



## Three Myths of the Digital Fitness Boom

It's boom time in the fitness industry. By one estimate, health club memberships grew [33.6% between 2008 and 2017](#). As of 2018, U.S. health clubs were pulling in [\\$33 billion in annual revenue](#).

That's good news for the roughly 80% of adult Americans who, based on the sample in our survey, say they exercise at least occasionally. It means they have their choice of workout environments, from no-frills, big-box concepts to premium gyms with personal trainers, cooking classes and cold eucalyptus towels. Prefer classes to training circuits? A burgeoning boutique studio segment allows consumers to dive into a new or favorite workout — be it cycling, yoga, barre or something else altogether.

But while gyms are jabbing it out, another contender is muscling in. That would be digital fitness, the industry's own take on the disruption taking hold across the commercial arena.

For insight into the emerging digital fitness consumer — more specifically, the consumer's engagement and purchasing behavior — we surveyed 1,027 men and women in the U.S. who identify as exercisers. What they told us confirmed some of what we knew about today's digital fitness landscape. But it also busted some myths along the way.

### Myth No. 1: Digital fitness is strictly for millennials.

There's no doubt that millennials spend big on health and fitness. The average millennial exerciser in our survey directs 2.9% of his or her income toward sports nutrition products,

vitamins and supplements, skin care, and exercise apparel. Stated differently, on average, millennial exercisers shell out a reported \$151 for these products every month, compared with the \$127 that Generation X spends and the \$63 that baby boomers spend.

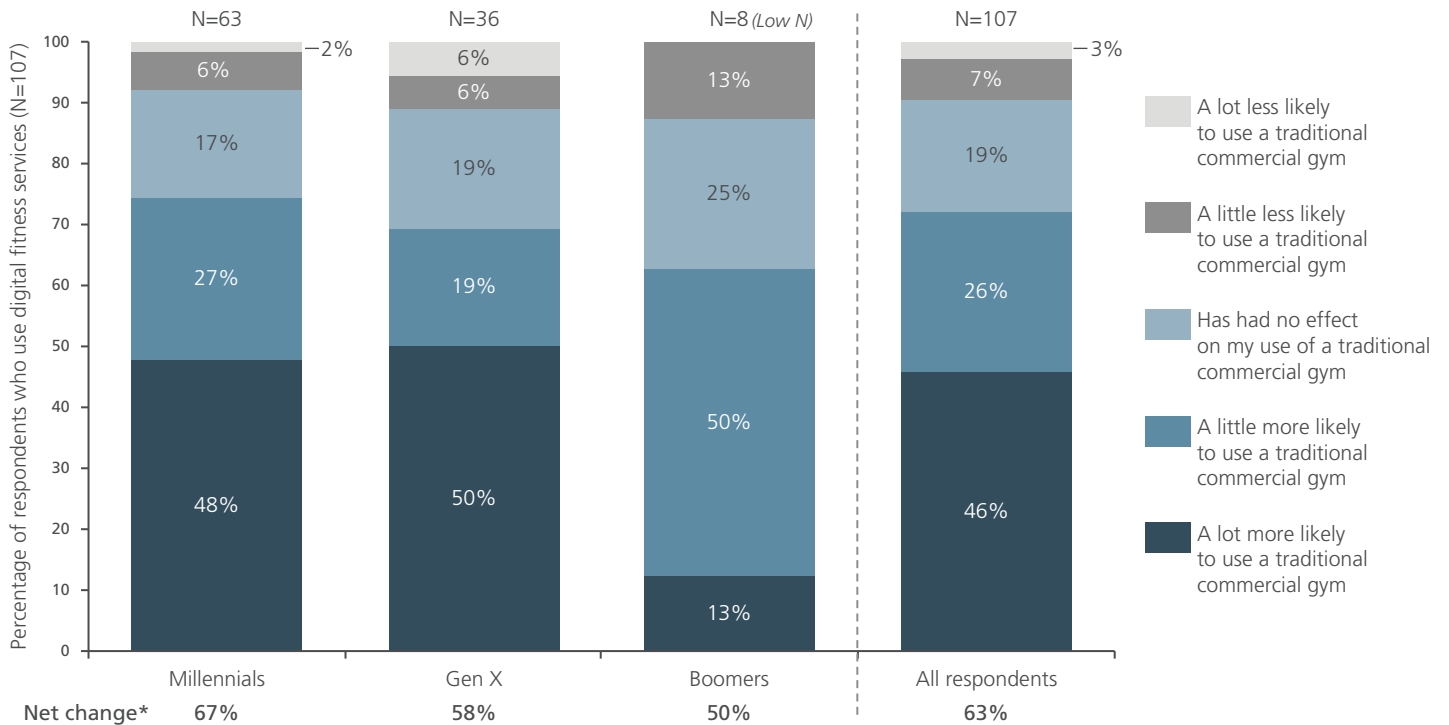
### Two types of digital fitness

Digital fitness comes in many variations. Two of the more common offerings are digital content and classes and virtual training.

**Digital content and classes** offer fitness and workout video content for a monthly, quarterly or annual fee. The services may be available as a livestream or on demand. Either way, these services are "one-way" — instructors can't see or hear subscribers — although if the service includes connected workout equipment, instructors might be able to monitor subscribers by username and offer up encouragement. Beachbody LIVE, Daily Burn, NEOU and Peloton are examples in this category.

**Virtual training** matches users with a remote personal trainer. The trainer designs a customized fitness plan and helps the user with it remotely. Virtual trainers can track progress in a mobile app and check in with the user to provide advice and guidance. Ladder and LIFT session are two of the online coaching services available today. LIFT session even offers two-way live options where the personal trainer can provide real-time workout feedback.

Figure 1  
Effect of digital fitness subscription on traditional commercial gym memberships (2018)



Notes: Q88. How has your usage of digital fitness services affected your likelihood to use a traditional commercial gym membership? (e.g., LA Fitness) \*Net change is the sum of the share of two segments stating they are more likely to use a traditional commercial gym, minus the sum of the two segments stating they are less likely to use a traditional commercial gym.

Source: L.E.K. Digital Health and Fitness Consumer Survey (November 2018)

In that context, it's tempting to conclude that millennials are the chief source of demand for digital fitness. Indeed, among millennial respondents who exercise, 36% say they have subscribed to a digital fitness content service. That's six times the percentage of baby boomers who have done the same.

But chances are, that's at least partly a function of awareness. Less than a third of boomer respondents have any familiarity with digital fitness subscription services, versus 77% of millennials.

This awareness gap is an untapped opportunity. To illustrate, consider the respondents who say they're at least somewhat familiar with digital fitness services. Of that group, millennials are only 37% more likely than boomers to have subscribed to a digital fitness service, suggesting awareness is a primary barrier among boomers. For growth-minded digital fitness vendors, the right promotions could go a long way toward bringing more of these high-conversion elders on board.

## Myth No. 2: Digital fitness is making traditional gyms obsolete.

Judging from our survey, digital fitness services actually complement gym usage rather than compete with it. Interestingly, respondents who don't subscribe to digital services generally believe digital fitness would reduce their usage of traditional gyms. But nearly three-quarters of respondents who do subscribe to a digital fitness content service tell us their use of digital fitness services makes them more likely to use traditional gyms (Figure 1).

Even connected workout equipment isn't enough to keep most digital fitness subscribers away from the gym. For instance, fully 45% of respondents who use a Peloton at-home stationary bike say it actually makes them more likely to use a traditional commercial gym.

Recognizing this, some brick-and-mortar chains are weighing the addition of streaming services. Gold's Gym, for example, offers a personal training app that's free to gym members and \$9.99 per month for everyone else. And fitness aggregator ClassPass, which

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sells credits that subscribers can use to visit studios and gyms in their area, has added an online service featuring live and on-demand classes.

To gauge where all this is headed, compare it with what's happening in pay television. In that sector, modestly priced streaming services are taking market share from steep cable television subscriptions. By contrast, traditional gyms are already inexpensive — think \$10 a month for big-box gym chain Planet Fitness — making digital solutions more of a complement to than a replacement of these operators. In other words, digital fitness offers traditional gyms the chance to provide consumers with a true omnichannel experience, just as many retailers have done in the ecommerce world.

### Myth No. 3: Digital fitness is a niche opportunity.

Among the exercisers in our study, 10% say they currently subscribe to a digital fitness content service, and another 12% say they used to. The former is not as large a group as the exercisers who use a gym (58%). At the same time, it's bigger than the group of exercisers who frequent a boutique fitness studio (8%).

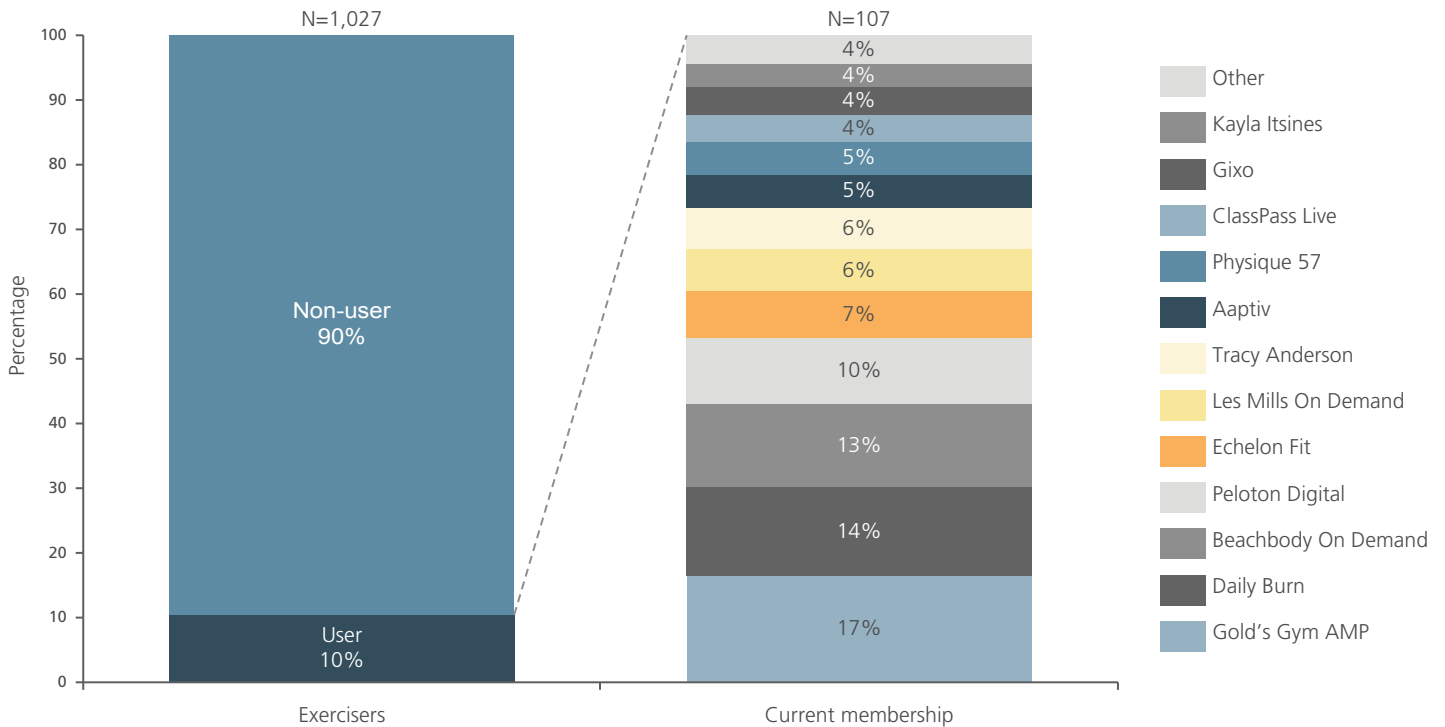
And spending patterns indicate usage is growing. In 2014, on-demand fitness services accounted for just 4.8% of total spend on workouts. By 2016 that share had jumped to 7.7% — a 35% compound annual growth rate — according to Cardlytics, a payments technology firm.

But what will growth look like going forward? To find out, we asked exercisers who don't already subscribe to a digital fitness service whether they would do so in the next year. We estimated the number of actual sign-ups — the take rate — and applied it to the 212 million U.S. adults who say they exercise.

Let's break down the results by format:

- **Digital fitness content.** Among current nonsubscribers in our survey, the overstatement-adjusted take rate is 7%. That translates to 14 million new subscribers and a \$3.3 billion market opportunity in the next year.
- **Digital fitness coaching.** At a price of \$50 per month, the take rate among current nonsubscribers is an overstatement-adjusted 11% or approximately 23 million new subscribers.

Figure 2  
Usage\* and share of subscribers of digital fitness subscription services among exercisers (2018)



Notes: Q15: Do you currently subscribe to any digital fitness content services? Q87: Which of the following noninteractive digital fitness subscription services do you currently subscribe to? \*Self-reported

Source: L.E.K. Digital Health and Fitness Consumer Survey (November 2018)

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There's another way to look at opportunity, and that's by seeing how open the competitive field is. Respondents who use digital fitness services identify more than a dozen brands they subscribe to. Although Gold's Gym AMP and Daily Burn have the largest reported share, no brand has locked up the market (Figure 2).

Peloton's presence on this list is particularly telling. The New York-based company's success in integrated platforms has attracted newer, high-profile market entrants like Tonal and Mirror. And the bikes, treadmills, wall-mounted gyms and other equipment in this category are expensive, creating a significant barrier to entry for the nonaffluent. With the 2018 introduction of Peloton Digital, the company is leveraging core assets — celebrity-like trainers and a high-quality content library — to differentiate its hardware-agnostic digital service and drive acquisition in the competitive digital market.

Today's consumers have a wealth of solutions to help them look better, feel better and maintain (or regain) their health. Some of those solutions are places they can go. Others, thanks to modern digital technology, can come to them. It needn't be one or the other, and indeed many consumers prefer both.

At the same time, the landscape is shifting quickly. Digital natives, equipment companies, fitness clubs, device companies — these and others are trying to stake a claim in the digital fitness market.

The key questions are:

- For fitness clubs, what role does digital fitness play in our overall member experience?
- For equipment companies, how do we integrate a compelling digital fitness platform with our products across various channels (DTC, commercial, etc.)?
- How can we differentiate in the increasingly crowded digital fitness space?
- How does digital fitness reinforce/accelerate other strategic objectives (e.g., personalization, international expansion)?
- What combination of building, buying and partnering is optimal to win in digital fitness?
- Who are the best digital fitness players to partner with/buy in order to accelerate our digital strategy?

The good news is that there's plenty of opportunity. With the results of our fitness survey, we can now put to rest three prominent myths that could hold back fitness chains, equipment manufacturers and investors from a single essential truth: Gym-goer or not, old or young, everyone can participate in digital fitness.

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## About the Authors



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