



Create a profitable Pilates Studio

from a small redundant space with minimal risk of failure



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A private fitness club in London has removed a small canteen/bar facility which was costing money to run. The floor area is 20 feet long and 10 feet wide at one end growing to 15 feet wide at the other giving a total area of 250ft².

The club has a lot of successful personal training and a client base which seems ideal for Pilates. With a poor economic climate and a brief from the owners that there is a need to maximise revenue and secondary spend, whilst keeping overhead to the minimum, the club manager has decided (in consultation with Pilates Solutions) that this space would make an ideal small equipment Pilates studio.

Whilst the narrow width at 10ft is too tight for the width of a reformer with room to walk around it is sufficient to accommodate both a stability chair and ladder barrel. Where the width of the room reaches 12 feet there is just 15 feet of room length left, sufficient to accommodate two reformers.

The club manager takes the advice given from Pilates Solutions that the two reformers need to be able to multi-task. They need to have triple usage as a reformer, mat station and cadillac if the studio is going to be at its most versatile. He also accepts the advice that one of the reformers should be at a higher height to accommodate the elderly or infirm attending the studio for rehabilitation, whilst the second reformer would be best at a lower height.

The recommended equipment was a STOTT PILATES® V2 Max Plus™ rehab reformer a STOTT PILATES V2 Max Plus professional reformer both with a full range of accessories including mat converters, jumpboards, boxes, arc barrels and platform extenders and also a single rotational diskboard. In addition a stability chair, ladder barrel, spine supporter, spine corrector as well as sufficient mat-based accessories such as bands, small balls, fitness circles and foam pads to cater for two clients simultaneously were purchased. The cost of this equipment was £11,000 net of VAT.

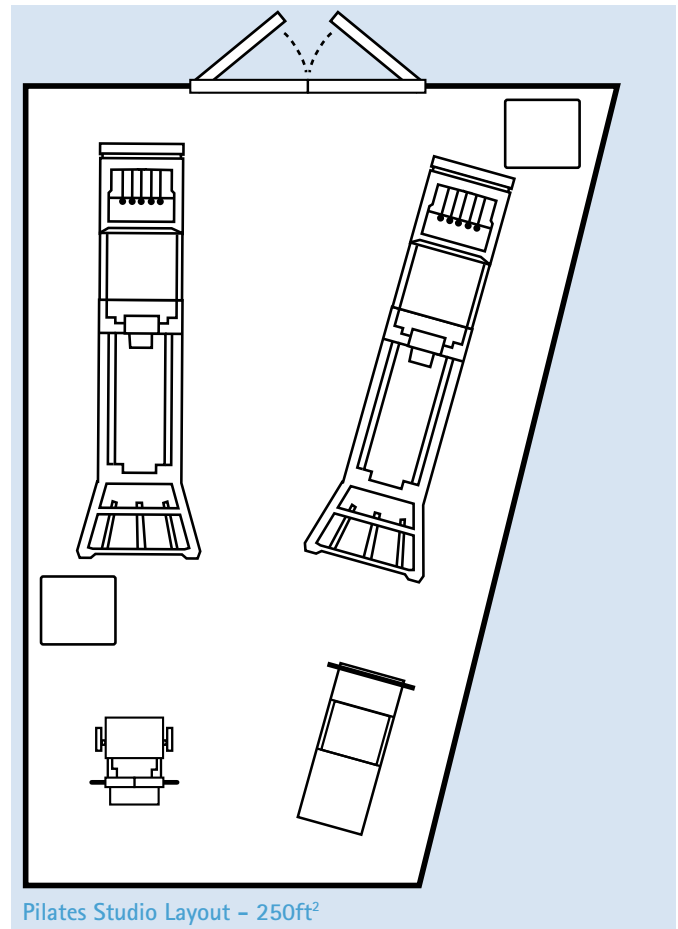
Pilates Solutions organised a quotation for a lease at approximately £400.00 per month over 3 years.

Following a meeting between club management and Pilates Solutions, a business plan was produced, which would minimise financial risk to the club and at the same time maximise the opportunity for a studio manager to run a profitable and long-term business for themselves and for the club.

It was recognised that fully certified STOTT PILATES instructors in London command hourly rates with employers of around £35.00 per hour but because of travelling and redundant hours often struggle to achieve more than a couple of hours back to back making 25-30 hours of teaching in the week a very long week! Nevertheless this awareness that an instructor can expect to make £50,000 before travelling costs means that the model must stack up for both club and studio manager.

The fundamentals of the business plan proposed were:

Club to be responsible for studio, marketing and reception support
 Studio manager responsible for programming and staffing
 Single private sessions to be offered at £1.00 per minute + vat rounded to an appropriate round number



Single private sessions:

45 minutes	£55.00 inc VAT (£46.80 net)
60 minutes	£70.00 inc VAT (£59.57 net)

Duo private sessions:

45 minutes	£35.00 inc VAT per person (£59.57 net per pair)
60 minutes	£45.00 inc VAT per person (£76.59 net per pair)

Note: Duo sessions to be offered at off-peak times only when one instructor is working.

Peak Times (2 instructors):

Monday – Friday	10.00am – 2.00pm
Monday – Thursday	5.00pm – 9.00pm

Off-peak Times (1 instructor):

Monday – Thursday	2.00pm – 5.00pm
Fridays	5.00pm – 8.00pm
Saturday – Sunday	9.00am – 1.00pm

Maximum capacity of the studio is just over 6,200 minutes per week.
 This works out at 310,000 minutes a year based on 50 weeks.
 Giving a full capacity turnover of approximately £300,000 per annum.

Assuming a pay rate for support instructors of £30.00 per hour for 4-hour shifts weekdays and £35.00 per hour for weekends and less than 3-hour shifts, the figures work out as follows:

Expected Turnover in Year 1

Months 1 & 2	£10,000
Months 3 & 4	£15,000
Months 5 & 6	£20,000
Months 7 - 12	£75,000
Total	£130,000

Expected Turnover in Year 2

Months 1 - 6	£90,000
Months 7 - 12	£120,000
Total	£210,000

Expected Turnover in Year 3

Months 1 - 12	£250,000
Total	£250,000

In order to minimise risk the decision was made to make a flat charge for hire of the room to cover the equipment lease costs and a further £6,000 per year towards marketing costs. This hire charge was set at £1,000 per month. The club would then take 18pence in every pound of gross turnover in net terms, this represented 15% of net revenue.

It was to be agreed with the studio manager that in Year 1 they would match 50% of the investment towards marketing (i.e. £3,000) and then in Years 2 and 3 they would contribute 2.5% of net turnover each month towards marketing to add to the £6,000 flat amount provided by the club.

An assumption has been made that the studio manager would always book themselves for the first 33 hours of bookings in the week and would only programme additional instructors once this was reached and will work for 48 weeks in year 1 and 47 weeks in year 2.

Year 1 Figures

Revenue to the Club	
Studio rent	£12,000
Profit share	£19,500
Total	£31,500

Revenue to the Studio Manager	
Profit share	£110,500
Less rent	(£12,000)
Less instructor fees	(£50,000)
Less Marketing	(£3,000)
Total	£45,500

Year 2 Figures

Revenue to the Club	
Studio rent	£12,000
Profit share	£31,500
Total	£43,500

Revenue to the Studio Manager	
Profit share	£178,500
Less rent	(£12,000)
Less instructor fees	(£63,500)
Less Marketing	(£5,250)
Total	£97,750

Year 3 Figures

Revenue to the Club	
Studio rent	£12,000
Profit share	£37,500
Total	£49,500

Revenue to the Studio Manager	
Profit share	£212,500
Less rent	(£12,000)
Less instructor fees	(£85,000)
Less Marketing	(£6,250)
Total	£109,250

A worse case scenario was discussed at which it was felt that the instructor would not progress to Year 2 as this would be the biggest risk for the club. This was deemed to be a return to the instructor of £30,000 per annum.

For the instructor to achieve a £30,000 return, the studio would need a net income of £53,000, which would represent an average of just 17 clients taking a 60-minute private in the week:

Worst case scenario

Revenue to the Club	
Studio rent	£12,000
Profit share	£7,950
Total	£19,950

Revenue to the Studio Manager	
Profit share	£45,050
Less rent	(£12,000)
Less instructor fees	(£0)
Less Marketing	(£3,000)
Total	£30,050

On the basis of this business plan, the owners of the club were happy to proceed with finding a suitable STOTT PILATES fully certified instructor and once found, would set up the studio.