

# 5-Year Gym, Health & Fitness Club Industry Outlook

With data from IBISWorld's January 2021 Report, "Healthy start: Increases in disposable income and consumer spending will likely boost industry expansion" By Thi Le



# Executive Summary

*“The Gym, Health and Fitness Clubs industry has prospered over most of the five years to 2020, bolstered by public health initiatives that have shed light on the role of exercise in fighting diabetes, obesity and other health ailments.”*

- IBISWorld

- ✓ **The industry has benefited from rising consumer demand for health club memberships**

According to 2020 data from International Health, Racquet & Sportsclub Association, over 60 million people had health club memberships in 2019.

- ✓ **Due to mandated closures, many gyms struggled with climbing costs and minimal relief, as revenue sources diminished.**

Revenue within this unique industry has increased at an yearly rate of roughly 0.5%, culminating in \$32.5 billion within a five-year span. In 2020 alone, there was a decline of 13.2% in revenue.

- ✓ **Customers who seek unique fitness programs have favored small-scale gyms**

With this in mind, the number of gyms, fitness and health clubs opening up shop has increased at a rate of 1.2% each year from 2015 to 2020—resulting in 106,213 gyms by the end of 2020.

- ✓ **Some employers subsidize gym memberships for their staff, helping boost to the industry**

Studies indicating that fitness can boost worker productivity. Increases in both disposable income are expected to contribute to industry expansion up ahead. As well, a boost in time spent on leisure and sports is expected to grow demand for industry services.

- ✓ **Small business owners will likely attempt to entice customers by offering conveniently located establishments**

In particular, many small gyms are expected to persist in attracting a niche local following by setting up shop in accessible, unsaturated areas. Conversely, much larger industry players can mitigate this trend with smartphone apps which enable gym users to access unique offerings and services.

- ✓ **Streamed and on-demand workout business models have fared especially well during the pandemic**

However, online-based streaming workout services could hurt the industry over the next five years. Business owners may need to be ready to up their online presence in order to retain customers who demand some flexibility in their workout routines.

## The Gym, Health & Fitness Club Industry At A Glance

**\$32.5**  
Billion Revenue

**\$2.7**  
Billion Profit

**8.2%**  
Profit Margin

**100,000+**  
Businesses

**700,000+**  
Employed

**\$12**  
Billion in Wages

## Consumer Spending in Fitness Overall



2015/2016



2017/2018



2020

# What Factors Are Driving These Numbers?

## Participation In Sports

Greater participation in sports reflects more health-conscious individuals, which typically increases consumer demand for gym, health and fitness club memberships.

## Time Spent On Recreation

When people have more leisure time, they can spend more on their fitness regimen, jumpstarting consumer demand for gym, health and fitness club memberships.

## Disposable Income

As disposable income rises, more people can purchase gym, health and fitness club memberships. As well, more consumers can afford higher costs for all-inclusive memberships.

## Aging Baby Boomers

Consumers ages 20 to 64 make up the greatest segment of fitness club members. The baby boomer generation, coupled with the maturation of their children, is expected to broaden the market for this industry.

## Yield On 10-Year Treasury Note

As interest rates rise, the investing environment for gym, health and fitness clubs will likely be less favorable, discouraging gyms from expanding their operations and boutique gyms from entering the industry.



# COVID-19 and Gyms, Health, Fitness Clubs

## Performance

Prior to the pandemic, the industry contended with time-strapped consumers as unemployment decreased. However, this trend has reversed since the beginning of the pandemic. Time spent on leisure and sports has increased an annualized 0.3% over the five years to 2020.

## Outlook

Over the five years to 2025, the Gym, Health and Fitness Clubs industry is expected to blossom, especially after the COVID-19 pandemic has slowed and business owners are permitted to reopen at full capacity.

## Products & Services

Profit, measured as earnings before interest and taxes, accounts for an expected 8.2% of revenue in 2020, down from 12.9% in 2015, and this decline comes as a result of growing consumer demand for low-cost memberships, as well as diminishing revenue amid club closures.

Overall, industry revenue is expected to increase an annualized 3.2% to \$38.1 billion over the five years to 2025.

## CARES Act

The **Coronavirus Aid, Relief and Economic Security Act** was signed on March 27, 2020 to help lessen the damage of COVID-19-related closures.

The CARES Act also put aside \$10 billion through emergency grants under the Economic Injury Disaster Loan and \$17 billion for loan relief under SBA Debt Relief. Businesses that are larger can also benefit, as the act offers a refundable tax credit that covers 50% of payroll up to \$10,000 per employee.

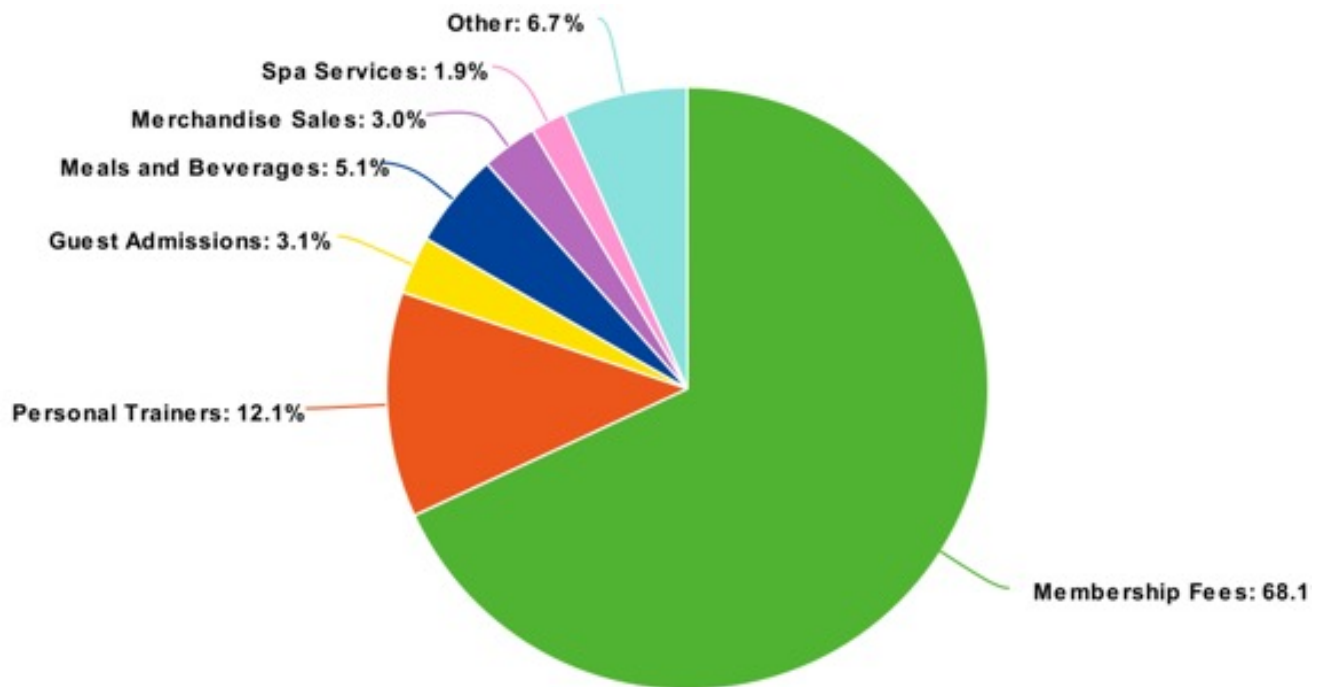
Overall, these programs aim to help industry players to retain their workforce and cover emergency expenses to stay afloat amid the pandemic. However, as the initial fund dried up, the US **Paycheck Protection Program and Health Care Enhancement Act** was signed, setting aside an extra \$321 billion and \$50 billion for the PPP program and EIDL program.





## Industry Landscape

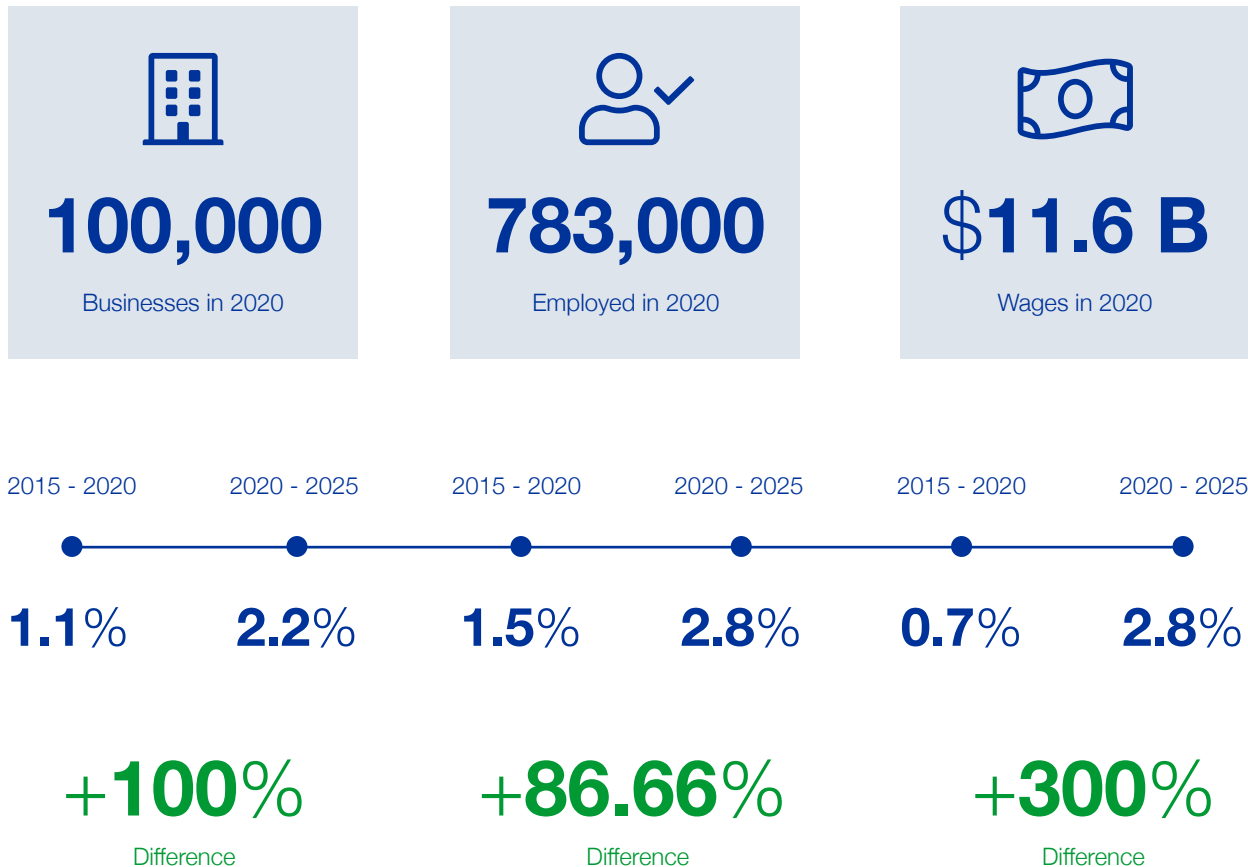
In an attempt to appeal to consumers on a budget, some businesses have begun to offer low-cost memberships. Many gym, health and fitness clubs offer memberships that cover basic amenities, such as free weights and elliptical equipment but require an additional fee for services such as yoga classes and pool access.



Products & Services Segmentation:  
Where Does Health Club Revenue Come From?



Overall, this segment has fallen as a share of revenue from 2015 to 2020, as business owners generate a higher share of revenue from alternative services and price competition pressures revenue within this segment.



## Demographic Changes

From 2015 to 2020, the industry has experienced sustained positive changes in demand, and, as a result, the breakdown of the industry's markets has also changed. Serving the aging baby boomer population has encouraged health and fitness clubs to widen their target demographic beyond what was traditionally a market for 18- to 35-year-olds.

Thus, players within the industry are starting to shift their target to 35- to 50-year-olds, and even people over the age of 50.

## ✓ Under 35

More consumers aged 17 and younger will likely join gyms. Less physical education in schools, coupled with growing concerns regarding childhood obesity, will likely prompt gym membership sales for this age demographic. Many gym, health and fitness clubs target individuals aged 18 and younger by offering yoga, karate, kickboxing and outdoor physical activities.

## ✓ Ages 35 to 50

Activities, such as swimming, running and weightlifting, appeal to this demographic, which has incited many gym, health and fitness clubs to offer these services to cater to this market segment. However, in the last 5 years, this market segment has remained stagnant, as business owners focus on appealing to other market segments that fluctuate.

## ✓ Over 50

According to 2017 data derived from the Physical Activity Council, those older than 50 are most likely to be inactive—with 32.5% of individuals aged 55 to 64 and 40.7% of those over the age of 65 being considered inactive. However, data suggests that baby boomers will likely purchase gym memberships to maintain healthier lifestyles.

Why the shift? The Gym, Health and Fitness Clubs industry has benefited from the health of the broader economy and growth in health-consciousness over most of the five years to 2020. As public health campaigns spread awareness about the health benefits of fitness, consumers are expected to increasingly perceive gym and fitness club membership as a vital expense.

As healthcare costs continue to escalate, health insurance providers may implement incentives to promote preventive health practices, including the use of fitness centers among people within their provider network. To cut healthcare costs, many health insurance providers will likely attempt to lower an individual's risk for type 2 diabetes, heart disease and high blood pressure, among other ailments.



# Key Success Factors In The Gym, Health & Fitness Club Industry



## Economies of Scale

Lowering costs of acquisition while expanding your member base is one sure-fire sign of success. Fitness operators with many locations under their belt, and who provide a wide range of services, are able to attract and retain new and existing members while reducing costs per member.



## Supportive Clients

Small businesses in the fitness industry depend on a strong local following, which in turn drives referrals and loyalty in their client base. Some ways fitness club owners can engage with their customer base to garner support is to personally recognize each member's journey, and give them the support they need right back.



## Business Expertise

The long-term success of a business owner depends on how skilled they are in running a business profitably over time. Having instructors with years of knowledge in fitness, an aptitude for instructing, and a proven track record of successful fitness transformations is critical to overall business success.



## Accessible To Clients

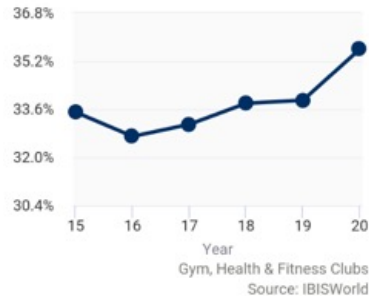
Having a high-profile location with easy access and parking can provide a competitive advantage for companies in this industry. As well, finding a location that is easily accessible via public transit, and even close to other amenities that members of the community frequent is critical to success.



## Effective Promotion

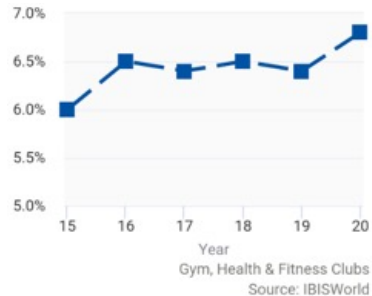
Consumers can't sign up for a membership at a health club they don't know about. Ensure your business is visible with advertising, social media, and promotion via word of mouth to get the word out there. Marketing expenses can garner an incredible return-on-investment, so don't be afraid to invest.

# Costs For Gym, Health & Fitness Clubs



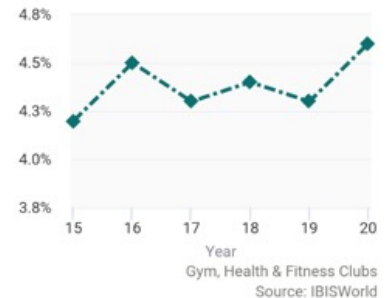
## Wages

Wages are the largest cost for the industry, accounting for 35.2% in 2020. To minimize this cost, many gym, health and fitness clubs have implemented staff that includes part-time employees who are paid on an hourly basis.



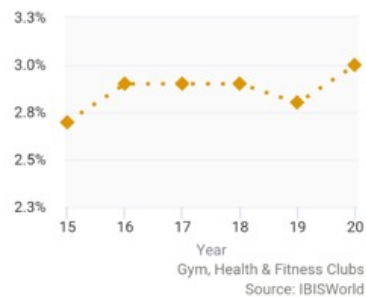
## Rent

As business owners typically rent or lease commercial spaces or facilities, rent is a significant cost for gym owners, accounting for an estimated 6.8% in 2020.



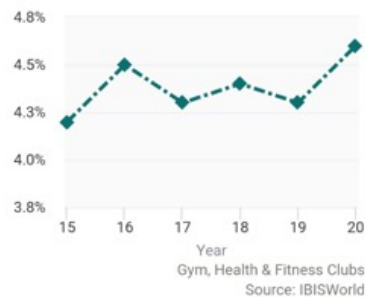
## Utilities

Unlike other figures, utilities in general have remained relatively flat across a multiple year span, estimated at 2.4%.



## Marketing

Marketing expenses will reach an approximate 3.0% of revenue earned in 2020, according to data. Business owners advertise using media including TV, direct mail, newspapers, telephone directories, radio, billboards, and websites.



## Purchases

Purchases added up to about 4.6% in 2020. These purchases include a variety of items, but are typically retail items such as supplements, clothing, and refreshments like food/beverages.

# Barriers To Entry In The Gym, Health & Fitness Club Industry



MEDIUM

## Capital Intensity

This industry is moderately capital-intensive. In 2020, for every \$1.00 spent on wages, the industry incurs an estimated \$0.20 on capital costs, which include the cost of fitness equipment, buildings, vehicles, furniture and computers.



LOW

## Globalization

The fitness club industry offers a service that largely provides services to local communities. Most business owners operate their businesses solely in their domestic market. This industry also does not engage in international trade.



LOW

## Regulation & Policy

Under the cooling-off statutes employed in most states and provinces, new fitness center members have the right to cancel their memberships within a period of three to 15 days after the date the contract was entered. As well, they are entitled to refunds.



MEDIUM

## Technology Change

While classes are generally conducted in person with physical contact, the use of alternative methods of training due to the hands-on nature has been observed in the last year. Some classes may also be streamed online for members to take remotely, to curb COVID-19 restrictions.



LOW

## Industry Assistance

Assistance for the Gym, Health and Fitness Clubs industry is low right now. But, it is increasing as more institutions promote the benefits of assistance. The Department of Health and Human Services has set \$16.0 million toward obesity prevention and fitness.



HIGH

## Competition

Internally, competition tends to be limited by region and market. However, alternative forms of exercise and recreation that are gaining in popularity are also proving to be external forms of competition.

# Are You Ready For The Next 5 Years?

As we have seen from some of the data available, the fitness industry can be competitive and challenging. Needless to say, you need tools that will help you stay ahead of the curve.

Let us do all the heavy lifting for you. Whether you operate a small gym, or a larger franchise of fitness studios, PerfectMind can help drive sales and conversion rates, streamline billing, engage with students and simplify staff management and reporting.

Save time, reduce costs, retain more students, and boost revenue at your school with our all-in-one martial arts business management software:

- ✓ Attendance Tracking
- ✓ Smart Email Templates
- ✓ Online Booking
- ✓ Membership Management
- ✓ Automated Billing
- ✓ Class Size Limitation



## Built By A Small Business Owner, For Small Business Owners

PerfectMind's founder, Farid Dordar, built this platform to help run his martial arts dojo. Since then, PerfectMind has expanded to become a state-of-the-art member management software for dojos, yoga studios, gyms, cities, schools, and more!



## 24/7 Support Available When You Need It

We pride ourselves on offering exceptional customer service to our clients. That's why our team is available via live chat 24 hours a day, 7 days a week. If you need anything at all, PerfectMind is here to help.



## Online Resources From the PerfectMind Community

Got a question? Our online knowledge base likely has the answer. Browse our resource library to find help for the roadblocks you're running into.

To learn more about how PerfectMind can help you visit [www.perfectmind.com](http://www.perfectmind.com) or simply give us a call 1-877-737-8030.

**Book A Demo**



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