

SHAPING UP

THE FIGURES

In the first of a new series, **Dr Paul Bedford** looks at how well gyms retain new members - and what can be done to encourage longer memberships



The real beginning of our understanding of retention and attrition started back in 2001, when the first of a series of six industry reports was produced by Dr Melvyn Hillsdon on behalf of the Fitness

Industry Association.

Up until that date, various figures had been published describing attrition percentages; however, these were incomparable and sometimes misleading.

Using statistical approaches common in other sectors such as healthcare, engineering and food processing, Dr Hillsdon provided the first insight into how operators were doing (reports one to three). Because of this standard approach, it was possible to compare public and private sectors, as well as large and small businesses, for the first time.

This early work employed data from 67,601 individuals, ranging from 16 to 74 years. These individuals used various fitness facilities from different sectors of the industry, including small independent operators, public sector facilities, multi-site chains and facilities within hotels, ensuring a complete cross-section.

The early reports have now been repeated and extended, and in 2008, the follow-on report studied data on 296,000 individuals from 514 clubs.

The results of the report show that, while each new year there is a media frenzy debunking the benefits of joining a gym - especially as a new year fad - new member numbers were surprisingly flatter across the whole year than had been previously been thought. It also showed that

individuals joining in the early part of the year were no more likely to quit than those who join later in the year.

The statistical approaches used for these reports introduced and defined terms such as retention time, retention rate and attrition rate. For the first time, operators were provided with figures that they could compare year-on-year, as well as compare among colleagues and take action on. These definitions are as follows:

- 1. Retention rate:** the proportion of members who remain a member for any predetermined time period such as three months, six months or 12 months;
- 2. Attrition rate:** the number of members, per thousand, that cancel per month; and
- 3. Retention time (lifetime value):** The average (median) length of membership or the lifespan of a membership.

Outcomes of the early reports

In the first report, it was possible to see that older members stayed longer than younger ones. Members aged 45-plus had an annual retention rate 23 per cent higher than those in the 16 to 24-year age group.

As well as analysing data by sector, memberships types - including single, joint, family and corporate - were studied to understand retention patterns. It was possible to see that retention for family and corporate memberships out-performed memberships sold to individuals or couples.

Joining fees and contracts were, and still are, an issue. Common practice at the time was to sell a year's membership upfront, and while this seemed to provide financial security for the operator, it was not possible to identify whether or not members were using the facilities they had paid for.

The first report identified that those who paid a joining fee stayed longer than those who were on a contract. Subsequent reports found that those who paid a joining fee had, in most cases, done so to obtain a reduced monthly fee. Later reports (four to five) using focus groups to identify factors associated with retention and attrition, identified that individuals did not have issues with monthly payment, but found joining fees unpalatable.

A key piece of information relative to usage also came to light in these early reports that impacted quite noticeably on the way in which we induct new users. Those individuals who joined and used the facility at least once a week in the first four weeks were 30 per cent more likely to be members after 12 months than those who came less. In order to increase the likelihood of individuals coming this frequently, many operators introduced multiple appointment inductions – usually four – as a method of increasing visit frequency in the first month of joining. Much of their design was based around increasing the amount of time spent teaching and demonstrating equipment, and forcing people to try to achieve short-term results. There is little evidence that any of these inductions have made a difference, as almost none have been evaluated.



and demonstration of the appropriate exercise equipment to a comfortable level for the member.

In addition, support should be offered for those who are new to the exercise environment. This support should be available on a regular basis for the first 12 weeks. The report identified that this support could be achieved through multiple inductions or through having staff on the gym floor at the most appropriate times.

those who sign shorter contracts, even if the contract is not enforced. In addition, those who signed short contracts were two and a half times more likely to cancel than members who had signed a 12-month contract. The reason for this is unknown, but has been seen repeatedly with every comparison of contract length conducted in the past eight years. Short-term contracts are appealing from a sales perspective as they may be easier to sell, but may not produce longer term revenue streams and place a heavy burden on resources.

Using statistical approaches common in other sectors, Dr Hillsdon provided the first insight into how gym operators were doing

Getting the induction right

Reporting on the early experiences of new members, it was possible to see that a large number had previously been members of a gym. New members evaluated the exchange of services for fees during their first few months of joining. While they often reported on the nice surroundings, members were often disappointed by the lack of support or service they received, compared to what they had been promised. Members described hitting a lull around weeks eight to 12, which contributed to less frequent visits and then a lapse in use, leading eventually to cancellation of membership. This lull was due to a lack of results – often due to unrealistic expectations on the part of the member, and the repetition of the exercise programme.

Group inductions were disliked by all and seen as poor service. The conclusions arising from the focus groups were that individuals expected an individual service. An appropriate induction process would provide one-to-one contact including an analysis of the person's wants and needs, a basic exercise programme and teaching

In the 2008 report, it was possible to compare membership fees paid to the length of membership. The results showed that the amount people pay is not an indicator of retention. Those paying more do not stay any longer or quit any differently than those paying less. The report also highlighted the findings of the research by different sectors, independent operators, chains, public sector and trusts. Trends in membership contracts have changed considerably since the first reports. Many more operators have minimum term contracts and quite commonly have longer contracts (12 months or more) at a reduced rate.

Trusts were less likely to employ or enforce 12-month contracts than other operators and, as a result, have demonstrated the lowest retention of all the sectors. Over the years, contract length has always been an issue. The evidence is that those who sign a longer contract stay longer than



The upshot of contracts

Contracts should be of sufficient length that all costs incurred during the joining process are covered. This includes the marketing

cost per head, time with staff, touring, joining and administration. Additional fees paid to staff such as commission, bank fees for direct debits and any merchandise given as a gift upon joining should also be calculated and used to determine the actual cost of recruiting a new member.

In the 2001 retention study, 61 per cent of members maintained their membership for 12 months. In the 2008 study, 90 per cent of members maintained the memberships for three months, 75 per cent for six months and 66 per cent of members maintained their membership for 12 months. It is not possible to make direct comparisons due to the variation in samples, but this increase is more likely to be due to the increased use of 12 month contracts, than to any increase in service levels.

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