



2019-2020 China Health and Fitness Market White Paper

Public version
Technology, Media & Telecommunications Industry



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Foreword From Deloitte Partner



As China's economy and disposable income continues to grow, its people are increasingly interested in improving their quality of life, personal health, physique and balance. Over the past 20 years, Deloitte China has continually focused on – and served – a variety of clients in the fitness industry. In our view, the health and fitness market in China has gone through three stages of development.

- The fitness industry in China entered its infancy around 2000, with the industry undergoing explosive growth especially after 2004. With the arrival of the global financial crisis in 2008, the growth rate of the industry began to slow down.
- After 2010, the industry entered a period of consolidation. Unprofitable gyms began to exit the market. The industry began to explore more sustainable business models.
- After 2015, with the recovery of the market economy and the dramatic increase in national health awareness, the fitness industry picked up again, and the entire market started to diversify. **According to Deloitte research, the market size of China's top 18 cities reached nearly RMB 34 billion in 2019.**
 - **The penetration rate of gym memberships continues to increase.** The penetration rate of gym memberships in 18 cities reached between 3-6% in 2019. The gap with developed Asian markets (~10% penetration rate in Japan and Korea) is gradually narrowing, and there is still considerable room for improvement compared with

penetration rates of 10- 20% in Europe and North America.

- **The industry is transitioning to customer-centric service.** Previous business models emphasized customer acquisition rather than customer retention. Refining sustainable and customer-centric operations is now becoming the key to success via rich content, attentive service and diversified revenue streams.
- **The fitness industry is exploring a diversified range of business models.** In addition to traditional gyms, other models such as boutique studios, 24-hour gyms, and personal training studios have also grown rapidly to cater to different types of consumers.
- **Unique to China's hyper-connected economy, internet-driven offerings are being rapidly developed.** Benefiting from the enormous number of internet users in China, as well as the popularity and maturity of online payment and self-media platforms, the concept of "Internet+" is widely accepted in the industry. Online fitness and live fitness concepts have been rapidly developed and implemented, with the market focusing now on commercialization models.

The 2020 COVID-19 outbreak has had a huge impact on the gym industry. With increased pressure on cash flow, many gyms are facing severe difficulties. At the same time, many proactive and innovative gyms are exploring online training classes and live broadcasting to activate and retain customers amid the pandemic. In the long run, we have full confidence in the fitness



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industry, as well as the Greater Health industry. On the one hand, public health awareness continues to increase significantly, creating large demand for fitness service. In addition, surviving gym operators have become more resilient, and have accelerated transitions to more robust and sustainable business models. The pandemic has also accelerated the transformation from offline-only to online-offline integration in leading operators.

Although China's fitness market is becoming more and more attractive to investors both home and abroad, it remains shrouded in a layer of mysteriousness. Few professional market research organizations have conducted meticulous research and analysis of China's fitness industry through a wide range of data collection and site visits. In order to deep dive into the Chinese fitness industry and understand the market dynamics and future trends, we are honored to be commissioned by CHINAFIT and the International Health, Racquet and Sports Club Association (IHRSA) to conduct research and analysis on the Chinese fitness industry and to author the "2019-2020 China Health and Fitness Market White Paper". In this report, our team conducted site visits and research in 18 cities across China, interviewing sales staff, personal trainers and management teams working in the industry to better understand the development trends and characteristics of the local fitness industry. We then combined this insight with consumer data captured and analyzed by the Deloitte Innovation & Digital Development

Center to develop a market landscape for China top cities. We believe this report is unique and innovative, and we hope to share our thoughts with both local and international industry insiders and investors.

It is important to note that data presented in this report is for the full year of 2019 (i.e. a full year of data not affected by the COVID-19 outbreak), which we hope will better reflect the normal development status of China's fitness market. We will continue to publish industry annual reports post the COVID-19 pandemic. We believe the 2019 data can therefore be used as a benchmark for future comparisons. In the meantime, we have also dedicated a section in this paper to discuss the impacts of COVID-19 on China's fitness market in 2020.

To help readers better understand the market, we have divided the industry into four segments (six sub-segments): **traditional gyms** (divided into national chains, regional chains, and individual stores), represented by brands such as Will's, Tera Wellness, etc.; **personal training studios**, represented by brands such as Zhongtian Fitness; **new-model gyms**, represented by Super Monkey, LeFit, SunPig, etc., and **boutique studios** that specialize in certain type of fitness training, represented by Pure Yoga and SpaceCycle. This report includes:

- Local fitness market studies for 18 cities, including Shanghai, Beijing, Shenzhen, Guangzhou, Shenyang, Tianjin, Jinan, Qingdao, Hangzhou, Suzhou, Nanjing, Chongqing, Chengdu, Wuhan, Changsha, Xi'an,

Zhengzhou and Kunming, covering each city's overview, overall fitness penetration, personal training penetration, competitive landscape, fees and membership distribution, etc.;

- Local industry insights from customers, personal trainers, sales and management;
- An introduction of leading brands in different market segments, including brand history, store network, business model and future development strategies;
- Interviews with management or founders of leading fitness brands, covering brand positioning and development, insights on the industry as a whole and every segment market.

Presently, the four segments are developing in parallel, with the market continuing to innovatively develop new fitness brands and concepts. In addition, due to the size and diversity of different cities in China, there are both commonalities and differences between different cities and brands.

- At present, China's overall fitness penetration rate is less than 5%. Benchmarked against the international market, this provides more than enough room for offline stores to expand. Driven by "Internet+", as well as fitness-related policies, in the future the industry will continue to undertake out internal transformations, further stimulating growth.
- In the current market, due to the large number of gyms, many individual stores may struggle due

to fierce local competition and cash flow issues. However, most of the national or regional chains benefit from economies of scale and capital-prowess. Having survived several round of industry reshuffling, these brands are currently optimizing their business model to attract more customers and better retain customers. **The COVID-19 pandemic has also accelerated the industry reshuffling. In the future, true nation-wide leading brands are expected to emerge.**

- Local fitness markets are all unique. Southeast coastal cities' markets are relatively more mature and well-balanced; each segment market, especially new-model gyms, has witnessed robust growth. The central-western and northeastern cities are relatively more traditional in their offerings.
- Currently, most fitness brands in the market are positioned towards the mid-to-low end of the market, targeting the mass public. With the expansion of the fitness population base and increasing consumer expectations, the quality of fitness equipment, environment, content and services will continue to rise. In the future, the stratification of brand positioning is expected to be more pronounced.
- Currently, traditional gyms tend to offer homogenous products. It is expected that brands will increasingly focus on specialized offerings to differentiate themselves and strengthen their competitiveness. Leading brands are committed to provide more attentive and personalized services.

Without the support from interviews and the analysis conducted with senior industry experts, we not have been able to successfully complete this report. We would like to express our appreciation to all industry experts involved. We also like to thank the local sales staff, personal trainers and management of fitness stores in the 18 cities under review for providing us with frontline and intuitive insights and guidance. We welcome any comments and feedback from industry insiders and investors, and look forward to continue working with you to expedite the development of China's fitness industry.



Foreword From Founder of CHINAFIT

Foreword From Founder of CHINAFIT

The outbreak in 2020 will undoubtedly have a major impact on China's fitness industry. Notwithstanding its impact on CHINAFIT, our focus on serving the fitness and health industry has never stopped. We hope our "2019-2020 China Health and Fitness Market" white paper can help your future operation and development.

Thanks to Deloitte for preparing such an unprecedented report for China's fitness industry at this time. As the philosophical founder of Taoism, Laozi, once said: He who knows others is intelligent, he who knows himself is wise, he who conquers others possesses might, he who conquers himself is invincible. He who knows contentment is rich,

he who perseveres is a man of will. He who does not lose his root can endure, he whose Tao survives him is long-lived.

As a business operator, it is important for us to understand the normal status and average level of the industry. But it is even more important to understand the state of our own business. We believe this report can help you better understand China's gym market. It allows operators to use the average development level of the industry to measure the state of their own business, so that you can make a more accurate judgment in your future business operations.

—Yan Sihai,
the Founder of CHINAFIT



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Introduction

Overview of the report

The fitness market in China has been developing rapidly for more than 20 years, going through various phases of development in the past two decades. In the past few years, the fitness industry has once again witnessed accelerated growth. In 2019, the top 18 cities we analyzed, had an estimated total market size of RMB 34 billion, 27,600 stores and 8.79 million members. The industry is becoming more diversified, with personal training studios, boutique studios and new-model gyms contributing to its rapid growth.

As a whole, China's gym market is still in a growth stage with intense competition and lack of unified industry standards. The main factors currently hampering the development and standardization of the industry are market homogeneity, lack of professional

management and trainers and opaque market information.

We hope this "2019-2020 China Health and Fitness Market White Paper" helps provide a comprehensive, authentic and authoritative analysis of the health and fitness industry in China. This report is based on hundreds of store visits and interviews across 18 cities in China, as well as big data analysis of current market information. It estimates the market size of China's fitness industry in the 18 cities visited and analyzes the competitive landscape, operating status, consumer behavior and industry trends in a variety of cities. This report will enable key stakeholders to better understand of the industry in order to anticipate and formulate future operational and development strategies.



Methodology and implications of this report

Deloitte was commissioned by CHINAFIT and the International Health, Racquet and Sports Club Association (IHRSA) to write the "2019-2020 China Health and Fitness Market White Paper". Through systematic research, this report analyses the current status and future trends of the China fitness industry. It estimates the overall market size and segment penetration rate of the fitness industry, revealing the operating status of different types of gyms in various cities. It, furthermore, analyses the behavioral preferences of fitness members to address the core pain points of all stakeholders in the fitness industry.

This study covers four Tier 1 cities (Beijing, Shanghai, Guangzhou and Shenzhen) and 14 New Tier 1 cities (Shenyang, Tianjin, Qingdao, Jinan, Zhengzhou, Xi'an, Nanjing, Suzhou, Hangzhou, Wuhan, Chengdu, Chongqing, Changsha and Kunming).

The white paper is based on big data research, physical store visits and consumer questionnaire surveys, as

well as desktop research and qualitative interviews with experts. IHRSA shared international industry data, and the Deloitte Innovation & Digital Development Center conducted data analysis of the local market. The Deloitte project team conducted physical store visits and consumer questionnaire surveys. This resulted in a systematic approach to collecting and analyzing the data for the 18 cities covered under the study. Desktop research sources included:

- the National Bureau of Statistics,
- the National Sports Administration,
- sports.people.com, and
- statistical yearbooks of corresponding provinces and cities.

The qualitative interviews focused on:

- national chain traditional gyms,
- regional chain traditional gyms,
- personal training studios,
- new-model gyms,
- boutique studios, and
- fitness industry experts.

Disclaimer

This report contains general information only, and the content contained in this report is based on the results of visits to 18 cities, which are for reference only. None of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

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Data collection, analysis and research for this report follow Deloitte's methodology. Industry data was collected up to the end of 2019 and COVID-related data was collected up to June 2020. Any changes in the subsequent period are not included in this report.



Chapter 1: Overview of China's Health and Fitness Industry



The Chinese fitness industry first sprouted up around 2000. It started with strong initial growth, followed by a wave of closures, then new growth spurred by new models. During its 20 years of history, China's fitness industry has been constantly reshuffling and reshaping itself, forming a unique market landscape. It is now about to enter into another round of vigorous development.

Graph 1.1 :



Table 1.1 Key figures of China health and fitness industry

Key figures	
Market size in 18 cities visited in 2019	RMB 33.7 billion in revenue <ul style="list-style-type: none"> The scale of gym revenue in the 18 cities visited exceeds RMB 30 billion, which is close to the market size of the United Kingdom. With the continual emergence of various types of gyms, increasing national health awareness and standardization of the industry, the industry is expected to rapidly develop.
Number of gyms in the 18 cities visited in 2019	27,600 gyms <ul style="list-style-type: none"> The number of gyms in the 18 cities visited is close to 30,000, and has been growing steadily over the past few years. On average, 30%-40% of gyms last less than one year, while stable gyms and fitness studios last about 5-10 years and 1-2 years respectively. Poorly run gyms are constantly leaving the market to be filled by well-run gyms and new entrants.
Number of gym members in the 18 cities visited in 2019	8.79 million members <ul style="list-style-type: none"> The total number of gym members has been rising steadily. Due to a number of positive factors, such income growth, growing awareness of health, favorable government policies and industrial investment, gym membership is expected to grow at a compound annual growth rate of 15%-20% in the coming years.
Fitness penetration rate in the 18 cities visited in 2019	3.9% penetration rate <ul style="list-style-type: none"> The fitness penetration rate varies greatly between different cities. Tier 1 cities, represented by Beijing and Shanghai, have a penetration rate exceeding 6%. Well-developed cities in East and South China have a penetration rate of around 3.5%, while the provincial capital cities in North and Central China having a penetration rate of about 3%. Overall, compared with developed countries (with penetration rates of 20% in the United States, 15% in the United Kingdom, 8% in Japan), China's fitness penetration rate still has significant potential to improve.
Number of members of the top 10 gyms in the 18 cities visited in 2019	1.52 million members <ul style="list-style-type: none"> The top 10 gym brands are a mix of traditional gyms (LuckyBird, Will's, Tera Wellness, Physical, Sinofit, INGYM, Good Feeling) as well as the fast-growing new model gyms (LeFit, Kuaikuai and Liking Fit). Together they have 1.52 million members, accounting for 17% of all gym memberships.

Key figures

Public investment and acquisition cases in 2019

There were 39 public investment and acquisition cases with a total value of RMB 4.813 billion, Notable cases include:

- In September, Ant Financial made a Pre-A round of investment in Yuejian.
- In August, Huode Qianhai Fund invested nearly RMB 50 million in Rockies Sports in Series A+ round.
- In May, Korea Investment Partners and Real Power Capital made a Series B investment in ITC-FITNESS.
- In April, Legend Star and Find Angle Investment made a Pre-A round of investment of RMB 10 million in 24KiCK.
- In April, SIG Asia Investment Fund made a Series A+ round, multi-million dollar investment in Justin&Julie Fitness.
- In March, Cendes proposed acquiring 80% of shares in Saipu.
- In February, Star Capital and Yao Capital led a RMB 360 million Series D investment in Super Monkey.
- In January, Tiantu Investment, K2VC and others made tens of millions of RMB in Series A investments in Amplitrain.
- In January, CITIC Capital led a RMB 51 million Series A+ investment in SunPig.
- In September 2018, L Catterton Asia (private equity firm co-founded by LVMH) was revealed to be in the process of acquiring Will's.
- In February 2018, LuckyBird wholly acquired Beautiful Day Fitness.

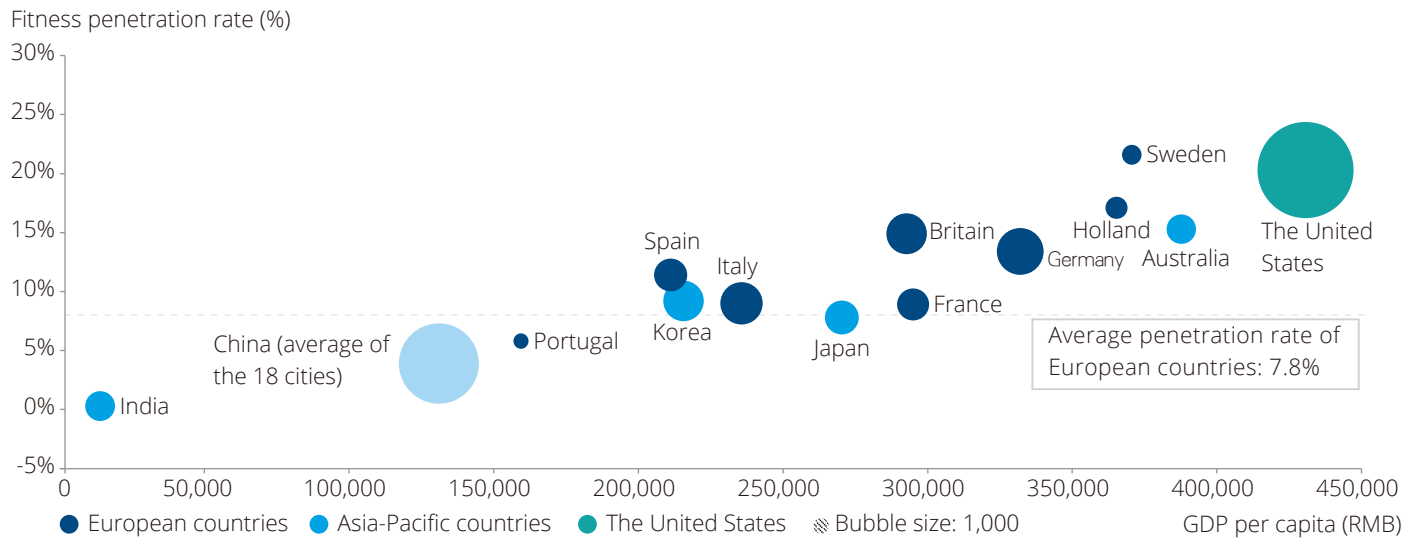
¹Source: ITJUZI



Chapter 2: Trends in China's Health and Fitness Industry

It is a good time for the domestic fitness industry to accelerate development. Compared with the penetration rate of 6.5% in the leading market, the national fitness penetration rate has gradually increased to nearly 4% but still relatively low. There is currently a gap compared with the international market and significant space for demand in the domestic industry to grow. The development stage of the industry is an optimal time to expand the number of offline gyms. The overall market is accelerating towards diversification and standardization.

According to the 2019 IHRSA Global Report, the fitness penetration rate in the US has reached 20.3%. Based on our research and visits to the European market, we estimate that the average penetration rate in the European market has exceeded 7.8%, and that the penetration rate of Nordic countries such as Sweden and the Netherlands has exceeded 15%.

Graph 2.1 Chinese fitness market vs. the international fitness market, 2019¹ Unit: %, Yuan

Note: A currency exchange rate of USD:CNY 1:6.8785 (28 December 2018) was used in this graph.

It is a good time for the domestic fitness industry to accelerate development. From perspective of various industry stakeholders, there is still a gap in the development of the sector compared with the world's leading markets. As the industry becomes more and more mature, the market is gradually moving towards diversification and standardization. Key stakeholders in the fitness industry include gym operators, fitness equipment suppliers, fitness trainers and certification bodies, as well as consumers.

Gym operators: the number of gym operators in China is high but the brand concentration is low. Gym operators are actively reforming the fitness club model, while also exploring new fitness models to meet the diverse needs of today's consumers.

In recent years, the fitness industry has been rapidly rearranging. Old brands such as Hosa Fitness and California Fitness have been eliminated from the market. Gyms or studios that failed to pinpoint customers' needs, have unclear business models or lack cash flow control have left the industry at an accelerating pace, while the remaining gyms or studios have transformed and upgraded themselves to attract consumers with better services and word-of-mouth.

Fitness equipment suppliers: with the government's comprehensive support for national fitness, the demand for fitness equipment suppliers is on a steadily upward trend. International fitness equipment brands have a high concentration rate, with major brands, including MATRIX, Life Fitness, Precor, Star Trac and Technogym, accounting for about

70% of the market share. Domestic high-end gyms generally use fitness equipment from leading international brands, while the low-end market is dominated by domestic brands such as Impulse, SHUA, Good Family and Orient.

- Focusing on large-scale purchases, high-end international brands cooperate with chain gyms. Due to fierce competition, a transparent and open market price mechanism has yet to be established.
- Equipment manufacturers are moving towards an "internet + products" model, looking to develop products that provide interactive entertainment, make use of the latest scientific advancements, facilitate self-fitness and have more diverse functions. However, due to their high costs, smart products have poor sales, with supply outstripping demand.

1. Source: National Bureau of Statistics; Global Wellness Institute (GWI); International Health, Racquet and Sports Club Association (IHRSA); World Economic Outlook Databases – IMF; Deloitte interview, research and analysis

Fitness trainers and certification

bodies: with the growth of the industry, the demand for fitness trainers and relevant certification bodies is also increasing. 'Personal trainer' has become a hot career due to the prospect of relatively high salaries. Currently, the qualification standard for fitness trainers is uneven, lacking a national, unified qualification system.

- When recruiting fitness trainers, only some leading brands check the candidate's graduation/professional qualifications and experience, and some well-known gyms may have an additional internal review. However, most gyms do not have clear criteria for a trainer's entry thresholds or qualification requirements. Without unified standards, consumers cannot identify trainers' qualifications. Opaque market information leads to uneven quality and prices for personal training.

Consumers: China's overall consumer fitness concepts and habits are currently still being established. Compared with the more mature fitness industry in the United States, China's per capita fitness costs are higher. Consumers are looking for diversified fitness content and fitness consumption models than do not rely on annual membership, as well as more transparent pricing. Increasing national fitness awareness has given birth to consumer demand for more kinds of fitness content, different fitness models and greater flexibility. Changes in consumer demand need to be reflected early on in fitness industry stakeholders' plans.



Market drivers: driven by fitness-related policies, increased consumption, enhancing fitness awareness and popularization of the "Internet +", China's fitness industry is undergoing industry transformation and improvements, while growing in market size.

Currently, each provinces, autonomous regions and municipalities of China is actively implementing the national fitness strategy, enriching sports and fitness activities, enhancing people's awareness of fitness, and improving relevant facilities and venues. According to research data, 400 million people in China regularly participate in physical exercise. The National Fitness Program (2016-2020), released by the State Council, and the 13th Five-year Plan for Sport Development, released by the General Administration of Sport, stated that, by 2020, national fitness awareness should have generally increased and the number of people participating in physical exercise should have increased significantly. More specifically, the plan aimed for the number of people participating in physical exercise one or more times per week to reach 700 million and the number of regular participants in physical exercise to reach 435 million.

At the consumer level, the consumption of fitness will increase as individuals pursue a higher quality of life and health.

Different consumer groups have different needs. For example, the young consumers often have heavy workloads and only have fragmented time periods to exercise. They, therefore, focus on short-term, high-intensity exercise, often with an aim to improve their physical appearance. Middle-aged and elderly consumers have more flexible time schedules to exercise; however, intensive exercise may be unsuitable for them. Instead, they focus on remedial exercises and rehabilitation. Due to the impact of the COVID-19 pandemic, consumers are becoming more aware of the importance of health.

In addition, the Internet and social media are gradually penetrating into the fitness industry, injecting fresh vitality into the sector. Many new-model gyms focus on smart gym models, which save labor costs and improve operational efficiency through new technologies such as artificial intelligence and the Internet of Things. In addition, many new-model gyms create a social platform for their members, accumulating traffic and collecting data. They form branded fitness communities, which provide convenience to consumers while enhancing consumer stickiness. From the perspective of the overall fitness market, favorable policies have promoted the vigorous development of various types of participants from the top down; at the same time, increasing consumption and consumer awareness will drive the industry forward from the bottom up. The ever-changing Internet-era is bringing more technology and social elements into the fitness industry, forcing traditional gyms to keep up with latest model gyms, and actively promoting the overall vitality of the industry.





Competitive landscape: the domestic market is fragmented into regions, with distinctive regional brands. However, new capital coming into the market is expected to generate nation-wide brands. Over time the market will develop more niches and brands will become more stratified.

Traditionally, the domestic market has been dominated by large, comprehensive gyms. However, their expansion has been limited by their large footprint, higher capital investment costs and low localization capacity. As a result, the domestic market is fragmented into regions. New capital coming into the market will accelerate disruption in the industry in the future.

- In 2019, there were about 27,600 gyms in the 18 cities surveyed. Only around 1,000 of these gyms were managed by one of the top 10 industry brands (around 3.8%). This shows that the industry has a low concentration ratio, and has yet to establish strong leading brands. Well-known brands are scattered in various regions. Tera Wellness and Will's have 73% and 66% of their stores in Shanghai, respectively; all The One Fitness stores are in Beijing; and 44% of LuckyBird's stores are in Nanjing. No brand has developed into a truly national chain.
- Strong brands are expected to develop into a national chain through expansion into regions where they have a strong presence and acquisition in regions where their presence is weak, which will improve the industry's concentration. At the same time, a number of small content brands with distinctive features will also appear.

The fitness industry is developing a new competitive landscape, with more segmentation. Traditional gyms, personal training studios, boutique studios and so will coexist, each offering unique features to customers.

- Fitness business models will become more segmented and

enriched. Traditional gyms will remain mainstream, but with clearer user segmentation. Models including group exercise/entertainment fitness for beginners, specialized fitness for senior enthusiasts, club-type fitness for high-end customers, and facilitated fitness for community users will flourish.

There is increasing brand stratification. Gyms targeting the mass public are still the mainstream, while high-end gyms are beginning to grow rapidly. Consumers with different needs will flow to different types of gyms.

- Gym price gaps will widen. With rising income and more fitness awareness, consumers have shifted from being purely price sensitive to balancing price and performance, with an increasing willingness to pay for improved services. Mid-high-end gyms (with annual membership fees of more than RMB 4,000) are growing rapidly, while high-end gyms (with annual membership fees of more than RMB 8,000) have great growth potential.

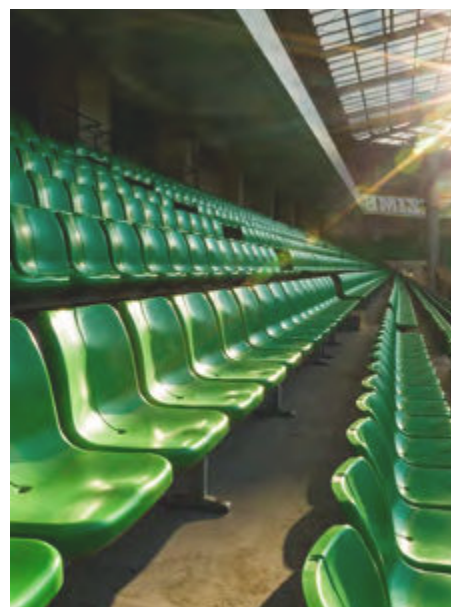








Table 2.1 Differences of business forms of gyms in China

Sub-segment	 National chain gyms	 Regional chain gyms	 Individual traditional gyms	 Personal training studios	 Boutique studios	 New model gyms
Description	<ul style="list-style-type: none"> Refers to the fitness space mainly providing sports equipment, often equipped with aerobic zone, equipment zone, weight-free zone, rest area, etc. 			<ul style="list-style-type: none"> Refers to the fitness space mainly providing personal training courses, often equipped with aerobic zone, equipment zone, weight-free zone, rest area, etc. 	<ul style="list-style-type: none"> Refers to the fitness space only providing a certain kind of group exercise, often equipped with group exercise rooms. Typical groups exercises include yoga, Pilates, spinning, boxing, etc. 	<ul style="list-style-type: none"> Refers to the fitness space mainly providing O2O platform + sports equipment, often equipped with aerobic zone, equipment zone, weight-free zone, rest area, etc. Such gyms take smart online/offline management and focus on Internet fitness, 24h self-service, consumption per time/month.
Area	1,000–4,000 m ²			100–200 m ²	200–400 m ²	200–500 m ²
Location	Business area, office building, community			Mainly community	<ul style="list-style-type: none"> Business area for high-end chain gyms; community for individual gyms 	Mainly business area and community
Model	<ul style="list-style-type: none"> Charge: annual payment Operation: direct chain/franchise 			<ul style="list-style-type: none"> Charge: course package Operation: self operation by individual gyms 	<ul style="list-style-type: none"> Charge: course package/charge per time Operation: self operation by individual gyms 	<ul style="list-style-type: none"> Charge: charge per month/time Operation: direct chain/franchise
Content	<ul style="list-style-type: none"> Equipment Group exercise Personal training Service 			<ul style="list-style-type: none"> Personal training A little equipment 	<ul style="list-style-type: none"> Group exercise Personal training 	<ul style="list-style-type: none"> Group exercise Equipment Personal training
Strength	<ul style="list-style-type: none"> Large area and comprehensive coverage Wide users 			<ul style="list-style-type: none"> Focus on service Professional personal trainer 	<ul style="list-style-type: none"> Focus on sub-segment Personalized service 	<ul style="list-style-type: none"> Flexible charging model Low price per customer Low operating cost
Weakness	<ul style="list-style-type: none"> High operating cost Emphasize customer acquisition rather than service and content 			<ul style="list-style-type: none"> Little equipment Less members due to area limitation 	<ul style="list-style-type: none"> Less supporting facilities Less members due to area limitation 	<ul style="list-style-type: none"> Less supporting facilities
Brands	Totally eight brands, including Will's, Tera Wellness, LuckyBird, Good Feeling, Powerhouse, SINOFIT, Physical and WHYTEWOOLF	INGYM, Total Fitness, MIRAKO FITNESS, The One Fitness, Golden Times, Megafit, King Sport, Feel Well, Haocheng Fitness, Hyhclub, World Fitness, KINGZONG, Healthpark, Zero Distance Fitness, Just Gyms, Black Steed, Mr & Mrs Fitness, Impulse, etc.	Individual brands	Zhongtian Fitness, E Fit, etc.	Pure Yoga, SpaceCycle, Inyoga, etc.	LeFit, Super Monkey, Kuaikuai, SunPig, Renmafitness, Liking Fit, etc.

Note: the national chains have not yet achieved a true nation-wide distribution with most stores are mainly concentrated in a province or municipality, rather than uniformly distributed across the country.

Table 2.2 Stratification of brand positioning of gyms in China

Positioning	Proportion of number of gyms	Features	Target consumers	Equipment brands	Representative brands
High-end gyms Annual membership fees > RMB 8,000	1%	<ul style="list-style-type: none"> Such stores are located in core business area in tier 1 cities, focusing on supreme service and experience. 	<ul style="list-style-type: none"> Educated high-income people with high body shaping requirements, have high requirements on environment and concept 	<ul style="list-style-type: none"> Technogym (Artist) LF (Hammer Strength) 	<ul style="list-style-type: none"> Will's VIP, Green Essence, Oxygym, Ujoy, ZWYN
Mid-high-end gyms Annual membership fees RMB 4,000-8,000	19%	<ul style="list-style-type: none"> Such stores are located in popular business area or office building in tier 1-2 cities, providing good services with good management team, experienced trainers and a wide range of group exercises. 	<ul style="list-style-type: none"> Stable high-income white-collar group with fitness habit, have requirements on environment and equipment Housewives with high consumption ability become new customers 	<ul style="list-style-type: none"> Technogym, LifeFitness, Precor, Matrix 	<ul style="list-style-type: none"> Powerhouse, CW Group, Fusion Fitness, Will's W
Mid-end gyms Annual membership fees RMB 2,000-4,000	45%	<ul style="list-style-type: none"> Such stores are located in business area, community or office building of each tier city, having large floor area and high customer density. The competition is fierce due to numerous players with similar operation models. The price elasticity is high but the transparency is low. There is often a large sales team for membership and personal training. The performance indicators are relatively high. 	<ul style="list-style-type: none"> Stable-income office workers and females who are keen on group exercise Emphasize balancing price and performance, but are price sensitive Prefer gym stores near to working or dwelling place, have certain requirements on environment and facilities 	<ul style="list-style-type: none"> Technogym, Matrix, Precor, LifeFitness, Johnson, Cybex 	<ul style="list-style-type: none"> Will's, Tera Wellness Numerous small regional chains or individual stores
Low-end gyms Annual membership fees < RMB 2,000	35%	<ul style="list-style-type: none"> Such stores are often located in ordinary community, office building or non-popular business area. They often have short life cycle due to high loss rate of memberships. 	<ul style="list-style-type: none"> Consumers with general fitness demands, strong price sensitivity and low stickiness, often prefer gym stores near to dwelling place, have little requirements on environment 	<ul style="list-style-type: none"> Mainly domestic brands such as DHZ, Good Family, etc. meeting basic fitness demands 	<ul style="list-style-type: none"> Numerous small regional chains or individual stores



Business model: as the industry faces disruption, fitness brands are actively optimizing their business models, adding personal training, group exercise and other value-added services. They are also exploring new types of charging models. The industry trend is towards more transparent, professional and standardized services, driving the development of fitness-related industries.

Domestic gyms are undergoing a transformation from a model that overemphasized customer acquisition while underemphasizing customer service to one that balances these two factors. Especially in tier 1 and tier 2 cities, the older model has been gradually eliminated. Gyms are shifting to a service-ordinated model, which focuses on improving the profitability and sustainability of each store, rather than rapid, breakneck expansion.

- Gyms generally use an annual membership card presale model. Gym stores often have good cash flow during the opening period. However, at the financial reporting level, the presold annual cards are an amortized cost. Many operators put the presold card cash into continuously opening of new stores, resulting in shortage of working capital for old stores. The pain points of this "overemphasizing customer acquisition" model are as follows:

- **The services and content do not create user stickiness, resulting in low user retention.** The user retention rate of domestic gyms generally ranges between 20% and 40%, and only a few high-quality gyms can match the developed world's standard of 50-60%. As a result, operators have continuous pressure to acquire new customers. In later stages, they often attract customers using lower prices, to the point that incoming revenue cannot support store operations. This results in stores shutting down, which has a negative impact on industrial development and consumer confidence.
- **High value-added services are limited and cannot generate stable cash flow.** Under the "overemphasizing customer acquisition" model, gyms focus less on personal training and group exercise classes. The general personal training penetration rate is between 10-20%, and the income from personal training accounts for

"... as a long-term participant in group exercise courses, I hope there are more enriched group exercise courses with regularly updated content. I'll lose interest if there is only one ..."

—a consumer

"... the reason why I choose group exercise courses is that I can have more sense of participation and interaction. In addition, both the trainer's personal charm and the atmosphere at the gym are crucial factors ..."

—a consumer

"... most users who can afford to pay for personal training are white-collar workers. They are seeking posture adjustment, rehabilitation, stretching, and so on. In the past, they chose personal trainers by looks, but now they will look at their qualifications as they know more about fitness ..."

—head of a brand personal trainer

"... there are now more and more users with a high demand for fitness, and more and more people are willing to spend on fitness in scientific ways. However, compared with the international level, I think there is still a lot of room for improvement for the personal training penetration rate in China. The key is that we need a stable, professional, service-conscious personal training team. This is difficult, because good personal trainers often choose to start their own business after a while, and the overall quality of trainers' professional training is uneven, making it difficult to steadily supply talent ..."

—a store manager of a fitness brand

less than 50% of total income. For group exercise classes, only a few chains have adopted group class systems that meet international standards, so consumers are less willing to spend money on these value-added services.

- In this regard, tier 1 and tier 2 cities are quite different. **In tier 1 cities, especially high-end brands, the income from personal training often exceeds membership income, accounting for 60-70% of total income.** Consumers in tier 1 cities have more fitness awareness and are more likely to improve their fitness using personal trainers. Since consumers in tier 1 cities have higher income levels, they are more willing to pay for personal training courses. Thus, the penetration rate of personal training in tier 1 cities ranges from 30% to 50%, and the renewal rate of personal training courses usually ranges from 50% to 70%. **In tier 2 cities, the income of gyms is still dominated by membership fees, with only some of the better-run stores achieving a balance between membership income and personal training income.** Both the fitness and consumption awareness of consumers in tier 2 cities are still in the developing stage, and their willingness to pay for personal training is not as high as most consumers are still fitness beginners. The renewal rate is generally between 20%-50%.
- In previous years, consumers did not have much choice when it came to picking a gym, so the traditional gyms' old operation models were less problematic. However, in recent years, new-model gyms, based on group exercise classes and short-term membership, have risen, attracting more beginners with their

lower entry threshold and more attractive content. They have put pressure on traditional fitness clubs. As a result, fitness clubs have begun to focus on services and content.

- Therefore, **the sound operation and development of gyms depends on creating differentiating content and services.** Good cash flow requires the continuous improvement of high value-added services and profitability based on the continuous operation of the gyms. Gyms need to:
 - **Attract new customers with enriched and innovative group exercise content:** Chinese users have a relatively low starting point for fitness, and they need attractive group exercise courses to educate young users and promote secondary consumption. Judging by the popularity of Super Monkey, SpaceCycle, b-monster and 24kick in China, traditional gyms also need high-quality group exercise courses to improve customer acquisition and user retention.
 - **Develop high-quality personal training to increase user stickiness.** The current service levels of personal trainers are uneven, and the sales-oriented model adopted by gym operators cannot be playing a positive role. There is a need to optimize trainers' professional training and management to improve the retention of quality trainers.
 - **Develop associated services such as nutritional supplements, fitness retail products and physiotherapy rehabilitation to increase revenue streams:** at present, gym-user retail sales and other relevant revenue sources in China have yet to develop on a large

scale. Retail products accounted for less than 5% of gym revenue on average. Due to the limited acceptance of fitness supplements by Chinese consumers, gym operators generally believe that it will take several years to cultivate consumers. Since gym have no price advantage, so they are fairly conservative when it comes to promoting fitness supplement products. It is more common for personal trainers to promote sales to individual members through their personal channels, which is in a grey area. However, in the US, Europe and other developed markets, retail income from users accounts for a considerable proportion of total gym revenue, which shows that the Chinese market has a lot of room for improvement in the future.

- **Continue to activate and retain consumers through online means:** the pandemic has greatly affected the opening hours and customer traffic of gyms, so some gyms are turning to online live broadcasting to maintain user relationships. There are two main ways of delivering content online: 1) deliver fitness-themed short videos by exporting high-quality content through a video platform; 2) introduce online live classes, online training camps and so on through a live broadcasting platform.

The performance of major online platforms during the pandemic was good. The cumulative video views of LeFit during one month has exceeded 2 billion. In terms of live broadcasting, the total number of participants in the "Holiday Sports Live", launched by several platforms and a number of fitness

gurus, exceeded 50 million. **Online models can bring a certain amount of traffic and users to fitness brands, so some gyms are considering building long-term online operating models and continuing to roll out content. However, the industry generally considers online content as a means of attracting customers and advertising rather than as a mainstream business model.**

- **Concerning charging models, the "pre-paid model" adopted by traditional gyms is being hit by policy regulations and new-model gyms. Industry charges are becoming more transparent.**
 - Increased price transparency: the membership fees of traditional gyms in China has low transparency. There can be up to 100% to 200% difference between the listed price and the lowest actual price. Recently, "Internet +" new-model gyms have begun marking their prices more clearly to enhance consumer trust with more transparent pricing.
 - Increased short-term memberships and pay as you go: gyms in China mostly use a pre-paid model. However, the Beijing and Shanghai governments have introduced new policies concern this pre-sale system, imposing more stringent requirements on the pre-sale period and the management of pre-sale cash. If these policies are rolled out nationwide, they will have a big impact on the cash flow of traditional gyms. At the same time, new-model gyms are shifting from the original annual membership fees model to a **fragmented payment model**; boutique studios focus on booking per visit while self-help gyms promote

"... generally, among fitness consumers with personal trainers, males demand protein powder, while females looking to loose fat demand amino acid capsules. I think these heavy users are the core customers of fitness supplements. Professional guidance is needed when taking such supplements for the first time, so it is commercially logical for personal trainers to sell supplements ..."

—a store manager of a fitness brand

"... my personal trainer will recommend supplements brands and products to me, but I purchase such products through the trainer's personal channel or e-commerce platform for a preferential price, rather than from the gyms ..."

—a consumer

"monthly cards at a low price". For users, paying for each visit has lower decision-making costs. For gyms, it caters to impulsive fitness beginners. It has disrupted the pre-paid annual membership system.


- **From the perspective of professional services, both consumer's awareness and demand for professional personal training are increasing. Professionalism will be an important factor for gym brands to stand out.**

- **Increased concern about professionalism of personal trainers:** with increasing fitness awareness, professional services are an important consideration for consumers when choosing a gym, especially in tier 1 and new tier 1 cities. Some high-end consumers are willing to pay a higher course premium for high-level personal training.
- **This has highlighted the importance of professional personal training institutions:** in the past, trainers in China were trained mostly through in-house training or career training. Their professionalism was weaker than their peers in the US and European countries. As consumer demand for professionalism in personal training increases, gym operators are increasing their training requirements for personal trainers. In addition to requiring the national occupational qualification certificates, some leading gyms have also established in-house

training colleges. Meanwhile, personal trainers with international certificates such as ACE, NSCA, IBFA, and so on are becoming more popular. In this process of improving the professionalism of private trainers, professional training institutions have a large role to play.

- **Sports supplements are still in their infancy in China, and the penetration rate of gym memberships is low. However, with more professional fitness content and more specific consumer demands, sports supplements are in a promising position in the domestic market.**

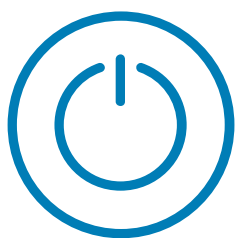
- Sports supplements have a low penetration among domestic fitness users, accounting for less than 1% of gym's total income. This is mainly because domestic consumers have not yet developed an awareness of the benefits of supplements, and they lack of professional guidance on taking sports supplements. In contrast, high quality personal trainers in the US and European countries often have a nutritional background and can provide members with professional guidance on dietary requirements and the intake of sports supplements.
- With the professionalization of personal training and the clarification of national fitness, sports supplements have opportunities in China via market promotion and consumer education.



Chapter 3: The Impact of COVID-19 Pandemic

Since December 2019, COVID-19, a respiratory illness, first detected in Wuhan, Hubei province, has been identified in a growing number of countries. In China, health and fitness brands suspended all offline gym operation before the Chinese New Year and they remained closed for two more months as part of the national strategy for containing the pandemic. Since early March, gyms have been submitting applications for reopening selected stores. As of June 2020, most gyms and fitness studios have been reopened, including stores in highly controlled areas such as Hubei and Beijing.

In the short term, the industry's cash flow has been negatively affected by the pandemic. However, in the long run, health awareness and consumers willingness to work out has seen tremendous increases during the pandemic, short-term COVID-19 impacts will not affect the overall trend of accelerated development of China's health and fitness market.



1. With the domestic pandemic being brought under control, over 90% of gyms and fitness studios have been gradually reopened, while traffic remains at 70-80% of pre-pandemic level. The full recovery of the industry remains uncertain, depending on the control of further outbreaks.



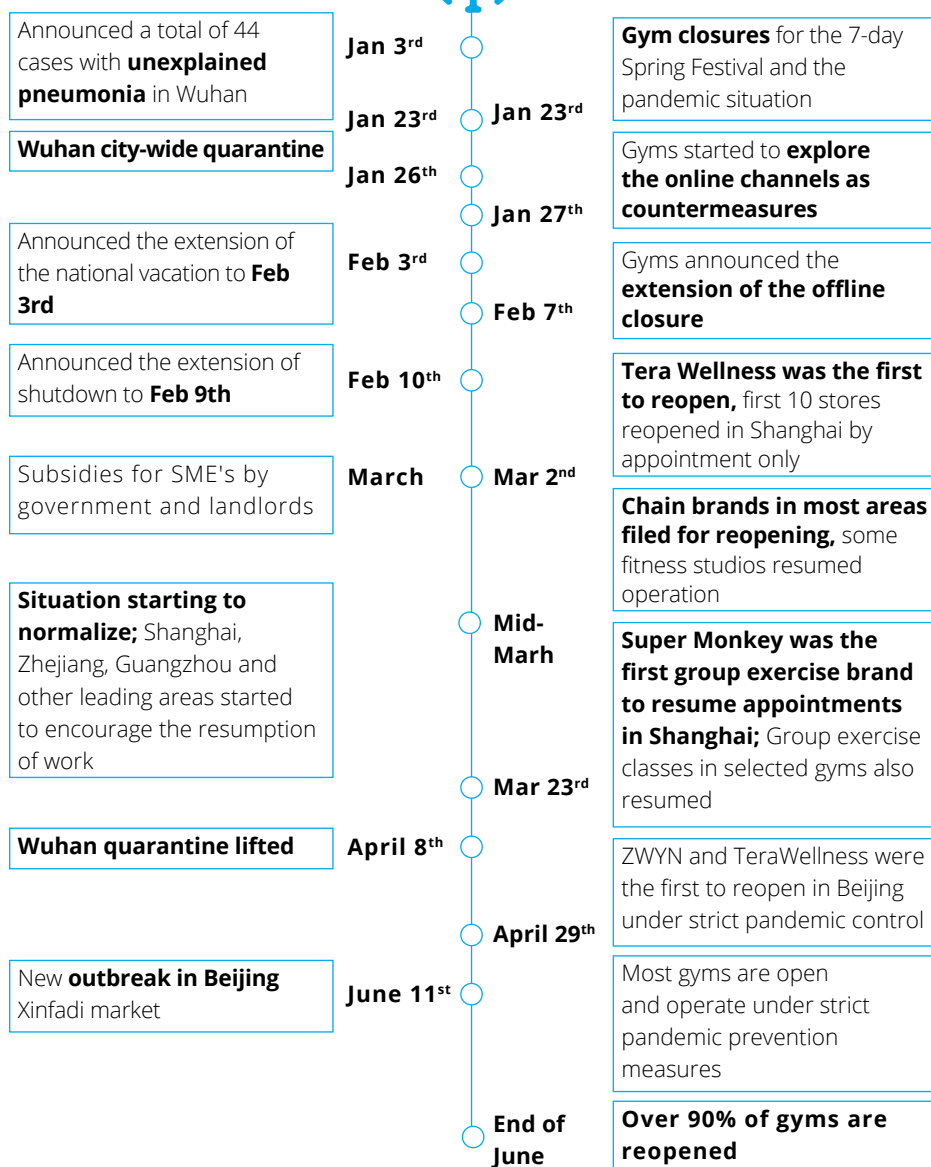
More than 90% of fitness stores have been reopened, but the number of visitors has not yet resumed their full levels. During the pandemic, domestic fitness brands actively cooperated with national strategies for containing the pandemic, shutting down all the offline stores for over two months. With the whole industry suspended, corporations adopted a series of means to control costs and continue marketing in order to mitigate the cash flow impact.

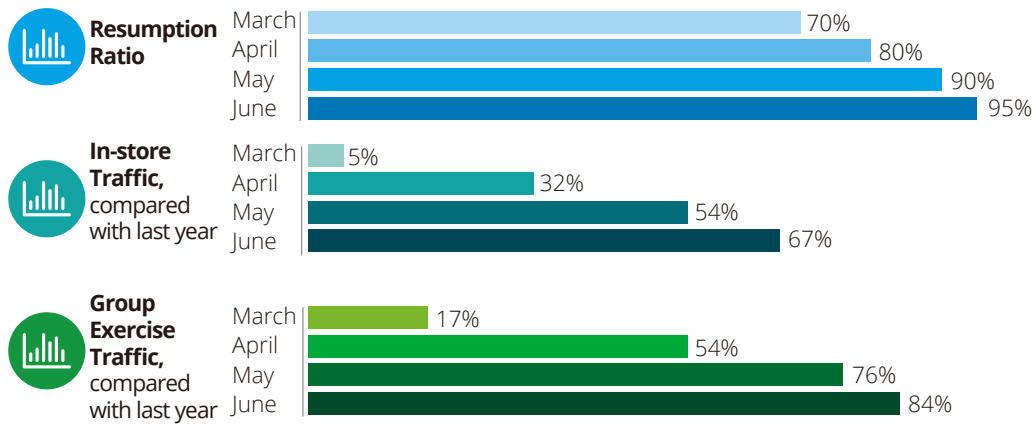
- According to industry interviews, as of June 2020, more than 90% of gyms have filed to reopen (with strict COVID-19 prevention measures taken). Compared to southern cities, northern cities have generally reopened at a slower pace.
- Consumers are in the process of rebuilding their trust in the health and safety of fitness venues. Even if all necessary measures are taken, some consumers still consider going to gyms risky. The numbers of in-store customers and group exercise customers are gradually recovering.

Pandemic Situation & Related Policies



Fitness Industry

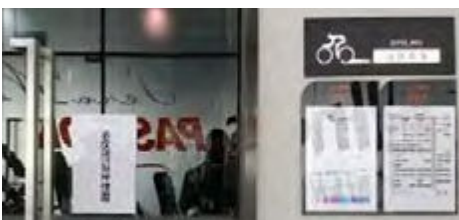


Graph 3.1 Gym resumption ratio and customer traffic level, Mar-June 2020 ² Unit: %

Note: The resumption rate and traffic level are different for each brand and region, this report uses a representative example from interviews. The data was collected in June 2020. It does not represent a comprehensive market analysis and is for informational purposes only.

During the orderly resumption of work, gyms undertook a series of outbreak prevention and control measures to avoid cross-infection as effectively as possible. According to the relevant epidemic prevention and control documents issued by authorities, it is essential that all possible steps be taken to ensure the safety of members and the public.

- As of June 2020, according to market research and interviews with leading fitness brand management, most fitness stores have opened all areas of their gyms including swimming pools, showers, etc. Gyms have adopted comprehensive prevention measures and there has been no large-scale spread of the virus. Amid the pandemic, stores were opened in accordance with national and local regulations and adopted a series of prevention practices:





Traditional gyms only opened aerobic areas, strength areas and changing rooms, swimming pool and shower facilities were closed to prevent gathering;



Stores were equipped with disinfectants, hand sanitizers and forehead thermometers;



Floors, fitness equipment and locker keys need to be disinfected and cleaned in a timely manner;



Stores have adopted an appointment system to control the traffic – all members need to show a "health code" and have their temperature taken;



Ensuring the use of cardio equipment in intervals, keeping safe distance in group exercises, and wearing masks throughout exercises.

In order to ease the cash flow pressure of gym operators, some real estate developers introduced rent relief policies. Comparing to the US fitness market (where rent makes up 10% of total revenue), China fitness operators bear higher rent costs, accounting for 20-30% of revenue. Amid the pandemic, a number of leading real estate developer took the initiative to reduce the rents for department stores and shopping centers, which directly benefited traditional gyms and new-model gyms. Underfunded studios and gyms with limited operating capacity – even if they benefited from rent concessions – are still at risk of closure given the long-term impacts of the outbreak.

- Leading commercial real estate developers, such as Sunac, Vanke, Wanda, etc. offered nearly a month's rent reduction and rent-free concessions to merchants. Most rent concessions were limited to the Spring Festival and the outbreak quarantine period.

"...The industry is normally slow before Spring Festival, for this year our cash flow has ceased since the quarantine. Stores reopened in late March and early April, but have not yet fully recovered. Most rent concessions only lasted for a month or two, and had limited positive impact on cash flow. This industry is cash-flow-oriented, and due to the economic downturn in 2018-19, many corporations in the industry are struggling to cover labour and rent costs. The common practice for now is deferring payments to landlords and employees..."

—LuckyBird Fitness Club
Chairman, Zhou Rong



2. From a long-term perspective, the pandemic has increased people's awareness of health and fitness on a national scale. The fitness industry, as a core sector of health industry, will continue to grow and diversify – the long-term outlook is positive.

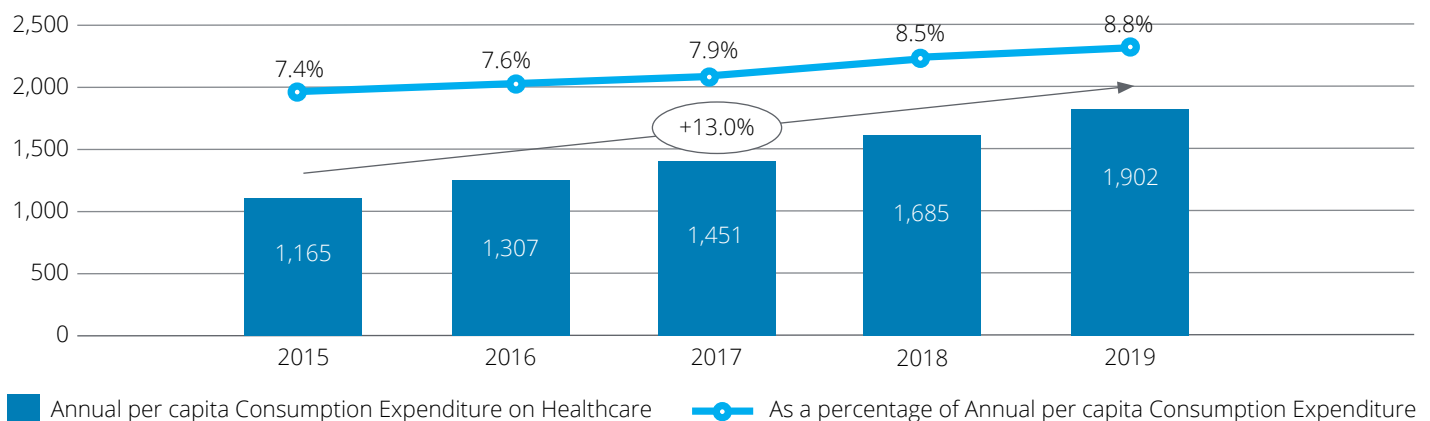
As the overall economy continues to grow steadily, China's increasing consumption levels is driving more and more middle class individuals to pursue a healthier lifestyle. The proportion of health-related spending has seen steady increasing over the few years. The rising demand for healthier lifestyles will drive up size of the market and accelerate the process of market segmentation.

- With improving living standards in China, the health consciousness of domestic residents has gradually strengthened. According to the National Bureau of Statistics, annual per capita consumption expenditure on health care has increased year by year, from RMB 1,165 in 2015 to RMB 1,902 in

2019, and the percentage of per capita consumption expenditure has increased from 7.4% to 8.8% in the past five years. According to Deloitte's 2019 Health Industry Development Report, more and more Chinese consumers are pursuing a healthier lifestyle.

- At the same time, with China's overall consumption upgrade, the proportion of the middle class and above citizens has increased rapidly. The increasing population of those who have an awareness of workouts and have the consumption power to increase their discretionary spending will drive up the demand for a more regulated, segmented fitness market. Demand for various "healthy lifestyle" services will likely increase.

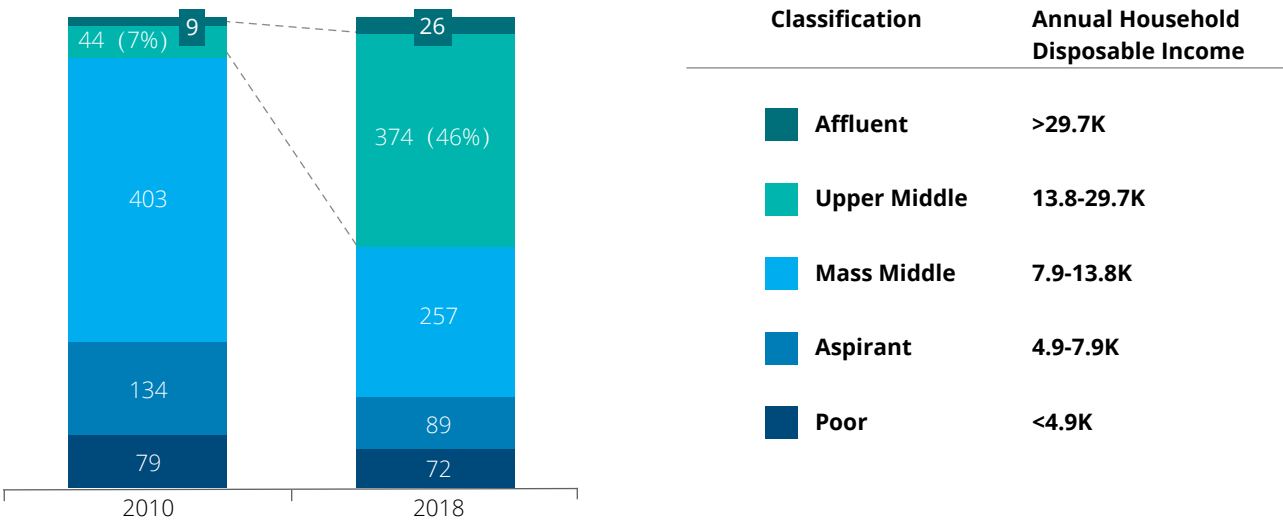
Graph 3.2 Annual per capita Consumption Expenditure on Healthcare and Ratio ³ Unit: Yuan, %



Source: National Bureau of Statistics



Graph 3.3 China's urban population classification ⁴ Unit: million



Source: Deloitte Interview, Research and Analysis



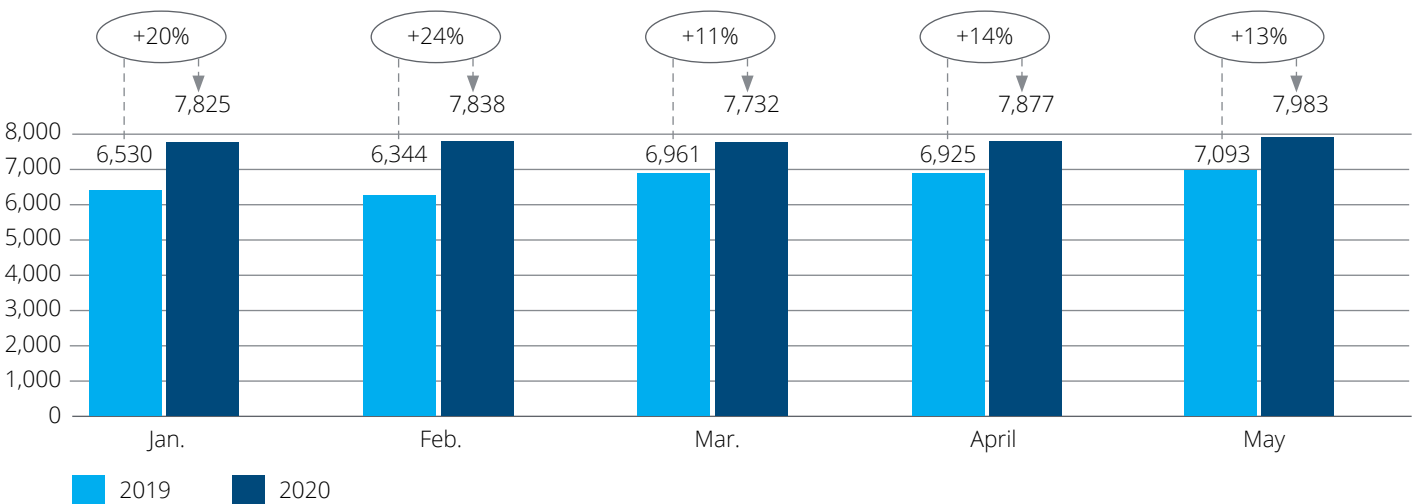
3. The pandemic has accelerated the digitization of the fitness industry. As gym operators roll out online content and services to maintain and expand customer relationships, consumers are becoming more familiar with home fitness and online fitness.

Catalyzed by the pandemic, consumer awareness of exercise has increased rapidly, while the exercise location has shifted from gyms to living rooms. Sports and Fitness Apps continue to enjoy high levels of monthly active users amid the pandemic, with double-digit growth compared to the same time period before the outbreak. Home fitness is becoming a constantly expanding market in China.

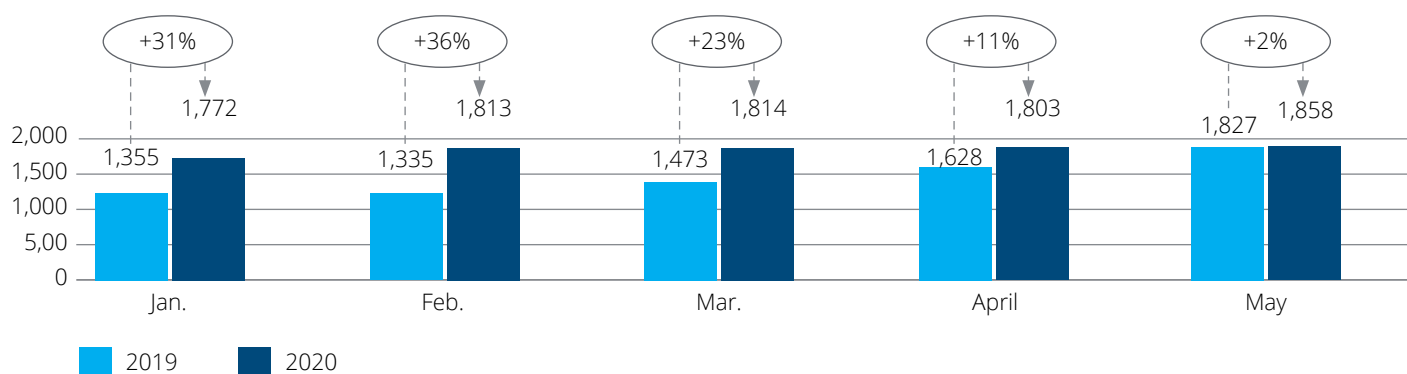
- Fitness platforms with strong internet genes, such as Keep, are the pioneers in setting up online

services and content. With developed platform and rich content in place, these fitness brands instantly penetrated the home fitness market during the pandemic, winning for themselves large increase in their user bases. Keep, an online home workout and fitness training app, has seen an increase in MAU of more than 20% during the epidemic compared to the previous year. As the pandemic situation has begun to be brought under control, users have started to switch back to offline fitness stores and the differences in online MAU post- and pre-pandemic have begun to narrow.

Graph 3.4 Sports and Fitness Apps MAU before and after the COVID-19 pandemic ⁵ Unit: '000



Source: Qianfan

Graph 3.5 Keep App MAU before and after the COVID-19 pandemic ⁶ Unit: '000

Source: Qianfan

"...the overall trend in the market is to operate online... LuckyBird developed the app two years ago and the epidemic accelerated our attempts to get online..."

—LuckyBird Fitness Club
Chairman, Zhou Rong

"...Super Monkey has a million followers but only 400,000 paying subscribers, a significant portion of this population may have fitness needs but don't like taking group classes with other people; some of them are not able to come to the offline store at the right time to workout..."

—Super Monkey Founder,
Tiaotiao

• **Besides online fitness platforms, offline fitness brands have also accelerated their online presence.**

Online training video views soared amid the pandemic. All kinds of fitness brands started to explore online channels, using live training sessions, video trainings and online communities to increase user stickiness and brand awareness. There are two main types of offline fitness brands that are exploring online channels: leading traditional gyms and new-model gyms.

– **Traditional gyms**, such as Will's, have leveraged their brand resources to produce live sessions, short videos and online topic discussions to maintain customer relationships and increase brand awareness. The content mostly consists of brand-led live broadcast and UGC (User Generated Content) produced by personal trainers.

– **New-model gyms, such as LeFit, Super Monkey, etc.**, use celebrity trainers and offline venues to produce online classes, with plans to form a stable online fee-based product to cut into the home fitness scene.

Online operation has become an inevitable trend in the industry, but traditional gyms are limited by the volume of online users have found it difficult to monetize online traffic.













• **A profitable online model requires stable contracting with star coaches, professional packaging and marketing, and systematic course development and maintenance. It thus has high capital and capability requirements.** At present, brands with large online MAU bases and professional online operation teams, such as Keep, Super Monkey and LeFit, are more likely to be profitable online.

- Although some offline gyms have set up mobile app platforms, tried live and short videos, most gyms lack online operational skills and content creation ability. In addition, online marketing costs, customer acquisition costs and platform

maintenance costs are high, while online content charges are relatively low. Therefore, in the short term, online business will not become a sustainable revenue stream but an O2O marketing tool. **In the long term, some of the leading offline**

gyms have plans to sustain the online business as a supplement to their offline business, and the percentage of revenue from the online business is expected to rise to 5-10% in the long term (which is still fairly low level).

Table 3.1 Online layout of various types of fitness brands

	Online fitness platform	New model gyms	Traditional gyms
Representative Brand			
Characteristics	<ul style="list-style-type: none"> Have Internet genes Huge online user base Ability to monetize online traffic Focus on online users 	<ul style="list-style-type: none"> "online + offline" mode, shared user platform Large user base Ability to monetize online traffic 	<ul style="list-style-type: none"> Offline operation ability Lack of intrinsic Internet genes Limited online user base Focus on offline members Limited ability to monetize online traffic
Online Layout	 Online Retail  Live  Topic  Video	 Live  Topic  Short Video	 Live  Short Video
Typical initiatives	<ul style="list-style-type: none"> Keep launched live broadcast during the epidemic, and joined forces with Shape, Daily Yoga and other Apps, Lululemon and a number of fitness KOLs to produce online content Cooperated with Li Jiaqi to record customized voice and sell Keep products via livestream e-commerce 	<ul style="list-style-type: none"> Produced group exercise live sessions, helping 30 million people workout at home Initiated the topic of "Overcoming difficulties and working out at home", and collaborated with Olympic champions to generate short training videos 	<ul style="list-style-type: none"> Posted training videos on official accounts for members to workout at home Generated short videos with fitness KOLs and live broadcasted on platforms such as TikTok, Tencent, Koubai, etc.)



4. In recent years, the industry standardization level has continuously improved as the market adjusts itself. The Matthew effect has gradually emerged, and the decentralized market is transforming to a relatively concentrated market. Covid-19 has accelerated industry reshuffling.

Industry experts estimated that 30-50% of gyms nationwide permanently closed down during the epidemic, mainly personal training studios and traditional gyms with insufficient cashflow, as well as traditional gyms with improper operating models. The proportion of closed gyms in first-tier cities reached 30%; this figure grew to 50% in second- and third-tier cities.

- Taking Shanghai as an example, monthly rent and staff costs of gym stores are about 70% of the size of monthly store revenue. During the epidemic period, offline stores had barely any cash income, so the cashflow gap widened month by month. Some personal training studios and individual traditional gyms has been gradually eliminated due to insufficient fund reserves and poor anti-risk capabilities. Because of their relatively low cash inputs and venue expenses, private training studios chose to close their stores at the first sign of cashflow shortages; large traditional gyms of non-chain brands chose to continue until their funds were exhausted due to the high cost of closing.

- Traditional gyms with poor operating models were also severely affected by the epidemic. Gyms in the northern of the country were particularly affected. In the north, many gyms preferred basement sites due to their low rent cost, enabling rapid expansion. But for health and safety reasons, the Chinese government strictly banned the reopening of underground spaces to prevent the spread of COVID-19. As a result, many underground gyms were unable to resume operations and 80-90% of them closed down as a result. The government's policies surrounding into these types of underground space will remain for some time. Over the long-term, with more and more gyms emerging, consumers will be less likely to choose underground gyms with poor ventilation systems; thus underground gyms will be further eliminated.

"...Before COVID-19, the entire industry was in a period of adjustment. I see more and more companies are transforming and upgrading, and becoming more service-driven. They have began to value coaching, content, courses..."

—SuperMonkey Founder,
Tiaotiao

"...COVID-19 has accelerated industry reshuffling, but it is not the cause of the problem ..."

—Will's Vice President,
Dai Qianzhuo

"...I am not optimistic about underground gyms. In the future, the government will continue to intervene in the operation of underground venues. Now that gyms are emerging, consumers will not choose underground gyms when they have more choices ..."

—GYMLUX Co-founder,
Sun Tongtong

During the epidemic, leading players continued to operate thanks to their abundant capital reserves, refined operation, and strong management capabilities. As a result, they were favored by investors. The pace of market entries and exits is accelerating, and such operators will be able to get better locations at lower market prices for store expansion.

- In March, personal training studio Renmafitnesss and boutique studio Justin & Julie Fitness raised 10 million in Series A funding round.
- In May, while some stores in Beijing and Wuhan were not back in business, LeFit's sales exceeded 100 million RMB (YoY increase of 11%) and the number of users reached the same level as last year. In addition, LeFit announced its expansion plan that it will expand to Suzhou, Guangzhou and Chengdu this year.
- Super Monkey plans to open 10 new stores in 2020.
- Good Feeling Fitness plans to open 4-5 new stores in 2020.
- Will's plans to continue with its expansion plans.

The ability to capture customers in new markets and retain existing customers is one of the key factors for why leading players have better performance in the market. They manage to continuously channel customers both online and offline to their stores, update their operational systems, and maintain existing members. During the epidemic, brands such as LeFit, Super Monkey, Will's and Tera Wellness enacted online marketing strategies and established WeChat groups to maintain activate users, which increased user stickiness and loyalty – and further enhanced awareness of their brands.

"...The financial management of cash flow and costs during the epidemic is key to the survival of a gym. After the epidemic, how to gain incremental market share, and how to retain customers in the market will be the key to long-term development..."

—Good Feeling Fitness
Chairman & Co-founder
Huo Min

"...Mid-range fitness brands that serve the masses and the middle class are more viable. They are doing a good job with their service operational systems, member maintenance and refined management ..."

—GYMLUX Co-founder,
Sun Tongtong



5. After the epidemic, fitness brands will focus on improving in these five areas: business model, store expansion, product and service offerings, maintaining members, and online operation.

"...In gyms, a handful of customers contribute most of the revenue, but the area they occupy is actually very small. New stores will not be as big as it they are now in terms of size ..."

— Good Feeling Fitness
Chairman & Co-founder,
Huo Ming

After the epidemic, to be more competitive, fitness brands will actively upgrade in the following areas:

- **In terms of business models, low-price, sales-based strategies will be replaced by refined content and service-based strategies.**

The strategy of aggressively selling at low prices will die out in the near future, and operators will become more customer-oriented. Gyms used to attract new members using low prices and offering them membership that only provided access to the gym and few other services. In this situation, operators can quickly restore their cash flow, but the sales revenue cannot fully cover the costs under an accrual basis due to the high cost of rent, energy and personnel. Various types of unique gyms have emerged in the market. With more diversified choices, the price of membership will no longer be the primary criterion for customers. Business need to become more customer-oriented, constantly developing new products and content and improving service quality, in order to increase customer spending.

- **In terms of store planning, operators will reduce their store size and further increase store efficiency.** Rent, as one of the main costs of daily operation, is about 20% of monthly revenue.

Nowadays, large traditional gyms with swimming pools tend to open stores with a size of 1,500-2,000 m² or above, while the size of stores without swimming pools are around 1,000 square meters. The epidemic has accelerated store size reduction plans. In the future, the size of traditional gyms will be reduced by 20-30% overall. Thus, stores with pools will not exceed 1,300 m² and stores without pools will not exceed 700-800 m². Combined with quality service, gyms will further increase their store efficiency.

- **In terms of products and services offering, gyms will improve the service quality of trainers to enhance customer stickiness.**

The quality of personal trainers and group exercise classes directly affects the user experience. Gyms will need to adjust their personnel compensation mechanisms to encourage trainers and staffs to be more proactive. Performance evaluation will no longer be based solely on sales performance, but also take into account the activity level of members, referral rates and members' reviews. This kind of management system will improve the quality of service, and customer satisfaction will increase. This will further improve the personal training penetration rate among gym members, and increase consumption levels among existing users.

- **Regarding the membership management, gyms will build communities by establishing WeChat groups and organizing other group activities.** Offline stores are different from home fitness in that they social areas. Most Chinese gym members work out for weight loss purposes, but often find it hard to keep exercising for a long period of time. The community strategy can not only meet the social needs of users, but also increase the frequency of members' workouts, so that members form lasting exercise habits. This will drive up the membership repurchase rate and motivate members to spend money on personal training and premium group exercise classes.
- **In terms of online models, an "online + offline" model will become the norm.** During the epidemic, gym brands conducted live courses and recorded TikTok short videos to maintain interaction with users. Online platforms will not replace the offline scene in the long run, but they will become deeply integrated with it. Online classes lack interaction, and most gym brands are unable to achieve profitability through online courses. Unlike Keep, LeFit and other brands with an abundance of online users, traditional offline gym brands have fewer online users and lack "internet genes". This makes the development and promotion of their online courses expensive and difficult to profitably monetise. In these cases, online platforms will continue to be used as a means to activate and maintain members.

"...Offline gyms differ from home fitness in that they have the attributes of community activation ..."

—GYMLUX Co-founder,
Wu Chenghan

"...The integration of online and offline is a major trend in the fitness industry. Online service capability will be a must for gym brands. How to achieve offline conversion will be the key. Currently LuckyBird is trying some online marketing ..."

—LuckyBird Fitness Club
Chairman, Zhou Rong

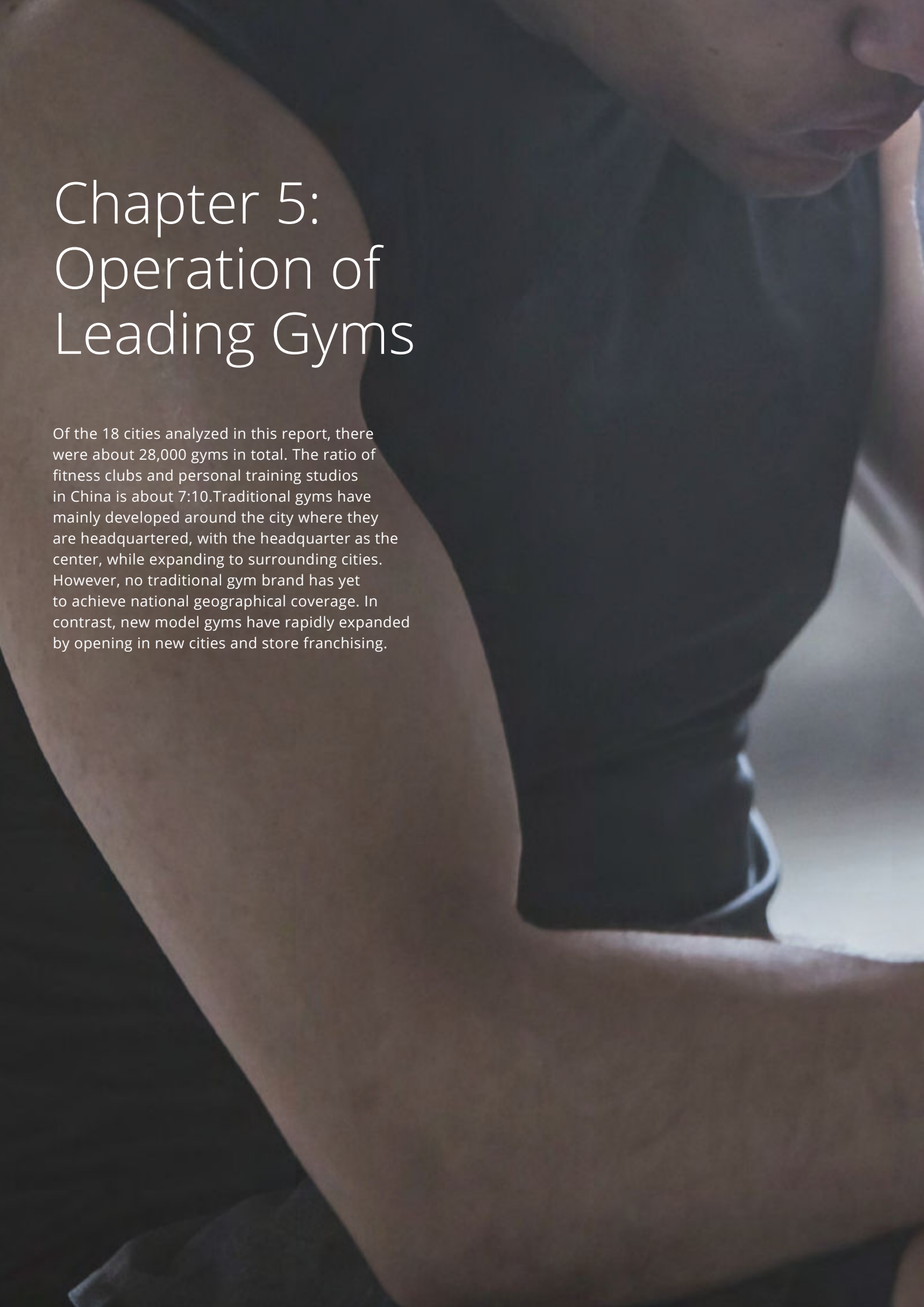
A person wearing a light blue tank top and dark green leggings is sitting on a grey textured rug. They are using a silver laptop with their right hand on the trackpad. Two blue dumbbells are on the rug to the left of the laptop. The background is a wooden floor.

Chapter 4: Overview of Health and Fitness Market in Cities

Of the 18 cities analyzed in this report, there are approximately 28,000 gyms in total. The proportion of fitness clubs to personal training studios in China is about 7:10. The total market size of the fitness industry in the 18 cities is RMB 33.7 billion. Residents in Beijing and Shanghai have stronger willingness to spend on fitness while residents in Nanjing, Xi'an, Jinan, Qingdao, Zhengzhou, Shenyang, Changsha and Kunming are now gradually improving their spending on fitness.



The free version report does not contain detailed data (about 100 pages) of the health and fitness market in 18 first-tier cities and new first-tier cities. To purchase the full version report, please contact Deloitte or CHINAFIT. For contact information, please see the forward.



Chapter 5: Operation of Leading Gyms

Of the 18 cities analyzed in this report, there were about 28,000 gyms in total. The ratio of fitness clubs and personal training studios in China is about 7:10. Traditional gyms have mainly developed around the city where they are headquartered, with the headquarter as the center, while expanding to surrounding cities. However, no traditional gym brand has yet to achieve national geographical coverage. In contrast, new model gyms have rapidly expanded by opening in new cities and store franchising.

Traditional gyms have operated using an asset-heavy model. They have mainly developed around the city where they are headquartered, using the headquarter as the center, while expanding to surrounding cities.

Restricted in popularity to their local area and affected by local competition, no traditional gym brand has yet to achieve national geographical coverage. In contrast, new-model gyms, such as by LeFit, have adapted an asset-light model through standardization and digitization, and have rapidly expanded by opening in new cities and store franchising.

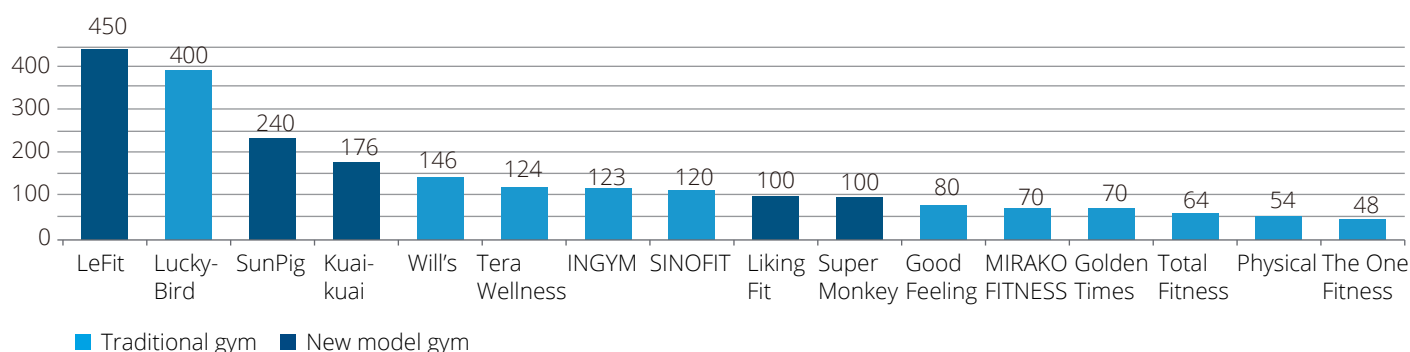
In terms of traditional gyms, LuckyBird has the largest number of stores. After acquiring DAY DAY FITNESS in Zhejiang in 2018, the number of stores increased rapidly. Both Will's and Tera Wellness use Shanghai as their base; they have nearly 100 stores in Shanghai and are expanding to East China. Will's was acquired by L Catterton in 2018, and will be transformed to a high-end gym while expanding into more major cities.

In terms of new-model gyms, LeFit has rapidly penetrated into eight cities in four years since its establishment. It now has over 450 stores, making it

the gym with the largest number of stores nationwide. Other new-model gyms, represented by LikingFit, SunPig, Kuaikuai and Super Monkey, have developed innovations in group class content and charge models. These gyms work hard to standardize their products and services to attract consumers. Almost all new-model gyms use an asset- and employee-light models, so they have fewer constraints on expansion; as a result, they are expanding fast in recent years.

Graph 5.1 Number of stores of leading gyms, 2019

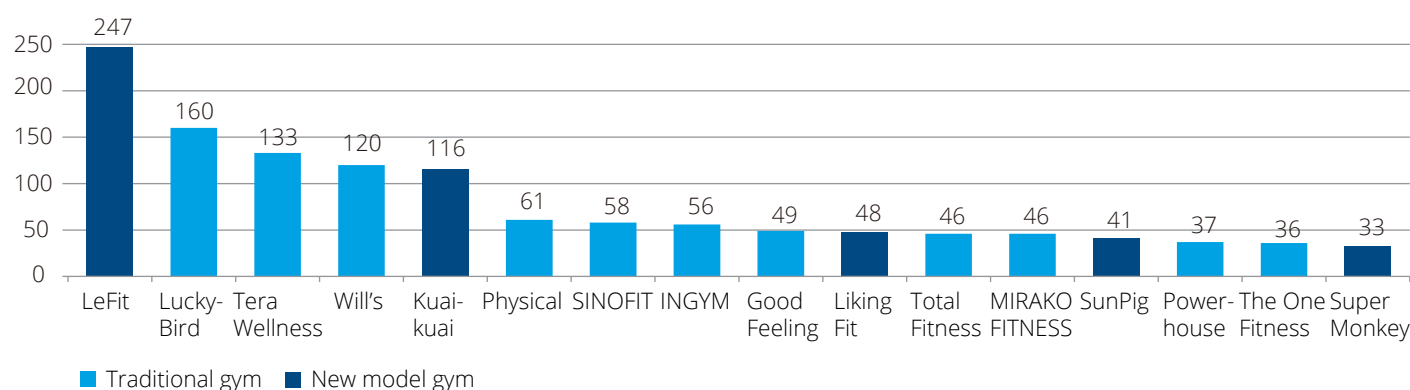
Unit: 1.00



Note: the information on the number of national stores is current as of 1 July 2020. The above data comes from official websites, interviews and other public information, and is for reference only, as there may be deviations from the real-time number of stores.

Graph 5.2 Number of stores of leading gyms in the top 18 cities in China, 2019

Unit: 1.00



Note: the information on the number of stores in the top 18 cities is current as of 31 December 2019. The above data comes from onsite visits and desk research, and is for reference only, as there may be deviations from the real-time number of stores.

LeFit



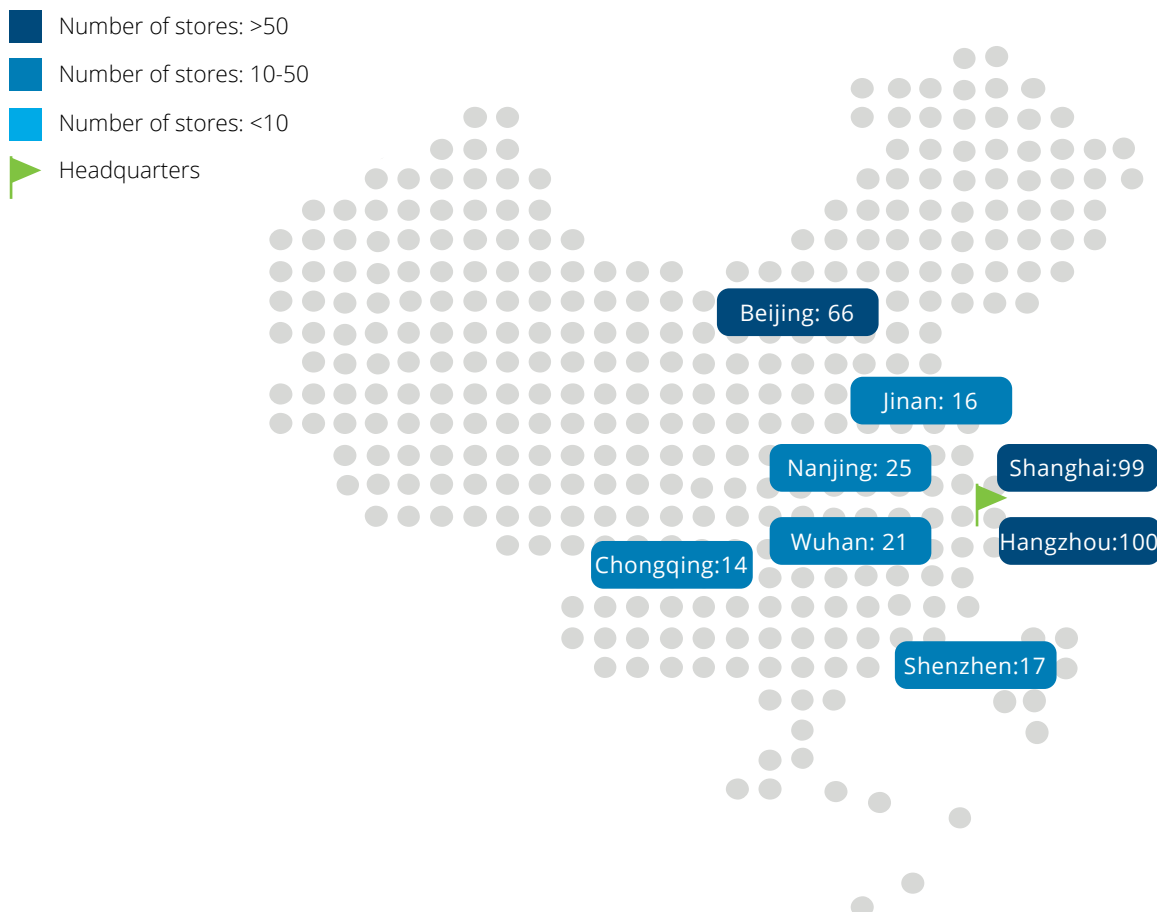
	LeFit
	Number of national stores: 450 (from official website)
	Accumulated memberships: 4 million (from interview)

Founded in 2015 with headquarters in Hangzhou, LeFit is the domestically leading fitness O2O platform, providing highly cost-effective, round-the-clock self-help fitness services by focusing on 24-hour service, monthly payments, smart service and no upselling. LeFit

has now expanded to eight cities nationwide, including Beijing, Shanghai, Hangzhou, Shenzhen, Jinan, Chongqing, Nanjing and Wuhan, and will expand into Suzhou, Guangzhou, Zhengzhou, Ningbo, Changsha and Chengdu in 2020, with a plan to open 1,000 stores across the country

over the next two years. LeFit stores are mainly located in communities, shopping malls and areas around office buildings, to meet the fitness demands of young consumers who only have fragmented time periods to exercise.

Graph 5.1.1 Distribution of gym stores of LeFit



LeFit contracted the amount of space per store 3,000 m² (as seen in traditional gyms) to 300-500 m². Stores have power zones, personal training zones, cardio zones and aerobics rooms, with branded fitness equipment such as Johnson. There are no extensive change rooms in the gym, which reduce space costs. In addition, labour costs are reduced by using intelligent surveillance systems rather than security guards. LeFit thus aims at developing a small retail-style gym model, with 24-hour services. Monthly cards with membership fees as low as RMB 129 also lower the entry barrier for users, and attract more fitness beginners to join.

LeFit has several internationally recognized group training courses, including Les Mills, Radical fitness, Zumba etc., as well as independently developed courses, such as dynamic ballet, battling ropes HIIT, burning FTG etc., with over 100 kinds of course in total. LeFit has up to 7,000 trainers currently, including more than a quarter of all Les Mills trainers. It has gathered together many big names from Les Mills China including Luna, the project leader of BODYPUMP, Zhang Xianchen, the project leader of BODYJAM, Yang Jin, Liang Zhi'an, and trainers from ZUMBA, such as Yan Hao, and so on.

By the end of 2019, LeFit had more than 4 million registered users, with a Daily Active Users (DAU) figure of up to 400 per store. Members of LeFit mainly focus on group classes and self-service fitness activities with a personal training penetration rate of 10% or so; however, with growing fitness awareness and improving trainer quality, personal training courses are gradually becoming more popular. In the list of the Top 25 global gyms issued by International Health, Racquet and Sports Club Association (IHRSA) in 2018, LeFit globally ranked 7th in terms of the number of directly owned stores and 5th in terms of store growth.

LeFit's founding objective was to become "the Uber of the fitness industry", matching consumers, trainers and venues. As early as in July 2015, LeFit, in its initial stage, obtained USD 3 million from IDG Capital in its A-round financing. In July 2016, LeFit obtained RMB 100 million from Toutoushidao Fund and Huasheng Capital (leading investors), as well as IDG Capital, Puhua Capital and Yongchuang Investment (following investors) in its B-round financing. In October 2017, LeFit obtained RMB 300 million from Hillhouse Capital (leading investor), Huasheng Capital, IDG Capital (following investors) in its C-round financing. In October 2018, LeFit obtained strategic financing from Tencent, followed by Hillhouse Capital, China Renaissance, Toutoushidao and Zhi Ping Capital with a nondisclosed financing amount.

"... the gym is just like the cab, the trainer is like the driver and the user is like the passenger. While Uber matches passengers and cabs, LeFit matches users, trainers and venues. The chain is longer and more complex... we have changed from a founder mechanism to partnerships; we must delegate power to lower levels and reduce unnecessary hierarchies. Now we are studying economic management, undertaking research on how to redefine customer value and how to mobilize the value..."

-Founder & CEO of LeFit,
Han Wei

"... getting suitable and adequate training is the core appeal of trainers as well as one of the major reasons that we establish the LeFit College... the source of fitness trainers was single in China, but now, as more and more people choose to be a trainer in full time or part-time manners, we began to provide training for them, authorize certificates to them and recruit the excellent performers to absorb in our gyms..."

-Cofounder of LeFit,
Xia Dong

LeFit has divided its development till now into a number of stages. First was the direct sales stage in 2015-2018. During this period, LeFit, relying on capital investment, established its online platform while opening offline stores in tier 1 and new tier 1 cities (opening more than 300 offline stores). After the completion of strategic financing, LeFit entered into an adjustment period with store closures and openings at the same time and increased store standardization. In 2019, LeFit entered into its next stage – the platform stage. In this stage, LeFit introduced a partnership model for asset investment, moving to a 'supply to business to customer' (S2B2C) model for the platform, stores, trainers and consumers. Meanwhile, to further optimize its supply chain, LeFit also started improving the infrastructure for trainers.

Due to the low fitness penetration rate in China, obtaining coaching resources and fitness content that matches the needs of the current fitness population has always been one of the weakest links in the industry. Excellent fitness training resources is one of the key factors driving the sustainability of the fitness industry. Trainers favor LeFit's trainer system. LeFit still follows the platform-contract model used by traditional gyms, but the profit distribution is the inversed in favour of trainers; the platform and the trainer share the profit using a 3:7 ratio (traditionally the ratio if 7:3).

Meanwhile, through smart matching by the platform, trainers no longer have a performance pressure to sell courses and have more flexible working hours to improve their skills in their spare time so as to better satisfy consumer demand.

In addition to building a more reasonable trainer system, LeFit also attaches great importance on trainers' training. LeFit has established a 4,000 m² training center in Shanghai, and signed strategic cooperation agreements with institutions such as UNIFIT, Xinchun FIT, AFAFIT, Active Lifestyle, IDEA China etc. By bringing into the fold several renowned trainers, such as big names from Les Mills China, LeFit has been able to upgrade its course supply chain and establish its trainers' training system. In the future, the LeFit College will be opened in cities with higher fitness penetration. LeFit's has been able to provide professional training for all those who want to be a trainer – whether full-time or part-time.

In addition to its small-scale comprehensive gyms, LeFit plans to launch more sub brands, including the group fitness brand LOVEFIT (which will sell timeslots), the personal training brand FeelingMeto (which will sell monthly memberships), and the professional training brand CrossFit, to more cities so as to meet different demands of mass consumers.

LuckyBird



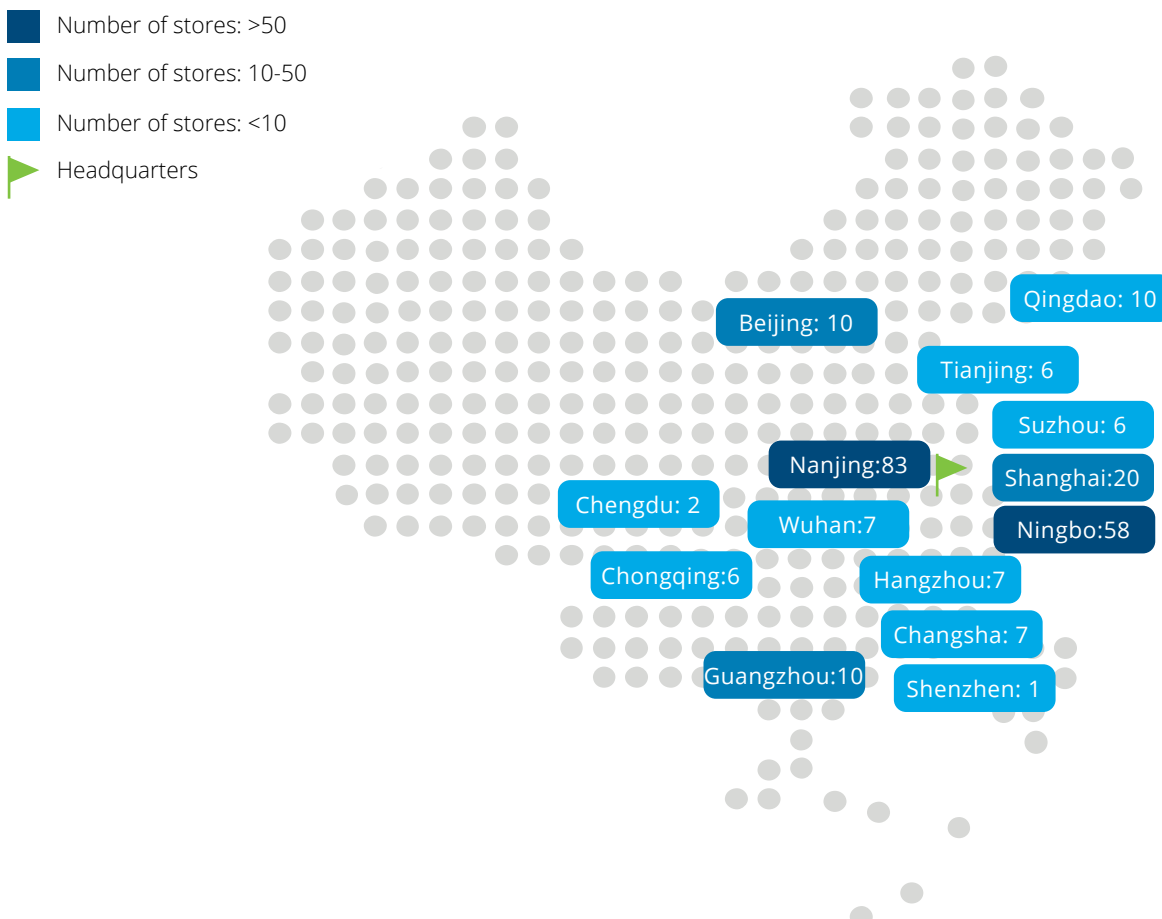
- LuckyBird**
- Number of national stores: **400+** (from official website)
- Accumulated memberships: **3 million** (from official website)

Founded in 2005, with headquarters in Nanjing, LuckyBird mainly focused on establishing professional Yoga studios from 2005 to 2009. In 2009 it began its transformation into a comprehensive fitness club. It rapidly established gym stores all over the domestic market from

2015-2019, successively entering Beijing, Shanghai, Hangzhou, Tianjin, Changsha, Wuhan etc., with over 400 stores in more than 45 major tier 1 and tier 2 cities. It plans to complete the strategic rollout of 1,000 stores all over China by the end of 2025. LuckyBird has accumulated about

3 million memberships with a 0.8 million increase each year. Around 0.3 million of these members enjoy its professional fitness services every day in its stores across China.

Graph 5.2.1 Distribution of gym stores of LuckyBird



"...I think the most important thing is recruitment and cultivation of talent. Now that there are over 100 newly established stores of LuckyBird each year, there is a huge demand for talents, particularly for personal trainers. Each year, our own demand is more than 3,000 people. We, therefore, require an institution for systematic, sustainable and high frequency internal training. LuckyBird has its own internal training organization, the "LuckyBird University", which covers an area of nearly 20,000 m²; meanwhile, it has also established an online university that will provide multiple types of training related to multiple majors..."

-Chairman of LuckyBird,
Zhou Rong

LifeFitness

Octane
FITNESS

英吉多
RELAX

LES MILLS

HTRAINFITNESS

I-FITNESS
爱动健身

Gyms under LuckyBird have an average area of 2,000 m² to 4,000 m², including rest zones, Yoga rooms, aerobics rooms, aerobic and anaerobic equipment zones, swimming pools and change rooms. Stores have branded fitness equipment such as Power Crown, Relex, Life Fitness and Octane. Annual membership fees, which varies based on location and local incomes, are around RMB 2,000-3,000/year.

In terms of group fitness, LuckyBird has professional group fitness courses and faculties. Looking at its Les Mills and Yoga course, for instance, it has signed up 500 full-time coaches and 1,500 part-time coaches. In addition to Yoga courses, LuckyBird also provides foreign and domestically certified courses, including Les Mills, Trainfitness FX etc., as well as its self-developed courses, such as ballroom dancing, belly dancing etc.

Personal trainers in LuckyBird have a relatively high professional level, and at least hold national occupational qualifications or other relevant professional certificates, such as AASFP. Their charging standards are the same as that of local personal trainers, floating among RMB 250-400, with an average penetration rate of around 30%.

Besides fitness clubs, LuckyBird has also established the LuckyBird University, covering personal trainer training, Yoga training, group fitness training and management training. After obtaining the relevant certificates, graduates can find a job at LuckyBird's stores across the country. In addition to internal training, it also provides external training (training for personal trainers with zero training history, group fitness trainers, Yoga trainers etc.).

In January 2018, LuckyBird has acquired 100% of shares in DAY DAY FITNESS, a leading local enterprise in Ningbo, using cash, with an undisclosed deal size. DAY DAY FITNESS occupies over 85% of the market share in Ningbo – its 50 directly managed stores have been integrated into the LuckyBird system. LuckyBird then leveraged its market advantage in Ningbo to radiate out to markets in Zhejiang, Fujian and Jiangxi, and accelerates its expansion into the fitness market of tier 2 cities.

In terms of operating models, LuckyBird mainly focuses a "membership + personal trainer" model. It has established a store set-up mechanism that covers location selection, design and decoration, presales, management, equipment and training. In terms of location selection, LuckyBird has commercially allied with multiple real estate developers, including Wanda, Sunac, Golden Eagle, Vanke, Greenland, Yintai Land and Evergrand. In terms of equipment, it has acquired a fitness equipment factory. As mentioned earlier, it has also established its own LuckyBird University in Nanjing, providing both

internal training for tens of thousands of its employees and external trainings for other trainers. The LuckyBird University covers an area of 16,000 m². It is able to provide teaching and accommodation for 500-600 people at the same time.

Besides the LuckyBird fitness brand, LuckyBird also plans to launch a small sized gym brand named "CoolBird", to compete with brands such as LeFit and Liking Fit. It will be an "internet + group fitness" studio business. CoolBird will complement its affiliated large-scale clubs. Compared with small-scale internet-based gyms, it can rely on the advantages of large clubs in terms of personal trainers, customer acquisition and location selection. The restructured "LuckyBird University" training college and "CoolBird" small-sized gyms will seek external financing as independent companies.

Will's



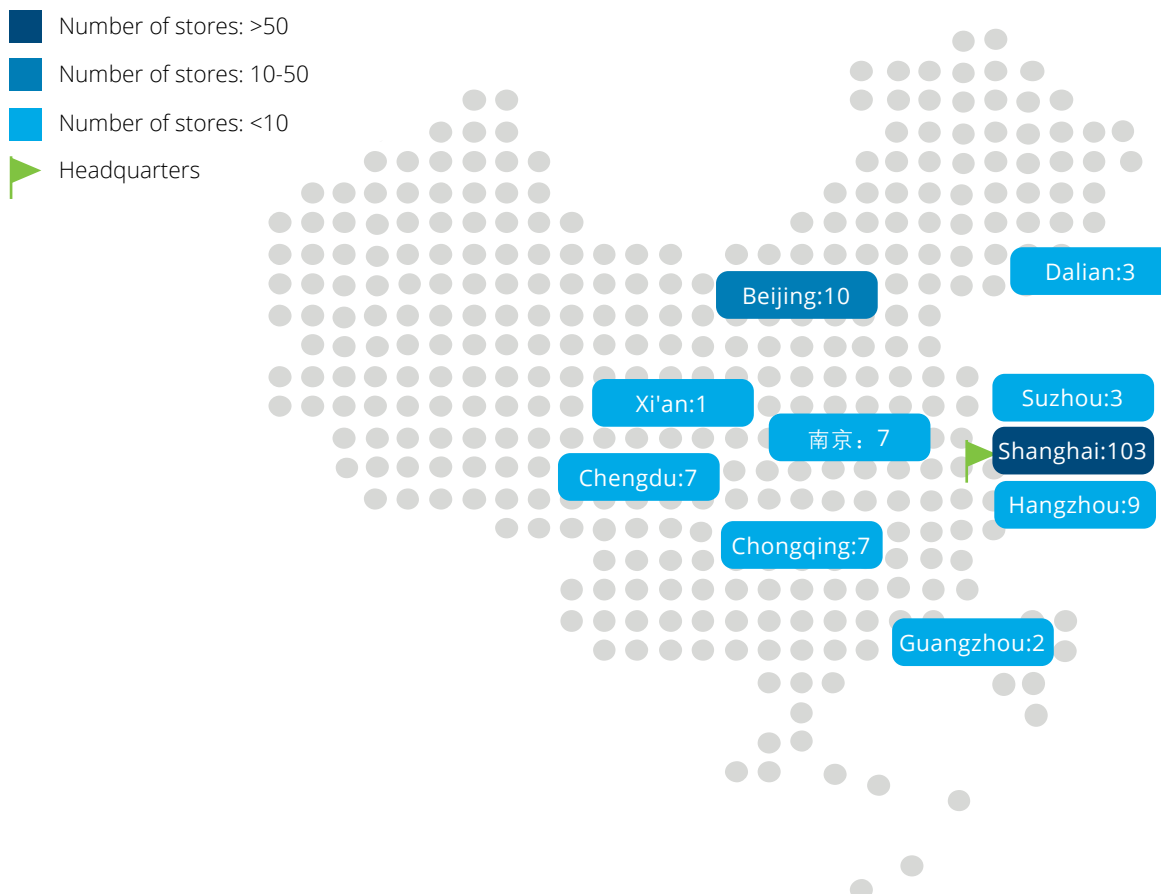
- Will's**
- Number of national stores: **146** (from official website)
- Accumulated memberships: **0.5 million** (from official website)

Founded in 1996, with headquarters in Shanghai, Will's has around 146 professional fitness clubs across the country and plans to expand to more than 200 stores in 2020. Using Shanghai as its base, Will's

has already covered major business and residential areas across the city. After thoroughly establishing itself in the Shanghai market, it has radiated out to surrounding cities, including Nanjing, Suzhou,

Hangzhou etc., and entered major tier 1 and new tier 1 cities including Beijing, Chengdu, Chongqing, Dalian, Guangzhou and Xi'an.

Graph 5.3.1 Distribution of gym stores of Will's





MATRIX



LifeFitness



To meet the demands of different consumers, Will's has established three kinds of traditional commercial gym stores: Will's, W Fitness and VIP. All three mainly charge by annual cards or multi-year cards. However, each brand is different in terms of decoration, charging standards, equipment etc.

- **Will's conventional clubs** have aerobic and strength equipment zones, group fitness rooms, spinning rooms, swimming pools etc., with annual membership fees of around RMB 5,000. Equipment in these stores include the inexpensive series of brands such as Life Fitness, Matrix and StarTrac.

- **W Fitness club** is an affordable luxury brand under Will's; it is also referred to as a "Life Hall". It has annual membership fees of around RMB 8,000, with simple and cozy decoration in its stores. Besides its traditional fitness zones, it also has featured group fitness courses and Yoga courses. All employed trainers hold the RTY200&500 certificated instructor's qualification issued

by the International Union of Yoga Instructors. In addition, it also has professional stretching and massage facilities and essential oil massage services.

- **VIP stores**, the premium brand under Will's, is mainly aimed at elites, with annual membership fees of around RMB 10,000. All stores cover an area of over 3,000 m², adopting a five-star standard management model with bilingual reception around the clock. It uses the high-end series of well-known foreign fitness equipment brands such as Technogym and Matrix. It aims to provide a luxurious fitness atmosphere for consumers.

Will's has diversified group classes. Cooperating with I-fitness, Will's group classes all use internationally certificated courses, such as Les Mills, TrainFitness and I-Dance. While in the personal training sector, all Will's trainers have to obtain national occupational qualifications for fitness trainers, requiring more than 3 years of experience in the fitness industry.

"... The future of this industry belongs to high-end brands, low-end fitness brands will not impact the development of high-end clubs, but could lay a foundation for consumers to choose high-end brands to some extent. Under limited economic conditions, consumers will choose low-end brands; but once the economic conditions allow it, they will choose high-end brands with better services and experiences ..."

- Chairman of Will's,
Wang Wenwei

"...It is necessary to increase the number of stores for scale to develop the brand, but is difficult for clubs with less refined management. Inevitably, the industry will go through mergers, acquisitions and restructuring during ... The survival and development of brands lie in a multi-dimensional competitiveness. I always firmly believe that the sustainable profitability of Will's lies in service, content, branding, integrity and word-of-mouth, which are powerful approaches to maintaining competitiveness and allow Will's to pursue a better development..."

-Chairman of Will's,
Wang Wenwei

As of the end of 2019, Will's has over 0.5 million members and has become one of top five brands nationwide in terms of memberships. It has 2,500 members per store on average, with a DAU of 200 and a personal trainer penetration rate of around 30%.

In November 2018, the L Catterton Asia Fund under LVMH completed its initial acquisition of less than 50% of shares of Will's, with specific transactional items undisclosed. Following this transaction, Will's has adjusted its overall business strategies, with the goal of creating an advanced premium fitness lifestyle brand. It will focus on the expansion of Will's premium healthy lifestyle services targeted at elites in major tier 1 and tier 2 cities, such as Beijing, Shanghai etc., and promote its affiliated premium brands, W Fitness and VIP.

In terms of its expansion, Will's will continue using Shanghai as its base for its domestic market, and radiate out to surrounding tier 1 and tier 2 cities with high spending power and strong

urban business zones. Will's has also cooperated with the Goji Studio fitness brand and signed a "mutual membership preferential" cooperative agreement, which allows members of both parties to utilize the fitness clubs of the counterparty in Hong Kong or the Chinese mainland.

Will's has also transformed its marketing approaches to actively cooperate with brands as part of cross-boundary collaboration. This includes as cooperating with ZIROOM VIP, the promotion of free biweekly cards, as well as holding more membership activities, like Yoga. In order to improve customer stickiness and satisfy consumer's diversified demands, in addition to the proposed establishment of group classes brands (similar to that of Super Monkey), Will's is also actively decreasing the proportion of long-term cards, thereby reducing the proportion of consumers requiring a single high payment, while focusing on attracting new consumers and online consumer acquisition.

Tera Wellness



- Tera Wellness**
- Number of national stores: **123** (from official website)
- Accumulated memberships: **1 million** (from official website)

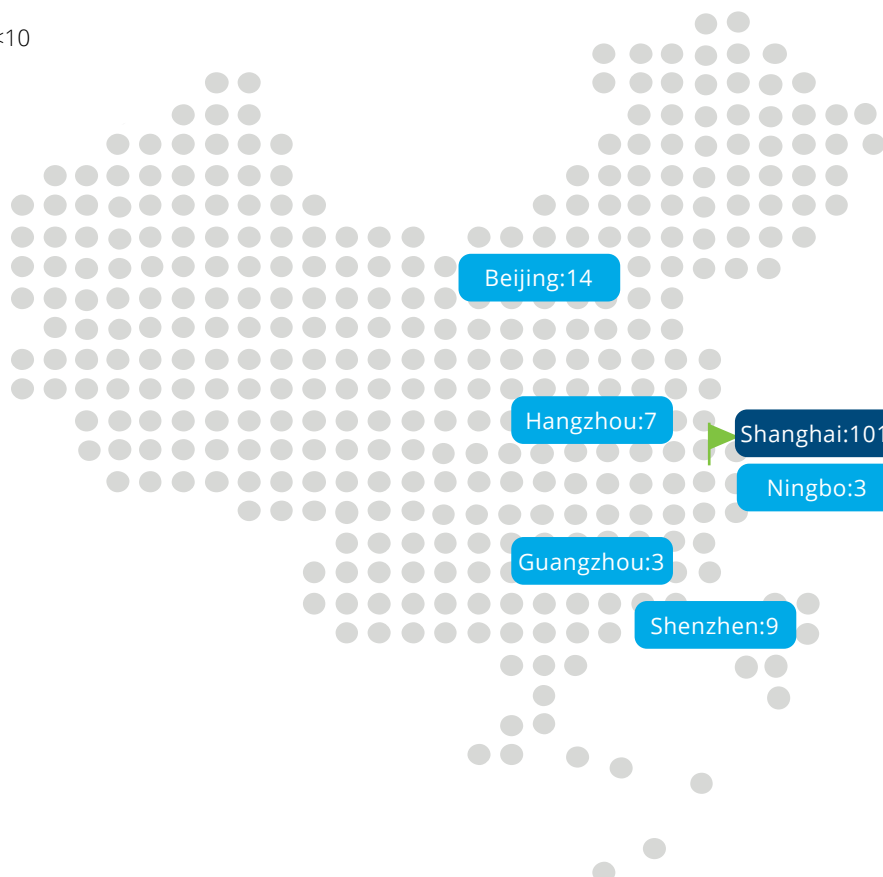
Founded in 2001 in Shanghai, Tera Wellness is a mid-high-end large scale comprehensive chain fitness club. It was the operator of the fitness centre in Beijing Olympic Village in 2008 and provided fitness services to over 10,000 domestic and

foreign athletes. It has established sound strategic partnerships with several large-scale real estate developers, such as Vanke, Wanda and CR Land, and has established itself in various business areas in Beijing, Shanghai, Shenzhen,

Hangzhou and Ningbo, with over 100 fitness clubs. As of 2019, it has accumulatively served more than 1 million members across a large age range.

Graph 5.4.1 Distribution of gym stores of Tera Wellness

- Number of stores: >50
- Number of stores: <10
- Headquarters





MATRIX



STAR TRAC

LifeFitness

PRECOR

"...The Les Mills courses are updated every 3 months, each time we will conduct correspondent promotional activities. In addition, we will also host large-scale outdoor promotional events in May and November each year, with the involvement of members. While promoting sales, we are also trying to increase the participation and retention rate of current members..."

-Group fitness director of
Tera Wellness,
Mu Jia

Tera Wellness gyms have an average area of 2,000 m² to 4,000 m², with annual membership fees varying according to different urban income levels. The price in middle-income new tier 1 and tier 2 cities, like Zhengzhou, is around RMB 2,500-3,000, while in high-income cities, such as Shanghai, Beijing, Shenzhen, Hangzhou etc., it is around RMB 4,000-7,000. Each store is equipped with a reception zone, an aerobic training zone, a strength training zone, a spinning room, a personal training zone, a changing area, a shower area, a steam sauna area, a sports nutrition bar, an indoor and outdoor swimming pool and a fitness test area, with international branded equipment, such as Technogym, Matrix etc.

Tera Wellness mainly provides basic self-help fitness services, group fitness services and personal training courses. Its group fitness courses are mainly independently developed; for example, they have 1012DANCE, which

integrates multiple contemporary dance elements to attract young people. There are around 35-70 classes each week in the store. Besides in-house branded courses, there are nearly 100 kind of courses covering training, dancing, martial arts, cycling etc., including Les Mills and Zumba courses. The Les Mills courses make up a large proportion of Tera Wellness' group classes (around 30-35%).

With high professional qualifications, trainers in Tera Wellness participate in international and national fitness summits each year and bring new fitness concepts and group fitness courses to gyms. More than 10 trainers have signed with Nike in China. The personal training penetration rate of gym memberships is around 25% (higher than the average of the cities the gyms are located in); trainers also have higher charging standards.



Tera Wellness became the first fitness club to receive international financing in China with an investment of USD 20 million from the international strategic investor Temasek Holdings in 2008. It is a frontier fitness club, having adopted the ERP system; it was also the first brand to develop an air purification system within the fitness industry. The brand has continued to invest in improving the experiences of fitness consumers.

In the marketing sector, Tera Wellness pays great attention to the cultivation of a star trainer team. It will arrange regular training for trainers to improve their overall coaching capabilities, increase customer stickiness and further promote trainer fandoms. In addition, Tera Wellness has promoted market activities in line with current fashion trends, such as creating original fitness content and uploading it to Xiaohongshu and TikTok to attract online viewers (with the hope of eventually making these viewers offline customers).



Besides the daily operation of the fitness club, Tera Wellness has also reached an agreement with Alibaba Sports, to jointly develop the Tera Wellness Fitness College under the Alibaba Sports. They aim to construct a leading domestic physical training institution and cultivate more premium management talent for the sports market.

The college mainly engages in training for personal trainers, specialised sports trainers, sports management, sports rehabilitation specialists etc., as well as courses for senior management in the sports and fitness industries. The college has set up various relevant certifications and training courses. The college allows Tera Wellness to share successful management experiences. Tera Wellness also conducts on-site teaching, combining theory and practice and adding scientifically-backed teaching programs, so as to cultivate more talent in the industry.



"...Tera Wellness conducts internal training for personal trainers in combination with leading international fitness and medical criteria; we also have self-operated schools responsible for training university freshmen. In the future, we also plan to offer onboard training for the army, to cultivate personal training talents with high professionalism and solid service capability..."

- Chairman of Tera Wellness,
Jin Yuqing

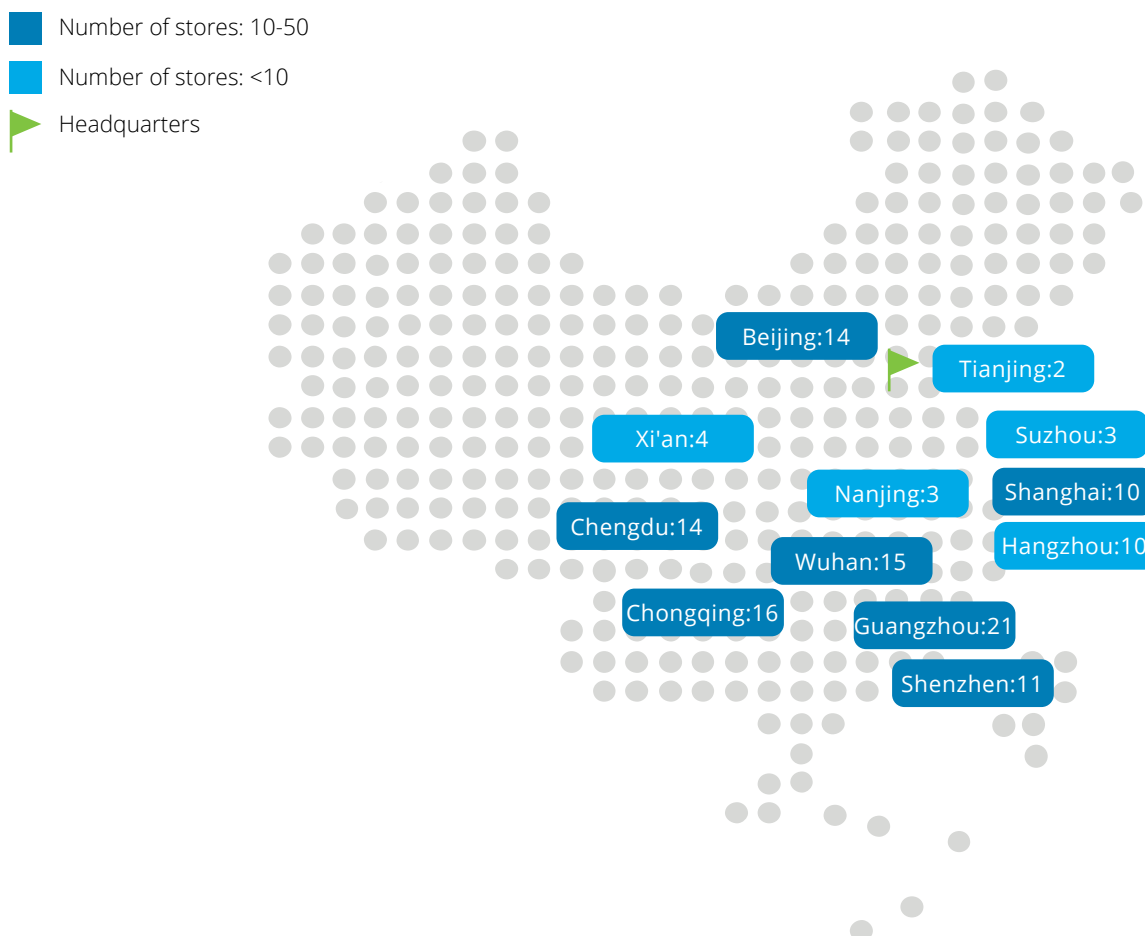
Kuaikuai



	Kuaikuai
	Number of national stores: 176 (from official website)
	Accumulated memberships: 1.4 million (from public data)

Founded in 2015 with headquarters in Beijing, Kuaikuai has 176 stores across the country, covering 24 major tier 1 and new tier 1 cities, including Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Chongqing, Wuhan, Hangzhou, Xi'an, Nanjing and Tianjin, and plans to expand to 5,000 theme stores in 2020.

Graph 5.5.1 Distribution of gym stores of Kuaikuai



Kuaikuai uses a "smart fitness + café" model. It has an average store area of 150-300 m² and uniform facilities across the country. Each store is equipped with three areas: a fitness zone, a locker room (without bathroom) and a coffee bar. In the fitness zone, instead of large equipment, such as treadmills and elliptical trainers, there is only small equipment, such as dumbbells, pedals, and battling ropes (with supporting power racks). As the "third living space", the coffee bar occupies one-third of the store. It is a place where trainers and trainees can chat and interact, interpret sports assessment reports, seek guidance on nutrition and diets or relax.

Mainly distributed in local communities, Kuaikuai stores focus on small group fitness courses with a maximum of 12 people. The stores have high sales per m², attracting customers from within a radiation radius of 3.5 km. Each store can absorb 300-500 members at present. As of August 2017, it has accumulated over 1.4 million online and offline members concentrated among 20-45 years old; 68% of the members are female consumers.

During early market research, Kuaikuai mainly focused on people who wanted to lose fat. Its courses were mainly developed by Wang Yousong (one of

Kuaikuai's partners at present), the previous general trainer of weight loss program "Morning China" at CCTV. Its course R&D team consists of 10 people, engaging in developing and improving courses based on over 40,000 weight loss cases accumulated over the years.

Instead of annual cards or monthly cards, Kuaikuai sells courses by packages, with a price of RMB 1,388 for 12 group classes. At present, its personal training courses are targeted at people with special demands; they can be shared by 2-3 people, with a price of RMB 200/class/person.

Concerning store management, there are usually 2-5 full time trainers covering 5-6 classes each per day. Kuaikuai has an independent international health management college. In addition to the basic vocational training, each trainer is required to take a standardised training and examination before becoming a regular trainer. The demand for trainers will increase with the increasing number of stores.

Kuaikuai has established R&D teams for its smart systems and fitness & health curriculum systems. It has independently developed a series of intelligent systems and smart armbands to combine with Kuaikuai's smart courses. Through

these systems, real-time sports data is lodged and synchronously shared between trainers and trainees, and a relevant sports assessment report can be generated after the class. Kuaikuai has already applied for, and obtained, 12 invention patents and software copyrights.

Kuaikuai has core team members with 12 years of experience in the fitness industry and 17 years of experience in the internet R&D and operation sector. Its core capability lies in the integration of fitness and smart IT. In the short term, Kuaikuai will maintain its development strategy of rapidly expanding store numbers and occupying new markets across the country, while focusing on improving its smart systems and courses at the same time.

With increase domestic consumption, national fitness has become part of the national strategy. The National Fitness Plan (2016-2020) released by the State Council proposed to develop a 15 minutes fitness cycle. Kuaikuai has strictly followed this policy orientation when selecting its location. It will continue prioritizing communities when selecting store locations, choosing locations with a radiation radius of 3.5 km surrounding the store, serving 300-500 persons and affecting 3,000-5,000 persons.

Physical

舒适堡 **PHYSICAL**
FITNESS & BEAUTY

 **Physical**

 Number of national stores: **54** (from official website)

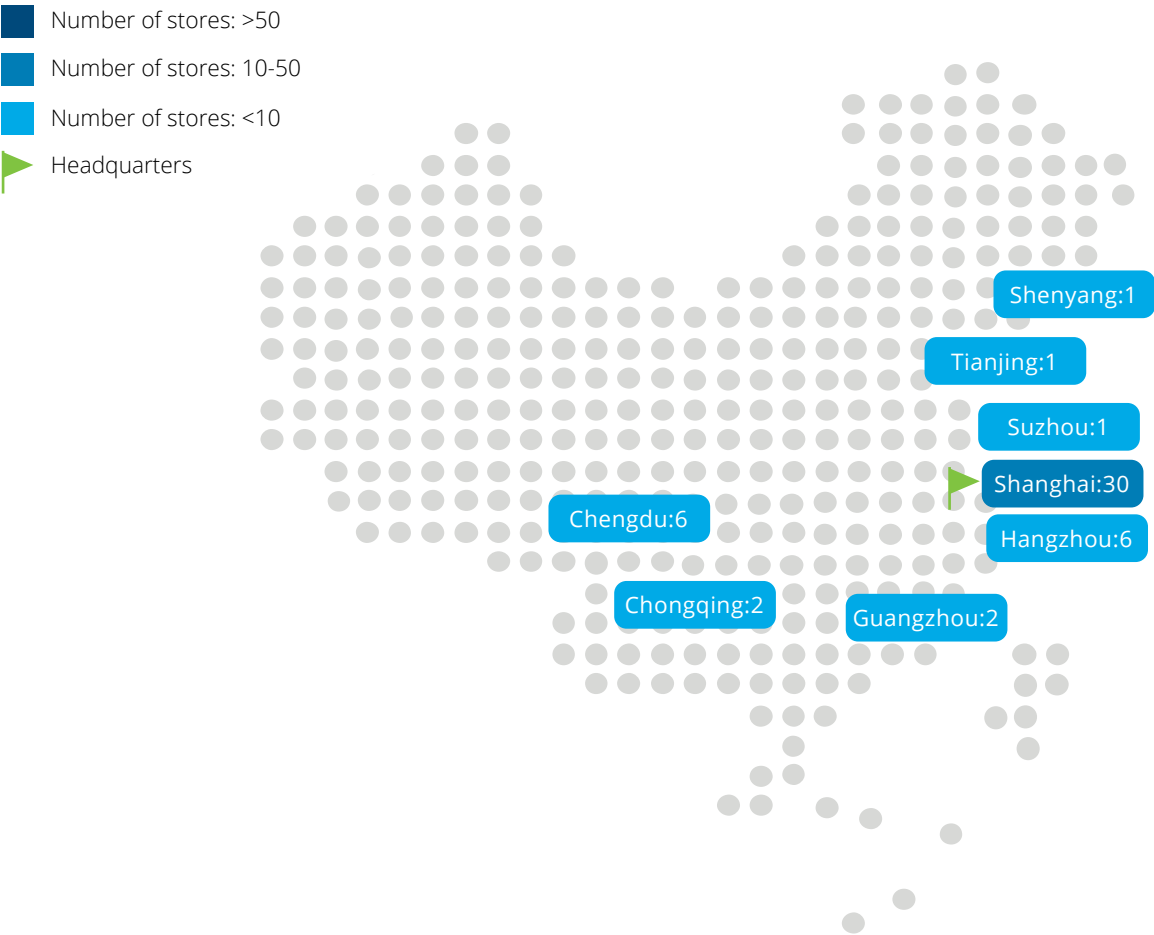
 Accumulated memberships: **1.5 million** (from official website)

Physical is a large-scale chain brand gym that integrates fitness, cosmetology and entertainment. It opened its first fitness center in Hong Kong in 1986, and entered the mainland market in 2012 opening in Shanghai Metro City. Currently, it

has 54 stores in the mainland, with 30 stores in Shanghai, 6 stores each in Chengdu and Hangzhou, 2 stores each in Chongqing, Guangzhou and Foshan, and one store each in Tianjin, Suzhou, Yantai, Dezhou, Nantong and Shenyang. It thus has

locations widely distributed across the Chinese mainland and Hong Kong, with a total floor area of over 180,000 m² and over 1.5 million consumers.

Graph 5.6.1 Distribution of gym stores of Physical



Physical aims to "provide high quality services with affordable prices", with all fitness clubs equipped diversified European and American imported fitness equipment (Life Fitness, Precor, Octane etc.), Yoga and dance studios, cardio zones, weight equipment training zones, boxing zones, magazine zones etc. Physical still charges based on annual and multi-year cards, with annual membership fees of RMB 1,500-2,500 – a low price compared to top traditional gyms.

Besides their membership services, the Physical fitness club also provides various group fitness and personal training services. In the group fitness sector, Physical has set up a range of group fitness courses, covering Yoga, Les Mills, Zumba, spinning etc., to satisfy the diversified demands of various consumers. Physical's group fitness courses have gradually began to charge fees, with a unit price varying from RMB 18-144 for a single 60 minute course. Physical provides additional chargeable one-on-one personal training services, with personal trainers holding professional physical fitness qualifications; they are thus able to formulate personal exercise schemes for the participants. The price of personal trainers in Physical is the same as that of local commercial traditional gyms, with a personal trainer penetration rate of around 20-30% in general.

Physical is actively expanding its industrial chain coverage, and has signed a "Strategic Talent Partnership" scheme with AFCC (Aerobics and Fitness College of China, the sole physical fitness training institution in China; the training base approved and authorized by the General Administration of Sports of China

for national vocational qualifications of fitness trainers and aerobics) to provide training and further education for vocational trainers and improve their skills and quality.

Physical has adopted multiple operating models in the Chinese mainland, including direct sales, regional agents, free agency, franchised single stores etc. Hangzhou is the sole city in mainland China with stores cooperating with Hong Kong Physical; Hangzhou Physical has a completely autonomic management model. In the future, Physical will remain focused on services targeted at the mass market with affordable prices. In terms of store expansion plans, Physical has currently established a commercial partnership with real estate developers, such as Powerlong Real Estate, and will further expand its partnerships with various real estate developers in the future, to allow Physical's large and comprehensive fitness clubs to enter commercial complexes targeted at mass consumers in various cities. Meanwhile, Physical has also created its smart brand "Region" to facilitate further consumer stratification and segmentation. Region is a model smart store, with an area of around 1,000 m², which reduces labor costs while maintaining quality services and an enjoyable fitness environment. Region is targeted at the local community market. In addition, Physical is also actively involved in the "fitness + Internet" sector. It has already set up a WeChat official account to provide services such as online membership cards and class appointment; in the future, it will focus on the O2O sector by establishing an app based on data collected from its back office.

"...Looking at the traditional route of the fitness industry, instead of reducing prices, Physical has risen prices in some of its stores, and the reason lies in the quality. Some of our clients have come back again after being attracted by other lower-priced gyms. I think this is because of our quality and services..."

- General Manager
of Physical,
Ni Jianmin

Sinofit



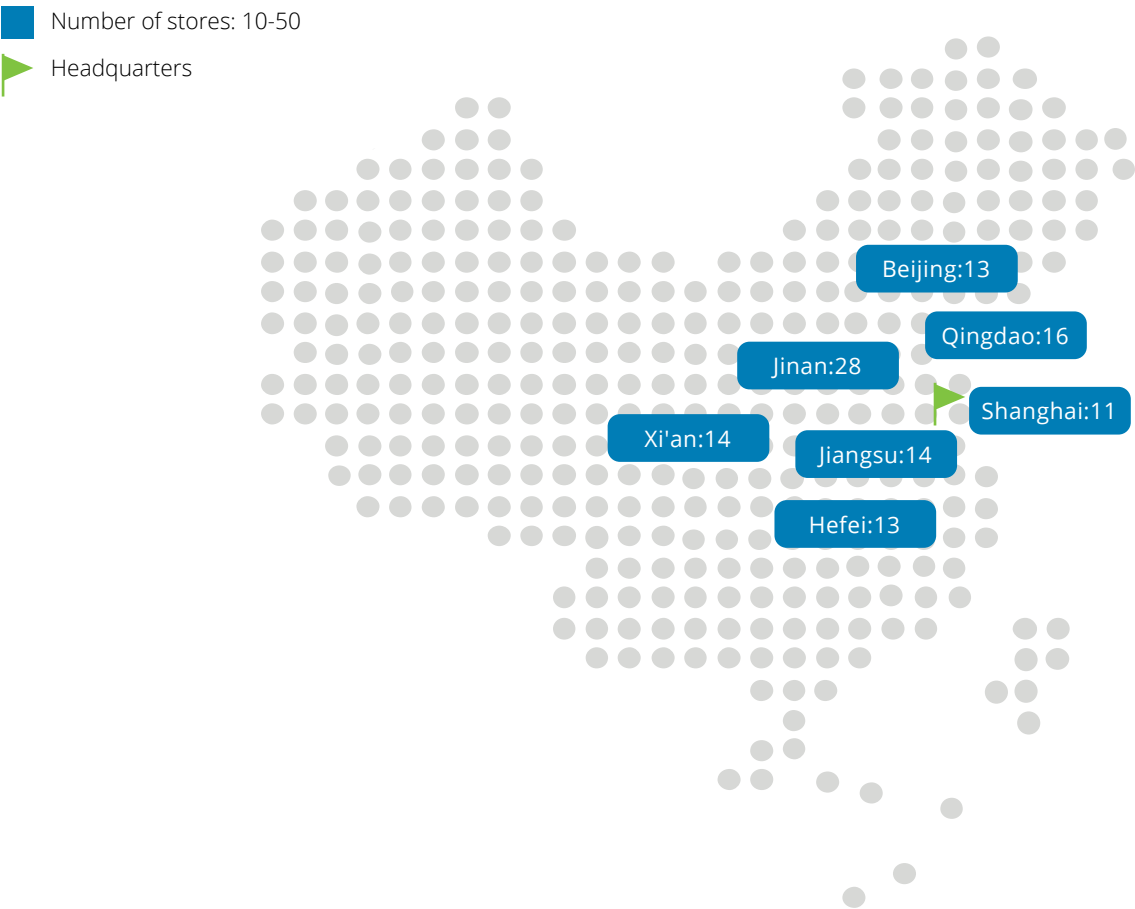
Sinofit

Number of national stores: **120** (from official website)

Accumulated: **2 million** (from official website)

Founded in 2016, with headquarters in Jinan, Shandong province, Sinofit has entered 35 provinces and cities in China, including Beijing, Shanghai, Xi'an, Jiangsu, Hefei and Qingdao. It has already opened 120 stores, with 70 more stores to be established in the near future. By 2019, Sinofit had over 2 million members, with 3,000 members per store on average.

Graph 5.7.1 Distribution of gym stores of Sinofit





Sinofit is one of the largest chain clubs in northern China. Following a series of mergers, acquisitions, integrations and adjustments Sinofit three sub-brands: The Alexander Health Club, Sinofit and IAMGYM:

- **The Alexander Health Club** is a high-end club, with 7 stores in the tier 1 cities of Shanghai and Beijing at present.
- **Sinofit and IAMGYM** (gradually changing its name to Sinofit) have clubs mainly distributed in new tier 1 and tier 2 cities including Qingdao, Xi'an, Jinan, etc.

Sinofit has an average store area of 3,000-4,000 m², with average annual membership fees of RMB 3,000-4,000 in tier 1 cities, and RMB 1,000-2,000 in tier 2 cities. Sinofit has established partnerships with multiple domestic real estate developers, including Vanke, Poly Real Estate, Evergrande, CR Land and Longfor. In terms of equipment brands, Sinofit has mainly adopted Life Fitness, as well as Technogym and Matrix.

Sinofit has around 20 personal trainers per store, providing static and dynamic personal training courses.

Trainers are required to have working experience and relevant qualification certificates, the penetration of personal training can reach as high as 40%-60%. In terms of group classes, besides basic courses, including Yoga, Pilates, Belly dance, Folk dance, Jazz and aerobic exercise, Sinofit has independently developed children physical fitness courses and introduced top international group class curricula, such as Les Mills, trampolining and Zumba. Sinofit puts a heavy focus on swimming courses; besides regular swimming training courses, it has also introduced featured courses such as aqua fitness, paddle board yoga and children's swimming class.

In addition to operating fitness clubs, Sinofit established the Zhongda International Fitness Academy in 2015. As a training institution for national occupational qualifications, Zhongda acts as a training base in Shandong for fitness trainers with no past experience. It has become a vocational platform integrating training, business communication and employment. The academy has over 30 professional trainers with more than 10 years working experience, holding multiple internationally recognized qualification certificates.

In 2019, Sinofit has changed its management team and management model. Hu Guoxiong, the previous CEO of Tera Wellness, joined Sinofit as the new CEO in June 2019; he has lead the reform of stores nationwide by bringing the Tera Wellness' management model to Sinofit. The reform started with a new management and sales team. It has changed the accountability mechanism from the local store manager to the headquarters, and has promoted the reform of the store management system across the country. Members of the new team are largely former team members of Tera Wellness.

Sinofit has acquired a number of brands including D-house gym in Wuhan and SP Training in Beijing. It has formed a development strategy of multiple brand chain fitness clubs under one group. In the future, Sinofit will continue to expand its strategic territory by acquiring, investing and holding shares in internationally and domestically famous fitness brands with a plan to establish 300 stores within 5 years.

Ingym



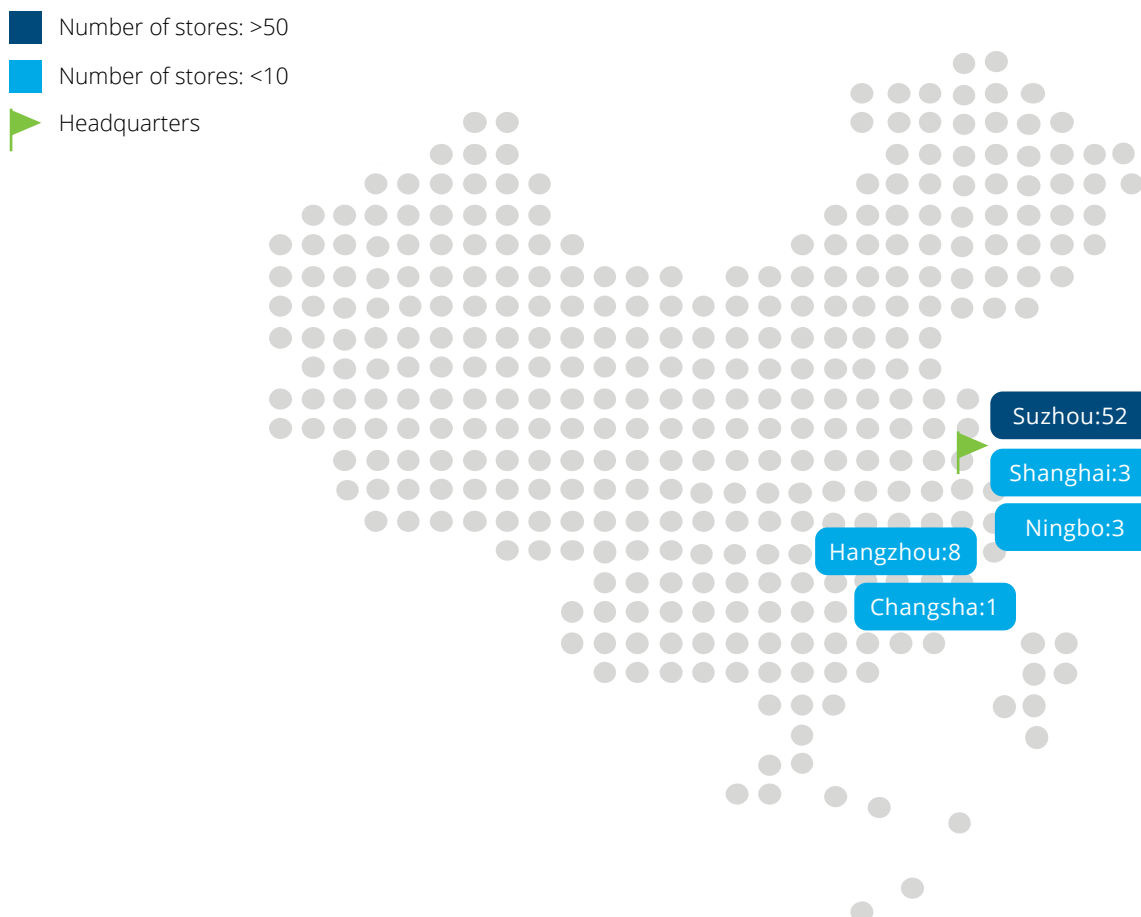
	Ingym
	Number of national stores: 124 (from official website)
	Accumulated memberships: 3 million (from official website)

Founded in 2003, with headquarters in Suzhou, Ingym positions itself as an affordable luxury brand targeted at white-collar elites. Since 2015, it has rapidly expanded to Jiangsu, Zhejiang and Shanghai. It now has 124 stores distributed across Suzhou, Shanghai, Hangzhou,

Ningbo, Wuxi, Changzhou, Nantong, Wenzhou, Jiaxing, Taizhou, Anqing, Yangzhou, Huaian, Yancheng, Qinzhou, Hunan, Quzhou, Changshu, Kunshan, Taicang and Zhuji. In February 2019, Ingym announced it was starting a national franchise and at the same

time slowed down the pace of establishing directly-owned stores. In the future, its direct stores will continue to enjoy a dominant position, but they will be supplemented by franchise stores. It strives to open 200 chain commercial fitness clubs by 2020.

Graph 5.8.1 Distribution of gym stores of Ingym



Ingym fitness club provides basic self-help fitness services, group fitness services and personal training courses for its members, with stores mainly established in commercial areas, including shopping malls and business centers. All its venues are designed by its in-house professional interior design team. Each has an area of around 1,500-3,000 m² and is able to accommodate 1,500-3,000 people. Stores include a reception zone, cardio zone, power zone, spinning room, group fitness room, boxing ring, personal training zone, locker rooms and bathrooms, as well as branded equipment including Impulse, Life Fitness and Matrix.

Besides regular short-term cards, annual cards and multi-year cards, Ingym fitness club also provides multiple cards such as single store cards, area cards and Suzhou-based cards; this allows its members to select a card based on the scope of their activities and expected fitness cycle. Different cards have different prices, with an annual membership fees of RMB 1,500-3,500.

In the group fitness sector, Ingym has introduced officially certificated Les Mills series courses; while in the personal training sector, Ingym considers the qualifications of trainers comprehensively using aspects such as professionalism, image, experience etc. Currently, it has a training team of 600 trainers. It charges around RMB 300-350 per course based on the specific course category. The penetration rate of personal trainers among members is around 35%.

In terms of store location, Ingym has established partnerships with multiple large-scale real estate developers, including AEON, SCPG, Wanda, ShiMao Group, Greenland, Zhonghao Real

Estate, Xinhua Real Estate and Seazen Holdings. When these groups enter into a new city or area, Ingym can set itself up in a large scale commercial complex or shopping mall with the help of these developers.

Besides Ingym, Ingym Group has developed other sub-brands, including InU, INLIVE YOGA, INLIVE Young and Susparker, to meet the various demands of consumers. Susparker is an Internet fitness brand using an O2O model established by Ingym in 2016 for the purpose of entering the new-model gym market. It focuses on around-the-clock operation, online appointments and offline exercises, without the need to prepay or queue.

In addition to operating gyms, Ingym Group is also engaged in children's dance training and fitness practitioners' training. INLIVE Young focuses on children's street dances, Latin dances, ballet, China classical dances and physical fitness. INMAJOR is a fitness practitioners training college, established in 2017 as a training base for personal trainers starting from the very basics. Headquartered in Suzhou Industrial Park, the college covers an area of around 5,000 m², providing multiple professional services such as training various skills, professional certifications and vocational development. It has also established campuses in Shenzhen and Wuhan, and trained over 3,000 trainers so far.

Ingym is promoting a comprehensive fitness industrial chain, with talents from INMAJOR College, equipment from Inlife, and store decoration undertaken by its in-house design team. It plans to formulate a fitness industrial chain covering location selection, design, decoration, trainers' cultivation and store management.

"...Trainers in INLIVE are previously internal trainers of Ingym. Since Ingym attaches great importance to internal training, it built up an internal training team composed of 40 trainers with first-hand practical experience; we picked the most outstanding trainers and management from top clubs. This team has expanded to 60 persons thanks to the new personnel, courses and experience..."

-Chairman of Ingym,
Guo Zhijun

Good Feeling



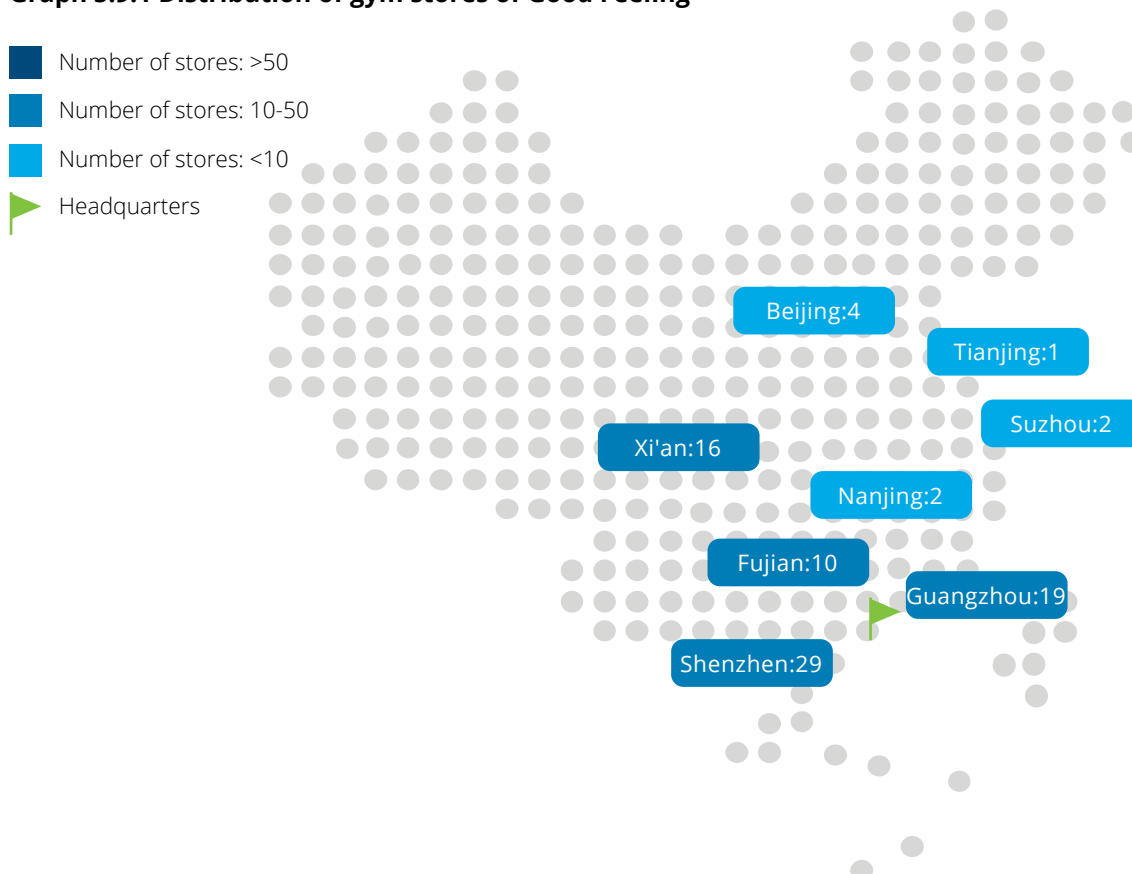
	Good Feeling
	Number of national stores: 80+ (from interview)
	Accumulated memberships: 0.4 million (from official website)

Founded in 2004 with headquarters in Shenzhen, Good Feeling has over 80 directly owned professional fitness clubs across the country and has signed strategic cooperation agreements with more than 20 real estate developers so far, covering multiple cities in southern, eastern, northern and north western China. Currently,

Good Feeling is comprehensively implementing a partnership mechanism covering municipal partners, regional partners and store partners, under the principle of "long-term cooperation and shared benefits". As of 2019, Good Feeling had 1,500 full-time personal trainers across the country, with over 0.4 million members. Through its internet

platform, Good Feeling has connected derivative industrial chains surrounding the fitness service such as shopping, tourism and outdoor activities, creating a health and fitness industrial ecosystem integrating health, joy, fashion and wellness.

Graph 5.9.1 Distribution of gym stores of Good Feeling





As a local Guangdong brand, Good Feeling is based in Shenzhen and from there has radiated out to the Greater Bay Area and other major cities across the country. It targets mid-high-end consumer groups, with a standard store area of 1,200 m². Its conventional stores are equipped with an equipment zone, personal training zone and gymnastics rooms (covering Yoga, group fitness, spinning etc.), with branded equipment such as Life Fitness and Cybex. It focuses on providing traditional gym membership services, personal training courses and group fitness courses, with some stores providing retailing services for its members such as snack bars and clothing stores.

Good Feeling mainly charges using traditional annual and multi-year cards, with annual membership fees of RMB 2,000-4,000 in general. Some of its stores are equipped with swimming pools, with the price rising by RMB 800-1,000/year if it has a pool. The brand plans to promote a "membership fee + monthly fee" model with its investor China Merchants Bank.

Besides its conventional courses, Good Feeling also provides featured courses, such as exercise rehabilitation, pro-gestation and postpartum recovery, shape correction and fighting courses, to serve consumers with different demands. Good Feeling provides a range of group fitness courses, including internationally authorized Les Mills courses, Zumba, dance and spinning, for members with different ages and different demands.

By the end of 2019, Good Feeling had 1,500 full-time personal trainers across the country, with a 0.4 million total members. The penetration rate of personal trainers is about 20-30%; in Shenzhen it is around 30%.

In September 2016, Good Feeling obtained tens of millions of RMB funding from Sino-US Venture Capital (the leading investor) in its A-round of financing with an aim to transform the gyms into exercise training and rehabilitation centers. It also obtained RMB 100 million in funding in August 2017 from Fortune Capital (leading investor) and China Merchants Bank

and real estate developer Century Golden Resources Group (following investors) in its B-round financing with an aim to upgrade the gym system through intelligent approaches. In September 2017, Good Feeling obtained RMB 22 million in funding from Jinding Capital under the listed company Beijing Sanfo by cash injection.

"... Currently, all segments are just refined traditional gyms without any content innovation. For traditional gyms, it is not a big change but an internal upgrade as each business form is supplemented to each other. Seen from the fast developed European and American markets, traditional gyms will continue to take a leading position and a larger proportion of market shares..."

-Founder of Good Feeling,
Huo Ming

While adjusting its layout and strategy, Good Feeling is also testing new models and content to actively response to market changes:

- **Focusing on tier 1 and 2 cities in the Greater Bay Area and pulling focus away from tier 3 and 4 cities.** The market in tier 2 and 3 cities is insufficient, as residents with spending power often leave to tier 1 and 2 cities and overall consumption is declining. Tier 1 cities like Guangzhou and Shenzhen have witnessed the continuous entrance of more and more young people with high spending power. Currently, Good Feeling plans to enter the provincial capital cities, mainly focusing on expanding in markets in the Greater Bay Area (Guangzhou, Shenzhen, Dongguan and Foshan) and maintaining a stable operation of established stores in Beijing, Fujian, Xi'an and Jiangsu.

- **Trying a "small store" model to capture new market faster.**

Good Feeling contracted its standard store area of 1,200 m² to a small store model of 500 m². It will further contract smaller group fitness stores once the group fitness courses can be independently operated after a trial stage. With lower investment cost, quicker opening pace and similar charging standards with Super Monkey, smaller stores can attract new comers with lower one-off charges and more payment per visit. However, it also offers value cards to increase the cash flow of the store.

- **Content innovation.** Good Feeling has independently developed software systems and chargeable group classes; it has also developed "sports + technology" products to pursue innovation in content.

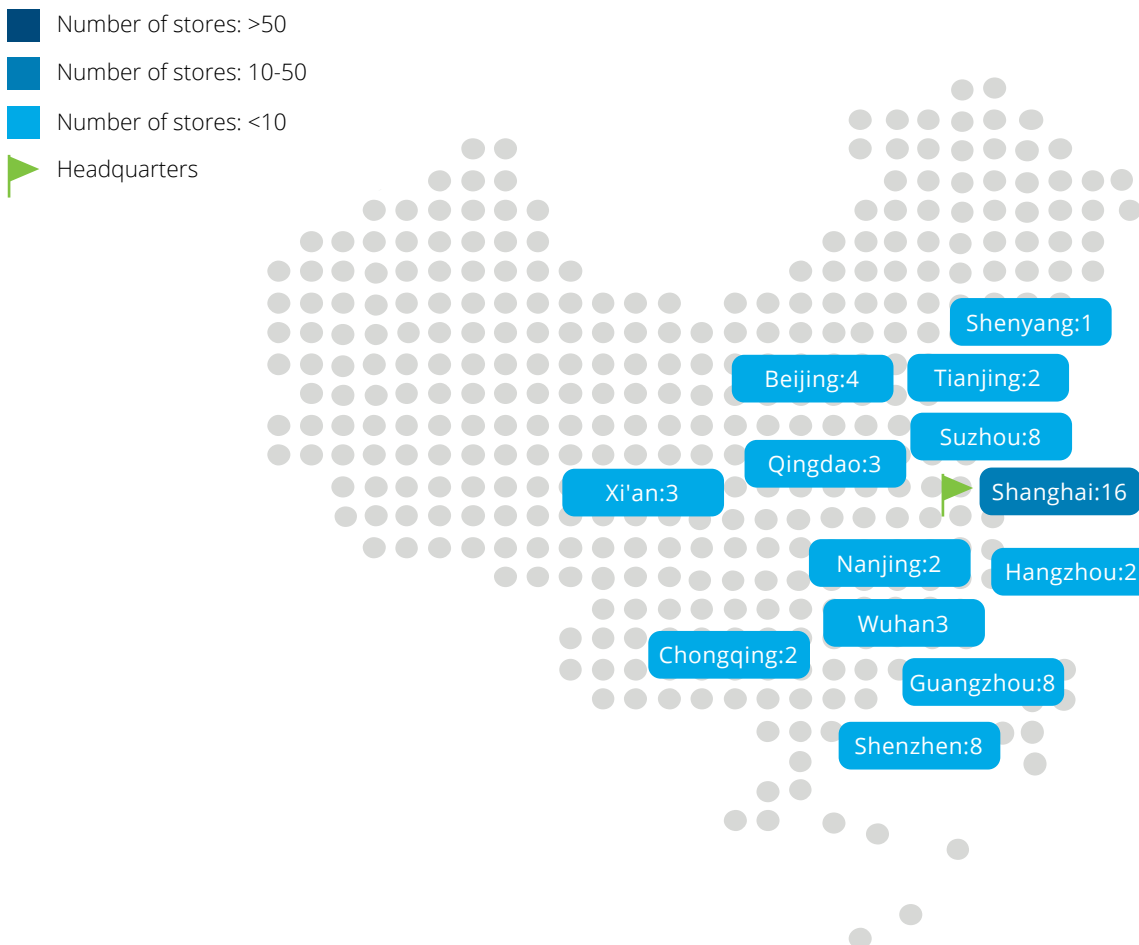
Liking Fit



	Liking Fit
	Number of national stores: 100+ (from official website)
	Accumulated memberships: (no statistics)

Liking began in July 2016 with the launch of the Liking app. Its offline smart fitness club "Liking Fit", headquartered in Shanghai, was then officially opened in August 2016. Liking Fit has over 100 stores globally, establishing stores using franchising, joint operation and direct ownership models. Currently, 80% of stores are franchises.

Graph 5.10.1 Distribution of gym stores of Liking Fit



"...gyms are not only a financial investment, but they also have certain strategic significance. Gyms are part of the real economy; China Everbright has many properties, thus forming mutually complementary resources..."

-Founder of Liking Fit,
Xu Zhiyan

"...Gyms are located within high population density areas, so consumers do not need to go far away for fitness, similar to the establishment of convenient stores... the practice of "principal-guaranteed franchising" reflects our confidence on the profitability of opening stores. While at the strategic level, the principal-guaranteed franchising has actually accelerated the expansion of stores..."

-Founder of Liking Fit,
Xu Zhiyan

Liking Fit is a smart internet fitness club supported by online fitness software and offline facilities. Liking has multiple offline internet smart fitness clubs. Currently, around 80% are franchise stores, which enjoy a high degree of standardization. Liking Fit stores are mainly distributed in core business centers, such as CBD office buildings in tier 1 cities, shopping malls in tier 2 cities and large-scale residential areas in tier 3 cities.

Compared with traditional gyms, Liking Fit has a smaller average store size of around 500 m². Each store has a basic aerobic zone, equipment zone, weight-free zone and dancing rooms. Stores are staffed with personal trainers and dietitians. Members can use gyms around-the-clock using smart bracelet. Liking Fit focuses on unmanned management: its members can make appointments with professional trainers, dietitians and group fitness courses via its platform. Professional trainers provide tailor-made fitness plans, and dietitians provide personalized guidance and nutritional dietary schemes based on individuals' physical conditions (a "sports + nutrition" model). Liking Fit has a series of comprehensive independently developed smart product systems, including dozens of smart equipment, covering treadmills, fitness testing apparatuses and dancing rooms.

Personal trainers in Liking Fit generally have a high professional level, having graduated from sport universities with 2-3 years working experience and holding comprehensive certificates. Their charge out rates are similar levels to local traditional gyms, with a price of RMB 400 for a single

conventional class in tier 1 cities. The personal training penetration rate is about 10%.

In June 2015, Liking Fit obtained RMB 10 million in funding from Zhonglu Capital and Lightspeed China Partners in angel-round financing; in October 2016, it obtained tens of thousands in RMB funding from Cowin Capital in its A-round financing. In 2018, Liking Fit announced it had received RMB 350 million in its B- and C-round financing, where in, RMB 50 million was received from Sigma Square Capital (leading investor) in B-round financing, followed by Cowin Capital, Zhonglu Capital and Lightspeed China Partners. It also obtained RMB 300 million in its C-round financing from Everbright-Zhongying Capital and Terminus Fund (leading investors), and Square Capital and Lightspeed China Partners (following investors). Liking Fit will continue utilizing Internet technology to optimize the software and equipment in its gyms, accelerating its national expansion strategy at the same time. In the future, Liking Fit plans to develop and launch more diversified and innovative smart fitness products.

Under the traditional franchising model, Liking Fit prioritises the operation and management of franchise stores, and some stores have been closed due to poor operation. After the B- and C-round financing, Liking Fit introduced a new "jointly franchising" model to cities including Beijing, Tianjin, Xi'an, Changsha, Wuhan, Chengdu, Chongqing and Guangdong. In line with the policy of "principal-guaranteed franchising", stores under the new model will be uniformly managed by Liking Fit and Liking Fit will participate in the investment and operation of the joint venture stores.

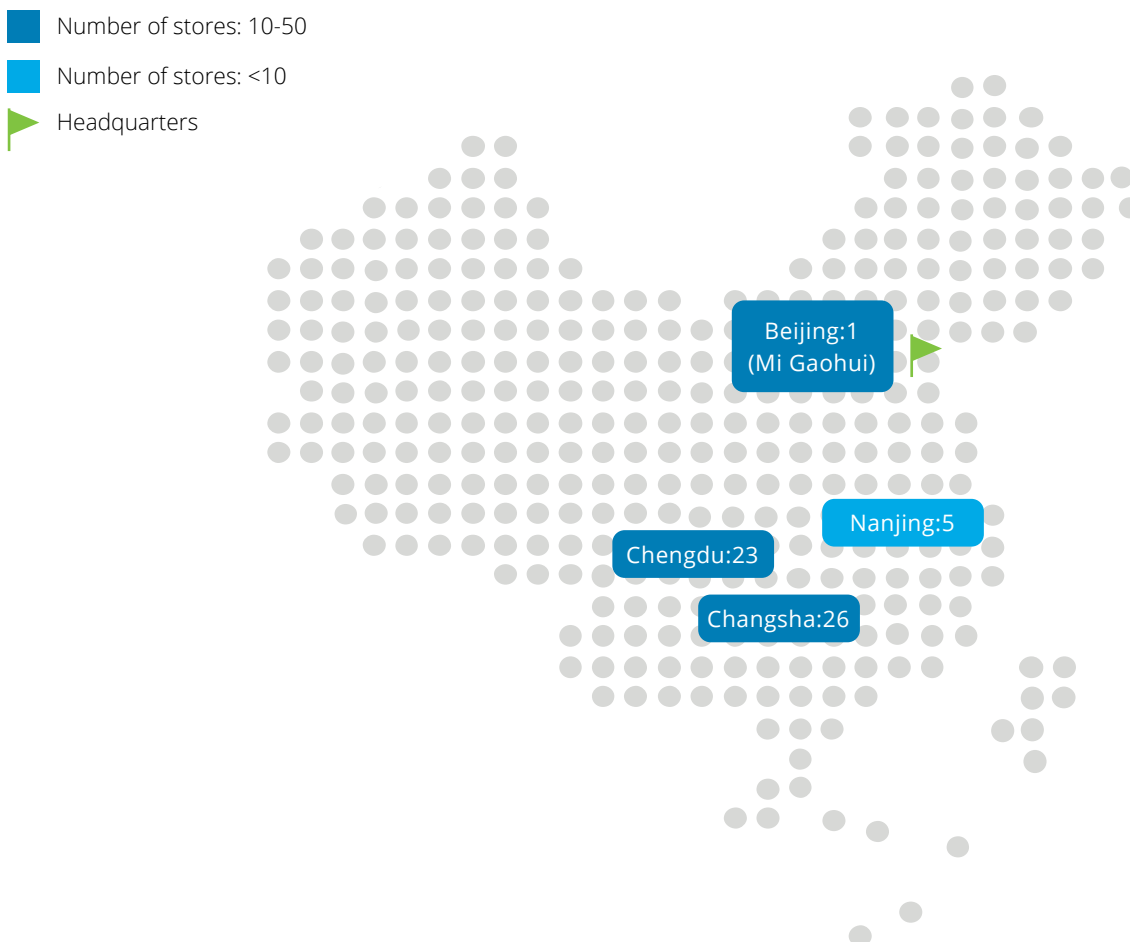
Mirako Fitness



	Mirako Fitness
	Number of national stores: 70 (from official website)
	Accumulated memberships: 0.23 million (from official website)

Founded in 1998, with headquarters in Beijing, Mirako Fitness was the first domestic large-scale fitness chain in China. It has several brands, including Mirako SPA, luxury fitness brand Mi Gaohui, Mirako Race, Bingo and Mirako hotels. It has around 70 stores in provinces and cities across the country, including Beijing, Sichuan, Hunan and Jiangsu, covering a total area of over 200,000 m2 and has 0.23 million members in total.

Graph 5.11.1 Distribution of gym stores of Mirako Fitness





As a fitness club targeting the broad public, Mirako Fitness stores generally have a size of 1,000-3,000 m², including an aerobic zone, VIP personal training zone, power zone, boxing zone, spinning rooms, group fitness rooms, hot yoga rooms and swimming pools. They are also equipped with spa zones, rest zones, sport product stores and recreation bars. All equipment in the store are well-known brands, such as the American brand Life Fitness, the Spanish brand CoygarSport and the Italian brand Technogym. Mirako Fitness charges using annual or multi-year cards, with annual membership fees of RMB 2,000-3,000.

Mirako Fitness mainly provides personal training services and featured group classes. Mirako Fitness has over 1,000 formal professional trainers with national occupational qualifications certificates; over 80% of them have obtained relevant industrial qualification certifications such as AASFP certification, National

Kinesiotherapist certification, AFIA certification, ACE certification, NSCA certification, ACSM certification, NASM certification etc. Eight trainers are officially certified trainers with Adidas, with exclusive coaching rights to the "Adidas 9 training camp".

In terms of group fitness courses, Mirako has introduced featured training courses including the Les Mills series aerobic fitness courses, MFT (Martial Fitness Training) and the "Adidas 9 training camp" exclusively partnering with Adidas.

In 2018, Mirako Fitness has developed its high-end brand "Mi Gaohui" locating in premium shopping malls. The high-end stores are distributed in Chengdu, Changsha and Beijing, with a membership prices rising rate by 40-70% compared with that of common stores. Bingo Academy was established in the same year, aiming to cultivate elite personal trainers, and specially focusing on the cultivation of a sales marketing and team.

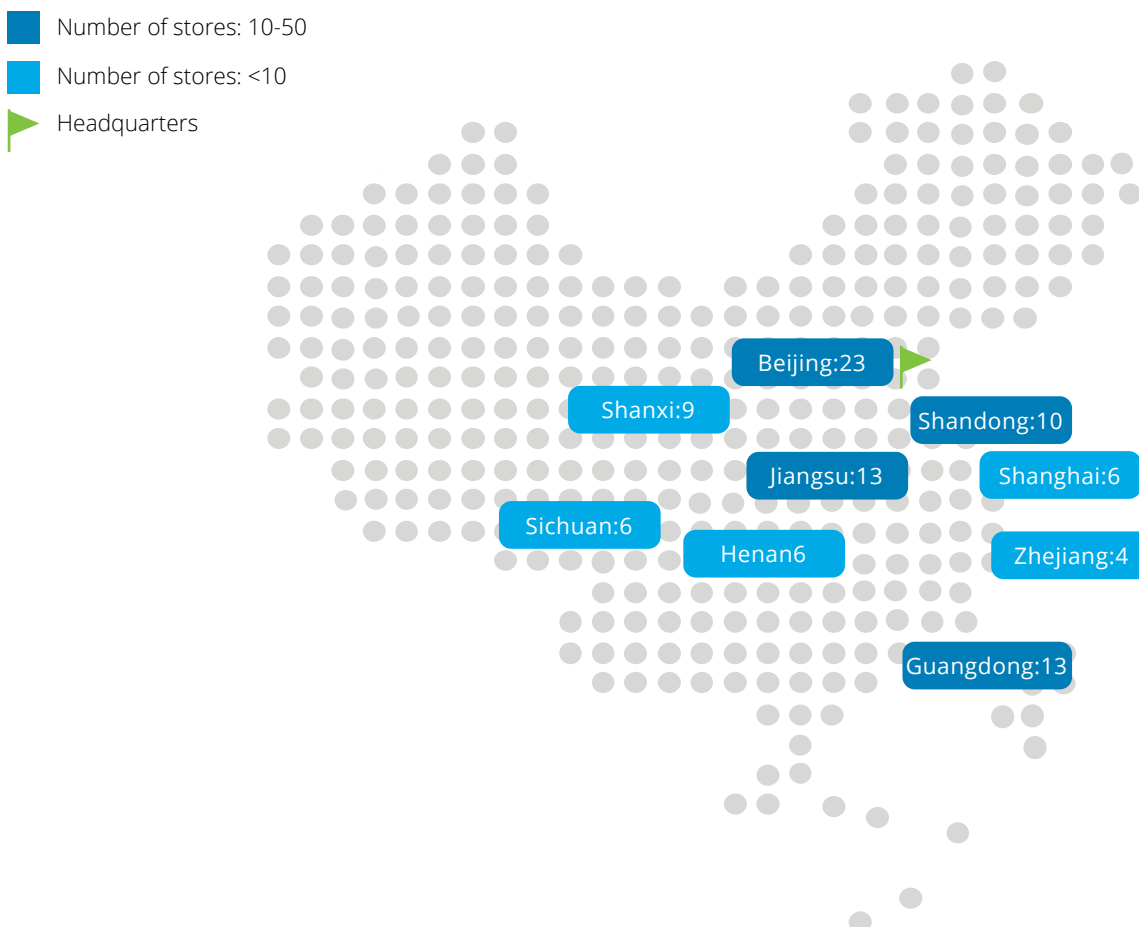
SunPig



	SunPig
	Number of national stores: 240 (from public data)
	Accumulated memberships: About 2 million (from public data)

Founded in March 2015 with headquarters in Beijing, SunPig has opened stores in more than 70 cities in China. Currently, SunPig has signed up more than 300 franchise stores with over 240 stores already opened. Stores are equally distributed across the country. SunPig plans to have more than 1,200 stores by 2020, while opening 4,000 stores using various models in the next five years. Dozens of renowned fitness brands and nearly 20,000 trainers domestically use the SunPig smart fitness system, with more than 2 million effective members.

Graph 5.12.1 Distribution of gym stores of SunPig



As a national chain of smart gyms, SunPig has established an "Internet + IoT" system with its unique app, SaaS system, smart bracelet and smart fitness equipment. It was one of the first gyms to offer a monthly card (RMB 299-399/month), providing consumers with a variety of choices. In addition, in order to enhance customer stickiness, SunPig provides users with a range of online and offline social scenarios to interact with other members. The brand positions itself as a "body shaping factory".

Compared with traditional gyms, SunPig stores are relatively small – about 300-800 m². Each store cost about RMB 0.8-1.5 million to set up (less than the average traditional gym), and mainly consists of locker rooms, exercise rooms and other functional areas. The stores are mostly distributed in communities and office buildings. SunPig focuses on the concept of "the last mile" – mainly serving residents and white-collar workers who live in the surrounding areas. According to public data, SunPig members aged 20-30 account for 50.03% of memberships, and those aged 30-40 account for 47.15% of memberships, with an average member age of 30.9 years old. Currently, the repeated purchase rate of SunPig memberships is 41%, and the average annual ROI for each store is 157%.

In terms of trainers, SunPig strategically cooperates with a domestically well-known fitness college, Saipu Fitness Training Base. Both parties carry out in-depth cooperation in terms of beginners training, course development, and trainer employment. The professional level of personal trainers in SunPig is relatively high. Most of them come from sports colleges, with 3-5 years of working experience, and are well-certified trainers. The charging standard is broadly the same as other local commercial traditional gyms; the price of

a conventional course in a super tier 1 city is RMB 400/month/class.

In August 2016, SunPig completed its Pre-A round financing for RMB 12 million from Pathfinder Hetong Fund and China Enterprise Council Investment Fund. In 2017, SunPig obtained RMB 35 million from 1898 Venture Capital and Kaixin Capital (leading investors), as well as Tongren Boda Investment and Max-elevator (following investors) in its A-round financing. In 2019, SunPig announced the completion of A+ round financing for RMB 51 million from CITIC Construction Investment (leading investor), and the former shareholders 1898 Venture Capital and Tongren Boda Investment (following investors).

Since its establishment, SunPig has expanded rapidly through both direct sales and franchising. In addition to accumulating customer traffic and enriching products, SunPig focuses on its franchise system: a "new operating system" that aims to achieve asset-light operation. Based on the smart interconnected system of "APP + SAAS + smart hardware" and a set of strictly standardized products and training systems, SunPig has developed an effective operating system recognized throughout the industry. This system effectively reduces confusion in the operation of franchises.

In addition, the founder, Wang Feng, has also said that in addition to franchising, SunPig can also independently provide this system to assist the smart development of the entire fitness industry. Facing fierce competition in the fitness industry, SunPig plans to simultaneously develop in incremental and existing markets, and expand the personal training and mid-to-high-end product lines. In the future, SunPig will develop in new markets via exclusive partners, and transform the old

gym models. Additionally, SunPig has developed two projects, SunPig MINI and the mid-to-high end SunPig PLUS; they focus on "personal training startups + studios renovation".

With high customer traffic and coverage, SunPig has established stable strategic partnership with leading manufacturers and brands in the fitness industry chain, and will continue providing value-added services to franchise stores. SunPig has established a strategic cooperation with a domestically renowned fitness college, Saipu Fitness Training Base. In the future, both sides will cooperate in the areas of teaching fitness trainer beginners, course development, and trainer employment. In addition, SunPig has established strategic partnerships with five major organizations, including the world's top fitness analyzer - Inbody, the fitness equipment brand Shuhua Sports, the regional fitness chain Golden Times, sports commercial media Lanxiong Sports, and the large lifestyle and trading platform, Meituan.

"...SunPig is just one of the players in the industry, but we are an effective means to adapt to new smart systems. Through strict control and franchising, stores are closely tied up before outputting as a whole. This theory is applicable to all gyms... compared with other brands, SunPig App is currently the most complete in the industry. Every day, dozens of technical R&D personnel compare various data and functions that we have applied in more than 140 stores while many other apps can't be implemented..."

—Founder of SunPig,
Wang Feng

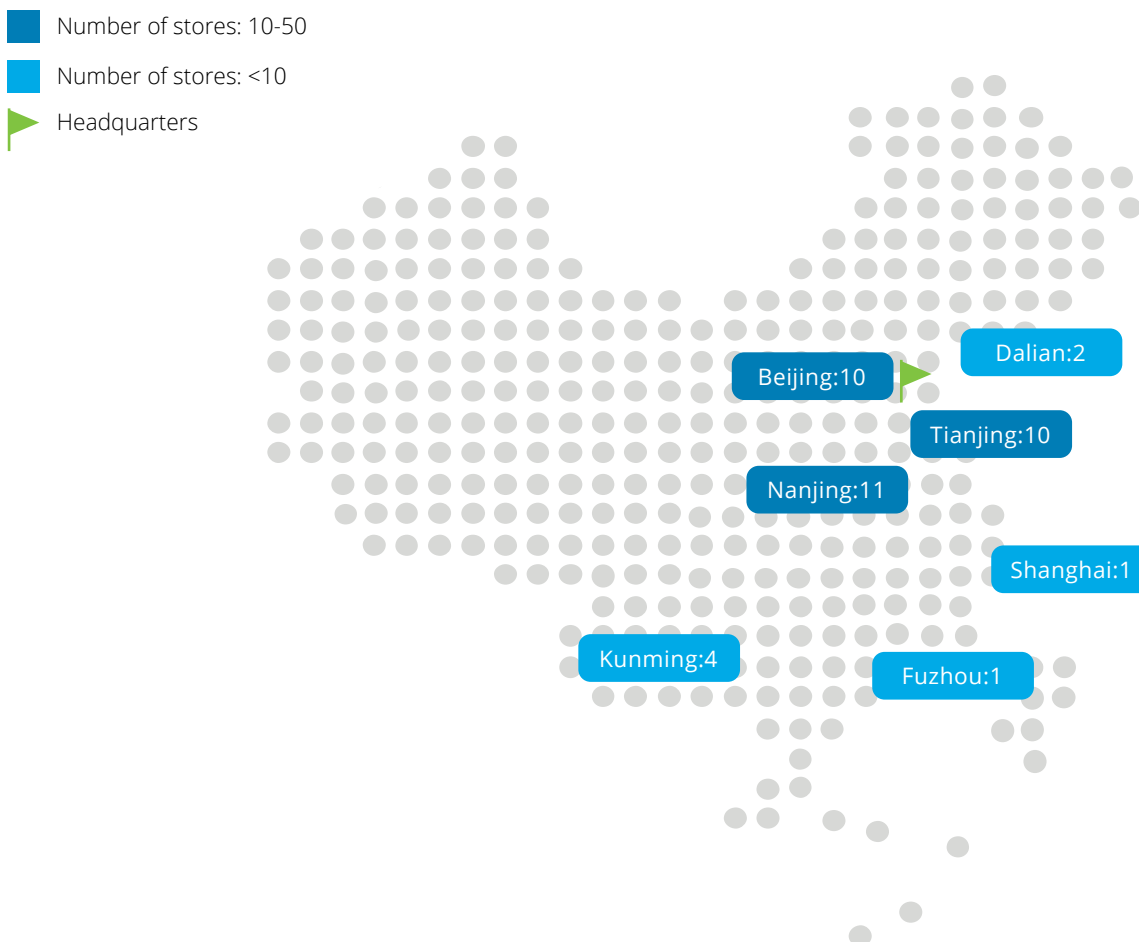
Powerhouse



	Powerhouse
	Number of national stores: 39 (from official website)
	Accumulated memberships: 0.3 million (from official website)

Powerhouse GYM was founded in Michigan, USA in 1974. At present, it has more than 400 chain stores globally. Powerhouse landed in China in 2004, headquartering in Beijing, and has nearly 40 chain clubs in Beijing, Shanghai, Tianjin, Dalian, Kunming, Fuzhou, Nanjing etc. By the end of 2019, the brand had more than 300,000 members.

Graph 5.13.1 Distribution of gym stores of Powerhouse



Powerhouse stores are generally located in CBD areas such as office buildings and shopping malls, with an average store area of about 2,000 m². All stores have consistent decoration, with a "Paper-white impression" theme. Stores use American equipment such as Hummer, Life Fitness and Star Trac, and are well-maintained and relatively new. Powerhouse positions itself as a high-end gym brand, and its target customers are business people and their families with high discretionary income. The average annual membership fee in tier 1 cities is RMB 4,000-5,000, and that in tier 2 cities is RMB 3,000-4,000. In addition to serving individuals, Powerhouse also serves enterprises and has gradually established long-term cooperative relationship with them. For its corporate customers, Powerhouse creates personal files and provides customized services in three ways:

- **Powerhouse fitness club:** customers provide Powerhouse with a list of interested club according to their city and residential area, Powerhouse then coordinates the provision of fitness services to customers.
- **OSC (On Site Club) personal gym:** Powerhouse helps customers create a personal exclusive gym in their residence or office using their "OSC recommended equipment library", focusing on equipment rental services, equipment buy-back services, enterprise customized service, basic trainer services and other core services,
- **Self-help fitness:** Powerhouse guides customers to complete fitness program by themselves without the help of trainers.

Powerhouse has an international group class system, including training



NTC (Nike Training Club), eight Les Mills fitness systems, as well as various featured courses such as ZUMBA, TRX, KAMAGON, kettlebell, Thai boxing etc. At the same time, Powerhouse also has a series of self-developed courses such as "SHINE", which combines Wacky step and Fitcombat step, bringing together fitness and entertainment.

More than 95% of trainers come from sport colleges, and more than 70% of trainers have five or more years of fitness experience. All trainers are at least certified AASFP. Powerhouse's trainers focus on the arrangement of aerobic course and rehabilitation training for physical function injury. There are 10-15 trainers per store, and the penetration rate of personal training per store reaches 30%-50%.

Powerhouse is still in an expansion stage, with Beijing as the center, radiating out to cities in northern China, and focusing on the development in cities that have already been settled in. Shanghai is their main city in southern China. One store has been set up in the Shanghai Ali Center. Nationwide, Powerhouse plans to expand at a rate of about five stores per year.

Powerhouse is looking to customize its service content, including transforming conventional personal training courses into personalized ones and summarizing customers' personal exercise indicators and using this information to develop customized fitness services, incorporating self-help, semi-self-help and professional fitness guidance.



Powerhouse will continue to promote the development of sports events, enhance its brand values, advocate the concept of healthy life and influence more people to participate in sports through nationwide sports projects. 19-90 Days Exercise Habits Competition, is a life event and independent IP jointly launched by Powerhouse and SPORTS.PEOPLE.COM.CN in 2017. Participants are invited to join in sports and register for competitions to develop sports habits over a 90 day period. Since 2017, the event has been held on a regular basis every year. There are 19 fitness chain brands from all over the country participating in the event. Invited brands choose 19 celebrities with a healthy lifestyle to act as ambassadors for fitness, and a series of promotion activities focusing on promoting a healthy sport-focused life are held in 19 featured cities in China.

"... in the future, Powerhouse will continue focusing on brand management, and the types of services will gradually becoming more specialized and refined. For example, the customer's personal exercise indicators and information in the gym will be summarized to develop customized fitness services, including self-help, semi-self-help and professional fitness guidance..."

—President of Powerhouse,
Cao Yan

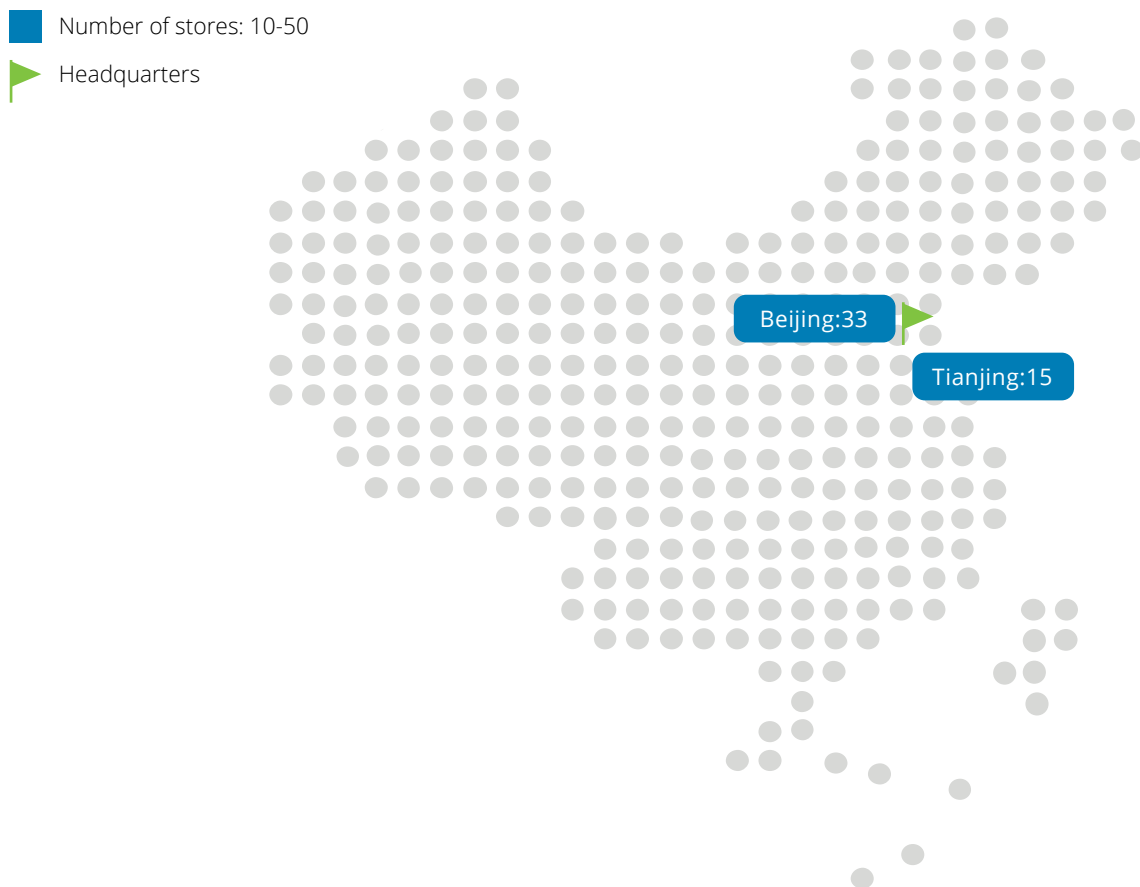
The One Fitness^o



	The One Fitness^o
	Number of national stores: 48 (from official website)
	Accumulated memberships: (no statistics)

The One Fitness is a fitness club brand under The One Fitness International Group. The first store was opened in Beijing in 2008, and the brand was officially founded in 2014. The One Fitness is a large comprehensive fitness and swimming service institution that provides swimming, fitness, group class, spas, training and other diversified fitness programs. Currently its stores are mainly distributed in Beijing and Tianjin, with 33 and 15 swimming fitness clubs respectively.

Graph 5.14.1 Distribution of gym stores of The One Fitness



The One Fitness stores have an average size of 1,500 m² - 5,000 m², and can accommodate about 300-600 members at the same time. Most clubs have swimming pools, and functional gym areas. In addition, some gyms have VIP areas equipped with high-end fitness equipment, and spacious, quiet and private environments. The memberships density is moderate, so as to ensure the best experience for VIP memberships.

In terms of services, The One Fitness provides personal training, group classes, swimming lessons etc. Group classes include aerobic Latin, aerobics, kick-boxing, step aerobics, Pilates and Easyline courses.

In addition to its fitness club operations, The One Fitness Group has set up One College, which is divided into the fitness school and the business school. The College's training system and courses for fitness trainers, competitive fitness and bodybuilding trainers, professional swimming trainers, professional members, team management, fitness club operations, brand marketing etc. The College has excellent teachers, including many champion tutors from the Asian Fitness and Bodybuilding Championships, World Championships, and National Competitions. It is committed to cultivating professional talents for the fitness industry and ensuring 100% employment of students.

The One Fitness has actively participated in various industry forums and summits, with the aim of promoting the healthy development of China's fitness industry, while establishing for itself a leading position in the industry. At present, it has a steady but rapid development model. Supported by publicity from The One Fitness Media, The One Fitness has opened over 100 stores in five years.

In addition to vigorously developing offline stores, The One Fitness also actively seeks public influence through its online platforms. The One Fitness Media, a subsidiary of The One Fitness Group, has launched a fitness influencer program, dedicated to creating original fitness videos in China. It has so far achieved remarkable results: the network as more than 1 million views on average per day, with the highest single video enjoying a view count of over 10 million. It was nominated for the Toutiao Miao Prize in 2018 by Toutiao.com. In addition, The One Fitness Media has also developed a strategic cooperation with popular platforms such as Weibo, Toutiao, Meipai and NetEase to expand its brand influence through multiple channels and directions.

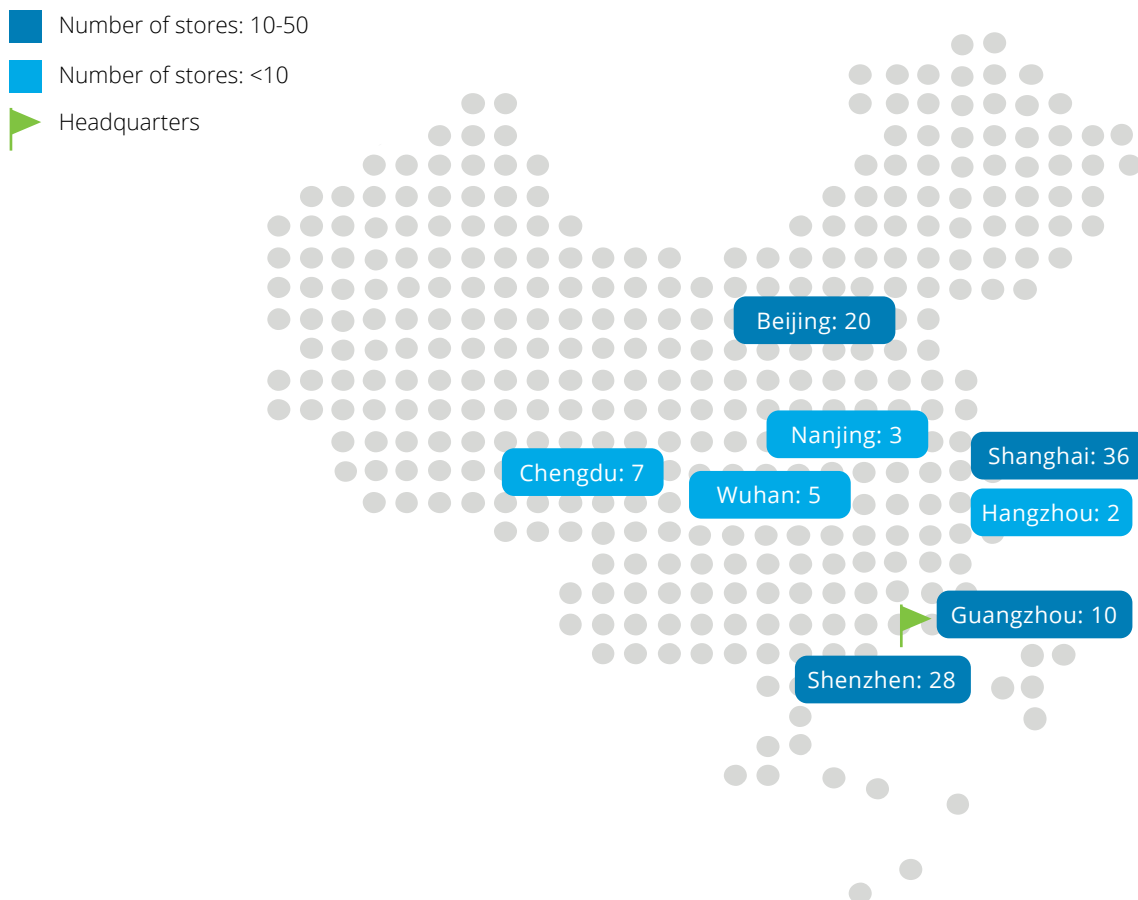
Super Monkey



	Super Monkey
	Number of national stores: 100 (from official website)
	Accumulated memberships: 1 million (from official website)

In 2014 Super Monkey began with its first ship container-based self-service gymbox in Shenzhen. In 2015, Super Monkey group class studios were developed in Shenzhen, providing a distinctive group class experience for gym-goers. To date, Super Monkey has more than 100 directly managed stores in the downtown areas of Shenzhen, Shanghai, Beijing, Guangzhou, Nanjing, Hangzhou, Wuhan, Chengdu and other tier 1 and new tier 1 cities. The brand has also launched Super Monkey College and the SUPER BANANA PROGRAM.

Graph 5.15.1 Distribution of gym stores of Super Monkey



Graph 2.19.2 Super Monkey's boutique studios (the left) and gymbox (the right)

Founded in 2014, Super Monkey started from an unmanned gymbox, and transformed into a group class retail model after a three-year expansion. Responding to the diverse demands from customers, Super Monkey has developed its Urban Sport Display plan, providing both boutique studios and gymboxes with different content; boutique studios have more refined contents.

- **Boutique studios** charge fees per visit through reservations on WeChat, with a unit price of RMB 69-159/class, rather than charging using annual membership fees. If a customer make a 500-5,000 RMB prepayment on their Super Monkey Card, they can enjoy membership rights and 5% discount. Super Monkey's boutique studios include an all-rounder studios, bicycle studios, dynamic training studios and physical studios, with an average area of 100-300 m². Users who book the course and receive relevant access passwords are allowed to participate in trial classes. In terms of fitness content, the group classes are divided into six categories, including body slimming and shaping, boxing and dance, yoga

and Pilates, sub-health improvement, sports performance enhancement and children's development. Group classes include the latest international licensed courses (Les Mills series) and independently developed courses by in-house top trainers; there are nearly 100 different categories of group courses for customers.

- **Gymboxes** are 24-hour self-help gyms using IoT and Internet technology in lieu of human staff. As with the boutique studios, consumers can use WeChat to make an appointment for RMB 50/ hour rather than paying annual membership fees; likewise, customers can also enjoy relevant membership rights and discounts if they have sufficient prepayment on their Super Monkey Card. Each gymbox is commonly equipped with fitness equipment, such as treadmills, elliptical machines, rowing machines, Smith machines, barbells, dumbbells and so on.

Super Monkey keeps expanding its services. At present, in addition to conventional all-round stores, relying

on the accumulated customer traffic, Super Monkey has also trialed new types of studios including bicycle studios, boxing studios, parent-child studios, breathing studios as well as personal training (MINI) studios. All of such stores were initially trialed in Shenzhen and before steadily expanding into new markets.

As a lifestyle brand focusing on tier 1 cities, Super Monkey has served nearly 1 million fitness consumers and establish itself in nearly 200 communities since its creation.

"...we never want to reduce our dependence on trainers. The value provided by trainers is a premium part of the fitness industry. If you want to make a profit, you need a premium. But sometimes it can be frustrating as you don't want to have to rely on people so much..."

—Founder of Super Monkey,
Tiao Tiao

According to the latest data from Super Monkey, the monthly repeated purchase rate is 50%-60%; the brand has 130,000-150,000 paying users. It has 1 million followers on its official account, and its annual turnover on the accrual basis in 2018 was more than RMB 100 million. After its angel rounds financing launched in 2015, Super Monkey obtained more than RMB 50 million in its A-round and B-round financing from Fosun RZ Capital, Ventech China and The Arena Capital over the next two years. In February 2019, Super Monkey obtained RMB 360 million in its D-round financing from Starquest Capital and Yao Capital (leading investors), and Dong Fang Hongtai Capital (following investors). The proceeds will be mainly used to reserve venues and talent.

In order to realize the goal of becoming a tier 1 city "lifestyle brand", Super Monkey will steadily expand its direct stores and enhance the core competitiveness of trainers to ensure the brand's reputation.

• **Super Monkey will expand steadily.** At present, the brand is not considering entering new cities, instead choosing to deep dive into the nine core cities in China that it has already established itself in. In the economic downturn, less rental pressure and continuous cooperation with Capital Land, Grand Joy and other tier 1 commercial real estate groups will effectively help consolidate Super Monkey stores in tier 1 cities.

• **Meanwhile, given the significance of trainers, Super Monkey considers excellent trainers as the necessary condition for its expansion.** In 2018 the brand launched its SUPER BANANA PROGRAM, a trainer investment plan based on the Super College, evolving out of the internal training and R&D departments. The program provides three different kinds of training, including "Super Start", "Super Growth" and "Super Excellence", in combination with online courses and offline training, so as to further enhance the core competitiveness of Super Monkey.

In order to broaden its consumer base and further improve its retention rate, Super Monkey actively improves its store types and courses. In addition to the early established gymboxes and standardized boutique studios (all-around studios, yoga studios etc.), Super Monkey has also established stores with different functional themes according to the diverse needs of different business areas, such as cycling and mini personal training, boxing, parent-child studios etc.

Super Monkey carries out independent R&D of courses through the Super College, and encourages qualified trainers to become instructors, course developers or partners. At present, the self-developed courses and the third-party courses each account for about 50% of courses.

In order to broaden its lifestyle brand, Super Monkey has another important goal: to develop its business in peripheral areas. It is developing a physical consumer goods business focusing on meeting the needs of consumers looking for healthy lifestyle. In addition to Super Monkey's peripheral products, other cooperative brands with selected products are also included. The goal in 2019 was to achieve 70-100 SKUs.

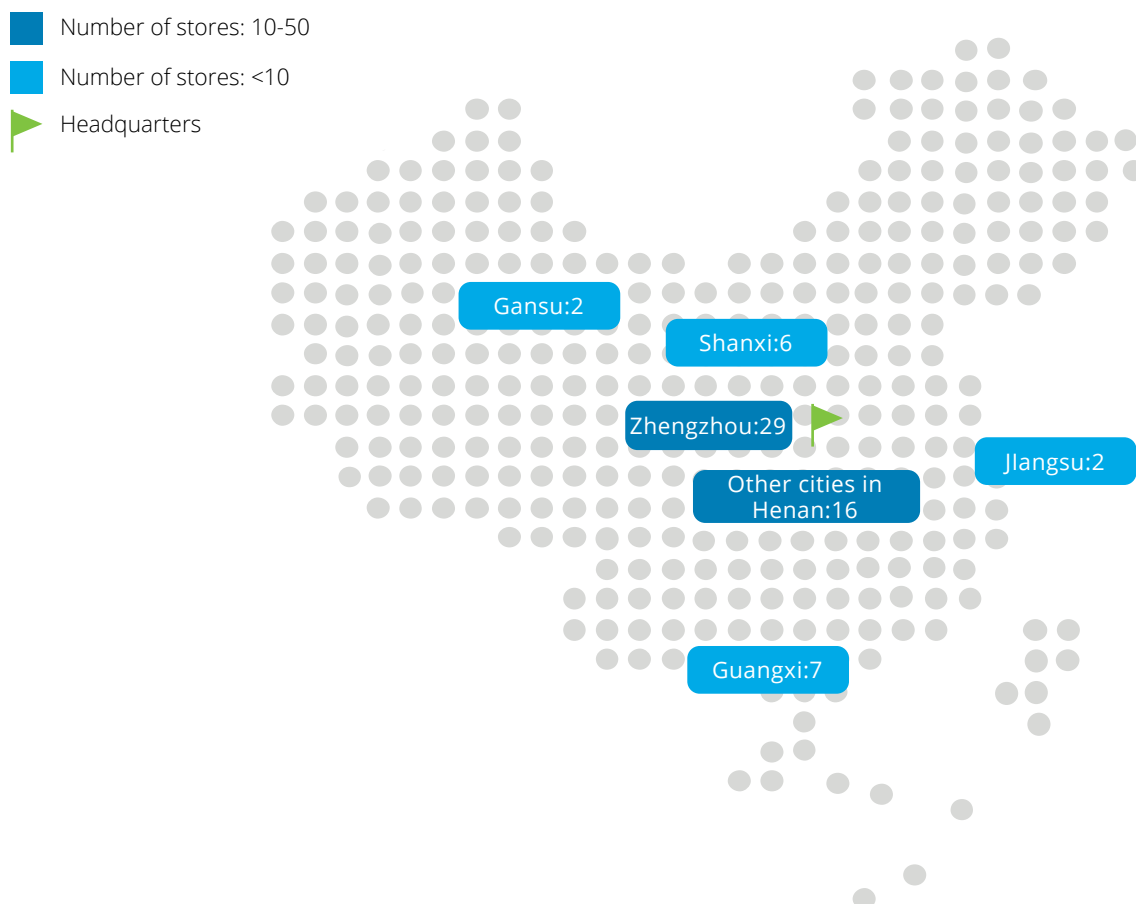
Golden Times Fitness



- Golden Times Fitness**
- Number of national stores: **70** (from official website)
- Accumulated memberships: **1 million** (from official website)

Golden Times Fitness was founded in 1998. Golden Times is headquartered in Zhengzhou and has radiated out to Central China and the whole country. At present, there are more than 70 stores in operation or about to be operated.

Graph 5.16.1 Distribution of gym stores of Golden Times



Golden Times Fitness is positioned as a mid-to-high-end one-stop service platform, combining fitness and entertainment. The annual membership fees range from high to medium to low in order to meet the diverse needs of all income groups.

Golden Times stores have different sizes. Large stores with an area of 3,000 m² can handle 2,000 members. Average annual membership fees are RMB 2,000-4,000. In terms of payment method, in addition to ordinary annual cards and multi-year cards, Golden Times has also introduced value card that can be used nationwide to meet consumers' short-term fitness needs; with these cards users can pay according to actual fitness time, for example, by months. In terms of sports equipment, Golden Times uses brands such as Technogym, Johnson and SportsArt. In addition to providing conventional courses such as fighting, yoga and dancing, Golden Times also promotes a series of self-developed G-Power fitness courses, and has introduced exclusive courses from Masala Bhangra aerobics, which are taught by a group of international qualified trainers. Every personal trainer in Golden Times holds fitness-related certificates – most have participated in both domestic and international fitness competitions and won awards.

In addition to fitness clubs, Golden Times set up a fitness college in 2004. At present, it has two training bases in Zhengzhou and Luoyang, covering an area of nearly 20,000 m². The

College mainly provides vocational education and training, with courses including training for personal trainers, group class trainers, professional managers and amateur interest. The vocational education and training offered by the College is supported by an international CABB professional certification agency. In addition to obtaining common fitness industry professional certifications, students can also obtain other international certificates. Apart from studying and practicing, students can also learn and practice in more than 70 chain fitness clubs affiliated with Golden Times. At the same time, the College will provide employment opportunities for its graduates, and provide free businesses guidance to graduates who intend to open dance studios, fitness clubs and yoga clubs.

Starting in Zhengzhou in 2003, the Golden Times League was founded by Mr. Gao Yan, the chairman of Golden Times, with 20 international referees from all over the world as its professional judges. It is a large, competitive international fitness and bodybuilding competition with substantial prizes. More than a hundred media organisations, including CCTV, Henan TV, Zhengzhou TV, Dahe News, Zhengzhou Evening News, Dahe.com, Tencent Video, LETV, Youku and Sohu, have reported on the event. As of 2017, it has attracted thousands of fitness enthusiasts from more than 30 countries and regions to participate in the competition, which includes "Mr. Fitness", "Miss Bikini", "Miss Bum Bum", "Mr. Muscular",

"Hercules", "Powerlifting" and "Physical Strength". In addition to holding the Golden Times League, Golden Times successfully held the 2014 Golden Times IFBB pro Asian championship. At the same year, Golden Times held the eleventh MBH-Cup Golden Times Night International Bodybuilding Contest, enabling the commercialization of its own events.

In terms of financing, in July 2013, Golden Times Fitness established a strategic cooperative relationship with De Lage Landen, one of the world's top ten finance companies. De Lage Landen expressed that it would provide a full range of financial leasing services to Golden Times to support its rapid development.

"...the fitness industry in Zhengzhou should be at the forefront of the national market. In terms of management, decoration or trainers, it can rival big cities such as Beijing and Shanghai. The market still has a huge space for development..."

—Chairman of Golden Times,
Gao Yan

Total Fitness



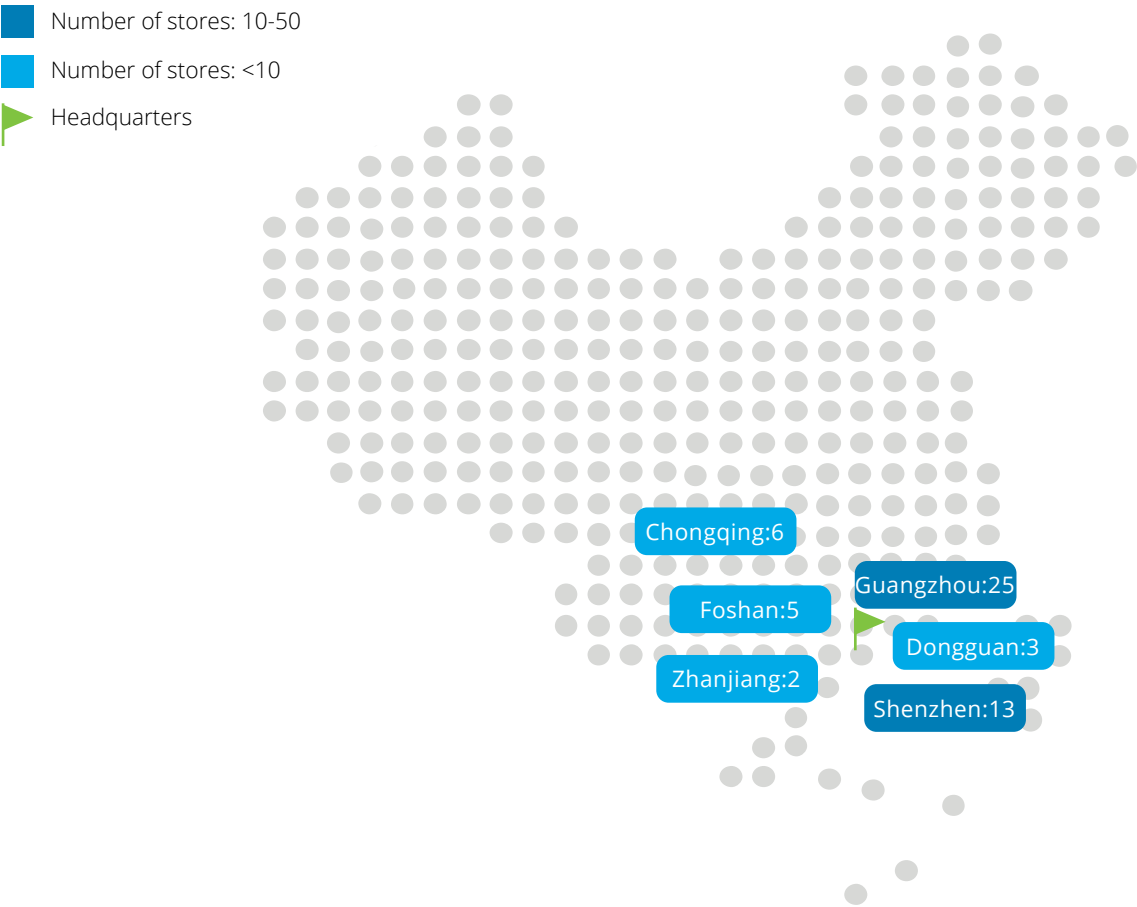
Total Fitness

Number of national stores: **60** (from official website)

Accumulated memberships: (no statistics)

Founded in 2001 with headquarters in Guangzhou, Total Fitness Group has set up more than 60 fitness clubs in Guangzhou, Foshan, Dongguan, Shenzhen, Zhanjiang and Chongqing, with a total area of more than 200,000 m².

Graph 5.17.1 Distribution of gym stores of Total Fitness





As the largest fitness chain brand in South China, Total Fitness is positioned as a high-end fitness club, targeting elite and fashion fitness consumers. It has an average store area of 2,000-3,000 m²; the average annual membership fee in tier 1 cities is about RMB 3,000, while the average fee in tier 2 cities is RMB 1,000-2,000. At present, an individual store can handle 1,000-2,000 members. In terms of payment method, Total Fitness uses various membership cards, including nationwide gold cards, Guangzhou gold cards, exclusive gold cards, semi-annual cards, monthly cards and per visit cards. Total Fitness stores have an aerobic zone, a power zone, an exercise room, a spinning room and a personal training area. Stores are equipped with European and American fitness brands such as Life Fitness, Hammer Strength and ICON. Apart from conventional sport areas, Total Fitness also provides high-temperature yoga rooms, multifunctional boxing

rooms, professional fencing rooms, physical fitness test rooms, sauna rooms (wet & dry), juice bars, internet bars, spas, fitness stores, healthy restaurants and sun lamp tanning areas. Most personal trainers hold IPTA certificates. In addition to providing conventional courses, Total Fitness also provides stretching and rehabilitation courses, MDS, Nike NTC courses, golf courses, real fighting training, taekwondo courses, rock climbing, trampoline courses and Total series courses. Total Fitness provides about 150 group classes every week, including Les Mills, Zumba, belly dancing, ballet, pole dancing, folk dancing, boxing, aerobic boxing, Thai boxing, Fit Ball, Pilates, Tai Chi, yoga and swimming. In addition, Total Fitness also offers children's physical fitness, to help children develop strength, speed, physical fitness, muscle endurance, coordination, whole brain development, self-confidence, language ability and social skills.

In addition to gym stores, Total Fitness has also broadened its customer base by building children's sports fitness gyms and high-end fitness clubs in recent years. In 2016, Total Fitness Group developed its "fitness fun" program for children aged 3-10, providing a variety of intellectual and interesting courses including comprehensive training courses, parent-child courses and basic physical fitness courses. It also introduced digital interactive technology and holographic displays to improve the sports and fitness experience. In 2018 Total Fitness established its first high-end fitness brand, MARKWELL. The club has a large indoor swimming pools with constant temperature and aerobic fitness areas. Equipped with imported top-level fitness equipment, the club has sub-segment fitness areas, casual cafes, water bars and nutrition bars. Currently, a branch in Guangzhou has been opened, covering an area of about 5,000 m².

Pure



Pure

Number of national stores: **35 including HK** (from public data)

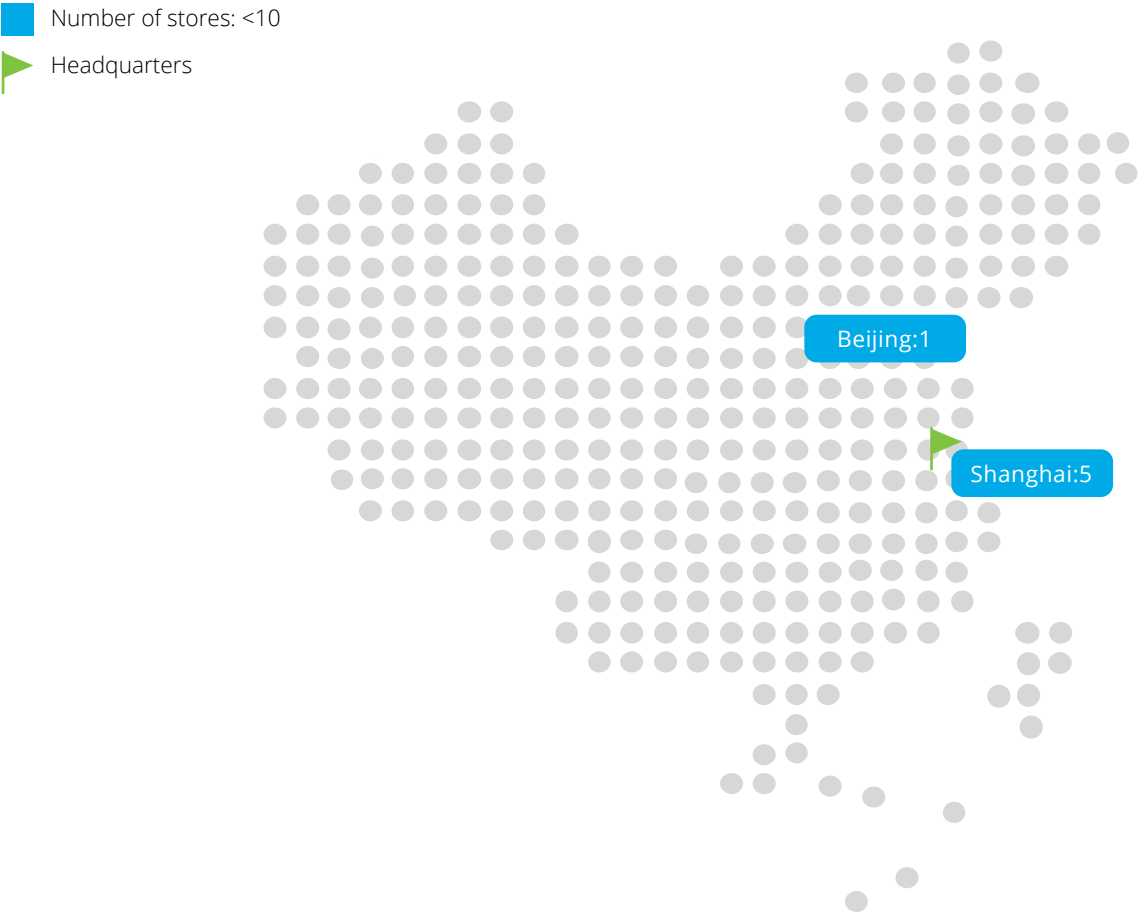
Accumulated memberships: (no statistics)

Founded in 2001 with headquarters in Hong Kong, Pure Group started from Pure Yoga, and has developed four other major service lines: Pure Fitness, Nood Food, Pure Apparel and MyPureYoga. Pure Yoga primarily

operates in Hong Kong, with more than 20,000 members and 35 stores. It entered the Shanghai market in 2013. Currently, there are six stores in the Chinese mainland, including five gyms in Shanghai, located in Shanghai

Hang Lung (Yoga), Shanghai iapm (Yoga&Fitness) and Shanghai Century Square (Yoga&Fitness), and one gym in Beijing, located in the Wangfujing business area (Yoga).

Graph 5.18.1 Distribution of gym stores of Pure



Pure Yoga focuses on providing professional yoga courses and high-end services. At present, Pure Yoga provides five major courses: Healing Yoga, Basic Yoga, Kripalu Yoga, Hot Yoga and Aerial Yoga to meet diverse needs of consumers. In addition to professional and comprehensive yoga courses, professional yoga trainers are also core to the competitiveness of Pure Yoga. Pure stores are, on average, equipped with 12 full-time international and local senior yoga trainers, with bilingual training. Advanced foreign trainers are also invited to teach in the store on a regular basis, so that members can be exposed to cutting-edge international yoga training.

To further improve members' fitness experience, Pure Yoga has optimized the process from course reservation to in-store service. Taking course reservation as an example, in addition to booking via calling or the official website, members can make an appointment through WeChat or online apps and choose courses based on their preferences, physical condition and yoga level. In addition, the decoration, software and hardware services of Pure Yoga are among the highest standard in China.

Pure Yoga's prices are above average for the fitness industry. At present, it provides two-year, annual, monthly, multiple-year and time-based cards. The annual membership fee is between RMB 10,000-12,000. Pure Yoga has developed a partnership with Alipay, so the annual- and multi-

year card can be paid in monthly instalments with certain service charges, reducing the price threshold to some extent.

In addition to Pure Yoga, Pure Fitness is also gradually entering the Chinese mainland market. The brand focuses on high-end gyms, providing members with high-end imported equipment, service facilities and fitness environment. In addition, Pure Yoga and Fitness stores usually also have Nood Food and Pure Apparel stores within them.

Pure Group is committed to building a comprehensive healthy and sustainable lifestyle brand. At present, Pure has Pure Yoga, Pure Fitness, Nood Food, Pure Apparel and MyPureYoga, which are the yoga, fitness, organic food, yoga clothing and yoga video platforms respectively. In addition, Pure hosts the AYC Asian Yoga Summit every year, having successfully held the summit for 12 years.

"...when there are 700 people practicing yoga, most of their friends will prefer to go to gyms. And some members may want to try both yoga and fitness. It therefore seems important to increase fitness facilities..."

—Pure Group CEO,
Colin Grant

Pure Yoga has received investment from FountainVest Partners (PE in Hong Kong) and Ontario Teachers' Pension Plan, mainly to support Pure's business development plan in Asia. Pure still focuses on Hong Kong market, with headquarters in Hong Kong. In addition, Pure is looking to expand into the Singapore central business area. According to the head of Pure Group, the domestic market has a lot of business opportunities that have yet to be cultivated. Pure will continue its steady development in mainland China into the future.

"...when there are 700 people practicing yoga, most of their friends will prefer to go to gyms. And some members may want to try both yoga and fitness. It therefore seems important to increase fitness facilities..."

—Pure Group CEO,
Colin Grant

"...currently, instead of pursuing revenue, what we actually want is to provide the best service for our customers. When memberships feel cost-effective, customers are willing to pay for fitness. Instead of pursuing profit, we open stores to get an in-depth understanding of mainland Chinese consumers as well as the Chinese market. Stores are an opportunity to obtain market feedback..."

—Pure Group CEO,
Colin Grant

Pure Yoga is still the main growth driver for Pure Group in the domestic market. It is Pure Group's high-end brand, opening stores in core business areas. Pure Group believes that yoga and fitness are complementary, and is actively promoting Pure Fitness in the domestic market. The fitness industry is relatively mature, but entering this industry can help build up Pure Group's presence in the mainland.

Nood Food and Pure Apparel, the retailing business lines of Pure, follow the development of Pure Yoga and Pure Fitness. Pure plans to promote the video product MyPureYoga to drive new market share in new tier 1, 2 and 3 cities in the mainland in the future. Pure Group tends to launch online courses to explore the market and build brand value, then sets up physical stores to improve operational efficiency.

Pure Yoga attaches great importance to the cultivation of yoga trainers and has established a community platform for training with scholarship programs and regular meetings to develop community awareness. At the same time, it provides the trainers with group classes, workshops, personal training and meditation opportunities. The quality of the platform makes Pure Yoga a strong choice for yoga trainers.

Pure Group will look to uphold the Pure brand concept while further expanding its content. For example, in the future, Pure will make studios and clubs social centers for members, so they are not only a place for exercise, but also for relaxation and decompression. In this manner, Pure is aiming to move from a "yoga and fitness brand" to an "all-round healthy and sustainable lifestyle brand".

Renma Fitness



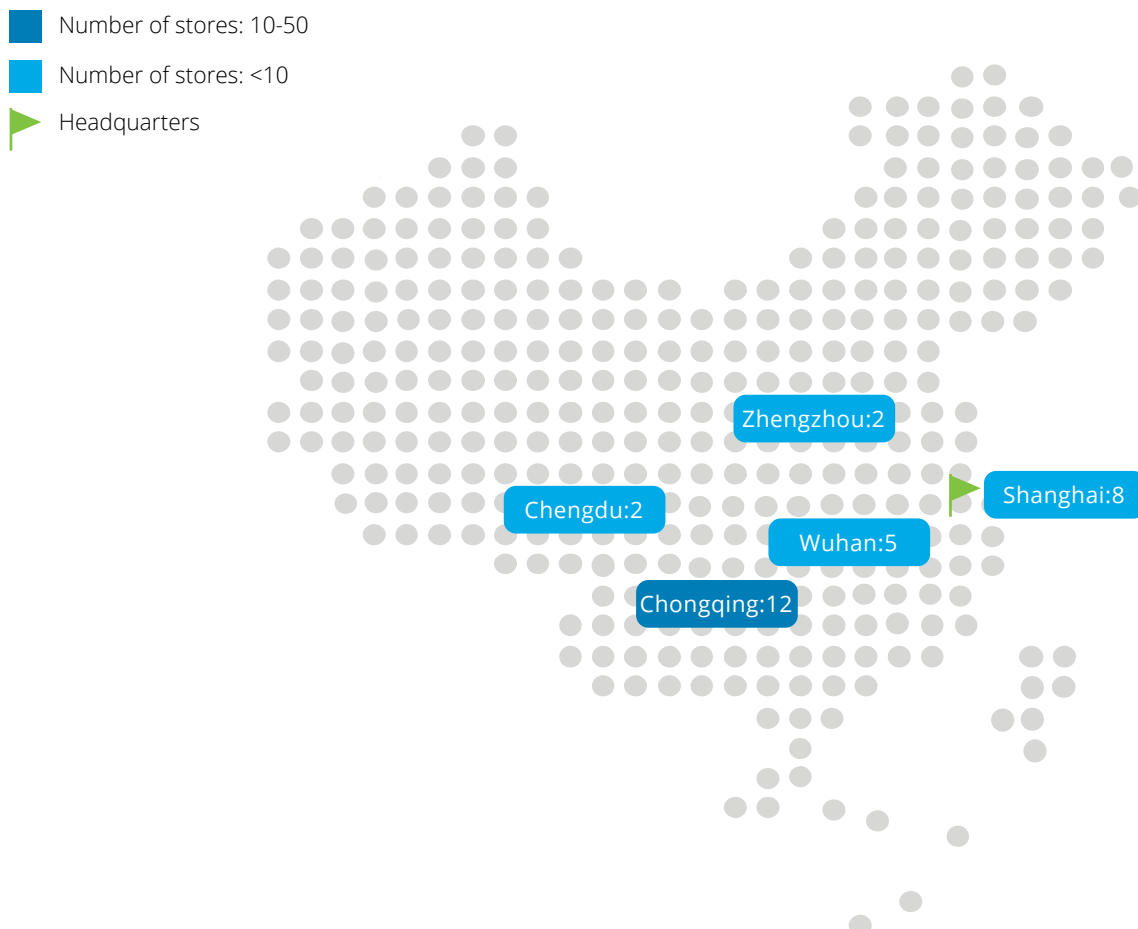
	Renma Fitness
	Number of national stores: 29 (from official website)
	Accumulated memberships: 4,000 (from public data)

Founded in 2014, with headquarters in Shanghai, Renma Fitness has nearly 30 chain stores nationwide. It is a smart fitness O2O platform with a focus on

personal training. The founding team is composed of professionals from both the fitness and mobile internet industry. Encouraging the concept of "exercise + nutrition",

Renma Fitness mainly targets white-collar employees who spend many hours sitting in the office.

Graph 5.19.1 Distribution of gym stores of Renma Fitness



Renma Fitness has developed RHHealth, a unique customer data-based fitness management system. Starting with a physical fitness test, all personal data is uploaded to the system and sent to the customer after analysis. The system tracks customers' training frequency and impact, and intelligently generates training plans for users according to their fitness goals. The membership system can assist with purchasing, booking and cancelling classes, and shows a record of the remaining class hours, purchase history, fitness frequency, body data changes, calorie consumption and other outputs. Compared with traditional personal training models, Renma Fitness provides assistance to

customers based on their personalized training programs. The entire models is thus more advanced and integrated than traditional ones.

At present, Renma Fitness mainly provides one-on-one personal training service. Renma Fitness primarily charges for course package, with price of about RMB 340/class – less than the price of personal training classes in traditional gyms, and slightly higher than that of common personal training studios in the market. Renma Fitness also gives discounts if customers purchase packages with more courses. In addition to boutique personal training, Renma Fitness plans to develop businesses such as enterprise health management, door-to-door services and nutritional recipes.

purchase rate of 50-70%. Its main consumers are white-collar workers aged over 30, living within 5-6 km of the stores and with a higher than average purchasing power. The stores are mainly located in large shopping malls or business centers.

As early as 2015, Renma Fitness obtained millions of RMB from SeedVC and Leanone Angels Community. It then obtained RMB 10 million from Lingfu Capital in its Pre-A-round financing on July 24, 2017, with Anta Group as the investor. The proceeds from Pre-A-round financing were mainly used to improve its smart stores (Renma Fitness 2.0) and digital systems.

After the completion of the B-round financing, Renma Fitness is further enhancing its professionalism and service, comprehensively improving user data and rapidly developing a national chain while maintaining strict quality control. In the future, it will set up stores in Nanchang, Xi'an, Kunming, Guiyang, Nanjing, Changzhou, Hangzhou, Wuxi and other cities. Renma Fitness will further utilise its intelligent databases to provide unique, scientific fitness programs for each user. To provide an example of such innovation, recently, Renma Fitness introduced DNA testing to determine whether a user's body is an explosive type or endurance type, and what indicators of your body can be changed via exercise. "Digitalization" will thus be Renma Fitness' core competitiveness.

"...data is the core of Renma Fitness. Our data collection provides smart physical fitness measuring tools. More smart equipment will be used in the future, including smart treadmills. In addition, we will put more focus on fun by hosting interesting fitness activities, such as plank competitions, calorie exchanges etc., to lower the entry threshold for fitness and improve user retention. The company will expand into the e-commerce market, such as health food and sports equipment, through our online platform..."

—Founder of Renma Fitness,
Zhang Li

Personal trainers of Renma Fitness have above average standard. They are required to hold a national occupational qualification certificate. Renma Fitness provides four certification learning platforms to improve trainers' personal training skills. Unlike traditional personal training studios, where members have a fixed personal trainer, members in Renma Fitness can go to courses taught by different trainers and choose different courses according to their personal training program needs, such as boxing, stretching etc., without additional charges.

At present, Renma Fitness serves more than 4,000 members in China, with 180-300 average active members per store. Renma Fitness has high customer stickiness, with a repeat

WHYTEWOOLF



	WHYTEWOOLF
	Number of national stores: 3 (from official website)
	Accumulated memberships: 0.2 million (from public data)

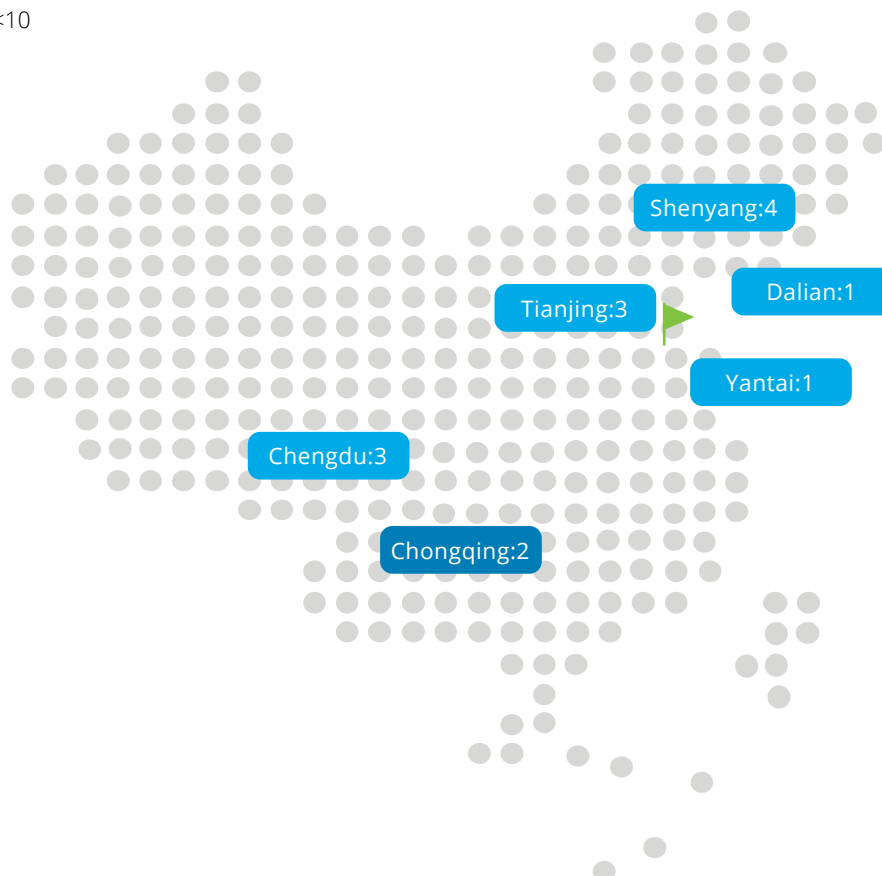
Founded in 2005, with headquarters in Dalian, **WHYTEWOOLF** currently has 13 stores in six cities in China, mainly distributed in northeast and southwest China. Positioning itself

as a mid-to-high-end traditional gym, **WHYTEWOOLF** stores are equipped with imported high-end equipment. The decoration style is modern and artistic, with some stores decorated in unique

styles and themes. For example, Shenyang K11 has a "spacecraft" theme, while a branch in East Montage in Dalian is located in a church.

Graph 5.17.1 Distribution of gym stores of WHYTEWOOLF

- Number of stores: 10-50
- Number of stores: <10
- Headquarters



As a mid-to-high gym, WHYTEWOOLF stores have an average area of about 2,000-3,000 m², with an oxygen zone, anaerobic zone, equipment zone and group classrooms; some stores have other conventional areas such as swimming pools. Stores are equipped with high-end imported equipment brands, such as Life Fitness' Hammer Strength and Precor. According to our store visits, the membership fee of some high-end stores is over RMB 6,000, while the membership fees of the average store is around RMB 3,000. The East Montage branch in Dalian, opened in 2019, is the first gym located in a church in China.

"...gym services can be constantly extended, from the service industry to the cultural industry, from gym management to caring for the individual live of members, and from basic revenue to long term profitability. A single industry development is not enough. Multi-industry development gives us more bargaining power in business negotiations, and then we can return to our customers with better products and service instead of increasing prices, so that customers are more satisfied and trust us more... If an opened store cannot meet certain criteria, they will be closed. We will not hesitate to do that even if it takes a lot of time and energy..."

—Founder of WHYTEWOOLF,
Shen Qiang

With exquisite decoration, high-end equipment and service, the store is expected to become an internet sensation. The opening of this store has played a major role in further expanding WHYTEWOOLF's brand influence.

At present, the average number of active members per store is about 2,000, with a personal training penetration rate of about 30%, and a price of about RMB 300 per class. In order to further improve the personal training, WHYTEWOOLF has established a strategic cooperation with Beijing Sport University, National Taiwan Sport University, Shenyang Sport University and Shenyang Normal University. Among them, the four-in-one cooperation model with Shenyang Sport University has become an exemplary model for university-industry cooperation. At the same time, WHYTEWOOLF provides employees with the opportunity to exchange and study abroad to enhance their specialty in fitness.

In addition, WHYTEWOOLF has developed a strategic cooperation with Joy City under COFCO Group, China Wanda Group, China Resource MIXC and Swire Group, and plans to open stores in large high-end complexes and business centers.

WHYTEWOOLF will expand steadily. The quality of each store must be high so as to maintain an excellent brand image. Stores under management operate under a survival of the fitness system. Shen Qiang, the founder of WHYTEWOOLF, believes that premium quality and customer recognition are prerequisite for dominating the market.



Oxygym

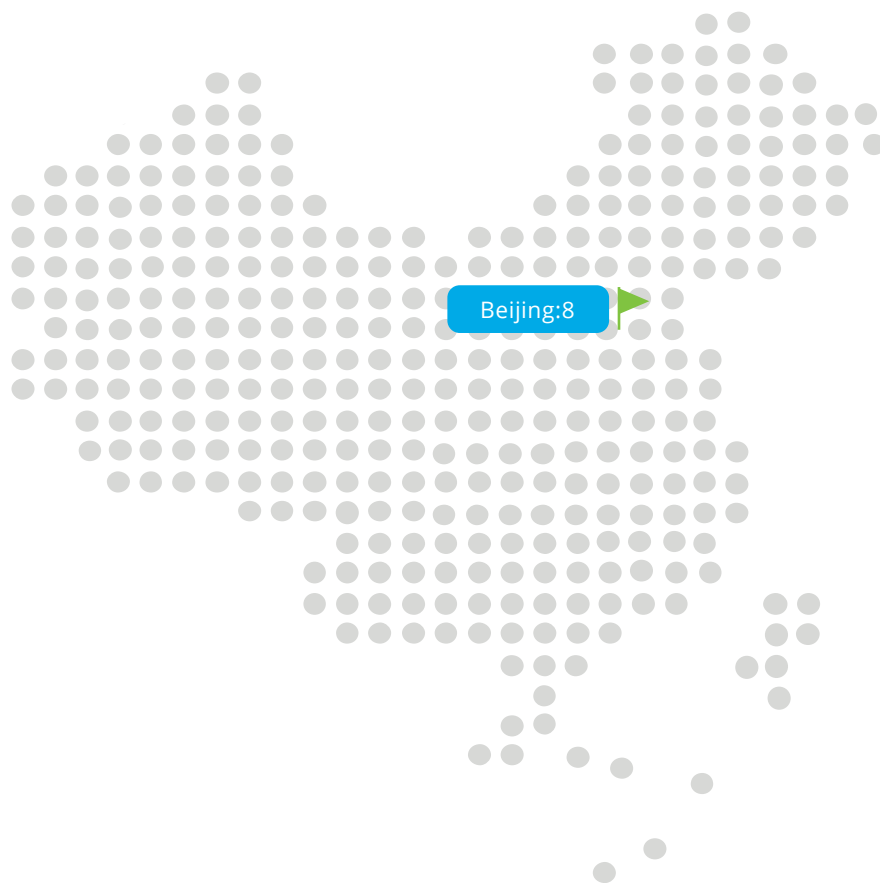


	Oxygym
	Number of national stores: 8 (from official website)
	Accumulated memberships: over 10 thousands (from interview)

Oxygym was founded in 2016. It has eight direct stores in Beijing, all of which are located in core business areas and equipped with high quality fitness equipment, facilities and decoration.

Graph 5.21.1 Distribution of gym stores of Oxygym

- Number of stores: <10
- Headquarters





"...currently, there are many traditional gyms in the market with superior locations. However, due to lack of brand features, insufficient service quality or poor operational management, such gyms will be eliminated from the market. Oxygym might consider acquiring these gyms since they have accumulative customers with set consumption habits..."

—Director of Beijing
Oxygym Project,
Li Liang

Oxygym is a leading high-end gym brand in China, known as the "Seven-star gym". The main focus of Oxygym is "ultimate breathing", combining oxygen therapy with fitness and redefining oxygen exercises. Oxygym has invested substantial R&D into oxygen-related products, having developed a Face Spray (to enhance sporting experiences) and the OXY Wall (to enhance visual sensory experiences). It has applied for brand patents for these two products.

At present, Oxygym gyms have an average area of 1,000-5,000 m², and are equipped with facilities from Technogym, Oxygym's strategic partner. In addition to conventional functional areas, such as aerobic and anaerobic zones and exercise rooms, some stores also have basketball courts, swimming pools and other functional areas. Oxygym has adapted the Les Mills course system. There are about 6 group classes on weekdays and 5 on weekends, including Les Mills bodycombat, Les Mills barbell, Zumba and belly dance courses.

Stores are equipped with Oxygym's core products. This fourth generation Oxygym technology and spraying equipment provides fitness memberships with continuous fresh air and oxygen, to achieve an improved fitness experience.

Annual membership fees in Oxygym are set at a fixed and transparent of around RMB 15,000. The number of members per store varies with the location and area of stores: a store with an area of 3,000 m² has a DAU of 800-900 (above average for Beijing). Currently, Oxygym is mainly focusing on white-collar workers near the

stores, as they not only have strong fitness awareness, but also a high spending power. The repeat purchase rate of memberships is about 40%, which is above the average for the industry.

Currently, the personal training penetration rate is about 35-45%, giving room for improvement in the future. The cost of personal training per customer is about RMB 500-800 – a mid-to-high level for the industry. The personal training model is shifting from "one-on-one" to "many-to-one", which allows Oxygym to provide different course content in one course package. Oxygym has a relatively high entry barrier for personal trainers; they are generally come recommended by the industry or have graduated from top sports schools. In addition, Oxygym have set up an evaluation mechanism to receive feedback from members on the quality of personal training.

In the next 2-3 years, Oxygym will steadily expand its stores and further develop in the Beijing market, based on its good reputation and quality services. Beijing is a highly heterogeneous market and different regions of Beijing have significant differences in both consumption models and spending power. Therefore, Oxygym will launch different stores in line with the feature growth and development of each region, further consolidating its reputation as a high-end scientific and technological brand. Oxygym will continue to select high-end complexes or commercial properties with integrated facilities and a pleasant environment as locations to open its stores, targeting the wider population in each region.

SpaceCycle

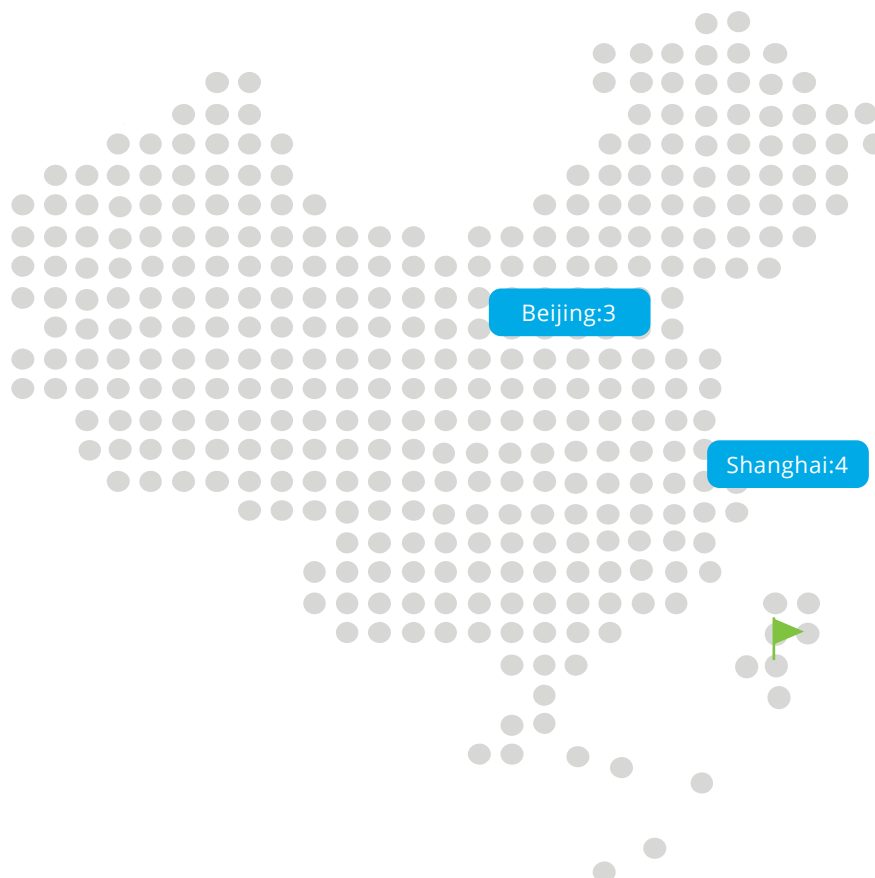


	SpaceCycle
	Number of national stores: 7 (from official website)
	Accumulated memberships: Over 10,000 (from public data)

Founded in 2015 in Taiwan, SpaceCycle entered the mainland market in 2016. It opened its first mainland store at Taiguli in Beijing with an area of 900 m², and quickly opened its second one at China World III Summit in Beijing. In 2017, SpaceCycle entered Shanghai, opening a store in HKRI Taikoo Hui. SpaceCycle now has seven clubs in Beijing and Shanghai, and plans to open about 50 stores by 2023.

Graph 5.22.1 Distribution of gym stores of SpaceCycle

- Number of stores: <10
- Headquarters





Differentiating itself from other boutique studios, SpaceCycle focuses on a business model that combines "music + sports + fashion + social intercourse". They provide round-the-clock boutique courses. When it was first established SpaceCycle provided three kinds of courses: Cycling, Yoga and Barre (it has introduced the exclusive Xtend Barre course). In 2017 they added a new dance course: Space Moves. SpaceCycle has since further expanded its course content in its mainland stores and now including

Cycle, Barre, Yoga, Moves, Dance, HIIT and Cardio. By strategically cooperating with music companies, movie companies and other firms, when a singer releases a new song or new album, SpaceCycle can obtain the music copyright as soon as possible. Instructors can then compile a playlist suitable for their course. Such songs are updated each week, meaning course development never stops.

The current charge models of SpaceCycle include paying for courses each time or by buying packages of 5-120 courses. To avoid putting financial pressure on consumers, SpaceCycle allows users to pay per course, charging RMB 200/course. Members of SpaceCycle have shifted from paying per visit to buying course packages, with a repeat purchase rate of up to 55% according to SpaceCycle's internal data. Beyond boutique group classes, SpaceCycle stores also have areas that sell sports drinks and snack food, as well as clothing areas that sell sportswear brands, such as lululemon,

Particle Fever and LORNA JANE, as well as SpaceCycle jointly designed Nike, TITIKA and MAIA ACTIVE clothing. Due to the types of courses offered, female members account for 70%-80% of visitations, with most customers aged 28-35.

Leveraging their shareholders' strong entertainment industry background, SpaceCycle is jointly promoted with QQ Music and cooperates with record companies, keep, Mercedes-Benz, Budweiser STORM, Nike and other brands to improve its brand influence.

In January 2018, Space Academy obtained RMB 100 million in funding from Alibaba Entrepreneurs Fund. Before that, it had obtained angel round and A-round financing from a number of music companies. According to SpaceCycle, the proceeds from the B-round financing will be used to establish a national concept store, develop its online platform and recruit and train their trainers.

"...we are not looking to expand fast due to store size, cost, location and other factors. Our goal for the next 5 years is to establish 20 stores nationwide. We are not considering franchising for the time being..."

—GM of SpaceCycle,
Zhao Yanjie

In 2019, SpaceCycle established the Space Academy, the boutique training centre, aiming to provide boutique, premium quality training and issue qualifications.

When it comes to expansion, though many tier 1 and 2 cities including Beijing, Shanghai, Guangzhou and Shenzhen have invited SpaceCycle to enter their core shopping centers, SpaceCycle has restrained its development speed. SpaceCycle has shown significant prudence when selecting store locations, undertaking comprehensive assessments of shopping center locations, landmarks, people flow, floor area, adaptability for renovation etc. As a result, SpaceCycle stores are mainly distributed in shopping centers in tier 1 cities with a well-established presence.

SpaceCycle also generates sustained profits via sportswear, supporting retailing, brand sponsorships and event planning. Apart from selling sports drinks and snack food in the reception, the gyms also have clothing areas to sell sportswear brands. SpaceCycle plans to expand its online boutique video courses based on its music and brand influence. But the specific cooperation partner, online platform and monetization method have yet to be finalized. In 2018, SpaceCycle opened its online store on JD.com. It plans to drive more offline sportswear retailing to its online platform, which has more a comprehensive category of products, helping realize more O2O business.

In terms of qualified trainers, SpaceCycle actively utilizes its boutique training centre, Space Academy, to build up its brand influence and accumulate high quality trainers. In addition to regular workshops and trainings with different themes, SpaceCycle also has a dedicated music planning department, to constantly create music-themed activities and courses, providing a framework and materials to trainers to create new compilations. SpaceCycle vigorously promotes its trainers, hoping to cultivate celebrity trainers that can propagate healthy lifestyles and philosophies.

"...we will not consider franchising or licensing, because I think the franchising model is not applicable to high-end businesses. Though franchising is beneficial for expanding one's business and increasing sales and profits, it is not beneficial for controlling one's product quality. I haven't chosen the franchising model, but I do have very good partners and investors. We have shared ideas, values and vision..."

—Founder of SpaceCycle,
Matthew Allison

Zhongtian Fitness



	Zhongtian Fitness
	Number of national stores: 457 (from official website)
	Accumulated memberships: 0.2 million (from official website)

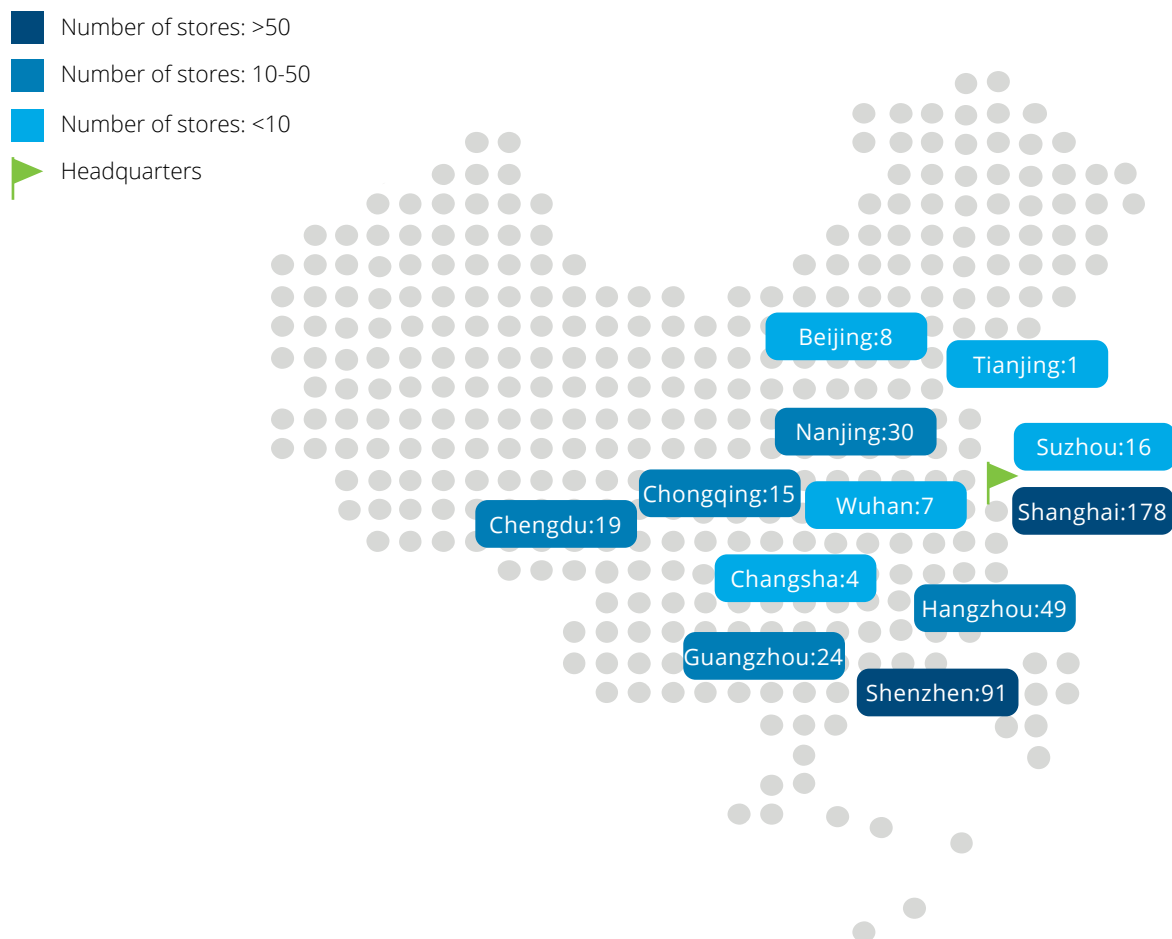
Founded in 2014, Zhongtian Fitness is part of Shanghai Yijia Fitness Service Co., Ltd. Zhongtian has expanding rapidly, setting up 457 direct stores in just 5 years, distributed in different provinces and municipalities across the

country. It has up to 178 stores in Shanghai and 91 stores in Shenzhen.

Zhongtian has accumulated over 200,000 members, with 80-150 active members per store. The

average store size is about 150 m². Zhongtian boasts family-style personal training studios, and a strong member stickiness, with a repeat purchase rate of 40-60%.

Graph 5.23.1 Distribution of gym stores of Zhongtian Fitness





Zhongtian has developed using of model characterised by small store size, mainly located in ordinary office buildings and high-density residential areas. Stores are a "family" studio, with each store having 7-10 personal trainers. The equipment in each store is concise and simple, with 3-5 types of aerobic equipment and one set of power equipment; stores can be used by five or so members at the same time.


Zhongtian charges using semi-annual, quarterly, monthly and per visit cards, with transparent and relatively fixed prices: semi-annual fees are about RMB 12,000 while the per visit card fee is about RMB 280/class. As long as their card has not expired, members can independently book courses with trainers as many times as they want. Zhongtian uses a "many-to-one" training model, wherein members

can choose different courses, such as boxing, stretching, etc., based on their own interests and demands.

Zhongtian only establishes directly-managed stores. Shareholders/store managers must be trainers who have worked in Zhongtian for a certain time and have passed relevant assessment. After passing a performance assessment, the interested personal trainers can become a shareholder in Zhongtian and set up a new direct store. The total investment for an individual store is about RMB0.6-0.8 million, with personal trainer shareholder inputting 40% or so. This model ensures that the management of new stores have an appropriate fitness background (enhancing quality control), reduces the threshold to opening a new store for personal trainers and accelerates the expansion of Zhongtian's brand.

As a "fitness trainers' entrepreneur platform", Zhongtian is able to rapidly expand stores using an asset-light model, while maintaining quality service, avoiding problems such as long preparatory periods and long ROI cycles faced by asset-heavy large stores. In addition, its short-term and flexible charging model can attract a wide range of personal training users, helping establish the brand's reputation.

With its unique expansion model, Zhongtian has rapidly expanded across the nation. Among the personal training studio national chains, it has the most stores and covers the most extensive market. Recently, Zhongtian is looking to set up manicure studios using the same expansion model.

A high-contrast, low-key photograph of a person running on a dark, textured surface. The person is wearing a dark tank top with white stripes on the sleeves and light-colored athletic pants. Their shadow is cast long and dark behind them, suggesting a low sun position. The overall mood is energetic and focused.

Chapter 6: Interview with Leading Industry Experts (No Particular Order)



Mr. Han Ke

Founder & CEO
MFT (Martial Fitness Training),
Co-founder of 3F (Fitness Family
Forever)

No matter how technology develops, the offline part of the fitness industry can never be replaced. Creating a good service and user experience for customers in the era of stock will be conducive to an establishing an invincible position in the future.



What do you think of the current development of China's fitness industry?

I think that the industry development will enter into a new accumulation period with the development of economic cycle.

The era of incremental development is over and the era of stock is coming. It has been about 90 years since the last global depression (the Great Depression). I think the industry will face a big challenge in the near future.

However, with the development of 5G and AI technologies, the profit model of the fitness industry has gradually stabilized, and more and more people pay attention to specializations, service and brand.

I believe that in the near future, when the business cycle begins a new growth period, the fitness industry will usher in a new wave of development. But the question for each of us is whether we are fully prepared for when it happens.

What are the future trends of China's gym market?

Dr. Lee Kai-fu, the Founder of Sinovation Ventures, used to say Artificial Intelligence (AI) will affect many people's livelihood; but compared with AI, human beings are more creative and compassionate.

I think that technology will bring more changes to the industry, such as improving efficiency, data analysis, etc. To be sure, technology is a double-edged sword. If trainers do not actively embrace technology and upgrade their services and user experiences, I am afraid that they have difficulty sustaining their practices.

In addition, I think that more people in the industry will attach importance to service experiences and their brands. No matter how technology develops, the offline part of the fitness industry can never be replaced. Creating a good service and user experience for customers in the era of stock will be conducive to an establishing an invincible position in the future.

Last but not least, all competition in the future will be brand competition. For an enterprise, one's brand is a moat, and enterprises need to dig every day to ensure it is deep.

What has been the impact of the COVID-19 epidemic on your company?

The epidemic has had a very positive impact on our company, via the following three aspects:

I. Timeliness: we started online courses three years ago. Since most customers are not used to online education, it had been developing slowly. However, the epidemic has established new online habits for many people. Soon after the outbreak of the epidemic, we quickly launched a video course that we shot a year ago, which made our online revenue model clearer and more stable.

II. Operation: MFT has always adopted a ToB (To Business) model involving direct cooperation with gym brands. In March this year, we launched a free online live broadcast service for MFT's cooperative brands. We have conducted nearly 100 live courses for more than 20 brands in 15 provinces and cities, with more than 5,500 participants. This service creates a better relationship between MFT and our customers.



III. Humanity and cooperation: at the beginning of the epidemic, the epidemic did have some impact on our offline income. But soon after assessing the severity and impact of this Black Swan event, our core team responded quickly and started a cloud office on 1 February. Once again, the core team has improved its ability to face uncertainties. This is also a particularly positive impact.

What kind of professional training institutions are needed in China's gym market in the future?

At MFT, the motto 'Learn it well, use it well, and experience it well' is used to guide all major decisions of MFT. I have never positioned MFT as a

training institution, but as a content product and service provider that is dedicated to making "coaches learn it well, managers use it well, and let customers and users experience it well". MFT's benchmarking company is LESMILLS in New Zealand. MFT's online + offline certification training is a tool rather than a goal. 'Training' is only a small part of MFT's service system, accounting for about a fifth of our business. I think in the future, training alone will not meet the needs of customers and users in the market. We must let coaches, investors and managers, as well as customers and users 'Learn it well, use it well, and experience it well' through various services.



Mr. Xu Chaoqin

General Manager
Matrix Fitness China

Driven by cross-border cooperation, MATRIX today offers a full range of fitness training facilities, such as aerobics, weight training and group training equipment, for health clubs, resorts, enterprises and institutions, as well as athlete training bases. It also brings club-quality fitness equipment into the home.

In China's fitness market, how do you think you can build an outstanding brand?

The MATRIX brand was established in 2001 to provide quality fitness equipment to the market. **Driven by cross-border cooperation, MATRIX today offers a full range of fitness training facilities**, such as aerobics, weight training and group training equipment, **for health clubs, resorts, enterprises and institutions, as well as athlete training bases**. It also brings club-quality fitness equipment into the home. As an important partner for our customers, MATRIX provides customers with strong, smart and beautiful fitness equipment.

Strong

From their initial design sketches to when the equipment that eventually enters the gym, MATRIX does everything it can to ensure product quality meets expectations. We use a vertically integrated process that combines structural design with technology to provide a flexible, dynamic and easy-to-use training experience for both club and home users.

Smart

With MATRIX, fitness institutions can get quality equipment, a portfolio of products, interconnected smart technology, site planning guidance, marketing support, approved warranty services and customer support. We can conceive, improve or reshape the details of a fitness venue according to its needs.

Beautiful

Our products don't just meet the sports needs of human mechanics, they are also attractive. With cool designs, continuous product performance improvements and our service assurance, our products are widely recognized and have won a number of awards.

What is the impact of the COVID-19 epidemic on your company?

Johnson Health Tech Group's consolidated revenue in the first seven months of this year exceeded RMB 3 billion yuan, with an annual increase of 4.28%; the annual consolidated revenue is expected to exceed RMB 7 billion yuan. The epidemic disrupted the group's operational layout. Fortunately, however, the group's operation is flexible. The group owns five production bases in Taichung, Jiading (Shanghai), Xingshun (Shanghai), Vietnam and the US. Although the operation in the first half of this year is behind budget, according to current orders, the third quarter of this year is expected to match the same period of last year, and the fourth quarter is expected to exceed the equivalent period last year, so this year's operating results and the original budget target will not be too different. Following the completion of two marketing subsidiaries in Russia and Indonesia, a Turkish marketing subsidiary is also in the process of being registered.

This year, we also plan to launch a number of new products for aerobics and weight training in preparation for 2021.



Mr. Yao Ning

Co-founder
3HFIT

In the future, 'I teach because I can' will be gradually replaced by 'I teach because you need'. Training institutions aiming to discover, develop and meet the needs of the market fitness will usher in a new round of exponential growth.

What kind of professional training institutions will be needed in China's gym market in the future?

The future market can be divided into three stages.

First Stage (2021): in this stage fitness trainers are the main target group. The market needs training institutions with proper and scientific content, which can help solve the employment problems of fitness trainers. **The abundance of fitness information and the ease of information access via internet videos means that the knowledge gap between the fitness students and the lecturers is rapidly shrinking. Courses that rely only on the personal experience and opinions of fitness gurus will quickly be ignored by the market and be replaced by training and education that embraces a comprehensive and systematic system of fitness science.**

Second Stage (2022): in this stage fitness trainers are still the main target group. The market needs a customized training and education system with Chinese characteristics for fitness trainers. Training institutions will evolve from simply trying to help trainers find employment to fostering the sustainable development of fitness practitioners. **As fitness users themselves mature, the service**

they require will also need to be improved from learning simple exercises, fitness safety and encouragement to a package plan for the establishment of an overall healthy lifestyle.

Third Stage (2023): in this stage the market will be divided into fitness trainers and fitness enthusiasts. **Training institutions will be subdivided into training for fitness practitioners and training for the mass public of fitness enthusiasts. Training institutions will face the challenge of how to meet the needs of the general public to learn, practice, understand and love fitness.** In the past few years, the biggest change in China's fitness market has been that a large number of former fitness beginners have become seasoned fitness veterans – the number far exceeds personal trainers, and continues to rise sharply. According to an analysis of current 3HFIT trainee sources, more than 35.5% of our students are not from the fitness industry, and learn purely for self-improvement.

In summary: in the future, 'I teach because I can' will be gradually replaced by 'I teach because you need'. Training institutions aiming to discover, develop and meet the needs of the market fitness will usher in a new round of exponential growth.

There is a shortage of talent in the Chinese gym market. What do you think is the cause of this problem?

1. China's education system does not include special disciplines for fitness trainers, resulting in a lack of fitness professionals to meet the needs of the fitness public.

Being a fitness trainer is perhaps more difficult than being a doctor. While a doctor provides 'passive services' to meet a patients' fundamental needs, a fitness trainer provides a 'proactive service' and needs to persuade and encourage ordinary people to do exercise to avoid sickness. The fitness trainer needs to meet the 'luxury' demands of the general public. In addition to having a strong body, the ability to provide proper and graceful exercise demonstrations and having a strong teaching ability, fitness trainers also need to lead by example, teach by example, and have superb interpersonal skills. Therefore, it is difficult to train fitness trainers in the short term to meet the needs of the general public.

2. The current talent development mechanisms of fitness institutions have yet to be improved.

Fitness trainers are encouraged to start businesses by themselves which decreases the number of 'working' trainers while increasing the number of 'professional' trainers. The average professional life of fitness trainers is expected to grow to over 10 years.

3. There is little overlap between the fitness trainers' own values and society's values.

To be specific, customers question the value of fitness trainers' services, while the fitness trainers themselves firmly believe they have value. Quite a few trainers leave the fitness industry too early due to this reason, resulting in a lack of successors in the market.





**Mr. Wu Chenghan,
Ms. Sun Tongtong**

Founder
GYMLUXE

"...with the outbreak of the COVID-19, people began to rethink the operation of fitness clubs. As consumers' fitness awareness and service needs have grown, gyms focusing on sales performance rather than on service quality will be gradually eliminated from the market. Service will be the crucial element for survival. At the same time, we believe that it will be a trend in the future towards making the headquarters the profit center. Operators should bid farewell to extensive business models and shift to more refined operation..."

Mr. Wu graduated from the Graduate Institute of Sports and Health of Taiwan Sport University, and has accumulated working experience in the fitness industry when he was at university. He now serves as the founder of GYMLUXE and the fitness consultant to several fitness chain brands in China. He served as the CEO of Hosa Fitness, GM of DAY DAY FITNESS, trainer director of Wills, trainer director of Nirvana Sports, GM of Operation Division of Wisdom Group and lecturer and partner of the management master class in the Asian Fitness Institute. In 2003, Mr. Wu came to Beijing from Taiwan, serving a series of positions from physical fitness director to club operation director to regional general manager to CEO. He has accumulated significant operational management experience and industry insight in the fitness sector.

As the co-founder of GYMLUXE, Ms. Sun served as the CEO of the domestic high-end gym. She is the founder and partner of the rhythm Pilates course in the Asian Fitness Institute, a member of the Expert Committee for Gym Guidance certificated by the General Administration of Sport and has been declared one of the top 10 fitness club operation and management training tutors in the Chinese fitness industry. She has particular skills building brand value, and now mainly takes charge of the group's marketing activities.

What is the key to success in the domestic fitness industry? The essence of the fitness industry is service, and gyms ignoring service will be involved in price war and vicious competition.

However, domestic fitness participants generally have weak service awareness. For example, heavy sales promotion when members purchase cards, and lack of value-added service after purchasing the cards, provide a very bad user experience to consumers. The main reasons for the lack of quality services in mainland China include: operating strategies still rely on sales, the quality of practitioners is yet to improve, and gyms lack standardized service processes.

With regard to China's own conditions, in terms of operators, most gyms do not provide follow-up services after collecting membership fees. To promote sales performance, 80% of operators cut price to increase sales, while only 20% of operators considers improving services to enhance value (these operators do not believe that price reduction will sustain the health operation of an enterprise). In terms of users, most consumers have little awareness of their service needs, as most of them prioritize near-to-home, inexpensive gyms, with little regard to service quality. But when looking at the fitness market in developed countries in Europe and the United States,

service is the key factor in retaining and constantly acquiring customers. Therefore, China's fitness market still has a long way to go in enhancing services.

GYMLUXE is currently playing a role in guiding and energizing the whole fitness industry via three aspects: strategic consulting management intervention, training schools and brand alliances:

The key is to energize the industry, by providing correct guidance on training, marketing, branding and the operation and development of gyms. GYMLUXE assists the strategic transformation of gyms, helping individual store to branch out and develop into chain stores. Standardized structures help smooth management and greatly enhance risk tolerance, which is favourable to the steady development of the whole industry.

Training is another way to transfer the GYMLUXE's concept, i.e. a headquarter-based management structure with service at the core.

By establishing a standard system and setting the strategic direction (generating profit by serving users), GYMLUXE provides a key management model for each type of gym as well as customized training content for different gym brands. Our strength

lies in extensive practical experience, long-term strategic management and strong sense of the market.

For brand alliances, we look for in-depth cooperation with like-minded partners, in order to respond to capital markets, change revenue models, and create profit under an accrual basis. Our goal is to combine regional brands to create the larger national chain brands.

After the outbreak, which parts of gyms' development strategies need to be rethought and improved?

The outbreak of the COVID-19 drove people to rethink of gyms' operations. What should be done for the survival of gyms? **We recommend a business model with a departmental profit center, giving up extensive management and transforming towards refinement operation.**

In the past, the smallest unit of a club's financial model was individual gyms. With market changes, **now we think the scope should be narrowed and we should consider the divisional departments as the minimum unit (referred to as the profit centers for short).** The divisional profit center is deemed as an independent business entity, having independence and autonomy on material purchases, product development, manufacturing,

sales, personnel management, use of working capital etc. It can prepare independent P&L statements and assess the business performance of the division by the profit/loss. Divisions including MC (sales), PT (personal training), OP (operation), GX (group exercise) and MKT (marketing) can be used as profit centers to consider the output, fee income, fee rate etc.

Gym operators should take divisional profit center as the starting point when considering the relationship between divisional revenue and the fee rate, and develop quarterly and monthly indicators in terms of annual revenue, cost breakdown, and so on from the top down. Meanwhile, gym operators should conform with the annual objectives of the division and the annual management directions of division manager. Taking this as a guidance, division manager's KPI can be decided in combination with a gym's core competitiveness. In terms of employees, individual objectives will be formed by conforming with monthly objectives, including individual fee rates, employee services, behavior, individual output and so on. Such divisions seem to operate independently but are cooperative. Cooperation among divisions must be close and consider users as a whole in light of the gym's core competitiveness.

Even some non-profit divisions must consider its benefits or contribution to the gym. These divisions may not have real net income, but they undertake responsibilities such as better user experience or service monitoring, and will bring more membership renewal fee, upgrading and referrals to the gym.

How big is the difference between domestic and international gym markets?

With the rapid development of China's fitness industry in recent years, the national and regional direct chain management model has surpassed the international level. But it is weaker than the international market in terms of the financial operation model, franchise model and brand building, trailing by 5-10 years or so.

At present, the domestic fitness industry mainly focuses on customer acquisition, rather than user operation. This is the result of the rapidly growing fitness market. However, fitness institutions in developed international markets have both high-priced venues focusing on user operation and affordable venues focusing on customer acquisition – the two are significantly different. The Chinese fitness market is moving towards this.

In addition, China has its unique conditions, i.e. **there is a clear educational gap between the younger generations and the old**

generations. Young people born after 1985-1990 have quite different fitness concepts and consumption habits compared to people born after 1960-1970, resulting in an obvious age stratification among fitness consumers. People born after 1985-1990 like going to the gym and doing exercise outdoors, while people born after 1960-1970 prefer to do outdoor exercises combined with non-gym-based group fitness (such as square dancing, doing exercise in the park, mountain climbing and running). The proportion and total amount of money consumed in the gym by people born after 1960-1970 is, therefore, lower than for people born after 1985-1990.

What's the development direction for domestic fitness industry?

First of all, the future development of the industry is certain to be positive. The COVID-19 outbreak is an external cause that is accelerating the evolution of the industry and is an important stage for a review of the industry. Challenges and opportunities coexist now and in the future.

At present, China's fitness club industry has a pyramidal structure.

In terms of categories, super high-end brands, such as Green Essence and Life Fitness, have developed from scratch and gradually increased in prominence. Brands in this level have developed quickly with new entrants continuously entering the market (e.g. OXYGYM, ZWYN, Superlife and UJOY). Their target customers are

mainly highly educated people with overseas experience or high social status. These type of people generally pursue and enjoy higher "spiritual needs": they want to be respected and valued through warm service. After the outbreak, such consumers may place more consideration on quality and safety. Price is no longer the most important factor for them when it comes to choosing a gym. And these gyms will success by focusing on quality, rather than quantity.

The mid-end gym brands serving the middle class make up the middle of the pyramid. These brands can be more vibrant with distinctive operation systems and realistic and meticulous management. There are a large number of chain brands and newly-established regional small-scale gym brands paying more attention to internal operation and management. These brands have shown strong vitality in the face of the outbreak. They focus on integrated operation, from site selection, risk prevention and daily operation to employee training and upgrading. They have actively responded to the outbreak, reducing rents and headcount in the backend and transforming the business in the front-end. They have also added more online services so as to enhance stickiness and trust among existing customers as well as increase new customers. As a result when the outbreak is over, the recovery of these brands can be smoother and faster. In the future, these brands will be the mainstay of China's fitness industry.

Each brand should create its own content and succeed by emphasizing both quantity and quality.

At the bottom of the pyramid are a large number of mid-low-end fitness brands. These brands are also constantly integrating and iterating. With the improvement of national fitness awareness and perception of services, mid-low-end gyms that focus solely on sales performance and do not pay attention to the user experience will be phased out. Looking at government intervention during this outbreak, many underground gym face significant survival pressures. These gyms will be replaced at a slower rate in tier 3/4 cities, and faster rate in tier 1/2 cities. Soon, these gyms will be replaced by a number of large-scale regional new fitness brands, as well as the government-backed large-scale integrated national fitness activity centers.

The ultimate trend for fitness gyms is clearer market segmentation and more stratification. The importance of branding will stand out. People's pursuit of a better lifestyle and quality of life will continue to improve. As a result, there will be a greater diversity of options and needs for fitness gyms. But in the end, it is about focusing on 'user needs'. Gym brands can continue to develop and has strong vitality though a series of measures to earn users' trust and dependence.

What do you think of the prospects of domestic new-model gyms?

The rapid development of new model gyms demonstrates the mature development of the domestic fitness market. Different business models have been formed to meet different user needs and different regional expansion models. That is the character of this new model of fitness. At present, new model gyms have played a vital role in developing the public's fitness awareness. But there is no competition between new model gyms and large-scale gyms as the user experiences are slightly different.

But overall, **the homogenization in China's fitness market is still severe.** From the customer's point of view, there are relatively few gyms to choose from when comparing the location of gyms, number of fitness equipment, gym size, etc. The high degree of homogenization of services leads to customers choosing low-priced or cost-effective gyms.





Mr. Jin Yuqing

Tera Wellness
Founder

"...In the future, all segments will co-exist in the fitness market. The emergence of new-model gyms/family gyms will not impact traditional gyms, since they target different consumer groups. Tera Wellness will continue adjusting strategically to improve the satisfaction of members and employees by refined our operation..."

Mr. Jin Yuqing serves as the Chairman of the board of directors and CEO of Tera Wellness Fitness Management Co., Ltd., vice president of Chinese Bodybuilding Association, vice president of Shanghai Fitness Bodybuilding Association, president of Shanghai Commercial Enterprise Management Association, executive chairman of Shanghai Young Entrepreneurs' Association, Honorary Professor of Shanghai University of Sport and visiting professor of Beijing Sport University. Since its establishment in 2001, Tera Wellness now has over 100 fitness clubs. It was the operator of fitness clubs in the Beijing Olympic Village during the 2008 Olympic Games, and provided fitness services to over 10,000 domestic and foreign athletes.

In the future, all segments will co-exist in the gym market with their own development potential.

Family fitness and new-model gyms are mainly target fitness beginners, while Tera Wellness focuses on high net worth individuals with strong fitness awareness and aims to provide better fitness services, venues and equipment. Only 2% of the population are high net worth individuals. The remaining 98% of individuals lack fitness awareness and fitness foundations at the moment – they are the targeted consumer group of family fitness and new-model gyms. Therefore, these new models cultivate the market and bring more people into the fitness sector. After understanding their in-depth demand for fitness, people will move to different gyms.

Tera Wellness retains its leading position in the traditional gyms

segment, from the perspective of personal training levels, group fitness trainers' levels, service quality or facilities and equipment, it can provide a more premium fitness experience for its consumers.

Tera Wellness will not change its store operation strategies in the short term, but will continue to strategically transform and upgrade, which is mainly reflected in refined curricula content, membership management and training.

Refined curricula content: Tera Wellness' group fitness courses in are mainly self-developed, including 1012DANCE which caters to the demands of young people by integrating multiple popular dance elements. In the personal training sector, Tera Wellness has launched a 100 day transformation plan, which is effect-oriented and precisely targets the 46% of members who want to lose fat.

Refined membership management: Compared with family fitness, large scale gyms have unique social networks. Around 6% of consumers go to gyms for social interaction purpose, which is irreplaceable by other types of gyms. In this regard, Tera Wellness organizes sport events together with the General Administration of Sport of China and the Rowing Center, such as the Chinese Rowing Championships, basketball matches and football matches; and also hosts some offline activities for memberships, to improve the social networking attributes of gyms.

Refined internal training: Personal trainers are the core of fitness centers. Tera Wellness conducts internal training for personal trainers in combination with leading international fitness and medical criteria, and we also have self-operated schools responsible for university freshmen training. In the future, we also plan to offer on-board training for the army, to cultivate personal training talent with high professionalism and solid service capabilities.

We are continuously optimistic about derivative value-added services. Tera Wellness is focusing on the strategic improvement of store operations. We hope to improve the satisfaction of memberships and employees, and increases our price per customer and sales per m². In addition, we are also optimistic about derivative value-added services in the fitness industry. Currently, except for revenues from personal training and membership sales, we also have sales revenue from business sectors such as catering, rehabilitation and nutritional agents. Though the proportion [of revenue] is relatively low at present (around 10%), it is expected to grow in the future. We will continue to promote to members rehabilitation products and services to improve our marginal benefits.

Actively promoting digital transformation and attracting online customers. During the COVID-19 pandemic, Tera Wellness mainly focused on fitness beginners by providing live broadcasting services, so as to attract more customers. However, online operation is only supplementary to offline services and will not replace offline store's operations. Ultimately training will return to offline scenarios. We are also actively promoting digital transformation, planning to invest around RMB 100 million in membership services app development and smart transformation of stores.

The pandemic has no negative impact on Tera Wellness. In line with normal practice, Tera Wellness will adjust two stores with poorer performance every year and expand to 30 new stores. Due to the pandemic, many [non-Tera Wellness] individual gyms were shut down due to the cash flow pressure, so we have many targets for acquisition. Tera Wellness has basically recovered to its operating status before the pandemic, except for some basement stores that remain closed in Beijing; operating performance and customer traffic have already recovered to the same level as the same period of June last year.

**Mr. Li Liang**

OXYGYM

Deputy General Manager

"...at present, the whole industry has a pyramidal structure, with high-end brands at the top, mid-end brands in the middle and low-end brands at the bottom. In Beijing, gyms that only focus on price instead of service will be gradually replaced. High-end gyms focusing on service and quality and cost-effective small gyms will become the mainstream in the future..."

Please introduce the uniqueness and brand attributes of OXYGYM.

Since its establishment, OXYGYM Sports Center has been committed to improving the fitness environment, and reshaping the landscape of the fitness community by providing an advanced "super ecological" technology experience, sensory enjoyment and a high level of service awareness. **The OXYGYM team had the idea of creating an ultimate breathing space several years ago. They proposed integrating oxygen therapy and exercise together for a new type of "aerobic" exercise.** OXYGYM focuses on the research and development of oxygen technology products. In 2011, OXYGYM invented the oxygen gymbox system and fitness methods to enhance the sporting experience, and applied for the patents on Face Spray and OXY Wall used to enhance users' visual sense.

OXYGYM has attracted more people by leveraging its regional oxygen production technology and high-quality fitness enjoyment. **In the past six months, OXYGYM has upgraded the oxygen gymbox technology and spray system to their fourth generation.** The fourth generation Oxygym technology and spraying equipment can provide fitness memberships with continuous fresh air and oxygen, to help them get the best fitness experience. In addition, the fourth generation Oxygym technology upgraded the lightweight sprayer. The most important part of this upgrade was optimizing the internal gas channel of the oxygen gymbox. After optimization, by

reducing air pressure loss, the oxygen-transferred channel can generate and spray oxygen over a longer distance, with stronger oxygen and wider range.

Taking Beijing as an example, how do you view the development status and industry structure of the domestic gym industry?

In terms of branding, the whole industry has a pyramidal structure, with high-end brands at the top, mid-end brands in the middle and low-end brands at the bottom. Generally, the retention rate of high-end market is fixed. The penetration rate of fitness in China only 3-4%, so the high-end brands have a limited market. **Gyms in Beijing are polarized, and mid-end gyms will be gradually be eliminated.** The average annual membership fee of high-end gyms in Beijing is more than RMB 10,000. Such high-end gyms are equipped with relatively new international brands. Their group class trainers and personal trainers possess international certifications and provide qualified services. Currently, high-end gym brands include OXYGYM, Will's (W and VIP have been transformed and upgraded) and some UJOY stores.

In terms of consumers, the fitness consumer base is basically stable, mainly covering people born after 1970-1990. This group has high consumer awareness and higher incomes to support daily fitness. Younger customers are more suitable for lower consumption levels, such as pay-per-visit brands like Liking Fit and Super Gorilla.

What is your opinion on the development trend of the fitness industry in the future?

High-end featured gyms focusing on services and quality, and small gyms with high cost effectiveness, will become the mainstream in the future.

High-end gyms will focus on services and products in the future and pay attention to the quality of services rather than selling multi-year cards. Such gyms do regular services better. Their membership renewal rate is significantly higher than the industry average.

However, the development of large and comprehensive traditional gyms will enter a bottleneck period. Traditional gyms mainly use annual card, collecting proceeds early but spending later; but this results in unsustainable growth. Due to the low profit margin of multi-year cards, stores with poor operations may not survive for a long time. Only by adjusting their product structure and optimizing their financial model can they better develop.

What is your opinion on the emergence of new-model gyms and personal training studios in recent years?

Paying per time is not inexpensive. Though the amount of consumption each time doesn't seem that high, if there is enough exercise frequency, the average annual consumption level can still be very high. **Generally, after exercising with new-model gyms for a long time, consumers will tend to become members of large-scale gyms.**

Personal training studios generally operate for less than 2 years, and their retention rate can be lower than that of boutique studios; consumers' demands have been changing, and the renewal rate of memberships is not high. In the future, **it is expected that only studios with distinctive features will be retained after the industry disruption,** by providing advanced courses, like ballet or Thai boxing.



Mr. Huo Ming

Founder and Chairman of
Good Feeling

"...The development of subsectors in the fitness industry has enriched the overall business landscape of the industry, which means that the overall industry is improving and gradually becoming more mature. For traditional gyms, this does not mean a big change but an internal upgrade as each business type supplements each other..."

Mr. Huo Ming once worked at the sports department of Hebei Television, and begun his entrepreneurship in the fitness industry in 2014. He established the Good Feeling brand with his partner Zhang Chunshan in early 2013 in Guangzhou. Good Feeling now has over 80 direct professional fitness clubs across the country, covering more than 30 cities in southern, eastern, northern and western China. In 2017, Good Feeling obtained RMB 100 million in its B-round financing from Fortune Capital (the leading investor).

Currently, the fitness industry is undergoing a downturn due to the overall economic conditions of the country; in addition, the emergence of new-model gyms has attracted memberships away from traditional gyms. What's your opinion on the current market competition?

First of all, the key to success for gyms lies in consumers (and location) rather than operators; namely, whether customers' consumption capabilities and awareness can support the gym's operation. However, there is excessive competition and excess capacity in the gym market at present. Before a gym at a sound location has achieved membership saturation, many new gyms can have opened up around it. The pace of new gyms cannot keep up with is slower than that of diversion, resulting in under-saturated memberships per store in tier 1 cities.

However, new-model gyms, personal training studios and boutique studios for Yoga and so on are just a refinement of traditional gyms. The overall gym market is improving with more stratification of consumer groups. The emergence of vertical market segments will not bring about complete fierce competition but diverse business forms; there must be some overlap and alternation among consumer groups between different fitness brands. Looking at the catering industry for an example, there are different cuisines in the market, such as Sichuan cuisine, Guangdong cuisine and Hunan cuisine; but people who eat the Hot Pot will also eat Guangdong cuisine. Diversified segments represent the development of the industry, and can satisfy the different demands and tastes of different people.

Under the current situation, is it possible for traditional gyms to be merged or replaced by other types of gyms?

At the moment, traditional gyms are still the dominant segment with the largest proportion and highest growth rate in the market. Diverse business forms will promote the internal upgrading and self-improvement of traditional gyms, and accelerate the overall standardization of the subsector. Just like other industries, the fitness industry will be gradually concentrated with top brands. Traditional gyms will not be replaced by new-model gyms in other vertical segments:



Whether its group fitness, Yoga, personal training studios and small scale and 24 hour gyms, when it comes to content, these new types of gyms are in essence just traditional gyms – not real innovations. Memberships are mobile: members of traditional gyms will choose group fitness courses like Super Monkey, and, likewise, members of personal training studios and small sized gyms will also choose traditional gyms.

Traditional gyms account for at least 90% of the whole industry in the US, and the top brands are all traditional gyms. The fitness industry in Europe and the US is more mature than that in China. Taking the US market as an example, leading gyms are generally large scale gyms, such as LA Fitness, Life Time, 24 Hour Fitness etc., with an average gym area of over 3,000 m² and directly managed. Large scale traditional gyms remain the mainstream of this industry.

Are there any plans or initiatives formulated by Good Feeling in response to the overall intensified market competition and emergence of new-model gyms?

While adjusting its layout and strategy, Good Feeling is also trying new models and content to actively respond to market changes via internal optimizations:

Focusing on tier 1 and 2 cities in the Greater Bay Area and giving up on tier 3 and 4 cities.

The marginal market in tier 2 and 3 cities is insufficient, as consumers with spending power are leaving to higher-tier cities, and the overall spending power of the population is declining. However, in tier 1 cities, like Guangzhou and Shenzhen, we have witnessed the continuous entrance of more and more young people with stronger spending power. Currently, Good Feeling plans to mostly enter provincial capital cities, mainly focusing on the expansion of markets in the Greater Bay Area (composed of Guangzhou, Shenzhen, Dongguan and Foshan), while maintaining the stable operation of established stores in Beijing, Fujian, Xi'an and Jiangsu.

Trying out a "small store" model to capture the market faster.

Good Feeling has contracted its standard store area of 1,200 m² to a small store model of 500 m², and will test to see if even smaller group fitness stores can be independently operated. With lower investment cost, quicker opening pace and similar charging standards to Super Monkey, small stores can attract newcomers with lower one-off charges and using payments per visit. However, we will also provide value cards to increase the cash flow of the store.

Actively trying content innovation.

Good Feeling has its independently developed software systems and chargeable group classes; it is also developing "sports + technology" products to pursue content innovation.

The major pain point of clients in traditional gyms comes from aggressive sales of memberships and personal training, under such a competitive environment, is it possible for top brands to be improved in the future?

The reason for the aggressive sales in China's traditional gyms is the extremely high rental costs. Comparing daily operating expenditures in China and the US, the wage cost accounts for 45% in the US while it accounts for 45-50% in China; the average rental cost accounts for 10% in the US while accounts for 20% in China (30% in Shenzhen); the difference of 10% comes out of profit. If gyms in China did not have such huge pressure on rents, the sales pressure from memberships and personal training would not be so great, and customers' experience would also be improved accordingly.

In the context of Beijing's plans to regulate fitness prepayments, meaning product prepayments cannot exceed 3,000 yuan, will traditional gyms follow the example of foreign countries and implement a "membership fee + monthly fee" model in the future?

Currently, there is no monthly payment mechanisms, the presales of annual membership cards remains the mainstream charging model. Future developments are subject to national policy. Monthly payments are a challenge for many gyms, as it requires at least 1-2 years to collect the money that was originally all prepaid. Therefore, gyms need to

have sufficient capital reserves for operation (currently, cash flow in one month is only just enough for the gym to maintain operation, while the monthly payment mechanism will result in a decrease in cash flow. Gyms may not be able to resist such pressure. In the future, the mainland will need the support of the state to get rid of the prepayment system. Only 1-2 companies have implemented the monthly payment system in Taiwan. Enterprises need sufficient capital to subsidize early operations under the monthly payment system.

What's your opinion on the retailing set up of gyms?

First of all, for gym operators, retailing is neither a strength nor a major business. It is only one of the offerings with revenue per store of RMB 10,000 -20,000, which is negligible compared with total sales.

The consumer traffic per store is insufficient for sales. The average DAUs per store is 100-200, which is insufficient for the sales of food and clothing. Besides, there are multiple shopping channels at present, people could buy clothing from JD.com and Taobao, which have more comprehensive styles. Food is another offering, but requires careful attention to taste, quality control and price. The main business of gyms is membership sales and personal training services. The economic benefits of investing in food are not high.

In the future, Good Feeling plans to sell instant beverages and meal replacements in vending machines. Sales of supplements mainly depend on sufficient demands. Good Feeling will cooperate with brands to sell beverages, instant supplements and meal replacements in vending machines. Instant food is the future of food sales.

Do the existence of swimming pools in traditional gyms have impact on customer attraction and pricing?

In the future, Good Feeling will set up swimming pools in more stores as swimming pool are a resource advantage that creates more barriers for competitors and attracts more members. There are two main kinds of additional source of revenue from swimming pools. One is the sale of courses and individual visits. Another is including the pool in the annual membership fee. Generally, gyms with swimming pools mean a RMB 800-1,000/year membership free premium. Independently sold swimming courses are mainly sold via online platforms, such as Dianping and Meituan. From the perspective of the investment and maintenance cost of swimming pools, swimming pools in gyms are profitable. The targeted consumer groups of swimming pools in Shenzhen include:

- **The elderly for whom strenuous exercise is not suitable:** Running puts pressure on one's knees, while swimming is relatively safer.
- **Students who have to take the entrance examination for high school:** Teenagers in Shenzhen have a fixed demand for swimming

because Shenzhen requires swimming as part of the high school entrance examination. Since not all schools are equipped with swimming pools, students have to go to third-party institutions.

Did the pandemic this year have any impact on Good Feeling?

Due to the pandemic, Good Feeling closed 10% of its stores. Stores in Jiangsu were directly closed, as there were only a few stores. Stores in other regions that were unprofitable, with higher cost or uncertain rent, were also closed. **However, Good Feeling will continue to expand the number of store it has this year.**

Currently, one new store has been established, and Good Feeling plans to open another 3-4 stores in the second half of this year.

From the perspective of retaining customer, **as of July, customer traffic in Shenzhen has recovered to 90%, while that in other cities has recovered to 70%-80%.**

From the perspective of attracting customers, stores with solid performance have recovered to 80-90% of that in the same period last year, while those with poor performance have recovered to just a fifth or a quarter of that of last year.

In the post pandemic period, there is no obvious changes in demand for group classes etc. Gyms have adopted a series upgrades and transformations and increased the use of smart equipment due to higher ventilation and disinfection hygiene requirements. For instance, having an unattended front desk to avoid contact among people.

What aspects mainly reflect the impacts of the pandemic on the overall fitness industry?

The survival of gyms lies in the control of cash flow and cost during the pandemic. For the overall industry, 30-50% stores were shut down – about 30% in tier 1 cities and 50% in tier 2 and 3 cities. Non-chain brand stores with larger areas suffered the most severe impacts. Seen from the current situation, traditional large-scale gyms actually have lower efficiency. Many of them are trying to increase sales per m² by negotiating rent exemptions or reducing their size. Personal training studios are more resilient; they have lower capital investment, better services and greater potential. New trends have emerged in the overall market:

- **New stores will have a moderate size,** with an annual price of RMB 3,000-5,000 in the future. The designed area of stores with swimming pools will be less than 1,300 m², while for those without swimming pools will be 700-800 m². It is estimated that the current size of stores in general are 20-30% larger than this targeted size.
- **Emerging outdoor activities with the birth of online and outdoor scenarios,** some trainers have established personal studios on platforms such as Tik Tok to promote diversified exercise scenarios.

- **Operation characterized by more refined management,** customers are classified according to their consumption capabilities and frequencies. Accordingly, CRM varies with regard to different types of customers. In addition, external training institutions will also be introduced for refined management and training.

Accelerated by the pandemic, online services have become an industrial trend, what kind of plans does Good Feeling have in terms of future online business? In addition, what can domestic enterprises learn from the experiences of international fitness giants like Peloton?

Good Feeling has launched a series of online courses during the pandemic. We have stopped online group courses since March and turned back to offline content. In the future we still plan to develop some (chargeable) fat loss courses aimed at individuals. The first target group of online courses are existing members, and the second target group are newly recruited members. However, from a profitability perspective, Good Feeling's online services are not very profitable. They are expected to account for 5-10% of sales after three years of operation. This low percentage is mainly because Good Feeling has a comparative advantage in venue operation but lacks "internet genes". We were forced

to conduct online operations because of the pandemic. It is the general consensus within this industry that online content has lower added-value and lower charging opportunities. It is difficult to make money off it. Besides, costs, including promotion, customer acquisition and system upgrading, are extremely high.

The future trends are still the combination of online and offline services, as well as refined operation. Service must be improved to maintain the capital. **At the margins, customer attraction could be conducted via platforms;** by making trainers online celebrities on video platforms such as Xiaohongshu and Tik Tok, we can gain brand recognition and attract consumers.

In the future, family fitness will certainly be the rival of traditional gyms. The Peloton model is widely accepted in this industry, and benchmarking enterprises need to satisfy three key elements to compete: interesting scenarios, quality facilities and equipment, and engaging and entertaining curricula. The targeted consumer groups are people who have gone to the gyms only for equipment but have no demand for personal training services. One family can buy a machine to exercise at a much lower cost.



Mr. Zhou Rong

Chairman of
LuckyBird

"...LuckyBird had launched the LuckyBird app for its online market before the pandemic. A series of online courses were also launched during the epidemic, but they were not profitable..."

Mr. Zhou Rong has been part of the fitness industry since 2002 and established the "LuckyBird" brand in 2005. The brand name is based on a homophone for "Thorny Bird" but instead meaning fortune and auspicious. In 2017, promoted by the "integration and industry reshuffling", LuckyBird acquired 100% shares in DAY DAY FITNESS in Ningbo. As of July 2018, LuckyBird owned over 400 directly operated stores in 45 key tier 1 and tier 2 cities across the country.

What's the current competitive landscape of gym market in China, what's your opinion on the impact of family fitness scenarios on offline gyms?

Fitness is an ecosystem and each of its segment need to keep upgrading, new concepts, such as "smart tech", initially proposed by SunPig, are increasingly popular in this industry. **Instead of replacing one another, each segment are complementary and have their own independent development potential.** The conception of 24-hour operation by LeFit works well for people for work overtime, but 95% of people choose to do exercise between 10 a.m. and 10 p.m. – and these people can be satisfied by traditional gyms. LeFit and other such gyms have small stores; to be honest, the overall user experience of fitness in China is not exceptional. The popularity of fitness among Chinese people remains low due to low fitness awareness. Large gyms are need to cultivate fitness awareness.

The Peloton-style will have a minor impact on gyms in the short term. The current fitness penetration rate is low, but the fitness pie is growing – losses in the short term won't have a big long term impact. It requires time to cultivate the market. For people without any fitness habits, the conversion rate of family fitness remains low.

What are the trends in the Chinese gym market in the future?

Refined development of gyms in the future: Due to the increasing number of fitness stores, narrowing each gym's potential customer base, and higher store rental, the size of gyms with swimming pools should be restricted to 1,500-2,000 m² in the future, with a focus on service quality. The pace of store opening has slowed down since the pandemic, providing enterprises with the time for internal training aimed at improving services.

Online operation of stores.

LuckyBird developed its app last year, and its online trials were accelerated by the pandemic. Some online service capabilities are necessary in the future, but there is no good model for monetization. The integration of online and offline is a major trend, and the key lies in collaborating offline's operational strength with online's consumer-attraction capabilities. Currently, LuckyBird is also undergoing some transformations in terms of using online platforms to attract consumers. There are many new-model gyms online at the moment, but the survival of companies depends on a multi-dimensional competition. For example, Keep tries to attract its consumers to Keepland, its online network is not enough.

What will LuckyBird do to improve services?

Firstly, we will focus on training personal trainers to improve their professionalism and service awareness – post-pandemic, this now also includes disinfecting and wiping equipment. Training of operating personnel will focus on increasing service standards. LuckyBird has its own internal training organization, "LuckyBird University", covering an area of nearly 20,000 m². At the same time, it has also opened an online university to create a learning organization, with corresponding training contents available for each position and level of management in the store. Online training enables employees to study whenever they have time and wherever they may be, which improves training efficiency and frequency so as to enhance competitiveness.

What's the impact on LuckyBird by this pandemic?

- **Disrupted cash flow:** Impacted by the Spring Festival and the pandemic, cash flow in stores has fallen since February; offline stores were reopened from the end of March

to April, and gradually recovered from April to May. But as of June they are yet to be fully recover to their normal state. In the first half of 2020, LuckyBird directly lost RMB 800 million. Though we didn't gain any support from the government and bank, we received rent reduction from real estate developers and our employees actively returned to work. In July, we recovered to normal operation even.

- **Partially opened stores:** Stores in Wuhan and Beijing were the most severely impacted. Stores in other regions had essentially reopened by the end of March to the middle of April, while gyms in severely impacted areas of Beijing and in basement area remain closed due to government restrictions. Gyms in Wuhan were gradually reopened starting in the end of May – two months later the rest of the country. The psychology of people in Wuhan is still in recovery mode.
- **Partially closed stores: Impacted by the economic downturn in 2018 and 2019,** the original loss is more serious after the epidemic 5 stores decisively closed stores; affected by the epidemic operating

conditions are not ideal stores 8 stores, but also in the proper handling of members to do after the closure of processing. Dealing with the unsatisfactory stores, while by the end of the year will continue to open more than 10 new stores, and reserves some of the next two years to open stores.

- **Improve control level: During the rapid development period in the past few years, personnel training and store management have lagged behind. The current epidemic slowed down the development, so there will be much more time and energy available to improve internal training and control ability and organizational ability.**
- **Improve employees' online service ability: Since we owned over 400 stores in 48 cities across the country, how to improve the efficiency of our cross-regional management is a big issue. Employees' online service abilities from video conference to online selling, have been greatly improved through the pandemic.**



Ms. Cao Yan

Powerhouse
Chairman of Powerhouse (China)

"...currently, the domestic fitness market is undergoing transformation and disruption, and is gradually moving forward from its earlier mass market stage to a more refined and segmented market. We position ourselves as a fitness service provider, not just a gym. We hope to improve our brand competitiveness and win market recognition by creating unique content and services..."

In 1997, Ms. Cao founded Chaoyuan Fitness Club in Tianjin. Due to its leading position in the national fitness market, the Club has attracted visits from many industries practitioners, including peers in Beijing. Ms. Cao has worked in a well-known chain club in the United States; leveraging her time in the US, she has since actively introduced foreign fitness methods and trends to China. Around 2000, Ms. Cao planned and participated in the recording of an introduction film – Fitness Hip Hop, published with the cooperation of Audio-visual Publishing House. It has been widely praised by trainers. In 2001, Ms. Cao introduced AFAA training to China and hosted the first AFAA training in China. In 2004, she formally brought Powerhouse into China, and invited international fitness stars to China to promote greater fitness. In 2006, Ms. Cao cooperated with Chinese TV stations to record the TV series "Power! Go Fitness", which was broadcasted throughout the year, nationwide. At the same time, Ms. Cao also led the Powerhouse team to actively participate in various public welfare activities and promote scientific fitness methods in communities and enterprises. In 2008, she organized the development of the Shine course, which integrates a variety of dance and aerobics techniques.

What are the target customers and design concept of Powerhouse?

Powerhouse has a comprehensive standard for its design, brand positioning and service quality. Our

target customers are elites aged over 28 with spending power, knowledge of sports and looking to pursuing healthy lifestyle.

Such people usually have high requirements on service facilities, including bathrooms and locker rooms; thus, Powerhouse strives to create a comfortable environment for consumers. In terms of design, we have a theme of paper-white, with **personable, simple, memorable and symbolic decoration.**

What is your opinion on the development of the domestic fitness industry?

The domestic fitness is still in its infancy. Though there are many participants, most of them have uneven professional levels and don't put enough focus on the exercises but just shout slogans, which has a negative impact on the development of the fitness industry and standardization. We aim to be a down-to-earth brand with a strong product and service orientation.

As an emerging industry in China, the fitness market faces transformation and disruption. In the long run, the fitness industry is transforming from a mass consumption market to a segmented market, with more and more sub-sector markets.

Traditional gyms with average annual membership fees of RMB 2,000-4,000 (the mass consumption market) are undergoing

development and integration. Though most of them are price competitive, after they acquire the customers they don't provide good services, resulting in extremely low retention rates. Most of the closed brands were traditional gyms. However, the gyms with an annual membership fees of more than RMB 10,000 can only serve a small number of population. With a price positioning of RMB 5,000-6,000, Powerhouse aims to attract the middle-income population who have growing fitness awareness. This sub-segment is promising in our opinion.

Boutique studios and personal training studios have their own significance, but they are currently in a turbulent period. Their business cycle is generally just of 1-2 years. The overall number of stores won't change, but after 2-3 years there will be a number of personnel replacements.

Generally, the entry threshold for the fitness industry in China is too low and without adequate standardization, and the quality of practitioners is uneven. This is not conducive to the development of the industry, and practitioners need to pay more attention to self-regulation.

Sport events hosted by Powerhouse have some influence on the fitness market. What was the purpose of holding such events?

19-90 Days Exercise Habits Competition is an independent IP we jointly launched with sports.people.com.cn in 2017. The event helps us implement our brand mission and values – it is a major event that dominates the strategic direction of the brand.

Participants are invited to join in sports and sign up for competitions and develop sports habits from the event over 90 days. Since 2017, the event has been held on a regular basis every year to promote national fitness. There are 19 fitness chain brands from all over the country participating in the event. Collectively the invited brands choose 19 celebrities with a healthy lifestyle to join as "fitness advocates". A series of promotional activities focusing on promoting healthy sports life are held in 19 cities in China, to attract more people to participate in sports. It has a big influence on the industry.

Taking Beijing and Shanghai as examples, what are your thoughts on the developmental differences and trends in the fitness industry in northern and southern China?

Generally, the maturity of fitness industry in Shanghai is higher than that in Beijing, with nearly 10,000 gyms and a large consumer base. The regional differences between the two cities lead to different consumption models – which is the main reason for the differences.

Beijing has an obvious class division with preference for large

and comprehensive gyms which show off users' social status; while people in Shanghai prefer fitness products with high cost effectiveness and small and boutique class. Consumers generally calculate spending per visit when comparing gyms – which is relatively rational.

Gyms in Shanghai rarely have annual membership fees exceeding RMB 10,000, while Beijing has many stores with average annual membership fees of RMB 10,000-20,000. Stores with an average annual membership fee of RMB 3,000 to RMB 4,000 have difficulty covering their costs, and may need to go to different places to fill in vacancies elsewhere.

What role do you think the domestic fitness industry association has played in the development of the fitness industry?

The fitness industry association is mainly responsible for management and coordination, similar to the leaders of Chamber of Commerce. They have authority and influence on the mass consumers. In the face of the current COVID-19 pandemic, we very much expect and need various industry associations and influential organizations to assume part of the responsibility for communication and put forward propositions that are conducive to the development of the industry.



Mr. Han Wei, Mr. Xia Dong

LeFit
Co-Founder

"... fitness demand is growing in China as a whole. With the emergence of gym brands, such as LeFit, focusing on mass consumption, more and more people are going to gyms, and the future growth points will mainly come from new-model gyms and personal training studios..."

Graduating from the department of Chinese language and literature of Shandong Normal University, Mr. Han Wei has served as the marketing director of Alibaba Group, the MG of Taobao Tianxia Media Company Limited, and the PR director and news spokesman of Alibaba's B2B listed company. He now serves as the co-founder and CEO of LeFit.

Graduating from Urban Planning of Wuhan University, Mr. Xia Dong obtained an MBA from Australian National University (a joint school programme with Tsinghua University) in 2007. He now serves as the co-founder and COO of LeFit. With nearly a decade of marketing management experience in large consumer e-commerce firms and nearly a decade of venture capital management experience, Mr. Xia Dong has an in-depth understanding of enterprise strategy, operation, supply chain management and capital.

In 2014, encouraged by the promising prospect of the sharing economy, the co-founders of LeFit, including Mr. Han Wei and Mr. Xia Dong, undertook a detailed analysis of the fitness industry and established a shared platform that connects users, trainers and venues. In 2018, LeFit has obtained four rounds of financing, entering the platform development stage. In 2019, it announced to the establishment of LeFit College.

As the first small-sized Internet-based gym brand focusing on 24-hour services, monthly payments, no upselling and smart service, could you give a brief introduction about the uniqueness and brand characteristics of LeFit?

LeFit is committed to being "the Uber in the fitness industry":

Rather than being a fitness chain brand, LeFit aims to be a platform company based on online technology, recreating and remoulding the users, venues and trainers of the fitness industry, and building up an online business and trainers' platform. User can enter the market, consume, inquire and reserve courses via the app without frequent communication with store staff. The Trainers' platform allows both group fitness and personal training trainers to gather on LeFit's Platform without management by stores.

Reshaping the fitness scene to be affordable to 90% of consumers:

LeFit has contracted gym stores from 3,000 m² to 300 m², reduced costs to one fifth to one tenth of traditional costs and cut the cost of users. By promoting monthly cards, 90% of consumers can afford LeFit's fitness; LeFit venues are smart and open 24-7, allowing for online business and product standardisation.

With high levels of income, personal trainers are dedicated to services:

LeFit has a different training system to the traditional "direct sales" model. Following a platform model, trainers sign contracts with the platform, yet the relationship between trainers and the platform is not one of employees and employer. They receive a high proportion of the profit. Taking a personal training course for example, 30% of profit accrues to the platform while the remaining 70% is accrued to the trainer. This is nearly the exact opposite ratio to traditional gym's profit distribution. In this regard, trainers don't need to constantly try to upsell work and can spend more time enhancing their skills to match the market's demands. In addition, LeFit has established the LeFit College, committed to upgrading the course supply chain and improving trainers' training systems.

A lower consumption threshold means more frequent consumption:

by setting up stores every kilometer, 24-hour service and smart systems, LeFit has made fitness more convenient and improved the frequency of users' consumption. By reshaping the fitness scene to reduce consumption barriers, the mass public is able to afford gyms consumption.

What's the impact on the market of new-model gyms?

The new charge model of paying per visit or by months is closer to user's life circle. Overall, China's fitness market has a lower penetration rate compared with Europe and the US, and even Japan and Korea. The main reason is that the pre-sale of annual memberships is a relatively high threshold for mass consumers,

which is the problem that LeFit needs to solve – and has been trying to solve. The uniqueness of new-model gyms such as LeFit, compared with other segments, is that they are more closely align with users' life circles, and can attract more users to the industry to enhance the fitness penetration rate and cultivate fitness habits. According to LeFit's data, the fitness penetration of the surrounding population increases 4-5 times once there is a LeFit gym near. The average user comes to LeFit for 7-8 times per month. Gyms every 2 kilometres is economical. LeFit contracted store sizes from 3,000 m² to 300 m². Effective members (active members) can be up to 500-600 per store, with 200-300 DAU – 10 times of that in traditional gyms – and the retention rate for the next month is above 60%.

Could you give a brief introduction about LeFit's current development and future planning?

LeFit is still under its expansion stage in terms of both business and store layout. We divide LeFit's development into three stages: direct operation stage (2015 - 2018): from 2015 to the end of 2018, LeFit operated more than 300 direct operated stores. Platform stage (2019 – to present): this stage has several typical characteristics. The first is offline, the asset side invests in the partner model, and LeFit becomes an empowerment platform. Here is where we truly begin to practice the S2b2c model. In order to further optimize the supply chain and build the platform, LeFit has also started to establish a college. Then there is the post-platform stage: after the platform stage, the LeFit model will develop into an industry centered platform + brand matrix.

LeFit plans to have more than 1,000 stores by 2021, covering tier 1-3 markets and covering office buildings, shopping malls, industrial parks and residential areas. From a business perspective, apart from 24-hour gyms, LeFit has also established sub brands to meet the demands of various users. Our brands have mass market pricing. LOVEFIT (boutique studios), mainly distributed in Beijing and Shenzhen, will enter tier 1 and 2 cities with higher spending power in the future. We also have Feeling me (personal training studios), distributed in Hangzhou currently; and CrossFit (5 stores), also distributed in Hangzhou.

Will there be any changes of fitness consumers in China in the future?

Fitness consumers are increasing, especially for personal training and group fitness. Fitness demand in China is increasing as more and more people go to gyms. Currently, 70% of consumers are people born in the 80s and 90s, and the remaining percent is composed of people born in the 70s or after 2000. The number of personal training and group fitness consumers are increasing.

The pandemic has accelerated the emergence of users' fitness awareness. After the breakout, the demands for personal training and training camps surged. The number of personal training active users is essentially level to the peak season level of last year, and the personal training penetration rate has increased by 30% compared with the same period of last year.

What do you think are the development trends in the fitness industry under this environment of emerging personal training studios and new-model gyms?

Market disruption is accelerating, as new users pour into new-model gyms and personal training studios.

First, impacted by intensified competition, individual stores will have a tougher time around customer acquisition, especially mid-to-low end gyms that have to survive severe competition. The growth in user demand in the forthcoming 3-5 years will mainly come from new-model gyms and personal training studios, attracting new customers through better service. LeFit is not like other new-model gyms (though from a consumer's perspective our operations look the same). LeFit will not compete with other brands, in accordance with our planning, we will continue to develop our platform in the future.

What do you think about the different charge models of gyms?

Long-term pre-paid cards will be gradually be eliminated from the market, while short-term cards needs to be service-oriented to retain customers.

From the perspective of consumers, moving from annual to monthly cards, reduces the cost of trying out fitness and the risk of choose the wrong gym. The monthly card sales model is operation-oriented, mainly relying on services and content, while the traditional annual card sales model is marketing-oriented.

National policies eliminating long-term pre-paid card are still in a preparation stage and there will be a long time before implantation. However, [in the long run] they will be beneficial to the health development of the whole industry.

LeFit has maintained positive growth after the outbreak, and the sales in May exceeded RMB 101 million, with revenue increasing by 11%. What's the key to success? And what measures have been taken?

Accumulating a good word of mouth: LeFit has continuously improved the stores' basic operational capacity for the past 5 years. We are committed to building national gyms with clearly improved service standards, store environment, trainers' quality etc. The net recommended value of stores from LeFit's members is above 65%.

In-place measures ensure many stores can rapidly open:

LeFit has proactively prepared various anti-epidemic measures as early as in February. To ensure the smooth reopening of stores, LeFit has spent millions [of RMB] to purchase anti-epidemic materials. Under the guidance of the government, most stores opened in early March – though at the time, LeFit was running at a loss, as users were allowed to exercise for free. But we were able to meet the needs of fitness users, which helped further build our reputation among our members.

Taking advantages of 528 Carnival:

The 28th of May of each year is LeFit's Members' Day. Though affected by the pandemic this year, LeFit live broadcasted to 800,000 households (synchronising our online and offline activities). For LeFit's members, 528 Carnival is a festival where we offer discounts to reward members on the day.

Advantages of our model: in the S2B2C model, LeFit has remoulded the relationship between the platform, trainers and stores, and innovatively divided our business into thousands of business segments. As an enabling platform for store partners and trainers, LeFit cultivates their business awareness, assisting them to accomplish their goals and take the initiative.

After the breakout, many offline brands have promoted online courses. What do you think of the future development of online fitness courses?

The online trend is inevitable – returning to the essence of the fitness industry is key. Most offline gyms blindly stepped into the in online business space before carefully thinking about the process of live broadcasting, the shooting method, setting up online courses etc. During the epidemic, many gyms made big live broadcast gimmicks, but the actual

number of viewers was about 100 people. Before the pandemic, LeFit prepared for its online business for half a year. During the pandemic, LeFit enjoyed more than 2 billion in online views. In our opinion, online fitness courses must return to the essence of the fitness industry. The development is divided into three stages: the first stage is to capture traffic, the second is to shift public traffic to private traffic so as to realize a commercial closed loop, and finally to realize the monetization of the traffic.

However, online courses cannot replace offline teaching. The effect of online guidance is weaker than that of offline teaching. After the [pandemic] prevention measures are fully in the past, the fitness consumption will turn back to offline teaching.

What kind of online courses will be more competitive in the future?

The capacity to develop online courses is critical. LeFit has in-depth cooperation with internationally renowned fitness bodies such as Les Mills and Zumba, and we have been upgrading our capacity to self-developed our own courses. In terms of designing the course schedule and the curriculum of courses, LeFit is leading in the domestic market. There are four kinds of courses in LeFit's live broadcasting room: dance,

Yoga, fighting and body shaping. Each category has different difficulty levels, so they can meet fitness demands of users with different training levels.

The second key point is the variety of course categories. In April 2020, LeFit and Alipay's parent-child channel developed a parent-child Yoga course, which was well received by young families. At the same time, LeFit also started to explore courses related to parents-and-children, the middle aged and elderly, square dancing, popular dances from Douyin etc., and has promoted a series of popular online courses.

The third key point is the professionalism of the training team. Led by Les Mills' international ambassador Lunar, LeFit's live broadcasting training team is composed of Johnson, the project leader of Les Mills' China BJ project, as well as Les Mills' trainers Yang Jin, Nicko, Heng Shan, Jia Qi, Si Si, and Joy; as well as Hero, from Zumba, Da He, Da Dan, Shui Shui, Candy and other prominent star trainers. In addition, there are more than 8,000 platform coaches as supply chain reserves.



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