



WHERE KNOWLEDGE IS POWER

# Saved by the bell: The industry will return to growth as gyms capitalise on fitness trends

## IBISWorld Industry Report OD5061 Boxing Gyms and Clubs in Australia

April 2013

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# About this Industry

## Industry Definition

Establishments in this industry are facilities that operate specifically for the instruction of the sport of boxing and

other modern martial arts. This industry does not include boxing event promoters or organisers.

## Main Activities

### The primary activities of this industry are

Providing boxing group and individual classes

Providing martial arts group and individual classes

Providing fitness classes

Retailing merchandise

Space and facilities rental

### The major products and services in this industry are

Group boxing classes

Group circuit classes

Merchandise and apparel

Private boxing classes

## Similar Industries

### R9111 Gyms and Fitness Centres in Australia

Companies in this industry are mainly involved in the operation of fitness centres and gyms.

### R9114 Sports Administrative Services in Australia

Operators in this industry are mainly engaged in the administration of competitive sports or physical recreation organisations.

IBISWorld writes over 500 Australian industry reports, which are updated up to four times a year. To see all reports, go to [www.ibisworld.com.au](http://www.ibisworld.com.au)

## Additional Resources

### For additional information on this industry

[www.abs.gov.au](http://www.abs.gov.au)

Australian Bureau of Statistics

[www.ausport.gov.au](http://www.ausport.gov.au)

Australian Sports Commission

[www.fitness.org.au](http://www.fitness.org.au)

Fitness Australia

# Industry at a Glance

Boxing Gyms and Clubs in 2012-13

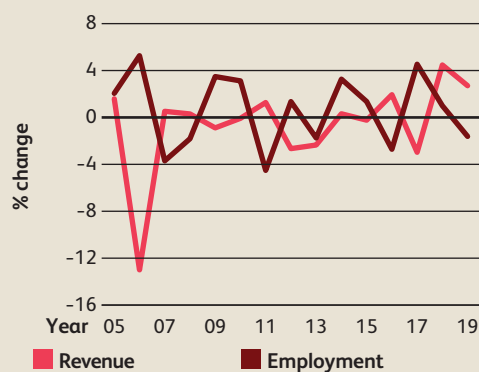
## Key Statistics Snapshot

Revenue	Annual Growth 08-13	Annual Growth 13-18
<b>\$128.7m</b>	<b>-1.0%</b>	<b>0.7%</b>
Profit	Wages	Businesses
<b>\$2.1m</b>	<b>\$52.9m</b>	<b>488</b>

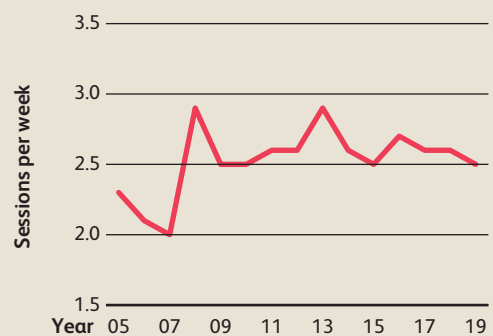
**Market Share**  
There are no major players in this industry

p. 21

Revenue vs. employment growth



Sport participation

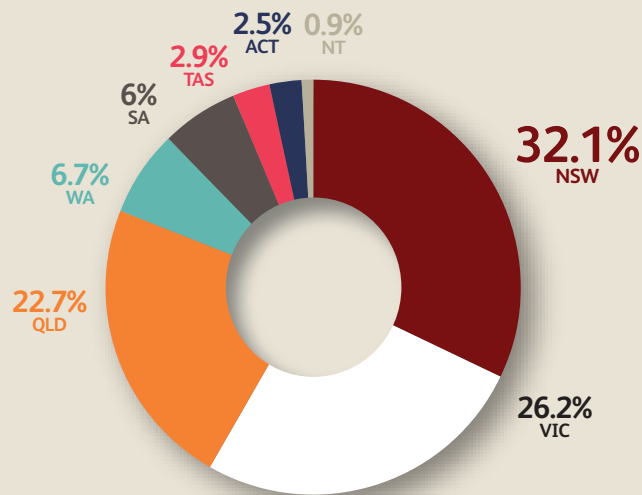


SOURCE: WWW.IBISWORLD.COM.AU

**Key External Drivers**  
Sport participation  
Real household discretionary income  
Population aged 18 or older  
Health consciousness

p. 4

Establishments



SOURCE: WWW.IBISWORLD.COM.AU

## Industry Structure

Life Cycle Stage	Mature	Regulation Level	Light
Revenue Volatility	Low	Technology Change	Low
Capital Intensity	Low	Barriers to Entry	Low
Industry Assistance	Low	Industry Globalisation	Low
Concentration Level	Low	Competition Level	Medium

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 25

# Industry Performance

Executive Summary | Key External Drivers | Current Performance  
 Industry Outlook | Life Cycle Stage

## Executive Summary

The Boxing Gyms and Clubs industry has been stagnant over the five years through 2012-13. Boxing gyms and clubs have traditionally been tied to competitive sports, with many running competitive sparring tournaments. Over the past five years, revenue has struggled to remain afloat as boxing and other forms of martial arts have become less popular as competitive sports. IBISWorld expects this is largely due to the time commitment involved in organised participation and competitive boxing, which is creating a significant hurdle for participation by time-conscious consumers. The fear of injury has exacerbated this trend, with consumers fearing time off work or study to recover. As a result, industry revenue is expected to decrease at an annualised 1.0% over the five years through 2012-13. Revenue is forecast to total \$128.7 million in 2012-13, a decline of 2.4% from the previous year.

The industry has traditionally exhibited high levels of wages and rent as a proportion of generated revenue. This

is due to the nature of the industry, as it is largely dependent on hired instructors and rental revenue. This has greatly eaten into profit margins for gym and club operators.

The industry is currently in a period of change, which is expected to pave the way for a new round for industry operators. Over the coming five years, the industry is expected to shift away from a competitive sport orientation towards a form of fitness and physical wellbeing training, also known as boxercise. This trend is expected to propel industry revenue back into growth, albeit at a relatively slow annualised rate of 0.7% to total \$133.1 million in 2017-18. IBISWorld expects that this is largely due to the growing awareness of health and physical wellbeing among Australian consumers, especially time-conscious generation Y and late generation X consumers who work or study full-time. The growing appeal of the self-discipline and cardiovascular training involved in boxing and martial arts has made them an increasingly popular form of fitness training.

## Key External Drivers

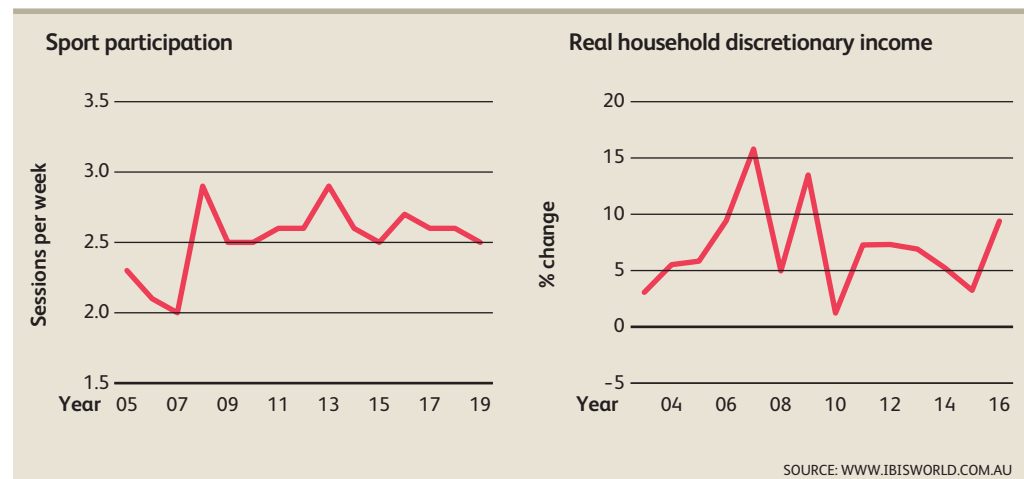
### Sport participation

As more people participate in exercise and sports, boxing gym and club operators are expected to increase their revenue, especially as boxing and martial arts become increasingly popular as forms of exercise and fitness and less

people become involved in them as competitive sports.

### Real household discretionary income

As discretionary income increases, consumers are able to contribute a higher proportion of spending on getting



SOURCE: WWW.IBISWORLD.COM.AU

# Industry Performance

## Key External Drivers continued

fit. As boxing and martial arts are increasingly popular choices due to the discipline and cardiovascular exercise they involve, industry players can expect revenue to grow.

### Population aged 18 or older

Boxing gyms and clubs are primarily attended by people aged 18 years or over. This is because younger members of the public are more likely to get injured. Therefore, as this age demographic

increases, industry revenue is expected to increase.

### Health consciousness

As consumers become increasingly aware of their health, they will actively attempt to increase their fitness levels. Spending on fitness is also short term correlated to health awareness. In the long term, as consumers' health declines, spending on fitness will increase as consumers try to get back into shape.

## Current Performance

The Boxing Gyms and Clubs industry has ducked and weaved its way away from growth over the five years through 2012-13. The industry has been on a downwards trajectory as gym and club operators fail to increase membership numbers and encourage interest in competitive boxing and martial arts in light of cautious consumer spending. However, a growing population and

increasing household incomes have helped soften the blow of declining participants. As a result, industry revenue is expected to decline at an annualised 1.0% in the five years through 2012-13, to total \$128.7 million. Revenue is forecast to fall by 2.4% in 2012-13 as many boxing gyms and clubs undergo rebranding to capture emerging fitness markets.

## Growth loses footing

Australian consumers came through the global financial crisis relatively unscathed. While most developed countries recorded losses in income, interest rate cuts in Australia actually boosted the disposable incomes of many consumers. Nevertheless, consumer confidence remained low, which prompted many consumers to cut back on discretionary expenses. This included fitness and exercise, with many consumers declining to renew gym memberships and attend paid classes, instead choosing alternative cheaper methods of exercise such as jogging,

walking or cycling. As a result, revenue stalled during this period, with profit margins declining as the cost of contract instructors and rent weighed heavily on industry operators that had significantly fewer and lower sources of income.

During 2007-08 and 2008-09, time-conscious consumers also shifted away from high commitment activities such as organised exercise and sports. This included competitive boxing and martial arts. These were two of the most significant focuses of boxing gyms and clubs, which often specialised in private tuition and training for competitive boxing.

## A combination of trends

Over the past five years, organised sports and time-heavy activities have lost popularity to general fitness and exercise as the number of time poor individuals who lack the availability or willingness to commit to structured activities has

grown. Consumers now have a greater preference for health, fitness and leisure activities instead of structured and managed competitive events such as boxing or martial arts tournaments.

Conversely, IBISWorld expects that

# Industry Performance

## A combination of trends continued

sports spectating has increased, including spectating of boxing and martial arts. This has been due to increasing technological channels, with online streaming of fights and online ticket sales making viewing these sports significantly easier. The growth of sports betting via online platforms and mobile applications has also spurred this trend, with consumers granted easy access to fight statistics and betting options through the internet or smartphone applications.

The growing focus on boxing for fitness has perhaps become the most crucial trend making its mark on the Australian Boxing Gyms and Clubs industry. Boxing and alternative martial arts have slowly shifted away from a competitive focus, with fewer lessons expected to be about engaging an opponent in competition and more about fitness and maintenance of physical wellbeing. Doing boxing and martial arts for fitness has become commonly known by various terms, such as boxercise and body combat, as consumers have slowly realised the benefits of the

## Boxing and alternative martial arts have slowly shifted away from a competitive focus

cardiovascular exercise involved in boxing and martial arts. However, this has hurt the profitability of gyms and clubs as the higher margin private tuition and competitive training programs make way for larger scale, low-margin group fitness sessions.

Modern martial arts have increased in popularity at a greater rate than traditional boxing. This is expected to be due to eastern influences, with Muay Thai and mixed martial arts considered new alternatives to traditional boxing, as both a fitness exercise and a competitive sport. This has provided some support for gyms and clubs that offer a large range of alternative martial arts as consumers seek out new schools of training and fitness coaching.

## Roped in

IBISWorld expects that the continual fall in industry revenue is largely due to the operating nature of the industry and its inability to change with shifting trends. Industry players have traditionally largely focused on operating just one gym with a small number of members that train frequently. Space has also been a significant issue, with many gyms experiencing crowding out and capacity shortage. New trends have caused an influx of consumers who are after boxercise instead of match preparation and training. This has caused many smaller boxing gyms and clubs to lose out to larger fitness centres that have the capacity and space to accommodate infrequent visitations of a larger

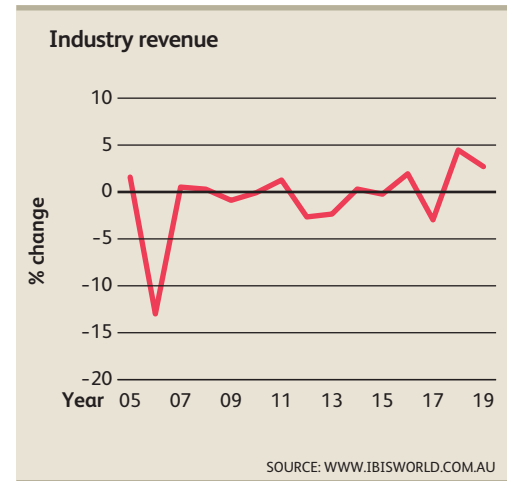
consumer base.

IBISWorld expects that boxing gyms and clubs have also been under significant competition from other forms of modern fitness. New types of fitness classes such as spinning and Zumba appeal to time-conscious consumers looking for exercise and fitness. These fitness types, like boxing and martial arts, often focus on maintenance of tempo and cardiovascular exercise and have therefore become a substitute to attending boxing gyms and clubs. As a result, IBISWorld expects that industry participant numbers have declined, with establishment numbers falling at an annualised 0.7% over the five years through 2012-13.

# Industry Performance

## Industry Outlook

The Boxing Gyms and Clubs industry is expected to face significant hurdles over the coming five years. While boxing and other modern martial arts increasingly shift towards a fitness-orientated exercise as opposed to being competition based, smaller independent gyms and clubs may find it difficult to compete on capacity against large fitness centres. However, increasing awareness of health and exercise across all age groups and the expected continued increase of discretionary incomes will help create new markets for boxing gyms and clubs, providing a buffer against the onslaught from heavy-weight competition. As a result, industry revenue is expected to return to growth in the five years through 2017-18, increasing at an annualised



0.7% to total \$133.1 million. Revenue is expected to grow by 0.3% in 2013-14 as increased fitness participation in boxing will help lift the industry.

## Industry to counter

IBISWorld expects that the industry will be able to pick up its lacklustre pace in the coming five years and return to an overall growth trend as a result of new markets and increasing uptake of fitness and exercise. Some of the most crucial trends aiding industry recovery will be the growing awareness of the importance of fitness and the increasing number of time poor consumers. As a result of these factors, consumers will be significantly more likely to attend unorganised sports such as fitness training than organised and competitive sports. These consumers are also much more likely to attend fitness classes close to home or work. IBISWorld expects this to be a decisive factor in the location of new boxing gyms and clubs that focus on fitness. With industry establishment numbers expected to increase at an annualised 0.7% in the

five years through 2017-18, a greater proportion of the market will be captured by boxing gyms and clubs. Profitability is also expected to increase as new gyms and clubs form and growing markets are captured.

While boxing and martial arts are traditionally seen as sports suited to younger people, with the majority of revenue attributed to those aged 34 years and under, health consciousness across all age groups may provide an opportunity for boxing gyms and clubs to capture emerging markets, such as those aged under 15 years (to build posture and self-confidence) and over 55-year-olds (as a cardiovascular exercise). Gyms and clubs would have the advantage in this regard as competing fitness centres tend to offer larger group classes as opposed to specialised tuition for growing niche markets.

## A bout of competition

The greatest source of competition to the industry is large-scale national fitness centres that have the head start in terms of capacity and consumer base for boxing and martial arts as fitness

exercises. Boxing gyms and clubs that are unable to handle large group sessions or do not have the boxing for fitness curriculum in place will lose out to competing fitness centres that already

# Industry Performance

## A bout of competition continued

have a large base of customers due to their existing fitness facilities. IBISWorld expects that fitness centres will be the largest competitor for generic markets, typically the younger, time poor consumer aged around 35 years. The industry will also face competition from other modern fitness programs such as spinning and Bikram yoga.

The most significant changes expected over the five years through 2017-18 is the emergence of technology as a competitive player against the industry. With the continued adoption and advancement of

sensor technology, IBISWorld expects technology to make further inroads from Wii Fit and Xbox Kinect fitness games into areas such as 3-D motion sensors and advanced computer artificial intelligence for fitness coaching. The growth of online fitness training and distance fitness training through video conferencing is also expected to make inroads into home fitness. This competitive trend may be a revolutionary point for the industry as consumers may be able to achieve the same effectiveness with exercising at home as attending paid classes.



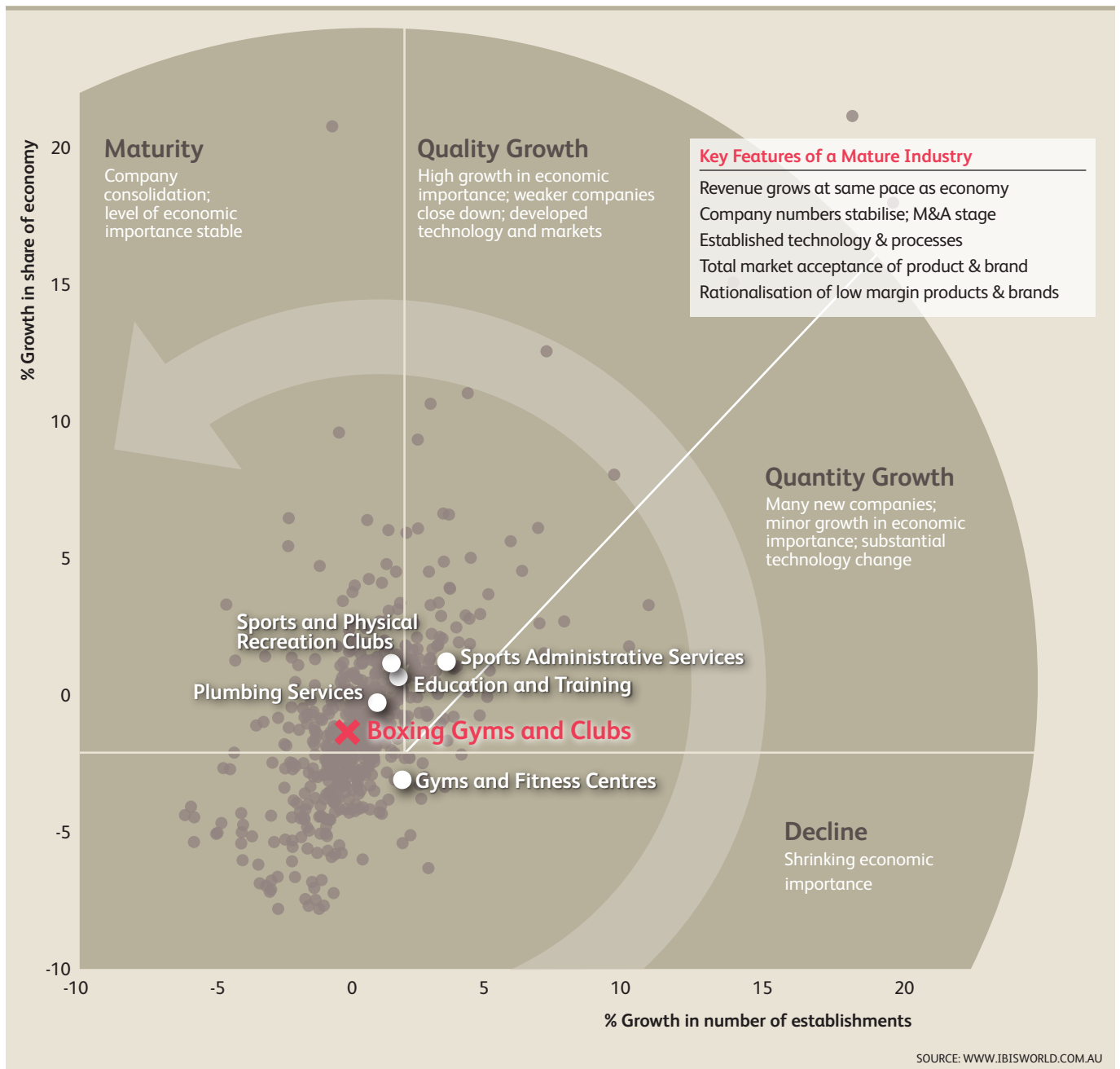
# Industry Performance

## Life Cycle Stage

Gyms and clubs experience capacity constraints

The industry's contribution to the overall economy is increasing slightly

Industry establishment numbers are falling



# Industry Performance

## Industry Life Cycle

This industry  
is **Mature**

IBISWorld expects that the Boxing Gyms and Clubs industry is in the mature phase of its life cycle. Over the 10 years through 2017-18, the industry's contribution to the Australian economy has grown. This is measured by industry value added, which is expected to grow at an annualised 0.5% over the 10-year period. While this shows an increasing contribution, it is an underperformance of GDP, which is forecast to increase at

an annualised 2.4% over the period.

Despite increasing interest in boxing and martial arts as fitness exercises, this will not be enough to boost the industry back into a growth phase because the competitive segment is declining. This segment is a substantial revenue generator for boxing gyms and clubs. In addition, many gyms and clubs have exhibited capacity constraints with an influx of customers seeking boxercise lessons.

# Products & Markets

Supply Chain | Products & Services | Demand Determinants  
 Major Markets | International Trade | Business Locations

## Supply Chain

### KEY BUYING INDUSTRIES

- P**            **Education and Training in Australia**  
 High schools use boxing gyms for student group fitness training sessions.

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- R9112**      **Sports and Physical Recreation Clubs in Australia**  
 Professional sporting teams and athletes use boxing gyms for fitness, strength and conditioning training.

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- Z**            **Consumers**  
 Consumers use boxing gyms and clubs to improve their general fitness and learn the skills required to box.

### KEY SELLING INDUSTRIES

- E3231**      **Plumbing Services in Australia**  
 Companies in this industry supply plumbing services for gym changing rooms.

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- E3233**      **Air Conditioning and Heating Services in Australia**  
 This industry supplies air conditioning and heating for boxing gyms and club facilities.

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- F3734**      **Toy and Sporting Goods Wholesaling in Australia**  
 Wholesalers in this industry supply sporting and exercise equipment to boxing gyms and clubs.

## Products & Services

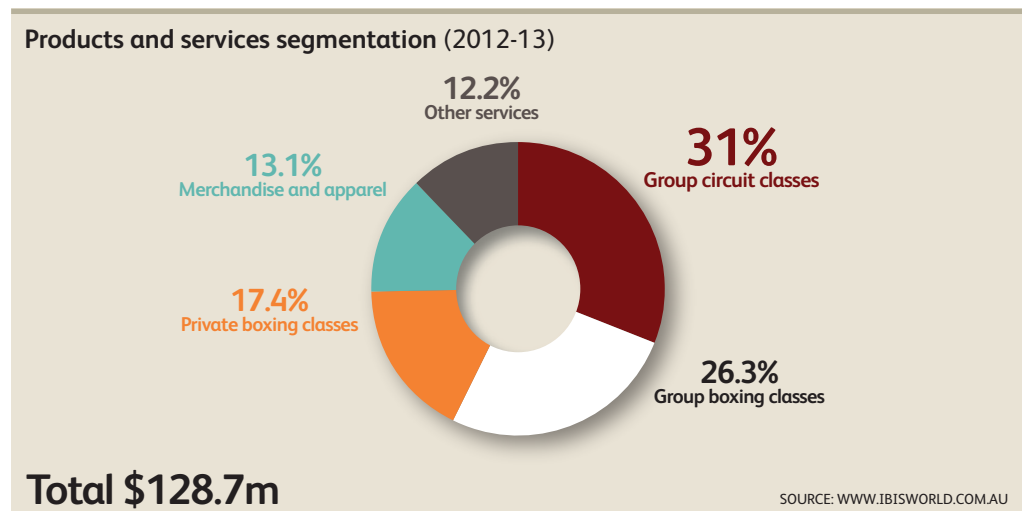
Industry services mainly consist of group training classes and private boxing sessions. Boxing clubs also provide other services, such as general use of equipment and club training sessions. Most gyms will also stock boxing equipment, such as gloves, wraps and mouthguards, for members to purchase.

### Group classes

The majority of industry revenue is generated from provision of group training classes, which are split into group circuit and group boxing classes.

Group circuit classes are estimated to account for 31% of industry revenue. These classes combine running and core workouts with bag and pad work for a complete cardio fitness and boxing workout routine. This is the most popular form of training at boxing gyms as it caters to all fitness levels and does not involve actual contact, so it is a lot less intimidating.

Group boxing classes are estimated to account for 26.3% of industry revenue. These classes are geared towards specific boxing techniques and conditioning, and often involve contact sparring sessions.



# Products & Markets

## Products & Services continued

These classes substitute much of the cardio work in circuit classes for more specific boxing training.

### Private boxing classes

Private boxing classes are estimated to account for 17.4% of industry revenue, making it the third largest segment in the industry. Similar to regular gyms and fitness centres, private classes are generally not included as part of the membership fees. However, at times the owner of a small gym will personally train professional boxers. Members requiring personal training will often pay an additional fee for private sessions. Many local clubs and gyms are owned by former professional fighters or professional coaches, who use their exposure and experience to market their private sessions to the public. In addition, many clubs seek former professional fighters for their training staff, which adds credibility to the club and its classes.

### Merchandise and apparel

Merchandise sold includes boxing gloves,

hand wraps, protective headgear and mouth guards, while apparel items typically include shirts, sweatshirts, tank tops and shorts for both males and females. Over the five years through 2012-13, revenue from merchandise and apparel has declined as customers choose to purchase gear from cheaper stores, especially online. Merchandise and apparel sales are estimated to generate 13.1% of industry revenue.

### Other services

Other services include seasonal club training sessions (for example, AFL club training sessions during the off-season) and school training sessions (often only a couple of sessions each year for a particular year level). Walk-in sessions for casual customers for classes and equipment use are also included in this segment.

In addition, clubs and gyms sometimes sell food and drink products. For example, many boxing gyms have a drink stand within their gym where members can purchase smoothies, protein bars and other food and beverages.

## Demand Determinants

Increasing health awareness and a growing trend towards fitness, exercise, weight loss, nutrition and generally healthier lifestyles among Australians are having a positive effect on the industry. People participating in sporting activities are increasingly using boxing as a training method for fitness, especially circuit classes as they are extremely intense cardio and core workouts. The rise of mixed martial arts (MMA) in popular culture has also had a positive effect on boxing gyms and clubs. As MMA receives greater media coverage, people become more interested in boxing (a major fighting style of MMA).

Demand for services provided by the Boxing Gyms and Clubs industry is also determined by household discretionary income, consumer confidence, leisure

time availability, participation in recreation and sports, the cost of services relative to other recreation options and external competition from substitutes.

Household discretionary income is particularly relevant to the amount people spend on higher cost services provided by the industry, such as private lessons. High levels of discretionary income therefore also equate to wider profit margins. Similarly, industry growth is affected by consumer confidence: an increase in confidence leads to greater willingness to spend and demand growth for the industry's services.

Additionally, the cost of industry services compared with other sport and recreation activities affects demand. An increase in the cost to participate in competing sport and recreational

# Products & Markets

## Demand Determinants continued

activities can result in an increase in demand for boxing gyms and clubs. There are also many substitute forms of fitness and martial arts that directly compete

with the industry. Their popularity affects the amount of participation in this particular sport, especially as people have limited leisure time availability.

## Major Markets

The industry's major markets are split up into demographic age groups, from teenagers and young adults to middle aged and older people. The high intensity nature of the sport generally makes it difficult for older age groups to participate actively. Younger age groups therefore make up most of the market.

Although the sport of full-contact boxing has been declining in all age groups due to the possible long-term health hazards of concussions, the sport has been gaining popularity among younger age groups as a form of fitness training.

### Consumers aged 15 to 34 years

Generating an estimated 71.4% of industry revenue, consumers aged 15 to 34 years are by far the largest demographic of consumers. The majority of this market is represented by people between the ages of 15 and 24 years, who are estimated to account for 42% of industry revenue. The remainder is made up of those aged between 25 and 34 years, who are also a major part of the industry. Younger customers are generally more

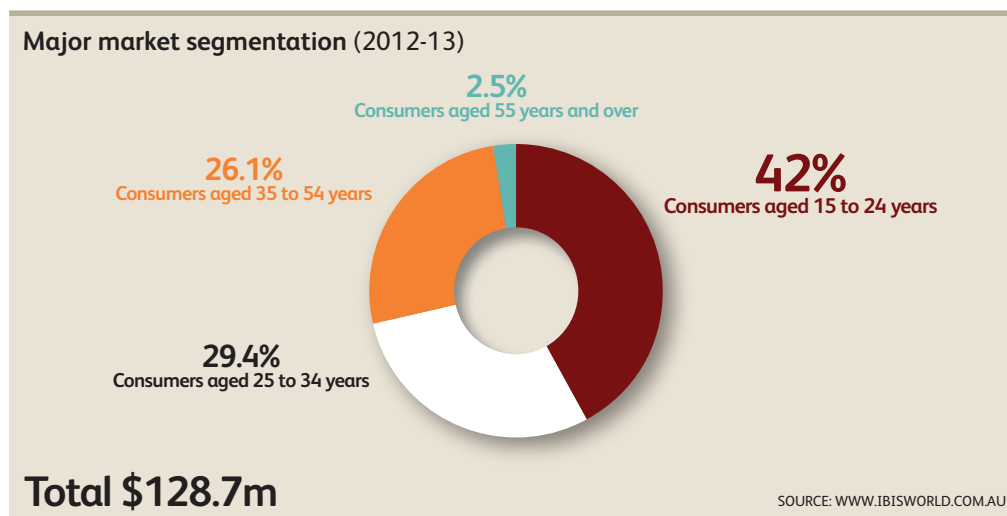
able to participate in boxing and modern martial arts, due to their ability to push their bodies through more extreme exercises and recover from injuries.

### Consumers aged 35 to 54 years

Consumers aged 35 to 54 years are estimated to account for 26.1% of industry revenue. Customers aged 35 to 44 make up 14%, while those aged 45 to 54 years make up 12.1%. The disparity between those aged 35 and 54 years is quite small. In addition, the entire demographic has been increasing its participation significantly over the past decade. This signifies a growing trend of fitness and health for Australians participating in sport, and increasing life spans. Australians are remaining healthy and in good physical condition until much later in their lives, allowing them to continue participating in tough sporting activities.

### Consumers aged 55 years and over

The final segment is consumers aged 55 years and over. This segment has been increasing slightly in the five years



# Products & Markets

## Major Markets continued

through 2012-13, driven mainly by increased demand from the baby-boomer generation. There have been numerous studies that suggest regular exercise helps maintain a healthy lifestyle longer.

However, most people aged 55 years and over favour activities that are less strenuous than boxing. In 2012-13, this segment is expected to generate 2.5% of industry revenue.

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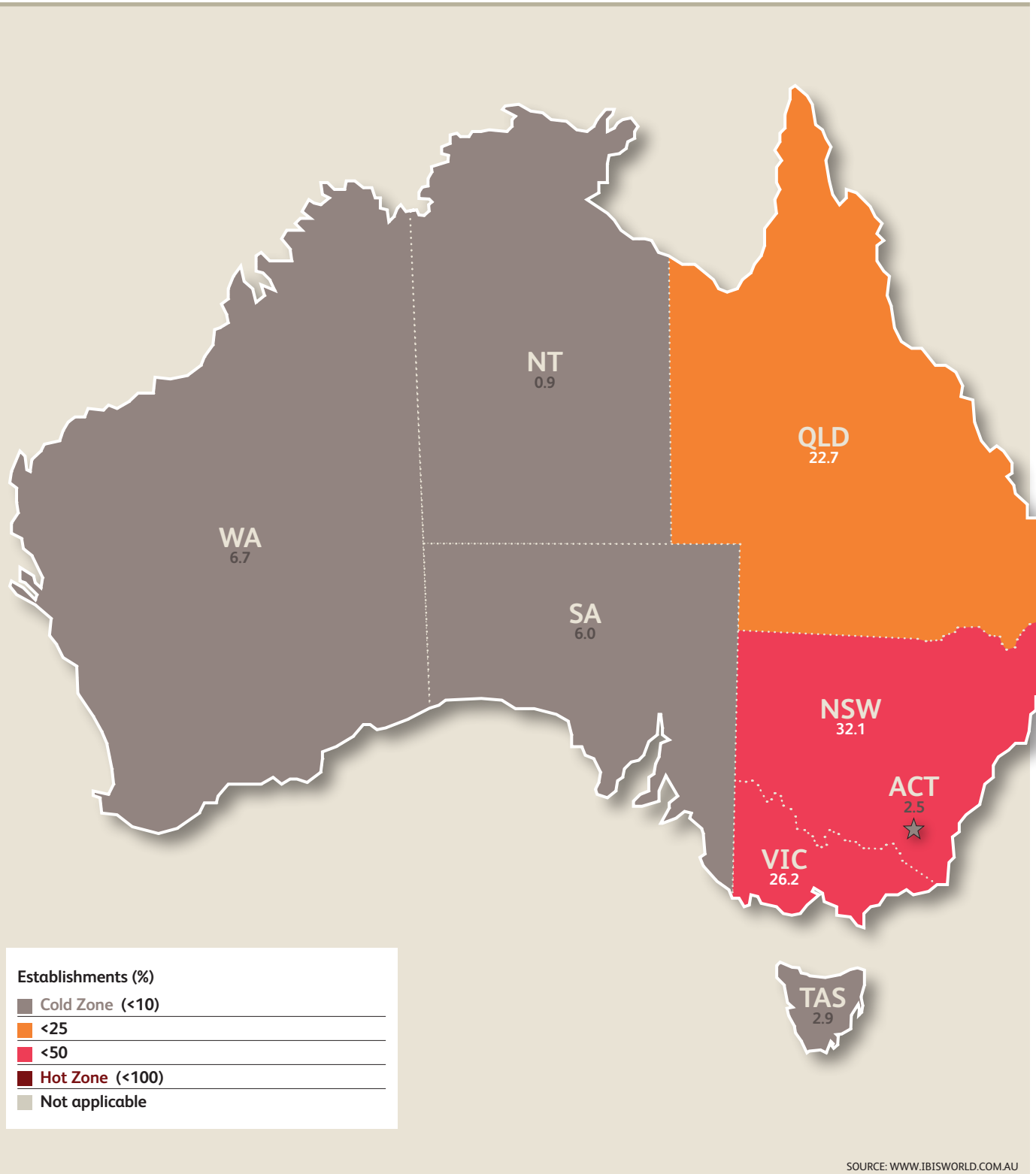
## International Trade

International trade does not apply to the Boxing Gyms and Clubs industry because it is a service-oriented industry with no measurable imports or exports. In the

absence of imports and exports, domestic demand is equal to revenue and is expected to reach \$128.7 million in 2012-13.

# Products & Markets

## Business Locations 2012-13

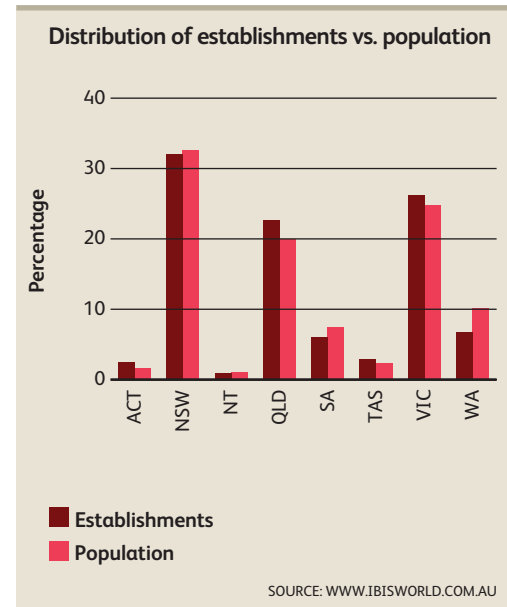


# Products & Markets

## Business Locations

The geographic spread of the industry closely mimics population dispersion, with most establishments therefore being located in New South Wales, Victoria and Queensland. IBISWorld estimates that over 80% of industry establishments are located in these three major states. A key factor in operating successfully in the industry is locating premises close to where customers live and work to offer convenience. Consumers are generally not willing to travel excessive distances to perform exercise or become a member of a boxing gym or club. The distribution of population essentially determines the location of a boxing gym or club.

The other states and territories hold a much smaller proportion of establishments, with South Australia and Western Australia together accounting for almost 13%. Tasmania, the Australian Capital Territory and the Northern Territory together account for just over 6.0% of all establishments.





# Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks  
Basis of Competition | Barriers to Entry | Industry Globalisation

## Market Share Concentration

Level  
Concentration in this industry is **Low**

The industry is made up of many small, privately owned gyms. There are no large players controlling any significant portion of industry revenue. Therefore the industry is considered to have a very low level of concentration. Almost all of the enterprises in the industry have only one establishment, with most either being non-employing or employing only a handful of staff.

However, declining enterprise numbers due to increasing competition from larger fitness centres, such as Fitness First, is causing concentration to increase slightly. In addition, many of boxing gyms are beginning to increase the number of employees they hire to accommodate more boxing and circuit classes designed to compete with regular classes at other gyms.

## Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

### Effective cost controls

Boxing gyms and clubs must have appropriate pricing and cost management strategies to survive in a competitive market.

### Easy access for clients

A convenient location offering easy access and parking can provide a competitive advantage for firms in the industry.

### Having skilled trainers

Skilled staff members that can demonstrate the use of equipment and

assist members are important to attract new and repeat customers. The industry often hires former professionals to add credibility.

### Provision of appropriate facilities

Providing appropriate equipment and maintaining it regularly are essential to attract and retain customers.

### Effective product promotion

Boxing gyms must be able to promote their services effectively to attract new members.

## Cost Structure Benchmarks

Due to the relatively diverse and fragmented operations of the industry, IBISWorld expects that the cost structure differs significantly between players. However, there is an increasing trend of becoming more homogeneous as gyms and clubs shift towards a more profit-driven business model.

### A blow to profit

IBISWorld expects that the industry's profit margin, as measured by earnings before interest and taxes, is 1.6% of revenue in 2012-13. This has fallen from a higher base of 2.0% in 2007-08, with clubs and gyms struggling due to high wage costs and increasing rent, despite the growing interest in martial arts and boxing as forms of fitness. IBISWorld expects that the increasing popularity of martial arts as a form of fitness is

attributable to the lower margin group classes and circuit training classes, whereas higher margin individual lessons for competitive martial arts and boxing have declined in popularity. A lack of merchandise sales has also affected profitability as consumers purchase merchandise through other retail channels, such as online or speciality stores.

### Wages pumped

The largest cost segment by far is wage costs, which are expected to account for 41.1% of industry revenue in 2012-13. This is up from 37.5% in 2007-08. This is largely due to falling participation in boxing and martial arts as sports, whereas their popularity and appeal as fitness activities has prompted gym and club operators to hire additional

# Competitive Landscape

## Cost Structure Benchmarks continued

employees and instructors to increase target audiences. For example, many pure boxing gyms and clubs have taken on Muay Thai instructors and practitioners of mixed martial arts in an attempt to capture the growing popularity of modern martial arts. IBISWorld expects that wages will increase slightly over the coming five years as gyms and clubs focus on bringing in a diverse range of instructors for general fitness and training.

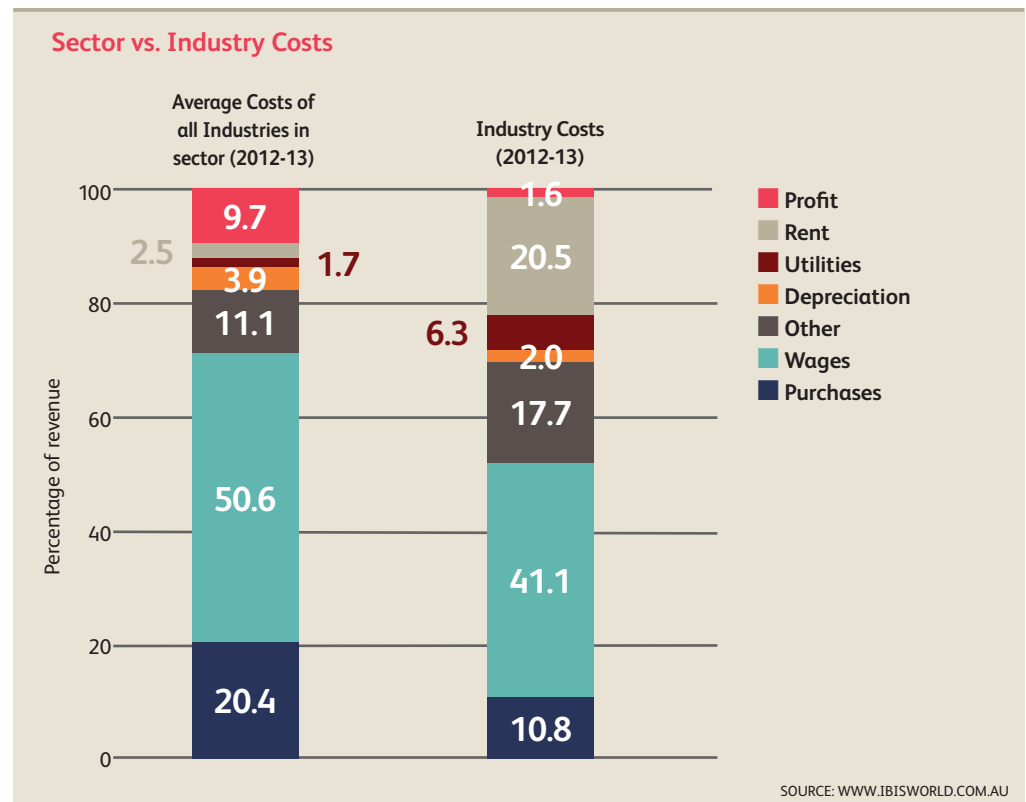
### Purchases steady

The industry spends approximately 10.8% of revenue on the purchase of equipment, such as sparring gloves, mitts, mats, pads and sandbags. Purchases also include merchandise, food, water and other products for resale. Gym and club operators have cut back on purchases significantly, especially of merchandise as other retail channels have been able to provide merchandise at more affordable prices. This has

hampered consumer spending on goods outside the scope of physical exercise at boxing gyms and clubs during the past five years.

### Rent and utilities

Rent and utilities combined account for 26.8% of industry revenue. Many gym and club operators in the industry do not own their fitness facilities and so must rent their buildings and much of their equipment. Boxing gyms and clubs are then able to rent out space to private instructors and offer members convenient access to their facilities through memberships to generate revenue. Rent has been a large proportion of costs in the five years through 2012-13 as gyms and clubs typically require a large area of operation, preferably in an ideal location close to consumers. Utilities are expected to absorb a significant proportion of revenue as many gyms and clubs operate on long hours with on-site showers.



# Competitive Landscape

## Cost Structure Benchmarks continued

### Other costs

Other costs are significant for industry operators, with items including insurance, marketing, general administration and maintenance. These costs are expected to have increased in the five years through 2012-13, especially

as insurance costs are high due to the likelihood of injury in boxing gyms and clubs. Marketing and event planning are also notable items, especially as means to increase gym and club participation rates become increasingly important for industry operators.

## Basis of Competition

Level & Trend  
Competition in this industry is **Medium** and the trend is **Increasing**

The industry is subject to a significant level of competition, both internally and externally. Competition is based mainly around price and the location and quality of facilities and services.

### Internal competition

The high number of small industry players, concentrated close to each other, has increased the importance of price competition in the industry. In addition to pricing, gyms are able to attract customers through convenient locations with parking spaces and through quality facilities and services. Hiring professional staff with proven fight records is therefore a major selling point for boxing gyms, as it adds credibility to the quality of training provided.

### External competition

Consumers have a limited amount of leisure time available for sporting activities, and must therefore choose which type of activity they participate in for their fitness purposes. The industry competes with other exercise facilities, such as general fitness centres (general

purpose gyms), and other forms of martial arts and sports for consumers' leisure time.

The most significant external threat comes from general fitness centres such as Fitness First, which offers full gym facilities and equipment. These gyms also provide a timetable of classes for various group fitness activities. However, boxing gyms are able to add value to customers by having experienced professionals conduct the training. Many boxing gyms are operated by former professionals that have intimate knowledge of the sport, giving them a competitive advantage over larger fitness centres.

The exponential growth of the digital and online world is adding to external competition. Video streaming websites, such as YouTube, have tutorials on exercises that people can follow from their homes. Large brands, such as Everlast, are providing similar free streaming services. The Everlast brand is highly regarded and established in the boxing sector, making the training centre on its website a credible training source.

## Barriers to Entry

Level & Trend  
Barriers to Entry in this industry are **Low** and **Increasing**

Unlike larger fitness centres and general gyms, barriers to entry for boxing gyms and clubs are relatively low. Capital costs are minimised because most establishments are leased rather than purchased. This provides a relatively low cost basis for entry. The most significant capital requirement at start-up is the cost of purchasing gym equipment, such as weights, bikes, treadmills, punching bags, a boxing ring and other exercise equipment. Most

Barriers to Entry checklist	Level
Competition	Medium
Concentration	Low
Life Cycle Stage	Mature
Capital Intensity	Low
Technology Change	Low
Regulation & Policy	Light
Industry Assistance	Low

SOURCE: WWW.IBISWORLD.COM.AU

# Competitive Landscape

## Barriers to Entry continued

heavy equipment, however, depreciates slowly once purchased and often lasts a long time. Maintenance and replacement costs are therefore relatively low. Many smaller start-up gyms also reduce initial costs by purchasing second-hand equipment.

Another barrier to entry is the

experience required to start a reputable boxing gym. Most owners are former professional boxers or coaches of professional boxers, who hire staff with experience in the sport. It is unlikely that a new entrant will succeed in the industry unless they have equivalent credibility to other competitors.

## Industry Globalisation

### Level & Trend

Globalisation in this industry is **Low** and the trend is **Steady**

The Boxing Gyms and Clubs industry has a low level of globalisation as operators generally have only one establishment that services local customers. Also

contributing to the low level of globalisation is the fact that international trade is non-existent given the service-oriented nature of the industry.

# Major Companies

There are no major players in this industry | Other companies

## Other Companies

This highly segmented industry is represented by a large number of small gyms, none of which command any significant market share. Gyms are typically local clubs that offer specialised training for a variety of fighting techniques – most commonly boxing, kickboxing (or Muay Thai) and mixed martial arts (MMA). However, there are a small number of clubs that offer boxing training exclusively.

Many boxing gyms and clubs operate similarly to regular fitness centres and gyms. Customers must purchase memberships, often as six to 12 month contracts, and pay fortnightly instalments to use all of the club's facilities and equipment during opening hours. Most commonly, clubs in the industry have set weekly timetables with various classes for different fighting styles and fitness, and members are free to attend as many of these as they want. Other clubs offer memberships for particular fighting styles, such as boxing class memberships or MMA memberships. Customers are only permitted to attend the classes related to their membership.

Many boxing clubs have professional trainers and ex-professional fighters that give personal training sessions to customers. These are often negotiated with the trainer individually, with the fees paid directly to the trainer rather than the club. These trainers hire out the facilities of the club, but have their own clientele.

### **Fight Fit Pty Ltd**

**Estimated market share: Less than 1.0 %**

Fight Fit is a typical industry player. The club is located in South Melbourne, VIC. Class timetables are split into FightFit, kickboxing, power circuit, strength and

beginners and intermediate circuit classes. Members with six- or 12-month memberships are able to attend any of these classes. The club also offers general gym equipment, such as weights and treadmills, that members can come in and use as much as they want during opening hours. Classes are generally run by a specialist trainer in large groups of 20 to 40 people.

Fight Fit also offers an experience called the FightFit Boxing Challenge, which is an eight- to 10-week intensified boxing program, at the end of which competitors face off against a similarly skilled opponent in a real boxing match in front of an audience of one to two thousand spectators.

### **Richmond Boxing Club Inc.**

**Estimated market share: Less than 1.0 %**

Also known as Leo Berry's Richmond Boxing Gym, the Richmond Boxing Club has been an iconic Australian boxing gym for many years. As one of Victoria's oldest boxing clubs, Leo Berry's has been operating as a not-for-profit community facility since 1954. Unlike many of the for-profit gyms, customers do not require a membership to use the facilities and attend group training sessions.

Children and disadvantaged youths are not required to pay any training fees for boxing and fitness training or general use of the gym. Other customers are required to pay a \$5.0 donation for any of the boxing classes, a \$10 donation for any of the circuit classes or a \$1.00 donation for general use of the gym and its equipment for each session.

Leo Berry's also provides competitive boxing training and scheduled matchups, and training for professional sports clubs such as the Collingwood Football Club.

# Operating Conditions

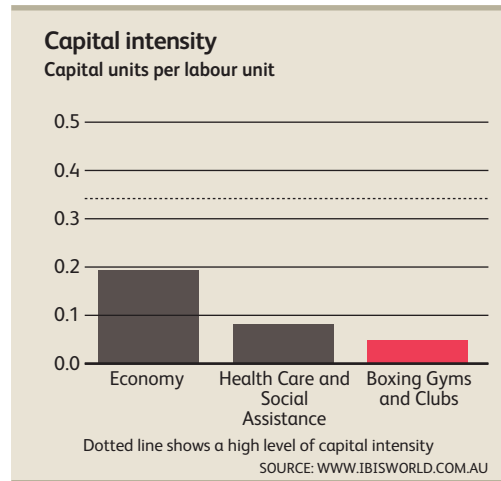
Capital Intensity | Technology & Systems | Revenue Volatility  
 Regulation & Policy | Industry Assistance

## Capital Intensity

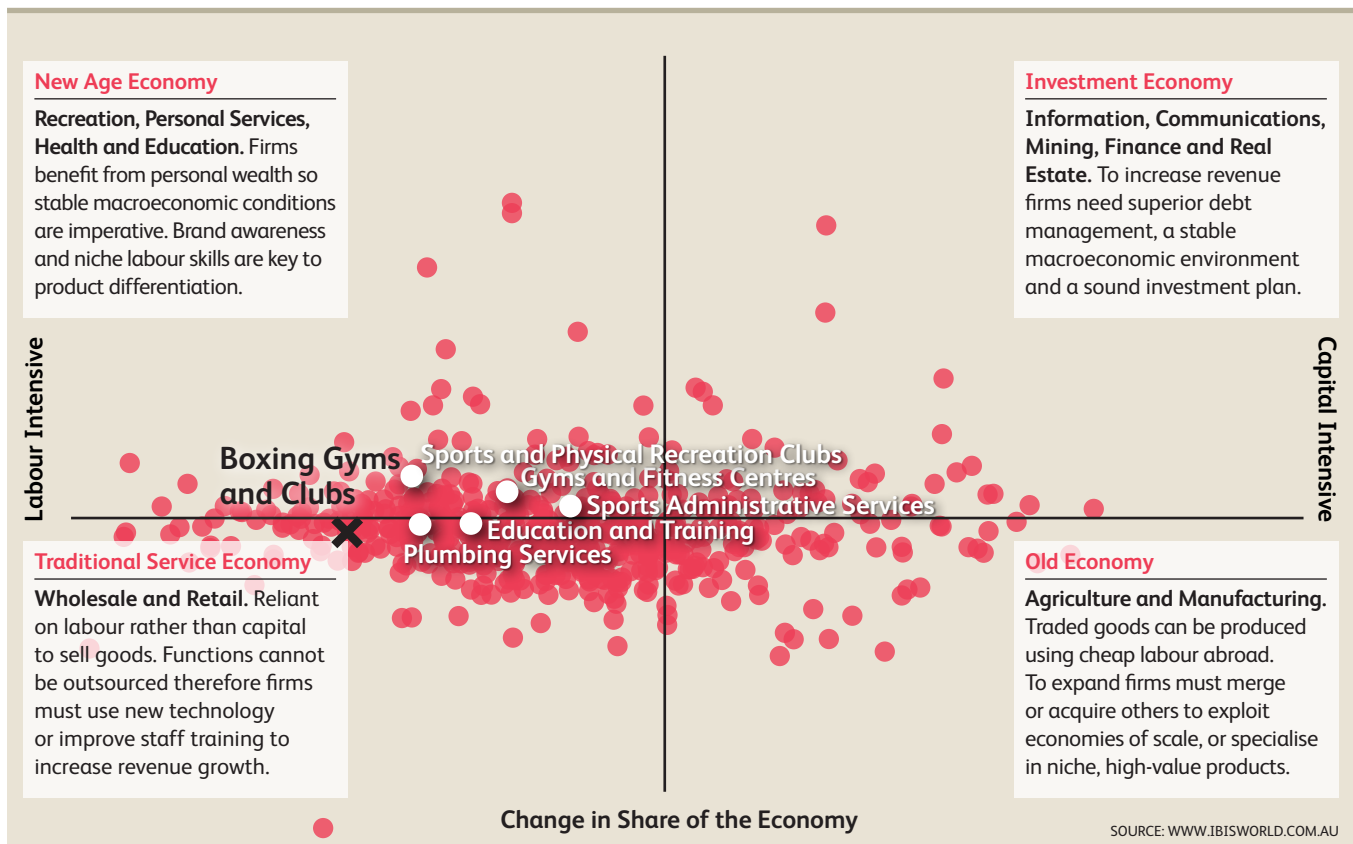
**Level**  
 The level of capital intensity is **Low**

The Boxing Gyms and Clubs industry has a low level of capital intensity. This is largely due to the heavy focus on service provision, with boxing and martial arts instructors accounting for the majority of labour costs. Administration and general staff are expected to only account for a minor proportion of costs. This is typical of a service-based industry, especially as gym and club operators shift away from the sale of merchandise.

IBISWorld uses expected depreciation expenses and labour costs to calculate the labour-to-capital ratio, which is expected to be 1:0.5. This means that for every \$1.00 paid as wages, only \$0.05 is required as capital investment, suggesting a low emphasis on capital investment.



## Tools of the Trade: Growth Strategies for Success



# Operating Conditions

## Technology & Systems

**Level**  
The level of Technology Change is **Low**

Technology change in the industry is low as the equipment and apparel needed for boxing are simple. In addition, all of the technological advancement in gym and boxing equipment and gear is made by upstream markets. While boxing gyms need to be aware of the latest equipment and training methods, the rate of change is relatively slow and obtaining modern equipment is not as vital in the industry as it is in general fitness centres. More emphasis is placed on quality trainers and classes rather than the equipment used. In fact, customers are often encouraged to bring

their own gear (gloves, wraps and mouthguards) to classes and ‘old school’ gyms add appeal to a sport considered to be traditional.

However, many boxing gyms offer electronic payment methods to members and use computers to manage operations and keep a database of members. In addition, a shift in the sport towards more fitness-based, cardio and core exercises has been the trend due to consumer preferences. Boxing gyms are progressively offering more non-contact, fitness-based classes than traditional contact classes.

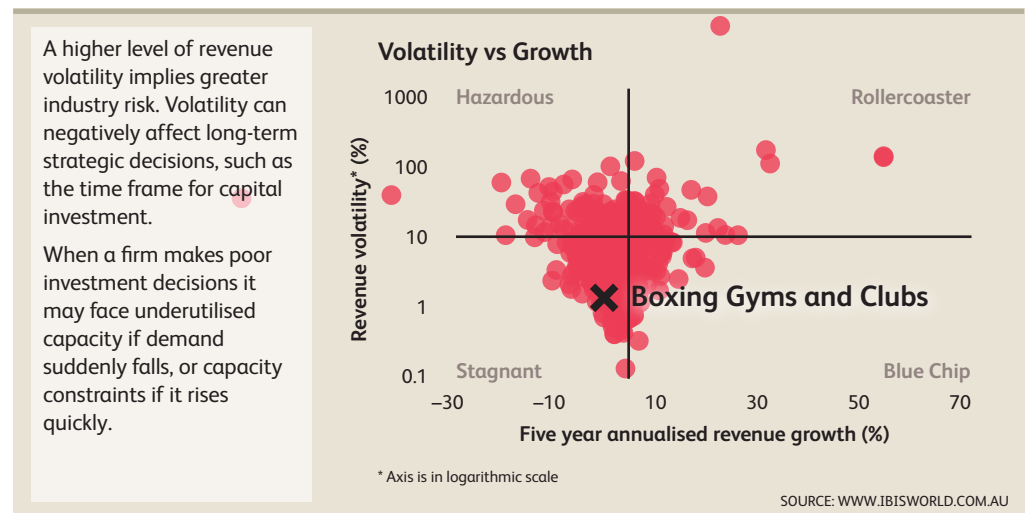
## Revenue Volatility

**Level**  
The level of Volatility is **Low**

IBISWorld expects that the Boxing Gyms and Clubs industry exhibits a low level of revenue volatility. Volatility is expected to be significantly lower in 2012-13 than in 2007-08. In 2007-08, the industry was affected by the global financial crisis and boxing and martial arts were more popular as sports than as forms of fitness. The period during the financial crisis was also characterised by low consumer confidence and increased levels of savings; this caused a lower number of participants in boxing and martial arts as competitive sports due to the time

commitment involved.

In the past few years, as confidence picks up and discretionary income grows, consumers are open to a range of exercise options, including boxing as a form of fitness. IBISWorld expects revenue to exhibit lower volatility, despite overall revenue falling. This fall in revenue is largely attributed to a lack of growth in boxing and martial arts sport participation; growth has instead been directed towards lower revenue generating fitness and exercise boxing, which require less commitment.



# Operating Conditions

## Regulation & Policy

### Level & Trend

The level of Regulation is **Light** and the trend is **Steady**

The general rules regulating the Boxing Gyms and Clubs industry are similar to those covering the Gyms and Fitness Centres industry. Consumer protection laws such as the Fair Trading Acts of various states and territories are the most common form of regulation. Most states have incorporated provisions into their Fair Trading Acts to cover the industry, including issues such as membership contracts and disclosure of terms, high-pressure sales tactics, misleading communication, confidentiality and use of customers' personal information. Local councils also regulate the use of public space for personal training sessions, with many

councils requiring permits to use public reserves and some charging access fees.

Gyms registered with Boxing Australia are subject to additional rules of conduct. Boxing Australia is governed by the International Boxing Association's technical and competition rules. These international rules are adjusted to specifically suit Australia and have become known as Australia's technical and competition rules. These regulations differ to those of professional boxing and other amateur boxing codes, such as League and Global. In addition, anti-doping laws, governed by the Australian Sports Anti-Doping Authority, are applicable to the industry.

## Industry Assistance

### Level & Trend

The level of Industry Assistance is **Low** and the trend is **Increasing**

The industry is expected to receive little to no direct assistance from Australian governments. However, it receives a moderate level of indirect assistance through the continual promotion of health and fitness. This has allowed boxing gyms and clubs to capture new markets.

Other forms of indirect assistance include industry associations, such as the Australian Sports Commission and Fitness Australia, that work to promote a fitter and healthier Australia. These industry associations often hold fitness

seminars and events that aim to raise awareness of health and fitness in society and create best practice guidelines in coaching and management of sportspeople and individuals.

The National Sports and Active Recreation Policy Framework administered by the Australian Sports Commission is a significant source of assistance to the industry. The policy primarily revolves around increasing sports participation and the success of competitive sports in Australia.



# Key Statistics

## Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports	Imports	Wages (\$m)	Domestic Demand
2003-04	151.5	59.6	556	519	2,289	--	--	54.1	N/A
2004-05	153.9	58.9	552	521	2,336	--	--	55.5	N/A
2005-06	133.9	58.3	568	529	2,459	--	--	54.8	N/A
2006-07	134.6	54.6	565	522	2,368	--	--	52.2	N/A
2007-08	135.0	55.0	543	503	2,325	--	--	50.6	N/A
2008-09	133.8	53.7	535	499	2,406	--	--	52.2	N/A
2009-10	133.7	57.8	531	496	2,481	--	--	55.8	N/A
2010-11	135.4	52.3	555	514	2,369	--	--	50.2	N/A
2011-12	131.8	54.9	532	498	2,401	--	--	51.9	N/A
<b>2012-13</b>	<b>128.7</b>	<b>56.4</b>	<b>522</b>	<b>488</b>	<b>2,359</b>	--	--	<b>52.9</b>	<b>N/A</b>
2013-14	129.1	57.8	526	490	2,436	--	--	54.3	N/A
2014-15	128.8	56.2	533	498	2,469	--	--	50.9	N/A
2015-16	131.3	58.2	536	499	2,402	--	--	54.3	N/A
2016-17	127.4	56.9	534	496	2,511	--	--	53.3	N/A
2017-18	133.1	57.7	540	501	2,536	--	--	55.3	N/A

## Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)
2004-05	1.6	-1.2	-0.7	0.4	2.1	N/A	N/A	2.6	N/A
2005-06	-13.0	-1.0	2.9	1.5	5.3	N/A	N/A	-1.3	N/A
2006-07	0.5	-6.3	-0.5	-1.3	-3.7	N/A	N/A	-4.7	N/A
2007-08	0.3	0.7	-3.9	-3.6	-1.8	N/A	N/A	-3.1	N/A
2008-09	-0.9	-2.4	-1.5	-0.8	3.5	N/A	N/A	3.2	N/A
2009-10	-0.1	7.6	-0.7	-0.6	3.1	N/A	N/A	6.9	N/A
2010-11	1.3	-9.5	4.5	3.6	-4.5	N/A	N/A	-10.0	N/A
2011-12	-2.7	5.0	-4.1	-3.1	1.4	N/A	N/A	3.4	N/A
<b>2012-13</b>	<b>-2.4</b>	<b>2.7</b>	<b>-1.9</b>	<b>-2.0</b>	<b>-1.7</b>	<b>N/A</b>	<b>N/A</b>	<b>1.9</b>	<b>N/A</b>
2013-14	0.3	2.5	0.8	0.4	3.3	N/A	N/A	2.6	N/A
2014-15	-0.2	-2.8	1.3	1.6	1.4	N/A	N/A	-6.3	N/A
2015-16	1.9	3.6	0.6	0.2	-2.7	N/A	N/A	6.7	N/A
2016-17	-3.0	-2.2	-0.4	-0.6	4.5	N/A	N/A	-1.8	N/A
2017-18	4.5	1.4	1.1	1.0	1.0	N/A	N/A	3.8	N/A

## Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2003-04	39.34	N/A	N/A	66.19	35.71	4.12	23,634.78	0.01
2004-05	38.27	N/A	N/A	65.88	36.06	4.23	23,758.56	0.01
2005-06	43.54	N/A	N/A	54.45	40.93	4.33	22,285.48	0.01
2006-07	40.56	N/A	N/A	56.84	38.78	4.19	22,043.92	0.00
2007-08	40.74	N/A	N/A	58.06	37.48	4.28	21,763.44	0.00
2008-09	40.13	N/A	N/A	55.61	39.01	4.50	21,695.76	0.00
2009-10	43.23	N/A	N/A	53.89	41.74	4.67	22,490.93	0.00
2010-11	38.63	N/A	N/A	57.15	37.08	4.27	21,190.38	0.00
2011-12	41.65	N/A	N/A	54.89	39.38	4.51	21,615.99	0.00
<b>2012-13</b>	<b>43.82</b>	<b>N/A</b>	<b>N/A</b>	<b>54.56</b>	<b>41.10</b>	<b>4.52</b>	<b>22,424.76</b>	<b>0.00</b>
2013-14	44.77	N/A	N/A	53.00	42.06	4.63	22,290.64	0.00
2014-15	43.63	N/A	N/A	52.17	39.52	4.63	20,615.63	0.00
2015-16	44.33	N/A	N/A	54.66	41.36	4.48	22,606.16	0.00
2016-17	44.66	N/A	N/A	50.74	41.84	4.70	21,226.60	0.00
2017-18	43.35	N/A	N/A	52.48	41.55	4.70	21,805.99	0.00

# Jargon & Glossary

## Industry Jargon

**CARDIO** Cardiovascular exercise, also called cardiorespiratory exercise. It involves movement that increases the heart rate to improve oxygen consumption by the body.

**MMA** Stands for mixed martial arts. A full-contact combat sport that allows the use of both striking and grappling techniques, including boxing and kickboxing.

**SPINNING** A form of group cycling lesson that involves cycling rhythmically to music.

## IBISWorld Glossary

**BARRIERS TO ENTRY** High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

**CAPITAL INTENSITY** Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labour. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labour; medium is \$0.125 to \$0.333 of capital to \$1 of labour; low is less than \$0.125 of capital for every \$1 of labour.

**CONSTANT PRICES** The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the 'real' growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the Australian Bureau of Statistics' implicit GDP price deflator.

**DOMESTIC DEMAND** Spending on industry goods and services within Australia, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

**EMPLOYMENT** The number of permanent, part-time, temporary and casual employees, working proprietors, partners, managers and executives within the industry.

**ENTERPRISE** A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

**ESTABLISHMENT** The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

**EXPORTS** Total value of industry goods and services sold by Australian companies to customers abroad.

**IMPORTS** Total value of industry goods and services brought in from foreign countries to be sold in Australia.

**INDUSTRY CONCENTRATION** An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

**INDUSTRY REVENUE** The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

**INDUSTRY VALUE ADDED (IVA)** The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

**INTERNATIONAL TRADE** The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%; medium is 5% to 20%; and high is more than 20%. Imports/domestic demand: low is less than 5%; medium is 5% to 35%; and high is more than 35%.

**LIFE CYCLE** All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

**NONEMPLOYING ESTABLISHMENT** Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

**PROFIT** IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

**VOLATILITY** The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than  $\pm 20\%$ ; high volatility is  $\pm 10\%$  to  $\pm 20\%$ ; moderate volatility is  $\pm 3\%$  to  $\pm 10\%$ ; and low volatility is less than  $\pm 3\%$ .

**WAGES** The gross total wages and salaries of all employees in the industry. Benefits and on-costs are included in this figure.

# At IBISWorld we know that industry intelligence is more than assembling facts

## It is combining data with analysis to answer the questions that successful businesses ask

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Identify high growth, emerging & shrinking markets  
Arm yourself with the latest industry intelligence  
Assess competitive threats from existing & new entrants  
Benchmark your performance against the competition  
Make speedy market-ready, profit-maximising decisions

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We are strategists, analysts, researchers, and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real world answers that matter to your business in our 500 Australian industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply-researched answers quickly.

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