

FRANCHISE 1·2·3

The Way Ahead

for **Fitness**
Franchises
in the Post-COVID
Business World

**A Look at the Present and the Future
of the Fitness Franchise Industry**

A woman is shown from the side, working out on a cable machine in a gym. She is wearing a dark sports bra and leggings, and has her hair tied back. She is holding the handles of the machine with both hands, and her arms are extended. The word "CONTENTS" is overlaid in white, bold, sans-serif capital letters across the middle of the image. The background is a blurred gym environment with other equipment visible.

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1

INTRODUCTION



We live in a world where more importance is placed on being healthy and looking good than ever before. The widespread popularity of social media, the huge appeal of celebrity influencers, and the easy availability of online fitness advice are some of the modern developments that have helped to shape the current fitness market into a large, successful part of the economy.

2020 and 2021 have produced serious challenges to an industry that had been booming before the global pandemic struck. The public hasn't lost its appetite for getting fit, but rather the damaging effect of the pandemic restrictions has caused many gyms and other fitness facilities to close their doors for months on end. In thousands of cases, once-thriving fitness centers have been forced to close permanently.



On a more positive note, our research has shown that customers are likely to return to gyms with more enthusiasm than ever before, making up for lost time, recovering an important element of their social lives, and focusing on their future good health. This has created a fluid, expanding market where demand can be expected to outstrip supply in the near future.

All of this adds up to a promising panorama for the fitness franchise industry, which offers investors the opportunity to start with a robust business model that can be implemented quickly and smoothly.

With these basic details in mind, we can set about carrying out a thorough exploration of the industry and see the numbers that reveal exactly how big the current opportunity is. We can then proceed to look at the main areas where success could be obtained and what modern strategies are needed to deal with the current situation.

2

HOW BIG IS THE FITNESS INDUSTRY IN 2021?



If we look at the global fitness industry as a whole, figures from Statista suggest that it was worth \$96.7 billion in 2019, having risen from \$67.19 billion in 2009 during a decade of almost constant growth. The trend for going to the gym and getting fit has taken hold in virtually every part of the planet.



However, by looking specifically at [the US figures](#) we can begin to appreciate how the market has been affected by COVID-19 restrictions. As with the worldwide numbers, the American market grew strongly for various successive years until it reached revenue of \$37.46 billion in 2019 for the more than 100,000 gyms and other fitness facilities across the country.

The number of US gym members reached a record high of 60.86 million in 2017 followed by a further increase to 62.45 million in 2018 and then climbed again to 64 million a year later. In addition, it is estimated that there are about nine million or so non-members who also use gym facilities each year.

This meant that around 1 in 5 Americans had a gym membership in 2019, with this number rising steadily to its current all-time high rate thanks to an annual 3.4% growth rate from 2014 to 2019. Indeed, the cumulative growth of 17% from 2014 to 2018 that is noted in the *2019 IHRSA Health Club Consumer Report* is far greater than the US GDP of 11.6% for the same period.

Yet, the industry's revenue numbers dropped significantly for 2020 (\$32.52 billion) and 2021 (\$33.25 billion) from the \$37.46 million reported in 2019, with some gyms even forced to close on a permanent basis.

Despite this, there is no underlying reason for believing that the public's appetite for going to the gym has diminished after such a long period of sustained growth. Indeed, a look through the latest reports and studies on the subject suggests that people are keener than ever before to head to the gym and that they had stopped going purely because they were unable to do so.

2.1 Studies and Some Contradictory Figures to Consider

The results of some of these studies may appear to be contradictory. However, they are included to provide an overall feel for the mood among the public, and among gym-goers in particular. Is the fitness industry likely to fully recover soon, or will the impact of the pandemic cause definitive changes to the size of the fitness market?

- » [95% of gym members](#) say that they miss one or more aspects of going to their local fitness facility, according to a Kelton study. This was higher than the percentage that missed going to sporting events, movie theaters, or restaurants. 59% of the respondents say that they miss their gym a lot.
- » 40% of the people asked in a [marketing survey carried out by UpSwell](#) at the start of 2021 said that that they prefer to work out in a gym rather than at home or elsewhere, with over 80% open to the idea of going back to a gym and fewer than 20% not wanting to go back. Over 46% pointed out that sanitation is now a huge factor when deciding what gym to go to.



- » A [TD Ameritrade survey early in 2021](#) suggested that 59% of Americans don't plan to renew their existing gym membership, as they look for more affordable ways of keeping fit. The same article, from CNBC, also points out that a different study shows that 47% of people are unhappy with workouts at home and 83% of respondents wanted to return to their gyms.
- » 85% of American gym members confirmed that their exercise routines had changed since COVID emerged. However, over 50% of them said that they were unhappy with their new routines, due to reasons such as being less challenging and offering less consistency. On the other hand, more than three-quarters of people say that they now have more time to work out than before.

- » [This RunRepeat survey](#) showed that 71% of gym members hadn't returned to use the facilities by March 2021, with many not planning to go back and others stating that they would only return to a gym after being vaccinated.
- » Close to 50% of people said it was now more difficult to find the motivation needed to carry out exercises, with those who have returned to gyms reporting far less of an issue in this area.
- » 41% of Americans are [bored of their home exercise routines](#) and 43% feel that they are lacking the motivation to exercise. Crucially, 32% mentioned the fact that they miss real-life social aspects of exercising.
- » 57% of those people who hadn't gone back to their gym yet said that the fear of COVID not yet being under control was the main factor in this decision.



- » Meanwhile, the US Centers for Disease Control and Prevention has reported that [42% of Americans gained unwanted weight](#) in the last year, with an average gain of 29 pounds (13 kg). [A Boston.com survey](#) put the numbers even higher, with 64% of respondents gaining weight.

These surveys and numbers reveal a market that is at a crucial stage in 2021, with different studies showing a variety of numbers and opinions. It is clear that the fitness sector is changing and, as with any major change, this means that new opportunities are opening up, although they may not be immediately obvious to everyone at first glance.



After numerous years of steady, sustainable growth that appeared to be unstoppable, the recent pandemic caused gym membership to fall significantly for the first time in several years.

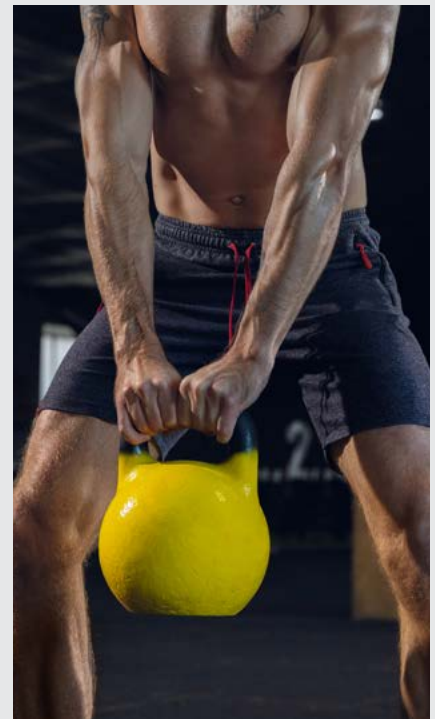
The main reason for that was that people simply couldn't get to their usual fitness facilities. These businesses were forced to close temporarily, and it took an agonizingly long time for the rules to be put in place that would allow them to begin to re-open on a gradual basis.

The financial situation may have had an effect on gym membership cancellation rates too, as many customers were forced to make cutbacks until their work situation became clearer and their income more stable again.

At the same time, lots of people have started working from home for the first time in their lives and are missing out on the social opportunities and chances for exercise that they once took for granted. This has created a gap in their lives that didn't exist before that now needs to be filled in some way.

It seems that a large percentage of the population is keen to get back to some sort of fitness facility for a variety of reasons, and this number appears to be certain to increase as life gets back to normal and we can start to carry out more social activities.

This means that the market presents more opportunities than might have been the case a couple of years ago, as new gyms may take the place of those that haven't managed to stay open, and those members who have canceled look elsewhere now.



2.2 The Changing Needs and Emerging Trends

The key takeaway here is that people want fitness facilities that meet their changing needs, even though some of them may appear to be in conflict with others on the following list.

- » They want to return to the variety and appeal of well-stocked gyms rather than having to work out at home with more limited facilities.
- » Gym members want to regain the social aspect of working out with others, but are also wary of crowded places and place a good deal of importance on good sanitation processes.
- » The more sedentary lifestyle that many people have fallen into worries them but they feel that they lack the motivation to change things on their own.

» The motivation that comes from going to the gym and exercising with others is also important, as we realize how much this used to help us to keep fit and push ourselves harder.

» A huge number of former fitness club members should be flooding back to gyms in the near future, with a percentage of them looking to join a new gym.

By considering all of these points, it seems safe to suggest that it is simply a matter of time before the fitness market gets back to the size and profitability that it enjoyed pre-COVID. Indeed, the tangible feeling of pent-up demand that we can witness in some of those studies suggests that it may bounce back fully before moving onto a higher level than before.

Let's work through the facts and figures, to see how the rest of the factors and market conditions back up this initial summary. We can then also see what type of gym is likely to benefit from a positive outlook.



3

HOW FITNESS COMPARES TO OTHER FRANCHISE INDUSTRIES



Franchises have made their mark in several different industries in recent years, from restaurants to tanning centers and pet care services among others. The fitness franchise market has traditionally been seen as among the strongest of these areas, with gyms often jostling with household name restaurant chains and service companies at the top of the list of the fastest-growing franchises.

The number of franchises in the US has remained relatively stable from 2007 through to 2020, with the total sitting at close to 800,000 throughout that time. Yet, it should be noted that the last 7 years of that period have seen constant, small but steady increases following the last drop that was seen from 2012 to 2013. This pattern suggests that more people are discovering the potential of this business model but without the sort of unsustainable growth that has been seen in other industries in recent times.

Within the overall franchising model, fitness brands have been performing well. In 2020, before the lockdown restrictions, it was predicted that franchising in the US would grow by 1.5%.

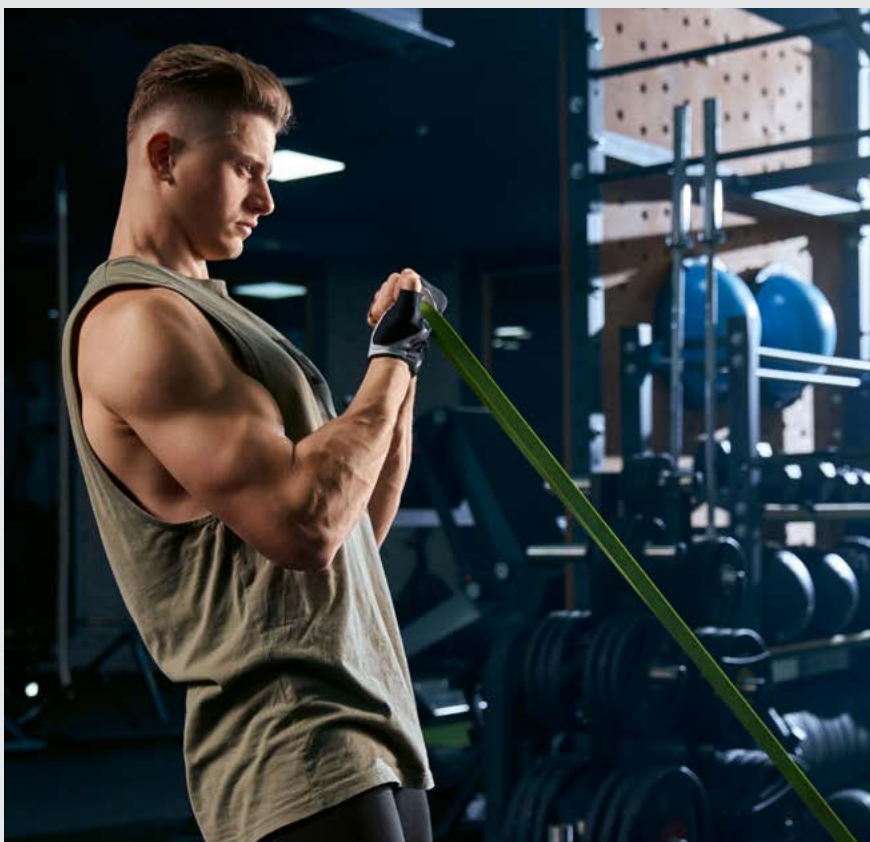


The personal services segment that gyms belong to was expected to be one of the strongest performers in that year. It was ranked top of the list for number of new franchises as well as new staff numbers.

3.1 Why Do Fitness Franchises Stand Out?

Perhaps the key factor that has helped fitness franchises to stand out in this way has been the way that health and fitness have become a huge concern for so many people around the globe. Massively popular social media influencers such as Michelle Lewin (14 million followers on Instagram), Jen Selter (12 million followers on Instagram), and Joe Wicks (4 million followers on Instagram) have helped to bring this subject to the attention of far more people.

There has also been an increased focus on healthy living for medical reasons in the last few years. Concerns over issues like rising obesity and diabetes rates have helped to shine the spotlight on the benefits to be gained from regular gym visits. It is now easy to see the latest scientific opinions on why it is worth making the effort to get fitter.



Fitness-aware celebrities like Dwayne Johnson, Jennifer Lopez, Mark Wahlberg, and Halle Berry have also helped to spread the word on the benefits of looking after our bodies. This means that our fitness and physical appearance are now more present in our mind and in our daily lives more than was the case for previous generations. Gradually, going to the gym has moved from being seen as a chore or something for a niche market to becoming a mainstream, enjoyable activity for all types of people and all ages.

It should also be remembered that gyms boom in times when the population has a large amount of disposable income, although we have seen in recent years that they have been thriving in all sorts of economic conditions.



These different factors have meant that gym membership is now a desirable option for a broad and ever-growing section of the population. Unlike other franchises, where the target market remains more or less stable, this is an area where huge levels of interest among different demographics have fueled an impressive growth in the diversity of the age and background of gym members.

However, the thought of opening a gym from scratch can be daunting, especially in areas where the competition between big-name fitness brands makes it a tough market to break into. The franchise model eases the newcomer into the industry by giving them instant access to help, advice, and support while giving them a strong brand image to build success from.

It is also worth noting that gyms are regarded as having a higher than average profit margin. The [*2017 IHRSA Profiles of Success*](#) report confirmed that fitness-only clubs have a median profit margin of 20%, while those that form part of a larger group can make even more profit, at 22.6%. That puts the fitness franchise industry well ahead of other sectors such as independent fitness clubs (12.7% margin) and all clubs (16.5%).

Another factor that has played a role in the growth of the fitness industry in the US has been the trend for opening premises in malls and other shopping centers. This has proved to be an attractive and successful way for property owners to replace retail tenants and has made it easier for members to choose a location that suits their lifestyle perfectly.

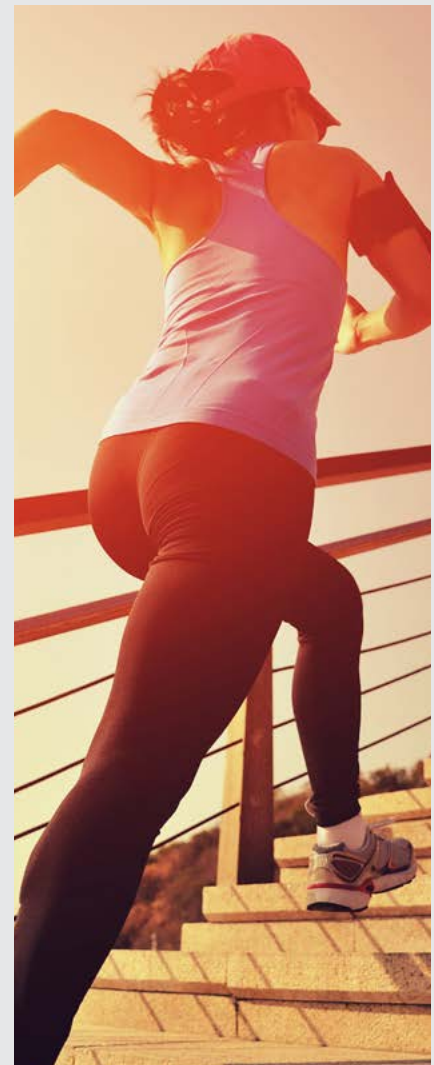
It is clear that keeping fit, losing weight, and building muscles are areas that have really grown in popularity in the public perception. Easy access to the latest scientific surveys, celebrity endorsements, and pro tips has made it easy for anyone to become an expert and understand the way of working out that would best suit them. Unlike some other types of franchises, the fitness industry is an area where its customers are extremely active in finding new approaches and understanding what they are looking for.



This level of interest and scrutiny has led to trends developing and spreading rapidly, aided by the multitude of influencers and celebrity fitness fans who share their latest findings. This means that gyms need to move quickly to meet ever-changing demands and the latest technology, which is where the franchise approach allows individual gyms to react nimbly and effectively to changing market conditions.

A gym franchise isn't especially expensive, but there are some expenses in this type of business that can't be overlooked. Large premises and a lot of pieces of equipment are needed for this sort of operation to have a chance of success. This means that a decent sum is needed as the initial investment.

However, the flip side of this is that the potential ROI is greater than in many other industries. Look online for an idea of how the ROI varies between types of franchises and you will see a wide variety of answers. However, what is clear is that you should be expecting a good return, certainly higher than you would get on a passive investment like stock funds or bonds.



3.2 Franchises That Give People What They Want

Perhaps the biggest factor here is the feeling of the people who want to open a franchise. Are they bored of their job and looking to do something that they expect to enjoy more, rather than looking solely at the financial side of it?

For many people who look through the list of currently available franchises, gyms will leap out from the page at them because it is something they are passionate about. Unlike options such as fast-food chains and cleaning franchises, this is an area where a lot of people see the opportunity to do something they love and build up a business at the same time.



You don't have to enjoy working out to start a fitness franchise. However, given the massive popularity of going to gyms right now, it seems entirely plausible that the majority of people who look for franchise ideas are already interested in gyms in one way or another.

Perhaps the simplest way to sum this up would be to say that fitness franchises differ from other opportunities of this sort by giving their customers and owners what they want, rather than having to convince them that they want something new. Many people are actively looking for new ways to stay fit and the right place to go to do this comfortably. They will be glad to see a new option that is convenient for them and carries a name that they trust, while the owner can combine their passion with a sensible business investment.



4

THE DIFFERENT SEGMENTS OF THE FITNESS INDUSTRY



It would be a mistake to class the entire fitness industry as a single entity. While the focus of these businesses is always on helping us to get fitter and stronger, they each go about it in different ways. The truth is that increased diversification has led to a number of distinct segments emerging in recent times, such as the following categories.

4.1 Categories of Gym That Are Currently Popular

- » Big-box gyms are usually located on large premises and carry the name of a well-known gym chain. Typically, it is the type of brand that has branches all across the country, and sometimes internationally too.



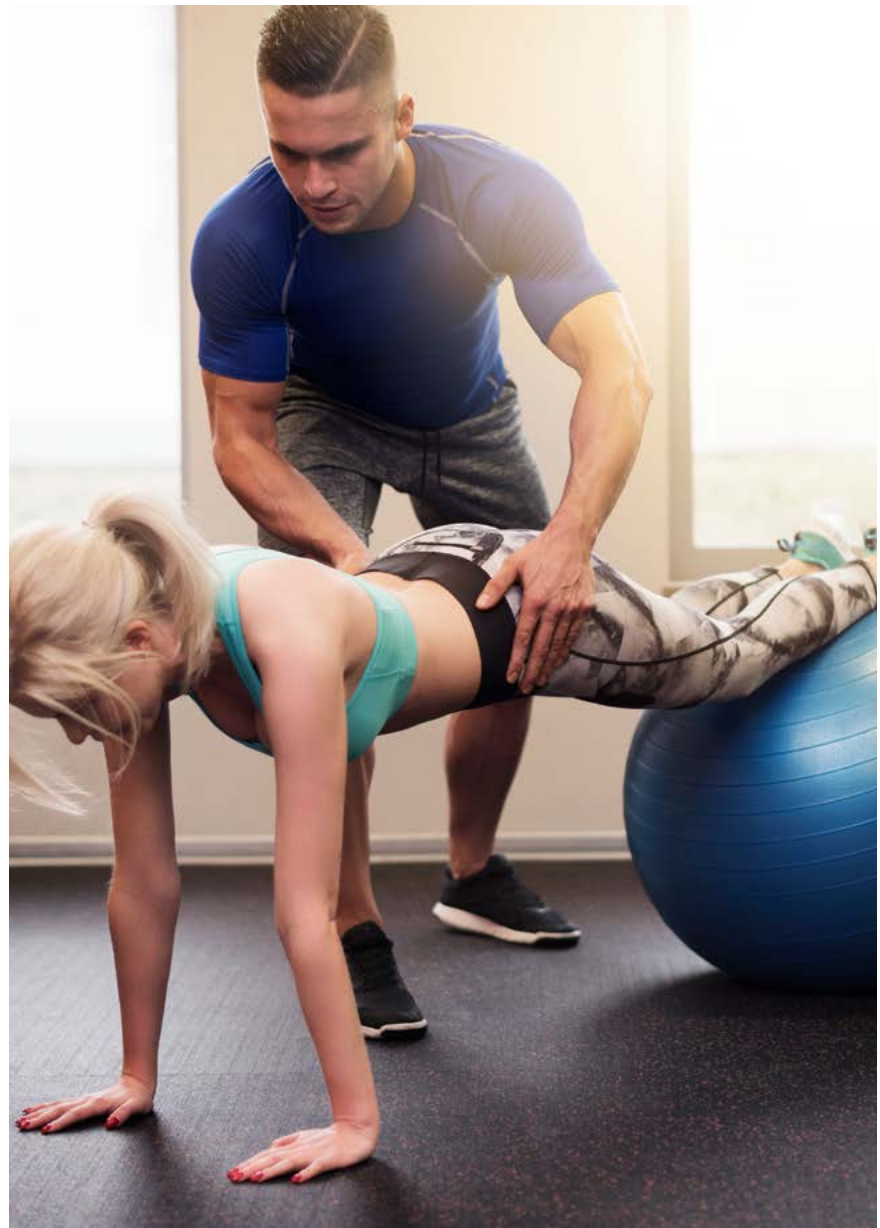
Due to their large size, they can offer many different types of equipment and excellent facilities. Big box gyms are appealing to newcomers, as the name will be familiar to them and it may seem less intimidating than a smaller gym. The variety of equipment they contain also makes this a good option for a casual gym-goer who likes to sample different exercises rather than stick to a defined plan. They may also offer long opening hours and low prices, due to the large number of members they attract. On the negative side, some people might find them to be a little on the bland side and lacking personality. The gender balance of members in these facilities tends to be fairly even.

» Boutique gyms are smaller than big-box gyms, meaning that they have fewer members and a less extensive range of equipment. This type of facility is generally up to 3,500 square feet in size, and its popularity has exploded in the last decade. They are likely to have a stronger community appeal and may offer more of a personalized fitness experience where the staff and trainers establish a closer relationship with members and boost their motivation levels more effectively. The membership cost is generally higher in a boutique gym, meaning that it is perhaps more attractive to someone who is happy to spend a little bit more to get the sort of experience that they want from their gym. Numbers from IHRSA point out that boutique gym participation rose from 21% in 2018 to 51% the following year, making this one of the fastest-rising sectors of the health and fitness industry. It is also worth noting that over three-quarters of boutique gym members are female.



» Personal training studios are more likely to specialize in a certain kind of exercise, such as yoga, spin, or pilates. This may be a boutique gym, but the key factor is that it will have a strong emphasis on passing time with a personal trainer rather than working out alone. This can make it more expensive but this shouldn't stop future growth, as many analysts suggest that the trend for 2021 onwards will be for people to focus on individual, personalized classes.

» Group fitness studios are also usually part of the boutique model and are designed for members to carry out exercises together, under the supervision of a personal trainer. This method is especially attractive for anyone who fears that they may lack the motivation to work out alone, or who simply wants to add an extra dimension of fun and a bigger social aspect to their fitness routine. While the overall trend is expected to be a move towards personalized classes, this type of group setting could remain popular among casual users if it is adapted to the post-COVID reality while maintaining a relatively low cost and social appeal.



» Powerlifting gyms specialize in heavyweights and are often owned by, or linked to, renowned powerlifters. These facilities attract people who are serious about bodybuilding or powerlifting, rather than casual members focused on overall health gains. This has traditionally been a male-dominated scene, although there are signs that this may be changing. In 2018, a record [47% of USA weightlifting members were female](#), with a huge jump in competitive female powerlifters from fewer than 1,000 in 2011 to over 6,500 in 2017 reflecting the growing appeal of this sport.



» Rock climbing gyms offer a variety of different surfaces for anyone who wants to work out in this way. Indoor rock climbing has become big business, with [over five million people taking part](#) in the US in 2017, according to the *2018 Outdoor Recreation Participation Report* from the Outdoor Industry Association. 50 new gyms opened in 2018 but this number dropped to 44 in 2020, due to the pandemic. The industry [has seen profits hit](#) in the last two years, but 61 new gyms are expected to open in 2021. This gym is different from the others in the way that they attract a different demographic, with many offering walls for different levels of participants, including children.

There has been room for all of these types of gyms in the modern world during the explosion in popularity seen before COVID-19 arrived on the scene. However, the research we have looked at all points towards boutique gyms taking up an increasingly larger share of the market in the future. Big box gyms definitely remain a convenient option for casual gym members, but the benefits offered by boutique facilities should ensure that they continue to expand across the nation at a faster rate.

The COVID-19 pandemic may accelerate the move towards the boutique model, as we will see later when we focus on the changes caused by this virus and the strategies that are needed to ensure it doesn't affect future growth. Yet, this shift to boutique facilities was a process that had already started before 2020. The pandemic seems to have simply accelerated it.

Another important factor here is the flexibility offered by gyms. It can be relatively easy to make changes such as creating smaller class sizes or using outdoor space. Given what has happened since 2020, it seems safe to assume gym owners will be keeping a close eye on anything that might cause them to have to change their way of working in the future.



5

MEMBERSHIP MODELS, GROWTH, AND TRENDS



The average number of members in an American gym was reported as being 1,579 in 2018, having remained fairly steady since a 1,568 average was recorded in 2014. 2018 also saw attrition rates drop to 14% and the rate of new or returning members fell slightly to 16%, across the industry as a whole. The numbers from 2014 onwards show that the level of new memberships has been above the lost members figure each year, with 2017 being a particularly strong year thanks to a 5% difference between these rates.

However, the membership numbers and attrition rates can vary greatly between the different types of facilities we have looked at here. The premium (\$75 to \$99 per month) and budget (under \$25) sectors have seen the strongest growth. The largest share of the market (29%) is still taken by mid-market membership fees between \$25 and \$49, but 6% of the population now pay more than \$200 per month to go to the gym. Boutique studios added 3% more members between 2016 and 2018, while corporate memberships rocketed by 11%.



Due to the volume of members and low costs, big-box gyms tend to have larger year-on-year membership swings, as they introduce a lot of new members but may also lose a substantial number in the same period. They may also benefit from larger marketing campaigns and a greater reach in terms of publicity.

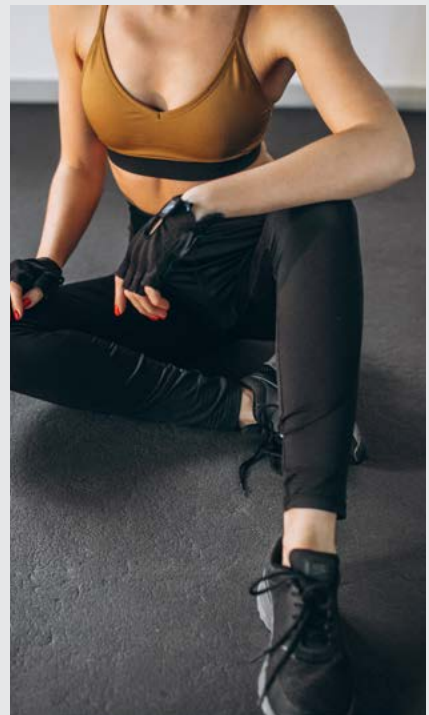
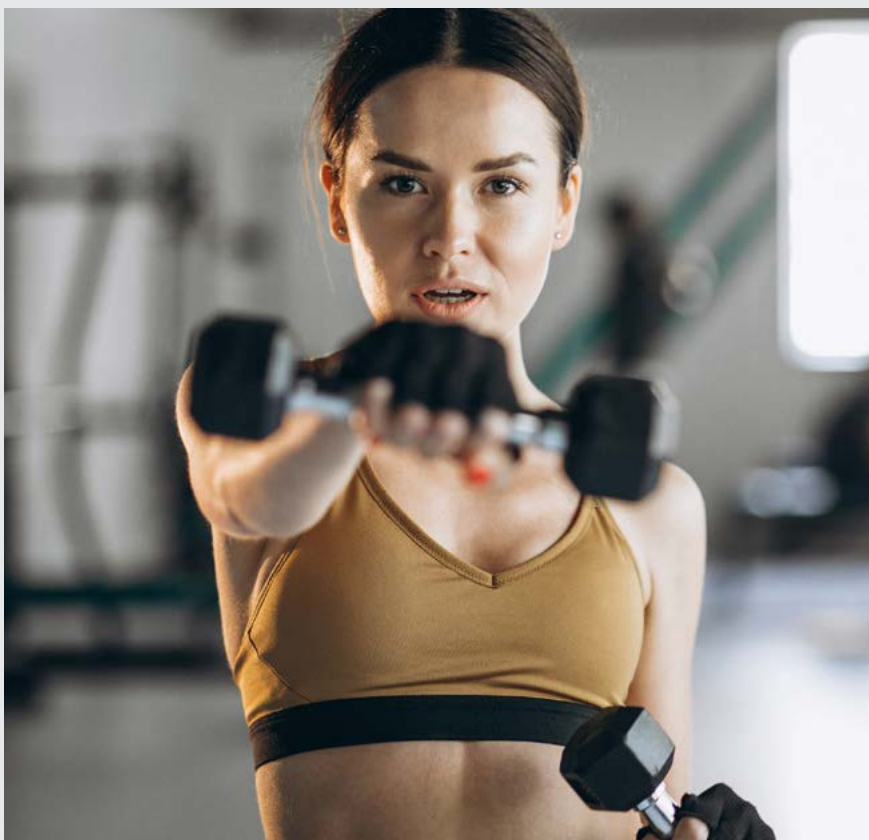
Boutique fitness chains are becoming increasingly well-known among gym aficionados but these brands maybe aren't as well-known by the general public as yet. However, this may work to the advantage of anyone looking to open a franchise with one of these boutique gyms just now, as the franchise fee may increase in the future as their profile rises and more investors look to join their franchise scheme.

It is also worth mentioning the fact that franchises have limited availability in each territory, so investing in a newly emerging brand gives you more options and allows for future expansion and growth.

5.1 Multiple Gym Memberships and Age Factors

Naturally, some people will use more than one type of fitness facility. Those members who are between the ages of 18 and 34 are more likely to have multiple gym memberships than others. However, more than 90% of those people aged 55 and over only have one membership. The overall average age of American gym members is 38, but this falls to 34 for boutique facilities.

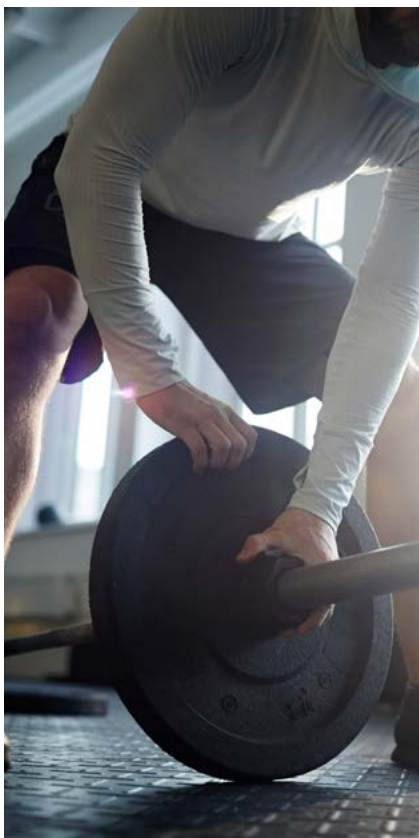
Interestingly, there is no clear pattern to multiple gym membership in terms of income level. As people from all household income groups have roughly similar rates, with between 11% and 19% enjoying the benefits of more than one membership. This is a surprising statistic, as one might expect multiple gym memberships to be heavily weighted towards the wealthier end of the spectrum.



In general, gym members come from all backgrounds and income levels. The average income of members was reported as just under \$80,000 in 2028, with 40% of them earning more than \$100,00 each year and a quarter earning salaries below \$50,000. Studies show that millennials are strongly attracted to lower-cost gyms, seemingly preferring to spread out their income on different, affordable memberships rather than spending their full budget on a single facility. Older members are more likely to stick to a single gym membership.

5.2 A Society That Loves Going to the Gym

What do all of these numbers tell us? The thing that perhaps stands out most is that people from all across American society love going to the gym. They may do it in different ways according to their age, income level, or where they live. But an ever-greater number of us are happy to pay for a gym membership as part of our approach to an active, healthy lifestyle.



Someone on a tight budget may look for a low-cost fee, while another person with more disposable income can choose from more options. But the end result is that millions of Americans see the importance and the value in paying for membership of a fitness facility.

Indeed, the shift towards premium and boutique gyms suggests that it is becoming increasingly important to us. This is shown in the way that we are happy to dedicate a larger percentage of our disposable income than in the past to membership fees.

As with many of the other figures we have looked at, a vital factor is the sustainability that is shown in the data. This isn't a flash in the pan industry that sprung up overnight and is going through a short-lived boom.

The concept of paying a fee for going to a gym that suits your needs has been part of our society for a long time now. It is becoming more prevalent, but it can't be classed as a new phenomenon that is likely to burn out soon. Anyone who gets a gym membership now knows pretty much what to expect and is less likely to cancel than even just a few years ago when the market was less well-defined.

6

STRATEGIES FOR A POST-COVID WORLD AND WHICH TYPE OF GYM IS POISED TO SUCCEED



The most recent figures show that people are slowly returning to normal life. It was reported in the ClubIntel report *The Fitness Industry's Re-Awakening Post-COVID -19 Facility Closures*, that by October 2020 close to 70% of people who were gym members pre-lockdown had returned, with 10% of gyms already showing a 100% return of all of its members. This data was collected on a global basis, with some regions suffering a longer-lasting impact from the restrictions than others.

A US-only study painted a similar picture, with 65% of members expecting to return to their gym. Will the existing number of facilities cope with the demand, bearing in mind the restrictions on distancing and the number of members present at any given time? As well as some gyms closing due to the period with extremely limited income, many have been unable to bring all of their staff back on a full-time basis right away. This has meant that new gyms will be needed to cope with customer levels getting back to normal.

It is clear that people will be going back to the gym sooner or later, but it is also certain that some gyms will adapt more successfully to this new post-COVID world than others. Which type of gym is going to succeed and what strategies will they adopt to do this?

The first point to consider in this respect is what gym members will be looking for when they go back to their fitness facilities. Among these reports we have looked at so far, we can see details such as the following:

- » 68% of gym members who canceled their membership now report feeling more stressed, with a return to the gym seen as being a key factor in lowering this stress.
- » Over 50% of Americans report being worried about their physical fitness, making it one of the subjects that people are most concerned with right now.
- » 70% of canceled gym members who have returned say that improving their overall health and fitness is the main reason for returning.
- » 53% of returning members say improving their mood was a major reason for going back.



This shows that many of us are becoming increasingly aware of several of the major benefits that we had been getting from going to the gym and have now lost. The starting point for bringing back members or attracting new ones is a solid safety plan that puts people's minds at ease.

Across all age groups, we can see that there is a high level of concern about only returning to fitness facilities once they are safe to use as humanly possible.

6.1 Changing Trends in Exercise

The type of exercise that we carry out is also likely to change, at least in the short term. With weight gains and a downturn in general fitness high in many people's minds, we can expect there to be a strong focus on fast, effective gains in terms of weight loss and energy levels, at least in the short term. This should produce more demand for personalized action plans that give fast results.

Perhaps more important will be the shift in attitudes that we see in terms of how classes are structured. A recent trend has seen returning gym members carrying out open-air classes as often as they can, and this is likely to continue to be a popular approach into the future, even if the pandemic eventually disappears completely from our lives.

An even more fundamental change in how we exercise is going to be seen in the growth of small sessions and one-on-one training. We have seen from the most recent figures that boutique gyms have already been on the rise, with the smaller number of members and a highly personalized approach among the main reasons for this increase in popularity.

While this change has come about due to the need for physical distancing at the current time, it also ties in with the fact that there was already a growing movement towards this way of working out. Because of this, some types of facilities are more perfectly placed to adapt than others.

In terms of the financial impact, the pandemic has increased financial concerns for many people, but it has also allowed others to increase their savings by working from home and cutting down on spending.



The growing economic inequality caused by the pandemic could be reflected in a greater diversity of gym costs, from more low-cost offers to a greater number of high-cost memberships for those people who can afford it and have had time to reflect on the benefits of going to the gym.

Overall, it seems probable that the market continues to offer scope for providing different pricing levels, but this may become a little more extreme than in the past. We could see a larger percentage of memberships occupying each end of the scale rather than the middle of the price range being the most popular.

6.2 The COVID-19 Effect on Gyms

As we have already seen, the American gym sector was growing impressively on a year-to-year basis until COVID-19 appeared in 2020 to slow it down. This pandemic has massively disrupted many industries all over the world, and the American fitness sector has been no exception.

In fact, the nature of this business meant that it was among the sectors most deeply affected by restrictions. Gyms were forced to close almost immediately when the pandemic first struck, and many were left closed for months on end as the owners awaited details of when and how they could re-open. Sadly, the wait was too long for a large number of them, and they were forced to close.

Reports based on data from payment processing firms suggest that 15% of all American gyms and health clubs had [closed on a permanent basis](#) through the third quarter of 2020. They went on to suggest that up to 25% of them were expected to close by the time 2020 ended but this number hasn't yet been confirmed.

The health and fitness industry had previously shown a high degree of resistance in the face of different types of economic situations, but the fact that they were forced to close their doors for months on end was too much for many of them to handle.

6.3 Adapting to the Changes

Gyms that were able to eventually open as local restrictions were relaxed had to try and persuade their members that it was safe to return, with an increase in operating costs due to increased cleaning protocols.

Some gyms restricted entry to small groups to minimize the risk of infections and allow for personal distancing. Others took advantage of virtual classes or outdoor sessions in the fresh air where possible.



At the time, these enforced changes were perhaps seen as an annoyance, with protests even being held outside of gyms and some gym owners facing up to the legal consequences of not complying with the restrictions in their area.

However, now that some time has passed and the atmosphere has changed to one of looking ahead with confidence, we can see that many of the changes can be incorporated into the fitness center model.

The irony is that one of the things most needed during the height of the pandemic was access to reliable fitness facilities. Gyms across the nation lay empty and with their doors locked while medical experts told us that staying fit and healthy was one of the best ways of beating the virus.



6.4 Why Boutique Facilities Are in a Strong Position

Taking all of the previous points into account, it is easy to see why boutique fitness facilities are perfectly positioned to take advantage of the current situation. The appeal of big box gyms and other large facilities that offer group fitness sessions may wane due to concerns of personal distancing.

It is clear that we still want a community aspect to our gyms. This is one of the points noted in several surveys as being most important to gym members. Yet, this doesn't have to mean being crowded in.

Instead, the boutique model provides a personalized approach that can still give the all-important social aspect and community feel that many members crave while meeting the safety conditions that are needed right now. Early reports confirm that footfall is increasing more rapidly in boutique gyms than in other types of fitness centers.

It is still early days, but so far most of the data points towards these boutique establishments getting back to normal levels of activity before their rivals. The fact that they are generally less crowded and base their activity on appointments made by members and specific class times makes them an ideal type of fitness business for the current atmosphere.

The exact number of gyms that have closed in the last couple of years isn't yet clear, but it is an industry that has been clearly affected by COVID-19 restrictions. However, out of the troubled times that the world has gone through, we can expect to see a new era emerge and the fitness franchise industry could be a good example of it.

This advice remains in our minds, though. The link between exercising and being healthy has always been known, but now it is more widely accepted and put into practice than before. We have seen a clear example of how regular exercise is helpful when fighting diseases, even if it doesn't give a guarantee of beating the likes of COVID-19.

If we start by accepting that the past is gone and we now need to live in a new reality, it is easier to imagine the way forward taking these new thoughts, habits, and methods into account. This leads us into looking at some of the strategies that could be highly successful for gyms in the near future.

7

WHAT TO EXPECT IN THE FITNESS FRANCHISE INDUSTRY IN THE FUTURE



The most important question to cover now is how the fitness franchise industry will face up to the future. In this respect, how can we expect to see them react to the changes that have emerged in recent times?



The latest data suggests that 26,000 new franchises are expected to open in the US in 2021, more than making up for the 20,000 or so businesses that were lost in 2020.

This number covers all of the different industries covered by the franchise model, such as restaurants and services, but it is certain that there will be a large proportion of gyms in there too. All of these new businesses will contribute around 800,000 jobs and play a part in helping the economic recovery from the pandemic.

Perhaps the biggest lesson that we have learned lately is that gyms are a huge part of people's lives, giving them a tremendous social outlet and relieving stress as well as helping them to stay healthy and strong. This was proven by the void left in the lives of so many members when gyms were closed, and by the eagerness with which a large number returned as soon as it was safe to do so.

It seems logical to expect that the fitness franchise industry will begin to boom again now, as the level of demand is as high as ever and there are gaps in the market where once-established fitness facilities closed permanently due to the pandemic.



7.1 Understanding What Customers Want and Need from Gyms

However, it is more important than ever before to understand what gym customers now want and need. How the scene has changed drastically since early 2020 needs to be taken into account by any successful gym owner, as the way that fitness habits have changed has led to a new way of looking at the world of exercise.

Modern gyms need to offer the personal distancing and biosecurity measures that we have come to expect. They also need to look at adapting to customer demands such as smaller class sizes, one-on-one classes, and outdoor sessions where possible. Mixing virtual and physical classes can also help to keep every type of member happy.



A new gym that meets these requirements could be entering the market at the perfect time to take advantage of a new boom. There is no evidence to suggest that gyms are going to lose their hard-won popularity any time soon, and those entrepreneurs that make their move at this stage might find the timing is perfect for them to set up a sustainable new business for the long term.

In times of uncertainty, people often stick to familiar brands that they know and trust. This is why franchise businesses tend to be highly successful in moments of economic turmoil when other types of business may flounder.

The data we have studied and the diverse opinions that we have looked at all point towards boutique fitness centers having a big role to play in the future of the gym business. They already meet many of the points that we have identified as being important in the future.

Big box gyms are likely to remain important too, as this franchise model brings with it a reassuring sense of convenience and familiarity as well as low cost. Yet, this kind of business may be forced with the prospect of making more changes in order to adapt to the future market conditions that we have seen.

7.2 How Has the Industry Changed?

The health and fitness industry has undergone some dramatic changes in the last few years. This can be seen in different elements such as the way that many gyms have moved away from general fitness to focus on specific aspects of the genre, opening up the possibility of members joining multiple specialized gyms to meet all of their needs and interests.



The opening of new gyms in highly convenient locations such as malls and other shopping centers has helped many of us to have easier access to the classes and fitness equipment that we need. Yet, it was the outbreak of COVID-19 that did most to change the industry in our times.

7.3 The Key Changes

Since early 2020, we have seen the following changes take place.

- » Virtual fitness classes have enjoyed a boom. Even among those customers who say that they will return to their gym, many of them expect to [retain a virtual element](#) to their workouts. Zoom, Skype, and other platforms make it easy for gyms to set up professional virtual classes that are simple for their members to join.



- » Some gyms have been forced to close forever, leaving gaps in the market where new businesses open and take their place by offering services to previous members.
- » The use of fitness apps is on a rise. We have already looked at how lockdown, working from home, and travel restrictions have caused a more sedentary lifestyle to appear. This has led to a huge level of demand for fitness apps, with [a 45% increase in August 2020](#) helping to contribute to total annual spending of close to \$2 billion last year.



- » More home exercise equipment is bought and used. The urge to work out when we were unable to go to the gym caused many people to buy home gym equipment like treadmills and yoga mats. NPD retail figures show a [revenue of \\$2.3 billion](#) between March and October 2020 for the home fitness equipment sector. This was double the amount from the same period in the previous year.
- » A greater level of interest in mental well-being and mindfulness. It was no surprise to see our mental health become a key issue as the strain of lockdown caused people all over the world to consider their state of mind. This has led to an explosion of interest in yoga and meditation techniques.
- » More time spent exercising outdoors. As the lockdown dragged on, we increasingly looked for ways to get out for some exercise in parks, trails, and other places where we could do this safely. This was reflected in gym classes when these finally re-started, as many fitness instructors took the chance to hold outdoor classes where possible.

At its heart, the health and fitness industry is always about the same thing. However, these recent changes have shown us some of the circumstances in which habits change and new methods of working are needed.

The adaptability of the gym industry is one of its strengths. The recent challenges have led to a new business approach being implemented that should allow gyms to overcome the biggest obstacles currently in their path.

8

FINANCIALS: BIG-BOX VS BOUTIQUE



One of the first things that new investors ask when considering a new type of business is how much it will cost them. No one goes into this with an unlimited amount of money to spend, and we all want to see the investment provide a suitable return.



This leads us to the first decision that needs to be made by anyone looking at the different types of gym models out there. The two most popular types are big box and boutique gyms.

We have covered the fact that boutique gyms are more expensive for consumers than big-box alternatives. Their pricing tends to be in the range of \$60 through to \$260 per month.

This sort of premium membership might have been seen as exclusive or prohibitive in the past but the changing market conditions have helped to make it an attractive cost for many more members now.

Big box gyms are also known as value gyms due to the low cost of membership that they offer. The price range is around \$16 to \$60 per month. This low-cost approach has helped them to bring in large numbers of customers. Someone who is new to gyms and just wants to give one a try for a period might be most tempted with an offer like this.

It isn't unknown for people to hold memberships with both types of gyms, or to move from a value fitness center to a boutique facility once they realize that it is worth paying the extra for the benefits this brings.

8.1 Calculating Financial Viability

Naturally, the financial viability of any gym comes down to several factors.

- » The cost of membership
- » How many members they have
- » The cost of their overhead.



Both models can work profitably because of the different ways they approach those first two points. Big box gyms offer lower membership fees but encourage and accommodate a high number of members. They are active in marketing to attract new members and replace those who have left.

The boutique approach is to charge higher fees but accept fewer members. They look for a more stable customer base with lower attrition rates and a sense of exclusivity that makes them more attractive.

In terms of overheads, there are some differences to consider too. We will look at this matter in more depth in the next section, but for the moment it is worth pointing out that big box gyms can cost more to run due to their larger size and bigger customer base. However, regional differences and other factors also have an influence on this subject.

It is getting this balance of income and expenses right that determines the long-term profitability of any type of business. Fitness facilities involve fewer factors and unknowns than most other types of businesses, as their income is easy to calculate and monitor on an on-going basis.

Regional differences can make a difference in terms of the membership fee that can be charged and the cost of renting a property. There is also the issue of whether one type of gym model is more popular than the other in certain areas. This is often due to economic reasons, as cities with a high average income are more likely to have successful boutique gyms in them than somewhere with lower levels of income. This final point helps to show the importance of researching your local market thoroughly before making any investment of this type.



8.2 Average Investment and ROI

Franchises make up close to 4% of all small businesses in the US, according to a CNBC report from 2019. At that time, the entire American franchise industry was said to generate revenue of over \$787 billion and gave direct employment to around 8 million workers.

When we look specifically at the cost of opening a new fitness franchise, we can see a large number of them under \$10,000, in terms of the initial franchise fee. At the more expensive end of the market, we can also see franchise fees over \$100,000, so there is a lot of variety in the business that allows everyone to choose the approach that best suits them.

Additional costs that may add to the size of the investment include real estate, equipment, supplies, marketing, staffing, and licensing fees.

While the initial cost is often low, it is important to remember that you may be asked to provide evidence that you have sufficient funds to get the business fully up and running. You can expect a high level of support and training to get started, as well as access to special deals on equipment, but it always makes sense to start a new business with enough resources for a smooth beginning.



8.3 ROI and the Impact of the GDP

Having covered the figures for getting started, it is time to look at what sort of return on this investment you can expect. We can start by looking at the past, to get a feel for how the fitness industry has generally done when compared to the economy as a whole.

Past experience has taught us that the American franchising industry has traditionally grown at a faster pace than the country's GDP. What does this mean for new franchises?

Well, a crucial point here is that many Americans have increased their savings to a level not seen for decades. Some reports suggest that consumers now have more savings than at any point since the middle of the 1970s.

Indeed, the numbers make for fascinating reading. For example, [Americans saved over 25% of their disposable income](#) from April to June in 2020, which was vastly higher than the 7.3% they had tucked away in the same period the year before. Taking the entire March 2020 to April 2021 period into account, the savings rate rocketed to 18.7%, which is a figure we haven't seen since the Second World War.



This has led to the happy situation of many people having healthy balances in their bank account, but they need to start spending that on products and services to get the economy moving again. If they do this, it is hoped that the GDP will improve quickly and could go as high as 6% per quarter by late 2021.

8.4 Summary of the Key Financial Factors

These numbers give us a few points to consider in terms of the potential for earning money with a new business.

A huge amount of cash is currently stored in personal bank accounts by people who are, on the whole, keen to get back to normal life and enjoy spending on the things they have been missing most.



- » If the GDP rises considerably then we would expect the profits from gyms to rise even more. History has shown us that this industry has consistently out-stripped the GDP.
- » The entire franchise industry may receive a boost, as more Americans decide to invest their savings in this way.

Franchises are renowned for offering a high ROI, with a small royalty fee coming out of the profits to cover the cost of using the brand trademarks and resources.

It can also be fairly easy to work out how well a local gym seems to be doing financially, if you want to gauge the market. Find out their membership fees and try to get an idea of how many members they have. This will allow you to see the income they receive, although bear in mind that additional revenue streams can come from retail items such as branded clothing and exercise equipment.

Calculating their outgoings is trickier, but the main costs of rent and staff shouldn't be impossible to work out fairly accurately. Look at recent articles on [where commercial rents are rising most quickly](#), as well as the latest commercial property listings in your areas. As for staffing costs, a look through some of the big online employment sites will let you see the current salary levels for the different positions you need to fill.

After that, it is a question of adapting the figures to the figures to the type of fitness facility you want to offer. If you are going to have higher fees but accept fewer members, then you can enter the numbers into a spreadsheet and tweak them as you go.

8.5 A Look at Overheads and Operational Costs

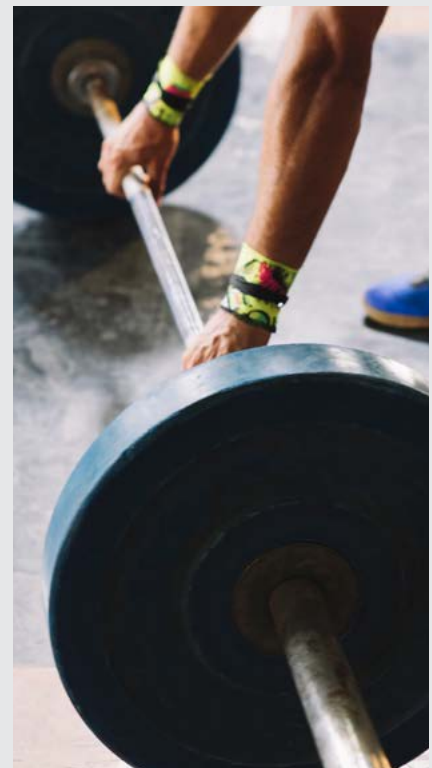
How much it costs you to keep your fitness center open, clean, and fully staffed will ultimately determine whether you are successful and make a profit. This is a subject that covers the following areas.



8.6 The Breakdown Between Different Types of Gyms

We also need to make a distinction here between the different types of gym, as the overhead costs vary in the following ways.

- » The cost of renting property will be the biggest on-going expense in this industry. Gyms are usually best located in busy, central areas with a lot of footfall. They also tend to be large, so this isn't going to be cheap.
- » The rent will vary according to location but in general terms you can expect to pay something around \$6,000 for a 2,000 sq. ft. gym space. Some commercial gyms are twice this size or even bigger.
- » You might also need to pay a fairly large deposit to cover your utilities like electricity and water, which gyms use a lot of.
- » The next largest expense is for equipment. Expect to pay about \$100,000 to set up a smaller gym, while a bigger one could cost 4 or 5 times that amount. Check the franchise you are interested in to see what deals they can obtain for you on equipment from their preferred vendors.
- » Staffing costs come next and this includes vital decisions to be made. Getting professional, experienced workers will be more expensive but should encourage more people to join and stay with you.
- » Boutique gyms usually have a higher ratio of staff to members.
- » Bix box gyms are bigger, so typically cost more in terms of rent.



- » The greater number of members together with the size of the facilities will make utility bills bigger for big box gyms too.
- » Rent depends largely upon the location. Big box gyms are often in popular areas with levels of foot traffic, as convenience is a huge factor for them. Boutique gyms can be more flexible, as their members don't have a convenient location quite as high on their list of important factors. Due to their smaller footprint, boutique facilities can often be housed in office buildings.
- » Increased cleaning costs are a relatively new factor, due to COVID. Boutique facilities find it easier to clean thoroughly due to the relatively low number of people using the facilities and a smaller footprint, but this could increase the cost.

- » The cost of equipment is usually lower with franchises because the brand will have special deals with major suppliers. Having said that, the larger number of machines and higher flow of visitors makes it more expensive to fully equip a big box gym.

As we can see, there are lots of variables here that need to be taken into account when crunching numbers on the possible profits for a new gym. This is why it is crucial that you weigh up the fitness franchise offerings in your area to see which ones make most sense for you.

Get the financial side of the deal right and you should be able to earn a healthy profit each month. No business is a guaranteed success, but there are plenty of reasons for considering a fitness franchise as one of the safest bets in the market just now.



9

CONCLUSION – THE FITNESS FRANCHISE INDUSTRY ENTERS AN EXCITING NEW PHASE



There are lots of people wondering what the future holds in store for them after the turbulence and upheaval of 2020 and the first half of 2021. This means that it should be a period of opportunities for those of us who want to try something new and make the right decisions.

To sum up, we have seen the following factors that make us believe that fitness franchises offer one of the most intriguing and potentially rewarding ways of building a brighter future.

- » The health and fitness industry went through a spectacular yet highly sustainable period of growth for at least a decade before 2020.
- » The COVID-19 pandemic and subsequent restrictions caused many gyms to struggle and some of them, unfortunately, have had to close their doors permanently.
- » Across the US, people are getting ready to return to their normal lives, with regular trips to the gym a big part of them.

- » There are growing signs of enthusiasm for getting back to fitness centers again.
- » The lockdown period has caused mental and physical issues in a percentage of the population that working out in the right environment can solve.
- » The link between exercising regularly and maintaining a good state of health has been established more clearly than ever in the minds of many Americans.
- » Before 2020 there were signs that the boutique fitness center sector was growing, and this is a part of the industry that is ideally placed to adapt to the new world we live in.
- » The franchise model provides an affordable way for entrepreneurs to enter the industry with a trusted brand and a robust business model, together with the support that they need to get started.
- » High ROI potential and the prospect of steady growth.

The current situation is perhaps unique in the history of this type of business. The already huge levels of demand for fitness facilities seem set to increase at the same time that the number of gyms and fitness centers across the US has fallen due to external factors. This opens up ample opportunity for new fitness franchise owners to enter the market successfully.

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