

HOW TO : LOW COST FITNESS

12 Months On

We should first define what we believe constitutes a budget club in the UK at the moment. A budget club is a health club that has fees that do not exceed £17 per month (£19 at most), has minimal staffing levels, is low maintenance (which means no pools) and has technology driven membership management, joining and billing systems.

Though proven and very successful abroad (mainly US and Germany) the budget club model is still viewed with some scepticism in the UK. Many operators I spoke to initially wanted to see a full year trading in the UK before they were prepared to draw any conclusion as to the viability of this new type of 'fast fitness', despite the results from this model abroad. But it's been well over 12 months now since the first UK budget club began pre-sales and there are quite a few of these types of club now open for business and none that I have spoken with have failed. On the contrary, most have proven very successful, with over 2,000 members joined (some a lot more) and very busy.

Of all of the budget clubs now in business, from the groups like Fitspace and The Gym Group to independent budget clubs, one thing that is common to all is that they do not obey the rules that as an industry we have been used to. For example:

1. No sales team, no tours, no direct sales cost. Marketing does it all !
Consumers join online or at a kiosk in club !
2. No service beyond front desk. New members receive an induction and are then left to themselves. That's not to say that service is unavailable. If they want service they pay an in club trainer for personal training.

Has it made a difference to members in terms of service experience? No, it hasn't. Members come in, they exercise, they go home. If they want assistance they ask for it. If they want tuition and guidance they pay for it. Members are not leaving much more than they do in a full service club, members are not complaining and members are joining self service style en masse.

The most effective comparison that everyone seems to agree with is that the budget model is much, much closer to retail than it is to hospitality. Low cost fitness clubs are about volume, turnover, fast sales and efficient operations. Service is no longer key to operating a successful health and fitness club !

Why Change ?

If full service works for you now then there is no need to change. But if profit is hard work each and every month, with some months loss and always hoping for a good January, then maybe it's worth thinking of changing your business model.

The current economic climate is also a very good reason to consider a change. Though many operators are not being affected as many had perhaps expected they would be, it is still tough times for the consumer and there is definitely a more conservative approach to spending now.

Full service just doesn't work ! This is a very controversial point of view, I know, but so many clubs are still scratching for answers and so many statements are still made

about 'shutting the back door', 'plugging the hole' etc. No doubt, certain systems work very well but retention at best is about stemming the tide, not halting it. In hospitality it's about service and experience, pampering and pou perri. In retail it's about volume and turnover, demographics and speed.

Demographics. Just look at retail. It's about chimney pots. There will always be a place for sector clubs; spa clubs, racquets clubs, leisure clubs. But where there are chimney pots, where there are people, where there is hussle, where there is fast food the territory is perfect for fast fitness.

Give Me An Example !

Jon Wright, owner of Xercise health and Fitness in Castleford, Yorkshire has been watching the growth of the budget club model for some time. Summer 08 the first signs of the recession were showing and Jon made a decision. He trialled a low cost price in an expired members marketing exercise and at that month (August) was the second biggest sales month of the year, with over 5% of his expired members joining at the new, 'low cost' price.

Careful planning, research and the assistance of some expert providers in Fiserv Club Solutions and Harlands Services and Jon was, in January this year able to launch the model. But, with an already successful club, Jon elected to take a phased approach to launch and gradually introduced new pricing with an option for members to join either a low cost 'gym only' membership or take a full service membership not dissimilar to what he was already offering. January saw sales that were double January 2008. February the same. Over 100 memberships were sold over the 2 week Easter holiday and Jon is very happy with the results and now providing consultancy and advice to other owners and operators about making the change.

Part of the reason Jon elected to do a phased move to budget club was because Xercise has quite a lot of secondary spend services; hair and beauty, food and beverage. Where everywhere else sales are dropping in these areas, Xercise has seen a 40% increase in year on year secondary spend revenue in both areas as a direct result of the increased traffic moving through the club.

Jon Wright: "However the politicians try to spin it, it is pretty clear that we are in for at least a decade of austerity. Two budget retailers, Aldi and Lidl, have in the last year broken into the world's top 10 retail operators. There is a growing culture of thrift, an appetite for low cost and speed and the budget club suits this culture perfectly."

Wright continues; "In retail, self service is growing fast and we sought to make that work at Xercise as well. The budget model for us could not be achieved without a technology upgrade. Initially we did this to get our online join and payment processing integrated with our management system, but we have also applied it now to access control as well." Instead of traditional membership cards to access the club, Xercise members use a combination of PIN code and fingerprint to open the turnstile. "Just PIN on its own still presents, we feel, a security risk so a fingerprint is used to verify the member's ID and it all works perfectly."

Helio Fitness in Blackpool, Lancashire, was a successful independent town centre health and fitness club with a lot of competition. Owner, Neil Henshaw: "For 8 years we ran a normal health club, emphasizing service and trying everything to maximise retention. But it was always hard work. Sales were always hard to make and resource heavy. Retention was equally hard work and even more resource heavy. We saw the launch of McFit in Germany, Planet Fitness and 24 Hour Fitness in the

US and we watched. The clubs thrived, the businesses grew and the model, the budget club model, seemed to work. We studied the demographics around us, we crunched numbers and planned hard. We worked hard with our technology partners, SDA Solutions, Harlands Group and Technogym and we made structural alterations to the club to allow us to better run a less staff intensive business. We steam lined our staff structure, made energy alterations to ensure the business was as cost efficient as possible. In January we launched and, in four months, we have doubled our membership base.”

Unlike Xercise, Helio Fitness moved straight across to the new model. They wrote to all existing members inviting them to rejoin at the ‘new’ price. Helio was previously a Technogym Wellness System user and elected to keep Wellness System in the model. Neil Henshaw: “For the budget club, Wellness System is even more effective now than it was before in a full service gym environment. Wellness System is our fitness instructor and provides members with instruction, information and tracking.”

How To Change ?

If the business conditions are right and you want to change you first need to change the rules. Throw the hospitality rule book out of the window. Think retail, think efficiency.

Technology: Particularly technology that is integrated allows cost savings and efficiencies that allow a budget club to be run. There are predominantly two main health club business technologies; membership management and membership payment processing. There are significant savings to be made here in both time and effort, allowing membership administrators to better manage their time and turn to more pro-active activities like CRM. Internet based systems are also an advantage, allowing you to monitor your club without even having to be in there. A third factor in the technology mix is of course fitness management and this too can be automated and integrated as well, adding even more effectiveness to operations.

Access Control : Staffed check in of course gives you that little bit of ‘meet and greet’ and ‘assistance’ service. Some budget clubs run manned receptions, others are completely automated. Either way, turnstiles and barriers provide automatic access control that manages membership access rights into the club. Controlled by the membership management system means that non payment of membership dues locks a member out of the club and only when the payment has been settled can they gain access.

Space: Budget club means more traffic and so your number of machines may need to be increased to accommodate higher volume. Your membership capacity is ultimately limited by available space in your club. If you move to a budget model you will need more members to make profit and that means your club will be busier. The gym is ultimately the main attraction and so it may be worth moving the gym to a position in the club where you have most space and potential to be expanded if necessary.

Classes: Some of the budget club operators have no studio, some have a very small studio with a few Pilates and Spin cases and some have a full studio running 30 + classes per week. Xercise retains classes within its full service membership option but ‘gym only’ members have to pay a fee to join a class. Helio runs on a pay per class basis. Another, highly successful budget club operator is adamant that inclusive classes is a critical element of their club’s success. **Technology in some budget clubs**

can allow members to log in and book classes as well as personal training. Again, this eliminates the cost of bookings administration.

Contract: The contract debate still rages. There is an argument for easy in easy out membership, non restrictive purchasing. There is an equal argument for contract and ensured term revenue. Contrary to what 'Which Magazine' said a few years ago, it's not as if contracts are something new to the consumer. Mobile phone contracts, broadband, digital television are all 12, 18 and sometimes 24 month contracts. Some budget clubs have contracts, others don't. So far contracts doesn't seem to be a barrier to joining.

Demographics: They are either there or they are not. A budget club is not going to work for a rural club with only 10,000 within 15 – 20 minute drive time. The numbers have to stack up. Moreover, within the local demographics, the mix is worth considering as well. As both Helio and xercise did, it is certainly worth analyzing the numbers, getting a health and fitness marketing company to break down the population within 5, 10 and 15 minutes walk and drive time of your business. There are a number of specialists that will provide this service, Leisure Database Company, Hattrick Marketing, Your Management Solutions and more.

Join Online : This is a must. It is a hard decision to make to let the consumer choose without influence or persuasion. They choose to react to marketing. They choose to go to the Join Online portal, whether they be sitting at home or at work or at a kiosk in club reception. Either way, there is no sales influence !

Switching to a budget club is not something that can be done in a day. There is a lot to consider, a lot to plan and a lot to change. But if the business conditions are right for you to be able to change then the rewards may be worth it for your long term business success. I know of at least one club that was making a loss as a full service club and where the owner was considering closing. Switching to a budget club was the last throw of the dice. Since changing, this club has thrived and is now profitable and the owner is currently in the process of moving other clubs over to this model as well.