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# Idea that works out

No-frills gyms that stay open 24 hours a day with a skeleton staff are a franchising success



**INNOVATOR**

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THE success of Brendon Levenson's burgeoning franchise of 24-hour gyms is testament to the philosophy that less can be more.

No fitness classes, no creches and no long-term contracts for members. For Levenson, founder of Jetts, a lean model is helping to shake up the fitness sector in Australia as smaller, round-the-clock clubs challenge traditional gyms that usually cost more and open for fewer hours. Dubbed "express fitness", the 24/7 gym model is built on swipe-card access for members and sophisticated security and surveillance systems that allow gyms to operate at all times of the day with a skeleton staff. Many of the franchises offer month-to-month memberships rather than the contentious 12-month contracts of most mainstream gyms.

Drawing on lessons from the US, Levenson opened the first Jetts club three years ago. Today, the brand has 85 gyms across Australia, with a further 13 scheduled to open before Christmas. A franchise typically costs \$400,000 to \$500,000, including all site and equipment costs. Jetts's turnover of about \$24 million for the 2009-10 financial year is expected to jump to \$55m next year.

Even Levenson, a former personal trainer who abandoned a business degree to set up his own enterprise, marvels at the momentum of the operation (which is named after his son, Jett).

"[The growth] has certainly surprised me," he says. "The biggest thing is how much customers have

warmed to the concept. There was a bigger need for it than we realised, and that's certainly showing now with the way the market's moving."

Even the global financial crisis has been "a bit of a blessing" for Jetts, according to Levenson. First, it created a pool of potential franchisees among middle managers who received severance packages or redundancies as a result of the downturn. Second, it prompted cash-conscious gym members to look for cheaper options than the bigger gyms offering cycling, aerobics and other fitness classes. "I wouldn't brag about it given the damage other people [suffered] through the GFC, but we are one of the few businesses that can flourish in a good and bad environment," Levenson says.

Jetts is not on its own in the 24/7 gym space. American brands Snap Fitness and Anytime Fitness are forging a presence in the Australian market, while start-ups such as Stepz Fitness and ifeelgood are also targeting the sector.

Anytime Fitness has about 1300 gyms in the US and entered the Australasian market a couple of years ago when brother and sister team Justin McDonell and Jacinta McDonell Jimenez bought the master franchise rights to the brand. They recorded turnover from their national franchise of more than \$3.3m in 2009-10.

McDonell believes the Australian market is ripe for expansion. "Our target is 350 clubs," he says. "We've got 50 open and about 20 set

to open before Christmas, and then on top of that we've got another 100 clubs under development."

McDonell says gym membership levels are much lower in Australia than in the US, but he says the emergence of 24/7 clubs is creating a new market. "We get some people who don't like traditional gyms, with the mirrors and the glitz and glam. So they'll actually come and swipe their key and train a bit later at night, when it's quieter. The whole ability to sneak in and do your workout and go home has a lot of appeal for many people."

For potential franchisees, an Anytime Fitness gym will cost about \$200,000 plus purchase or leasing costs for the equipment. Higher-end clubs can cost up to about \$390,000. Franchisees pay a flat monthly royalty of \$900 to the franchisor.

McDonell says an advantage of the 24/7 gym franchise concept is that franchisees can run multiple sites that require them to spend little time in the businesses and hire few employees to run them.

"We say it gives you a life as well as a business, [whereas] if you're buying a fast-food franchise, quite often you're tied to a seven-days-a-week roster and employing lots of staff."

As one of the newer players in the market, Stepz Fitness has three Brisbane-based clubs and has recently released its franchise model.

Co-owner and director Quang Tran is receiving franchising advice from former Brumby's bakery mas-

termind Michael Sherlock and, based on early inquiries, believes there is scope to open about 100 gyms in the next few years.

Given the rapidly growing number of 24/7 gyms, Tran expects consolidation within the industry as the market matures. "[But] at this stage there are still a lot of opportunities," Tran says.

A Stepz franchise costs \$150,000 to \$200,000, with equipment being leased at an additional cost.

Tran is confident the 24/7 gym concept will appeal to potential franchisees from outside the fitness industry "who do not want to bake bread or make coffee or pizzas".

"There are franchises that say: 'We want people to roll up their sleeves and get into it and work hard.' This is a totally different model. It's a true business that can work without you."

At Jetts, Levenson expects to have about 250 clubs across Australia and New Zealand by 2012. Targeting markets within a 10km radius of the central business district and regional towns of 20,000-plus people, it has set the ambitious goal of having a club within eight minutes of 80 per cent of all Australians.

"We set that as a target as part of our cause, which is to enable more Australians to get up and [be] active through a low-cost, 24-hour fitness offer," Levenson says.

It is ironic that the Sunshine Coast businessman is building his gym empire on the back of swipe-card access for members. Before starting Jetts, Levenson bought a small, traditional gym at beachside Marcoola in Queensland and quickly abandoned the former owner's policy of handing out keys to members. When later examining

the 24/7 model, he realised there was method in the madness.

"We built another club [on the Gold Coast] and did some market research and found that convenience was the No 1 reason for people joining the club. So it came back to giving members keys but doing it in a more professional way."

Levenson acknowledges growing competition in the market but remains confident of ongoing success. "I think our first-mover advantage right now is critical.

"We've certainly got some competition coming in, but they've given us an 18-month, two-year head start. And I think in terms of getting the right type of market share that's required in the long term to get the best out of the network, those guys do have a challenge ahead of them."



**Brendon Levenson of Jetts Fitness**

LYNDON MECHIESEN