

Battle For Survival

# **Gym Owner's Playbook To Survive The COVID-19 Challenge**

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# Foreword



The year 2020 will always be remembered as the year of great challenges. The subsequent lockdowns and economic recession have emerged as burning issues threatening the very survival of fitness studios. The situation is hugely devastating for smaller businesses that tend to operate with 1 or 2 months of cash flow. We are dealing with unprecedented economic uncertainty. Until the pandemic is over, the industry needs to plan for survival.

The age-old proverb 'Cash is the king' is more apt in these times than ever before. While it's impossible to predict which fitness studios will survive, this playbook aims to support fitness businesses of any scale to increase their odds. Instead of panicking it's time for the industry to reinvent itself. We must recognize the reality and invest in the immense opportunity awaiting them in the digital world. Pivoting the business model is something that fitness center owners will have to consider to align with this new & changing landscape. It's a time for smart decisions.

Despite the recent setbacks, we are committed to ensuring that the fitness community continues to flourish with tech-enabled solutions. While the larger players have already leveraged this to adapt themselves for the new normal, the situation remains worrisome for medium & smaller fitness studios due to lack of digital infrastructure. Our flagship software - Traqade has integrated virtual training to help fitness centre owners connect with their members digitally & keep their business moving. We aim to help fitness studios reset their strategy and build resilience. In this playbook, we have attempted to provide the fitness fraternity actionable advice and tips to help them get through the crisis.

Today, as we stand at the threshold of a new post-COVID world, we hope to help fitness center owners stand up in the face of the challenges.

**“We Aim To Equip Fitness Studios To Fight The Battle Of Survival”**

*Amaresh Ojha*

Amaresh Ojha

Founder & CEO, Gympik

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# We Are Living In Extraordinary Times

Even as the COVID-19 pandemic ravages the world, most governments have announced a slew of emergency containment measures to rein in the virus. This includes lockdown with severe curtailment of all activities deemed non-essential. While the measures were indeed required to control the spread of the disease, their cascading effects have negatively hurt the Indian fitness industry's cash flow. With limited cash reserves and mounting overheads in the form of operations costs, rentals and salaries mounting, the bulk of the fitness entrepreneurs find themselves under immense pressure. Though we have seen a spike in the popularity of fitness apps, live streaming, and on-demand fitness streaming services, the question in every fitness professional's mind is how do I survive 2020?

## Things Fitness Enthusiasts Googled During COVID-19 Lockdown

During the lockdown, search term - 'home workout' saw the most significant surge in the Indian context followed by abs, back & chest exercises. The traction for these search terms came largely from Uttarakhand, Punjab, Haryana, Delhi, Maharashtra & North East.

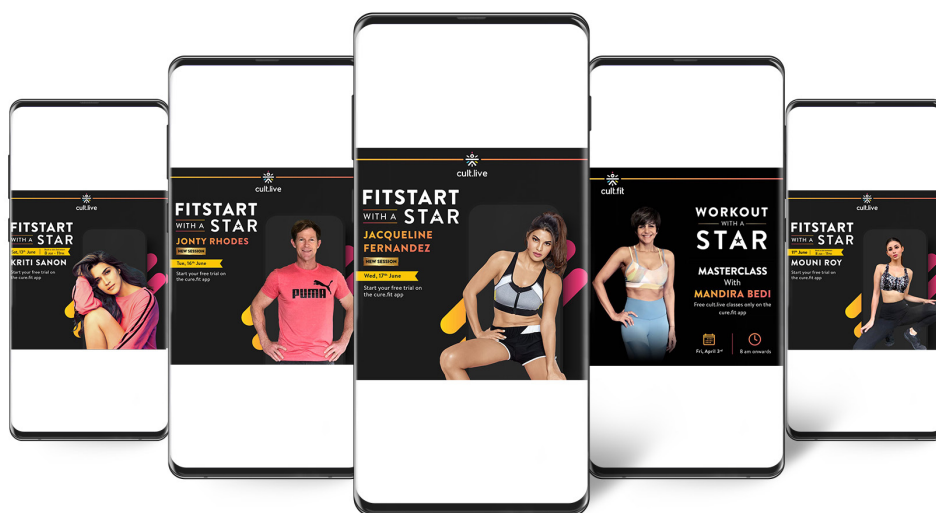
Meanwhile, consumer behavior in the fitness industry is undergoing a paradigm shift at an accelerated pace. The members and even some of the larger and tech-savvy players are increasingly turning towards technology. There seems to be a growing demand for apps & platforms that provide services like live streaming & on-demand fitness streaming.

## Gyms Are Here To Stay... But With A Twist



Source: <https://yourstory.com/weekender/trends-opportunities-india-fitness-market-gym>

In the Indian landscape, brands like Cure.Fit has caught the fitness market's pulse by upgrading their existing digital infrastructure at war footing. Cure.Fit has been successful in enabling growth by using technology to bring fitness home with LIVE Celebrity & expert trainer-led workouts (with eminent personalities like Mandira Bedi, Jacqueline, Mouni Roy & Jonty Rhodes) tailored to the member's fitness levels, budget & time.



Source: Social Media Ads By Cure.Fit - [www.cure.fit](http://www.cure.fit)

While the larger players have already leveraged their considerable resources to adapt themselves for the post pandemic world, the situation remains worrisome for medium to smaller players who lack the big dollars and the patronage enjoyed by larger brands.



# Fitness Business Will No Longer Be A Volume Game

**COVID-19 has brought forth a new kind of member - 'the virtual member' - who will change the archaic business model, taking member lifetime value to new heights.**

COVID-19 has irrevocably changed the rules of the game. It has forced the conventional brick and mortar gyms to reinvent the way they have been doing business. Until the pandemic, the most common business model the fitness industry relied upon was the time tested high-volume-based membership model, which was augmented by cross-selling or upselling other services such as personal training, diet counseling, merchandise & supplement sale, etc.

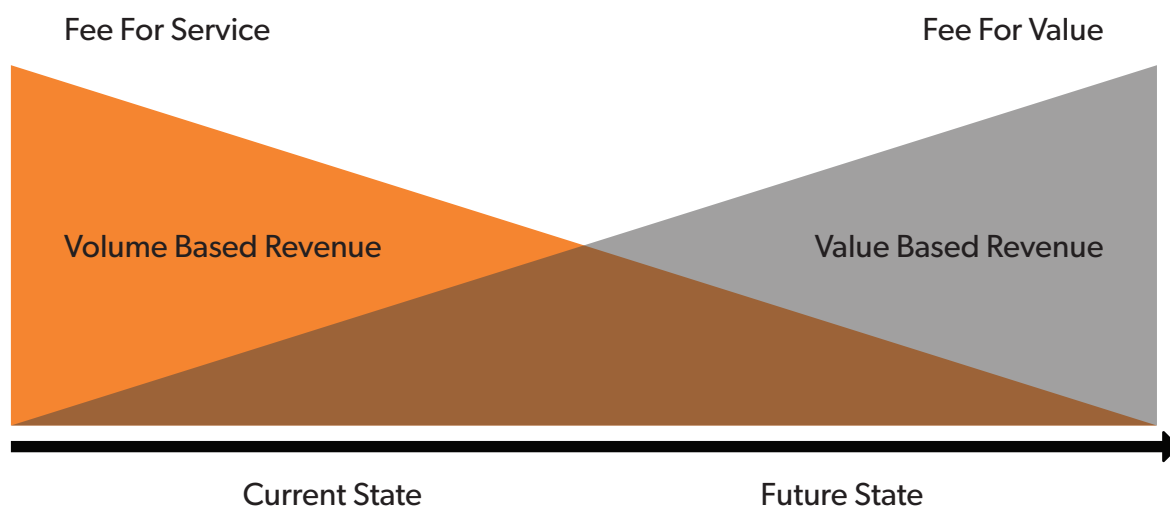
However, in the post-COVID world where social distancing is sacrosanct, you can no longer count on the volume. Most estimates show that the footfall will probably reduce significantly to allow only 33%-50% member attendance, depending on the availability of space.



The new normal will demand a fundamental shift in the way the industry has been generating revenue - from VOLUME, it will shift to Any Time, Anywhere VALUE (premium memberships).

## Shift to Value-Based Fitness Will Change The Market Dynamics

Indian Fitness Industry Will Face Breakthrough Challenges



### Fitness Industry Must

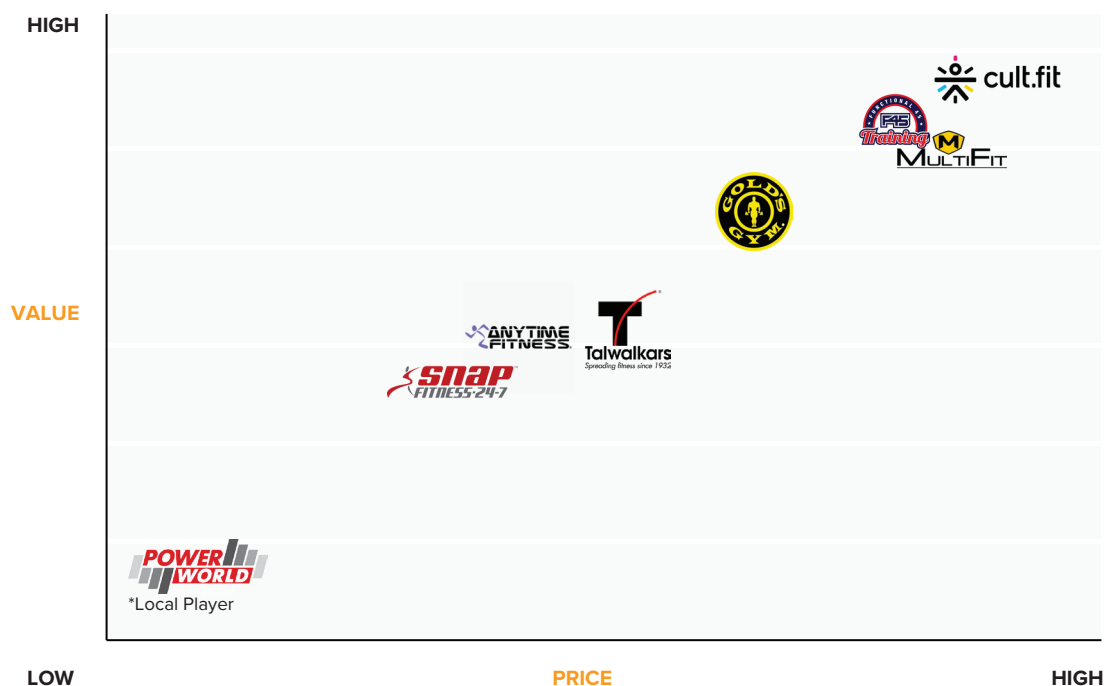
- Shift To Hybrid Model
- Adopt Member First Approach
- Embrace Holistic Approach To Fitness
- Significantly Improve Member Experience

If you are a gym owner and are overwhelmed by the amount of useless information online, this playbook is for you. This will help you get the answer to that fundamental question and many more. If, in doing so, we can arm you with a trick or two to help your business thrive in the new world, then our purpose is served. So without keeping you waiting any longer, let's begin.

# It's a Whole New World Now

In the pre-COVID world, the largest market segments (High Value High Price) like Cure.Fit catered to the demand with technology-led best-in-class on-premise group workout formats, while the low-value low-price gym brands relied more on volume. Meanwhile, middle-market players like Snap Fitness etc. struggled to maintain relevance. When the pandemic hit, these mid-level players started losing their customers to high growth based digital offerings by the top players.

## Pre COVID-19 - Indian Fitness Landscape



The opening up of the virtual space for the fitness industry has dramatically increased the total addressable market (TAM) for any fitness center by blurring the boundaries. In the post COVID world, gyms are competing with the OTHER GYM around the corner and with well-established players. Unless a vaccine is discovered, the restrictions on social distancing & member capacity will continue. Fitness businesses will not be able to churn enough revenue by relying only on brick and mortar facilities. The post COVID world calls for a massive reinvention of the business model, which focuses first on SURVIVAL & then recovery.



# So What Has Changed?

## The Fitness Consumer Has Evolved - Convenience & Holistic Wellbeing Is The New Normal



- ✓ Connected Fitness Experience
- ✓ Personalisation & Convenience
- ✓ Hybrid Memberships
- ✓ Tech-Enabled Fitness Ecosystem
- ✓ Holistic Fitness & Wellness
- ✓ Workout & Habit Tracking
- ✓ Safe & Hygienic Workout Premises
- ✓ Competitive Workout Community

To millions of fitness enthusiasts worldwide, the gym is more than just 'brick & mortar' structure. This is where they come to strengthen their minds and bodies with expert trainers & a like-minded community. It is where they come to seek guidance from the experts. Despite the risk posed by COVID-19, there is still a group of hardcore fitness enthusiasts who prefer to workout on the premise and crave to get back with their community. However, according to industry insights, once COVID-19 is contained and gyms are reopened, 60% of fitness consumers are expected to continue spending on digital fitness.



**Neha**

I Really miss my body and its high time now I can't tolerate anymore



**Rohit**

We need Gyms to open for the betterment to the society and towards fighting covid... This is long due now

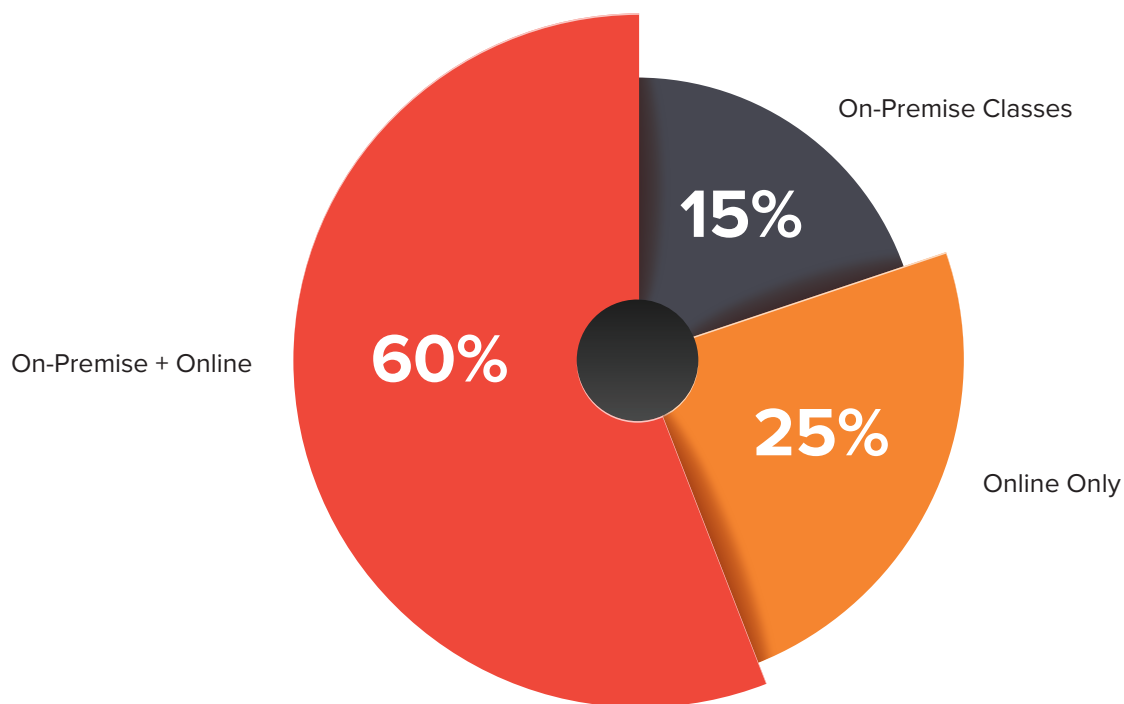


**Jay Patel**

It gives me the energy to build confidence physically and psychologically... it gives me the natural pain killers(endorphins) and adrenaline rush that keeps me going through the hustle... it is the most essential and integral part of my lifestyle... hope to resume soon.

In the post-pandemic fitness industry, members will have diverse choices on how they want to experience fitness. While some may continue to demand only the convenience of virtual formats, some may crave a sense of belonging & excitement and prefer the on-premise group fitness sessions. & others may see value in accessing both kinds of plans.

### How Members Want To Workout In Post-COVID World



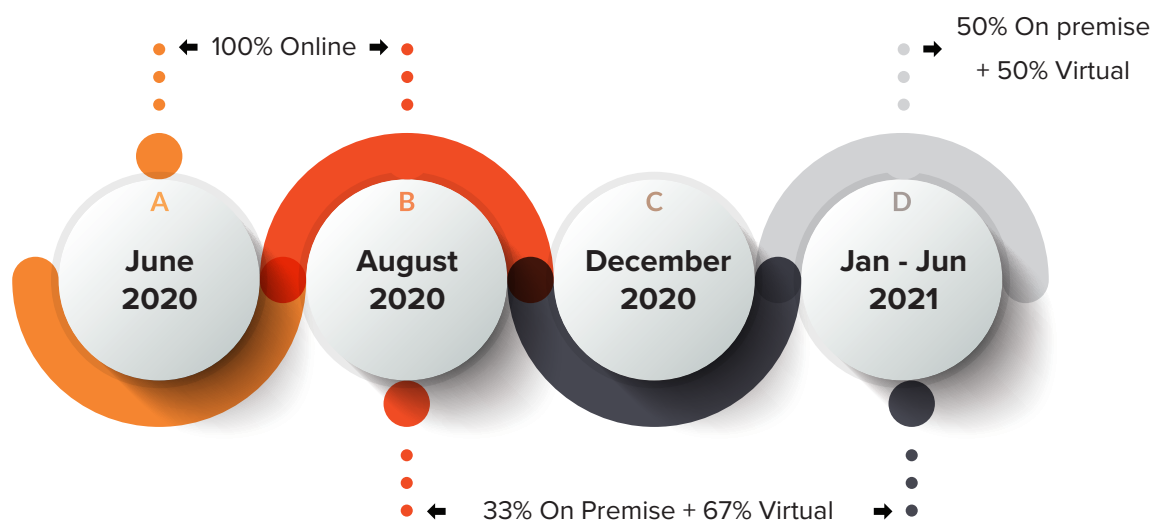
\*According To Gympik's Survey

As a fitness business owner, if you want to make the most out of these scenarios, the best solution to engage and retain all these customer segments will be to adopt a new fitness business model, the hybrid model.

**Post COVID-19 gyms will also have to offer members the option to workout ONLINE if they can't come to the gym**

# What Will The Hybrid Fitness Business Model Look Like?

**In The Post COVID World, Your Fitness Business Needs To Go With The Member**



\*This timeline is indicative & is subject to change based on the COVID-19 outbreak

The Hybrid Business Model offers a combination of limited on-premise + online classes. The model allows you to offer the best of both the worlds to your members by giving them more **FREEDOM** and **FLEXIBILITY** to workout anytime, anywhere.

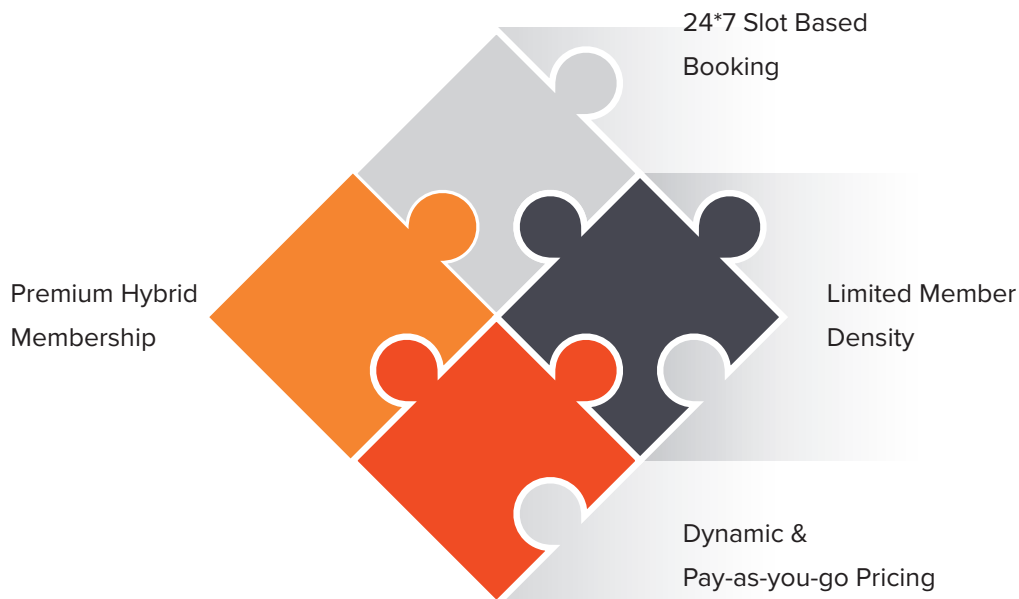
Post corona economy will reward fitness businesses built on models that are: **hybrid, premium, value** rather than volume driven and **pre-booking** based with **limited member density**. Hybrid models will also lead the Indian fitness industry to start experimenting with dynamic pricing to maximize revenue for class spots(inventory) that would have otherwise gone unsold by smoothening the demand curve across class times, types & trainers.

## On-Premise + Online = Hybrid

- On premise is what you offer within your fitness centre
- Online is what you offer digitally for eg. virtual training or on-demand workouts



## The HYBRID BUSINESS MODEL



The two pivots which will define the success of this model will be,

1. Your Pricing/Revenue Model
2. Technology

# Navigating Pricing For The Post COVID-19 World

Let's start by addressing the 650 lbs bench pressing Gorilla in the room - your cash flow situation!

None of us had the foresight to see this coming, yet the pandemic has hit us hard financially. Your gym has been shut for months, revenue is nil and you're burning your emergency cash reserve faster than keto diet burns calories. Your number one concern now is how to get the money flowing once again.

This is why getting the pricing right is of paramount importance in the post-COVID world. Let's begin by assessing your current cash reserves and predicting the break-even point for your business.

## Fixing The Financial Burn

In the shortest possible sentences, your 'Monthly Burn' is the cash you're burning to sustain your fitness center while the 'Runway' defines the time you have left (before running out of money) to keep your business running.

**Monthly Burn = Monthly Expenses - Monthly Revenue**

**Runway = Cash Reserve ÷ Monthly Burn**

This calculation works in a normal market, but COVID-19 has turned the table upside down. Assumptions and projections with regards to members, revenue and burn rate are no longer true.

**90% of gyms in India, have less than 2 months runway**

**Why is it important to know your monthly burn rate?**

- To begin with, keeping a track of your outgoing cash will help you know exactly how long you have till you hit the bottom of your reserve cash pool.
- To know how long is your RUNWAY divide your cash reserve with monthly burn - the resulting number is the number of months you have before you will run out of cash.
- The next immediate step is to slow down the burn rate as much as possible.
- This will probably require you to take a few tough calls but in the end it will help you buy some time. Some of the ways we can suggest would be to prioritize your expenses, cut out excessive flab from the system, and to automate your business as much as possible.

**Break Even Point**

The 'Break-Even Point' defined in the simplest possible terms, would be the revenue one needs to generate to cover the total fixed and variable expenses incurred within a specified period.

**Revenue = Fixed Costs + Variable Costs**

If your working capital comes from the monthly memberships, how many members do you need to generate revenues equal to the fixed cost and variable costs of running your business? Once you have figured out your break even point, you will have insight on how many sessions & classes you can run, how many trainers you can hire and how you can price memberships at your centre.

## Monitoring your burn rate & BEP will decide the future of your fitness business

### Metrics

### Strategy

If Runway is lesser than 3 months

- ✓ Start generating quick cash flow with virtual training.

If Runway is lesser than 6 months

- ✓ Along with acquisition, focus on increasing average revenue per member
- ✓ Reduce CHURN
- ✓ Adopt Technology - Software & Mobile App

If Runway is for 6-12 months

- ✓ Focus on increasing average revenue per member
- ✓ Reduce CHURN
- ✓ Explore other geographies (virtual)
- ✓ Create virtual library of workouts
- ✓ Adopt Technology - Software & Mobile App

If Runway is for more than 12 months

- ✓ Pivot To Holistic Fitness
- ✓ Create your own video content
- ✓ Provide connected fitness experience
- ✓ Upsell To Increase Member Lifetime Value
- ✓ Reduce CHURN
- ✓ Explore other geographies (virtual)
- ✓ Adopt Technology - Software & Mobile App

There are really only three more things you can do to move the growth needle. They are-

- ✓ Go Digital To Maximise Revenue
- ✓ Increase Avg Revenue per user(ARPU) with Tiered Pricing
- ✓ Reduce membership cancellation (Churn Rate)



## Go Digital To Maximise Revenue



Take your personal training business online. It will keep the trainers employed while retaining your members and starting a quick cash flow for your gym. At Gympik, we have made it very easy for every gym owner to set up virtual training for their business straight from our flagship gym management software - Traqade. This enables them to focus on increasing the lifetime value (customer lifetime value) of every member by providing them with digital fitness services in a connected ecosystem with their favourite trainers anytime, anywhere. Gyms will need software like Traqade designed to enable fitness centres to extend & manage both online and on-premise fitness services to their members.

### **“If you can’t make it to the gym, we’ll bring the gym to you”**

Your virtual/digital value proposition should complement the on-premise experience members are used to, consistent efforts in communicating the same across all touchpoints will give you unparalleled member retention levels.

### **Virtual Offerings To Make Your Members Sweat From Anywhere In The World**

- ✓ **1:1 LIVE Training**
- ✓ **1:Many Live Training**
- ✓ **Virtual Workout Library**
- ✓ **Celebrity led LIVE training**
- ✓ **Customised Virtual Workout Plans**

## Increase Avg Revenue Per User (ARPU)

### ARPU = Monthly Gross Revenue/Total Members

Increasing ARPU is a great way to improve member lifetime value and reduce churn

The most common way to boost your revenue is to increase the average revenue per user of your existing members. You can increase ARPU by -

1. By adding value (hybrid model post CORONA)
2. By adjusting pricing (tiered pricing)
3. Upselling & Cross Selling

If you increased all these by 10% the compounding effect would be a 33% increase in revenue & that's **HUGE**.

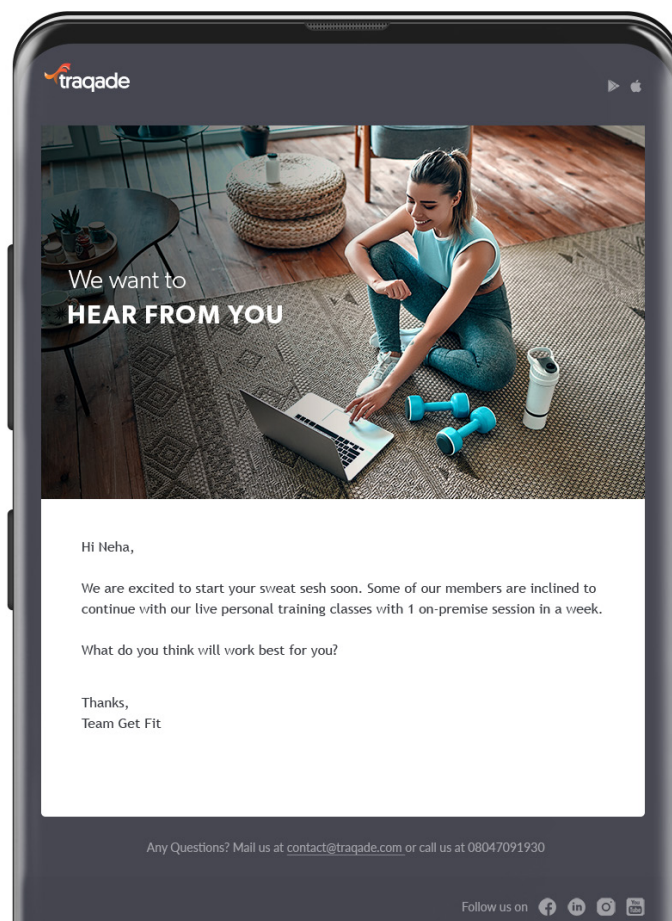
# 80%

**of members are  
willing to pay upto  
45% more for a  
better O2O  
(online-offline)  
fitness experience**

But imagine ordering your favourite cheat meal only to discover the price has suddenly been doubled. Would you be upset? Unless you are not able to see the value for the higher price, chances are that you may be put off. In fact, you might end up ordering from another brand offering better value for the money. The same applies to your members too. If you price your packages too steeply without passing on any value to members, you will end up pushing your loyal customers in the arms of your competitors. You can't go to the market and start demanding a PREMIUM because you want to. So what can you do that will allow you to raise your prices while making sure that the rise is proportionate to the value delivered? To begin with you need to spend time with your members, UNDERSTAND what they need from you, review their FITNESS GOALS and tailor your services so that they benefit the most from you.

\*Source:- Fitness Industry Survey By Traqade

## Adjust Pricing Plan To What Your Members Care About



Once you hear back from the member, respond with a positive message - “Great, we can't wait to start working out with you.” Discuss the pricing packages & the value each pack brings to them. At this stage, try to assess if your existing members are ok with the higher rate, if not find out what can fix their expectations.

### Try it, test it, tweak it...

The next thing we recommend is adopting a tier pricing model. We also strongly recommend that you tier your pricing. What's tiered pricing? The simplest way to explain it would be to create separate “packages” with an added benefit in each package and price them accordingly. Consider the hybrid business model where a majority of your members are availing the online services. Yet, a handful of your members want to workout on the premise and are willing to pay a premium. In this case, it obviously doesn't make sense to have uniform pricing. Instead, you can create a more premium package with more value for the on-premise members who are willing to pay a higher sum. At the same time, you can continue to charge the standard fees from your online members. The pricing strategy should be based on the amount of personalisation you provide in each package.



## Tiered Pricing Structure For Hybrid Model

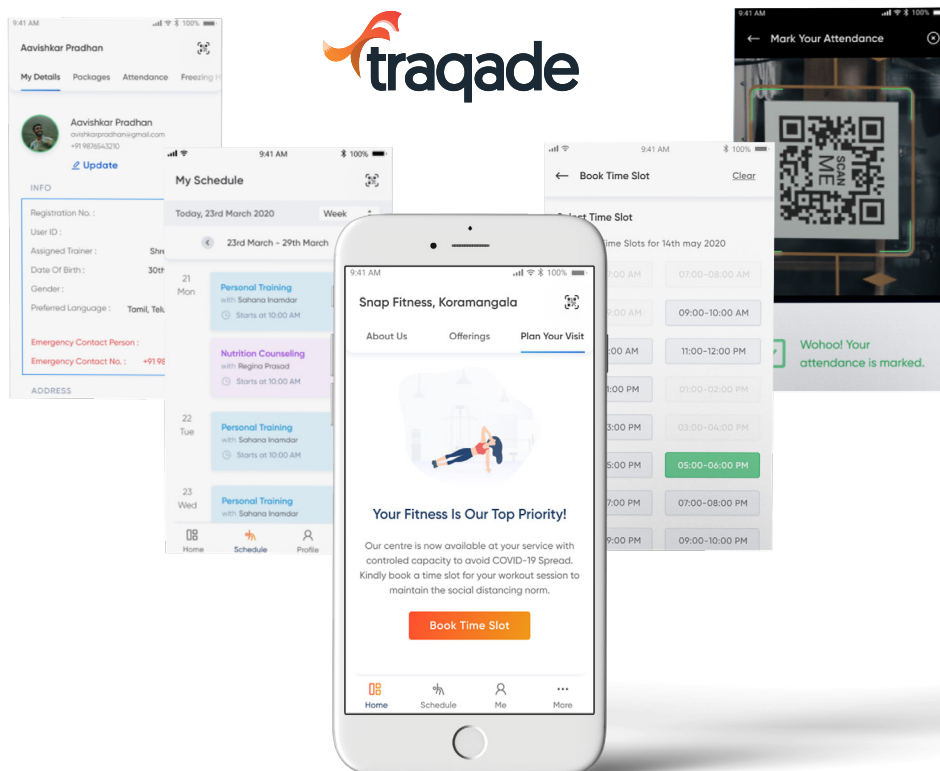
Type Of Pricing	Pricing Strategy	Marketing Strategy	Delivery Strategy
Virtual Training: Tier 1	Price this more than pre-COVID on-premise membership (1:many)	Offer it at the same rate but make sure your members know this is priced HIGHER	<b>Mode:</b> Group Virtual Training <b>Notification:</b> Email & SMS at the beginning & end of the workout. <b>Tool:</b> Traqade.LIVE/Traqade
Virtual Training: Tier 2	30% more than the Tier 1 pricing (1:many)	Offer it at a higher rate with workout tracking.	<b>Mode:</b> Group Virtual Training <b>Notification:</b> Email & SMS at the beginning & end of the workout. <b>Tracking:</b> Traqade App <b>Tool:</b> Traqade.LIVE/Traqade
Virtual Training: Tier 3	Price this twice of tier 1 package (1:1)	<ul style="list-style-type: none"> <li>✓ Offer it at a higher rate with personal training + workout &amp; nutrition tracking + gear rentals + fitness content + video consultation + mindfulness training</li> <li>✓ Give them access to virtual fitness workout library</li> </ul>	<b>Mode:</b> 1:1 Personal Training <b>Notification:</b> Email & SMS at the beginning & end of the workout. <b>Tracking:</b> Traqade App <b>Tool:</b> Traqade.LIVE/Traqade
Limited Only On Site: Tier 4	Dynamic Pricing	Pay per workout for limited capacity	<ul style="list-style-type: none"> <li>✓ Appointment Based (Pre-booking)</li> <li>✓ Make the most of star trainers + peak time (Morning &amp; Evening)</li> <li>✓ Offer lower prices for off-peak times and discounts for unsold classes.</li> </ul>
Limited On-Site + Virtual Classes: Tier 5	Price it 50% more than tier 3	<p>Offer it at a premium by combining the best of the both world - virtual personal training + premium on site slot + coaching upsells, workout &amp; nutrition tracking + gear rentals + fitness content + video consultation + mindfulness training</p> <p>Give them access to virtual fitness workout library</p>	<b>Mode:</b> 24*7 slot based hybrid model <b>Notification:</b> Email & SMS at the beginning & end of the workout. <b>Tracking:</b> Traqade App <b>Tool:</b> Traqade.LIVE/Traqade

The benefit of a tiered pricing strategy is that it allows your members to pay for what they can afford. This creates a lower barrier to entry which allows you to bring in more customers. More importantly, a tiered pricing strategy also allows you to increase the ARPU (Average Revenue Per User) while allowing you to deliver value proportionate to the package price. A tiered distribution of resources also allows you to compensate and thus retain your star trainers better. Meanwhile, your members retain the power to move either up or down the tiers according to their convenience. When you are creating a tiered pricing structure, do make sure that you are very clear in communicating the clear distinctions between the packages with zero room for ambiguity so that prospective leads do not end up getting confused by the pricing structure.

If you see a surge in demand of your services, you can also add an element of dynamic pricing to your model. This will help you to considerably increase your margins (maybe almost 25%) and boost your cashflow big time.

# Using Technology To Make The Hybrid Model A Success

## How Technology Will Help You As You Reopen



At the very beginning, we have stated how the fitness industry is undergoing a revolution, and at the heart of this revolution is technology. We have already cited an example of how one of the biggest brands in the industry has leveraged tech to make the most of the situation and stay in business. If you're going to survive in the post COVID world, the faster you adapt your business around technology, the better. Hybrid models will also demand a seamless digital payment infrastructure else it can deter members from signing up for digital fitness offerings. Digital payments will be a major key player for survival and will help in active recovery.

The right gym management software will equip your fitness studio with the proper tools to bounce back into business by blending on-premise and digital offerings to create a brand new member experience. Technology will also make it easier to offer on-demand fitness content thereby truly enabling an 'any time, anywhere' approach towards fitness. Furthermore, modern technology also enables a host of digital offerings integrated within the same gym management platform which will help you automate repetitive tasks such as class booking and communication, thereby ensuring a much smoother customer experience. Only by adopting technology can you ensure the success of the hybrid model and let your members enjoy a uniform standard of service independent of whether they choose to workout at their homes or on your premises.

## A New Beginning

The demand for on-premise membership will take some time to recover & get back to precovid levels but if you start operating with two revenue streams (offline<>online) the recovery will be faster.

The key to making this a success lies in consistent communication across all touchpoints on how your fitness business is equipped to handle member's fitness & wellness needs irrespective of the challenging times.

As the global COVID-19 cases continue to increase and the nearest vaccine seems to be months if not years away the fact remains that no one can predict the future. While some might choose to view the change as the end of an era, more will welcome this as the beginning of a new one. However, as fitness professionals, it's time to live up to the quote - when the going gets tough, reinvent! We hope this guide was packed with actionable advice to assist fitness entrepreneurs like you to align with this new & changing landscape.






# When The Going Gets Tough, Reinvent!

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 080-470-91930

[www.traqade.com](http://www.traqade.com)

 [contact@traqade.com](mailto:contact@traqade.com)