

Business Model Innovation in the Fitness Industry: Could Big Tech lead the way?

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June 23rd 2021



About Me

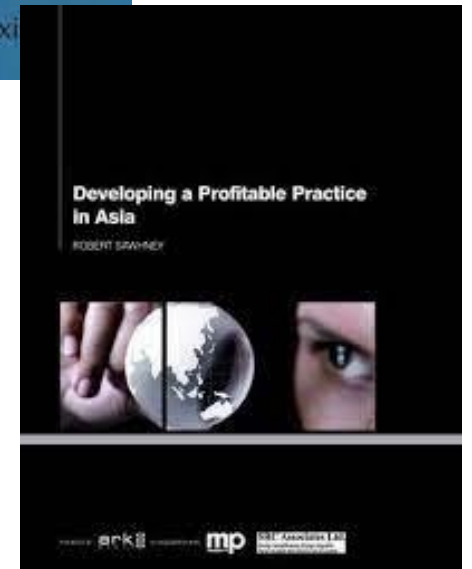
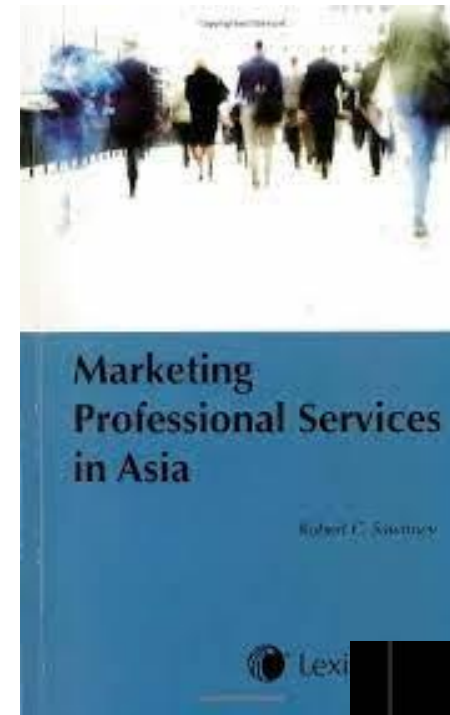
- From UK originally, over 20 years in Asia (Hong Kong based)
- BSc, MBA, doctoral studies in business (strategy and marketing)
- Author of 2 books, key note speaker, published dozens of articles in various magazines, journals and newspapers
- Varied career in fitness, academia, consultancy and back to fitness
- Currently working for one of the largest fitness manufacturers in the world

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What will we discuss today?

- Membership penetration rates of between .15% (India) and 20% plus (Sweden, EUR, US)
- General exercise rates of over 50% in developed nations
- 50% of members cancel within 6 month
- Retention rates of less than 70%
- Tenures of less than 4 years
- Business model that relies on sleeper members, aggressive PT sales and limited membership journey in and out of the club
- Continued growth of obesity, diabetes and other health related issues
- Focus on fitness as opposed to wellness/well being

A mix of what is right and what is wrong about the fitness industry and how we can better define the industry to help it grow and ensure our success: a mix of perspectives

If any industry should be purpose driven surely it is ours!

Lessons from the fringes – the signals are talking

12,000

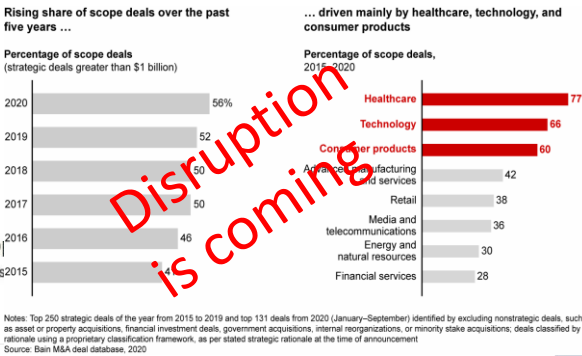
Advanced Human Imaging To Launch BodyScan In Original Fit Factory's Fitness App TRUCONNECT To Audience Of 150+ Million

By Amber Smith — On May 4, 2021



"The integration of BodyScan with the TRUCONNECT app"

CLUB INDUSTRY HOME NEWS TRENDS REPORTS INSIGHTS & RESOURCES



Disruption is coming

Health revenues jump 34%, hit 5B by 2023

Chris Price — Health



Amazon adds fitness tests and posture-improving exercises to its Halo app

my movement.



M. Smith @thatmatSmith June 3rd, 2021



Apple advances personal health by introducing secure sharing and new insights

With iOS 15, iPhone and Apple Watch users now have the ability to share health data with loved ones or a care network, view Trends, and measure their Walking Steadiness



Apple Watch Now Offers Tai Chi, Pilates, Mindfulness Features

by Club Industry staff Jun 14, 2021 10:30pm

Share:



Glofox deploys Stripe Capital to offer financing to gyms and accelerate growth of the fitness industry

Friday 11 June 2021 14:26 CET | News

Glofox, a full business management software platform for the fitness industry, has expanded its partnership with Stripe.

CLUB INDUSTRY HOME NEWS TRENDS REPORTS INSIGHTS & RESOURCES FITNESS STUDIE

With S whether length a fixed PRESS RELEASES

Openfit And Concierge Health Announce At-Home Exercise Incentives

Fitbit brings its stress management feature set to all its fitness trackers and smartwatches

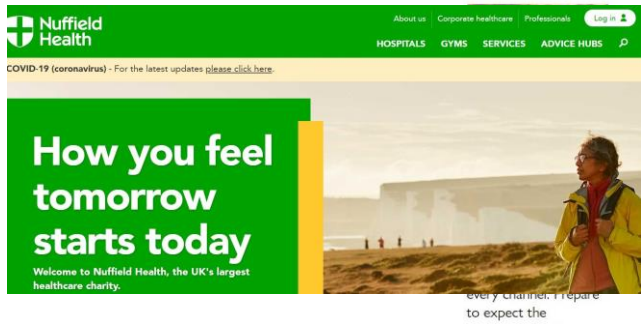
Fitbit has announced that all current fitness tracker and smartwatches now support stress management. Previously, Fitbit reserved the functionality for the Luxe and the Sense.

Alex Alderson, 04/21/2021 FR ES ... Smartwatch Wearable Software

Fitbit has brought its stress level monitoring functionality to all its current fitness trackers and smartwatches. The company introduced stress management last year with the Fitbit Sense, which has since made its way to the Luxe.



All of Fitbit's current devices, bar the Ace 3, now support stress management. (Image source: Fitbit)



FEATURES FIT TECH NEWS

Everyone On Demand signs four new content providers

By Tom Walker 16 Jun 2021

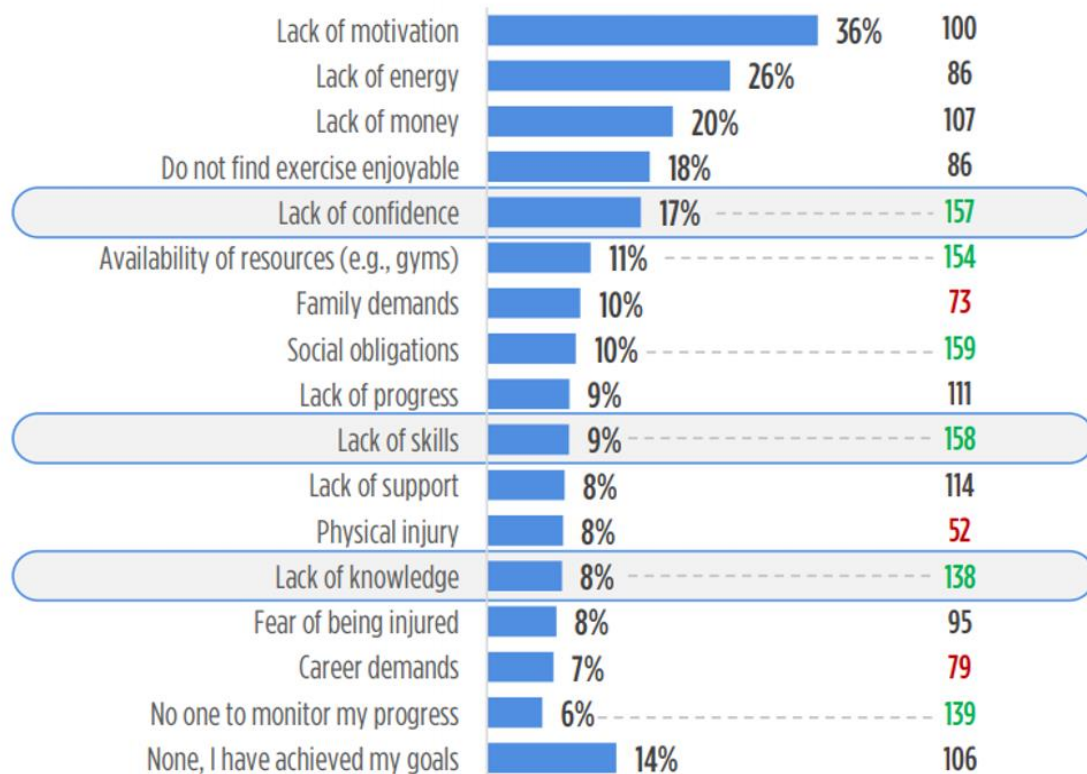


Gen Z Top Health Barriers

% selecting in top 3

Among the general population

Index to Total



*Moving from
extrinsic to intrinsic
motivation – how
long does this take?*



FREAKONOMICS RADIO

How Goes the Behavior-Change Revolution?

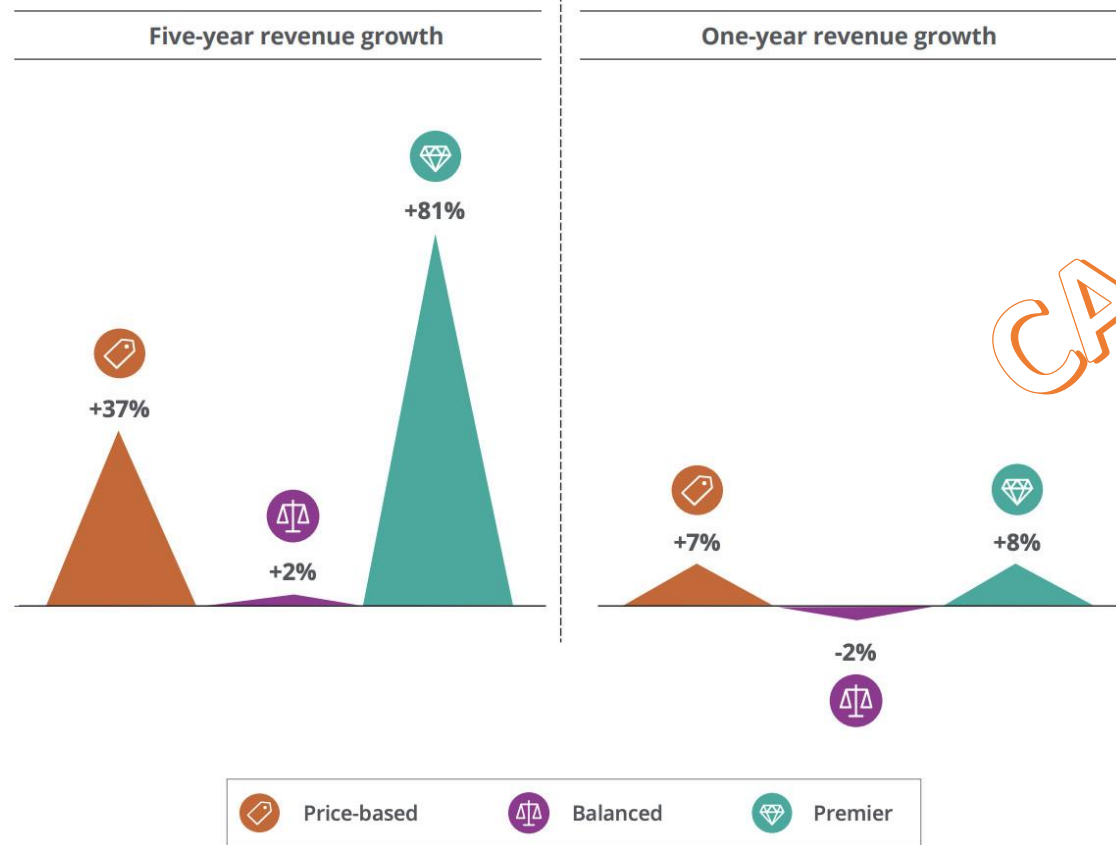
An all-star team of behavioral scientists discovers that humans are stubborn (and lazy, and sometimes dumber than dogs). We also hear about binge drinking, humblebragging, and regrets. Recorded live in Philadelphia with guests including Richard Thaler, Angela Duckworth, Katy Milkman, and Tom Gilovich.

Stephen J. Dubner/ Freakonomics Radio Jun 22, 2019 · 10 min read ★



Death of Retail – not exactly! Growth for whom?

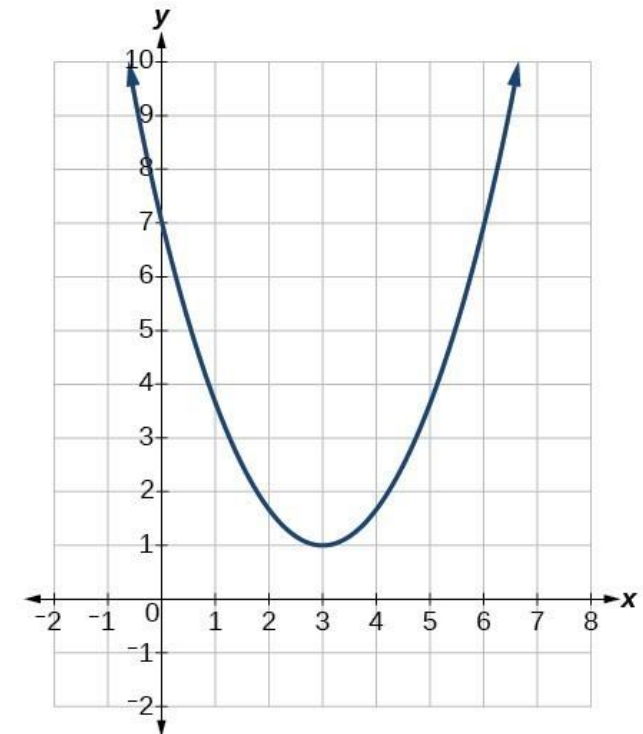
Figure 7. Revenue growth of different types of retailers



Source: Deloitte analysis of various annual reports.

Deloitte Insights | deloitte.com/insights

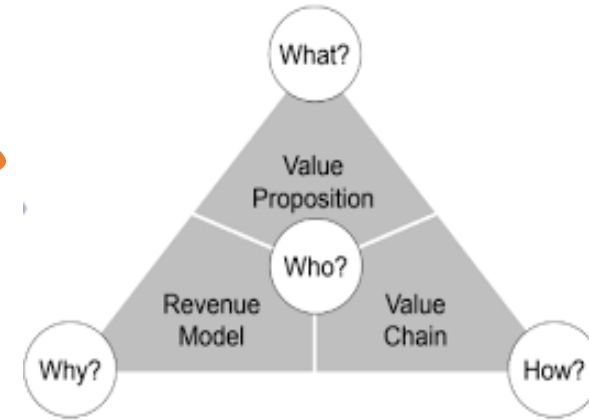
In mature markets, will we see a hollowing out of the mid market facility? How is this determined? By value proposition and experience?



Business Model Innovation – could Big Tech lead the way?

• Why do operators do this???

- Facilities and equipment
- PT and other services
- Programs and assessments
- Classes and content
- Physical and digital
- Apps
- Location and places
- Zones and offerings



Digital fitness market archetypes

Source: LEK Consulting

Integrated hardware

Equipment needs

Stand-alone

Integrated content ecosystems

- Live and on-demand fitness video content accessible via connected exercise equipment



Stand-alone streaming services

- Live and on-demand fitness video content accessible via a variety of connected devices



All-in-one personal training

- Personalized coaching in 1:1 interactive sessions accessible via connected equipment

MIRROR
1:1 personal training sessions are available for incremental per-session fee

Coaching marketplaces

- Individualized virtual coaching accessible via a variety of connected devices

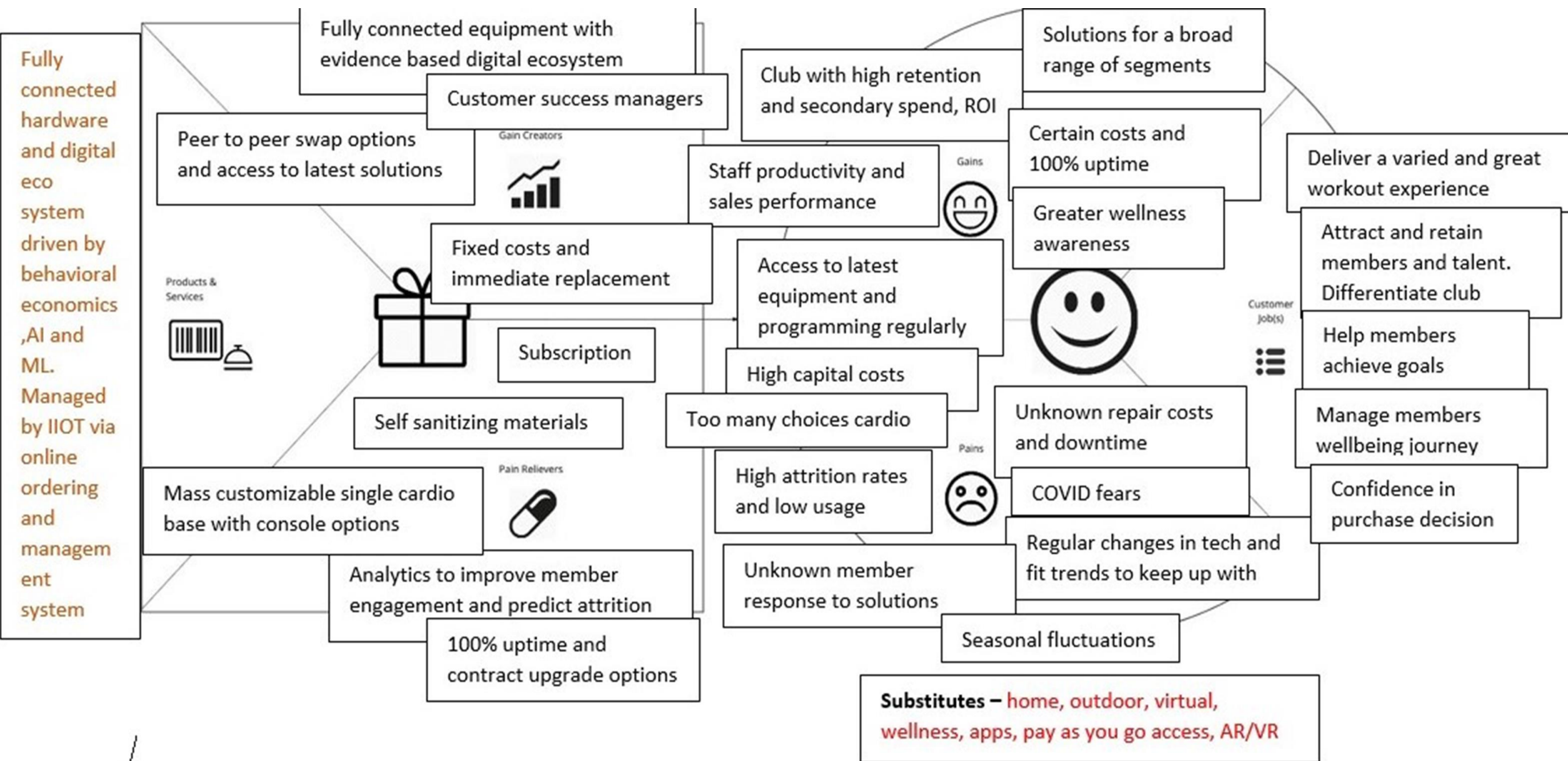


1-to-many

1-to-1

Interaction

It's not about hybrid!



Value Proposition Canvas Focused on a B2B Buyer in a Commercial Health Club (Source: authors own analysis)



APPLE WATCH AND FITNESS+:

Evidence based wellness built on data analytics, AI, ML, behavioural economics, psychology, motivation theories – wellness journey never seen before

CONSOLE CAPABILITIES:

Mirroring, eco system, data grab

RUNDLING:

Apple won't sell equipment outright in the future, they will create recurring revenue bundles

OPERATOR ROI:

maximizing member retention levels through the use of predictive analytic models of exercisers health and fitness behavior inside and outside of the gym.

CHANNEL DISINTERMEDIATION:

Service, install, selling etc existing assets and people

MANUFACTURING ECONOMIES:

Scale and scope, cost leadership or freemium model

E COMMERCE:

Design, configuration, finance approval, 3rd party suppliers

LEAD TIMES:

leveraging their knowledge base in manufacturing, data analytics, machine learning, and supply chains

REPAIR AND MAINTENANCE:

state of the art sensors, AI, machine learning, and the IOT, Apple will create prescriptive analytic models that will allow them to repair equipment before it breaks down maintaining 100% up time

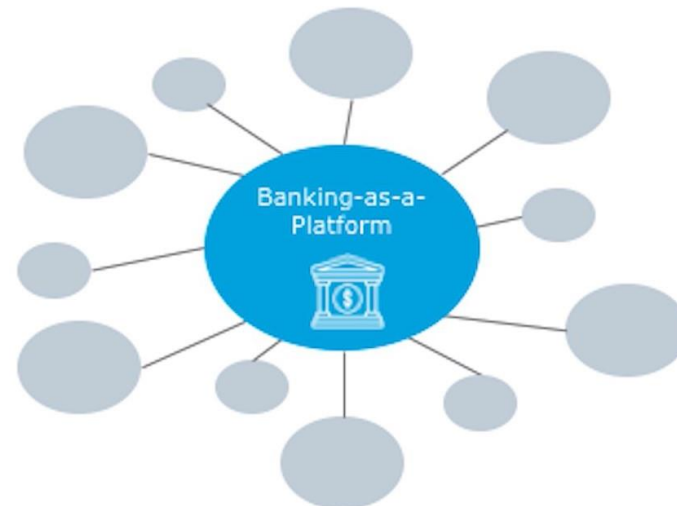


What if Apple Makes a
Treadmill: or doesn't!

So where does the health club fit – hub or spoke?

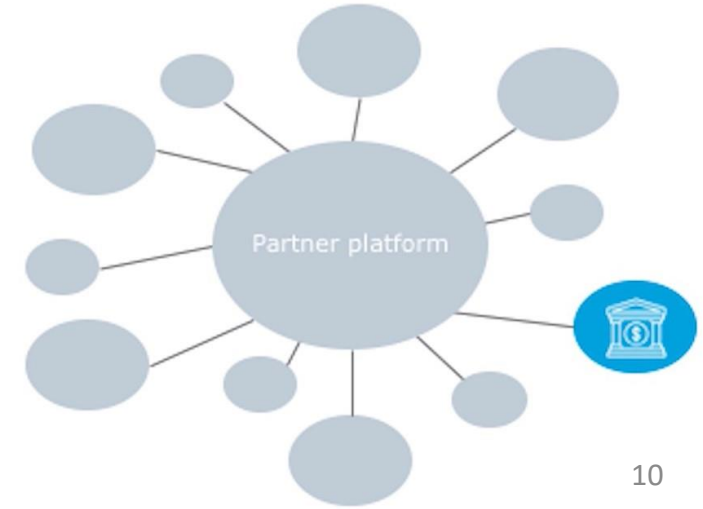


Banking marketplace

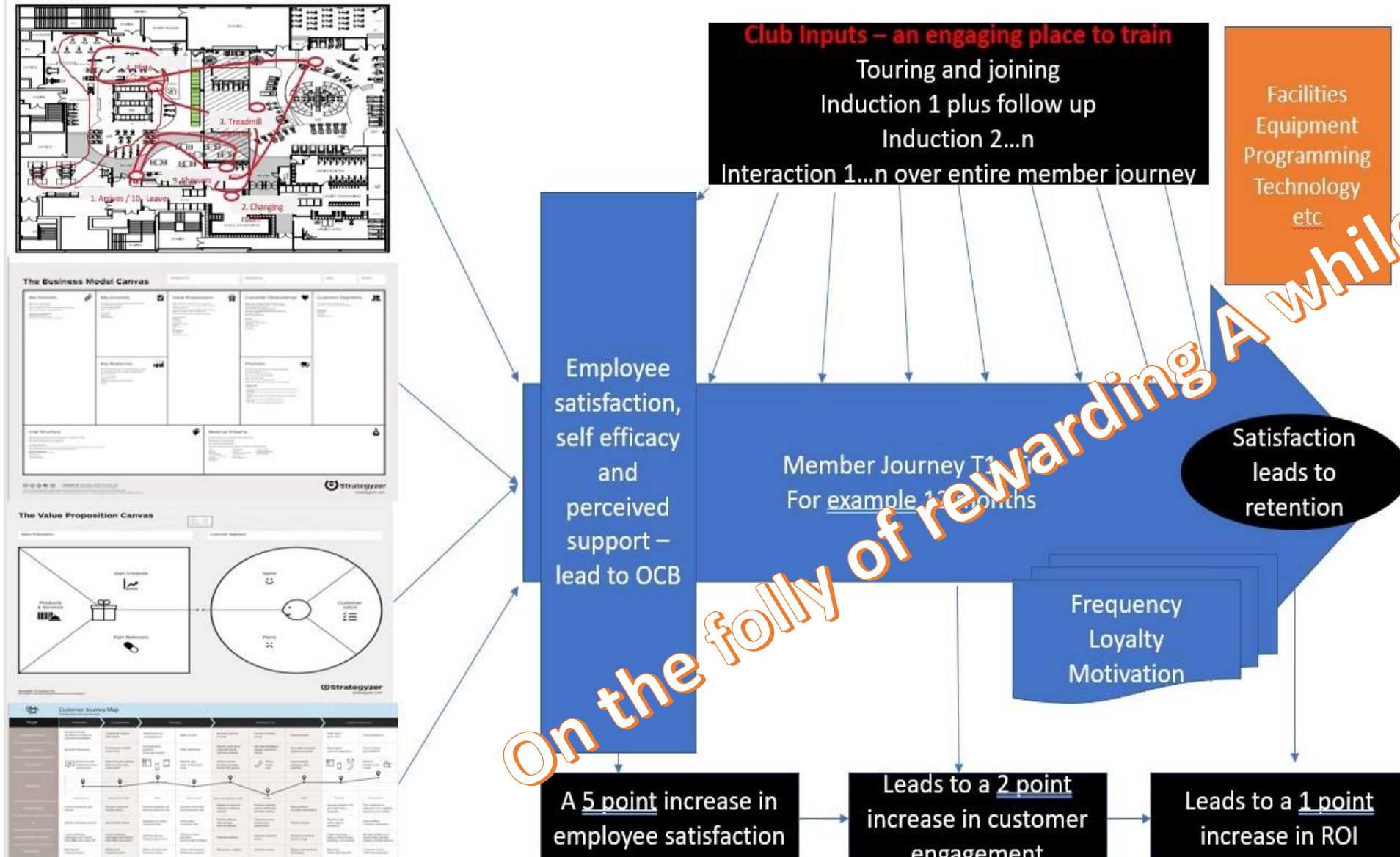


What capabilities does the health club need to become the hub – are we finally going to be in the knowledge and wellbeing industry?

Partner marketplace

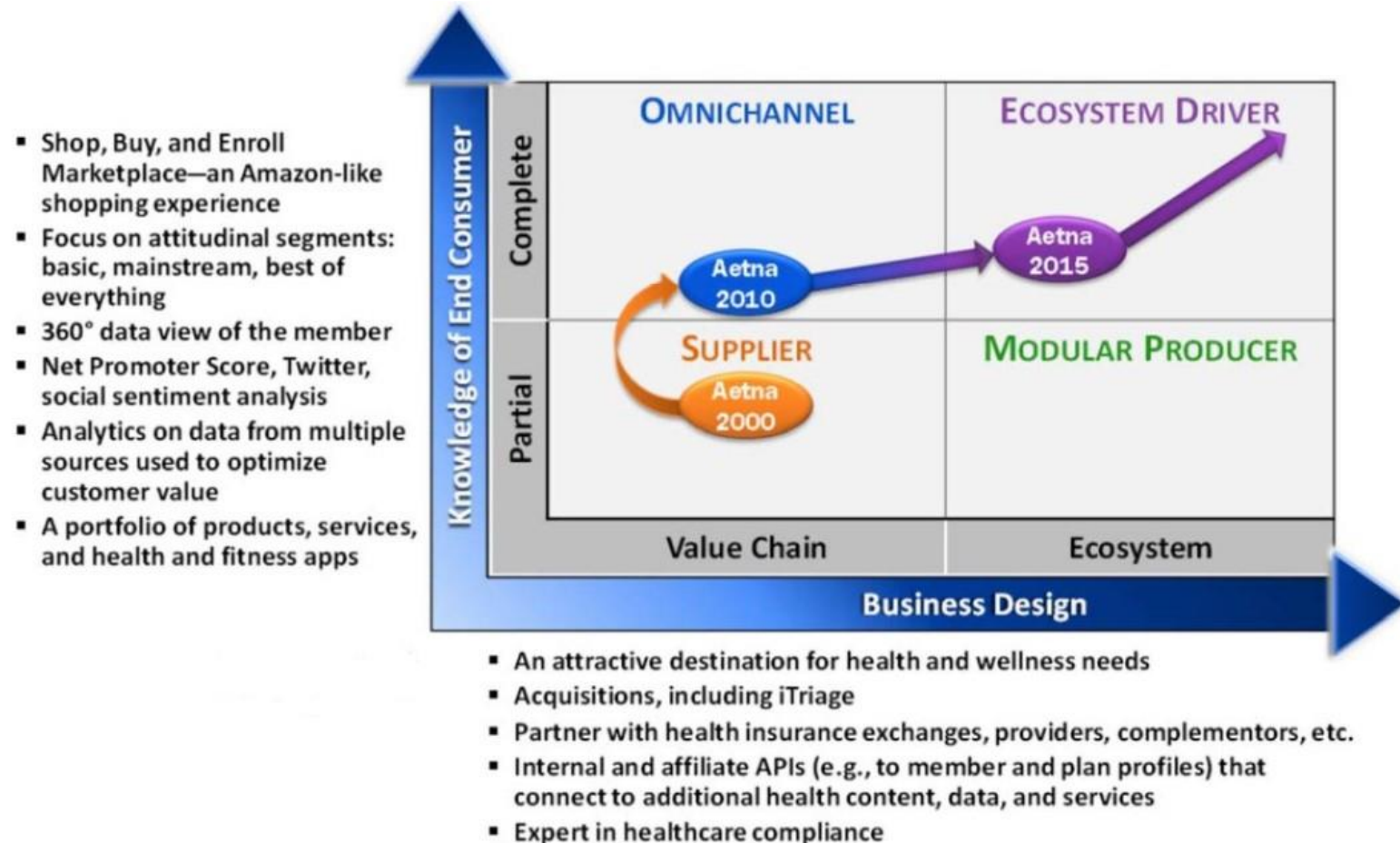


The end of Customer Journeys! – as we know them



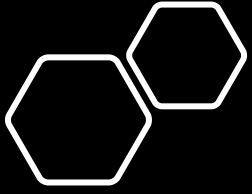
Increase your costs to decrease your costs – shared value and purpose: Aetna example

- Substantially increased investment in staffing to include behavioral health experts, dietitians, nurses etc
- Switched from 'disease' states to member specific personalized goals
- Created leading edge digital platform built on big data and behavioral economics
- By maximizing their customers engagement in their own health Aetna significantly lowered their costs – could we?



Wrap Up and Key Questions – what business are we in?

- How can we differentiate our service offering from the rest of the competitive set?
 - How can we attract non-customers?
 - What is our trainer/talent development strategy?
 - How can international expansion amortize content and technology investments to drive accretive growth?
 - What strategic partnerships can enhance brand awareness, customer acquisition and customer retention to accelerate value creation?
 - How do gym operators participate in digital fitness in a post-COVID-19 world where digital fitness is more prevalent? What are the build vs. buy vs. partner trade-offs and implications for future growth?
 - Are we the hub or spoke?
- **McKinsey research (June 2021):**
 - Fitness-tech apps raised a record-breaking \$2 billion from investors in 2020
 - 95 percent of pre-pandemic fitness club members reported missing at least one element of working out at the gym, and more than 60 percent of Americans who exercise regularly say they will likely prefer a mix of working out at a gym or studio and at home in the future
 - Overall downloads of health and fitness apps grew 27 percent, but apps that include a community component saw four times as many downloads



Thank You Q&A

