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What Vietnam's Gym Crisis Reveals
About Customer-Funded Business Models



AI-generated illustration.
Not an actual gym or event.

INSIDE THIS EXECUTIVE INSIGHT

Customer advances bring cash forward while service obligations remain. The management task is to reconcile those obligations with delivery capacity, future costs and available funding. This Insight uses Vietnam's gym disruptions to show how to test that relationship and why a smaller network or a shorter payment commitment can still require a funded transition.

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EXECUTIVE LEAD | WHY NOW

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A long-term membership gives a customer the right to return. The operator receives much of the money before delivering the service. Vietnam's gym suspensions expose what happens when that access disappears. For owners and boards, the question is whether the business can fund services already sold when new sales slow. A healthy bank balance does not answer it. Management needs to know the service still owed, its delivery cost and the funding available across the remaining network. California Fitness & Yoga provides the immediate example. The reports reviewed here do not establish the financial causes of its disruption.

MANAGEMENT IMPLICATION

Before using customer advances to fund growth, establish how existing promises will be delivered under a credible slowdown in new collections.

When a membership outlasts the place to use it

The public record changed quickly. Dân trí reported three operating California Fitness & Yoga branches on 25 October 2026. Tuổi Trẻ reported only two nationwide on 26 October, against approximately 35 clubs in 2025. Its report named Aeon Mall Bình Tân and Bình Dương Square. Most recent suspensions were announced through 31 October. These were reports of operating availability at specific dates, not confirmation that every suspended site had permanently closed. [1][2]

VnExpress's 29 October report, drawing on observations on 28 October, found all nine Hanoi locations closed and named only Aeon Mall Bình Tân as still operating in HCMC. It also described a member who had paid VND 104 million for lifetime access in late August and trained only around ten times before disruption. These counts differ by reporting date and method; they are not a reconciled same-day census of the chain. [3]

Management's response also belongs in the account. According to Tuổi Trẻ, Dane Fort apologised on 19 October and acknowledged that expansion had outpaced staffing and operating capabilities. He requested another 30 days to complete the restructuring roadmap, identify resources and responsibilities, and report progress. An announced recovery process is relevant, but its feasibility depends on the resources and service arrangements ultimately put in place. [4]

The cash arrives before the costs end

Promotional cash and a club's monthly operating result each show only part of the picture. Management must test the cost and financing of services already sold.

Prepayment itself is a legitimate commercial arrangement. It gives operators predictable collections, reduces repeated selling and collection costs, and can help finance facilities. Customers may receive lower prices and dependable access. A well-priced membership portfolio, supported by sufficient capital and realistic usage assumptions, can create value for both sides.

The difficulty is the mismatch in timing. A multi-year sale produces an immediate receipt; the operator must continue providing space, equipment, staff, utilities and maintenance. Some costs are shared across members and do not rise with every visit. Others increase with attendance, service standards or facility wear. The economics therefore depend on capacity, utilisation, retention, pricing and the duration of the promise.

A lifetime package sharpens the estimation problem. The initial receipt is finite while the service horizon can be long and uncertain. Some contracts also carry annual maintenance or renewal charges; those prospective receipts belong in the forecast. Low attendance today does not establish that future delivery will be cheap, or automatically eliminate a customer's contractual right to return.

Managers need to distinguish cash received, service still owed and the future cash cost of delivery. These are different quantities. The outstanding value of contracts is not itself a forecast of cash expenditure, because costs are partly shared and usage varies. Equally, a positive bank balance does not establish that remaining obligations are adequately funded.

Management should group members by purchase date, remaining access, expected usage and delivery location, then estimate the future cost of serving each group. Shared costs must be reconciled once at network level, rather than charged in full to every group. The forecast then connects accumulated service commitments to available funding. This is an economic funding test, not a claim that all customer advances must remain untouched in a separate account.

The test is whether delivery survives slower sales

An illustrative example shows why collections alone are an unreliable guide. Suppose 1,000 customers each pay VND 12 million for 24 months of access. The operator receives VND 12 billion at the start. Spread evenly across the service period, that is VND 500 million per month of access sold. That allocation is neither a monthly cash receipt nor an estimate of delivery cost; it simply makes the duration of the promise visible.

If part of the receipt finances another location, the original customers still retain their access. Expansion may be economically justified, but the board must see how existing service and the new site's obligations will be funded together. New contracts can legitimately support growth. They become a vulnerability when the company needs continuously increasing advance collections to absorb recurring operating shortfalls.

A practical stress test therefore starts with the existing membership base and the actual delivery network. Management forecasts available cash, realistic collections, operating payments, maintenance, debt service and any expected refunds or contractual remedies. It then reduces new prepaid sales and tests the effect of higher attendance or renewal discounts. Assumptions should reflect observed behaviour and contracts, with uncertainty shown explicitly.

Run the forecast through the relevant service commitments and financing maturities, including maintenance and equipment replacement. A short liquidity forecast can miss a multi-year delivery burden. A no-new-sales runoff scenario helps locate exposure, but failure under that scenario does not by itself establish an unviable business. Normal renewals, positive unit economics and accessible external funding can support a sound ongoing operation.

Two tests govern the decision. First, does the proposed product cover a realistic share of operating and renewal costs over its service life? Second, does the company retain adequate liquidity and funding when collection timing changes? A product can have sound lifetime economics and still create a transition cash gap. It can also generate cash today while being underpriced over its full term.

DECISION PRINCIPLE

Approve a promotion or expansion against its remaining delivery burden and downside funding requirement, not the initial receipt alone.

A smaller network can weaken the product

Closing a costly location may protect cash. In a membership network, it can also reduce the value of contracts already sold. The customer may have chosen the chain for a nearby branch, convenient opening hours or access to multiple locations. A distant alternative may preserve formal access while making regular use impractical. Dân trí's 27 October reporting describes members facing precisely this loss of convenient access. [5]

This creates a restructuring problem that a site profit-and-loss statement cannot resolve by itself. A closure decision needs to include exit costs, contractual obligations, lost renewal income and the effect on other clubs. If members transfer, receiving sites need sufficient capacity at the times those customers actually train. Crowding can impair the experience of existing members as well.

The resulting feedback loop is an analytical risk, not an established account of California's finances. Service reductions can weaken trust; weaker trust can reduce advance purchases and renewals; reduced collections can make service restoration harder. Further cuts may then intensify the original problem. The company's ability to interrupt that loop depends on funding, credible communication and a deliverable operating plan.

A blanket extension of membership time does not necessarily solve the customer's problem. Extra months have limited practical value if there is no accessible facility. Extensions also prolong the operator's service commitments. Their economics need to be assessed alongside transfers, reopening plans and other remedies that are actually available under the contracts and applicable rules.

The same discipline applies to moving towards monthly subscriptions. Shorter commitments may rebuild confidence and reduce the amount customers place at risk. But the business receives less upfront cash from each new customer. The transition requires financing while obligations to previously prepaid members continue. A more sustainable sales model does not automatically finance the move into it.

Management should therefore compare realistic network configurations on two dimensions together: the cash required to sustain them and the usable service they preserve. The least expensive footprint may be too weak to retain customers; the largest footprint may be unaffordable. The workable plan needs a funded route between those constraints.

Rebuild the plan around promises already sold

The first operational task is a reliable commitments register. Finance, operations and the commercial team need a common view of active contracts, remaining terms, access rights, service inclusions and payment status. Identify the contracting entities and distinguish customer instalments from cash already received through financing partners. Customers, employees and landlords may have different counterparties; a chain-wide brand does not settle those relationships.

Operations then maps those commitments to facilities that can realistically serve them. For each proposed closure or reopening, test travel practicality, peak capacity, staffing, equipment readiness and the promised service level. This produces the delivery assumptions for finance's cash forecast. Running the commercial, operating and financial plans separately would recreate the original information gap.

The leadership team uses that combined view to choose the viable footprint and product mix. If the plan requires a cash bridge, identify its amount, source, conditions and availability before relying on it. Possible funding and negotiated arrangements must be assessed on their actual terms. A proposed investor, unagreed rent concession or expected asset sale is not available cash.

Immediate cash control runs in parallel with that diagnosis. The CFO should monitor rolling liquidity, payment commitments and variance against the recovery plan. Review frequency should reflect payment deadlines and cash volatility. Weekly or more frequent reviews may be appropriate during acute instability.

Sales incentives should reflect delivery economics and customer outcomes as well as collections. Heavy discounting can deepen the future burden if prices no longer cover credible costs.

The board approves the funding and portfolio decisions that fall within its authority, including the risk limits for new long-term sales. The operating leader owns service restoration; the commercial leader owns accurate offers and customer communication. Commitments should be tied to a facility, a responsible executive and a date supported by the operating plan. Where the position remains uncertain, the next update should be explicit.

Track more than cash collected: usable access for affected members, service restoration, complaints resolved, renewal behaviour and the gap between forecast and actual delivery costs. New sales are encouraging only if they support an operation capable of fulfilling both existing and new promises. A funded plan that restores trust can improve collections; promises made before resources are secured can undermine the recovery.

The exposure travels beyond fitness

The same diagnostic applies wherever payment materially precedes service. The relevant similarities are the duration of the promise, the cost of fulfilment, customers' practical alternatives and the provider's dependence on continued collections. The categories below are exposures to examine, not claims that those sectors are generally distressed.

Business model	Delivery constraint to test
Prepaid education and training	Teaching hours, instructors and accessible classes still owed to existing students
Beauty and wellness packages	Remaining treatments, qualified staff, consumables and appointment capacity
Long-term maintenance contracts	Future labour, spare parts and response capacity at the price already agreed
Prepaid workspace memberships	Usable locations and services supported by continuing property commitments

Cross-sector applications are analytical comparisons, not evidence that these sectors are generally distressed.

The models are not economically identical. A course with a defined end date differs from lifetime gym access; a treatment package uses capacity differently from an open-access membership. The test must follow the contract and operating model. Copying a single reserve percentage across these businesses would replace analysis with false precision.

The wider lesson is that customers can become a source of business financing without evaluating the provider as a lender would. They buy convenience, health, skills or reliable service. Their exposure emerges when delivery stops and the practical value of the prepaid contract becomes uncertain. The company should understand that exposure before asking customers to extend it.

Fund the service before spending the advance

The California case remains an unfolding situation. Temporary suspensions, a restructuring announcement and uncertain customer access do not establish a final insolvency outcome or a complete diagnosis of the business. They do establish why the connection between collections and deliverable promises deserves management attention now.

Owners and boards should start with the obligations already sold, test the network and cash required to fulfil them, and make growth decisions within that constraint. This preserves the freedom to adjust pricing, raise capital or reshape operations while customers still have reasons to trust the business. Once access disappears, restoring that trust becomes part of the financing problem itself.

FINAL TAKEAWAY

If new advance sales slowed materially tomorrow, which promises already sold would your company struggle to fund?

Sources and analytical scope

Evidence checked on 29 October 2026. Operating availability is reported at the dates specified in the article. Temporary suspension is distinguished from permanent closure. Company statements are attributed through the reporting below.

The business-model mechanisms, decision tests and cross-sector applications are VIET TA analysis. The numerical example is illustrative and is not company data. This article does not determine insolvency, establish misconduct or state jurisdiction-specific legal or accounting conclusions.

[1] Dân trí | 25 October 2026

Chuỗi California Fitness đóng hết cơ sở ở Hà Nội, cả nước còn 3 chi nhánh

[2] Tuổi Trẻ | 26 October 2026

California Fitness tạm ngưng toàn bộ phòng tập tại Hà Nội, hội viên lo lắng quyền lợi

[3] VnExpress | 29 October 2026

Lo mất trăm triệu khi chuỗi phòng tập California dừng hoạt động

[4] Tuổi Trẻ | 19 October 2026

CEO California Fitness xin thêm 30 ngày để tái cấu trúc, cam kết khôi phục quyền lợi hội viên

[5] Dân trí | 27 October 2026

Mua thẻ California hơn 200 triệu, hội viên TPHCM phải xuống Bình Dương tập?

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