

# Fitness first, the leisure industry assignment



This paper will be focusing on the leisure industry; it is narrowed down to fitness clubs sector and fitness first for woman is the chosen organisation for study. This paper will be discussing the size and competitive structure of the sector. The current internal and external marketing environment will be assessed as well as the opportunities and threats facing the sector. The similarities and differences between the current service marketing strategies of the sectors major players will be summarised and an analysis of Fitness First for women key strategic service marketing issues will be illustrated for the next five years.

**Brief Overview Definition:** Fitness clubs are privately owned, commonly managed as profit making businesses. Some clubs belong to employers or hotel groups, but still fall within the private sector. They are sometimes called ' health and fitness clubs' or, more commonly, ' gyms'. As standard, a health club offers a well-equipped fitness room (gym) and showering and changing rooms, but the larger clubs also offer swimming, sports and/or beauty treatment facilities, together with sophisticated catering and social programmes. The largest of these clubs join with sports clubs to offer tennis and other sports.

Private fitness clubs derive most of their revenues from charging annual membership fees. In addition to annual subscription income, joining fees — a one-off initial payment — are common among the more expensive, exclusive clubs. Additional income is made from catering, events and beauty treatments. (Intel Reports Health and Fitness Clubs – UK – May 2007)

Market Size and Forecast UK health and fitness clubs market size trends, 2002-12 Members Index ? m Index Average revenue per member ? m at

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2007 prices Index m ( ? ) 20023. 67711, 799724902, 07183 0033. 96771, 934774892, 14186 20044. 20812, 044824872, 21889 20054. 35842, 110854852, 21989 20064. 68912, 266914842, 33494 2007 5. 17 100 2, 496 100 483 2, 496 100 20085. 641092, 6961084782, 595104 20096. 101182, 8701154702, 651106 20106. 571273, 0701234672, 753110 20117. 081373, 2701314622, 875115 20127. 551463, 4441384562, 940118 SOURCE: Mintel Reports Health and Fitness Clubs - UK - May 2007 According to the " Health & Fitness Market - Focus on Clubs & Equipment UK 2007" recently published by AMA Research the UK health and fitness market was worth an estimated ? 3. 5 billion in 2006 and is forecast to grow by around 4-5% per annum over the 2007-10 period. The Private Health club industry experienced reasonable levels of growth over the past two years. Growth rates in the Local Authority sector have continued to improve due to higher levels of refurbishment and investment over the last two years. The performance of the Commercial Fitness Equipment sector is very much dependent on that of the Health Club Market and consequently growth in the sector has slowed in the last two years, though the market is still valued at over ? 200 million.

However, growth levels have remained reasonable, as the health club market has continued to expand in terms of numbers of outlets. The Home Fitness Equipment market remains challenging, having grown slowly over the last two years as a result of increasing price competition in the sector. (Health and fitness market 2007) The outlook for the Local Authority sector is very positive and is likely to be spurred on by investment in the 2012 Olympics in the medium term, which provide a focus for a wide range of initiatives aimed at encouraging higher participation in sports and fitness

activities. Health and fitness market 2007) The continued development of the health club market is likely to fuel growth in the Commercial Fitness Equipment sector, though this is predicted to slow to around 3 - 4% per annum as clubs seek to expand the range of ancillary services and increase membership retention levels. The forecasted outlook for the Health and Fitness industry remains reasonably positive in the medium term and should benefit from growing concerns over obesity and general fitness levels across all age groups.

Source: [http://www.amaresearch.co.uk/health\\_and\\_fitness\\_market\\_07s.html](http://www.amaresearch.co.uk/health_and_fitness_market_07s.html)

Looking at the present market performance, the prospects for the current trading year look much more positive than they have done for several years. A number of leading operators are gently increasing the pace of their new-build programmes in anticipation of strengthening demand and all the factors which have helped drive demand during the past decade remain just as relevant now as they did ten years ago.

Nevertheless, with the consolidation that has taken place in the market in the past 12 months has come some relief from aggressive discounting and this has allowed operators to shift the focus back onto their facilities and customer service. (SOURCE: Mintel Reports Health and Fitness Clubs - UK - May 2007) Competitors The leading operator continues to be Fitness First, which has consolidated its position through a combination of organic development and achievement. Whitbread has kept its position as number two player but several rival companies have caught it up through merger and achievement.

UK health and fitness club operator market shares, 2007 Company/owner  
Brand(s) Clubs Members Average members/club Fitness First Holdings  
Ltd Fitness First/Fitness First for Women/Kaizen 183452, 0002, 470 Whitbread  
plc David Lloyd 59325, 0005, 508 Virgin Active Ltd Virgin Active 72288, 3014,  
004 LA Fitness plc LA Fitness/Promise 87261, 0003, 000 Esporta Group  
Ltd Esporta 53220, 0004, 151 Bannatyne Fitness Ltd Bannatyne Health  
Club/Just Fitness 61180, 0002, 951 Cannons Health & Fitness  
Ltd Cannons 52177, 0003, 404 JJB Sports plc JJB Health Clubs 39175, 0004, 487  
Leading players in the health and fitness clubs market, by brand, March 2007

Company Brand names Fitness First Holdings Ltd Fitness First/Fitness First for  
Women/Fitness First Express/Fitness First Platinum/Kaizen Whitbread  
plc David Lloyd Leisure Virgin Active Ltd Virgin Active LA Fitness plc LA  
Fitness/Promise Esporta Group Ltd Esporta Bannatyne Fitness Ltd Bannatyne  
Health Club/Just Fitness Health Club Investments Cannons JJB Sports plc JJB  
Health Clubs SOURCE: Mintel Reports Health and Fitness Clubs - UK - May  
2007 Marketing Environment External Environment Economical Population:  
The UK had a projected population of 60.5 million in 2006.

In line with trends in most developed countries, the total population is  
growing fairly slowly. There are slightly more females than males in the  
population, due to the average of women living longer than men. This is a  
generally beneficial factor because the fitness activities as offered by health  
clubs and leisure centres are biased towards women, whereas more men are  
likely to play competitive sports. (Source: Key Note Health Clubs & Leisure  
Centres 2007) Inflation Inflation has remained at a fairly low level for many

years, but increased in 2006 (and early 2007), bringing the threat of higher interest rates.

This threat was realised when, in July 2007, interest rates rose to 5.75%.

Although there are mechanisms by which inflation could impact on health clubs and leisure centres, the relative stability and low rate over the period suggest that these mechanisms would have a negligible effect on the sector.

(Source: Key Note Health Clubs & Leisure Centres 2007) Unemployment In

terms of employment opportunities, the UK economy has been a 'twin-track' one since the mid-1990s, with manufacturing and exporters struggling but service industries — retailing, financial services, leisure, etc. all faring well. In

total, 940,000 people were out of work (i. e. claiming legitimately for

unemployment benefit) in 2006, showing a significant increase on 2004 and

2005. Total unemployment changes of a low magnitude are unlikely to have

a dramatic effect on the market. Health clubs and leisure centres form part

of the relatively fast-growing sports and recreation sector and hence are

more important as a cause of the downward trend in unemployment (i. e. the

sector is creating types of job that never existed before, such as personal

trainers). Source: Key Note Health Clubs & Leisure Centres 2007) Source:

<http://www.cabinetoffice.gov.uk/upload/assets/www.cabinetoffice.gov>

[uk/strategy/social.pdf](http://www.cabinetoffice.gov.uk/strategy/social.pdf) Household Disposable Income Household disposable

income has increased for many years in succession, as a result of the

buoyant UK economy and relatively high employment. In 2006, however, the

increase was lower than it was in the previous year. Source: <http://www.cabinetoffice.gov>

[uk/upload/assets/www.cabinetoffice.gov](http://www.cabinetoffice.gov.uk/upload/assets/www.cabinetoffice.gov)

[uk/strategy/social.pdf](http://www.cabinetoffice.gov.uk/strategy/social.pdf) Source: <http://www.cabinetoffice.gov>

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uk/upload/assets/www. cabinetoffice. gov. k/strategy/social. pdf Source:  
http://www. cabinetoffice. gov. uk/upload/assets/www. cabinetoffice. gov.  
uk/strate gy/social. pdf Socio-cultural Ageing: Friday, September 15th, 2006  
The ageing trend is a mega-trend that will have enormous influence on  
healthcare in the future as people not only live longer (life expectancy is  
expected to be 100+ by 2020 for many countries) but expect to be well for  
longer too. Obvious impacts include higher expenditure on pharmaceuticals  
and care for the elderly which are already at record levels in the US  
(healthcare spending in the US was US \$1. trillion in 2003), but the type of  
diseases we'll see will also change. We've already seen voice lifts and other  
forms of anti-ageing surgery. Expect to see more R&D dollars put behind  
things like memory recovery and enhancement and the replacement of body  
parts. Also expect to see more debate about subjects like euthanasia  
(Source: [http://toptrends. nowandnext. com/? cat= 9](http://toptrends.nowandnext.com/?cat=9)) Source: <http://www. cabinetoffice. gov. uk/upload/assets/www. cabinetoffice. gov. uk/strategy/social. pdf> Demographic change Thursday, August 17th, 2006

Demographics is the mother of all trends. The big demographic shift is  
ageing. In Europe 25% of the population is already aged 65+. Linked to this  
is the rise in single person households (46 million in Europe) caused by an  
increase of widows and widowers, but also caused by more people getting  
divorced and by people marrying later or not at all (42% of the US workforce  
is unmarried). Add a declining fertility rate (below the replacement rate in  
many developed nations) and you have a recipe for significant socio-  
economic change.

Other linked trends include older parents, more one-parent families, male/female imbalance, and less traditional family units. In 1950 80% of US households were the traditional 2 parent & kids nuclear family. Now the figure is 47%, while over in Europe there will be 14% less nuclear families in 2006 than in 1995. This could all change of course, but it's in the nature of demographic trends that change is usually slow in any given direction.

(Source: <http://toptrends.nowandnext.com/?cat=9>) Source: <http://www.cabinetoffice.gov.uk/upload/assets/www.cabinetoffice.gov>.

[k/strategy/social.pdf](http://www.cabinetoffice.gov.uk/strategy/social.pdf) Despite the efforts of the public centres and private clubs, poor health in the population (particularly obesity and inactive lifestyles) came to attention in the early 2000s and incited government initiatives to make the population more active. Source: <http://www.cabinetoffice.gov.uk/upload/assets/www.cabinetoffice.gov>.

[uk/strategy/social.pdf](http://www.cabinetoffice.gov.uk/strategy/social.pdf)

Internal Market Environment Rising fixed costs in energy. According to the Energy Information Centre, from the beginning of 2004 to the middle of 2006, the cost of electricity more than doubled, as did the cost of gas.

Energy is a major fixed cost for health and fitness club operators – particularly those with swimming pools to heat – therefore such a trend is extremely negative for the industry since they have found it difficult to pass on all of these increases to their customers in the form of higher membership fees. Although electricity and gas prices have fallen back, they are still significantly higher than they were three years ago. This is one of the reasons why so many companies have been working hard to try to pare down central costs, in order to maintain margins.

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Rising fixed cost in rent and rates; the cost of rents in the health and fitness club sector is important because the rent set has a significant impact on the viability of individual sites. Data from Savills show that rents have been broadly stable for the past two years. For a London club, rents average out at around ? 12. 35 per square foot, major provincial sites at just under ? 10 per square foot and minor provincial sites at around ? 8. 25. (Source: Key Note Health Clubs & Leisure Centres 2007) Opportunities and Threats of the sector Opportunities:

There is a great potential for expansion of the market, even though there is only 10% of adults currently being members of a private fitness club. Many macro trends are working – and will continue to work – in the industry’s favour. The most obvious of these is the continuing issue with obesity, which is likely to drive an increasing number of consumers towards fitness clubs providing an opportunity for fitness clubs. Media reports concerning the average health and fitness of the British tend to stress the need for exercise, with more people’s lives being conditioned by ‘computing and commuting’.

However, other factors, such as increased attention to how people look, as well as other issues, such as insurers giving discounts to those who do not smoke or who exercise regularly, look certain to become more pertinent in the future. (Source: Mintel Reports Health and Fitness Clubs, UK May 2007)

Looking at the future performance, further steady growth in the market seems to be expected as many consumers continue to struggle to come to terms with their reduced daily activity levels in their normal lives and the problem of their resulting poor health, lack of fitness and obesity.

These are problems that are not only not going to go away but are going to become significantly more serious in the future, therefore it seems to be expected that health and fitness clubs are going to play a role in dealing with the consequences and trying to put them right. It is not just those who are unhealthy or unfit who are going to be the source of new business. There is an increasing obsession on the part of many consumers (including those who are already reasonably fit) with looking good.

This has impacted on demand for health and beauty treatments, dental services and cosmetic surgery but will also drive demand for health and fitness clubs because people want to look toned and fit. The process of consolidation within the industry is not yet over and it seems extremely likely that there will be mergers or takeovers in the health and racquets sector, where David Lloyd, Esporta and Next Generation all have quite similar trading formats. As well as organic growth from new members, there also remains good potential for further developing revenue per existing member.

Personal training continues to grow significantly in popularity and it has the additional benefit of increasing retention, further boosting profitability and it seems likely that in the future revenue from this source will grow again. The development of clubs and social activity for members is another way in which health and fitness clubs can both improve revenue per member but also, perhaps more importantly, improve members' perceptions of value for money and make them feel that they belong to something, with consequent enhancements to retention rates.

The Thames Corridor will be a good site for public-sector development as part of the lead up to the 2012 Olympics. (Source: Key Note Health Clubs & Leisure Centres 2007) THREATS Clubs could be under threat of a price war as saturation approaches. Fitness clubs are threatened by the fact that the average home is now well equipped for long hours of leisure. Rising property values have encouraged home improvement and entertaining at home, and technology continues to offer tempting leisure hobbies. Source: Key note, UK Leisure & Recreation 2003) There is a danger of health clubs being seen as a fashionable pastime and thus becoming subject to a backlash. An example is given in Appendix Health & Fitness Hubs, Source: Health and Fitness Clubs, Mintel 21-05-2007 The complexity of Public Private Partnership (PPPs) and Private Finance Initiatives (PFIs) may slow down the development of leisure centres. (Source: Key Note Health Clubs & Leisure Centres 2007) Strategic Service Marketing Issues for the next five years

Source: <http://www.cabinetoffice.gov.uk/upload/assets/www.cabinetoffice.gov.uk/strategy/social.pdf> According to Jon Neale “ The nation’s increasing waistline might be a problem for Government policy, it is a godsend to one sector – the fitness club” however fitness clubs such a Fitness First for Women have implement a well tailored strategy to attract the people that are causing concern. As mentioned above, this is one of the strategic marketing issues high is that people are getting fatter and that helps Fitness First for Women market this people who need to take fitness more into their lifestyles and make it part of their daily routines; The Fitness First for women has the strategy to offer a personal training support to aim results fast and effectively, Also Fitness First for women has the strategy to be there for the

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customer to motivate and encourage them to keep on track and reach their goals and make sure to maintain them by creating varied and fun workouts and to find a customized exercise programme that suits each customer.

fitnessfirst. co. uk) According to Jon Neale “ potential club proprietors have to bear in mind that a large and expanding membership is the lifeblood of any gym. Understanding this is far more important than any health and fitness know-how. ” George Jaskowski, owner of Leisure Clubs Property Agency, explains: “ You’re not buying a fitness club as it stands. You always have to think about marketing and sales. Experience in those sectors is really ideal if you are thinking about running a club. In this case another strategy for Fitness First for Women is to retain customers, by ensuring customer satisfaction, while providing the best possible service to their customers while at the same time striving to attract more members. According to Jon Neale “ Customers will often look at the type of equipment and get impressed by computer-controlled running machines” therefore, is important that Fitness First for Women keep up to date with the equipment. Fitness First the worlds largest gym, health and fitness club operator have significantly enhanced their internet presence following a re-launch of their UK website.

The project to date has comprised a completely fresh design, client content management system and a range of intuitive applications to maximise both the visitor experience and encourage customer information data capture.

Testament to the success of the new website is the New Year peak of more than 70, 000 visitors to the site in only one day. (Source: <http://www.rocktime.co.uk/website-fitnessfirst.aspx>)

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