McKinsey & Company

A changing Fitness consumer

Imperatives and opportunities for Fitness players

June 2022

Today’s presentation

Main consumer trends in Fitness

What we think it means for Fitness players

A few foundational consumer trends in Fitness

- **Wellness is increasingly important to consumers. More people are engaging in exercise, and more often than they did 2 years ago.** The sector's total revenue pool is growing

- **People's Fitness routines have evolved meaningfully.** A more hybrid routine is helping consumers better adopt desired habits and forcing Fitness players to ensure they understand their role in today's routines

- **The lines between Fitness and broader wellness are increasingly blurred.** Nutrition and mindfulness are most notable examples of this; Consumers are increasingly curious and adopting holistic solutions to help them live healthier lives

- **Consumers have more choices than ever in Fitness.** Their expectations are rising and being top of mind is increasingly important

Our research captures the wellness attitudes and behaviors of consumers

Longitudinal data allows comparison of results from early stages of the pandemic in August 2020 to present day 2022

Objectives

Observe longitudinal view of shifting wellness trends

Uncover spending patterns, today and expected in the future

Profile consumer segments and associated behaviors

Methodology

2022: N = 6,510
2020: N = 9,031
Large scale quantitative consumer survey

Demographically representative across gender, age, geography, and income

Fielded in US, Germany, UK, and China

Source: McKinsey Future of Wellness Survey, April 2022

Wellness remains important, and prioritization of wellness is increasing post-COVID

Wellness as a high priority[1]

50%

of consumers say wellness is top priority in day-to-day life (up from 42% in 2020)

81%

believe wellness is important, similar to consumer sentiment in 2020

Falling behind wellness goals

49%

of US consumers prioritize wellness more than they did 3 years ago (i.e., pre-COVID)[1]

Only ~40%

report actual improvements in their personal level of wellness over the same time period

1. Thinking about how you prioritize wellness, how has your prioritization of wellness changed compared to...? How has your overall level of wellness changed compared to...? (T2Box)

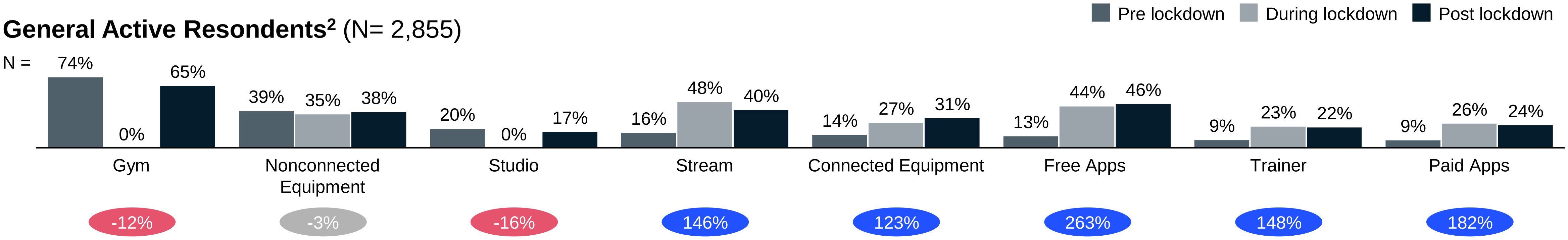
Source: McKinsey Future of Wellness Survey, April 2022, N=1,500+. Global Wellness Institute; company websites, Forbes

Fitness consumers had told us as the lockdown started that they'd adopt more diverse/hybrid routines once they could

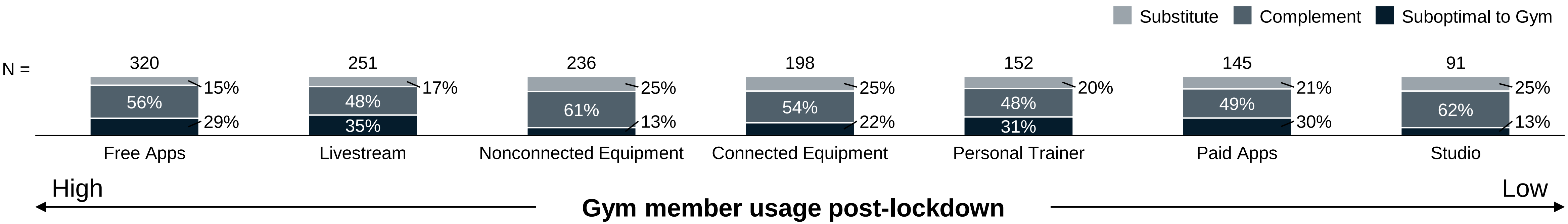
X % change pre vs. post lockdown

Share of respondents usage of activities pre vs. during COVID lockdown [1], % of respondents engaging in each activity

General Active Resondents[2] (N= 2,855)



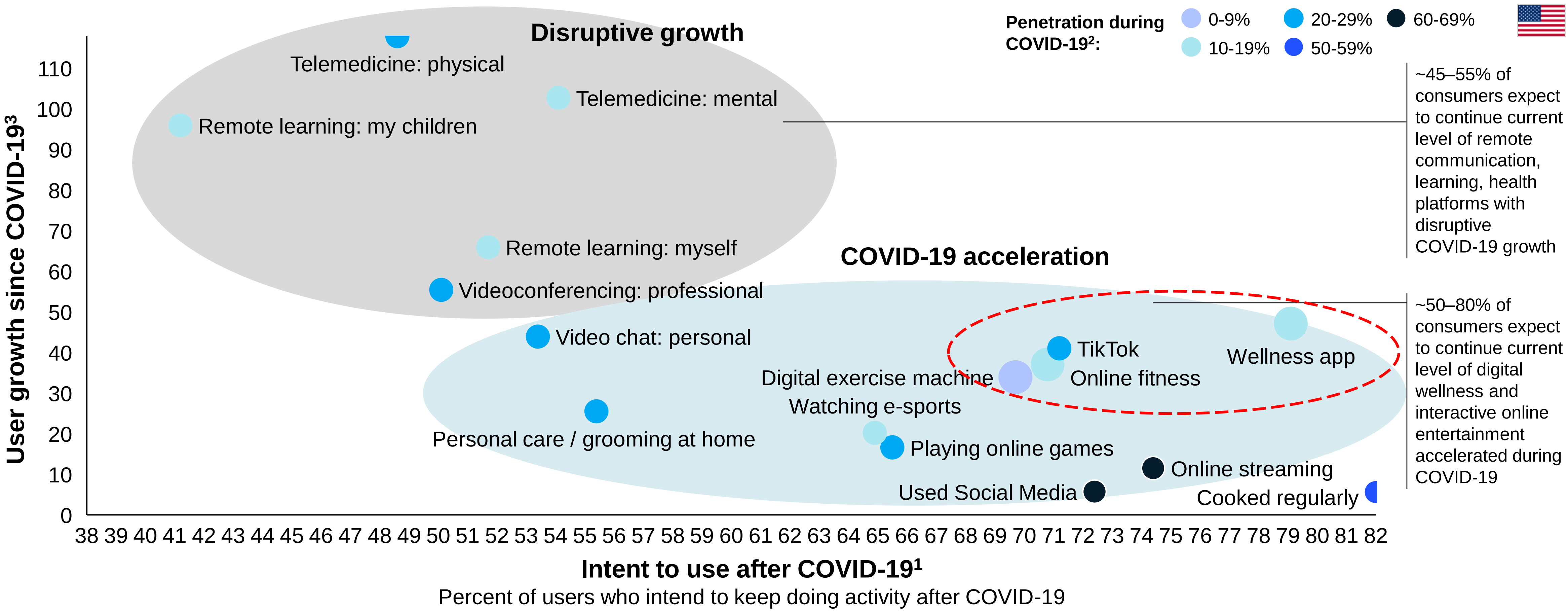
How will each activity be used with regards to replacing/supplementing gym behavior? [3], % of members for a leading US gym chain



1. Questions: Where/how have you exercised in the 12 months prior to COVID lockdown? Where/how have you exercised since COVID lockdown? Where/how will you exercise after the COVID situation is resolved
2. Active population (at least 2-3 days of exercise per month)
3. Which best describes how you will plan to use each of the following fitness activities/solutions after COVID has subsided?

Source: Fitness Survey (N = 2,855 Completes) as of 4/16/20; QPRIOR_WHERE, QWHERE_NEW, QWHERE_CONTINUE, QAFTER_RESUME, QAFTER_CONTINUE

As the pandemic continued, they maintained conviction they'd keep using their new "at home" Fitness solutions



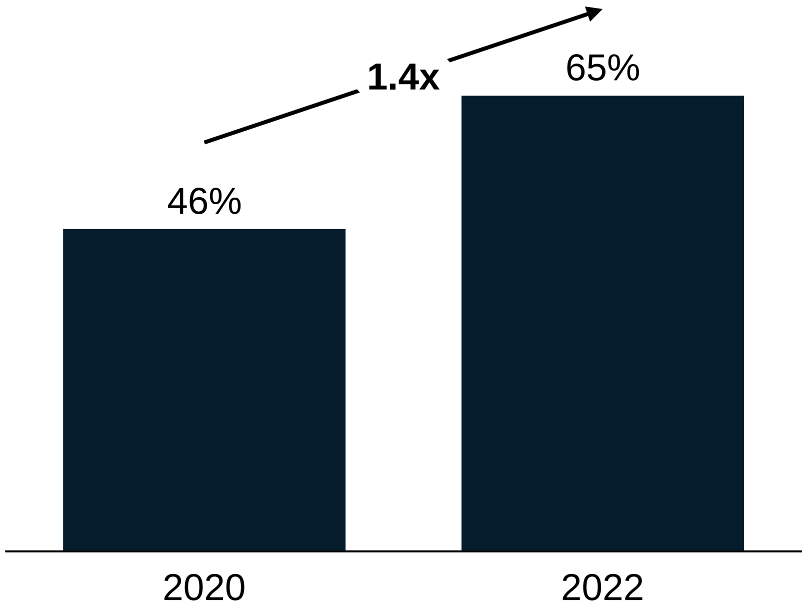
1. Q: *Compared to now, will you do or use the following more, less, or not at all, once the coronavirus (COVID-19)) crisis subsides (i.e., once there is herd immunity)?* Possible answers: "will stop this"; "will reduce this"; "will keep doing what I am doing now"; "will increase this." Number indicates respondents who chose "will keep doing what I am doing now" and "will increase this" among new or increased users.
2. Q. *Which best describes when you have done or used each of these items?* Possible answers included: "Just started using since coronavirus started"; "using more since coronavirus started"; "using less since coronavirus started" or "using about the same since coronavirus started." Possible answers not included: "not using."
3. Q. *Which best describes when you have done or used each of these items?* Possible answers: "Just started using since coronavirus started," "Using more since coronavirus started," "Using about the same since coronavirus started," "Using less since coronavirus started." User growth represents news users over existing users and is calculated as the percentage of those who have "Just started using since coronavirus started" relative to those selecting the other three responses

Source: McKinsey & Company COVID-19 US Consumer Pulse Survey 2/18–2/22/2021, n = 2,076, sampled and weighted to match the US general population 18+ years

The adoption of hybrid fitness routines has accelerated

Hybrid fitness models seem to help people achieve their objectives more effectively

The number of consumers with hybrid fitness routines grew 1.4x[1] …



… and hybrid fitness consumers are more likely to report positive health outcomes[2]

55% *(vs only 41% for all respondents)*

of hybrid fitness consumers say their wellness has improved vs 1 year ago

61% *(vs only 49% for all respondents)*

of hybrid fitness consumers say they prioritize wellness more vs 1 year ago

1. Approximately how much money have you spent on each of the following in the past 12 months? Your best estimate is fine. Consumers with hybrid fitness routines are defined as those who spent money on any at-home (traditional or connected fitness services or products) and in-person (personal trainer, fitness club membership, boutique studio class / membership) fitness categories.
2. How has your overall level of wellness changed compared vs. 1 year ago? Thinking about how you prioritize wellness, how has your prioritization of wellness changed compared vs. 1 year ago?

Source: McKinsey Future of Wellness Survey, April 2022, N=1,500+. Global Wellness Institute; company websites, Forbes

Fitness participation grew across all categories as consumers became more health-conscious, with the largest increase in at-home fitness

2020 2022

Incidence rate of fitness products/services purchases, *% of total respondents*[1]

		2020	2022	vs 2020	Net future spend intent[2]
Outside of home	Personal trainer	7	20	+13pp	**+34%**
	Fitness club membership	28	36	+8pp	+11%
	Boutique studio class / membership	10	22	+12pp	**+39%**
At-home	At-home traditional fitness	28	34	**+32pp**[3]	+8%
	At-home connected fitness	NA	25		**+30%**
Digital	Sport / fitness apps	20	30	+10pp	**+31%**
	Wearable devices	22	33	+11pp	+7%

1. Which of the following best describes your experience with the following? Percentages reflect at least one purchase in the last 12 months.
2. How do you expect your spend on each of the following to shift in 12 months from now (assuming COVID-19 has been resolved and in-person services are available)? Percentages reflect "will definitely buy more" and "will probably buy more " less "will definitely buy less", "will probably buy less", and "will not buy in the future"
3. 2020 survey did not include distinction between traditional and connected fitness. Percentage represents "at home fitness equipment" and is inclusive of both connected and traditional.

Source: McKinsey Future of Wellness Survey, April 2022

Fitness participation increased from 2020 to 2022, reflecting a sustained interest in improving fitness and a reduction in COVID restrictions and fear

At Home Fitness now almost as prevalent as a behavior as club/studio Fitness

As a result, consumer spend is growing and spreading across solutions

2020 2022

Percent of spend on fitness products/services, *% of total fitness spend for all respondents*[1]

		2020	2022	vs 2020	Women vs. Men	Net future spend intent[2]
Outside of home	Personal trainer	8	12	+4pp	+1pp	**+34%**
	Fitness club membership	30	17	-13pp	-5pp	+11%
	Boutique studio class / membership	8	8	-	+3pp	**+39%**
At-home	At-home traditional fitness	35	17	**+8pp**[3]	-3pp	+8%
	At-home connected fitness	NA	25		**+9pp**	**+30%**
Digital	Sport / fitness apps	5	10	**+5pp**	+1pp	**+31%**
	Wearable devices	14	11	-3pp	**-5pp**	+7%

1. Approximately how much money have you spent on each of the following in the past 12 months? Your best estimate is fine.
2. How do you expect your spend on each of the following to shift in 12 months from now (assuming COVID-19 has been resolved and in-person services are available)? Percentages reflect “will definitely buy more” and “will probably buy more ” less “will definitely buy less”, “will probably buy less”, and “will not buy in the future”
3. 2020 survey did not include distinction between traditional and connected fitness. 35% figure represents “at home fitness equipment” and is inclusive of both connected and traditional.

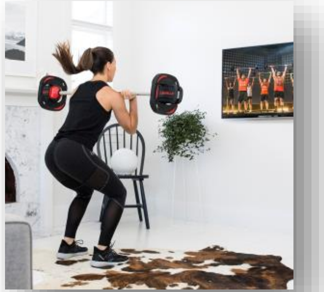
Source: McKinsey Future of Wellness Survey, April 2022

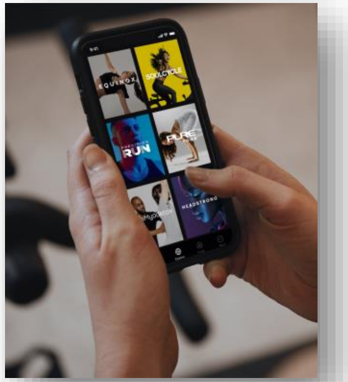
Fitness spend has grown and has shifted towards at-home and digital fitness

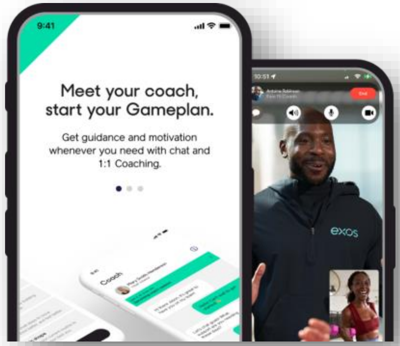
As COVID-19 abates, routines will remain hybrid: consumers plan a return to in-person fitness, but still expect to use digital tools like connected fitness and apps

Fitness players are making strides in getting involved in digital and at-home Fitness

SATS LesMills EQUINOX EXOS TRIB3







Consumers continue to broaden their perspective on what Fitness means

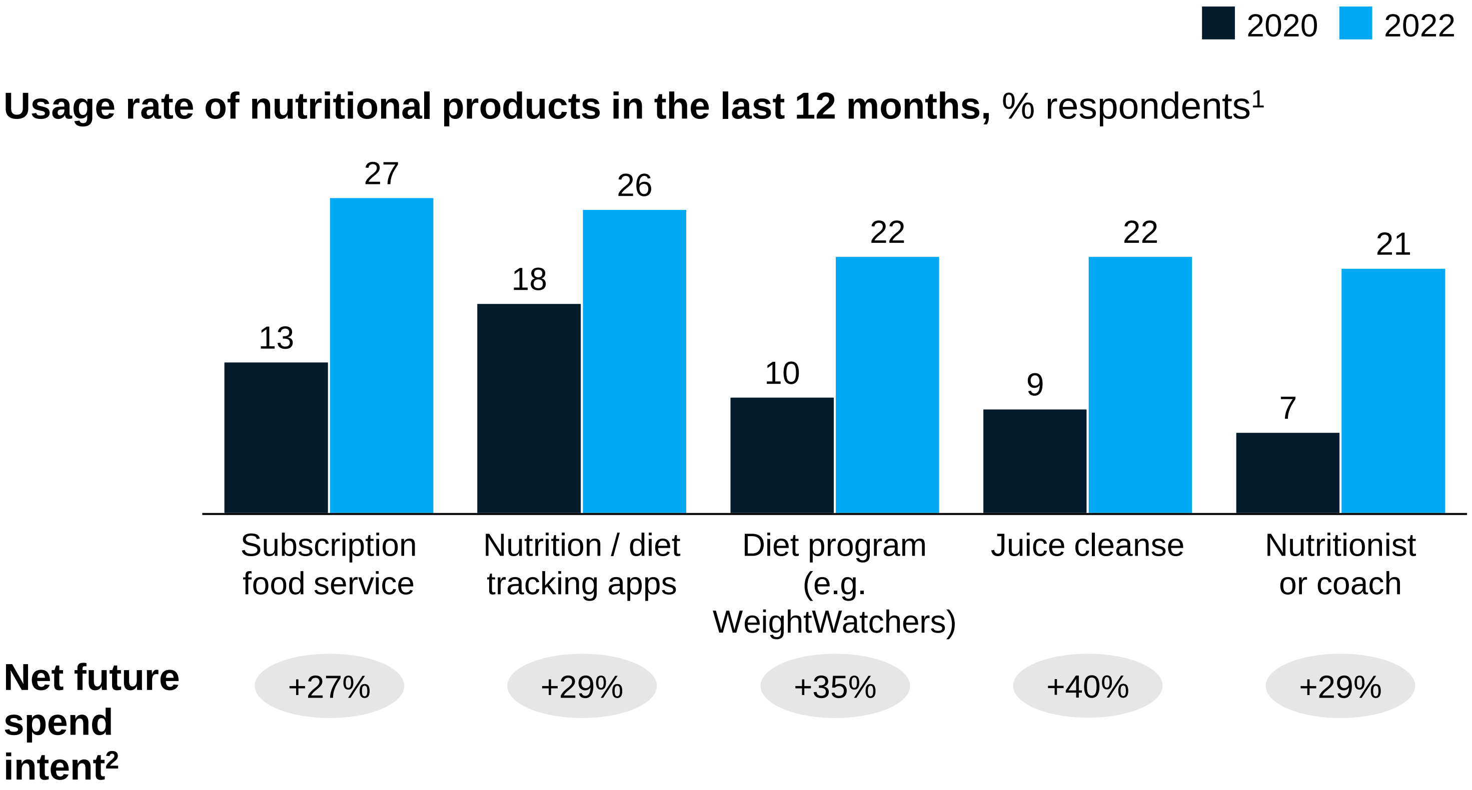
Consumer perspectives on “Fitness”[1]

1. When you think of fitness, what comes to mind?

Source: McKinsey Future of Wellness Survey, April 2022

Consumers are increasingly using products to improve nutrition

Usage rate of nutritional products in the last 12 months, % respondents[1]



Disruption in eating habits during COVID-19 may have driven increased usage of nutritional products, as health became a top priority

85%

of consumers who bought a nutritional product/service also invested in fitness, indicating **high engagement across solutions**

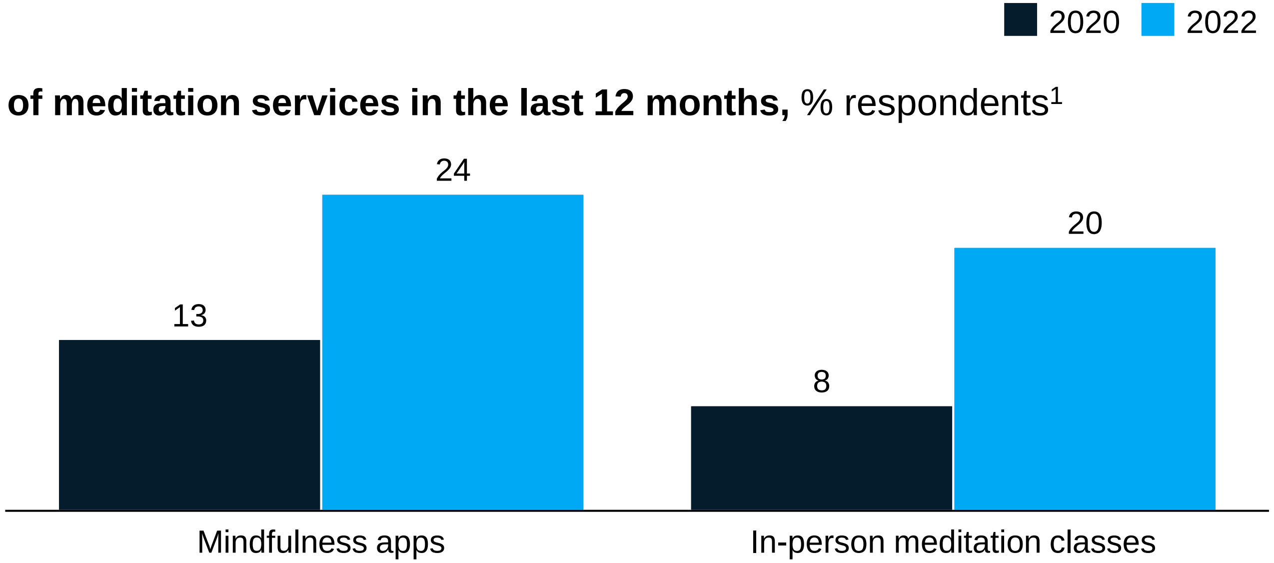
1. Which of the following best describes your experience with the following categories?
2. How do you expect your spend on each of the following to shift in 12 months from now (assuming COVID-19 has been resolved and in-person services are available)? Percentages reflect “will definitely buy more” and “will probably buy more ” less “will definitely buy less”, “will probably buy less”, and “will not buy in the future”

Source: McKinsey Future of Wellness Survey, April 2022

Mindfulness continues to be a growing trend that has only accelerated since 2020

Part of this innovation is embedded within fitness apps

Usage rate of meditation services in the last 12 months, % respondents[1]



	Mindfulness apps	In-person meditation classes
Net future spend intent[2]	+34%	+38%
Change in spend vs 2020[3]	+64%	-37%

1. Which of the following best describes your experience with the following categories?
2. How do you expect your spend on each of the following to shift in 12 months from now (assuming COVID-19 has been resolved and in-person services are available)? Percentages reflect “will definitely buy more” and “will probably buy more ” less “will definitely buy less”, “will probably buy less”, and “will not buy in the future”
3. Approximately how much money have you spent on each of the following in the past 12 months? Your best estimate is fine. Spend figures represent the average among only respondents who indicated they used the service in the last 12 months.

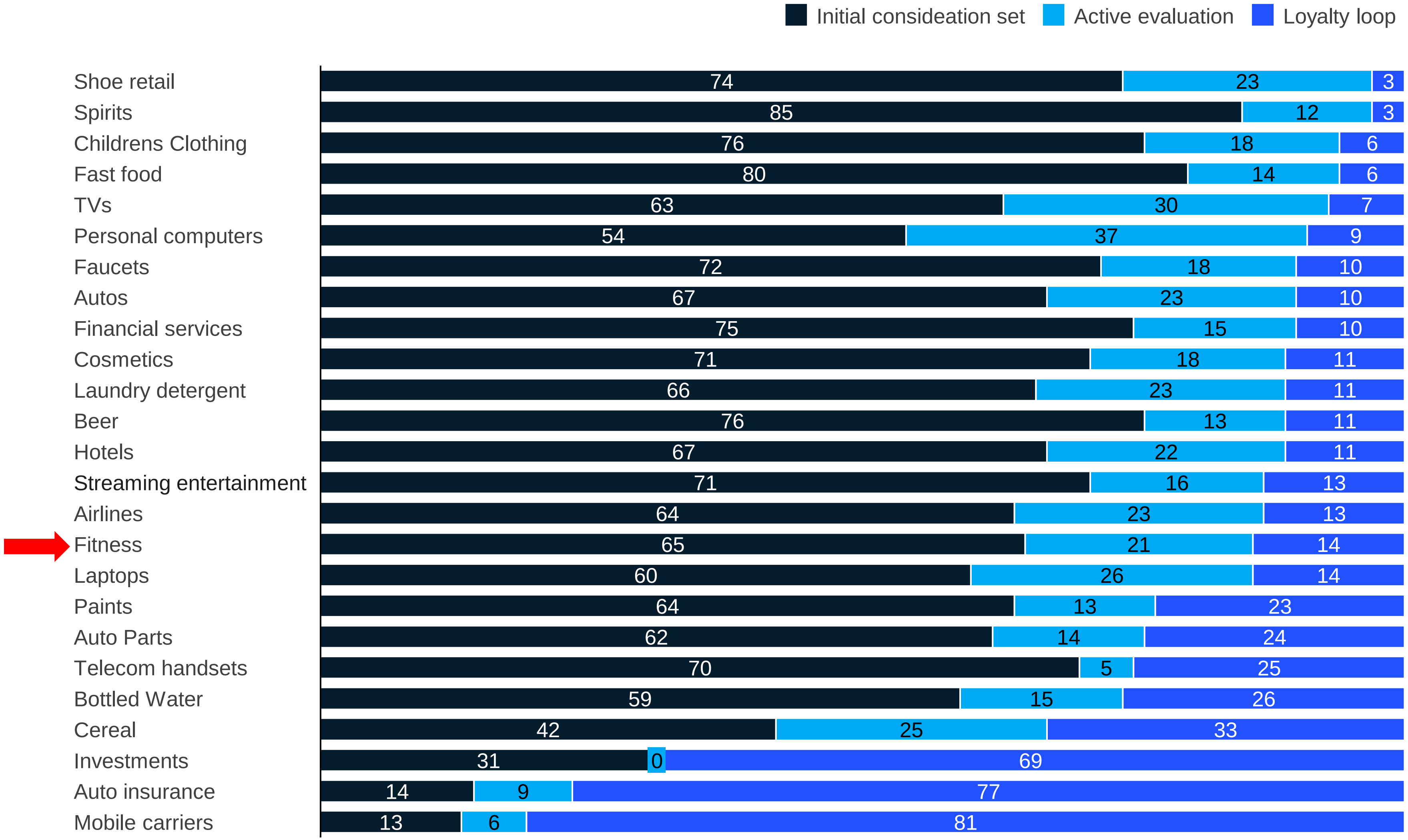
Source: McKinsey Future of Wellness Survey, April 2022

Consumers are incorporating meditation through digital and app-based fitness programs

such as Apple Health, Oura Ring, Centr fitness app, Sweat app, among others

Being a top-of-mind solution is increasingly important in Fitness

Share of purchases that are shopping vs loyalty driven (selected categories)



2.1 brands are considered on average for each consumer in Fitness when making spending decisions

76% of Fitness purchase decisions are researched and/or executed online (22% purely online, 54% omnichannel)

46% of Fitness consumers are influenced by social media in making their Fitness choices, the highest of all surveyed categories

Imperatives and opportunities for Fitness players

- **Fitness players need to understand their role in consumers' evolving Fitness routines. This role has almost certainly evolved in the past 2-3 years.** This will ensure decisions to strengthen value proposition and increase satisfaction are effective
- **Customer acquisition models need to evolve as category dynamics change.** It's key to stand-out in an increasingly competitive space. It's important to consider strategic alternatives to do so well, not to run into unsustainable customer acquisition costs. Consumers are changing where and how they do their research and make their decisions
- **It's more important than ever to be close to consumers** and understand what they are doing, how they are making their decisions and what matters most to them
- **The change in the sector presents an ideal moment to consider new business models.** The champions of new Fitness routines are being formed today

The need is there. Innovation is increasing success rates and growing the revenue pool.

The bar is rising on what it takes to win.