

Bold Business Moves: An Interview With The CEO Who Just Acquired One Of The Most Iconic Brands In Fitness, During A Pandemic

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WEST ISLIP, NEW YORK - MAY 13: The Weight Room remains empty at Gold's Gym Islip on May 13, 2020 in ... [+]

In a year filled with devastating health and economic events, few people can relate to the turbulent and sudden business challenges brought on by the pandemic than those who work in the restaurants, travel, services, and fitness industries.

These employees and executives all found themselves in a world of uncertainty at the height of global quarantines and lockdowns, not knowing if or when their business would open. Depending on where you are reading this from right now, businesses in your area may still not be back to normal

Rainer Schaller is one of those executives in the fitness industry who found himself thinking deeply about what changes and opportunities were emerging from all the uncertainty.

Schaller is the CEO of RSG Group, a gym and fitness lifestyle company with more than a dozen brands under its umbrella, who recently made headlines as his company just acquired Gold's Gym, one of the most notable names in the fitness market.

I had the opportunity to catch up with Rainer in his first US media interview since the acquisition.

We covered a wide-ranging set of topics, including where the fitness industry is heading, how they acquired Gold's Gym, and how business executives should be thinking about decisions during times of extreme uncertainty.

Here is the interview I had with Rainer. Some of the responses have been edited for brevity and clarity.

Mark Hall: Can you provide me and the readers with a really brief summary of what RSG Group does and how long you've been in business?



Rainer Schaller
RSG Group GmbH

Rainer Schaller: Beginning at 15 years old, fitness became my passion. Back then, my friends and I bought a book written by Arnold Schwarzenegger. For us, it truly was “The Bible” because it taught us how to train so we could look like our idol one day. This book

guided how we started working out during the day and then we would sleep with the book under our pillows at night.

At the same time, I began my career as a retail salesman and some years later took on a franchise from the German supermarket chain, Edeka. After working as a franchisee for a couple of years, I decided it wasn't enough for me anymore. I needed to include my deep desire for fitness into my daily business and life. From then on, I focused on finding a way to switch industries and enter into the fitness market.

In 1997 I was ready and my first gym opened up in Würzburg, Germany: McFIT was born. In contrast to the wellness trends that predominated at the time, I adapted the discount principle, which was growing in the food market at that time, to the fitness industry. Over the past 23 years, my team and I have succeeded in turning the once "open-to-all gym" into a worldwide operating business and built up almost 20 brands covering "360 degrees around the customer."

With the acquisition of Gold's Gym, we significantly expanded our worldwide studio network, positioning us to become the global leader in the fitness sector. Hearing me say this, still gives me the chills – I always had confidence in myself, my ideas, and had high hopes and goals, but personally would have never dared to dream of being the number one worldwide when I started off 23 years ago.

Today, RSG is a globally operating business with more than 41,000 employees at around 1,000 locations in 48 countries.

MH: As mentioned, you recently acquired Gold's Gym, one of the most iconic brands in fitness. How did that transaction come about?

RS: The entire acquisition process was quite nerve-racking, but luckily paid off for us in the end. In mid-May, as part of the initial bankruptcy filing, Gold's Gym announced its plan to emerge from bankruptcy quickly through a pre-negotiated plan from its majority owner, TRT Holdings, Inc. I heard this and immediately thought: let's stay close and hear more. After extensive negotiations with TRT Holdings and its creditors, Gold's Gym implemented a court-approved marketing process with TRT Holdings serving as the "stalking horse bidder" in late-May.

When we joined the auction, this was the moment when I realized that this is a once in a lifetime chance. This is THE fitness brand in the world and I really wanted it to work out in the end. I truly cannot remember the last time I was this nervous. When the conclusion of the auction was declared on July 13, 2020, and RSG Group was selected as the winning bidder of the company and its assets, it was an incredible feeling. We won! We won with an estimated final purchase price of \$100 million and Gold's Gym is now part of the RSG Group family. There are days when I wake up and still need to pinch myself.

MH: What are your plans with Gold’s Gym and what do you say to all the life-long fans of that gym who are anxious about any potential changes to the brand?

RS: Gold’s Gym is a fitness institution. It had a major influence on the industry’s development and it was a huge source of inspiration when I was setting up my first McFIT gym. With the acquisition of this iconic brand, we are taking on a legacy that I have the utmost respect for. Our goal is to focus on the core values of Gold’s Gym and find the right balance between preserving its roots and moving the brand forward.

However, it is clear that all studios and the headquarter in Dallas will be staying open. As we bring together our two teams, it is particularly important to me that we actively involve all team members and franchisees in the process – with the distinct purpose of successfully continuing the brand's heritage. In doing so, we will take a closer look at the brand and unite all Gold’s Gym locations as a first step.

MH: How do you see the fitness industry changing as a result of the pandemic and do you think consumers will shift their fitness priorities to include more home-based workouts or virtual training sessions?

RS: In my opinion, sustainability will definitely be given a higher priority in the future as a result of the pandemic as we continue to put people and our environment at the forefront. At the same time, there is an increasing shift in the service offering from physical to digital. I am firmly convinced that people will always exercise in order to challenge and stimulate their bodies and muscles. There is no better place to do this than the gym in order to shape your body to stay healthy in the long run.

Digitalization brings new opportunities and has been an important field for RSG Group for years to retain our members in the long term and to accompany them in an increasingly digital environment.

Today, we all are happy we already started going down this path years ago and can rely on our experiences in the field.

MH: Many businesses are operating cautiously in this environment because of so much uncertainty. What enables RSG to make such big moves with a transaction like this during a time of unprecedented chaos?

RS: This was a “once in a lifetime” opportunity – not just for my company, but also for me personally – to acquire Gold’s Gym. I am firmly convinced that this is the perfect time to set the course for the future and continue our expansion. And we all are extremely happy that we get to do this with the most well-known gym chain in the world: Gold’s Gym.

Even though the coronavirus pandemic is far from over, we face the future with cautious confidence. The pandemic will certainly challenge some competitors in the fitness market and I am sure speed up the consolidation of the industry. Anyone who is struggling now was

already facing problems before the crisis. We did our homework.

There are no hedge funds involved in RSG Group, our equity ratio is over 80 percent, which is quite exceptional in the rather short-winded fitness industry, and we are still owner-managed. We invest our profits directly in new projects because we never stand still and are constantly developing our brand portfolio.

The US is the cradle of fitness and the strongest market in the world, but also the most competitive one with a strong crowding-out effect. That is why we have taken more than 20 years to prepare and take this step, and even when tempted many times before, I am glad I had the patience to wait and prepare for this huge decision. Besides the purchase of Gold's Gym, we already started the construction of two other brands under the RSG Group in the US which we will open in the near future.

From our previous expansions, we know exactly how important it is to understand the culture of each country, state, or location. We know the difference between operating a gym in Poland or Italy, France, or the UK. We have grown from the "David" perspective - "Goliath" would be too unwieldy to put this into practice. Our goal is to find a common language and to further sharpen Gold's Gym without neglecting local conditions and culture but still maintaining a clear and consistent appearance.

MH: What are some of the biggest business lessons you've learned in 2020?

RS: The most important lesson for me certainly is that the unthinkable can always happen. In the past, when people asked me what hours we were open and what time they could exercise until, I usually replied: "24 hours a day, 365 days a year, we open once and never close." We were able to maintain this credo in many of our studios for over 20 years - until our studios were closed by official order this year and could, fortunately, open again a few months later. Nevertheless, I am firmly convinced that rain will be followed by sunshine and that every crisis offers opportunities. We were and are a strong team holding together in the offices and in the gyms worldwide and our members stood by us. This also is an experience that gives me hope throughout the dark times.

MH: What's one piece of advice you would give other executives and business leaders about making bold moves?

RS: There are a pro and contra for everything in life. It is important to obtain many opinions in order to understand different perspectives. If you decide to go down a path, then do it consistently. I have experienced that in business, it is often wise to go left when everyone else goes right. If you want to get things rolling, don't use the beaten paths. Fear is not a good companion in general. Additionally, respect is the most important and valuable thing in everything you do.