



# The State of the UK Health/Fitness Industry

Ray Algar, Managing Director, Oxygen Consulting

Merger and acquisition activity is this year's major theme with Virgin Active now Britain's second largest health club chain, after Fitness First. This follows Virgin's acquisition of the 47 Holmes Place clubs, bringing the group total to 73. Simon Halabi, the property magnate recently acquired the 54 Esporta clubs for a sum in the region of £475 million and Whitbread received £925 million for its 69 David Lloyd clubs (£13.4 million per club).

## Membership growth slows

Total membership of UK private sector clubs grew by just 1% in 2006 and remains static at 4.2 million, representing 7% of the adult population. Geographic accessibility is no longer a barrier as the recent National Audit of Fitness Consumers research reveals that 99% of the population is within a 20-minute drive of a health club or leisure centre. So, what will drive further growth in this £2.5 billion market? Presently, there are new brands entering with budget propositions, such as FitSpace, which charges a flat rate of £14 per month, versus the £42 industry average. Don't expect fluffy towels or even staff; this is a health club, stripped bare. Companies are also looking at innovative ways of encouraging members to exercise. Sophisticated tri-axial accelerometers and GPS devices are replacing pedometers. This year, sees the launch of the world's most 'intelligent' on-line personal coaching system. If people won't visit clubs, then bring the clubs to them.

## Alliances with healthcare Insurers

BUPA is joint venturing with David Lloyd to develop a more 'medicalised' type of health club known as a Core Exercise Clinic. These compact clinics, embedded within a David Lloyd Club will deliver improved life quality for

members, using a specialist team of nurses and physiotherapists. These clinics bring new ideas and ways to engage people in active living, which may help to stimulate individuals to leave their sofas. AXA PPP meanwhile offers six-months free club membership to LA Fitness for anyone taking out their private medical insurance policy. We have to wait before discovering the long-term value of these alliances.

## Key challenges

Too many members are still quitting within six months of joining, and so retention remains a key challenge. Other challenges include:

- Managing the ever-rising expectations of members.
- Increasing membership against a backdrop of rising consumer leisure choice.
- Creating service differentiation, through staff, technology and programmes.
- Creating new income streams and reducing reliance on membership subscriptions. For example, personal training is now a significant revenue stream for many clubs.

## Opportunities for the sports marketing industry

Clubs need help with:

- Devising novel ways to appeal to non-exercisers.
- Developing new club or remote-based member services – health clubs without walls.
- Leveraging sponsorship opportunities with the London 2012 Olympics.
- Communicating effectively to older consumers, such as Saga's alliance with David Lloyd.



Further information  
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