



**The Corporate Wellness Segment**

A view into potential opportunities and challenges for the market





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The Health and Fitness Industry continues to expand worldwide, with a growing number of facilities and members driving increased revenues, ultimately leading to a broader adoption of healthy habits.

As the industry -- including health and fitness centers, intermediaries, exercisers and others -- has significantly evolved over the years, widespread opportunities continue to arise for both new and existing industry players.

With growth, however, comes more competition, and in some cases health clubs are facing ongoing challenges to increase their memberships and boost market share.

One rich opportunity exists within the corporate wellness market, where companies are investing in programs to attract and retain employees, to promote healthy and active lifestyles. These programs are becoming increasingly popular and valuable to many corporations.

The fitness industry is well-positioned to serve corporate clients, resulting in a win-win partnership. Companies gain an in-demand, widely appealing wellness program, while health clubs benefit from incremental traffic and higher revenue.

The Deloitte team interviewed multiple sector experts for this in-depth examination of the opportunities and challenges within the corporate fitness market.

Sincerely

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# 1. Scope and methodology



## The Corporate Wellness Segment

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Scope and  
methodology

This report aims to understand to what extent the growing emphasis on corporate wellness is an opportunity for the Health and Fitness Industry (hereafter, H&F industry), including an assessment of how the fitness industry and corporation are currently addressing this issue, as well as the potential challenges and associated risks therein.

This report focuses on three areas:

- The relevance of the Corporate Wellness segment for the H&F industry as an opportunity for growth.
- An overview of corporate wellness programs and the readiness of both companies and health and fitness centers (hereafter, *H&F centers*) to offer these benefits to employees.
- The role that Third-Party Providers<sup>1</sup> are playing in this field to capture the Corporate Wellness segment, according to the perceptions of Corporate Wellness and H&F centers that partner with them.

The report contains a variety of information derived from publicly available sources. The Deloitte team has not audited or otherwise performed any assurance or verification work in connection with preparing this report. All sources have been disclosed throughout the document.

The figures shown are usually rounded. Therefore, in some cases, sums, shares or growth rates cannot be exactly recalculated based on other stated figures, because the underlying calculation is based on more precise (unrounded) values.

All information provided and the analysis performed are based on two sources:

- Public industry reports used to obtain market information of the H&F industry<sup>2</sup>, that are expressed from a global perspective, but also focused on the countries in three specific regions: North America, Latin America and Europe.<sup>3,4</sup> (The countries covered: United States, Brazil, Argentina, Mexico, Chile, Spain, Germany, United Kingdom, Italy and France; hereafter, *selected countries*).

1 Third-Party Provider definition. Providers that act as intermediaries between H&F centers and companies in order to offer access to a global network of H&F centers to company employees (B2B focus). They can also be intermediaries between H&F centers and individuals that offer a global network of H&F centers (B2C focus). This report only considers the Third-Party Providers with a business-to-business (B2B) model, and does not include any aspect regarding Third-Party Providers that focus on business-to-consumer (B2C).

2 This report does not aim to constitute a complete market analysis of the H&F industry. Industry data from other public reports are shown only to obtain a context of the market in the analysis of the Corporate Wellness segment.

3 An exhaustive economic analysis is not conducted here; this report solely delivers the qualitative approach regarding economic indicators. Financial figures that might affect the current and future state of the H&F industry revenue share are not taken into account here.

4 The United States is the leading country in North America in terms of revenues in 2018. Brazil, Mexico, Argentina, and Chile are the leading countries in Latin America in revenues in 2018 (except Colombia, which is in fourth position, but is not considered in the scope). Germany, the United Kingdom, France, Italy and Spain are the top countries in Europe for revenues in 2018.

## The Corporate Wellness Segment

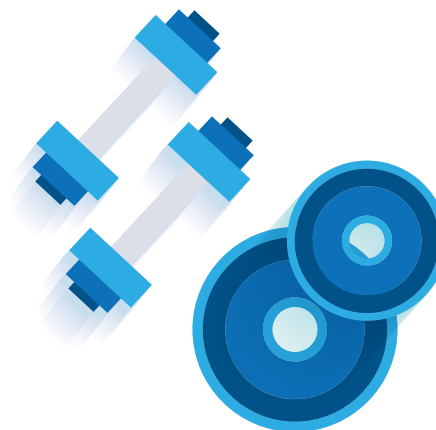
A view into potential opportunities and challenges for the market

Scope and  
methodology |

- Interviews and questionnaires administered by Deloitte to stakeholders of the corporate H&F industry (hereafter, *Deloitte survey*). Concretely, Deloitte has conducted surveys of 72 stakeholders<sup>5</sup> in the H&F industry, covering the 10 aforementioned countries. The stakeholders interviewed were from the demand side (company's Human Resources departments, hereafter *HR departments*) and from the supply side (decision-makers at H&F centers).

The sample of interviews performed include two-thirds of both stakeholders (HR departments and H&F centers), that are collaborating with at least one Third-Party Provider. One-third of the HR departments and H&F centers interviewed are not currently collaborating with any Third-Party Provider. Conclusions portrayed from these interviews and questionnaires constitute a sample of particular opinions. If any other HR departments and H&F centers were interviewed, results may vary.

The value judgements throughout the report, do not come from Deloitte, rather from the insights of the stakeholders interviewed according to the methodology procedures established. The quotes in this report allude to general, and not individual, insights provided by the HR departments and H&F centers interviewed by Deloitte. They are represented as an aggregated perspective, surpassing a considerable and determined percentage of participants whose opinions coincide.



<sup>5</sup> Insights, data and figures obtained from the Deloitte survey are those that correspond to the HR departments and H&F centers interviewed. This sample includes 72 stakeholders, if any other HR departments and H&F centers were interviewed, results may vary.

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Additional information about the sample stakeholders:



### Companies interviewed: profile

#### Sector

- Manufacturing
- Financial Services & Banking
- Retail
- Logistics
- IT
- Entertainment
- Professional Services
- Mobility
- Aerospace

#### Number of employees

- >10,000 employees..... 47%
- 1,000 - 5,000 employees ..... 28%
- 5,000 - 10,000 employees..... 16%
- 0 - 1,000 employees ..... 9%

#### Employee data (average)



#### Location of offices

- Western Europe..... 22%
- Latin America..... 18%
- North America..... 17%
- Central & Eastern Europe..... 17%
- Asia-Pacific..... 14%
- Middle East & Africa ..... 13%



### H&F centers interviewed: profile

#### Typology

- Independent private gym
- Boutique Gym (specialized studios)
- Private franchised gym
- University gym
- Fitness center management company
- Privately managed municipal gym
- Private group gym

#### Number of employees

- 0-50 employees ..... 42%
- >250 employees..... 39%
- 50-250 employees ..... 19%

#### Center data (average)



#### Location of the H&F centers

- Western Europe..... 44%
- Latin America..... 33%
- Central & Eastern Europe..... 13%
- North America..... 10%
- Asia-Pacific..... 0%
- Middle East & Africa ..... 0%





## 2. Corporate Wellness as a growth-driver for the Health and Fitness Industry

## The Corporate Wellness Segment

A view into potential opportunities and challenges for the market

Corporate wellness  
as a growth-driver

This section analyzes the relevance of the Corporate Wellness segment as an opportunity for the H&F Industry, with an overview of:

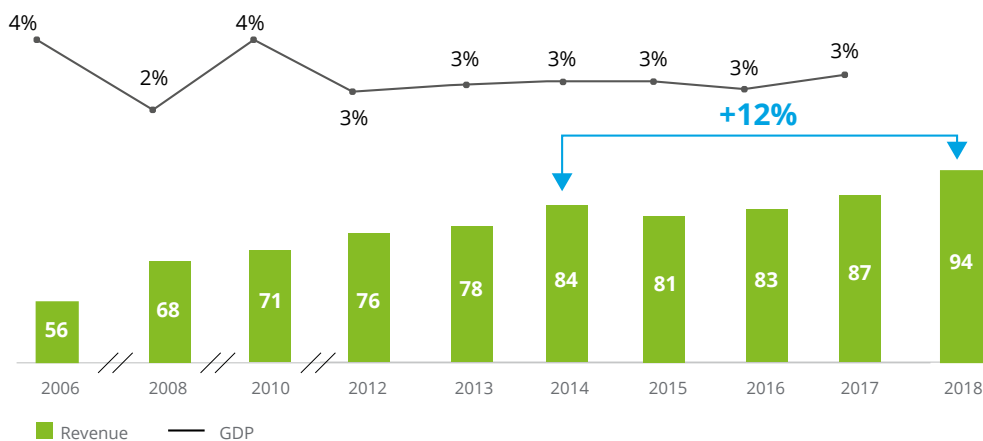
- The recent evolution of the industry in terms of revenues, members and clubs in the different markets within the scope.
- The market competition across regions and the ability of leading operators to increase their market share.
- Challenges for the H&F industry within this market context.

- Perspectives of H&F centers interviewed on how to address those challenges, and the potential of the Corporate Wellness segment as growth stimulus.

### 2.1 Recent industry evolution

The Global H&F industry shows resilience over the years, presenting constant growth even during unsteady global economic periods. In 2014, the total worldwide revenue was approximately \$84 billion, and it continues to grow. In 2018, it was \$94 billion, an increase of 12%<sup>6</sup>.

Evolution of global annual H&F industry revenue, Bn<sup>7</sup> USD and annual growth % GDP



Source:  
IHRSA Global  
report 2006-  
2019 and Data  
World Bank

<sup>6</sup> \$ as U.S. dollars, in written form USD (hereafter, \$+number or unit+USD).

<sup>7</sup> Bn as Billion (hereafter, Bn). Numerical equivalent 10<sup>9</sup>.

## The Corporate Wellness Segment

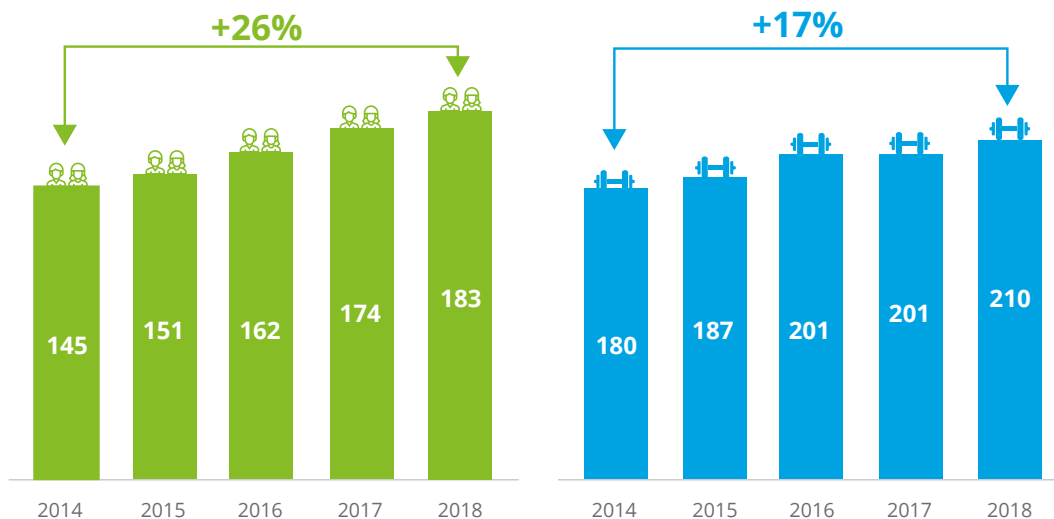
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as a growth-driver

From 2014 to 2018, market growth was driven by a 17% increase in the number of clubs globally to 210,000, and a 26% total increase in members during the same period, to 183 million in 2018.

In 2018, the International Health, Racquet & Sportsclub Association Board<sup>8</sup> announced a global initiative for H&F centers, to reach 230 million club members by 2030<sup>9</sup> as an industry challenge. That amounts to a 32% increase worldwide in approximately one decade.

Evolution of global number of H&F members and clubs (2014-2018), *M*<sup>10</sup> members and *k*<sup>11</sup> clubs



Source: IHRSA Global report 2015-2019



Members



Clubs

<sup>8</sup> IHRSA, The International Health, Racquet & Sportsclub Association.

<sup>9</sup> IHRSA Board Chair 2018 in San Diego, Derek Gallup.

<sup>10</sup> M as million (*hereafter, M*). Numerical equivalent 10<sup>6</sup>.

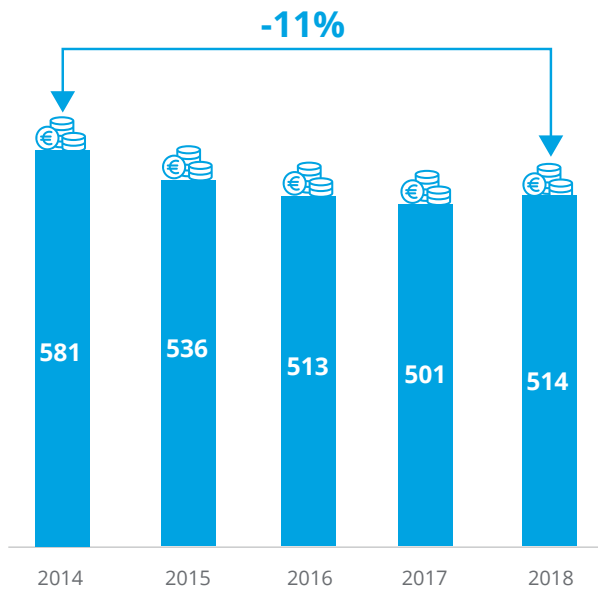
<sup>11</sup> k as thousand (*hereafter, k*). Numerical equivalent 10<sup>3</sup>.

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### Evolution of the annual revenue per member (2014-2018), USD<sup>12</sup>



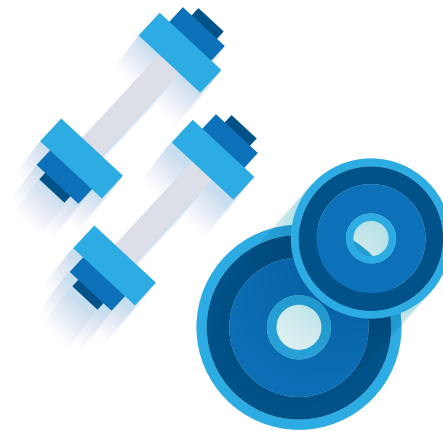
Source: IHRSA Global report 2015-2019



Revenue per member

Concurrently, revenue per member has declined by 11% from 2014 to 2018, which is an indicator of the increasing number of low-cost operators in some regions.

In this context, the greatest portion of the total revenues and members is concentrated in North America the, with 38% of the total market in both indicators. Europe amounts to 34% of the revenues and 35% of members. In terms of number of clubs, Latin America holds the first position, with 32% of the total clubs, surpassing 68,000.



<sup>12</sup> Revenue per member estimated as total H&F industry revenue/total number of members per year.



















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as a growth-driver

### H&F industry main indicators by region (2018)



North America	Latin America	Europe	Middle East & North Africa	South Africa	Asia-Pacific
 35.3 Bn\$	 5.9 Bn\$	 32.1 Bn\$	 2.3 Bn\$	 1.6 Bn\$	 16.8 Bn\$
 68.6 M	 21.6 M	 64.3 M	 3.8 M	 2.1 M	 22.5 M
 46.2 K	 68.2 K	 64.0 K	 5.8 K	 1.0 K	 25.1 K

Source: IHRSA Global report 2019

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as a growth-driver

Taking a closer look at the countries within the scope of this report, the level of development of H&F industry diverges from one country to another:

- In North America, the United States is considered the world's biggest market and has one of the highest penetration rates at a global level (20.8%, following Sweden and Norway).
- In Europe, penetration rates present margin for growth. Germany holds the first position in terms of revenues, followed by the United Kingdom.
- Latin America has the highest margin for growth in penetration considering the population. Brazil is the largest market for the region in terms of revenues, members, and clubs.

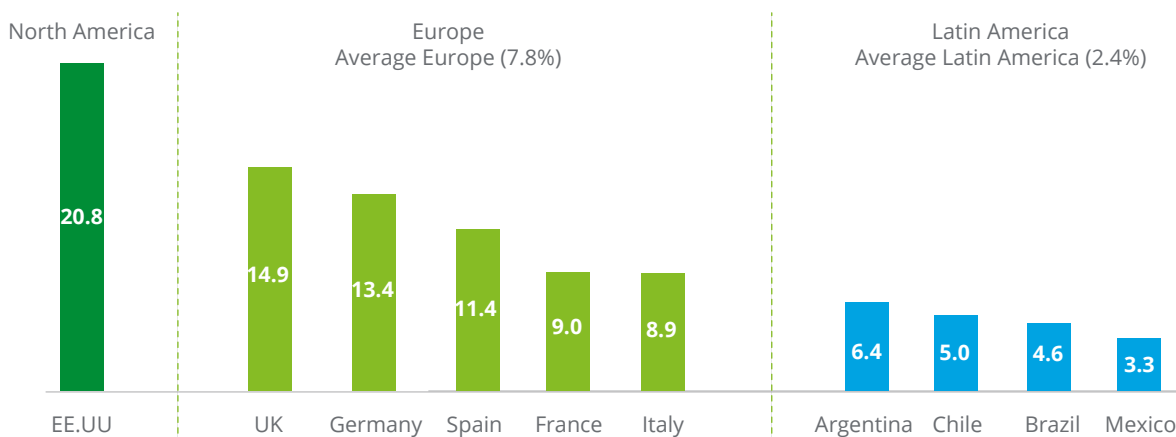
## H&F industry main indicators of selected countries in Europe and America (2018)

		Latin America				
		North America	Brazil	Mexico	Argentina	Chile
Bn\$		32.3	2.1	1.9	0.7	0.2
M		62.5	9.6	4.3	2.9	0.9
K		39.6	34.5	12.9	8.3	2.3
		Germany	UK	France	Italy	Spain
Bn\$		6.3	6.2	3.0	2.7	2.7
M		11.1	9.9	6.0	5.5	5.3
K		9.3	7.0	4.4	7.7	4.7

 Revenue (Bn USD)
  Members (M)
  Clubs (K)

Source: IHRSA Global report 2019

### Membership penetration index<sup>13</sup> of selected countries in Europe and America (2018)%



Source: IHRSA Global report 2019

While the market is growing globally, the average revenue per member is decreasing, with the United States and Europe leading in terms of membership penetration.

## 2.2 Market competition across regions: leading operators

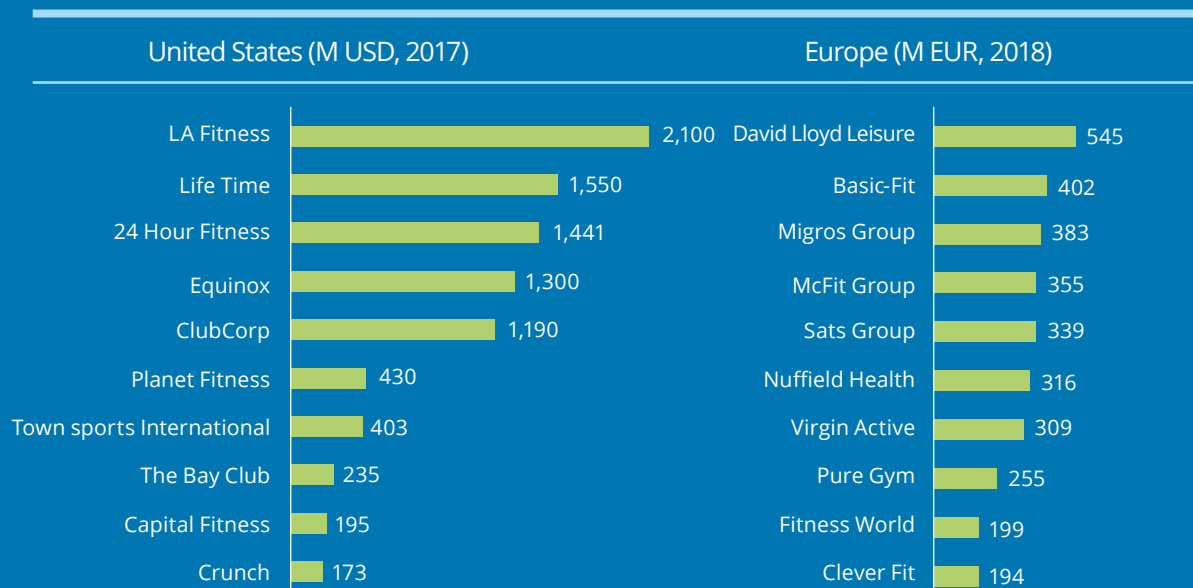
In Europe and the United States, which are more mature markets than Latin America, their leading operators are able to perform above the market average:

- In the United States, the top 10 H&F operators (in terms of revenues) comprise 30% of total industry revenues, with 9% of the market in terms of clubs.
- In terms of revenue, the European health and fitness market grew by 1.2% in 2018. The top 10 operators grew by 8.1% in 2018, and captured 12.1% of the market to equal EUR 3.3 billion (low-cost operators are experiencing a faster growth rate within this group). With respect to clubs, the top 10 operators represent the 4% of the market. Nonetheless, the market remains relatively fragmented<sup>14</sup>.

<sup>13</sup> Penetration index calculated as the percentage of memberships divided by the total population of the country or geographical area.

<sup>14</sup> European Health & Fitness Market 2019, Deloitte.

## Top 10 U.S. and European H&F operators by revenue<sup>15</sup>



Source: United States: The top 100 health clubs of 2018, Club industry. Europe: European Health & Fitness Market 2019, Deloitte.

\$9,017 M ← TOP 10 operator revenue → \$3,297 M

≈30% Market share obtained by TOP 10 operators ≈12%

<sup>15</sup> Market share of top 10 operators is based on revenues/ total revenues of the industry per region (US or Europe).



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as a growth-driver

In this context, new digital players are entering the market to offer new ways of accessing exercise, in direct response to the widespread technology

adoption by Millennials and Z Generation.<sup>16</sup> According to CB Insights,<sup>17</sup> there are three main fitness tech innovation drivers:

### Fitness tech innovation drivers and example of operators providing the service

(Illustrative, non-exhaustive)

#### On-Demand and subscription models

- Access to a class with a fitness pass.
- Live streaming classes.
- Audio fitness app.
- Competitions in real time with other users.
- Advice related to wellness (i.e., weight-lifting mistakes).



#### Fitness integration with holistic wellness

- Activities related to mental health and exercise.
- Nutrition advice and meals for purchase.
- Access to exercise videos with different modalities (yoga, cycling).
- Doctor consultation and health coach check-up.



#### Bundling services (Hardware & Software)

- Modern and innovate devices to exercise (Peloton bike, mirror, tonal boxing gloves).
- Access to studio classes.
- Live streaming activities to work out from home.
- Competitions in real time with other users.



Source: Deloitte elaboration based on the paper "Reinventing the gym", CB insights and corporate web pages of the operators

In addition, digital giants are pushing into the H&F industry by developing wellness initiatives through their virtual assistants. For instance, Amazon has created a specialized team for its corporate Alexa division called "health and wellness" in order to offer advice through the virtual assistant

to help users live healthier lifestyles<sup>18</sup>. Google is also working on a new health and wellness virtual assistant, *Google Coach*, to track workouts, recommend exercises, create a weekly meal plan and to encourage users to be more physically active and healthy<sup>19</sup>.

<sup>16</sup> Generational life styles, Nielsen.

<sup>17</sup> The Rise of the Wellness Economy, CB insights.

<sup>18</sup> CNBC, article published May 10<sup>th</sup>, 2018.

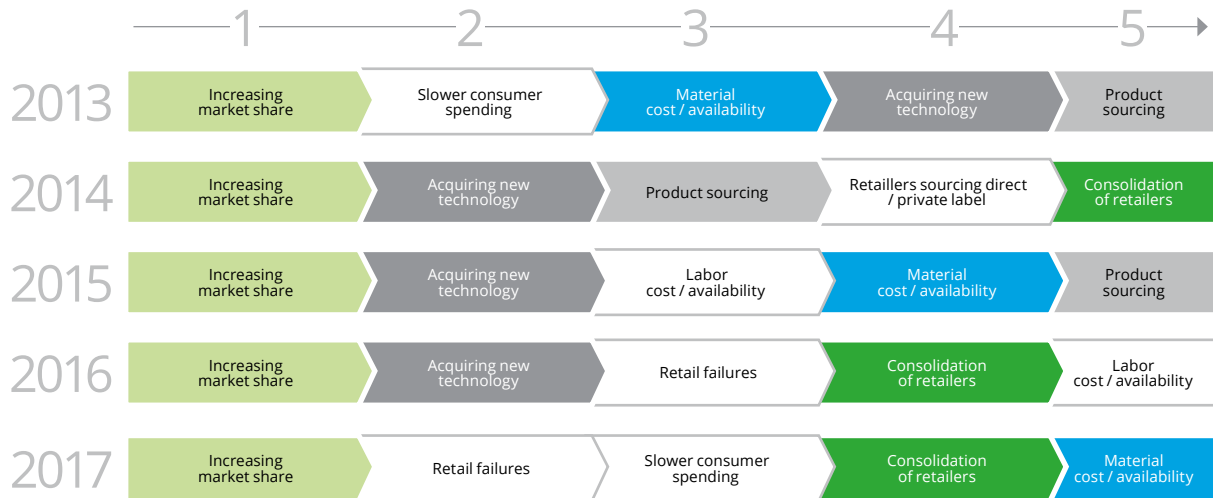
<sup>19</sup> Android police, article published Aug 15<sup>th</sup>, 2018.

**2.3 Main challenges of the H&F industry**

In this new competitive market, challenges are shifting in an evolving landscape. In the United States, a reference market, increasing market share

remains the primary challenge over the past five years, while acquiring new technology leads to other concerns, such as slower consumer spending and the consolidation of retailers.

Illustration of the Top 5 U.S. fitness business concerns<sup>20</sup>



Source: 2018 State of the industry, SFIA

<sup>20</sup> The concerns that are repeated three or more than three times over the past five years are coloured.

## The Corporate Wellness Segment

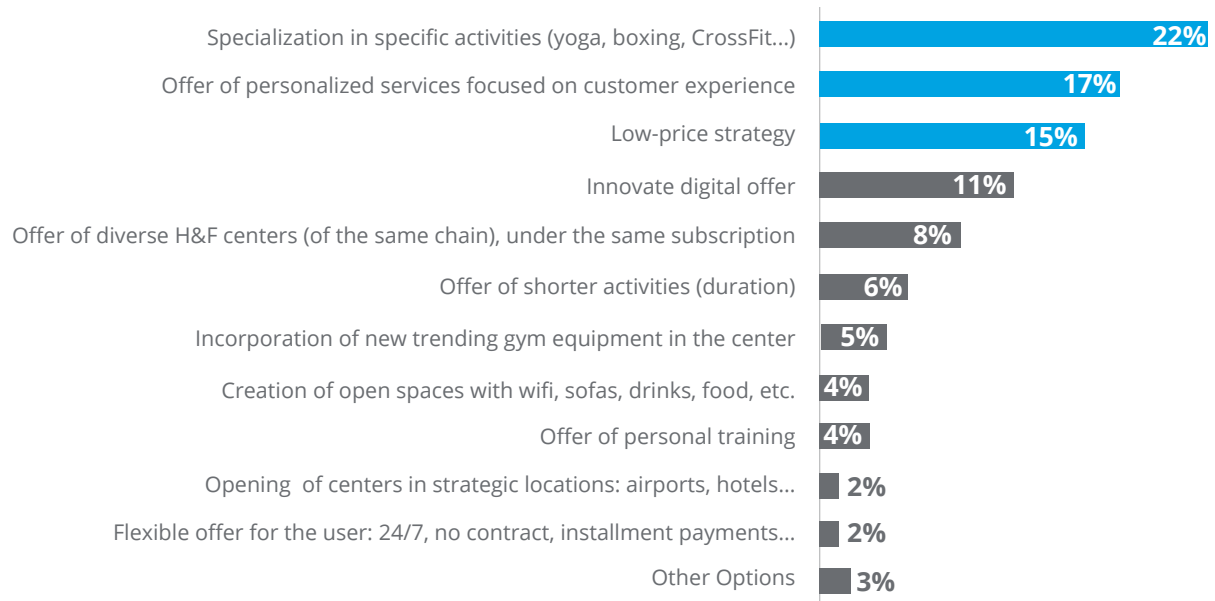
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Corporate wellness  
as a growth-driver

According to the Deloitte survey, the H&F centers interviewed are following different strategies to improve their position in the market. Most commonly,

they are trying to differentiate through special activities, personalization, or low-price strategy.

### Positioning strategy of H&F centers



Source: Deloitte survey

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Corporate wellness  
as a growth-driver

Regarding future growth opportunities, in addition to customer base consolidation through mergers and acquisitions, the H&F centers interviewed emphasized the importance of reaching a new client base by offering differential services (28%) and expanding current services to a new segment, Corporate Wellness (22%).

### Main growth opportunities for the H&F industry

Increasing their market share of individual clients with their current services

28%

Evolving the actual offer of services to the new trends to capture new types of clients

28%

Capturing corporate clients with their current services

22%

Expanding their presence to other territories (national or international)

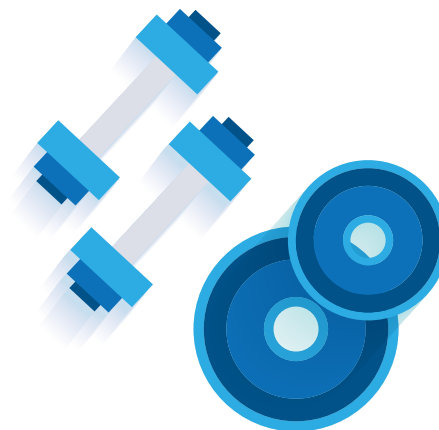
12%

Mergers and Acquisitions

10%

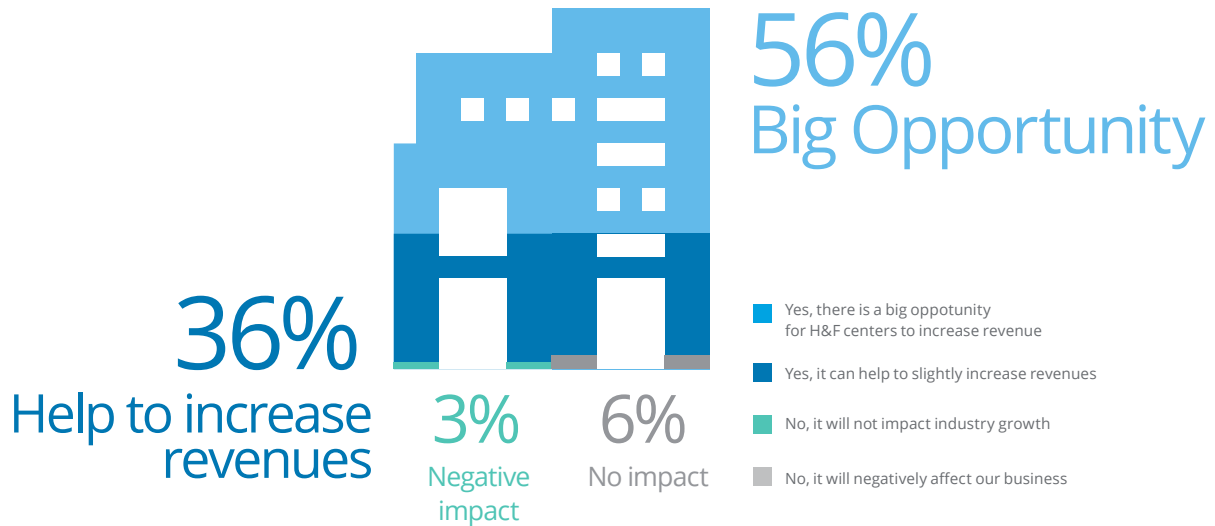
### 2.4 Perspectives of H&F centers on Corporate Wellness Segment

Most of the H&F centers interviewed considered the Corporate Wellness segment a big opportunity to increase revenues, and only 9% of the H&F centers interviewed did not consider this segment a revenue opportunity, with 3% stating that corporate clients merely cannibalize other segments.



Source: Deloitte survey

### Perception of Corporate Wellness as a growth opportunity for H&F industry



Source: Deloitte survey

In the past, H&F centers have experienced difficulties reaching corporate clients. According to the Deloitte survey, 44% of respondents indicated that between 1% and 5% of their total annual revenues come from corporate clients.

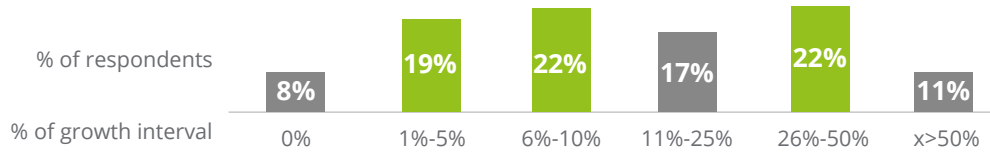
Among those that consider this segment a growth opportunity, 22% estimate that the revenues of H&F centers coming from corporate wellness will increase either between 6%-10% or 26%-50% over the next three years.

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### 3-year growth expectation of Corporate Wellness revenues in H&F centers



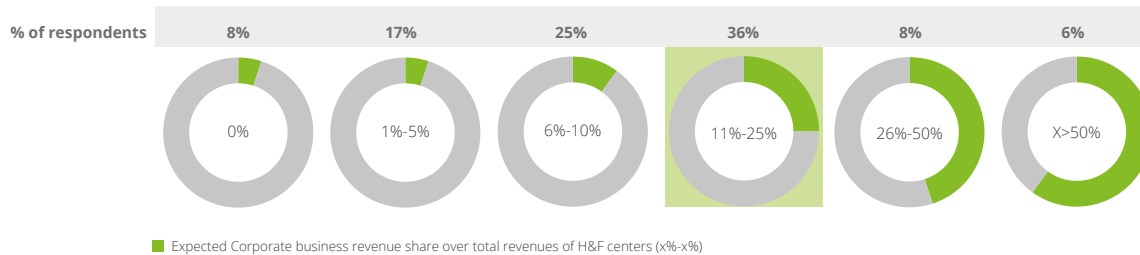
Source: Deloitte survey

In addition, for 36% of respondents, corporate wellness revenue share will be between 11% and 25% of the H&F centers' total revenues in three years. Six percent

of the H&F centers interviewed predicted that corporate wellness will comprise more than half of total revenues.

### Anticipated Corporate Wellness revenue as part of overall revenue

How much of the total revenue of your H&F center is expecting to be able to capture in the next 3 years in the corporate business



Source: Deloitte survey

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# Bottom line

Corporate Wellness appears to be an opportunity for growth for H&F centers, based on the following findings:

- The fitness industry is growing globally in terms of revenues, members and clubs, while the average revenue per member is decreasing.
- Leading operators in the referenced markets, such as the United States and Europe, are able to exceed average market performance, with low-cost operators presenting a faster growth rate in Europe.
- In this competitive context, increasing market share continues to be one of the primary concerns for the industry.
- Thus, H&F centers interviewed have emphasized the importance of implementing strategies beyond customer retention, aimed at expanding new clients or segments, with Corporate Wellness as one of the opportunities to explore.

56% of the H&F centers interviewed consider Corporate Wellness a big opportunity for growth, with 36% indicating that it will help increase their total revenues.

Corporate wellness  
as a growth-driver

A blue and black shaker bottle is positioned diagonally in the lower right quadrant. In the upper right, a portion of a dumbbell with a black handle and a brass-colored weight is visible. The background is a dark, textured surface, possibly a gym floor or mat.

### 3. Corporate Wellness overview





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Corporate  
Wellness overview

Most of the H&F centers interviewed indicated that Corporate Wellness is an opportunity to increase revenues by capturing new customers.

However, the way in which both H&F centers and corporations implement a sustainable partnership to benefit corporations, employees and H&F centers is of concern.

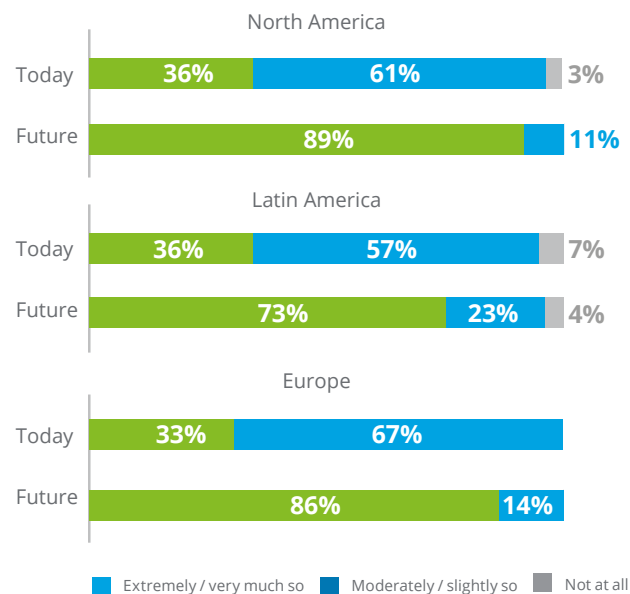
This section provides an overview of:

- The relevance of the Corporate Wellness culture and related programs.
- Priorities and benefits that corporations seek when implementing a wellness program.
- Difficulties faced by companies in implementing wellness programs.
- Challenges facing H&F centers in partnering with corporations.

### 3.1 The relevance of the Corporate Wellness culture and programs

Companies today are increasingly concerned with the health and well-being of their employees.

### Organizations with a culture of well-being in the Americas and Europe



Source: Working Well, a Global Survey of Workforce Wellbeing Strategies 2016, Xerox

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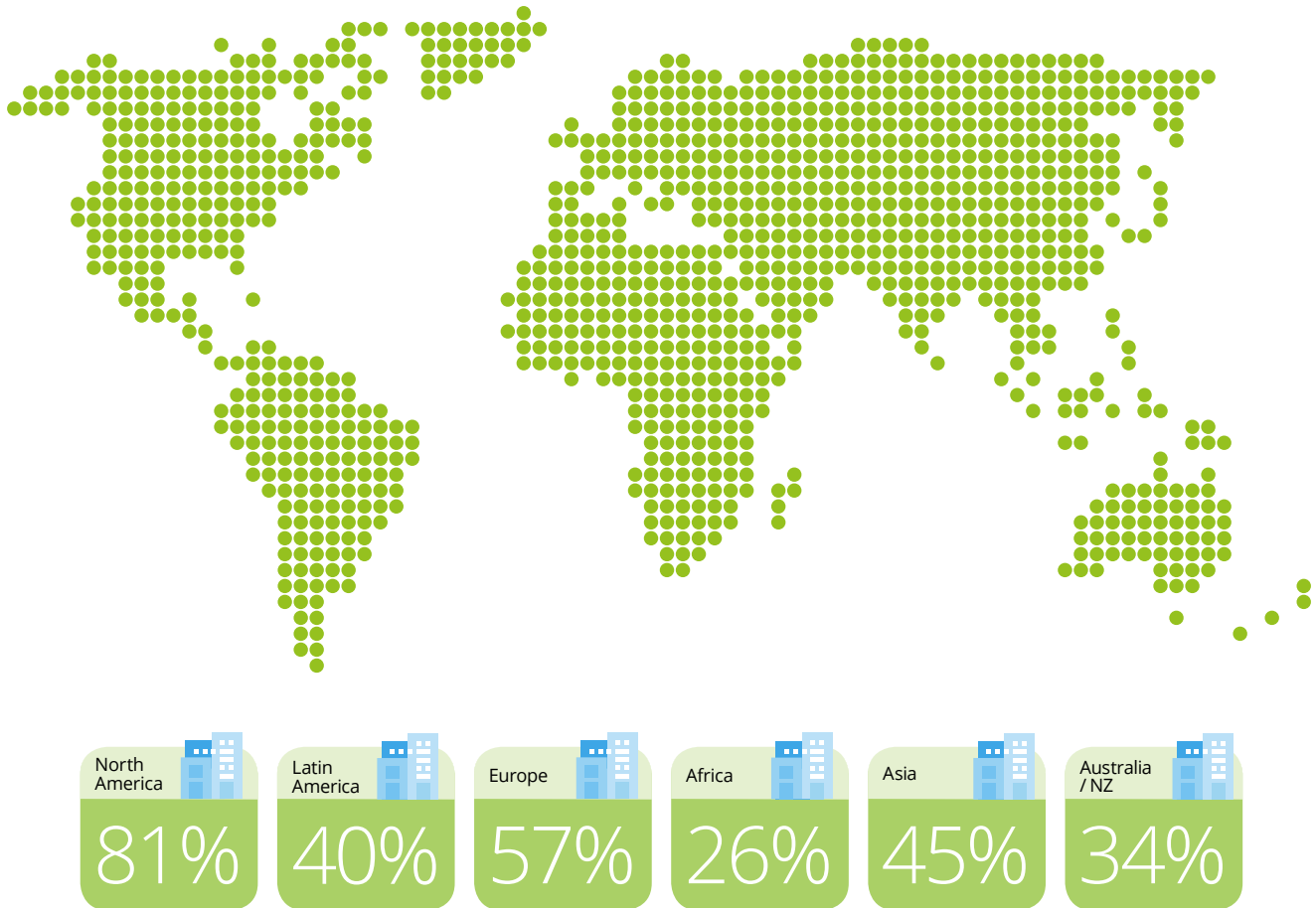
Corporate  
Wellness overview

However, while there is an acknowledgement of the value of a culture of wellness, and an increasing expectation of corresponding corporate offerings, the reality is that companies have more work to do to implement these programs.

Among multinational organizations stating that they offer wellness programs, North America is the most mature region, with 81% of companies offering them. Europe follows with 57%, and the remaining regions fall under 50%, including Asia and Latin America, which are 45% and 40%, respectively.



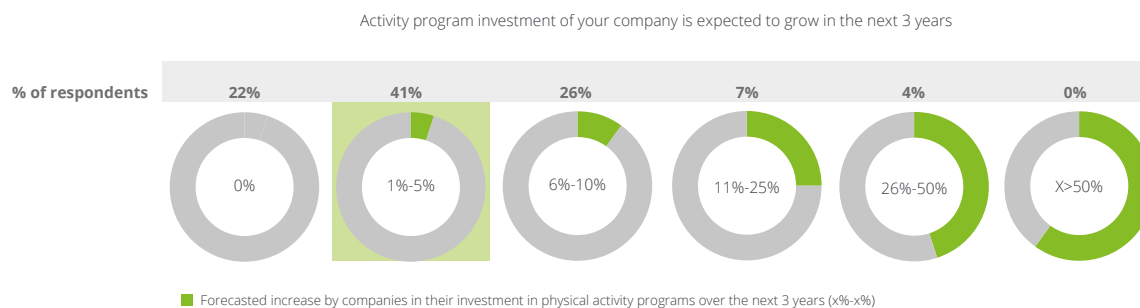
### Multinational organizations offering well-being programs (%)



Source: Working Well, a Global Survey of Workforce Wellbeing Strategies 2016, Xerox

This trend is only increasing. In fact, 78% of the HR departments interviewed by Deloitte would consider increasing their current investment in their physical activity programs.

### Expected investment growth for physical activity programs in next 3 years



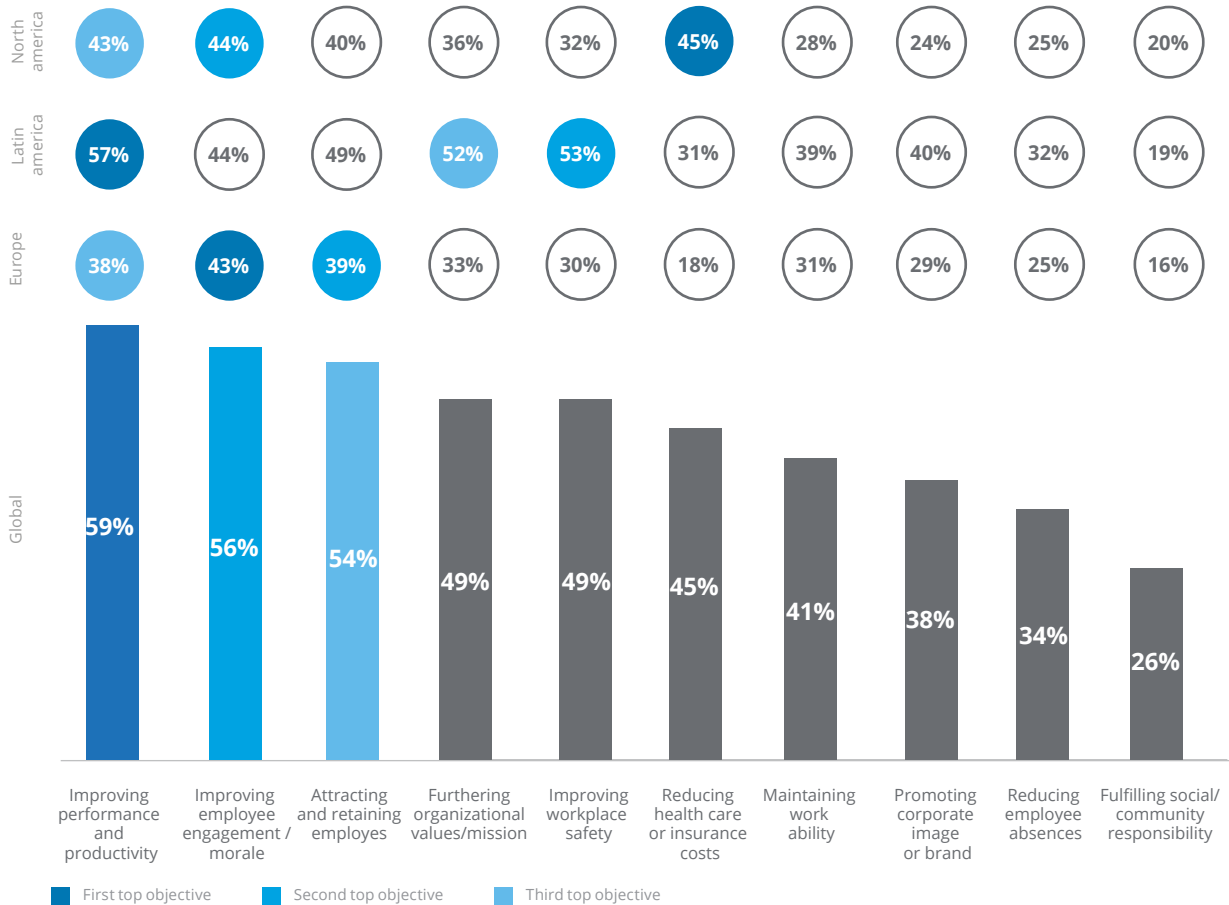
Source: Deloitte survey

### 3.2 Priorities and expected benefits for corporations implementing a wellness program

Companies state the top 3 priorities to develop a wellness program are: "improving performance and productivity," "improving employee engagement and morale" and "attracting and retaining employees."

- For North America, the primary goal is to reduce health care or insurance costs.
- Latin America prioritizes improved performance and productivity.
- Europe aims to improve employee engagement and morale.
- For the companies in the Deloitte survey, the main benefits of a wellness program are reducing employee sedentariness (32%) and improving talent retention (25%).

Wellness program objectives for companies<sup>21,22</sup>



Source: Working Well, a Global Survey of Workforce Wellbeing Strategies 2016, Xerox

21 The global figures represent the top well-being objectives globally. The figures per regions represent the percentage of companies considering those objectives as "Extremely important".

22 Percentages do not add up to 100% due to multi-choice survey (and ability to choose more than one objective per organization).

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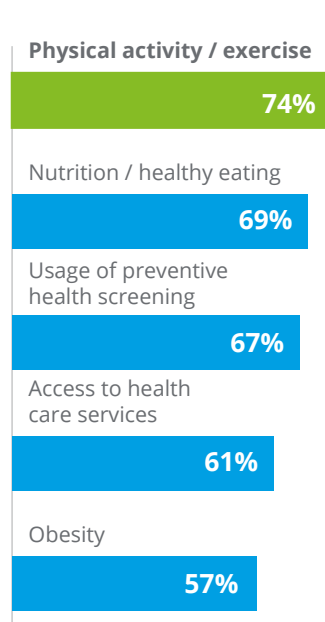
Corporate  
Wellness overview

Consequently, most of the corporate wellness programs include initiatives focused on promoting physical activity. Among them, on-site fitness classes and subsidies/discounts for off-site gym memberships are most popular. In fact 70% of corporations in the United States already included these practices within their wellness strategy in 2018.<sup>23</sup>

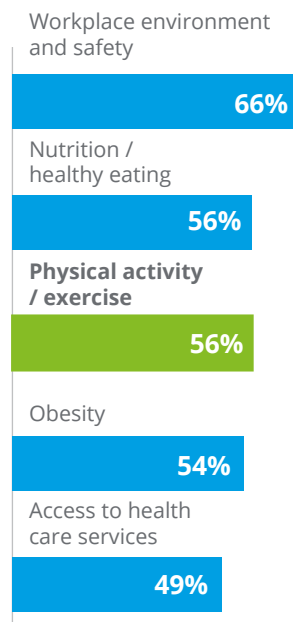
However, some differences exist between markets. In Europe, mental health activities to reduce stress are the most important wellness offerings; in Latin America, workplace environment and safety is still the top priority.

### Americas & Europe: Top 5 issues that well-being strategy and programs seek to influence

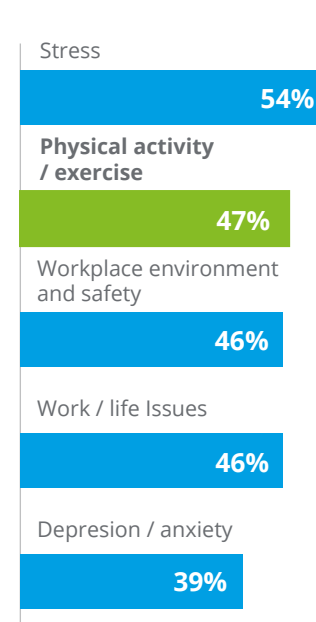
#### North America



#### Latin America



#### Europe



Source: Working Well, a Global Survey of Workforce Wellbeing Strategies 2016, Xerox

23 Making Well-Being Work, Ninth Annual Employer-Sponsored Health and Well-Being Survey, National Business Group on Health.

### 3.3 Difficulties companies face in implementing wellness programs

Companies face several common challenges when implementing wellness programs. According to the Deloitte survey:

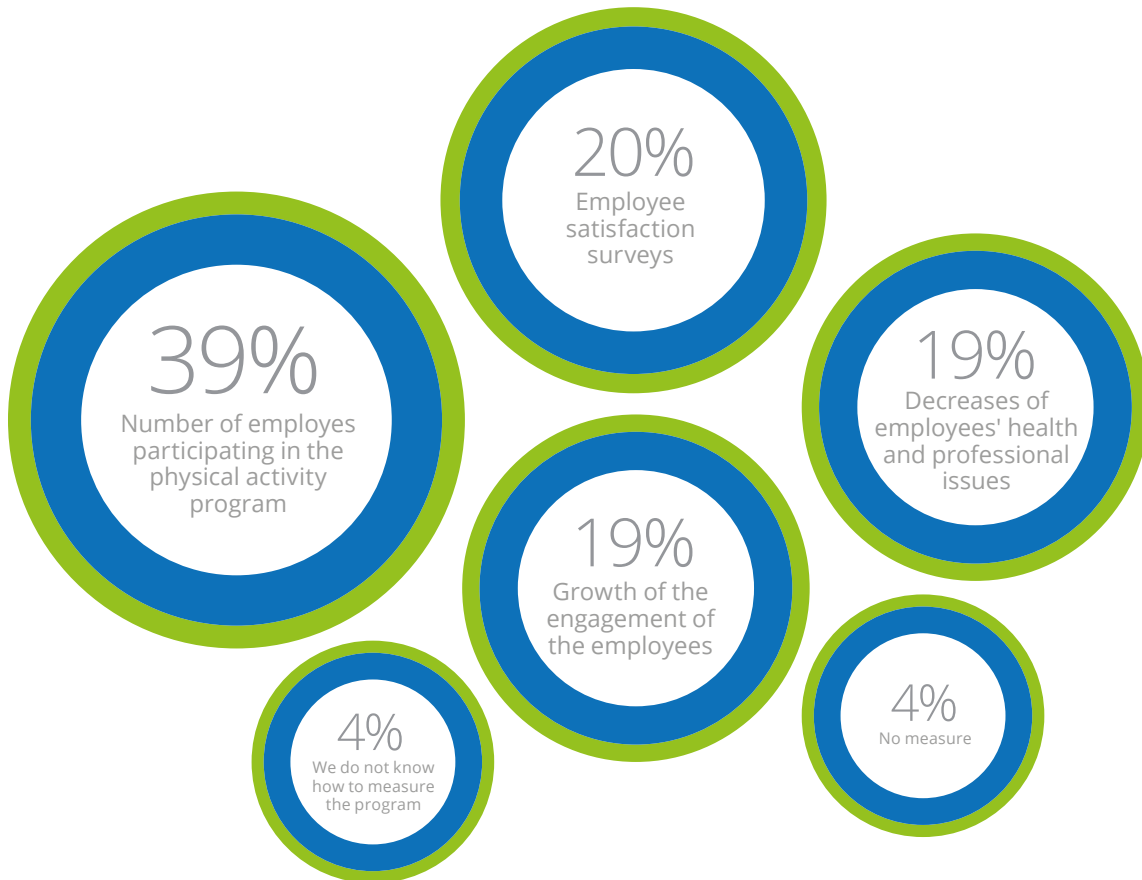
- Some multinational companies affirmed that despite having established their own H&F center at their headquarters, they are not able to provide similar physical activity offerings for employees at all other company locations.
  - Most HR departments indicated that having a quality H&F center for employees requires a large commitment of company resources. For multinational companies, the situation is worse because they need to negotiate locally and individually with different centers across geographical regions instead of having one global agreement.
- According to the HR departments, other barriers that are difficult to overcome include:
- Implementing a communication strategy that compels employees to participate in physical activity programs. Common communication channels through internal resources are emailing, and posting on the intranet or company-owned social platforms. Sometimes capturing the attention of the employees through these channels can be difficult, as some companies may feel that they are overloading employees with information.
  - Measuring the return on investment<sup>25</sup>. Most commonly, companies measure ROI by calculating the number of employees participating in these programs, and by conducting satisfaction surveys. Nevertheless, it is difficult to convert these indicators to a value directly proportional to an economic benefit for companies.

**"Managing thousands of individual H&F centers by ourselves requires considerable time and staff resources. It becomes difficult for the company to do this efficiently"**

HR Manager

<sup>24</sup> return on investment (*hereafter, ROI*).

### Success evaluation metrics of physical activity programs conducted by companies



Source: Deloitte Survey



## The Corporate Wellness Segment

A view into potential opportunities and challenges for the market

Corporate  
Wellness overview

For the majority of the companies surveyed, the level of success in a physical activity program depends directly on the engagement of employees. The programs that can help provide this ROI will be very valuable to these companies.

To increase the investment in physical activities, companies interviewed prefer a higher quality service with a lower price so that employees perceive greater value and more flexibility in programs.



### Companies' requirements to increase investment in physical activity programs



#### Lower prices for employees

Offer physical activities for employees with more attractive prices for them



#### Ease hiring

Find an offer of physical activities that gives the company flexibility and adapts to the characteristics of the company: ease of hiring



#### Low cost for the company

Offer physical activities with low costs for the company



#### Understanding of H&F program ROI

Have the ability to better understand the ROI of that kind of program



#### Low risk for the company

Low risk for the company in developing an offer of physical activities

Source: Deloitte survey

### 3.4 Challenges H&F centers face partnering with Corporate Wellness programs

More than 70% of the H&F centers interviewed by Deloitte affirmed that they provide a corporate offering to companies. The most common corporate offer self-managed by H&F centers is employee discounts.<sup>26</sup> According to the Deloitte survey, less than 30% of companies subsidize part of their employee membership cost, while the rest rely on discounts from the H&F centers. The results in a potential cannibalization of users and a decreasing margin per person that can be surpassed by an increase in total members.

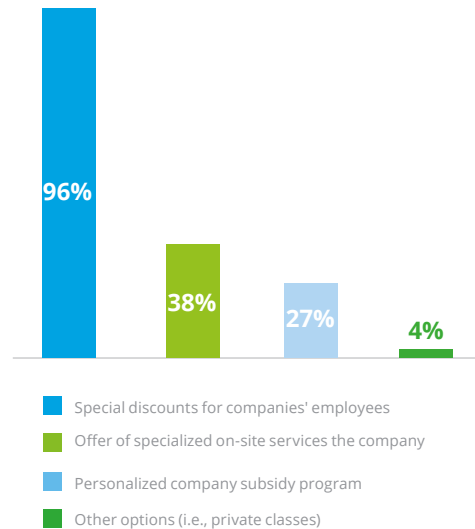
Corporate sales models used by the H&F centers include:

#### 1) *H&F centers that address corporations directly through a dedicated corporate sales team.*

Those H&F centers interviewed that have or have had a corporate dedicated sales team outlined some challenges:

- Low profitability of the team if exclusively dedicated to corporations.
- Insufficient dedication to marketing and communication campaigns to engage company employees.

### Models provided by H&F centers with corporate offering



Source: Deloitte survey

- Inability to provide information to the companies about their employees' indicators (memberships, frequency of assistance, churn rate...).

These are the primary reasons why the majority of H&F centers interviewed by Deloitte reduced the number of the sales team members or even eliminated their corporate offering.

<sup>26</sup> Both the companies and H&F centers negotiate a discount on the membership price for the employees, who normally assume the total cost of the membership

**"It is not appealing for companies to make deals with individual specialized H&F centers; they prefer to choose offers with global reach and multiple activities"**

H&F Manager

In addition, most of the H&F centers interviewed identified additional barriers to entry or growth:

- The complexity of reaching the right corporate contact in the organizations
- Offering a quality service that can adapt to the characteristics of the companies

***2) H&F centers that do not provide a corporate program by themselves***

According to the Deloitte survey, there are two main reasons why H&F centers do not enter the corporate market on their own:

- A complex corporate wellness market due to strong presence of competitors in the market
- Insufficient network of corporate contacts

These H&F centers indicated that it is easier to access companies using different channels, such as Third-Party Providers, rather than trying to cover this segment by themselves.

**Of the H&F centers interviewed by Deloitte, 30% do not have a specific corporate offer. Some of them had stopped providing a corporate program because it did not meet expectations.**

Some low-cost H&F centers are not willing to offer reduced prices to corporations because they want to prevent membership devaluation and preserve profitability.

However, from the interviews, H&F centers are keen to penetrate the corporate market, but do not have the resources to fully capture the opportunity. Their main requirement to increase their presence in the corporate business is to capture corporate clients that the H&F center does not have access to by itself.

**"Contacting the right person at HR departments becomes a tedious task, and in the best case, if you reach that person, due to bureaucratic internal procedures, it takes a long time to formalize an agreement"**

H&F Manager

### Requirements for H&F centers to invest in Corporate Wellness



#### New corporate clients

Possibility to capture corporate clients to which the H&F center does not have access



#### No staff dedication

Ease of developing the offer: no high dedication of the staff



#### No cost

No cost to develop the offer



#### Contract flexibility

Flexibility in the contract conditions with the company / provider

Source: Deloitte survey

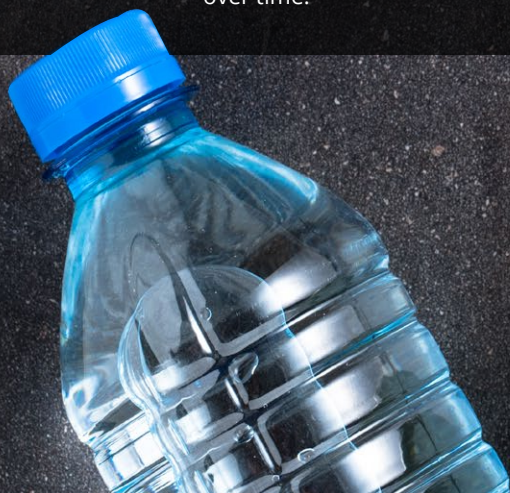


## Bottom line

The corporate wellness market is stronger in the United States and Europe, with Latin America falling a bit behind in maturity level. That said, 78% of the HR departments interviewed across all regions stated that they are planning to increase their investment in physical activity programs over the next three years.

However, to realize the expected benefits, HR departments must:

- Find an attractive offer that covers all employees (price, location, diversity).
  - Activate proper communication to engage employees.
  - Measure the effectiveness of these programs to determine ROI and changes in behavior over time.
- More than 70% of the H&F centers interviewed by Deloitte affirmed that they provide a corporate offering to companies. However, H&F centers interviewed are not able to fully capture the opportunity considering that:
- Approaching companies with discounts is not totally profitable.
  - It is difficult to afford a dedicated corporate sales team.
  - It is challenging to offer enrolment and engagement campaigns for companies, as well as to deliver performance indicators.
  - Reaching the correct contact at companies is a complex and time-consuming task, as is capturing corporate clients amongst many competitors.





## 4. The B2B Third-Party Providers: opportunities and challenges in Corporate Wellness

## The Corporate Wellness Segment

A view into potential opportunities and challenges for the market

The B2B Third-Party Providers: opportunities and challenges in Corporate Wellness

Third-Party Providers, which act as intermediaries between H&F centers and companies, offer corporate wellness programs that give employees access to a network of H&F centers.

While this section includes perceptions about B2B Third-Party Providers, there also are B2C Third-Party Providers that offer individual memberships directly to consumers. These B2C Third-Party Providers are out of the scope of this report, because this report aims to analyze Corporate Wellness. Therefore, conclusions hereby reported are focused exclusively on B2B Third-Party Providers.

The role of these providers has been somewhat controversial in the H&F industry since their emergence. In order to gain a better understanding of B2B Third-Party Providers, the following has been analyzed:

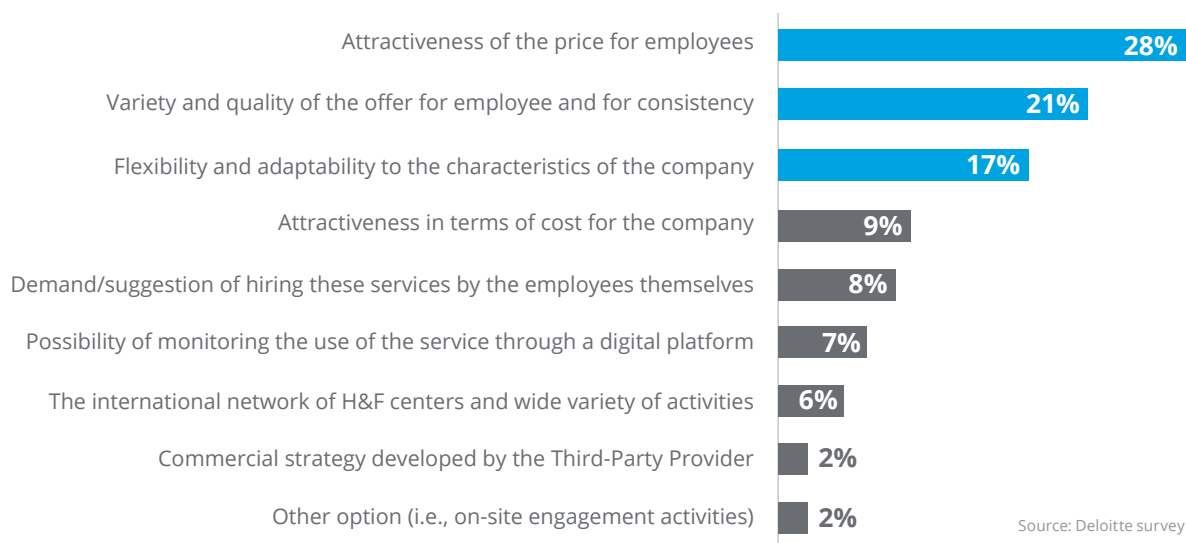
- Perceptions of corporations that are working with Third-Party Providers.
- Perceptions of corporations that do not have a partnership with Third-Party Providers.
- Perspectives from H&F centers about the contributions these providers make to the H&F industry, including:

- Benefits, areas of improvement and risks, according to those that are collaborating with a Third-Party Provider.
- Perceptions of H&F centers that are not collaborating with a Third-Party Provider.
- Requirements H&F centers have in order to generate a positive and sustainable relationship with a Third-Party Provider.

Some H&F managers and HR departments provided a positive vision of B2B Third-Party Providers because they target employees that are not current exercisers or members of a health club. Others expressed some concerns that these Third-Party Providers could dictate the market if they continue growing, and that quality may decline with low-cost programs. Finally, some respondents remained neutral regarding Third-Party Providers, who are still somewhat new to the industry.

The results obtained in this survey could have varied if different stakeholders had been interviewed and other geographical markets had been considered.

### Reasons for HR departments hire Third-Party Providers



#### 4.1 Perceptions of Corporations working with Third-Party Providers

Third-Party Providers' services are still relatively new for companies. The majority of the companies interviewed by Deloitte that work with a Third-Party Provider established the alliance anywhere between two years and a few months ago. Nevertheless, according to the Deloitte survey results, 65% of the entities interviewed are aware of the existence of other Third-Party Providers.

According to this survey, two-thirds of the total HR departments interviewed are partners with at least one Third-Party Provider, whereas one-third are not.

One of the main triggers for HR departments to consider partnering with a Third-Party Provider is at the request of their employees, who claim these intermediaries provide a wide choice of clubs.

Companies that have hired these operators cite many reasons for doing so, including cost, reach, employees and the organization as a whole.



## The Corporate Wellness Segment

A view into potential opportunities and challenges for the market

The B2B Third-Party Providers: opportunities  
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The most popular reasons for companies to work with a Third-Party Provider were:

- **“The attractiveness of the price for employees”.** This is considered a main reason for hiring a Third-Party Provider. The companies also appreciate the different prices of memberships that some players provide, which can adapt to accommodate multiple levels of employees at the organization.
- **“The variety and quality of the offer”**, is the second most important reason. The companies interviewed affirmed that, despite the potential for improvement, the offer of H&F centers is diverse within certain Third-Party Providers. Employees can experience more traditional multi-activity H&F centers, as well as specialized yoga or indoor cycling boutique studios, and even spa and massage facilities.

- **“Flexibility and adaptability to the characteristics of the company”** is ranked third. Corporations noted that Third-Party Providers ease their administrative processes; instead of managing several individual gym offers, they are able to delegate these functions to one external provider.

Corporations that are already working with a Third-Party Provider pointed out benefits and opportunities for further enhancement:

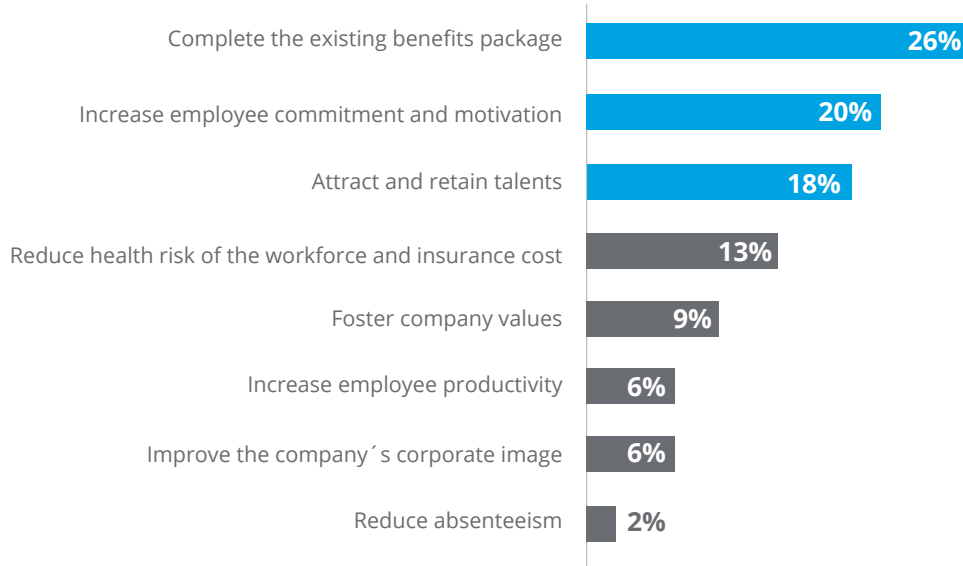
### 1) Positive impacts on the relationship between the company and employees

HR departments noted that the ability to provide a valuable physical activity offer that completes the benefits package increased employee satisfaction and improved employee recruitment and retention.

**“It would be impossible for us (companies) to collaborate with thousands H&F centers for a low price, as Third-Party Providers do”**

HR Manager

### Positive impacts of Third-Party Providers



Source: Deloitte survey

## 2) Valued aspects of the service provided and areas of improvement:

Companies that have experience with Third-Party Providers indicated the following positive aspects and opportunities for improvement in the relationship:

### Corporations' feedback about Third-Party Providers

#### Positive aspects

- Agility, proactivity and flexibility of the staff.
- Easy hiring/implementation processes and easy payment processes for employees.
- Benefit valued by employees (it helps to attract and retain talents) and with no permanency.
- No high dedication of own company resources (easy management).
- Diverse/wide offer of H&F centers (different types of centers and international coverage).
- Higher success rates than other physical activity programs implemented including greater activation of employees.
- Communication and promotion support from Third-Party Providers.
- KPI data provided for employees' activity.

#### Improvement aspects

- Increase offer to more locations and more diversification.
- Further augmentation of employee participation.
- Charge a fee only for the employees that enroll in the program and not for the entire employee population.
- Clarify offer of H&F centers notifying employees.
- Upgrade technology efficiency: in sign-up and check-in process, geolocation...
- Give more support to customer service.
- Hire more experienced personnel (Third-Party Provider team).
- Offer more flexibility in administrative processes.

These comments varied slightly by market. Most of the Corporations interviewed raised some specific issues:

### Positive aspects by region

### Improvement aspects by region

#### **HR departments from Latin America**

*"Third-Party Providers are doing a good job by making our employees become physically active and easing the subscription process to a H&F offer. They have an ethical value proposition"*

- Upgrade brand reputation and retention-attraction of employees and talent.
- Easy payment processes for employees.

- Provide better reporting (more clear KPIs).
- Clarify offer of H&F centers (without notifying employees).

#### **HR departments from Europe**

*"These operators provide a wide offer of H&F centers around the world and this covers the need of the employees who often commute, but more territories should be included in the offer"*

- Easy accessibility for the employees and international offer.
- Communication support to engage employees.

- Increasing offer (more locations).
- Technology hiccups (especially in the registration process through the app).

#### **HR departments from North America**

*"We appreciate Third-Party Providers ease the administration, but they need to improve their product and network so we can trust we will obtain the impact on employees they promised to achieve "*

- Easy management (centralization of offers of H&F centers in one service).
- No long term contract or obligation for employees.

- Provide better reporting (more clear KPIs).
- Offer better support to customer service to facilitate employee feedback.

## The Corporate Wellness Segment

A view into potential opportunities and challenges for the market

The B2B Third-Party Providers: opportunities and challenges in Corporate Wellness

### 3) Factors that might put their agreement at risk in the future:

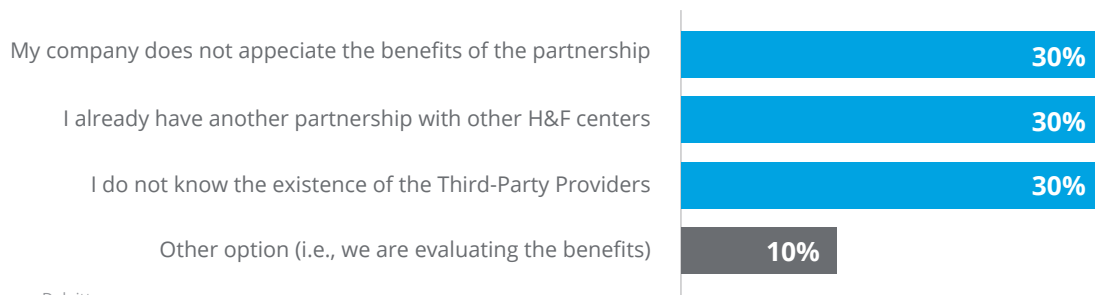
- **Potential increasing cost and price:** Higher costs would negatively impact the attractiveness of the offer for both companies and employees.
- **Inability to show return on investment:** In most cases, companies pay for the personnel that have access to the service (all employees and not only for those that enroll), and are concerned about a high investment for potentially low activation rates.

In this context, those Third-Party Providers that have recently entered the market will need time to demonstrate the benefits they could deliver to the industry and to earn the trust of the market.

### 4.2 Perceptions of Corporations that do not contract with Third-Party Providers

The 33% of the companies surveyed currently do not work with Third-Party Providers. They indicated several reasons for not partnering with them: lack of interest in the benefits offered by Third-Party Providers (other benefits are preferred at this time), lack of awareness of their existence and already-existing partnerships with H&F centers.

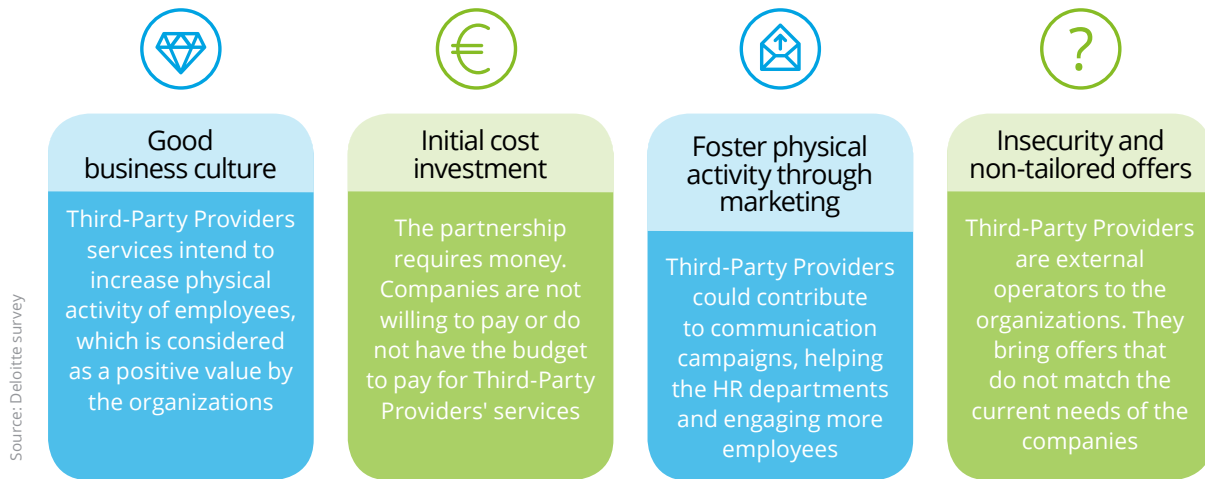
### Main reasons HR departments are not collaborating with Third-Party Providers



Source: Deloitte survey

Although these companies acknowledge the benefits of partnering with Third-Party Providers, they also perceive some drawbacks:

### Perception from HR departments about Third-Party Providers



Source: Deloitte survey

**"We (the companies) have a limited budget that we invest in renovating our own facilities so our employees work in a nice space and atmosphere, rather than spending money on a physical offer that we are not sure employees are going to appreciate"**

HR Manager

## The Corporate Wellness Segment

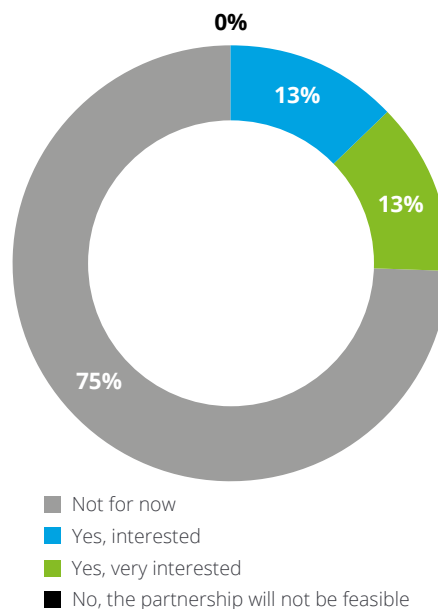
A view into potential opportunities and challenges for the market

The B2B Third-Party Providers: opportunities  
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According to the Deloitte survey, some companies say budget can be a barrier to working with Third-Party Providers. Other companies prefer to keep partnerships with local H&F centers who can provide professional trainers or develop on-site classes. According to these companies, this offers employees (that live close to the centers) greater convenience by not having to spend time or money commuting to the H&F center. Consequently, for companies who do not currently partner with a Third-Party Provider, 75% of them are not interested in investing in a partnership currently. Most of this 75% stated that they have other strategic projects planned that take priority. Nevertheless, 26% of respondents are interested in collaborating with a Third-Party Provider.

Nonetheless, most of the companies stated that they are interested in how Third-Party Providers will evolve moving forward.

### Intention of HR departments to collaborate with Third-Party Providers



Source: Deloitte survey

## The Corporate Wellness Segment

A view into potential opportunities and challenges for the market

The B2B Third-Party Providers: opportunities and challenges in Corporate Wellness

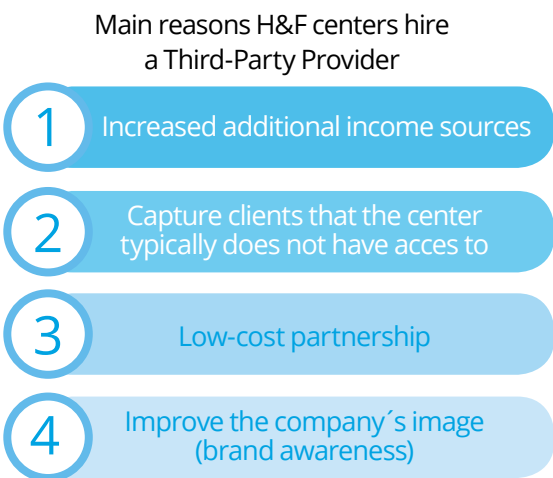
### 4.3 Vision from H&F centers about the contribution of Third-Party Providers

As an aggregated perspective, the H&F centers believe that an increasing number of Third-Party Providers are entering into the market. According to the Deloitte survey, 75% of the H&F centers interviewed are aware of more than one Third-Party Provider (B2B and B2C) operating in their country.

The results below refer to the following proportion: two-thirds of the total H&F centers interviewed are partners of Third-Party Providers, whereas one-third are not partners.

Three areas were analyzed here:

- Benefits, areas of improvement and risks seen through those that are partnering a Third-Party Provider.



Source: Deloitte survey

- Perspectives from H&F centers who are not collaborating with a Third-Party Provider.
- Requirements from H&F centers to generate a positive and sustainable relationship.

#### A) Benefits, areas of improvement and risks for H&F centers working with a Third-Party Provider

Most of those interviewed agreed that B2B Third-Party Providers are bringing new types of clients to the industry because they are able to help convert employees into H&F members.

The main reasons these players collaborate with a Third-Party Provider are to increase income and capture a new client base.

The H&F centers that already work with Third-Party Providers stated that these providers have been able to reach relevant organizations worldwide and establish global agreements. The H&F centers do not think they could make these kind of deals, so Third-Party Providers are addressing this new market for them.

However, some mistrust exists when it comes to collaborating with Third-Party Providers, and H&F centers say that they feel more secure when their members pay them directly, and not through an external provider.

For H&F centers that are working with a Third-Party Provider, the following has been analyzed:



## The Corporate Wellness Segment

A view into potential opportunities and challenges for the market

The B2B Third-Party Providers: opportunities and challenges in Corporate Wellness

## As a H&F center you just want your own clients to pay you directly, not through a third party

HRManager

### 1) Valued aspects of the service provided:

One of the main benefits H&F centers appreciate is the new source of revenue that this partnership brings.

For 42% of the H&F centers interviewed, the income received by Third-Party Providers represents more than 5% of total revenues, with 21% of the respondents indicating that 6-10% of their total revenue came from Third-Party Providers.

In addition, 84% of the centers that are working with Third-Party Providers agreed that revenues from these partnerships would increase in the next few years.

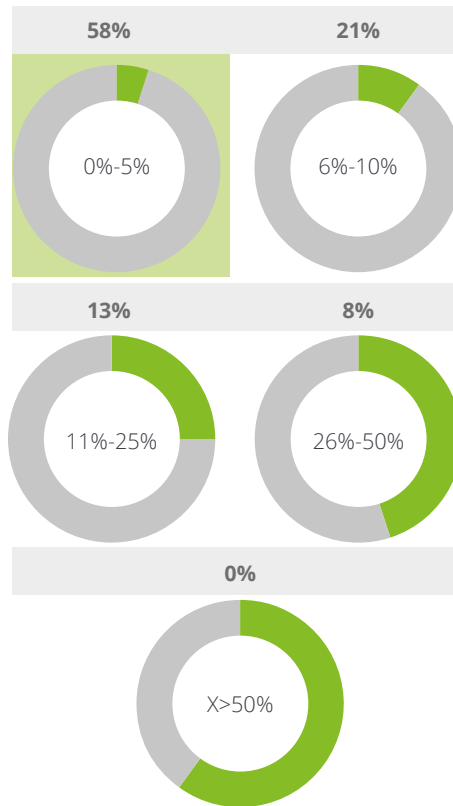
H&F centers identified other benefits to contracting these operators including:

- **Higher exposure of the H&F center:** Third-Party Providers contribute to attracting more clients by increasing awareness of the brand.
- **The process to contract their services is generally easy:** The digital nature of these operators eases implementation and maximizes efficiency for employees and H&F center staff.

## Revenues from Third-Party Providers over total H&F center revenues

What percentage of your total income comes from the Third-Party Providers?

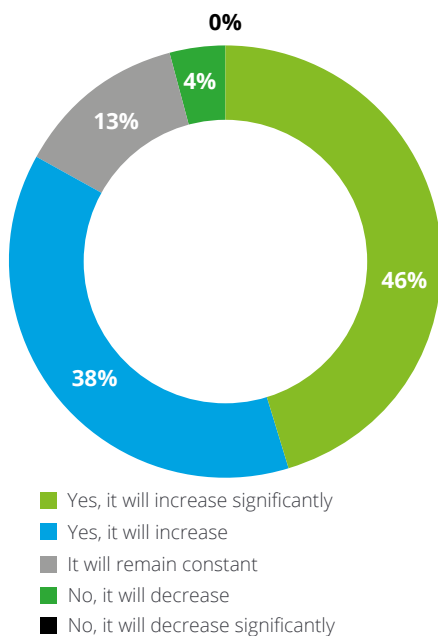
% of respondents



■ Revenue share from Third-Party Providers over total revenues of H&F centers (x%-x%)

Source: Deloitte survey

**Expected increase of income from Third-Party Providers in the next few years**



Source: Deloitte survey

**2) Areas of improvement:**

Regarding the future relationship between H&F centers and Third-Party Providers, some areas of improvement exist:

- **Improving technology:** To be more efficient, all the processes (check-in, booking class system recognition, etc.) must be more agile, precise and without malfunctions or hiccups.
- **Increasing the portfolio of clients:** Third-Party Providers need to keep looking for new relevant corporate clients in order to bring new members to H&F centers.
- **Accelerating the payment process:** Third-Party Providers should be more efficient with payments and offer more transparent processes.

**3) Potential risks that might jeopardize agreement if not addressed:**

Potential risks that H&F centers identified to their partnership with Third-Party Providers include:

- **Risk of loss of clients:** While H&F centers acknowledge that Third-Party Providers are increasing total revenues, they are concerned about the migration of clients to Third-Party Providers. Therefore, they will pay attention to this potential transfer and require formulas to ensure that Third-Party Providers are indeed adding new customers.
- **Risk of incremental dependence and thus, loss of market power:** Some centers are worried about their increasing dependence on Third-Party Providers for revenue, and the potential loss of their market position.

## The Corporate Wellness Segment

A view into potential opportunities and challenges for the market

The B2B Third-Party Providers: opportunities and challenges in Corporate Wellness

- **Faster deterioration of facilities:** As Third-Party Providers are bringing more corporate clients, which adds greater use of the equipment, and potential overcapacity in facilities, some H&F centers are concerned that this may lead to higher investments and costs.

### **"The profitability of a H&F center should never be totally dependent on the revenue coming from Third-Party Providers"**

H&F Manager

Regarding the cannibalization of clients as a potential risk, some of the centers that partner with Third-Party Providers stated that the potential amount of new corporate clients driven by these operators could offset the migration costs. Revenues received from these operators generally depend on the number of times that Third-Party Provider users attend a H&F center, incentivizing H&F centers to deliver good service to engage these new clients. In fact, for 76% of the H&F centers interviewed that are partners of these operators, more than 60% of the corporate clients that Third-Party Providers bring are considered new clients (were not currently or were never members) at the center.

Cannibalization not only appears through Third-Party Providers but also from the H&F centers themselves when targeting the corporate segment. Implementing a strategy based on discounts entails a cannibalization risk. Third-Party Providers and H&F centers both should analyze indicators such as capacity, financials and aspirations of the centers in order to ensure that they are implementing the best strategy during the partnership. The main purpose should be to increase the volume of corporate members with augmented revenues, while still maintaining the current portfolio and profitability per member.

Based on the feedback from H&F centers who have experience with these partnerships, potential benefits and potential risks from the alliance with Third-Party Providers are:<sup>27</sup>

**"By ascertaining client loyalty, we have the opportunity to obtain higher revenues. The more often the customer comes to the center, the more money we (H&F centers) receive from Third-Party Providers. In some cases, this amount is greater than the amount generated from individual memberships"**

H&F Manager

<sup>26</sup> Definition of migration costs. Revenue loss caused by the cannibalization. It has impact in three main aspects: a) H&F centers lose the control of the client (user data information), b) H&F centers are paid by third party providers instead of directly the clients, c) H&F centers are paid based on a pay per visit model instead of a monthly subscription model.

<sup>27</sup> Definition of cannibalization. The consequence of the users migration to a new service that displaces its own older service causing a revenue loss to the H&F center.

## The Corporate Wellness Segment

A view into potential opportunities and challenges for the market

The B2B Third-Party Providers: opportunities  
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### H&F centers' feedback about Third-Party Providers

#### Potential benefits

- Easy to hire and implement (digital-based business).
- Brand awareness improvement, exposure and scale.
- New source of revenues and new flow of members with no cost of acquisition.
- Increase penetration by attracting clients that have never exercised before.
- Income per use without limit of usage (corporate clients can access the H&F center as many times as they want).
- Type of clients (relevant organizations) captured by the Third-Party Providers through powerful negotiation capacity.
- Resource-savings: no dedicated corporate sales team needed and lower marketing cost.
- Partnership with no cost for the H&F center.

Source: Deloitte survey

#### Potential risks

- Potential client loss.
- Loss of control over the market due to high dependence on these operators.
- Miscommunication with Third-Party Providers.
- Operational process failures or delays.
- Lack of transparency in the business model of the Third-Party Providers.
- Unsatisfactory sign-up, check-in process, geolocation features, and other features.
- Higher investment in facilities due to greater equipment usage and potential faster deterioration.
- B2C market invasion through family plans that extend employee benefit to relatives.
- Product and brand devaluation when corporate clients pay less.
- Inexperienced team (Third-Party Providers).

## The Corporate Wellness Segment

A view into potential opportunities and challenges for the market

The B2B Third-Party Providers: opportunities and challenges in Corporate Wellness

These comments vary somewhat by market. From the interviews conducted, most of the H&F centers interviewed raised some specific issues by region:

### Potential benefits

### Potential risks

#### H&F centers from Latin America

*"We believe Third-Party Providers are necessary but they need to be more transparent. They complement our business and contribute positively to the market"*

- New source of revenues and new members.
- Powerful negotiation capacity.

- Probability of high dependence in the short term.
- Potential cannibalization in the future.

#### H&F centers from Europe

*"These players clearly serve a purpose. They give employees a great opportunity with a variety of ways of exercise. As long as these operators keep the B2B target, the collaboration will be possible"*

- Increase penetration by mobilizing people with new and attractive opportunities.
- Brand awareness and exposure.

- Lack of transparency (it might provoke a lack of control of clients and financials).
- Low average price per use.

#### H&F centers from North America

*"Third-Party Providers are not helping nor hurting the fitness industry. While there is a lot of value in their promise, the revenue we are receiving from them isn't yet representative of its potential"*

- No cost acquisition and marketing expenditure reduction.
- Scale and greater brand image impact.

- Loss of direct user relationship (Third-Party Provider model shifts the traditional membership relationship with H&F centers).
- Junior profile of the employees (lack of experience).

Source: Deloitte survey

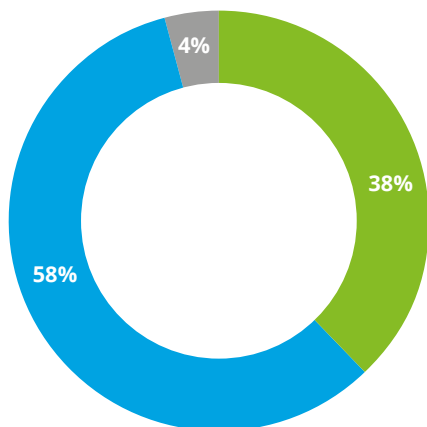
## The Corporate Wellness Segment

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The B2B Third-Party Providers: opportunities and challenges in Corporate Wellness

Ultimately, 58% of the H&F centers that have a partnership with a Third-Party Provider affirmed that they are satisfied with this collaboration, 38% are very satisfied and the remaining 4% are not satisfied.

Satisfaction of H&F centers with Third-Party Providers



Very Satisfied  
Satisfied  
Not satisfied

Source: Deloitte survey

## B) Perceptions of H&F centers that are not collaborating with a Third-Party Provider

The primary reasons H&F centers are not collaborating with Third-Party Providers include the risk of losing current direct clients in favor of Third-Party Providers' platforms and the lack of appreciation of the benefits they provide.

### Main reasons H&F centers are not collaborating with Third-Party Providers

- 1 Potential risk of loss of current individual clients
- 2 My H&F center does not appreciate the benefits of the partnership
- 3 I am unaware of the existence of these operators
- 4 I already have another partnership for corporate clients

Source: Deloitte survey

## The Corporate Wellness Segment

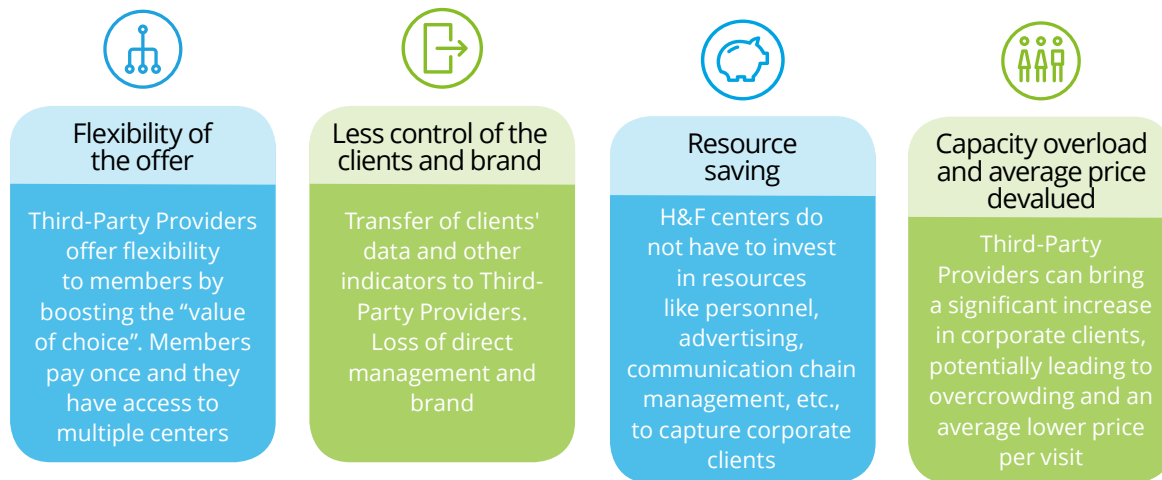
A view into potential opportunities and challenges for the market

The B2B Third-Party Providers: opportunities and challenges in Corporate Wellness

Some of the H&F centers say that they can attract corporate users without help from an external operator, and some do not attach much importance to this corporate business, as it is not the target of the H&F center itself, so the services of Third-Party Providers become unnecessary.

Despite their perception that Third-Party Providers offer some benefits, H&F centers also perceive some drawbacks:

### Perception from H&F centers (no partners) about Third-Party Providers



Source: Deloitte survey

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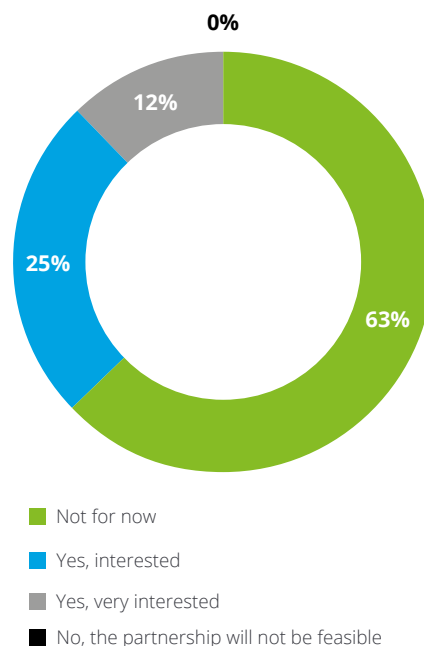
These H&F centers consider that Third-Party Providers have a value-added offer through greater flexibility and choice, allowing users to choose the classes and centers that best suit their preferences. These providers also can create cost savings, since reduced or no resources are needed to address the corporate segment.

However, these centers also perceive a risk in losing some control of their current clients and brand management if they partner with Third-Party Providers. Some also indicate that they are practically fully booked/at capacity, and if Third-Party Providers drive more members into the facilities (especially during peak times), they will suffer from overcrowding. In addition, they are concerned about the potential negative impact of having different membership costs.

Finally, some of the H&F centers that do not collaborate with any Third-Party Provider, the strategy the operators are implementing based on discounts with the finality of attracting more clients is not sustainable for them. The value captured by these operators is failure-structured to those who provide the capital in the long term.

According to the Deloitte survey, 63% of the H&F centers are not interested for now in partnering with Third-Party Providers, while the remaining 37% affirmed they would be interested in collaborating with these operators.

Intention of H&F centers to collaborate with Third-Party Providers



Source: Deloitte survey



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### C) Requirements from H&F centers to generate sustainable relationships with Third-Party Providers

Feedback gathered indicates that Third-Party Providers provoke a wide variety of reactions from the industry, including:

#### 1) Demands from H&F centers that are already collaborating with a Third-Party Provider

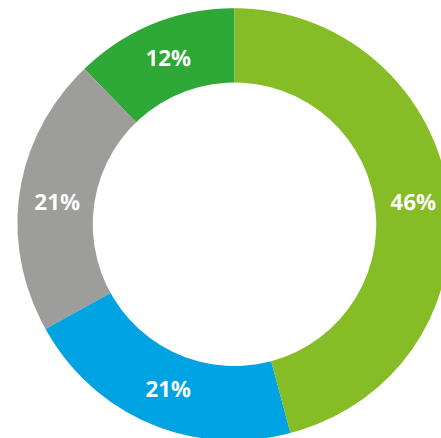
H&F centers requested more transparency in the revenue model of providers, the need to develop a win-win strategy and a guarantee that they will receive a specific amount of clients and revenues regularly.

**"We (H&F centers) do not want a Third-Party Provider establishing the rules of our market (H&F industry), so that is why we need more transparency and direct collaboration"**

H&F Manager

### Ways to generate a sustainable relationship: H&F centers and Third-Party Providers

Perspective from H&F centers that have a partnership with these operators



- More visibility and transparency in the Third-Party Providers' revenue model
- Develop a model of partnership based on a revenue share
- Establish a long-term fixed price contract
- Other option (i.e., transparent marketing plan, pay on time and correctly,...)

Source: Deloitte survey

**“We (H&F centers) need to build up the ideal atmosphere where the business models of H&F centers and Third-Party Providers can coexist. It must be a win-win”**

H&F Manager

**2) Requirements from H&F centers that are not collaborating with a Third-Party Provider**

The most common requirements from H&F centers who are not currently partnering with a Third-Party Provider to consider doing so in the future are:

- Assure that the H&F center will be busy the entire day and not only during peak periods by bringing corporate clients throughout the day and the week, thereby avoiding overcapacity.
- Transparency around the business model and how it works, while guaranteeing cannibalization will not occur.
- Fix contracts with an invariable price and a guarantee of established minimum per month revenue, thus replacing the pay-per-use model with a monthly subscription fee.
- Create different categories (such as Premium) and include the H&F center in the most suitable one, in order to avoid devaluing the brand and product.

**“Third-Party Providers should provide a fixed price contract per member (comparable to a monthly membership fee) and not per use”**

H&F Manager from Europe

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**“Third-Party Providers should assure our H&F center will be busy the entire day and not only during peak periods ”**

H&F Manager from Latin America

As a response, some B2B Third-Party Providers are implementing initiatives in order to mitigate the risks, such as restricting access to the H&F centers during peak hours, promoting H&F centers' brands through social media and regulating the conditions for promotions that include family members, among others.

Additionally, some are investing in better solutions that could be used to upgrade the quality of data, analytics, and business insights both for corporations and for H&F centers.

**“Third-Party Providers must guarantee us that we won't lose individual clients and revenue generation, and that there will be no distinction in terms of clients inside the facilities”**

H&F Manager from North America



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# Bottom line

Among the interviews Deloitte team performed, most of the H&F centers indicated that the Corporate Wellness Segment is a big opportunity to increase revenues by providing access to the corporate clients that they currently are not reaching.

As B2B Third-Party Providers enter the market, they are generating a variety of opinions and experiences. The interviews for this report reveal different insights:

- Corporations that are not working with Third-Party Providers either do not appreciate the benefits of the partnership, already have an agreement with a H&F center or do not know about the existence of Third-Party Providers.
- H&F centers that do not have a partnership with Third-Party Providers usually do not work with them due to the fear of potential client loss and loss of control over users.
- Corporations working with Third-Party Providers value the attractiveness of the price for employees, the variety and quality of the offer and the support on communication and marketing activities to engage employees, among others.

In this context, H&F centers can choose several different paths:

- Try to capture the opportunity on their own. As such, more than 70% of H&F centers interviewed provide a corporate offer to companies. To do so, they need a dedicated corporate sales team, a defined corporate commercial strategy and a dedicated corporate engagement strategy. The

most common offer from these H&F centers is employee discounts, so they need to increase members over a certain threshold to avoid cannibalization of revenues.

- Ignore this opportunity and only focus on the B2C segment.
- Partner with a B2B Third-Party Provider. In this case, H&F centers eliminate sales costs associated with corporate outreach. In addition, H&F centers and Third-Party Providers need to work together to ensure that this partnership delivers the incremental revenues that this strategy pursues, addressing the number of incremental users that would contribute to a global growth of revenues, and preserving the equilibrium of the portfolio of customers.

Some additional requirements from the H&F centers to generate a positive and sustainable relationship in the future include:

- More transparency and mechanisms to avoid cannibalization and guarantee a minimum revenue.
- Ensure attraction of users throughout the day, not just at peak hours.
- Preserve the brand and status of the H&F centers.

Considering the view of the H&F centers that already have a partnership with Third-Party Providers, from the interviews made, there are some concerns about a risk of cannibalization, and still 94% of the interviewed have affirmed that they are satisfied with this collaboration and appreciate the extra revenue and the new type of clients these operators bring.



# 5. Acknowledgements

## The Corporate Wellness Segment

A view into potential opportunities and challenges for the market

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