Health & Fitness Industry

Indian Industry Analysis

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Introduction
Mahatma Gandhi said “It is health that is real wealth and not pieces of gold and silver”. For many years people have been ignorant to taking care of themselves. Women were still sensitive to fitness issues but men considered themselves more rugged and ignored any advice to take care. But today men are equally conscious of their health and fitness. People today pay visits to gym and dieticians on a regular basis these days. This does provide a big business opportunity. In India being fit is no more an urban tradition it has spread to the Tier 2 and Tier 3 cities as well.

The industry is not just a set of organizations, there are multiple players involved. The players can be categorized as-

1. Consumers: Generally young people are more concerned about their fitness and form target group for companies.
2. Providers: They provide products and services to meet the needs of customers.
3. Adjacent Industries: It is not uncommon to see other industry players offering fitness products and services. Some of these industries are healthcare, media, retail and gaming.
4. Facilitators: Gyms are opening in every organization especially IT companies and the play a key role in encouraging fitness awareness.
5. The Government: As is the case in any business government is the regulator and forms the guideline to conduct business.

Health and Fitness industry encompasses various activities that can be classified as below:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Segments</th>
<th>Products</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Beauty services and cosmetic</td>
<td>Cosmetic products (skincare, haircare, colour cosmetics and fragrances)</td>
<td>Salons and beauty centres</td>
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<tr>
<td></td>
<td>products</td>
<td></td>
<td>Cosmetic treatments (invasive and non-</td>
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<td>invasive)</td>
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<tr>
<td>2</td>
<td>Fitness and cosmetic products</td>
<td>Fitness equipment</td>
<td>Fitness centres</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Slimming products</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Slimming centres</td>
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<tr>
<td>3</td>
<td>Nutrition</td>
<td>Health and wellness food, beverages</td>
<td></td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>Dietary supplements</td>
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<tr>
<td>4</td>
<td>Alternate therapy</td>
<td>Ayurveda, homeopathy, unani, etc</td>
<td>Treatment centres for Ayurveda,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>homeopathy, unani, naturopathy etc</td>
</tr>
<tr>
<td>5</td>
<td>Rejuvenation</td>
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<td>Spas</td>
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</tbody>
</table>
Major chunk of the business lies in Fitness and cosmetics products and services. Gym service and Gym equipment generate a large part of it. This report will be focussed on Fitness products and services. Starting with Market Potential it will focus on Key Growth Drivers, Emerging Cities in India, Key Industry Players, Industry Life Cycle, Barriers to Entry, SWOT Analysis and Recommendations on the basis of study.

**Market Potential**

The whole Health and Fitness Industry combined together forms a huge market. In India is approximated to be around Rs680bn-Rs720bn. The Industry includes providing products and services. Services form 40% of the market. It is expected to grow at 15-17% and cross Rs 1 Trillion by 2015.

Out of the total market the fitness and slimming industry comprises of Rs60bn. Further breaking it down to fitness and slimming products and services as follows:

1. Slimming Products- It includes products such as weight loss supplements and meal replacement slimming products.
2. Slimming Services- It is a fast growing segment that has few players with big reach like VLCC and Vibes. They help consumers plan their weight loss program and monitor it continuously.

3. Fitness Equipment- This segment comprises of retail and wholesale sellers of gym equipment like dumbbells, treadmill etc.

4. Fitness Services- This segment is most commonly associated with health and fitness and forms a major portion of the market. Gym is most popular among the consumers.

Major consumers of the industry are young people in the age group of 15-34. In India the portion of young people is increasing and is one of the best in the world. 34% of the population in India is in the age group of 15-34. The number is expected to be around 427mn by 2015.
Another positive aspect about Indian population is the increasing income of people. This will increase the disposable income for discretionary spending.

Key Growth Drivers

The industry players have adopted multiple strategies to overcome negative effects of recession. Some of those strategies are-

**Franchising And Hybrid Model**

Franchising is a popular norm in the industry. Rather than going through all the hassle of opening and maintaining its own stores, franchises help expand their reach effectively. In the fitness industry 78% of the units are franchisee and 22% are self-owned. Lately there has been a shift away from Franchising. The reason behind that is risk of losing control on quality which leads to negative affect on brand image. To avoid such situation companies are increasing owned outlets or are exploring Hybrid model. Shared capital expenditure provides greater control to the company and easier to maintain standards. Example of that is Talwalkars operates its franchisees with 51% control model.

**Increase in Venture Capital and Private Equity Funding**

Fitness industry for long has been an unorganized industry. There are a lot of small players in the industry. With the entry of big players that have brought some structure the small players are also looking to expand. The investors are positive about this industry as 95% of the industry is still unorganized and there is scope for growth.
**Consumer Awareness via Social Media**
The companies have started leveraging social media platform by publishing informative and interactive pages. Some of these ways to interact include Ask the Expert which provides consumers with expert advice, Tips, Advice and Exercises videos and photos.

**Building Trust**
Customers still have some scepticism about the effectiveness of offerings of health and fitness industry. Industry players are taking steps to get accreditation and certificates to build trust. Fitness trainers can get certificates form Training players such as BYF Sports and Fitness that offer international certifications such as the American Council on Exercise (ACE) for fitness trainers.

**Emerging Cities**

Increasing income and awareness levels is leading to growth of need for health and fitness products in Tier 2 and Tier 3 cities. Although the urban market itself is not saturated yet, industry players are reaching out to these cities to expand their company. Tier 2 and Tier 3 cities provide great opportunity as operating costs are low and penetration of structured players is not much.

Looking at the Income levels and population in different tiers:
Income is well distributed between urban tier 1 cities and rural India which depicts opportunity for industry players to expand. Lower operating costs make it possible to operate with lower fees and maintenance and still making profit.

Taking example of Talwalkars, they have opened a new brand of fitness centres called Hi-Fi (Healthy India-Fit India) dedicated to Tier 2 and Tier 3 cities. Their membership fee is 40% lower than Talwalkars and they operate in a smaller area compared to urban centres.

**Major Industry Players**
Although the number of structured players in the industry is small they are growing and in the future are likely to cover major share of the market. Some of the prominent players are:

1. **Talwalkars:**
   Talwalkars Better Value Fitness Ltd is one of the biggest chains of fitness clubs. It presently has over 150 ultramodern branches across 70 cities in the country, with over 1,25,000 members. It has a long history with the first fitness centre opening in 1932. Services offered have grown from only gym to spas, aerobics and health counselling.

2. **Gold’s Gym:**
   Gold’s Gym Inc. is based out in USA and has built fitness centres in multiple countries. They opened their first centre in 1965 in California. Today they have over 700 facilities globally. It is the largest chain globally. They started operating in 2002 in Mumbai. Globally, Gold’s Gym is acknowledged for its unrivalled success in providing the finest equipment and fitness knowledge available to help its members achieve their individual potential. It follows a globally proven fitness training module with state-of-the-art infrastructure and delivery methodology and continuous up gradation through training programs. With certified trainers and nutritional counselling, Gold's Gym provides a comprehensive approach to the health and wellbeing of its member.

3. **Barbarian Power Gym:**
   Satyajit and Devashish Chourasia founded Barbarian Power Gym with an objective to provide better fitness solutions in 1991. It is fast growing brand with various franchisee models- domestic and international. Currently, the company has total 10 outlets ranging from 3,000 sq. ft. to 15,000 sq. ft. Personalized Service, Expertise and Result Oriented Training have become the trade mark of the gym and fetched popularity and recognition.
4. **Burn Gym & Spa:**

Burn is one of the relatively new players in India. They opened their first fitness centre in 2009. They provide multiple services which includes gym, aerobics, yoga and spa.

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**Industry Life Cycle**

The Fitness industry even though has existed for many years the real growth is yet to happen. The fact that a majority of the industry is unorganized, only 5% of the market amounts for organized players. This shows there is huge potential for organized players to gain market share and grow. It has been predicted in multiple reports that the market size is expected to be around Rs 1 Trillion by 2015.

The industry is in the growth stage. The popularity of fitness centres is expanding from metro cities to tier 2 and tier 3 cities. In a country like India where a major portion of the population lives in tier 2 and tier 3 cities it can be said the future looks bright.

Integration of fitness services with other services such as spa, growth of accreditation from known fitness standard institutes and growing income are increasing the revenue of fitness industry at a decent pace.
Barriers To Entry

1. **Talent Crunch**
   As the industry is growing so is the need for well trained employees. Around 600,000 additional skilled people will be required in the next 5 years. What is worse is the fact that there are not enough training centres. With the major selling point of organized sector being quality training of employees is crucial. The risk of injury in fitness industry is high and customers look for reliable sources for training. Educating and training employees will require investment from the industry players.

2. **Increased Cost**
   Rent, manpower and consumables account for 50-60% of the revenues of service providers. These costs have been going up constantly especially in the tier 1 cities. Especially rental costs have been sky rocketing and alone account for 20-25% of total revenues.

3. **Monitoring and Controlling**
   The low entry barriers for unorganized players lead to immense difficulties for organized players in the industry. The substandard products and services provided at cheap prices make it hard for customers to go for organized players services. Adding to the woes it is difficult to differentiate between quality and substandard products. No customer goes to a gym and asks for a licensed trainer. Neither are there any punitive measures present to prohibit such misconduct or to ensure standard.

4. **Maintaining Chains of Centres**
   Most of the players take franchise route and the centres are spread across the country. Maintaining similar standards across all touch points is a daunting task. A large number of Franchisee owners are first time entrepreneurs who lack expertise to run centres and maintain high quality. Small differences in ambience, trainers and equipment can harm the image of the company.

5. **Implementation of Accreditation**
   Lack of awareness of global accreditations is another challenge. Neither the players nor the customers are aware of it. Even if a few players are aware they might not implement it as they complaint the standards set are not customised to the market. They are also resistant since the customers are not bothered about it and hence deem it unnecessary expenditure.
SWOT Analysis

Strength
- Customer Base
- Last Man Standing

Weakness
- Lack of Awareness
- Low Standardization
- Seasonality

Opportunities
- Growing Working Population
- Growing Consciousness
- Potential for Organized Players
- Increased per Capita Income

Threats
- Talent Crunch
- Low Entry Barrier for Small Players

Strengths
The population of India is 1.2 billion. That shows there is a huge market to provide fitness products and services. India has the world's largest youth population according to UN report. According to the report India has 365 million people in the age group of 10-24. This is a big positive for fitness industry as youth forms the primary target group.

As big players enter the industry the smaller players are going to have a tough time to match their standards. The smaller players would not have enough capital to sustain in the market. Financial strength of bigger players is a big plus for them.

Weakness
Customers are interested in going to gym and workout but they rarely spend time on validating the quality of the products and the services. For organized players this is a big challenge as the small local players install cheap equipment and still get customers. Expensive equipment’s are primarily imported hence squeeze profit margins. Organized players cannot operate at low price as in case of smaller players.
Another reason for lack of awareness is low standardization in the industry. Anyone who seems fit goes ahead and becomes a trainer. There are not enough training centres nor are there standard setting organizations. A common benchmark across the industry would help maintain safety and level the playing field.

A major weakness of the industry is seasonality of business. Most of the people would be interested in working out only when they feel comfortable. Summer vacations for youth is the peak time. Gyms are flushed with people during this season for 2-3 months. This is not the case for other seasons.

**Opportunities**

Multiple reports have pointed out that India has one of the highest number of people in the working age group. The average age of the country is expected to be around 29 by 2020, younger than China and US. The proportion of working population is expected to grow from 58% in 2001 to 64% in 2020 according to economic survey 2014.

As time has progressed so has the per capita income of the country. The disposable income has also increased. The number of households in lower segment is reducing as more and more number of them are moving to middle class. With basic needs taken care of people are willing to spend on other needs which include fitness products and services.

Big opportunity lies in this industry for structured and organized players. Currently only 5% of the market is covered by organized players. As the services go up and customers become aware of it the number is bound to increase.

**Threats**

The number of training institutes for fitness trainers is very few. As the organized players try and differentiate themselves from smaller players there will be need for large number of trainers. Without proper training institutes it is a challenging task to find good trainers.

Entry of small players in the industry is very easy. This makes the market highly competitive and setting prices according to small players is not plausible for bigger players as they would not be able to provide high quality services.
Recommendations

The industry is growing and there are a lot of positive factors to support to it. The growing youth, higher disposable income and conscious nature of the youth are some of them which make India a country worth investing in fitness industry. The sector majorly consists of small players which make the industry unorganized. The number of players with presence across the country is few. It makes sense to enter the market now when there is room for country wide players.

Tier 2 and Tier 3 cities are major markets that have just begun opening up. It is easier to operate in these cities as the operating cost is low hence even if the fee charged for services is low profit can be made. The fact that a large population of India lives in these cities; volume will compensate for low fees charged.

Fitness equipment’s sales are on the rise. People might not be interested in going to the gym but the trend of home gym and personal training is on the rise. Treadmill is the most popular among all the equipment. Personal training provides people with more comfort and extra attention for which they are willing to pay more.

An area which needs investment is training centres for fitness trainers. To ensure safety of customers it is vital that proper trainers are employed. With the growth of fitness centres there will be need for large number of trainers. Currently there are not enough institutes that provide such training.

A major challenge to overcome is the need for standards and awareness of those standards. Small players are able to enter the market and operate at lower costs as they can use substandard equipment. The customers are not aware of standards and hence cannot identify the difference. The big players in the industry need to spread awareness as this can be the key differentiator for them.

Apart from offering fitness services they need to diversify their services. Offering related products and services such as yoga, aerobics and spa will help them build a bigger customer base and grow.