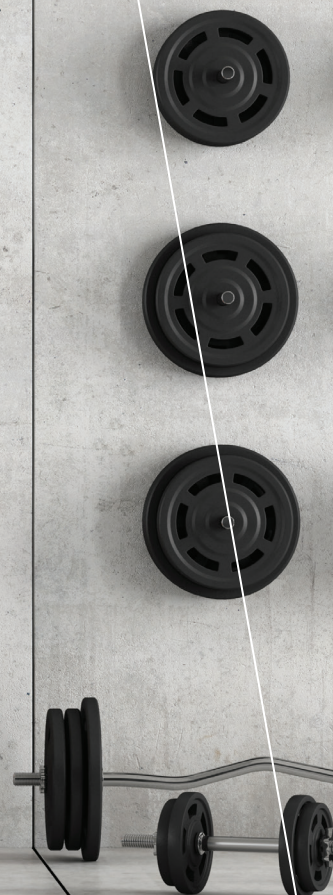




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THE FITNESS INDUSTRY IN THE BALTIC STATES

FLANDERS INVESTMENT & TRADE MARKET SURVEY



The fitness industry in the Baltic states

September 2019

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Introduction

The fitness industry in Europe is doing well. In 2018, the European health & fitness sector served over 62.2 million consumers and generated EUR 27.2 billion in revenues. It employed about 650,000 people and consisted of approximately 62,000 facilities. Alongside its significant economic contribution, the industry plays a major role in creating a more active and healthier Europe. Last year, the total number of health and fitness club members increased by 3.5% to 62.2 million in Europe.

Overall, 7.8% of the total population were health or fitness club members, with a penetration rate of 9.4% for people aged 15 years and older. However, there's a large difference of the penetration rate in Northern and Western European countries and Southern and Eastern European fitness markets, amongst others the Baltic states. The 3 Baltic states have been severely hit by an outflux of people when they joined the European Union. Currently, there are 2.8 million people officially living in Lithuania, while 1.9 and 1.3 million are registered in Latvia and Estonia respectively. The economies are doing well, with above EU average growth. Also the wages are increasing, although the average salaries remain well below the Western European level. Recently, the massive emigration seems to have been tempered. Increasing and better living conditions encourage some of the expats to return to their countries. Apart from that more foreigners of which many from Ukraine are finding their way to cities in the Baltic region.

This market review sketches a brief overview of the fitness industry in Lithuania, Latvia and Estonia. Currently, these markets are experiencing a real fitness boom and with a penetration rates of 4-5% there's room for expansion and thus opportunities for Flemish companies active in this industry. We will introduce the overall situation of the fitness industry in the Baltic states, followed by an insight in the biggest players.

The current status of the Baltic fitness industry

In the Baltic capital cities, the current fitness penetration rate is about 10%, while overall it amounts to roughly 5%. Just 10-15% of the populations are making use of fitness facilities. In terms of stratification they are typically aged 20-40 with the age category 20-30 opting for a budget gym; people aged between 30-40 choosing a full-service option. People making use of the gym mostly live in cities and with more people moving to the Baltic cities, there's a growth perspective there.

However, the lack of purchasing power doesn't allow everybody to obtain a fitness subscription. For many Baltic citizens, this is still a luxury. The mentality is changing though, and more people are exercising either at home, in a local park or in a gym. It is therefore to be expected that exercise soon will be a part of the daily routine and as in Western and Northern European non-exercising will be looked upon even as abnormal. Leaders in the Baltic fitness industry would therefore like to see a government actively promoting a healthy life style and even providing incentives to citizens to do so.

Apart from growing pan-Baltic players there have been lots of small clubs operating across the Baltic states, often with poor standards. Given the growing competition, the quality is improving. The number of small fitness communities is growing, often with the help of social media, but there are no premium boutiques yet, due to the low purchasing power in the region.

Major players in the Baltic fitness industry



Lithuanian born Impuls is one of the leaders in the Baltic fitness industry. Impuls has approximately 60,000 members and operates 29 clubs. The company works with 2 business models: Impuls Gym (regular-higher end) and Lemon Gym (low-cost). At Impuls Gym customers pay a monthly fee in the range of EUR 30-60, the low-cost option Lemon Gym costs between EUR 20-30. The company operates in Latvia under the brand Lemon Gym with 6 clubs. In Estonia it is active with 4 clubs in Tallinn and Tartu, both Impuls Gyms and Lemon Gyms. In 2019, the formerly owned family business plans to reach EUR 20 million turnover. Impuls was acquired by the private equity fund BaltCap in 2011. BaltCap invested also in FCR Media, an Estonian digital media agency that acquired goudengids.be in Belgium.



A second major player is Estonian based My Fitness. The company opened its first fitness club in Tallinn in 2008 and expanded rapidly. In 2018, the revenue of My Fitness amounted to EUR 24 million. The club has 54,000 members and employs a staff of 750. In Estonia, it operates 20 clubs in major cities, whilst 14 in Latvia. Since 2018, My Express is also active in Lithuania. At this point the firm has 1 club in Vilnius but it plans to open 4-5 clubs in the next 2 years. In 2018 My Fitness launched the low-cost concept Gym! with 2 clubs in Estonia. Membership fee is just EUR 15 per month, while in My Fitness customers pay between EUR 20-60.

Conclusion

The Baltic fitness industry sees room for growth and this offers opportunities for Flemish companies active in the fitness sector. The penetration rate at the moment is well below the European average, but with more people moving to the city and increasing wages this is expected to grow. It remains a question though how to reach the elderly and often poor population. The market is dominated by a few big regional players and further lots of small fitness clubs. It is noticeable that at this point none of the major international fitness chains such as BasicFit or McFit Global Group are active in the Baltic market. The industry looks eager at the Scandinavian countries, where the penetration rate reaches up to 20% in Sweden. Nevertheless, there's a long way to go. Salaries are significantly lower than in Western European countries and there's also a chronic shortage of labour, which may jeopardize growth. By means of loyalty programs and innovation through technology the fitness chains try to create loyalty and a sense of community amongst its members. It is then no surprise that smaller

fitness clubs or studios, which offer a personalized service, are on the rise. The sector is calling upon the government to proactively promote a healthy lifestyle and to grant incentives to citizens who do so, which could obviously foster further growth of the fitness industry.

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Date of publication: September/2019