

THE DENVER POST

Sunday, January 22, 2006



EAT TOO MANY SANDWICHES?

EX-QUIZNOS EXEC LAUNCHES FRANCHISE TACKLING THE WAISTLINE > BUSINESS, 1K



1. Eat a Quiznos
2. Gain a little?
3. Go work out

Will public swallow franchising leap from fast-food to fast-fitness chain?

By Kristi Arellano
Denver Post Staff Writer

After growing Quiznos from a single sandwich shop in Denver's Capitol Hill neighborhood into one of the fastest-rising stars of the fast-casual restaurant industry, a current executive and a former one from the toasted-sub chain are turning their franchising savvy to the workout arena.

Quiznos chief Rick Schaden is partnering with former Quiznos executive vice president Brooksy Smith to launch 1-2-3 Fit. The fledgling Denver chain of franchised fitness centers has grown to 13 locations now open nationally, including two metro-Denver centers.

The new company, headed by Smith, aims to follow Quiznos' pattern of rapid growth in becoming a nationwide

player in the U.S. health-club industry. In 2004 the industry had 41.3 million members and revenues of \$14.8 billion, according to the International Health, Racquet & Sportsclub Association.

To succeed, the company must stand out in what is quickly becoming a crowded market with a business model that one expert says is untested while at the same time convincing franchisees to pay about \$140,000 to open new stores.

1-2-3 Fit uses an express, or circuit, workout model in which members rotate through machines in a system meant to provide a full workout in 30 minutes. It charges \$29 a month for membership and doesn't require long-term contracts.

> See GYM on 8K



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Brooksy Smith, president of 1-2-3 Fit and former Quiznos executive

GYM: 1-2-3 Fit flexing its muscles

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Such express gyms are among the fastest-growing sectors as time-pressed people seek speedy workout options. They vaulted onto the scene a decade ago with the launch of Curves, a franchised chain of women-only centers.

Waco, Texas-based Curves began franchising in 1995 and today has more than 7,700 U.S. locations and nearly 1,400 in Canada and other countries. The company recently ranked fifth on Entrepreneur Magazine's list of the fastest-growing franchises (Quiznos ranked third) and has spawned followers including Contours Express and Liberty Fitness, for women, and The Blitz and Cuts Fitness, for men.

Single-sex gyms owe part of their success to members who don't have to worry about sweating in front of the opposite sex.

And 1-2-3 Fit's niche? It's attempting to capture the co-ed market.

Co-ed niche not tested

"The quick co-ed thing has not been tested before, so that remains to be seen," said Scott Smith, founder of The Blitz 20 Minute Total Fitness for Men of Apollo Beach, Fla. Smith, no relation to Brooks Smith, predicted the model could attract older couples who want to work out together.

But John Gennaro, founder and president of Cuts Fitness, said 1-2-3 Fit might face a challenge because men and women require different levels of resistance on their fitness equipment. That could add to the length of workouts.

"On a circuit, you don't have the time to change it between the systems," Gennaro said. His Clark, N.J.-based company recently began opening Cuts centers for women.

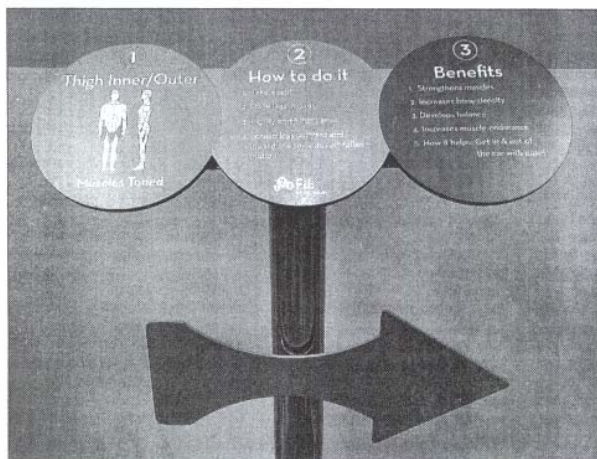
1-2-3 Fit will avoid a slow-down because it has worked with a fitness-equipment maker, Life Fitness, to design a line of proprietary fitness equipment, Brooks Smith said. The equipment relies on a push-button system to change machine resistance levels.

The machinery will help 1-2-3 Fit build a name for itself, much the way that toasting its subs helped Quiznos take on established sandwich giant Subway, Smith believes.

"I don't think the world needs another Curves," Smith said. "It would be a bad idea to go into the market if we were going to replicate something that is in place and working. If you have a better mousetrap, you can do it."

The first Denver-area 1-2-3 Fit opened last month in a Safeway-anchored shopping center at 64th Avenue and Ward Road in Arvada. A second location opened Jan. 6 at University Boulevard and Dry Creek Road in Littleton.

The company has seven more units in development in the state and likely will expand with a wider initial footprint than Quiznos because it doesn't need to worry about efficiently providing fresh food to its fran-



Each workout station at the 1-2-3 Fit center has exercise directions and an arrow pointing to the next station. The fledgling Denver chain has two centers in the metro area and 13 nationally. The new company intends to follow Quiznos' pattern of rapid growth in hopes of becoming a nationwide player.

Fitness firms

1-2-3 Fit, a Denver-based franchiser of express gyms, has some heavy lifting ahead to overtake industry leader Curves and others.

Curves
Target: Women
Headquarters: Waco, Texas
First franchise: 1995
Total locations: 9,128

Contours Express
Target: Women
Headquarters: Nicholasville, Ky.
First franchise: 1998
Total locations: 346

Cuts Fitness for Men
Target: Men
Headquarters: Clark, N.J.
First franchise: 2003
Total locations: 100

The Blitz
Target: Men
Headquarters: Gardner, Kan.
First franchise: 2002
Total locations: 60

Liberty Fitness
Target: Women
Headquarters: Austin, Texas
First franchise: 2002
Total locations: 51

1-2-3 Fit
Target: Co-ed
Headquarters: Denver
First franchise: 2005
Total locations: 13

Source: Entrepreneur.com, based on 2005 data

chisees, Smith said. In addition to the 13 franchise locations, it has sold another 32 franchise locations not yet open.

Smith, 38, spent seven years with Quiznos, starting as an area director in Houston and later becoming a franchisee. His jobs with the company included stints overseeing the fast-growing sandwich chain's human-resources and marketing departments. He had risen to executive vice president of restaurant

performance and customer experience when he struck out on his own two years ago.

An entrepreneur by nature, Smith "looked at everything I could franchise" before hitting on the circuit workout concept. He teamed with Schaden to launch the clubs and has hired Dan Demolli, an early Quiznos franchisee and former director of brand development for Quiznos in Canada, as Colorado area director.

Express centers, typically just a few thousand square feet and located in neighborhood retail centers, tend to attract people who might be intimidated by traditional health clubs like Bally's or 24 Hour Fitness, said Rick Caro, president of Management Vision Inc., a New York City-based consultant to the health-club and fitness industry.

"Hopefully they are going to increase the volume of exercisers and therefore not compete for people who are already exercising," Caro said.

Uses Quiznos' contacts

To appeal to this gym-averse population, 1-2-3 Fit doesn't have mirror-lined walls, and it contracted an artist to redraw instructional signs on its equipment to show body types more representative of its target audience.

"You're not going to see the typical drawings of the shirtless guy and the girl in the G-string," he said.

Smith and Schaden launched 1-2-3 Fit last year by acquiring nine Healthy Exercise locations in California, Washington, Missouri and Florida. They teamed with fitness-industry veteran Ray Wilson to create and refine the 1-2-3 Fit concept.

While the company operates independently of Quiznos, it is tapping into the toasted-sub chain's network of real estate and contractor contacts to fuel its growth, Smith said. It also has modeled its franchise sales and development system after Quiznos.

The company employs nine at its corporate headquarters in Denver's historic Larimer Square. While Schaden is backing the company financially, his role at 1-2-3 Fit is largely advisory, Smith said.

"Rick is my partner and closest adviser," Smith said. "We

talk regularly, but he is not involved in the day-to-day operations."

For his part, Schaden saw 1-2-3 Fit as an opportunity to back his friend in an entrepreneurial venture, he said in an e-mail statement to The Denver Post.

"I'm a serial entrepreneur and a believer and supporter of big, bold ideas. And I think 1-2-3 Fit is a big, bold idea," Schaden said, referring to Smith as "a dear friend."

"When he got the itch to do something on his own, and studied the fitness market, he saw a clear hole in the fitness market. He proved to me that there is a huge gap between traditional clubs like Bally's and the newer concept of Curves. So it just made good business sense to provide financial support to help to launch this new big idea."

The company is selling franchises for \$15,000 for the first location and \$10,000 for additional units. Smith said the overall investment in a 1-2-3 Fit location is about \$140,000 — about half of which can be financed.

Craig and Lynn Huyett were considering purchasing a Quiznos franchise when they learned about 1-2-3 Fit. Craig, a personal trainer, said the concept seemed like a better fit, and the Broomfield couple opened their Arvada center just in time to pick up business from customers making New Year's resolutions.

In less than a month after opening, the club had signed 100 members. Smith estimates that each club needs 700 to 1,000 members to be successful.

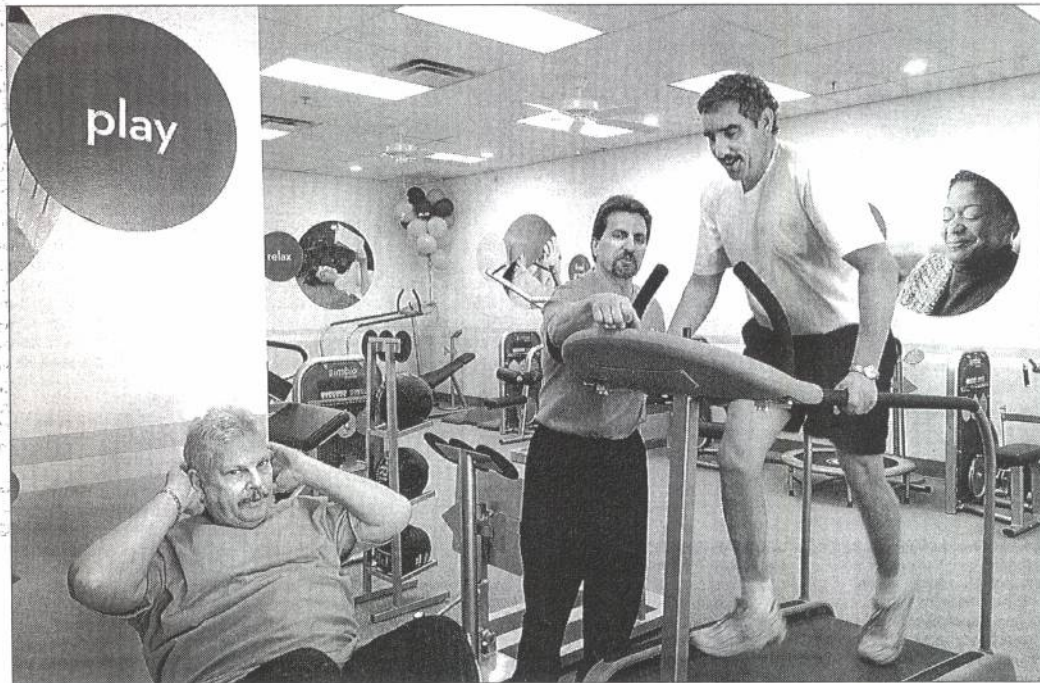
1-2-3 Fit also has attracted existing Quiznos franchisees, such as Clinton Rivard, who opened the Littleton center. Rivard has been a Quiznos franchisee since 1989, at one time owning three Quiznos. He sold his final location to open a 1-2-3 Fit.

"Being in the sandwich business — in the food business itself — it became obvious to me that people needed to work out more," said Rivard, who owns the fitness center with his wife, Christine. "It really hit a target for me."

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Clinton Rivard, former Quiznos franchise owner who now owns a 1-2-3 Fit franchise with his wife, Christine.



Photos by Jerry Cleveland | The Denver Post

1-2-3 Fit franchise owner Craig Huyett, center, works with client Larry O'Connor, right, as Randy Mount does sit-ups earlier this month in the new circuit fitness center at 12650 W. 64th Ave. in Arvada. It opened last month in a shopping center.