



Boston Bound
CI East Preview
PAGE 32



Good Figures
Pilates Programming
PAGE 38



Pump It Up
Cardio Entertainment
PAGE 46

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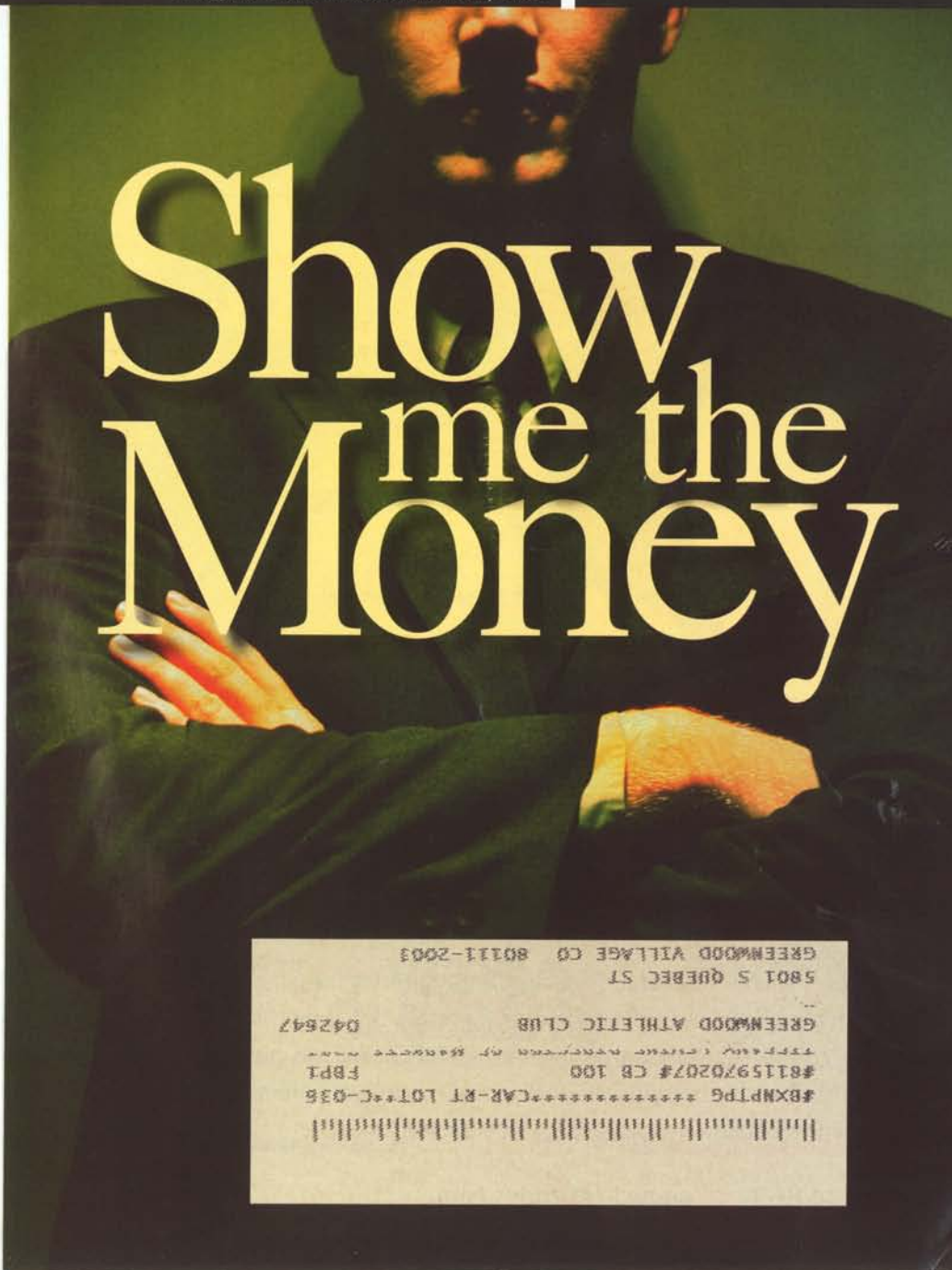
You'd never know there was a recession if you talked to Eric Casaburi. The founder of Retrofitness, Colts Neck, NJ, speaks animatedly about how he plans to expand his 40 corporate and franchised clubs by 350 in the next three years. And he says he has the money to do it.

Casaburi's private equity partner, Lake Capital, Chicago, was one of several companies that wooed Casaburi, finally winning him over and infusing an undisclosed amount of capital into his company last fall (although Lake Capital's Web site says it typically commits \$50 million to \$75 million of equity into companies). The private equity firm just infused another \$5 million into Retrofitness this spring.

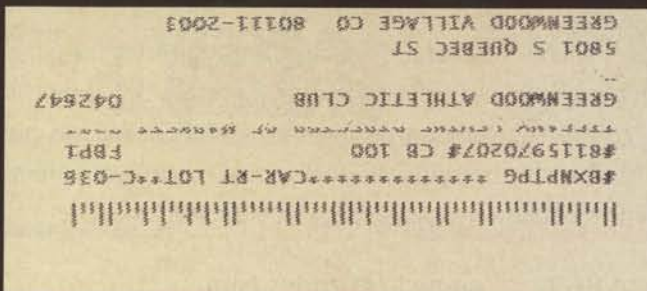
"We joke around in the office that we are in the 'Retro' bubble," Casaburi says. "Not that we don't feel bad that there's a recession, but actually, it's fueled my company's growth."

With \$1.2 billion under asset management, Lake Capital wants to spread its money around but can't seem to find the right fit, Casaburi says. One of the private equity firm's principals told Casaburi recently that he typically looks at 2,000 businesses

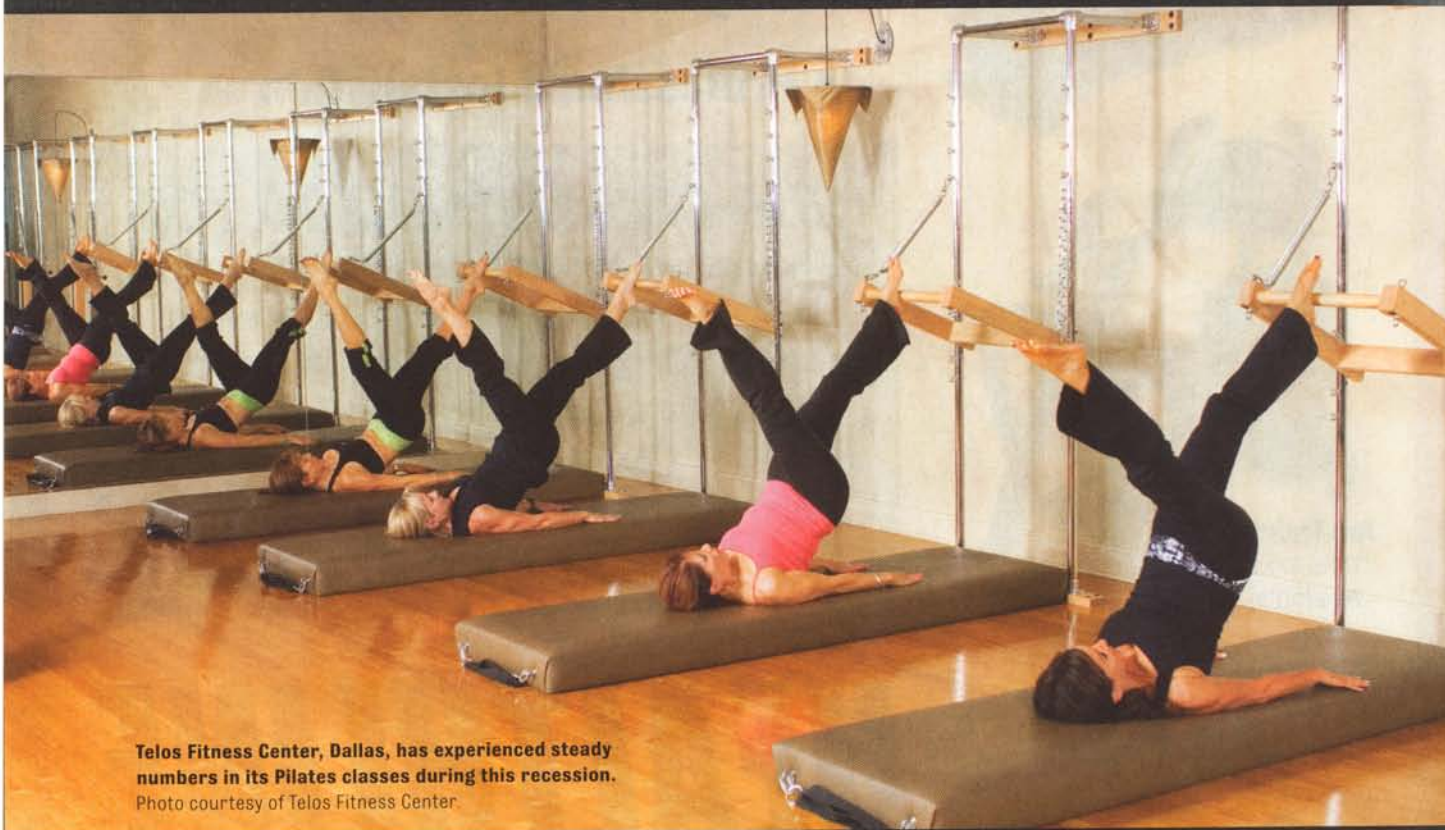
continued on page 16



Show me the Money



PROOF of PILATES



Telos Fitness Center, Dallas, has experienced steady numbers in its Pilates classes during this recession. Photo courtesy of Telos Fitness Center.

Although some fitness club programs may be suffering because of the economy, mind/body programs, such as Pilates, are faring well at some high-end clubs.

By Stuart Goldman, managing editor

The term “recession proof” gets loosely tossed around these days. Some observers say that the fitness industry is recession proof because people have a desire and need to remain healthy. However, club closures, the delay of club openings and a high attrition rate around the country suggest that the club industry is not entirely immune to the current recession.

Pilates programming represents one segment of the industry that has so far averted the troubled economic climate. Based on interviews with a handful of club operators, the recession has had little or no impact on non-dues revenue generated by Pilates programs at their clubs.

There is a caveat, however. Many of the operators that offer non-dues Pilates programming represent traditionally high-end clubs and studios, which have affluent members able to continue their spending on mind/body programs. High-end clubs have more money to spend on equipment and likely have more space for that equipment than smaller clubs, says Sandy Webster, editor-in-chief of IDEA Publications. On the other hand, many lower priced chains and smaller gyms simply offer mat Pilates classes and include mat classes as part of the membership.

High-end club Telos Fitness Center, Dallas, offers equipment Pilates classes at an additional fee. The basic membership fee at

PROOF of PILATES

Telos is \$115 a month, but the fee is \$30 more for Pilates and yoga classes. It has had only a slight decrease in its mind/body services, according to Clarisa Duran, the club's director of sales and marketing.

"Maybe we're now officially too much of a luxury for the person who [considered the club] their 'icing on the cake,'" Duran says. "But by and large, we have been very fortunate to keep good, steady numbers."

The Sports Club/LA, with locations that include Beverly Hills, CA, and Rockefeller Center in New York, caters to a high-income market that includes celebrities. The company continues to exceed its budget in terms of new membership sales, according to Nanette Pattee Francini, president and founder. As a courtesy to its members, however, The Sports Club/LA did not raise membership dues or private training fees, as it has done in years past.

The Sports Club/LA is not seeing a downturn in Pilates training, Pattee Francini says.

"I'm actually surprised at how strong it is," she says. "I think a lot of it is [because of] the relationship that the trainer has with the client, and these clients don't want to give up these relationships. Pilates in a club environment is not a make-it-or-break-it program, period. We love Pilates, but it's not ever going to make you a ton of money."

Some clubs, though, are finding a little gold in Pilates. Greenwood Athletic and Tennis Club, Greenwood Village, CO, has generated about \$500,000 gross revenue per year from Pilates—which is a non-dues charge—and it projects an increase of 3 percent in 2009 over 2008 based on a strong fourth quarter, says Paula Neubert, president and general manager.

The economy hasn't quite hit most of Greenwood's 7,500 members, and Neubert credits that in part to the club's location in one of the wealthiest neighborhoods in the Denver area. At least one member has spent as much as \$32,000 at the club in one year, Neubert says. Last year, Greenwood generated \$11.6 million in revenue, with 40 percent coming from non-dues revenue. Personal training alone brings in \$2 million a year, Neubert says.

"We're going to see as many as 1,600



Greenwood Athletic and Tennis Club, Greenwood Village, CO, generates \$500,000 gross revenue from its Pilates program annually and projects an increase of 3 percent in 2009 over 2008. Photo courtesy of Greenwood Athletic and Tennis Club.

to 1,800 visits a day in our club," Neubert says. "[A gym membership] is going to be one of the last things that's going to go for them. They don't necessarily look at their personal training or their Pilates or their tennis as being something extra. It's just part of their life, and they figure out a way to make it happen."

Club Xcel/Northeast Pilates is a 10,000-square-foot studio in Hamilton, MA, a Boston suburb. Half of the space in the club is dedicated to Pilates or yoga while the other half is dedicated to traditional services, says PJ O'Clair, owner.

This year, Club Xcel has more family memberships, and O'Clair started offering a new student rate. Both of these memberships have proved popular, she says, because many families in her market are foregoing family vacations, leaving them with more money to spend at the club.

"My area [includes people who come from] a lot of old money, and they will spend money on something they think is worth it, but they will not waste their money," O'Clair says. "Their conservatism in their lifestyle brought them back to the club."

Training the Trainers

Most club operators are increasing revenue in their Pilates programs by reducing the amount of one-on-one training and adding two or more clients to a trainer. By doing this, the cost of the session decreases for the member or nonmember while the trainer and club garner more revenue.

Neubert says some of Greenwood's 10 Pilates instructors have held onto their

clients by getting them into a program and changing some private sessions into duos at lower rates. Some of the instructors have up to six clients in a session.

Veronica Combs, the Pilates director for Telos Fitness Center, says semi-private training or "team training" not only brings in more revenue but creates accountability for the clients. Once they are part of a group, clients are less likely to cancel their appointments, she says.

"Our instructors are really great at being able to multi-task," Combs says. "Our studio is big. We have the space to do it. I can have five instructors with two to three clients each in one hour. People love that energy. With our club members, they like to have a lot of activity. They don't really want that quiet space."

Club Xcel also added several small group-based Pilates programs to generate revenue.

"Our private training definitely dropped," says O'Clair, the winner of the 2008 IDEA Program Director of the Year Award. "All these other programs, where they're doing things together or in smaller groups, have never been popular in my club before. Ever. And it is now. You have to plan ahead for that."

The changes don't come without some challenges.

"You'll have a client who has been doing single sessions with you for years and years and years, and then you're trying to figure out how can you couple them with somebody," Neubert says. "It's difficult. The Pilates instructors have to work a little harder to make that all work."

As the number of group Pilates classes increases, the need for truly qualified instructors who know how to train multiple people at a time also increases, many club operators say. In the past, the demand for mind/body programs has exceeded the supply of instructors, but that's beginning to change, says an international mind/body company executive, who has seen an increase in the teacher-training side of his business.

High-end clubs have an advantage in hiring the best Pilates instructors because of their resources, IDEA's Webster says.

"Pilates instructors typically earn more per hour than any other type of instructor,"

Webster says. "This leads me to believe that high-end clubs can better afford to hire qualified Pilates trainers."

Hiring the best Pilates instructors often depends not only on the amount of money club owners can afford to pay but whether the instructors are willing to adopt the philosophy of a club's Pilates program. Adrienne McBride, the corporate director of fitness, group fitness and Pilates at Club One, San Francisco, took over the Pilates program at Club One four years ago. Prior to her arrival at Club One, the company grossed \$200,000 in Pilates but netted only \$1,000 annually.

With a more careful approach to business and a greater emphasis on instructors teaching the program McBride's way, the program's revenue has increased. Last year, Club One generated \$1 million from its Pilates program with a net of about \$400,000.

McBride's program is fitness-based Pilates, designed for clients to work up a sweat and get in a good workout, she says. McBride switched from one-on-one training to more group training, and she let go instructors who disagreed with her philosophy, she says.

Attracting the Mind and Body

To make Pilates programs even more profitable, some club operators are marketing to nonmembers as well as members. About 10 percent to 15 percent of the people in Club One's Pilates program are nonmembers, McBride says, adding that nonmembers are attracted to the Pilates program more than they are to the club.

A typical hour-long Pilates session at Club One costs \$25, so in a group session with six clients, the club generates \$150, half of which goes to the instructor.

"You've got to make that \$25 so worth it," McBride says. "You've got to create a sense of community and really bond with the six people."

Club operators have relied on creative marketing to attract both members and nonmembers.

Telos Fitness Center features bridal Pilates packages for soon-to-be brides, as well as maternity Pilates packages for soon-to-be moms. Partnerships with local businesses are important to Telos, too.

PROOF of PILATES

Telos officials are in discussions with a local mall to set up Pilates classes in the mall's outdoor garden.

"We've always sought out a high-end customer that was looking for a full experience, whether it was training or Pilates or yoga," Duran says. "We realized that more than ever, that still has to remain our focus but that we have to find even more unique and strategic ways to get a person in here than we normally would. Everybody's looking for a way to increase value for their customer and make things exciting and fun and stress free."

Instead of asking prospects to just try out a membership or a guest pass, Duran encourages them to try the club's mind/body services. During a tour, she introduces prospects to Combs in the Pilates studio.

"People are a little more open to some one-on-one attention," Duran says. "Once they meet Veronica and see what she has to offer and the studio, they're blown away."

Although Greenwood relies heavily on

its membership base, the club's director of Pilates devised a program to offer nonmembers a certain number of sessions per month for a higher price than members pay, Neubert says. Nonmembers pay \$10 more for private or semi-private Pilates sessions and \$5 more for equipment-based Pilates classes, she says. After a session, the Pilates instructor escorts nonmembers to the front desk, walking past the cycling studio, the cardiovascular area or an energy zone class so they can see all that the club has to offer. If the nonmembers want to stick around at the club after their session, they have to pay extra, Neubert says.

Each month, O'Clair offers programs to familiarize people with Club Xcel's Pilates offerings. She targets everyone from the deconditioned, and members who never participated in Pilates, to athletes. The club recently conducted a Valentine's Day Pilates partner program that resulted in multiple-pack sessions for nonmembers who wanted to continue

coming to the club, O'Clair says.

"I hit all my markets with the specialty programming," she says.

No matter how big or small a club is, all club operators are more than aware of what's going on around them regarding the economy, and several of them are responding by adapting their mind/body programs. As the executive from the mind/body program company says, "It's an opportunity to redefine and pay closer attention to what we do. Everybody is sharpening their pencils." ■

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