Impact of the Pandemic Situation on the Fitness Industry
General Introduction to China Fitness Market

- China is a huge market with distinct differences between regions and cities
- According to latest research by Deloitte on behalf of FIBO (data yet to be released), in 2019 there are more than 13,000 gyms in the Top 4 cities (Beijing, Shanghai, Guangzhou, Shenzhen) alone
- In the past 3 years, China has transitioned from a country mainly focused on Tier-1 cities, to one where fitness is booming in nearly all large cities
- 18 cities surveyed by Deloitte in 2019 demonstrated incredible vigor and opportunity

- China is traditionally dominated by Big Box gyms, although boutiques and new online models are quickly gaining traction
- Business models are traditionally skewed towards prepaid yearly or multi-year memberships, with personal training sessions being sold in bulk packs
- Boutique studios and personal training studios opened by personal and small enterprises are on the rise, although business models are received with mixed success; around one-quarter of such studios have opened for less than 1 year
Timeline of the Pandemic Situation on the Fitness Industry

**Jan 3rd**
- Officially announced a total of 44 patients with unexplained pneumonia in Wuhan, of which 11 were severe

**Jan 23rd**
- Wuhan city-wide quarantine

**Jan 24th**
- Started the 7-day Spring Festival national vacation

**Jan 26th**
- Announced the extension of the national vacation to Feb 3rd

**Feb 3rd**
- Announced the extension of shutdown to Feb 9th

**Feb 10th**
- Launched subsidies for SME’s by government and landlords

**March**
- Situation starting to normalize
- Cities started to encourage the resumption of work

**Started from Jan 25th**
- Gyms started to explore the online channels as countermeasures

**Started from Feb 7th**
- Gyms announced the extension of the offline closure

**Started from March 10th**
- Gyms gradually announced the re-opening of the offline services
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Financial Impact & Support

Property developers/landlords, including Wanda Group, China Resources, Poly Group, Country Garden, etc. have announced waiving rent for tenants for 1-2 month durations.

The central government has unveiled a raft of measures to support the market amid the novel coronavirus pneumonia outbreak. The support plan for SME’s mainly includes:

1. **Easing tax burden**: on individuals and corporations
2. **Financial support**: increase credit supply, reduce difficulty and cost of loan applications
3. **Stability of employment**: delay collection of social insurance premium

Sales
The post-holiday season after Chinese New Year was supposed to be a key period for gym sales. The epidemic outbreak made gyms unable to capitalize on this expected key cash inflow period. This is not only a huge blow to the first-quarter revenue, but its impact may radiate throughout the whole year.

"February and March’s performance can account for more than 80% of the first quarter’s income."— Bian Guangming, CEO of Nirvana Sports, interviewed by China Youth Daily

Sales
- Sales staff: base+ sales commission
- Professional coaches: base + sales commission + PT commission

Costs
- 40%-50% of the gym companies’ costs due to the space requirement
- Gyms with swimming pools need to afford the utility fee of special water usage

Rent
- Salaries
- Sales staff: base+ sales commission
- Professional coaches: base + sales commission + PT commission

Utilities
- Gym with swimming pools need to afford the utility fee of special water usage

Financial Impact on the Gyms

Support from the Government & Landlords

Government

Landlords

Rent

Salaries

Utilities

Sales

Costs
Countermeasure from the Fitness Industry during Shutdown

With the spreading of the pandemic, most gyms have extended their memberships to retain customers, and have introduced online countermeasures to compensate for the loss of revenue and customers caused by the shutdown. Among them, traditional gyms stepped forward to utilized the new channels as the marketing tools:

**Live Broadcast Courses**
- **Courses:** Group or Private
- **Places:** Vacant gym/home
- **Instructors:** Professional coaches
- **Content:** Exercises that could be done at home with the family
- **Results:** Operators have gained success with these broadcasts, with average of over 10,000 views of a single broadcast

**Social Media**
- **Platforms:** Apps like WeChat, TikTok, Red, Kuaishou, etc.
- **Format:** Hashtags or posts to encourage participating and re-posting
- **Results:** On TikTok, Will’s reached 19M+ views for their hashtag

**Online Challenges**
- **Platforms:** Announced on WeChat or Weibo official accounts
- **Format:** Conducted on WeChat Moments and live broadcast apps like TikTok and Yi Live, etc.
- **Results:** Tera Wellness has held 4 rounds of “Running against the Coronavirus” challenge, with hundreds of live sessions and participants
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