

A group of people are exercising on stationary bikes in a gym. The image shows a woman in the foreground smiling, with other people behind her. The bikes have red flywheels and black frames. There are water bottles on the bikes. The background is a bright, modern gym with large windows.

UK Low Cost Gyms

Market headroom forecasts increased

13 March 2019

Low cost gyms have been the growth engine of the market

Low cost gyms as a category winner

The health and fitness market is an established, long-standing market. It has doubled in size since the 2000s, is currently worth c. £5bn and has been growing at c. 4% p.a. over the last five years (see Figure 1 and Table 1). There has been significant innovation in the market as operators have invested in their propositions (e.g. sites, classes, digital, CRM) and new formats have emerged, starting with the emergence of low cost gyms in 2010/2011 and most recently boutique gyms.

There have been winners and losers in this changing competitive landscape, with mid-market gyms particularly impacted by an increasingly polarised landscape of lower and higher cost options. Low cost gyms have emerged as a clear category winner and have been the most significant driver of market growth, increasing their market share from c. 3% in 2012 to 12% currently (in revenue terms). Low cost gym members currently account for c.25% of all health and fitness members and c.4% of the UK population.

Table 1 – Growth rate of low cost segment vs traditional gyms

	CAGR '12-17	Low cost	Traditional
Sites		27.4%	3.6%
Revenue/average site		1.3%	(0.1%)
Revenue		34.3%	2.9%
Closing members		32.2%	0.1%
Revenue/Closing member		1.6%	2.8%

Figure 1 – UK total health and fitness market revenue, 1999–2017

UK health and fitness market, 1999 – 2017⁽¹⁾
Subscription revenues (£000s)

Site roll-out

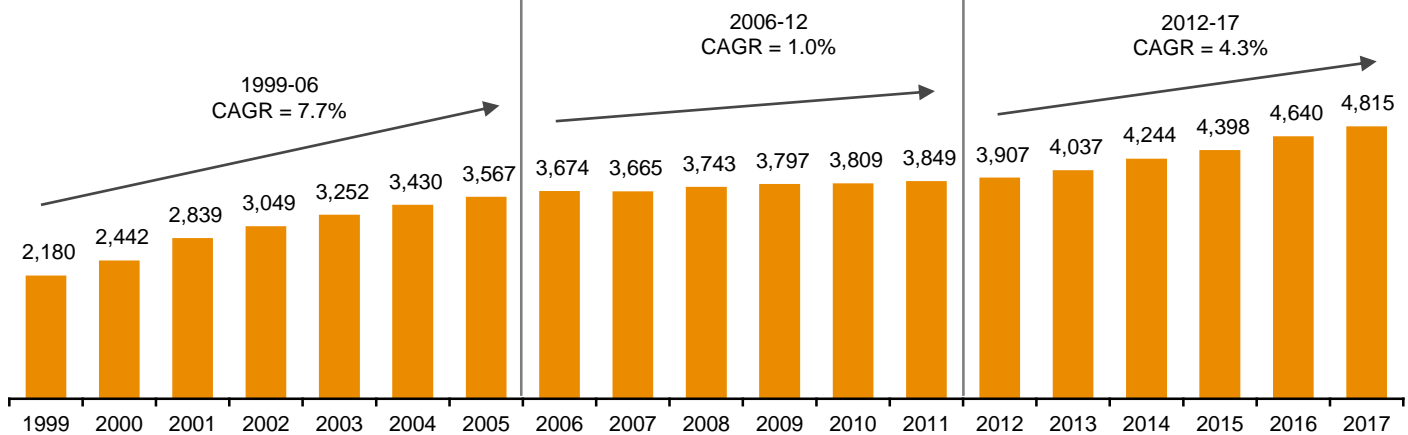
- Rapid club roll-out drove increasing penetration of memberships
- Competitive intensity increased due to growing numbers of operators and increasing overlap of sites

Traditional gyms consolidation and low-cost growth

- Roll-out concentrated on low cost gyms since 2010 with traditional chains consolidating their portfolios

Roll-out and improving market conditions

- Continued consolidation in traditional sector with rationalisation of some brand portfolios
- Private operators invest in their proposition driving growth in the traditional and low cost segment
- Accelerated growth of low-cost gyms



As at March 2018 there were 2.5m low cost gym members out of a total 9.9m health and fitness club members in the UK per LDC

Low cost revenue share of market (%)	1%	2%	3%	5%	6%	9%	11%	12%
Low cost members share of market (%)	2%	4%	8%	11%	14%	19%	22%	25%

1. Figures include the total health and fitness market as reported by LDC including traditional/low cost and public gyms. Data annualised to calendar year. Membership numbers as at year end. Source: Leisure Database Company, Mintel, Company Benchmarks, PwC Strategy & Analysis

What next for low cost gyms?

The segment has grown by adding more gyms across a range of location types ...

The number of low cost gyms has increased tenfold from around 60 gyms in March 2011 to 654 gyms in December 2018, driving growth in the segment (see Figure 2). High levels of roll-out have resulted in increased levels of competitive intensity but there has also been a broadening of locations in which low cost gyms operate, with low cost gyms increasingly targeting smaller population catchments (See Figure 3).

Figure 2 – UK low cost gyms site evolution, 2011–2018

UK low cost gyms site evolution, Mar 2011 – Dec 2018⁽¹⁾

Number of sites

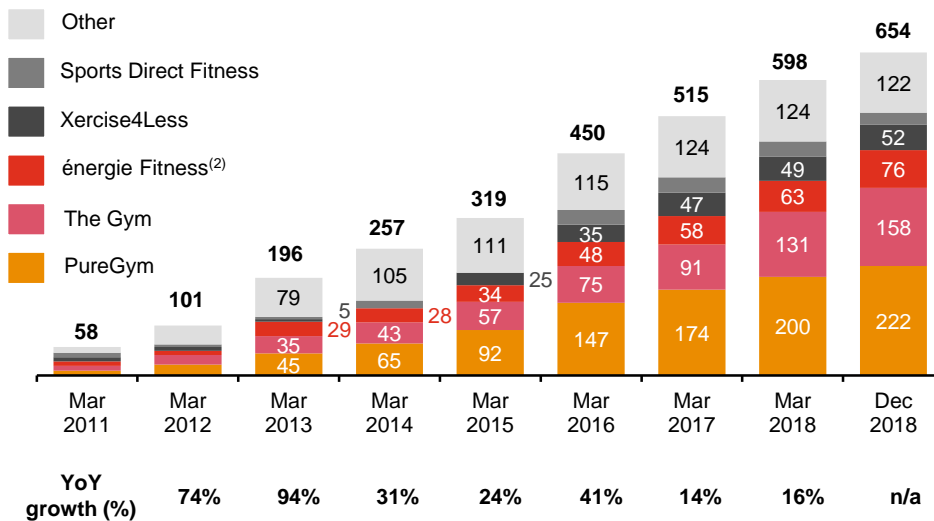
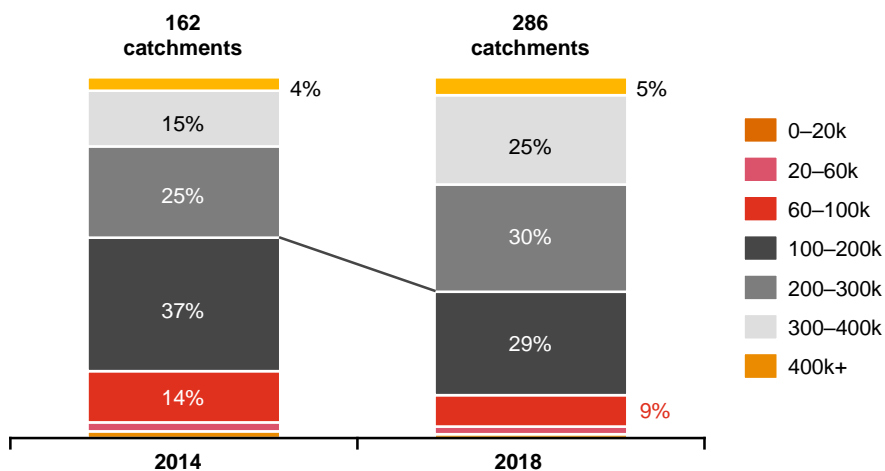


Figure 3 – UK low cost gyms catchment evolution, 2014 vs 2018

Low cost gym distribution across 10–15min drivetime catchments

Share of catchments with at least one low cost gym⁽³⁾



Low cost gyms are located in a broader set of catchments now vs 2014. In 2014 56% of catchments with one or more low cost gym were areas with populations greater than 100k people, in 2018 this has dropped to 41%. The picture is similar in terms of gym numbers. The number of low cost gyms in population catchments above 100k was 76% in 2014 vs 69% in 2018.

1. Other in Dec2018 includes the full list of Gyms defined as Low Cost per LDC's Mar 2018 report. For Mar 11–Mar 18 Other is a balancing figure of Total LC gyms as defined by LDC minus the named operators shown. 2. Only includes énergie Fitness gyms classified as low cost by LDC 3. Catchments are based on a c.10–15 minute drive time around key areas of population draw.

Source: Oxygen, LDC, Company websites, PwC Strategy & Analysis.

... and there are a number of factors that support continued low cost growth

Going forward there are a number of factors that support continued growth in low cost gyms. First, health & fitness membership penetration has been increasing in the UK, but also across most other European territories, including ones with higher levels of penetration than the UK (see Figure 4). This is, in part, supported by the ability of low cost gyms to bring new gym members to the market as well as continued interest in health and fitness. Second, low cost gyms continue to gain share (e.g. from traditional mid-market gyms), and there appears to be scope for higher low cost gyms penetration among the total number of gyms accounted for by the Top 10 UK gym operators when compared to other established low cost gym markets in Europe (see Figure 5)

Figure 4 – Health and fitness club penetration across selected European jurisdictions, 2017

Health & fitness club membership penetration, 2017
% of total population

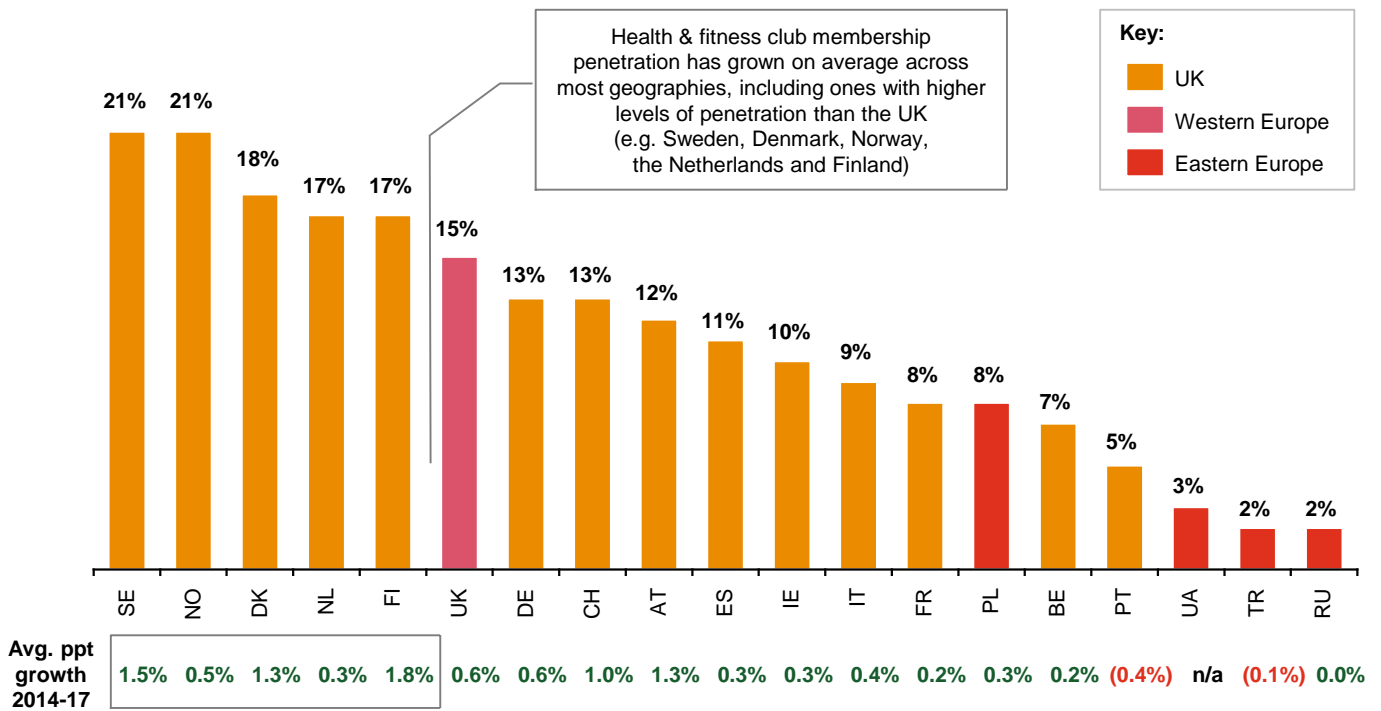
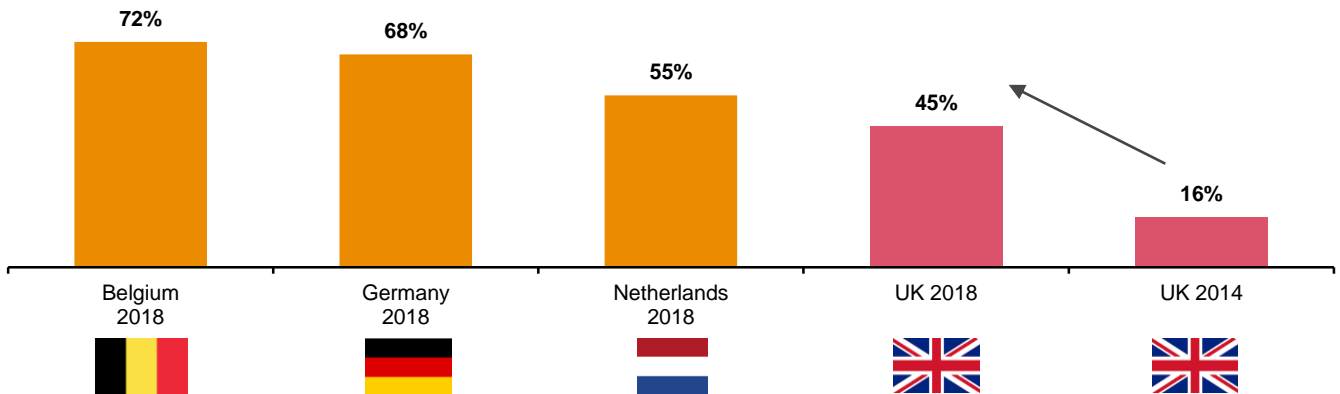


Figure 5 – % of low cost gyms within the gyms of top 10 branded gym operators in country

Low cost gyms sites as % of total sites of top 10 gym brands, across selected countries
% of top 10 operator sites⁽¹⁾



1.All figures as of Dec 2018; Mrs. Sporty, Curves, Hart for her, Fit20 and InfraLigne are excluded due to incomparable business model.

Source: Company websites, EuropeActive, PwC Strategy & Analysis.

Our latest estimate of a total opportunity for 1200–1400 low cost gyms in the UK also supports continued growth ...

In our latest assessment of the total opportunity for low cost gyms in the UK, commissioned by the Gym Group, we estimate there is an overall opportunity for 1,200–1,400 gyms. This implies 550–750 additional low cost gyms from 654 currently.

Our estimate is based on:

1. an in-depth assessment of the distribution of low cost gyms in the UK across different catchment types (including catchments within the M25, “standard catchments” outside the M25 with populations above 60k, and “smaller catchments” with populations between 25–60k⁽¹⁾),
2. identifying levels of population required to support a low cost gym across these catchment types (e.g. taking care to avoid saturated catchments, or catchments with high levels of working population to avoid double counting with residential population);
3. and extrapolating required levels of population across the UK to arrive at an overall opportunity across catchment types

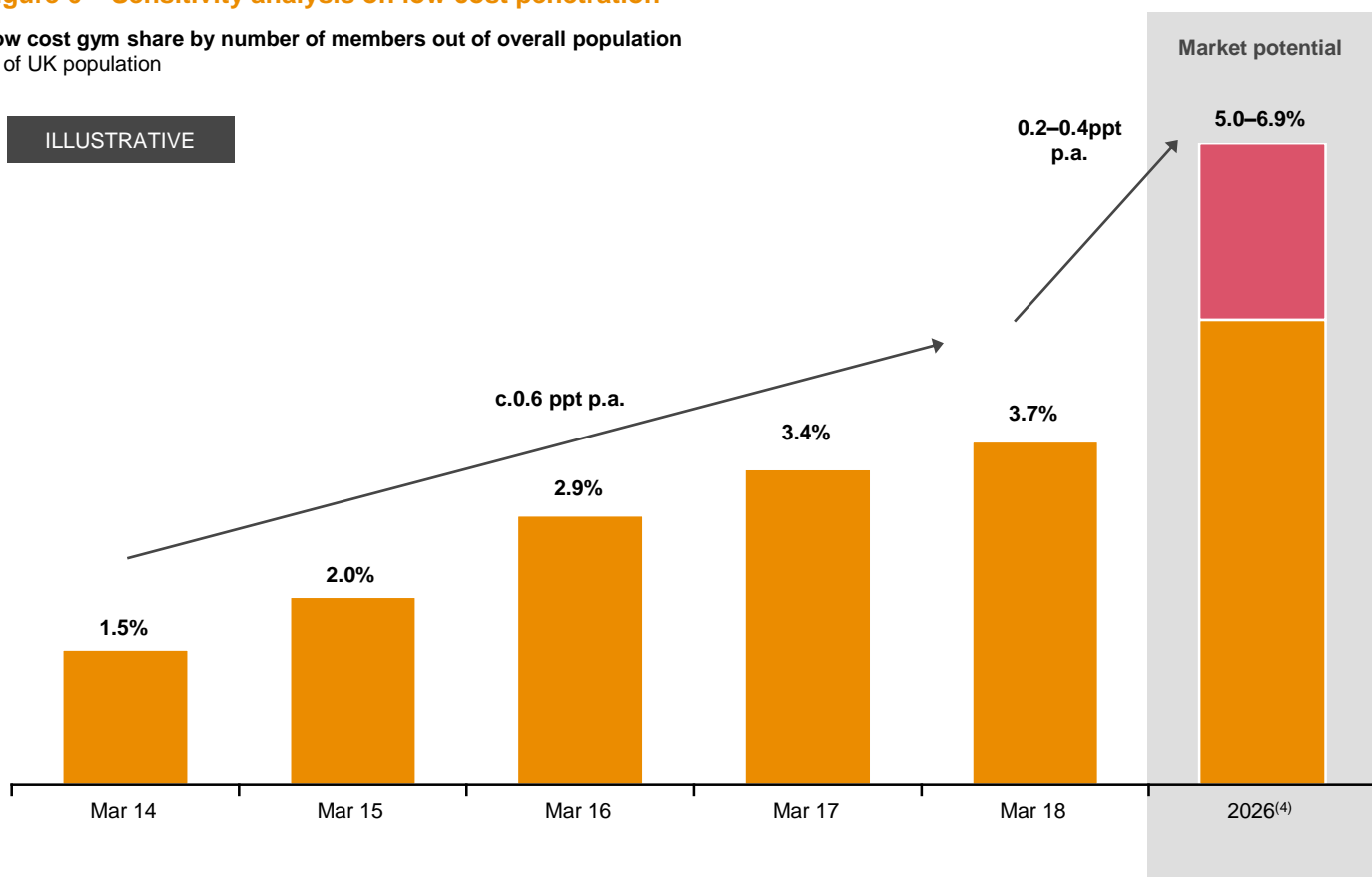
Identified opportunities include catchments where there are no low cost gyms today, and catchments with space for additional gyms. Additional opportunities evenly split between larger catchments (i.e. M25 and standard catchments outside the M25) and smaller catchments. This is in-line with the historical trend towards smaller catchments already noted (see Figure 3 above).

We have also used a number of international benchmarks (e.g. from Germany, Belgium, and the Netherlands)⁽²⁾, to sense check our results. Our international benchmarks suggest a total opportunity for UK low cost gyms between 1,100–1400 gyms in line with our estimated range.

Lastly, we conducted sensitivity analyses on our results. We used different scenarios of UK fitness market member growth and members per low cost gym to understand implied low cost gym member penetration, assuming 1,200–1,400 low cost gyms. The resulting 5–7% low cost gym penetration⁽³⁾, if low cost gyms grow to 1200–1400 gyms by 2026, implies growth in low cost gym member penetration of 0.2–0.4 ppts p.a., below the historical trend of 0.6ppts seen between 2014 and 2018 (see Figure 6). In our latest assessment of the total opportunity for low cost gyms in the UK, commissioned by the Gym Group, we estimate there is an overall opportunity for 1,200–1,400 gyms. This implies 550–750 additional low cost gyms from 654 currently.

Figure 6 – Sensitivity analysis on low cost penetration

Low cost gym share by number of members out of overall population % of UK population



1. Catchments referred to above are non-overlapping 10–15 min drive time catchments. In addition to the catchments referred to above we have conducted the same analysis across two further areas of geography including urban areas and postcode districts to ensure robustness. 2. International benchmarks from Belgium and the Netherlands apply levels of population per low cost gym in these countries to the UK given similar levels of population density. In the case of Germany our sense check assumes the UK health and fitness membership penetration grows in line with historical trends and that low cost gym member penetration reaches similar levels of members per low cost gym (out of gym members) to those seen in large German cities. 3. Out of total population. 4. 2026 used a projection year to allow for a forward looking view of likely overall gym member penetration Source: LDC, PwC Strategy & Analysis.

...and we note this is inherently conservative

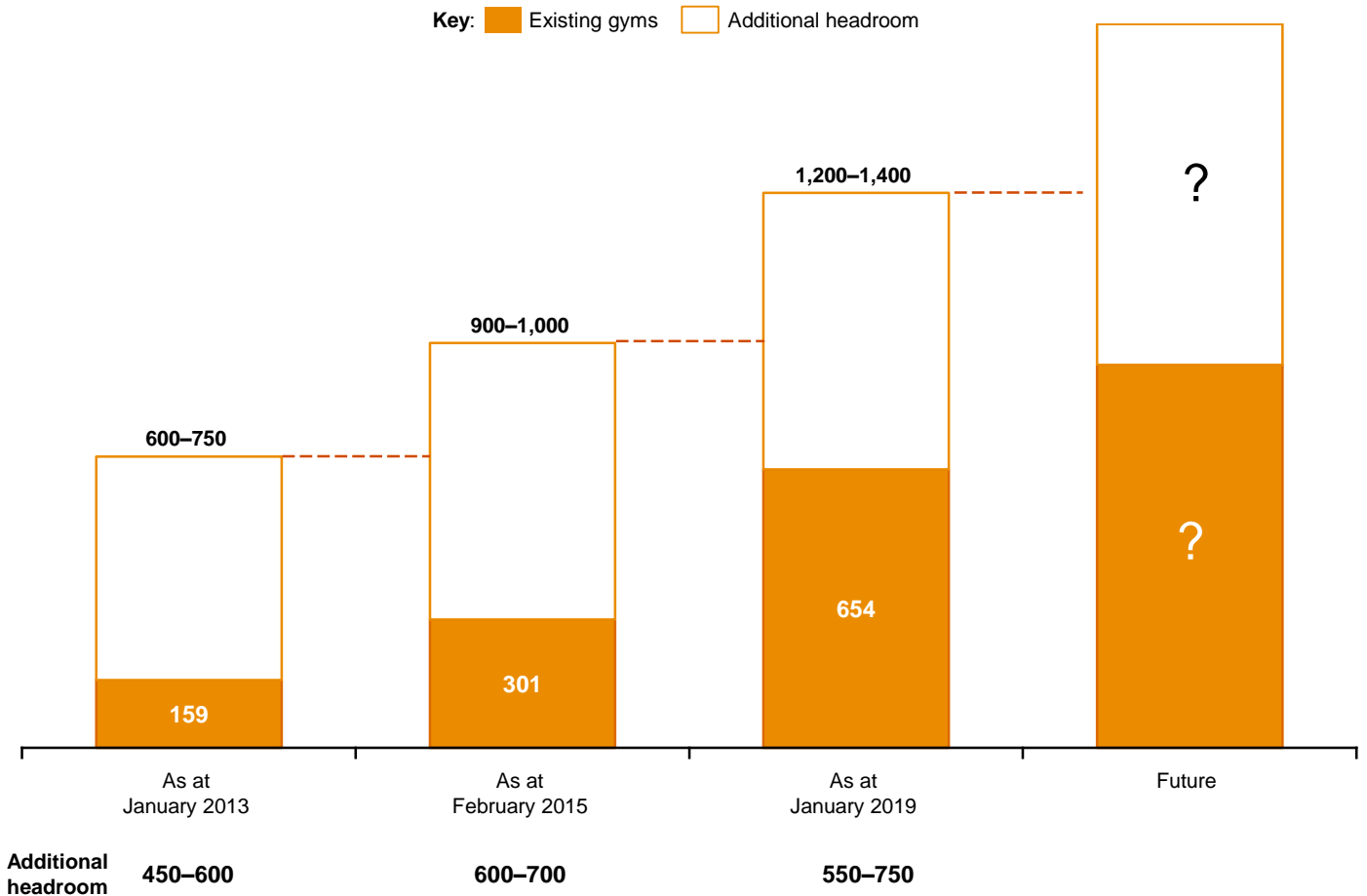
We note that our assessment of the low cost market potential is based on the current landscape. As the low cost market evolves (e.g. across location types) the overall opportunity is likely to increase, as has happened historically.

In Figure 7 we provide an illustration of previous UK low cost headroom assessments we conducted for the Gym Group over the last 6 years. During this time low cost gyms have become proven in a broader range of locations, including smaller catchments, which has supported an upwards revision of estimates over time.

Figure 7 – Historical assessments of low cost market potential

PwC Strategy & assessment of total low cost market potential

Number of low cost gyms



Source: PwC Strategy & Analysis.

About the authors

Over the past six years PwC Strategy& has undertaken 3 separate studies, commissioned by The Gym Group, into the total market potential for low cost gyms in the UK. We have extensive experience of the gym sector both within the UK and internationally, and have worked with most major operators in the space across a range of engagements (incl. portfolio and roll-out assessments, market entry, sizing and forecasting, pricing and product assessments and consumer insight development). We are available for informal discussions and more formal engagements and look forward to hearing from you.



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