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# Foreword,

With an increasing awareness of the importance of a 'balanced lifestyle' and the traction that healthier food and wellness is getting over the last several years, it is not surprising that the global fitness market is on the rise. In addition to greater awareness, digital platforms, social media and Omni-channel capabilities also contributed to the worldwide increase in trainees.

**As highlighted by this report, 2019 was a record year for the fitness market, demonstrating a continuous increase in market volume. Unfortunately, the momentum has been greatly affected by the outbreak of COVID-19, which has changed the rules of the game in the fitness world.**

This report covers global fitness market trends, with a deep dive into COVID-19 implications and suggestions for the future. Although this "new normal" is still very new, the phenomena of a sector coming to an almost complete halt, motivated us to address the situation in real time.

The data gathering and analysis for this report was done in collaboration with **Arbox**, an Israeli startup active in the fitness market, which serves 40% of the total Israeli fitness market.

We hope you find this analysis interesting and informative, and welcome any feedback, questions or suggestions.

Stay safe and healthy,

Catalyst Team

## Report Contributor:

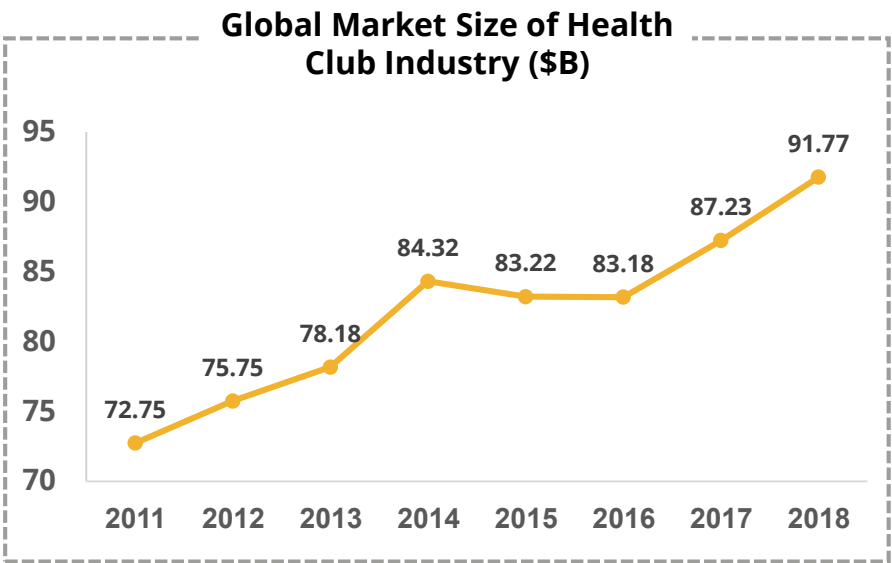
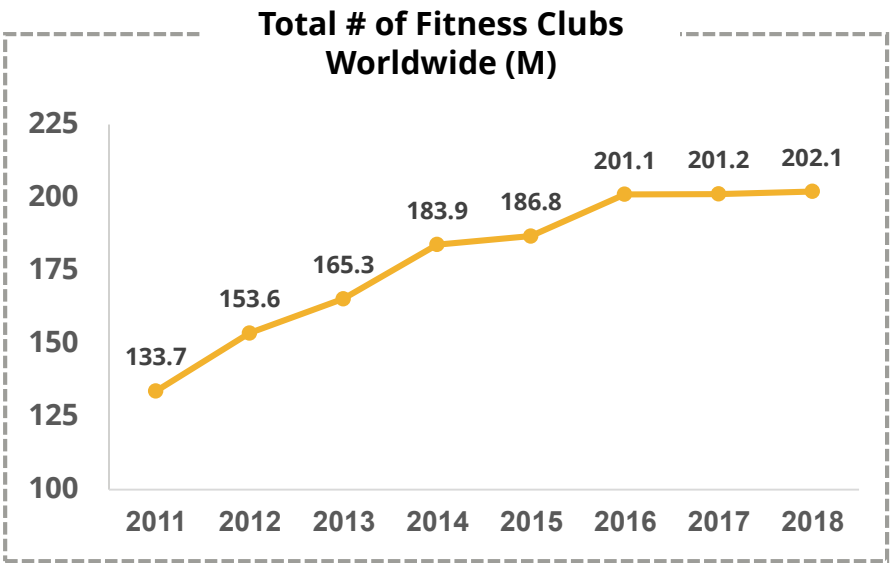
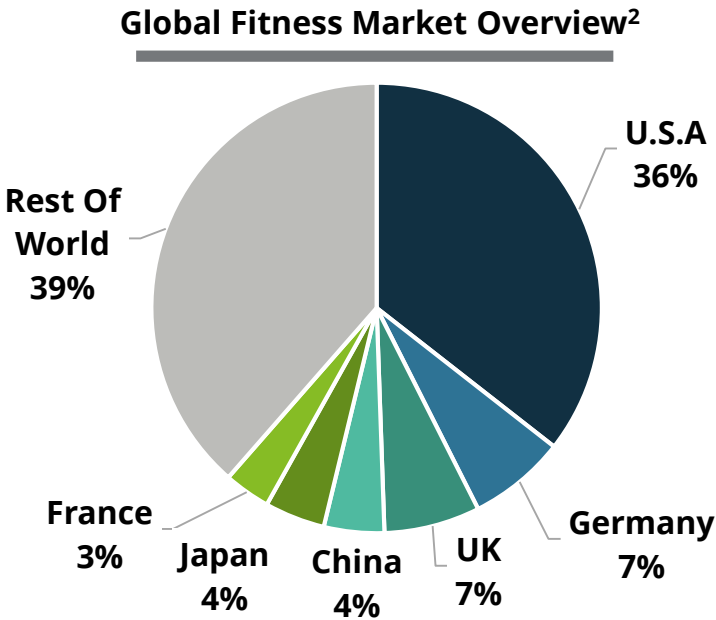


Arbox is an easy-to-use business management platform for boutique gyms and fitness studios. With more than 1 million active users and a focus on community-based fitness businesses, Arbox is uniquely positioned to collect and analyze data on the impact of COVID-19 in order to provide key insights into the future of the fitness industry.

# Global Fitness Industry Overview

The global fitness and health club industry generates over **\$90 billion** in revenue per year<sup>1</sup>. The United States is the largest market worldwide, not only in revenue (estimated at \$30B) but also in sheer number of gyms and fitness clubs.

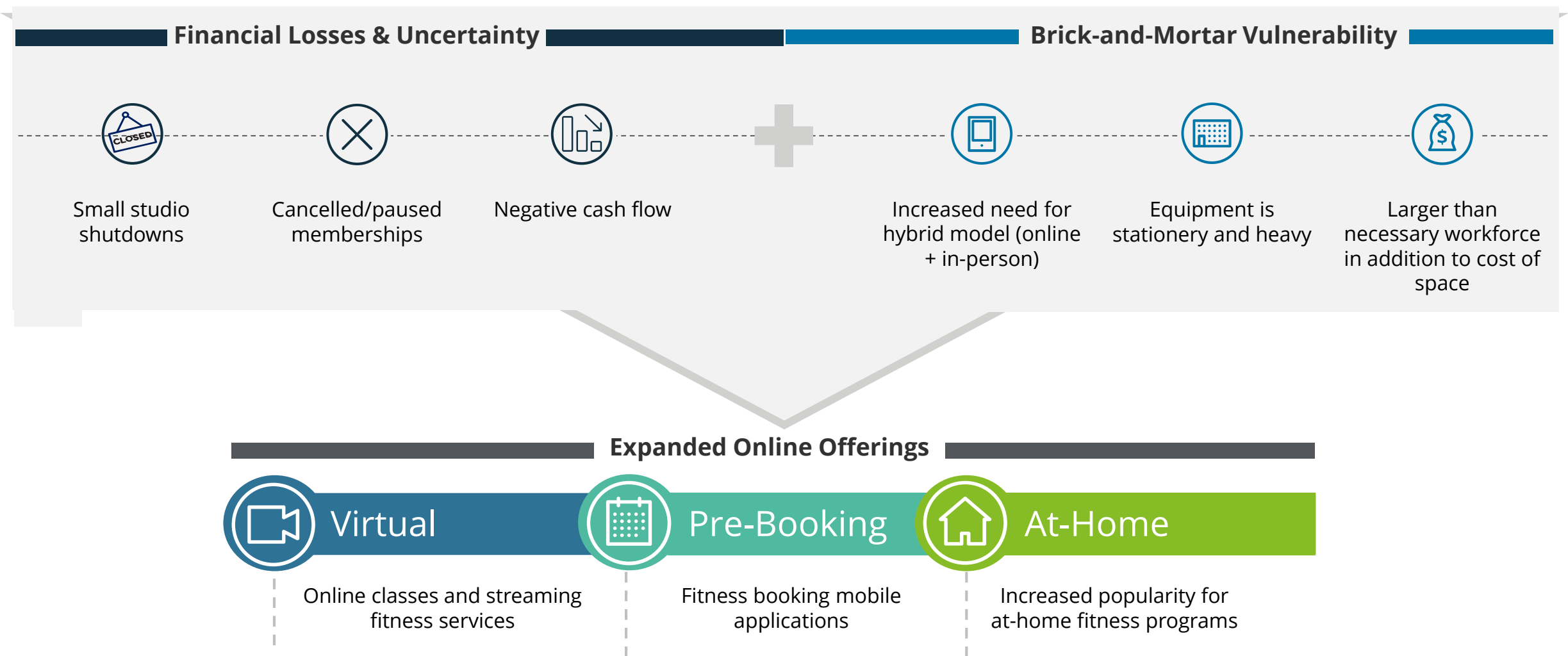
The growing awareness for a more balanced lifestyle is a major factor contributing to the growth of the global fitness market. Consumers are engaging with fitness and wellness companies more than ever before in an attempt to adopt healthier lifestyles and build supporting communities.



<sup>1</sup>Source: Statista.com, 2019, <sup>2</sup>Source: Future of Fitness, 2019, Business Insider

# COVID-19 Impact and Industry Response

As gyms, studios and fitness centers became an “immediate suspect” for COVID-19 infection, they were forced to close abruptly, while adopting new and innovative solutions and processes to survive



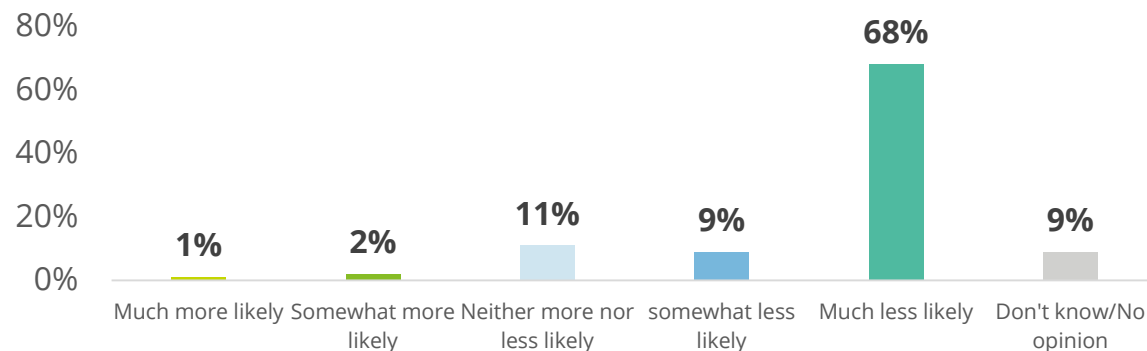
# The Virtual Revolution

COVID-19 forced all players in the fitness industry, including boutique gym owners to face a stark decision: **adopt virtual training options or risk having to shutdown permanently**. With the rise of online-only players and COVID-19's role in shattering the myth that location and facility are irreplaceable, the evolving market features new opportunities to capture the attention and loyalty of members in an already competitive market.

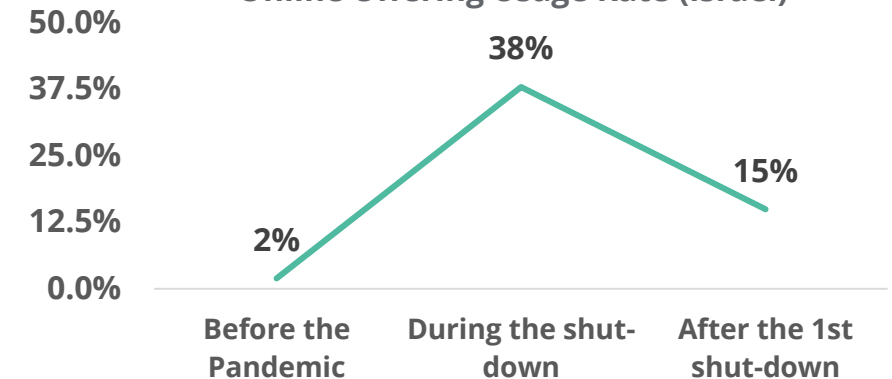
As the fitness industry pushes through these uncertain times, it is evident that **digital transformation has, and will, continue to play a major role in the future**. The collected data shows that companies that have embraced this digital transformation long before this pandemic have found themselves in a formidable position compared to their competitors who were slower to adopt digital practices.

Additionally, businesses that have offered **online classes during the shutdown have been able to withstand the sharp increase in frozen memberships**. Gyms and fitness studios that offered online sessions had **7% fewer frozen memberships** than businesses that didn't offer a virtual alternative.

COVID-19: Public Opinion on In-Person Gym Attendance (April 2020)<sup>1</sup>



Online Offering Usage Rate (Israel)<sup>3</sup>



<sup>1</sup>Source: Statista.com

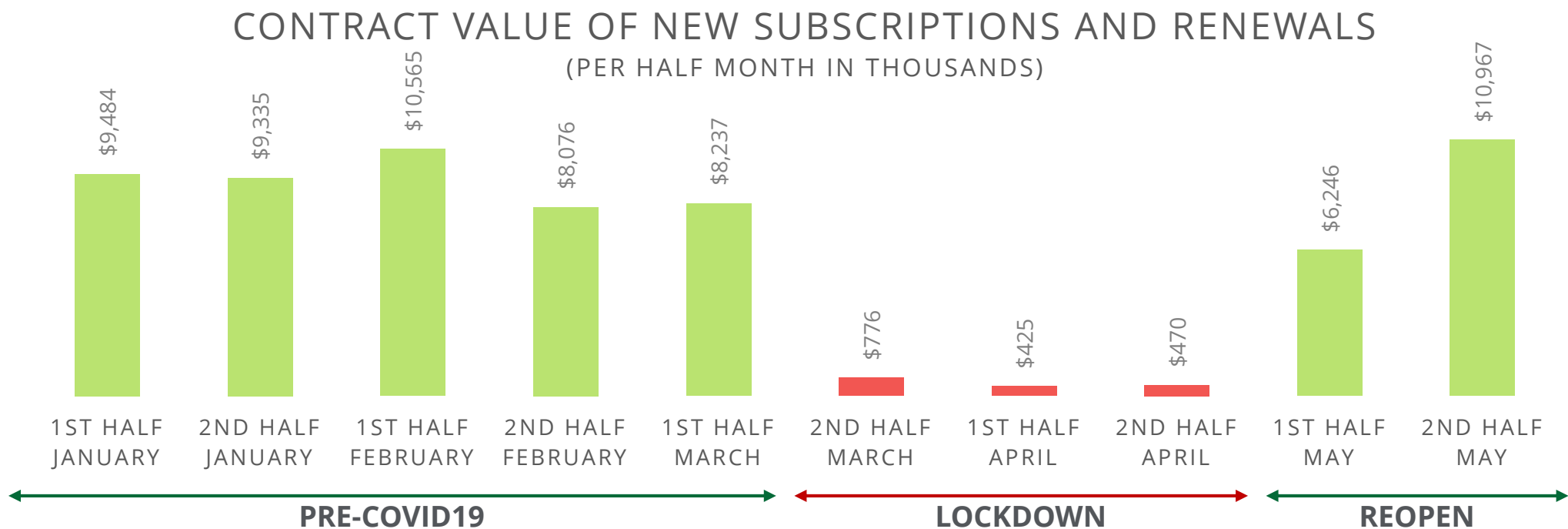
<sup>2</sup>Source: "The \$94 billion fitness industry is reinventing itself as Covid-19 spreads", 2020, CNN Business

<sup>3</sup>Source: Arbox data base, 2020

# Case Study: The Israeli Fitness Clubs Market

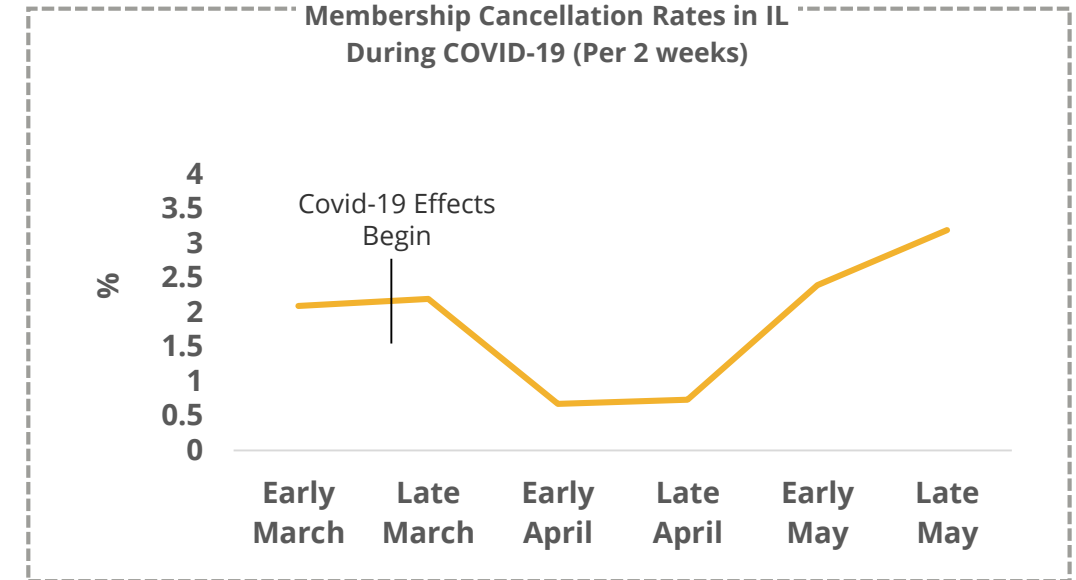
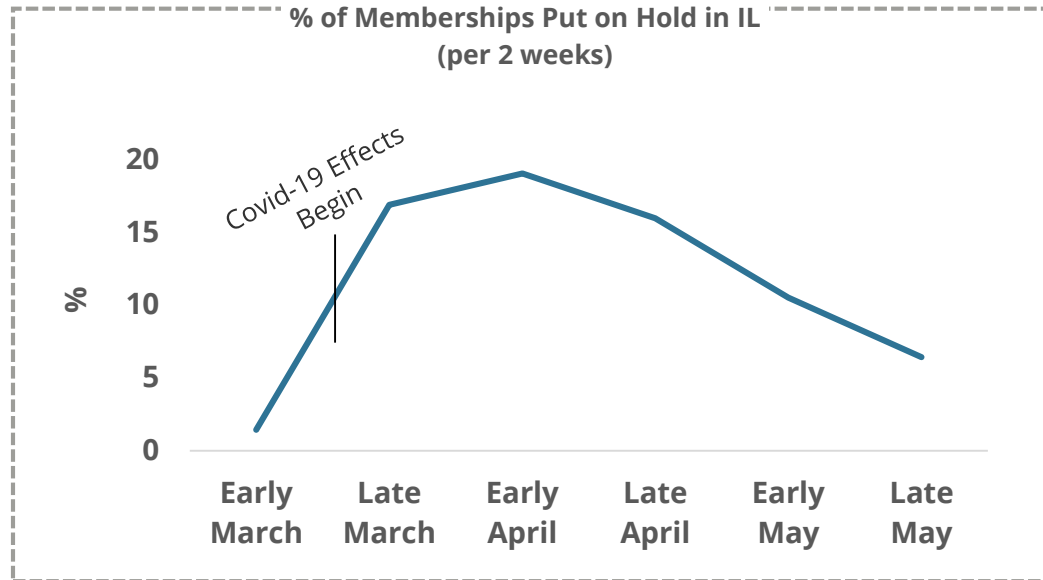
In Israel, the enforced closures led to a devastating **90-95% decrease in contract value** of new subscriptions and renewals; an enormous hit to the market, resulting in a **permanent closure of 5% of all fitness businesses**. Similar to other markets, both large and boutique fitness companies developed new offerings, including **online classes and training sessions and renting out their fitness equipment**.

While the pandemic has taken a toll on the “service providers” of the fitness industry, **gym and fitness equipment companies have seen a surge in sales**. This increase suggests that the recent isolation has led people to begin at-home physical activity thus explaining the influx of online equipment orders.



# Case Study: The Israeli Fitness Clubs Market

## Customer Reaction



### Why did membership cancellation rates decrease during COVID-19?

- Customers who attend smaller gyms and fitness clubs have strong connections to their fitness communities and **felt a responsibility to help them survive** through this challenging and uncertain time.
- Many fitness clubs managed to **adapt** and continued training with customers through an **online format**.



# Summary and Future Outlook of the Fitness Industry

There are two key factors separating success and failure when trying to overcome the costly consequences of COVID-19 in the fitness industry, and during the initial months of the pandemic, three impactful trends emerged.

 **Fitness businesses based on classes were vastly more successful than equipment-access only gyms**

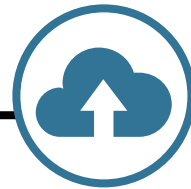
 **Online presence before and during the shutdown was extremely essential in maintaining memberships and cash flow**



## Decreased Gym Volume

Number of holds have dropped significantly, but are still greater than “normal” times. Many gym goers will opt for virtual solutions or a different form of exercise (e.g., running) that does not subject an individual to the same health risks as a gym.

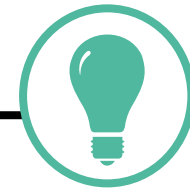
**Lower Overhead Expenses**



## Digital Transformation

The sector is evolving in the digital era and developing different ways for members to stay active anywhere, anytime. The industry is experimenting with “digital fitness” by offering online classes and incorporating fitness based apps for at-home exercise.

**Virtual Offerings**



## Innovative Solutions

To stay above competition, fitness and health clubs must develop innovative solutions and exercise models to retain and grow customer bases. COVID-19 massively disrupted this industry, but business savvy clubs can capitalize on this and pave the way for the future of fitness.

**New Fitness Models**

Gyms and boutique studios that proactively adopt new creative ways to retain customers and transition to a more digital fitness practice are best positioned to succeed moving forward

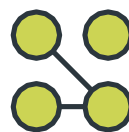


About Deloitte Catalyst

# Deloitte CATALYST

## Powerful connections. **Accelerated.**

**Get connected today to get ahead of tomorrow.**



Deloitte Catalyst accelerates innovation and growth with the world's largest enterprises and disruptive startups, delivering end-to-end solutions that transform how businesses lead the world of tomorrow, today.



### Clarify the landscape

We're leaders in the ecosystems where we operate, including the latest developments from promising players and emerging trends.



### Harness the possible

We expose your business and our teams to disruptive ideas through meaningful connections with a curated set of players.



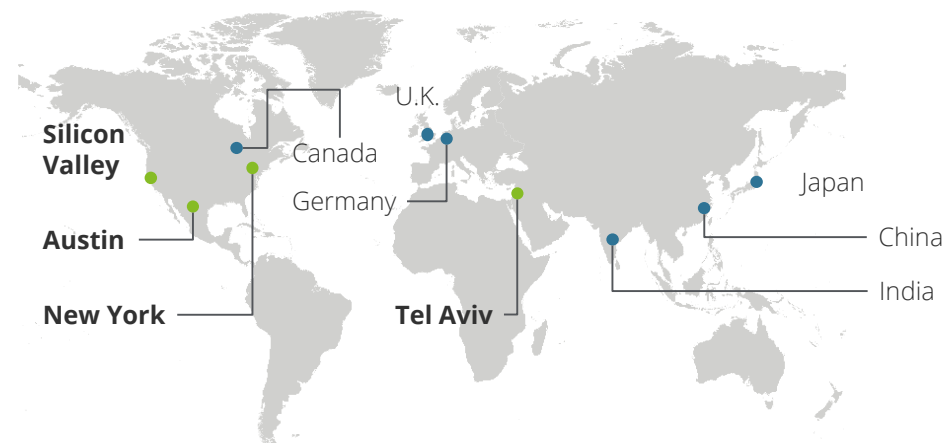
### Incubate new solutions

We co-develop innovative solutions and platforms with startups and our alliance partners to address your business's unmet needs.

### Where We Operate:

We take the isolation out of innovation by connecting you with a world-wide community of catalysts that accelerate how innovation transforms your business.

In addition to our in-market teams in the US and Israel, Catalyst is part of an extended network of global Deloitte Innovation Hubs.



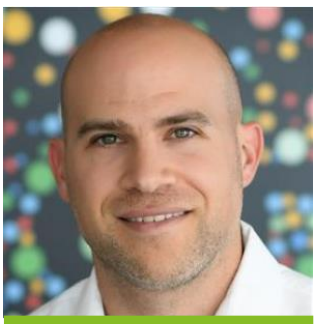
Learn more about Deloitte Catalyst [here](#).





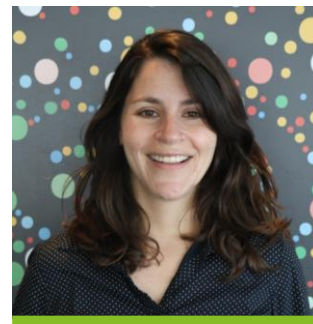
Report Authors

# Authors



**Amit Harel**  
Deloitte Catalyst  
[aharel@deloitte.co.il](mailto:aharel@deloitte.co.il)

- In his role as Managing Director, Amit Harel is the Israeli leader of Deloitte Catalyst Tel Aviv.
- Amit has a vast experience in the fields of Innovation, Technology and Disruption.
- Amit works closely with top stakeholders, entrepreneurs and startups in the Israeli eco-system, building bridges between innovative Israeli technology companies and global leading organizations.



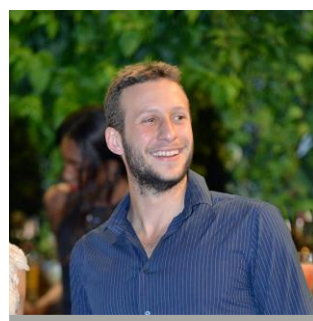
**Michal Tagrin**  
Deloitte Catalyst  
[mtagrin@deloitte.co.il](mailto:mtagrin@deloitte.co.il)

- Michal Tagrin (Adv. And CPA ) leads the growth-stage startups team for the Deloitte Catalyst Tel Aviv.
- Michal is also a senior manager with Deloitte's Financial Advisory Services practice, where she provides M&A transaction services to clients.
- Prior to joining Deloitte, Michal worked in the M&A department of S. Horowitz & Co., Advocates, one of Israel leading law firms.



**Ariel Fox**  
Deloitte Catalyst  
[arfox@deloitte.co.il](mailto:arfox@deloitte.co.il)

- Ariel Fox (CPA) leads the Food-Tech, Agri-Tech and Sports-Tech domains in Deloitte Catalyst Tel Aviv.
- Ariel has five years of experience in marketing and business development in the Sports business sector, including as a business development manager for the biggest sports channel in Israel.
- Prior to joining Deloitte, Ariel worked in the Start-ups audit department of PwC Israel.



**Alen Debensason**  
Arbox  
[alen@arboxapp.com](mailto:alen@arboxapp.com)

- Alen Debensason - Co-Founder & CEO at Arbox.
- As a former soccer player and a founder in Arbox, Alen has years of experience in fields of fitness, sport, business, and everything in between.
- Before founding Arbox, Alen has been working as a data analyst and software developer in various companies, the last of them was Salesforce.



# Thank you.

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