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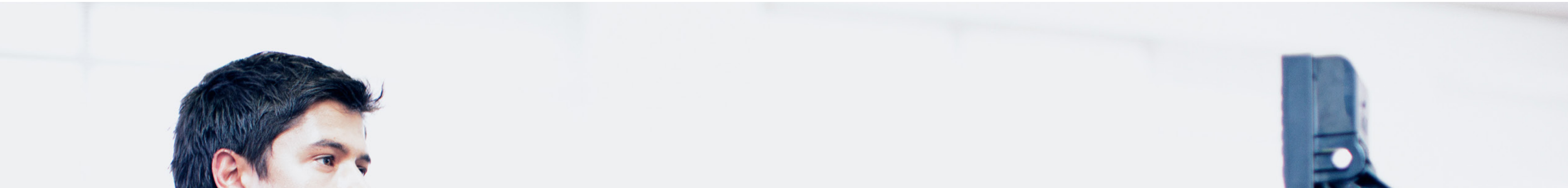
Sweating for the fitness consumer

Fitness customers' habits have evolved during the COVID-19 pandemic, offering fitness-industry providers the opportunity to reexamine their value propositions and target specific segments.

by Eric Falardeau, John Glynn, and Olga Ostromecka



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Fitness is a "Yes, and" industry. While other goods and services compete intensely for a finite number of consumer purchases, fitness consumers continue to use a widening array of services, tools, and solutions to help them look, feel, and function better.[1] Our research shows that the market for health and wellness products and services is growing by 5 to 10 percent per year, depending on the region. An even more fragmented market of complementary solutions is filling the white space around new movements, activity measurement, experiences, and more.

The COVID-19 pandemic, which forced large swaths of the global population to isolate with members of their households (and their devices), has spurred the shift toward personalized at-home workouts and made overall wellness even more salient. Indeed, 40 percent of the general population surveyed now consider wellness a top priority in daily life.[2] The growing number of fitness choices—exact counts are difficult to find, but fitness-tech apps raised a record-breaking $2 billion from investors in 2020[3]—now seek to serve this need in increasingly diverse ways. Prior to the pandemic, the same consumer may have complemented their health club membership with a smartwatch, a social-fitness app, an at-home workout solution, and occasional boutique studio sessions with friends. As vaccines roll out globally, the question is what will happen to the fitness consumer—if their use of at-home solutions and equipment will keep them away from the gym or if they will rush back.

The answer appears to be something in between. The fitness industry is shifting from surviving the COVID-19 crisis to looking for ways to thrive in the next normal, building consumer relationships that last and grow. Providers of solutions and services for fitness practices both inside and outside the home will need to reassess their value propositions, articulate their roles in consumers' fitness routines, and commit to an approach that will win over the right consumers for them. Specifically, providers of on-site fitness solutions should consider a more hybrid approach that keeps consumers figuratively and digitally connected; makers of in-home tools and equipment should lean into the normalization of DIY fitness; and, of course, data security should be prioritized with such a high level of connectivity. Success will acrrue to those that earn consumers' trust and a place in their fitness routines.

Nowhere to go but looking to move

The COVID-19 crisis has elevated consumers' awareness of the importance of health and wellness, with 68 percent of survey respondents reporting that they prioritized their health more after the onset of the pandemic. Exercise is also the most commonly reported tool for relieving stress: 65 percent of gymgoers surveyed reported using exercise as stress relief.[4] The share of these consumers who reported using mobile apps to fulfill health and fitness goals accordingly increased from about 50 percent before the COVID-19 outbreak to 75 percent in June 2020.[5] Our surveys throughout the pandemic consistently found consumers exercising at home and spending on technology solutions. For example, one McKinsey survey shows that monthly consumer spending on connected fitness equipment increased by 5 percent and spending for paid apps rose about 10 percent. A little more than 10 percent of the American general population have also set up home gyms or have accessed fitness resources online during the pandemic. Of the online exercisers, 70 percent intend to maintain or increase their use of online fitness even after the pandemic abates.[6]

Despite this experimentation, 50 percent of consumers from one survey were less happy with their pandemic-era routines than they were with what they had before. Of these consumers, about half said their at-home workouts were not intense enough, that their at-home fitness regimens were

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[1] McKinsey identified wellness as "the next trillion-dollar market" in 2012. For more, see Putney Cloos, Sherina Ebrahim, Tracey Griffin, and Warren Teichner, "Healthy, wealthy and (maybe) wise: The emerging trillion-dollar market for health and wellness," May 1, 2012, McKinsey.com.
[2] Shaun Callaghan, Martin Lösch, Anna Pione, and Warren Teichner, "Feeling good: The future of the $1.5 trillion wellness market," April 8, 2021, McKinsey.com.
[3] *Fitness Tech Report 2020,* SportsTechX, sportstechx.com.
[4] *The COVID era fitness consumer,* IHRSA, October 2020, ihrsa.org.
[5] Jonathan Harrop, "3 predictions for the health & fitness mobile app market," Business of Apps, June 15, 2020, businessofapps.com.
[6] "Survey: US consumer sentiment during the coronavirus crisis," May 2021, McKinsey.com.

less consistent, and that they struggled to find motivation. Indeed, 95 percent of prepandemic fitness club members reported missing at least one element of working out at the gym,[7] 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.[8]

As vaccines roll out and pandemic restrictions ease, we have observed consumers return to gyms and studios in those markets while continuing to use alternatives to the gym. In short, consumers are finding ways to continue to take part in fitness, and industry participants will need to figure out how best to serve consumers who now use a portfolio of options.

Attracting and retaining fitness consumers for the long term

The local gym is not dead, and at-home solutions are here to stay. This should be good news for the industry even though the breadth and quality of competitive offerings has increased; our experience with drivers of membership churn shows that nothing helps drive retention more than sustained visits and workouts. For example, someone may have left too late from work to go to the gym but can do 30 minutes on their spin bike that night (for our segmentation of fitness consumers, see infographic, “Who are fitness consumers?”).

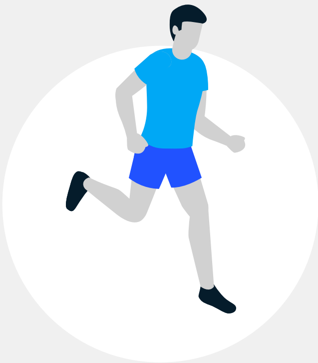
[7] *The COVID era fitness consumer,* IHRSA, October 2020, ihrsa.org.
[8] Rachel King, “Most Americans plan to continue at-home workouts even once gyms fully reopen,” *Fortune,* August 17, 2020, fortune.com.

Who are fitness consumers?

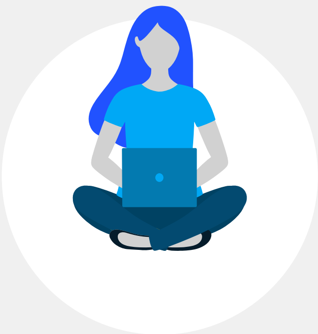
Wellness enthusiast (23%)
Motivated by performance, identity, or balance, enthusiasts put fitness, nutrition, and mental and physical well-being front and center in an effort to achieve holistic wellness. They view their fitness schedule as a core part of their happiness and prioritize it in daily life. They value and seek out incremental innovations that cater to their values but may be skeptical of radical new offerings.

Researcher-experimenter (10%)
Seeking new and unique experiences, these consumers are always looking for the latest and greatest in fitness. Researcher-experimenters are early adopters of new products and may not remain loyal. Winning them hinges on constant innovation that creates and sustains excitement.

Who are fitness consumers? (continued)



Traditionalist (11%)
The habitual morning runners, lunchtime gymgoers, and evening-class participants, traditionalists have been following the same routines for years and tend to be among the last to adopt new offerings. Winning them is extremely difficult and may require incremental improvements to something familiar. However, relationships with them pay off in the long run.



Passive participant (55%)
Fitness is not a priority for these consumers, but they may consume fitness offerings in reaction to an external event. Winning passive participants is about accessibility, relationships, and emotions management. Passive participants who develop intrinsic motivations for staying fit tend to evolve into one of the other consumer archetypes.

Note: Figures may not sum to 100%, because of rounding.

Despite each archetype's unique characteristics, we've observed an increasing cross-segment focus on socializing and finding a sense of belonging—community.[1] The fitness industry has long tapped into this need for community through sports leagues and clubs, but increasingly over the past decade it has become the explicit focus of some workout classes, fitness coaching, and fitness-focused social media groups. Creating a sense of belonging and community for consumers in every segment dramatically improves consumer loyalty, increases word-of-mouth advocacy, and offers higher lifetime value.

[1] For more on the importance of community, see Sabine Becker, Achim Berg, Sajal Kohli, and Alexander Thiel, *Sporting Goods 2021,* January 2021, McKinsey.com; for more on fitness and wellness, see Sabine Becker, Achim Berg, Sajal Kohli, and Alexander Thiel, "Sporting goods 2021: The next normal for an industry in flux," January 25, 2021, McKinsey.com.

On-site fitness: From in-person to hybrid

The pandemic has forced the $97 billion global health club industry to change its operations to limit person-to-person interaction.[9] However, we believe that there is hope for traditional gyms and studios: 30 percent of US customers went to the gym or studio at least once in the first two weeks of February 2021, and 70 percent of fitness consumers report missing their gym as much as they miss family and friends. For fully vaccinated consumers, 35 percent went to the gym,[10] an improvement over gyms' prepandemic market penetration of about 25 percent in the United States. As economies reopen, gyms and studios should reexamine their value propositions and place them in the context of consumers' portfolio approach to fitness, particularly embracing their potential as third places—community hubs—where members can focus on themselves.

Reaching wellness enthusiasts, researcher-experimenters, and traditionalists can be important for gyms and studios. Wellness enthusiasts are likely to return; traditionalists who have not yet developed new habits may reincorporate gyms and studios into their routines once they feel safe. Similarly, researcher-experimenters are likely to be enticed by the variety of new options.

Crucially, gyms and studios should cultivate communities to help meet consumers' psychological need for belonging and mutual support. Community types can vary, from ones built around leaders or experts—instructors—to supportive or competitive groups, but our research shows that they all make members feel that they are taking time for themselves. For instance, one UK gym started a virtual running club—with social media support—to foster a sense of togetherness and positive competition during the pandemic.

In addition to defining the optimal community type for the values of a club and its members, gyms and studios should clarify their value propositions for their target consumers—and, if necessary, adapt them. One opportunity area may be in reviewing floor-space utilization and productivity in a similar manner to a traditional retailer. For instance, if a gym's members have shifted to doing independent cardiovascular exercise outside the gym, decision makers can change the gym's layout and reallocate space accordingly. One large chain of gyms brought members outside the gym with outdoor-class experiences and launched its own streaming service for classes on demand, a reflection of the trend of many gyms' reallocation of floor space.

To fit into consumers' portfolios of fitness habits, gyms and studios could consider ways to partner with providers of complementary offerings. Depending on their value propositions and goals, a gym and a fitness tracker may be good partners. Even prepandemic, a fitness studio chain successfully partnered with an indoor-cycling chain using their shared value proposition of live performance tracking to motivate members. With the ongoing expansion of fit-tech capabilities, traditional on-site fitness players may have opportunities to offer data and performance tracking in innovative areas such as power measured by someone's output in watts. To fulfill some members' desire for connection and self-expression—consider wellness enthusiasts whose identities are built around fitness—gyms and studios can design spaces to facilitate community engagement or provide visually appealing spaces for social media posts. One cycle club has used a mural to fuel social media engagement.

Clubs can also redesign memberships and pricing to offer more flexibility for members who are now exercising in multiple ways and to optimize retention and average revenue per user. Not only did the pandemic force some competitors to close, reshaping demand and price tolerances, but it also pushed the remaining gyms and studios to offer hybrid memberships that opened the door to expanded models of price accessibility. Going forward, the fitness industry can adapt traditional pricing analysis to optimize their pricing—

[9] For more on the state of the health club industry, see page 24 of The 2020 IHRSA Global Report, IHRSA, June 2020, ihras.org.
[10] "Survey: US Consumer sentiment," May 2021.

identifying value, matching offers to consumer segments, and timing discounts. Like many other industries, fitness businesses should commit the resources required to regularly pilot new pricing strategies and expand their offerings across the in-gym and at-home ecosystem.[11]

Unfortunately, the economic shock of the pandemic resulted in more than a million lost jobs by the end of 2020.[12] Gyms and studios can reinforce the confidence of their staff by communicating their value propositions and staff's roles in fulfilling those visions. Gyms and studios can also support staff in their work using technology to gather data and curate fitness resources for consumers in a fragmented market.

At the same time, gyms and studios can adjust the size of their geographic and real-estate footprint and consider opportunities to expand or contract in different areas based on their performance. Over time, M&A opportunities will emerge.

In-home and DIY fitness: From alternative to standard

Outside of gyms and studios, digital-enabled solutions have evolved from low-cost alternatives and add-ons to stand-alone offerings that are a regular part of consumers' lives. These kinds of solutions offer convenience and personalization that can appeal to wellness enthusiasts and researcher-experimenters alike.

However, the market for in-home and DIY fitness solutions and equipment will be competitive. This is a sector that has attracted many entrepreneurs and investors, and the number of good and emerging solutions is rapidly expanding. Furthermore, with more consumers returning to the gym as economies reopen, the growth in new users for in-home equipment may slow. To prepare themselves, connected-equipment manufacturers should plan for a partial rebalancing of their customer base back toward commercial businesses and evaluate the potential returns of special equipment offerings targeted at specific consumer segments. For instance, researcher-experimenters may love connected equipment that integrates a wide variety of brand-new, high-quality content at reasonable prices, but traditionalists may seek simple analog equipment that is well made.

As with gyms and studios, solutions that have a community component can bring people together. Downloads and use of fitness and health apps grew during the pandemic, but the people seem to be the real draw. During the first few weeks of lockdown—March 9–24, 2020—overall downloads of health and fitness apps grew 27 percent, but apps that include a community component saw four times as many downloads.[13] One lesson for providers of health and fitness apps is to design and position their apps as facilitators and gateways to fitness-minded communities. Indeed, apps that enable digital streaming for live classes, sometimes involving sought-after instructors who acknowledge individual students by name, can replicate some of the sense of community people might get from an in-person group-exercise class. Large tech companies have already begun to provide their own offerings that are more like fitness ecosystems that include class curation and fitness tracking. To prepare for a time when more consumers return to gyms and studios, app providers should strengthen their user communities to keep users coming back.

An increasing need for data security

Connected-equipment manufacturers and digital fitness players need to remain vigilant in protecting themselves and their consumers. One large wearables company was compromised in a ransomware attack in July 2020 that shut down its ecosystem for users, requiring days to recover. More recently, another connected-fitness-solution provider was found to have an exposed API that would allow hackers to

[11] For more on building new businesses, see "Bringing the start-up in-house with Leap by McKinsey," McKinsey.com.
[12] Melissa Rodriguez, "U.S. fitness industry revenue dropped 58% in 2020," IHRSA, February 25, 2021, ihrsa.org.
[13] Airnow Data Market Intelligence. Access date March 17, 2021. https://airnowdata.com/products/app-download-revenue-tracker-app-intelligence-tool.

gain access to customer data. The potential for sensitive-information leaks or outright ransom attacks is proving a very real risk that can blindside an unprepared industry player, and data security should be a priority for companies that control consumer data. Indeed, a data breach is also a breach of trust and can jeopardize relationships with consumers.

The COVID-19 pandemic has scrambled fitness consumers' habits, and the next phase in recovery is a prime opportunity for industry participants to reset. Selecting a target consumer segment and updating value propositions to better align with their wants and needs and responding to industry developments will help industry participants survive and thrive in the new normal.

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