

Health and Fitness Clubs - UK - November 2012

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"Health and fitness club brands are also obvious candidates to stand out within the crowded health and fitness apps market."

– Michael Oliver, Senior Leisure & Media Analyst

In this report we answer the key questions:

- Could the industry see a further round of consolidation?
- Will the budget clubs sector continue to gain market share?
- How can health club operators counter or capitalise on the boom in apps?
- What do consumers want from a health club membership?
- What other products and services are consumers interested in buying from health clubs?

Further consolidation of the industry is certainly possible: operators like Virgin, David Lloyd, LA fitness and Bannatyne's have demonstrated that combining two or more groups of health clubs into one chain brings benefits in terms of reduced overheads and greater buying power, which can generate much increased profitability.

In terms of potential candidates, Nuffield Health has shown its willingness to expand through acquisition but is still digesting its January 2012 purchase of the Greens Health & Fitness chain of 15 sites so further acquisition activity may be ruled out for now. However, the acquisition of a chain like Bannatyne's would make sense, if Duncan Bannatyne was looking for an exit strategy. This is a very well-run and profitable business already, but could probably benefit from additional investment and a more innovative approach to marketing and promotion.

Similarly, in pure geographical terms the LA fitness and Bannatyne's estates would be a good fit. LA fitness tends to be focused on the southern half of the UK, whereas Bannatyne's tends to be better represented in the northern half of the country. However, although most feature swimming pools, the LA fitness sites tend to be slightly smaller and more geared towards urban locations.

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