



all the store's

BY DOUG SCHNITZSPAHN

» a » stage



Asbury Park, N.J.—forever immortalized in the songs of Bruce Springsteen—may seem like an odd place to find the future of the fitness industry ... or the future of anything for that matter. Ever since the late 1970s, all those things that had worked their way into The Boss' lyrics were long gone or had crumbled into disrepair—the crash-bang roller-derby casino and fun houses filled with shrieks, the tinkle of the carousel and thunk of the skeet ball machines, the addictive pink cotton candy and even the fortune-tellers draped in gold-threaded cloth. Once the jewel of the Jersey Shore, the boardwalk resort seemed beyond help. A city manager even dubbed it Sarajevo-by-the-Sea, recollecting the former jewel of a city torn and shredded by the Bosnian war in the 1990s.

But, if you want insight into how specialty fitness retail stores could look if they want to survive in the coming years, this seaside ghost town now regaining vitality is a good place to start.

Since 2002, the city has undergone massive reconstruction. In 2005, Asbury Park reopened its boardwalks and the town has been selling off land to redevelopers and contractors who are building trendy hotels and revitalizing the downtown with new, unique restaurants, shops and condos. In the midst of this urban renaissance sits Fitness Lifestyles, a 60,000-square-foot specialty retail megalith in what used to be J.J. Newberry's department store. The place is an experience right in step with the hip, artsy crowd the area is now attracting. Inside, it has all the buzz and energy of Asbury Park's old arcades. The top floor is a health club called Newberry's (reminiscent of the old department store), the bottom floor a showroom for used equipment, and the main floor is slowly morphing into a beach-town sporting goods and fitness emporium. As the town of Asbury Park experiences its revitalization, more and more customers are wandering into the old department store turned fitness arcade, and these window shoppers, descendants of the crowds who used

The specialty retailer of the future must *sell a lifestyle and create community* with a retail space that entertains.



► Fitness Lifestyles in Asbury, Park, N.J., now occupies what used to be J.J. Newberry's department store 50 years ago. It now merges a health club, a fitness equipment showroom and a sporting goods emporium.

to stroll Asbury's boardwalks, are the key to the success of Fitness Lifestyles and perhaps the entire industry.

BUILDING A BOND

"Most people are opening up specialty fitness retail stores on highways," said Leo Clark, owner of Fitness Lifestyles, who started in the industry servicing machines 24 years ago after he graduated from college. "That's tough. Foot traffic helps. You need people browsing on a Saturday. You need those foot traffic sales. The days when you just sat in your store and waited for people to come in are going by the wayside."

The focus on human interaction in the retail store of the future may be the thing that really surprises people. Ever since the Internet became a household fixture, there has been much talk of e-commerce and online stores supplanting brick-and-mortar retail. Don't believe it. As Amazon CEO Jeff Bezos told Seattle's Technology Alliance last year, online retail will account for 15 percent of the overall retail market by 2016, but "we are physical creatures, and we like to move around in our environment. We are not going to ever get to this sort of shut-in stage that some people were worried about."

The truth is that customers still want to browse. More than that, they want to engage in some type of experience when they go to a retail store—even if they had no plans to buy anything. Yet, they will keep coming back just to visit the store itself, and eventually they will put down money. If a retailer can continue to make the in-store experience a unique commodity—one that attracts people just to take a peek—the business will thrive.

"Retail is becoming experience. It's the one aspect online retail can't compete with. Retail creates theater that people enjoy, that people react to," said Piers Fawkes, who runs PSFK.com, a New York-based trend-watching website that tracks everything from the

latest Nike launch to green business practices to fleshmobbing (spontaneous, coordinated group theater in public spaces like subway stations). "The experience could be an emotional one, or it could be an educational one," he added.

While forward-thinking merchandising, interior design, high-tech sales tools and product will, of course, be essential aspects of successful stores, the real make-or-break quality will be something as old as commerce itself—community. That's the idea that consumers come in not just for a product, but also to be a part of some meaningful group. The specialty fitness retailer of the future will not necessarily be futuristic. Technology won't be the focus as much as human interaction, what Fawkes refers to as "theater." That theater is far more than customers looking on while a zealous salesperson demonstrates machine pulleys or buttons, or even a how-to demonstration by a buffed-out personal trainer. Customers must engage with the in-store experience.

"It has to be an experience that engages as many of the five senses as possible," said longtime fitness industry analyst Buzz Truitt, president of Optimum Business Performance, a consultancy to active lifestyle industries.

That means you can get an espresso or an energy smoothie in



MICHAEL BOOTH PHOTOGRAPHY



the store. You hear music, perhaps through a console on an elliptical trainer. You smell sweat and soap. You interact with the machines in an adjoining health club, like Newberry's at Fitness Lifestyles. The store itself is an experience. And, in the case of Fitness Lifestyles, the neighborhood itself is an experience, a booming, artsy, revival town complete with a vague smell of saltwater taffy and the echoes of Clarence Clemons' sax that draw you just to stroll and window-shop. This is the type of retail theater that will keep customers coming back, the type of community that involves the customers.

GROW THE COMMUNITY

Experiential and themed retail are far from brand new concepts, but what specialty fitness retailers need to figure out is how to make the entire experience of being fit and being healthy a commodity that consumers can access at their store. Outdoor retail icon REI has embraced this concept for years: At the store you can test waterproof-breathable fabrics in a rain chamber, scramble up a climbing wall, watch a slide show or sign up for a class. REI creates a larger community by making customers members of its co-op and sending out dividend checks every year. The lifestyle is on sale as much as the product. And while REI may be a far cry from the independently owned store down the block that sells treadmills and ellipticals, the basic focus on selling the lifestyle as well as the product should be the same.

"The best specialty retailers look at it from the standpoint of a privilege. They have an opportunity to change people's lives," said Truitt.

It should not be a hard sell.

"Consumers are paying more attention to health than ever before, as much out of necessity as anything else," said Dan Butler, vice president of merchandising and retail operations at the National Retail Federation. "As the baby boomer generation ages, you are seeing more people reclaiming ownership for their own health. More employers are creating wellness programs in the workplace to encourage and support employees who are interested in improving their own health."

Butler also suggested speaking to markets that have been ignored in the past, especially disabled customers. "Since we are living longer and more people acquire disabilities, there may be more product and services that come to market to serve this expanding need in the years ahead," he said.

Potential customers also have more



Hansen Fitness opts for a more relaxing, spa-type environment to make the fitness buying experience more attractive to a wider demographic.

haven't been doing their job. Money doesn't do any good in the bank. Give

customers something they want. If your products are not selling, then either there is something wrong with your products or something wrong with your store."

Some fitness retailers have caught on to this holistic, theatrical approach to retail, and the results have exceeded expectations. Dale Hansen, owner of Hansen Fitness in Indiana, received a lot of press when he figured out that women were an essential segment to target in fitness and—surprise—women prefer relaxing spa-type environments over sweaty, metallic gyms. So he created fitness retail stores that replicated the spa experience, complete with tile, a cappuccino machine, couches, art-deco flourishes, and even a waterfall. He put Truitt's full sensory experience into action. But Hansen Fitness is not just a retail store dressed up as a fancy spa; it is an experience that stays with the customer long after the purchase.

"We ask customers, 'What are you looking for in life?' That is the key," Hansen said. "We spend 45 minutes with the average customer. When we find what they are looking for, we then go to web kiosks and try to show them through several dozen manufacturers. We really are more like consultants. We talk about strength, cardio, nutrition, stress, sleep. Our decorator will go to the customer's house and help create a space."

Since his business is focused so much on listening and understanding, Hansen said he values his employees even more than his customers, since they are the purveyors and exemplars of the healthy lifestyle he is peddling. And it's not easy to get a job with Hansen. He often will interview 20 to 30 people for an opening and hire no one because he hasn't found the right match.

disposable income than ever before, according to ebullient economist, entrepreneur and professor Paul Zane Pilzer, who stresses the democratization of wealth in the United States over the past 15 years. There are now 10 million families in the United States with \$1 million or more in liquid assets, and that number will climb to 18.5 million over the next 10 years. "Household wealth has leapt from \$13 trillion in 1991 to \$65 trillion now," said Pilzer, who will be the keynote speaker on Aug. 2 at the 2007 Health & Fitness Business Show in Denver. "That money does no good if those people die with it. And specialty fitness retailers are in the best position to offer those people a longer, happier life."

Yet, many specialty fitness retailers do not seem to be tapping into this potential market of wealthy customers looking to get in shape. After all, fitness means work to most people. As Clark puts it, "When you can go out and buy a 50-inch big screen high-definition TV for less than \$2,000, why buy an elliptical? It's a lot more fun to buy the TV."

So, again, the onus is on the retailer to create in-store theater that can compete with TV and to sell the lifestyle, to make the idea of spending time on that elliptical just as appealing as catching the latest episode of "Grey's Anatomy." The money is there. The need is there. What is missing is the presentation.

"What are specialty retailers doing?" asked Pilzer, who said he sees no reason for fitness to be in a downswing. "They



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Hansen also saturates himself and his employees with knowledge. (“I read four women’s magazines a month,” he said.) All that knowledge creates customers who feel a part of the fitness experience.

“When a customer comes in who has stopped smoking and gained 50 pounds, they don’t want to hear about nuts and bolts. They want someone with passion to listen and learn and say, ‘How can I help?’” Hansen said. It seems to be a winning proposition, considering Hansen can claim 82 percent of the market share in his territory after just a few years in business. It is also a shining example of what Fawkes means when he speaks of educational theater.

MOVE OUTDOORS?

One big, concrete evolution beyond espresso bars and personalized service in the future of specialty retail will be diversification—stores selling fitness machines will also need to sell sporting goods, becoming more like sports boutiques with a good dash of fitness equipment and gear. Hansen already sells cruiser bikes because he sees them as an easy way for his customers to incorporate healthy living into their day-to-day lives when they are off the treadmill.

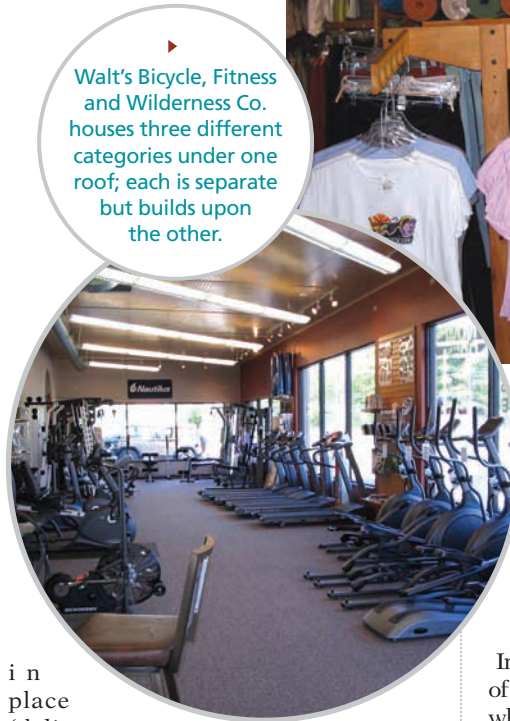
“People need to exercise for wellness, not just to lose weight. They need to change their lifestyles,” explained Hansen.

Merging once-separate outdoor and bike categories into fitness makes sense from the holistic standpoint, too, since they make fitness a training activity rather than an end unto itself. From a pure business standpoint, diversification also keeps retailers afloat when the big-ticket fitness machines are not selling. Plus, it brings new customers into the store.

Clark got the idea for his store when he walked into a Dick’s Sporting Goods and realized it did a great job selling outdoor gear, but couldn’t sell fitness worth a darn. He thought he could do both. This year, he began selling beach-oriented outdoor gear (everything from kayaks and boogie boards, to sunglasses and surf apparel) alongside the machines, and the results have been tangible in the number of new customers he sees looking to invest in fitness.

“It’s a lot easier to sell one treadmill over the counter for \$3,000 and make your profit than it is to sell 43 body boards,” he said, “but the flip side is that the guy who bought the body board now knows where to go for his treadmill and his elliptical.”

Now, Clark has also moved into the business of residential and commercial playgrounds because it’s a business that parallels what he’s doing (fighting obesity from the bottom up), and it involves services he has



► Walt’s Bicycle, Fitness and Wilderness Co. houses three different categories under one roof; each is separate but builds upon the other.

in place (delivery and installers). Plus, it caters to an affluent market.

Conversely, more traditional outdoor and cycling stores have expanded into fitness since training is such an integral aspect of real-world athletic performance. Take Walt’s Bicycle, Fitness and Wilderness Co. in Columbia, Mo., a specialty retailer that sells fitness equipment, bikes and outdoor gear—all under one roof. Here, the retail carnival evolves into a three-ring circus, with each category housed in a wing of the store and each category building upon the other.

“We try to provide everything somebody needs for an active lifestyle whether that be inside on the treadmill or getting out on the trails and going for a run or bike ride, or even going hiking or climbing,” explained John Shannon, the store’s wilderness manager. “Fitness is only one aspect of healthy living; being able to get out and enjoy being healthy is the other. I think the days of *just* going to the gym are long since passed. People have moved on. They are becoming weekend warriors or even amateur athletes.”

Like ahead-of-the-curve fitness retailers such as Hansen, Walt’s invests heavily in community. The store services equipment purchased from the big-box stores. Two of its managers are actively involved in PedNet, a local non-profit that encourages better human-powered transportation options in Columbia. Employees teach customers how to optimize heart rate zones and train. Perhaps, as more fitness retailers diversify into sporting goods and as more sport-specific retailers diversify



into fitness, the retailer of the future will simply be a health and wellness retailer, incorporating whatever products make the most sense for that region when it comes to keeping customers healthy.


THE BIG PROBLEM

In the end, the biggest challenge to the theater of fitness retail will still be finding customers who care about being healthy. As the obesity rate grows in this country—it’s now nearly 33 percent compared to about 15 percent in the late 1970s—it seems as if fewer and fewer people are going to purchase fitness equipment of their own volition. “There’s not one person I have ever met who went into a fitness store to buy a treadmill,” said Truitt. “They go because their doctor told them to, or because they want to lose weight.”

Pilzer, author of the New York Times best-seller “The Wellness Revolution,” sums it up best: “Obesity is the number one reason for unhappiness. Specialty fitness retailers are in the best position to offer a longer, happier life. They have not been doing their job well.”

Back in Asbury Park, a city that’s starting to show life again after years in the dumps, Leo Clark is trying to figure out just how to do his job the best he can, how to expand the number of customers who want to find a better, healthier life. On the one hand, things are going well—even Bruce Springsteen recently had Fitness Lifestyles install a treadmill in his home (he’s been a customer for 15 years). But Clark still has one big concern.

“We are just not tackling the problem at hand,” he said. “The problem is, not enough people are coming into these show rooms.”

The answer? The future fitness specialty retailer will not just have to create a community, but reach out into the community and try to find a way to motivate Americans to beat the obesity crisis. Now that will be good theater. 

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