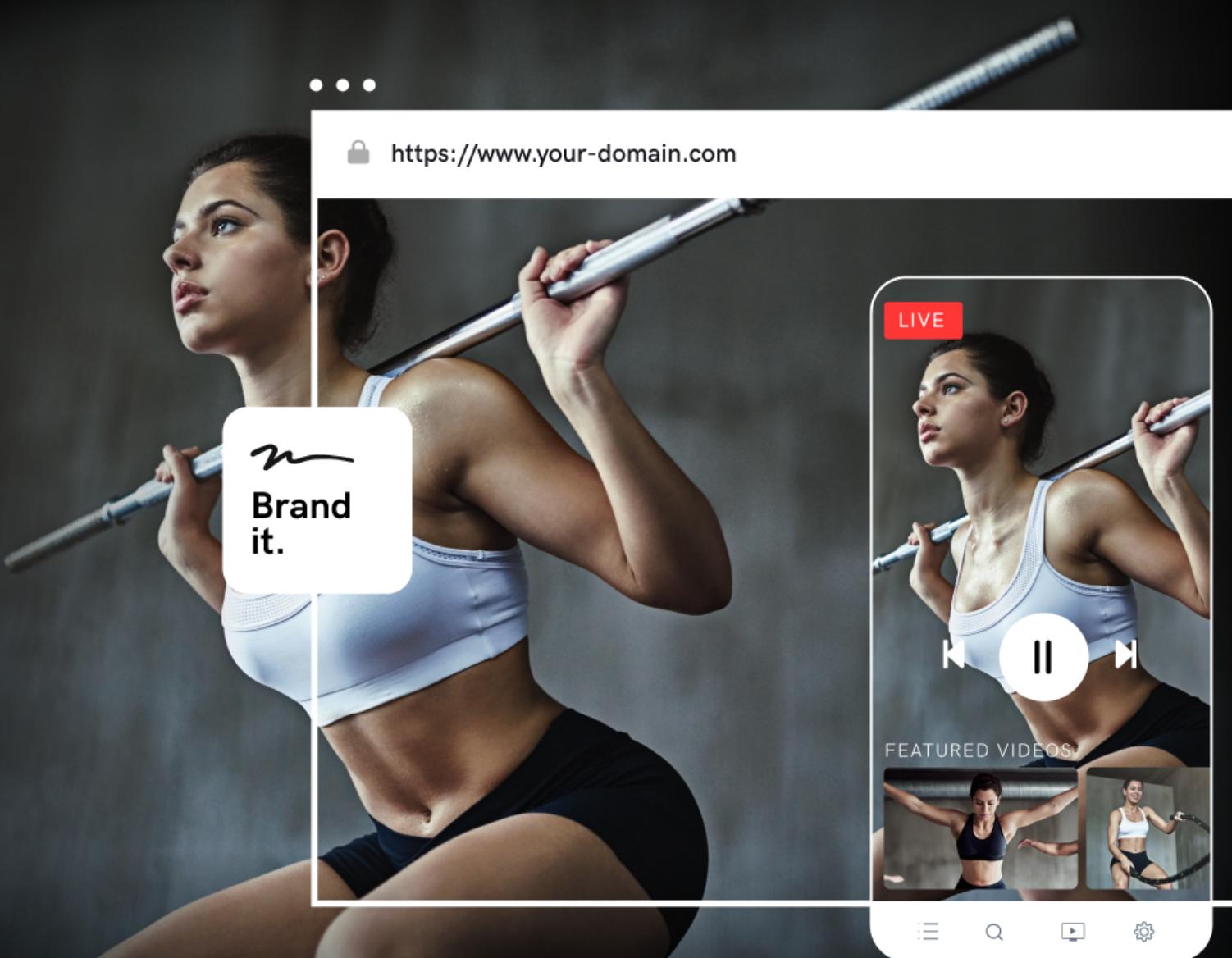


August 2020 | Uscreen Report

IS THE FUTURE OF FITNESS ONLINE?

A comprehensive guide to the health & fitness industry's 'new normal'



As a brick & mortar business

You're faced with two choices.

a] Open post-COVID
and hope that:

- People are not too scared to go back into gyms and studios
- Your 50% capacity will still allow you to hit the bottom line
- We don't experience another lockdown later in the year or going into 2021

b] Offer an online video streaming option to:

- Supplement your revenue from an additional source
- Offer people a safe alternative to visiting your physical space
- Future-proof your business even in case of another lockdown
- Retain your customers

August 2020 | Uscreen

Introduction

2020 started like any other year...

People hit the gym as a part of their New Year's resolutions, just to abandon their goals a month later. As a brick and mortar business, you see this every year. And every year, like clockwork, you do your best to entice people back into the gyms, with discounts, dream results and beach-ready bodies. As the season changes, the grind to attract new and retain old customers starts all over again.

The good news: we're moving into the era of a healthier mindset. More people are becoming self-conscious about their well-being.

The bad news: COVID-19 surprised us all, and threw us into a completely unknown direction for the rest of the year and the foreseeable future.

There is a silver lining - and it can be found online.

In this report, we dive deep:

Should gyms & fitness studios be online?

Is the market big enough for everyone?

Will the online video streaming sustain post-COVID?

Let's put it into context

This is the reality.

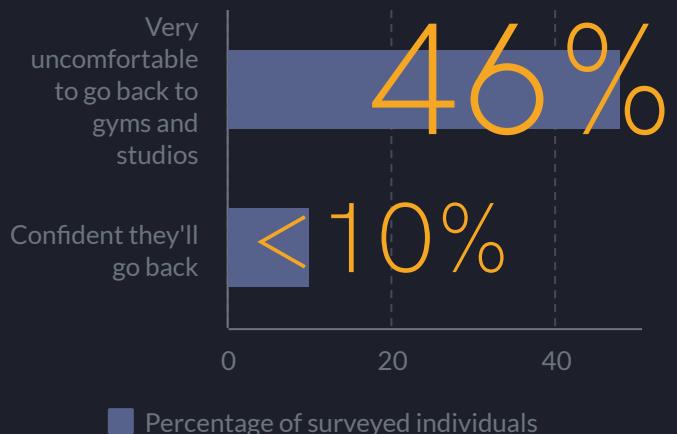
As marketers and business owners everywhere struggle to understand the long-term impact of COVID-19 on the health and fitness industry, surveys are not encouraging.

A recent survey shows that in the US over 46% of people feel very uncomfortable going back to the gyms and studios post-COVID.

Less than 10% of surveyed individuals felt confident about going back to their regular workout routines.

At the same time, stats show that people use more online exercise videos than before.

Survey results



Also the reality.

People are hungry for at-home exercise.

Even early into the pandemic, it was apparent that people are looking for ways to keep their workout routine at home. In March alone, "home workout" related search terms on Google increase 6 times, and over 14 million fitness apps were downloaded globally. These numbers continue to increase.

Uscreen data shows that health and fitness businesses and individual instructors that had presence online previous to COVID-19, saw an increase in their streaming service monthly recurring revenue (MRR) by 30% average growth month-over-month.

On the other hand, brick and mortar businesses that took their classes and workouts online with Uscreen, with no previous online presence, earned an average of US \$50K in their first month. And this growth isn't slowing down: Uscreen customers cumulatively added 300k new users in just May, 2020.

And Uscreen customers are not alone in experiencing this growth. During COVID-19 lockdown, Peloton stock increased 36% and quarterly sales jumped over 60% to a total of \$420.2 million, up until July, 2020.

14M

Fitness apps
downloaded globally

300K+

end-users
added to Uscreen

30%

Average MRR MOM
growth

And that's not all.

The world is changing in a way that will last well beyond COVID-19.

Experts state that the second wave is inevitable. Whether it's the second spike of the first wave, or a whole new wave expected later in the year, COVID-19 will retain its presence in our everyday lives.

People are no longer just coping with the situation. They are adjusting to the new reality by developing new habits and routines. Not surprisingly, gyms and studios are struggling to make this switch.

With 50% of people globally stating that they now spend more time watching streaming services compared to pre-COVID, and just an estimated 22% of facilities offering video streaming (live or on-demand) video content emerges as the leading, and largely untapped, opportunity to reconnect with one's customers.

It's not just a great band-aid solution for the health clubs; it's potentially a strong alternative revenue stream that can scale well into the future, well beyond this pandemic.

For clubs, gyms and studios of all sizes, it comes down to two things:

Retention and survival.

PLAYBILL

JUNE 18, 2020

TemplateMonster.com
f t d e INDUSTRY NEWS

NYC's Shetler Studios Closes Its Doors After 30 Years

BY OLIVIA CLEMENT
MAY 06, 2020

The theatre district fixture, featuring rehearsal studios and performance spaces, has shuttered.

6-foot spacing and half-empty studios: Gold's Gym CEO shares what locations will look like when they finally reopen

Madeline Stone Apr 22, 2020, 1:18 PM



Victoria lockdown: Gym owners have 'no chance' as second wave hits

They were the last state to reopen and now Melbourne gyms are facing the "gut-wrenching" reality of closing again for at least six weeks.

Hannah Paine @hannahpaine_

news JULY 8, 2020 1:08PM



International Yoga Studio Takes on Streaming in the Midst of a Pandemic

MAY 29, 2020





COVID-19 was devastating. We had to shut all three of our studios, which led to some really difficult conversations with our staff. It's hard to see everything you've worked so hard on being pushed to its limits...

We're still growing and defining what we do online, and we're not at a stage where our Uscreen website is generating the same income as our studios. But as time goes on, we really believe that we can scale the business far more than we ever could offline.

Jackie Alexander
Co-founder @ Humming Puppy

What does this mean for gyms & studios?

It's time for the health & wellness industry to evolve.

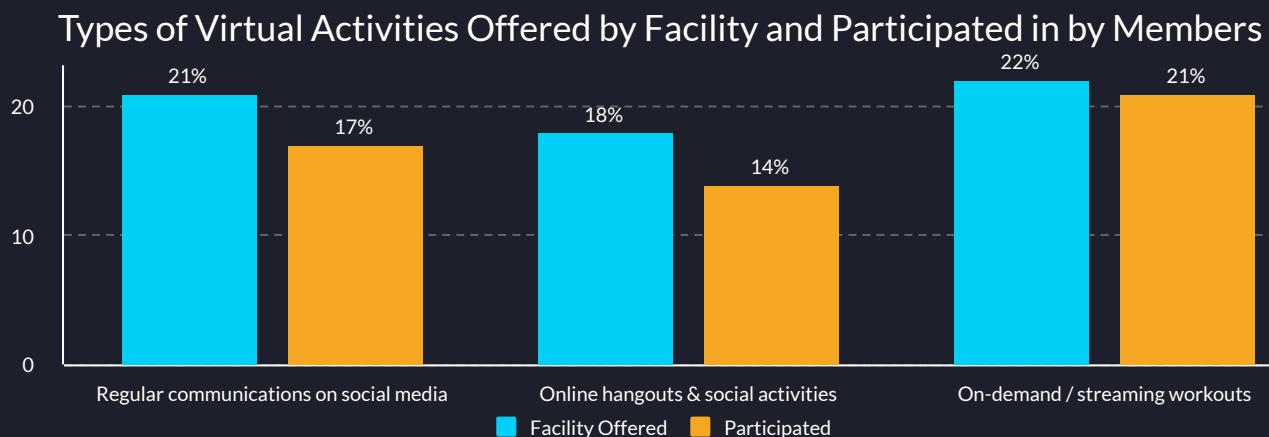
Physical spaces opening at roughly 25 - 50% capacity is not the only challenge owners are facing right now. With the public distrust in a facility's ability to provide a safe environment, brick and mortar businesses everywhere will continue to see less foot traffic even after fully opening.

This will have a tremendous impact on the physical health and fitness industry everywhere. It's estimated that up to 30% of gyms and studios will have to close their doors for good.

Right now and for the long haul, brick and mortar health businesses need to make a big shift in their business model and make way for additional revenue streams. Online video as a supplemental revenue stream is proving to be the key not just for the survival of the fitness industry, but for its growth in the digital age.

Growth in the digital age also means looking at other ways to keep members engaged and attract new ones. Aside from offering on-demand workouts, brick and mortar businesses often find success by focusing on community in an entirely virtual format.

Nurturing a virtual community can be accomplished in a number of ways. Taking a closer look at the social media marketing strategy is a good place to start.



Based on Club Intel's [comprehensive study, published June 11, 2020](#), businesses that made the shift online saw the majority of members participated in the activities offered.

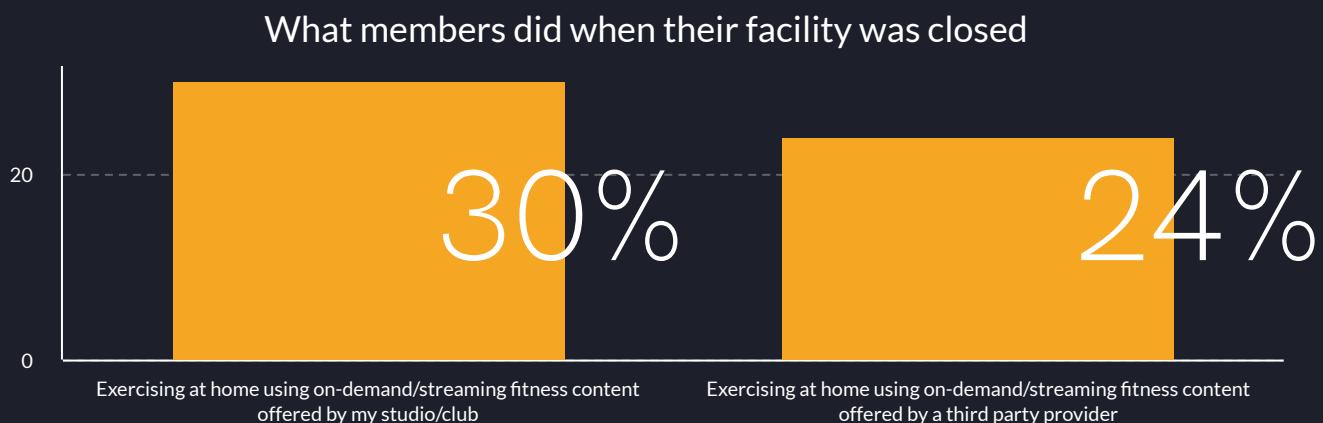
On-Demand
& Streaming
Workouts

22% Of facilities offered

21% Of members participated

Based on Club Intel report.

A cautionary tale.



Based on Club Intel's [comprehensive study, published June 11, 2020](#), once the clubs and studios closed across the nation, over 50% of their members sought out exercise videos online, but 24% of the surveyed individuals used a third-party provider.

This shows that, in the lack of satisfactory virtual options provided by their facility, members are prone to look for alternative solutions. This puts them in a high-risk group, more likely to churn at the end of their billing period.

Big players in the at-home exercise arena, like Peloton or Mirror are counting on this behavior. With gyms, clubs and studios of all sizes literally leaving money on the table by not providing satisfactory alternative to their audiences, even the most faithful customers will start looking for an offer that best fits their evolved need.

To put it into numbers: [Peloton stock increased 36% during the lockdown up to August 2020](#), as their quarterly sales jumped 60%+ to a total of \$ 420.2 million in Q2 2020.

As brick and mortar businesses of all sizes leave money on the table by not offering at-home alternatives, Peloton sales jump to **\$420.2 million per quarter** which is 60%+ their regular sales intake.

Video streaming is not always about acquiring new customers. Oftentimes, and especially in the case of gyms and studios, video streaming proves to be an amazing retention tool.

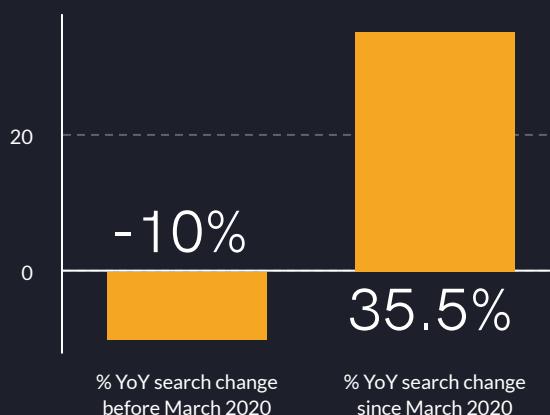
PJ Taei
Founder @ Uscreen



Where are your members spending money?

Consumer behavior is changing.

Online search traffic for
'Sports & Fitness'



Other notable online search
changes since March 2020

Fitness classes & equipment	+134%
Sports & fitness apparel	+17%
Home workouts	x 6
No equipment workout	x 8

It's important for brick and mortar fitness businesses to understand how the needs of their members have changed in a broader sense. As the entire social fabric of the common household changes, so do the need, desires and interests of the average consumer.

To shed more light on this, we need to take a closer look at their purchase behavior and online search history. It's no secret that consumers seek instruction, inspiration, and ideas online -- the difference now is the intensity and frequency of searches that directly relate to the 'new' normal we're experiencing.

Online search traffic for 'Sports & Fitness' is higher than ever. The demand for sports & fitness-related retail aligns with the increase in search traffic. People are bringing the workout in-house, as they seek out and order more exercise equipment online.

It has never been a better time for brick and mortar businesses to take advantage of this growing demand for virtual instruction and inspiration in the scope of health & fitness.

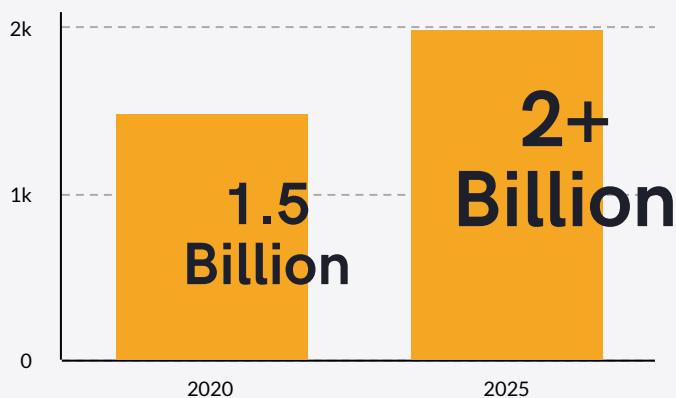
More time at home leads to new interests, hobbies, and a desire to improve one's lifestyle. These **lifestyle changes** are expected to carry on post-COVID.

Based on ['Retail trends for the stay-at-home consumer \(U.S.\)'](#) published by Microsoft, represented on the graphs above, we can see the change in behavior quantified. As we can see, sports-related search terms have heavily increased since March 2020, despite -- and a direct result of the preventive public health measures, followed by a lockdown.

Why you don't want to miss it.

The video-on-demand is booming.

VOD Users Worldwide



Estimated VOD ARPU
(average revenue per unit) in
the U.S.

\$139.3 \$170.7
2020 2025

Based on data from the Digital Market Outlook,
published July 2020 by Statista.

In the health & fitness industry, the attainment and retention of members are key to success. It's well established that attracting a new customer can cost up to 5x more than retaining an existing customer, but the value of retention likely increased for the brick and mortar businesses since the initial distancing regulations.

People who would, in physical space, be referred to as 'members' are synonymous with 'audience' or 'fans' in online terms. As brick and mortar businesses limit their capacity due to regulations, or close their physical spaces completely due to a financial impact, 'members' are pushed to seek out solutions online. One of the most popular such solutions is video-on-demand, or VOD for short. Based on the projected growth in VOD users and VOD revenue, it makes sense to pivot to where both the audience and the money are.

Another point to consider is that internet use is not limited to the computer. Given that such a large percentage of people worldwide were using their smartphones or mobile phones as a direct result of COVID, it's safe to say that a number of them are online to stream video.

Pro Tip: Fitness businesses can optimize their VOD content by making it available to their members anywhere, at anytime in the form of apps.

30%

Increase in the number
of SmartTV & streaming
service users worldwide
due to COVID-19

70%

of internet users
worldwide used
their smart phones
to stream videos
as a direct result of
COVID-19

14+

million
fitness apps
downloaded
globally

How it can save your community.

Live streaming continues to evolve.

Live stream fitness has experienced significant growth since the start of COVID.

Gyms and studios that offered in-person classes have massively turned to live streaming as a way to adapt to the new normal. Many hoped to use live streaming as a temporary solution, which lead them to only partially pivot to an online revenue model.

Live streaming is the closest virtual option to in-person fitness classes, so it definitely helps with retention. But what most started to realize a month into the grueling line of live streams is that without the option to monetize their online classes, they were merely putting a band-aid over a much deeper and complex issue.

Think ahead & monetize.

We all know that community is an important part of the in-studio fitness experience. But with shutdowns prompting swift transitions to a virtual format, it's become apparent that live streaming can more than just offer an alternative way to engage with your community.

Live streaming is a great way to pivot your business from offline to online, but without the monetization element, it becomes a little more than a retention tool. By just slightly adjusting the strategy and planning two steps ahead, live streams can become a product, a marketable item, and over time, a library of on-demand videos to create a more passive, stable income.

Based on Uscreen data collected between March and August 2020:



300%

Increase in live stream events on the Uscreen platform March-August 2020



392%

Increase in minutes live streamed in Yoga & Meditation



1300%

Increase in the number of minutes live streamed in Health & Fitness

Where to start?

Live streaming vs video-on-demand (VOD)

Benefits of Live Streaming

- ⊕ **Consistency.** Members can stick to their scheduled routines.
- ⊕ **Community.** Your members can connect with instructors and other members, in real-time via chat.
- ⊕ **Motivation.** Fitness instructors are able to support and hold members accountable for their training goals.

Benefits of VOD

- ⊕ **Convenience.** Members can join safely from home at any time.
- ⊕ **Expanding library.** As you continue to add video content, the options for your audience continue to expand.
- ⊕ **Passive income.** With the expanded library, you can now sell subscriptions, cross-sell bundles or upsell to more expensive packages with ease.

The winning combination:

Live streaming + VOD

The best option for brick and mortar businesses pivoting online is to use both live streaming and video-on-demand as their virtual offer. These two options perfectly build on top of each other, and can help you create offers and combinations that cover the majority of your members' needs.

- ⊕ **Retain your members** by giving them the option to choose which type of service suits them best.
- ⊕ **Future-proof your business** by setting up a streaming service as a strong alternative revenue stream.
- ⊕ **Mix the offer:** set up recurring subscriptions for a stable revenue and use one time sales to upsell.



Building a successful video business means investing in future-proofing your business for the long term -- without being a hostage to your capacity or staff needs!

KK Hart

Certified Business Coach, Uscreen Advocate

Before you go

Key Takeaways

- [1] The future of in-studio fitness remains uncertain, even after reopening. 46% of people feel very uncomfortable about going back to gyms.
- [2] Online health & fitness streaming saw steady growth long before COVID, and have now experienced a boom, with no signs of slowing down.
- [3] Majority of people participate in on-demand and streaming workouts when offered by their fitness clubs.
- [4] Fitness clubs that do not offer a satisfactory virtual solution see members canceling their memberships and signing up with a third party provider.
- [5] Consumer spending is changing, and people are spending their money on personal fitness more than ever before. This is an excellent opportunity to meet that demand!
- [6] There are 1.5 billion video-on-demand users in 2020. According to the Digital Market Outlook, there will be approximately 2 billion by 2025.
- [7] Consider the devices: 70% content streamed is on mobile devices, and globally, smart TV usage grew over 300%
- [8] Winning combination: live streaming + video on demand to satisfy the diverse needs of your audience.

Online is the place to be.

It's where your audience is, as well as an opportunity to add a new revenue stream for your business. And while we won't always be in a state of pandemic, a strong online presence will future-proof your business and help you not only survive this year of uncertainty, but **thrive** well into the future.

Here's something extra

Resources

Unless otherwise stated, the source of the data is Uscreen.

We are happy for you to use such data contained in this report, with the **appropriate attribution stating Uscreen as the original source**.

For further enquiries about data included into this report, please email us at marketing@uscreen.tv

External resources:

- <https://www.club-intel.com/whitepapers-and-reports/>
- <https://www.statista.com/statistics/778912/video-streaming-service-multiple-subscriptions/>
- <https://www.statista.com/forecasts/997182/fitness-and-health-service-online-purchases-in-the-us>
- <https://www.statista.com/forecasts/997136/fitness-and-health-service-purchases-in-the-us>
- <https://www.statista.com/statistics/1106498/home-media-consumption-coronavirus-worldwide-by-country/>
- [https://www.globalwebindex.com/hubfs/1%20Coronavirus%20Research%20PDFs/GWI%20coronavirus%20findings%20March%202020%20-%20Multi-Market%20data%20\(Release%203\).pdf](https://www.globalwebindex.com/hubfs/1%20Coronavirus%20Research%20PDFs/GWI%20coronavirus%20findings%20March%202020%20-%20Multi-Market%20data%20(Release%203).pdf)
- <https://data.census.gov/cedsci/all?q=Total%20Population%20in%20the%20United%20States&hidePreview=false&tid=ACSDP1Y2018.DP05>
- https://morningconsult.com/wp-content/uploads/2020/03/200394_crosstabs_CORONAVIRUS_CONTENT_Adults_v4_JB-1.pdf
- https://assets.morningconsult.com/wp-uploads/2020/06/15095046/200647_crosstabs_CONTENT_CORONA_PARTIALS_Adults_v2_JB-2.pdf