

Value Proposition Netpulse

A pioneer in exercise entertainment platforms, this company, having weathered the dot-com storm, now hopes to win the ‘media trifecta’

Netpulse, based in San Francisco, can legitimately be described as a dot.com survivor.

A classic “garage enterprise” endeavor, the company, which was originally known as Transcape, was founded in 1993 by Mike Cohen, Jeff Cahn, and Kevin Martin in Menlo Park, California. In the 18 years since then, the cast of characters has changed, and Netpulse has had to negotiate its way across a series of treacherous peaks and valleys, but, in all that time, its defining mission has stayed the same.

Its goal: to utilize technology to connect, engage, and entertain the active-lifestyle community.

Netpulse recently made it clear that its vision, aspirations, and promise remain undiminished by time or trial. Over the last two years, the company has acquired \$5.1 million in new funding. In March, it began installing its latest model platform in the facilities of Town Sports International Holdings, Inc. (NASDAQ: CLUB), beginning with the

chain’s flagship Wall Street location. Also in March, it announced a significant partnership with six of the industry’s major equipment manufacturers during IHRSA’s 30th Anniversary International Convention and Trade Show in San Francisco (see “What’s New at Netpulse” below). The six are now offering cardiovascular equipment with Netpulse’s media platform built in.

Among other things, its current platform offers members live high-definition television, on-demand videos and music, iPod connectivity, personalized workout data, and connection to social media. It affords advertisers an effective way to reach an attractive demographic, and provides asset-management functions for club owners, permitting them, for example, to monitor equipment usage.

Netpulse has also beefed up its board of directors with the addition of Mark Mastrov, the founder and former head of 24 Hour Fitness International, Inc., now a principal in New Evolution Ventures (NeV), a private-equity firm with extensive holdings in the fitness industry.

Innovative history

In 1994, a year after it was founded, the company began selling touch-screen computers mounted on cardio units that were coupled with compact discs containing workout content (e.g., virtual landscapes synchronized with the machines, which matched the user’s experience to their level of exertion). The



CEO Bryan Arp



“CLUB OPERATORS NOW HAVE THE OPTION OF SELECTING ADD-ON SCREENS FOR THEIR EXISTING EQUIPMENT OR PURCHASING NEW EQUIPMENT FROM THEIR FAVORITE PROVIDERS WITH THE NETPULSE PLATFORM EMBEDDED.”

What’s New at Netpulse?

Since its latest platform was introduced, Netpulse-powered screens have been available as aftermarket add-on mounts to existing equipment. At IHRSA’s 30th Anniversary International Convention and Trade Show in San Francisco, however, the company unveiled its next iteration in partnership with six major fitness equipment manufacturers—Life Fitness, Technogym, Matrix Fitness, Star Trac, Octane Fitness, and Woodway. Now, the Netpulse platform will be embedded within those companies’ existing touch-screen control panels, providing integrated Netpulse functionality and connectivity under their respective brands. —I

following year, the company released its ICE NET model, which introduced touch-screens with Internet connectivity.

By the late '90s, Netpulse and its Canadian competitors, E-Zone and Xystos, had installed their screens in more than 1,000 clubs and were growing rapidly. In 1998, a pivotal point in the business' history, Tom Proulx, the cofounder of Intuit, the remarkable software success story, got involved in the company. In 2000, following several years of aggressive competition, Netpulse, E-Zone, and Xystos merged, but, when the Internet imploded in 2001, the combined entity was forced to file for Chapter 7 bankruptcy.

Following the bankruptcy, Proulx purchased the company's assets for \$25,000 and debt consideration. He then rehired several staffers and relaunched Netpulse, with new cofounder Bryan Arp as the CEO and himself as chairman.

Now, a decade later, the prospects appear promising for Netpulse.

'Four' for the future

"Over the past few years, four factors have aligned that should really allow our company to grow and expand," explains Arp. "First, entertainment and media in the club environment have come to be a given—you can't open a club today without some form of entertainment. Second: technology costs have fallen dramatically, so it's now possible for manufacturers to include touch-screens and computing hardware in their equipment. Third: most clubs now have a high-speed Internet connection, the key to providing rich data and media. And, finally, over the past three years, content has been unlocked from the TVs in people's living rooms; consumers are now able to enjoy their favorite media across multiple devices and venues. In fact, they *demand* it."

Entertainment systems aren't new in the industry, acknowledges Arp, but, he



The prolific Netpulse platform

argues, the Netpulse approach—distinguished by its willingness to constantly adapt—is different. Its platform isn't defined by software, touch-screens, or any other specific technology. "Our single focus is on utilizing technology and media to make connections—to deliver an engaging experience to exercisers," he says. "Technology and media are changing daily. We're able to stay on top of, remain connected with, that world and, then, apply the appropriate tools to our platform."

"Netpulse is hitting the media trifecta," Jed Katz, the managing director of Javelin Venture Partners, said at the time of his firm's investment in the company. "With Netpulse, the people exercising will have a much more enjoyable workout, the gyms benefit from lower attrition and by being able to run loyalty programs, and the advertisers get a solid 30 minutes of attention from a highly targeted, affluent consumer."

"We're extremely excited to support a company that's poised to redefine the connection between exercise and entertainment forever." —

Netpulse Brain Trust

Netpulse's board of directors boasts depth of expertise in the fields of technology, fitness, and finance:

- Thomas Proulx, cofounder, chairman of the board: cofounder of Intuit, grew the company to 2,700 employees and \$400 million in sales by the time he retired in 1994; an *Inc.* magazine Entrepreneur of the Year
- Mark Mastrov: chairman, New Evolution Ventures (NeV), a private equity firm with an interest in more than 1,000 health/fitness facilities worldwide; founder of 24 Hour Fitness International, Inc., which he sold in 2005 for \$1.68 billion
- Jed M. Katz: managing director, Javelin Venture Partners, an early-stage venture capital firm that's invested in Netpulse