

Chicago • Business [®] Crain's

New racquet for nation's largest tennis club chain

By H. LEE MURPHY

The troubled Bannockburn Bath & Tennis Club, shuttered for nearly a month, reopened last week with a new operator, Tennis Corp. of America, installed in its familiar role as a turnaround specialist.

The Bannockburn assignment—the facility is still officially under the control of a bankruptcy trustee—is the latest addition to an expanding empire of clubs around the U.S. controlled by Chicago-based Tennis Corp.

From its formidable Mid-Town Tennis Club flagship on Chicago's North Side, Tennis Corp. and its founder and chairman, Alan Schwartz, have amassed a string of 44 facilities.

The closely held firm recorded revenues of nearly \$60 million last year, earning a tidy 19% return on equity, according to management.

In recent years, Tennis Corp. has scored by acquiring troubled properties for a fraction of their replacement cost, then recasting them with a tennis-rich formula that has kept the 25-year-old Mid-Town the nation's No. 1 tennis club with revenues of \$5 million.

Now, the Tennis Corp. formula is getting some fresh ingredients.

With middle-aged baby boomers turning to golf, aerobics and weight training, the company this month is changing its name to The Club Authority and adding exercise equipment, swimming pools and basketball courts.

Next March, the company plans to tear up two of Mid-Town's 18 tennis courts and build a 35,000-square-foot addition to make way for a gym, squash courts and pool.

"We haven't lost our enthusiasm or confidence in tennis, but we have to keep up with the times," says Mr. Schwartz. "We can grow more aggressively by getting involved in health and fitness facilities."

Forest Grove Athletic Club in Palatine, which Tennis Corp. has owned for 11 years, now has a therapy center managed by Caremark International Inc. of Northbrook.

The company also has struck deals to manage non-tennis corporate fitness centers at McDonald's Corp.'s Oak Brook headquarters and General Motors Corp. headquarters in Detroit.

"From a business point of view, it probably makes good sense for Tennis Corp. to expand its base beyond tennis," says Rick Devereux, director of operations for the International Health, Racquet and Sportsclub Assn. in Boston. "It's not likely that any competitor is going to steal away their tennis business while they're busy building health club facilities."

Firm family control

The architect of much of this change is Mr. Schwartz's eldest son, Steven, 36, who is Tennis Corp.'s president and chief operating officer. With brother Andrew, 34, a club manager in Lisle, and sister Betsy Brint, 30, who oversees purchasing, the Schwartzes have kept firm family control of the company, although limited partners often are enlisted for out-of-state facilities.

"I'm not sure we would find Mid-Town here in Chicago an attractive investment today if we had to build it from the ground up," concedes Steven Schwartz, who joined the company eight years ago, after a stint in the development department at Chicago-based Hyatt Hotels Corp. "Much of our future is likely to revolve around continuing to buy distressed clubs and taking on hospital partnerships."

Most other club owners also have reduced their reliance on tennis.



Indoor clubs closing

Indeed, indoor tennis clubs have closed all around Chicago since 1980. The old Tam O'Shanter Club in Niles now is a warehouse, while the Right Club in Schaumburg was converted to soccer and then indoor baseball.

About 40 Chicago-area indoor tennis clubs remain, many of them struggling. Tennis Corp. owns or manages five.

Alan Schwartz, the captain of his Yale tennis team in the early 1950s and holder of seven national age-group titles, remains steadfast in his commitment to the sport.

Steven Schwartz, left, and father Alan (with tennis-related ankle injury), run Tennis Corp. of America.