



CHANGING SOCIETY

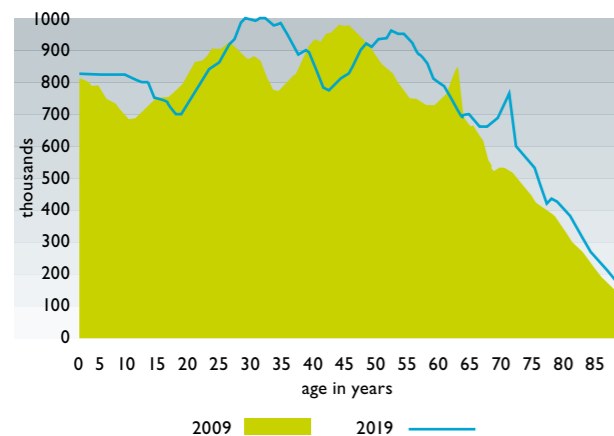
DAVID MINTON
THE LEISURE DATABASE COMPANY

The structure of society is changing – but what does this mean for operators?

Society is changing at a more rapid pace than ever before, driven in part by a growing population which, according to a report from global information services company Experian, will shift future demographics.

In 10 years' time, there will be 3 million more people aged 55 and over than there are today – a 17 per cent increase (see

figure 1 age structure of UK population (2009 – 2019)



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Source: Government Actuary's Department | Experian Future Foundation/nVision

figure 1). There will also be a greater number of under-16s and family formers in the 25- to 35-year-old bracket – around a 15 per cent growth. This latter age band is the dominant age group of current fitness members, as shown by The Leisure Database Company's National Audit of Fitness Consumers.

Lifestages are changing too. Parenting and post-parenting stages are shifting to older age groups, while the point at which we consider ourselves old age – but where good health can still be enjoyed – is shifting to unprecedented levels, perhaps even 80 years old by 2019 (see figure 2).

DIVERSIFYING MARKET

For operators, a larger population means more potential customers. However, this comes hand-in-hand with greater diversity, meaning that an understanding of the key segments, and of how society is changing, is imperative.

Take one group as an example: post retirement-age people. Over the last 10 years, the number of men in employment over the age of 65 grew from 8 per cent to 12.5 per cent, while for women the growth was from 7 to 10 per cent. This trend will continue, with government backing, whichever political party serves next. Older people are not a homogenous group, however. There are vast economic and social differences in this sector, and these



Just over 50 per cent of the under-35s – the fitness sector's key market – use social networking sites

have been studied and classified exhaustively by Experian's new Mosaic UK system – recently overhauled to reflect the significant changes in society – to provide a more in-depth understanding of the grey market.

Taking advantage of this expanding age group, with its disparate needs, will require new understanding and approaches. Fitness gyms need to identify exactly what they could offer to which older groups. A key selling point for those in middle age has to be how fitness can help preserve better health, both now and for older age, at a time when we will all inevitably be working for longer – and no doubt living longer too.

We're also seeing greater diversity in society today – ethnically, geographically and economically. Immigration has increased from 350,000 people in 2000 to just over 500,000 in 2008 (see figure 3, p26). Generally this is welcomed: research from Experian's consumer foresight team at the Future Foundation found that, in 2007, 74 per cent of people agreed with the statement 'we have a lot to learn from the cultures and values of foreign lands', compared with just 58 per cent in 1980.

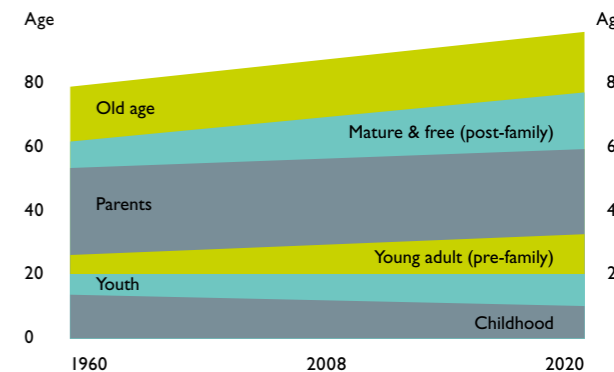
Understanding the numerous and diverse groups that exist within any given catchment area will be critical to operators as they seek to increase profitability from their

current assets, upping penetration in their local markets with relevant products and services.

ONLINE / OFFLINE MARKETING

The growth of Online Britain represents one of the fastest changes in the last 10 years, with broadband Britons now accounting for 60 per cent of households compared to just 10 per cent five years ago. Fifty-three per cent of Britons

figure 2 life stages of UK population (2009 – 2019)



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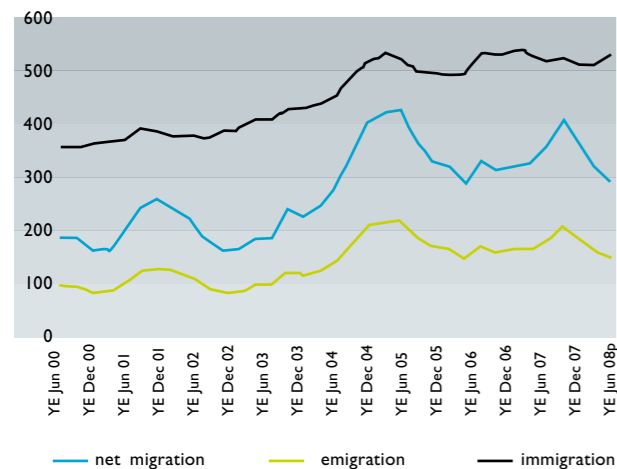
Source: Experian Future Foundation/nVision

say they use the internet every day, while 69 per cent use the internet at least once a week. Around 35 per cent of the population also use social networking sites. This increases to just over 50 per cent of the under-35s – the predominant fitness member group. As these groups age, they will continue to influence opinion, thus increasing the penetration of social networking over the coming years.

These networks represent fantastic opportunities for gyms to gain member referrals. In research from Experian's Future Foundation, 72 per cent of people agreed that, if a friend or family member were to recommend a product, they would be much more likely to buy it. This was particularly the case among the super-rich – celebrities and top business people, including foreign nationals, many of whom are in London – as well as people who, categorising themselves as working class, have grown up in the industrial revolution heartlands and who remain more traditional and conservative with their money.

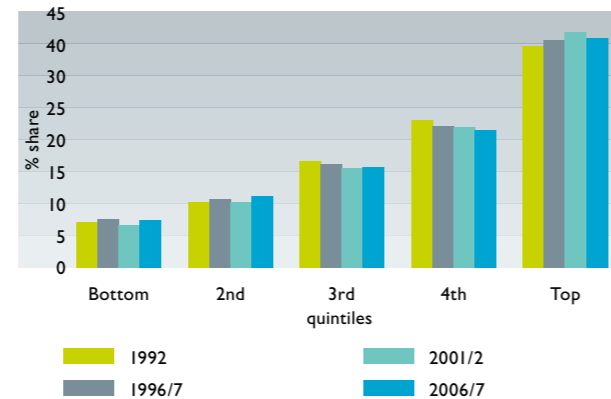
Offline, meanwhile, consumers feel great affinity to their place and space. Operators must keep their marketing and

figure 3 long-term international migration (2000 – 08)



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figure 4 disposable income by household quintiles



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outreach local, as large proportions of people feel attached to their local community – 80 per cent of 25- to 39-year-olds say they feel attached to their town or village. This rises to 85 per cent of 40- to 54-year-olds and to 90 per cent of over-55s.

ECONOMIC CHANGES

Broad economic trends show that the very rich in society are getting even richer, as measured by disposable income distribution in the UK between 1992 and 2007. The top income quintile has been steadily increasing, while the bottom two income quintiles have remained steady. Those in the middle earner groups have been most severely affected by declines in income since 1992 (see figure 4).

Household indebtedness has also doubled in the last decade, largely due to mortgage lending, with future predictions only seeing a slight decrease in the ratio of income to indebtedness – from 160 per cent of income in 2008 to 140 per cent of income over the next 10 years (see figure 5). We're having to adjust to living with great debt. Nevertheless, the sector has been remarkably resilient thus far and will continue to be so, provided it uses all the means available to build up a profile of its existing and potential customer base: How much can they



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Health and fitness operators could focus their energies on cities such as London for new member growth

afford? How far will they travel? What are the simplest, most cost-effective things one can do to guarantee their loyalty?

Of course, the recession has had a significant impact on our industry, but many operators have seen that members understand the value of their investment in their membership. Meanwhile, although house prices still need to come down and unemployment is likely to increase in the near future, this recession is playing out like other recessions and the economy is gradually picking up.

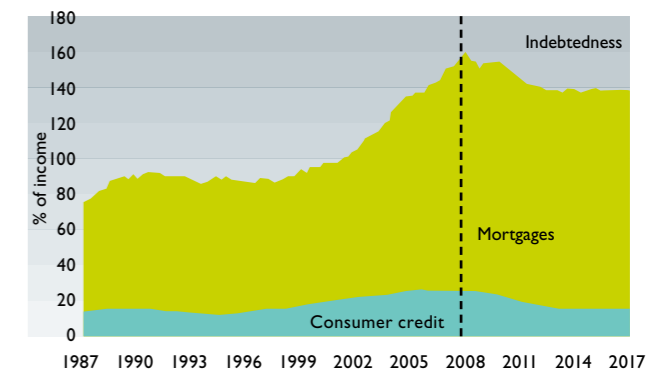
GLOBAL CITIES

Globalisation is one of the biggest changes to our lives. Cheap air travel and broadband connects us to global opportunities, and businesses have to compete in worldwide arenas.

London has arisen as a global city competing with New York, Tokyo and Shanghai. Its cosmopolitan and affluent make-up has lent London some interesting characteristics: in terms of the number of French citizens, it's the sixth largest city globally, while its concentration of billionaires puts it third in the world according to a *Forbes Magazine* listing. Fitness member penetration in London (16 per cent) has outpaced the rest of the UK (12.1 per cent).

London and the other large urban areas profited most from the pre-recession boom times, and these are likely to be the geographic areas that lead us out of the current economic difficulties. Health and fitness operators could focus their energies on London and the major cities to see new member growth.

figure 5 debt burden eases, but remains high by historic standards



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