

The Dawning of a New Era for the Fitness Club Industry A Period of Unprecedented Creative Destruction

"There has never been a time of greater promise, or greater peril"
Klaus Schwab, founder World Economic Forum

Presented by
Stephen Tharrett

What You Need to Know about Creative Destruction to Understand this New Era

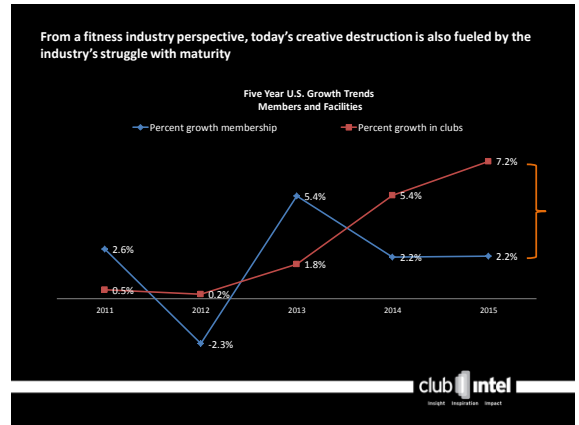
Insights from Joseph Schumpeter

"Creative destruction is the essential fact about capitalism"

"Situations emerge in the process of creative destruction in which many firms have to perish that nevertheless would be able to live on vigorously if they could weather a particular storm."

Today's Creative Destruction is a by-product of the 4th Industrial Revolution

- Internet of Things
- Consumer Tribes
- Craft Consumers
- Millennials
- Crowdfunding



The Five Storms of Creative Destruction Now Impacting the Fitness Industry

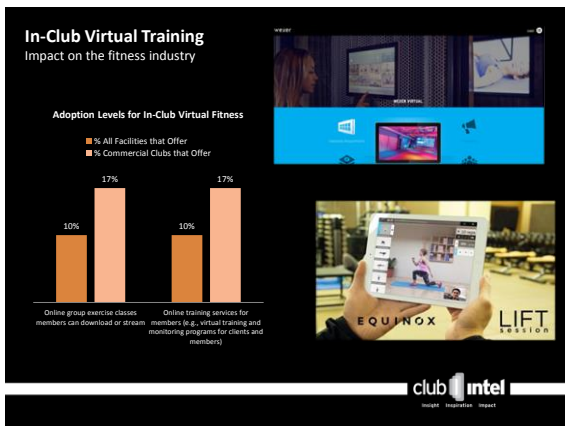
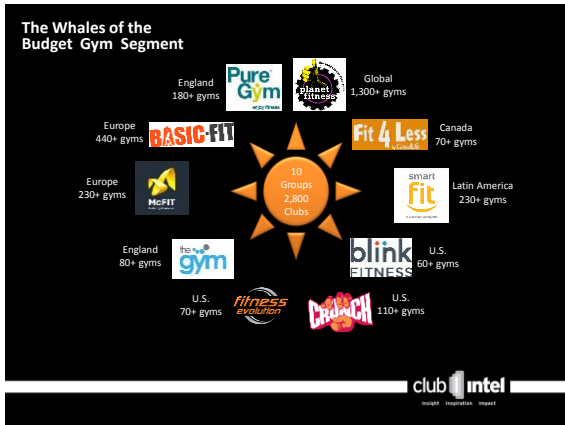
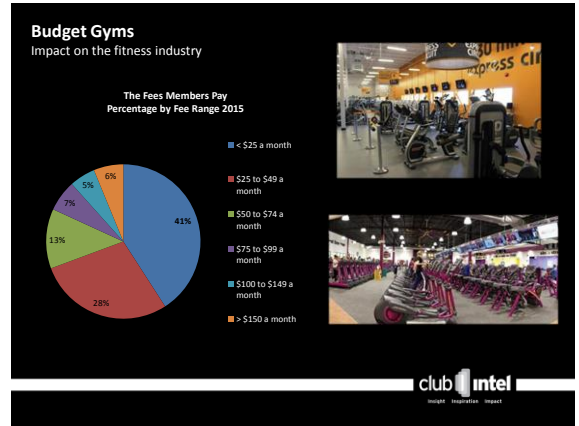
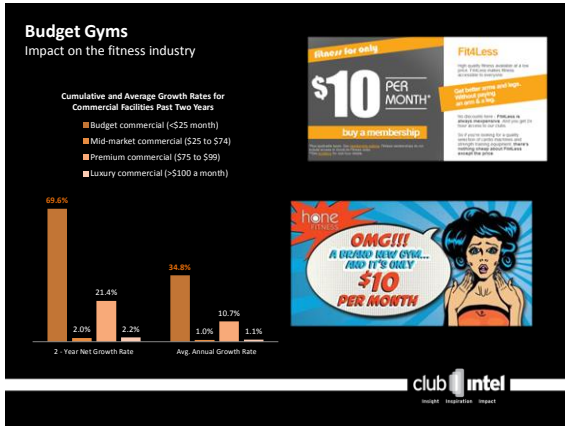
- Budget Gyms
- In-club Virtual Training
- In-home Virtual Training
- Internet Middlemen
- Boutique Fitness Studios

Budget Gyms

A mild storm caused by the downward pricing pressure of a competitive and mature marketplace

Why they are a Disruptive Storm

- In a sea of sameness they use the lowest possible price to create perceived differentiation
- They are highly scalable due to low overhead and can be placed anywhere and operated by nearly anyone...that means they can appear and grow rapidly
- Consumers perceive value in low price, especially when the competitive market looks the same, thus putting downward pricing pressure on the entire industry



In-Club Virtual Training

The list of options continues to grow

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In-Home Virtual Training

A powerful storm driven by the IOT and Millennials

Why it's a Disruptive Storm

- It offers consumers an alternative form of training that can be pursued outside the gym or club...it is direct competition
- It blurs the lines between what can be achieved in a club and on one's own
- It appeals to millennials and other digital natives
- It appeals to consumers who are intimidated by the club environment

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In-Home Virtual Training

Impact on the fitness industry

Consumers and In-Home Virtual Training

Accenture and Parks Associate Research

Percentage of smart phone users that use at least 1 fitness app	42%
% of those with fitness app that use virtual coaching/training services app	18%
% of all consumers who use a virtual coaching/training services app	9%

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In-Home Virtual Training

Impact on the fitness industry

Fitness Club Members and In-Home Virtual Training

Nielsen Research 2014

% Fitness club members who also use online workout at home	52%
% Frequent fitness club users who use online workout at home	70%

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In-Home Virtual Training

The list of options continues to grow

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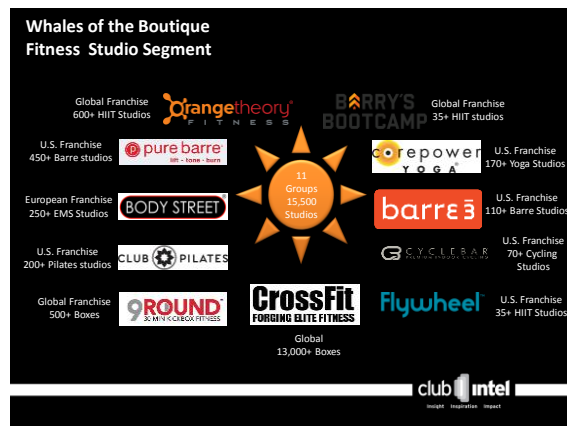
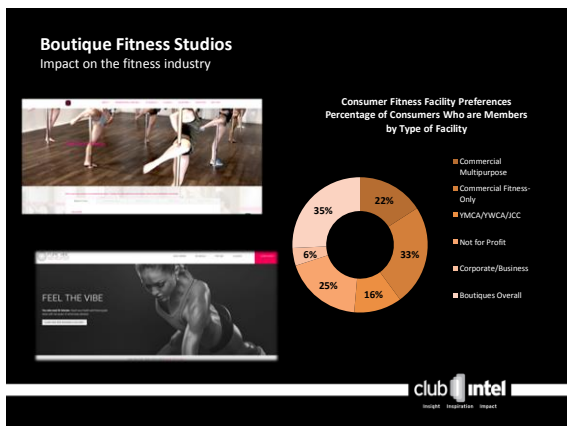
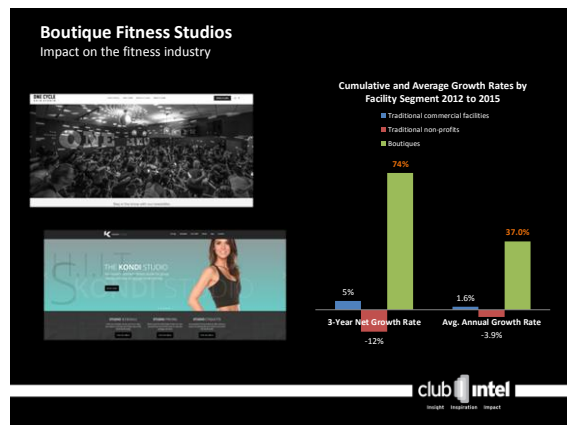
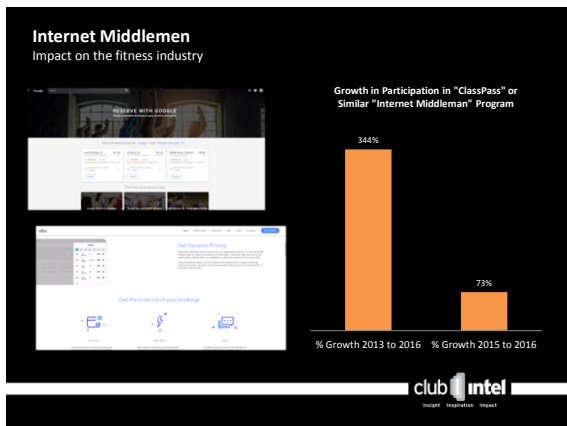
Internet Middlemen

A powerful storm driven by the IOT and Millennials

Why they are a Disruptive Storm

- It offers consumers a convenient way to access an enormous variety of classes without having to be a member
- It allows consumers an easy way to shop and purchase the classes and services they want without visiting a club
- It appeals to consumers who are tech savvy
- It changes the marketing and sales paradigm for the entire industry
- It places control in the hands of consumers, not clubs

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Final Thoughts

- ❑ Over the next decade the pace of creative destruction will accelerate further as more innovations come to fruition
- ❑ Private equity has been fueling the accelerated growth in budget club franchisees and boutique fitness studio franchises...but is a bubble nearing
- ❑ Independent, entrepreneurial fitness studio operations appear well positioned for growth in the short-term
- ❑ Internet Middlemen, while now the exception, will likely become the norm over the next decade
- ❑ Virtual in-club and in-home training will continue to influence how and where people train, and are most likely to become essential tools for clubs desiring to remain relevant in the future



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About ClubIntel (www.club-intel.com)

ClubIntel is member and brand insights and consulting firm that is focused on helping businesses understand, appreciate and leverage the needs, wants and personal journeys of employees, customers and members. We have worked as a team for more than 20 years, spanning multiple brands across the globe assisting businesses achieve their goals.



Stephen Tharrett, Co-founder and Principal

Stephen has worked domestically and internationally across nearly every segment, including health, fitness, golf and country clubs both public and private. From 2008 to 2010 Stephen served as the Chief Executive Officer for the Russian Fitness Group, a privately held health/fitness club company that was at the time the largest in Russia. He spent 20 years with ClubCorp, a billion dollar private club company based in Dallas, Texas, where he served in several roles ranging from director of athletics to senior vice president for operations. In addition to co-founding Club Intel, Stephen is the owner of Club Industry Consulting, a global consulting practice serving the club industry since 2006. He is a former president of the International Health, Racquet and SportClub Association, having served as president of the international association from 1996-1997. Stephen currently serves on the advisory board for Club Industry Magazine and the Association of Fitness Studios.

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