

Financial Modelling

Industry overview

Gyms and fitness centres in Australia

The following information has been summarised from IBISWorld Industry Report R9111.

Key details

Current trends

The following trends affect gyms and fitness centres in Australia:

- The industry is most impacted by household discretionary income, health consciousness and levels of obesity.
- Increased health consciousness has supported industry demand over the past five years.
- COVID-19 lockdowns and restrictions caused heavy declines in revenue and profitability for industry operators in 2020–2022 financial years.
- Australia's economic recovery from the COVID-19 pandemic will likely drive revenue growth.
- Boutique and small-scale gyms are projected to grow in popularity over the next five years, but organised sport and at-home-gym equipment will continue to be strong competition.

Industry size and performance

In the financial year 2021–22, the industry had:

- 5,853 businesses
- 20,649 employees
- revenue of \$2.2 billion (annual growth from 2017 to 2022 was -5.5%)
- profit of \$117.1 million (annual growth from 2017 to 2022 was -8.1%).

Major players

The industry comprises the following operators, whose market share is shown in brackets:

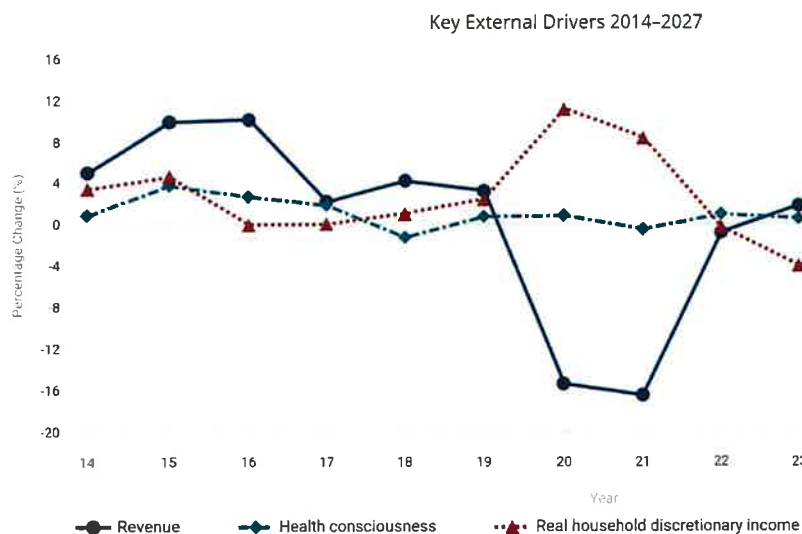
- Fitness and Lifestyle Group (26.7%).
- Anytime Fitness (17.4%).
- F45 Training (8.8%).
- Viva Leisure (3.6%).
- Multiple small operators (43.5%).

Industry characteristics

The industry involves the operations of health clubs, fitness centres and gymnasiums. Trading conditions have been adverse for operators in the five years to 2022, primarily due to the COVID-19 pandemic. Government mandates required a significant number of gyms and fitness centres to stop operating during sporadic lockdown periods. When they were open, they felt the impact of social distancing measures and capacity limits. Many operators suspended membership fees during lockdown periods, causing industry revenue to contract.

Revenue had grown steadily before the outbreak of COVID-19. Looking at the past five years, rising health consciousness and levels of obesity boosted demand for industry services early in the period. The popularity of premium and functional training gyms supported industry profitability, while budget 24-hour gyms benefited from low overhead costs. However, the market for these budget gyms is increasingly saturated with growth in members slowing.

Industry revenue is projected to return to growth over the next five years. Health consciousness and obesity rates are likely to continue rising, which should support demand for the industry over the period. The oversaturation of budget 24-hour gyms is likely to support demand for premium and functional training gyms. However, continued at-home-gym trends and the reorganisation of amateur sport are forecast to limit the industry's expansion over the period. Overall, industry revenue is forecast to grow at an annualised 1.3% over the five years to 2026–27, to \$2.3 billion.



Gyms and Fitness Centres
Source: IBISWorld

Wages represent the industry's largest cost. A workforce of predominantly part-time and casual workers affords operators flexibility to control wage costs.

Market segments

Full-service gyms (such as Fitness First, operated by Fitness and Lifestyle Group) are the traditional fitness model, offering free-use gym equipment, fitness classes and personal trainers. Membership fees usually grant unlimited or tiered access to equipment classes, while personal training is generally an additional cost per session.

Budget gyms have taken significant market share away from traditional full-service gyms. Anytime Fitness and Snap Fitness have continued to expand across all states and territories and have consolidated their market-leading position. Members pay a low membership fee for 24/7 access to gym equipment. While the accessibility of 24-hour gyms is attractive to many consumers, their affordability has been the main factor driving their popularity. Viva Leisure (which operates Club Lime) has rapidly emerged as a major player in the budget segment. Viva Leisure acquired the Plus

Fitness brand in August 2020, substantially increasing its number of locations, members and overall market share. Budget models are also increasingly offering unlimited classes within membership fees.

The budget gym market has become increasingly saturated, with growth in membership numbers slowing and strong price-based competition pressuring operators in this segment.

Premium and functional training gyms have increased in popularity over the past five years. The rise in consumer sentiment over the same period has encouraged spending on these types of memberships. While budget gyms have captured many casual gym attendees, premium gym establishments have successfully targeted fitness enthusiasts who are more willing to spend on high-value industry services. Brands in this segment include F45 and Barry's Bootcamp.

Premium gyms typically employ full-time personal trainers and operate a classes-only facility, rather than the free-use gym equipment common in traditional full-service gyms. Most of these premium brands offer high-intensity interval training and functional training, which have been widely endorsed by health and exercise experts. Members take advantage of specialised classes included in membership rates rather than paying for additional personal training sessions.

Industry demographics

As Australia's population ages, people are increasingly concerned about their health and wellbeing, and this is likely lead to an increase in exercise participation over the next five years. The industry is likely to benefit from:

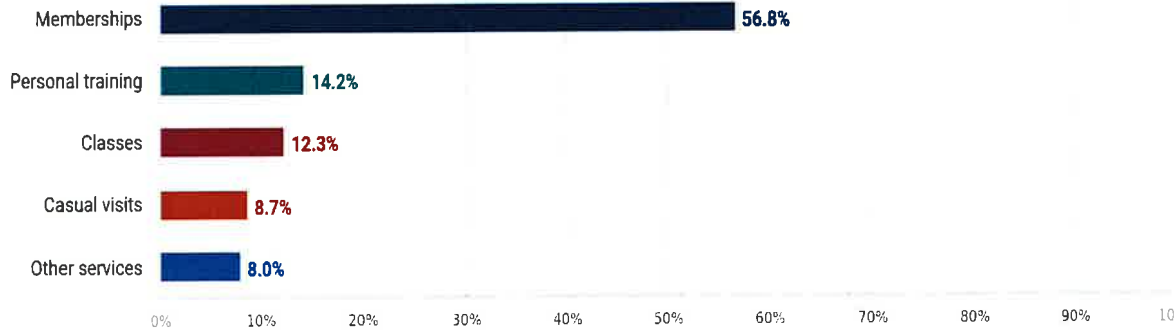
- the continued popularity of lifestyle TV shows and magazines
- social media
- better health education in schools and workplaces
- concerns about rising obesity rates
- the growing accessibility and affordability of gyms.

Government agencies and fitness sector bodies are forecast to increasingly promote the benefits of exercise for member wellbeing. Government agencies can drive down pressure on the medical sector through promoting exercise, and fitness sector bodies can generate greater turnover for their member companies through outreach and promotion.

As the industry's membership base returns to growth, the industry and broader fitness sector are forecast to become increasingly saturated over the next five years. An estimated 7.7 million Australian adults were paying participants of gyms, yoga studios and Pilates classes in 2020. Although rising health consciousness is projected to support exercise participation over the next five years, more consumers are forecast to change their memberships to a new gym rather than join a gym for the first time. Membership growth is therefore forecast to be more moderate over the period compared with the strong rises reported before the pandemic.

Revenue streams

Products and Services Segmentation



2022 INDUSTRY REVENUE

\$2.2bn

Gyms and Fitness Centres
Source IBISWorld

Gyms and fitness centres derive revenue from the following sources:

Stream	Description
Memberships	Customers pay ongoing membership fees, usually under contracts.
Personal training	Customers pay gyms for personal training services or personal trainers pay commission to gyms for using their facilities (where the customer pays the trainer directly)
Fitness classes	Customers pay to attend fitness classes as a separate tariff from membership fees, either per class or per term. Operators may offer multiple class passes at a discounted rate for customers who wish to attend frequently without the long-term commitment of a membership. Classes typically include cycling or spin, Pilates or yoga, and cardio-based activities such as the popular Les Mills classes. Online classes are also included in this segment, a trend accelerated by COVID-19 restrictions on in-house operations.
Casual visits	Customers who are not members pay to attend the gym on a casual basis. Casual fees are usually priced high per visit to encourage membership.
Other services	<p>Customers pay for other services within the gym, such as nutrition advice, massages, physiotherapy, and merchandise (supplements, snacks, drinks, clothing, towels and small 'at home' fitness equipment). Other services have increased as a share of revenue over the past five years for two reasons:</p> <ul style="list-style-type: none"> Declines in memberships and classes meant that total revenue declined, while this segment grew comparatively. COVID-19 led operators to offer more diverse product and service offerings to maintain profitability.

Profitability and cost structure

A significant rise in the number of operators has led to high competition, limiting profitability growth. Newer firms, which are yet to build up strong customer bases, tend to initially run at a loss for several years due to high upfront capital costs, such as equipment purchases. However, many new industry entrants have been studio-style establishments, which generally operate with inexpensive equipment. This trend has limited industry profitability declines over the past five years.

Growth in premium service-based gyms, such as F45, has also supported industry profitability. These operators typically attract dedicated exercise participants who are willing to pay high membership fees. Profitability trends among budget 24-hour gyms have varied over the past five years. Established locations tend to be highly profitable, due to the low-cost base they maintain by minimising wage costs. Most budget 24-hour gym chains have already largely undertaken their expansion plans and are now operating with wide profit margins. However, strong and rising competition among budget brands has placed downward pressure on margins for operators in this segment over the period.

Labour represents the industry's largest cost. Employees are needed for marketing, personal training, and exercise and class instruction. Many gyms heavily rely on labour to provide personal training and class instruction. Although wages are fixed for many workers, a significant proportion are part-time or casual, which helps ease wage-related pressure when economic conditions weaken.

New gyms often invest in gym equipment and making the property fit for purpose. Operators can maintain competitiveness by acquiring new and high-quality fitness machines and other equipment, leading to higher depreciation costs.

Most operators lease rather than own their premises. Rent is often the largest expense for rapidly expanding 24-hour gyms, as they typically aim to find locations in areas with high foot traffic and reduce wage costs by operating unstaffed for long periods of time.

Other costs include insurance, utilities, marketing, brand royalties for international franchises, other franchise costs, and machinery maintenance expenses. Gyms that are open 24 hours a day generally incur greater insurance and security costs as they often operate unstaffed.

Growing competition has required greater investment in marketing to attract new customers, particularly face-to-face marketing in local communities, as the industry relies on location convenience and proximity to consumers.

Capital

The industry exhibits low capital intensity. In 2021–22, for every dollar spent on wage costs, a further estimated \$0.4 was invested in capital. Fitness centres face high equipment expenses for weightlifting, resistance training and cardiovascular training. However, most of this cost is only required upon setup as most equipment has a long lifespan.

The intensive expansion activity demonstrated by some of the industry's larger players, such as Viva Leisure and F45, have boosted the industry's level of capital intensity. Investment in capital also includes communications equipment (computers, mobile phones and laptops with remote internet access). Some companies purchase the gym's premises, heavily increasing depreciation expenses.

Many new gyms and fitness centres, including functional fitness establishments, are minimalist in terms of machines, offering classes with a limited range of equipment. The rapid growth of yoga studios and functional training programs that use no equipment has limited industry capital intensity.