

A Review of Prepaid Consumption Policies in China's Fitness Industry

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Abstract: The implementation of the “Fit for Life” concept is not only related to individual physical and mental well-being and the stable development of society but also represents a critical issue for the welfare of all humanity. The Chinese government is committed to realizing this ambitious vision through the “Healthy China” initiative, with national fitness serving as a key component of this plan. In the context of expanding demand within the fitness consumption market, the Chinese fitness industry is in urgent need of high-standard development. However, despite strong national policy support, consumer disputes remains common, such as difficulties with prepaid card refunds, unfulfilled sessions due to frequent changes in personal trainers, and challenges in obtaining refunds after gym or business closures, which may be linked to the widespread use of prepaid consumption as the primary payment method. This paper examines the regulatory framework governing prepaid consumption in China's fitness industry, employing a policy review and comparative analysis to explore local legislation across four representative regions selected for their economic significance, policy orientation, and geographical diversity. The study examines both preventive and remedial measures, revealing that while there are regional variations in the stringency of regulations, local legislation generally provides clear and comprehensive guidelines on the definition of prepaid consumption, their scope, card issuance procedures, and liability for compensation. To address common challenges such as standard-form contracts, some regions have introduced region-specific measures, including model contract templates, which have positively influenced the regulation of prepaid consumption in the fitness industry. By systematically reviewing relevant policy frameworks, this study compares their varying impacts on the fitness consumption industry. It further aims to strengthen regulatory support by improving risk prevention and enforcement efficiency for policymakers, while helping business stakeholders enhance operational stability and manage compliance costs more effectively.

Keywords: fitness industry, prepaid consumption, policies, local legislation

Global Vision for “Fit for Life”

Participation in sports not only benefits individual health but also drives demand for structured fitness services, many of which rely on prepaid models. This trend has prompted increasing policy attention worldwide, with international frameworks aiming to support physical activity through more sustainable and regulated service mechanisms. The *United Nations' 2030 Agenda for Sustainable Development* explicitly acknowledges the role of sports in driving sustainable development.¹ Subsequent frameworks, such as the *Kazán Action Plan* and *WHO's Global Action Plan on Physical Activity 2018–2030*, have further outlined strategic objectives to promote physical activity worldwide.^{2,3} However, *WHO's 2022 Global Status Report on Physical Activity* highlights persistent gaps in government engagement, underscoring the need for stronger policy measures to increase public participation in sports.⁴ In the post-pandemic era, international organizations, including *UNESCO's Fit for Life initiative*, have reaffirmed the transformative role of sports in addressing societal challenges.⁵ Against this backdrop, China has placed significant emphasis on developing its fitness industry, with prepaid consumption models emerging as a key regulatory focus to enhance public engagement in sports and physical activities. Understanding global policy trends provides essential context for examining China's regulatory approach to prepaid consumption in the fitness sector.

In alignment with these global initiatives, China has made fitness promotion a national priority, integrating it into broader public health and economic development strategies. The *Report of the 19th National Congress of the Communist Party of China* elevated the construction of a Healthy China to the level of a national strategic priority, symbolizing the collective responsibility of the state, society, and individuals for health promotion.⁶ The 2016 “Healthy China 2030” *Planning Outline* advocates the “Big Health” concept, encompassing physical, mental, psychological, physiological, social, and environmental aspects, naturally became the concrete action plan for advancing the construction of a Healthy China.⁷ This outline emphasizes the need to improve the fitness system and enhance the physical health of the population.⁸ The *Outline for Building a Strong Sports Nation*, issued by the General Office of the State Council in 2019, further emphasizes the need to continuously improve the quality and effectiveness of sports development and to vigorously promote the integration of nationwide fitness with public health.⁹ The *National Fitness Plan (2021–2025)*, issued in 2021, provides a detailed roadmap for the high-quality development of fitness services while encouraging innovative policies in the sports consumption sector.¹⁰ The *14th Five-Year Plan for Sports Development*, issued by the General Administration of Sport of China in 2021, reiterates the need to focus on both supply and demand sides and to explore the potential of sports consumption.¹¹ Thus, it is clear that the Chinese fitness industry is experiencing a golden period of growth, driven by strong national policy support.

Development of China’s Fitness Service Industry

Driven by the favorable national policy environment, China’s fitness industry has undergone significant expansion in recent years. According to the General Administration of Sport, the proportion of the Chinese population regularly engaging in sports reached 37.2% in 2023, representing more than 500 million people.¹² The *2024–2029 China Fitness Market Survey* reports the national market size of the fitness industry has reached 137 billion USD (991.7 billion RMB), growing at an average annual compound rate of 11.19% over five years.¹³ The number of commercial fitness centers (including gyms and fitness clubs) across the country has reached approximately 117,000. According to the *2023 China Fitness Industry Data Report*, the number of offline paying fitness members was 69.75 million, with active members attending an average of 4.41 sessions per month, showing a recovery to pre-pandemic levels.¹² The *2023 Public Sports Behavior and Consumption Research Report* indicates that professional guidance is a core factor in individuals’ decisions to join commercial fitness centers, making the quality of services the primary competitive advantage of commercial fitness centers.¹⁴ The majority of respondents (93.6%) preferred prepaid memberships, with 51.5% choosing annual memberships.

As is common in many offline service sectors, China’s commercial fitness centers typically operate on a prepaid consumption model.¹⁵ Prepaid consumption refers to consumers paying in advance for services they can use based on a set number of sessions or a specific monetary value, with businesses offering discounts.¹⁶ Objectively speaking, prepaid consumption is often considered a mutually beneficial model for both the operator and the consumer.¹⁷ For operators, it facilitates quick revenue collection and helps alleviate cash flow pressures due to high operating costs. Additionally, it enables businesses to lock in long-term customers through mechanisms like high transfer fees and expensive short-term memberships. For consumers, the model allows them to access professional services at discounted rates, streamlining the payment process and improving overall transaction efficiency.

However, it is important to note that the widespread use of prepaid consumption has led to higher debt ratios among commercial fitness centers, revealing several drawbacks. Because prepaid consumption is largely sales-driven, many commercial fitness centers become caught in a cycle focused on attracting new sales, which can decrease membership renewal rates.¹⁵ Coupled with intense market competition and regional demographic limitations, this increases the risk of operational crises. According to the *2022 China Fitness Industry Report*, around 9751 commercial fitness centers went bankrupt in 2022, with fitness studios representing over 70% of the closures, reflecting a notable increase compared to previous years.¹⁸ This marks a rise of more than 10%, surpassing the closure rate observed in 2019, before the pandemic, and notably exceeding the average bankruptcy rates of traditional service sectors such as retail and hospitality (7–8%). The sharp increase in closures is primarily due to the fitness industry’s heavy reliance on the prepaid consumption model. Combined with a lack of robust regulatory oversight on prepaid funds, this model allowed operators to divert funds for expansion or cover other financial losses. As a result, many fitness centers encountered financial instability, ultimately

leading to widespread closures. Domestic large fitness chains, such as Weider Fitness and Tera Wellness, have collapsed due to poor management or financial issues, leading to significant refund difficulties related to personal training courses. Furthermore, commercial fitness centers often shorten the duration of prepaid plans or increase the utilization rates of fitness service sessions to reduce debt. However, this long-term credit model heightens the one-sided risk for consumers' rights and may lead to issues such as discrimination. As such, some scholars have compared prepaid consumption to a "trap".¹⁹ In this model, the obligation of consumers is placed upfront, limiting their choice flexibility, while delays in the operator's fulfillment weaken the enforceability of contracts and the business's commitment to integrity.²⁰ As a result, numerous disputes have emerged in judicial practice surrounding prepaid consumption in fitness services. Collective consumer rights protection and refund disputes among members have become a recurring issue within the fitness industry. Internationally renowned fitness chains, such as 24 hour Fitness and Gold's Gym, have also faced similar issues.

Although prior research on prepaid consumption in China has largely examined the legal relationships, definitional features, and legislative shortcomings of such transactions, it often lacks a systematic review of regulatory texts or a focused comparative analysis across jurisdictions. Much of the existing scholarship remains theoretical, offering normative critiques without evaluating how local governments implement or adapt regulatory measures in practice. This study seeks to fill that gap by providing a structured and comparative analysis of subnational legislation governing prepaid consumption in the fitness sector. By examining both preventive and remedial regulatory mechanisms, the paper offers practical insights into the evolving governance of prepaid services in a rapidly developing industry.

Despite the growing prevalence of prepaid consumption in China's fitness industry, regulatory challenges persist. These include inconsistencies in local legislation, varying degrees of consumer protection, and the need for more effective oversight mechanisms. While some regions have introduced targeted policies, the overall regulatory landscape remains fragmented. To address these gaps, this study investigates how different regional regulations in China define and govern prepaid consumption in the fitness industry, compares the preventive and remedial measures adopted across key provinces and cities, and explores what regulatory experiences can be drawn to enhance consumer protection and improve governance efficiency in the sector.

Analysis of Prepaid Consumption Policies in China's Fitness Industry

This paper primarily employs a policy review approach to systematically examine and analyze existing legislation on prepaid consumption, with particular emphasis on local regulations. Building upon this, we apply a comparative research method to conduct a horizontal comparison of key regulatory measures related to risk prevention in prepaid consumption across different regional legislation. The research framework of this paper primarily focuses on analyzing the content of local legislation. Through a comparative analysis of policies across different regions, it identifies regional differences in risk prevention, regulatory measures, and implementation standards. This paper primarily relies on policy documents for analysis. The constraints of this study include the potential limitations in interpreting policies without direct empirical evidence, as well as the risk of overlooking the dynamic and evolving nature of policy implementation. Moreover, our analysis is based on a selection of legislation from four representative regions, which may not fully capture the diversity of regional variations.

In fact, both the central government and local governments in China have been continuously exploring more effective regulatory pathways for prepaid consumption. As early as 2011, the General Office of the State Council, in collaboration with seven ministries, issued the "Opinions on Regulating the Management of Commercial Prepaid Cards", which provided detailed guidelines for the contractual parties involved in prepaid consumption. Later, in September 2012, the Ministry of Commerce introduced the "Measures for the Administration of Single-Use Commercial Prepaid Cards (Trial)" (hereinafter referred to as the "Measures"), which established more detailed regulations, including real-name registration, issuance limits, and validity periods for single-use prepaid cards issued by businesses. This allowed for a more systematic approach to the management and issuance of prepaid consumption. However, the "Measures" restricted the card-issuing entities to corporate legal persons engaged in retail, accommodation, and catering industries, explicitly excluding commercial fitness centers. In response, local governments have adapted their policies based on regional conditions, gradually expanding the scope of prepaid card definitions to encompass service industries, including fitness and beauty. Given the representativeness in economic, policy, and geographical dimensions, we have selected

Shanghai, Jiangsu, Beijing, and Gansu for a comparative analysis of specialized legislation on prepaid consumption, thereby enhancing the study’s empirical robustness and policy relevance. It should be noted that local governments’ policies mainly regulate prepaid consumption through two approaches: preventive measures and remedial measures. Preventive measures primarily address issues such as misleading marketing practices when purchasing fitness services, with an emphasis on risk mitigation; while remedial measures aim to resolve disputes between parties in the event of conflicts. Preventive measures lay the foundation by minimizing potential prepaid consumption disputes through proactive regulation and management. When preventive measures fall short, remedial measures provide post-incident relief for consumer rights. Information gathered through preventive measures, such as disclosure systems, can directly support remedial actions like complaint resolution and enforcement inspections. As the prepaid consumption market evolves, both preventive and remedial measures should be dynamically adapted and refined according to real-world conditions.

Preventive Measures

The preventive measures regarding prepaid consumption in the fitness industry are outlined in the relevant documents from four provinces and cities, demonstrating increasingly comprehensive, scientific, and detailed characteristics (As shown in Tables 1 and 2).

Definition of Prepaid Cards

First, regarding the definition of prepaid cards, although there are slight differences in terminology (single-use card, single-use prepaid card, and single-use prepaid consumption card), the fundamental behavioral model remains the same. The relevant regulations include both physical and virtual vouchers (As shown in Table 1). However, there are differences in the exemption clauses across local legislation. For instance, while Gansu Province does not specify any exemptions, Shanghai explicitly excludes prepaid cards redeemable for specific goods. Jiangsu Province and Beijing, however, restrict exemptions to prepaid cards intended for specific one-time consumption.

Table 1 Definition of Prepaid Cards in Local Legislation

Provinces and Cities	Definition
Shanghai	<ul style="list-style-type: none"> • A single-purpose prepaid card refers to a voucher issued by the operator, redeemable exclusively for goods or services within the operator’s group, franchise network, or affiliated entities under the same brand. • This includes physical cards, such as magnetic stripe cards, chip cards, and paper vouchers, as well as virtual cards, such as those using passwords, serial codes, graphics, or biometric data, • excluding those redeemable for specific goods or services in one-time transactions.
Jiangsu	<ul style="list-style-type: none"> • A single-purpose prepaid card (hereafter referred to as a prepaid card) is a voucher issued by the operator, redeemable solely for goods or services within the operator’s group, franchise network, or affiliated entities under the same brand. • It includes physical cards such as magnetic stripe cards, chip cards, and paper vouchers, as well as virtual cards like those utilizing passwords, serial codes, graphics, or biometric data • excluding those redeemable for specific goods or services in a one-time transaction.
Beijing	<ul style="list-style-type: none"> • A single-purpose prepaid card (hereafter referred to as a prepaid card) is a prepaid voucher issued by the operator, redeemable solely for goods or services within the operator’s group or affiliated partners. • It may be redeemed in multiple transactions. • Physical vouchers include magnetic stripe cards, chip cards, and paper vouchers; virtual vouchers include passwords, serial codes, graphics, biometric data, or other agreed-upon information.
Gansu	<ul style="list-style-type: none"> • A single-purpose prepaid consumption card refers to a prepaid voucher issued by the operator, redeemable exclusively for goods or services within the operator’s group or affiliated partners. • It includes both physical cards (magnetic stripe, chip, paper vouchers) and virtual cards (passwords, serial codes, graphics, biometric data, etc.).

Table 2 Regulations on the Issuance of Single-Purpose Prepaid Cards in Shanghai, Jiangsu, and Other Provinces and Cities

Local Legislation (Date)	Core Preventive Measures		
“Regulations on the Management of Single-Purpose Prepaid Cards in Shanghai” (2019) “Implementation Measures for the Management of Single-Purpose Prepaid Consumption Cards in Shanghai” (2019)	Information Coordination System 1. Collaborative Information Coordination—Shanghai Single-Purpose Prepaid Card Regulatory Platform 2. Coordination Marking 3. Reporting Requirements <ul style="list-style-type: none"> • Issuance Information • Business Information • Financial Reports (including Tax Certification) 	Risk Warning Mechanisms 1. Two Levels of Risk Warning <ul style="list-style-type: none"> • General Risk Warning • Special Risk Warning 2. Dedicated Deposit Account for Funds 3. Real-Time Risk Alerts	Pre-issuance Credit Check <ul style="list-style-type: none"> • Entities listed on the Serious Offenders List are prohibited from issuing cards
“Prepaid Card Management Measures in Jiangsu Province” (2021) “Detailed Rules for the Management of Single-Purpose Commercial Prepaid Cards in Jiangsu Province” (2022)	Information Coordination System <ul style="list-style-type: none"> • Commercial Prepaid Card Management Platform 	Risk Warning Mechanisms 1. Establishment of a Dedicated Deposit Account for Commercial Prepaid Card Funds 2. Monitoring of Prepaid Fund Escrow Ratios by Financial Institutions 3. Real-Time Risk Monitoring	Issuance Filing System 1. Issuance Limits <ul style="list-style-type: none"> • Industry Classification • Company Establishment Date 2. Filing Deadline <ul style="list-style-type: none"> • Within 30 days of issuance 3. Comprehensive Filing Requirements for the Entire Process
“Regulations on the Management of Single-Purpose Prepaid Cards in Beijing” (2021) “Implementation Rules for Fund Supervision in the Prepaid Consumption Field of Beijing’s Sports Industry (Trial)” (2023)	Issuance Filing System <ul style="list-style-type: none"> • Mandatory Filing Requirement • Timely Information Updates Required 	Risk Warning Mechanisms 1. Establishment of a Special Deposit Account for Prepaid Funds 2. Correlation Between Issuance Period, Compliance Record, and Escrowed Funds Ratio 3. Dynamic Adjustment Mechanism for Fund Escrow Ratios	Pre-issuance Credit Check <ul style="list-style-type: none"> • Issuance or renewal of cards is prohibited for entities with a poor credit record
“Implementation Rules for the Management of Single-Purpose Prepaid Consumption Cards in Gansu Province” (2023)	Issuance Filing System 1. Compulsory Filing Requirement 2. Specific Filing Guidelines Established by Provincial Industry Authorities	Risk Warning Mechanisms 1. Prepaid Fund Management 2. Risk Alerts for Card Balance Management 3. Categorized Supervision and Risk Disclosure 4. Suspension of Issuance if Risk Alert Thresholds Are Exceeded	Pre-issuance Credit Check <ul style="list-style-type: none"> • Entities with poor credit records are prohibited from issuing or renewing cards

Applicability to the Fitness Industry

Regarding the fitness industry’s applicability, most local legislation have not directly addressed this in the clauses; however, in practice, most include the fitness industry by analogy. For example, in Jiangsu Province, although the detailed industry list attached to the management rules did not mention fitness, the notice from the Jiangsu Provincial Sports Bureau instructed all fitness-related enterprises to adhere to the regulations.

Prepaid Card Issuance Process

Lastly, in the prepaid card issuance (sales) process, the regulations place higher demands on operators to prevent misleading marketing and other dishonest behaviors, thereby raising the costs of non-compliance (As shown in Table 2). This is reflected in four key areas:

- **Unified Information Platform:** The unified information system is a public information management platform, led by local governments, which utilizes a digital platform to implement full-process supervision over the issuance,

registration, fund custody, performance obligations, and consumer dispute resolution of single-purpose prepaid consumption cards within the administrative region. Its core is to prevent merchant business risks and safeguard consumer fund security through data sharing and dynamic monitoring. A unified platform is required for information integration. The requirements for constructing and integrating such platforms vary across regions. For instance, Shanghai provides detailed procedural guidelines, while Gansu only broadly states the goal of “promoting the construction of a single-use prepaid consumption card information system”.

- **Dedicated Account and Risk Warning System:** Dedicated Account and Risk Warning System involve the connection between the information platform and banks or third-party payment institutions, where funds are held in custody based on the issuance ratio of prepaid cards, and are automatically allocated for refunds when the refund conditions are met. Additionally, indicators for abnormal merchant operations (such as sustained losses, a significant increase in complaints, or irregular cash flow) are defined, triggering system alerts and sending risk warnings to regulatory authorities. The establishment of a dedicated account system and strengthening of the risk warning system are emphasized. The establishment of dedicated custodial accounts—through mandatory fund depository mechanisms and dynamic monitoring—has effectively reduced risks in prepaid consumption. These accounts enhance fund security by isolating consumer payments, preventing misappropriation or abrupt business closure, and linking fund withdrawal to service delivery, which incentivizes compliance. Custodial records also support dispute resolution by providing clear evidence and streamlining consumer claims. According to the *2023 Report on Consumer Rights Protection in the Prepaid Consumption Sector*, over 70% of gym closure disputes due to fund misuse involved businesses without custodial accounts.²¹ By contrast, such accounts have been shown to reduce financial losses by 30%–50%. However, their long-term effectiveness still relies on robust enforcement and industry-adapted rules, such as appropriate custody ratios. All four regions have established a dynamic regulatory model for monitoring risks associated with prepaid funds, though its implementation varies. Both Shanghai and Jiangsu set balance warning standards, emphasizing dynamic risk control. Moreover, Beijing has adopted a more structured system for supervising prepaid funds, using a tiered deposit ratio model that varies depending on the card’s validity period. Longer-term cards require higher deposit amounts. Businesses with no history of administrative penalties or dishonest behavior can qualify for a reduced deposit ratio, which encourages compliance. Additionally, Beijing implements a semi-annual dynamic adjustment system that reassesses deposit ratios based on the operator’s conduct, including how they handle complaints and any penalties incurred. This system aims to strengthen regulation and enhance consumer protection. In contrast, Gansu’s framework remains general, with risk warning standards needing further clarification.
- **Pre-Issuance Credit Verification:** The pre-issuance credit verification system requires merchants issuing single-purpose prepaid consumption cards to undergo mandatory credit assessments by government departments or third-party institutions, via the unified prepaid card regulatory information system at the local level. These assessments, which must be conducted prior to card issuance, evaluate aspects such as the merchant’s business qualifications, financial health, credit history, and other relevant factors. Shanghai stipulates that operators with a history of dishonesty in issuing prepaid cards be classified as severely untrustworthy, with strict checks conducted during issuance. The other provinces and cities apply restrictions on card issuance or renewals through special provisions, increasingly refined through mutual learning.
- **Issuance Filing System:** The card issuance filing system, mandated by local legislation, requires operators to submit statutory information—including the qualifications of the issuing entity, types of prepaid cards, fund management methods, and performance guarantee measures—to a government-designated regulatory platform before issuing single-purpose prepaid consumption cards. Upon review and approval, the issuance process can proceed. This system aims to ensure that issuers have the capacity to fulfill their obligations through enhanced transparency and dynamic supervision, while providing a foundation for consumer protection and government risk management. Most provinces and cities require mandatory filing, while Beijing determines filing requirements based on the scale of the enterprise. However, mandatory filing is also required for the sports industry in Beijing, including fitness businesses.

Model Prepaid Consumer Contract for the Fitness Industry

Particularly noteworthy is that local legislation has explicitly addressed issues such as false advertising and standard terms in contracts. For instance, Articles 12 and 13 of the “Jiangsu Province Prepaid Card Management Measures”, Article 15 of the “Beijing Single-Use Prepaid Card Management Regulations”, and Articles 17 and 21 of the “Gansu Province Single-Use Prepaid

Consumption Card Management Regulations Implementation Rules” represent detailed implementations of existing legal provisions. Moreover, most provinces and municipalities advocate for relevant authorities and industry associations to draft model contracts for prepaid cards, which serve to standardize the terms of service and protect the legitimate rights and interests of consumers. For example, the Beijing Municipal Bureau of Sports spearheaded the initiative to promote the “Model Prepaid Service Contract for the Sports and Fitness Industry in Beijing”. Compared to traditional contracts drafted by commercial fitness centers, this model contract highlights critical elements (such as fees, payment methods, validity period, notification procedures, and refund policies) in bold text to ensure consumer awareness, while also offering clear descriptions of potential risks. In 2023, Shanghai, along with Jiangsu, Zhejiang, and Anhui provinces, published the “Yangtze River Delta Region Sports and Fitness Service Contract Model (2023 Edition)”, which serves as a reference for industry professionals when drafting their contracts. This model not only unifies key provisions such as the “full refund within a seven-day cooling-off period” and “clear refund timelines and balance calculation formulas”, but it also specifies core terms related to memberships, card issuance, contract termination, and refunds for chain fitness businesses operating across the Yangtze River Delta, advocating for a universal card system. The use of industry-standard contracts in fitness services in these cities has proven effective in addressing issues related to standard terms.

Remedial Measures

Similar to preventive measures, local legislation has also made a series of specific and beneficial advancements in the area of remedial measures, which hold positive implications, though these attempts remain primarily within the administrative sphere, and judicial application remains relatively limited, requiring further enhancement (As shown in [Table 3](#)).

Table 3 Regulations on the Use of Single-Purpose Commercial Prepaid Cards in Shanghai, Jiangsu, and Other Provinces and Cities

Local Legislation Name (Date)	Core Remedial Measures		
“Regulations on the Management of Single-Purpose Prepaid Cards in Shanghai” (2019) “Implementation Measures for the Management of Single-Purpose Prepaid Consumption Cards in Shanghai” (2019)	Clarification of Oversight Responsibilities <ul style="list-style-type: none"> • Industry Segmentation • Categorized Supervision 	Severe Breach of Trust Penalties <ol style="list-style-type: none"> 1. Designation as a Severe Breach of Trust Entity 2. Disclosure of Responsible Individuals' Information 3. Penalty Measures: <ul style="list-style-type: none"> • Risk Disclosure • Fund Management • Information Reporting Obligations 	Information Coordination Termination Procedures <ul style="list-style-type: none"> • Cease Card Issuance • Public Disclosure of Information (for at least 30 days) • Refund the Outstanding Balance
“Prepaid Card Management Measures in Jiangsu Province” (2021) “Detailed Rules for the Management of Single-Purpose Commercial Prepaid Cards in Jiangsu Province” (2022)	Pre-Notification Obligation <ul style="list-style-type: none"> • 30 days 	Right to Return without Conditions <ul style="list-style-type: none"> • 15 days 	Information Coordination Termination Procedures <ul style="list-style-type: none"> • Cease Card Issuance • Public Disclosure of Information (for at least 30 days) • Fund Escrow (for all pre-paid funds)
“Regulations on the Management of Single-Purpose Prepaid Cards in Beijing” (2021) “Implementation Rules for Fund Supervision in the Prepaid Consumption Field of Beijing's Sports Industry (Trial)” (2023)	Clarification of Oversight Responsibilities <ul style="list-style-type: none"> • Industry Segmentation • Categorized Supervision 	Right to Return without Conditions <ul style="list-style-type: none"> • Return within 7 days • Refund within 5 days 	Pre-Notification Obligation <ul style="list-style-type: none"> • Required Notification Procedures
“Implementation Rules for the Management of Single-Purpose Prepaid Consumption Cards in Gansu Province” (2023)	Clarification of Oversight Responsibilities <ul style="list-style-type: none"> • Categorized Supervision 	Pre-Notification Obligation <ul style="list-style-type: none"> • Varied Notification Channels • Public Disclosure at Business Premises 	Right to Return without Conditions <ul style="list-style-type: none"> • Return within 7 days • Refund within 7 days

Determination of the Responsible Party for Compensation

For instance, to address the issue of determining the responsible party for compensation, in addition to regulations regarding information sharing during card issuance in preventive measures, local legislation in the four provinces and cities predominantly uses two main approaches to mitigate operators' fraudulent or absconding behaviors: the obligation to notify business closures and the penalty of being listed as a non-compliant entity.

Obligation to Notify Business Closures

Firstly, the obligation to notify business closures is addressed in all four regions, although the methods differ slightly. Jiangsu and Shanghai emphasize the notification period, requiring "at least thirty days' advance notice", while Beijing and Gansu focus on the notification methods, which must ensure comprehensive coverage and be flexible enough to suit individual circumstances. According to most regulations, if an operator closes or absconds, members are entitled to return unconsumed services without justification. This is an innovative extension of the "no-reason return" system, traditionally applied to online shopping, to the prepaid consumption model. Beijing and Gansu maintain the original seven-day return period, while Jiangsu extends the no-reason return period for prepaid consumption to fifteen days, providing enhanced protection for consumer rights.

Blacklisting of Dishonest Operators

Secondly, operators who fail to fulfill their obligations and arbitrarily close or abscond may be listed as non-compliant entities, with measures to prevent future business misconduct. Shanghai mandates that dishonest entities and their legal representatives or responsible parties be identified and flagged for consumer warning. Additionally, more stringent reporting requirements are set for dishonest entities, including the frequency and detail of reporting, as well as strict oversight of prepaid card funds, which must be placed in dedicated accounts for balance refunds.

Enforcing Compensation for Consumers

In response to the challenges associated with enforcing compensation for consumers, several preventive measures have been proposed. These include establishing dedicated accounts for managing prepaid cards and implementing dynamic risk alert systems.

Performance Guarantee Insurance System

Furthermore, some provinces and cities, notably Shanghai, have introduced performance guarantee insurance. This innovation is designed to increase the likelihood of compensation for consumers.²² Performance guarantee insurance refers to property insurance where the insurer compensates the beneficiary for economic losses incurred due to the failure of the guaranteed party to fulfill their contractual obligations. Specifically, it involves the establishment of a commercial insurance relationship between the issuing company and the insurer, where the company insures the prepaid cards it issues at the consumer's request, paying premiums to the insurer. This system aims to have the insurer underwrite the credit risk of the prepaid cards issued by the company.²³

Designation of Regulatory Authorities

At the same time, the supervisory obligations of relevant authorities are strengthened, and their specific responsibilities are clarified to address the issue of unresolved consumer complaints. Unlike traditional consumer protection mechanisms, which are primarily focused on post-incident remedies, prepaid consumption regulation emphasizes proactive risk prevention through fund escrow, smart contracts, and other technologies, demonstrating an innovative regulatory approach. Regarding the question of how regulatory bodies should be defined, some scholars suggest the establishment of a dedicated regulatory body for single-purpose prepaid cards to centralize regulation in the prepaid card sector.²³ However, other scholars argue that, given the relatively small scale of the prepaid card market, it is more appropriate to clearly delineate the roles and responsibilities of each regulatory body within a defined framework.²⁴ Most local legislation have adopted this latter approach. Taking Shanghai as a case study, the regulatory responsibilities are delineated by categorizing the industries associated with prepaid cards. This segmentation serves to identify the appropriate regulatory bodies for oversight. Additionally, Article 24 of the "Shanghai Municipality Single-Purpose Prepaid Consumption Card Management Implementation Measures" outlines the

internal mechanisms for handling complaints and reports related to business closure and suspension, thus addressing the problem of unresolved consumer complaints.

As prepaid consumption-related legislation continues to progress across various regions, the implementation of these policies has significantly enhanced regulatory oversight of the fitness industry, leading to a substantial reduction in consumer disputes and, consequently, improving industry stability. Data shows that in 2023, Gansu achieved a contract fulfillment rate of 98%, while Shanghai saw a 40% decrease in business defaults. In 2024, Beijing raised its fund deposit coverage to 95%, with complaints decreasing by 40% year-over-year. These figures demonstrate that the implementation of prepaid consumption policies has not only mitigated risks effectively but has also fostered the industry's healthy growth. However, like any policy, prepaid consumption legislation presents both advantages and challenges. While the regulations offer clear benefits, they have also made it increasingly difficult for small and medium-sized fitness businesses to survive and thrive. On one hand, the requirements for fund escrow and digital regulatory technologies have driven up compliance costs, putting additional strain on the cash flow of small fitness businesses. On the other hand, the dominant credit regulation model has created challenges for these businesses, including difficulties in securing financing due to discriminatory practices. As a result, small fitness businesses are not only focusing on improving their services but are also seeking new transformation strategies, including moving away from flexible consumption models such as pay-per-visit, and shifting toward competition based on service quality. Representative small fitness brands—such as Fatiao Duck (an unmanned gym chain) and Jiawubang Fitness Studio—have introduced more flexible payment models, including per-use, weekly, and monthly payment schemes.^{25,26} These alternatives have not only significantly reduced complaints related to prepaid fitness cards and improved consumer protection outcomes, but have also optimized business revenue models and enhanced resilience to financial risk. This shift has contributed to greater operational stability among smaller fitness enterprises and supported a broader industry transition toward value-based service delivery. For example, Jiawubang's shift from annual membership packages to a monthly subscription model led to a 30% increase in foot traffic, while also lowering the decision-making threshold for users—demonstrating how flexible consumption models can create mutual benefits for both businesses and consumers.

In reviewing the legislative texts from different regions, it becomes evident that certain inconsistencies and ambiguities present practical challenges in policy implementation. Regional differences in the definition of prepaid cards and the scope of industry applicability have led to confusion among service providers. In some cases, the ambiguity regarding whether certain fitness services fall under the regulatory scope has created compliance uncertainties. While most jurisdictions impose stricter requirements on operators—particularly concerning card issuance procedures, obligations to notify business closures, and disciplinary measures for untrustworthy conduct—the variation in the stringency and specificity of these standards creates practical challenges. For industry operators, this regulatory fragmentation leads to uncertainty in compliance, especially when operating across different regions. For regulators, it complicates enforcement efforts and hinders the establishment of uniform oversight practices. To establish a standardized regulatory framework for prepaid consumption, it is essential to incorporate key institutional mechanisms—such as dedicated fund escrow accounts, real-time risk monitoring systems, and mandatory information disclosure—while also promoting inter-agency coordination among financial regulators, consumer protection authorities, and industry stakeholders to ensure effective oversight.

Conclusion

Sports participation plays a fundamental role in improving individual health, enhancing public well-being, and contributing to social development. In alignment with global initiatives aimed at promoting “Fit for Life”, China has implemented a range of policies to achieve the “Healthy China” goal and foster national physical fitness. Currently, China's fitness industry is extensive, but the business model based on prepaid consumption exposes commercial fitness centers to significant debt risks and potential bankruptcy, with frequent instances of consumer rights infringements. This paper provides a comprehensive overview of the local legislative practices regarding prepaid consumption in China's fitness industry, focusing on four provinces and cities, including Jiangsu and Shanghai, known for their institutional innovations. It examines the regulatory framework from the dual perspectives of preventive provisions and remedial mechanisms, analyzing the normative logic behind local governments' governance of prepaid consumption. The study finds that local legislation, by implementing preventive systems such as dedicated fund accounts, dynamic risk warning

mechanisms, and information disclosure obligations, combined with remedial measures like business closure notifications, dishonesty penalties, and performance insurance, has created a multi-dimensional governance framework that addresses risk prevention before transactions, process regulation during transactions, and consumer rights protection after transactions. It is important to highlight that the enhancement of consumers' awareness of rational consumption and their practice of rational consumption behavior can create a synergistic effect with government regulation. This collaboration helps foster a shared governance environment through market mechanisms, which in turn contributes to the improvement of prepaid consumption regulation. To sum up, the existing legislation has played a certain role in regulating prepaid consumption in the fitness industry. However, it has also increased compliance costs for businesses, which has led to innovation in more flexible consumption models (such as pay-per-use and monthly payment systems). These changes have pushed fitness businesses to enhance their core competitiveness in service quality. Meanwhile, the paper also concludes that the inconsistencies in the standards of core regulatory mechanisms (eg, fund custody, risk warning systems, information disclosure) have affected the overall effectiveness of prepaid regulation. Based on this, we emphasize the need for legislators to standardize core regulatory frameworks (including mandatory fund custody and risk warning systems), to promote a coordinated regulatory approach across relevant government departments, and to implement industry-specific self-regulation and consumer education programs. Future research on prepaid consumption regulation could delve deeper into the integration of digital regulatory technologies with legal frameworks, as well as the adaptation of refined and coordinated regulatory approaches.

Disclosure

The authors report no conflicts of interest in this work.

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