



» GOING



BY MARCUS WOOLF

Each spring, the employees at American Cycle & Fitness stores hang window banners urging people to “Save Gas, Ride a Bike.”

“We get some pretty interesting looks from people driving by,” said Matt Marino, general manager for American Cycle & Fitness, a five-store chain that sells Vision fitness equipment and Trek bikes. Why the curious looks? The stores are located near Detroit, Mich., a fuel-injected town where transportation normally means four tires and a Hemi engine—not two tires and human pedal power.

Though the banner seems to attract customers and pushes sales, it also trumpets the store’s values of being eco-friendly. Over the past two years, American Cycle & Fitness overhauled two stores to include energy-efficient lighting and eco-friendly flooring. It’s also considering similar changes for its other three locations. Certainly, the store is unusual, as few Motor City retailers—and few fitness retailers in general anywhere—have made environmental awareness a core company value. Traditionally, the American business community has believed that only “tree-huggers” concerned themselves with environmental issues, but this is changing rapidly across all sectors.

Leading companies in many industries are launching eco-friendly products and services—some want to protect the environment, while others want to capitalize on the emerging “green” market. They are also changing the way they construct facilities, make products and deliver goods. Suddenly, going green is mainstream. Granted, the majority of the activity involves large companies, but the small-business world is showing interest as well. And it’s just a matter of time before this trend wends its way into the fitness market in a big way too, especially when even very doable baby steps can have a big impact.

GREEN IS BIG, GETTING BIGGER

Some companies such as Gaiam, a supplier of mind-body and fitness/wellness products plus educational DVDs, have used green business practices for a decade. But consumers and corporate America largely ignored the concept until war in the Middle East, high gas prices and talk of global warming made energy conservation a hot topic and a way to cool off the bottom line. In the last two years, energy issues have crept into every corner of our culture, from corporate boardrooms to the cover of *Vanity Fair* to Al Gore’s Oscar-winning documentary, “An Inconvenient Truth.” Companies have seized upon this moment to launch green products and services, with consumers sitting up and noticing as they consider them more

The business world discovers it can go green *without going in the red*. Will fitness join up?



GREEN

closely for purchases.

In 2005, Toyota watched sales of its Prius hybrid car triple, and Prius sales rose 137 percent from 2006 to 2007. In January of this year, Time magazine reported that General Electric had revenues of \$10.1 billion from environmental products in 2005, up from \$6.2 billion in 2004.

Big companies are not only increasing production of eco-friendly goods and services, but also cleaning up their own operations. In October 2005, Wal-Mart CEO Lee Scott said the behemoth retail chain would work to make its stores more energy efficient and overhaul its operations to reduce waste and greenhouse gas emissions. Wal-Mart claimed it would invest \$500 million in sustainability projects, including a plan to increase the efficiency of its vehicle fleet by 25 percent over three years.

Some people question whether Wal-Mart's stance will prove profitable, but it will more than likely strengthen the retailer's brand image. According to the results of a USA Today report published in April 2007, more than eight in 10 people surveyed said that the environmental record of a company should be an important factor in deciding whether to buy its products.

Retailers and manufacturers also believe they could benefit from the fact that going green has become cool and trendy. In the past couple of years, the Dixie Chicks and Coldplay have purchased energy credits for "carbon-neutral" concert tours. (With carbon offsets, you buy energy credits, which represent money to be spent on renewable energy, such as wind power. A credit offsets a specific amount of carbon dioxide emis-

sions.) Carbon offsets have become so popular that the New American Oxford English Dictionary declared that its word of the year for 2006 was "carbon neutral."

From Wal-Mart to Coldplay, the green movement is moving in many different directions from international conglomerates and the entertainment world, to regional chains and mom-and-pop shops. You could say it's not a single wave sweeping the nation, but rather a sea of activity, swirling in all directions. As eddies circle around them, many companies are still trying to determine where they should wade in. Right now, the vast majority of fitness companies and retailers have not adopted widespread green practices, but a couple of manufacturers have launched eco-friendly equipment.

GREEN MACHINES

At the 2007 IHRSA trade show held this March in San Francisco, SportsArt Fitness introduced the "ECO-Powr" treadmill drive system. Featured on its new Xtreme T600 commercial treadmills, the ECO-Powr drive was designed to use nearly a third less electricity than the usual AC and DC motors found in treadmills while still supplying the same get-up-and-go.

SportsArt sales reps report that, so far, gyms are responding favorably to the new system. "My guys in the field are saying this really seems to have legs," said Scott Logan, SportsArt's marketing director. "People are saying, 'Whoa, that's really cool.' I don't think (gym owners) would admit their primary reason for excitement is saving money. That's probably secondary. But 'green' is at the forefront of everybody's

mind right now, and it's an attractive product." Logan added that gym owners also think ECO-Powr machines might help sell memberships to those who appreciate environmentally friendly practices.

For accessories-supplier Gaiam, yoga mats are a top seller, and the company, based in Broomfield, Colo., has ramped up production of eco-friendly options, such as the Natural Rubber Yoga Mat, which sells for \$40. "We've introduced a number of eco products in the last 12 to 18 months with great success," said Jane Pemberton, president of worldwide distribution for Gaiam. The company even has an Enviro-Fit line that includes cork yoga blocks (cork is harvested without damaging cork oak trees, so it's considered a sustainable resource) and a yoga backpack made of organic cotton. Pemberton told GearTrends® the company is now trying to remove PVC from its \$22 yoga mat without increasing the price. "By spring 2008, 100 percent of our mats will be environmentally friendly," she added.

Beyond SportsArt and Gaiam, there are few companies selling eco-friendly products into the fitness market. While SportsArt reps have gotten positive response to ECO-Powr, there's not much eco-friendly buzz in the broader fitness world.

"I have not heard much conversation about it," Logan told GearTrends®. We also spoke with other manufacturers and retailers who echoed Logan, saying there's little activity right now or at least not yet.

SportsArt is already trying to position itself as a green leader within the fitness industry where the movement is still in its infancy: In addition to launching the new energy-effi-

GREEN EQUATIONS + ADD UP THE SAVINGS IN GREEN BUILDING PER SQUARE FOOT (20-YEAR NET PRESENT VALUE*)



Source: Green Building Costs and Benefits, Capital-E, 2003 *Net Present Value = Estimated future benefits and costs converted into equivalent values today.



cient drive system, SportsArt held a contest to benefit the Center for Ecosystem Survival during the IHRSAs club trade show in March. (For more information, see the March 12, 2007, SNEWS® news release, "SportsArt Fitness Partners with Center for Ecosystem Survival.") The Xtreme EcoChallenge drew more than 100 participants who competed to burn the most calories on a treadmill in a five-minute period. The winner, Joe Phillips of Clif Bar, burned 142 calories, generating a \$1,000 donation. He also won an eco-adventure trip to Costa Rica.

Though SportsArt is striving to be a market leader on green issues, it's only scratching the surface of what a company can do to benefit the environment. It does not have a comprehensive plan to conserve energy at every stage of its operations, as some companies are beginning to do in other markets. Granted, such a top-down plan is rare in any sector of American business, but at least one fitness products supplier, Gaiam, has moved in that direction.

THE DRIVE TO BE GREEN

Jane Pemberton never imagined that she would know so much about trucks. But she said she's quickly becoming an expert on the various types of vehicles that transport Gaiam's yoga mats, rugs and other items.

The 10-year-old, \$220 million company is evaluating every way in which it impacts the environment, down to the emissions produced by its shipping fleet. Pemberton admitted that it's a tall order. "Depending on the size of an order and frequency of delivery, we use different trucking—some might use diesel, others might not. So every customer has to be looked at uniquely," she said. So, we wondered, why go to the trouble?

"We're a green company. It's the core of who we are," said Pemberton.

Gaiam deals with a diverse range of products and services, all related to fit and healthy living and preserving natural resources. One division of the company, Living Arts, sells health and wellness products through TV, the Internet, catalogs and 68,000 retailers. A second division sells organic products for the home, and another installs solar panels and operates eco-travel trips. Its Living Arts segment houses what the fitness industry would be acquainted with: mind-body, fitness and wellness accessories and its electronic educational empire with instructional DVDs for fitness, yoga, Pilates and other activities.

Gaiam's efforts to protect Mother Nature actually begin at its facilities in Colorado, New York and California. Each plant follows a Zero Waste program to recycle

and compost 100 percent of office waste, including paper and food. As for its products, all retail packaging is made from post-consumer waste, and Gaiam ships all products in recycled boxes with biodegradable packing materials.

In 1990, Gaiam made a commitment to eliminate a billion pounds of CO₂ by 2000, and Pemberton said the company reached that goal three years ahead of schedule. Since then, the company's green programs have continued to evolve.

In June 2006, Gaiam partnered with The Conservation Fund to launch its Go Zero shipping program, which allows online customers to make a donation to The Conservation Fund, which plants trees to offset carbon dioxide emissions caused by shipping.

Pemberton told GearTrends® that, as of April 2007, Go Zero resulted in the planting of 61,000 trees over 200 acres in Louisiana. "In the first three months (of the program), 40 percent of the people who purchased a product bought a tree," she said.

Now the company is trying to quantify the total environmental impact of each product it sells. This requires the company to investigate the manufacture of each product, shipping of products to Gaiam warehouses, shipping to the customer, and even the carbon emissions produced when its salespeople fly to visit a customer. The goal is to use this data to help Gaiam and its retail partners better gauge their environmental impact, and to get retailers more involved in green programs. It has done all this as it has continued to grow as a company, indeed going public in 1999 (Nasdaq: GAIA). That year the company earned \$45 million in revenue, and in 2006 reported revenues topping \$200 million.

But, is Gaiam confident that fitness retailers, especially small ones, will participate? "It's very early for the mainstream fitness market," said Pemberton. "They may not be interested, but it's something we believe in. The retailer has to have margin ... and we need to figure out a way to make it work."

She said she hopes the fitness industry will follow the national trend toward being green. "All of this was so un-sexy up until the last three or four years, and especially this year it's hitting," she said. "I believe it will move faster now. Green is the new black—it's sexy."

She said it certainly helps that influential companies such as Wal-Mart are driving the trend, especially in the retail sector. While retailers have lagged behind manufacturers in adopting green practices, they've not only begun to place more eco-friendly

products on their shelves, but they're rethinking the way they design stores.

REBUILDING RETAIL

In the last three years, there has been exponential growth in the number of retailers using construction techniques that save energy, reduce waste and create a more healthy work environment, says Maury Zimring, a program coordinator for the U.S. Green Building Council. The USGBC runs the LEED certification program, which is the recognized standard for determining just how green a facility is. The USGBC has launched a pilot program to craft LEED certification guidelines specifically for retailers, and the program is proving to be popular. "Just since December we have seen huge response in the retail program. It's attracting everyone from the individual owner/operator of a boutique-style business to the larger chains," Zimring told GearTrends®.

Green building can make a significant impact on the global environment, she said, noting that the average building is responsible for 12 percent of our country's overall water use, 30 percent of our greenhouse gas emissions, 65 percent of waste and 70 percent of electricity consumption.

According to the Capital E research firm, green buildings, on average, have a 30-percent energy savings and 35-percent carbon savings. Plus, they use 30 percent to 50 percent less water, and reduce costs related to waste by 50 percent to 90 percent.

The drawback is that the upfront costs are greater when constructing a LEED-certified facility. "Studies show a 2 percent premium on one-time cost in construction and a five-year return on investment," said Zimring. But it definitely can pay off. As part of the LEED retail pilot program, PNC Bank (a Pittsburgh-based company with hundreds of branches in the eastern United States) got a prototype building certified, and the design has now been used in 27 locations. Construction time for each building was reduced to four to six weeks, while each branch costs \$100,000 less than a traditional one. Plus, energy costs at each branch have been cut by 40 percent.

Of course, LEED certification represents the highest degree of going green, and a small specialty retailer doesn't have to go to such measures to make a difference. American Cycle & Fitness has reduced its energy waste by replacing high bay halogen lights with more efficient accent lighting. And its new flooring made of recycled rubber will help reduce landfill waste. "The cost wasn't really bad at all," said Marino.

"And I was surprised at the choices in materials that were available."

As more retailers change their ways, the building market has seen an influx of green product suppliers, and materials are more available and affordable. "We've seen that cost premiums are going down because more companies are offering things," said Zimring.

According to a November 2006 white paper titled "Green Buildings and the Bottom Line" (produced by the magazine Building Design & Construction): "A dramatic shift has been taking place in the green building movement in the last couple of years. As recently as three or four years ago, the feasibility of designing and constructing projects under the...LEED rating program was in doubt." But those concerns "have largely been put to rest."

At one time, builders questioned whether building materials would be available at reasonable cost. According to the report, "If anything, building product manufacturers have been falling over themselves to come up with green product lines."

Coverings Etc, a flooring specialist based in Miami and a member of the USGBC, has launched Ecoverings, a line of cement and porcelain tiles made from recycled contents. These sustainable products have generated "a tremendous number of inquiries from retailers nationwide," said Sonja Bogensperger, of Coverings Etc. Though the company began to offer eco-friendly products, such as natural stone, soon after it launched in 1988, customers in the past didn't choose products necessarily because they were good for the environment. "But now they're asking for green products specifically," she said. "At the last Global Shop (merchandising trade show), retailers we met with—from Crate and Barrel to Starbucks—asked, 'What are your eco-friendly lines?' and said they wanted to make their stores greener."

With regard to fixtures, retailers are also

paying particular attention to lighting. Obviously, it represents a major portion of their energy bills, but lighting is also the most important component in merchandising products on the sales floor. Though retailers have traditionally used incandescent and halogen bulbs, these give off a great amount of heat and waste a lot of energy. "A 100-watt incandescent bulb produces 95 watts of heat," said John Davenport, CEO of Fiberstars, a company that manufactures fiber optic lights.

Two years ago, Fiberstars introduced EFO, a line of fiber optic accent lighting that uses just a quarter of the energy of incandescent bulbs, and its sales have been dramatic. Fiberstars is a \$29 million company, and EFO products produced \$4 million in sales last year, according to Davenport. "We are seeing this as a growth engine for Fiberstars," he said, adding, "Being green is definitely the direction for lighting."

He said that lighting represents a third of the energy used in the United States, and in 2004 the federal government began to regulate lighting energy used in commercial spaces. (Retailers are allowed to use no more than 1.9 watts per square foot. The typical incandescent light uses more than twice that amount.) "That's expected to cause a significant change in energy uses, so retail is starting to respond," said Davenport.


But federal regulations and energy costs are not the only things motivating retailers to go green. "Another aspect of savings that's harder to quantify is creating a healthier environment," said Nina Tallering, a consultant with Green Building Services, a Portland, Ore., company that employs architects, interior designers and construction specialists. She says studies have shown that people are healthier when they work in green buildings. Often, these facilities maximize daylight, use efficient heating and cooling systems, and include

paints that don't release harmful levels of gasses. "With green buildings, people are more productive, there is less absenteeism and people stay at a job longer. There's a huge cost savings to the employer," she said.

FITNESS ISN'T FAR BEHIND

Whether manufacturers and retailers want to create a healthier environment, reduce energy costs, or do their part to help the planet, they are seriously rethinking the way they do business. The trend is really a reflection of the country at large, which now considers energy a chief concern. As consumer values are changing, the business world is responding. With small steps such as changing light bulbs, analyzing delivery truck routes and recycling not only feasible but worthwhile, the fitness industry is bound to step up to the plate soon. Logan of SportsArt said environmental awareness is ready to become important in the fitness industry. "It's a core value companies will have to adopt," he said.

It's likely that fitness companies will approach the issue in much the same way a person adopts a new exercise routine—they will move cautiously and carefully. But that's OK. They don't have to push it to the max and immediately transform their businesses from top to bottom—just as new exercisers can't turn around out-of-shape bodies, muscles and lungs in a few weeks.

"I don't think everybody should be expected to do what we decided to do, because it has to be sustainable," said Pemberton of Gaiam. "It's difficult to think that one method will work for everyone, because otherwise people will do nothing. We have to celebrate anybody who chooses to do something. And I think that through education, people will do the right thing." 

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