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China's Wellness Revolution

By MARK GODFREY

International fitness chains and homegrown clubs are profiting from China's urge to look good and feel fit.

SEVERAL years after its publication, the *Wellness Revolution* remains a cult best-selling book. Its writer, businessman and motivational speaker Paul Zane Pilzer, advised investors and amateur stock market players that "wellness" would be the next trillion dollar industry. There's a lot of money to be made out of people's desire to feel good and look good, wrote Pilzer, telling investors to sink their money into companies dealing in health food, beauty products and fitness centers.

Pilzer's advice appears to have been well studied in China, where multinational and local gyms vie with each other to sign up well-to-do locals. In March Clark Hatch, one of the first fitness center companies to come to China, announced a flurry of new openings in the country. New gyms at the Hua Ting Hotel in Shanghai and the Landmark Hotel in Beijing have taken the company's total number of Chin-based clubs to eleven, with more growth expected in the near future according to a company spokesperson. Meanwhile Evolution Fitness, a joint venture of Australian, Chinese and New Zealand companies, recently announced the opening of its second Beijing club at the Castle International Apartments.



Clark Hatch and Evolution are just two of several foreign fitness firm expanding in China. A joint-venture between America's Powerhouse Gym and China's Cy Sports Corp will open a chain of clubs across China over the next few years, Powerhouse announced in May. "Our expansion plan is clear, well defined and based on realistic, calculated goals. Moreover, Cy Sports Corp has a thorough understanding of the fitness industry in China," says company chief executive William Dabish.

Keen to distinguish the company as one of top-drawer client service, Dabish and his Chinese partners have hired national and international fitness professionals and emphasized its personal trainer services to customers. Cy Sports Powerhouse Gym facilities will be ambitious in size, with floor space ranging from 25,000 square feet to 50,000 square feet. The jewel in the crown will be a 100,000-sq-foot fitness facility on the 2008 Olympics site in Tianjin, a port city two hours from Beijing.

Market potential is huge and obvious but profits are slow at some clubs. The Four Seasons health club in Beijing's Tuanjiehu neighbourhood has been attempting to drum

up membership by cutting its fees. The 3,000-sq-m Japanese invested operation offers special classes in spinning, aqua aerobics and other trendy activities. Other hotel-based clubs such as the Jinguang Center in Beijing's central business district have slashed prices for multiple-member sign-ups. Four new members can join the well-equipped fitness center attached to a four star hotel for RMB 2,500 a year. A year's membership at internationally owned clubs in the city cost up to four times that figure.

In May 2004, Chicago-based Bally celebrated its second anniversary of operations in China. Bally, the world's biggest operator in fitness clubs, is partnered with China Sports Industry, or CSI, a state-owned firm, and in just one year, CSI-Bally has established five chain clubs nationwide, a growth rate that compares well with figures for its US operations. It was an offer from CSI and subsequent market research that brought Bally into China, says Howard T. Quach, sales director at CSI-Bally. According to company research, locals are likely to spend one to two months' salary per year on fitness. Chinese middle-income earners, marketing researchers found, are also increasingly health-conscious, but don't patronize sophisticated or up-scale fitness clubs.



"There is obviously large consumer demand for exercise fitness," says Tomer S. Rothschild, chief representative of CSI-Bally. "and a very small number of accredited, professional fitness sector operators. We see that as low competition." CSI-Bally has opened five clubs in three Chinese provinces in China. More than 6,000 members work out in Bally gyms across the country, served by 200 employees.

Most fitness clubs competing in China are going for the same demographic grouping: young professionals, particularly women. "We regard those with a good education as our main customers," says Kang Tiancheng of the Chain of International Shaping Association Clubs, a fitness chain that runs shaping classes but also offers body evaluation, nutrition consultation, beauty salon and image building. "They are aware of the importance of health and fitness, and also earn good salaries. A large portion of our customers are white collar workers." Kang Tiancheng has opened 150 shaping salons in China since entering the market here in 1994.

CSI-Bally has calculated that Beijingers on average spend more than US \$100 a year on fitness. If 10 million capital residents were to spend that figure the annual revenue of Beijing's fitness market would exceed US \$10 billion. The company concedes, however, that reality is probably slightly different. "There are Chinese people who really want to get fit, because they have more consumer spending power, more time, more leisure. Fitness is becoming more important to Chinese people. At the same time we have the big 2008 Olympic wave. For all those reasons, China is really a market for Bally," says Rothschild.

One of the most successful Chinese fitness operations, Nirvana has recruited 8,000 members in less than two years in Beijing alone. Borrowing heavily from Western club concepts and management systems, on its company website Nirvana argues it has the edge because of understanding local cultural norms. Yet Nirvana also emphasizes that Western management know-how is its way forward. In addition to gym machines and a special program for women members, Nirvana also sells a range of "sports foods" and fitness products. An hour with one of its personal trainers costs RMB 200.

Nirvana's competitor, Singaporean group New Life Resources, targets Chinese customers in the 25-40 year age bracket. According to CEO Loni Wang, ideal customers are white-collar workers in foreign companies living in the richer cities such as Shenzhen, Shanghai, Beijing or Guangzhou. "There is an overall trend towards what you would call a healthy lifestyle," says a company spokesperson. "China hungers for international sporting success and the celebrity status that goes with it." New Life plans to operate 100 health and fitness centers nationwide by 2006. The company predicts the annual value of China's health and fitness industry could by that time top one billion US dollars. It's banking on the spending power of modern Chinese women. Women make up almost 60 percent of New Life Resources' customers, says CEO Loni Wang.

Not all are so optimistic about China's fitness fanaticism. Pure Tsai, president of Taiwan's Youth Camp Health Group, urges caution. "I don't think the Chinese market is ready for the fitness industry. China is a developing country, so people here are concentrating more on making money. They generally put finance ahead of health fitness issues," says Tsai, whose chain, founded in 1977, was the first of its kind in Taiwan. "I figured out that although there are a large number of people joining fitness clubs, they only use their memberships to show off... I think it will take a lot longer for China to turn into a mature consumer market."

Certainly most mainland Chinese have never been to a health club. Bally was excited about the immense potential of China but their profits have had to be earned. Training employees has been a major expense, so too recruiting and training club members in a nation new to fitness clubs. "We need to educate a lot of people," says Shan Jin, general manager of CSI-Bally. "That includes our staff, in terms of recruiting, and our members in terms of membership sales -- we want people to know that fitness is a lifelong habit." Still, the company's first two clubs have so far turned a profit. CSI-Bally wants to open a hundred clubs around the country in five years.

Evolution Fitness is optimistic about China, but is concentrating on building a quality brand before opening more gyms, says the firm's general manager in Beijing, Matt Lewis. "While other companies are expanding at a very fast pace, we are making sure each step is secure for the company, the team, the investors, our members and the partners we work with. Our focus is not on opening more clubs than anyone else, but on more high quality world-class fitness centers. We intend to keep opening new centers, providing in each the world-class services and facilities at reasonable prices for which Evolution Fitness has become famous for."