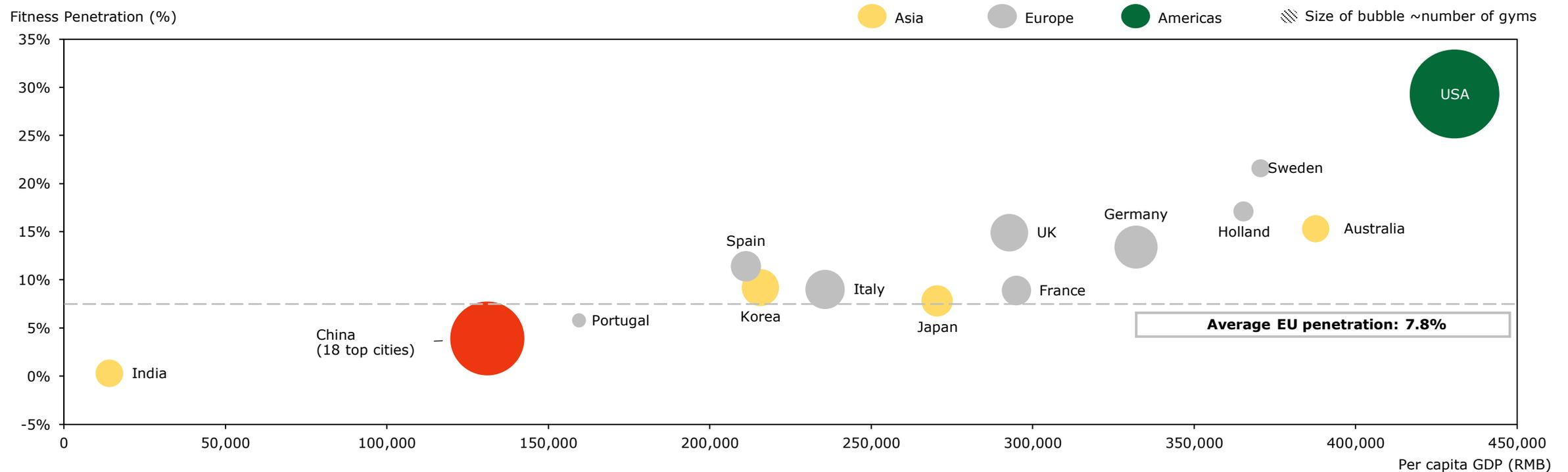




**Impact of the Pandemic Situation  
on the Fitness Industry**

# General Introduction to China Fitness Market



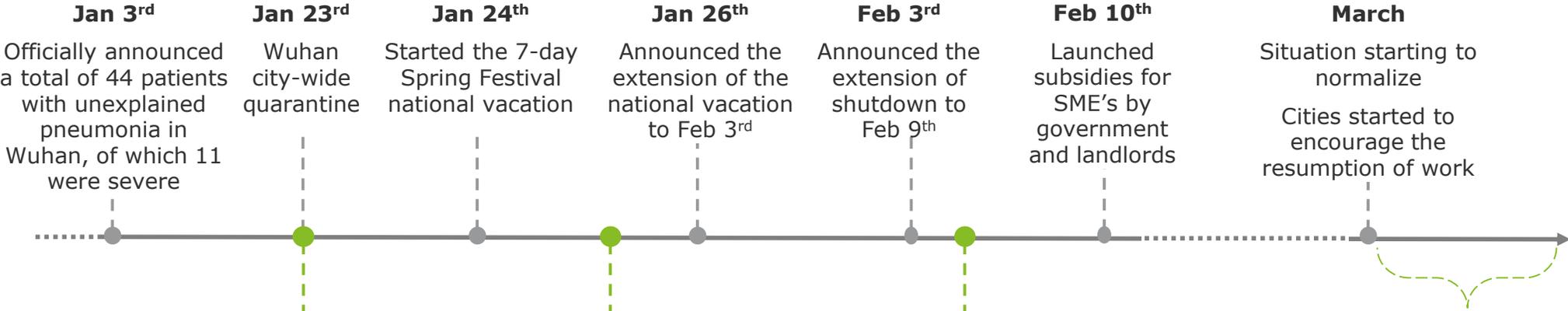
## Some key differences with EU market

- 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

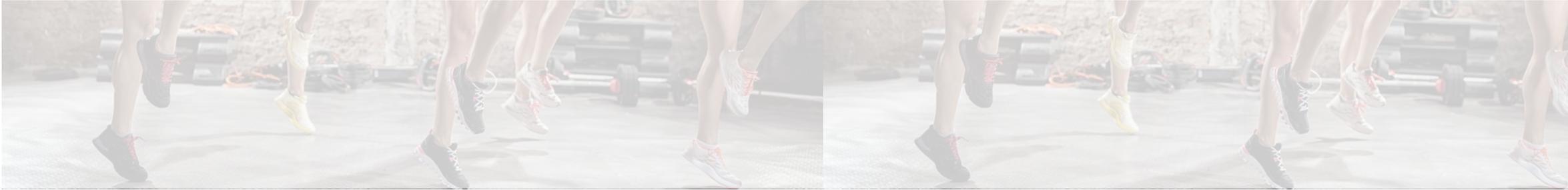
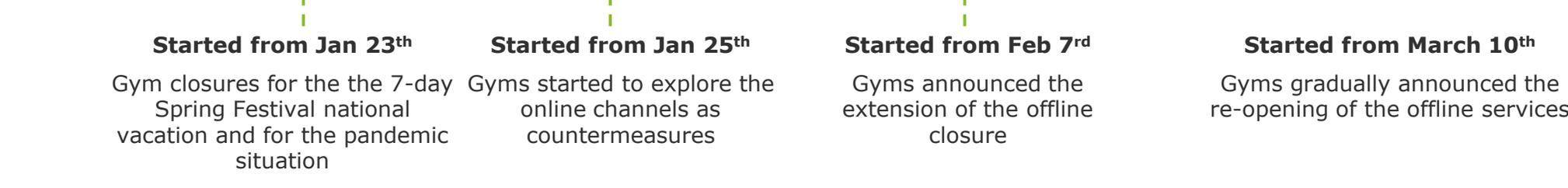
# Timeline of the Pandemic Situation on the Fitness Industry



**Pandemic Situation & Related Policies**




**Fitness Industry**



# Financial Impact & Support



## Financial Impact on the Gyms

### 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.

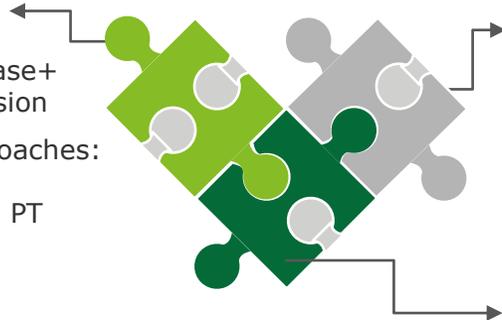
*"February and March's performance can account for more than 80% of the first quarter's income."-- Bian Guangming, CEO of Nirvana Sports, interviewed by China Youth Daily*

### Costs

#### Salary



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



#### Rent



- 40%-50% of the gym companies' costs due to the space requirement

#### Utilities



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



## Support from the Government & Landlords

### Government

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

CHINADAILY.com.cn Home / Business / Top 10 List

### Policies to support SMEs amid outbreak rolled out

chinadaily.com.cn | Updated: 2020-02-20 06:40 f t in +

### Landlords

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



Home Core Industries News CSR Wanda Worldwide Corporate Culture About Wanda

Home > News > Latest News >

Waiving over 4 Billion Yuan in Rent, Wanda Stands with Tenants during Coronavirus Epidemic

08.02.2020

# 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 utilize 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, Tik Tok, Red, Kuaishou, etc.
- **Format:** Hashtags or posts to encourage participating and re-posting
- **Results:** On Tik Tok, 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 Tik Tok and Yi Live, etc.
- **Results:** Tera Wellness has held 4 rounds of "Running against the Coronavirus" challenge, with hundreds of live sessions and participants



## About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities. DTTL (also referred to as “Deloitte Global”) and each of its member firms and their affiliated entities are legally separate and independent entities. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Shanghai, Singapore, Sydney, Taipei and Tokyo.

The Deloitte brand entered the China market in 1917 with the opening of an office in Shanghai. Today, Deloitte China delivers a comprehensive range of audit & assurance, consulting, financial advisory, risk advisory and tax services to local, multinational and growth enterprise clients in China. Deloitte China has also made—and continues to make—substantial contributions to the development of China's accounting standards, taxation system and professional expertise. Deloitte China is a locally incorporated professional services organization, owned by its partners in China. To learn more about how Deloitte makes an Impact that Matters in China, please connect with our social media platforms at [www2.deloitte.com/cn/en/social-media](http://www2.deloitte.com/cn/en/social-media).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the “Deloitte Network”) is by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.