Financially speaking, for many health clubs, 2011 was the first real positive year since 2007. “Last year (2012) continued on that path,” concluded Rick Caro, the president of Management Vision, Inc., a club consulting company based in New York, New York.

According to another expert - Dr. Art Curtis, the president of Curtis Club Advisors, LLC, located in Wellesley, Massachusetts, and chairman ex-officio of IHRSA’s board of directors - the industry has clearly demonstrated that it can weather a storm. “We’ve been more stable than other industries, probably because of our membership model, which is based on monthly dues and a recurring revenue stream,” observed Curtis. “This industry doesn’t react in a volatile fashion, which should reassure investors.”

The business community has taken note of our industry’s impressive accomplishments. In December 2012, Inc. magazine named Zumba its “Company of the Year” for 2012, describing it as “the quintessential global business.” At that time, founder Alberto Perlman predicted that 2013 would be about experiential fitness. “If you’re going to spend three to six hours in a gym every week, why not do something that makes you happy while you’re there?” he asked.

Inc. also recognized Perlman as one of its Top 5 CEOs to Watch in 2013.

Also in December, Anytime Fitness, which now operates in 14 countries, opened its 2,000th unit, and placed sixth on Entrepreneur magazine’s annual Franchise 500 list. Also making the list were Jazzercise (#27), Snap Fitness (#35), Planet Fitness (#74), Gold’s Gym International (192), and Retro Fitness LLC (#270). The factors considered for inclusion on the list include a company’s financial strength and stability, growth rate, and size of its franchise system.

In February, Forbes magazine placed Anytime Fitness at #14 on its America’s Most Promising Companies list. The rankings are based on growth (both in sales and hiring), quality of management...
team and investors, margins, market size and key partnerships.

Gerry Thomas, CFO of Anytime Fitness, said in a press release that the company plans to quadruple in size – to 4,000 clubs in the U.S. and 4,000 clubs worldwide – before 2020.

NORTH AMERICA
The U.S. is on the rebound, and growth could well accelerate to the 3% range by 2014, thanks to the one missing link in the tepid recovery – housing. Dr. Sherry S. Cooper, executive vice president and chief economist of economic research for BMO Financial Group in Toronto, Ontario, Canada, told CBI in January. “Retail sales are accelerating as household net worth is rising relative to income,” she explained. “Consumer confidence is up, and business confidence will continue to improve once the dust settles on the fiscal cliff issue.”

According to the most recent edition of IHRSA’s Profiles of Success, which was published in December 2012 and analyzes club financial and operational benchmarks for 2011, participating clubs saw their net membership increase by 3.1% and their revenues increase by 3.6% during that year.

While such modest growth might not normally be considered a great success, coming as it does on the heels of five years of unpredictable – often stormy – economic conditions, it’s viewed by industry leaders as confirmation of the industry’s resilience and potential.

Bill McBride, the COO of Club One, Inc., based in San Francisco, California, and the chairperson of IHRSA’s board of directors, noted that club owners had to be vigilant and diligent to be successful in such challenging circumstances.

“Sustaining growth in an environment marked by 9% unemployment and weak consumer confidence has been a major obstacle to overcome,” he said. “We’ve all felt the financial stress, either personally, or through family and friends.”

For some time, there’s been talk of consolidation in the health club industry, prompted, in part, by the economic conditions that have prevailed for the past few years. The notion gained credence recently when LA Fitness, the Irvine, California-based chain, announced it had entered into an agreement to purchase all 33 facilities of Lifestyle Family Fitness (LFF), based in St. Petersburg, Florida.

Shortly after acquiring seven former Gold’s Gym facilities to add to its portfolio, GoodLife Fitness

Anytime Fitness recently opened its 2,000th facility

Anytime Fitness founder and CEO David Patchell-Evans

GoodLife Fitness founder and CEO David Patchell-Evans

Dr. Sherry S. Cooper

Bill McBride

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bought Extreme Fitness Inc., a competitor with 13 locations in the Greater Toronto area and surrounding region. The acquisition, announced in April, increased the number of locations operated by Canada’s largest fitness chain to more than 300 across Canada.

Franvest Capital Partners portfolio company Edmonton Fitness Holdings Inc. announced in September 2012 that it, along with a group of Edmonton based co-investors, had acquired the Edmonton assets of World Health Club Inc. The investment included 10 fitness clubs in the city of Edmonton and one under construction in Sherwood Park.

Publicly-traded Life Time Fitness, Inc. (NYSE: LTM), which operates 105 centers under the Life Time Fitness and Life Time Athletic Brands in the U.S. and Canada, reported strong results for 2012. Its revenue reached $1.1 billion, up 11.2% from 2011, and its EBITDA totaled $324.7 million, up 18.8% from the previous year. According to chairman, president and CEO Bahram Akradi, the company will unveil three new facilities this year.

LA Fitness announced in October 2012 that it had purchased substantially all of the assets relating to the 36 Urban Active clubs in Ohio, Kentucky, Tennessee, Georgia, Nebraska, North Carolina, and Pennsylvania.

Spotting an opportunity in the women-only market, McLean, Virginia-based Titan Fitness LLC recently acquired Pure Fitness For Women, a women-only fitness center in Houston, Texas. The company says it intends to expand Pure Fitness for Women to other markets. Backed by Boston private equity company WestView Capital Partners, Titan Fitness operates 25 fitness facilities under its Fitness Connection brand in North Carolina, Texas and Nevada. In December 2012, the company acquired Sports & Fitness Clubs, a small chain of gyms in the Charlotte, North Carolina area.

“SUSTAINING GROWTH IN AN ENVIRONMENT MARKED BY 9% UNEMPLOYMENT AND WEAK CONSUMER CONFIDENCE HAS BEEN A MAJOR OBSTACLE TO OVERCOME.”
In March, Crunch announced it had inked a deal with Fitness Holdings LLC & RLB Holdings to open an additional 42 clubs across New York, New Jersey, Massachusetts and Pennsylvania. Crunch Franchise has grown quickly, selling over 200 franchises in just over two years. It was named one of the “Hottest Franchises” for the second consecutive year by Entrepreneur magazine and was awarded the prestigious FBR 50 Award by Franchise Business Review for outstanding franchisee satisfaction.

UFC Gym continued its worldwide expansion with the acquisition of LA Boxing, which was announced in January. Founded in partnership with New Evolution Ventures (NeV), a private-equity firm based in Lafayette, California, UFC Gym currently has five full-service facilities which average 35,000 square feet in California and Hawaii. It has also started selling memberships for locations in New York Metro and Sydney, Australia, which will open this year. UFC Gym will transform the 81 boutique LA Boxing facilities, which average 5,000 square feet, to the UFC Gym format.

LATIN AMERICA

The IHRSA Latin American Report: Size & Scope of Key Health Club Markets, sponsored by Hoist Fitness, was released in September 2012 during the IHRSA/Fitness Brasil Latin American Conference & Trade Show in São Paulo. The publication, produced in collaboration with Mercado Fitness and supported by Fitness Brasil, is the most comprehensive examination of key Latin American health club markets available anywhere.

“There has always been much speculation about the market size of this region and Brazil represented this reality well by the lack of data available,” said Richard Bilton, the president of Companhia Athletica and member of the IHRSA board of directors. “We often heard that market growth was stopped or even that it had grown at 15% a year, but without the slightest database to determine if such results were accurate.”

“I believe it is essential for industry entrepreneurs to have information that will help them to make good decisions,” added Guillermo Velez, editor and director of Mercado Fitness. “In addition, the worldwide industry needs to have a realistic scope of the opportunities available in our region.”

As it turns out, the health club industry in Latin America is robust. The fifteen Latin American markets analyzed in the report generate $5.5 billion in revenue from more than 46,000 clubs.

Although the fitness sector in Latin America is still at an infant stage as far as franchising is concerned, there are already 13 American and two European brands with franchised centers in the region. Curves, alone, operates 437 branches in Latin America, including 188 in Brazil and 142 in Mexico. Likewise, there are eight Latin American brands growing within and outside their markets of origin through franchises, and four more which intend to do so, according to the report.

“The sector has really evolved during the past 10 years – not only in terms of technology and equipment in gyms, but also in terms of how people have changed their habits and how they choose to work out for health reasons, to look good, or with the goal to break up their work routines and escape from daily stress,” said Ricardo Issa, founder and director of Bolivia’s Premier gyms.

“Here, as abroad, we move toward segmentation, with gyms operating at three different price levels: high, medium and low,” added Richard Bilton. “Our clubs are included within the first group, which requires a large investment to be built and targets a differentiated audience.”

Governmental intervention is a major obstacle to industry growth in Latin America, according to Edgard Corona, CEO and founder of Grupo Bioritimo. “In Brazil, there are different entities which control the sector and various demands which raise prices, such as the obligation to hire professionals with university degrees, and requiring medical clearance,” he explained. “Additionally, in order for one of our gyms
to begin operating, we must have authorization from seven different entities and pay 62 kinds of taxes.”

Bodytech, which has its headquarters in Bogota, Columbia, has purchased 70% of the shares of Sportlife, the Chilean club chain founded in 1993 by Mauricio Musiet. Because the Sportlife brand is a dominant one in Chile, the clubs will continue to make use of the Sportlife name.

Bodytech has 45 sites in Columbia and six in Peru. Sportlife has 39 throughout Chile, including both company-owned and franchised units. Bodytech plans to double the number of its clubs over the next five years.

“Fortunately or unfortunately, depending on the point of view taken, the global fitness industry does not yet fully understand that the Latin American market is fit for growth and expansion,” said John Kersh, vice president of international development for Anytime Fitness. “I am confident that what lies ahead for Latin America is positive, and I eagerly anticipate the bright future for this region.”

It is worth noting that major world sports events will take place in Brazil in the next few years. First, the Soccer World Cup in 2014, followed by the Olympic Games in 2016 in Rio de Janeiro. Faced with this, the actors in the fitness industry are preparing themselves to effectively capitalize on both events.

**EUROPE**

At the 12th Annual IHRSA European Congress, held in November in Vienna, Austria, HealthCity CEO Rene Moos accepted the 2012 IHRSA European Club Leadership Award. The award recognizes the European club leader who has done the most to advance both their own company and the industry.

Moos, a former national tennis champion in the Netherlands, opened his first tennis club 27 years ago in Hoofddorp, gradually adding fitness into the mix. In 2004, he and partners Dennis Aarts and Eric Wilborts combined their 11 all-inclusive clubs under the name HealthCity, which today includes two brands – HealthCity and Basic-Fit – with a combined 265 facilities in seven countries.

*Impulse* magazine, which ranks the top 100 franchises annually, named Mrs.Sporty the number one franchise system in Germany for 2012. According to Mrs.Sporty CEO Valerie

Mrs.Sporty is Europe’s most successful women-only fitness franchise
Danish entrepreneur Rasmus Ingerslev, the CEO of low-cost chain Fresh Fitness, will join the IHRSA board as of July 1, 2013. Ingerslev sees the industry evolving quickly, and competition intensifying. “As a result, there will likely be even more segmentation, which will create clear value propositions in the niche, low-, mid-, and high-end markets,” he predicted. “On the positive side, I believe this will help attract more members, growing the overall market. My concern is that we’ll see bubbles in segments that grow too fast, specifically the low-cost sector, and collapses in the middle-market.”

Hard Candy Fitness (HCF), the global luxury brand founded by Madonna and New Evolution Ventures (NeV), the private-equity firm based in Lafayette, California, has announced its intention to open a club in Rome in 2013. HCF has entered into a partnership with Dabliu, a major Italian fitness network, to develop the market.

The X-Fit Group, which owns and operates 33 fitness facilities in Russia and abroad, making it one of the country’s three largest club companies, launched a unique franchising initiative in 2012. Its FitStudio Franchise will allow existing clubs to come together beneath the umbrella of an existing brand. The small budget clubs, which will average 2,250 square feet in size, won’t pay a royalty or franchise fee, but will enjoy a number of benefits, including training, advice, support, advertising, and discounts on new equipment.

UK-based Fitness First recently underwent a radical restructuring process, which First Fitness Group CEO Andy Cosslett says will see it emerge as largely debt-free and ready to invest in new sites and new equipment.

“It’s never nice to have your business spoken about in negative terms, but you have to tough it out, and you have to respond,” he told CBI. “We’re going to come out of all of this much stronger than we were when we went into it.”

**ASIA PACIFIC & AFRICA**

The industry in Australia is thriving, according to The Australian Fitness Industry Report 2012, published by Fitness Australia. Last year, the Australian fitness industry generated over $1.8 billion in revenues, and contributed some $1.4 billion to the country’s gross domestic product.

“While largely I believe that Australia generally fared better than most countries in avoiding an economic recession, our region is still suffering from a lack of consumer confidence,” said Kristen Green, General Manager of Aquafit Fitness and Leisure. “This is evidenced by the decline in retail sales and expenditures on discretionary items such as gym memberships. Increased consumer savings, coupled with competitive pressure from small clubs offering inexpensive membership options, has resulted in a conscious business strategy to focus on value adding for our members.”

IHRSA senior research manager Melissa Rodriguez anticipates rapid growth in 2013 in India and China, two of the world’s largest economies. “Anytime Fitness and Snap Fitness have each expanded their franchise network overseas to encompass India,” she said. “As the second-largest global economic power, the Chinese market is ripe for development.”

New Zealand, in particular, has embraced CrossFit, boasting approximately 45 facilities. The exercise concept – which relies less on traditional fitness equipment and more on truck tires, sand bags, shipping ropes, and other items, has grown in popularity because people want something different, said Darren Ellis, who opened his CrossFit gym in Auckland five years ago. “They all say the same thing – that they’re bored with the commercial gym model,” he explains. “That’s why these gyms are taking off.”

VivaFit, the European brand of women-only gyms, signed two new master franchising contracts for the Middle East for Qatar and Bahrain. These two new signings are the 7th and 8th master franchise agreements for VivaFit. The agreement signing was hosted by the government trade mission AICEP in Riyadh, Saudi Arabia, with the official visit of the Portuguese Minister of Health Paulo Macedo who witnessed the second signature. The VivaFit master franchise partner of Qatar is the company “The Forum”, represented by its founder and general manager Bassem Othman Rajab Majeed. The Forum operates in Qatar and in Dubai specializing in engineering, franchising, beauty salons and now fitness.
Vivafit celebrates its tenth anniversary this year and is currently operating in six countries: Portugal, Spain, Uruguay, Cyprus, Singapore and India.

Virgin Active also sees an opportunity in Singapore. The first club, at Raffles Place, will be joined by at least five others in Singapore over the next few years, according to the company. Virgin Active is also investigating other potential locations in Southeast Asia. “Other than Singapore, we are looking at a number of other Southeast Asian countries, including Thailand, Malaysia, and Indonesia,” said Mark Blackman, managing director at Virgin Active Asia-Pacific.

Virgin Active boss Sir Richard Branson has answered a call made some years ago by former South African President Nelson Mandela to improve the country’s health clubs. His company is investing in a new facility in Sandton, which will set a new standard for health clubs across South Africa. The club, which is designed for a discerning market and will include a wellness suite with doctors, dieticians and physiotherapists, a state-of-the-art cafe and a spa, is scheduled to open in August 2013, making it the 108th club in South Africa.

“Nelson Mandela called years ago asking me to save South African health clubs and you know when he calls you jump onto the next plane,” said Branson.

**OPPORTUNITIES ABOUND**

Consumer trends, particularly “the consumer hourglass,” introduce both challenges and opportunities for the future. “As customers gravitate toward the higher and lower ends of the market, middle-market players will come under pressure,” said industry consultant Bryan O’Rourke, who is the cofounder and CEO of Integerus. “At the high end, spa and resort facilities are flourishing, along with experiential niche models, such as cycling and mind/body studios. At the budget end, operations with business models like that of Planet Fitness are expanding. Many clubs in the middle are trying to be everything to everyone, but they’re at the greatest risk.”

The health club industry is ripe for consolidation, according to Rick Caro. “The theme for over 16 years from the financial community is that the health club industry is one of the most fragmented that they have ever studied,” he explained. “Beginning in late 2011 and for all of 2012, several major club companies were sold to other club companies.” At the end of the day, however, less than 1% of all of the U.S. clubs were consolidated, he added.

In 2013, as the provisions of the Affordable Care Act go into effect in the U.S., physicians and hospitals have even more reasons to improve the health behaviors of their patients, Dr. Edward Phillips, founder of the Institute of Lifestyle Medicine in Brighton, Massachusetts, told *CBJ* in January. “Therefore, health clubs have an unprecedented opportunity to reach out to the medical community by providing safe, high-quality, effective, and affordable programs for the broad population of patients, including those with some medical risks,” he said. In this way, clubs can become valuable allies, helping to extend the medical continuum to include exercise.