

## Free-Market Yoga

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A new, \$30,000 ballet-quality wood floor—the kind with springboard underneath—was the first change that student Junis Roberts noticed when Yoga Works bought New York's Be Yoga in July 2004. "Instead of a dirty old carpet, we now have a beautiful wood floor. I'm thrilled," says Roberts, who has attended classes at Be's midtown Manhattan studio for seven years. The only other difference she noticed was minor: Teachers had a new name, Half Moon, for a pose previously called Crescent. All in all, she felt good about the change.

Around the same time, David Bilgre, a student at LA Yoga Center, which became Yoga Works Westwood last May, was noticing less positive changes. The desk staff no longer knew his name, there was less individual attention in classes, and his teacher, the studio's founder, Mark Stephens, had agreed not to teach public classes in Los Angeles for two years as a condition of the sale. "I went to Mark's class several times a week," Bilgre says. "He knew my practice, and he helped me grow unlike any other teacher I've had." Bilgre says the initial effect of Yoga Works' purchase of Stephens's studio was "traumatic."

There are probably as many reactions to Yoga Works' rapid expansion as there are students attending Yoga Works classes each month—and that's a big number, about 15,000. (Full disclosure: As a substitute teacher at L.A.'s Center for Yoga during its purchase by Yoga Works, I also had mixed emotions.) There are currently more than a dozen Yoga Works studios in Southern California and metropolitan New York, which together serve up more than 1,000 classes a week and employ more than 250 yoga teachers.

Sure, other studios are sprouting new branches: Yoga Tree has four centers in San Francisco and 7,000 students per month, Cyndi Lee's Om Yoga serves 4,000 students per month at three studios in New York, and Yoga Yoga's three locations in Austin, Texas, handle 3,000 students. Yoga Works is not only larger, it's the first to try consolidating schools across the nation to create a multimillion-dollar business. The company—once a two-studio affair started by respected Ashtanga Yoga teachers Chuck Miller and Maty Ezraty and now run by two former dot com executives—has plans to open or purchase several more studios in 2005 in Los Angeles, northern San Diego, the San Francisco Bay Area, and cities in the Southwest. Yoga Works is, essentially, America's first major nonfranchised yoga studio chain.

Not surprisingly, some yogis are uncomfortable with such an openly commercial enterprise. Many question whether the essence of the teachings can be transmitted if classes become generic or overcrowded and companies fixate on the bottom line. At the same time, others are excited about the prospect of more people discovering yoga or about the benefits of taking a class at a large, well-run studio. No doubt, the commercialization of yoga has been debated since the first time money was traded for an

asana lesson. The Yoga Works chain is simply the latest project to fuel the debate. Before judging, though, it's valuable to understand why Yoga Works is growing and how its expansion could affect the way yoga is practiced in America.

## Down Dog to Dot Com

George Lichter was 21 years old when he started practicing yoga out of Richard Hittelman's book *Yoga: 28 Day Exercise Plan*. It was 1972 and Lichter was roughing it in a house without running water in Girdwood, Alaska, making documentary films about oil companies and their effect on the environment. He went on to promote concerts in Alaska for bands such as the Grateful Dead and Metallica. In 1993, he took a job in Los Angeles at Knowledge Adventure, an educational software company, where he first met Rob Wrubel.

Wrubel, whose family founded the Nature Company chain, did yoga as a kid—also, coincidentally, out of the same Hittelman book—but didn't practice seriously until he was 30 and working as a journalist in New York. He started by taking prenatal classes with his wife at the Integral Yoga Institute, and continued with the same prenatal class even after she stopped going. When he moved to Los Angeles to become chief operating officer at Knowledge Adventure, he took classes at the Center for Yoga and even introduced yoga to the software firm to relax the stressed-out developers.

Working long nights at the start-up, the boyish, energetic Wrubel and the calm, measured Lichter became fast friends, and both profited handsomely when the firm was sold to a company that later became Cendant. In 1998, Wrubel was hired by the founders of the Internet search engine Ask Jeeves as the founding CEO, and a year later, he hired Lichter as president of the international division. They took the company public and watched the share price fly from \$14 to \$190 in five months, drop to 90 cents within two years, and later bounce back to \$42.

When they left Ask Jeeves—Lichter because of the Internet slowdown, and Wrubel because he wanted to start something new—both hobbled out with health problems. Lichter suffered from a bad back, and Wrubel's blood pressure and weight had soared. Still, they were eager to tackle a new business venture. Wrubel, who lives in Berkeley, California, would often call Lichter in Beverly Hills to discuss ideas—a Web site directing college students to tuition financing options; water-purification technology for developing countries.

Despite these regular phone chats, Lichter never knew Wrubel regularly practiced yoga at Rodney Yee's Piedmont Yoga Studio, and Wrubel didn't know Lichter had found back-pain relief at Yoga Works. "Finally we compared notes," says Wrubel, now 44. "And it was this funny moment where we were talking about business stuff all the time but not about the fact that we were both doing yoga every second day."

They started informally investigating the yoga industry—or at least, what they saw as an industry. Until recently, most studios have been tiny operations, run by teachers who had

little experience in business and lots of interest in yoga. Wrubel and Lichter decided that as two business guys who knew nothing about teaching yoga, they could make a difference.

They quickly realized that the biggest problems—dealing with payroll, accounting, software, marketing, nagging landlords, city permitting, and the month-to-month volatility of student traffic and revenues—were all business related. As Colleen Garrity, a teacher at L.A.'s Center for Yoga, puts it, "I'm more of an artist and yogi, and they have this business side. I think the two coming together is a good collaboration."

## Studio Moguls

In 2001, Wrubel and Lichter crafted a business plan, culled statistics about how much baby boomers spend on chronic health problems every year and about the explosive growth in natural health-product sales, gathered a handful of wealthy investors to form Whole Body, and began buying up studios to create the current Yoga Works chain. The investors include the venture capital firm Highland Capital Partners and an individual affiliated with 24-Hour Fitness.

Whole Body is not orchestrating a major sweep of the field as much as growing organically, say the co-CEOs. They point out that many of the studios now part of the Yoga Works family used to be associated with each other. (Be Yoga started out as Yoga Works, as did the Orange County studios in the chain.) "We're trying to group together things that sort of fit in a family," says the 53-year-old Lichter.

One of their goals is to promote authenticity and quality. "We looked at yoga and felt it was at risk of being commodified and simplified to the point where it was a set number of asanas in a packaged sequence taught by someone who had very little training," says Wrubel. To ensure quality, they appointed Ezraty and Miller the "deans of yoga," and certain teachers as "teacher faculty" in charge of specific departments, like Ashtanga, Iyengar, Flow, etc. The faculty—currently based in Los Angeles—observe classes taught by teachers within their department and meet once a month to cross-pollinate ideas and discuss issues that come up in classes or teacher training.

Wrubel and Lichter have a vision for expansion, too. They want to spread yoga to more people—seniors, pregnant women, and children—and see it prescribed for those with injuries, body-image issues, lower back pain, depression, and more. To that end, they hope to convince health care providers that yoga can help prevent and solve chronic health conditions more effectively and more cheaply than Western medicine. "We should be able to take yoga into the workplace, health care facilities, senior centers, and schools," says Lichter.

Lichter and Wrubel have begun introducing yoga to untapped communities. They have 16 on-site corporate programs and plans to teach yoga in Southern California to patients at Northridge Hospital and to workers at Tri-City Medical Center (as part of the benefits package provided by PacifiCare, Tri-City's HMO). Their big dream is to get yoga

underwritten by workers' compensation insurance. But so far, most of Yoga Works' growth has come from buying existing schools or opening new ones in areas already awash in studios. When Wrubel and Lichter talk about expansion, they say it's determined by sound business principles—whether a specific region has the number of yogis and teachers necessary for a school to survive—not by the motivation to bring yoga to places that don't already have lots of it. In other words, don't expect a Yoga Works Juneau, Alaska, any time soon.

## Strength in Numbers

The two executives don't aspire to create identical atmospheres in each studio, offer the same classes in every school, or open in strip malls across the country. But they do see the financial efficiencies of running a chain. Even the studios they've purchased that were bleeding money are now profitable, and in general, they find they're able to increase sales at their profitable studios by 10 to 30 percent. With one accountant, one lawyer, one city-permit manager, and one software and systems director to serve all nine of its Southern California locations, Yoga Works spends far less per studio than an independent does. On the other side of the balance sheet, the company projects greater attendance and lower marketing costs, simply by making sure students at each studio know what's available at the other locations.

If, for instance, a woman in Los Angeles finds only one prenatal class at her neighborhood Yoga Works that fits her schedule, she can take a class at another of the chain's studios—and still use her existing class-series card—meaning she's likely to go to more classes overall. Similarly, if a popular teacher who teaches three days a week at one location begins teaching at another branch in the same region, his or her core students are likely to follow, and ultimately to take more classes. Multiply that kind of thinking across four or five studios in one region, and the class sizes begin to inch up.

Yoga Works' size also means that the failings of any one studio won't affect the company as much, so it can take risks that would be difficult for smaller operations with less marketing power and capital.

The Huntington Beach studio is a perfect example. In early 2004, Wrubel and Lichter made the painful decision to close the doors, just opened the summer before, since it was losing \$10,000 a month. But the manager said she could turn things around by offering lower prices to a new-to-yoga community, so the studio began offering an inexpensive starter-program. "All we did was cheerlead, hold the landlord off, and let them do their thing," says Wrubel. Within six months, the studio saw its average attendance per class jump from 5 students to 12, the number of new students per month go from 50 to 175, and revenues triple. The studio is now profitable.

Its deep pockets mean that Yoga Works is likely to survive and even thrive. Not only do its schools not have to worry about trying to stay afloat, they can spend money on the kind of aesthetics that a cash-strapped independent studio owner might never be able to afford.

Its size also means the company can even enter into agreements to, say, offer yoga to a major national health insurer, which is something it's aiming for. The company is now sponsoring a study on yoga's effect on back pain, with which it hopes to convince insurance companies to authorize yoga classes as part of treatment. "If we're successful in this study," Wrubel says, "imagine what that does to the life of teachers who run from studio to studio and privates—suddenly there's a never-ending possibility of yoga students."

While it's too early to say whether they will succeed in tapping into markets like seniors and kids, Yoga Works has at least consolidated its standing as one of the biggest yoga companies in the United States. With each studio it adds, the profit margins per studio increase. Tim Dale, co-owner, together with his wife Tara Dale, of Yoga Tree in San Francisco, has seen the same effect each time he's opened another location—and they own only four. Yoga Works not only wants to grow, but it has the money to do it.

## Chain Reaction

Of course, some yogis still think Yoga Works' ascendancy has major downsides. When the company emphasizes "quality," some yogis hear "standardization." The concerns of Kevin Light, a former Yoga Works teacher in Los Angeles, reflect the thinking of many: "We're all so different. We are going to resonate with a different form of yoga at different times in our lives. When you corporatize yoga, I think you limit the variety."

Lichter and Wrubel are aware of people's McYoga fears and have learned to steer clear of anything that looks too chain-like. They've made marketing materials, decor, and even schedules different at most of the centers. "We would love to create diverse local schools that are connected to and reflective of their neighborhoods," says Wrubel. So, yes, the Orange County locations still have Pilates and New York's former Be Yoga studios will maintain their connection to the Ishta tradition created by Alan Finger. But the yoga taught will still be somewhat standardized: At almost all its centers, the company has required instructors to take a Yoga Works teacher-training course for quality and "consistency in vocabulary" among the schools.

Because the training promotes guidelines rather than a Bikram-like uniformity, the defining characteristics of a Yoga Works class aren't always perceptible to students. Like many yoga classes, it follows a general outline of sun salutations, standing poses, a buildup of other poses that climax in a difficult pose such as Urdhva Dhanurasana (Upward Facing Bow), and then a cool down before Savasana (Corpse Pose). Small things set apart a Yoga Works class: poses like Virabhadrasana II (Warrior II) and Trikonasana (Triangle) that require the outward rotation of the hips are usually performed before poses like Virabhadrasana I (Warrior I) and Parsvottanasana (Side Stretch Pose), which require the hips to face forward. But overall, individual teachers can still imbue their classes with their own personalities.

It's not Bikram or McYoga, but Yoga Works just might be Wal-Mart—a business where its products aren't much different from other stores', but its backend work is done more

efficiently and its size makes it formidable competition. It's this business approach that sparks cries of monopoly, even though the company has only four locations in a city such as Los Angeles, which has a studio on virtually every corner.

Still, it is the biggest yoga school in that city, giving it more power than anyone else to attract instructors and teacher-trainees. The company asks its teachers to choose between being "exclusive"—precluding them from teaching at nearby studios in exchange for benefits like health insurance—and "non-exclusive," which means few benefits and less priority for everything, including prime-time slots on class schedules. Few independents can bargain in the same way with employees. And prospective teacher-trainees in Los Angeles may prefer to learn the Yoga Works style in hopes of someday working for the largest yoga employer in the city—and the nation.

Light, who left Yoga Works after deciding that his three packed classes weren't enough to give up teaching nearby, is concerned about the future. "As a yoga teacher, when you see Yoga Works buying up every third studio on the street, you're thinking, 'If I'm on the outside, am I going to have a job three years from now when there's no other studio but Yoga Works?'"

If Yoga Works dominates other cities, the company could affect the popularity of specific styles of yoga across the nation. Yoga Works doesn't train Ashtanga or Iyengar teachers, and the studios don't currently offer Anusara or Kundalini classes. In cities with few offerings apart from the local Yoga Works, whatever Yoga Works decides to teach will determine the styles people learn.

## **Chain of Command**

In places where Yoga Works has yet to open a branch, such as Seattle, studio owners are already fretting about how a big chain would affect the yoga scene. Anne Phylfe Palmer is owner and director of 8 Limbs Yoga Centers. "I've thought about what I would do if they came to Seattle and bought up studios around me. A part of me hopes they would come to me first," she admits—not because she's eager to sell, but because she'd be concerned about competing against a heavyweight.

Wrubel and Lichter say they don't intend to put others out of business or even to strike fear into the hearts of independent owners. "The idea isn't to take students away from a studio or to make someone sell to us if they don't want to," Wrubel says, adding that they only want to be of service to those who need help. "We think we can make the market larger for everyone."

Yoga Works will certainly make the market larger for itself. Having the capital to purchase more studios means it can literally buy more students. It can also attract students wanting multiple locations and some predictability in the type of class. Also, teachers may feel more comfortable at schools they know will be around for the long run. And if Yoga Works is able to penetrate the health care market, there may be many more people doing yoga. All of these are positives. But Yoga Works can't save every school

that's in the red. In fact, its competitive advantage may push teetering studios over the edge, ultimately reducing the variety of experiences available to all.

It's clearly a case of trade-offs. As Light says, "It's not black and white. Is there some good that's going to come out of the Yoga Works chain corporation? Absolutely. There are some teachers who are still teaching yoga of the heart, yoga of dharmic choices in every moment." In the end, Yoga Works is just students and teachers breathing together into another Downward Dog.

Even David Bilgre, the student who was initially disappointed when Yoga Works bought LA Yoga, admits that if Lichter and Wrubel hadn't come along, the doors at his local studio may have been shuttered. "I thought about it," he says, "and yoga is a business. Yoga Works is really good at what it does. What's wrong with that?"

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## **Yoga Body, Business Mind**

There's a reason Yoga Works has been able to build its business so quickly: Many yoga teachers are eager to sell their studios.

It's tough making a living as a yoga studio owner. Randi Beck, founder of Yoga Place, now among Yoga Works' Orange County locations, was looking to expand but knew she couldn't do it without more help. Lamar Rutherford, the former owner of Yoga Time, the Beverly Hills studio bought by Yoga Works, had dreams of growth, too—but breaking even was hard enough. Mark Stephens, former owner of LA Yoga Center, says running a studio was more work than he expected and he wanted to teach more. The reasons they sold to Yoga Works vary, as do the prices paid for them. (All parties involved are legally forbidden to reveal the figures.)

Ironically, the lucrative teacher-training programs that have helped yoga centers pay the bills also exacerbate their financial struggles. Every month, it seems, a few hundred yoga instructors are minted. And all these teachers, particularly those trained by successful centers such as Jivamukti, Om, and Yoga Works, are heading out to teach. Now, gyms have class schedules filled with teachers trained at respected schools, most studios have more prospective teachers than classes to fill, and some graduates open their own shops as well.

As a result, some cities are saturated with yoga. Seattle's Queen Anne neighborhood recently exemplified how this is playing out. By mid-2001, the historical neighborhood was home to three yoga studios: Jai Ma Yoga Studio, Moment Yoga, and Queen Anne Yoga all opened within a few blocks of each other. By early 2004, Moment had closed, Jai Ma had relocated to a space the teacher and owner rented by the hour, and only Queen Anne remained—under new ownership.

Even without competition, some owners find that a love for teaching yoga doesn't translate into a love for all the business aspects—permitting, worker's compensation, accounting—that come with the territory. Former Yoga Works owners Chuck Miller and Maty Ezraty, for instance, were tired of working long hours and wanted more time to teach. “We were spending an inordinate amount of time dealing with administrative tasks,” says Miller. They were ready to give up ownership and even turned down offers from people who wanted to partner. When Whole Body came along, they liked what it was offering: outright acquisition.

Of course, not every studio owner wants to sell. Beverly Singh, owner of the Atma Center in Cleveland Heights, Ohio, acknowledges that her business is in the red half the time, but she says, “If someone said, ‘We'll pay you a million dollars and you can still run the center,’ I'd say no. To me, that's not what yoga is. Yoga is supposed to go beyond the material aspect.”