been conducted, if any. A brief description of the service and who its customers will be will also be included. The company's competition in the market will be described and what the competitors are doing. The economic, technological and social trends that will affect the company and its market will be mentioned in this section. It is important for this section to be well researched since investors will conduct a thorough review of the industry and of management's analysis of it. If the analysis appears shallow or

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<sup>2</sup>Ibid. p. 77.

unsophisticated, they will not invest.

The next section will contain a detailed description of the company's service. The description will emphasize what distinguishes its service from others in the marketplace. The plan will be candid about the service's shortcomings as well as its strengths. Also included will be a description of whatever protection this service has from competition.

The market is an important and difficult section of the business plan. The management must describe in detail why the market for the company's service is such that the company can expect to achieve its sales goals despite the existing competition and how management arrived at its pricing. A description of what part advertising will play in the company's marketing plan and what type of advertising will be employed must be explained in this section.

The management section needs to contain resumés of the important members of the company's management team and describe what function each person will perform. The resumes will emphasize relevant experience, training, and education. Business accomplishments that illustrate the ability of management to make the company successful will be highlighted. The management team weaknesses will need to be discussed and plans to overcome these weaknesses will be explained. Also, a brief description of the accounting, legal, advertising, banking and other professional relationships of the company will be included in this section.

The company's requirements for space, facilities, equipment and personnel is part of the development plan and should be listed next. The overall schedule shows when management plans to accomplish each of the milestones that are critical to the company's success. A well-considered



and realistic schedule demonstrates management's ability to plan the company's growth. It also displays management's ability to identify the critical tasks to be achieved by the company and how they interrelate. A flowchart in this section will show the on line entry of scheduled growth plans.<sup>3</sup>

Every venture capitalist is aware of the fact that new businesses are risky. They may not, however, understand which risks are most dangerous to the company or how management intends to neutralize them. A section including this information will enable management to discuss those risks and how to overcome them. By doing this thoroughly, management increases its credibility with investors and demonstrates its foresight. Every major risk of which management is aware, will be addressed.

The next section will be the financial statements and projections. This section will contain projected financial statements of the company's operations and projections of future operations. The projections will be for a period of five years and will include profit and loss forecasts, cash flow projections and pro forma balance sheets. Narrative explanations will accompany the financial projections, high-lighting important facts and assumptions contained in the projections as well as conclusions management wants the investor to draw.

The final section is the appendix which supplements the business plan and supports management's conclusions. This appendix will contain full resumes of key management members and copies of surveys or studies that emphasize the company's prospects or explain a key concept which can help an investor understand the company better.

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<sup>3</sup>Ibid.

Once the business plan is written, confidentiality agreements can be drawn up and included in the circulation of the plan. A consultant would be hired to help raise the money necessary for the initial construction and cash flow requirements.

This will be a corporation with shares based upon a formal agreement between the capital investors and the Montana Vacation Fitness Resort Corporation. Venture capitalists usually want control only to the extent that they believe is necessary to protect their investment. Few are interested in running the day-to-day affairs of a company. However, for this type of operation, the management contract will be used to insure management of at least minimum representation on the board of directors to direct the company's activities as long as it does so within agreed-upon parameters.

Most investors insist on some influence over a company's affairs as a condition to funding and require a seat on the company's board of directors. Most will expect to receive regular financial reports from company management. Investors agree that they are not interested in control and say that as long as management runs the company successfully they will not interfere. Nonetheless, management's definition of success may differ significantly from that of its investors. And investors may develop independent reasons for moving a company in a direction that does not interest management. One way to assure control in this situation is to set up a binding written agreement with the investors.<sup>4</sup>

The Montana legislature adopted an act to encourage the private sector in Montana to create organized pools of equity or venture capital

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<sup>4</sup>Ibid. p. 108.

that could be invested in Montana businesses. The legislature authorized the creation of "Montana Capital Companies" and authorized investors in qualified Montana capital companies to receive a 50 percent credit on their investments up to a \$150,000 write off on their personal or corporate income tax liability. The Montana Capital Company Act is provided for in the Montana Codes Annotated in Sections 90-8-101 through 90-9-321. The capital company must apply to the Board of Investments for approval and must comply with the state law that limits their investments to small businesses engaged in one or more of the following activities:

1. Manufacturing.
2. Agricultural, fishery, or forestry production and processing.
3. Mineral production and processing, except for conventional oil and gas exploration.
4. Nonfossil forms of energy generation.
5. Transportation.
6. Research and development of products or processes associated with any of the activities listed above.
7. Wholesale or retail distribution activities for which products produced in Montana comprise 50 percent or more of the gross sale receipts.
8. Any activity conducted in the state for which 50 percent or more of the gross receipts are derived from the sale of products or services outside Montana.
9. Tourism.

The available tax credits are limited to \$5 million through 1989 and are allocated to capital companies in the order that they become qualified and have actual investors.<sup>5</sup>

The Montana Vacation Fitness Resort qualifies for this type of

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<sup>5</sup>"Montana Capital Companies," Administrative Rules of Montana, 31 December 1987, 8-3517.

funding under numbers eight and nine, since the average daily population at a vacation fitness resort is made up of approximately 78 percent of out-of-state guests and the resort would be classified in the tourism industry.

Another source of revenue is the Community Development Block Grant Funds available through the Department of Commerce. These funds could provide up to \$125,000 of investment capital. The funds are available to enhance the economic conditions of Montana by encouraging the development of new businesses in the state. The funds are available at a 5 percent rate of interest and up to a 20 year pay back period.

Based on the assumption that the necessary investment capital will be obtained from the Montana Capital Companies, private investors and the Community Development Block Grant Funds, Table 15 reflects the first five years of operating expenses for the Montana Vacation Fitness Resort. The salary figures for personnel are based on the state pay matrix for jobs of similar skill levels. The remainder of the budget is based on expenditures that have occurred at some of the state's smaller institutions and adjusted for the projected guest population of 10 average daily population the first year, 15 the second year, 20 the third year, 25 the fourth year and 30 the fifth year. Inflation factors of 10 per cent were applied between years one and two and 5 percent thereafter.

Tables 16, 17, 18, 19, and 20 are budget summaries of the projected operations, revenue, and capital outlay for the first five years. Year one includes 12.40 full time employees, the costs for construction of three four plex housing units, purchase of additional land located next to the building, remodeling of the existing facility, adding a swimming pool and cafeteria, and purchasing the required equipment. The first year

also includes revenue from an estimated average daily population of ten guests. The net profit after taxes for the first year is projected to be a negative (\$92,491).

Year two includes the projected operations budget which includes 12.40 full time employees, revenue, and capital outlay. The operating portion of the budget includes a 10 percent increase for inflation over year one. The personal services remain the same. Revenue is projected at an average daily population of 15 which is only 43 percent of total planned capacity. The capital outlay for this year is one more four plex housing unit and corresponding cottage equipment. Employee incentives of 5 percent of total wages are allowed and return on investment to the investors is paid at 8 percent of the total dollars invested. The Health Fitness Concepts, Corporation, parent company, receives a \$5,000 incentive. The net profit after taxes is projected at a negative (\$87,621).

The projected operational budget for year three includes 13.90 full time employees, revenue, and capital outlay. The operating portion of the budget includes a 5 percent increase in inflation over year two with the exception of the personal services. Revenue is projected at an average daily population of 20 which represents 57 percent of planned capacity. The capital outlay for year three is the construction of another four plex housing unit and corresponding cottage equipment. Employee incentives of 10 percent of total wages are allowed and return on investment is paid at 15 percent of the total dollars invested. The Health Fitness Concepts receive 5 percent of the profit before tax, employee incentive, and return on investment. Corporation taxes of \$951 are paid in year three. The net profit after taxes is projected at a positive \$3,368.

Year four includes the projected operations budget of 13.90 full time employees, revenue, and capital outlay. The operating portion of the budget includes a 5 percent increase for inflation over year three with the exception of personal services. Revenue is projected at an average daily population of 25 which represents 71 percent of capacity of the facility. The capital outlay for year four is another four plex housing unit and equipment. Employee incentives are paid at ten percent of the total wages and return on investment is paid at 15 percent of the total dollars invested. The Health Fitness Concepts receive 25 percent of profit before tax, employee incentive, and return on investment. Corporation taxes are projected at \$39,578 and retirement of long term debt begins in year four. The net profit after taxes is projected at a positive \$52,393.

Year five includes the projected operations budget, revenue, and 13.90 full time employees, this will be the maximum number of employees for the planned capacity of the facility. The operating portion of the budget includes a 5 percent increase for inflation over year four with the exception of personal services. Revenue is projected at an average daily population of 30 which represents 86 percent of capacity. This is not an unrealistic projection for percent of guests since in the phone survey eight of the eleven fitness resorts interviewed maintained an 86 percent capacity. There is no capital outlay this year since the maximum housing capacity was reached in year four. Employee incentives are paid at 10 percent of the total wages and return on investment to the investors is paid at 15 percent of the total dollars invested. The Health Fitness Concepts receives 25 percent of the profit before tax, employee incentive,

and return on investment. Corporation taxes are projected at \$139,811 and retirement of long term debt is projected at \$100,000. The net profit after taxes is projected at a positive \$94,932.

The Crestwood Homeowner's Association is willing to purchase the racquetball building, participate in some of the remodeling expense of the building and lease the building to the Health Fitness Concepts, Inc., for the development of the Montana Vacation Fitness Resort with a maximum capacity of 35 guests. The proposed business organization is a corporation with a board of directors made up of five members, two representing the capital investors and three representing Health Fitness Concepts, Inc. An eventual retirement of long term debt to the capital investors will be written into the formal agreement between the investors and the corporation giving the corporation majority control.

The weekly charge per guest of \$950 was derived from an estimate based on the range of charges from \$300 a week to \$2,000 a week for similar services and programs at other resorts throughout the United States. The rate will vary depending on length of stay and number of guests in one room. Other promotional campaigns will also change the weekly rate.

In summary, the Montana Vacation Fitness Resort should become a profitable operation in year three. The financing of the resort will be through The Crestwood Homeowner's Association, private investors including the Montana Capital Companies and block grants.

## CHAPTER IX

### SUMMARY AND CONCLUSION

The intent of this study was to make a preliminary investigation into the operation of a Montana Vacation Fitness Resort, select an appropriate location, select the best combination of services to be offered for the Montana area and determine a method of financing.

To accomplish this, the following areas were researched, the fitness business, economic conditions in Montana as compared to other states with vacation fitness resorts, questionnaires to a representative sample of Montana residents, phone survey to established resorts, location and design, programs for the resort, marketing plan, financing the resort, and financial analysis of the proposed operation.

The fitness business research indicated a trend toward the nontraditional vacation. Working couples believed their lives were more stressful than previous generations and with a decade of prompting by everyone from the Surgeon General to Jane Fonda, the younger, wealthier and better educated were the ones who are more active. Spa-goers often felt they were making a capital investment in improved personal productivity, not just spending on consumer goods. The vacation fitness business is an integral part of the total fitness trend and is due mainly to the trend toward nontraditional vacations and a rising desire to attend resorts for revitalizing both mind and body.

The economic conditions in Montana were not unlike those in other western states including Utah which has three successful vacation fitness



resorts. The per capita income, median income for four-person families, area size, persons per square mile, or weather conditions of a state did not appear to be a significant factor in the location or success of a vacation fitness resort. Montana is becoming more aware of the "fitness craze" as indicated in planned programs for the state and the willingness of large corporations to spend vast amounts of money in this area.

The results of the mail survey to Montana residents indicated that the Montana guest would stay weekends in a rustic fitness resort offering individual diet and exercise programs, therapeutic whirlpool and sauna areas, low calorie meals, a swimming pool and nutritional education classes. The guest would be a female in the age range of 50-59 years with an annual income of \$20,001-\$30,000.

The phone survey of eleven fitness resorts indicated the average guest was a female in the age range of 36-55 years, had an income between \$30,001-\$50,000, and stayed as a guest of the resort for at least one week. Also, the best method of advertising was in women's magazines.

The selected location for the Montana Vacation Fitness Resort was Crestwood Time Share Complex located at Whitefish. The major reasons for this location were the tourism industry in the northwestern corner of the state showed dramatic increases over the past several years, the uniqueness of the area, surrounding recreational potential, and the available vacant building located in the center of a vacation complex.

The proposed resort program is based on the results of the mail survey to Montana residents. The program includes their top priorities for exercise and program plus additional luxury services to make the resort special. Because of a well designed facility and the expertise of staff, the programs will be flexible enough to include many types of guests and

fitness levels. Several programs geared to various levels can be conducted concurrently. A major goal of the program is for a mentally restful and physically rejuvenating vacation for all guests.

Initially, the major markets for the fitness resort will be companies with health fitness oriented benefit packages offered to the employee, traditional advertising in magazines, newspapers and "word of mouth," the gift giving of a healthy vacation at a fitness resort, and training state employees.

The proposed financing of the vacation fitness resort will be from three major sources, the Crestwood Homeowner's Association, private investors including the Montana Capital Companies, and block grants. The initial funding requirement is \$1,068,200 and after three years, the projections indicate a profitable operation. In year five, the net profit is projected to be \$94,932. Therefore, a Montana Vacation Fitness Resort is not only feasible but profitable as well.

**APPENDIX ONE**

**MAIL AND PHONE QUESTIONNAIRES**

MAIL QUESTIONNAIRE  
Proposed Montana Vacation Fitness Resort

My name is Bobbie Dixon. I am a graduate student at the University of Montana working on my MBA. I am in the process of writing a professional paper on the feasibility of developing a Montana Vacation Fitness Resort in the State of Montana. As part of this paper, I am conducting a mail survey to determine the feelings of Montana residents toward a fitness vacation complex. Would you take a few minutes and answer the following questions? Please return your answers in the enclosed self-addressed, stamped envelope.

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Definition of a fitness resort: The fitness resort offers a travel alternative -- "A vacation you don't need a vacation from." The resort offers a health and fitness program designed to renew and rejuvenate your body. The programs focus on nutrition and weight loss.

1. Would you use a fitness vacation resort in the State of Montana? Yes  No
2. Would you use the facility for: Weekends  Week or longer  Both
3. How often would you use the facility?

<u>Weekends</u>		<u>Week or Longer</u>		<u>Both (Weekends/Week or Longer)</u>	
Never	<input type="checkbox"/>	Never	<input type="checkbox"/>	Never	<input type="checkbox"/>
Once a year	<input type="checkbox"/>	Once a year	<input type="checkbox"/>	Once a year	<input type="checkbox"/>
Twice a year	<input type="checkbox"/>	Twice a year	<input type="checkbox"/>	Twice a year	<input type="checkbox"/>
More	<input type="checkbox"/>	More	<input type="checkbox"/>	More	<input type="checkbox"/>

4. Please choose one of the following options: Option A  Option B

OPTION A

Deluxe Fitness Resort

- \*Deluxe Accommodations
- \*Low Calorie Gourmet Cuisine
- \*Massage, Herbal Wrap
- \*Nutrition Education
- \*Cooking Classes
- \*Facials, Manicures, Makeovers, Skin Care
- \*Therapeutic Whirlpool, Sauna
- \*Stress Counseling
- \*Individual Diet and Exercise Routines
- \*Weight Lifting/Nautilus
- \*Aerobic Classes
- \*Running
- \*Hiking
- \*Swimming

Approximate Cost \$225/day

OPTION B

No Frills Rustic Fitness Resort

- \*Rustic Accommodations
- \*Low Calorie Meals
- \*Nutrition Education
- \*Facials, Manicures, Makeovers, Skin Care
- \*Therapeutic Whirlpool, Sauna
- \*Individual Diet and Exercise Routines
- \*Weight Lifting/Nautilus
- \*Aerobic Classes
- \*Running
- \*Hiking
- \*Swimming

Approximate cost \$125/day

5. Please check five areas you think are the most important:

- Deluxe Accommodations
- Rustic Accommodations
- Low Calorie Gourmet Cuisine
- Low Calorie Meals
- Nutrition Education
- Facials, Manicures, Makeovers, Skin Care
- Massage, Herbal Wrap
- Therapeutic Whirlpool, Sauna
- Individual Diet and Exercise Routines
- Weight Lifting/Nautilus
- Cooking Classes
- Stress Counseling
- Aerobic Classes
- Running
- Hiking
- Swimming

6. Male  Female

7. Age \_\_\_\_\_

8. Income Range:

- \$ 5,000 - \$20,000
- \$20,001 - \$30,000
- \$30,001 - \$40,000
- \$40,001 - \$50,000
- Over \$50,001

PHONE QUESTIONNAIRE  
Survey of Established Fitness Resorts

1. Name of fitness resort \_\_\_\_\_
2. Location \_\_\_\_\_
3. Population of town where resort is located or population of town nearest resort \_\_\_\_\_
4. What is your most successful advertising tool?
 

Newspaper	<input type="checkbox"/>	Magazine	<input type="checkbox"/>
Radio	<input type="checkbox"/>	Referrals	<input type="checkbox"/>
TV	<input type="checkbox"/>	Other	<input type="checkbox"/>
5. Average Daily Population \_\_\_\_\_
6. Capacity of Facility \_\_\_\_\_
7. Average Length of Stay \_\_\_\_\_
8. Percent of guests from out of state \_\_\_\_\_
9. From what state do you receive the most guests? \_\_\_\_\_
10. What is the percentage of female to male guests? \_\_\_\_\_
11. Average age range of guests:
 

0 - 18	<input type="checkbox"/>
19 - 24	<input type="checkbox"/>
25 - 35	<input type="checkbox"/>
36 - 45	<input type="checkbox"/>
46 - 55	<input type="checkbox"/>
55 and up	<input type="checkbox"/>
12. Income range of guests:
 

\$ 5,000 - \$20,000	<input type="checkbox"/>
\$20,001 - \$30,000	<input type="checkbox"/>
\$30,001 - \$40,000	<input type="checkbox"/>
\$40,001 - \$50,000	<input type="checkbox"/>
over \$50,001	<input type="checkbox"/>

**APPENDIX TWO**  
**OPERATING EXPENSES AND BUDGET SUMMARIES**

TABLE 15  
PROJECTED BUDGET

	Year 1	Year 2	Year 3	Year 4	Year 5
FTE	12.40	12.40	13.90	13.90	13.90
PERSONNEL	237,194	237,194	263,754	263,754	263,754
CONTRACTED SERVICES					
Laundry(100,000 lbs/gr.0.33/lb)	33,000	36,300	38,115	40,021	42,022
Accounts Payable	6,250	6,250	6,250	9,899	9,899
TOTAL CONTRACTED SERVICES	39,250	42,550	44,365	49,920	51,921
SUPPLIES & MATERIALS					
Athletic & Rec.	1,000	1,100	1,155	1,213	1,274
Educational Manuals	1,500	1,650	1,733	1,819	1,910
Food @ 8.00/day x ADP x 365 days=	29,200	48,180	67,452	88,531	111,548
Staff Meals	11,650	12,615	15,739	16,526	20,220
Housekeeping	2,000	2,200	2,310	2,416	2,547
Gas @100miles/day x 16/gal x 1.05/gal	2,395	2,635	2,767	2,905	3,051
Office Supplies	1,500	1,650	1,733	1,820	1,911
Linens(\$40/bedxADP)	400	600	800	1,000	1,200
TOTAL SUPPLIES & MATERIALS	49,645	70,830	93,689	116,230	143,661
COMMUNICATIONS					
Postage & Mailing	1,000	1,100	1,155	1,213	1,274
Telephone Equip	1,800	1,980	2,079	2,183	2,292
Telephone long Dist	3,000	3,300	3,465	3,638	3,820
TOTAL COMMUNICATIONS	5,800	6,380	6,699	7,034	7,386
TRAVEL					
Travel(Promotion & Training)	5,000	5,500	5,775	6,064	6,367
TOTAL TRAVEL	5,000	5,500	5,775	6,064	6,367
RENT					
Lease at 25,000/year.	25,000	25,000	25,000	25,000	25,000
TOTAL RENT	25,000	25,000	25,000	25,000	25,000
UTILITIES, TAXES, INS., MAIN.					
Estimate with pool 5,000/mo.					
TOTAL UT., TAX, INS, MAIN	60,000	66,000	69,300	72,765	76,403
REPAIR & MAINTENANCE					
Buildings 4/plex	5,000	5,500	5,775	6,064	6,367
Vehicle	500	1,000	1,050	1,102	1,158
TOTAL REPAIR & MAIN.	5,500	6,500	6,825	7,166	7,525
OTHER					
Promotional Adv	75,000	82,500	86,625	90,956	95,504
Subscriptions	200	220	231	243	255
Recruitment	500	550	577	606	636
Licenses	300	330	347	364	383
Misc.	50,000	55,000	57,750	60,637	63,670
TOTAL OTHER	126,000	138,600	145,530	152,806	160,448
GRAND TOTAL	553,389	598,554	660,937	700,739	742,465
ADP	10	15	20	25	30
Inflation between years 1 & 2 =10%		Inflation for years thereafter = 5%			



TABLE 16  
BUDGET SUMMARY  
YEAR 1

PERSONAL SERVICES	237,194
CONTRACTED SERVICES	39,250
SUPPLIES	49,645
COMMUNICATIONS	5,800
TRAVEL	5,000
RENT	25,000
UTILITIES	60,000
REPAIR & MAINTENANCE	5,500
OTHER/ADV	126,000
TOTAL BUDGET	553,389
REVENUE	
Year 1	
10ADP x \$950	
x 52 weeks=	494,000
29% capacity	
Depreciation	28,102
Profit	(87,491)
INITIAL CAPITAL OUTLAY	
Year 1	
3 Unit (4plex)	
Construction	211,200
Land	25,000
Cafeteria-Const.	67,000
Equipment-Cottages	35,000
Athletic & gym equipment	100,000
Office & Ed. Equipment	50,000
Remodeling existing facility	100,000
Swimming Pool	250,000
Vehicles (2 vans, 1 truck)	30,000
Total Capital Outlay	868,200
Cash Reserve	200,000
Total Initialization Costs	1,068,200
Health Fitness Concepts	
(Consultant & Parent	
Company Personnel fees)	(5,000)
Employee Incentives	0
ROI-Interest	0
NET PROFIT BEFORE TAXES	(92,491)
Corporation Taxes	0
NET PROFIT AFTER TAXES	(92,491)

TABLE 17  
BUDGET SUMMARY  
YEAR 2

PERSONAL SERVICES	237,194
CONTRACTED SERVICES	42,550
SUPPLIES	70,830
COMMUNICATIONS	6,380
TRAVEL	5,500
RENT	25,000
UTILITIES	66,000
REPAIR & MAINTENANCE	6,500
OTHER/ADV	138,600
<b>TOTAL BUDGET</b>	<b>598,554</b>
<b>REVENUE</b>	
Year 2	
15ADP x \$950 x 52 weeks=	741,000
43% capacity	
Depreciation	58,301
Profit	84,145
<hr/>	
<b>CAPITAL OUTLAY</b>	
Year 2	
1 Unit (4 plex) 5% inflation	(67,200)
Cottage Equipment	(12,250)
Total Capital Outlay	(79,450)
<hr/>	
<b>PROFIT</b>	<b>4,695</b>
Health Fitness Concepts	
(Consultant & Parent Co. Personnel fees)	(5,000)
Employee Incentives (5% of Wages)	(11,860)
ROI-Interest (8% of 943,200)	(75,456)
<b>NET PROFIT BEFORE TAXES</b>	<b>(87,621)</b>
Corporation Taxes	0
<b>NET PROFIT AFTER TAXES</b>	<b>(87,621)</b>

TABLE 18  
BUDGET SUMMARY  
YEAR 3

PERSONAL SERVICES	263,754
CONTRACTED SERVICES	44,365
SUPPLIES	93,689
COMMUNICATIONS	6,699
TRAVEL	5,775
RENT	25,000
UTILITIES	69,300
REPAIRS & MAINTENANCE	6,825
OTHER/ADV	145,530
<b>TOTAL BUDGET</b>	<b>660,937</b>
	<b>REVENUE</b>
Year 3	
20ADP x \$950 x 52 weeks=	988,000
57% capacity	
Depreciation	62,594
Profit	264,469
<b>CAPITAL OUTLAY</b>	
Year 3	
1 Unit (4 plex) (10% inflation)	(70,400)
Cottage Equipment	(12,833)
Total Capital Outlay	(83,233)
<b>PROFIT</b>	<b>181,236</b>
Health Fitness Concepts	
(Consultant & Parent Co. Personnel fees)	
(5% of profit before tax, employee incentive,	
and ROI)	(9,062)
Employee Incentives (10% of wages)	(26,375)
ROI-Interest (15% of 943,200)	(141,480)
<b>NET PROFIT BEFORE TAXES</b>	<b>4,319</b>
Corporation Taxes	(951)
<b>NET PROFIT AFTER TAXES</b>	<b>3,368</b>
Retirement of Long Term Debt	0
<b>NET PROFIT</b>	<b>3,368</b>

TABLE 19  
BUDGET SUMMARY  
YEAR 4

PERSONAL SERVICES	263,754
CONTRACTED SERVICES	49,920
SUPPLIES	116,230
COMMUNICATIONS	7,034
TRAVEL	6,064
RENT	25,000
UTILITIES	72,765
REPAIR & MAINTENANCE	7,166
OTHER/ADV	152,806
<b>TOTAL BUDGET</b>	<b>700,739</b>
	<b>REVENUE</b>
Year 4	
25ADP x \$950 x 52 weeks =	1,235,000
71% capacity	
Depreciation	67,098
Profit	467,163
<b>CAPITAL OUTLAY</b>	
Year 4	
1 Unit (4 plex)	(73,920)
Cottage equipment	(13,475)
Total Capital Outlay	(87,395)
<b>PROFIT</b>	<b>379,768</b>
Health Fitness Concepts	
(Consultant & Parent Co. Personnel fees)	
(25% of profit before tax, employee incentive,	
and ROI)	(94,942)
Employee Incentives (10% of Wages)	(26,375)
ROI-Interest (15% of 943,200)	(141,480)
<b>NET PROFIT BEFORE TAXES</b>	<b>116,971</b>
Corporation Taxes	(39,578)
<b>NET PROFIT AFTER TAXES</b>	<b>77,393</b>
Retirement of Long Term Debt	(25,000)
<b>NET PROFIT</b>	<b>52,393</b>

TABLE 20  
BUDGET SUMMARY  
YEAR 5

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PERSONAL SERVICES	263,754
CONTRACTED SERVICES	51,921
SUPPLIES	143,661
COMMUNICATIONS	7,386
TRAVEL	6,367
RENT	25,000
UTILITIES	76,403
REPAIR & MAINTENANCE	7,525
OTHER/ADV	160,448
<b>TOTAL BUDGET</b>	<b>742,465</b>
<b>REVENUE</b>	
Year 5	
30ADP x \$950 x 52 weeks=	1,482,000
86% capacity	
Depreciation	69,404
Profit	670,131
Health Fitness Concepts	
(Consultant & Parent Co. Personnel fees)	
(25% of profit before tax, employee incentive,	
and ROI)	(167,533)
Employee Incentives(10% of wages)	(26,375)
ROI-Interest(15% of 943,200)	(141,480)
<b>NET PROFIT BEFORE TAXES</b>	<b>334,743</b>
Corporation Taxes	(139,811)
<b>NET PROFIT AFTER TAXES</b>	<b>194,932</b>
Retirement of Long Term Debt	(100,000)
<b>NET PROFIT</b>	<b>94,932</b>

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APPENDIX THREE

PROJECTED FIVE YEAR PERSONNEL COSTS, BALANCE SHEET,  
PROFIT AND LOSS STATEMENT, DEPRECIATION SCHEDULE,  
AND CASH FLOW STATEMENT

TABLE 21  
 PROJECTED PERSONNEL COSTS  
 YEARS 1 AND 2

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 PERSONNEL YEAR 1 AND 2  
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FTE	Description	hour/rate	2080
1.00	Director/Ed.	13.28	27,622
1.00	Assistant Director	12.18	25,334
1.50	Aerobics Inst.	7.51	23,431
1.40	Receptionist	6.52	18,986
0.50	Nurse/LPN	7.51	7,810
1.00	Counselor	7.51	15,621
1.00	Transportation Officer	6.99	14,539
1.00	Accountant	8.71	18,117
1.50	Cook	6.09	19,001
1.00	Cook Helper	5.34	11,107
0.00	Grounds/Maintenance	6.99	0
1.50	Maid	5.69	17,753
12.40			199,322
	Benefits		37,872
	Total		237,194

-----  
 FTE=Full Time Employee  
 Hourly wage based on state matrix





TABLE 22  
 PROJECTED PERSONNEL COSTS  
 YEARS 3, 4, AND 5

PERSONNEL YEAR 3,4,5			
FTE	Description	hour/rate	2080
1.00	Director/Ed	13.28	27,622
1.00	Assist. Director	12.18	25,334
1.00	Aerobics	7.51	15,621
0.50	Aerobics Instructor	7.51	7,810
1.00	Receptionist	6.52	13,562
0.40	Receptionist	6.52	5,425
0.50	Nurse/LPN	7.51	7,810
2.00	Counselor/Instructor	7.51	31,242
1.00	Transportation Officer	6.99	14,539
1.00	Accountant	8.71	18,117
1.50	Cook	6.09	19,001
1.00	Cook Helper	5.34	11,107
0.50	Grounds/Maintenance	6.99	7,270
1.50	Maid	5.69	17,753
13.90			222,213
	Benefits		41,541
	Total		263,754

FTE=Full Time Employee  
 Hourly wage based on state matrix

TABLE 23  
 PRO FORMA  
 BALANCE SHEET  
 YEAR 1

CURRENT ASSETS		CURRENT LIABILITIES	
Cash	135,611	Notes payable COBG	125,000
Inventory	0	Accrued expenses	0
Accounts Receivable	0	Federal income tax payable	
<b>TOTAL CURRENT ASSETS</b>	<b>135,611</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>125,000</b>
FIXED ASSETS		LONG TERM LIABILITIES	
Land	25,000	Private investors	943,200
Buildings	628,200		
Equipment	215,000		
Less Accumulated Depreciation	(28,102)		
<b>TOTAL FIXED ASSETS</b>	<b>840,098</b>	<b>TOTAL LONG TERM LIABILITIES</b>	<b>943,200</b>
		NET WORTH	
		Accumulated Retained Earning	(92,491)
<b>TOTAL ASSETS</b>	<b>975,709</b>	<b>TOTAL LIABILITIES</b>	<b>975,709</b>

Assume December 31 Fiscal Year.

Assume all payroll and income taxes are paid by December 31.

TABLE 24  
 PRO FORMA  
 BALANCE SHEET  
 YEAR 2

CURRENT ASSETS		CURRENT LIABILITIES	
Cash	106,291	Notes payable COBG	125,000
Inventory	0	Accrued Expenses	0
Accounts Receivable	0	Federal Income Tax Payable	0
<b>TOTAL CURRENT ASSETS</b>	<b>106,291</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>125,000</b>
FIXED ASSETS		LONG TERM LIABILITIES	
Land	25,000	Private Investors	943,200
Buildings	695,400		
Equipment	227,250	<b>TOTAL LONG TERM LIABILITIES</b>	<b>943,200</b>
Less Accumulated Depreciation	(86,403)		
<b>TOTAL FIXED ASSETS</b>	<b>861,247</b>	<b>NET WORTH</b>	
		Accumulated Retained Earnings	(100,662)
<b>TOTAL ASSETS</b>	<b>967,538</b>	<b>TOTAL LIABILITIES</b>	<b>967,538</b>

Assume December 31 Fiscal Year.

Assume all payroll and income taxes are paid by December 31.

TABLE 25  
 PRO FORMA  
 BALANCE SHEET  
 YEAR 3

CURRENT ASSETS		CURRENT LIABILITIES	
Cash	172,253	Notes payable CDBG	125,000
Inventory	0	Accrued Expenses	0
Accounts Receivable	0	Federal Income Tax Payable	0
<b>TOTAL CURRENT ASSETS</b>	<b>172,253</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>125,000</b>
FIXED ASSETS		LONG TERM LIABILITIES	
Land	25,000	Private Investors	943,200
Buildings	765,800		
Equipment	240,083	<b>TOTAL LONG TERM LIABILITIES</b>	<b>943,200</b>
Less Accumulated Depreciation	(148,997)		
<b>TOTAL FIXED ASSETS</b>	<b>881,886</b>	<b>NET WORTH</b>	
		Accumulated Retained Earnings	(14,061)
<b>TOTAL ASSETS</b>	<b>1,054,139</b>	<b>TOTAL LIABILITIES</b>	<b>1,054,139</b>

Assume December 31 Fiscal Year.  
 Assume all payroll and income taxes are paid by December 31.

TABLE 26  
 PRO FORMA  
 BALANCE SHEET  
 YEAR 4

CURRENT ASSETS		CURRENT LIABILITIES	
Cash	291,744	Notes payable COBG	121,266
Inventory	0	Accrued Expenses	0
Accounts Receivable	0	Federal Income Tax Payable	0
<b>TOTAL CURRENT ASSETS</b>	<b>291,744</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>121,266</b>
FIXED ASSETS		LONG TERM LIABILITIES	
Land	25,000	Private Investors	918,200
Buildings	839,720		
Equipment	253,558	<b>TOTAL LONG TERM LIABILITIES</b>	<b>918,200</b>
Less Accumulated Depreciation	(216,095)		
<b>TOTAL FIXED ASSETS</b>	<b>902,183</b>	<b>NET WORTH</b>	
		Accumulated Retained Earnings	154,461
<b>TOTAL ASSETS</b>	<b>1,193,927</b>	<b>TOTAL LIABILITIES</b>	<b>1,193,927</b>

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Assume December 31 Fiscal Year.  
 Assume all payroll and income taxes are paid by December 31.

TABLE 27  
 PRO FORMA  
 BALANCE SHEET  
 YEAR 5

CURRENT ASSETS		CURRENT LIABILITIES	
Cash	456,080	Notes payable COBG	117,341
Inventory	0	Accrued Expenses	0
Accounts Receivable	0	Federal Income Tax Payable	0
<b>TOTAL CURRENT ASSETS</b>	<b>456,080</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>117,341</b>
FIXED ASSETS		LONG TERM LIABILITIES	
Land	25,000	Private Investors	818,200
Buildings	839,720		
Equipment	253,558		
Less Accumulated Depreciation	(285,499)	<b>TOTAL LONG TERM LIABILITIES</b>	<b>818,200</b>
<b>TOTAL FIXED ASSETS</b>	<b>832,779</b>	<b>NET WORTH</b>	
		Accumulated Retained Earnings	353,318
<b>TOTAL ASSETS</b>	<b>1,288,859</b>	<b>TOTAL LIABILITIES</b>	<b>1,288,859</b>

Assume December 31 Fiscal Year.  
 Assume all payroll and income taxes are paid by December 31.

TABLE 28  
PROJECTED PROFIT  
AND LOSS

PROJECTED PROFIT & LOSS	YEAR 1	PROJECTED PROFIT & LOSS	YEAR 4
Sales	494,000	Sales	1,235,000
Cost of Operations	(553,389)	Cost of Operations	(700,739)
Gross Profit	(59,389)	Gross Profit	534,261
Depreciation	(28,102)	Depreciation	(67,098)
Health Fitness Concepts, Corp.	(5,000)	Capital Outlay	(87,395)
Earnings Before Taxes	(92,491)	ROI	(141,480)
Corporation Taxes	0	Employee Incentives	(26,375)
Net Profit After Taxes	(92,491)	Health Fitness Concepts, Corp.	(94,942)
		Earnings Before Tax	116,971
PROJECTED PROFIT & LOSS	YEAR 2	Corporation Taxes	(39,578)
Sales	741,000	Net Profit After Taxes	77,393
Cost of Operations	(598,554)		
Gross Profit	142,446	PROJECTED PROFIT & LOSS	YEAR 5
Depreciation	(58,301)	Sales	1,482,000
Capital Outlay	(79,450)	Cost of Operations	(742,465)
ROI	(75,456)	Gross Profit	739,535
Employee Incentive	(11,860)	Depreciation	(69,404)
Health Fitness Concepts, Corp.	(5,000)	ROI	(141,480)
Earnings Before Taxes	(87,621)	Employee Incentives	(26,375)
Corporation Taxes	0	Health Fitness Concepts, Corp.	(167,533)
Net Profit After Taxes	(87,621)	Earnings Before Taxes	334,743
		Corporation Taxes	(139,811)
PROJECTED PROFIT & LOSS	YEAR 3	Net Profit After Taxes	194,932
Sales	988,000		
Cost of Operations	(660,937)		
Gross Profit	327,063		
Depreciation	(62,594)		
Capital Outlay	(83,233)		
ROI	(141,480)		
Employee Incentives	(26,375)		
Health Fitness Concepts, Corp.	(9,062)		
Earnings Before Tax	4,319		
Corporation Taxes	(951)		
Net Profit After Tax	3,368		

TABLE 29

## DEPRECIATION SCHEDULE

DESCRIPTION	Year 1	Year 2	Year 3	Year 4	Year 5
Three Unit (4 plex) Base price \$211,200 Straight Line 27.5 years	3,840	7,680	7,680	7,680	7,680
One Unit (4 plex) Base price \$67,200 Straight Line 27.5 years		1,222	2,444	2,444	2,444
One Unit (4 plex) Base price \$70,400 Straight Line 27.5 years			1,280	2,560	2,560
One Unit (4 plex) Base price \$73,920 Straight Line 27.5 years				1,344	2,688
Health Fitness Center Remodel & Construction Cafeteria, Remodeling(Pool & Wet area) Base price \$417,000 Straight Line 31.5 years	6,619	13,238	13,238	13,238	13,238
Athletic & Gym Equipment Base price \$100,000 Straight Line 7 years	7,143	14,286	14,286	14,286	14,286
Office & Education Equipment Base price \$50,000 Straight Line 5 years	5,000	10,000	10,000	10,000	10,000
Vehicles Base price \$30,000 Straight Line 5 years	3,000	6,000	6,000	6,000	6,000
Cottage Furnishings Base price \$35,000 Straight Line 7 years	2,500	5,000	5,000	5,000	5,000
Cottage Furnishings Base price \$12,250 Straight Line 7 years		875	1,750	1,750	1,750
Cottage Furnishings Base price \$12,833 Straight Line 7 years			916	1,833	1,833
Cottage Furnishings Base price \$13,475 Straight Line 7 years				963	1,925
TOTAL DEPRECIATION	28,102	58,301	62,594	67,098	69,404

Note: Depreciation from IRS publication 584, November 1988.



TABLE 30

## PROJECTED CASH FLOW STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
PROFIT BEFORE PROFIT SHARING PROCEEDS	(87,491)	84,145	264,469	467,163	670,131
Health Fitness Concepts(Consultant & Parent Company fees)	(5,000)	(5,000)	(9,062)	(94,942)	(167,533)
Employee Incentives	0	(11,860)	(26,375)	(26,375)	(26,375)
RDI- Interest(8-15%)	0	(75,456)	(141,480)	(141,480)	(141,480)
GROSS PROFIT	(92,491)	(8,171)	87,552	204,366	334,743
Future Capital Investment	0	(79,450)	(83,233)	(87,395)	0
Depreciation	28,102	59,301	62,594	67,098	69,404
NET CASH BEFORE TAXES & LONG TERM DEBT	(64,389)	(29,320)	66,913	184,069	404,147
Tax	0	0	(951)	(39,578)	(139,811)
NET CASH FLOW	(64,389)	(29,320)	65,962	144,491	264,336
Retirement of Long Term Debt				(25,000)	(100,000)
Cash Reserve	200,000	(29,320)	65,962	119,491	164,336
ACCUMULATED CASH BALANCE	135,611	106,291	172,253	291,744	456,080

Note: Initial startup loan for operations (200,000).

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