

Finding the right fit

Starting a fitness centre presents some big challenges and more than a little risk

BY ERIN ELLIS, VANCOUVER SUN JULY 24, 2010

Whether it's based on a passion for health or a healthy balance sheet, entrepreneurs are stepping up to join Metro Vancouver's challenging fitness industry.

It requires the same attention as any business to pricing, location and building a client base, yet insiders say it also carries powerful emotional baggage associated with health and body image -- and loyalty.

And it is truly challenging. Only about half of B.C. fitness centres turned a profit in 2006, and few have the deep pockets of an NBA superstar like Steve Nash, who has launched three expansive, high-end sports clubs in Metro since 2007.

Metro Vancouver should be prime ground for the fitness sector. Statistics Canada said B.C. topped all other provinces on a number of health indicators in 2006. And Vancouver leads the province with the lowest level of obesity at eight per cent compared to about 11 per cent in the rest of the Lower Mainland and a high of 23 per cent in northeastern B.C.

Anita Mar, co-owner of the Pitt Meadows Athletic Club, concluded the sector held promise after shopping for a business that would provide a guaranteed monthly income. Mar and her husband Vladimir Levinson immigrated from Russia via Israel six years ago without any background in business or fitness.

"We did a quite a bit of research and I was afraid to open a new business because it takes so much time before you start to making money."

They settled on the six-year-old Pitt Meadows Athletic Club and paid \$250,000 for the business, without the building, in April 2009.

"The more you pay, the more you make," Mar says. "We don't have to look for customers every day."

And although they have about 1,000 members paying between \$30 and \$35 a month, Mar and Levinson have to replace about 30 per cent of members who quit each year. That means relying on a good salesperson who works inside and outside the gym, while offering promotions, open houses and introducing a new website, Mar says.

Derek Duvall of Action Fitness and Training in Surrey took a riskier approach. He started a business from scratch two years ago and has yet to see a profit. Duvall, who had a 37-year career as a dentist before this venture, says he has sunk about \$500,000 into it so far.

Despite his obvious passion for fitness, the one-two punch of a global recession and a seven-month road closure on 184th Street near his facility combined to jinx his chances of early success. He says he's taking the City of Surrey to court over the road closure, because no one told him about it when he applied for a business licence.

"That's been a huge obstacle to overcome," says Duvall, adding he's not ready to throw in the towel. "I'm a 33-time Iron Man. I don't quit."

Despite the setbacks, Duvall says he's gaining clients because the facility offers a range of service such as acupuncture and rehabilitation for injuries. Still, he knows he has to focus more on attracting new members. "It's growing every day, just not fast enough."

Karen Wyder of Vancouver is also taking the leap of opening a new fitness studio, but she decided to buy a licence from a trademarked, U.S.-based exercise program called the Dailey Method that she hopes will take off here. The former senior manager at Lululemon Athletica says the advantage of buying a franchised system is that it provides consistency, and there's support from head office for training and marketing, largely through the Dailey Method website.

She spotted the growing popularity of the Dailey Method in various U.S. cities while working on Lululemon's expansion south of the border. The exercise program, born in San Francisco about 10 years ago, combines elements of Pilates, yoga and ballet barre work to create a low-impact, hour-long workout that's marketed to the busy urban set as being effective and efficient.

She's spending a total of \$200,000 to buy the Dailey Method licence -- the first sold in Canada -- and refurbish a leased, 2,000-square-foot former dance studio on West 41st Avenue in Vancouver's Dunbar neighbourhood. The classes will cost \$20 a pop, less for packages of 10, 20 and 30 classes.

Although the new studio won't open until August, Wyder's sister Jey has been teaching paid classes in a temporary space in Vancouver and offering free lessons at Lululemon stores for months. She has been working on her plan for about two years and quit her job with Lululemon a year ago to focus on

GLENN BAGLO/PNG

Karen Wyder of Vancouver is taking a leap by opening her own fitness studio in August. It's part of the Dailey Method franchise, which is based in the United States.

it full time. She says the long lead-up to opening is part of the plan.

"When I started working in Toronto with Lululemon I helped open their second location [outside Vancouver] in a new market. ... We started selling the product wholesale before we opened the location. So how it turned out to be a happy accident is that for six to eight months we were selling the product without a location, and then when we opened we were above break-even. I thought, I'm going to bring that same concept to this in terms of creating awareness before you have that

overhead."

The connection with Lululemon is a boon, says Wyder, because both enterprises target the same health-conscious clientele. That includes a lot of younger women -- many with babies -- so her studio will have a child-minding facility and free parking.

Wyder chose the Dunbar location because her research showed it has enough potential clients, it's close to where she lives and she believes clients from outside the neighbourhood will make it a destination once they become hooked on the program through the demonstration classes.

"It promotes itself. You just get six people who have shrunk a pant size and it catches on."

But a location on Vancouver's west side is also close to a lot of people with higher incomes, a group more likely to spend money on fitness and health. The U.S.-based International Health, Racquet and Sportsclub Association says the average American health club member had a household income of \$82,900 and that households with incomes above \$100,000 account for 33 per cent of all health club members.

Mar said the lower incomes, on average, near her Fraser Valley gym mean she has to keep prices lower. She says her research indicates that only about 15 per cent of the population will consider going to a health centre and they want to travel only 10 or 15 minutes to get there.

Krista Popowych, the manager of program services for the Richmond Olympic Oval, says she has seen a lot of businesses come and go in her nearly two decades in the industry, but adds that smaller facilities can have an advantage over the chains if they make a connection with their clients.

"It's that 'home away from home' idea. Not everybody loves to exercise, so if there's something there that is going to keep people coming back, it will be more successful.

"There is a high failure rate in the fitness industry and it is because of the competition. The clientele are only willing to pay so much money for a fitness membership. Clubs can undercut and charge less and less, whereas the smaller club may not be able to because they have higher costs."

Chain fitness centres can keep costs down by bulk purchases of equipment, group marketing and using a standard setup for their facilities. But a Vancouver fitness legend who prospered all on his own says the key to success is focusing on what the client needs. Ron Zalko has 3,000 members using his 22,000-sq.-ft. facility at Burrard Street and West First Avenue in Kitsilano. They pay a \$99 fee to join and then \$28 to \$38 per month for a membership, depending on whether they commit for a year.

Even after 30 years in the business -- he brought Jane Fonda here in 1982 at the height of the aerobics craze -- the passion is still there.

"I'm so meticulous. I can't be in 12 locations," says Zalko, founder of the Ironman Canada triathlon.

It's uplifting to help gym members go from fat to fit, says the man who dropped 65 pounds when he began competing in triathlons.

"I love seeing people lose weight When I see that, it makes me feel good."

Winners And Losers

54%

of fitness and recreational sports centres in B.C. were profitable in 2006.

3%

of total revenue

Average net profit for the whole industry in 2006.

\$48,000

Average net profit for facilities that made money in 2006.

-\$27,000

Average net loss for facilities that lost money in 2006.

Source: Statistics Canada Small Business Profiles

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