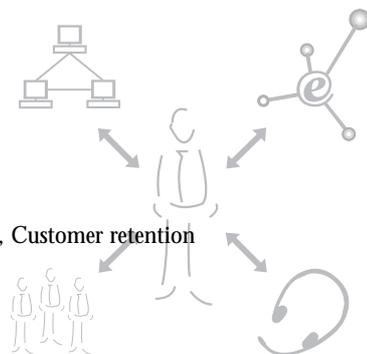




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## Thinking Strategically about Customers: A View from the Health and Fitness Industry

*Abstract: A paper on the reflections of customer retention in the Health and Fitness Industry, suggesting that companies need to think more strategically about customer retention. It proposes a customer centric strategy focusing on the organisation and how it manages its resources, employees and customers. Customer retention is considered to be one of the key areas for most service providers in the UK Health and Fitness Industry. Much of the existing research and activity concerning customer retention is considered at a tactical, operational level with little emphasis being placed on the strategic considerations that an organisation needs to consider in order to move toward a customer-centred philosophy. This paper suggests that customer retention levels can be improved by thinking more strategically about the organisational purpose, its resources and customers.*

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### Introduction

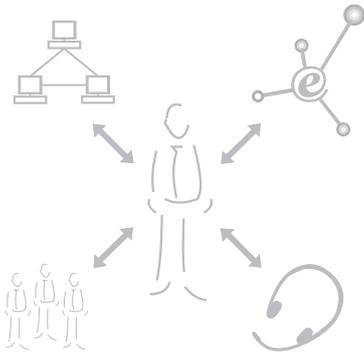
In late 2001 the Fitness Industry Association published the results of their extensive research into customer retention and switching behaviour. Following a survey of more than 67,000 interviews with members of leading UK health and fitness clubs, the key findings of the report suggested that customer retention levels could be increased with a range of marketing and service provision initiatives. Whilst commendable, the focus of the research considered customer retention at a tactical level. As a result, this paper seeks to take the debate about customer retention up a level, by considering the strategic implications for organisations in the industry today. It presents an outline of how they should direct their resources and become customer-centred service providers that enjoy high rates of customer retention.

The author of this paper has been acting as a marketing consultant to two national providers in the Health and Fitness Industry over the past three years, working with directors, senior man-

agement and front-line staff, whilst undertaking doctoral research into customer retention. This paper reflects on some of the key issues facing the industry and how service providers can move toward thinking more strategically about customers in an attempt to improve customer retention in the face of increasing competition.

### Where are we now?

The Health and Fitness Industry has enjoyed significant expansion in recent years and is forecast to increase revenues in the short to medium term as a result of more adults taking out gym membership. However, these growth opportunities have attracted a flood of new entrants to the industry, with 22% more health and fitness clubs than there were five years ago. This has resulted in a near saturated market place and intensified the level of competitive rivalry. This has subsequently seen many companies being exposed to; falling profit margins, deteriorating share prices and cost cutting through merger or acquisition. In the short term, industry analysts pre- ➤



dict three key drivers influencing the market place;

- growth through merger or acquisition
- critical mass through a drive for new members
- customer retention as a means of achieving long-term profitability

### Thinking strategically about customer retention

Whilst growth in the industry remains potentially attractive, there are currently a range of uncertainties in the UK economy and international arena that could potentially affect the outlook for the future. The current drivers in the industry essentially converge on the need to increase market share through new business and holding on to existing business. As a result, service providers now need to focus more of their efforts on the

planning, resourcing and implementation of a customer retention strategy. This strategy, however, should attempt to introduce a long-term business philosophy that places the customer at the heart of the health and fitness club processes, activities and culture. This strategy should not be regarded as a quick fix in the face of hardening competitive conditions, but become a permanent item on the agenda at monthly Board of Director meetings.

The fundamental elements of the strategic blueprint proposed in this paper are represented in Figure 1. In essence, this strategy has three fundamental building blocks and will be considered under the terms; Organisational Customer Focus, Customer Management Focus and Customer Knowledge Focus. Successfully integrating and managing these three areas on a day to day basis will aid in the retention of health club members.

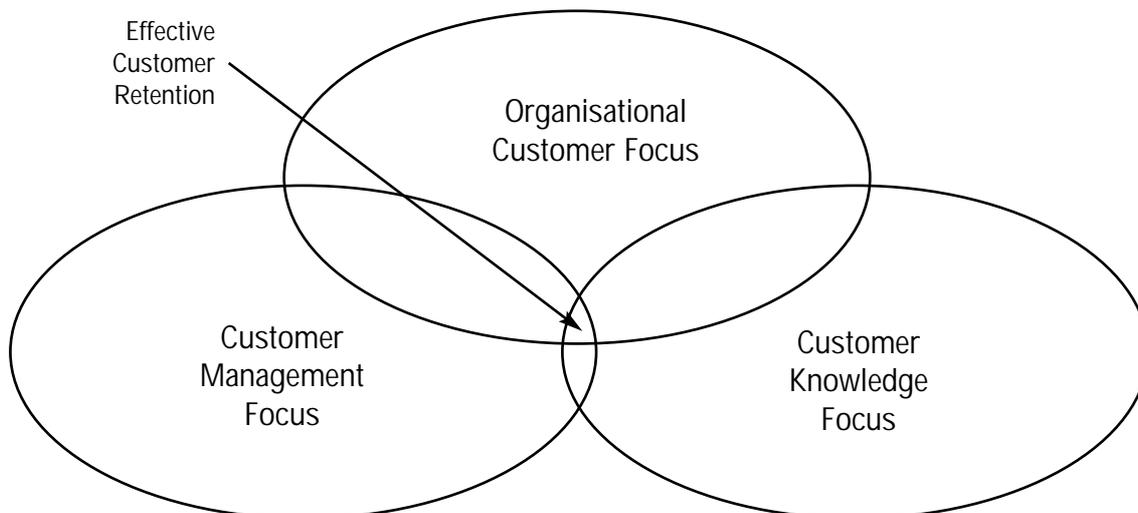
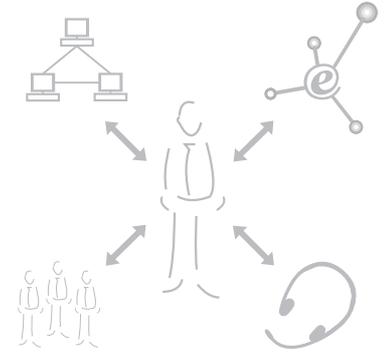


Figure 1: Effective Customer Retention blueprint



### Organisational customer focus

At an organisational level, the importance of customer retention and its significance to corporate profitability suggests that there is a high correlation between customer retention and company profitability. This profitability is derived from the cost savings of not having to continually recruit new members and the increasing revenues generated from existing customers over time.

Creating an organisation that is member focused will require leadership, resources and potentially a change in culture. This process is likely to be a slow and continual process of change that should aim to re-align the health and fitness club around the customer and not the service provision. This could be achieved by the recruitment of staff to fit the new way of doing things, gaining employee commitment through internal communication, staff training and reward systems. Indeed, a climate that reflects an enthusiastic service orientation will act as a means to delivering higher levels of customer satisfaction and ultimately customer loyalty.

Fundamentally, the Organisational Customer Focus should attempt three things;

- produce an organisation whose mission, management and staff structure are coordinated and controlled in a manner that fosters their commitment to deliver high standards of service quality, in a customer centric environment
- to integrate the flow of work around company-wide processes that ultimately link with customer needs
- generate member retention levels that are significantly higher than those of their competitors.

### Customer management focus

The emphasis of this part of the blueprint focuses on the implementation of the strategy at an operational level, in order to build and maintain customer relationships to ensure long-term customer satisfaction and retention.

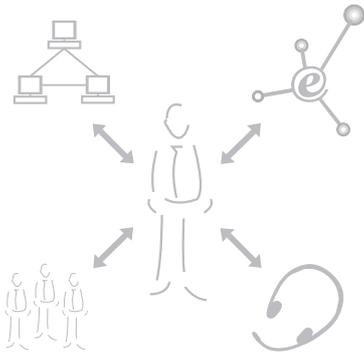
The Customer Management Focus needs to:

- guarantee that the customer is placed at the centre of health and fitness club activities
- ensure that critical service incidents are managed and resolved to mutual satisfaction
- maintain the closest contact between the health and fitness club and their customers through personal interaction and marketing communications in order to build the relationship
- consider that the longevity of the relationship must also be evaluated in terms of the profitability of the customer. It should, therefore, be concerned not only with enhancing and maintaining, but when necessary, terminating unprofitable customer relationships.

### Customer knowledge focus

There is a developing view, that effectively implementing a knowledge management strategy and becoming a knowledge-based company, is a mandatory condition for success as organisations enter the era of the knowledge economy.

The term Customer Knowledge Focus proposes that knowledge of your customer is a prerequisite for successful customer retention. Whilst the recent move to integrate management information across fragmented computer systems has focused on the introduction of CRM technologies, softer systems for data collection also need to be considered. Knowledge management should be considered in the context of how ►



information can help in the management of customers, and not solely on the efficiencies that introducing new technology brings to the organisation. In particular, Customer Knowledge Focus should ensure that:

- current information is available to support a customer-centric orientation
- the health and fitness club stays close to the customer, managing and integrating throughout the organisation, this knowledge in a meaningful way
- learning from customers about their needs through staff interactions, complaints, comment boxes and more formal market research methods as a means of delivering better customer service.

### Where do we go from here?

At the outset of this article, it was suggested that the competitive environment for the Health and Fitness Industry was still providing growth oppor-

tunities, but that these opportunities may become less profitable with providers focusing on the need to increase market share against highly aggressive competitors. Whilst the economic outlook remains uncertain, there should be a drive toward companies within the industry to seriously consider membership retention as a strategic priority now, in order to ensure long-term profitability. Those companies that allocate resources, plan and implement a strategy that places the member at the heart of the club, will be the ones that successfully ride out any future storm.

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### Biography

**John Oliver** is a Senior Lecturer in Marketing and Marketing Consultant at Bournemouth University. He is currently undertaking doctoral research into customer service and retention within the Health and Fitness industry 



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