

**The Boutique  
Fitness Studio  
Stampede**

**A Report on the  
State of the  
Boutique Fitness  
Studio Industry**



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### **Boutique Fitness Studios – Hype or the Real Thing**

The boutique fitness studio industry has been garnering considerable media hype, not to mention private-equity funding over the past several years. When an industry, such as boutique fitness studios, is able to capture the imagination of consumers, the attention of industry pundits, the envy of many fitness operators, and the wallets of investors, you got to believe it's the real deal! In an article that appeared in a June 2019 edition of the New York Times Lifestyle section, author Katherine Rosman referred to the boutique fitness studio phenomena as the "*The Boutique Fitness Boom.*" An article appearing in the online blog Glofox from earlier this year, author Eamon Curley had as the headline, "*The Boutique Fitness Industry Statistics that Show Why Business is Booming?*" Finally, in the August 28, 2018 edition of NASDAQ online, author Chloe Shin addressed the topic in a piece entitled, "*What is Boutique Fitness, and How Can Investors Profit?*"

So, is the story of the boutique boom the real deal, hype, or possibly a hybrid of the two? ClubIntel has been writing and speaking about the boutique fitness studio segment since 2015.

We are a believer in the power of boutiques. We believe boutique fitness studios are a natural evolution of the fitness industry framed by changes in our nation’s culture, socioeconomic conditions and generational lifestyles. Despite our enthusiasm for these fitness industry innovators, we are also realists when it comes to defining whether the “Boom” is everything it’s being made out to be.

This report is intended to share information about the industry, some big picture and some microscopic, that collectively should assist readers reach their own conclusions in respect to the trajectory and scope of the boutique fitness studio segment. We’ll begin by defining the boutique fitness segment and then move on from there.

### **What exactly is a Boutique Fitness Studio?**

A boutique fitness studio is a brick and mortar fitness-oriented business that for all intense purposes meets the following criteria:

- Offers a highly specialized fitness experience (e.g., barre, boxing, cycling, HIIT, Pilates, etc.)
- Is delivered in an intimate physical environment that is typically less than 10,000 square feet and, in most instances, less than 5,000 square feet. According to research reported in 2018 by the [Association of Fitness Studios \(AFS\)](#), the average fitness studio in 2017 was around 3,600 square feet with 75% under 5,000 square feet.
- Is built around appealing to a niche community or tribe. The success of most fitness studios is centered on serving a supportive and highly enthusiastic tribal following.
- Is client/member-centric, meaning the experience is designed to provide personal attention and social support to help the client/member achieve their goals.
- Is experiential and entertaining. Studios leverage the tenants of the “experience economy” by providing inspiration, fun and entertainment. Studios are about staging a production.



- Is highly convenient. This refers to the studio’s physical proximity to consumers; its digital attributes that allow for engagement 24/7; and finally, program availability (classes held multiple times throughout the day).

### **The Boutique Fitness Studio Consumer**

To better understand what’s happening, or not happening with respect to the fitness studio “Boom”, let’s begin by looking at some consumer and user data pertaining to individuals who frequent fitness studios. We will begin by with a summary of the key insights on boutique fitness studio consumers generated from IHRSA’s soon to be published 2019 Health Club Consumer Report. We will then follow with a short summary of insights on CrossFit consumers as reported by Quantcast Analytics.

#### *Insights from soon-to-be published 2019 IHRSA Health Club Consumer Report*

- An estimated 42% of health club members in 2018 report having a membership with a boutique fitness studio. This is the highest percentage since data on boutique fitness studio membership was first tracked in 2013. It represents an increase of approximately 2 percentage points from 2017.



- 65% of boutique fitness studio members report engaging with two or more facilities and 22% indicate they engage with at least three facilities.
- On average, members of fitness studios use their facility 104 times annually; 34% use their studio 150 or more times annually (highest percentage of any fitness industry segment); 22% report using their studio more than 200 times annually (tied for most active member group), while only 7% report using their studio less than a dozen times annually (industry segment with the lowest percentage of infrequent users).

- In 2018, fitness studio members spent an average of \$94 a month on their experience, the highest amount spent by members of any fitness industry segment. This equates to 2.6% of the average real disposable personal income per capita of Americans (RDPIPC). The average for the entire fitness industry is approximately 1% of RDPIPC.
- Approximately 60% of boutique fitness studio members fall between the ages of 25 and 44, with the largest segment being individuals 25 to 34 at approximately 40%.
- Approximately 66% of boutique fitness studio members have a college degree or higher, with 27% having earned a post-graduate degree.
- Approximately 79% of boutique fitness studio members are women and 21% are men.



*Insights from Quantcast Analytics on General CrossFit Demographics*

- 42% of CrossFit participants are between the ages of 25 and 34, while another 19% are between 35 and 44. Collectively these two age demographics represent 61% of the CrossFit's base.
- 86% of CrossFit members identify as Caucasian.
- Approximately 50% of CrossFit members are reported to be male and 50% female
- Approximately 50% of CrossFit members report having household income over \$150,000
- Approximately 40% of CrossFit members have earned a post graduate degree.

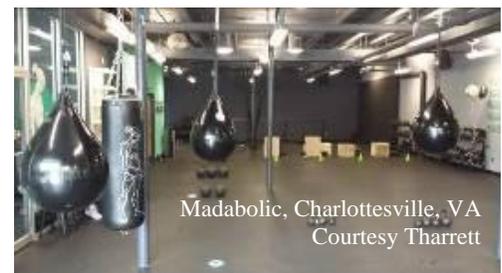
Generally speaking, the aforementioned insights on fitness studio consumers indicate that:

- Collectively, fitness studios attract the largest percentage of American consumers. Fitness-only facilities are the second most appealing attracting approximately 30% of all health club members.
- Fitness studio members tend to be Millennial, female and well-educated.
- Fitness studio members pay more on average to engage with their studio than other fitness industry members, and nearly three times as much as members of fitness-only facilities.
- A large segment of boutique members is extremely active (34% engage more than 150 times annually).
- Members of CrossFit, like the members of boutique fitness studios are well-educated and tend to come from households with relatively high annual income.

### **What are the Most Prevalent Types of Fitness Studios?**

As noted above, one of the defining attributes of fitness studios is grounded in appealing to a specific community of fitness enthusiasts. This speaks to both the type of fitness activity offered and the personality of those who pursue that type of activity. To a lesser degree, but importantly, fitness studios are also a consequence of a new generation's desire to seek variety in their lifestyle pursuits. Following is a list of the most commonly operated boutique fitness studio models:

- *Barre studios.* These are among the most popular studio formats in the U.S. Their approach to fitness is centered on the principles first espoused by Lotte Berk. Among the most recognizable brands are Pure Barre, Barre Method and The Bar Code. Other influential brands include Exhale and Physique 57.
- *Boxing and kickboxing studios.* According to a recent report released by market research firm IBIS



World there are approximately 3,956 of these studios in the U.S. Among the most recognizable brands are 9Round, iLovekickboxing, and Title Boxing Club. Some newer brands in this segment include Rumble, Everybody Fights and Mayweather Boxing.

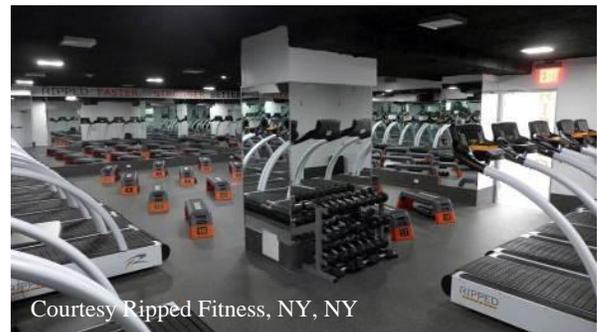
- *Cycling studios.* These studios build their experience around dynamic and entertaining group cycling. In some instances, the environment is competitive in nature and in others it's more of a stage production. Among the most recognizable brands are Soulcycle, CycleBar and Flywheel.



Ridehouse, Dallas, TX. Courtesy Tharrett

- *Dance-oriented fitness studios.* These studios are built around using a specific style of dance, such as Latin dancing, jazz, hip-hop, pole, and Asian (Belly Dancing) to name a few. Among the most recognizable brands in this segment are Jazzercise (largest studio franchise) and Zumba. A fast-rising franchise in this segment is AKT owned by Xponential Fitness. Among some of the less recognizable and unique segments of dance-fitness concepts are pole dancing franchises such as Addictive Pole Fitness, Goddess Dance Studios, and PhysioPole Studios.

- *HIIT studios.* Along with barre studios these are among the most popular in the U.S. HIIT studios vary in their approach, leaving considerable room for differentiation. Some use a blend of cardio equipment and resistance tools, while others use body weight and resistance-based movements. Among the most recognizable brands are Barry's Boot Camp and Orangetheory. Two popular HIIT brand in New York are the Fitting Room and Ripped Fitness.



Courtesy Ripped Fitness, NY, NY

- *Pilate's studios.* Like HIIT studios, these studios often differentiate the customer experience based on their approach, whether it is equipment-based or non-equipment-based. Among the most recognizable brands in this segment are Club Pilates (largest) and Im=X.

- *Personal training studios.* These studios focus on offering either private individual training and/or small group private training. This segment of the fitness studio segment may possibly be the largest. The vast majority of these fitness studios are operated independently. Due to the nature of this model it is difficult to scale across diverse geographic markets. Among the most recognizable brands in this segment are F45, Iron Tribe and Fit Body Boot Camp.



- *Yoga studios.* According to IBIS World this segment may be the largest fitness studio genre, primarily due to the large number of independent yoga studios in the U.S. Among the most recognizable brands in this segment are Core Power Yoga and Yoga Works. Other brands, some of which are making a push to expand rapidly include Honor Yoga, YogaSix, Yoga Pod and Hotworx.



In addition to the aforementioned segments of the fitness studio segment, some categories popular in Canada, Europe and Latin America are now making their way to the U.S. including Whole Body Vibration Training studios and Electrical Muscle Stimulation studios. In the spring of 2019, the founders of virtual reality training platform Black Box opened a virtual reality training studio in San Francisco called Black Box Virtual Reality Gym.

## The Newest Fitness Studio Model – Black Box Virtual Reality Gym

One of the defining attributes of the boutique fitness studio segment involves entrepreneurial innovation and the introduction of new business models built around unique training approaches. In Europe, EMS Trainings Studios such as those franchised by Body Street (250+ studios) has emerged as important players in the segment, despite the relative absence of these studios in the U.S. In Canada, studios such as Pure Vibe and Vibes Fitness have introduced boutique studios dedicated to whole body vibration training. Now, the U.S. can boast a first of its kind fitness studio, Black Box Virtual Reality Gym. Black Box Virtual Reality Gym offers consumers a gym whose sole approach is built around the use of virtual reality training.



Black Box introduced one of the fitness industry's first Virtual Reality (VR) training systems, initially showcasing it at the 2018 IHRSA International Convention in San Diego. The Black Box VR system integrates the principles of fitness, virtual reality and gaming to create a system (equipment and program) that allows people to use their body as a controller while exercising in a virtual reality universe. The routine itself provides a high intensity workout while making it feel like the person is engaged in e-gaming. In the spring of 2019, Black Box opened the first ever VR

gym in the U.S., locating it in San Francisco, CA. A second studio will soon open in Boise, Idaho. The studio in San Francisco offers 14 VR stations where clients and members can complete an intense high-intensity workout while immersed in virtual reality landscape where their body is the controller. The studio offers prospective clients a fitness experience that is as much exercise as it is gaming, and just as importantly the workout itself can be completed in less than 30 minutes.



## The Bifurcation of the Boutique Fitness Studio Market

When the fitness studio market initially appeared on the radar of the fitness industry it was an entrepreneurial business model comprised predominately of independent fitness studios (not unlike the health club industry when it first burst on the scene in the 1970s). Well, today we can unequivocally say that the fitness studio segment has broken off into two paths. The first path is the entrepreneurial independent fitness studio segment, probably the largest segment. The second segment is chain or multi-unit fitness studios comprised nearly entirely of largescale private equity fueled corporately-owned and/or franchised fitness studios. Let's take a look at examples from each of these bifurcated fitness studio segments.

### *Independent Fitness Studios*

These are studios typically owned and operated by their founder. In most instances they are community-based and range from a single studio to possibly multiple sites in a larger community. These studios are the soul of the fitness studio industry and rely heavily on the talents, passion and equity of the founder for their success. Following are some examples of independent fitness studios from various U.S. markets (studios visited by the authors).

- *Ridehouse*. A group cycling studio based in Dallas, Texas. Operates one studio.
- *Serious Results*. Personal training studio based in Flower Mound, Texas. Operates one studio. Named Best of Denton County, Texas in 2018 by Murray Media readers.
- *FNS*. A customized training studio offering private and group training. Operates a single studio in Santa Clara, CA. Has been voted by the readers of Metro Magazine as the number one training facility in the Bay Area for three years running.



FNS, Santa Clara, CA. Courtesy Tharrett

- *Fhitting Room*. A HIIT studio group based in New York, New York. Operates three studios in New York City. Has been featured in articles appearing in among many Harpers Bazaar, People Magazine and Wall Street Journal
- *Now and Zen*. A yoga studio based in Lodi, California. Operates a single studio.
- *Peak Zone Fitness*. A HIIT studio based in Dallas, Texas. Operates a single studio.



#### *Chain Fitness Studios (corporately-owned or franchised)*

This portion of the fitness studio market receives the most media attention, in part due to its size and scope, but also due to the public relations machines and large marketing budgets most possess. These fitness studios are highly scaled productions, less dependent upon the talents of a founder, and more on a highly structured and systemized approach that ensures consistency in the product and/or experience being delivered. These studios tend to be less tribal, less intimate and less community-oriented than independent studios, though exceptions exist. In a recent tally we did of the leading fitness studio chains (franchises and corporately-owned ), we identified between 15 to 16 groups that operated at least 40 units in the U.S. Cumulatively these 15 to 16 chains operate over 11,000 studios in the U.S (did not include CrossFit affiliates in this count). Among the most recognizable and prominent fitness studio brands in this segment are:

- *Bar Method*. Operates barre studios and has approximately 120 franchised locations in the U.S.
- *Pure Barre*. Operates barre studios and has over 500 franchises across the U.S. It is the largest operator of barre studios in the U.S. The company is part of the Xponential group of fitness studios.

- *Soulcycle*. Owns and operates 87 group cycling studios in the U.S. While not the largest by studio count, it is likely the largest in respect to revenue generation, not to mention the most recognized group cycling brand in the U.S.
- *Core Power Yoga*. Owns and operates 215 yoga studios, the vast majority under a franchise model.
- *9Round*. Operates fitness studios based on a boxing/kickboxing format. They presently have over 700 studios in the U.S., nearly all of which are franchised. They are the largest operator of kickboxing/boxing fitness studios in the U.S.
- *Orangetheory*. Operates HIIT studios with 1,000 franchise locations in the U.S. and 1,200 plus around the globe. Orange Theory is the largest operator of HIIT studios in the U.S.
- *Club Pilates*. Operates equipment-based Pilates' studios. Currently have over 500 franchise studio locations in the U.S., making it the largest Pilates studio company in the U.S. The company is part of the Xponential group of fitness studios.
- *Jazzercise*. Operates dance-oriented fitness studios and was founded nearly 50 years ago. Today the company has approximately 6,900 franchises in the U.S.
- *Cyclebar*. Operates group cycling studios under a franchise umbrella. Currently have over 200 studios in the U.S. The company is part of the Xponential group of fitness studios.
- *CrossFit*. These studios or “boxes” as they are commonly known deliver a unique brand of functional fitness where each day there is a different work out. There are approximately 6,500 CrossFit boxes in the U.S.



- *iLovekickboxing*. Operates kickboxing-oriented fitness studios under a franchise umbrella. Currently have over 260 franchise locations in the U.S.
- *Row House*. Operates rowing studios and has approximately 100 franchise locations in the U.S. The company is part of the Xponential group of fitness studios.
- *Title Boxing*. Operates boxing-driven fitness studios and presently has 185 franchise locations in the U.S.
- *Yoga Works*. Operates approximately 60 corporate-owned studios in the U.S. The company is presently the only publically traded fitness studio operator in the U.S

In addition to the list of prominent fitness studio operators listed above, some other recognizable brands with a foothold in the U.S. market include:

- *The Bar Code*, a barre-driven studio model that presently has 40+ franchised studios in the U.S.
- *Barry's Bootcamp*, a HIIT-driven studio model with approximately 40 owned and franchised locations in the U.S.
- *F45*, a small group training studio model with over 500 franchise locations around the globe.
- *Flywheel*, a group cycling studio model with approximately 40 franchise locations in the U.S.
- *Iron Tribe*, a HIIT and personal coaching -oriented studio model with approximately 40 locations in the U.S.

## **How Many Boutique Fitness Studios are there in the U.S.?**

This is the million-dollar question, or possibly the billion-dollar question in the case of investors (the Unicorn principle). Our research does not offer a hard and fast number on the exact number of boutique fitness studios in the U.S. nor in our opinion does the research of others. Let's look at some high-level information that we have been able to find:

- IBIS World, a world-renowned market research group reports that as of 2019 there are 111,055 health clubs, gyms and fitness studios in the U.S. They also reported there were 46,220 yoga and Pilates studios and 3,956 boxing gyms and studios.
- IHRSA, the International Health, Racquet and Sportclub Association, reports that as of 2019 there are 39,740 fitness clubs in the U.S.
- AFS, the Association of Fitness Studios, estimates there are over 100,000 fitness studios

Below you will find two estimates (we do not guarantee their accuracy) on possible studio numbers for the U.S.

### *Estimate #1- 71,000 studios*

111,055 (IBIS grand total of fitness facilities) – 39,740 (IHRSA club count) = approximately 71,000 fitness studios

### *Estimate #2- 87,000 studios*

26,000,000 (estimated number of studio members per 2019 IHRSA health club consumer data) /300 members per studio (2017 AFS data on average clients per studio) = approximately 87,000 fitness studios.

Based on these two broad estimates, as well as the count offered by AFS, we believe the potential size of the U.S. fitness studio market may range from 71,000 to 100,000.

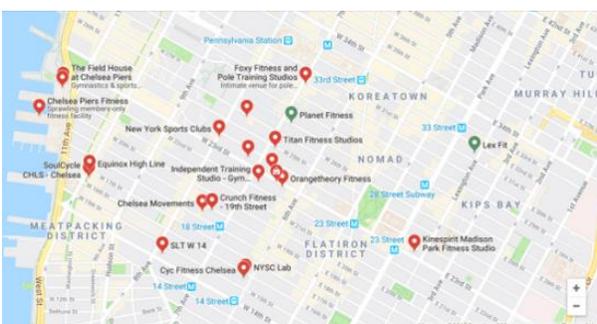
## Where are Consumers Likely to Find Boutique Fitness Studios?

Some industry pundits have proclaimed the fitness studio boom an urban trend, fueled by America’s urban migration, especially that of college-educated millennials. According to an article appearing in the January 10, 2019 edition of citylab.com written by Richard Florida, boutique fitness studios are as much a suburban fitness trend as an urban fitness trend. According to data shared in his article and pulled from his research of the leading fitness studio operators, both suburban and urban markets had a higher concentration of fitness studios (percentage of total studios located in these markets) than the respective level of the U.S. population represented by suburban (population density of 102 to 2,213 per mi<sup>2</sup>) and urban markets (population density >2,213 per mi<sup>2</sup>). The most interesting insights, at least from our perspective was data reflective of which fitness studio brands had staked their value proposition on targeting either a suburban demographic or an urban demographic. Table 1 below lists the top five urban and suburban fitness studio brands based on what percentage of their locations are located in either an urban or suburban market.

**Table 1**

Leading Suburban Fitness Studio Brands	Leading Urban Fitness Studio Brands
Orangetheory - >70% suburban	Barry’s Bootcamp - >75% urban
Pure Barre – 60% to 70% suburban	Flywheel – approximately 70% urban
Bar Method – 60% to 70% suburban	Soulcycle – approximately 70% urban
CrossFit – 60% to 65% suburban	Yoga Works – approximately 60% urban

## The Extent by which Boutique Fitness Studios Have Infiltrated Various Markets



If boutique fitness studios are truly a boom phenomenon then one approach to understanding their impact would be to look at their level of infiltration in various U.S. markets. Consequently, we explored six urban markets from different corners of the

U.S. to look at the level of market penetration in respect to the number of studios in these markets and the size and density of population they serve. Upfront we want to say that the

markets we selected are located in popular urban demographic markets, in particular markets that are appealing to Millennials and Generation X. The markets we explored include: Chelsea, N.Y., N.Y.; Lincoln Park, Chicago, IL; Highlands, Denver, CO; Back Bay, Boston, MA; Capitol Hill, Seattle, WA; Mission Bay, San Francisco, CA; and Uptown, Dallas, TX. In respect to what we explored, we looked at the following: total population, population of 25 to 44 year olds (total and by percent), market size in square miles (mi<sup>2</sup>), population density, average HH income, number of studios, and finally the number of 25 to 44 year olds per studio. Tables 2 and 3 speak to the outcomes of our findings.

**Table 2**

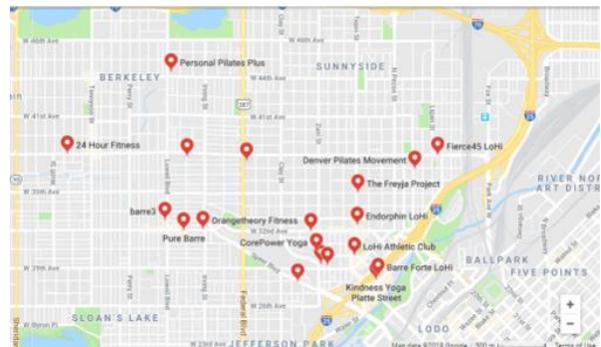
Market	Population Size	Population 24 to 45	Market Size	Population Density	Avg. HH Income	# of Studios	Population 25 to 44 per Studio
Back Bay, Boston, MA	21,584	9,496 (44%)	.53 mi <sup>2</sup>	20,776 mi <sup>2</sup>	\$100,621	15	633
Capitol Hill, Seattle, WA	30,825	18,495 (60%)	1.64mi <sup>2</sup>	20,000 mi <sup>2</sup>	\$73,000	17	1,088
Chelsea, N.Y., N.Y.	65,359	28,757 (44%)	.78 mi <sup>2</sup>	50,000 mi <sup>2</sup>	\$167,993	16	1,796
Lincoln Park, Chicago, IL	67,260	29,594 (44%)	3.18 mi <sup>2</sup>	21,272 mi <sup>2</sup>	\$149,897	19	1,558

**Table 3**

Market	Population Size	Population 24 to 45	Market Size	Population Density	Avg. HH Income	# of Studios	Population 25 to 44 per Studio
Highlands, Denver, CO	15,265	8,701 (57%)	1.15mi <sup>2</sup>	3,901 mi <sup>2</sup>	\$77,107	20	435
Mission Bay, San Francisco, CA	10,264	6,364 (62%)	.84 mi <sup>2</sup>	6,400mi <sup>2</sup>	\$147,907	13	490
Uptown, Dallas, TX	26,621	15,973 (60%)	3.6mi <sup>2</sup>	10,453 mi <sup>2</sup>	\$107,859	16	998

Some general insights brought forward by this data:

- Nearly all these markets have a high population density, a large percentage of adults falling into the 25 to 44 demographics, an above average level of HH income and finally, represent a small geographic market area (less than one-mile radius).
- As shared earlier in the section on fitness studio consumers, 60% of boutique users are 25 to 44. Consequently, markets such as these that are comprised of a high concentration of 25 to 44-year-old adults are more likely to be fertile ground for boutique fitness studios.
- The number of adults 25 to 44 available per fitness studio ranged from 435 to 1,800, significantly less than you would see for a traditional fitness club. It is evident that studios are able to thrive in markets where clubs would have a considerably greater challenge.
- Market size is small. In the case of each of these urban markets, the radius of the market is one mile or less (less than 3.2 mi<sup>2</sup>). This speaks to a market where consumers are more likely to walk, bike or take the metro than to drive.
- The density of studios, not to mention variety of studios (each market had at least 4 to 6 different studio segments) was considerable.



### **Pricing Approaches and Price Points for Boutique Fitness Studios**

When the fitness studio market first emerged on the fitness landscape its approach to pricing was like a ride back in time where drop-in pricing (pay-as-you-go) was the predominant approach of fitness operators. The pioneers of the fitness studio industry saw drop-in pricing and bundled visit pricing (purchasing more than one visit) as both a means of differentiation from the traditional club industry, and as a way of appealing to the purchasing behavior of

young consumers. Fast forward to today and fitness studio operators continue to take an innovative approach to packaging and pricing their offering. So what are these innovative packaging and pricing approaches?

- *Pay-as-you-go (PAUG)*. The PAUG approach works on the principle that consumers should only pay for what they use or plan to use, rather than pay for a full month of unlimited access when that is not their intention. The majority of fitness studios continue to use the PAUG approach, offering single visit pricing and bundled visit pricing. The most common PAUG offerings are packages of five visits, ten visits, and twenty visits. Some studio operators such as Barry's Bootcamp and Soul Cycle offer PAUG packages of up to 50 visits.
- *Traditional subscription membership (TM)*. The traditional membership subscription model (what most traditional health clubs use) is built on the principle that a consumer should pay in advance for unlimited access no matter how often they use or intend to use the studio. This approach is favorable for operators as it offers a more predictable cash flow than the PAUG approach. Earlier this decade there was a surge in fitness studio operators offering a monthly subscription. Brands such as Exhale (barre and yoga) and Core Power Yoga include these TM offers in addition to their existing PAUG packages, often as a means to demonstrate greater flexibility to consumers and to generate a more predictable cash flow for the business.
- *Prescribed visit membership (PVM)*. As the fitness studio industry has evolved, and as operators learned more about their clients/members usage behavior and the upside of predictable cash flow, PVM memberships emerged. PVM is a hybrid of both TM and PAUG. It provides the predictability of TM for operators (predictable cash flow) while allowing the consumer the flexibility to select and pay for a plan that aligns with their expected level of usage. The most popular PVMs are built around a prescribed number of visits each month. The most popular are four visits, eight visits, twelve visits and of course unlimited visits. Orangetheory's business model only offers PVM (4, 8 and unlimited). Club Pilates, an Xponential brand, only offers PVM (4, 8 and unlimited). It

would be fair to say that many of the large fitness studio chains prefer this pricing approach.

- *The Kitchen Sink (KS)*. This approach to packaging and pricing is a hybrid of PAUG, TM and PVM. What this means is operators offer consumers the option to drop-in, purchase a prepackaged bundle of visits, purchase a membership with a prescribed number of visits, or purchase a membership offering unlimited access. We refer to this as KS because it offers consumers every presently available option for purchasing access. It is the ultimate expression of purchasing freedom when it comes to using a fitness studio. One highly recognized studio operator who takes this approach is Barry’s Bootcamp which offers PAUG bundles from one to 50, but also PVMs of 12, 16 and 30 visits over a 30-day period. Exhale, based out of New York offers PAUG packages ranging from one to twenty, along with two different membership options. Pure Barre offers PAUG options and PVMs of 4, 8 and unlimited visits.

The other element of pricing that shouldn’t be overlooked is how boutique fitness studios price their offerings based on the competitive landscape and market location. It is rare that fitness studios, especially those with a multi-market footprint (Barry’s Bootcamp, Pure Barre, Core Power Yoga and Orangetheory) price their offering the same across markets. What we’ve found is multi-market fitness studio operators’ price their offerings differently by market, but within a market there is very little difference between what the various brands actually charge. Table 4 provides some examples of how pricing across markets differs by brand, while within a market the price structures across brands are similar.

**Table 4**

	Barry’s Bootcamp	Core Power Yoga	CycleBar	Exhale	Soult Cycle
Single Visit - NY	\$36	\$32	\$29	\$37	\$36
Single Visit - Dallas	\$32	\$26	\$24	\$25	\$30
10 Pack - NY	\$330	\$294	\$259	\$330	\$340
10 Pack - Dallas	\$300	\$215	\$209	\$230	\$265
PVM of 4 – NY	\$340 for 12	NA	\$99	NA	NA
PVM of 4 – Dallas	\$300 for 12		\$79		
Unlimited – NY	\$560 for 30	\$199	\$199	\$285	NA
Unlimited - Dallas	\$400 for 30	\$149	\$129	\$195	

We believe there is one final point to clarify in respect to the approach some studio operators take with pricing. While the vast majority of fitness studios are transparent in their pricing, meaning you can find it on their website, there are a few operators such as Club Pilates, Pure Barre and Orange Theory that prefer a less transparent approach, something more common in the traditional fitness industry. These three operators, as well as a few others prefer to get prospects in the door and make a pitch. In our opinion this approach is a movement away from what today's consumers expect and want.

### **Fitness Studio Performance**

Possibly the most secretive aspect of the fitness studio industry, as might be expected, is reported financial performance. One general source of fitness studio industry financial benchmarks is generated by the Association of Fitness Studios (AFS) which publishes an Annual Operating and Financial Benchmarking Report for the industry. It should be noted, that like many industry benchmarking studies, some of the more prominent operators don't participate, preferring to keep their financial performance protected. The most recent release of the AFS report published in 2018 offered the following in respect to the overall financial performance of fitness studios in 2017:

- \$323,441. The average revenue generated by fitness studios in 2017, equivalent to \$89 per square foot.
- \$500,000. In 2017, 17% of fitness studio operators generated over \$500,000 in revenue and 7% generated over \$1million in revenue.
- \$193 per square foot. This is the reported revenue per square foot for the top 25% of revenue producers as published in the 2017 AFS Operating and Financial Benchmarking Report.
- 20%. The average reported EBITDA margin for fitness studios as reported in the 2017 AFS Operating and Financial Benchmarking Report.

The numbers reported by AFS serve as an excellent foundation for understanding the general financial dynamics of independent fitness studios. As an example of an independent fitness studio’s performance capability, Peak Zone Fitness, a privately-owned HIIT studio based in Dallas, Texas provided us with the information reflected in table 5 below.

**Table 5**

Company Name & Location	Peak Zone Fitness, Dallas, Texas Single studio
Studio Segment	HIIT Studio
Approach	All clients receive an initial VO2 testing accompanied by a tailored fitness program. If clients desire, they can also receive a nutritional plan. Training is conducted in classes of no more than 18 individuals.
Pricing Approach	Single visit: \$25; 10 visit package: \$200 Month to month unlimited: \$195 a month
Membership Information	Number of members: 400 Membership retention of 80% Average monthly visits: 3,000 (approximately 7.5 visits per member per month)
Studio Size	3,300 square feet. Approximately 8 sq. ft. per member
Financial Information	In 2018 revenues were approximately \$580,000. Equal to approximately \$175 a sq. ft. or \$1,450 per member. Nearly double the AFS average per sq. ft.
Sources of Information	Studio owner



Courtesy of Peak Zone Fitness, Dallas, TX

In respect to fitness studio chains, obtaining their numbers is more challenging, since most private equity backed firms (majority of large multi-unit fitness studio entities) prefer not to report financial performance to the public or competitors. In an effort to provide a portrait of the general performance, including financial performance for this group we

conducted a thorough online search, along with reaching out to some of the operators we

know. Tables 6 through 10 summarize our findings. It should be noted that other than the data from publically-held firms the information in these tables is based on what we were able to discover from a variety of articles and publications. In the case of certain metrics, these are estimates of ours and not KPIs reported by the firms themselves.

**Table 6 – Orangetheory**

Company Name & Location	Orangetheory, Boca Raton, FL Over 1,200 studios in 49 U.S. states and 22 countries
Studio Segment	HIIT studio
Approach	Uses heart rate-based training involving a blend of cardio using treadmills and rowers along with resistance movements with bodyweight and accessories. Classes typically 60 minutes in duration. Class size typically comprised of 24 to 36 individuals.
Pricing Approach	Memberships comprised of 4, 8 and unlimited visits a month. Typical pricing ranges from \$59 a month for four visits to \$159 for unlimited visits
Membership Information	Approximately 900 members per studio Typical membership tenure of 7 months with attrition of 100% annually
Studio Size	Average of 3,000 sq. ft.
Financial Information	Company-wide revenues of \$1 billion in 2018 (approximately \$910,000 per studio)
Sources of Information	Orange Theory Press Release February 4, 2019 Conversations with company leaders December 17 edition of Franchise Times online (franchisetimes.com)



**Table 7 – Soulcycle**

Company Name & Location	Soulcycle, New York, New York Operates 87 studios in the U.S., Canada and the U.K.
Studio Segment	Group Cycling
Approach	Mission is to bring soul to the people by guiding students through an inspirational and meditative fitness experience. Refer to classes as cardio parties.
Pricing Approach	Single N.Y.: \$36 10 pack N.Y.: \$340
Membership Information	In 2014 reported 7,916 rides per day or average of 220 per day per studio
Studio Size	2,500 to 3,500 square feet depending upon market
Financial Information	In 2014 reported company-wide revenue of \$112 million or approximately \$3.1 million per studio. EBITDA margin of 32.3% for the company
Sources of Information	2015 S-1 Filing with Securities and Exchange Commission Soulcycle CEO on Sustaining Growth in a Faddish Industry, Harvard Business Review, August- September 2017. Melanie Whelan Website

**Table 8 – Yoga Works**

Company Name & Location	Yoga Works, Culver City, CA. Publicly held company that owns and operates yoga studios. As of YE 2018 operated 69 studios
Studio Segment	Yoga
Approach	The company's mantra speaks to yoga that anyone and everyone can do. The company's value proposition is built around blending elements of traditional yoga with more modern styles to provide offerings for everyone.
Pricing Approach	Offer drop-in rates, packages and memberships. Single N.Y.: \$28; 10 pack N.Y.: \$235; Monthly unlimited: \$140 to \$169
Membership Information	Reported 3.4 million visits in 2018 or approximately 40,275 visits per studio, the equivalent of 4,100 visits a month per studio.
Studio Size	3,500 to 5,000 square feet depending on location and number of studios
Financial Information	According to its YE 2018 10-K filing it generated \$59.6 million in revenues or approximately \$864,000 per studio. Based on the size of their studios this would amount to between \$175 and \$250 a square foot.
Sources of Information	2017 10-K Report NASDAQ.com Company website

**Table 9 – Core Power Yoga**

Company Name & Location	Core Power Yoga, Denver, CO Own a, operate and franchise with a total of 160 locations at YE 2018
Studio Segment	Yoga
Approach	Offers a diverse variety of yoga styles focused on providing a challenging and high intensity workout for consumers
Pricing Approach	Offer drop-in prices, bundled packages and memberships. Single, Dallas: \$26; 10 pack: \$215 and monthly unlimited membership at \$149
Membership Information	NA
Studio Size	2,200 square feet (single classroom) to 4,000 square feet (2 classrooms)
Financial Information	Reported revenues for 2015 of \$100 million for its 119 studios, or approximately \$840,000 per studio. Based on the size of their studios this would amount to a range of \$200 to \$400 a square foot.
Sources of Information	January 15, 2015 article in Inc.com entitled Get Ready for the Starbucks of Yoga by Kimberly Weisul Franchisechatter.com Franchisetimes.com Website

**Table 10 – Club Pilates**

Company Name & Location	Club Pilates, San Diego, CA Presently have approximately 566 franchise locations
Studio Segment	Reformer Pilates
Approach	Studios offer traditional reformer Pilates in a class format. The classes also incorporate some modern movements not part of the original Contrology approach used by Joseph Pilates.
Pricing Approach	Offer three types of memberships; 4 visits a month, 8 visits a month and unlimited visits a month. A single class depending on region can range from \$25 to \$350.
Membership Information	NA
Studio Size	1,500 to 2,000 square feet
Financial Information	In 2017 reported total revenues of \$59 million from its then 393 studios. Or approximately \$150,000 per studio. Based on the size of their studios this would amount to a range of \$75 to \$150 a square foot.
Sources of Information	Franchisetimes.com Popsugar.com, Everything You Should Know About the Reformer Classes at Club Pilates. April 24, 2019 article by Hedy Philips website

So, what can all this information tell us when it comes to the revenue potential of boutique fitness studio?

- A well-operated fitness studio, depending upon geographic region, could expect to generate revenue of \$100 to \$175 a square foot. Assuming the average fitness studio is approximately 3,500 square feet (AFS data and ranges described by many multi-unit operators) this would amount to \$350,000 to \$600,000 on an annual basis.
- Large well-scaled multiunit group training studios (Cycling, HIIT and Yoga) supported by large marketing dollars have higher revenue potential than most independent fitness studios.
- The large multi-unit franchises and corporately-owned studios report revenue levels that equate to \$150 to \$300 a square foot. If you operated a 3,500 square foot studio for one of these groups, it would amount to expected revenue of \$525,000 to \$1,000,000.
- A well-operated fitness studio, once it reaches maturity, should be able to achieve EBITDA margins ranging from 20% to 30% of revenue. Some of the large multi-unit operations, due to their inherent efficiencies, have the potential to achieve EBITDA margins in the range of 30% to 35%.
- Don't get enamored with averages. Averages are often skewed by the results of top performers more than that of the worst performers. For example, if one studio did \$200,000 and another did \$1,000,000 the average would be \$600,000. Absent a median number, averages should be seen as a benchmark for potential performance more than a statement of what will be achieved.
- Beware of benchmarking the bell curve outliers. There are fitness studios such as Soul Cycle, which are able to generate revenue on a square foot basis that could be two to four times greater than typically seen for fitness studios. In Soulcycle's case one of the contributing factors to this outlier performance are the number of studios it has in

some of the most dense and affluent U.S. markets (New York City with 24% of its total studio count and Los Angeles, CA with 15% of its total studio count). These markets offer the ability to charge higher prices and also pull from more dense populations.

### **Private Equity and Fitness Studios**

As shared earlier in this report, many of today’s largest fitness studio operators are backed by well-capitalized private equity groups. Table 11 provides a general overview of some leading fitness studio operators and the private equity groups presently fueling their growth.

**Table 11**

Fitness Studio Brand	Private Equity Group
Barry’s Bootcamp	Northcastle Partners
Core Power Yoga	TSG Consumer Partners. Previously owned by L. Catterton
Orangetheory	Roark Capital Group
The Bar Method	Mainsail Partners
Xponential Fitness (AKT, Club Pilates, Rowhouse, CycleBar, Pure Barre, Stretch Lab, and Yoga Six)	Snapdragon Capital
Soul Cycle	Equinox and Related Properties

### **Final Thoughts**

The boutique fitness studio market has evolved into one of, if not the hottest segment of the fitness industry, hence the title of our report. The fitness studio stampede, or if you prefer phenomena, might best be described as the natural evolution of the fitness industry, driven by a variety of forces, including: the emergence of Millennials as a powerful consumer force; increasing urbanization of the American landscape; changing cultural views about fitness; and finally the insatiable desire of investor groups for the next Unicorn. Boutique fitness studios have captured the attention of investors, the media, and possibly more importantly, young consumers bored with traditional fitness offerings.

Our objective in writing this paper was to present a well-rounded story of the boutique fitness studio segment by searching out a variety of sources. We felt it was important to bring

forward the entire story; not just bits and pieces. As for ourselves, we've reached the following general conclusions:

- Boutique fitness studios are part of the industry's evolution, driven by "business natural selection" and influenced by cultural, generational and economic forces.
- Fitness studios offers consumers a very diverse and inspiring set of options for pursuing an active lifestyle. There is a potpourri of activity and movement options for those who consider fitness an essential part of their lifestyle.
- The fitness studio industry is extremely competitive, especially in urban markets. In some urban and even suburban markets oversaturation is taking place; where supply is exceeding demand, or where the volume of businesses may be too great to allow everyone sustainable profitability.
- Boutiques seem to be the flavor of the times when it comes to franchising. It feels like once a brand gets hot in a particular market the next step is to quickly expand it through franchising.
- The fitness studio industry has generated considerable investment from private equity. Large scale players such as Barry's Bootcamp, Soul Cycle, Core Power Yoga, Pure Barre and Orange Theory are among many franchise and corporate-owned studio chains backed by and flourishing because of private equity.

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### **Insight**

Data can tell you a lot, but it can't speak to you. We have the instinct and experience to decode the numbers and tell you what your members and employees are really saying.

### **Inspiration**

Finding the intangible qualities that turn members into brand fanatics, and employees into apostles, takes an empathy and passion you can only find here.

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