



The Dawning of a New Era for the Fitness Facility Industry

A Look at Member Behaviors and Sentiments During Covid-19 Gym
Closures and What it Means for the Future of the Fitness Facility
Industry

Authored by



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The First Step in a New Beginning

"New beginnings are often disguised as painful endings"

Lao Tzu



Photo courtesy of Houstonian

According to Lao Tzu, new beginnings are frequently disguised as painful endings. In the case of the Covid-19 pandemic, these words resonate deeply, especially if you are a fitness facility operator whose facility either remains closed or has recently taken part in one of the multiple phased openings across the U.S. and elsewhere. As of July 1, 2020, over half of U.S. States, along with numerous international markets, local and national governments have allowed fitness centers, gyms and fitness studios to reopen as part of the comprehensive efforts to reopen their economies. The reopening process varies from region to region and market to market. In each instance, these re-openings represent the first step in what for many will represent a long journey towards success.

In mid-June ClubIntel released a ground-breaking report entitled, **What Members Say Matters**. This report explored the behaviors, experiences and sentiments of fitness facility members prior to and during gym closures with the intent of gaining an understanding of how and when members plan to return. The study offered data-driven insights into how likely members were to return to their former facility, another facility or continue with what they were doing during closure, how soon they intended to return once their facility reopened, and finally, the factors members considered influential drivers behind their decision to return. While the report laid out a variety of insights and recommendations, it did not cover all the discoveries from the research.

In this month's whitepaper we will explore data not presented in our earlier report. Specifically, we will dive into member behaviors and experiences during the Covid-19 induced closure. We will use the data to bring forward key insights and recommendations with respect to how member behaviors and experiences during gym closures influence return behavior at reopening, but also how these behaviors and experiences are likely to impact member behavior going forward, whether it's the consequence of another round of closures or further along in the reopening process. We hope you will find the insights from this report valuable in your road to a new beginning.

As the famous Greek philosopher Socrates eluded to in his writings, *"The secret of change is to focus all of your energy, not on fighting the old, but on building the new."* We believe the insights within this whitepaper, along with those from our earlier report entitled **What Members Say Matters** provide an excellent set of tools for building the new.

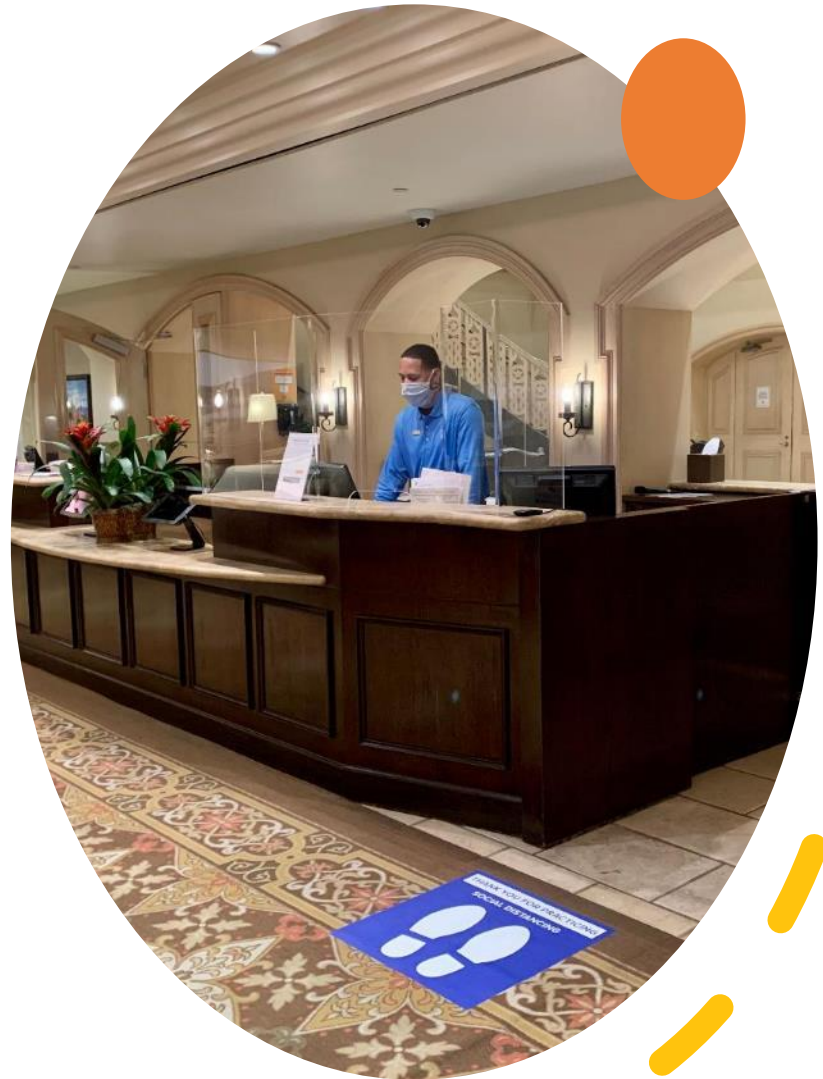


Photo courtesy of the Houstonian, Houston, TX



Leading Takeaways

Insights and Implications for the Future

“The dogmas of the quiet past are inadequate for the stormy present. The occasion is piled high with difficulty and we must rise to the occasion. As our case is anew, we must think anew and act anew.”



Abraham Lincoln





Takeaway One

Insight: 31% of members indicated they resigned during mandated gym closures. This percentage jumps to 50% for Gen Z and 45% for Millennials but drops to 12% for Boomers.

Implications for Operators: Operators will need to resell their value proposition to approximately 30% of members, and in the case of Gen Z and Millennials, resell their value proposition to approximately half of those young member groups. This new sale will be different than pre-Covid-19 and will require reshaping the facility's value proposition and messaging. A new or at least updated story needs to be told.

Takeaway Two

Insight: Member cancellations were the highest (55%) during the first month and second highest (53%) for members whose facilities were closed at least three months.




Implications for Operators: It appears the immediate shock of closure drove the high level of attrition during the first month, but the high level of attrition starting with the third month of closure may mean as closures drag on past three months, as seen in many jurisdictions, or a second round of closures occurs, operators will need to establish a more robust virtual member engagement strategy to prevent further member erosion. We believe this engagement strategy will need to involve an omnichannel digital approach involving workouts, group exercise, events, parties, and tribal hangouts. It may also need to involve outdoor exercise and the sale of home exercise equipment.



Takeaway Three

Insight. What members did during closure, as well as how they engaged with their facility during closure, is heavily influenced by one's generation. Millennials and Gen Z were the most likely to use the digital content provided by their facility or provided by a third party, especially digital workouts, digital events and digital social gatherings. Boomers, and to a slightly lesser degree Gen X, preferred to pursue physical activity on their own rather than click and connect.

Implications for Operators: Digital engagement emerged as a critical driver of engagement during closure. The data also shows it is critical for the new era. If your audience is under the age of 40, you'll need to have a diverse and savvy digital membership delivery system that touches the body, mind and soul.





Takeaway Four

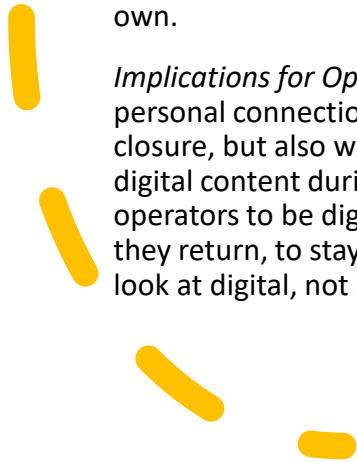
Insight: Member delight, especially among members who rated their experience during closure, has a favorable impact on the likelihood of return. While not as powerful a predictor of return as the level of delight pre-Covid 19, it remains a relatively influential driver of member return.

Implications for Operators: As closure periods extend longer, we believe member delight during closure will become a stronger predictor of return than it is now and given time could rival the predictive value of delight pre-Covid closure. Operators will need to start measuring the emotional engagement of their members during closure using multiple metrics. Delight is only one of many powerful measures of emotional engagement. As this study has shown, the likelihood to remain, the likelihood to recommend and level of delight are all powerful measures of a member's likelihood to return. Understanding what these measures are, then introducing strategies to drive emotional engagement upward during closure is critical. The longer, or more frequent closures become, a hospitality-driven service strategy akin to what leading restaurants and hotels provide will be a competitive advantage for survival and success. Digital video games focus on creating emotional engagement in the virtual world, now fitness operators may need to do the same in our world.

Takeaway Five

Insight: Members who participated in digital fitness content (on-demand/streaming) delivered by their facility were more likely to indicate they were very likely to return at reopening compared to members who did not participate in facility sponsored digital content during closure. Interestingly, the members who engaged with facility sponsored digital content were also more likely than non-digital participants to say they were very likely to join another facility or pursue exercise on their own.

Implications for Operators: First, offering a digital experience during closure was and will continue to be vital in maintaining a personal connection with members. We believe it will continue to be vital to foster member engagement during periods of closure, but also when brick and mortar facilities open. Second, we believe that because members using a facility's sponsored digital content during closure drove intent to pursue exercise on one's own or join another facility, it will require fitness operators to be digitally innovative to retain a competitive advantage when it comes to getting members to return, and once they return, to stay. Digital content has opened member eyes to the many choices they have and as a result, operators must look at digital, not as a stop gap during closure, but instead as a vital key element of their value proposition in the future.



What Members Did When their Facility Closed

"Nothing like a crisis to spur us to action."

Stephen Tharrett



Photo courtesy of Les Mills

How Long have Member's Facilities been Closed?

When members were surveyed in mid-May, 55% (figure 1) indicated their club and/or studio had been closed for at least two months. Another 43% indicated their facility had been closed between one month and two months. As of June 30, 2020 there were still States in the U.S. where gyms remain closed and one State where gyms were asked to re-shutter their doors (Arizona). We suspect that if we conducted the survey today, we would see a considerably larger number of gyms being closed more than three months. As a result, understanding how members are pursuing exercise and engaging with their facility during closure takes on even greater significance as facilities remain closed or are asked to close a second time.

How Many Members Canceled or Resigned as a Result of their Gym's Closure?

Figure 2 shows that 31% of members canceled their membership since closure commenced. This cancellation percentage is considerably higher than would be expected for a typical facility over a one to three-month period according to industry data (2.5% to 4% of members resign monthly). The consequence of this high level of member flight speaks to a reopening phase where facilities will need to actively resell members using a different value proposition than pre-Covid-19.

Figure 1
How Long has Your Health/Fitness Facility Been Closed?

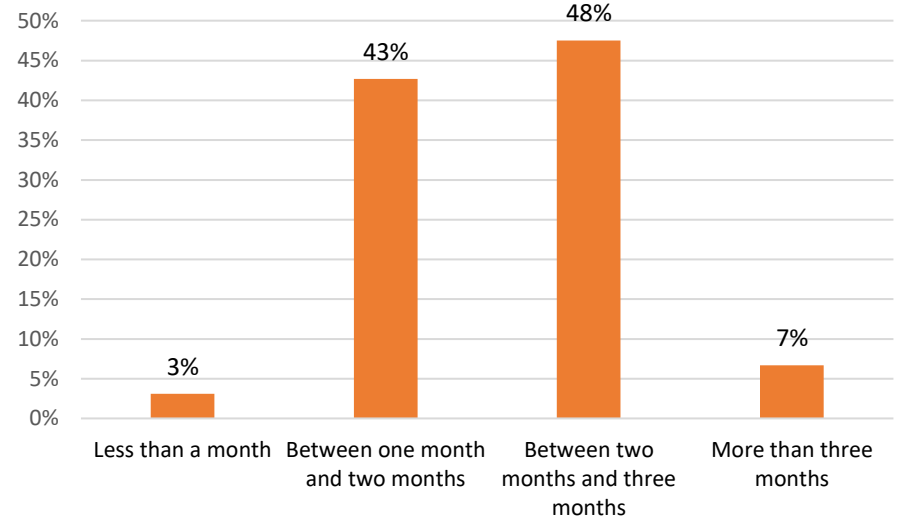
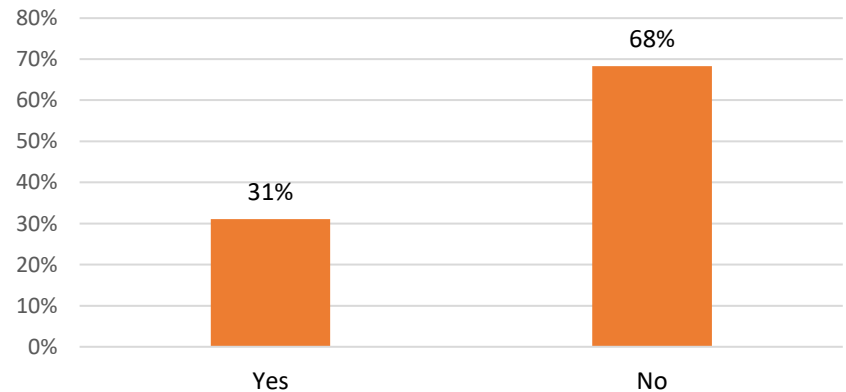


Figure 2
Since your Facility Closure
Have You Canceled or Resigned Your Membership?



Membership Cancellation Behavior Highly Influenced by One's Generation

As reflected in figure 3, member cancellations are highly influenced by one's age and generation. 50% of Gen Z members indicated they resigned when their facility closed, while 45% of Millennials indicated the same. What surprised us was how few members in the Boomer and Silent Generation reported canceling their memberships. If your facility caters to an older generational demographic (e.g., community recreation centers, medical fitness centers, private clubs), then your facility may be sitting in a better place at reopening as these older generations are more likely to return.

Three in Ten Members were Asked by their Facility to Keep Paying Dues During Closure

No one likes to pay for something they can't use. This is especially true when it comes to paying dues for a facility you can't access. 30% of members in this study reported their facility did not freeze or suspend dues payments during closure. This means 30% of members had to justify the value of continuing to pay dues while being unable to access their privileges. According to various media stories, member groups from some large fitness operators revolted in response to their facility failing to freeze dues. Concurrently, we've heard stories of facility's that were able to demonstrate sufficient value to their members such that members were fine with not having dues frozen or suspended during closure. If your facility was one that failed to freeze its dues during closure, chances are your members will trust you less when you reopen.

Figure 3
Percent of Members Who Cancelled/Resigned During Closure

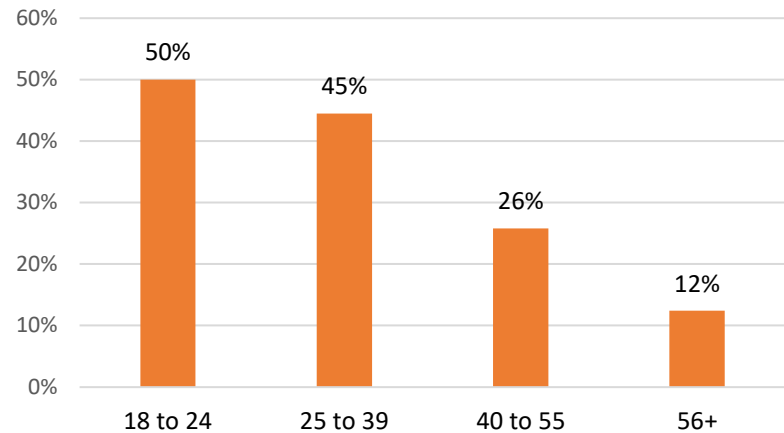
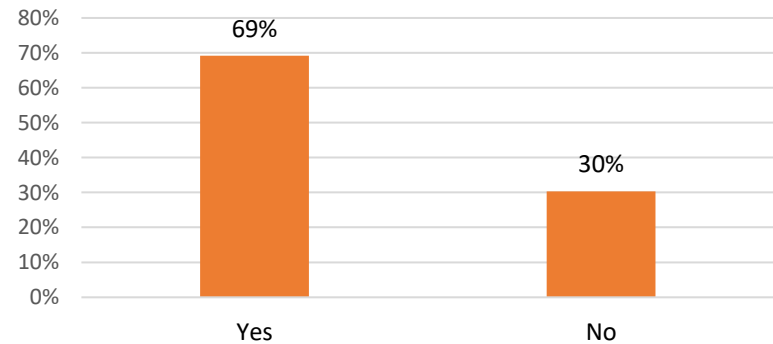


Figure 4
During Closure
My Health/Fitness Facility Froze or Suspended Dues?



Member Cancellations Impacted by the Duration of Facility Closure

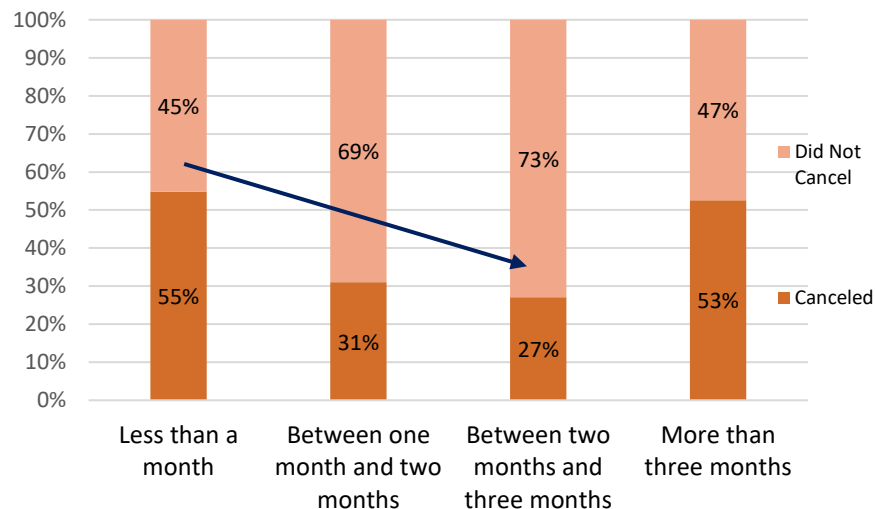
As reflected in figure 5, the period of closure endured by a member had an impact on their rate of cancellation. Members whose facility had recently closed reported the highest rate of cancellations (55%) followed by members whose facility had been closed three months or more (53%). There was a pattern of declining cancellations among members whose facility had been closed one to two months (31%) or two to three months (27%).

While we have no hard data to explain this unusual pattern for membership cancellations, we hypothesize that for the first month the high cancellation rate may be attributed to the sudden and dramatic nature of closures and the absence of clear guidance regarding when a facility might reopen. This combination of rapid onset of closure combined with the dystopic nature of the closure situation likely played a role in the high level of cancellations early on.

As for the percentage of cancellations declining between one and two months and two and three months, then suddenly rising to over 50% starting with the third, we hypothesize that after three months many members may be losing hope of their facility reopening anytime soon or their economic situation is such that it no longer makes sense for them to continue paying dues absent access. With the recent slow-down in State re-openings, along with a potential second round of closures, this data point may cause some facility operators heart burn.

We believe the data points to a need for fitness operators to develop distinct marketing and sales strategies based on how long their facility has been closed.

Figure 5
Impact of Facility Closure Duration on Member Cancellations



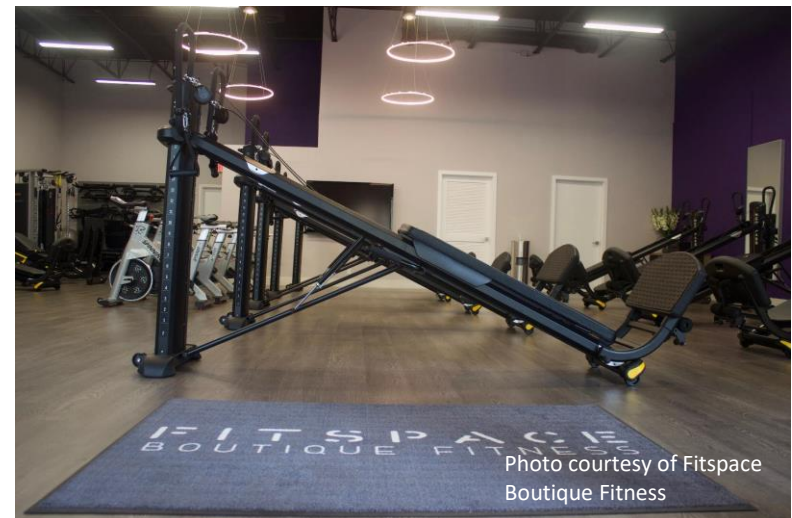
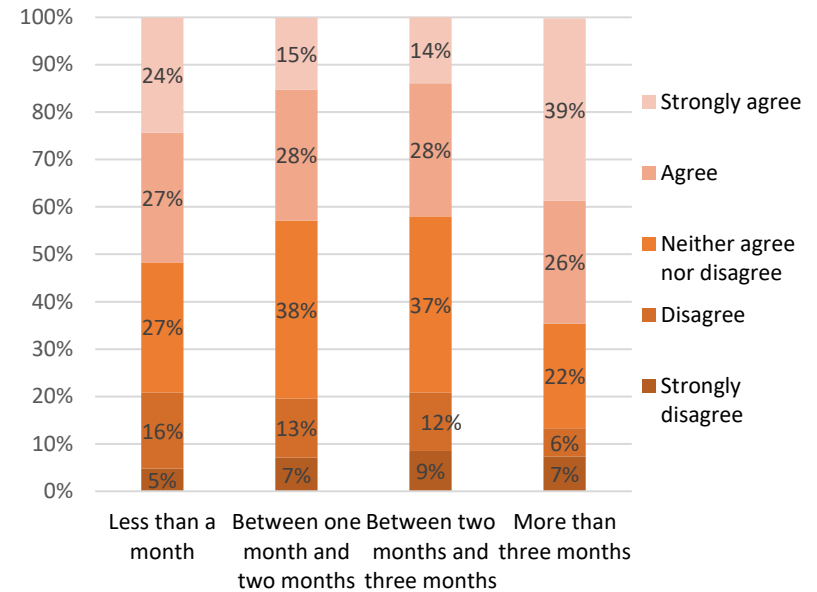
Duration of Closure Impacts Member Delight with the Closure Experience

As reflected in figure 6, the period of closure had an impact on how delighted members were with their overall club experience. Members who reported the highest level of delight (score of 5) were those whose clubs had been closed at least three months (39%) followed by members whose clubs had been closed less than a month (24%). Members who had not been to their facility for one to three months expressed the lowest level of delight during closure.

This pattern of delight is difficult to interpret. We hypothesize that the high level of delight expressed by members whose facilities have been closed less than a month may be a residual carryover from having recently visited their facility. The high level of delight among members whose facilities had been closed more than three months may be the result of the following:

- Members, having been engaged with their facility's digital offering long enough, have gained an appreciation for its value, or
- Fewer members remain involved three months into closure, resulting in only the most loyal members being engaged in closure related programs. These loyal members are more likely to have a high level of trust with the management of their facility leading to a higher level of delight.

Figure 6
Impact of Facility Closure Duration on Member Delight While Facility Closed



The Longer the Facility has been Closed the More Likely Members are to Report Being Very Likely to Return

As reflected in figure 7, the longer a member’s fitness facility has been closed, the greater the chance they will indicate they are very likely to return at reopening. For facilities closed less than a month, 29% of members indicated they are very likely to return and 61% report they are either fairly or very likely to return. Once a facility has been closed three months, 46% say they are very likely to return and 68% say they are fairly or very likely to return.

It is difficult to explain why the percentage of members who reported being very likely to return jumps exponentially higher the longer they are sequestered from their facility. We believe this phenomena may be the result of three factors.

First, having been unable to pursue their normal fitness routine for an extended time period, members show a heightened desire to return to their routine the longer they are away.

Second, and possibly more influential, is the extended absence from their “tribe”. As time away from their social support system is extended, the desire to reconnect likely increases, which may be cause for the likelihood of returning after a longer absence increasing.

Third, may be the level of trust these members have with their facility as a result of pre-Covid-19 experiences.

Figure 7
Impact of Duration of Facility Closure and Likelihood to Return to Own Facility

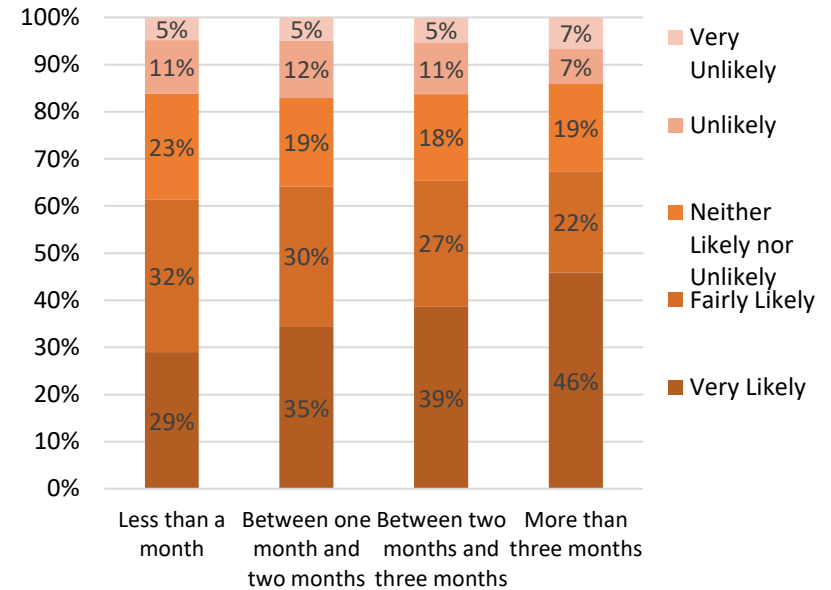


Photo courtesy of Houstonian

How Members Stayed Active When Their Facility Was Closed

"The behaviors you pursue when no one's looking are often the behaviors that define who you are."

Stephen Tharrett



What Members Pursued to Remain Active During Closures

As seen in figure 8, nearly 70% of members chose to cycle, jog or run outdoors during closure, while another 59% indicated they exercised on their own. 30% indicated they used digital content provided by their facility (Instagram Live, Facebook Live, Les Mills, You Tube, Zoom, etc.), while 24% leveraged virtual content from a third-party provider such as Beach Body on Demand, Daily Burn and Peloton.

The large percentage of home exercisers is reinforced by retail data on home equipment sales which reported a 170% increase in home equipment sales during the early stages of the pandemic (May 7, 2020 article in businesswire.com). In the digital arena, Peloton reported digital subscriptions rose 64% during the initial stages of the pandemic.

Interestingly, 5% of members decided to do nothing while their facility was closed.

Generation had an Influence on the Activity Members Pursued during Closure

According to figure 9, Gen Z (18% and 24%) and Millennials (17% to 21%) were the most likely member segments to use virtual fitness content, while Gen X and Boomers preferred taking a walk in the park or doing their thing at home. Virtual fitness content hardly moved the needle for Gen X and Boomers.

If gyms experience another round of closures (Arizona announced on June 30th that gyms were being closed again), digital content (exercise and non-exercise oriented) will be a critical play for those who want to successfully serve Gen Z and Millennials.

Figure 8
Types of Activities Pursued During Closure

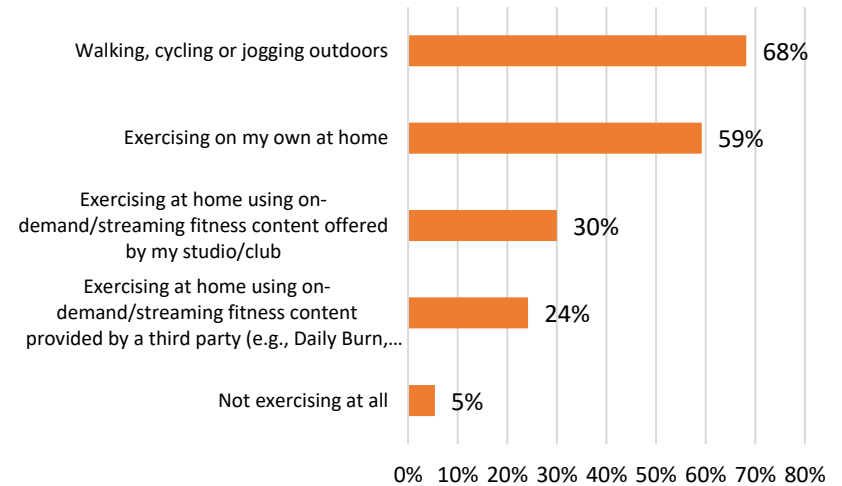
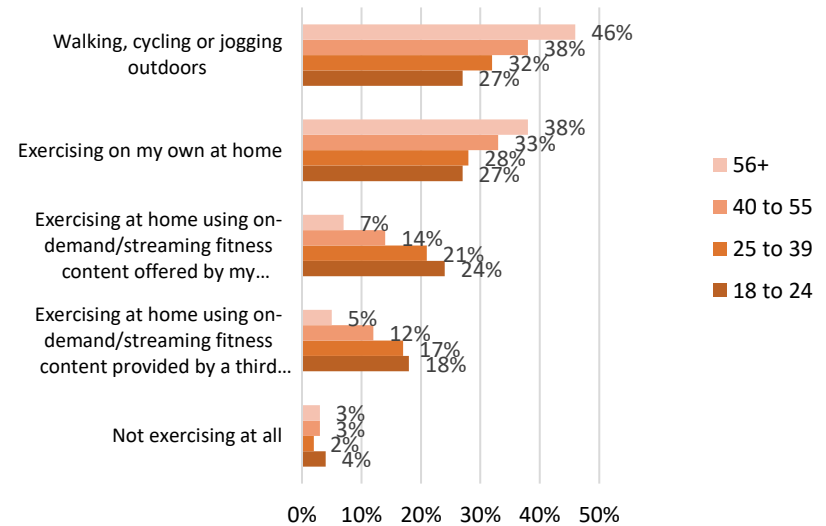


Figure 9
Type of Activities Pursued During Closure



How Members Engaged with their Facility During Closure

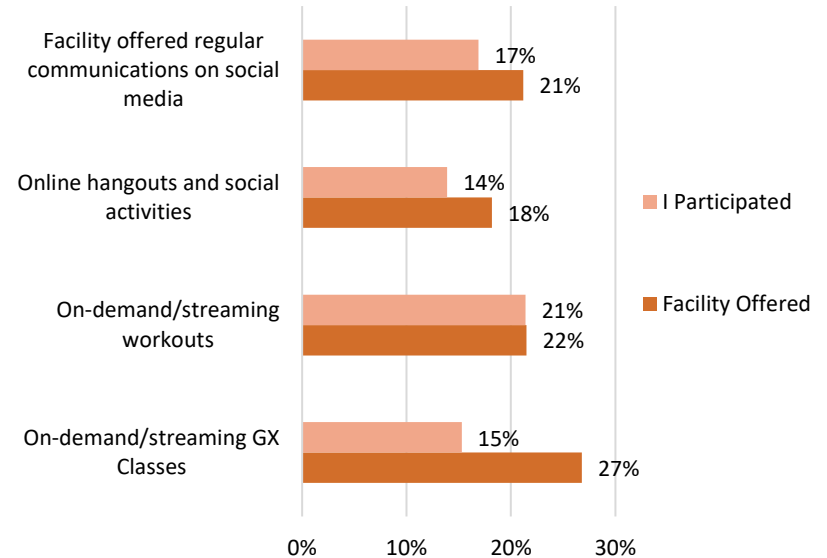
Our earlier report showed the level of engagement a member had with their facility prior to closure was an important predictor of delight, likelihood to remain and likelihood to return at reopening. The data in this whitepaper indicates that facilities need to be focused on keeping their members engaged during closure.

As seen in figure 10, members reported their facilities offered a variety of engagement opportunities ranging from regular communications via social media to on-demand/streaming workouts and group exercise classes. The most popular approach offered by facilities was virtual group exercise content (27%) followed closely by virtual workouts (22%) and regular communications via social media (21%).

When it comes to what members found appealing and therefore used, virtual workouts (on-demand/streaming) were the most popular offering with 21% of members reporting they used virtual workouts. What surprised us was regular communications via social media (17%) and on-line hangouts/events (14%) garnered equal or greater participation than on-demand/streaming group exercise content.

This dynamic speaks to the need for facilities to engage their members using a variety of digital approaches. It requires more than exercise-oriented content to maintain engagement with members when a facility's doors are closed. It requires digital content that engages members socially and connects them with their tribe.

Figure 10
During Closure
Types of Activities Offered and Types of Activities Participated In



Generation has an Influence on How Members Engaged with their Facility during Closure

Digital content proved to be a critical value-add for members during closure as reflected earlier. Figure 11 shows how important digital content was for Gen Z and Millennial members.

On average, 40% of Millennials reported participating in virtual workouts, virtual group exercise classes, online hangouts and activities and communication via social media. Members of Gen Z were not quite as actively engaged across digital offerings as Millennials, the exception being virtual hangouts and activities, where Gen Z was nearly as likely to participate as Millennials (37% vs. 39% respectively).

Baby Boomers were significantly less inclined to engage with their facility digitally, whether it involved participating in a workout (12%) or joining an online hangout (4%). The most popular digital engagement approach for Boomers and members of the Silent Generation was dialogue on social media.

This data shows how important it is to have a robust digital offering if the intent is to engage members of Gen Z and Millennials. It also shows that older generations do use social media and other digital platforms for communication and dialogue. This digital strategy must become a permanent part of a facility’s value proposition going forward.

Figure 11
Types of Activities Offered by Facility that I Participated In During Closure

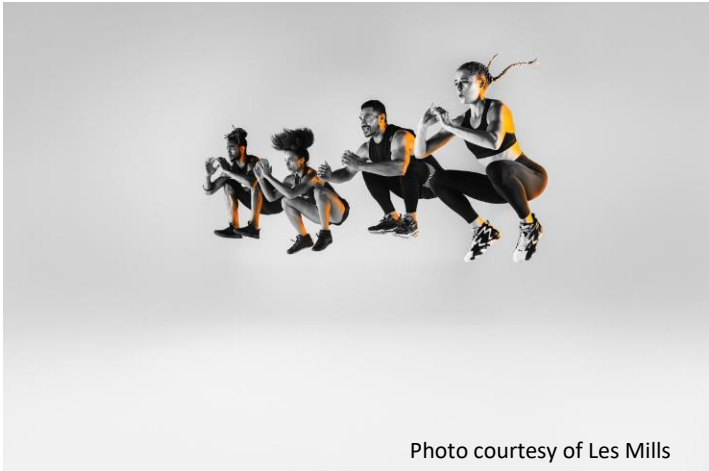
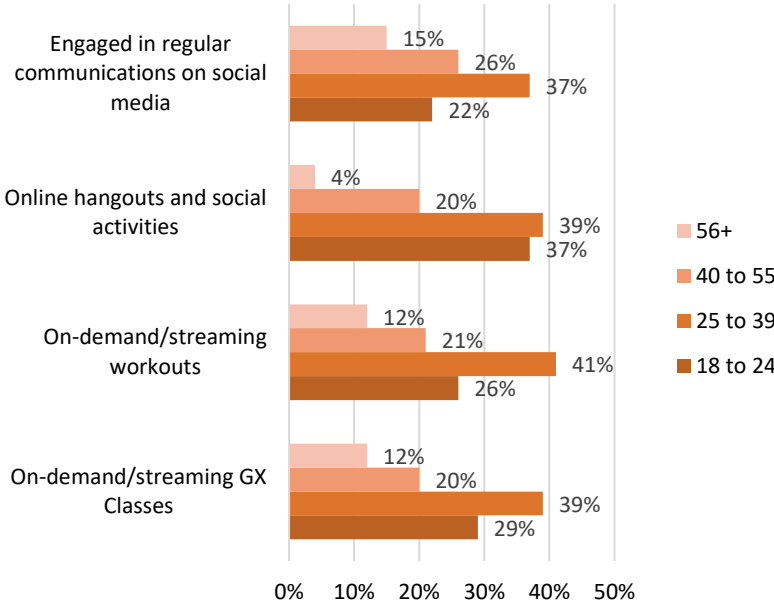


Photo courtesy of Les Mills

What Member Activities and Experiences During Closure Say About Members Returning at Reopening

"The best predictor of future behavior is past behavior."

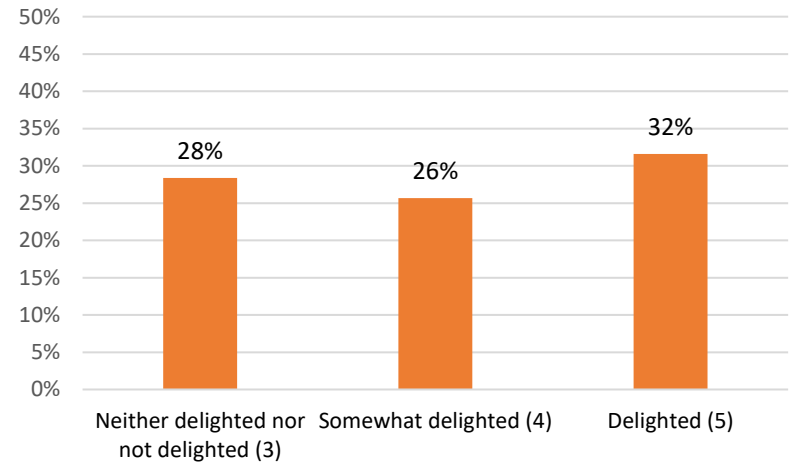
Mark Twain



Member Delight During Closure Not as Powerful a Predictor of Return as Delight Prior to Closure

Figure 12 represents a member’s likelihood to return at reopening based on their level of delight with their closure experience. 32% of members who scored a five on delight during closure indicated they are very likely to return compared to 54% who were delighted with their experience prior to closure. A member’s general level of delight during closure does not appear to be as powerful a predictor of rejoining as their level of delight prior to closure. We believe as closure periods are extended member delight during closure will become as powerful a predictor of return as pre-Covid-19 delight.

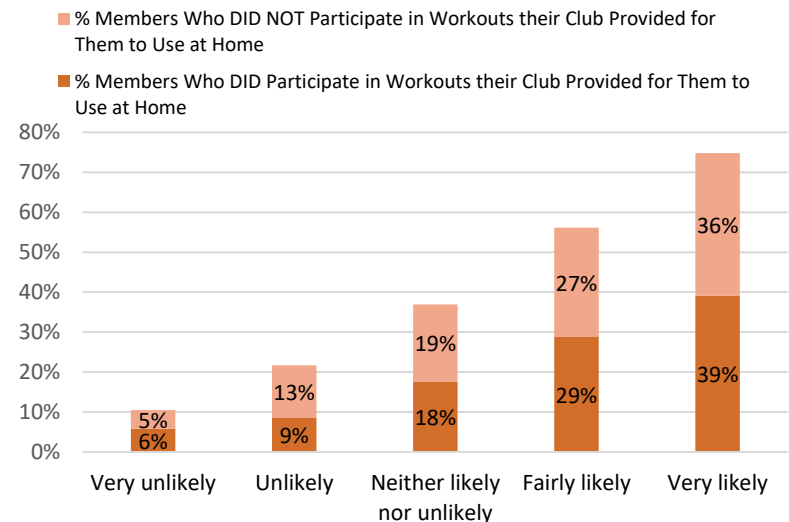
Figure 12
Very Likely (5) to Rejoin at Reopening based on Level of Delight During Closure



Members Who Participated in Facility Sponsored Activities During Closure are Slightly More Likely to Return

Figure 13 shows members who participated in facility sponsored activities during closure are more likely to return than members who didn’t participate in facility sponsored activities. While the degree of difference in likelihood to return is slight between those who did and did not participate in facility sponsored activities, it does show facilities benefit from offerings they provided members during closure, especially if the members participated.

Figure 13
Impact of Engagement with Facility During Closure and Likelihood of Returning to Former Facility



ClubIntel - A Brand Insights and Strategic Consulting Company

"The best vision is insight." Malcolm Forbes

ClubIntel <https://www.club-intel.com/> is a brand and consumer insights firm serving the health/fitness facility industry, including commercial clubs, fitness studios, private clubs and recreation centers. Our leadership team of Stephen Tharrett and Mark Williamson have extensive industry knowledge with a combined 60+ years of experience. We are passionate about helping clients understand, appreciate and leverage the needs and wants of their respective audiences in delivering a uniquely differentiated and successful value proposition.

We offer a host of custom solution-driven services that provide the insight, inspiration and impact to enrich your business' value proposition and operations in order to succeed in a hyper-competitive and quickly evolving marketplace.



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FAMILY OF BRANDS

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About the Study Sponsors

Les Mills is the global leader in delivering the world's best choreographed workouts to health/fitness facilities and consumers around the world, whether it is inside the four walls of a club or on-demand through its digital platform. Founded in 1968, Les Mills is committed to delivering the best moves, best music, and best instructors; bringing them together to create life-changing fitness experiences for consumers. Our tribe of 140,000 instructors and 20,000 partner clubs around the globe are passionate about creating a fitter and healthier planet.

Life Fitness has been dedicated to creating fitness solutions that benefit both facilities and exercisers for more than 50 years. Our mission – to inspire healthier lives – started in 1968 with the Lifecycle exercise bike and continues with the widest range of cardio, strength, and group training products in the fitness industry. The Life Fitness Family of Brands delivers a wide variety of premium, specialized fitness solutions and game tables and furnishings from Life Fitness, Cybex, Hammer Strength, Indoor Cycling Group, SCIFIT and Brunswick Billiards.

FITSPACE Boutique Fitness offers small group training classes centered around HIIT, Pilates and strength training. Workouts are limited to 50 minutes and are led by certified fitness professionals. Classes are kept small to ensure each client receives a high degree of personal instruction. FITSPACE Boutique Fitness operates four studios. The company was founded in 2013 by Anastasia Yusina, founder and CEO of Strata Fitness in Russia and a past member of the IHRSA Board of Directors.