

Uk's private health and fitness clubs industry



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INDUSTRY: Private Health and Fitness Clubs in the UK

Facts on the UK's Private Health and Fitness Clubs Industry as of March 2010:

Source: www.fia.org.uk 2010 report for the FIA

“ The FIA State of the Fitness Industry figures highlight that private health and fitness clubs have weathered the economic climate well in comparison

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to other leisure sectors. An additional 64 new private clubs were opened in the UK and 66, 444 new members joined these new facilities during the 12 months to the end of March 2009. Private clubs have grown their memberships steadily with a 1% like-for-like membership increase. Membership fees have remained steady with the average monthly fee being £42. 91 compared with an average of £42. 37 for the previous 12 month period. Market value of private clubs has therefore been able to grow, with a 3. 2% increase to £2. 70 billion”.

Introduction

The industry overall, is made up of small to large individual and multi facilitated branded Chains. With brand names being the leaders in the market, individual well run multifunctional facilities can compete in the right location and environment. Chains generally work on their branding and member benefits to try and standardize their approach to retaining and enticing members; some will join just on the notion that they are a member of a David Lloyd club or Fitness first.

Even in the midst of the economic downturn, the industry has maintained steady growth, with membership rates growing consistently and profits remaining solid. Demand for gyms and health and fitness clubs will continue to rise over the next five years, as the general public becomes more health conscious and the aging population places a greater value on staying fit. In addition, the amount of leisure time and growth in household incomes will positively affect businesses, leading operators to expand into larger facilities.

The H and F industry segments can be split into the following

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Segments

Importance to Industry

Comments

Personal Fitness

1

Every customers goal

Nutrition

2

Important factor of health

Fitness Classes

3

Activities to help general fitness

Wellbeing and Relaxation

4

Mind and body

The key areas for H and F Clubs industry success would be highly concentrated on the following:

Customer/Member Benefits, i. e. classes, personal training - what is covered in the whole package of the cost of membership

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Location and Cost, facilities location is important in relation to the type of class and demographics with a monthly rate that is competitive

Branding and Club Identification - it is important to members what chain or club they are known for being a member, to a point some will join solely on this factor

Member Service - the club that is interested in listening to its members and having the foresight to improve, will certainly succeed in retaining it's members. This can be the difference of a cancellation or a long term member

The H and F's industry objectives are:

Member satisfaction

Brand awareness and Market share

Increased Sales V's Cancellations

Brand expansion

Pest Model

I have applied examples to the Health and Fitness Clubs (UK) Industry to show the effect of the External Environment, where I have then chosen the significant affects to the industry for further analysis.

Political

Legal and Regulatory -The results of non compliance to mandatory legislation or guidance are massive fines or catastrophic incidents that can have major detrimental affects.

Government interaction/Applications -The government could impose certain taxes or strict operating guidance. Such requirements as the Managing of Health and Safety in Swimming pools series will affect cost, competency and business risk

Regional, Global conditions - From economical effects that will increase or decrease membership bases, to different competitors existing in different regional locations.

Economic

Society's needs and Wants - Clubs are always looking for new ways to increase their member benefits. There tends to be a focus on certain segments depending on the industry at the time, i. e. nutrition and health are focused on by clubs more than ever before as there is an overall push from government and health companies to improve the UK's obesity figures.

Supply and Demand - With more health and fitness clubs opening, members want more facilities and benefits for less membership fees and some clubs are relying more on volume than quality.

Price - As above, clubs are dropping their prices to gain volume. During certain times of the year for example, Christmas/New year, there are huge variations in offers for joining fees and seasonal discounts affecting the choice of club.

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Socio-cultural

Attitudes and Opinions - The quality of a club can vary quite considerably. It can be very common for members to join clubs dependent on just the brand name and benefits it offers.

Lifestyles and Culture - Nowadays, there is the idea of being in the best club, driving the best car, living in the best house and H and F clubs work on the idea of being a member at the more recognized club.

Quality of Life - As mentioned above, it is important for people to fit their workout into their daily routine and clubs are working on creating new technology and online interaction.

Shift in demographics - Local demographics affect the industry as marketing strategies are planned around their location. Before a club opens, the company will ensure they have a base membership. The most prominent types of people who use a fitness gym are: ““ City Adventurers’ who tend to be young high flyers living in city centre locations and earning high salaries - 25-34 years.

Source: <http://www.theleisuredatabase.com>

Technological

Scientific breakthroughs - clubs with up to date equipment and online facilities seem to be the clubs the young business generation want to be members of. From iPod interactions to interactive personal stations in the gym, clubs are pushing the boundaries and expectations of members

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Communications devices - Clubs are now using programs such as email alerts on entering a club as a means of communication and online self booking system for classes. The industry is changing, with online personal programmes and ways to interact online with the club.

Ecological

Relationship between business and Natural environment - Fitness

Companies are now going green with recycling, energy reduction and waste systems in place, ensuring they are seen to be environmental friendly.

Waste generation and waste disposal - Contracted companies are in place to ensure the huge waste from deliveries to food from the kitchens is dealt with as necessary. Again, this costs clubs and companies money yet highlights there want to do more for the environment.

Four Key issues affecting the Industry

Economics - Pricing structure

Pricing structures are set by clubs to target the demographics they have researched when opening individual clubs and multi facilitated chains.

Although there are many chains and clubs around, there are clearly recognized chains that have established their product and suitability to the market prospective members.

“ Today,(2010) the average membership or joining fees revenue per member of a private UK health and fitness club stands at £384 excluding per year, or around £37 per month, although for some of the major chains it is significantly higher than this. During the past five years, the market has

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grown by nearly a quarter, on the back of new club openings and an increase in the proportion of adults who are members. However, the effect on the industry is that the growth in membership numbers and spending has virtually come to a standstill in the past year, as a result of the combined impact of the economic recession both on consumers and on the availability of investment funds needed to finance the opening of new sites. Source: Extracts from Mintel Oxygen Report 2010

Economics - Supply and Demand

Research shows that private club openings have slowed with but a few cases, as the funding necessary to pursue a new opening programme has dried up. With high running costs, gyms have been hit with issues such as higher utility bill costs that they cannot pass to the consumer. Over the past year, consumers have been cutting back on non-essential items, as their confidence has plummeted amid fears of:

- job losses,
- mounting debt levels
- rounds of pay freezes
- pay cuts.

As 2010 begins, new years resolutions are made and thoughts turn from excess to exercise. New research from Mintel reveals prospects for private gym memberships in the UK may not work out as planned. Once the essential consumer leisure pastime, it seems that the economic climate has had a big impact on how consumers feel about their gym membership. “

Mintel's exclusive research reveals 23% of consumers say they have already cancelled their gym membership, with a further 6% planning to do so."

Socio Cultural - Quality of Life

" An additional 11% of consumers say they have reduced the frequency which they go to the gym and just 6% say they are using the gym more to avoid doing other more expensive social activities, such as going to the pub." For those too committed to give up altogether, nearly a fifth of private club users claim to have switched to a pay-as-you-go gym or moved to a cheaper private club. This could affect certainly the larger more expensive clubs but will become a marketing strategy for the cheaper clubs that are maximising their volume and less concerned on cancellations. Cost remains a major issue for many consumers and clubs. The success of the budget ' no frills' health club sector during the past 18 months could attract a large interest of new members into the market which could be a barrier to the larger clubs looking to expand or increase prices.

Technology - Communication devices and online services

The price of home fitness equipment has fallen and other innovations, such as the Nintendo Wii fitness products, have also encouraged prospective members to bring exercise back indoors. It is a key time for operators to address what will encourage the consumer back into the gym environment. Clubs can turn this around by making it easier for prospective members to join, by providing online joining services, discounted offers, personal training advice, and online booking system for classes. Although this can be seen as a competitive advantage, it is the external environment that is forcing clubs

to look at what their online services can provide to entice them to return to the club. With technology advancing into all aspects of fitness it is important the clubs research the effect this will have in both the short and long term and the investment required to compete in the market.

Industry Uncertainty

Complex

Companies are changing the face of the industry by building new, bigger multi facilitated interactive family oriented clubs where there is one place to take part in a variety of activities for all ages. Families are being catered for so that the higher end clubs are not seen to limit any one demographic and succeed in the benefits expected by the members. It is these complexities that clubs are adapting to and are willing to create an alternative lifestyle for those who felt unable to manage fitness and well being as children were seen as a barrier to attending the club.

Transitional

With New technology and clubs progressing into new activities such as ' Zumba' ' Kids Gyms', restaurants facilities and outdoor activities, clubs are seen as modern day ' 3rd place' facilities to spend family time together, Clubs used to be seen as a static, non progressing facility where one club would appear the same as another, but there are many adaption's and themes throughout the different chains.

Four Leading Companies Competitive advantage

Threats of new entrants

With the main chains in the industry established and potential members aware of each brand's benefits, new companies will experience very harsh environmental factors, as discussed in section 5. With the economic downturn, potential new companies are now finding it hard to continue with planned projects. Although the industry in terms of membership is still growing, the funding and investment to expand or enter the market are reducing. With energy costs and suppliers costs rising, it is not a good environment to enter the market at this time. Overall, the market is robust but long established clubs are showing signs of lower profits and higher debts.

Bargaining power of suppliers

With many suppliers such as 'Techno gym' and foods suppliers such as 'Brakes' feeling the downturn, the industry is seeing rises in cost, such as food and gym equipment. They are trying to work with suppliers for better terms and conditions. For example, gym equipment purchased or leased would be renewed after 3 years instead of 4, or rises in food costs may occur, but clubs will simply pass on this increase to the members. It is as much benefit to the suppliers to ensure clubs can operate at a profit so they can continue their relationships and contracts.

Bargaining power of buyers

Many clubs are following the David Lloyd model of decreasing cancellation threats with 6-12 month tie-ins periods to the membership terms and conditions. This enables a club to know their sales for the next 12 months and can therefore provide a more realistic forecast. This can be seen as a <https://assignbuster.com/uks-private-health-and-fitness-clubs-industry/>

good retainer of members knowing the high end club members would join anyway increasing the average cancellation period from 5 months to 12 months. The other view is that the cheaper volume clubs see this as a potential to market their unique selling points (USP's) and attract potential members with cheaper rates and minimal tie in periods.

Substitutes

The big threat to clubs at present is the home fitness market. With fitness videos and the sale of home gym equipment on the increase, clubs must ensure they create the right balance and cost for members to be attracted to visit their clubs. With the likes of David Lloyd and Fitness First creating user friendly online joining services, the industry is competing in every way it can to keep enticing prospective members into their clubs. With seasonal variations and discounts such as 12 days of Xmas and New Year joining discounts, clubs will continue to challenge the fitness alternatives such as outside activities and team sports by bringing everything under the 1 roof.

Competitive rivalry

The top clubs rely on their brand name and benefits as well as good sales and marketing. They create a vision that their club is THE club to join and that there is little choice around. With quality facilities and activities for all ages, David Lloyd certainly have followed the family theme in all their clubs, creating a unique business model that is hard for prospects to say no to. The thought is that most prospective members would not visit the higher end clubs if they could not afford them, so they must ensure they get the benefits and activities right to guarantee it meets the adults and children's

needs. Mums and children no longer need to stay at home or use the crèche. The 'DLL Kids' classes tie in with the adult classes creating an easy work out scenario that fits with everyday life.

Competitive Intensity

The UK Health and Fitness Industry bucked the national trend and continued to grow for at least the 10th consecutive year. According to the 2010 FIA State of the UK Fitness Industry report, 122 new facilities opened across the UK in the 12 month period ending 31st March 2010.

“ Despite a contraction in the national GDP of 4. 9% for the last financial year and the most challenging trading conditions in living memory, the £3. 8 billion fitness industry still grew its registered membership base to 7. 4 million members in the period under review”. This economic downturn seems to be doing little to harm the industries expansion.

2009 – overview

An additional 64 new private clubs were opened in the UK

66, 444 new members

Private clubs have grown their memberships steadily with a 1% like-for-like membership increase.

Membership fees have remained steady £42. 91 compared with an average of £42. 37 for the previous 12 month period.

Market value of private clubs has therefore been able to grow, with a 3. 2% increase to +£4. 0 billion.

2008 – overview

There has been a net increase of 41 fitness facilities since 1st April 2007

The number of UK fitness members has also increased in the last 12 months to 7.2 million. A further 46,418 UK consumers are now members of a fitness gym, representing a 0.6% increase.

The 2.6% increase in the estimated market value brings the industry worth to £3.7 billion.

Analysis

David Lloyd and Fitness First seem to share a more robust model for UK operations and development with family themes in many of their clubs. Their business models are successful in all locations and have brand names that most members want to be part of. They work on member benefits and social aspects of the clubs with 'comedy and musical nights' even advertised as part of their members activities, demonstrating they are willing to go beyond the member's expectations. Their secondary spend activities are focused on increasing profit and providing member swimming lessons, personal training and many more additional services. Targets and objectives are set for departments to achieve their goals and budgets are used to identify strong and weak areas of the clubs operations. This is not to say other clubs are not in contention when competing, yet certainly the top 2-4 clubs have more functions and investments to achieve their annual targets and new developments.

The Future of the Industry

Despite the tough market conditions seen in 2009, longer-term prospects for the overall health and fitness clubs industry in the UK remain positive and robust. Revenue from membership fees is expected to exceed the £2 billion mark for the first time in 2009, despite the slowdown in new openings and the impact of the economic recession discussed earlier in the report.

Furthermore, the factors which have driven the development of the market to date are still relevant and, at just over 10% of the adult population, overall use of health and fitness clubs remains low, thus highlighting a large market of prospective members who could be encouraged to join. Public leisure centres and gyms are private health clubs' biggest rivals, with around one in six opting for a private club, as opposed to one in four for public leisure centres.

Operators need to look much more closely at the factors which are acting as a barrier to membership growth. Historically, they have not needed to because membership growth has been driven by new club openings.

However, as the rate of club openings has slowed, there has been an increase in the analysis as to why members are not joining. The biggest factor previously discussed is one of cost and, in this respect, the emergence of the budget health clubs sector in the UK - a concept now well-established in both the US and mainland Europe - will help to break down this barrier, which some of the top companies are already successful.

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