

## Newtown Athletic Club

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Jim Worthington believes that Newtown Athletic Club's (NAC) "Big Build" could almost double the club's gross revenue by 2014. In 2012, NAC boasted \$11.6 million in gross revenue. Worthington, the co-owner and president of NAC, has estimated gross revenue at the end of 2013 to reach \$15.5 million, and almost \$20 million by 2014.

The Big Build renovations to NAC have been part of a three-year process. However, Worthington has been slightly renovating the club since he began consulting its investors part time in 1980. By 1981, Worthington had become the full-time operating partner at then Newtown Racquet Club — but, he could see change coming.

Early in the fitness industry, racquet sports facilities were the staple of an athletic club. However, as aerobics, bodybuilding and other modern-day fitness pieces joined the puzzle, racquet sports slowly became less crucial to a club's success. Worthington took notice of these changes in the mid- to late-80s and decided to start renovating NAC.

Although minor changes have been constant over the years, NAC's most recent renovation has taken almost three years to complete and cost approximately \$8.5 million. The changes have involved the addition of a 41,000-square-foot sports training center and a four-acre family pool resort complex.

"Two years ago in February, we opened up our brand new 11,000-square-foot fitness center in conjunction with a redo of our 8,000-square-foot old fitness center that turned into a sports training center," explained Worthington. "During the recession, I made a conscious decision to expand our facilities and improve, because I thought the other operators in the area would continue to pull in the reigns and maybe not keep their clubs up as well, and we were always the high-priced provider. We just continued to expand and improve."

Over the last six years, Worthington said that NAC has spent upwards of \$16 million on improvements. "At the time, we were the only person in the area doing any construction or improvements," he said. "We went from 3,400 billing units to 5,000 billing units, which we have now, in a short two-year time period. We've got a waiting list now. People were willing to pay for a quality product, and we're the most expensive club in the Delaware Valley. But, the reality is, if you took our club and put it in another part of the country, we aren't that expensive."



An individual membership is \$121 a month, and a family membership is \$235 a month, which gives members full access to all of NAC's facilities. For the family, that's unlimited to all kids 21 years old and under. "It's not that it's expensive in terms of industry standards, but in this area it is the highest-priced club, and we haven't gotten any push back," said Worthington.

Marketing, headed by Linda Mitchell, and the sales department, headed by Amanda Konigsberg, have had a major influence in filling the 20-acre fitness complex. "They're tremendous, and we continue to get the message out," said Worthington. "Every week there is a bulletin going to the members [showcasing] the construction, with pictures and what it's been like. There is a huge model in the lobby, and a lot of excitement about what we are doing. People made a decision that this is a lifestyle choice, not a gym. People are thrilled with what we had to do."

In order to have the construction completed up to NAC's standards, Worthington decided to launch his own construction company, empowering Rick Apple as the president of NAC Construction. The construction company has performed millions of dollars in jobs, but the major contribution has been the \$3-\$4 million that it saved NAC in construction.

"We were in a little bit of an advantage over a typical operator," said Worthington. "I have two partners that aren't active in the operations of the club, but they're partners that are investors that were here prior to me. They were two of five guys that were originally involved. They stayed on and then I came on. These are guys — Peter Broms and Howard Berlin — they were very strong financially and very successful in the financial services industry. Early on, back in the 80s and 90s, we were able to do things that maybe the club couldn't support on its own financially, and these guys allowed me to pursue my vision."



In the last few years, when the economy was a struggle for many clubs, the financial support from Broms and Berlin, as well as many successful years for NAC in the late 90s, allowed NAC to pursue improvements while others boarded the windows in preparation of the storm. "They saw that every time I said I was going to pursue a different thing, whether it was a new expansion, or adding a swimming pool or second gymnasium, they knew I had a track record of being successful," said Worthington. "I never over-promised. We were able to get financing when nobody could get financing."

Additionally, about five years ago, Worthington and Berlin invested in a startup bank. "We were barely approving anybody under the regulations you needed to get money in these conditions," said Worthington. "But NAC was able to go out and borrow money and take advantage of the opportunity to grow. In a period when other people weren't buying a new treadmill, we were spending \$16 million."

In addition to the Big Build, NAC has started operating its own spa with consultation from The Atlantic Club. Worthington said that the spa has been a success story for NAC and, with the help of The Atlantic, NAC believes it can generate over \$2 million annually, in the spa alone.

"[The Atlantic] runs what I'd consider the top health club spa in the country," said Worthington. "Our spa will do well over a million dollars in gross [revenue] this year, and I think there is still tremendous upside because I've seen what The Atlantic has done. People come in and say, 'You're doing a million dollars, that's phenomenal.' I think we are only half way from where we are going to be. We've always networked with very smart individuals, from Rick Caro to Pat

Laus and Roger Ralph, to John McCarthy, and [are] always able to learn from them. Thank God, as time went on, we were able to share some of our successes. We had great relationships with very smart, successful people that would get together to share ideas or grow the industry.

"In the last 15 years, we've been able to do that with other clubs as well. It's all about this giving back thing, but we're constantly seeking out individuals that have done things differently, or better. I think this outdoor resort style pool that we're doing, not that it hasn't been done in a health club setting, but I believe the extent of what we're doing in this particular project, if it has been done, it has been done very few times. I'm not aware of anywhere that has done it the way we're doing it with all the facilities, with the adult-only pool, the zero-entry and the spray pool, the lazy river and the slide. It's pretty extensive. There are clubs that have certain elements of what we have, but I haven't seen anything to the magnitude of all the elements we're putting together, on top of it with the full-service restaurant and the liquor license."

For the resort-style pool setting, NAC spent in excess of \$800,000 just on furniture around the pool. "This is a really high-end project," said Worthington. "We literally have almost a quarter of a million dollars just in lounge chairs around the adult-only pool. We are getting a ton of interest from a lot of club owners throughout the U.S. to see how this works and what we are doing with it. Right now, our members have really stepped up and increased our membership significantly."

The spa will be the other game-changer. Worthington hired Hervie Lavoie several years ago to be the master architect and designer behind NAC's renovations. Part of that work was to redevelop the spa area that was hosted near the entrance of the club. "Three years ago, Hervie did a whole makeover of the upstairs part of the spa right in the front part of the lobby, where they do hair and nails, and then there is a downstairs where the massages are done," explained Worthington. "When you walk in, it's like a New York salon — high ceilings, painted, exposed metals, good music and so on. We went from three years ago at a \$400,000-a-year spa, to this year doing about \$1.2 million."

Worthington believes that NAC would do \$1.2 million without the assistance from Pat Laus and Kevin McHugh. However, after bringing on the two team members from The Atlantic Club, Worthington believes that NAC will do between \$1.5-\$2 million. "They have great systems and they've perfected the spa side of [the club]," said Worthington.

NAC is the first client for The Atlantic in a consulting role. "I'm glad they've taken us on as their first one," said Worthington. "They're good people, great operators and they've nailed it on the salon side."

The salon at NAC, otherwise known as Urban Allure Salon & Spa, is the club's largest profit center by far, according to Worthington. Personal training is also close to the spa in revenue, and has increased significantly since the addition of the sports training facility and teaming with Parisi Speed School. "We think we are going to get the personal training to \$2 million over the next year as well," said Worthington. He believes that increase is from the addition of Parisi, a fabulous marketing division and the addition of Amanda Konigsberg as the director of sales and marketing. At only 26 years old, Konigsberg came into NAC and developed strategic systems that Worthington believes set the standard for growth at the club.



"In 30-some years, I've probably had 10,000 people work for me, not at just this club, but a couple of other clubs, and

she may be one of the top two or three hires I've ever made," said Worthington. "I could make an argument that she's the best hire I've ever made, but I don't want to insult anyone. She's clearly one of the top two or three. Her, in conjunction with Linda Mitchell, whose been working for me for 32 years."

NAC has started utilizing Konigsberg in other areas, such as personal training and the spa area, to increase overall sales throughout the club. "She's only been involved [in personal training sales] for a month and we can already see the handwriting on the wall," said Worthington. "You can tell it's going to be unbelievably successful. The staff I have now at the NAC is by far the strongest I've ever had. It's not even close historically."

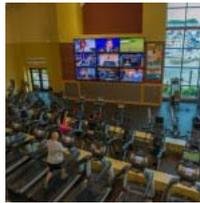
About a year and a half ago, after toying with different athletic training companies, NAC finally got involved with Parisi Speed School. According to Worthington, the partnership with Parisi will help the NAC personal training department approach \$2 million annually. "I got involved with them because it was already scripted — they had the marketing plan, the support, so on and so forth," explained Worthington. "And we built a good training facility downstairs with a turf area [of] about 2,500 square feet, and we also have this 10,000-square-foot event center that we're going to start training out of in September. Parisi, everything they had to offer and every benefit you get, is great."

However, Worthington explained that the club faced initial challenges. "We, as a club and a staff, did not utilize [Parisi] to the fullest," said Worthington. "We are revisiting it. Amanda is spearheading that with another marketing director, and that's a new initiative to our personal training. In this industry, you have to have the common sense to identify something if you're not doing it right. Whether it's personnel or otherwise, you have to make decisions. I think the biggest thing I've done over the years is I make decisions really quick. I don't labor over them."

Worthington said that the major problem was with the individual they had hired to operate the Parisi Speed School. He wasn't able to close sales and produce results that Worthington felt the speed school could produce. "It didn't mean he was someone we couldn't utilize in our system because we are — he's a better trainer and he's good in groups, he's just not a sales person," said Worthington. "We just hired a full-time Parisi guy to go out and network with the schools and utilize our marketing better. I think Parisi itself is great — we were the problem. But, we are going to reconcile that. They've got great systems — we did not utilize them to the fullest and it was clearly our mistake."

Worthington believes that Parisi will bring NAC \$30,000-\$40,000 a month in additional revenue. The pool renovation has allowed the club to increase its membership rates without a backlash from the members, and has become a full-service club for Newtown and the greater Philadelphia area.

It has been a long three to six years, but the renovations that began during the recession are finally starting to take shape. The membership has reached maximum capacity, forcing the club to create a waiting list. As the recession battled the past decade, it was unclear how the renovations of NAC might unfold. However, as the country emerges from the tunnel, the white light appears to be brighter than ever for NAC.



**By Tyler Montgomery**

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