



The Fitness Industry's Response to COVID-19

Insights into the Collective Improvisation, Innovation and Resilience of Global Fitness Operators

A Special Report prepared by ClubIntel
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Insight Inspiration Impact

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Prologue

A Call to Collaboration, Cooperation, Improvisation, and Innovation

Our world, our nations, and our beloved fitness industry, each find themselves in uncharted territory. The COVID-19 pandemic, in a mere moment of time, has thrust upon each of us a challenge of profound proportion. Despite the enormity of this challenge, our world, our nations, and our industry will prevail and come out stronger than ever. In the words of Charles Darwin, *“It is the long history of humankind (and animal kind, too) that those who learned to collaborate and improvise most effectively have prevailed.”* So it is that the fitness industry will prevail, and eventually arise stronger, by collaborating, cooperating, improvising and evolving.

As reported in the April 2, 2020 edition of [Health Club Management](#) online, nearly two-thirds of health/fitness facilities around the globe had temporarily closed their doors, either voluntarily, or as the result of government-driven mandates due to COVID-19. As of April 5, 2020, according to the IHRSA website on the page entitled [COVID-19 Relief and Information for the U.S. Fitness Industry](#) a total of 46 States in the U.S. had policies in place that have resulted in the temporary closure of gyms and health/fitness clubs, while four States did not have policies in place that mandated closures. Even before State and local government mandates drove temporary closures, many leading operators had chosen to temporarily shut down operations voluntarily, including prominent chains such as 24Hour Fitness, Bay Clubs, Equinox, LA Fitness, Lifetime Fitness, and Orange Theory. This story is unprecedented in the modern history of the health/fitness club industry, and the challenge it poses for operators is incredibly daunting.

Prologue continued

A Call to Collaboration, Cooperation, Improvisation, and Innovation

It is because of the chaos and the challenge it poses that we chose to pursue this study of the fitness industry's response to COVID-19 and, because we believe by benchmarking what our peers in the global industry are doing, be it improvisation or innovation, it would offer all of us a collaborative set of benchmarks for how each of our businesses can prevail during these difficult times and come out ready to succeed in the post-COVID-19 world. We believe the challenge and how we address it is best framed in two statements Abraham Lincoln brought forward in his 1862 address to the U.S. Congress. First was, *"We can only succeed by concert. It is not "can any of us imagine better?" but, "can we all do better?"* Second was, *"The dogmas of the quiet past are inadequate for the stormy present. The occasion is piled high with difficulty and we must rise with the occasion. As our case is new, we must think anew and act anew."*

We believe that those who contributed to this study, whether by distributing it or responding to it, and the amazing insight that each has offered, demonstrates the power of the words Lincoln spoke, specifically that only in concert can we all prevail, and only by thinking anew and acting anew will we successfully navigate the challenge. We hope the findings of our study provides the aspiration, inspiration and hope the fitness industry will need to prevail in the present and thrive in the future.

Acknowledgements

Acknowledgements

ClubIntel wants to express thanks to all those who contributed to making this report possible. First, we want to thank the following people and organizations who voluntarily stepped-up and shared the survey with their associates and colleagues in the industry, including: ACAD, Brazil; Active Management, Australia; AFS, U.S.; Club Insider, U.S.; Club Industry, U.S.; Exercise Association of New Zealand, New Zealand; Fitness Australia, Australia; fitness Management, Germany; Brent Darden of Brent Darden Consulting, U.S.; Hans Muench of Muench Consulting, Switzerland; Herman Rutgers of Europe Active; Belgium; Kevin Caldabaugh of John's Island Club and CSFA; Ray Alger of Oxygen Consulting, U.K; and Richard Bilton of CIA Athletica, Brazil. Second, we want to thank each fitness operator who set aside time during this tumultuous period to respond to the survey and share their experiences, improvisations and innovations. This commitment to collaboration in such trying times is testimony to the passion and talent of fitness leaders around the globe.



Methodology & Disclaimer

Study Methodology

On March 30, 2020, ClubIntel launched an online survey to benchmark best practices among health/fitness operators around the globe regarding their response to the challenges posed by the COVID-19 pandemic. The study looked at three areas of health/fitness operations we believed to have the greatest impact on the viability and vitality of a fitness business; employees, members, and the community.

The study was administered and managed by ClubIntel. The survey was emailed to ClubIntel's followers (over 2,000) as well as distributed by our global partners via email, posts in digital newsletters and postings on their websites and social media sites (e.g., Facebook, Instagram and LinkedIn). In all, 195 usable responses were collected representing approximately 2,500 health/fitness facilities in the world. Collectively these responses provide a strong representation of what health/fitness operators around the globe are doing in response to the COVID-19 crisis.

Disclaimer

The statistical information contained in this report is representative of the individuals and organizations responding to the survey. All reasonable efforts were taken by ClubIntel to assure data comparability within the scope and limitations of the reporting process. However, the data contained in this report is not necessarily based on third-party audited data. The statistical validity of any given number varies depending upon sample sizes and the amount of consistency among responses for any data point.

ClubIntel therefore, makes no representations or warranties with respect to the results of this study and shall not be liable to clients or anyone else for any information inaccuracies, or errors or omissions in content, regardless of the cause of such inaccuracy, error or omission. In no event shall ClubIntel be liable for any consequential damages.



Chapter One

Respondent Profile

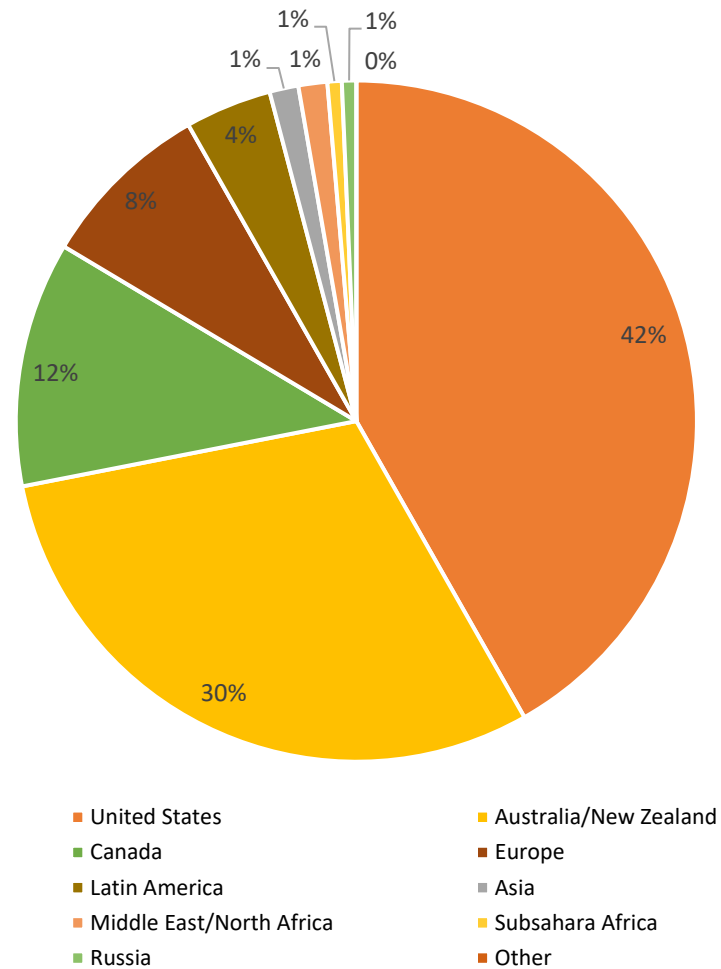
“Diversity drives innovation – when we limit who can contribute, we in turn limit what problems we can solve.”

Telle Whitney

Geographic Origin of Respondents

While the U.S. and Australia/New Zealand represented 72% of all respondents, the survey did capture responses from every major geographic region. Canada and Europe also had strong representation. The reason the geographic distribution is skewed toward the U.S., Australia/New Zealand and Canada is likely due to the survey only being in English.

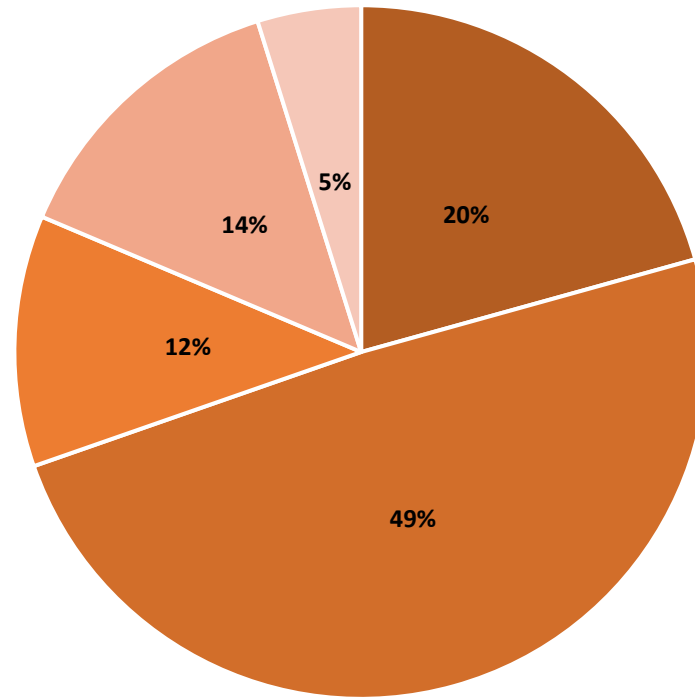
Geographic Region of Respondent's Operations
(Percent of Total Responses)



Type of Health/ Fitness Facility Respondents Operate

Survey respondents represented a relatively balanced blend of business models with commercial fitness facilities having the largest representation at 49% followed by boutique fitness studios at 20% and non-profit facilities at 14%.

Type of Health/Fitness Facilities Respondents Operate
(Percent of Total Responses)

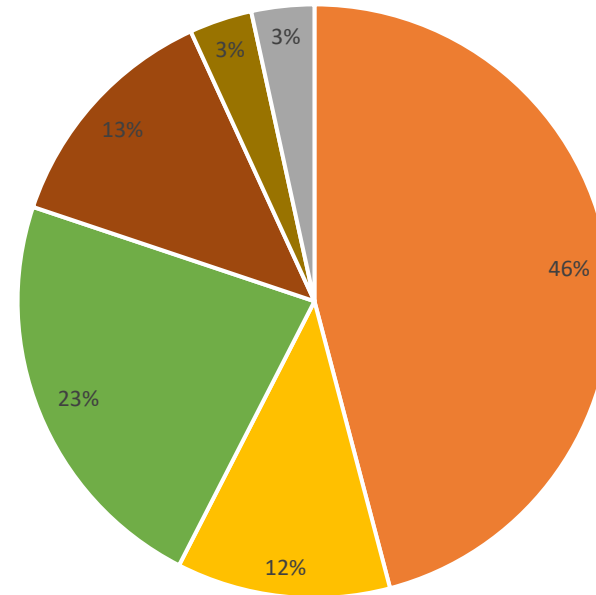


- Boutique fitness studio
- Commercial for-profit fitness club
- Private club
- Non-profit facility
- YMCA/YWCA/JCC


Professional Role of Respondents

Nearly half of the respondents indicated they were an owner, while another 12% served as either a CEO or C-Suite role. The second largest segment of respondents indicated they were facility managers. Collectively 81% of responses can from professionals empowered to lead their respective organizations.

Current Role of Respondent
(Percent of Total Responses)



- Owner
- CEO/COO/C-Suite
- Club Manager
- Club level supervisor (fitness director, spa director, etc.)
- Fitness staff (group exercise instructor, personal trainer, etc.)
- Other



Chapter Two

How Health/Fitness Facilities are Addressing Members

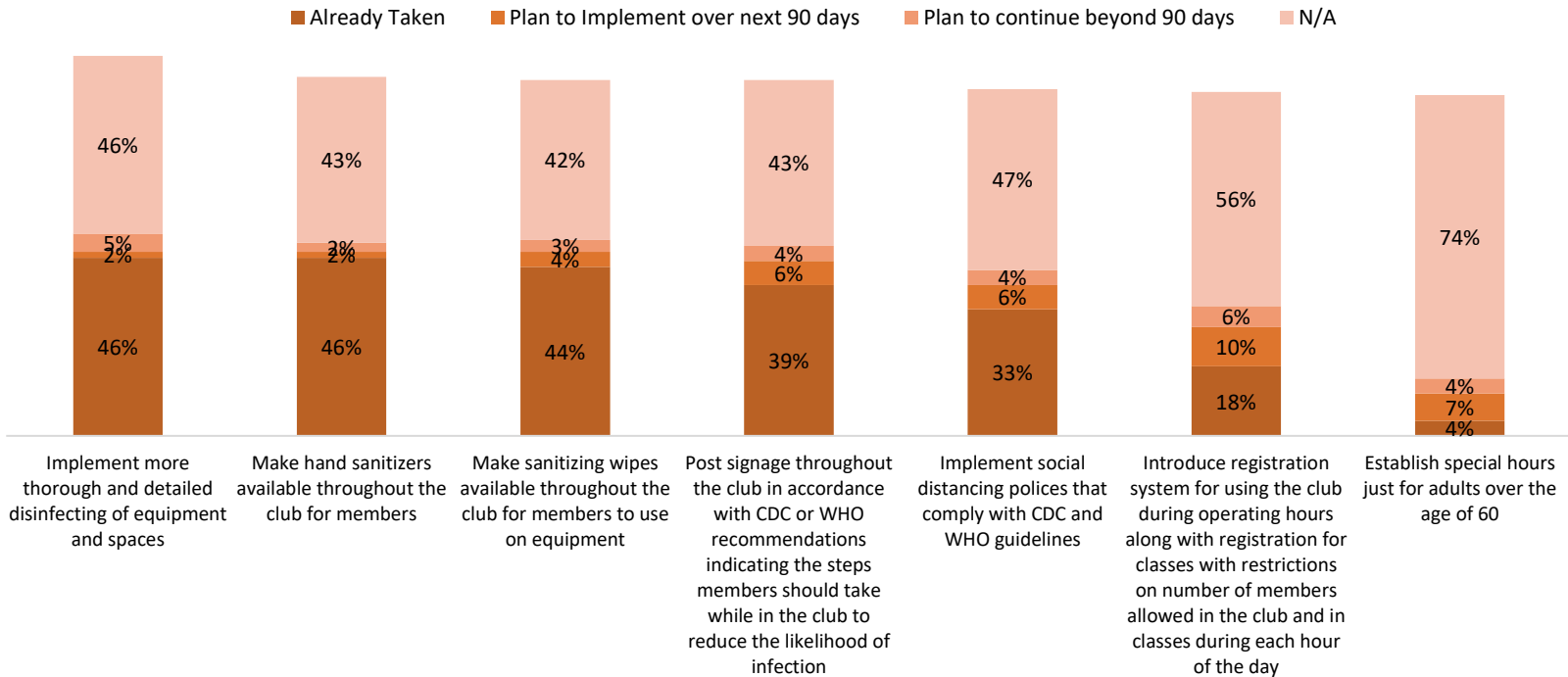
“In the midst of chaos, there is also opportunity.”
Sun-Tzu



What Fitness Businesses that Remain Open are Doing to Foster a Safer Facility Environment for Members

As of April 1, 2020 approximately 54% of responding clubs around the world remained open for business while 46% had been closed on a temporary, or possibly permanent basis due to the COVID-19 pandemic. We imagine the percentage of closers globally is likely higher than these numbers show. A few key insights to extract from the graph on this page include: approximately 50% of facilities now open are giving more attention to disinfecting strategies than prior to the COVID-19 pandemic; 40% of facilities are communicating the WHO/CDC Guidelines (means 60% aren't) via internal signage; less than 20% are implementing a registration system within their facility to better promote social distancing; and finally, only 4% are considering special hours for adults over the age of 60 (a practice instituted by many grocery chains). Lastly, few if any operators are considering implementing these changes beyond the next 90 days.

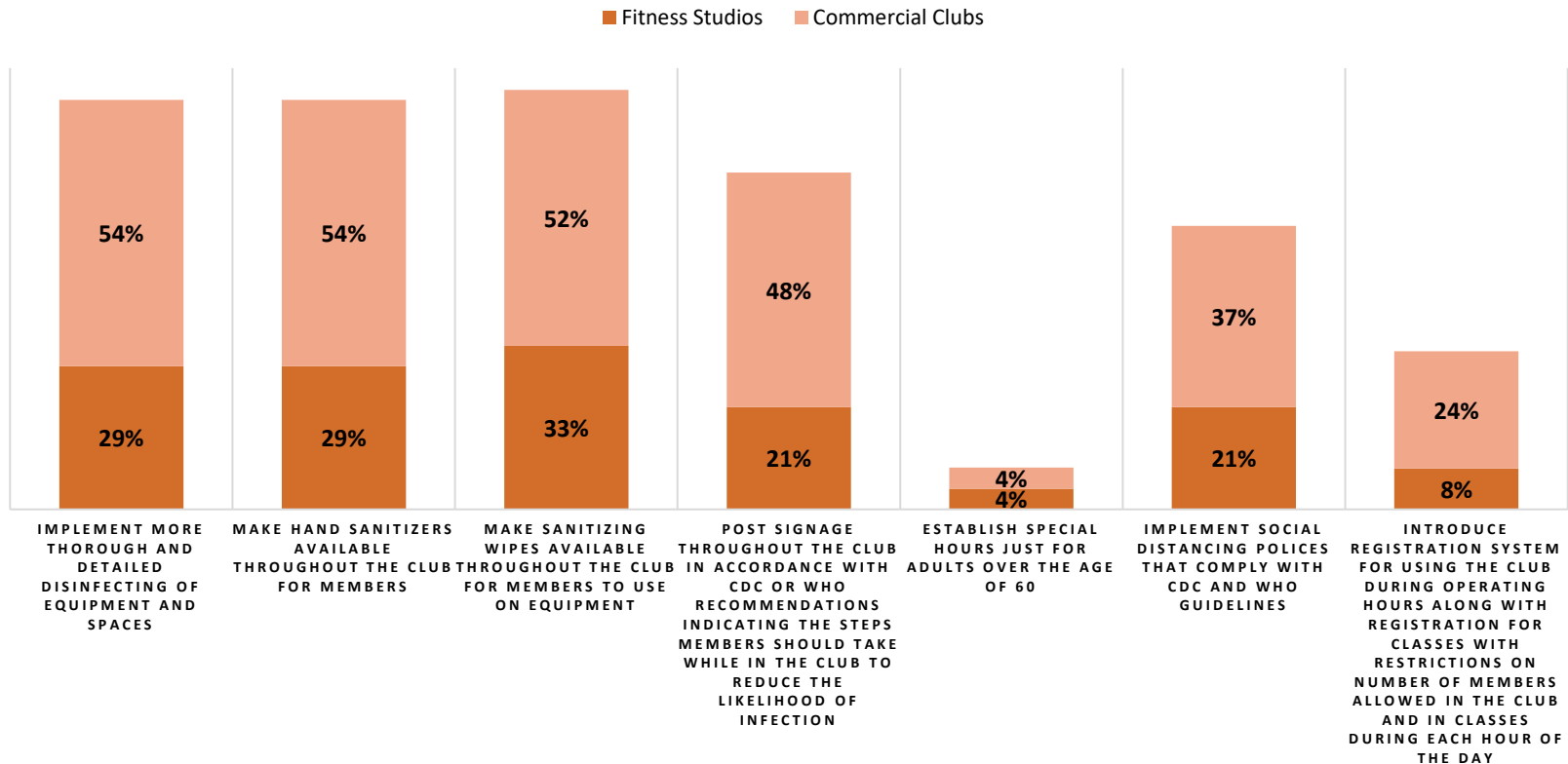
Efforts Fitness Facilities have Taken to Foster a Healthier and Safer Environment for Members



Fostering a Safer Facility Environment While Open – A Comparison of Fitness Studios and Fitness Clubs

When it comes to the issue of implementing additional health/safety strategies to protect members while the business open, fitness clubs are significantly more likely than fitness studios to have implemented key health/safety practices designed to protect members, including implementing more thorough disinfecting of the facility and equipment, posting safety signage recommended by the WHO and CDC, implementing social distancing practices, and introducing a registration process to foster greater social distancing.

EFFORTS TAKEN TO FOSTER A HEALTHIER CLUB ENVIRONMENT FOR MEMBERS FITNESS STUDIOS COMPARED TO FITNESS CLUBS

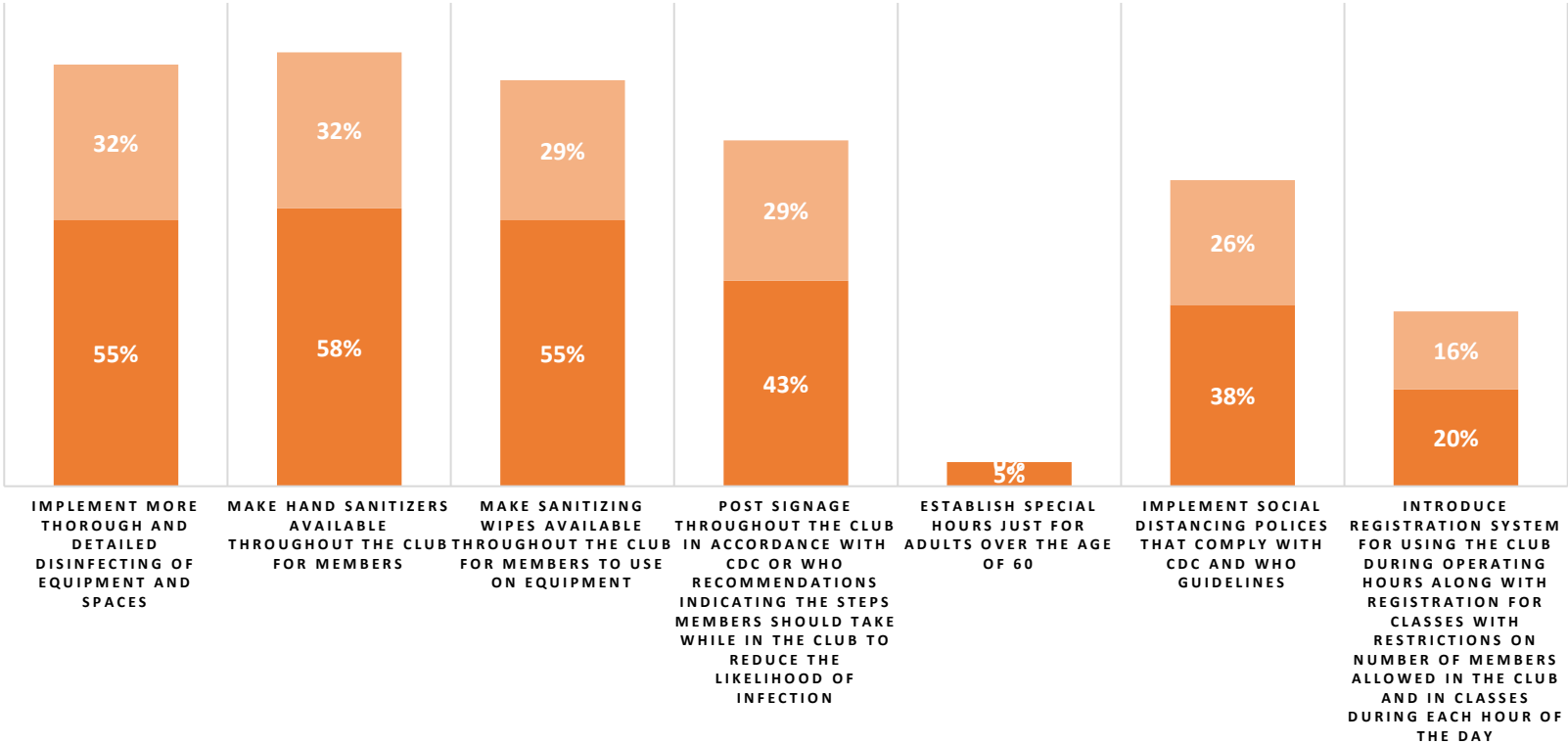


Fostering a Safer Facility Environment While Open – A Comparison of U.S. and Australian/NZ Operators

When it comes to the issue of implementing additional health/safety strategies to protect members while the business open, a significantly larger percentage of fitness operators in the U.S. have implemented policies and practices to safeguard their members and users.

**EFFORTS TAKEN TO FOSTER A HEALTHIER AND SAFER ENVIRONMENT FOR MEMBERS WHILE OPEN
COMPARISON AUSTRALIA/NZ AND U.S.**

■ U.S. ■ Australia/NZ

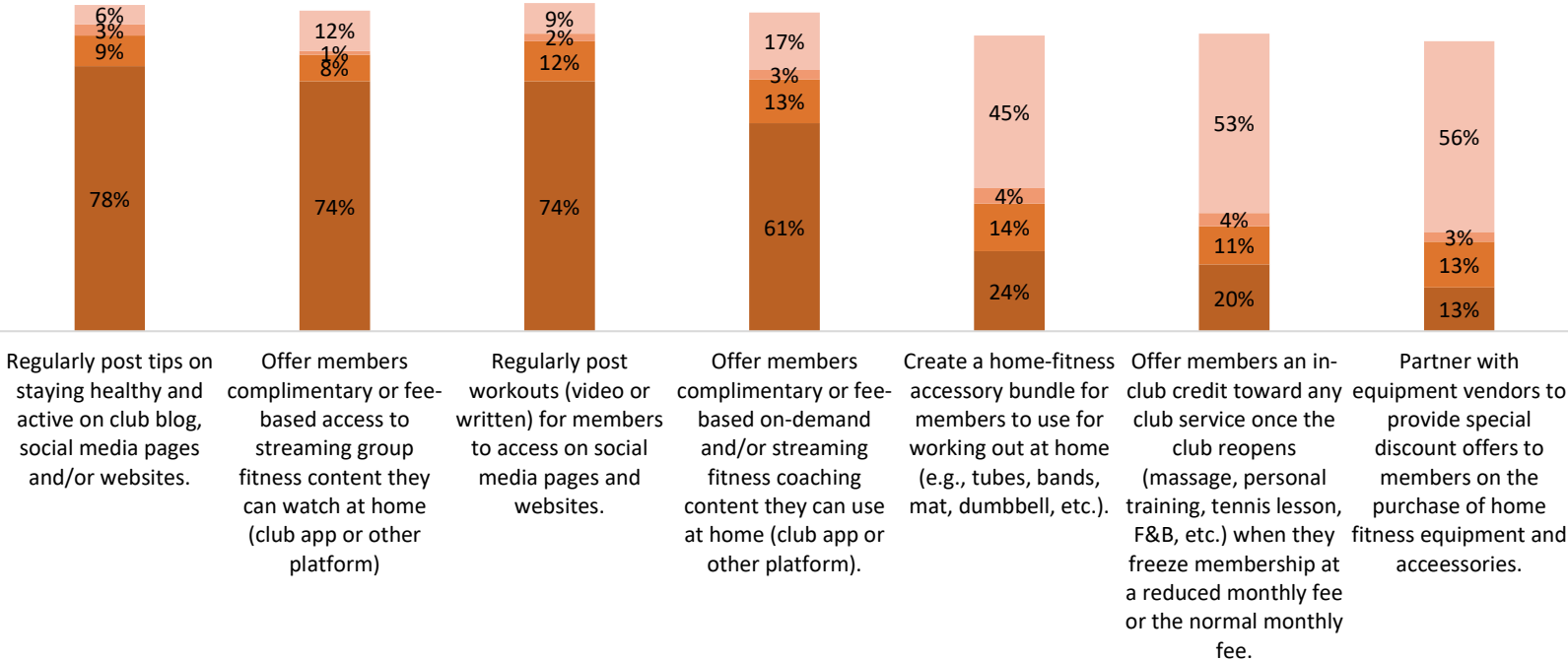


What Fitness Businesses are Doing to Engage and Support Members During Closure

Approximately 50% of facilities responding to this survey had closed their brick and mortar operations. This graph speaks to the steps being taken by those operators who are closed. A few key insights to extract from this graph include approximately 75% of closed facilities are offering members streaming and/or on-demand group fitness content through a virtual platform and/or offering tips on staying healthy through digital platforms, while approximately 60% are extending virtual fitness coaching content to members. When it comes to providing members with home-equipment bundles, only 20% of operators have considered this, and fewer than 5% have reached out to vendors to arrange special discounts on home equipment for their members. Some operators commented that they are renting facility equipment to members for home use. Lastly, very few operators are thinking about incorporating these practices beyond the immediate future.

Steps Implemented to Engage and Support Members During Closure
(Percent of Total Responses)

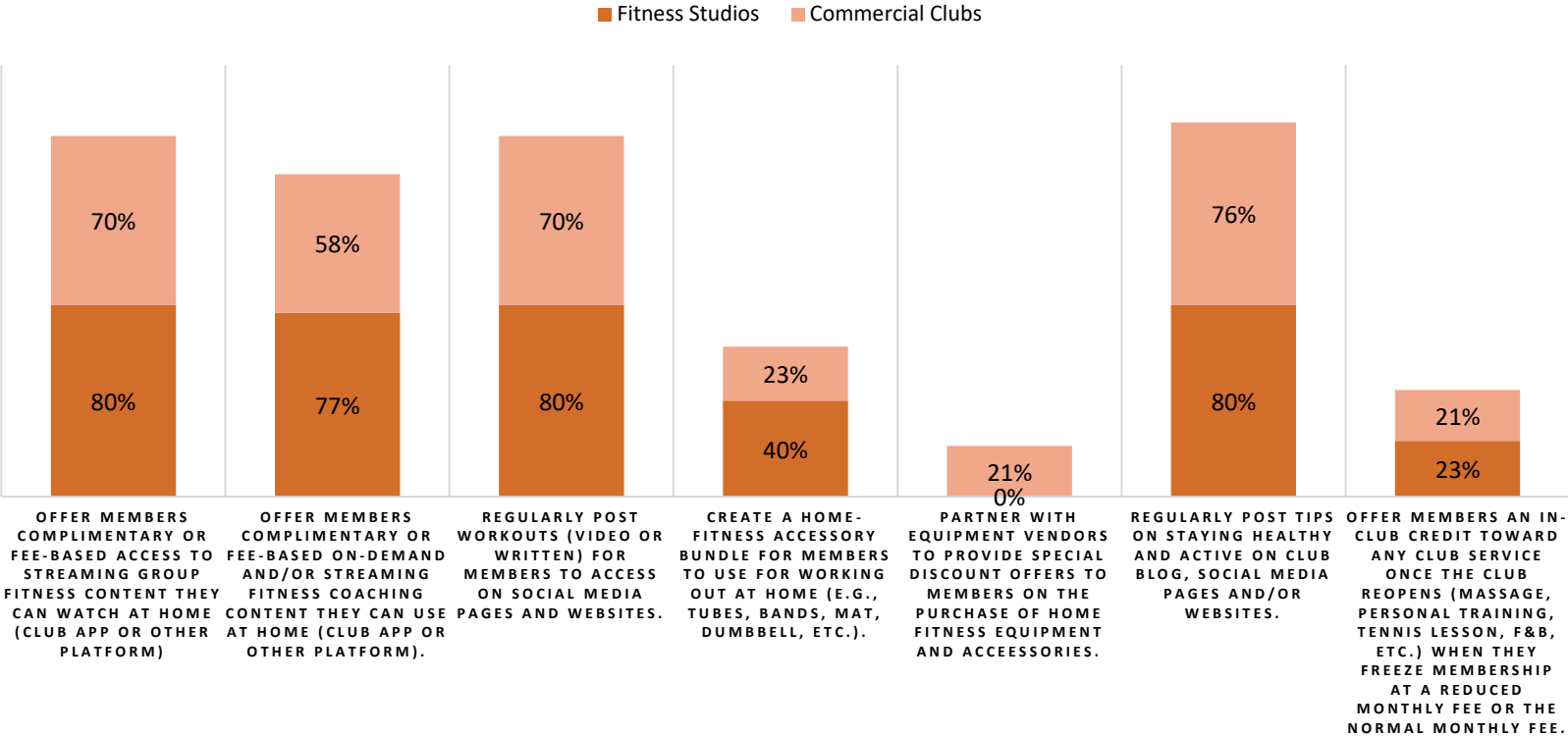
■ Already Taken
 ■ Plan to Implement over next 90 days
 ■ Plan to continue beyond 90 days
 ■ N/A



What Fitness Businesses are Doing to Engage and Support Members During Closure – A Comparison of Fitness Clubs and Fitness Studios

In respect to the actions fitness clubs and fitness studios are taking to engage their members and users during closure, fitness studios are significantly more likely than clubs to be offering on-demand or streaming fitness content (GX and Coaching) for their members. In addition, they are significantly more likely to have arranged for members to obtain equipment for use while they are at home. In reviewing operator comments to this set of questions we also discovered that fitness studios are offering virtual social hangouts and parties as a means of keeping their communities together.

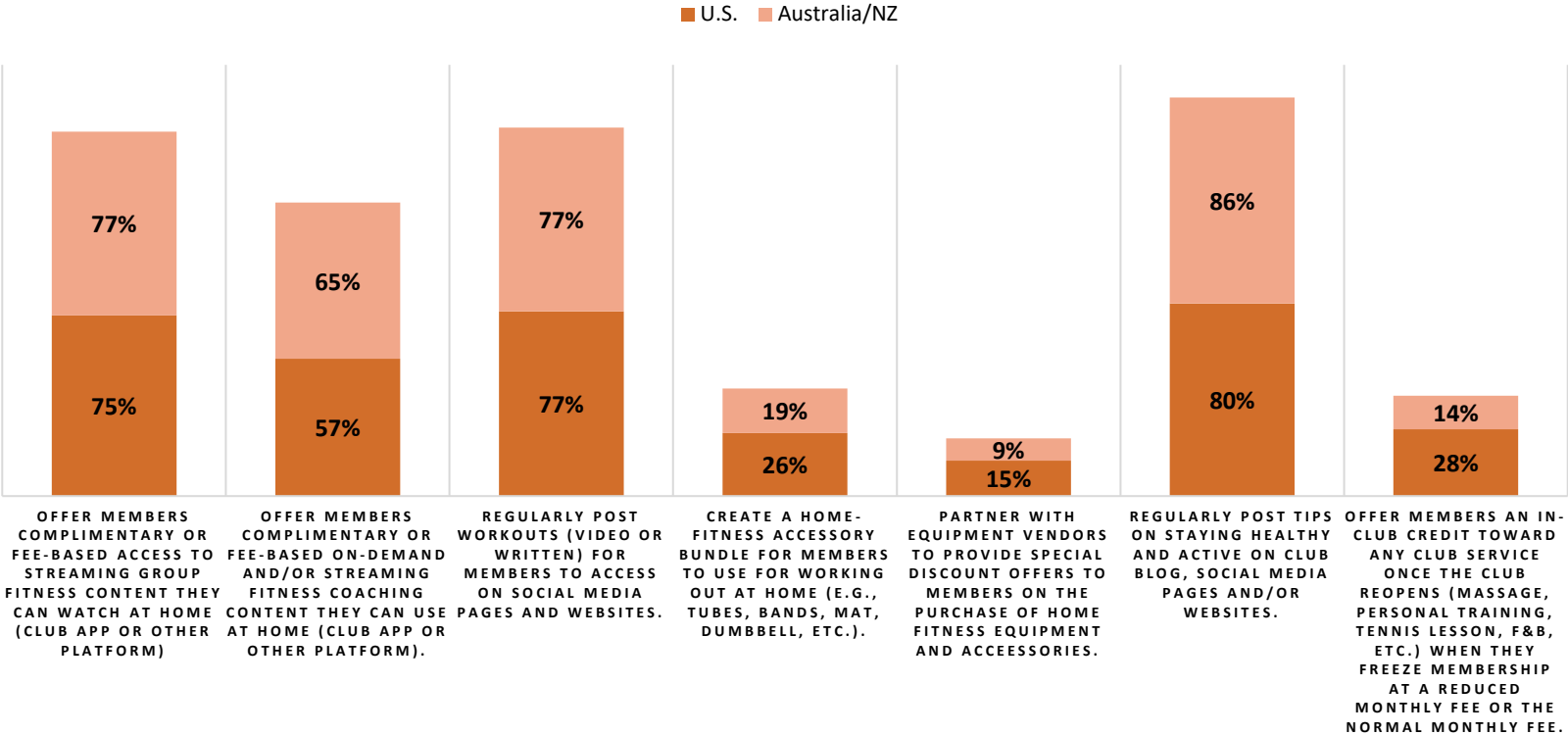
**STEPS IMPLEMENTED TO ENGAGE MEMBERS AND TO SUPPORT THEM IN THEIR PHYSICAL ACTIVITY EFFORTS
FITNESS STUDIOS COMPARED TO FITNESS CLUBS**



What Fitness Businesses are Doing to Engage and Support Members During Closure – Comparison of U.S. and Australian/New Zealand Operators

Fitness operators in both regions are implementing virtual engagement strategies at comparable levels (percentage of total businesses). A greater percentage of U.S. operators are providing members in-club credits and home fitness bundles, while a larger percentage of fitness operators in Australia/New Zealand are offering their members virtual instructional and coaching content.

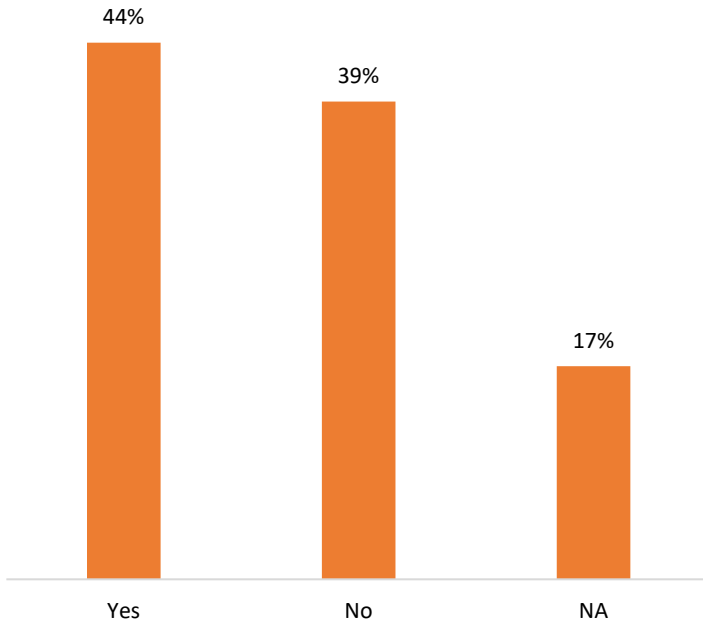
**STEPS IMPLEMENTED TO ENGAGE MEMBERS AND TO SUPPORT THEM IN THEIR PHYSICAL ACTIVITY EFFORTS
COMPARISON U.S. AND AUSTRALIA/NZ**



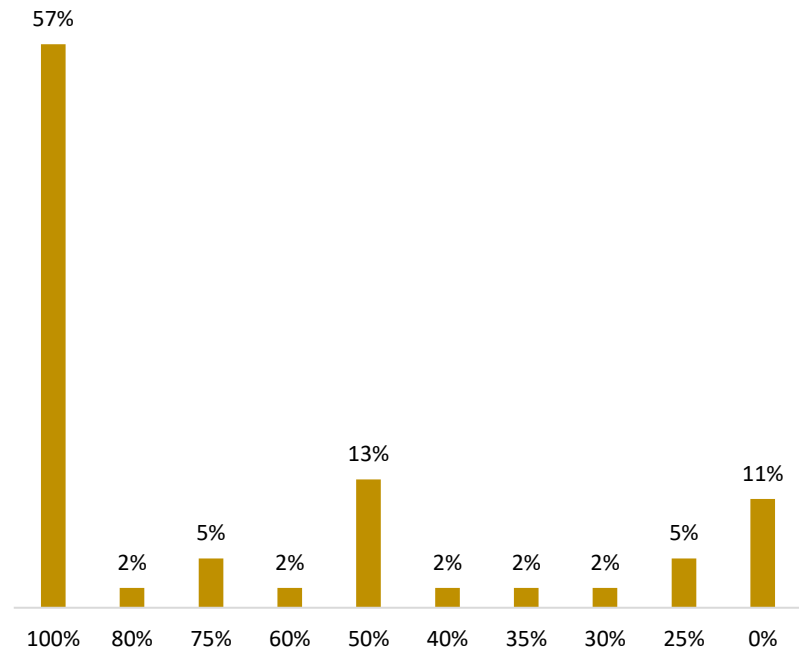
Membership Freezes – What are Fitness Facilities Doing?

Only 44% of operators reported offering members/users a membership or subscription freeze during the time their facility is closed. Among those facilities offering a membership freeze, 57% report freezing dues at 100% of current dues, while 22% are freezing dues at between 50% and 100% of current dues amount. Close to 40% of facilities aren't freezing dues, and even more surprising, when freezing dues 43% of operators are not extending the freeze to 100% of dues. When facilities reopen, this approach to handling dues during closure may generate less than favorable sentiment from existing members, giving cause for not returning to a facility once it reopens.

Percentage of Clubs Offering a Membership Freeze at a Reduced Rate While Facility is Temporarily Closed
(Percent of Total Responses)



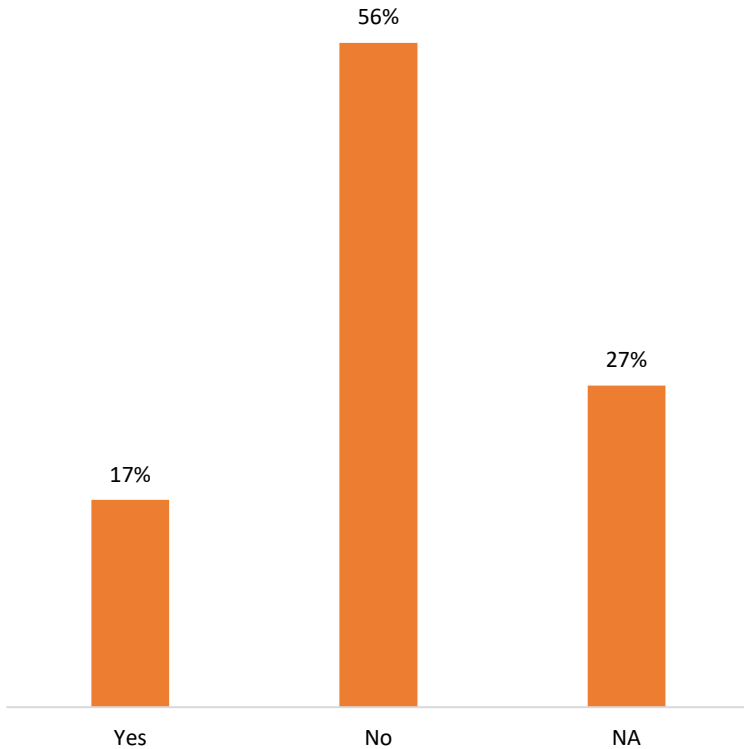
Among the 44% of Clubs that Offer a Membership Freeze
(Distribution by % Dues Reduction)



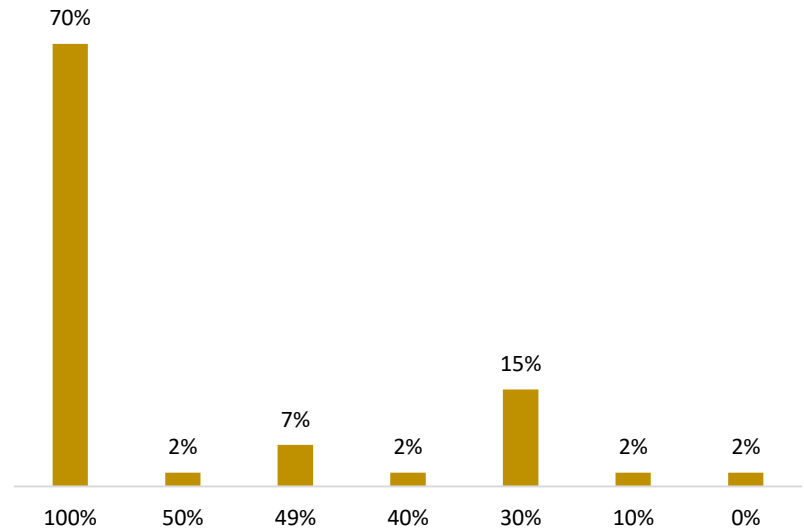
In-Club Credits – What are Fitness Facilities Doing?

Only 17% of operators indicated they would extend members an in-club credit toward facility services once their facility reopens. We suspect, as stated in a few comments offered to this question, that because many clubs put a freeze on membership fees, they didn't see a need to offer credits. Among the 17% who are extending members in-club credits, 70% indicated that credit would be equal to the value of the membership fee for the duration of the closure. We wonder if this resistance to offering in-club credit by many operators, even though dues are frozen, may have a detrimental impact on the number of members who chose to return once the facility opens?

Offer an In-club Credit Toward any Club Service Once the Club Reopens
(Percent of Total Responses)



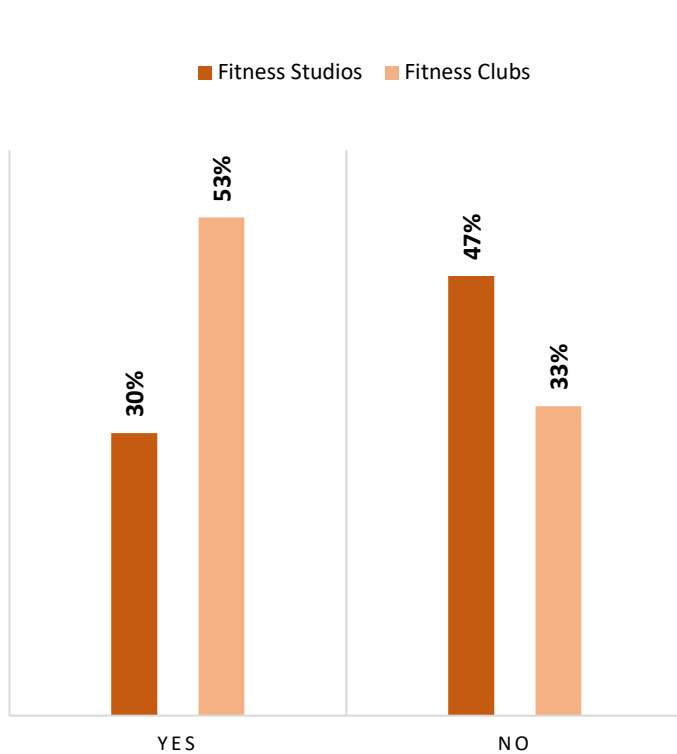
Value of In-club Credit as a Percentage of Facility's Membership Fee
(Among The 17% Who Responded Yes to Offering an In-Club Credit)



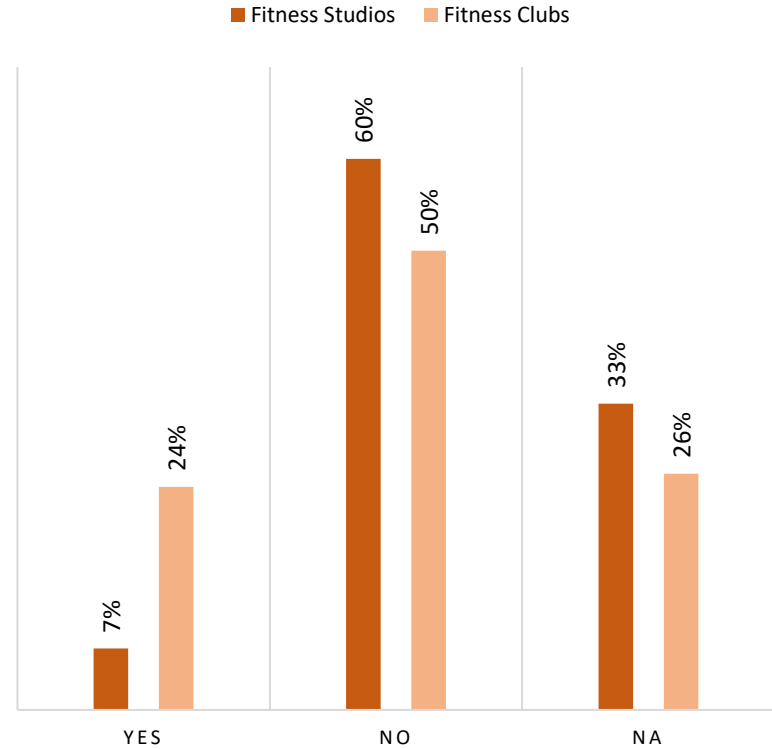
Membership Freezes and In-Store Credits – Comparison of Fitness Studios and Fitness Clubs?

When it comes to freezing membership dues or subscription fees, a significantly larger percentage of fitness clubs have done so than fitness studios. The same pattern is seen when it comes to offering in-facility credits to members and/or users. Fitness clubs appear considerably more inclined to extend members in-facility credits than fitness studios.

**OFFER MEMBERSHIP FREEZE AT REDUCED RATE
FITNESS STUDIOS COMPARED TO FITNESS CLUBS**



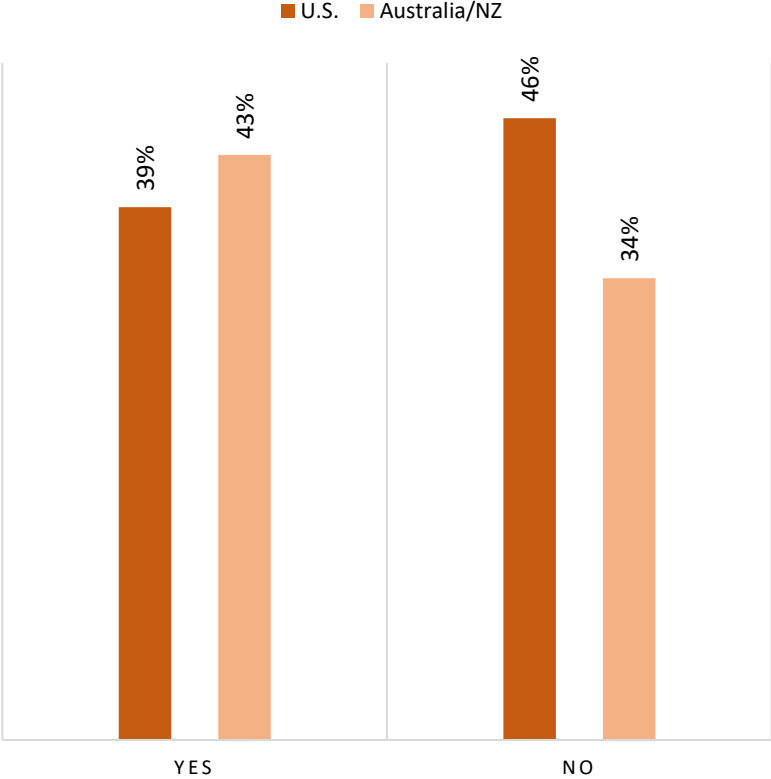
**OFFER AN IN-CLUB CREDIT TOWARD SERVICES
FITNESS STUDIOS COMPARED TO FITNESS CLUBS**



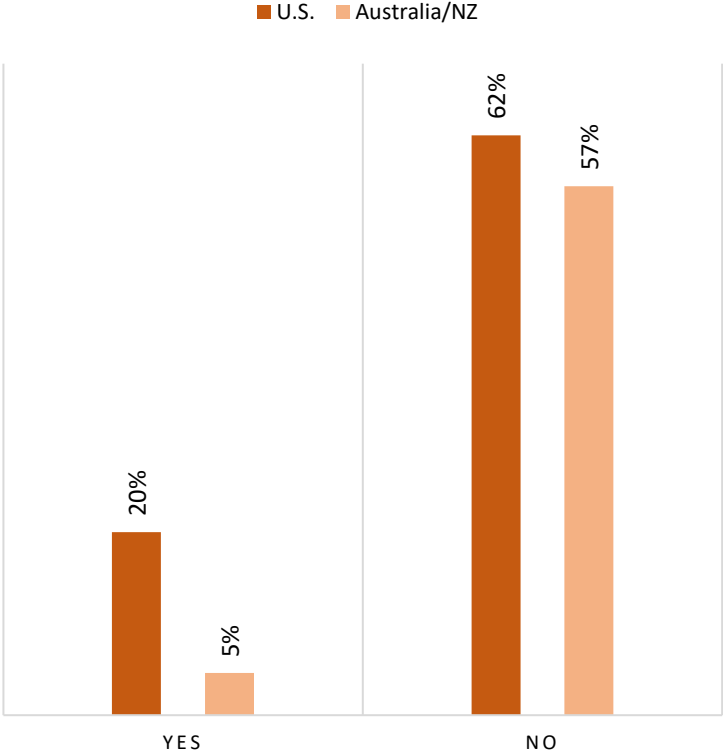
Membership Freezes and In-Store Credits – Comparison of U.S. and Australian/NZ Operators

When it comes to the practice of freezing membership dues during closure, a similar percentage of U.S. and Australian/New Zealand operators are doing so (39% to 43%), with a slightly larger percentage of operators Down Under extending membership freezes. When it comes to offering members in-club credits, U.S. operators are significantly more likely than their colleagues in Australia/New Zealand to do so.

**OFFER MEMBERSHIP FREEZE
U.S COMPARED TO AUSTRALIA/NZ**



**OFFER AN IN-CLUB CREDIT
COMPARISON US AND AUSTRALIA/NZ**

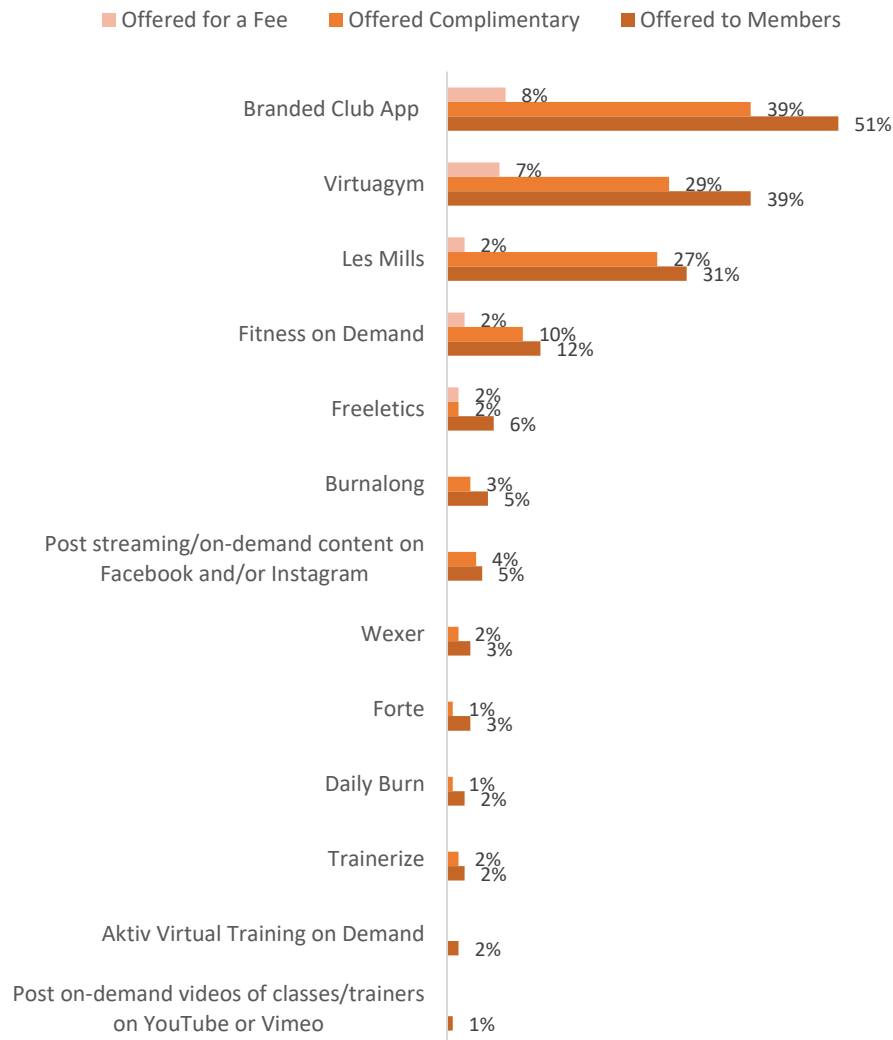


What On-Demand/Streaming Platforms are Operators Using to Serve Members During Closure Period?

The leading engagement strategy being implemented by facility operators while closed (74%) is offering on-demand and/or streaming group fitness content. A second key engagement strategy has been to introduce instructional/coaching content. This graph portrays data on the virtual providers fitness facilities are using to disseminate their virtual content and how many are offering that content complimentary or for a fee.

The leading platform for providing virtual content to members is a brand-based mobile app (51%). In this instance, the vast majority are providing this virtual content for a nominal fee. According to comments to this question the reason these services tend to be delivered for a small fee is to retain some revenue generation during closure. The two virtual platforms operators have leveraged the most are Les Mills at 31% (group fitness-driven platform) and Virtuagym at 39% (coaching and instructional oriented).

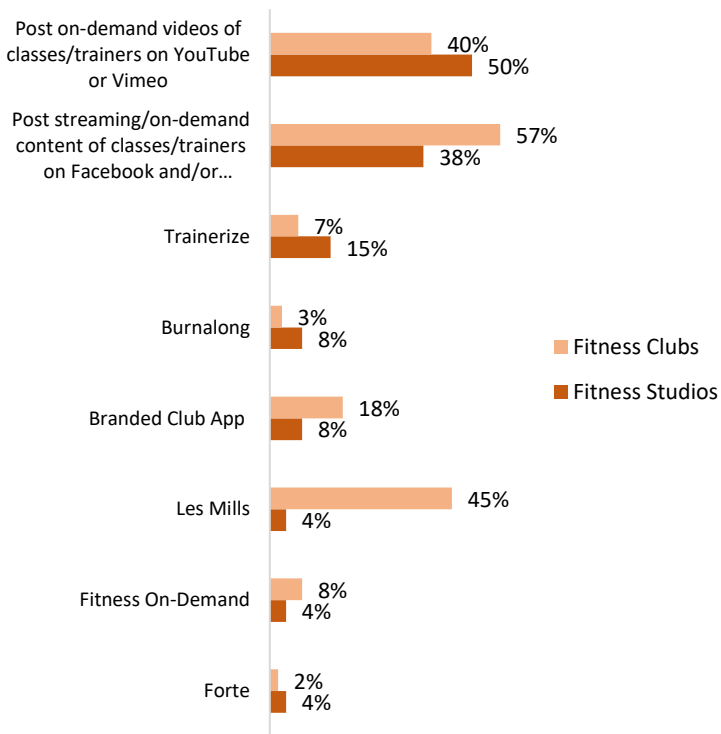
Offers Members Complimentary or Fee-based Access to Streaming/On-demand GX Content or Personal Coaching Content (Percent of Total Responses; Multiple Response Question)



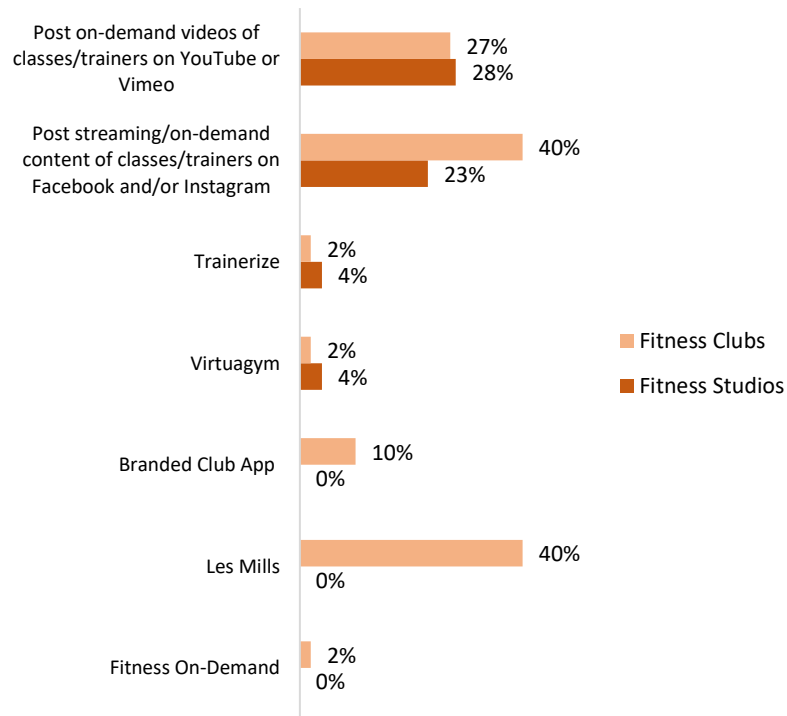
What On-Demand/Streaming Platforms are Operators Using – Comparison of Fitness Studios and Fitness Clubs

Some preferences appear when you compare the providers and/or platforms that fitness clubs and fitness studios use to provide on-demand and streaming fitness content to members. In respect to virtual fitness content, clubs are most likely to post content on Facebook and Instagram, whereas fitness studios prefer YouTube and Vimeo. Fitness Clubs are heavy users of Les Mills content, while fitness studios barely access Les Mills content. Clubs are much more likely to be leveraging a brand-based app for content delivery, while fitness studios are more likely to be using Trainerize and Forte to provide content. Finally, whether a virtual product is offered complimentary by a club or studio depends on the product itself. Clubs are more likely to offer Les Mills or club-branded apps complimentary, while studios are more likely to offer apps such as Trainerize and Virtuagym complimentary.

**Percentage that Offer Members and Users On-Demand or Streaming Fitness Content
Fitness Studios Compared to Fitness Clubs**



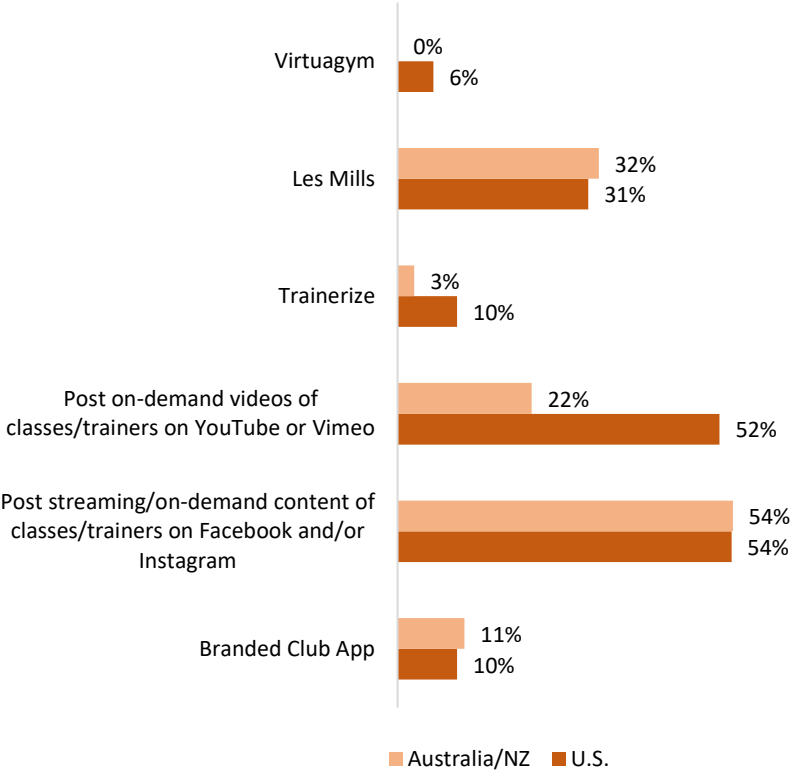
**Percentage that Offer Members and Users on Demand or Streaming Fitness Content Complimentary
(no additional fee)**



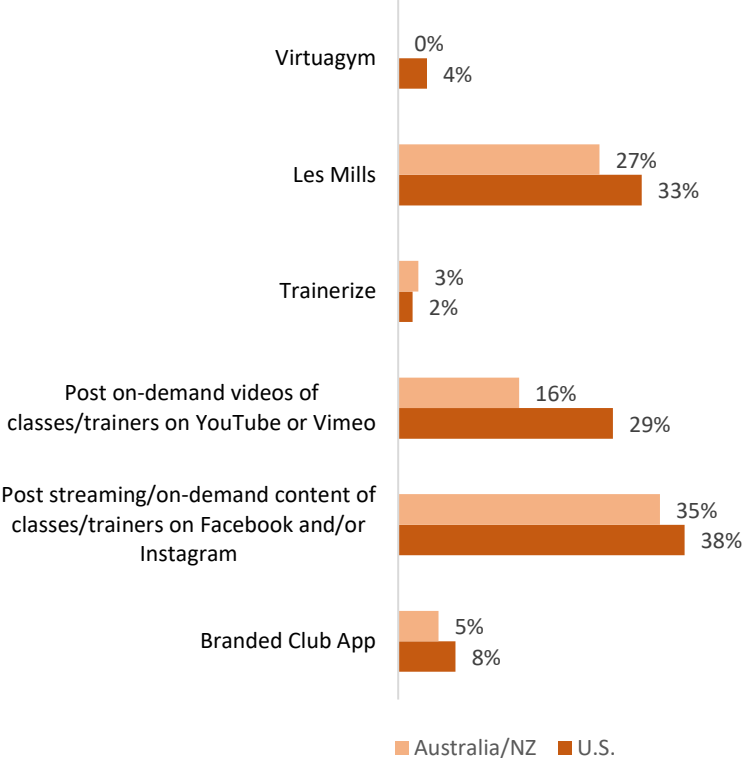
What On-Demand/Streaming Platforms are Operators Using - A Comparison of U.S. and Australian/NZ Fitness Operators


Fitness operators from both regions are equally likely to deliver virtual content to members using the same digital platforms. The one glaring exception is in respect to the use of video sites such as Vimeo and You Tube where U.S. operators are significantly more likely to use than their counterparts in Australia and New Zealand. In respect to offering these virtual services complimentary, the percentage of operators taking this route are similar in both regions.

Percentage of Fitness Operators Provide On-Demand/Streaming Fitness Content for Members



Percentage of Fitness Operators that Provide On-Demand/Streaming Fitness Content to Members Complimentary (no fee)





Chapter Three

How Health/Fitness Facilities are Addressing Employees

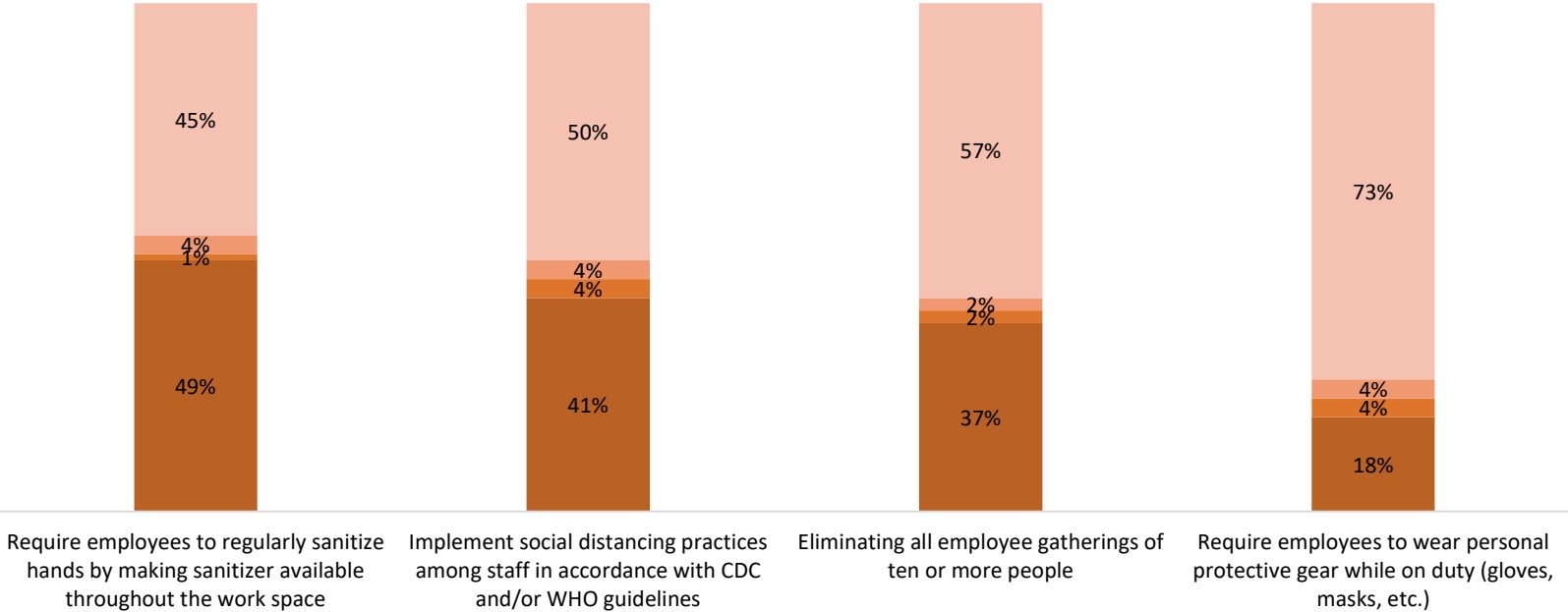
*“Alone, we can do so little;
together, we can do so much.”
Hellen Keller*

What Clubs that Remain Open are Doing to Foster a Safer Environment for Employees

Among the nearly 50% of fitness facilities open at the time of this survey, 49% report they are asking employees to more frequently sanitize their hands during the work shift. Another 41% are enforcing social distancing practices for staff based on WHO and CDC guidelines. Only 18% are requiring employees to wear personal protection equipment during their shift, a practice we feel is a necessary practice for properly addressing staff safety. A key observation from this graph, one we've seen in respondent comments, is the limited number of operators who are considering these practices as part of their normal routine beyond the next 90 days.

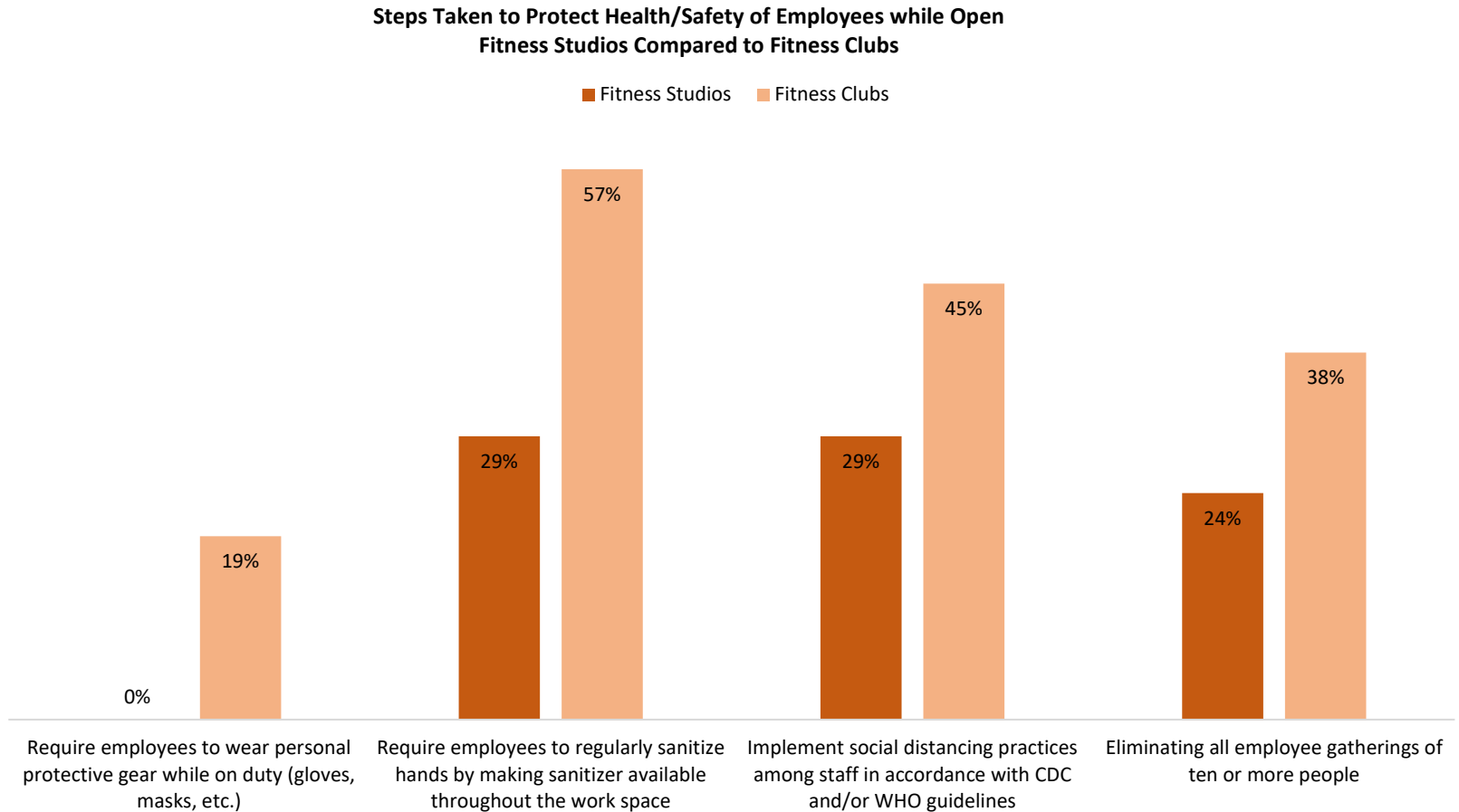
Steps Taken to Protect the Health/Safety of Employees while Club Is Open
(Percent of Total Responses)

■ Already Taken
 ■ Plan to Implement over next 90 days
 ■ Plan to continue beyond 90 days
 ■ N/A



What Studios and Clubs that Remain Open are Doing to Foster a Safer Environment for Employees

When it comes to providing employees with the appropriate protection from COVID-19, fitness clubs are significantly more likely to extend resources such as PPE, required hand sanitizing, implementing social distancing practices and eliminating gatherings of 10 or more employees.

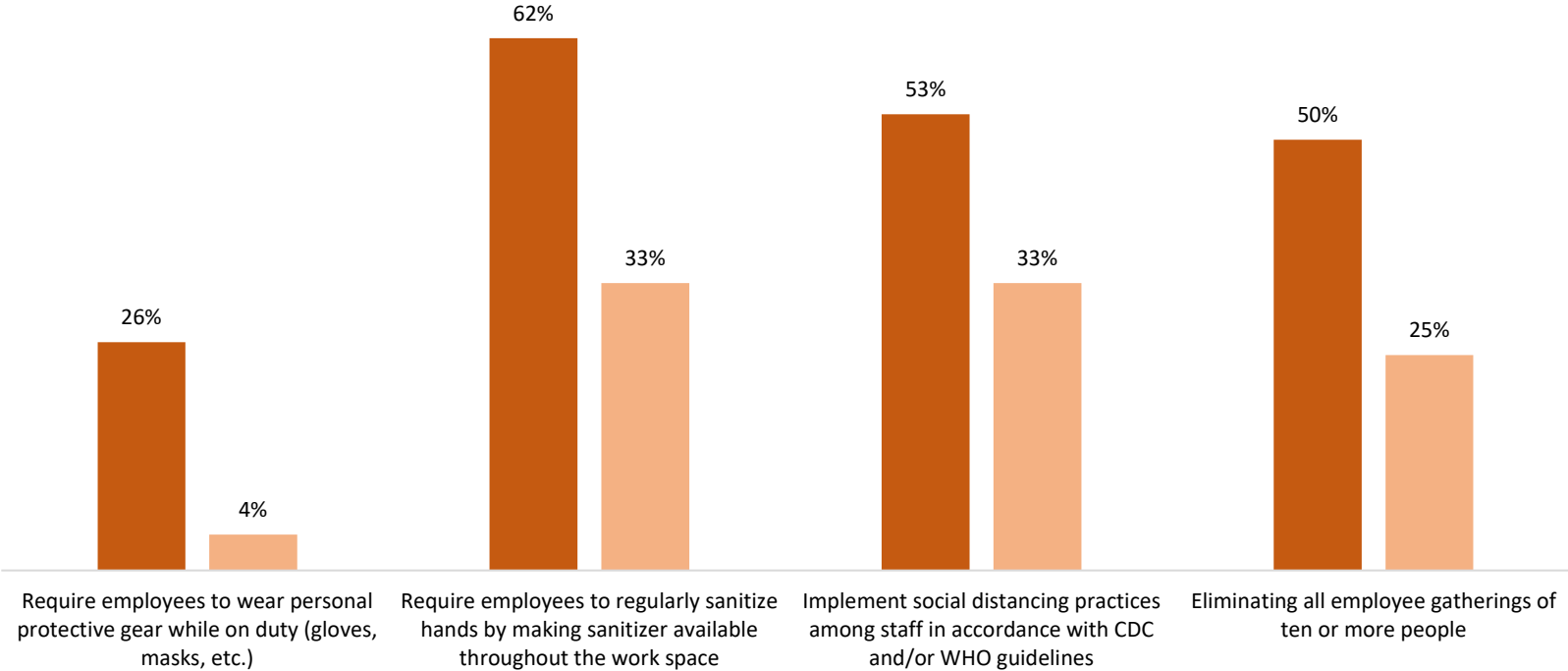


What Clubs that Remain Open are Doing to Foster a Safer Environment for Employees – Comparison of U.S. and Australian/New Zealand Operators

Across the board, whether it involves employees wearing PPE, regularly sanitizing hands or implementing social distancing practices, a significantly larger percentage of U.S. operators are taking these steps compared to their counterparts in Australia and New Zealand.

Steps Taken to Protect Health/Safety of Employees while Club is Open
U.S. Compared to Australia

■ U.S. ■ Australia/NZ

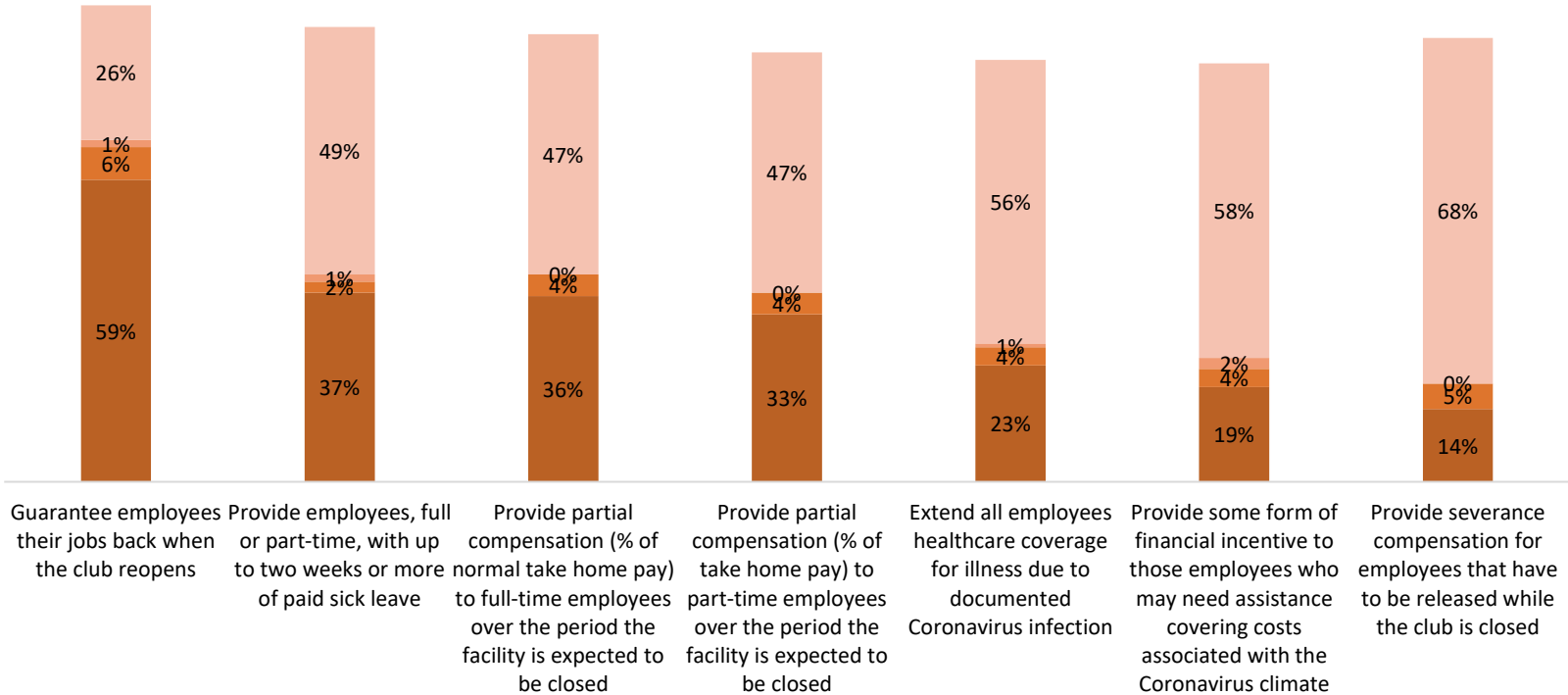


What Steps Facilities are Taking to Support Employees Economically During Closure

The leading strategy fitness operators are taking to support employees economically is the guarantee of employment once their facility re-opens. Only 37% are offering staff paid sick leave, while 33% to 36% respectively are providing partial compensation to full-time and/or part-time employees during closure. In respect to other economic benefits for employees, a minority of operators are extending benefits such as extended healthcare coverage, financial incentives to cover basic employee needs or severance compensation for those terminated. Considering most fitness operators are small business owners the data gels with the economic reality of nearly all small business owners. Those operators who are offering extended healthcare coverage, financial incentives and/or partial compensation are most likely to be the operators to experience the greatest success upon reopening.

Steps taken to Protect Employees Economically during Club is Closure.
(Percent of Total Responses)

■ Already Taken ■ Plan to Implement over next 90 days ■ Plan to continue beyond 90 days ■ N/A

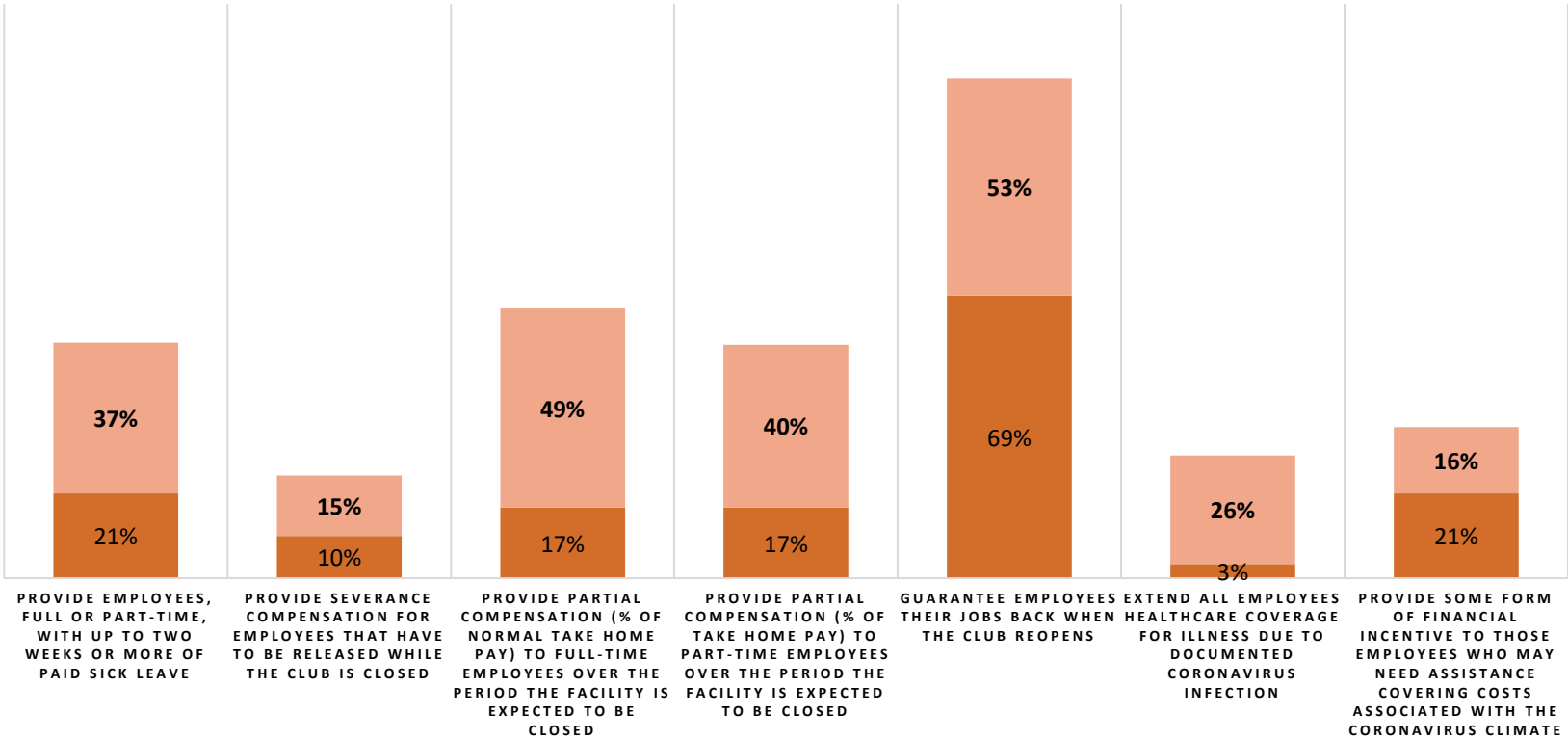


What Steps Facilities are Taking to Support Employees Economically During Closure – A Comparison of Fitness Studios vs Clubs

When it comes to supporting employees' economic circumstances during closure, a significantly higher percentage of fitness clubs than fitness studios are offering paid sick-leave, partial compensation, financial incentives or extended health care benefits. The only area in which fitness studios have taken a stronger stance is in protecting employees' jobs when the facility is ready to open.

STEPS TAKEN TO PROTECT EMPLOYEES ECONOMICALLY DURING CLOSURE

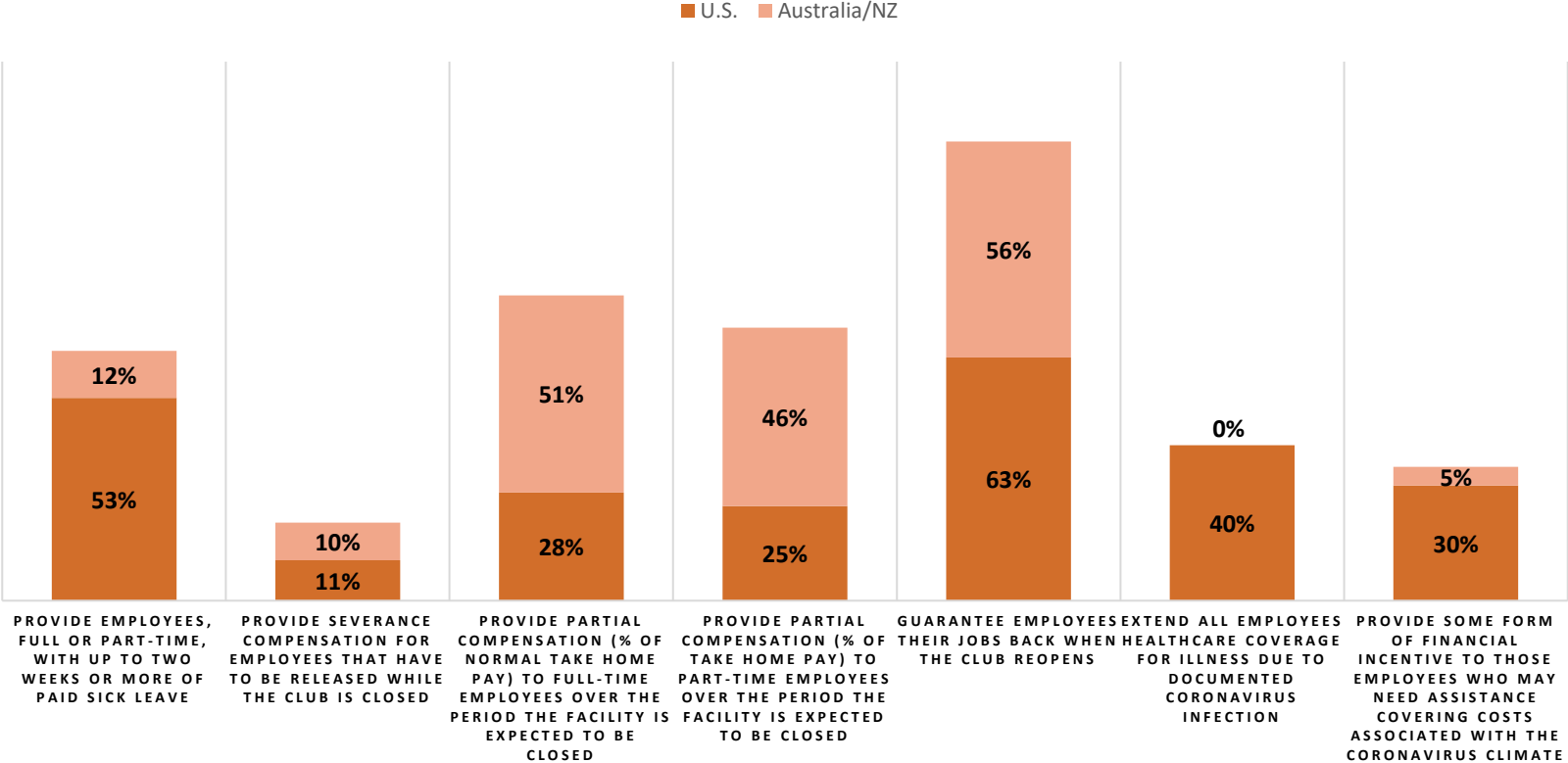
■ Fitness Studios ■ Fitness Clubs




What Steps Facilities are Taking to Support Employees Economically During Closure – A Comparison of U.S. and Australian Fitness Operators?

When it comes to supporting employees' economic circumstances during closure, a considerably higher percentage of U.S. operators than operators in Australia and New Zealand are offering staff paid sick-leave, partial compensation, financial incentives or extended health care benefits. The only area in which operators from the two regions have comparable numbers in with respect to protecting employees' jobs when the facility is ready to open.

**STEPS TAKEN TO PROTECT EMPLOYEES ECONOMICALLY DURING CLOSURE
COMPARISON U.S. AND AUSTRALIA/NEW ZEALAND**





Chapter Four
How
Health/Fitness
Facilities are
Addressing
Community

“The only way to make sense of change is to plunge into it, move with it and join the dance.”
Alan Watts

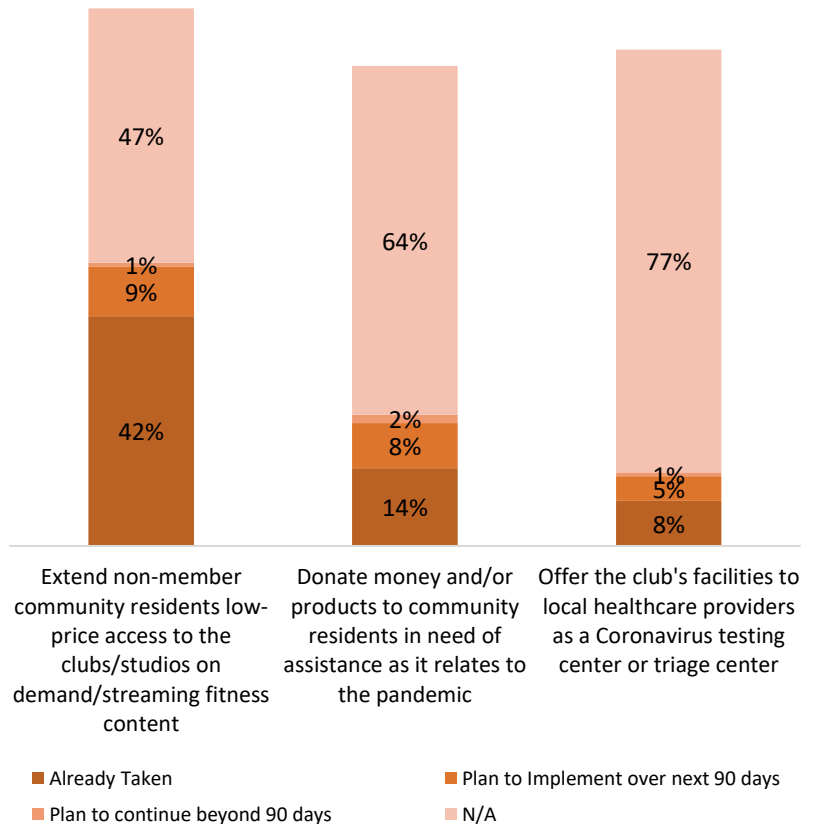
What Steps are Being Taken by Fitness Facilities to Address the Needs of the Community?

It is evident from the responses that most fitness operators are not focused on serving the community during this crisis, other than reaching out to their communities to offer access to virtual fitness content. This strategy is obviously intended to stem the loss of revenues by expanding the base of online subscribers. Very few operators indicate they are reaching out to support the community by donating time/money to charitable organizations addressing the public need for assistance during then pandemic (14%), and even fewer are offering their facilities to healthcare providers to use for testing or triage (8%). Few if any operators indicate they are considering community centric actions beyond 90 days.

Several respondents indicated they were making their facilities available to charities for food bank pick-up and child-sitting services. Others indicated that if needed they will open their facilities to healthcare providers. In some of the case studies we've obtained, operators were making a concerted effort to contribute to their community during this crisis through a variety of strategies.

Operators who are extending a helping hand to their communities are likely to garner support and loyalty from their communities once businesses reopen. We believe this will be an essential boost for a return to normal membership levels upon reopening.

Actions Taken or Plan to Take to Address the Needs of the Local Community
(Percent of Total Responses)

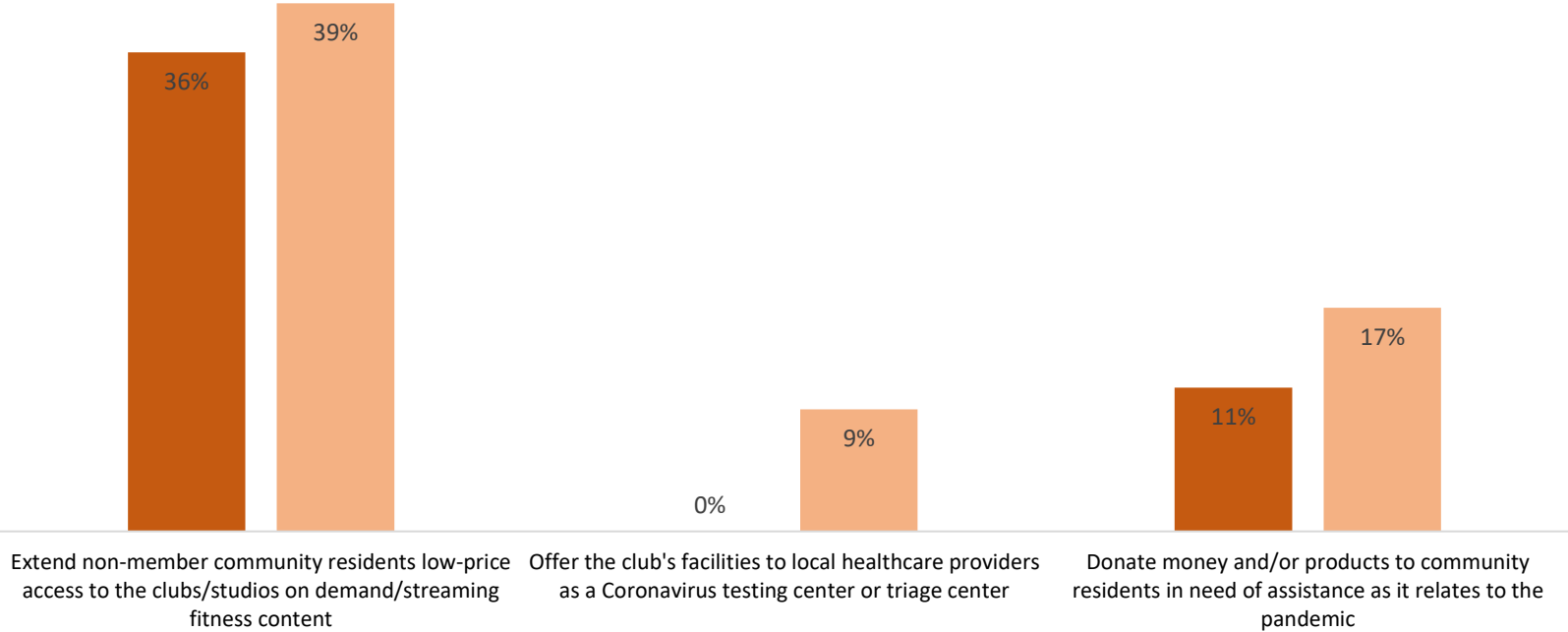


What Steps are Being Taken by Fitness Studios and Clubs to Address the Needs of the Community?

When it comes to connecting with the local community, fitness clubs and fitness studios are equally likely to extend residents access to their on-demand/streaming fitness content. In respect to donating money or products or extending access to the facility, a larger percentage of fitness clubs than fitness studios have embraced this strategy.

Steps Taken to Address the Needs of the Community
Fitness Studios Compared to Fitness Clubs

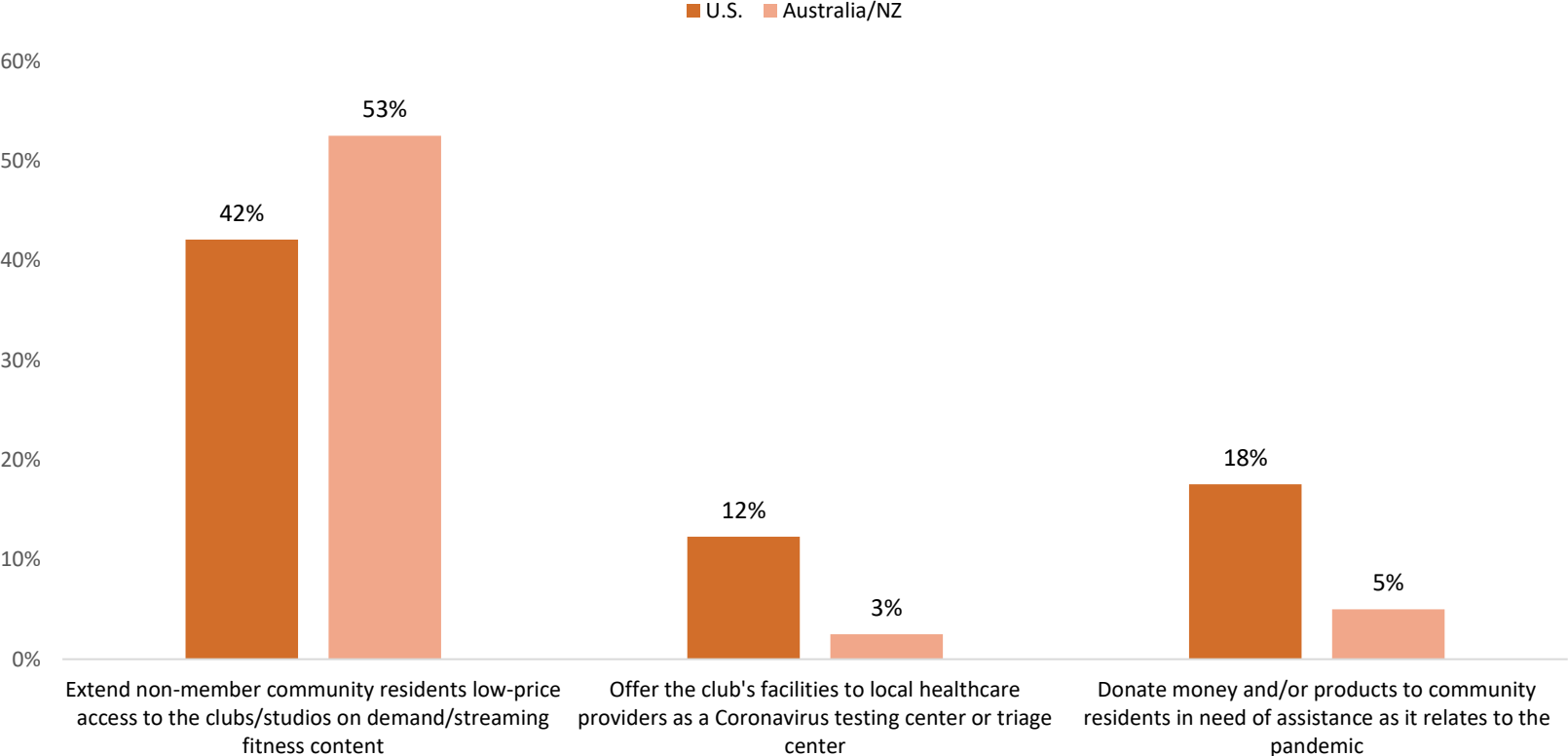
■ Fitness Studios ■ Fitness Clubs



What Steps are Being Taken to Address the Needs of the Community – Comparison of U.S. and Australian/NZ Operators

When it comes to connecting with the local community, a considerably greater percentage of fitness operators in the U.S. are donating money and/or facilities to the community than fitness operators in Australia and New Zealand. When it comes to making virtual fitness content available to local communities, a larger percentage of operators in Australia and New Zealand are taking this step than operators in the U.S.

**Actions Taken to Address Needs of the Local Community
Comparison of U.S. and Australia**





Chapter Five
Stories of
Improvisation and
Innovation

*"Be the change you want to see in
the world."*

Mahatma Gandhi



Apex Centre

www.mckinneytexas.org/1315/Apex-Centre

Recreation Center,
McKinney, Texas

The Apex Centre is a recreation center of 80,000 square-feet serving the city of McKinney, Texas. Since opening its doors in March 2017, the Apex has served on average 5,400 memberships (approximately 20,000 members). Like other health/fitness clubs and gyms in Texas, Apex has temporarily closed its doors to members. Since closing, management has introduced the following strategies to address the needs of employees, members and the business.

- Upon closing Apex froze all memberships for free. For members on annual contracts, the center is extending them a complimentary membership extension equal to the period the facility is closed. Once the facility opens, monthly billing will resume and members who are owed time will have it added to their membership. Finally, Apex refunded dues for those who requested it.
- All full-time and part-time employees were given two weeks of COVID-19 pay. In addition, personal trainers were contacted and told that once the facility is reopened, they will be brought back. Most full-time staff are working restricted hours or using accrued time off. Finally, key members of management (building operations, finance supervisor and manager) are working restricted hours.
- The facility launched virtual group exercises classes the week of April 6, 2020.
- The facility is participating along with other community recreation centers in a virtual 5K run with more virtual events to be scheduled while the facility is closed to members.

Companhia Athletica

<https://ciaathletica.com.br/>
Premium Club Chain,
Sao Paulo, Brazil



Companhia Athletica (CIA) operates 17 premium multipurpose clubs in 13 markets throughout Brazil. The company opened its first club in the mid-1980s. CIA is one of the four largest club operations in Brazil, not to mention one of the most well-recognized and respected health/fitness club brands in Latin America.

On March 20th, clubs were temporarily closed until April 30th. The closing has had a considerable impact on the business. First, has been the loss of revenues due to the loss of new sales and a freeze on all monthly billings. Second, because of Brazil's labor laws, terminating employees is extremely costly and time-consuming (similar too many European and other Latin American nations). As a result, temporarily furloughing employees is not an option without costs. During the first week of April the Federal Government offered to provide partial compensation for employees (70% to 100%) over the next 60 days. Finally, existing leases and contracts remain as they did prior to the temporary shutdown.

CIA's mission statement is "People taking care of people". Consequently, during this shutdown, the company is putting all its efforts into preserving employees' jobs while at the same time, keeping the member community safe, healthy and fit. In response to these challenges, CIA has taken the following steps:

- They have extended each of their employees a 30-day vacation. If clubs are closed for an additional 30 to 60 day's the hope is Government support will cover payroll beyond the initial 30 days.
- Currently the company is offering 27 on-demand virtual classes covering functional training, Pilates and yoga. Recently, they added 25 live streaming classes with formats such as body sculpting and rhythms. Some of these classes are being used for lead generation through social media and conversion platforms.
- Membership plans ranging from 6 to 12 months have not been financially interrupted. The company will credit all members on these plans proportional to the period clubs are closed. So far, club members and partners are supporting our actions and the feedback has been great.
- Once clubs reopen, the company plans to provide staff and members with personal protection features (masks, alcohol 70%, and so on).

Iconic Health Clubs

<https://iconichealthclubs.ie/icon/>

Premium Health Clubs Dublin, Ireland

Iconic Health Clubs operate three premium clubs (1escape Health club, Iconic Health Club and The Dartry Health Club) in Dublin, Ireland that collectively serve 8,000 members. The company's clubs are grounded in the principles of constant improvement, commitment to community, team, and crafting long-lasting relationships with members. Members can acquire a membership to one club (2.6 Euro a day the equivalent of 78 Euro a month) or to all three clubs (3.20 Euro a day the equivalent of 96 Euro a month). The clubs have all earned Ireland Active's National Quality Standard Award.

On March 24, 2020, the Irish government advised all non-essential retail businesses, including health clubs and gyms to temporarily close. As of this writing the clubs have been closed for three weeks with no clear direction on when government will allow them to reopen. Upon learning they had to temporarily close, the company sent a letter to each member advising them of the closure and freezing of all subscription fees (dues).

Upon hearing the news, many members reached out and asked if they could support the business and staff by continuing to pay their subscription. After careful consideration, management asked members who wanted to support the clubs to donate all or part of their normal monthly fee to Pieta House, a national suicide support charity. The letter management sent to members in response to requests of support started as follows. *"If you are in a position whereby you can donate a quarter/half or your full April membership fee then we would be grateful if you could click the link below to help this amazing organization..."*

In responding to his firm's response, the founder, Barry J. Walsh said, *"We decided we will survive but many individuals may not and how could we help. We've had a great response and firmly believe that the reputation of both individuals and companies will live long in the memory of their members' community on how they reacted during the crisis."*

As of April 10, 2020 members had donated 3,600 Euros which will fund a complete program of counseling for nearly four people.

Jubilee Hall Trust, UK

<https://www.jubileehalltrust.org/>

Non-profit Organization that Operates Four Fitness & Sports Centers Across London



Jubilee Hall Trust is a non-profit charity that operates four fitness and sports centers across London. The Trust was founded in 1978. The mission of the charitable trust since its inception has been to build strong healthy communities by promoting fitness and well-being within the communities it serves. One out of four members receives discounted or free access to the facilities and on Sunday's access is free to all members of the community.

On March 20, 2020, the U.K. government advised all non-essential retail businesses, including health clubs and gyms to temporarily close. As of this writing the fitness centers have been closed approximately three weeks.

Since the closure, 375 members asked that their subscription fees continue to be used towards the charity's ongoing costs. Concurrently, independent personal trainers who pay a monthly fee to the Trust have refused to accept a refund on the fees they've already paid. Additionally, the staff at the fitness and sport centers have offered to take a voluntary pay cut.

One member, who had not visited in a long time, but wanted to continue supporting the Trust wrote the the following, *"As none of us knows when our lives are going from one minute to the next, the least I can do for you is to start my payments again even if I may not return."*



John's Island Club

www.johnsislandclub.org

Private Member-Owned Club, Vero Beach, Florida

John's Island Club, established in 1969, is a private member-owned club located in Vero Beach, Florida. The club's facilities and amenities include three 18-hole golf courses, 17 outdoor clay tennis courts, six lighted pickleball courts, singles and doubles squash courts, state-of-the-art fitness center with spa, two croquet lawns and both formal and casual dining facilities. The club presently serves approximately 2,500 members.

The club's facilities, including the fitness center are temporarily closed to members and guests until such restrictions are lifted. Presently, members' annual dues have not been impacted, meaning members are still paying monthly dues. The club, and more specifically the fitness center, have taken the several actions to engage members, support employees and sustain the business. These actions include:

- Staff, fitness included, are presently furloughed and receiving partial wages during the temporary closure.
- Members who wish to continue personal training can retain trainers as independent 1099 contractors (not through the club) to visit their homes and conduct personal training sessions.
- The fitness team is posting filmed exercise videos on the club's protected member website. The videos are generally 30 minutes in length and touch a variety of training protocols, including barre, yoga, stretching, body weight exercise, Zumba, core training and more. The classes are taught by staff members.
- The fitness team is in the process of launching and promoting customized home exercise programs (written) which staff will design then implement via phone consultation.
- The fitness team is posting general written workouts on the club's website under its member portal. The workouts are listed under various category headers for those who prefer having a printed workout with accompanying photos.
- The fitness team is posting pre-recorded educational webinars on various lifestyle topics on the club's website and social media pages.
- The club is providing prepared take-out from its menu or fresh food take-out for members who wish to prepare their own meals.



Peak Zone Fitness

<https://peakzonefitness.com/>

Personal and Small Group Training Studio, Lake Highlands, TX

Peak Zone Fitness operates a freestanding personal and small group training studio located in Lake Highlands, TX. On average, Peak Zone serves 350 members. The studio uses a holistic approach with members that includes an initial consultation, metabolic testing, guided fitness coaching and instruction, and nutritional counseling. Over the years Peak Zone has earned recognition as one of the Dallas areas best personal training studios, including the *Best Trainers Award* by Best Business and *Best Place to Workout in Lake Highlands*.

Like other gyms in the Dallas area, Peak Zone temporarily closed its brick and mortar business in March 2020 as part of the City's response to the COVID-19 pandemic. As a result of no longer being able to engage clients in its brick and mortar space, ownership has taken several steps to continue engaging members and generate incremental revenue for the business. Among the steps the owner has taken are:

- All memberships were immediately transferred into a remote hybrid membership using a combination of home-based and virtual workouts seven days per week.
- Creating and expanding a new Facebook group exclusive to the studio's community of members.
- Posting workout videos on the studio's Facebook group page and YouTube site.
- Enrolled all members in a 56 Day Hybrid Challenge program called "Operation COVID-19 Butt Kicking" which includes a membership portal featuring daily "unlocks" like workouts, mental training tools, accountability support, recipe book, nutrition plans, and nutrition handbook. The eventual winner of the challenge will receive a prize.
- Offering members one-on-one coaching calls via Zoom or telephone. Members are encouraged to schedule their sessions on a weekly basis.
- Implemented a new performance tracking program that allows coaches to monitor each member's efforts via heart rate recordings using the studio's branded heart rate monitor and progress photos.
- Extended members the opportunity to rent fitness equipment and accessories to use at home while the studio is closed.
- Created a 21 Day Remote Challenge to attract prospects that is being sold through ClickFunnels and Zoom calls. The goal is to introduce people to the studio in the hope they will assume a full membership once the studio reopens.



Serious Results

<https://serious-results.com/>

Personal Training
Studio, Flower
Mond, Texas

Serious Results is an established personal training studio based in Flower Mound, Texas. The studio is operated by husband and wife team, Adam and Debra Hammett. In 2018, and again in 2019, the studio was honored as Best of Denton County. Over the first two months of 2020 the studio was tracking to achieve its best results ever. In March, local fitness businesses had to temporarily close as part of a county-wide effort to stem the propagation of COVID-19. Since the studio shuttered its doors, revenues have dropped to 10% of January's and February's numbers. As a result of no longer being able to engage clients in its brick and mortar space the owners have taken several steps to continue engaging clients and generate incremental revenue for the business. Among the steps they have taken are:

- Loaning clients' equipment they can use to train at home. Clients can borrow equipment for a month or more. The owners didn't feel comfortable charging clients a specific amount and instead suggested voluntary donations. Sixty-six percent of clients who accepted the loaner equipment chose to give a donation. While not a large sum, the owners indicated the donations have helped.
- Offering online meetups on Google Hangouts. The goal of this action is to keep the community connected. To-date each "hangout" has attracted a handful of clients. The meetups follow a very loose agenda: *"We talk about our needs and then go where the conversation takes us."* The owner's always have conversation topics on hand in case it's needed, but they've found it's rarely needed. The owners have held two online happy hours, the first happy hour had 15 participants and the second one 12 participants. As a result of the happy hour's success ownership plans to offer them on a weekly basis.
- Facilitating a contest on their Facebook page called "corona points". Clients earn points by doing a few things: posting photos of on-plan meals, posting videos of their workouts, sharing the details of their workouts, showing their fitness tracker reports, and participating in the "hangouts". The program initially ran through the month of March. Ownership stated that participation has been great with approximately 20 different people earning points during the first month's event.
- Offering video coaching and training. Clients can schedule time to meet with the owners online to receive coaching. They offer video check-ins which are one-on-one and focus on the client's progress. The coaching is very personal, and client driven.
- Client monthly payments are currently frozen. There are a few exceptions where clients are continuing to pay because of their past experiences.



Chapter Six

Lessons for Today

“Learn from yesterday, live for today, hope for tomorrow. The important thing is not to stop questioning.”

Albert Einstein

Lessons for Today

Introduction

To paraphrase Albert Einstein's quote appearing on the cover to this section, we must learn from yesterday in order to live for today. In this section we offer five insights into what we see as the illuminating improvisations and innovations that fitness operators around the globe are executing to sustain their businesses, engage their members and support their employees. But, before we bring forward these five insights, we thought it would be a good idea to share a general framework for addressing members concerns and needs during this time of crisis. This framework is taken from an article appearing in the April 1, 2020 edition of Harvard Business Review online entitled "*Ensure that Your Customer Relationships Outlast Coronavirus*". Our rationale for introducing this framework is because we believe it speaks to the best practices reflected in this report. The authors, Waldron and Wetherbe, refer to this framework as HEART, which stands for:

- **Humanize your Company.** This element refers to demonstrating empathy for the plights of your members, employees and stakeholders. It addresses the importance of implementing policies and practices that show you care and communicating the actions being taken to address their anxieties and needs.
- **Educate about Change.** This element is about informing your various constituencies about how you and they can and will interact during the crisis. It is about making sure everyone knows what's happening, how they can engage with the club and finally, the steps being taken to serve them during this crisis.
- **Assure Stability.** This element says you need to make sure your employees, members and stakeholders know you will not waiver from your values, that everything you do during this crisis, as well as afterwards, will align with the reasons they patronized you in the past.
- **Revolutionize Offering.** This element speaks the process of bringing forward innovations and new offerings that align with and strengthen your brand's value proposition, both today and tomorrow.
- **Tackle the Future.** This element speaks to the importance of executing a strategy that lets members know the business will prevail and when it is time to reopen, you will be ready to serve them in old ways and new ways.

Lessons for Today

Five Insights on How to Prevail During the COVID-19 Chaos

- 1. Digital Content has Emerged as a Critical Value Driver During Closure.** Until operators were asked to close, delivering value to members through on-demand and streaming content (ODSC) was in the early adoption stage across the globe (less than 16% of global operators). The data in this study shows that over 60% of respondent's are offering ODSC for group fitness and/or instruction and coaching. Operators have discovered that ODSC allows them to engage members while the club is closed, and for most of those offering ODSC, it offers a way to generate revenue while not collecting dues. A larger percentage of fitness studios than fitness studios are pursuing this approach.
- 2. Membership Freezes and In-club Credits are Being Used by Fewer than 50% of Operators.** Approximately 44% of operators report extending a membership freeze, with 57% making that freeze equivalent to a full month's subscription. Only 17% of respondents reported offering in-club credit for services once they reopen. We hypothesize the reason we aren't seeing 100% of operators offer freezes is because of uncertainty around the period of closure. As for the low percentage of operators offering in-club credits to members once the reopen, as suggested by comments, is related to the number of membership freezes. We believe those operator's who are not extending freezes and once their club reopens, offering in-club credits, are missing an important opportunity to build trust with their members and create a more powerful reason for those members to return once business reopens. We've already seen published articles about fitness firms who failed to freeze memberships in a timely fashion, or make it easy for members to resign during closure, find themselves at the wrong end of class actions suites, but worse, in a position where they have created a credibility gap with their members.
- 3. A Segment of the Fitness Industry is Demonstrating High Emotional Intelligence and Innovation in Addressing the Needs of their Members and Business during Closure.** Based on the data, as well as comments and case studies, we see a group of operators who are stretching themselves to make sure members remain engaged and feel connected to a larger supportive community. While the vast majority as previously stated have embraced ODSC to keep members engaged, there are operators who are using social media and video platforms to deliver real-time hangouts and parties to keep their communities connected. These same operators are also putting together home exercise equipment packages for members, in some instances renting out equipment for members to use at home. Finally, there are operators who are helping their local communities deal with the crisis by extending donations to charities or offering their facilities as destinations for charitable services. We believe these fitness businesses will be the most likely to thrive once brick and mortar facilities reopen.

Lessons for Today Five Insights on how to Prevail During the COVID-19 Chaos

4. A Small Percentage of Operators Are Able to Provide Adequate Economic Security for Staff During Closure. Like most small business owners around the globe, fitness operators are finding it extremely challenging to provide sufficient economic security to their staff during closure. When it comes to offering up to two weeks of paid sick leave, only 37% of operators indicated they were offering this to their staff. When it comes to extending ongoing compensation at a portion of full wages, approximately 36% indicated they were presently doing this, but if closure goes longer, especially if closures extend to 90 days or longer, only one percent indicated they would be able to do this. The percentage of operators currently offering extended health care coverage is 23%, and those offering special incentive payments or severance payments is less than 20%. This picture is one we expect will worsen if closures extend out 60 to 90 days. Those operators who find a way to extend health care coverage and provide some form of payments to staff during closure are likely to foster a stronger bond with their staff. The outcome being a more seamless opening and a more rapid ramp up of the business upon opening.

5. Clubs have Responded Decisively and Innovatively During Closure but Currently Not Considering Making these Improvisations and Innovations a Long-Term Strategy. Fitness operators around the globe have had to make changes overnight, in most instances, as reflected by the data, operators have done so innovatively and favorably. The majority have implemented a digital strategy in less than a few weeks, finding one to continue serving their members. Others have expanded other elements (virtual parties and virtual events) of their value proposition into the digital realm quickly and successfully. A large percentage of respondents were quick to freeze memberships and extend benefits to members once closure was upon them. When it comes to addressing the economic needs of staff, a majority have extended guarantees to rehire staff once they reopen.

As shared in the introduction, for businesses to prevail during chaotic times such as now, the HEART framework should be the framework for decisions and actions. We believe that a significant percentage of operators have responded in step with the HEART framework, but at the same time, at least 50% or more of respondents are struggling to respond within the HEART framework. We see the **H** in those who are freezing memberships, offering in-club credits to members, extending employees partial compensation and extended benefits, and connecting with their communities. We see the **E** in the large percentage of operators who are communicating through their websites and social media platforms the new normal. We see **A** in a smaller percentage of operators who are not wavering in delivering on why members patronized them in the past. We see **R** in spades, as most fitness operators are improvising and innovating their value propositions, mostly through technology such as ODFC. What we find missing, which is expected due to the suddenness of the change thrust on the fitness industry is the **T**. We believe it will be the operators who can jump on the **T** soon that are likely to thrive once facilities reopen.



Chapter Seven

Lessons for Tomorrow

“Effectively, change is almost impossible without industry-wide collaboration, cooperation and consensus.”

Simon Waring

Lessons for Tomorrow


Introduction

In his book, *The Art of War*, Sun-Tzu stated, *"In the midst of chaos, there is also opportunity."* Fast forward to our current situation, filled with the unknown. Well, accompanying this unknown are numerous opportunities for operators to create a "new normal" or as we prefer to frame it, a prosperous future once everyone emerges from lockdown. Responding to chaos such that it opens opportunities requires an openness to learning from the improvisations, questioning and innovations taking place today, then leveraging them to reshape our respective value propositions going forward. Whatever your value proposition is, no matter your offering, starting now it must change if you're intend to recapture members and continue in prosperity. Once the chaos subsides and operators are permitted to reopen their doors, many will remain closed to business. For those operators who weather the chaos, they will have two choices. First, will be the inclination to return to business as usual. Second, will be to embrace a new way of doing business by embracing many of the improvisations and innovations introduced during this crisis, not to mention bringing forward new ones. All of this speaks to taking initial steps toward building a new and more sustainable value proposition for the future. Our thoughts on this are outlined on the next page.

Lessons for Tomorrow

Steps for Creating a “New Normal”

- 1. Incorporate Today’s Improvisations and Innovations into Your Value Proposition Going Forward.** For the 75% who have turned to on-demand/streaming fitness content, whether it’s group-oriented or individual coaching, incorporate these into your genome going forward. For the 25% who haven’t pursued the delivery of digital content, it may be too late and will be too late if not done soon.
- 2. Learn from the Minority the Improvisations and Innovations and Incorporate them into Your Value Proposition.** The operators who pursued virtual hangouts and virtual parties understand that fostering community is about bringing people together so they can share and support each other. The future will require operators to see community as both brick and mortar and virtual. For those operators who lent members equipment, free or for a fee, they understand that if you really care about members you find a way to make it easy for them to continue their physical pursuits. These documented improvisations all speak to a 24/7 caring approach toward members. The same can be said about those operators, less than 40%, who have found a way to provide some modicum of economic stability to staff through paid sick leave, paid vacation time, partial wages and extended healthcare coverage.
- 3. Create a Reserve for Times of Crisis.** While we didn’t measure this in the study, we believe the operators who have set aside capital reserves while shunning the thoroughly modern practice of extensive leverage are positioned to better weather the damages of temporary closure. Chances are that another crisis may emerge in the future resulting in businesses temporarily closing. Having at least a 90-day reserve would allow a business to be prepared to handle, at least over the short-term, a crisis like the one we are having now.
- 4. Shed “What Worked in the Past” Thinking.** There is a high probability that many fitness businesses will never reopen after the crisis. For those who prevail the storm, going back to the old ways is a guarantee that extinction is not far off. This crisis, and the data in this report, has taught us that there is no returning to a former normal. Instead, those who prevail will need to frame a new normal. We believe value propositions driven by low member usage, high attrition levels, hostage taking (overbearing contracts), limited digital strategy, and lack of community development, will no longer be sustainable coming out of this crisis. It is not only about implementing the improvisations and innovations we see reflected in this report, it is about changing the underlying culture of a value proposition if it honors practices that have proven extremely frail during the crisis.
- 5. Create a Crisis Plan.** Most operators have emergency preparedness plans. Most have insurance. Yet, how many have a well-thought out plan for dealing with a crisis such as we are now undergoing. Confucius said, *“Success depends upon previous preparation, and without such preparation there is sure to be failure.”* While we can’t predict the next crisis, we can formulate a plan to address the conditions of facility closure, so we can better serve members and protect employees when it arrives.



Club Intel - A Brand
Insights and Strategic
Consulting Company

“The best vision is insight.”
Malcolm Forbes

ClubIntel <https://www.club-intel.com/> is a brand and consumer insights firm serving the health/fitness facility industry, including commercial clubs, fitness studios, private clubs and recreation centers. Our leadership team of Stephen Tharrett and Mark Williamson have extensive industry knowledge with a combined 50+ years of experience. We are passionate about helping clients understand, appreciate and leverage the needs and wants of their respective audiences in delivering a uniquely differentiated and successful value proposition.

We offer a host of custom solution-driven services that provide the insight, inspiration and impact to enrich your business' value proposition and operations in order to succeed in a hyper-competitive and quickly evolving marketplace.