

Value Proposition **HydroMassage**

It took 18 years for this company to discover the health club industry, but the long wait has paid off handsomely for all involved

Paul Lunter, the founder and president of JTL Enterprises, the manufacturer of HydroMassage water massage beds, possesses an impressive set of business credentials.

In an earlier life, he was the CEO of Digital Chainsaw, a Website development and hosting company, which he grew from two to more than 100 employees in less than five years. And one of the things he's learned is that, sometimes, slow and steady is the surest path to success.

HydroMassage, based in Clearwater, Florida, made its debut in 1989 and, over the years, achieved major strides in a number of large markets, including medical, chiropractic, and physical therapy. However, Lunter and his team made a point of keeping their corporate focus *narrow*—and for good reason.

“Each year, we’ve been faced with an interesting challenge—that of having *too many* applications where HydroMassage could work,” he explains. “They range from spas, tanning salons, and country clubs, to cruise ships, large corporations, and professional sports teams, to kiosks in shopping malls. But our objective has always been to put HydroMassage in markets where we can have the greatest impact.

“That seemed more efficient to us than employing a scattershot approach.”

Finally, in 2007, the company’s ongoing search for and analysis of promising possibilities led it to the health and fitness club business.

Lunter recognized that, at the time, competition was exerting downward pressure on club dues, prompting some operators to look for new profit centers, particularly ones that would permit them to sell more premium-package upgrades.

He realized, though, that modifications would be required to allow HydroMassage to succeed in this new venue. “We knew we couldn’t simply market to clubs and magically grow our sales,” he says. “We had some work to do.”

Massaging the offering

The changes involved both the way that the HydroMassage bed was built and how it was marketed. The unit’s infrastructure was beefed up to



CEO Paul Lunter

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Making Global Moves

Having made a significant impact in the U.S. club market, HydroMassage is now exploring the possibility of expansion in Europe and Latin America. “We’ve recently acquired several new European distributors, who are beginning to gain traction; and we’ve had expressions of interest from a few large club chains in South America, where the market has been rapidly expanding, overall,” notes Paul Lunter, the founder and CEO of HydroMassage.

“Right now,” he continues, “global sales represent about 10% of our business, but they’ll continue to be a focus for the company for the next two to three years.”

To that end, HydroMassage recently hired John Sweeney, the former director of Eastern Regional Sales at Star Trac, to serve as its vice president of commercial sales. “John is an industry veteran with an 18-year track record of success at Star Trac,” says Lunter. “We’re really pleased to have him on board. And he’s already beginning to produce positive results.” —

accommodate nearly constant use by club members (up to 14 hours a day); a new waterproof cover sheet that could easily be wiped down by members was added; and new proprietary software was created that allowed staff to manage the beds from the front desk, and members to access them during unstaffed hours.

Initially, penetration was low, in part because clubs tended to purchase a single unit, which they positioned in a private room or in one corner of the fitness floor, but then neglected to promote. So HydroMassage worked with its clients to increase utilization, sharing proprietary data to add muscle to its marketing message.

The company was able to demonstrate that more units per club produced a sharp uptick in member usage. For example, clubs with one bed were providing approximately 1,000 massages per month, but, by upgrading to two beds, its usage rates tripled, to a total of 2,800 to 3,500 massages per month.

“When there was just one empty bed in a corner of the club, members were either unaware of it, or, not wanting to be the only person using it, were reluctant to give it a try,” says Lunter. “Once they saw two to three beds in use, with people waiting in line, they wanted to check things out for themselves. They quickly began to use HydroMassage regularly pre- or post-workout.

“Today, we’re seeing more and more clubs developing HydroMassage Zones that feature multiple units.”

A typical Zone consists of two to four beds, a small waiting area, and a few spa-like elements, such as muted colors, plants, wall sconces, and other cues. “It makes the space more attractive and generates greater interest.”

Mastering the market

It may have taken HydroMassage a while to get around to health clubs, but “slow and steady” has paid off impressively. The sector is now the



A HydroMassage Zone drives member interest

company’s No. 1 market—largely due to an increase in the average number of units installed per location.

Market penetration, once modest, is now robust. HydroMassage beds are being utilized by many of the largest U.S.-based club chains. And the pace seems to be picking up. In 2012, HydroMassage enjoyed its best year to date, with unit sales skyrocketing by 165%.

“As we’ve made inroads into the vertical club market, we’ve seen HydroMassage become something much more than a simple amenity,” notes Lunter. “For example, our figures show that clubs that have added HydroMassage to their premium-package offering have seen an 8% to 12% increase in sales. When sold as a stand-alone package, HydroMassage is often priced at \$9.95 to \$14.95 per month; in that case, the break-even point comes at less than 50 packages sold.

“HydroMassage is more than just a massage bed,” he concludes. “It’s a valuable marketing aid, a closing tool, and, importantly, a profit center.” —

— Jon Feld, jfeld@inc.com

Hydromassage Pro Forma

Year founded:
1989

Location:
Clearwater, Florida

Growth in units shipped:
2010-11: **up 14%**
2011-12: **up 165%**
2012-13 (YTD, August 2013): **up 44%**

Employees: **32**