



## Active Lifestyle: Getting Off the Sidelines and Into the Game

All around us, there are signs the U.S. population has turned a corner and is now enjoying the benefits of a healthier, more active lifestyle. Lululemon is a mainstay of the women’s apparel market. Fitbit is more common in many offices than a wristwatch. People don’t just work out in gyms anymore – they go to yoga studios, do P90X in their living rooms, or race with friends in a Tough Mudder.

However, the data suggests otherwise. Obesity rates are at record highs, with 35% of adult Americans now considered obese versus roughly 13% in 1960. Inactivity is also increasing: according to the Sports and Fitness Industry Association (SFIA),<sup>1</sup> 27.6% of the U.S. population was “inactive” in 2013, compared to 25.5% in 2007.

For companies looking to capitalize on the “fitness craze,” what does this mean? Is it a fad that should be avoided? Should retailers and consumer products companies steer clear of the active lifestyle category? Or are there pockets of growth worth pursuing?

### Digging Deeper: The State of U.S. Consumer (In) Activity

Macro trends can sometimes be deceiving. Not everyone is becoming lazier; some demographic groups are actually

showing an increase in activity. For example, college-age individuals and people over age 65 showed a meaningful uptick in activity over the last two years.<sup>2</sup> It appears that although inactivity may be on the rise overall, some consumers are embracing an active lifestyle.

**Figure 1**  
Activity Framework

<b>High participation</b> (More than 5M annual participants)	<b>“Mature”</b> (Baseball, football, martial arts, etc.) <b># of activities: 36</b> <b>Average participation (2013): ~16M</b> <b>Growth 2008-13: (3.1%)</b>	<b>“Mass-pirational”</b> (Yoga, spin class, running, bicycling, etc.) <b># of activities: 29</b> <b>Average participation (2013): ~21M</b> <b>Growth 2008-13: 2.2%</b>
	<b>“Niche”</b> (Racquetball, sailing, etc.) <b># of activities: 11</b> <b>Average participation (2013): ~3M</b> <b>Growth 2008-13: (4.8%)</b>	<b>“Emerging”</b> (Adventure racing, triathlon, climbing, Barre etc.) <b># of activities: 27</b> <b>Average participation (2013): ~3M</b> <b>Growth 2008-13: 4.0%</b>
<b>Low participation</b> (Less than 5M annual participants)	<b>Downward trending</b> (Participation declines)	<b>Upward trending</b> (Positive participation growth)

Source: 2014 SFIA Participation Topline Report, L.E.K. analysis

Furthermore, the active lifestyle market is hardly uniform. While some activities are in decline, others are growing at a rapid clip. Participation rates also vary; certain activities attract large numbers of consumers, and others appeal to a select group (see Figure 1). Some activities (think yoga or CrossFit)

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are emerging that are accessible to a large number of people, but still maintain an aspirational element – allowing the active lifestyle market to extend beyond the super-fit.

Activities that fall into a similar participation/trending quadrant have certain characteristics in common. It is important for companies developing products and services to support specific activities in order to have a good understanding of their attributes. For example:

- **“Mass-pirational” activities.** These are easy to access. Beginners can get started without a steep learning curve, and they require minimal planning or travel in order to participate. People tend to incorporate mass-pirational activities into their everyday lives. Offerings that cater to this category include those that are versatile across different activities or that can become part of everyday life, such as athleisure apparel. Services such as class sign-up apps that can coordinate mass-pirational activities also provide potential opportunities.
- **Emerging activities.** These have a strong experiential theme – they are often outdoor or adventure activities and are sometimes quite rigorous. For example, adventure racing is growing by 22% a year, and triathlon participation is growing at 20% a year. Products or services that enable rigorous activities, such as sports nutrition or event-based offerings (for instance, themed travel or events management) can benefit from growth in this area.
- **Mature and niche activities.** These are flat or in decline, either because they are saturated or because they were areas that “caught a wave” that has since subsided. They probably should not be the main focus for active lifestyle products or services, but this does not mean that value cannot be extracted, especially if there is overlap with high-growth activities. Furthermore, these spaces may attract less competitive attention, opening the door for a savvy company to dominate the market.

## Ways to Get Into the Game

Companies looking for opportunities in the active lifestyle space do not need to address every corner of the market.

Given the specificity and customization demanded by consumers, this is likely to be a losing strategy. To be successful, a more nuanced approach is required. The combination of new, consistently emerging fitness activities with active lifestyle consumers continually looking for ways to get an edge creates an environment that breeds innovation. Active lifestyle consumers are practically begging for retailers, consumer products companies, and others to find new and interesting ways to meet their needs. We believe there are five strategies companies can pursue to make this happen and in turn unlock tremendous value:

1. **Focus on the underserved.** There are a number of consumer groups that find few products or services that support their aspiration to become more active or to be perceived as more active. Some companies target only consumers who are already active and fit, missing the opportunity to fill the needs of groups like the overweight — or even alienating them. For instance, when women’s activewear leader Lululemon had to pull its yoga pants from stores after a barrage of complaints that they were see-through, its CEO alienated a significant consumer group by intimating that the pants were not suitable for larger women. Active seniors are another group that has different needs regarding apparel, activity types, equipment and specialized services such as sports medicine. As more and more baby boomers approach retirement age, the potential for products and services that promote a healthy and active life after work could be substantial.

**JunoActive** has carved out a niche with athletic attire designed for the needs of overweight women seeking an active lifestyle. **Silver Sneakers** is a fitness program catered toward older active adults that partners with major medical plans, and offers gym access, an online fitness portal, home fitness equipment and other services.

2. **Find the aspirational.** Many consumers are not particularly active, but they aspire to be so. It’s no wonder why the activewear category growing at 5% a year in the face of declining fitness participation. Products that can help make consumers feel like they are part of an active lifestyle — or even those that can make them marginally more active — are likely to appeal to consumers that are looking to test the waters of active lifestyle. Wearable technology companies

like Fitbit have been able to tap into this consumer; simply tracking activity makes people *feel* more active and can

Three companies known for their activewear — **Lululemon**, **Athleta**, and **Lucy** — are expanding into casual wear. Top casual wear labels like **Tory Burch**, **Alexander Wang** and **Victoria's Secret** are all launching activewear lines.

motivate some to be more active. The “athleisure” apparel category has also benefitted from the aspirational consumer. As activewear is increasingly accepted as everyday

casual wear, many consumers — particularly women — feel more active by dressing the part. This blurring of the lines of activewear and casual wear has allowed casual wear brands to move into activewear and vice versa.

**3. Explore opportunities on the periphery of emerging activities.** Don't count yourself out if your product or service doesn't immediately appear to be a good fit for the active lifestyle consumer. On the periphery of active lifestyle, a whole host of companies have the ability to extend, support

A spate of fitness event management companies, including **SignMeUp**, **Race IT** and **Eventbrite**, offer services to event organizers and participants that streamline the registration and organization process. **ClassPass** develops class sign-up software and offers a subscription service for unlimited monthly access to various fitness classes targeted to those looking for more variety in their studio fitness routines.

or enable different activities. These less obvious opportunities are perhaps the most lucrative because they are less crowded with competitors and have the potential to add a new take on an existing concept.

Just pick an area where participation is growing and find a way to capitalize. Athletic events and competitions are examples of fast-growing participation where many company types stand to benefit. For instance, these events have created room for an ecosystem in which technology firms can further enable the activity.

**4. Cater to a specific consumer microsegment (and then look for opportunities to broaden).** As a fitness category evolves, consumers look for specialized products and services that meet the specific requirements of the activity. Many fitness participants, whether competitive or not, look for new ways to get an edge, and anything that is specifically catered to their gender, body type or activity type is especially appealing. To find a product

that truly resonates with enthusiasts within a particular microsegment, you need to gain an in-depth understanding of the activity, including participation trends and consumer needs. Examining these needs will often uncover the opportunity for new product innovation, giving license

for new entrants to serve the active lifestyle space. One thought to keep in mind: “microsegment” doesn't necessarily translate to “micro opportunity.” New products or services that cater to very specific consumer microsegments can achieve mainstream adoption. If a product

**Maplewater**, first used by triathletes in Canada for hydration, has gained mass appeal as manufacturers promote health benefits beyond hydration. **Hammer Nutrition** is a brand in the endurance racing space that is seeing more traction. It has cultivated authenticity through guerilla marketing, such as providing race bags at fitness events and offering cash rewards for top-placing competitors who wear its gear. **Reebok** recently inked a deal with UFC to become the exclusive apparel provider for the mixed martial arts organization, giving it access to a fast growing and still-emerging group of consumers/athletes.

catches on with a specific niche of passionate participants, companies can appeal to a wider consumer audience by emphasizing more broadly applicable attributes. Active lifestyle is a category where focusing on leading adopters can easily trickle down to the rest of the pyramid.

**5. Bring new expertise to an existing player.** Some companies are so focused on a specific area that they may fail to recognize opportunities to extend into an adjacent space – or they may simply lack the competencies to do so. This presents an opening for other players to partner with them by offering complementary products and services. For example, fitness studios have the potential to generate significant retail revenue – one might partner with a nutritional food and beverage box subscription service, like Bulu Box or The Feed, to capture greater share of its customers' wallets by integrating nutrition with exercise routines.

Some fitness chains have already jumped on the retail bandwagon. **SoulCycle** generates around 10% of its revenue from the sale of apparel and personal care products, as does the health club chain **Equinox**; and for studio chain **Lithe Method**, nearly a third of revenues come from retail. In some of its locations, **Pure Barre** generates up to 50% of revenues from the sale of nutritionals, apparel, accessories and equipment.

## Activating Your Strategy

Various pockets within the active lifestyle market are expected to grow despite the creeping lethargy of the general U.S. population. It is a broad playing field with a wide range of categories and significant opportunities for a host of contestants. With innovation in technology, fitness formats, apparel and foods, to name a few, active lifestyle is touching a growing number of consumer products companies and retailers. Given the changing nature of this space, opportunities are up for grabs – any retailer or consumer products company would be remiss not to evaluate whether they can leverage their assets to participate. In thinking through whether to pursue the active lifestyle space, consider the following questions:

- Which activity segment(s) should you target? Where is participation growing and where can you be confident that there is a long, sustainable trend and not a passing fad?

- In exactly which way can you participate? Which product, service, or channel can you offer in a way that has a hook with consumers and is differentiated from other offerings?
- Where are the gaps in your existing capabilities/assets that might prevent you from taking advantage of these opportunities? How can you address these gaps?

By taking a creative approach – whether it is moving into an adjacent business or finding the right partner – many can find a way to win in this lucrative market.

<sup>1</sup>2014 Sports, Fitness and Leisure Activities Topline Participation Report, SFIA, 2014, [http://www.espn.go.com/pdf/2013/1113/espn\\_otl\\_sportsreport.pdf](http://www.espn.go.com/pdf/2013/1113/espn_otl_sportsreport.pdf)  
<sup>2</sup>Ibid

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