

The growth of the low cost gym sector is giving the health and fitness market a boost, finds Sheffield Hallam University's *Leisure Forecast* report. Themis Kokolakis explains the findings

LOW COST FITNESS

A supply-induced expansion is the basis for a significant improvement in the fortunes of health and fitness operators despite the uncertain economic environment in the UK and Europe.

In 2012, the health and fitness market is expected to reach £2,265m (US\$3,596m, E2,707m) in value, representing an increase of 2 per cent in real terms. This is mainly measured by the number of members or participants. During the period 2011 to 2015, the market, despite its maturity, is expected to grow by almost 12 per cent in real terms.

MEMBERSHIP EXPANSION

In terms of membership, the market is dominated by David Lloyd (450,000 members), Virgin Active and Fitness First. However, it is still open to acquisitions and consolidation – especially amid the current economic climate.

The economic decline, primarily in Europe and secondarily in the UK, has had a triple effect on the economics of health and fitness operators.

Firstly, low-cost operators have had an ideal opportunity for expansion; secondly, the big chains, with plans to expand abroad, have had to reconsider the risk against the expected benefit; and thirdly, the UK market, despite its

maturity, has presented an opportunity for expansion by US chains.

LOW-COST BOOST

The sector pushing forward most aggressively is the low-cost 24-hour opening gym. Examples include The Gym Group and Pure Gym – low-cost operators which offer the use of facilities without a monthly contract and are open 24 hours a day.

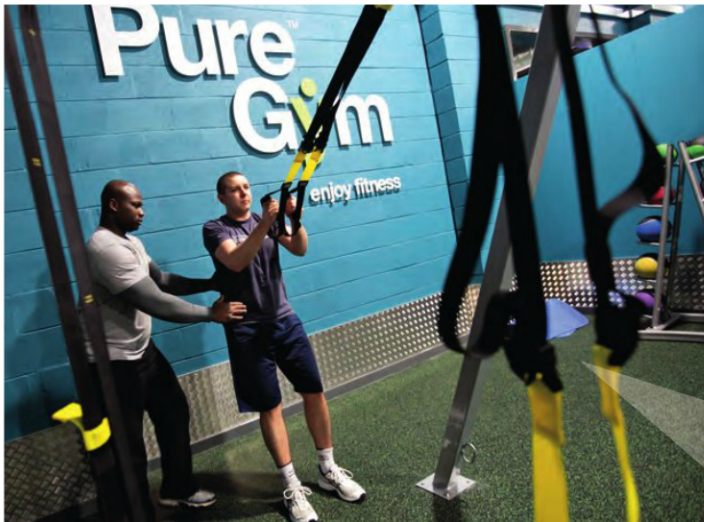
Last year Pure Gym raised funds (£10m, US\$16m, E11.7m) to enable it to expand across the UK. It plans to open 20 new locations by the end of 2012, taking its portfolio to 45 clubs, while The Gym Group, with 20 clubs, is also fully funded to open 20 new sites a year for the next four years.

Budget gyms are faster and cheaper to build, which is the main reason for the interest shown by US chains. Plus, only three per cent of existing health clubs are in the low-cost category, so the potential is immense, not only for taking market share, but also for attracting new participants in the market. Indeed the initial reports are very encouraging in this regard.

Another significant development was the opening of the first easyGym clubs in Slough and Wood Green last year. The easyGym company has a policy of offering pay-as-you-go monthly fees without requiring a long-term contract. Its business plan is to open 10 clubs per year, although roll-out activity seems to have slowed.

Leisure Forecasts predicts that the health and fitness market will grow by 12 per cent between 2011 and 2015





A combination of market globalisation and adverse economic circumstances has turned the market towards cheaper, more flexible neighbourhood provision

Pure Gym offers 24 hour gym membership with no contract from £10.99 a month



The Gym Group, which already has 20 clubs, has funding to open 20 new clubs a year for the next four years

The economic uncertainty in Europe has reversed plans to expand by one of the most important UK operators – Fitness First, which is currently restructuring its debt and considering cutting staffing levels. The company announced last September that it had abandoned plans for a flotation on the Singapore stock exchange. Globally, Fitness First has 550 clubs; a quarter of which are located in Southeast Asia, Australia and Hong Kong.

FLEXIBLE FUTURE

A combination of globalisation and adverse economic circumstances has turned the market towards cheaper, more flexible neighbourhood provision.

Monthly rolling contracts are likely to become far more mainstream. Indeed, the involvement of US fitness clubs expanding in the UK is likely to have an effect akin to that of the 24-hour supermarkets.

Focusing on areas with a lack of health and fitness provision will bring about a significant rise in the number of first-time gym users. As a study published by YouGov Sixth Sense titled *Gyms and Health Clubs* emphasised, location is the most pressing issue affecting consumers in their choice of gyms. If this can be addressed by current neighbourhood-based programmes, the rewards could be significant. ●

US operators have been attracted by the possibilities for growth in the low-cost sector. For example, Anytime Fitness is planning to open 50 clubs in the UK and Ireland by the end of 2012. The company operates small neighbourhood clubs on a low-cost basis and offers 24-hour access to its facilities. Its business plan has identified small cities without any health and fitness facilities. So far four clubs have opened in the UK; two in Bristol and one each in Hemel Hempstead and London's King's Cross.

Finally, in the spirit of the much more flexible neighbourhood service provision outlined above, a new service called PayasUGym launched in 2011, utilising smartphone tech-

nology to locate gyms within an expanding network of clubs, where consumers can book and pay per visit without membership requirements.

The service was launched in London and is now operational in Manchester, with further plans underway to expand across the UK during 2012 and onwards from there.

Similarly Tone Leisure – a not for profit social enterprise – is rolling out Shapemaster's Feel Good Factory concept across its existing clubs in the UK, following a successful pilot period. The concept targets overweight and limited mobility customers. Leisure trust BH Live also opened a Feel Good Factory at Pelhams Park Leisure Centre, Bournemouth in March.