

Profile: Search for value pumps up Zone Fitness

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THE BLEAK economic climate has brought good fortune for Zone Fitness, a gym that caters for middle- to low-income earners.

The company has gained at least 5 000 new members over the past year from people who downgraded their gym membership to find cheaper alternatives, according to Herman Blackie, one of the directors.

On average, the gym membership fee has been between R100 and R130 a month. Zone Fitness recently added packages aimed at attracting the lucrative upmarket and health conscious population segment.

Blackie said another benefit from the economic downturn had been the availability of commercial space to grow the company. In the nine years since its formation the company has opened 10 clubs in Cape Town and Johannesburg, and now has about 45 000 members in total.

Like most companies, Zone Fitness has struggled to source the funding necessary to carry out the expansion. But Blackie says the firm has found a way to work around that.

"We have a very good relationship with the landlords. We negotiate with them to contribute towards the site costs and it is then amortised through rent. With the equipment, we work through the suppliers, and shareholders contribute the operating costs," he explained.

The average club floor area is 1 500m² and the site costs range from R2.5 million to R3m, while the equipment costs an additional R2m. All the clubs are individually operated companies and there is no cross-subsidisation.

A no-frills approach has enabled the firm to cut costs.



Operations director Herman Blackie says Zone Fitness has added 5 000 members in the past year.

"We took away the pools and the squash courts. We have all the cardio machines and weight equipment. We usually go to areas that are not served by one of the big clubs," said Blackie.

Blackie said between 80 percent and 90 percent of the gym members rented houses instead of owning them and predominantly used public transport.

Zone Fitness has taken a strategic decision to locate most of its gyms in shopping centres, which are popular destinations where transport is accessible.

It also has arrangements with a few medical aid schemes to encourage members to sign

Five mistakes

- Thinking you know too much
- Taking on too much debt
- Not exploring new opportunities
- Not managing staff well
- Not controlling expenses

up with Zone Fitness.

Blackie and Liesl Albers control 50 percent of the company, while the other half is owned by different investors.

The club in Johannesburg is franchised with the franchise owned by a black person.

The company has begun launching women-only gyms.

There are plans to increase the number of clubs in Gauteng, targeting Lenasia, Edenvale and Sunninghill. In two months another club will be opened at De Waterkant in Cape Town.

Blackie said the company was now looking at affluent areas but the core target market would remain the emerging middle class.

It employs 150 permanent people and there are at least 50 contract workers.

Zone Fitness's membership retention rate is between 65 percent and 70 percent compared with the industry's 40 percent, according to Blackie.

Annual turnover was about R40m, he added.

