



The FIT-C Trend Report For 2018

Bryan K. O'Rourke

The Fitness Industry Technology Council | www.Fittechcouncil.org

2018 FITC Trend Report

Welcome to 2018. Each year we share our view of key trends you should be keeping an eye on in your fitness organization. Our board and advisors constantly discuss and evaluate these trends and hope you find them valuable. Please visit our [website](#), follow us on all the [social channels](#) and listen to our [podcast](#) to keep updated on the latest information.

We'll be at [IHRSA 2018](#) in San Diego presenting [Saturday morning March 24th at 9:00 am](#) and hope to see you there. I'll also be speaking across Europe and Asia this year so don't hesitate to connect if we can be of any assistance to you or if you'll be attending any events. Thank you for your support, enjoy the read, please share it if you like it, and here's to your success in 2018.

Sincerely,

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A Year Of Adjusted Expectations In 2018 And 7 Trends To Keep In Mind

Our view of companies in the fitness industry is that the dynamics of the marketplace are creating a distinction between two groups of players : those taking on the road to digital transformation and the risks associated with it and others holding on to what has worked before. With valuations having escalated to a peak, competition emerging around every corner and consumer expectations continuing to soar we hope these insights will help you consider necessary actions to stay ahead of the curve of change. Remember, the greatest products and services in the fitness industry have not been invented yet. In our view the future will certainly belong to the bold in the years ahead.

While the economy has been improving, business implications for fitness technologies remain unclear. Some competitors will see the need for transforming their organizations while others will watch their models deteriorate. The road ahead will becoming steeper and the promises technology provided us in the recent past will need to be digested and operationalized. As a result, expectations should be adjusted accordingly. Here we share our view of the 7 main areas regarding technology to watch in 2018.

1. User Experience Design Faces Bigger Hurdles

Improving user experiences has been a big part of successful business strategy in the fitness and health club space, as the efficacy of boutiques in the recent past has demonstrated. The concept of booking an indoor cycling class on your smartphone, however, is no longer as big of a user experience innovation as it used to be.

In 2018 customer's expectations around experiences will continue to excel and outpace many competitors abilities to evolve or invent new experiences to quench their thirst for more. At the same time consumers will continue to enjoy new innovations in retail, grocery and other industries. The idea of speaking to Alexa or a Google device and having it process an order or provide information instantly will only further heighten user expectations across all industries.

The heavy lifting in reaching new levels of experience requires substantial investment in enterprise information systems which creates big hurdles for legacy players. According to Forrester 30% of companies across industries will see declines in user experience performance, resulting in diminished market share. Expect the same in the fitness space.

Thoughtful leaders will make User Experience a disruptive driver that is supported by fundamental disciplines with customer trust at its center. Others will continue to ignore market disruptions and wait until the evidence is overwhelming, putting them at great risk as they enter 2019.

Making impactful changes in User Experience requires investment and most importantly a commitment to evolve operational practices that elegantly tie technologies with the human touch both inside and outside clubs. Several vendors are looking at ways to offer improved digital and automated experiences (think Wexer and others) while others solution providers will manage data to help users have a clear road to personal fitness success within their brand ecosystem. This is not an easy thing to do and therefore the hurdles ahead to innovate successfully will be steeper than before in 2018 and will lead to a further separation between those that can transcend the challenge and those who suffer from it.

2. Automation Emerges As A Key Driver For Success

Automation has generally gotten a bad rap. Professors Carl Frey and Michael Osborne, in 2013, analyzed 702 jobs and predicted 69 million US jobs, or 47% of the workforce, would be lost. CNBC reported in 2017 that 65% of Americans believed other industries would suffer because of automation, but theirs would be unaffected.

The doomsday forecasts are flat-out wrong because automation will only eliminate 9% of US jobs in 2018 but also create 2% more in a new “automation economy”. Facts are the demand for automation has never been higher. Customers expect fast, personalized experiences through frequently updated apps. They do business at all hours and are increasingly comfortable doing it with machines and bots. They trust their personal data will be reliably stored and secure automatically no matter where it travels. Customer demand will deliver an automation tipping point in 2018. While reticence over workforce impact will remain, the age of the customer requires dramatically speeding up the revolution and fitness businesses will be no exception.

Be it fitness solutions which deliver customer experiences via automated check in (think Blink Fitness kiosk check in) or training support for members (think Pixformance), automation of tasks will increasingly be adopted to counter rising labor costs and a shrinking labor pool. Automation will also increasingly be adopted to enhance convenience and user experience (think Soul Cycle class booking via an app and facial recognition technology is even being adopted in a number of health clubs to allow check in and other tracking features). Perhaps you’ve heard of the emergence of “bots” for automated customer service. The key approach, as Chuck Runyon said in one of our recent Fitness + Technology podcasts, is to automate low value work and upgrade people investment in high value customer facing work: Hi-tech hi-touch as the adage goes. Look for new innovation and technology to expand in a plethora of operational areas of fitness facilities that reduce costs, improve service and enhance experiences through automation.

3. Payment Will Continue To Transform Models

How fitness businesses accept and process customer payments continues to evolve. From innovative models like those found at Rasmus Ingerslev's [REPEAT health club](#), you pay as you go or per week, to per class models of the boutiques; how people pay is changing and it is becoming more about choice and making payment for service as frictionless (remember automation) as possible. We believe payment will change even more in the years ahead. "Is your club accepting Bitcoin?" as our board member [Kelly Card of ABC Financial](#) asked recently. Think of what "EFT" meant to the growth of health clubs in the 1980's. Payment will continue to impact business models.

A growing area related to payment that is impacting the fitness and health club industry is cyber security. According to studies, roughly 74 percent of US consumers would opt for security and fraud protection as their top priority, while 26 percent selected rewards in deciding which payment platform to use. This may become a wakeup call to payments players to ensure consumers are well-informed about security features and what they need to do to safeguard data.

Mobile payment, while growing, has not been as widely adopted as predicted. But the mobile growth in payments in physical stores has still not reached the levels projected a couple of years ago. According to the recent US studies, when consumers were asked what actions they have taken in the previous year with respect to their mobile devices, the percentage of respondents who said they made a payment at a physical retail location using their phone went from 7 percent to 13 percent. For fitness businesses the idea of collecting more "micro-transactions" using smartphones or even smart devices like the Apple Watch has not been widely adopted, although some fitness facilities have adopted such mobile payment solutions for food and beverage or retail sale operations.

The bottom line is how fitness businesses charge, what forms of payment they receive and how they monetize across their business will involve continued innovations.

4. AI Will Underwhelm But Its Future Remains Bright

"AI" or artificial intelligence, conjures a lot of preconceived notions, from the terminator to HAL. AI is truly machine learning. Put simply, machine learning is about understanding data and statistics. It's a technical process where computer algorithms find patterns in data, then predict probable outcomes. An example is when your email determines whether a particular message is spam or not depending on words in the subject line, links included in the message, or patterns identified in a list of recipients. As mentioned before the advent of messenger "bots" also represent a form of AI automation for service and marketing. It will not be long before the likes of [Pepper the Robot will deliver service](#) to members as it is in other industries as well.

Fitness businesses can use machine learning to up-sell the right product, to the right customer, at the right time. In 2018, fitness business for example will continue to rely on machine learning

to understand open rates when it comes to email so you know exactly when to send your next campaign to increase click through rates and ROI. The next big thing? It might sound small but ticket tagging and re-routing can be a massive expense that can be saved with machine learning. Having a sales inquiry automatically end up with the sales team, or a complaint end up instantly in the customer service department's queue, can save a lot of time and money while improving user experience, and this is all being made possible with modern technology.

The challenge for realizing the benefits of machine learning and more for many fitness organizations is the lack of enterprise systems. Without data being easily available across silos of a business, it is hard to have AI work well. Hence we see AI being adopted more but the real payoff for this innovation will take some years to realize particularly for legacy brands who have not adopted more enterprise oriented solutions or solutions that are not a part of a robust API ecosystem.

5. “Wearables” Shift To Sensors and IOT

According to FIT-C board member [Paul Lockington](#), the supply of wearable hardware has begun to stabilize with a few strong hardware suppliers remaining and the "me too" vendors dropping off. The software component is being serviced by a separate but connected group. This connection is vital and the use of common standards allows for the specialization. Our friends at [MYZONE](#) among others continue to make in roads on wearables adoption in our space and Paul is right and there is even more to come in this arena.

Why is the “wearable” marketing shifting and expanding ? Because we are seeing the adoption of sensors not just on our bodies, in our clothing, in our headphones, and even eventually in our contact lenses, but in every machine, asset and “thing” in general around us. This is the “Internet of Things” or “IOT” and according to [Bain Capital](#), among others, the application of sensors and networks in the industrial arena far exceeds the market for individual users. [Forecasters predict up to 20 billion Internet of Things devices within a few years](#), generating 5 trillion gigabytes of data every year and creating more than \$300 billion in opportunities for tech vendors, telcos and device makers by 2020. Fitness will be no exception to this trend.

Think of the ability to monitor every piece of equipment in a gym and to have maintenance dispatched before someone knows of a problem with a treadmill. Think of dynamic pricing based on the demand at particular times of day or the automation of service based on knowing what a member needs before they even realize they need it. When data from sensors is combined with enterprise software solutions in the cloud, cognition or machine learning (“AI), and automation, costs can be significantly reduced, quality can be drastically improved and we can shift those savings and revenue opportunities to more important and beneficial aspects of what we can do for members and customers.

6. People Separate Digital Haves From Have Nots

Today's business challenges present a new wave of Human resource, talent and organization priorities. In a recent Wall Street Journal opinion piece, [How Technology Liberates Human Capital](#), Milken and Tulchinsky posit that digital innovation, artificial intelligence and robots are opening new possibilities for workers across the economy and across industries. While rapid change will be a painful process for some, in the end the future for humans is not being displaced by technology but instead interacting with technology to unleash human creativity, experience and insights . Technology is really a job creation machine; they're just new kinds of jobs.

The fitness brands that will see the most success are those that [automate low value tasks and shift their investments into hi-touch humans](#) displaying what they are best at: empathy, sympathy, motivation and sharing human warmth; things that machines will find hard to do. The power of people will be unleashed by technology if it is applied in the right ways. Watch [Jack Ma discuss human capital in a world of technology](#) and how important humans are in the era of machines.

7. Digital Marketing Marches Into a New Era

2018 launched with the announcement from Facebook that it was changing its newsfeed to diminish content created by brands showing up in news feeds. This in an era where [the use of mobile social platforms has started to experience some backlash](#). As I wrote in a recent post, however, [the backlash is a necessary aspect of larger overall trends](#) and digital is here to stay regardless of the interim adjustments being made by people and platforms. Brands need to be aware of this new era and pay close attention to where some platforms are really headed.

We closely watch many leaders in the digital marketing space and find [Professor Scott Galloway](#) particularly relevant to the current landscape of business and digital in general. His firm, L2 , shares some completing content via their [Youtube channel for FREE](#).

Recently Galloway and the folks at L2 shared their [annual ranking of brands from a digital perspective](#) and out of over 2,300 consumer brands reviewed they identified 94 that were categorized as “genius”. Here is what they concluded about these brands that fitness brands should keep in mind in this evolving era of digital marketing for these brands:

1. They use data to personalize communications and interactions with customers.
2. They make transacting business frictionless and really easy using digital.
3. They play nicely with others platforms integrating well with them.

4. They invest strategically in mobile, video and diminishing old school channels.
5. Bricks and mortar is becoming more important to omni-channel.

For fitness brands that fear digital watch the L2 video and realize that its not fitness facilities against digital; its using digital and great facilities seamlessly around customers that will become the secret sauce for the most successful brands in the space.

About FITC and Bryan K. O'Rourke

About the Fitness Industry Technology Council | www.fittechcouncil.org

The Fitness Industry Technology Council is a group of professionals representing leading companies organizations in the fitness industry. The council seeks to grow the fitness industry, improve fitness user experience and mature the collection of real-time wellness data through the creation of interoperability standards for technology-based fitness devices.

The Board of Directors of FIT-C includes of the following professionals:

Bryan O'Rourke, Vedere Ventures (President)
Paul Lockington, Orange Theory Fitness
Kelly Card, ABC Financial
David Johnson, EcoFit
Ted Vickey, FitWell
Adam Zeitsiff, Gold's Gym

About Bryan K. O'Rourke | www.bryankorourke.com

Bryan O'Rourke is considered a thought leader on innovation, wellness, fitness and technology. He serves in a variety of leadership roles around the world in the industry. To learn more visit his website or follow him on all the social channels @bryankorourke .