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DETROIT-AREA EXPANSION

Gold's Gym flexes muscles

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BY GRETA GUEST

FREE PRESS BUSINESS WRITER

Gold's Gym, made famous in the cult film "Pumping Iron" starring Arnold Schwarzenegger and Lou Ferrigno, plans a major expansion in metro Detroit.

Plans are in the works for 20 new locations and at least \$40 million in investment, said Keith Albright, director of development for the Dallas-based fitness chain. The chain plans to add 200 locations by 2010 for a total of more than 650 U.S. locations.

The bulk of Gold's Gym locations are owned by franchisees. Michigan gyms are now in Ann Arbor, Howell, Battle Creek and New Buffalo.

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Albright plans a Detroit meeting in January to introduce potential franchisees to the brand.

A Gold's Gym franchise takes a substantial investment, he said. The gyms are a minimum of 20,000 square feet and require a \$2-million investment to build and equip. The company requires its franchisees to have an \$800,000 net worth with \$300,000 in liquid assets.

Added to that are initial franchise fees of \$25,000 and then 3% of gross revenues for a royalty fee and 2% for advertising fees.

The franchise, with its roots in bodybuilding, has typically attracted people who grew up in a gym, but that has changed.

"We are seeing a lot more diverse groups of people coming into the franchise network," Albright said. "They are not Arnold Schwarzenegger wannabes. Most likely they are not. They are people from the real estate world and the private-equity world."

While Gold's is proud of its muscle-bound past, it cannot sustain its gyms with bodybuilders alone in the \$17.6-billion fitness club industry.

Instead, the gym company is in the midst of a mainstreaming to attract some of the fastest-growing groups joining gyms today, including women and baby boomers.

So the new Gold's Gyms will feature innovative fitness and cardio equipment such as cardio cinema, where members can watch movies while they work out on cardio machines.

There are 42.7 million health club members in the United States, according to the International Health, Racquet & Sportsclub Association. And the number of health clubs has nearly doubled in the past eight years to 29,357 clubs in 2007 from 15,372 in 1999.

A fast-growing segment of the industry comes from members over age 55, according to association figures. In 2005, there were more than 8 million health club members over 55, a rise of 314% from 1990.

Gold's Gym capitalized on that by establishing a partnership with AARP a few months ago. It offers specially priced memberships for AARP members.

Gold's Gym was established in 1965 and now has 3 million members worldwide. The first gym in Venice, Calif., was featured in the 1977 movie "Pumping Iron." Besides free weights, the gyms offer group exercise, personal training, cardiovascular machines, spinning, Pilates and yoga.

Its biggest competitors in metro Detroit are Bally's, Fitness USA, Life Time Fitness and World Gym.

Heavyweight heritage

Robert Passikoff, president of New York-based Brand Keys Inc., said the Gold's Gym heritage gives the chain some grit the others can't claim.

"They have a certain heritage that is a little tougher. They were at one point the bodybuilding experts, and they expanded the profile over the years," Passikoff said.

Paul Wright, a Gold's Gym franchisee who opened an Ann Arbor location two years ago and said he plans to open a Novi location in 2008, took a buyout from Caterpillar Inc. in 2005 and put it all down on the franchise.

Wright, 44, is a former competitive bodybuilder with an MBA in finance from the University of Detroit-Mercy.

"It's great though because I can finally use everything I've learned," Wright said. "You have to have a strong business background in finance definitely and an understanding of the fitness industry."

He selected Gold's because there were few in the state and his gym would stand out. He added a lounge with a fireplace, a juice bar and child care area. Each cardio machine has a TV screen mounted that gives members 20 channels to choose from. The gym also offers choreographed exercise classes.

Wright charges an initiation fee of \$89 and then \$49 a month for singles, \$79 for couples and \$99 for families. He has 2,000 members in Ann Arbor and expects 6,000 to join the new Novi gym.

Paul Wright, 44, of Ann Arbor used his buyout from Caterpillar to open a Gold's Gym franchise in Ann Arbor two years ago. He said he plans to open another branch at Novi's Fountain Walk shopping center in 2008.



ADDITIONAL INFORMATION

Gold's Gym by the numbers

1965

The year Gold's Gym was founded in Venice, Calif.

3 million

The number of members worldwide

20,000

The minimum square feet of space required to build a gym

\$2 million

The cost to build and equip a gym

\$25,000

The franchise fee plus 3% of gross revenues for royalties and 2% for advertising

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The Novi branch will be 60,000 square feet in the Fountain Walk shopping center, next to the Great Indoors. He said he plans to open there in April, but will start selling memberships in January for the \$7-million gym.

"I'm glad I went with Gold's. They set a much higher standard than other people I talked to," Wright said.

Contact **GRETA GUEST** at 313-223-4192 or gguest@freepress.com.

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