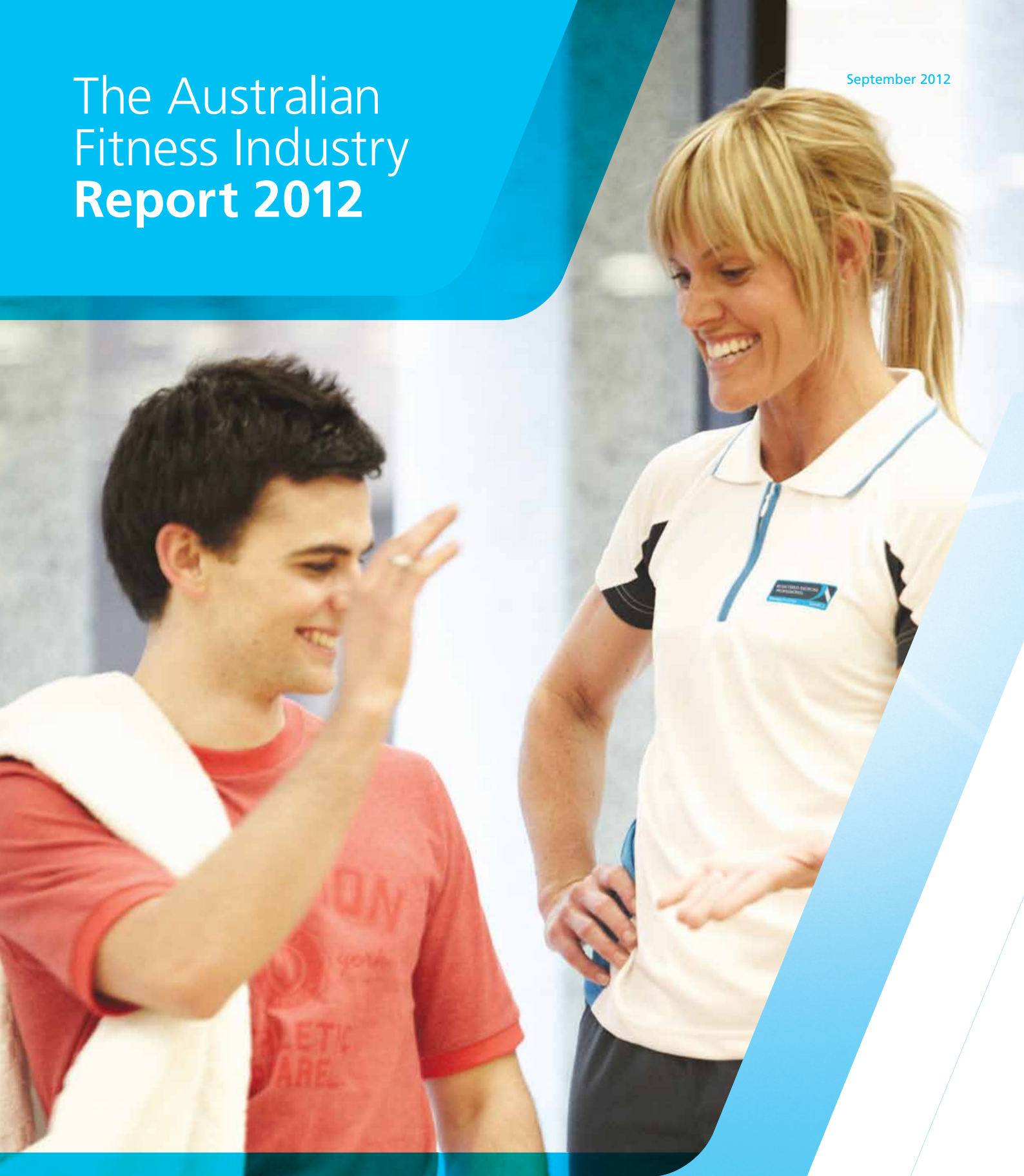


The Australian Fitness Industry Report 2012

September 2012



Fitness Australia®
THE HEALTH & FITNESS INDUSTRY ASSOCIATION





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Fitness Australia wishes to acknowledge the contribution of Deloitte Access Economics to this report





Laretta Stace

Chief Executive Officer
Fitness Australia

Foreword

Welcome to the inaugural edition of the Australian Fitness Industry 2012 Report, which outlines the size, composition and issues affecting our \$1.2 billion sector. It represents the first in a planned series of annual reports on the state of the industry.

This report provides detailed and consolidated information illustrating the current state of the fitness industry. There is little regular data specifically about the fitness industry which this report seeks to address. By displaying the fitness industry in the appropriate context, not only can we better determine our own future, but we can seek the necessary support to ensure that our industry delivers the greatest contribution possible to enhancing the health and well-being of Australians.

In comparison to other sectors, the fitness industry on the whole, has fared better and continues to grow despite the backdrop of uncertainty that has affected the broader economy. This can be attributed to a myriad of factors including cultural and demographic changes associated with the increasing importance accorded to fitness, the recognition that it delivers personal health benefits and industry innovation in tailoring programs to meet the needs of consumers. However, the industry continues to face challenges, especially related to workforce retention and professionalism.

There are measures that can be taken to address these challenges to ensure continued strength and prosperity of the industry. A nationalised system whereby our workforce is better recognised and supported will ensure a greater recognition for the individuals who work in this industry but also increase the standard and consistency of service provided to consumers.

Fitness Australia believes that this report will provide a suitable backdrop for our continued advocacy efforts both now and in the future.

We welcome comments about how to make this report even more useful in the future.

About Fitness Australia

Fitness Australia is the leading peak health and fitness industry association providing a range of business support services and solutions to almost 30,000 registered exercise professionals, fitness service providers and industry suppliers Australia-wide.

Our advocacy and research work also ensures that the diverse interests of the fitness industry ranging from business challenges to accessing the latest industry research information are well represented.

Over the last decade, there has been strong growth in the industry and it is expected that this growth will continue well into the next decade. Around 3.3 million Australians were estimated to use the services of an exercise professional in 2011.

As a peak industry association with a highly credible national profile, Fitness Australia recognises the growing importance of the fitness industry to the Australian economy and to maintaining the health and wellbeing of the community. Fitness Australia is committed to leading, supporting and growing an innovative fitness industry that embraces knowledge sharing, professionalism and high standards of care and customer service.

Strategic priorities which underpin this commitment are focused on enhancing industry standards, reputation and quality of the workforce. As a peak body, representation of the interests of the industry, through advocacy on issues of core interest and importance such as taxation reform, a uniform national system for registration/regulation of the profession, equitable access for personal trainers to public space and issues of copyright in fitness facilities continue to remain at the forefront. Fitness Australia is undertaking a series of actions to implement the identified priorities listed below:

1. The development of a quality framework to assist the fitness industry set and raise standards to achieve and maintain safety, quality and customer care;
2. Engaging in strategic workforce planning to enhance the exercise professional registration system to establish clarity in scope of practice;
3. Working collaboratively with education providers to facilitate access to high quality continuing education programs that will increase industry knowledge and expertise;
4. Working with all levels of government and the broader health sector to partner in meeting preventative health objectives; and
5. Engaging in advocacy programs that support the growth and development of the industry.

These actions place Fitness Australia in a strong position to continue to assist the industry focus on what is important for their customers and to deliver quality services in order to prosper.

For more information, visit the Fitness Australia website at fitness.org.au/fitnessindustryreport

Introduction

Deloitte Access Economics was appointed by Fitness Australia to conduct a survey of businesses in the fitness industry in order to provide a detailed overview of the industry in 2012.

This report follows an earlier report, the *Fitness Industry Workforce Report 2012* (Deloitte Access Economics 2012a) which documented the current supply and demand of exercise professionals in Australia, with projections for the future.

Providing a snapshot of the industry on an annual basis is important for identifying the trends within and their impact upon the fitness industry. Trend information in relation to how the industry is developing, what it will potentially look like in the future and its financial sustainability is vital for successful future planning for the industry.

This *State of the Industry Report 2012* is an important companion document to the *Fitness Industry Workforce Report 2010-2012*. Key findings of this report will be communicated to government, industry and other key stakeholders. Fitness Australia will use these findings to underpin decision making and industry advocacy. Findings may also be useful in terms of assisting the industry to identify effective investment opportunities in the future.

In this report the fitness industry is defined as those businesses that provide physical fitness services in a 'dry' setting (i.e. not including pools, but including gyms at pools). It includes both guided outdoor training and indoor facilities. This definition was adopted to ensure members of Fitness Australia were adequately represented.

Trends & Key Findings

Participation in physical activity

Among Australians, aerobics, fitness or gym workouts are now the second most popular physical recreational activity after walking. Over 4 million Australians participate in fitness industry activities. Users are typically female (42%) and younger (25-34 years). The biggest increase in users was from the 45-54 year age group. Looking forward, participation will continue to increase exponentially with total demand increasing to 7.15 million users by 2020

Industry composition

is characterised by a large number of private and small to medium sized businesses. There has also been an expansion of niche areas in the industry such as women's circuit training.

Industry growth

there has been growth and climbing levels of participation in fitness activities within the community. However recently there has been a slight downward trend probably associated with the economy and consequently a reduction in the discretionary spend of consumers.

Revenue

the industry will have revenue of over \$1.2 billion in 2012. Membership fees made up 83% of income followed by personal training fees. When the industry is segregated, the revenue of at least half of all businesses are under \$100,000. Trends show changes in consumer preferences (due to more disposable income and other factors such as increased interest in health & wellbeing) has had an impact on revenue. Businesses reported a 4% average increase in revenue. 24/7 facilities and fitness studios have seen greater levels of growth, being 11% and 12% respectively.

Employment

30,000 exercise professionals are registered in Australia with Fitness Australia and Physical Activity Australia. Over half are women. Almost two thirds are aged between 22-39 years. Recent trends in employment growth indicate an increase of 7.2% (variable) in the number of exercise professionals. Of note 68% of the workforce remains casually employed. This factor has been identified as significantly contributing to the high level of turnover of staff within the fitness industry. Trends in relation to future workforce projections (entries and exits), skills training and remuneration have been highlighted in the *Fitness Industry Workforce Report 2010-2012*.

Industry subsectors & offerings

In recent years a change in consumer focus on improving health and quality of life has become increasingly apparent. This, together with the interest of government in preventative health, has meant that the fitness industry has had to evolve to meet a much greater array of fitness needs within the community. Business models range from small person training studios to large multi-national chains. Equally, service offerings range from the traditional fitness classes, to more niche orientated offerings to meet the needs of sub-groups such as older people, children and those with more complex health needs as well as those interested in general health and lifestyle improvements.

Predictions for the future of the fitness industry will continue to be informed by trends relating to factors such as what consumers want and expect, the impact of technology on customer service offerings, the capacity to tap into the retiring 'baby boomer' age group and other sub-groups within the population and, as good corporate citizens, the capacity of fitness businesses to respond to community needs, especially in areas of disadvantage where significant population health issues exist.

1. Industry composition and value

In 2009-10 18% of the population participated in fitness activities.

The fitness industry is a dynamic and evolving industry. Fitness activities are defined by the Australian Bureau of Statistics (ABS) as participation in 'aerobics/fitness/gym activities', 'Pilates', 'weight training' and 'yoga' categories. The latest data available (ABS, 2010a) show that attendance at clubs is on the rise, with 18.3% of the Australian population participating in organised fitness activities in 2009-10, a 2.1% rise since 2005-06. The industry is characterised by a large number of private, small to medium sized businesses, due to the relatively low barriers to entry for small businesses. The recent expansion of small and bigger players into former niche areas – such as women's circuit training, corporate training, and wellness programs – has helped fuel the growth within the fitness industry. The April 2012 survey of exercise professionals indicated that whilst the industry has had strong growth and increasing participation in the past decade, recent years have been tougher for the industry. It is likely that this is in part due to the economic downturn, but also due to a shift in consumer preferences, as evidenced by strong growth in some other segments of the industry.

There are over 2,550 businesses in the fitness industry

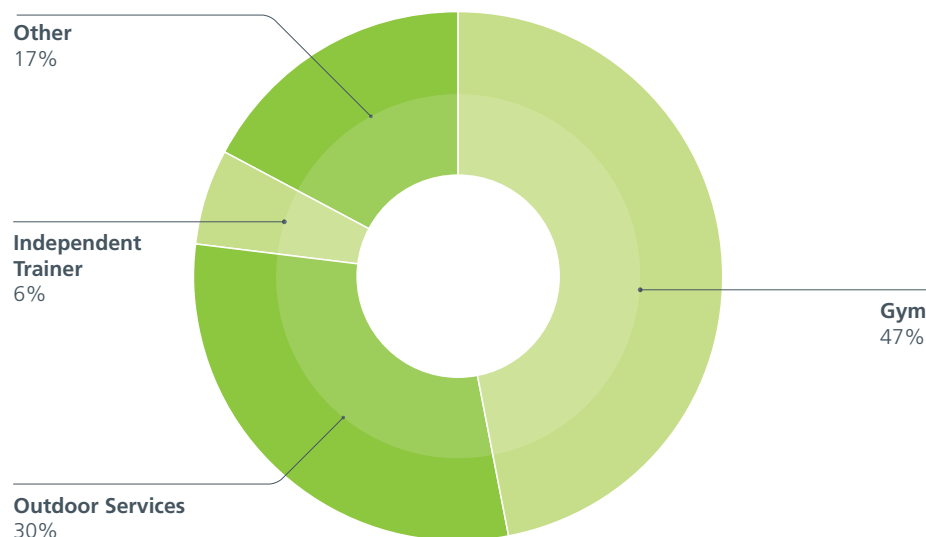
1.1 Number of businesses and market consolidation

A wide range of businesses make up the fitness industry, from sole traders to large, multinational fitness centres. In 2012, 1,290 businesses were registered with Fitness Australia equating to just over 50% of the industry – an estimated 2,557 business sites.

Small businesses characterise the fitness industry. At last count, 76% of fitness businesses employed fewer than 20 people and only 2% of centres employed more than 100 people (ABS 2005). Barriers to entry for smaller businesses are low and there are very limited regulatory requirements. A new personal training business requires little equipment, few staff, no shop front, and qualifications that are relatively simple to attain.

The April 2012 survey captured responses from a large cross-section of the industry, albeit skewed towards larger businesses. Half of survey participants were from gyms, followed by 30% in outdoor services, 6% in studios and 6% self-employed or contracted independent trainers (Chart 1.1).

Chart 1.1
Survey response by type of fitness centre



Source: April 2012 survey results. Leisure centre responses included gyms.



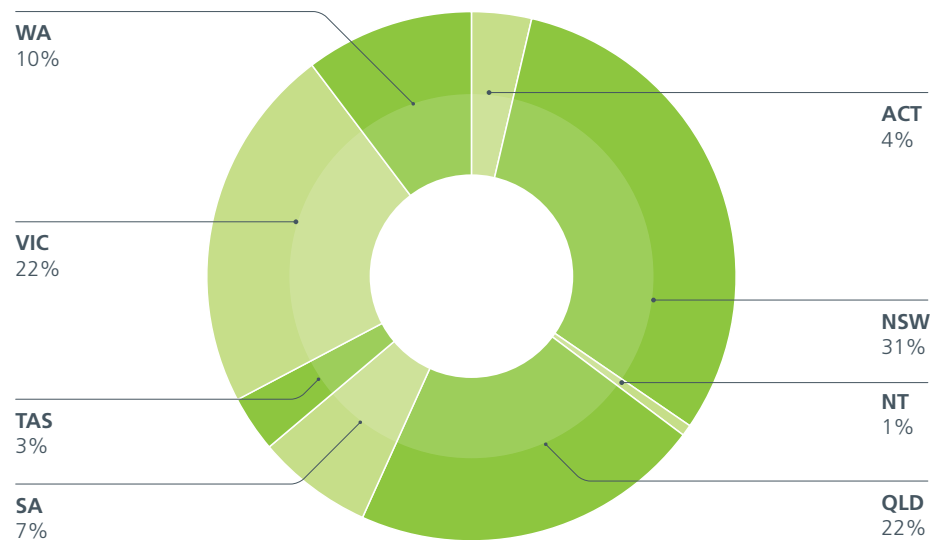


Location of fitness centres

Of the survey responses received, 84% reported that their business is located in a metropolitan region. When the overall client population was considered, 91% of clients were metropolitan based and 9% were rural, as regional gyms tend to have fewer clients. The largest number of businesses which responded to the April 2012 survey were from NSW (31% of total responses), the most populous state, followed by 22% in each of Victoria and Queensland (Chart 1.2)

Chart 1.2

Survey response by location of fitness centre

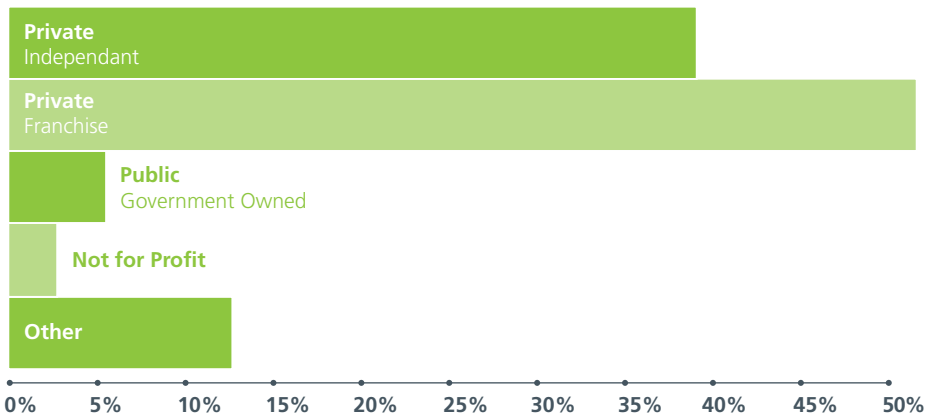


Source: April 2012 survey results. Leisure centre responses included gyms.

Organisational structures of fitness centres

Fitness Australia membership data (2011) showed that about 30% of businesses were privately owned, nearly 20% were public or not for profit, and 45% were either company owned or operated as a franchise. According to the April 2012 survey results (which included Fitness Australia members and non-members), nearly two thirds of businesses were part of a chain or had multiple sites. As with the Fitness Australia data, organisational structure was predominantly private ownership with a minority of businesses public/government owned or not for profit. Of the public or government owned businesses, all except two were also operated by government, rather than private management (Chart 1.3)

Chart 1.3
Survey response by organisational structure of fitness centre



Source: April 2012 survey results.

1.2 Revenue

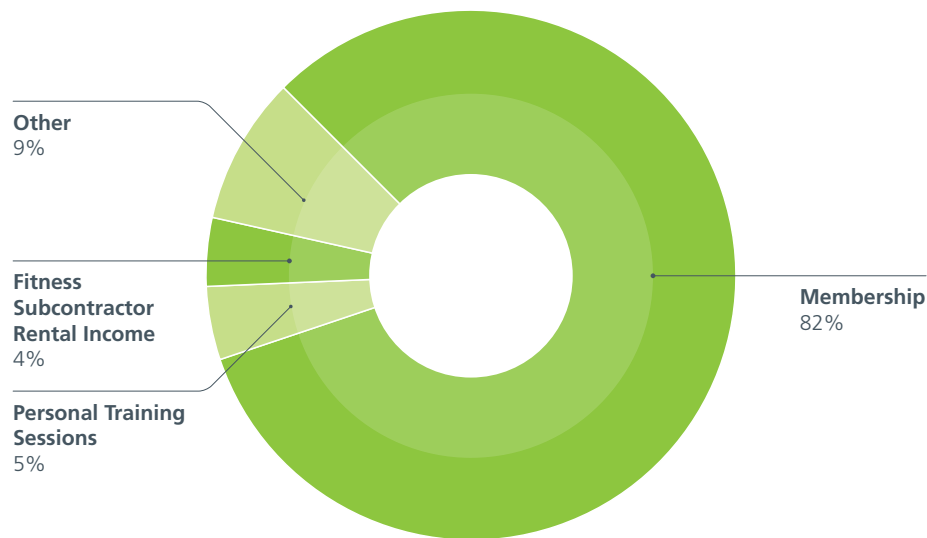
The global economic downturn led to Australians becoming more cautious with their spending, especially on items that may be considered as discretionary spending. While growth has slowed, the industry is expected to record revenue of approximately \$1,200 million in 2010-11¹ with an average operating profit margin of 4.5%.

The April survey found that membership fees made up 83% of total income followed by personal training fees. This is similar to previous surveys including the ABS (2006) 2004-05 survey and Sweeney Research (2009) A breakdown of how revenue is generated is provided below.

When the industry is segregated by revenue it is clear that almost half of all businesses have revenue under \$100,000, with the next major segment recording revenue greater than \$1,000,000. Given larger businesses were over represented in the April 2012 survey it is likely that more than half of businesses would record revenue under \$100,000.

The industry will have revenue of over \$1.2 billion in 2012

Chart 1.4
Sources of revenue, 2011

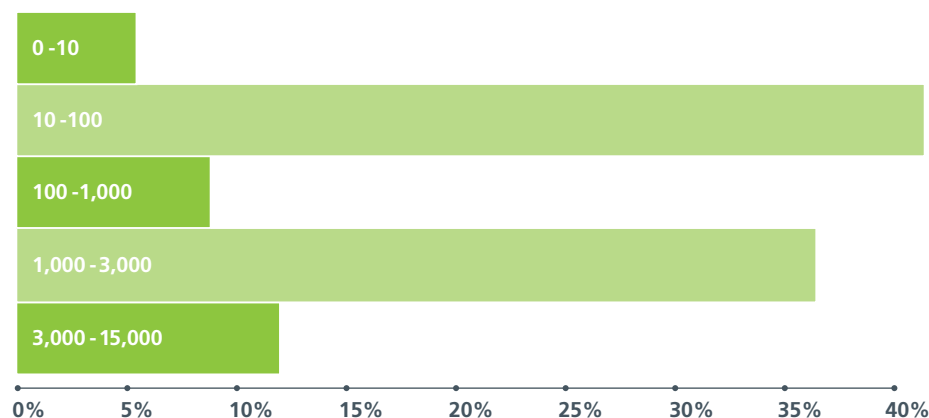


Source: April 2012 survey results.

1. Deloitte Access Economics calculations based on figures for gyms and fitness centres, personal training, and independent group training from ABS 2006, relative to historical trends for the Sport and Recreation industry as a whole for the past decade (various publications of ABS cat. 8155). This was also confirmed through the Household Expenditure Survey as reported in ABS 2011f.

Chart 1.5

Proportion of survey responses by revenue (\$'000)



Source: April 2012 survey results.

Excluding businesses that were starting up (and therefore have abnormally high capital expenditure within the first year or so of operation), businesses with revenue under \$100,000 reported average annual revenue of \$48,828. These comprised studios, independent trainers and outdoor services (with a few small gyms). Businesses with revenue greater than \$1,000,000 averaged \$2,486,213 in annual revenue and were largely franchised clubs, university or school based centres and leisure centres with some large independent gyms.

Trends

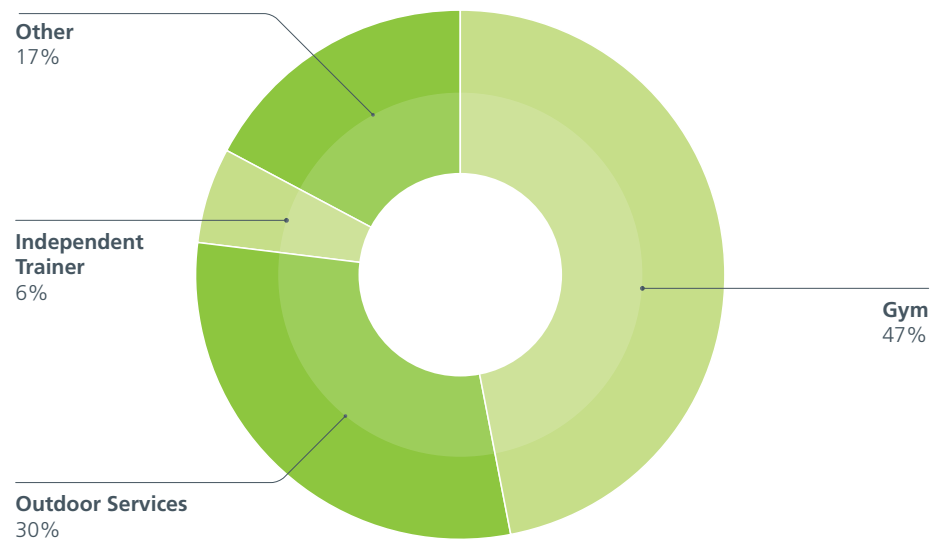
Consumer preferences over the decade have continued to change and this has had an impact on revenue. The factors that contribute to this include an increased awareness of, and interest in, healthy lifestyles, partly due to Government promotional campaigns, together with varying disposable incomes and the increasing tendency for families to outsource. Time poor people are increasingly contracting out household tasks such as cleaning, cooking, grocery shopping and dog walking, therefore other life tasks such as keeping fit are increasingly outsourced to specialists.

The April 2012 survey data show that recent years have been tougher for the industry than the previous decade. Last year saw an overall weakening in both memberships and revenue and both are expected to remain stable for the year ahead, with relatively little growth. The majority of businesses have observed a 4% increase in business size by revenue over the past 5 years (July 2006-June 2011), noting again this does not capture a significant number of 24/7 chains which have been a driver of growth in the past three years.

Interestingly, if the major fitness chains are excluded from survey results, it is evident that other segments of the fitness industry have shown membership and revenue growth above the industry trend. 24/7 gyms, studios and university/school based centres all reported stronger growth, averaging 6%, which is similar to the previous year. Over the past 5 years, 24/7 facilities have seen 11% average annual growth in revenue and a 13% annual increase in membership; fitness studios reported 12% annual growth in both revenue and membership.

4% annual average increase in revenue was reported by businesses

Chart 1.6
Sources of expenses, 2011



Source: April 2012 survey results.

1.3 Capital expenditure

In health and fitness centres and gymnasia, labour costs were the biggest component of expenses, followed by rent. Labour and rent together comprised more than half of total expenses (ABS 2011). As a large proportion of the fitness industry's costs are fixed in nature, the profit margin is sensitive to movements in revenue, which comes largely from fitness centre memberships.

Capital expenditure is another important expense for fitness facilities, comprising spending to acquire or upgrade physical assets such as property and equipment. Capital outlays are made to maintain or to expand operations and can include expenditure such as adding a sauna, refurbishing a shower room, or building a new fitness facility. Compared to small personal training businesses, larger fitness centres have higher equipment costs including weights and resistance training machines, and aerobic equipment such as treadmills and exercise bikes. As well as the upfront finance requirement, such investments also incur high depreciation costs.

Businesses with revenue under \$100,000 reported average annual capital expenditure of \$12,875 and those with revenue greater than \$1,000,000 reported an annual average of \$78,681. In total, capital expenditure for the fitness industry in 2012 is estimated at \$47 million, or 3.9% of revenue.

Capital expenditure is \$47 million for the industry in 2012

Chart 1.7

Expenditure by type (%) (\$'000)

	Industry	Gym	24/7 Gym	Personal Trainers
Staff wages	36.2	35.7	17.9	33.0
Rent	27.1	28.2	19.5	12.1
Other	11.5	12.0	0.0	0.7
Marketing (including sponsorship)	4.5	4.4	8.6	13.4
Commissions / bonuses	4.4	4.5	6.2	0.0
Utilities	4.0	3.9	8.1	1.9
Cleaning	3.0	3.0	2.0	0.2
Building maintenance	1.6	1.5	4.5	0.3
Equipment repair and maintenance	1.3	1.0	4.8	4.3
Franchise fees	1.2	1.2	3.6	0.0
Travel / Accommodation / Entertainment	1.1	1.0	1.8	6.1
Licenses	1.0	0.9	2.1	3.3
Staff training	0.9	0.7	2.6	10.2
Rent	27.1	28.2	19.5	12.1
Finance / leasing (e.g. equipment)	0.6	0.3	11.5	3.1
Stationery	0.6	0.5	1.6	1.7
3rd party professional services (accounting, legal etc.)	0.5	0.5	2.1	6.1
Insurance	0.4	0.4	2.0	3.6
Recruitment	0.2	0.2	0.9	0.0

Source: April 2012 survey results.

1.4 Innovation**Innovation trends**

Remaining dynamic, competitive and responsive to new fitness trends both locally and abroad remains a challenge for the fitness industry. However the industry continues to rise to this challenge through the development of programs and business models to meet changing consumer preferences and the integration of new technologies (online services, apps, social media, radio frequency identification technology).²

Innovation as the primary driver in shaping the future of the fitness industry is explored in the report, *The Future of Fitness: A White Paper* commissioned in 2010 from the Nielsen Company for Les Mills International and Better by Design. This report brings together data, expert opinion and views about how the global fitness industry can remain fresh and relevant. The increasing need for permanent connection through advances in technology, greater personalisation of services and the blurring of lines between fitness services and other services are informative and discussed at length.

2. Interestingly, many businesses acknowledged that government awareness of the industry and the progression to a standardised/national system that was regulated and had codes of conduct was an innovation as well. Whilst it was not expanded upon in survey responses, and is not primarily an innovation that directly affects customers, it was seen as important for the industry.

2. Employment

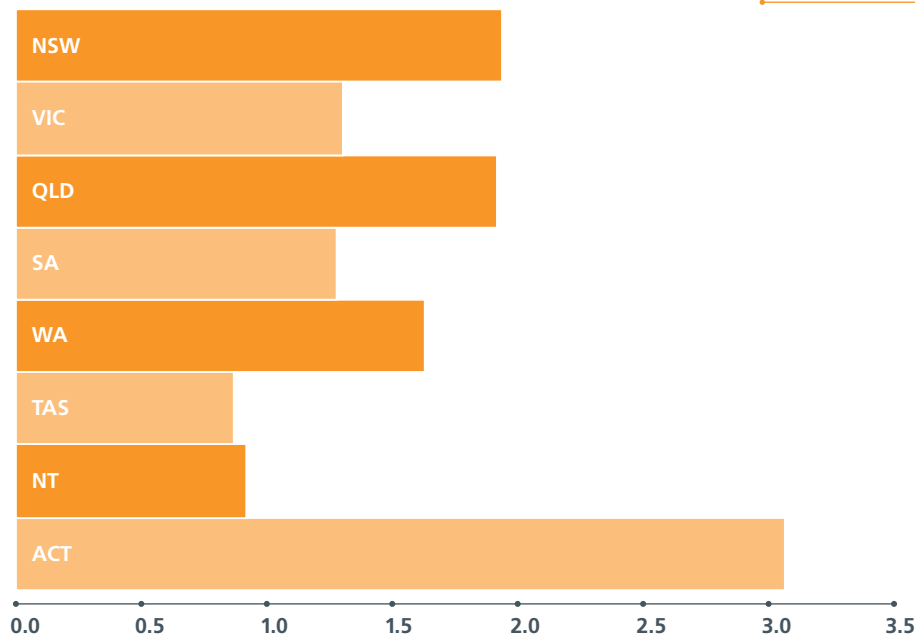
2.1 Number of professionals employed

In 2011 29,875 exercise professionals were registered (24,875 registered with Fitness Australia and 5,000 registered with Physical Activity Australia).^{3,4} Registration is not compulsory and it is very difficult to measure the number of unregistered professionals. In our previous report for Fitness Australia, *Fitness Industry Workforce Report 2010-2020*, (Deloitte Access Economics 2012a) consultations with

key stakeholders estimated that potentially around 75% of fitness industry professionals are registered with either Fitness Australia or Physical Activity Australia. As a broad estimation, the April 2012 survey indicated that 92% of professionals were registered. Fitness Australia data show that the number of fitness industry professionals per 1,000 people by jurisdiction ranges between 0.8 in Tasmania to 3.0 in the Australian Capital Territory (ACT) (Chart 2.1).

Chart 2.1

Number of exercise professionals per 1,000 people, by jurisdiction, 2011



30,000 exercise professionals are registered in Australia

Source: April 2012 survey results.

The Fitness Australia data suggest that approximately 56% of exercise professionals are female (16,749) with 13,126 males. Almost two thirds (62%) of exercise professionals are aged between 22 to 39 years, with only 4% over the age of 55 years.

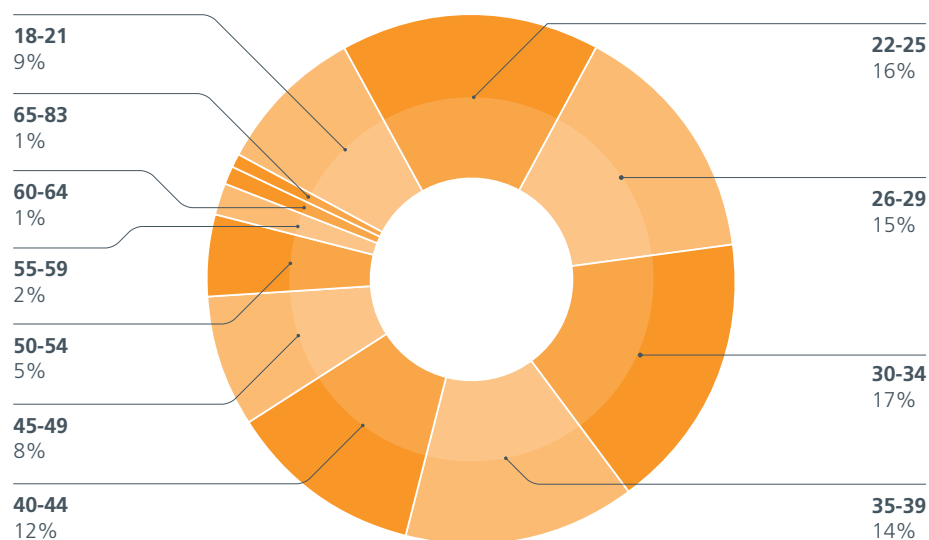
3. Fitness Australia and Physical Activity Australia represent Australia's peak fitness industry bodies (pers., comm. 9/12/2011, Service Skills Australia).

4. An estimate of 5,000 exercise professionals registered with Physical Activity Australia was obtained from Kinect Australia's website – now updated as Physical Activity Australia (Physical Activity Australia, 2011)

68% of the workforce is casually employed

Chart 2.2

Distribution of exercise professionals by age group, industry data



Source: April 2012 survey results.

Labour Force Survey data (ABS 2006) suggest that, on a headcount basis, 68% of the exercise professional workforce were employed as casuals, 12% permanent part time, 18% permanent full time and 2% are working proprietors and partners (ABS 2006). For the purpose of this analysis the ABS figures are used.

Chart 2.3

Number of FTE exercise professionals, 2011

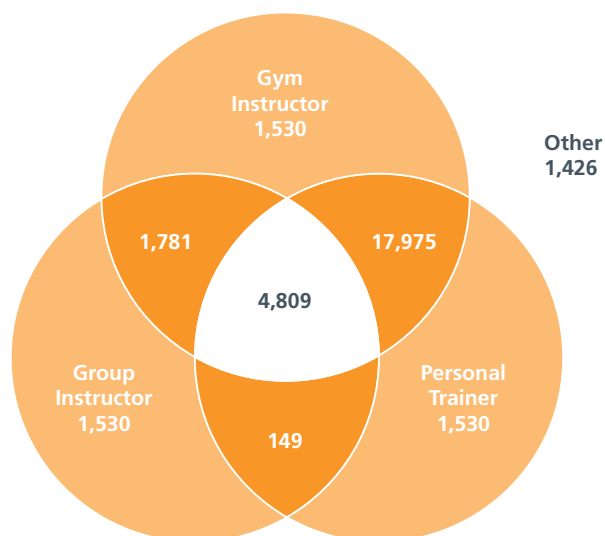
	Full time	Part time	Casual	Total
Personal Trainer	64	15	42	121
Group Instructor	306	74	199	579
Gym Instructor	377	91	246	714
Personal Trainer AND Gym Instructor	3,595	872	2,341	6,808
Personal Trainer AND Group Instructor	30	7	19	56
Group Instructor AND Gym Instructor	356	86	232	675
Other (e.g. Yoga, Aqua Trainers)	285	69	186	540
Total	5,975	1,449	3,890	11,314
% of total	53%	13%	34%	100%

Source: Source: Deloitte Access Economics calculations.

There is a significant crossover of qualifications/registrations evident in the fitness workforce (Chart 2.4). The data show that almost 90% of workforce participants are registered gym instructors and around 80% are registered personal trainers. Less prevalent are yoga instructors and aqua instructors, with only 0.3% and 1.5% of the workforce registered to supply these services, respectively (classified as 'other trainers').

Chart 2.4

Number of exercise professionals, by type, in 2011



Source: Deloitte Access Economics calculations; Fitness Australia Industry data.

Job growth is at 7.2% but remains variable

2.2 Recent trends in employment growth

Since 1999, the number of exercise professional has been increasing, albeit with significant variation year on year. The average annual growth rate between 2005 and 2010 was around 7.2% (Job Outlook 2011).

Workforce projections

Fitness Australia commissioned a detailed analysis of the exercise professionals' workforce in Australia (2012a). *The Fitness Industry Workforce Report 2010-2012* provides an important insight into the current profile of the industry as well as identifying challenges and opportunities. Workforce supply and retention is affected by such factors as: available working hours, level of professional qualification, job roles and expectations, remuneration, supply of graduates and demand for services.

The full report can be found at: www.fitness.org.au/workforcereport.

3. Service subsectors

Population growth, changes in population age structure and changes in consumer wealth and spending has led to the fitness industry being characterised by a range of different business models, from small personal training studios to large, multi-national chains.

Industry offerings are likewise diverse, from traditional exercise classes and gym type activities to newer niche areas such as boot camps, seniors classes, and access to allied health services. Fitness businesses, in response to the increasing interest by the community are embracing and promoting approaches which emphasise overall health and wellbeing.

A testament to this approach is evidenced by the increasing penetration of yoga, tai chi and meditation classes into the core business areas of the fitness industry. Options such as massage, acupuncture and allied health services have also been integrated into business models to further expand market reach. Those consumers who just want to work out and get physically fit remain a central part of service offerings. Circuit training specific gyms have also boomed in the past few years with the franchises Curves and Contours, among others, promoting a simple 30 minute work out three times a week to busy women. The fitness industry has also claimed a central role both in the national preventative health agenda as well as in combating the complications of chronic diseases. Specific programs to assist in managing these conditions have emerged recently including *Lift for Life*, *BEAT IT*, and *Heartmoves*.

The industry is also taking steps to build and strengthen the networks and referral pathways to and from allied health professionals. Currently, approximately, 8% of clients are being referred to medical or allied health services and slightly more (11%) are referrals from such services.

The ABS reported a breakdown of fitness activities by age and gender. Younger women were more likely to be involved in aerobics, general fitness activities, pilates and yoga, whereas men more commonly participated in weight training followed by aerobics and general fitness activities (Chart 3.1)

Chart 3.1

Participation in activities by age and gender (%), 2009-10

Activity	15-34		35-54		55+	
	M	F	M	F	M	F
Aerobics	13.2	21.3	9.5	16.9	4.8	7.9
Pilates	-	1.4	-	2.0	-	0.9
Weights	2.7	0.4	1.5	0.7	0.4	0.4
Yoga	-	3.8	0.4	3.4	0.3	1.8

Source: Deloitte Access Economics calculations.

4. Client profiles

Over 4 million Australians participate in fitness industry activities. In 2009-10, ABS statistics show that over 14.0% of Australians were estimated to have participated in fitness activities such as aerobics, pilates, weight training and yoga activities. This rate is up from 12.6% for 2009-10.

Applying this proportion to the 2012 population, there are an estimated 4.14 million Australians involved in fitness activities this year (ABS 2008).

The majority of members or clients (90%) visited their fitness centre attended once or twice per week with 8% visiting three times per week. The top three factors said to consolidate the level of customer commitment to their centre were access to professional staff (74%), overall atmosphere of the facility (68%), and availability of machines in working order (67%). The main barriers to attracting new customers included an unstable economy, too much competition, and customers' lack of awareness of service offerings (Sweeney Research, 2009).

4.1 Age

Users of fitness facilities are typically younger and female. Over 1 in 5 men and nearly 1 in 3 women aged between the ages of 18 and 34 make use of fitness industry services. The utilisation rate falls with age to 8.1% for men and 10.2% for women in the 65+ age group (Deloitte Access Economics 2012a). Consumers over the age of 45 years make up 27% of industry revenue, although an increase to 30% is expected over the next five years (IBISWorld 2011).

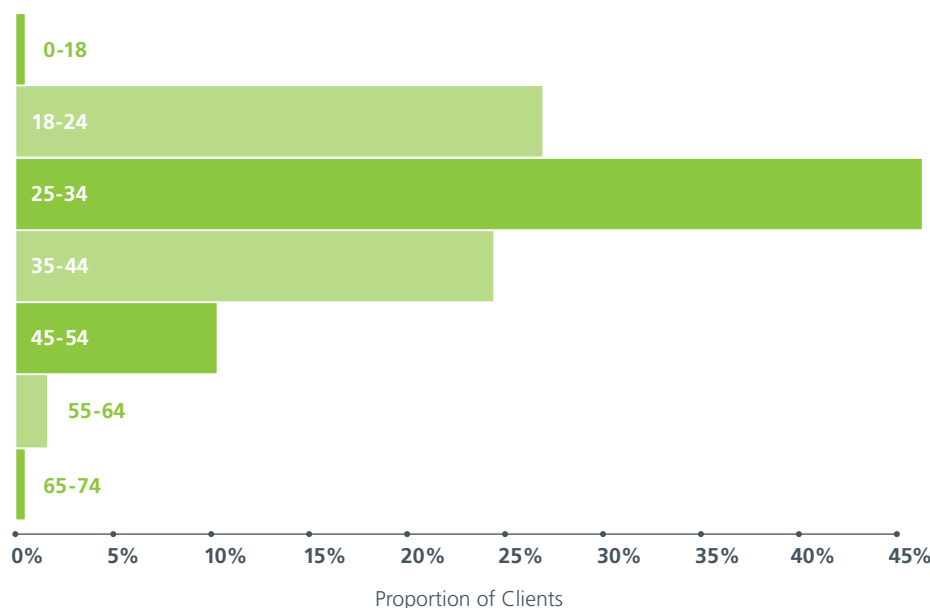
The survey found that more than half of clients are female, 42% are in the 25-34 year age group, and almost 9 out of 10 clients are aged between 18 and 44.⁵

About two thirds of survey respondents said there had been no significant change in attendance across each age group. Of those who reported a change in utilisation over the past year, the majority reported increases rather than decreases. The biggest increase (27%) was observed for the 45-54 year age group, and the smallest increase was for gym goers aged 65 years and older (Chart 4.1).

Chart 4.1

Proportion of clients by age

Source: April 2012 survey.



5. The survey data shows a lower proportion of clients aged over 45 years compared to the Ezypay data (which records around 7,000 individual responses), where nearly 30% of respondents were aged over 45 years

4.2 Gender

Men and women report similar participation rates in sport and recreation (65% and 63% respectively) when both organised (e.g. gyms, football clubs) and non-organised sport and recreation activities (e.g. walking, beach swimming) are considered (ABS 2010a). In 2009-10, around a quarter of the population (26%) reported participating in organised sport and physical recreation while double that percentage (52%) took part in non-organised activity. When focusing on the utilisation of organised fitness services such as those represented by Fitness Australia, 63% of users are female (Sweeney Research 2009). In fact, women aged 25-44 are the key client base for gyms whereas men 45 years and over are least likely to attend a fitness facility. Overall 14.9% of males and 21.7% of females participate in organised fitness activities (Chart 4.2).

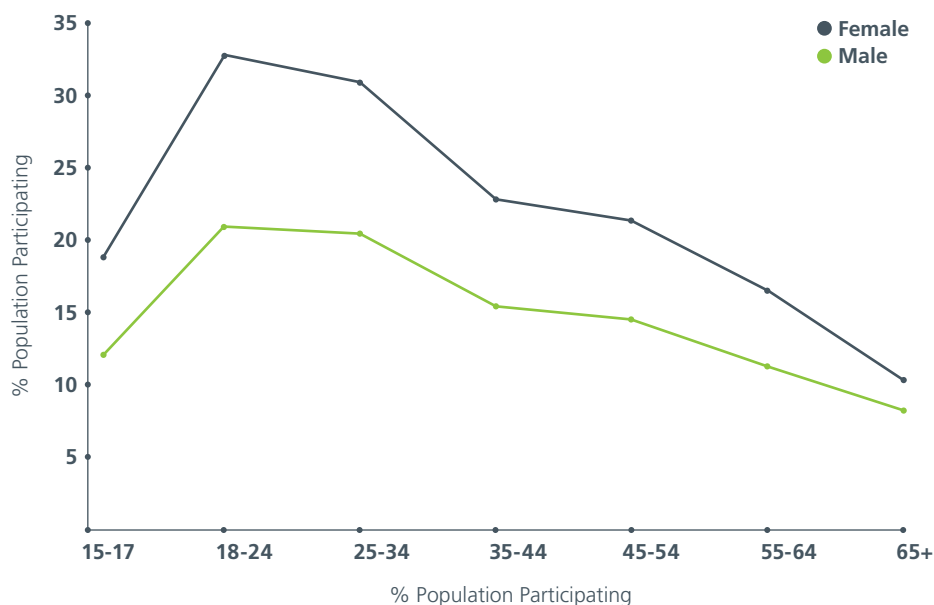
4.3 Location

Participation in all sport and recreation is the same (64% of the population) among individuals living in capital cities and those residing in non-metropolitan areas (ABS 2010a), although most organised fitness services (e.g. gyms, studios) are metropolitan based, reflecting population dispersion. Premises are typically located in inner city areas close to workplaces, or where consumers live and shop, such as suburban shopping centres. Maximising convenience for current and future members is paramount.

Deloitte Access Economics (2012a) reported the participation rate in fitness activities in 2009-10 for males and females was highest in the ACT and lowest in Tasmania. Given the relative populations of NSW and Victoria, it is unsurprising that more than half of the demand for fitness services (in terms of the total number of participants) comes from these jurisdictions whereas ACT, Northern Territory (NT) and Tasmania account for less than 5% of total demand in combination (Charts 4.3 & 4.4).

Chart 4.2

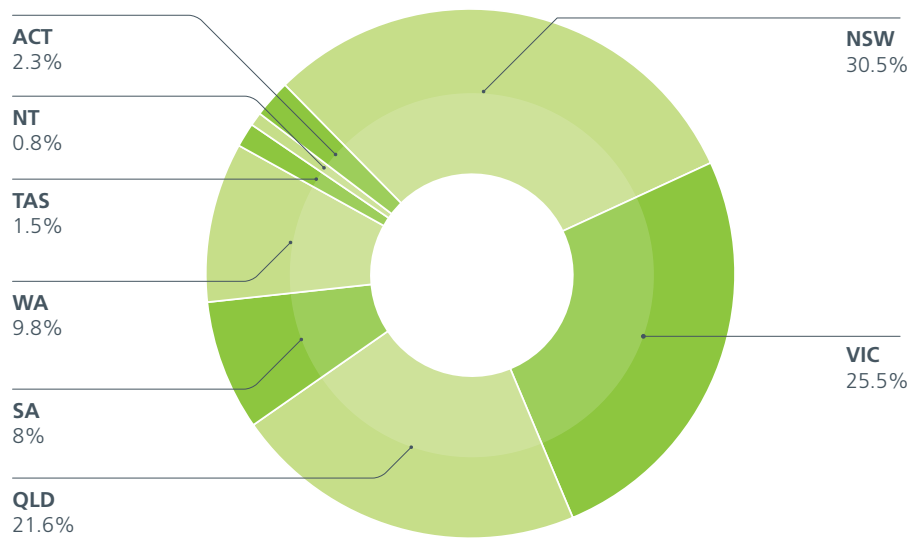
Participation in fitness activities by gender, 2009-10



Source: ABS 2010a.

Chart 4.3

Demand for fitness services by jurisdiction, 2011

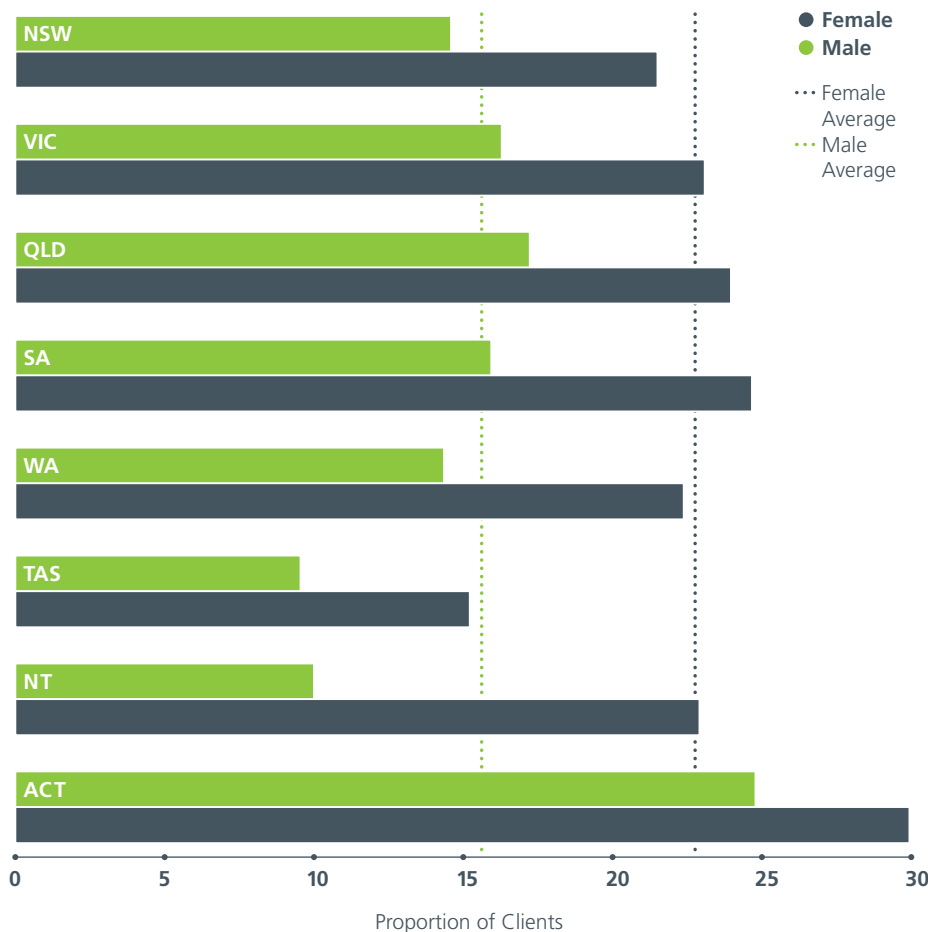


The majority of clubs are metropolitan, in line with population dispersion

Source: Deloitte Access Economics 2012a.

Chart 4.4

Demand for fitness services by jurisdiction, 2011



4.4 Socio-economic status

IBISWorld (2011) found that areas of higher average income tend to have a greater concentration of fitness establishments. In 2009-10, individuals whose weekly household income was in the highest quintile reported a participation rate of 80%, whereas the participation rate for persons in the lowest quintile was 45% (ABS 2011). The link between income and participation in organised fitness activities is further evidenced by the decline in gym memberships during the economic downturn, when real household incomes fell. Levels of fitness activity are also positively correlated with levels of education, income and health status.

Source: Deloitte Access Economics 2012a.

5. Comparisons and linkages

Participation in the fitness industry is second only to walking.

5.1 Comparisons with other industries

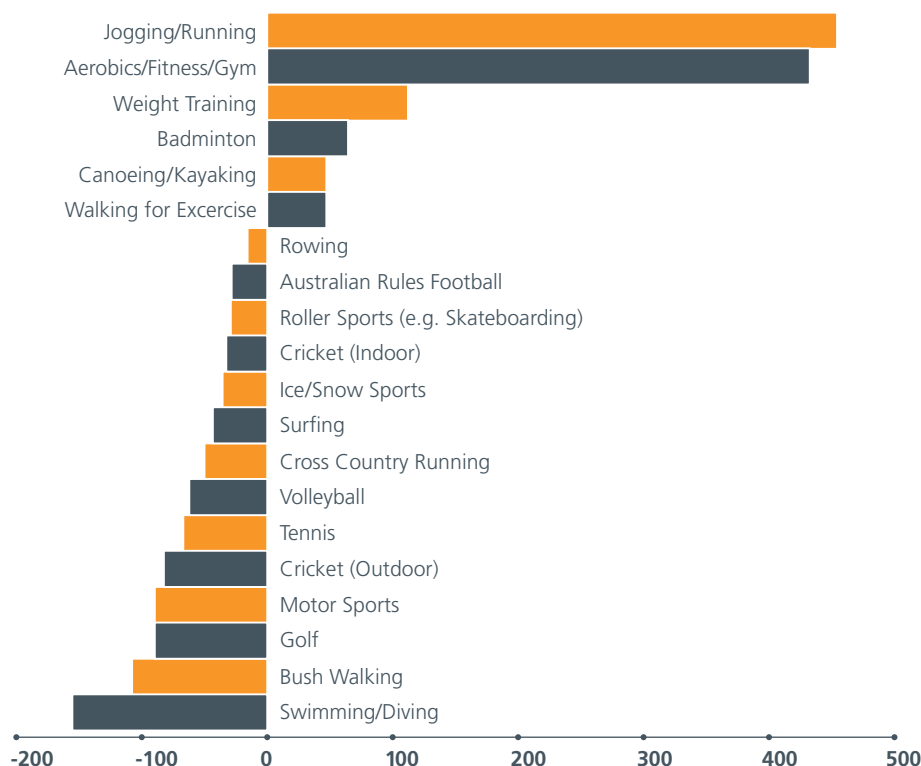
Comparisons show that the fitness industry, relative to the broader industry group of sport and recreation, has been growing at a faster rate in employment, wages, revenue and value added. These are all linked to the increase in participation in gyms and fitness classes relative to sport and recreation more broadly. Aerobics, fitness or gym activities are now the second most popular physical recreational activity, with only walking being more popular. The fitness industry has more

participants than swimming and cycling (the next biggest) combined. The fitness industry is continuing to grow, although as other sport participation has been declining, only 20% of sport and recreation categories recorded an increase in participation between 2004-05 and 2009-10.

These increases have been driven by changing demographic factors. Since 2005-06 the average wealth of an Australian household has increased 14%. Urbanisation and increasing time pressures are likely to continue to reinforce gym participation.

Chart 5.1

Total change 2004-05 to 2009-10 ('000 people)



Source: ABS 2011a. Only statistically significant changes shown.



Economic contribution

The fitness industry contributes to the economy both directly (employment, output and taxation revenue) and indirectly (demand drivers such as utilities, rent or advertising). The fitness industry also provides benefits to consumers through increased health, which may decrease demand for other health related services and free up Government revenue for other purposes (including other spending or reductions in taxation).

The direct contribution of the fitness industry in 2010-11 is outlined in Chart 5.2. The contribution to GDP (value added) is \$627 million and direct labour income is \$482 million. Using the ratios gathered from the ABS Input-Output tables for the Sport and Recreation industry, indirect value added is \$757 million, labour income is \$468 million and there is an additional 6,143 FTE of employment. In total, the direct and indirect fitness industry contribution is worth \$1,384 million.

The fitness industry contributes nearly \$1.4 billion to Australia's GDP

Chart 5.2

Total, direct and indirect economic contribution, 2010-11

	Direct	Indirect	Total
Value added (\$ million)	627	757	1,384
Labour income (\$ million)	482	468	950
Employment (FTE)	11,314	6,143	17,457

Source: ABS 2011c and Deloitte Access Economics calculations.

6. Industry Outlook

6.1 Economic outlook

Trends in relation to demand for fitness services in the future will be based on changes in population growth, demography, elasticity of income and the capacity of the industry to tailor services to meet specific needs. Demographic ageing suggests increased demand for fitness services in older age groups (45-64 and 65+), which have traditionally had lower participation rates than younger age groups, but which will now swell in terms of absolute numbers if current participation rates by age and gender are maintained. In addition, as the industry has matured, younger people who have developed an early lifetime habit of utilising services may well carry that practice into older age, whereas current 65+ Australians had much lower exposure to the fitness industry as young adults. The April 2012 survey found that 8% of clients were referred to medical or allied health services and 11% were referred from medical or allied health services.

Recent social trends, however, suggest that the fitness industry is also sensitive to factors other than income and demographics – such as innovation, advertising, changing lifestyle and generational factors, the increasing attention given by various forms of media, and public policy recognition of physical activity as a treatment and/or prevention against chronic health conditions. As governments and various health organisations continue to promote the need for physical activity, and as the fitness industry continues to innovate to meet the needs of clients, it is likely these factors will continue to drive industry growth.

In an effort to limit the rise in public health system costs, the Government has invested heavily in preventive health – as evidenced by the establishment of the National Preventative Health Taskforce in 2008 and the associated national strategy. The strategy focuses on increasing physical activity, particularly in obese and older populations, noting that physical activity is the ‘best preventative medicine for old age’ (National Preventative Health Taskforce 2009). Furthermore in 2010, the Commonwealth Government established the Australian National Preventative Health Agency, specifically to strengthen Australia’s investment and infrastructure in preventive health.

People participating in other, non-fitness industry forms of physical activity (such as organised sports) may continue to switch towards using fitness services (as illustrated in Chart 5.1). There are a number of factors behind this potential change. First, fitness is often more convenient, efficient and accessible for flexibility and time-constrained consumers and may continue to become even more so as the breadth of fitness services continues to increase with new programs, targeted products and delivery methods (e.g. 24/7 gyms). Furthermore, fitness may be preferred more by older cohorts, and those that are concerned about sport-related injuries.

Therefore despite the impacts of the global financial crisis and the relative downturn observed in the fitness industry in the last two years, it is expected that the industry will return to previous growth trends. As the fitness industry is a mature industry operating in a competitive market, growth in fee revenue represents a change in demand rather than an increase in profit at the margin.

Recent innovations in the fitness industry include the adaptation of existing programs to an exercise focus.

6.2 Industry innovation

Recent innovations in the fitness industry include the adaptation of existing programs to an exercise focus. Examples include adapting dance routines through Zumba, or Bodyjam or fighting programs such as Crossfit or kick boxing, or less intense programs such as yoga and pilates. Industry innovation is likely to continue to be catalysed by strong competition in the market and the diversity of market niche opportunities.

The market is also increasing the number of personalised services that it provides, as clients seek to maximise their return on time spent exercising, and exercise professionals seek to enhance fitness outcomes through increased motivation. The market's strongest reported growth, albeit from a low base, is in the 24/7 business structure, where gyms focus on the provision of low cost, accessible gym facilities that maximise client convenience and flexibility.

As social values change and trends in consumption change, the industry will continue to innovate to meet these needs. The 2010 industry survey (Kirby-Brown and Hall, 2010) released a trend report that highlighted ten ways the industry can innovate to meet changes in consumer demand. These included:

- Instant relevant information and its live consumption by consumers (e.g. self service programs, real time reviews of gym service – allowing instant adaptation).
- Application of video streaming (streaming of a class or example exercise).
- Personalisation (fitness programs, instant personalisation of machines on use).
- Use of social networks (to organise activities or build personal or brand awareness).
- Use of wireless devices (e.g. to record exercise programs or have admission organised through a mobile phone).
- Adaptation of programs for senior citizens.
- Adaptation of programs for children.
- Relaxation/'escape' fitness programs.
- Integration of services with charities and community groups (e.g. 'workout miles' that become a charitable donation, integration of services with local initiatives).
- Increased focus on 'green initiatives' (e.g. use of green energy, use of recycled materials).

6.3 Health benefits

Impact of fitness services on physical activity of members

One of the biggest opportunities currently facing the fitness industry is the potential for it to link in with the general and allied health sector. Traditionally, fitness has been about servicing the 'well', while the 'unwell' have been left for health sector professionals such as general practitioners, physiotherapists and dieticians. As the health of Australians becomes more complex – particularly as the incidence of physical inactivity related and obesity related disease increases and the population ages – the need for the fitness workforce to be able to contribute to the management of health issues is growing.



6.4 Strategic directions

Policy

Achieving a national system for professional registration and regulation remains a priority for the fitness industry. The industry dividends delivered by such a system include:

- Improved standards of service to customers;
- Increased support for those working in the industry (harmonisation of standards and expectations);
- Increased professionalism for the industry (unification of professional standards, establishing pathways to decrease the transient nature of the workforce); and
- Improved perceptions of the industry as it becomes more established within Australia.

Innovation

Future innovation remains a challenge for the industry requiring consideration of the main influences on consolidating long term commitment of clients – namely, location, professional staff, overall atmosphere, expanding services to target sub populations, capturing the niche markets, flexibility in price points and creative use of technology.

Members

Levels of membership satisfaction with the provision of fitness services varies suggesting that there is room for improvement. Whilst 68% of all respondents to the latest industry survey were at least satisfied to some degree with the service provided (of whom 33% were very satisfied), 32% were not (of whom 24% were very unsatisfied).⁶ The survey also indicated that the fitness industry seeks to engage more and in different ways with existing members. Membership engagement activities include:

- Updating and tailoring facilities;
- Increasing participation rates of current members (i.e. incentives to encourage more frequent visits, longer and/or higher quality visits, with economies of scale in pricing);
- A focus on the health and fitness outcomes being achieved from their membership;
- Provision of a safe, supervised training environment to learn more about fitness; and
- Targeting particular niches of new consumers to meet the specific needs they have.

Initiatives to grow industry-wide membership were seen by respondents as being achieved by changing community perceptions about the fitness industry through focusing on

- **Inclusiveness** – ensuring that the community knows that the fitness industry caters to all individuals (e.g. not just healthy people); and
- **Integration** – being able to provide holistic services that link to other wellness offerings and initiatives.

Employment

Factors associated with the high level of turnover in staff and the level of professionalism within the fitness industry has been previously discussed in this report. In addition to these factors this survey indicated that businesses were becoming increasingly focused on measures to lift staff retention levels. These measures include:

- Increasing permanent staff (translations from casuals);
- identifying and promoting leaders;
- increased support for staff training and personal development;
- improved management of staff; and
- as needs diversify to specific customer groups, recruiting and training multi-skilled staff with experience in particular niche areas (e.g. fitness for people with disabilities).

Competition

The fitness industry is a mature and highly competitive market, with low barriers to entry in some segments. Currently the four largest players have less than 40% of the market share (IBISWorld 2011), so it is likely that profit margins will stay relatively flat as major players seek consolidation through mergers and acquisitions to capture economies of scale. Additional revenue will also be sought through organic growth and efficiency gains – both strategies largely reliant on effective innovation.

6. As there were no reference units on the source document and the figures added to 107, percentage values were calculated from the number of responses presented.

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