

LEISURE CLUBS – DATA INTERPRETATION

Introduction

This is a case study based on a real case that OC&C worked on in 2007, assessing the market for Leisure Clubs as part of a strategy review for a major UK hotel chain. This is typical of a ‘data interpretation’ case study that you may be asked to attempt – requiring analysis of data presented to you, alongside some creative and logical thinking.

Case Background

Our client runs a major chain of health clubs in the UK, alongside hotels and casinos (which are not the focus of this case). The health clubs are large out-of-town sports centers offering a gym, Jacuzzi, swimming pool, etc. They are relatively expensive, about £30-40 per month for an individual membership. As part of a broader strategy review, the client wants to know what they should do with their leisure clubs division – should they sell it, rapidly build more clubs (if so, what sort), or maybe acquire another player? Your specific task on this case is to look at the market trends and assess competition in the leisure clubs industry.

Demand for leisure clubs

The first key question is – what factors might you analyse to determine what is going to happen to demand for leisure clubs? (In consulting terminology, we are looking at the ‘drivers’ of demand in the industry)

The Good Answer will name some of the following factors, with some (prompted) discussion of the associated issues:

- Trends in society towards more or less participation in sport – Whilst more participation in sport generally may be positive for demand, increases in popularity of sports not offered at health clubs may have a negative effect (e.g. people may play football instead of going to the gym).
- Trends in obesity – if the population is getting more obese, there are two possible implications of this. One is that people are getting more obese because they are not exercising (i.e. declining demand for leisure clubs). The alternative interpretation is that an increasingly obese population will create demand for facilities to exercise more.
- Trends in available leisure time and money. If people have more spare time, they are likely to use health clubs more. National income / state of the economy – leisure clubs are likely to be a luxury good, for which demand will decline if there is a recession.
- Demographics – Younger people are more likely to be members of gyms. Therefore, if the population as a whole is getting older, demand for leisure clubs is likely to decline

The Excellent Answer will name most of the above factors, with more explanation of why they are important, and may include other sensible suggestions e.g. “sales of Slim Fast would be a good indicator of what has been happening to demand for leisure clubs, because people who buy Slim Fast are the type of people who would use leisure clubs”. An excellent candidate will also be able to defend sensible answers when questioned or pushed on why a particular factor is important; often it is at this point in the case study where excellent candidates differentiate themselves.