The Leisure Database Company

Latent Demand Report

Please find attached the revised reports we have compiled on demand for fitness at the new Perdiswell Leisure Centre.

Perdiswell Leisure Centre replacement

Methodology:

We have revisited the site of the proposed Perdiswell Leisure Centre replacement with reference to how circumstances have changed since October 2012. This includes including late 2012 population estimates (currently the most recent available), taking account of how levels of health & fitness provision within the City of Worcester have changed – including new facilities and alterations to price points at existing ones – and the changes in likely penetration rates across individual market segments.

As a prelude to this exercise, we have mapped members of the existing Perdiswell Leisure Centre, in order to get a better feeling for where they live and how far they are typically willing to travel. Although the new centre will clearly be a very different animal, with swimming pool and enlarged gym almost certainly widening its core catchment area in comparison to the present one, it is nevertheless instructive to see where members are clustered.

Currently, 82% of all Perdiswell members live within 2 miles radius of the leisure centre, a very high proportion. 2 miles is home to just under 72,000 people. If the centre were going to remain largely as it is, we would use this catchment population in our calculations. 2 miles compares very closely to 10 mins drive, which is home to 71,000 people and 84% of all members.

However, because the new Perdiswell will be a flagship sports facility for the City of Worcester, home to a strategically important swimming pool and large gym, we have continued to argue that it has the potential to pull in members from right across the city (i.e. a 3 mile radius, even from around the Worcester Citizens Swimming Pool).

3 miles is home to 99,320 people and 90% of current members live in that area. Because this covers virtually all of Worcester and our current mapping exercise confirms that very few Perdiswell members come from Droitwich, we have on this occasion been more conservative in our latent demand assessment in terms of wider member spread, estimating that probably only 10% of all potential users will come from more than 3 miles away.

Catchment Area & Demographics:

As we mentioned when we originally visited this site in March 2012 – and can be seen on the competition map – a significant proportion of those living on the southern side of the city live within 3 miles radius of Perdiswell but not within 10 mins drive. This is where we do assume that the new centre will have sufficient 'wow' factor to attract some customers but where the greater part of any 'decay' noted on the latent demand assessment will occur. Again, the mapping of current members has led us to introduce this element to the equation this time.

The demographic (i.e. Mosaic) breakdown of the 3 mile population remains largely unchanged in the interim. From our original remarks (percentages updated):

Among the best represented Mosaic groups are F Suburban Mindsets (15.3%, increasing) (‘maturing families on mid-range incomes living a moderate lifestyle in suburban semis’) who have solid if unspectacular propensity to take part in health & fitness – many are in their forties and early fifties – and G Careers & Kids (11.3%, increasing). The latter are younger families, where often both parents are earning good incomes. Penetration rates are likely to be healthy – particularly where there is a swimming pool – in both the public sector and even at private sector providers with a family ethos like David Lloyd.

Also well represented is group B Professional Rewards (‘experienced professionals in successful careers enjoying financial comfort in suburban or semi-rural homes’)(9.3%). These will probably be the bedrock of the current Nuffield membership, particularly since their children are getting older.

Mosaic group M (12.0%) is full of steady family types where incomes may be feeling the squeeze and the difference between a £35 and £40+ price point is likely to make a considerable difference.

Note that groups such as I Ex-Council Community and J Claimant Cultures continue to combine to make up nearly 16% of the 3m population and thus make up an important market segment who could also easily be excluded by excessive prices.

Competition:

Last time we looked at this site, our main preoccupation was with the recently opened Fit For Free (Oct 2012). In fact, although the price there remains extremely competitive (£15.95, or £21.95 with classes), it seems unlikely that member numbers have exceeded the kind of figures for which we made allowance in our last estimate. Nonetheless, with a 100 station gym and studio, this is a significant player in the market.

Another new player in the interim is the new gym at the University of Worcester Arena, to the west of the city, although we believe that this is aimed almost exclusively at students of the university.

The David Lloyd Club near the rugby club at Sixways opened in December 2012 and now has more than 3,000 members - although at c.£77/month it will not have tapped directly into the Perdiswell LC market.

Latent Demand:

The overall member numbers we would envisage for the new Perdiswell based on latest population break down and most up to date penetration rates remain very similar to those from last time around (2,245 within 3 miles). On this occasion, our plotting of current travel patterns does encourage us to be more conservative in terms of the number of users who would probably come from more than 3 miles away – i.e. outside the city. This may only amount to 10% of the total, taking the sub total to 2,494.

Clearly, the city’s population is set to grow as a programme of house building comes on stream in the future. As always, on those occasions where new house numbers may set over a period of a number of years, it can be difficult to find a happy medium between not making sufficient allowance for growth and between building in figures which really only relate to a date 20 years down the line when existing fitness provision in the area may, in any case, have changed out of all recognition. We have tried to make some allowance for the construction of more than 5,000 homes across the catchment, without being able to say at this stage with certainty exactly where they would live in relation to the site or the Mosaic groups and types into which they would fit. We have assumed that these homes would have an average of 2 adults per house and used a penetration rate consistent with one of the Mosaic types which normally covers 'new build' areas.

Finally, we have sought to make some negative allowance, in the light of what we have learnt about the travel habits of current members, for the fact that penetration rates will be lower in area between 10 mins drive and 3 miles radius, mostly to the south of the city. This figure is estimated at 250. The result is a net demand figure of **2,571**, or **1,371** more than the membership figure for the existing leisure centre.

I hope this helps; do come back if anything needs further clarification – in particular if you think we may have misunderstood the implications of the SWDP.

Best wishes

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Latent Demand - Addendum

Perdiswell v Fit for Free:

After some delay, we have finally managed to speak to someone in a management role at Fit for Free and they have given us a similar membership figure to the one which Alan's contact came up with – so I guess it must be pretty near the mark! This is certainly quite an impressive figure and **is** higher than the kind of rates we had in mind when running our model for Perdiswell. However, we do not think that this will make a seismic difference to the kind of potential a new Perdiswell could enjoy.

Firstly, the two offerings are c.1.5m apart as the crow flies and in contrasting environments: one in a suburban, almost out of town setting with plentiful parking, while Fit for Free is in a city centre location, close to business and retail enjoying much more 'walk in' trade.

Without access to their member data we can't, of course, be sure exactly where the bulk of Fit for Free members live or what sort of people they are – although our work for other operators does give us access to some data regarding the latter – both of which might have some implications for the way it competes with Perdiswell. With both Shrub Hill and Foregate Street stations within walking distance, it is fair to assume that a greater proportion of FfF members are 'out of towners' who come to Worcester to work or to shop.

Above all, though, the offerings at the two centres are fundamentally different, meaning that they are not necessarily chasing the same kind of member / market sector.

We should remember that, having opened in late 2012, FfF is, by almost any standards now a 'mature' club which is likely to be near capacity, both physically (just over 100 stations is below most industry norms to cater for 4,000 members) and in terms of appeal. Over the same period, an ageing Perdiswell has, as far as we are aware, maintained its market share. There is a good deal of anecdotal evidence – not all of it from low cost gym operators! – of new arrivals such as FfF *expanding* the market rather than sparking a local dogfight at the expense of existing players – particularly those which are brand new or have particular unique selling points such as a swimming pool and other sports facilities. If anyone is to be suffering, it is more likely to have been other city centre 'dry' only offerings such as the Fitness Rooms, PF2 or Simply Active.

So what does this mean? It is not really possible simply to feed a certain number of 'extra' members into the model and come up with a foolproof demand figure – if for no other reason than we don't know exactly where they all live.

However, we have re-run our model on an ad hoc basis, reducing the likely penetration rates for some of those younger or less affluent Mosaic types for whom a low cost offer might have particularly proved to be a significant attraction. If we make the same allowance for new housing and travel from outside the Worcester area, the total comes to 2,267, or 304 fewer than before. I would emphasize that we would see this as a 'back stop' / 'worst case scenario' figure and that it may well be possible still to push on to reach something very close to the 2,571 from last week. So much, of course, does depend on how a new facility is marketed and priced, however.