



**INDUSTRY REPORT:**  
**GYM AND FITNESS**  
**FRANCHISES**

# INDUSTRY REPORT: GYM AND FITNESS FRANCHISES

An apple a day just doesn't cut it anymore. Greater awareness about the benefits of physical activity is sending Americans to the gym in droves, making fitness franchises a huge growth industry. Major public health campaigns, such as Michelle Obama's [Let's Move!](#) initiative, are advocating exercise, and concern has been mounting over rates of obesity, diabetes and high blood pressure (not to mention the skyrocketing health care costs related to those conditions). Consumers are starting to view gym fees less as leisure spending and more as a vital expense.

Guidant Financial named the health, fitness and beauty trade as one of the hottest industries for small business. Let's take a closer look at one particular segment that offers outstanding potential: gym and fitness franchises.

According to a recent IBISWorld report, gym and fitness franchise revenue grew at a 4.9 percent annualized rate over the last five years, to an estimated \$2.9 billion in revenue for 9,427 total businesses. In the five years leading into 2020, revenue is projected to rise even faster at an annualized rate of 5.4 percent to \$3.7 billion. As the population of potential gym-goers rises — particularly baby boomers and their adult children — demand should increase for products ranging from club memberships to Pilates classes to personalized health monitoring services. Since entrepreneurs can take advantage of current low interest rates, franchisor support programs and modest barriers to entry, new applicants may be well positioned to access a relatively untapped market.

## FROM DUMBBELLS TO KICKBOXING

The primary service that gym and fitness franchises provide is access to facilities with fitness equipment, including weights and mats, and exercise machinery such as treadmills, elliptical machines and stationary bikes. Of the previously mentioned \$2.9 billion in revenue, 55 percent came from fitness centers, mainly in the form of annual membership contracts with monthly fees.

In addition, health clubs offer instructor-led classes including yoga, spinning and kickboxing (15 percent of revenue) on a fee basis or as part of membership. Larger centers may also entice consumers with specialized facilities such as ice rinks or indoor sports courts, swimming pools with spa services and dance studios for classes or private rentals for performers, although these amenities might come with steeper membership fees.

## CONVENIENCE BEATS AMENITIES

The companies that currently dominate the industry, however, tend to draw in customers with cheaper memberships, often at smaller, less robust centers: PFIP LLC (better known as [Planet Fitness](#)) with 36.7 percent of market share, [Anytime Fitness](#) with 20.9 percent and [Snap Fitness](#) with 13.4 percent.

All three made the top 100 in *Entrepreneur's Franchise 500 List for 2015*, and Anytime Fitness even held *Entrepreneur's* No. 1 spot at one point. . Anytime Fitness and Snap Fitness (founded in 2001 and 2003 respectively) gained rapid ground in the industry by offering inexpensive, convenient 24/7 gym access to basic facilities.

Consumers looking for convenience are also attracted to specialized studios that offer effective, high-intensity workouts, meaning less time at the gym and more calories burned. [Orangetheory Fitness's](#) heart-rate-monitored training is backed by the science of excess post-exercise oxygen consumption (EPOC) which combines cardiovascular and strength training methods to burn an average of 900 calories per session. In January, they opened their 350th studio and have 400 studios in development, with no studio closures to date.

On the flip side, [Curves](#), an international franchise founded in 1992, which caters to women, saw its market share fall to 3.1 percent, well down from its 2005 peak, when it had 8,000 businesses in the U.S. and 4.5 million members. The company, with its narrow market approach, has lost out to competitors with leaner operations and longer hours.

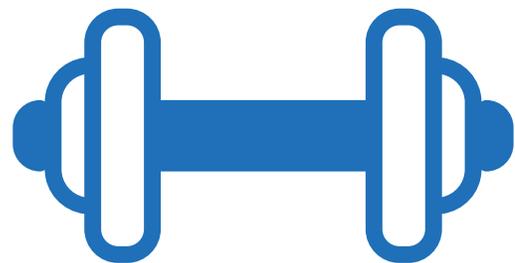
## WHO'S HEADING TO THE GYM?

The industry's rosy future outlook can largely be attributed to high projected demand — for better or for worse. Public health campaigns have bolstered health consciousness nationwide, particularly in response to one issue: obesity. The Center for Disease Control (CDC) calls [obesity in the U.S.](#) “common, serious and costly” and estimates that 34.9 percent of adults and 17 percent of children suffer from obesity. The American Journal of Preventive Medicine has [warned](#) that by 2030, 42 percent of U.S. adults will become obese, representing a strain of about \$550 billion in health care costs for the treatment of obesity and related conditions, such as type 2 diabetes.

Consequently, Americans are striving to make healthier lifestyle choices and joining fitness centers in greater numbers. Furthermore, health insurers and employers encourage these healthy decisions by subsidizing or reimbursing membership fees, in hopes of curtailing medical costs down the road.

Overall, the key gym-going demographic (adults between the ages of 20 and 64) is burgeoning. The group encompasses both baby boomers and their adult children. Due to their enormous spending power, boomers can afford more gym memberships, and in response, health clubs cater to the needs of their aging clientele, offering new products such as personalized nutrition plans and monitoring of blood sugar, blood pressure and bone density.

Adults aged 18-34 frequent gyms the most at 35 percent, followed by those aged 35-54 and those older than 55. However, IBISWorld notes, although kids aged 12-17 account for only 8 percent of gym attendees, and those aged 6-11 another 4 percent, these segments have outpaced many of the others, prompting clubs to focus on building youth membership. Health-conscious parents willingly foot the gym bill as schools cut physical education classes and childhood obesity rates rise.



## LOCATION, LOCATION, LOCATION

The largest concentration of industry businesses lies in the Southeast (23.1 percent), followed by the Mid-Atlantic region (18.9 percent), the West (16.1 percent) and the Great Lakes area (15.2 percent). The states with the largest number of establishments are California, New York, Texas and Florida. Since consumers prefer not to travel long distances just to exercise, facilities are centered in densely populated urban areas, typically near major work centers.

## HIGH PROFITS, LOW BARRIERS TO ENTRY

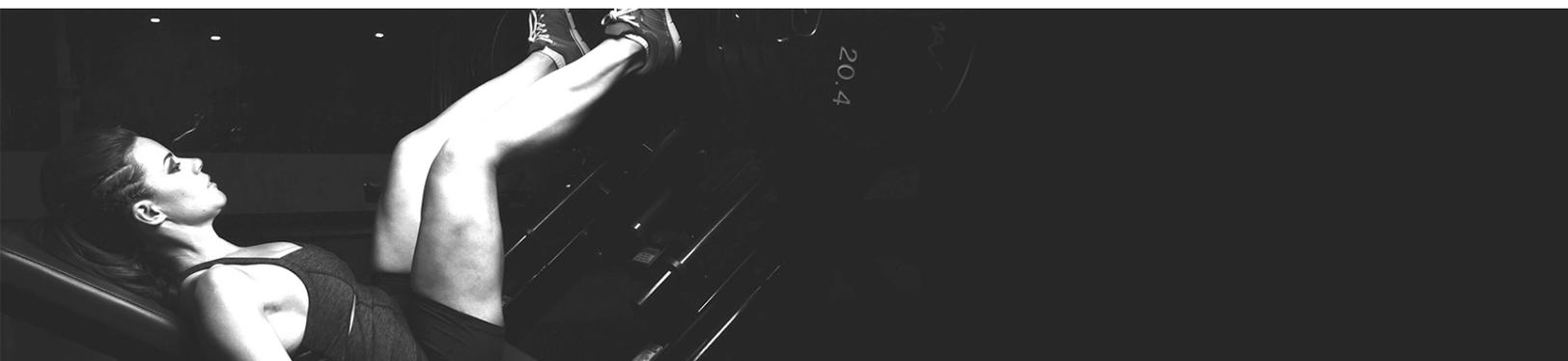
Profits are expected to raise revenue to 9 percent by 2020. The low-amenity model promoted by Anytime Fitness and Snap Fitness enables franchisees to offer promotional memberships that increase the overall client base. Companies can also leverage technology to limit costs, automating training and implementing security systems and key fob entry to offer safe, around-the-clock access without requiring extra staff. Fitness centers can also improve their margins by catering to a growing segment of affluent but busy members seeking the services of personal trainers, who boost income more than enough to justify the higher salary expense.

Franchisors have also taken various steps to lower franchisees' start-up costs. For smaller-scale facilities, franchisees benefit from modest initial investments to begin with, and franchisors have been allowing more single-unit franchise opportunities. Companies realize economies of scale for equipment purchases and advertising, but they don't stop there: some franchisors even provide in-house design, real estate services and financing assistance through preferred lenders.

## MUSCLING PAST THE COMPETITION

Gyms and fitness center franchises not only compete with one another, but also with other sources: nonprofit gyms, organized sports teams and even home fitness equipment. Rivalries can push membership prices down, particularly as new franchises try to establish themselves. Early outreach, marketing and promotions can prove pretty expensive, too, depending on how much brand recognition the franchise already commands. Despite the trend toward standard facilities and slim operating budgets, gyms may still feel the need to add recreational activities to differentiate themselves. To bolster member retention, they might also foster a strong community feel by catering to a local clientele or building online member forums for support.

Despite encouraging signs in the credit markets, franchises [can't always find adequate credit](#). When their strategy depends on high volumes, then they likely have to contend with higher rent or real estate prices in the well-populated locations discussed earlier.



## A HEALTHY PERFORMANCE

As the industry sees more entrants, the most competitive franchises will make the smartest use of technology, not just to streamline operations but to offer more customized virtual services, from meal planning and goal tracking to online personal training programs and community forums. Facilities may also increasingly target niche markets, local clientele or a specific demographic. Retention of experienced staff to instruct customers and properly maintain equipment will also factor into a franchise's success.

Industry performance is closely tied to levels of discretionary spending and consumer confidence, which makes it vulnerable to economic downturns. However, the more Americans perceive exercise as a health necessity, the less likely they'll be to drop their gym memberships when the going gets tough. IBISWorld's report points to long-term strength: As Americans devote more time to exercise, gym and fitness franchises should see a healthier bottom line as well.

## THE KEY TO A FITTER FUTURE

To be competitive right off the bat, purchasing a fitness franchise may be the best bet for new entrepreneurs hoping to become gym owners. The benefits of brand recognition, established training programs and lean operations are tough to compare with, especially in this trendy, steadily growing industry.

Even if you're not planning to utilize traditional funding methods such as bank loans, there are a multitude of options available to you, including [401\(k\) rollovers](#), [SBA loans](#) and [unsecured credit](#).

**GET PRE-QUALIFIED FOR BUSINESS FINANCING NOW**

As the American people, our government and insurance providers continue to place a greater emphasis on health and fitness, we can expect to see the demand for easy access to fitness centers continue to grow. If you're considering becoming a gym owner, you can confidently continue forward knowing it's a healthy choice for your future.

