

CBI Spends 10 Minutes on the Line with

Nick Coutts

Q As the winner of the 2013 IHRSA European Club Leadership Award, could you give us your take on the European market? Despite the economic difficulties in Portugal—15.3% unemployment and a 23% value added tax (VAT)—you've managed to successfully launch a new "premium low-cost" brand. How? What does the future look like for Fitness Hut?



Nick Coutts got his start in the industry as a gym instructor 20 years ago. He rose to the position of club manager of Holmes Place Chelsea, in London, and, subsequently, was asked to head up a Portuguese venture, which led to his being named the CEO of Holmes Place Iberia. He later oversaw an MBO for that company. In 2011, he created Fitness Hut with two partners, Andre Groen and JP Carvalho. Coutts was awarded the 2013 IHRSA European Club Leadership Award.

In Portugal, bureaucracy is endemic. The plethora of authorities, rules, and laws that "govern" the fitness industry has, if anything, become more pronounced at precisely the moment when operators need every bit of help they can get to survive.

About four years ago, I and a colleague, Andre Groen, were unhappy where we were working and felt trapped by that chain's business model. We were very clear about which aspects of that traditional model had been causing us the most headaches. Sales were becoming tougher, in large part because the product was too expensive. We were charging all of the members for all of the amenities, even though many of them used only the gym. We had, it seemed to us, too many department managers, too many administrative procedures, and targets for our personal training teams that were increasingly tough.

Having visited clubs in the U.K., Spain, and Germany, we'd concluded that we wanted to create something that we called a premium low-cost brand—one offering slightly more than the standard low-cost clubs of the time. We've eliminated the peripheral, nonessential features of a traditional club, and, instead, we focus on fitness. We invest in great equipment, but the whole heart and soul of what we do is a wild passion for fitness. That tight focus allows us to be 50% cheaper than our chief competitor.

Portugal's fitness market is quite small, and we've managed to create a lot of noise about our brand. Our clubs have a large floor-to-ceiling height, and a lot of natural light, which evokes the sense of luxury. It's a modern, urban look that isn't too aggressive or masculine. We're targeting a younger set, and have invested in things that are appealing, groovy, and cool: disco lighting, a DJ

with dance music, and a large screen showing motivating videos of extreme sports. One of our trademark specialties is open-space workouts. Each club has 18 to 20 personal trainings, but one of the principal jobs of our fitness professionals is to generate excitement, energy, and fun with impromptu gym-based classes. We believe the character of the business should be driven by the club manager, and we've introduced a pay structure to ensure that happens. Our managers aren't responsible for sales and don't have a quota, but all of them give two personal training sessions and conduct one or two classes a day. When you're teaching a class, you're standing in front of 60 members, who feel that they really know you.

Our membership is 50% male and 50% female; 60% of them have never belonged to a club before. But we also attract lawyers, corporate CEOs, and investment bankers.

Fitness Hut is still a small chain. We have seven clubs, with more than 30,000 members, who pay €4.40 to €8.80 each (\$6.12 to \$12.24) a week, giving us revenues in excess of €800,000 (\$1.1 million) a month. We're now raising financing to allow us to roll out more clubs in Portugal, hope to open another two to five facilities this year, and believe the country can accommodate 30.

We know which other countries we'd like to expand into, and when we do so, we might make some adjustments to our concept. If, for instance, we were to go into the north of Europe, we might not have such extensive changing rooms and might adjust our pricing a bit.

Wherever we go, we'll make sure to bring the same energy and strong fitness focus, which, we think, will allow us to compete effectively. ³³ —I

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For information about the 14th Annual European Congress, which will be held October 16-19, log on to ihrsa.org/congress.