

8 KEYS TO BEAT THE COMPETITION

A PLAYBOOK

LES MILLS



WINNING IN THE CLUB BUSINESS

What does it take to stay one play ahead of the competition?

THE DOWNSIDE OF CONSTANT GROWTH

Having barely existed 50 years ago, fitness has exploded in recent decades to become one of the biggest social movements in the world. The global health and fitness industry now has an estimated value of \$3.7 trillion globally, experiencing double digit annual growth over the last decade¹. Fitness has a larger participation rate than any individual sport, yet low barriers to entry continue to make it one of the most competitive commercial environments.

THE CHALLENGES FOR TRADITIONAL CLUBS

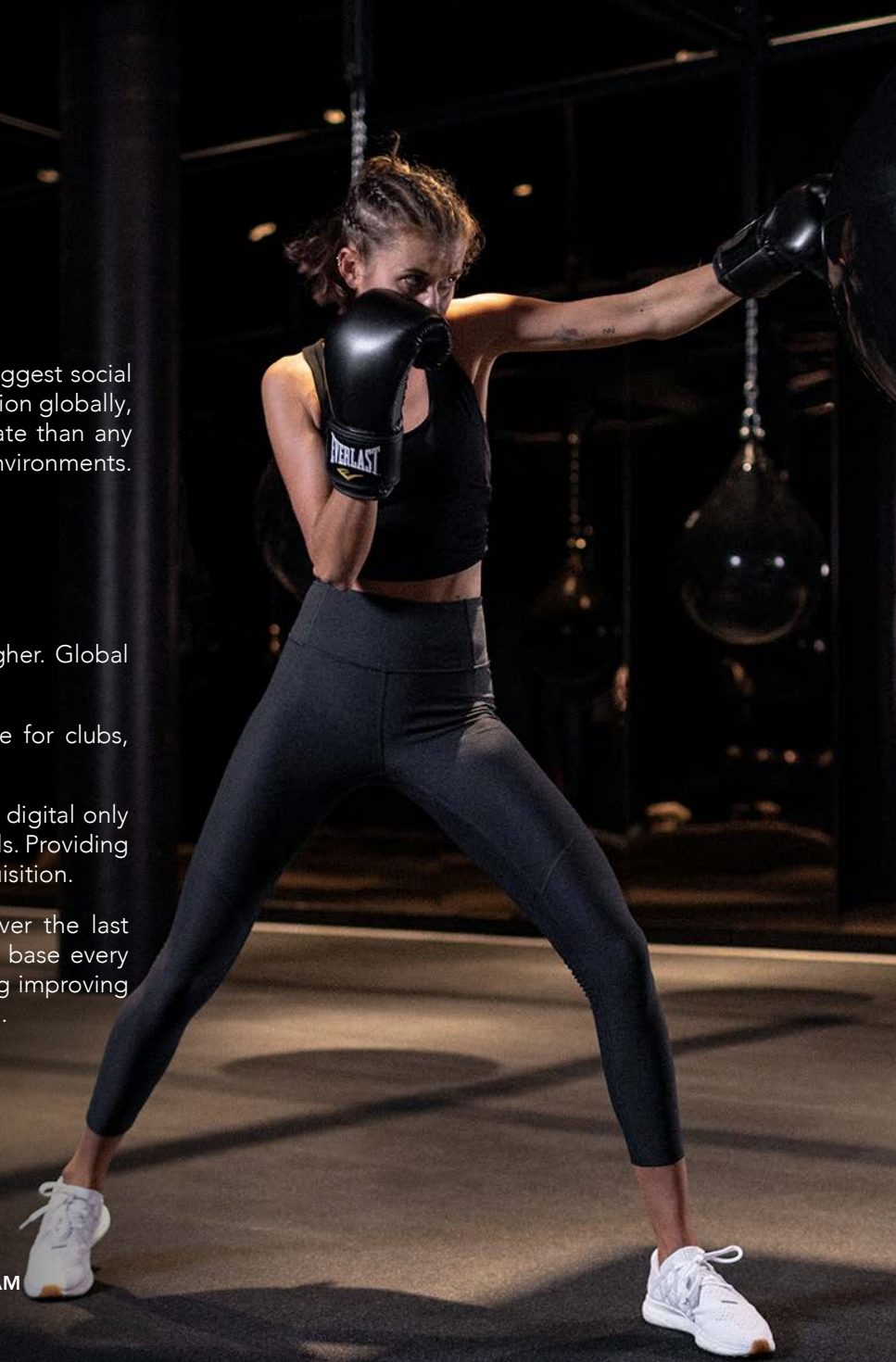
1. **Competition has dramatically increased.** Low-cost continues to grow whilst high-end gets higher. Global chains monopolize the small and local approach and boutiques continue to proliferate.
2. **Demographics have shifted dramatically.** Millennials and Gen-Z are now the must-win battle for clubs, dominating all fitness activities and spend.
3. **Explosive digital disruption has blown up traditional distribution models.** New digital first or digital only players are bringing new people to fitness, but also threatening traditional paid membership models. Providing their service at home with low fixed costs, digital players can afford to spend big on member acquisition.
4. **Member retention remains a constant and unending battle.** One thing hasn't changed over the last decade, traditional multi-purpose clubs are still losing approximately 50% of their membership base every year. Acquisition in this competitive environment is now more costly and more complex, meaning improving retention should be the number one focus for traditional clubs looking to outplay the competition.

HOPE IS NOT LOST

Our 50 years in the industry and our partnership with over 20,000 global clubs has allowed us to develop 8 Key Plays that will help your club focus on the right strategy to beat your competition. In this playbook, we introduce you to the principles of each Key Play, helping you maintain your competitive edge.

KEY PLAYS

- #1: CREATE A SCOREBOARD
- #2: RECRUIT WINNING PLAYERS
- #3: MOTIVATE YOUR TEAM
- #4: DEVELOP A GREAT TRAINING PROGRAM
- #5: PLAY YOUR 'A' TEAM
- #6: BUILD A GREAT STADIUM
- #7: PROMOTE YOUR GAMES
- #8: DESIGN A WINNING GAME PLAN



FITNESS TO FIGHT: THE STATE OF THE INDUSTRY AT A GLANCE

FITNESS CONTINUES TO GROW

33%

of the total adult population pay to attend a gym or fitness facility. This is up from 28% in 2013²

MEMBER DEMOGRAPHICS ARE CHANGING

80%

of all those paying for fitness are Millennials or Gen-Z²

MEMBERS WHO DO GX COME MORE OFTEN

4^x

is the average number of club visits per week by those who use GX²

TRADITIONAL CLUBS ARE FACING DECREASING MARKET SHARE

51%

of people using paid alternatives to multi-purpose facilities²

YOU NEED TO TARGET YOUNGER MEMBERS TO COMPETE

50%

of all new joiners are under 30 years of age. We have surveyed ten of the biggest global chains and all report similar figures³

AND STAY FOR LONGER

49%

members who attend LES MILLS classes three times a week or more have an average membership length that is 49% longer than those not attending at all⁵

AND DECREASING SHARE OF WALLET

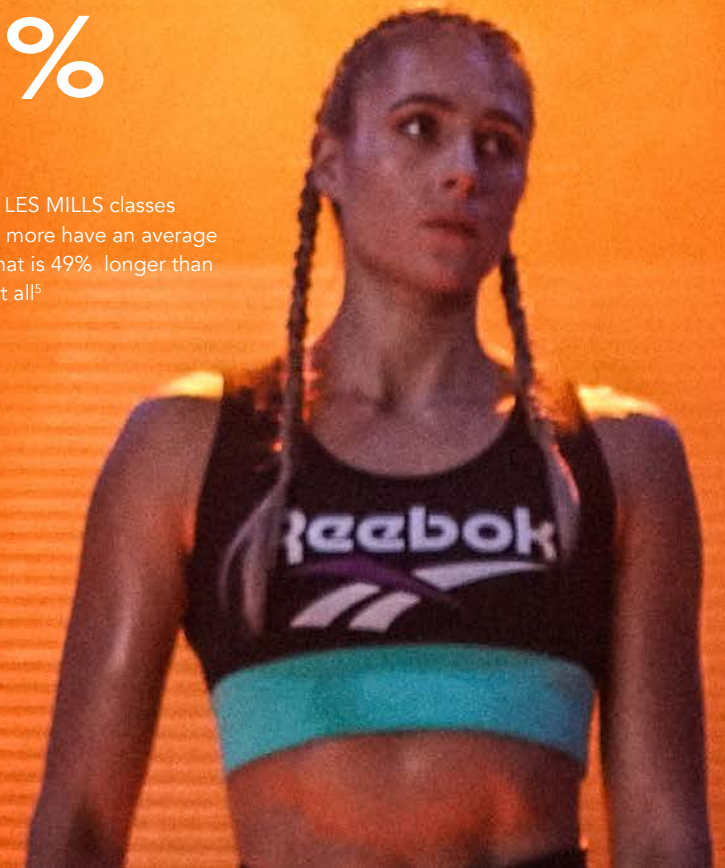
33%

of those who are multi-purpose members are also paying to do gym-type activities elsewhere²

FREQUENCY OF VISITS REMAINS LOW

43%

use their club less than once per week⁴



WHAT ARE YOUR MEMBERS LOOKING FOR?

The answer: Motivation.

"The purpose of the gym industry is making people fall in love with fitness." Les Mills Snr, 1968

WE ARE IN THE MOTIVATION BUSINESS.

If people were intrinsically motivated to stay fit and get healthy, our industry would not have experienced double digit annual growth over the last decade. People pay to attend fitness facilities because the clubs provide what the individual may be lacking: motivation. Motivation comes in many forms - social interaction, atmosphere, instructors, and the commitment of "belonging" to something.

TRADITIONAL CLUBS ARE LOSING MARKET SHARE TO BOUTIQUES BECAUSE THEY HAVE NAILED THE MOTIVATION FORMULA.

So what are boutiques doing right? They have experiential spaces, motivating workouts and rockstar instructors.

It is a formula that is easy to replicate. You will beat your competition if you are able to successfully motivate more of your members, more often.

MOTIVATION IS HARD TO MEASURE.

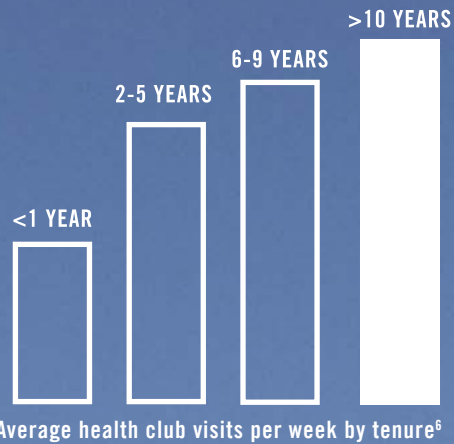
The best way to measure motivation is through frequency of attendance. This will give you the greatest indication of whether your members are likely to stay loyal, or start looking at other alternatives.

You aren't the only one hoping to increase attendance! Your members want to visit your club more often too. So any strategies you can implement to help them increase their frequency will help boost member satisfaction.

59%

of all gym members are dissatisfied with the amount they are currently visiting their facility²





ATTENDANCE IS KEY: THE MORE THEY COME, THE LONGER THEY STAY



KEY PLAY #1: CREATE A SCOREBOARD

You can't manage what you don't measure.

HOW CAN YOU PLAN TO BEAT THE COMPETITION IF YOU DON'T KNOW WHERE YOU ARE IN THE RACE?

What metrics do you currently measure on a weekly, fortnightly and monthly basis? Are you measuring attendance, both total club and by visit purpose? If not, you should be. This is why:

- Retention remains one of the biggest hurdles. You will have fought hard to win your current members, so don't lose them because you are focusing purely on acquisition
- Frequency of attendance is strongly linked to length of membership, the more visits, the longer the membership⁶
- It costs approximately five times less to retain current members than to acquire new ones

WHAT SHOULD YOU MEASURE?

GX visits are proven to drive frequency of attendance, increased referrals and longer membership tenures.^{2,5} To measure this effectively you need to accurately count participation rates in every class. This ladders up to an effective metric that allows you to determine:

- Your total weekly GX visits
- Your GX % of total club attendances
- Your most popular instructors and most popular classes

When you have this information you can create effective short-term and long-term attendance goals, and drive better results. Better yet, you gain an understanding of what is actually driving your attendances and can make effective timetable decisions, rather than base strategies off anecdotal evidence or intuition. It also enables you to benchmark your club against others, including your competition, to see what is possible.

For example, 50% of visits for GX is a healthy target for clubs around the world, and the best performing clubs are achieving in excess of 60%.⁷

How can we help:

Get in contact to find out more information about:

- Benchmarked attendance statistics
- Class counting technologies and analysis software

Where do you start?

- Formalize a reliable and accurate class counting method and record the counts in a system that will allow you to report on it regularly, as well as see obvious trends
- Get a baseline of what your GX % is of total club attendance
- Set goals for the metrics you are going to target and ensure you measure against them

KEY PLAY #2: RECRUIT WINNING PLAYERS

The competition can replicate every winning strategy you have in play, except the team you have built.

WHY IS YOUR TEAM SO CRUCIAL TO CREATING A COMPETITIVE EDGE?

When you ask successful business leaders what is the one strategy they invest the most in; without fail they say it's going to exceptional lengths to hire the best people.⁸

Look at the world of professional sports where exorbitant transfer and purchase fees are paid to sign the players with the most talent, and top coaches have teams of professional scouts constantly on the hunt. While you cannot replicate that, you can ensure that the recruitment of 'A' players is one of your most important strategies. It will keep you ahead of the competition for far longer than anything else.

Need convincing? Look at boutiques, where talented, aspirational and rockstar instructors are one of the main ingredients of their secret sauce. Remember, your members choose to pay for fitness because they are looking for motivation - inspiring instruction is crucial to delivering this.

WHAT SHOULD YOU LOOK FOR?

50 years of group fitness management and training has taught us that there are five core skills that create successful instructors: technique, coaching, communication/connection, performance and choreography.

Excellence in any one of these leads to full classes, however few possess natural brilliance in more than one area. It's important to be able to identify a person's strengths, and vital to make sure they have passion and are a good fit for your club.

WHERE SHOULD YOU FOCUS?

One place you can easily identify potential is internally. Through a targeted approach you can shoulder tap prospects from your current instructor's networks and your members. Ensure you are also building partnerships with local businesses like performing arts schools, sports teams and university physical education departments.



Where do you start?

- You cannot do this from behind a desk. Recruitment has to be one of your "always on" strategies. You, and your team, should constantly be on the lookout for great talent who will inspire and motivate your members
- Allocate at least a two-week period every year to have a specific recruitment drive, and ensure you are prioritizing identifying talent through local partners

How can we help:

Get in contact to find out more information about:

- Recruitment event agendas, audition criteria, advertising collateral
- Talent matrix and places to find 'A' players



KEY PLAY #3: MOTIVATE YOUR TEAM

Winning isn't everything, but wanting to win is.

HOW CAN YOU CREATE THE HUNGER IN YOUR TEAM? YOU WANT TO ENCOURAGE THEM TO CONSTANTLY BEAT THEMSELVES, NOT JUST THE COMPETITION.

You have invested a huge amount of your time ensuring you have the right people on your team, now you need to keep them and motivate them to achieve their own individual successes. This is how you will achieve success as a team.

Motivation is complex, and there are dozens of popular theories.⁹ All of them align to the same outcome, that not everybody is motivated by the same drivers. This means you need to start by identifying what is most important to each of your team members; what is their personal "why" and how does their role on your team contribute to achieving this?

IF MOTIVATION IS INDIVIDUAL, HOW CAN YOU CREATE ONE STRATEGY THAT HELPS DELIVER IT FOR YOUR WHOLE TEAM?

True, the drivers and outcomes are individual, but there is an overall process that assists you in identifying the most effective motivator for each of your team members. There are five steps:

- 1. Set team and individual goals.** Set clear targets and regularly communicate where you are as a team and as individual performers. If you involve your team in setting these, you harness the power of autonomy.
- 2. Build team spirit.** Star performers want to be part of a high-performing team. Foster the team environment through buddy programs and formal and informal team events.
- 3. Offer non-financial incentives.** Praise and recognition are key, but so is a formal training plan, understanding any career path progression and providing autonomy through ownership of class goals.
- 4. Offer financial incentives.** Research shows that monetary rewards are low on the list of effective motivators. But perceived unfair pay is one of the greatest causes of employee demotivation. Performance-based pay or even reimbursement of resources and training can be effective financial options.
- 5. Develop your players.** Implementing a formal training schedule, as well as consistently providing formal and informal feedback is effective in supporting their journey towards mastery.

How can we help:

Get in contact to find out more information about:

- Training pathways
- Performance-based pay models that drive additional revenue and results

Where do you start?

- Start by being a coach who cares. Make it about them, not about you. Remember, everyone is different so ensure you dedicate enough time to getting to know the individuals on your team and listen to what they care about
- Coach based on malleable ability, which is where you praise their effort and strategy not just pure ability

KEY PLAY #4: DEVELOP A GREAT TRAINING PROGRAM

Nobody starts off as the best they can be. Complacency is only feeding your competition.

WHY IS TRAINING YOUR TEAM IMPORTANT?

If you are reaching for new goals and targets, it is likely you are going to need a performance lift from your team to reach them. Without training as a catalyst for change, you may end up just sweating your people harder to get the same old outcome.

WHAT ARE THE BASICS OF A GREAT TRAINING PROGRAM?

- 1. Identifying core skills.** Firstly, identify which skill sets the individuals within your team can improve on. Focus on the areas that will make the difference, not just those that are the easiest to train. For example; you may have an instructor who is technically brilliant, but not the best performer. Training them in this area could drive a noticeable lift in class attendance and satisfaction.
- 2. Creating a training journey.** Creating a formal training journey sets out the expectations from the beginning. It allows you to manage performance, ensures appropriate levels of certification and can often be integrated with external providers for best results. Most importantly, ensure you personally understand the journey, so you can support your team through it.
- 3. Assessment and coaching.** All training programs require assessment, and the more involved you are in this, the better the outcome. Ensure any assessment is formalized with clear criteria and well planned in advance. Document the assessment where possible with video, so your team member can watch themselves and perform a self-assessment. Most importantly, make sure you formalize a plan for any identified improvements, with dates and agreed next steps.



Where do you start?

- Create a formal training calendar. Add the training or certification requirements you already have in place
- Identify any gaps and explore possible options to supplement your training program. Make sure there is clear criteria for advancement to each stage
- Utilize training or events provided by suppliers where possible to strengthen any internal training

How can we help:

Get in contact to find out more information about:

- Integrated training journeys and certification
- Training events schedule and assessment coaching forms



KEY PLAY #5: PLAY YOUR 'A' TEAM

Members vote with their feet. Ensure you understand what is popular to stop them walking off to the competition.

WHICH CLASSES AND WHICH INSTRUCTORS ARE THE MOST POPULAR? IF YOU CAN WORK OUT WHAT IS DRIVING YOUR BEST ATTENDANCES, THEN YOU CAN REPLICATE IT.

Ask yourself the following questions:

- How many classes do you have on your timetable that consistently have less than 30% capacity?
- How many classes have an instructor taking that class simply because they have always done it?

If nothing changes, then you are not going to achieve different results and be more competitive. The status quo is your enemy, but remember to base decisions on hard data and facts.

WHAT PLAYS WILL MAKE THE DIFFERENCE?

1. **Give your best instructors more classes.** Identify your star players based on attendance data and give them more classes in the most popular times. Instructor ability is the second highest driver of class attendance after type of class.¹⁰
2. **Schedule more of your most popular programs.** Increase the numbers of your most popular classes until the average attendance per class is approximately equal for all programs, at an acceptable occupancy level.
3. **Extend your timetable to meet members preferences.** This includes looking at optimizing your timetable to include virtual fitness, which grows live class attendance by 12%.⁷ Don't underestimate offering at-home fitness solutions through integrated apps or online fitness advice as part of your membership. Staggeringly, 85% of your gym members are also working out at home, so don't limit your timetable to the four walls of your club if you want to retain members for longer.²
4. **Design an easy-to-read timetable.** Ensure it clearly gives the basic information your members need. Ideally, it should also be integrated with a booking system.

How can we help:

Get in contact to find out more information about:

- Comprehensive attendance analysis to help you determine the right strategic changes
- Genre benchmarks and timetable design

Where do you start?

- You have to start with the data. If you don't have the attendance data to determine ranking lists, you are making decisions blindfolded. You should be reviewing your timetable and making changes every quarter
- You have to cater to the preferences of current members but ensure you are also factoring in the people you are targeting for acquisition. What types of programs appeal to them and what are you competing against?

KEY PLAY #6: BUILD A GREAT STADIUM

Just like professional sports teams investing in building stadiums for their fans to maximize atmosphere and experience, inspiring workout spaces are crucial to motivating members. The design and use of your spaces could set you apart from your competition.

STEAL WITH PRIDE.

One thing you can learn from the proliferation of boutiques is just how important spatial design and fit out are to create an experience worth paying for. Boutiques have capitalized on brilliant design to create a mood, evoke emotion and transport the participants to another place for the duration of the class. Your members aren't paying you to workout somewhere that reminds them of their local school hall. However, you don't have to copy your competitors' designs. Look at what great design inspiration you can find in other industries, e.g. restaurants, nightclubs or concert venues.

THREE PRINCIPLES TO GUIDE YOU:

1. **Bigger is better.** GX is more profitable per sqm than any other service in your club.¹¹ Optimize your studio space by ensuring you have bigger studios, allowing you greater capacity and minimizing the overall fit out cost. This can mean rationalizing existing layout or creating zoned space in multi-use areas.
2. **Make it experiential.** First and foremost decide how you want the studio to feel, rather than how you need it to operate. Pay attention to the quality of the sound system and lighting design to evoke that experience as well as décor. Use a professional designer if you can, and remember well designed lighting and décor isn't necessarily expensive.
3. **But don't forget to make it functional.** Finally, you have to consider how the studio is going to be used. Everything from flooring, ventilation, equipment, storage and the entrance impact on member experience. Consider down time for regular maintenance and cleaning in your timetable design to ensure your studio/s remains one of your best assets.

Where do you start?

- Rate yourself against your local competition, best-in-class competition and other non-industry environments popular with your members. Do you have a studio worthy of Instagram?
- Analyze the space you currently have and whether it has the capacity to deliver on your attendance goals
- Create a three-year studio improvement proposal to stay ahead



How can we help:

Get in contact to find out more information about:

- Studio design principles, experiential, functional design guidance and cost estimates
- Cycle studio design equipment recommendations



KEY PLAY #7: PROMOTE YOUR GAMES

Build it and they will come is not a strategy, it is a prayer. You cannot sell a secret.

MARKETING AND ADVERTISING CAN BE AN EXPENSIVE MINEFIELD OF OPTIONS, WITHOUT ANY MEASURES OF SUCCESS.

Digital marketing experts estimate that most people in modernized countries are exposed to 4,000 to 10,000 advertisements each day.¹² A tsunami of commercials, print ads, social media ads or anything a business can produce to get your attention and compel you to buy. So how do you achieve cut through to get your message across?

To make matters more complicated, you aren't just marketing to new members - 50% of all marketing is about reinforcing to your current members they have made the right decision!¹³ It is five times more expensive to attract a new customer than it is to keep an existing one.¹⁴

WHAT MARKETING TACTICS WILL PAY OFF?

- 1. New program and quarterly launch campaigns.** We have moved to an experience economy where "new" and "free" are still the two most powerful words in advertising. Capitalize on the best opportunity for people to experience your club by creating events around new GX program launches and quarterly releases. By creating buzz and urgency around the event you provide a great opportunity for existing and potential members to "try" the services and experiences offered by your club.
- 2. Marketing your instructors.** Remember your people are your only differentiator that cannot be replicated so market them and help them market themselves. People trust people, and advocacy drives 50% of purchases.¹⁵ You can help turn your instructors into influencers by giving them training, guidance and incentives to build their networks and share content related to their classes and your club.
- 3. Educating your membership consultants.** Successful marketing doesn't end when a member signs up. In fact, the six weeks post sale is the most crucial time to determine the length of their membership and therefore the long-term return on your acquisition spend.¹⁶ Having a formalized induction process, that has multiple touch-points and prescribes GX from the outset, is key to helping members form habits, improving their satisfaction and increasing average lifetime value.

How can we help:

Get in contact to find out more information about:

- Campaign collateral, campaign toolkits, event guides and social media guides for instructors
- The Smart Start induction program for members

Where do you start?

- Plan to include events in your marketing calendar, making sure that at least every quarter you have a significant milestone that allows you to market and demonstrate an inspiring experience
- Identify current incentives for successful referrals, and see how they compare against your acquisition costs - referred customers stay longer and a 12% increase in advocacy can produce a 200% increase in revenue¹⁷

KEY PLAY #8: DESIGN A WINNING GAME PLAN

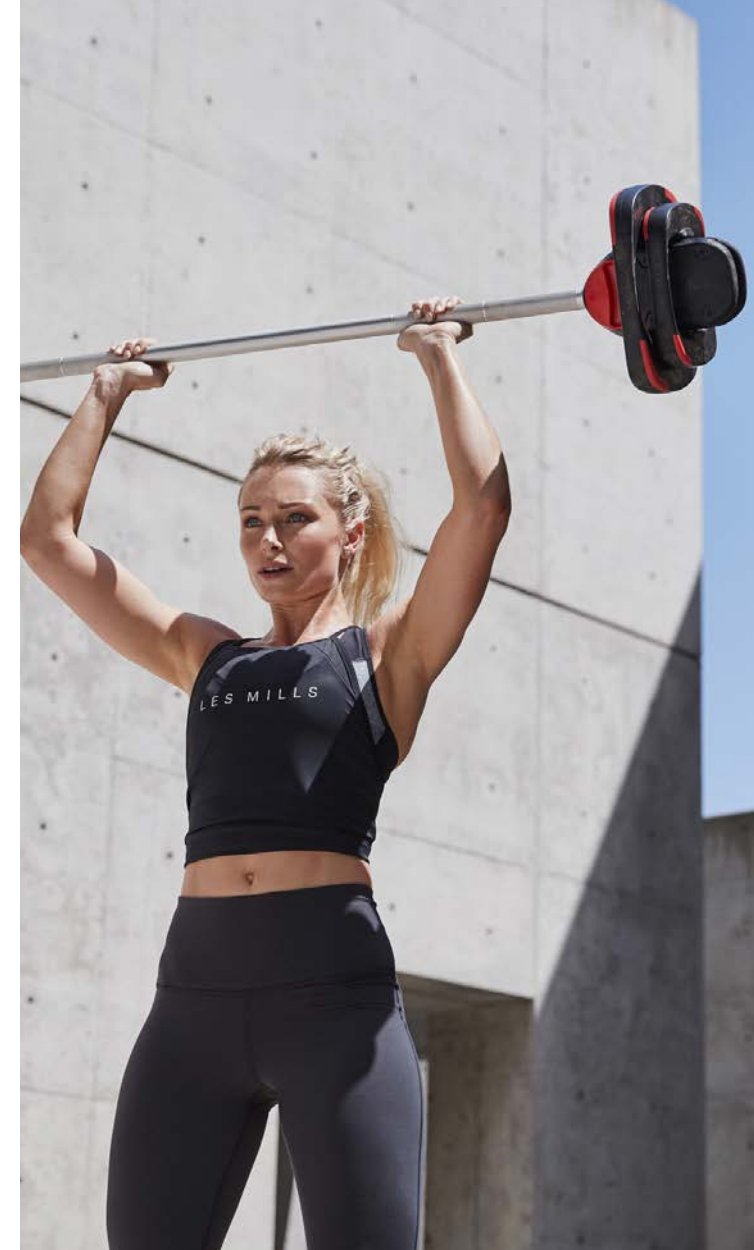
Every game has a winner and every winner has a game plan.
You won't beat the competition without one.

HOW DO YOU SELECT YOUR WINNING PLAY FROM YOUR PLAYBOOK?

Not all strategies and tactics are right for your club all of the time. Now that you have defined your goals, you have to work out which tactics are going to be instrumental in delivering them. It is really easy to get caught up in the daily demands, so make sure you carve out time to write your game plan.

WHAT DEFINES A GAME PLAN?

1. **Align and support team goals.** Successfully set your club targets. Do your individual team members' goals ladder up to this? More importantly do they believe in them and are they committed to achieving them?
2. **Prioritize actions.** Instead of wasting time on the things that require a lot of effort but yield little value, you need to prioritize the actions that will give you the best and biggest results. To do this effectively, you need to have a view on the benefit versus effort.
3. **Assign budget.** Some tactics don't cost anything, and some tactics require budget, but it might be difficult to directly attribute return on investment (ROI). Make sure you have considered the cost of both capital, operational spend, resource time and, in some cases, opportunity cost.
4. **Consult stakeholders.** Map those involved in execution and the decision makers you need to influence.
5. **Create a proposal.** If you put the time into creating one, it demonstrates you have given it a great deal of thought and investigated both risks and rewards, as well as clearly outlining the decision making criteria and your expectations of potential return.
6. **Review and report against your plan.** Remember, be accountable. Use the data to show success or failure of your strategy. This will help you to continue to get budget and resource support in the future - and that's the only way you can continue to implement strategies that will keep you ahead of your competition.



Where do you start?

- Map all of your current tactics or strategies on a matrix that defines benefit versus effort. Then prioritize those that deliver a higher benefit - the easy to implement can become short-term strategies and the hard to implement become long-term strategies
- Create a three-year plan that plots your goals, as well as the budget and return associated with achieving them. Get stakeholders onside by developing a proposal for each strategy

How can we help:

Get in contact to find out more information about:

- Benchmarked ROI for strategies including GX attendance increases, referrals, retention and tiered pricing strategies
- Proposal templates and ROI calculators

STAY ONE PLAY AHEAD OF THE COMPETITION

OVER 50 YEARS WE HAVE SEEN MANY CHANGES IN THE INDUSTRY.

It has never been as competitive as it is now, where share of market and share of wallet opportunities are being squeezed by old and new competitors alike. We know how difficult it can be to get ahead, because not only are we experts in group fitness, we also run and operate a successful chain of branded gyms.

ONE THING IS CERTAIN ABOUT COMPETITION; YOU WILL ALWAYS FACE IT.

So ensuring you constantly have one eye on an effective strategy to win is the only way to stay winning in the club business long-term.

Although not every tactic described in this playbook is right for your club right now, our experience with over 20,000 global clubs has proven that combining these Key Plays over a three year plan will deliver successful and significant ROI.

Unsure where to start? We are here to help.



PARTNER WITH STRENGTH

A LES MILLS PARTNERSHIP MEANS SO MUCH MORE THAN JUST PROGRAM LICENSING.

As well as the resources detailed in this playbook, partnership also entitles you to:

- World-leading GX programs – specifically designed for younger demographics
- Globally-recognized instructor certification
- Group fitness management education
- Programming released quarterly, backed by scientific research and testing
- Access to the Brand Central website with 3000+ marketing resources, providing you with cutting-edge member marketing campaigns every 3 months
- Instructor recruitment toolkits and campaigns
- Access to complementary wellness & fitness content for your website or app
- Access to global & local partnerships – unlocking savings (AV, app, platform suppliers)



UNLOCK THE 8 KEYS

START TODAY

Looking for quick wins and long-term strategies to ensure GX is delivering increased revenue for your club? Throughout this playbook you will have seen many resources, tools and services mentioned that Les Mills provides free of charge to our valued partners. To access these, contact your Customer Experience Manager or use the button below.

Not currently a Les Mills partner but interested in learning more about these strategies to stay ahead of the competition? You may still be eligible to attend our Group Fitness Management education course which details practical tactics from the 8 Key Plays detailed in this playbook.

[ACCESS OUR HELP](#)

Sources:

1. Lightspeed 2019. 2. Les Mills Global Consumer Fitness Survey 2019. 3. Les Mills Gyms NZ and is based on a membership of 58,000 members. 4. IHRSA 2016 Health Club Consumer Report. 5. Exploring trends in LES MILLS™ class attendance and the impact of attendance on membership metrics Les Mills & ukactive Research Institute. 6. IHRSA Member Retention Report 2013. 7. Les Mills Partnership Benchmarks 2019. 8. Quotes from Steve Jobs, Richard Branson, Mark Zuckerberg, Allan Mulally. 9. Maslow's hierarchy of needs, Csikszentmihalyi's flow theory, Daniel Pink's theory of autonomy, mastery and purpose, Steven Reiss' modern day theory of human motivation. 10. Nielsen Global Consumer Survey 2014. 11. Group Fitness Studio Economics 2015 analysis by Stakeholder Strategies and Gerry Salmon. 12. Facebook partnership report 2019. 13. Tony Balfour, Management Consultant. 14. Econsultancy 2018. 15. McKinsey 2018. 16. SC Fitness retention program analysis based on 67,000 exit interviews and usage patterns from 85,000 members. 17. Forbes 2018.

www.lesmills.com

LES MILLS