

Yoga: the zooming business of Zen

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New York (CNNMoney) -- For millions of Americans, yoga and Pilates keep the body toned and the mind on an even keel. For some, yoga and Pilates are also great business. Micah Springer and her sister Desi opened their first yoga studio in their basement in 1999. It was 320 square feet.

In December, the pair shelled out \$600,000 to buy and renovate a 5,360-square-foot space. While the sisters used to be the main teachers, they now have 40 instructors working at their two Vital Yoga studios in the greater Denver area.

"We just continue to grow," said Micah. Vital Yoga now has gross annual revenues of more than \$100,000. "We are seeing a continual expansion. During the recession, we had our best years and that was really phenomenal."

When most people were pinching pennies during the recession, "we rolled with it," said Micah. Their clients still needed a way to deal with stress. "We offered classes for a while based on donation," she said. "That was really a smart thing to do for us at the time."

The sisters had the only yoga studios in the area that allowed students to pay for class with donations. Membership swelled as word got around town through Yelp, the social networking user review site. Average donations were between \$7 and \$12.

Compared to other small businesses, yoga studios have fairly low operating costs, according to a recent industry report by IBISWorld. For the most part, studio owners need to keep the lights on and the teachers paid.

"Other than those two things, it doesn't really matter whether you have five people or 55 people in the room," said Micah. "It works out roughly the same."

When the sisters applied for a loan to help buy their building, they had to get rid of the donation policy, because the bank did not want to lend to a company with such a practice.

Vital Yoga offers up to 11 classes per day at one studio and up to six classes per day at the second one. A single class costs \$15, and there are membership packages that cost as much as \$1,100 for a yearlong pass.

A big world of small businesses: The yoga and Pilates studio industry is expected to hit \$6.5 billion in 2011, according to IBISWorld. Between 2006 and 2011, the expected average annual sales growth is 9.5%, the report said. And the number of yoga and Pilates studios will reach 25,558 in 2011, representing a 7.5% estimated annual growth rate.

"The large majority of yoga and Pilates studios are just one location," said Caitlin Moldvay, an analyst at IBISWorld. One of the biggest players in the market is CorePower, which has 50 locations across five states. But even CorePower only accounts for 0.5% of the market overall. Other larger players include Dahn Yoga and YogaWorks.

Otherwise, "you have entrepreneurs, mom and pops, who are very much wanting to share" their love of yoga, said David Surrenda, CEO of Kripalu Center for Yoga and Health in Stockbridge, Mass. And "it tends to be small groups that they share it with. It is not like going to Yankee stadium where you have 50,000 people."

A gigantic Wal-Mart-size yoga studio undercuts the intimacy that makes a studio attractive. "One of the things that really drives a studio is that sense of community," said Micah. "You can't cookie-cutter it." Also, because yoga is such a personal practice, the quality and commitment of the teachers are very important. "You realize the teacher is actually someone who cares about your inquiry, your personal journey, and is really there to assist you and facilitate you in that journey -- that is what really touches you" said Surrenda.

With the right culture, yoga can both inspire its students and make money: Kripalu expects to see about \$32 million in revenue in 2012. As one of the larger yoga centers, it offers 850 workshops yearly and has about 400 people on its payroll.

The competition is stiff for an industry based on flexibility: More studios are popping up around the country. Waves of layoffs have motivated disgruntled employees to become yoga entrepreneurs. "People are losing jobs and looking for next careers," said Dayna Macy, the managing editor of the international editions of Yoga Journal. "Some people have always dreamt of being a yoga teacher."

The rise in studios and the fact that more health clubs and gyms are adding yoga to their rosters will curb revenue growth. Over the next five years, sales will only grow by an average annual rate of 5% per year, hitting \$8.3 billion in 2016, said IBISWorld.

The majority of studios cluster along the coasts in major cities. "We are going to see more operators expanding to the Southeast and the Great Lakes region, which represent relatively untapped regions as of now," said Moldvay of IBISWorld.

Yoga studios in highly competitive areas are attracting new clients with more services, including community activities, food, acupuncture, or massage, said Macy.