December 2019

What key market developments have happened in your country/ countries of operation this year that will influence industry growth in 2020?

THAILAND
INSIGHT

Mark Buchanan, Country Manager, Thailand, **Evolution Wellness**

Thailand has traditionally been a tough market for the Fitness Industry, with many high-profile casualties over the past 10 years – some companies making particularly notorious exits. One of the key issues for growth has been expensive rents and the limited amount of quality retail space where customers (who can afford fitness) can visit. Big players such as Fitness First have dominated the A+ retail/fitness sector and this has made industry expansion a challenge for all. Since the coup of 2014 there has been an explosion of new retail space – meaning community malls, small plazas, and mixed market spaces are in a supply line that now far outstrips national demand. For the first time this has brought true convenience to the Thailand Fitness market and has seen an explosion of hundreds of new mid-market/ low service facilities and single class concepts. (I hesitate to use the word boutiques in this context).The next 12 months are likely to see the start of the sorting of 'the wheat from the chaff' within this scenario – inevitably many of these new malls will fail and some of the new fitness models will find themselves stranded in the wrong location or with a non-compelling concept. At the same time some of the traditional A+ malls are already finding their footfall dropping amongst the intense retail competition. This means an exciting 2020 for the customer, whereby the retail market will start to equalise itself and tenants (from all industries) will need to provide compelling reasons for customers to travel and attract guests to visit regularly. The fitness industry will be much the same - with best combination of value, convenience and consistent quality product prevailing – unfortunately again this will mean casualties with many operators falling by the wayside.

THAILAND
INSIGHT

Kiki Stensgaard, Managing Director, **Active Lifestyle (Thailand)**

2019 has been a year of uncertainty and economical challenges. The Asian region, despite being the engine of the global economy, had less growth than originally forecasted and its largest countries, China, India, Indonesia, Thailand and Malaysia, have had stalling economies. Short-term we must anticipate a reduction of the overall wellness/fitness pie, if disposable income is decreasing in line with slowing growth. New operators have entered new markets across Asia; Barry's Bootcamp, Orangetheory and Jetts just to mention a few. However, developers continue to find fitness facilities in residential projects that often rival any commercial gym or even surpass their hardware. Our challenge in 2020 is to adapt and find solutions to increase incremental revenues, retention and cost control. This may be achieved through technology, innovation, better customer service and by keeping facilities/offerings exciting and fresh. Possibly the biggest opportunity for wellness/fitness operators is to focus on and improve their service. This is really the 'secret sauce' against low-cost operators and residential fitness facilities. The operators that can adapt and find solutions (through technology, innovation, better customer service or exciting and fresher offerings), are the ones that will prosper. In addition, recently, many industry leaders have been touting the value of their 'authentic" fitness and wellness experiences/brands. This is a good direction for our industry. However, I think authenticity should start closer at home. For far too long, too many of us not 'walked the talk' in our industry. There are too many CEOs/VPs/MDs and other wellness/fitness professionals, that do not exercise, eat or rest, to the standard our industry preaches. With 2020 just around the corner, we must ask ourselves as an industry; "Am I Walking the Talk?"

CHINA
INSIGHT

Roy Xia, Executive Director, **Active Lifestyle (China)**

2019 was a very challenging year for China's fitness industry. Many clubs and studios closed doors this year including Hosa, a club chain with a 25-year history. At the same time most clubs became very cautious in expanding. In Q3 alone there were reportedly 150+ clubs/studios in Shanghai that closed. Main reasons for this market consolidation were believed to be (i) clubs' business model of pre-payment for annual or even multiple year membership, (ii) low retention caused by hard sales and poor customer experience, (iii) overly fast growth of clubs and studios in previous years and (iv) overall disappointing macroeconomic performance. This consolidation is forecast to continue and will influence industry growth in 2020. The other development is that in view of increased number of complaints from un-refunded club members (following closure of clubs), relevant government authorities are taking more strict actions against sales of club membership or even personal training packages. For example, Shanghai authorities require certain amount of pre-paid membership fees be put into a government-supervised account. Clubs can only use the money following certain rules. An authority in Beijing recently came out with a new policy for public review, setting the limit of RMB3000 as the maximum amount of pre-payment collected from each member, and 3 months as the maximum number of months of membership to be sold. If these policies are in place in 2020, the industry would be sorely impacted, at least in the short to mid-term, as most clubs are not prepared for the monthly payment model yet.

JAPAN
INSIGHT

Naoki Takazaki, Senior Managing Director, **Renaissance**

Japan's public health insurance system is recognized as excellent having achieved free access and universal insurance for all. Japanese people as many people know have the world's longest longevity. Our people are living longer but our population is decreasing, and this continues to cause problems in terms of finance and employment. In 2019, the Japanese government began reforming the medical system and the elderly care system to solve these problems and promote healthcare-related industries. Japanese fitness companies have started activities such as corporate fitness, elderly care prevention, dementia prevention and disease prevention and rehabilitation, in addition to traditional fitness club management. We call it "Beyond Fitness". Beyond Fitness activities are conducted not only at fitness clubs, but also at corporate offices and local civic centers. Fitness companies also now collaborate with hospitals, elderly care facilities, life insurance companies and so forth, to improve the health and wellbeing of the general population. Here at Renaissance we do these activities with pride across Japan and we are also expanding overseas. Why are we doing so? With our experience of dealing with aging populations and expertise in medical insurance and elderly care insurance (systems often not found in other countries), we can introduce our business/operational models as a healthcare industry system to countries that need such frameworks. Of course, we can provide excellence in fitness club management, but we can also provide exercise programs from Japan and help teach care prevention exercises for the elderly. We believe Japan to be at the cutting-edge globally of such international initiatives and knowledge sharing. We look forward to working with other countries in partnership for healthier communities.

AUSTRALIA
INSIGHT

Kristen Green, Executive General Manager, **Aquafit**

In Australia, the number of individuals aged 65 and over (encompassing Baby Boomers) is the fastest growing segment of the population. This trend is reflected globally – and in terms of a target market, represents a significant opportunity for the industry – for those willing to embrace it. Whilst this has been recognized in the past, there has been recent interest in this key demographic – based on some recent research by Peak Industry body – Fitness Australia. This research revealed that 86% of Baby Boomers say health is a key benefit of being active, including preventing chronic health conditions and alleviating symptoms. Keeping active is important for this group to feel physically and mentally stronger, to socialize and maintain independence. At Aquafit Health Fitness Wellbeing, we have achieved success with this demographic through our specific over 50's program "Living Stronger" running continuously for the last 11 years. In doing so, we have met the need for a quality, best practice, effective strength training program for older adults. There's no doubt that Baby Boomers are big business and control a huge slice of the disposable income. They seek to "Actively Age" in a holistic sense and have the resources available to invest in their health and wellness. Undoubtedly this sector will experience growth in 2020 and beyond. Success will be achieved by those who seek to understand and meet their needs and look beyond and challenge the outdated stereotypes of what constitutes "old age".

AUSTRALIA
INSIGHT

Adam Lewit, Commercial Director, **NovoFit**

Looking at Australia, it is important to understand where the fitness industry has come from, what are the requirements of its members and what commercially makes sense, to help us understand where the future of the industry is going. It's also important to understand our country's population and land mass, as what works in the US won't always work in Australia. If anything is to be successful in Australia, we often need to be better and more resourceful to be commercially viable. Over the past 5-10 years there has been a rapid growth in the 24-hour low-cost market, which has seen the industry become more commercial, consolidated and competitive. During this period clubs have knee jerked and the shift in the industry has been more rapid than ever. Full-service health clubs have lowered their prices to compete with the 24-hour operators. 24-hour operators were increasing their service levels to compete with the big box, without taking into consideration the overhead cost of increasing their service level. As a result, there was a race to the bottom. In 2019 there was a clearer market separation. I think the flow-on effect of F45 entering the market is that club owners recognize clients will pay for an experience. Every industry has a bell curve. Some clients want cheap convenient and clean, some clients want an experience and price is less relevant. 2020 will see commercial clubs doing what they do well, holding their price point and space permitting bringing the secondary spend offering in house. It will see the growth of small group training – I believe there will be significant growth in this space, followed by shrinkage. There are a lot of brands now growing in this space, which is creating a false economy for real estate and the access to real estate is getting more difficult leading to brands paying more per sqm and driving up the cost model. I see further consolidation, where brands like FLG and Viva Leisure will have multiple brands in multiple sectors to capture as much of their clients spend as possible and keep them within their community. 2020 will continue to see the demise in one-on-one personal training. This is moving to three areas: (1) Online programming, (2) Small group training and (3) Allied Health. With the latter being the biggest growth area in years to come with an aging population and more funding available through multiple schemes. In addition, there will be an increase in programming around mindfulness and wellness as a response to the digital age we live in. The fitness industry is always shifting. What doesn't shift is the requirement of the end-user wanting to be a healthier and fitter version of themselves.

SINGAPORE
INSIGHT

Ken Mok, CEO, **True Group (True Fitness, TFX)**

True Group's offerings have continued to evolve in light of local and international trends. One of the biggest trends we have seen is the growth towards experiential fitness, that is, fitness activities that offer an added experience on top of the exercise itself. In tandem with this trend is an increased interest and participation in events such as obstacle races coupled with a decline in aesthetic fitness being the sole aim of a fitness regimen. In Singapore, functional training and short 30-45minute workouts are gaining popularity, not just amongst the time-starved working population, but with the general population itself which is beginning to understand the benefits of well-programmed workouts. Low-cost 24-hour gyms near residential areas are also getting popular. The fitness industry has led in this but the Singapore government too has to be commended for their concerted effort to educate Singaporeans on the 'whys' and 'how-tos' of a healthy lifestyle and invest in facilities in the heartlands, which has shown results. True Group picked up on these trends which have informed the design of our new TFX gym concept that launched in Singapore in 2019. TFX clubs offer a curated fitness experience with our 30-minute Small Group Training (SGT) signature classes and our new large TerraX indoor obstacle race training facility with OCR classes and team challenges providing our members with all-in-one facilities and a menu of activity options that go beyond what is traditionally found in big-box gyms.

SINGAPORE
INSIGHT

Saraniya (Sara) Dhurga, Head of Events, **FIT Summit**

In 2019, Singapore saw some significant developments and successes across its fitness and wellness industry. True Group launched its new TFX premium concept clubs and opened Singapore's largest gym (42,000 square feet) located at Millenia Walk. Key independent brands successfully grew their footprints including Ground Zero, Haus Athletics, Absolute You (with Asia's largest spin studio – 60 bikes) and UFIT also with their CBD consolidation to build their new Health Hub in Club Street. Personal training specialists ATP Fitness and ONE PT expanded from their HK home to launch SG businesses. In the 24-hour market Anytime Fitness continue to dominate and remain the largest franchise player in SG. Other franchises have had success in 2019, including 9Round, UFC and (especially) F45, all building new facilities and new players, like UBX, have come into town with their first studio. This year also saw home grown champions Ritual Gym successfully launch their first franchise in the US, no easy feat. We also saw the first meditation studio, SPACE2B, launch, adding an exciting new player in the wellness space. ClassPass continues to dominate the aggregator space and has successfully expanded from fitness into wellness and lifestyle experiences, including massage, chiro and physio to their portfolio. Outside of bricks and mortar we saw the first ever night-time Singapore Marathon, attracting over 50,000 runners, positioning it as a world-class race. Fitbit sealed a landmark deal with the Singapore Government to equip up to 1 million citizens with their wearable technology. Last but certainly not least, CXA Group and Wellteq continue to lead the way in corporate wellness, both significantly building out their offerings and client base this year, in turn cementing Singapore's position as Asia's hub for corporate wellness. Overall, we saw new investment, new players and new ideas coming into Singapore – 2020 looks like a great year for our industry and our consumers.

MALAYSIA
INSIGHT

Rich Hutson, Head, Business Development, **Evolution Wellness**

The two biggest developments in the Malaysian fitness scene happening now and in the coming years will be within the boutique and budget sectors. Evolution Wellness (EW) has recently made two bold moves to innovate concepts and establish their presence in these sectors having purchased the boutique brand Fire Fitness and launching their own newcomer, GoFit, into the high-value low-cost budget sector. Since the Fire acquisition EW has already opened FIREstation3 and have FIREstation4 signed and ready to go. The entire boutique sector in Malaysia has tripled in size in recent years and although there are no official stats you can read, you only have to look around to see how many clubs have popped up in shopping malls/strips over the past two years. I personally feel this rise will continue over the next few years because investors see it as an easier foray into the fitness market. That said, you are already seeing some of the early movers from this sector starting to struggle as competition heats up and their offering becomes stagnant and/or has shortcomings in quality. The next biggest impact will come via the high-value low cost budget sector. There are two local brands in Malaysia which have popped up recently and there are many one-off clubs that have opened in the past 10 months. EW has recently opened their first club at I-City in Shah Alam to rave reviews with their no frills, fuss free offer which allows members a smart new way to train. EW plans include franchising GoFit which presents excellent opportunities for potential franchisees. Both these sectors will continue to see unprecedented growth within Malaysia over the next few years. The country has increasing health care issues with half the population either overweight or obese. My hope is that, with the introduction of the low-cost clubs, we can entice the lower income sector of Malaysia to get active and adopt a healthier lifestyle.

INDIA
INSIGHT

Nithiij Arenja, Managing Director, **Trinity Healthtech**

In India, the bankruptcy of Talwalkars, the tremendous slowdown in growth of Gold's Gym and Anytime Fitness, coupled with the rapid rise in the footprint of Cult (although very unprofitable) has and will lead to a shift in the industry – a destructive one unfortunately. Traditional gyms that do not have access to large private equity backed marketing spends will see (and have already seen) an enormous erosion in growth; in some cases, even a depletion in member numbers to Cult. Cult has dropped the price point for the industry to unsustainable levels and therefore the sheer number of gym closures is worrying. The future will see a consolidation and cannibalisation of the market in big cities, the smaller cities and towns will continue to grow to catch up with the industry benchmarks and services of the bigger towns. I believe Cult will begin to see a decline due to poor renewal rates and high incidence of injuries to an unfit population. All in all, I foresee a slowdown in the commercial gym operator segment even though Orangetheory and others have large expansion plans. There is an absence of financial institutions to back the industry and much of this will be due to the distrust crafted by the mismanagement of Talwalkars. Corporate wellness, tech-based wellness and private/personal training studios will continue to grow but the overall volumes will be incremental and not transformational. Overall volumes are very low, and costs are very high – the current economics are just not financially viable for most operators in the country especially with the 18% tax levied on this segment of the Health Industry.

INDONESIA
INSIGHT

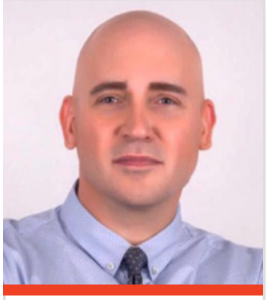
Rohan McKenna, Chief Commissioner, **PrimaFit**

There have been some noticeable events in Indonesia's fitness market in 2019, including in no particular order, (i) the continued proliferation of infant boutique concepts, (ii) the opening of Anytime Fitness, (iii) the introduction of angel capital investment and (iv) the initial use of technology to decrease operation costs. More on the negative spectrum, we saw (v) closures due to poor conceptualization and undercapitalization, and (vi) increased challenges of finding real estate at commercially viable pricing. We noticed also that a select number of operators are starting to realize that the "solution" needed for most people to join in whatever type of facility they are attracted to, would be a 24/7 one, rather than a 1-hour gym centric solution. In addition to these points I would add that Indonesia will see more investment in the following offerings as consumers demand more varied wellness experience to try. Look out for (i) food relationship coaching, (ii) sleep coaching, (iii) all day movement and anti-sitting coaching, (iv) tribe building coaching and (v) non-traditional starting points (e.g. gentle movement in saunas). While these are very much in their infancy, it is going to be exciting to see the developments that I see driving the industry in 2020 and beyond.

INDONESIA
INSIGHT

Blair Campbell, SVP and Head of Wellness, Business Development and Strategy, **FIT Summit**

Indonesia has seen a rapid rise in the number of fitness and wellness companies in country. Celebrity Fitness remains the key fitness player with a wide presence and member base across the country (it has now expanded into Thailand). Smaller players have also had success. R Fitness (previously RIDE Jakarta) secured a pre-series A funding of US$1.25M and East Ventures invested in The Fit Company to encompass six fitness & wellness brands. Yoga Barn in Bali continues its dominance in yoga, adding more trainings and retreats to become one of the world's biggest yoga centres. Affordable gym chain ReFit grew its number of locations, as did Snap Fitness and Anytime Fitness plans to open 5 locations in Bali. Crossfit Wanderlust in Bali remains the best Crossfit gym in Asia and expanded their facility to include more training zones as well as ice baths and recovery services. Indonesians have demanded more affordable and attractive fitness products and they are being delivered. Looking at spa and wellness we saw considerable new investment. Kempinski, Jumeirah, Hyatt, opened new hotels in Bali this year, as did Four Points by Marriott, and the new Ayodya Resort. LHM and Wyndham open new hotels in Lombok, whilst in Jakarta, Alila, Hyatt, Langham, Wyndham and St Regis, all opened in Jakarta. Ayana also opened in Komodo. Boutique day spas and chain spas continue to grow; Spring Spa opened new locations as did Glo Spa. So how does this play into consumer demand and consumption behavior? Overall, I see businesses incorporating innovative design, technology, cashless payments, short engaging workouts, retreats and strong community-focused activities achieving great returns with younger demographics. Brands targeting older, ageing, wealthier demographics do need to develop more education and awareness around the benefits of fitness and wellness products to ensure continued demand growth.



TAIWAN
INSIGHT

Brooke D. Daye, CEO, **Absolute Lifestyle Corporation**

Certainly, the expansion of the two major big box gyms in Taiwan have re-calculated the landscape for Taiwan's fitness center market. The proliferation of two well-known and well positioned brands have smaller operators scrambling for oxygen in the vacuum that has been created as a result of the new gym models and expanded territory by both Fitness Factory and World Gym. In response to that, the weaker boutique operators, studios and small footprint setups have closed operations and the more experienced owners in this sector have been left to ponder "what is next"? Presently Taiwan is feeling the effects of a saturated gym market with no real increase in membership penetration. Spaces have been built, but the customer pool has stagnated. This is where the potential lies. While big box operators are playing the "conquest" game, smaller more agile industry pros are looking at the wide array of FitTech options arriving to market daily and trying to incorporate them into their eco systems. New platforms like FIT24, that allow users to subscribe and gain access to gyms and member rewards points that in turn get converted to products and experiences have many in Taiwan wondering if perhaps the small island nation has solved the question of how to expand APAC's member penetration rate the way "Asia" expects? While spaces close and the big boys grow, 2020 presents an opportunity for aggressive movers who are bold and have the vision for what's next.

NEW ZEALAND
INSIGHT

Ben Davies, Founder and Managing Director, **Blue Fitness**

With a small country like New Zealand major events, whether it be an Earthquake, Rugby World Cup and in 2020 the lead up to the hosting of the America's Cup, can have significant influences in the mood and the confidence in the market. Sky scraping apartments and new hotels are set to change the ever-developing Auckland skyline and bring more internal and external tourists and business to the city. Increased competition and opportunity will improve service and delivery standards across all sectors, including the Fitness and Leisure Industry. 2020 will see club operators face two main challenges. Firstly competition across the board is placing pressure on clubs offering quality services, but the positive, being the second challenge is that the now very well educated member is more than happy to pay a premium for a specialist offering, be it in the club fit-out quality, personal training, group training or specialist services. This is very evident in the programming and philosophy of the 24hr chains transitioning from a base service to a specific coaching model. Boutique offerings inside the club, to differentiate, that add service and achieve a higher yield will become the norm. Unfortunately, there will be consolidation at clubs unable to transition and the days of the small-town, local, stand-alone gym that is not differentiated in any way are numbered.

CAMBODIA
INSIGHT

Anthony Gaglardi, Country Manager (Cambodia), **SEARA Sports Systems**

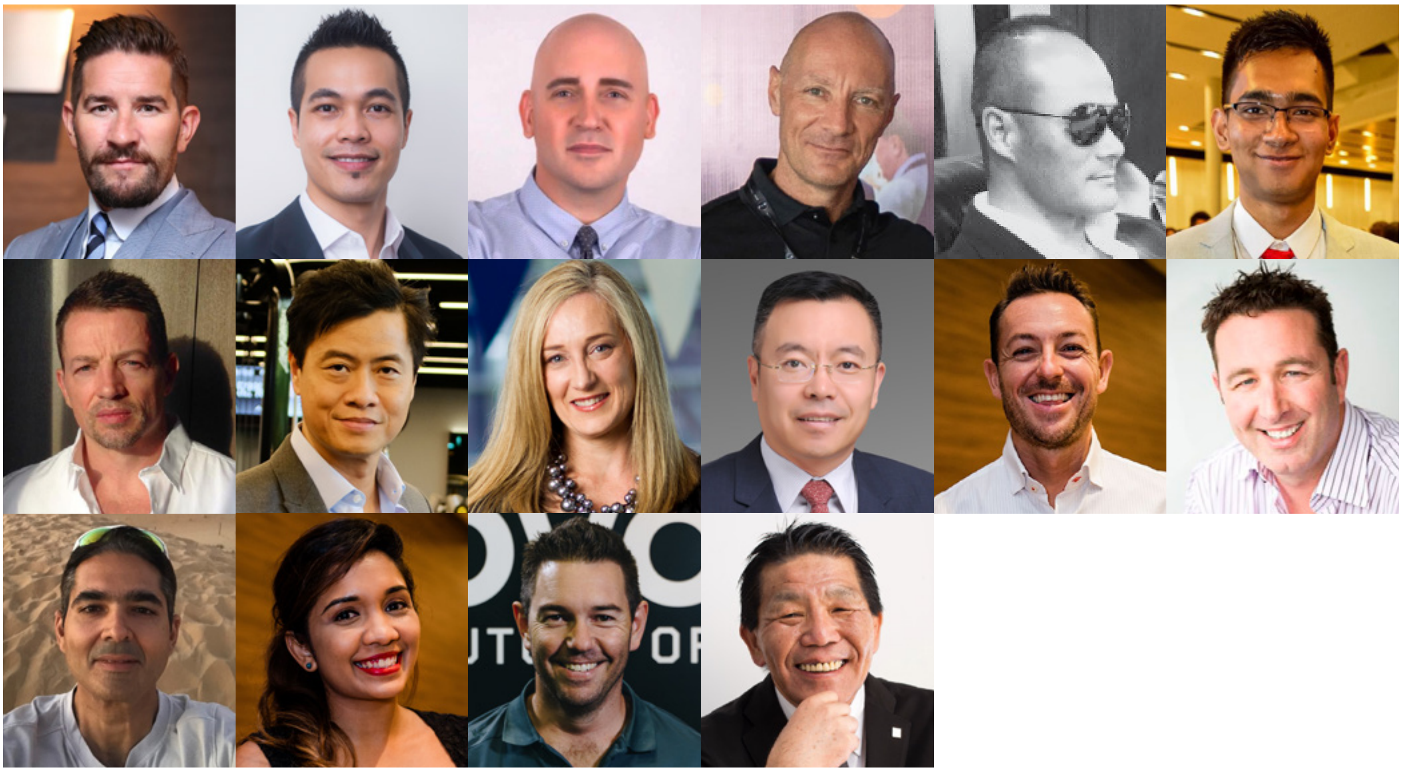
Cambodia's fitness industry in 2019 has seen a surge in awareness, interest, and development with regards to general training and notably, the trend of HIIT and functional training. Though traditional "big box" clubs remain popular, we have begun to see exciting changes in the local fitness scene with the likes of the first personal training studio in the Kingdom set to launch in early 2020 and newly opened fitness facilities featuring more functional training and group exercise programs. Certain luxury hotels are embracing the functional training phenomenon to cater to their guests' exercise experience while fitness centers in condominiums and serviced apartments are now regarded as a must – given increased competition to attract buyers and tenants. Currently, no Pilates studios exist in Cambodia, but this will be changing in the new year with plans from some of our clients looking to tap into this market. While yoga classes have always been prevalent, aerobics and Zumba have become increasingly popular over the last 2 years. Political stability and steady economic growth enable consumers to invest in higher quality products and solutions with confidence while digital access to information and exposure to international trends continue to inspire unique concepts in our young, but rapidly evolving fitness landscape. We foresee growth driven by demands from new luxury hotels, condominiums, commercial gyms, and private training studios. We also anticipate 2020 to usher franchise club brands into the market, raising the level of general fitness knowledge for the average gym goer, offering more quality experience to all fitness enthusiasts, and meeting the needs for performance training.

MYANMAR
INSIGHT

Sully Bholat, Founder and CEO, **Flexible Pass**

One the key market developments that have happened in Myanmar this year is the emergence of more digital wallets and online payment options for users. This makes it much easier for users to make their purchases and bookings for things online and in return allows businesses to scale much faster as it allows them to sell their products/services much more easily after integration with those new payment options. People in Myanmar are also adapting to this change quickly as the market has been moving from heavily cash-based a few years ago towards a more cashless society. This key market development opens the door for foreign businesses/start-ups to enter the various industries in Myanmar such as logistics, agriculture, fintech, fitness, wellness, etc. Another key development is the increased use of bookings/reservations for products/services through online methods such as website or mobile apps, rather than the traditional methods of physically checking out the stores or calling by phone. This will also positively influence many industries and contribute to their growth in 2020 as businesses can now reach many more people and get more people to use their products/services through utilizing their online channels rather than just relying on traditional offline channels.

A big thank you to this month's contributors



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