

A BOLD Resurgence

After a few shaky years of public criticism and operational stagnancy, Fitness First is undergoing a renaissance to focus back on its customers and restore the brand's top position in the Australian market.

Images by Scott Ehler

Fitness First is a pioneer global operator of fitness facilities that once had an iron grip on the Australian market. However, this dominance led to complacency and a poor public perception that drew many customers away from the brand. Andy Cosslett, CEO of Fitness First, joined the company in a bid to revitalise the organisation and dispel the bad publicity it had garnered over the years.

“The ownership changed hands 18 months ago, which is when I arrived, and the new ownership brought me in. The issues at Fitness First were, in a nutshell, that the previous owners overleveraged the company and put too much debt on the business. So, particularly when the financial crisis hit, some of the top line came under pressure. When the financial crisis really came in around the world, some of the top line in fact was felt by Fitness First and the

business started to go down and the debt burden was still high, and the interest payments that they had to make were large.

“As a result of that, they had to spend all their available cash paying the interest, and they weren't able to invest in the products and in their customers. As a result, some of our gyms, particularly the older ones, started to get run down and they did not have the wherewithal to really invest and get them back up to speed. Customers and members see that, so they drifted away. At the same time, new competition arrived. So that combination of events led to the brand and the business coming under a bit of pressure, particularly in the UK and Australia, which is where we have been the longest.

“We are on a journey to completely bring the business back. We have no debts on the business at this point. We might have a little bit

going forward, but at the moment it's debt free. We have the best balance sheet in the industry, and we have a great executive team of talent that I've pulled together, taken from a wide range of industries and businesses. We have a supportive owner, and we are going to take this business back to the top of the pile. But it is hard work and we have to do it very thoroughly and very well because, in certain markets, we lost our way and we lost a lot of trust with our customers, and no more so than in Australia. So we are rebuilding the business brick by brick in this market.”

Fitness First is bringing the focus back to its customers and investing heavily on their behalf. “We're getting our environments sorted out, investing in design and new refurbishments of these clubs, new products innovation, and we are changing all the terms and conditions and giving much more flexibility on how you join these >

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- Andy Cosslett

gyms and how you leave these them. One of the things that the whole industry was criticised for down the years was that it was just not considerate enough of people’s circumstances, so we have listened.

“We have recently introduced a range of new options for people to join our gyms, much more on their terms. People can buy a few sessions at a time; they don’t have to sign up for years. The interesting thing is that even though we have given everybody the choice to do that, very few people are taking it up, because the value is actually still better if you take a longer-term contract. For most people in gyms, they want to make that commitment, but it is the feeling that you have the choice, which we previously did not give them.

“We have tried to remove a lot of other things that gave us a bad name. We are investing in the products and the atmosphere, and we have changed probably about

70 per cent of our management in the clubs over the past two years. So the whole culture is different. Everyone is now on a journey of collaborative spirit and understanding that the customer is what we are here to look after, but we have to win back that trust.”

Part of earning the market’s trust comes from the personalised service Fitness First aims to offer. “In the next 12 months, we will be introducing a completely new way of joining the gym called Custom Fit, where you will come in, we will actually sit down with you even before you join and do a profile of who you are, how you act, your habits, how much time you are likely going to give to exercises and training, and what sorts of things you’re really focusing on, and then we will design a program. If you can get people interacting socially in gyms, even in a very minor way, it dramatically improves your chances of coming back again and again.

“The most exciting thing that we are going to be doing is launching a whole new digital platform and an app that will enable people to connect with us, so wherever they are they will have the ability to access thousands of exercise routines; they will be able to keep track of their exercises; keep track of how much they are progressing against their targets, and things like that. And then we are introducing to more people the idea of BioAge, which is a sort of a check on your fitness and health that is something that people seem to be very interested in knowing more about.”

The company has developed a major investment program that will be in excess of \$350 million

worldwide. “In Australia, we are spending more than \$40 million this year. We’ll probably spend about \$100 million over a three-year period in this market, which includes the investment we have made in the new Flinders Street gym that opened recently, so that’s a \$7-million investment right there.

“We are investing in new clubs even though we went through a period when we sold clubs because they just did not fit our view going forward and what our brands stood for. The rest of it is going into the refurbishment of the clubs, with a completely new look and feel, new brand identity, new changing rooms, cool-down showers in some of our platinum clubs, electronic technology like iPoints, plus a lot of new equipment coming in to replace some of the tired old stuff we had, new layouts, changing the layouts of virtually all our clubs, and then re-training all our people. It is a huge investment in our customers because it is all for their benefit really.”

Globally, Fitness First has a strong position in Asia and aims to have the same traction in its other markets. “In Australia and the UK, we have some damage from our history with the brand, and we have to repair that and win back the trust of our customers and the relationship. We want to get back all the people we have lost over the past few years.

“Once we have organised our current offer and gotten ourselves back to where we want to be in Australia, we will continue growing. We’re growing with the Flinders Street opening, and I am sure there will be others following that. I think there are many things that we can do that would bring innovation into each of the cities in which we operate and bring a new dimension to our offer. We don’t want to just keep necessarily repeating what we have done for the past 30 years; we want to have new formats, new approaches, new thinking, which are in tune with the trends of the time. Customers change all the time, so we need to be ahead of the curve.”