

STAYING FIT WITH PI-YO: THE BAYFIELD PILATES CONNECTION ADDS PI-YO CLASSES

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Elaine Labach was reflecting on a very exciting weekend. Labach had just completed her Pi-Yo certification course and was contemplating how she could bring the Pilates-yoga combination to her Pilates studio, Bayfield Pilates Connection (BPC), located in Bayfield, Colorado. She wanted to start her Pi-Yo classes in June and she knew she had to develop a new marketing plan. She knew she had to make these marketing decisions soon.

Bayfield Pilates Connection Overview

Elaine Labach was first introduced to Pilates through a friend in summer of 2012. She was inspired by the fitness levels of Pilates practitioners. Labach was drawn to Pilates because of its unique capacity to help clients safely build strength and flexibility while simultaneously increasing awareness of the mind-body-spirit. Business-minded by nature, she was also impressed with the business outlook for the industry. The U.S. Pilates and Yoga Industry was in a growth stage with competition at moderate levels. It was projected that from 2016 to 2021, industry revenue would increase at an average annual rate of 4.2% (IBISWorld). Further, recent improvements in economic conditions and per capita disposable income were expected to continue. The industry would benefit from rising demand from the baby-boomer generation. With these opportunities in mind, Labach decided to open her own Pilates studio.

In 2013, Labach opened the doors to her new business, Bayfield Pilates Connection (BPC), in Bayfield, Colorado where she lived. Her goal was to help clients gain self-confidence and achieve noticeable results from their workouts in a dance studio inspired environment. Initially, she rented space in a strip mall and offered lunch and evening Pilates classes. She also conducted private sessions several times a week – in the mornings for non-working moms and in the evenings. Gradually, she added a part-time yoga instructor and yoga classes. Although yoga classes accommodated customer demand, they required greater attention to scheduling the facility, since only one class could be offered at a time. With the addition of the yoga classes and the growth in customers, BPC quickly outgrew its rented studio space. In March 2014, Labach purchased a new, larger studio two miles away and renamed it Bayfield Wellness Connection (BWC) to reflect the addition of yoga classes. Upon purchasing the new facility, Labach received an additional \$40,000 funding from a local lender to cover her start-up costs at her new location. Conservatively, Labach estimated that her new studio would net an annual profit of \$20,000 the first year, and steadily increase every year. She planned to repay the start-up financing within five years.

Bayfield Pilates Classes and Services

BWC strove to increase physical strength, flexibility and conditioning, as well as to give students a sense of wellness as they learned to celebrate their bodies. Having completed a 500-hour classical Pilates trainer course, Labach was certified by the Pilates Method Alliance and was the sole Pilates instructor. She offered classical Pilates mat and equipment sessions and classes. A typical Pilates class included 10-15 students. In addition to classes, BWC offered private sessions where up to three clients could work with the instructor. Studio equipment included three reformers, four tower systems, three Wunda chairs and one Cadillac. (See Exhibit 1.)

Exhibit 1. Pilates Equipment

Source: Bayfield Pilates Connection website



The Cadillac



The Towers



The Reformer



The Wunda Chair

Note: A reformer was one of the most popular pieces of Pilates equipment and consisted of a platform that moved back and forth along a carriage, with resistance provided by body weight and springs. The tower system consisted of two metal poles that had a variety of springs and a wooden bar. The Cadillac included a single four-poster bed with springs, wooden bars, and hanging trapezes, which were used to work out the entire body against various spring tensions and positions, and the Wunda chair was a traditional piece of equipment, also known as the Pilates chair, or a box with one side that acted like a large pedal.

The classical Pilates equipment classes offered unique and customized fitness activity with five levels of progression; each level built on the skills mastered in the previous level. Clients progressed at their own speed and would advance to the next level when they felt comfortable and confident that they had mastered the previous level's strength, skill, and coordination requirements. Levels became increasingly difficult as clients progressed, demanding greater strength and flexibility in order to master the series of poses in each level. For someone in good physical condition, it took 6-9 months on average to master each level.

A typical equipment class was one hour in length and built on skills needed to master a specific level. The class began with a five- to ten-minute warm-up, which promoted breathing and footwork, followed by exercises designed to engage the body's core muscle groups. The warm-up exercises incorporated breathing and footwork to encourage clients to connect with their bodies and feel more confident in the equipment. Classes incorporated classical Pilates flow, or a series of movements that were linked together in a routine using the equipment. Restorative yoga classes were taught by a part-time instructor. Restorative yoga involved gentle movement for extended periods of time and focused on centering the breath and the body. Three

additional types of yoga classes were offered: a “Yoga Basic Class” for beginners; a “Yoga for All Class” for students at all levels; and a “Yoga Intensive Class” for experienced practitioners. Although class size varied each week, the studio could fit 15 students; average class size was 10.

The larger studio Labach purchased in 2014 allowed for flexibility in adding different classes and accommodating customer demand. The décor was spacious and comfortable with soft lighting to enhance a student’s ability to feel calm and focused while in class. The studio also offered full-height mirrors, changing area/restrooms, and a small lounge. (See Exhibit 2). BWC’s new studio could accommodate up to four clients per equipment class and up to fifteen for mat classes (Pilates and yoga). The equipment class size was capped by the available equipment. Equipment classes were offered at \$30 while mat classes were offered at \$10 each. Additional discounts were available. (See Exhibit 3.) Clients could enroll in any class online, by phone or in person.

Exhibit 2. Studio Layout

Source: Bayfield Pilates Connection

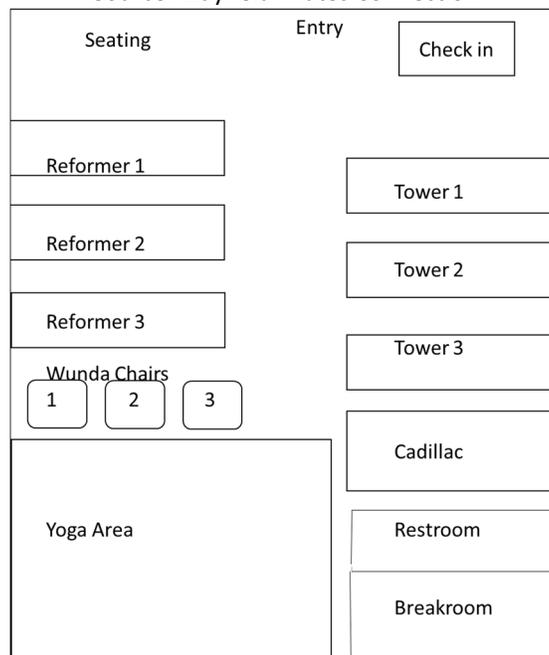


Exhibit 3. BWC Pricing

Source: Bayfield Pilates Connection

New Client Specials		
30 min Pilates Private Intro		\$30
Pilates Sampler (6 classes, each 1 hour)	2 privates, 2 equipment, 2 mats	\$200
Yoga Classes		
1 Class		\$12
10 Classes	(seniors, students, teachers)	\$60
10 Classes		\$80
Yoga Intensive		\$15
Pilates a la Carte		
Private Session	1 private sessions	\$75
	5 private sessions	\$350 (save \$25)
Semi-private Session	2 persons	\$35
	3 persons	\$30
Pilates Equipment Classes		
1 Class		\$30
5 Classes		\$125 (save \$25)
10 Classes		\$250 (save \$60)
10+1 Private		\$315 (save \$60)
Pilates Mat Classes		
1 Class		\$12
5 Classes		\$50 (save \$10)
10 Classes		\$100 (save \$20)
10+1 Private		\$165 (save \$30)
Pilates Monthly Membership		
	Pay a set amount monthly with auto-pay convenience and receive \$65 private rate.	
4 Mat Class		\$38 (save \$10/mo.)
4 Equipment Classes		\$110 (save \$10/mo.)
4 Mat + 4 Equipment		\$158 (save \$10/mo.)
Exchanges gladly; no refunds. Payment required on non-emergency cancellations less than 24 hours.		

Bayfield Pilates Connection's Target Market

Prior to the addition of yoga classes and the studio's relocation, Labach had been providing instruction to 40 clients. With the addition of yoga clients and the studio's relocation, the BWC grew to approximately 75 clients. Twenty of the 75 clients were students currently enrolled in a variety of Pilates equipment classes that ranged from level 1 to level 5 and the remaining clients were enrolled in the various yoga classes. Approximately 75 percent of BWC revenue came from private lessons on Pilates equipment.

Upon opening her first studio, Labach identified her target market as women between the ages of 25 and 65, but soon learned that the demographics for yoga classes were somewhat different from those for Pilates. Although both were predominately female and interested in holistic approaches to fitness, the yoga demographic tended to be larger; Labach thought this was because there was no equipment version of yoga and mat classes were relatively inexpensive. Labach also surmised another difference in demographics and stated, *“It seems that yoga clients were primarily interested in managing stress while Pilates clients were interested in working out specific muscle groups”* (Labach, personal communication 2014).

According to data from the Yoga Alliance, the vast majority - 72.0% - of yoga practitioners in the U.S. was female (Yoga Alliance 2016). Although women were still the predominant gender among yoga practitioners, the gender division had decreased from 2012 when women accounted for 82.2% of yoga practitioners. The narrowing divide was largely due to efforts among yoga and Pilates studios to diversify their offerings to attract male clientele (Gregoire 2013).

In 2016, individuals aged 18 to 34 were expected to comprise the largest share of Pilates and yoga revenue, with 48.9% (Yoga Industry Snapshot 2016). Individuals aged 35 to 54 were anticipated to be the second-largest source of industry revenue, contributing 32%. However, this segment might account for an even greater share of yoga participants, since approximately 60% of yoga participants were aged 35 and over. Lastly, individuals aged 55 and older were expected to account for 19.1% of Pilates and yoga revenue (Yoga Industry Snapshot 2016).

BYPC’s clients ranged in age from 18 to 60 years old, although the majority of clients were women in their mid-40’s to early 50’s. BWC’s students started equipment classes for a variety of reasons, from weight loss to increased fitness levels to preventing injuries and forming new friendships. Among the students at BWC, there was no typical starting fitness level. Some women had been active and fit their entire lives, whereas other were just starting their fitness journey. The progressive equipment program allowed all students to feel comfortable,

confident, and challenged in their workouts while maintaining a sense of community in the class. The majority of BWC's students lived in Bayfield.

A New Fitness Opportunity: Pi-Yo

Elaine Labach was concerned that her students believed that BWC did not offer the opportunity to help them progress and for this reason would drop out of BWC fitness classes. She saw this trend as an opportunity to introduce yoga as a complement to BWC's equipment and mat classes. Pi-Yo was a total-body fitness system designed to work the entire body by combining the practices of Pilates and yoga, created by Chalene Johnson, the founder of the Turbo Kick system (Andricks n.d.). Labach believed that a Pi-Yo program could be tailored to focus on building upper body and core strength as well as enhancing meditation, confidence, and focus. The increased strength, flexibility, and focus would allow students to build the necessary strength to progress further along the equipment program and feel more confident when attempting difficult positions. Additionally, Labach hoped that the program would bring in new business and help decrease attrition.

Classes

Labach's vision for the BWC yoga program was to build on the atmosphere she had created with the Pilates equipment and mat classes. Initially, she planned to offer a free class to introduce the program into the studio. Labach was uncertain whether she should create a progressive yoga and Pi-Yo class to mimic the progression experience with the equipment levels or whether one common Pi-Yo class would be sufficient. She anticipated the majority of clients who joined the Pi-Yo classes would have reached at least level 2 in the equipment classes, but the fitness range of the interested students could vary widely. Labach wanted to ensure her new program provided maximum results for all clients.

Costs and Pricing

The BWC studio could accommodate ten clients for Pi-Yo in each class. Additional accessory equipment would need to be purchased to include a compressible ball, and a theraban.⁴ Labach estimated these costs would total \$50 per mat space, or \$500 total. Labach would use her current part-time employee who was certified in yoga to teach some of the classes. Labach paid \$1500 a month for all overhead costs (rent, insurance, utilities, etc.) and did not expect these to change if she added Pi-Yo classes.

Labach struggled with how to price the new Pi-Yo class. She wanted the price to be comparable to the current equipment and mat classes but was uncertain of the appropriate price point. Labach recognized that, initially, the majority of her Pi-Yo clients could be Pilates equipment clients, so she wanted to ensure that the price for the Pi-Yo classes was affordable for these students.

Market and Competition

There were three other businesses in the Bayfield area that offered Pilates and yoga instruction. BPC's primary competitors were Komasta Pilates and Momentum Fitness, both of which had good reputations for mat Pilates and different type of fitness offerings. Although neither offered Pilates equipment or Pi-Yo classes, Momentum Fitness was large, with several locations and it could fund more expensive promotional campaigns (yoga classes were offered at \$10 each). Komasta Pilates offered professional dance and Pilates mat classes at \$10 each. The library in Bayfield also offered weekly yoga classes on a donation basis. None of the competitors in Bayfield offered a progressive program where either Pilates or yoga was offered in levels.

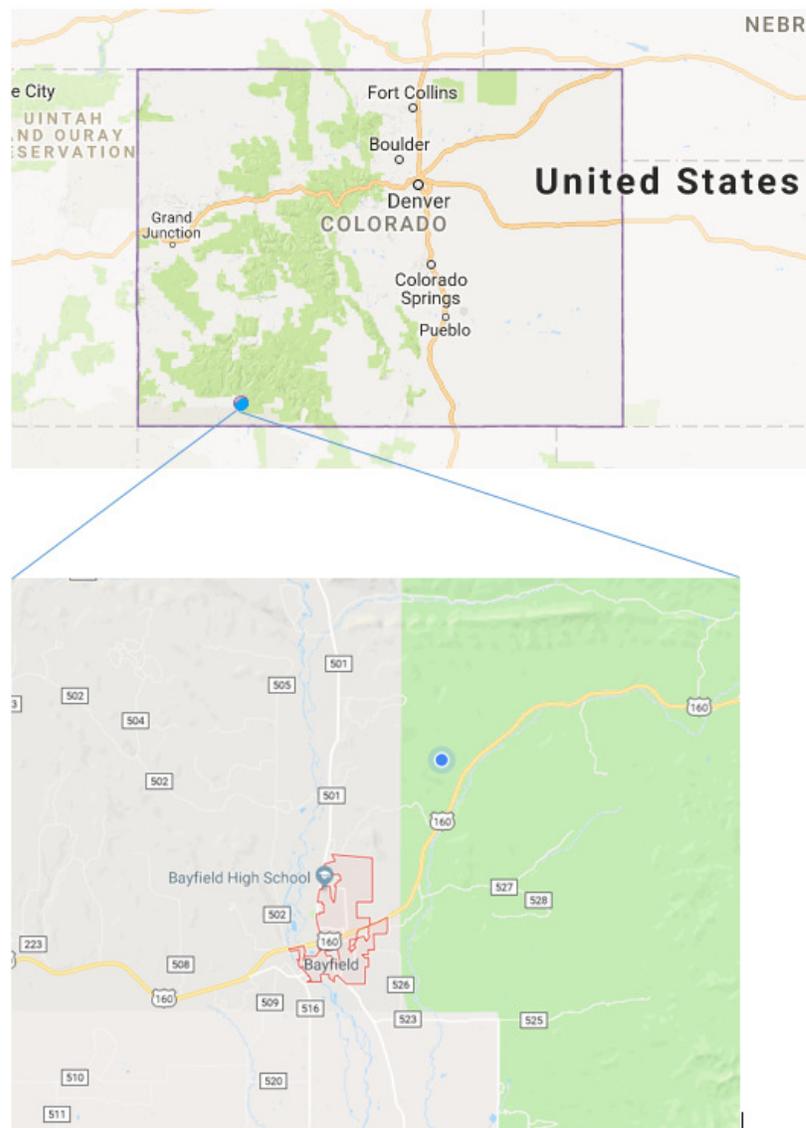
⁴ A theraband was a latex band or tube used to provide resistance for low-impact strength workouts.

The Bayfield Market

Labach's new location was in the heart of Bayfield and offered convenient access right off of a busy county road. Bayfield, Colorado was in La Plata County. Although Bayfield itself had a population of just 2,478, the population of a seven-mile radius of the rural city was approximately 8,779. This area ("Greater Bayfield") included communities such as Gem Village, Forest Lakes (a large rural subdivision) and the Vallecito Lake community (Exhibit 4).

Exhibit 4. Map of the Greater Bayfield Area

Source: mapquest.com



La Plata County had a population of 53,182 according to 2015 U.S. Census estimates. The median age of the Greater Bayfield Area was higher than that of the city of Bayfield, La Plata County, and the state of Colorado (Exhibit 5).

Exhibit 5. 2015 Population by Age Estimates

Source: U.S. Census

	Bayfield, CO		Greater Bayfield Area		La Plata County		Colorado	
		% of Total		% of Total		% of Total		% of Total
Age Under 20 Years	790	31.9%	2,037	23.2%	12,498	23.5%	1,383,073	26.2%
Age 20-34 Years	567	22.9%	1,212	13.8%	11,062	20.8%	1,161,359	22.0%
Age 35-44 Years	305	12.3%	1,212	13.8%	6,807	12.8%	717,931	13.6%
Age 45-54 Years	300	12.1%	1,449	16.5%	7,392	13.9%	717,931	13.6%
Age 55-64 Years	357	14.4%	1,607	18.3%	8,243	15.5%	654,584	12.4%
Age 65 Years and Older	156	6.3%	1,273	14.5%	7,233	13.6%	649,305	12.3%
Total Population	2,478	100.0%	8,779	100.0%	53,182	100.0%	5,278,906	100.0%
Median Age	32.2		44.1		38.8		36.3	

Labach noted that based on average daily travel counts at all of Bayfield's key intersections, 2010 daily traffic counts were up an average of 20% compared to 2006. This was consistent with population growth. The population of Bayfield increased 18% between 2010 and 2015 according to U.S. Census estimates. The population of the entire Greater Bayfield area and La Plata County grew at much more modest rates of 5% and 6%, respectively. Moderate population growth was expected to continue through 2035 for Bayfield, Greater Bayfield, and La Plata County. The 2015 median income for the Greater Bayfield area was \$32,398 compared to that of La Plata County (\$31,822) and Colorado (\$32,217).

Many of the Greater Bayfield area residents were seasonal, with a second home typically for summer-time retreats. The Greater Bayfield area was also popular for relocation (Exhibit 6). Many of those full-time Greater Bayfield residents who were working commuted to surrounding areas (Exhibit 7).

Exhibit 6. 2014 Migration Data

Source: U.S. Census

	Greater Bayfield Area			La Plata County, Colorado			Colorado		
	Total Population	% of Population	% of Those in Different House 1 Year Ago	Total Population	% of Population	% of Those in Different House 1 Year Ago	Total Population	% of Population	% of Those in Different House 1 Year Ago
Total:	8,658			52,452			5,214,280		
Same House 1 Year Ago	7,380	85%		41,361	79%		4,214,564	81%	
Different House in U.S. 1 Year Ago	1,272	15%		10,967	21%		964,277	18%	
Different House 1 Year Ago - Same City	72	1%	6%	2,397	5%	22%	323,473	6%	34%
Different House 1 Year Ago - Same County, Different City	617	7%	49%	3,565	7%	33%	175,109	3%	18%
Different House 1 Year Ago - Different County, Same State	111	1%	9%	1,388	3%	13%	254,901	5%	26%
Different House 1 Year Ago - Different State - Northeast	2	0%	0%	204	0%	2%	19,125	0%	2%
Different House 1 Year Ago - Different State - Midwest	130	2%	10%	541	1%	5%	46,967	1%	5%
Different House 1 Year Ago - Different State - South	196	2%	15%	1,040	2%	9%	71,233	1%	7%
Different House 1 Year Ago - Different State - West	144	2%	11%	1,832	3%	17%	73,469	1%	8%
Abroad 1 Year Ago	6	0%	0%	124	0%	1%	35,439	1%	4%

Exhibit 7. 2015 Workplace Commute Times

Source: U.S. Census

	Greater Bayfield		La Plata County, Colorado		Colorado	
	Total	% of Workforce	Total	% of Workforce	Total	% of Workforce
Total Workforce:	4,261		25,581		2,432,720	
<15 minutes	697	16.4%	9,407	36.8%	670,660	27.6%
15 - 19 minutes	667	15.7%	4,622	18.1%	388,235	16.0%
20 - 34 minutes	2,093	49.1%	8,429	33.0%	868,054	35.7%
35 - 59 minutes	472	11.1%	1,980	7.7%	341,730	14.0%
>60 minutes	332	7.8%	1,143	4.5%	164,041	6.7%

Labach felt that the introduction of Pi-Yo and the development of a marketing plan for the program was a good opportunity to refine her target markets. She wanted to include women between the ages of 25 and 65, especially recently divorced and new move-ins to the Bayfield area. According to 2015 U.S. Census estimates, there were 534 women ages 25-65 who were divorced, separated, or widowed residing in the Greater Bayfield area (US Census 2015). Elaine also wanted to include those involved with other sports/athletics, those who wanted to lose a few pounds, those trying to get back to their pre-baby size, and senior citizens. Data from the U.S. Census estimated that there were 100 women ages 15-50 who gave birth in 2014. Data

retrieved from Business Decision database estimates that households in Greater Bayfield spent on average \$96.16 for recreation lessons in 2015 and spent a total of \$978,437 for recreation lessons in 2015 (Synergos Technologies 2015). The average amount spent per household on membership fees for social, recreation, and civic clubs was an estimated \$160.78 for a total of \$1.6 million for the region.

Marketing Strategy

Labach knew that Pi-Yo would be a great benefit to her current Pilates clients, but the classes would also be an opportunity for marketing growth strategies to bring new students into the studio who might also want to try Pilates or yoga classes. She had to consider how she could segment the marketplace, which segments she would target and in what order, and how she should position the new Pi-Yo classes. Labach could cross-market the Pi-Yo classes as a complement to the current Pilates or yoga program or promote Pi-Yo as a new fitness class that stood on its own, with the intent of attracting new clients to BWC. Both positioning alternatives - attracting new clients and cross marketing to existing clients – presented challenges. Labach’s ultimate goal was to offer Pilates and Pi-Yo classes as complements to one another.

Labach knew that her promotional strategy for the Pi-Yo classes would be critical to its success. The challenge would be two-fold: first, she had to both sell and educate potential clients on what Pi-Yo was and why it would be beneficial to them; second, she had to attract others to her Pi-Yo classes to build enrollment.

Historically, Labach had tried marketing her Pilates classes in the local newspaper. She found print advertising ineffective for her Pilates classes but wondered whether it would be effective for Pi-Yo. She also relied on her website name via Google search that would ensure Bayfield Pilates would be a top search result for potential clients searching for Pilates classes in Bayfield.

Labach also set up a Facebook page and began marketing via social media. Facebook had over one billion users and was used as a networking strategy to build brand exposure. At first, she ran a contest to get enough Likes to run Google analytics. She soon realized that “likes” were not engagement, because many people who initially liked her Facebook page never returned. She started posting weekly content that related to the principle and proper positioning of Pilates as well as asking simple questions to encourage participation. She used paid advertising to promote various content to monitor its effect on visits. She limited her direct sales approach on Facebook to once a month where she would post new services or news coverage or awards. (Costs for selected advertising are shown in Exhibit 8.)

Exhibit 8. Select Advertising Costs

Advertising Medium	Cost
Print Advertising: <i>Pine River Times</i>	\$300 for 1/8 page ad; 6 spots
Facebook Ads	\$5-10 per ad
Direct Mail flyers (100)	\$150

Labach also was considering “teaser” classes for beginning Pilates students who could explore level 1 classes without a long-term commitment. Introductory classes would only be 30 minutes long, offered during lunchtime, and be half the price of a regular equipment class.

As a way to spark interest with her current clients, Labach considered offering sample Pi-Yo classes as part of her current Pilates mat classes. She wondered if she could also offer discounted class fees at select, non-popular class times. Labach’s promotional budget and time was limited, and she wanted to tailor her advertising plan to maximize BPC’s reach to those clients who would value non-traditional exercise.

Decision Time

Labach had many decisions to make in a very short period. She had to develop marketing growth strategies. She had to segment the marketplace, which segments she would target and in what order, and how she should position the new Pi-Yo classes. She had to select an appropriate price point and a promotional strategy to ensure success of the Pi-Yo program. Once clients started the Pi-Yo classes, Labach knew the results of the program would speak for themselves; however, she needed a strategic marketing plan to maximize her potential to fill the classes.



Elaine Labach is an Associate Professor of Management and the Associate Dean in the School of Business Administration at Fort Lewis College. She joined the college in 2008. Dr. Labach has led students on Study Abroad programs to Spain and Costa Rica. Prior to joining Fort Lewis, Dr. Labach has had a previous career in the insurance and pharmaceutical industries, working for Eli Lilly and Company, Progressive Insurance and Cardinal Health in operations and sales management. Dr. Labach is ex-officio President of the Western Casewriters Association.



Simon Walls is an Associate Professor of Marketing in the School of Business Administration at Fort Lewis College. His interests center on consumer information processing and psychology of the consumer-firm bond within the relationship marketing paradigm. Dr. Walls' teaching lends itself to street-smart, hands-on, practical marketing strategies, marketing research, and implementation of strategic marketing plans that engage profitable, long-term, mutually beneficial, meaningful relationships for both the consumer and the firm. He has owned and operated several small businesses, including a marketing and business consulting firm. Dr. Walls was born and raised in London, England, and has lived in South Africa. He has been a professor in residence at numerous foreign institutions, including E.T.E.A. in Spain, Universidad Libre de Costa Rica (ULICORI) and Groupe Sup de Co. in France. Dr. Walls is the past recipient of the American Marketing Association Golden Apple Award for Teaching Excellence and a member of several professional marketing associations.



Mika Kusar is an Associate Professor of Management in the School of Business at Fort Lewis College in Durango, Colorado. Dr. Kusar's empirical research examines how organizations develop new capabilities and adapt existing capabilities to address changing market conditions. In particular, her research examines how a firm's previous strategies and experiences affect its ability to develop new capabilities and adapt existing capabilities. More recently, she has leveraged her professional engagements with local businesses to produce case studies to benefit her students. Her case research has been published in the *Journal of Case Studies*. Dr. Kusar received her Ph.D. in Management from Georgia State University, her Master of Healthcare Administration from University of North Carolina at Chapel Hill, and her Bachelor of Arts in Economics from the University of Arkansas.

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