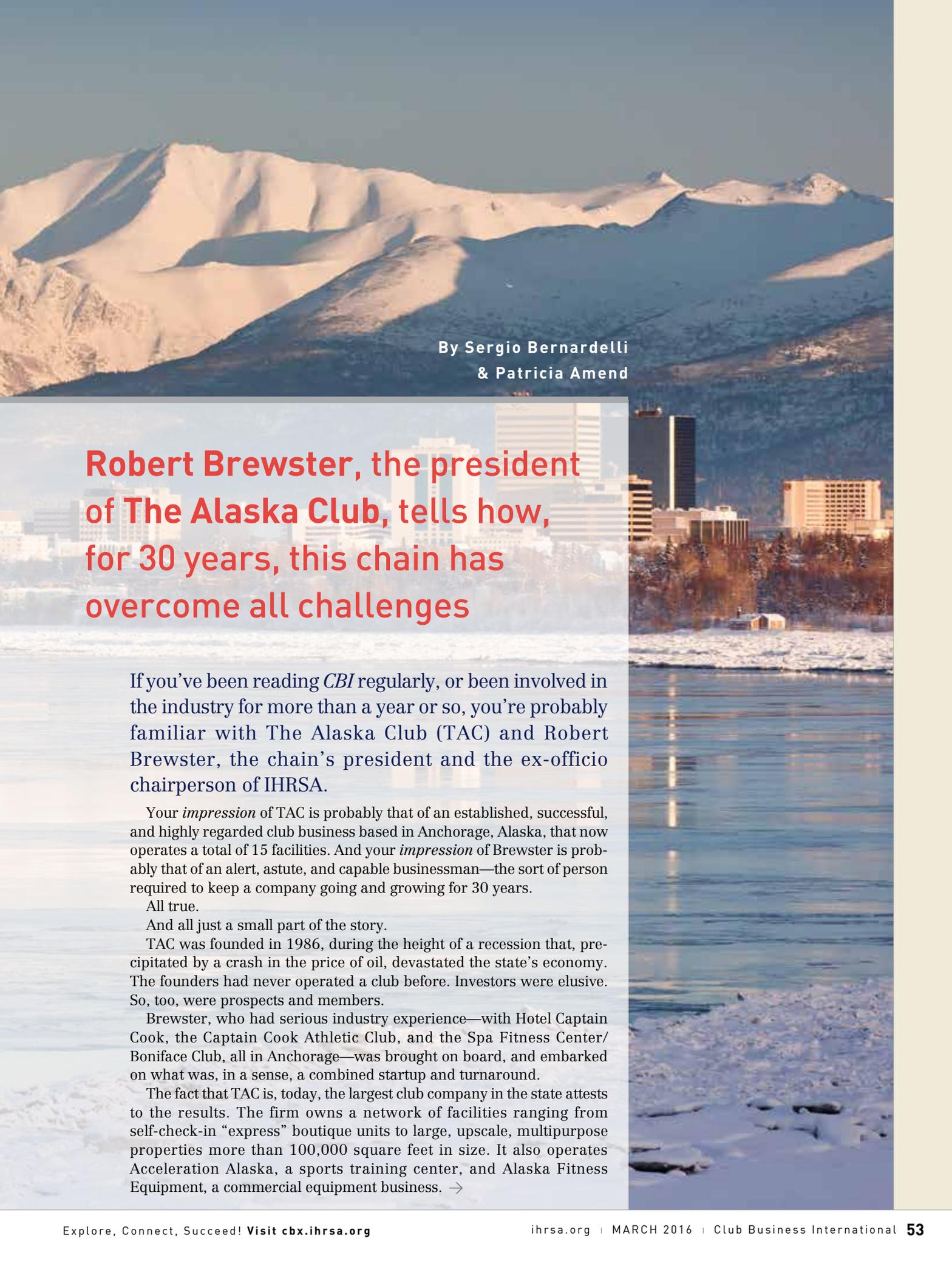


Success Is a “Process”



TAC President Robert Brewster



By Sergio Bernardelli
& Patricia Amend

Robert Brewster, the president of The Alaska Club, tells how, for 30 years, this chain has overcome all challenges

If you've been reading *CBI* regularly, or been involved in the industry for more than a year or so, you're probably familiar with The Alaska Club (TAC) and Robert Brewster, the chain's president and the ex-officio chairperson of IHRSA.

Your *impression* of TAC is probably that of an established, successful, and highly regarded club business based in Anchorage, Alaska, that now operates a total of 15 facilities. And your *impression* of Brewster is probably that of an alert, astute, and capable businessman—the sort of person required to keep a company going and growing for 30 years.

All true.

And all just a small part of the story.

TAC was founded in 1986, during the height of a recession that, precipitated by a crash in the price of oil, devastated the state's economy. The founders had never operated a club before. Investors were elusive. So, too, were prospects and members.

Brewster, who had serious industry experience—with Hotel Captain Cook, the Captain Cook Athletic Club, and the Spa Fitness Center/Boniface Club, all in Anchorage—was brought on board, and embarked on what was, in a sense, a combined startup and turnaround.

The fact that TAC is, today, the largest club company in the state attests to the results. The firm owns a network of facilities ranging from self-check-in “express” boutique units to large, upscale, multipurpose properties more than 100,000 square feet in size. It also operates Acceleration Alaska, a sports training center, and Alaska Fitness Equipment, a commercial equipment business. →

But “success,” as Brewster would be the first to suggest, is not an end product, but, rather, a constant, ongoing process.

Over the years, TAC, like so many other club companies, has had to grapple with new trends, demographic shifts, increased competition, changing consumer expectations, and a host of economic uncertainties. And now, in 2016, it again finds itself confronting the challenges posed by a dramatic drop in the price of oil.

“As Oil Money Melts, Alaska Mulls First Income Tax in 35 Years” read the front-page, Christmas Day headline in *The New York Times*.

In the following article, Brewster relates, in his own words, the true story of TAC’s hale and hearty history.

Inauspicious start

“The Alaska Club was founded in 1986, just two days before the price of oil crashed, leaving the state of Alaska with a recession that proved to be broad and deep, and that devastated the economy for five years.

“The two original founders, Tom Behan and Andrew Eker, were both avid court sports enthusiasts and prominent businesspeople in the community. Behan came out of banking, and, at a young age, had become the regional president of Key Bank. Eker was a serial entrepreneur who, at one point, had 26 companies running, simultaneously, in the construction and restaurant industries.

“They’d heard about an opportunity to buy a failed fitness facility that had been built by the Teamsters union for its members, and they assembled a group of investors to purchase it.

“Their *vision* was to build a complex that would serve as an indoor country club for the city of Anchorage. Their *hope* was to build a company that would deliver social and recreational services to individuals and families, alike.

“The initial market positioning defined the club as a high-end, multipurpose, social and fitness facility, targeted at affluent singles and families.

“When the club was purchased, I don’t think anyone ever envisioned that the company would one day grow to include a total of 19 facilities, plus an equipment distribution and servicing business.



Exciting: Rush Hour Ultimate, an interval-based program, offered at TAC’s Midtown club in Anchorage



Inviting: The Summit, in Anchorage, TAC's most upscale facility



Efficient: TAC's Express facility in Jewel Lake



Luxurious: shower area at The Summit

“The founders had never been in the health and fitness arena before, and purchased the original 90,000-square-foot property only because it was in financial difficulty, and, they felt, had tremendous potential. It was available at a very low price, compared to the actual cost to recreate such a building, and seemed to offer them a unique chance to create their ‘indoor country club of the north.’

“Behan would eventually become a president of IHRSA, and Eker still serves on TAC's board of directors.”

→ “The Alaska Club was founded in 1986, just two days before the price of oil crashed, leaving the state of Alaska with a recession that proved to be broad and deep.”

Tackling problems

“When the club was launched, there were so many problems that it's hard for me to know where to start when it comes to explaining them. First, the owners opened before the entire purchase had been funded, and they had to raise a significant amount of money in a very challenging financial environment in order to continue operating.

“Second, the limited partnership units they were selling were difficult to market during the recession. Many affluent individuals, who would normally have purchased the shares, were dealing with their own financial problems. It was the credibility and strong relationships among the partners that allowed the owners to raise the necessary funds. While time almost ran out, they were, in fact, able to meet all of their deadlines.

“Another problem was the steep learning curve that the founders had to master. They had to figure out how to build, market, and operate a social and recreational facility; they had to quickly learn how to manage all of the different aspects of running a club. They turned to me for assistance in 1988.

“The biggest hurdle, however, was how to build a solid membership base virtually overnight. When the business was purchased, it had just 208 paying members—less than *one-tenth* the number they needed to break even.

“Creating a plan to market, sell, and service the number of members required was very tough, especially given the economic environment. At the time, dozens of banks were closing, real estate values were plummeting, in some areas by 50%–80%, and people were leaving the state.” →

True to the vision

“Several actions the founders took stand out as being quite important to the company’s eventual success. From the very beginning, they—and the club—brought a very business-like approach to bear on the issues at hand.

“Perhaps most importantly, we developed a clear vision and detailed plans to guide all of our activities. As improvements were considered to the physical plant, or equipment purchased, or systems developed, everything was measured and held accountable to the original vision.

“Our emphasis on having a high-quality physical environment and high-quality programming differentiated The Alaska Club from every other club in Alaska.

“This allowed us to charge the higher fees required to support a large facility with many upscale amenities. Our memberships are priced in tiers, and range from \$65 up to \$250 per month. The silver level allows access to six of our facilities; gold allows access to all but one of them; and platinum provides access to all of them, including Summit, our most luxurious location.

“At each level, people can choose from single or family membership, and, if they like, they can also add court-sports access.

“Today, our marketing position is very similar to the one we employed in the beginning. Our brand ‘attributes’ are luxury, family, fun, convenience, and market leadership.

“We currently have 15 facilities. We recently sold several clubs, and closed another one, moving its members to one of our nearby units. These clubs weren’t meeting our standards, and it was more profitable for us to consolidate things; doing so raised the overall quality of our brand.

“In 2007, the original limited liability company (LLC) was acquired by Lincolnshire Management, a private equity company, and, in 2014, TAC was sold to Partnership Capital Growth Investors, a private equity firm that specializes in growing ‘healthy living’ companies. Our experience with this form of ownership has been excellent, with both entities upping our game. Our current partner is intricately involved in our business, and has opened countless doors as we seek to grow our business.”

Customers and community

“We’ve also made a point of being involved in our community, and it’s been central to our success. The rationale for participating in local events and giving back has evolved over time. In the beginning, we just did it to do the right thing, and, while that’s continued to be the case over the past 10 years, now it also has to do with fulfilling our responsibility as a market leader.

“Today’s consumer expects big brands to assume a leadership role in building communities. As a major player, we’re constantly looking for ways to meet those expectations, and serve the state in which we operate; it’s an important part of our comprehensive marketing plan. Consumers also have become less trusting of large companies, and community involvement is a useful tool in correcting that attitude.

“Today, consumers are more aware of what companies *do*—as opposed to what they *say*. Therefore, supporting events, raising money for charities, and helping people in other ways gives us a strategic advantage. It puts our name in front of consumers in a way they can trust, and it’s something that our competitors don’t seem to be able to replicate.

“On a personal level, it increases our passion for our work by reinforcing our sense of purpose.

“It’s also an effective way to reach people as they move away from traditional media, such as radio, print, and TV, and toward social media and digital advertising.

“One of our most successful outreach efforts is the weekly Yoga in the Park program that we hold during the summer. We have upwards of 300 people attending these free mass yoga events, which generate great publicity and amazing feedback.”

Then and now

“What’s it like to manage The Alaska Clubs now, as opposed to when we began in 1986?

“The major changes have to do with the scale and complexity of everything. Some of that has been brought on by the number of clubs we’ve added, and what’s required to manage them at a high level; others, by shifts in the competitive environment that have forced us to focus more on ancillary sales.

“We’re much more dependent on systems. In the early years, we could rely on good people to get things done; now, we need good people *and* strong systems to make it work. Maintaining the consistency of operations is much harder now.

“Another big change is the number of additional activities we need to grow and generate more revenue from each client. There’s a much greater emphasis on selling products beyond memberships. For example, we have processes in place that are designed to sell at least three products—other than member-



ships—to new members within the first two weeks of their joining.

“If they’re marketed to properly, members are willing to spend significantly more for products such as hydrofacials, hydro massage, and even DVDs.

“Moving forward, we’ll continue to explore strategies that will enhance our dominant position in the high-end multi-purpose and specialty markets, but our growth will clearly be driven by expansion of our nondues revenues.

“At the same time, we’re trying to mold our product to engage members wherever they may be. One of our principal goals is to intertwine our business with their broader activities. For instance, we’re using technology, such as our mobile app, to encourage members to record their activity data not only at the club, but at home and outside in the park. We’re positioning the clubs as a way to ‘work out to get out’—in other words, the club is a vehicle to get out and do the things you really want to do in life.

“We want to be a benefit to them outside, as well as inside, of the club, so we become an indispensable part of their lifestyle.

“The business was successful during the economic, oil-induced turmoil of the 1980s, and it remains so today. Even in difficult times, people are still willing to pay for the important benefits and quality delivery that are inherent in this industry’s value proposition. Our multipurpose clubs, with their emphasis on families, are very resilient during tough periods. We haven’t yet seen any ill effects from the current drop in oil prices.”



➔ “What’s it like to manage The Alaska Clubs now, as opposed to when we began in 1986? The major changes have to do with the scale and complexity of everything.”

The IHRSA edge

“To become and remain indispensable, we look to innovation as a way to solve our customers’ problems and fulfill their needs, and to differentiate ourselves from the competition.

“At our price point, people expect us to be on the cutting edge with respect to facilities, equipment, programs, and services. We’re convinced that, in order to continue being successful after 30 years, we absolutely have to innovate! This is where IHRSA comes in.

“We joined the association 30 years ago, and despite the long trip from Alaska, we’ve attended every IHRSA convention and trade show since—that’s 30 times—as well as many of its other events.

“Recently, while serving as the association’s chairperson, I spoke at both IHRSA 2015, in Los Angeles, and the ChinaFit/IHRSA China Management Forum, in Guangzhou, China. In October, I attended the IHRSA European Congress, in Marseille, France, and, this month, I’ll be attending IHRSA 2016 in Orlando with 15 or more members of our staff.

“It’s easy for club operators to stagnate when they’re insulated and pushing the same information around from day to day; that certainly could happen to us up here in Alaska. Once someone becomes an experienced operator, they also tend to settle for small incremental gains in their business from year to year. But being able to attend these conferences, to share information, to exchange new concepts and operating procedures, and to experience new and different cultures—all of that accelerates growth dramatically.

“IHRSA makes it possible to take big steps, and to make great leaps.” —

Editor’s Note: The preceding article is based on an interview that was conducted by Sergio Bernardelli for the November/December issue of *Fitness Business*, a Brazilian trade magazine published by Trama Comunicação. —