

The Fitness Boom

Health Clubs Growing, ... but Will It Last?

By Lisa M. Schmelz



Orange Shoe Personal Fitness owner Lauren Birkel and client Tim Kritter work on building lower body strength by performing forward lunges. Birkel owns two Orange Shoe locations; one in downtown Madison and the other on Madison's west side.



Hhealth clubs may want to pump you up, but as an industry they're pretty pumped themselves. Right now, new franchises are opening faster than some of us can run a mile.

budget health club, moved into the old Borders Book building a few doors down, it promptly offered \$10 a month memberships. So Gold's responded in kind — sort of.

Wisconsin was home to 651 fitness facilities as of July 31, 2011 — a seven percent increase from 2007. The forecast for 2012 is set to see more clubs open.

While many businesses were barely hanging on during the worst of the recession, the fitness center sector had its ups and downs. Still, the industry has seen an overall increase since 2007. According to the International Health, Racquet & Sportsclub Association, Wisconsin was home to 651 fitness facilities as of July 31, 2011 — a seven percent increase from 2007. The forecast for 2012 is set to see more clubs open. But is there room for all this muscle or are we being clubbed to death?

The answer depends on who you ask. Some say Wisconsin was ripe and under-served. Others say the proliferation of health clubs — and slashing of membership fees — is creating a high-stakes survival of the fittest contest.

“It’s cannibalism,” says Tim Ahner, the general manager for Gold’s Gym in downtown Milwaukee. “You’re cannibalizing the whole industry. At some point, taking too many \$10-per-month members means you’re eliminating full-service.”

Matching the competition

Yet Ahner and Gold’s Gym saw the writing on the wall and are now feasting on bargain-driven members themselves. When Planet Fitness, a 24/7

For one \$10 bill every 30 days, Gold’s is offering the most basic of memberships. Inside its two-tier, 60,000-square-foot Water Street facility, Gold’s has carved out 3,000 square feet of workout space for price-conscious consumers. Separate but not equal, the sweaty souls here have access to standard gym machines and weights. However, they do not have access to the center’s indoor saline pool, basketball court, instructor-led classes or even a small flat screen TV to pass away their workout time.

Ultimately, Ahner is hoping to convert his new high-volume, low-price members to full service.

“I see it as a stepping stone,” he says. “Let’s not lose them until we get them here. Sooner or later, they’ll get to the full-service point, and until they do, we want them here.”

Changing business models

Planet Fitness isn’t the only center forcing full-service health clubs to drastically rethink their business model. Snap Fitness and Anytime Fitness are also hot fitness franchises, tapping into the consumer demand for convenience. Open around-the-clock, Snap and Anytime offer members access to a variety of cardio and weight machines

in neighborhood storefronts for under \$40 a month. These turn-key businesses are attracting people like Karmen Nenahlo, a former investment banker from the Twin Cities.

Nenahlo cites Anytime's low-entry and operating costs, relative to other franchises, as a selling point for her. Nenahlo's 10 franchises — nine in Wisconsin and one in Grand Rapids, Mich. — are open 24 hours, but she only has one staff member on duty during typical business hours. After the employee leaves, members gain access to the building with electronic key cards.

"It just makes a lot of sense on the business side," she says. "The beauty of Anytime Fitness is it's taking out a big chunk of that staffing cost."

Nenahlo declined to share specific membership data about her franchises, saying only that each of her facilities have between 300 and 600 members, depending on the location. In Wisconsin, she has centers in West Bend, Cedarburg, Racine, Ripon and five in the Fox Valley.

Wisconsin Health Clubs

2007 - 610
2008 - 751
2009 - 675
2010 - 687
2011 - 651

Source: International Health, Racquet & Sportsclub Association

Saturated market?

Is she concerned that the market is saturated? Does she worry her investment might go the way of Curves — a women's fitness chain that at its 2005 peak had 8,000 centers nationwide and now has just half that?

"I wouldn't say I'm worried about that. Only 10 to 15 percent of the population is a member of a gym," she says. "That means we have 85 percent of those people to go after. I think the market was grossly underserved, especially in small markets like Ripon."

Ray O'Connor is the CEO of the Wisconsin Athletic Club, which boasts nearly 16,000 members in its six Milwaukee area facilities. For the last 25 years, O'Connor has watched health clubs evolve from humble beginnings not unlike your high school gym class into a billion dollar industry.

"It's not that fitness is new," says O'Connor, "but fitness as an industry really came about in the early '80s."

O'Connor says there are variations in the world of health clubs: high volume, low price facilities like Planet Fitness, Snap and Anytime; athletic clubs like Gold's that offer more than the basics; "lifestyle" clubs that offer special perks such as golf or tennis; and resort style facilities like Le Club, in Glendale, with bars, poolside dining and access to private clubs and resorts around the country.

Is O'Connor losing any sleep — or WAC members — as the industry works its way through growing pains? "Knock on Formica," he says, laughing.



Participants in a spinning class at the West Suburban YMCA in Wauwatosa get a vigorous workout, burning calories and keeping muscles in shape.

“We’re ahead. We’re just going to run our business. I can’t worry about it. We’ve just got to provide a great product.”

YMCA for everyone

Bob Heger is the chief operating officer for the Milwaukee Metropolitan YMCA and oversees nine fitness centers in Milwaukee, Washington, Ozaukee and Waukesha counties, serving 36,000 members. His centers have all seen a decline in membership in the past year.

While Heger acknowledges that some members may have left for cheaper workout pastures, he says the Y stands alone in one respect. “We offer classes for all ages,” he says, “and the Y will address the economic conditions of everyone who walks through the door.”

But not every consumer is concerned about low prices. In Madison, the boutique Orange Shoe Personal Fitness is proof of that. Here, the focus is on developing individual fitness plans for an executive clientele willing to pay a premium.

A small player in the Wisconsin market, the Orange Shoe has franchises only in Madison, Fitchburg and Brookfield. Lauren Birkel owns the downtown and west-side Madison locations. A former social worker, she says her centers’ clients spend anywhere from \$250 to over \$1,000 a month for customized workouts.

Is she feeling pressure from the big box fitness chains — or even the small ones? Not at all.

“We’ve really carved out our niche and just seeing other facilities crop up shows there’s a need for it, for alternatives for people,” she says. “While it’s competition in one sense, we offer something different.”

Small town attraction

Andy Sieberer, who holds a degree in exercise physiology, is the general manager and newest partner at the independent Four Lakes Athletic Club in Elkhorn. He moved to southern Wisconsin last summer with his wife and young children from St. Paul, where he was



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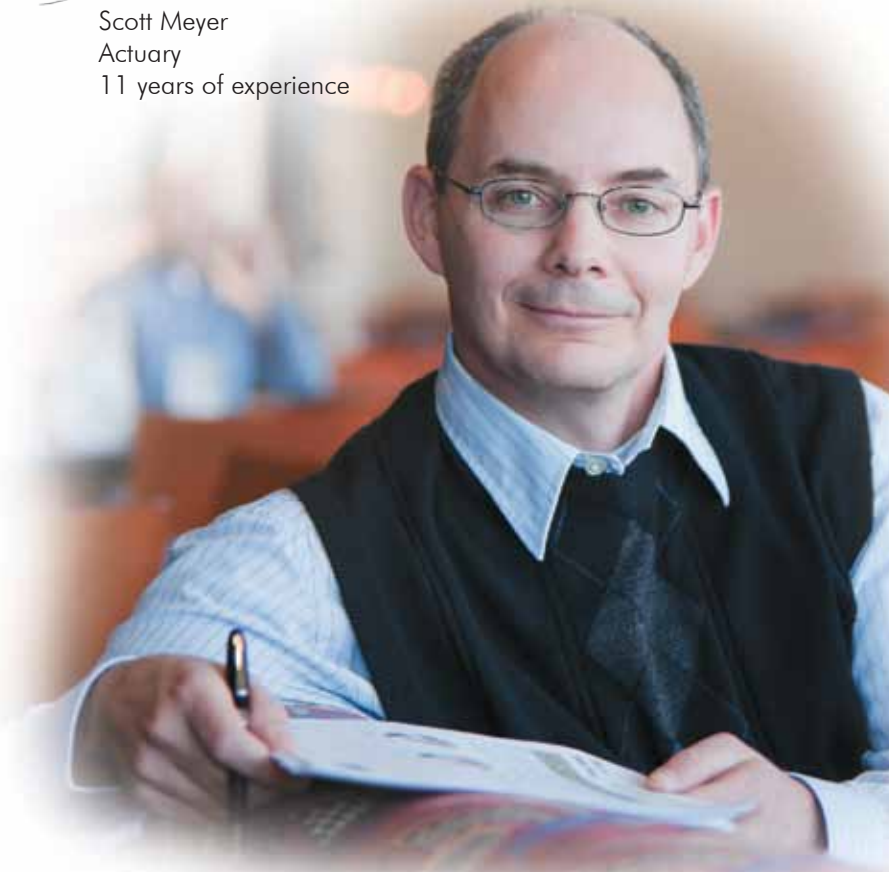
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TOP: Tips from the personal trainers at Orange Shoe encourage healthy lifestyle choices like planning meals and drinking enough water. MIDDLE: Four Lakes Athletic Club near Elkhorn offers programs like the Silver Sneakers Club, encouraged by health insurance providers to keep seniors active and engaged. BOTTOM: Andy Sieberer, general manager at Four Lakes Athletic Club holds a degree in exercise physiology and regularly provides individualized workouts to members.

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a general manager with a Gold’s Gym. Exhausted by big city and big fitness chain demands, he’s found an oasis at FLAC, a 10-year-old center.

At Four Lakes the average individual membership is \$45 a month and, says Sieberer, they have about 2,000 of them. While fitness franchises are cropping up in this rural neck of the woods, Sieberer welcomes them.

“They actually help me. When (prospective) members come here, they feel it’s family oriented. They see the difference of what they get here versus somewhere that’s five bucks cheaper,” he says.

To keep ahead of the curve, he finds ways to set Four Lakes apart. Programs like the Silver Sneaker Club targets seniors, and their health insurance providers, with individualized workouts supervised by certified trainers. He’s also hiring more trainers with four-year degrees and expanding child care and youth programming. The one thing he won’t be doing is lowering membership costs to compete with budget fitness clubs.

“You’re devaluing the entire market when you do that,” Sieberer says. “I don’t want to say you’re ruining it, but you’re changing the perception of what fitness is worth.”

Who will survive?

Asked to predict whether the newest franchises are built to survive a long race and if they’ll be successful in improving our collective health, WAC’s O’Connor played it cool. While club membership data is up in America, he points out that our rate of regular exercise is still “relatively flat.”

“Is it sustainable? Does the convenience factor... does the price factor encourage people to want to exercise more?” ponders O’Connor. “Ultimately, time will tell.” 🍷

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