Image courtesy of Les Mills International.

On the Up?

Results from the first Australasian Fitness Industry Survey

On the opening day of FILEX 2008, the fitness industry in Australia and New Zealand took a step forward in understanding the business fundamentals and dynamics at work in the industry.

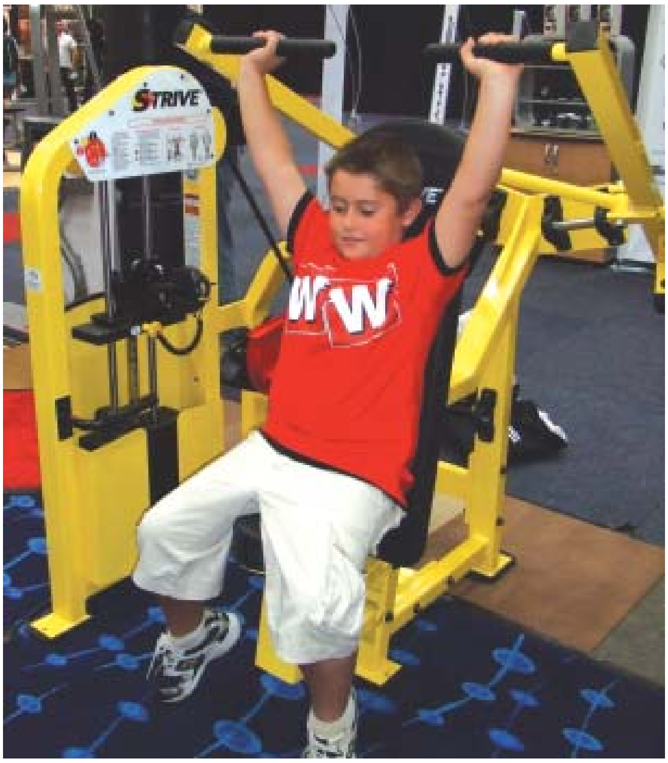
The 2008 Australian Fitness Industry Survey (AFIS), developed, conducted and published by Ezypay, Australia and New Zealand's leading direct debit service provider, supplies hard data on the operation of fitness centres throughout metropolitan and regional Australia.

As Ezypay Chief Executive Trent Brown explains "whether it's fitness or the fitness industry itself, the only way to improve performance in any area is to measure current performance and create benchmarks. The purpose of the survey is to make that very positive step. In reading through the report as a fitness business owner, we believe the insight will trigger numerous thoughts and ideas about where and how specific areas of their business can be improved."

The survey is based on 264 responses from clubs around Australia and New Zealand, representing about 8% of the estimated 3,500 health and fitness clubs, excluding personal training studios. 84% of respondents were either the business owner or the club manager. It shows that the typical facility is between 201 and 500m^2 in size, has been operating between two and five years, and currently has up to 500 members.

The report details data covering a range of variables that have never been measured previously. Highlights of the report include:

- 'Box clubs' or less than 200 metre^2 are an emerging class of club in Australia accounting for an estimated 34% of the market. The growth of these clubs is being fuelled in equal measure by franchise operations and private ownership
- 10% of the market consists of clubs that have been in operation for more than 20 years, a testament to these club's ability to innovate and remain relevant to their communities
- Stability and growth in the Australian fitness industry.
  - 51% of fitness clubs report membership numbers being up slightly (25%) or significantly (26%) in the last 12 months, while 36% of clubs report membership being at the same level
  - Almost 50% of clubs report having the capacity to accept 100-500 new members before reaching capacity
  - 60% of fitness clubs plan to purchase new equipment and a further 23% are considering buying new equipment
  - Almost half of all clubs plan to spend money on sales and customer service training for staff
- Significantly, AFIS data indicates that regional fitness clubs are operating as successfully as their metropolitan counterparts
- Australian fitness clubs employ an average of three fulltime staff, ten part-time and casual staff, and two dedicated sales people.
- 67% of fitness clubs rent their premises
- Fitness clubs receive an average of 21 new enquiries per week, with an enquiry-to-sale conversion rate of 67%
- The average club membership fee is $708/year, with the highest fee reported at $1,500/year
- 41% of clubs report that they intend to raise fees in the next 12 months while 57% intend to keep fees at the same level. Of those intending to raise fees:
  - 51% will increase by up to $5 per month (/mo)
  - 28% will increase by $6-10/mo
  - 12% will increase by $11-15/mo
  - 6% will increase by $16-20/mo
  - 3% will increase by the $20/mo
- Clubs spend an average of $17,543 on advertising each year



•The top three concerns for the fitness industry in the next 12 months are

- PPCA Licensing (44%): fitness clubs could potentially be required to pay significantly higher copyright fees for recorded music.
- Finding qualified staff (41%)
- Attracting children and aging Australians (33%)

"The growth in the smaller clubs is very telling. What we're seeing is a set of smaller clubs moving into the market that are specialising in fitness services to particular markets. The rise of women's-only clubs that offer a smaller, more personalised experience is an example of this," adds Trent Brown. "When you combine the growth in club numbers, the growth of memberships across all sectors of the club market, and the strong intention to buy new equipment and invest in staff training, it paints a picture of an industry that is stable and has confidence in both their business and in their role in the future health of the Australian population."

Critically, the data shown in the 2008 AFIS reflects related but broader statistical data published by the Australian Bureau of Statistics (ABS), lending weight to the credibility of the data contained in the report.

"For years we've relied on US figures and anecdotal information to understand our industry. These findings show solid evidence of the accessibility of health club memberships, employment, growth plans, and some key business figures," says Justin Tamsett, Chief Executive of fitness business consultants Active Management. "This data is vital to understanding our industry, and comes at an important time. As the demand for health services continue to grow with an aging population and childhood obesity issues, the fitness industry needs to know where it stands and the direction it's heading in terms of client services."

The AFIS also makes a number of relevant comparisons to the New Zealand Fitness Industry Survey, published by Fitness New Zealand in 2007.

One of the significant differences found was in salaries of club managers in Australia and New Zealand. While other salary positions were comparable, Australian club managers are paid an average of AUS $64,063 while NZ Club managers are paid an average approximately AUS $43,895 based on current exchange rates, a 46% premium for the Australians.