

# Healthy Kids, Happy Franchise

## *MyGym Stretches Out Into Furnishings, Entertainment and Branded Products*

**By Mark R. Madler**

Expansion plans at My Gym Enterprises are based on one simple criterion – is it good for children?

Going into new areas may be good business and may bring big profits to the Sherman Oaks franchisor but not at the expense of its mission and long-term goals.

International development is one way the company has expanded, moving its My Gym Children's Fitness Centers into more countries.

Partnerships with manufacturers bring child-safe My Gym-branded products into the retail market.

“The furniture business deals with healthy lifestyle and living 24 hours a day,” said Cory Bertisch, the company's CEO, who at 23 bought one of the original My Gym locations in Van Nuys.

Now numbering 185 locations worldwide, My Gym provides fitness and social activities for children ranging from toddlers to 13 years old. Its core demographic are children 8 years and younger.

The mission of Bertisch and his corporate team – which includes brother Jamie Bertisch as chief financial officer – is promoting a healthy and active lifestyle for children. This May, as it did last year, the company sponsors the Kids For Fitness Challenge fundraiser to kick off National Fitness Month.

A separate arm of the company is the Challenged America Foundation, run by another brother, Randy Bertisch, whose mission is to build the self-esteem and confidence of special needs children and those from neglected or underprivileged backgrounds.

Entrepreneur magazine named My Gym Enterprises a leading franchise and number one in the children's fitness category in both 2005 and 2006.

During his first five years with the company, Bertisch concentrated on running his one location in Van Nuys. The early



Expanding: My Gym CEO Cory Bertisch has directed the healthy growth of a franchise operation that has expanded into 185 locations worldwide.

1990s was a period of preparation to begin franchising My Gym centers to other states and countries.

Franchises account for 170 locations, with the balance corporate-owned. The company also offers a “mobile” franchise in which an instructor trained in My Gym activities travels to locations such as pre-schools and recreation centers.

Running his own location, supervising employees and fine-tuning the programs for the children was valuable experience, Bertisch said.

“The best way to run that business is to have the executives responsible for franchising master and be passionate about the product,” Bertisch said.

Franchisees follow what Bertisch called the “90-10” rule with 90 percent of the look and operation being the same for My Gyms all over the world. The 10 percent allows for some personal attention from the operator.

So, for instance, if a franchisee is an expert in dance, she can lean heavier on that element in the programming but still must stay within the corporate-mandated structure.

Each location is similar enough in color scheme and programming that a child becomes comfortable and knows what to expect in terms of activities, yet the equipment is made in such a way that it can be interlinked in different combinations to give freshness for each weekly visit.

When he first became involved with the company, Bertisch said he knew he wanted to grow the number of gym locations and that franchising was the best option to achieve that growth.

Knowing there would be challenges to selling franchises and that a stigma existed that franchisers don’t care what happens after individuals buy in, the company set about to pro-actively avoid problems.

Franchise owners receive support from corporate headquarters ranging from the pre-opening process, to a detailed plan of getting a location off the ground, to creating other revenue streams such as camps and birthday parties. Franchisees pay a monthly 6 percent royalty rate and a 1 percent contribution toward a marketing fund from their gross revenues.

That it was a wise choice is reflected in the low closure rates of My Gym locations and that the company has avoided franchisee-related lawsuits, Bertisch said.

There is, however, a limit to how far the company can go with franchising, which is where the ancillary products come in.

In branching out, My Gym has followed models used successfully by other companies, said Matthew Hendison, chief officer for marketing and entertainment, and owner of two franchise locations in New Jersey,

“It’s a natural extension to our brand and for strategizing the direction we want company to go in,” said Hendison, who left a job with the NBA to work for his childhood friend, Bertisch.

In the realm of entertainment, My Gym puts out CDs of original and cover material; original DVD product; and has

future plans for television programming featuring its simian mascot, Mymo.

My Gym also teamed with Huggies to have the diaper-maker sponsor the Waddlers program (for children 14 months to 22 months old) and promotes Playskool products that reinforce what is taught in its classes.

Under the brand name My Room, the company sells beds, dressers, bookcases and other furnishings and accessories.

While competition in the children's fitness industry comes from Gymboree, neither of those companies have the international reach of My Gym with its locations in Canada, Australia, Cyprus, Turkey and Spain.

Gymboree – with locations in Sherman Oaks, Woodland Hills and Northridge – sells branded apparel through its retail and outlet shops yet does not have the breadth of corporate sponsorships of My Gym.

Los Angeles firm Channel M has for two years been the intermediary between My Gym and retailers looking for non-traditional advertising methods to reach consumers.

While the company is smaller than other chains that Channel M has done work for, the firm liked the niche market of children's fitness it went after, said Chief Operating Officer Eric Hebel.

“That's a sexy message for marketers,” Hebel added. “It's also a very affluent demographic.”

The partnerships benefit the retailer by increasing brand exposure and the franchisees benefit by having value added to their locations through access to the retailer's products, Hebel said.

“It's more than just putting up a poster,” Hebel said.

In the future, the company will continue to increase its number of locations, with Bertisch predicting 300 by 2012; expand its program offerings to include karate, music, and baby yoga; and grab a larger market share.

The My Gym program and mission will be the one that is talked about in any circle concerned with the health and fitness of children, Bertisch said.

“In five years I expect our program to be the one that preschools run, or maybe it gets into kindergarten or even first, second or third grades,” Bertisch said.

## **SPOTLIGHT: MyGym**

Year Founded: My Gym 1983; The franchising company - My Gym Enterprises - 1994

Revenues in 2004: \$3 million (franchising business)

Revenue in 2007: \$5 million (franchising business)

Employees in 2004: 25 Full-time; 35 Part-time

Employees in 2007: 30 Full-time; 50 Part-time

Driving Force: Fantastic concept; our service is a necessity for children; trust in our brand; passionate & hard working

MGE staff, franchisees & My Gym store employees; MGE/My Gym committed to staying the best; extremely active

Franchisee Board.

