

Boom Time For Budget Exercise?

Contributed by Mintel
Friday, 22 January 2010
Last Updated Friday, 22 January 2010

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. Â

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.Â

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

Furthermore, 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. Â

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.

Michael Oliver, Senior Leisure Analyst at Mintel said:

"Cost remains a major issue for many consumers and for that reason, the emergence of the budget 'no frills' health club sector during the past 18 months is a welcome development which could attract a large tranche of new consumers into the market. The price of home fitness equipment has fallen and other innovations, such as the Nintendo Wii fitness products, have also encouraged consumers to bring exercise back indoors, so it is a key time for operators to address what will encourage them back into the gym environment again."

Today, the average membership or joining fees revenue per member of a UK health and fitness club stands at Â£384 excluding VAT (Â£442 including VAT, or around Â£37 per month), although for some of the major chains it is significantly higher than this. Â

During the past five years, the market has grown by nearly a quarter, on the back of new club openings and an increase in the proportion of adults who are members. Â

However, 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. Â

Member penetration of private gyms has stabilised at around 5.2 million adults (up from 4.2 million in 2004) and overall market value is now stable at around Â£2.5 billion (up from Â£2 billion in 2004).

In addition, Mintel research shows that private club openings have slowed to a trickle in all but a few cases, as the funding necessary to pursue an aggressive opening programme has dried up. Â

With high running costs, gyms have been hit with issues such as higher utility bill costs that they can not pass to the consumer. Â

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 and rounds of pay freezes or pay cuts. Â

However, despite the tough market conditions seen in 2009, longer-term prospects for the overall health and fitness clubs industry in the UK remain positive.

Membership fees revenue is expected to have broken through the Â£2 billion barrier for the first time in 2009, despite the slowdown in new openings and the impact of the economic recession. Â

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, penetration of health and fitness clubs remains low â€“ highlighting a large market of consumers who could be encouraged to join. Â

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 perhaps not needed to because membership growth has been driven by new club openings. However, as the rate of club openings has slowed, so they have needed to examine why people are not joining, or are leaving.Â The biggest factor is likely to be one of cost and, in this respect, the emergence of the budget health clubs sector in the UK â€“ a concept now well-established in both the US and mainland Europe â€“ will help to break down this barrier." Michael concludes.

Convenience and location (64%) remain the biggest factors influencing choice of a gym or health club, reflecting the fact that many people in the core target market for clubs are time-poor.Â Â

Meanwhile, it seems that while the budgets of gym users in Britain have dropped, their standards haven't.Â Â

The standard and quality of changing rooms is important to almost half of all those questioned (51%), suggesting that even when economic times are tough, operators cannot afford to let their service delivery standards drop.

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