NO PREP

The Business of "New Year, New You"

Gyms, Diets, and Marketing

Includes: Student reading, case study, differentiated questions, teacher key

Name: Period: Date:

The Business of "New Year, New You": Gyms, Diets, and Marketing

Resolution Season Meets the Marketplace

Every January, ads for gyms, diet programs, and fitness apps seem to multiply overnight. Suddenly, every commercial break and social media feed is filled with phrases like "New Year, New You," "This is your year," and "Start fresh." From an economics point of view, this is not random—it's a predictable demand spike that businesses count on. After weeks of holiday eating, late nights, and spending, people feel ready to "fix" themselves. That emotional moment creates a temporary surge in demand for products that promise health, discipline, or a fresh start. Companies plan for this months in advance. Fitness centers roll out discounted

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Memberships, Subscriptions, and "Breakage" in Behavior

Many "New Year, New You" products rely on subscription models rather than one-time purchases. A gym membership, for example, charges a monthly fee for access, whether you show up or not. A diet app might bill your credit card every month or offer a cheaper price for a full year paid up front. Economically, this structure

creates a steady stream of recurring revenue for the business. The ideal customer is not necessarily the one who uses the service every day, but the one who keeps paying for months. A key concept here is loss aversion—the idea that people dislike losses more than they enjoy equal-sized gains. Once you've signed a contract or paid for a year of access, canceling can feel like admitting defeat or "wasting" the money you spent. That feeling is related to the sunk cost fallacy: treating past expenses (which cannot be recovered) as a reason to keep investing, even when it no longer makes sense. Gyms and programs benefit when customers stay subscribed out of habit or guilt, instead of based on current marginal benefit (what you actually get out of it now). Here is a simplified look at how a typical gym might earn money from "New Year, New You" customers: From the business's perspective, January is like planting seeds. The sign-ups are the easy part; the real profit often comes from month after month of automatic payments, especially from those who stop using the service regularly but delay canceling "just in case" they start again.

The Marketing Playbook: Scarcity, Social Proof, and Identity

"New Year, New You" advertising is not just about price; it is about persuasion. Marketers use a predictable playbook built on ideas from behavioral economics. One common tool is scarcity marketing: ads that say "Limited spots available," "Offer ends January 5," or "First 50 people only." Even if the limit is mostly a marketing choice, the message creates fear of missing out (FOMO) and nudges people to act quickly rather than think carefully. Another tool is social proof—signals that "people like you" are already doing something. Before-and-after photos, testimonials from "regular members," and influencer posts are meant to show that joining the gym or starting the diet is normal and successful people are already on board. Seeing a crowd at a January fitness class can make you feel that joining is the obvious choice. Marketers also target identity. They don't just sell a treadmill; they sell a story about who you are. Ads talk about becoming "the best version of yourself," "someone who shows up," or "a person who invests in their health." If you adopt that identity, canceling a membership later can feel like betraying your new self-image, not just saving money. For students studying economics, the key lesson is that markets are not only about numbers and prices; they are also about psychology, culture, and the stories businesses tell to turn New Year motivation into long-term revenue.

Key Information

Revenue Source	Description	Why January Matters
New member sign-up fees	One-time fees to start a contract	Spikes when resolutions are strongest
Monthly membership dues	Ongoing payments for access	Continue even if attendance drops after a few weeks
Add-on services	Personal training, classes, nutrition packages	Easier to sell when members are highly motivated
"Breakage" in attendance	Members who pay but rarely attend	Increases profits because fewer people use costly space

Case Study Excerpt – Jordan's "All-In" Gym Contract

On January 2, Jordan walked into PeakFit Gym determined to change everything. A salesperson congratulated them for "taking control of your life" and offered a New Year special: no sign-up fee if Jordan signed a 12-month contract that very day. The monthly price seemed reasonable, and Jordan pictured a future of early-morning workouts, healthy smoothies, and visible abs by summer. They signed the tablet without reading every detail, high-fived the trainer, and posted "New Year, New Me!" online. By March, school, work, and family responsibilities piled up. Jordan still paid the monthly fee, but they only went to the gym once or twice a month. Every time they thought about canceling, they felt a knot in their stomach: "I've already paid so much. If I quit now, all that money is wasted." Instead of re-evaluating, Jordan kept the membership active for the rest of the year, even though their actual usage stayed low. When they finally calculated the cost per visit, it was much higher than they expected.

1. Which economic concepts from the reading help explain why Jordan kept paying for the gym even when they rarely went?

2. How did the timing and structure of the New Year promotion influence Jordan's decision to sign a year-long contract?

Multiple Choice

1. According to the reading, a major reason gyms like long-term memberships signed in early January is that they:

a) Must legally stop charging after one month

b) Are required to keep prices the same all year under state law

c) Create steady recurring revenue even if attendance drops later

d) Only want customers who use the gym every day

2. The sunk cost fallacy helps explain why some people keep paying for "New Year, New You" programs because they:

a) Ignore past spending and cancel as soon as usage drops, since the money already spent is long gone

b) Carefully compare current benefits to current costs

c) Never sign any contracts or memberships at all

d) Believe they must continue paying because they already spent money, even if it's no longer useful

3. Scarcity marketing in New Year promotions often works by:

a) Offering unlimited spots and open-ended discounts

b) Limiting offers or spots to create urgency and fear of missing out

c) Hiding all information about deadlines and availability from users

d) Making products permanently available with no deadlines

Matching

Write the letter of the correct definition on the line next to each term.

Term	Definition
1. ___ Subscription model	A) Evidence that others are already using a product or service
2. ___ Loss aversion	B) Paying regularly for ongoing access rather than per visit
3. ___ Sunk cost fallacy	C) Advertising strategy that uses deadlines or "limited spots"
4. ___ Scarcity marketing	D) Belief that you should continue because you already spent money
5. ___ Social proof	E) People disliking losses more than they enjoy equal gains

Fill-in-the-Blank

1. A gym membership that charges a monthly fee whether or not you show up is an example of a _____ model.

2. When people strongly prefer to avoid losses, even small ones, more than they value equal-sized gains, economists call this loss _____.

3. Limiting an offer to a short time period to make customers act quickly is an example of _____ marketing.

Short Answer

Answer each question in 2-4 complete sentences.

1. Using ideas from the reading, explain how a "New Year, New You" ad might combine social proof and identity to persuade someone to join a gym.

2. Describe one potential benefit and one potential risk of signing up for a long-term fitness or diet subscription in January.

3. Imagine a friend is considering an expensive year-long program because "I already clicked 'buy' on the trial, so I might as well keep going." How could you use the concept of sunk costs to help them rethink their decision?