


2007

IHRSA'S GUIDE TO
MEMBERSHIP RETENTION *By John McCarthy*



***Industry Lessons
on what—and
what not—to do***

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Preface by John McCarthy

The Canary in the Coal Mine — A Parable

This booklet, the second edition of *IHRSA's Guide to Membership Retention*, presents a series of observations, insights and initiatives pertaining to specific steps a club can take to improve membership retention.

The ideas presented here were garnered over the course of 25 years, mainly through conversations with club owners who experienced success with this issue.

The new introduction to this edition is meant to fill a void that was present in the earlier publication. Specifically, it provides a framework for the issue that is designed to make more substantial progress possible.

I begin with a parable.

For over 100 years, coal miners brought canaries with them down into the deep pits where they did their difficult and dangerous work. They brought these canaries into the mines for one specific reason, a life or death reason. For if the canaries stopped singing, it meant one of two things. It meant either that there was methane gas in the airways of the mine-shaft or that the air was becoming toxic with carbon monoxide. If it was methane gas, an explosion could be imminent. If it was carbon monoxide, gas poisoning could rapidly ensue. In either case, the moment that the canaries stopped singing, the miners began to vacate the mine. In the mineshafts of the health club industry, the canaries stopped singing a long time ago, but miners keep on digging. They keep on mining. What do I mean?

Today, almost all fitness clubs labor with attrition rates in the range of 35% to 45%. Some clubs are higher. A few are lower.

Meanwhile, our sister clubs—the country clubs, the yacht clubs, the private clubs—keep raising their joining fees and lengthening their waiting lists—and relatively few of their members ever leave. Their gross attrition rates hover between 5% and 10%. Even when the members of these clubs move to different cities or different countries, they often retain their memberships on a non-resident basis. In general, the attrition rates at these clubs are a function of life's major misfortunes: death, disease, divorce or destitution. In the absence of these events, the retention rates at many of these operations would approach 100%.

Consequently, the canaries continue to sing in the mineshafts of the private club industry. But in the mines of the health club industry, they are dead and gone.

Why are their canaries alive and well, while ours have long since departed? I begin with two assumptions.

First, it is important to recognize that for commercial fitness facilities, membership retention has always been—and continues to be—a subordinate objective.



It is subordinate to these clubs' primary objective, which is substantial and sustainable profitability. Consequently, if a commercial club operation can sustain substantial profitability with attrition rates in the 35% to 45% range, so be it. Why invest in membership retention—why even bother with membership retention—if, from a P&L perspective, it may be neither necessary nor advisable?

Secondly, out of necessity, the men and women who operate America's private clubs perceive their businesses in a diametrically different way than do the owners of commercial fitness centers. This difference in perspective is so oceanic that it raises the question as to whether they and we inhabit the same industry.

In essence, private clubs perceive their business from the member's point of view. After all, the members themselves "own" these clubs. Health clubs, on the other hand, look at their enterprises from the investor's point of view.

Consequently, the governing objective of the Boards of Directors of private clubs is to determine what they can *put into* the enterprise that will make the membership experience more rewarding and enjoyable. On the other hand, the governing objective of commercial club operators is to determine how much they can *take out of* the business by way of making it as profitable as is reasonably possible.

We now approach the heart of the matter, which comes down to a single factor with three distinct dimensions. The factor in question is one with which we are all familiar. It is nothing more—and nothing less—than pleasure or enjoyment.

But pleasure in this context has three distinct, yet interdependent dimensions. The first is physical, the second is psychological and the third is social. The first is visual and tactile, the second

pertains to pride and prestige, and the third—and most important—pertains to the *joie de vivre* that the members share with one another.

Further, there is an architecture to these three dimensions of pleasure. The base is physical; the next layer is psychological; the apogee or crown is social.

Let us examine each of these dimensions.

The first is visual and tactile. It is how things look and how things feel.

Walk into any yacht club or country club, and you sense the difference immediately. The controlling concern of the architects who design these facilities is to make them as physically comfortable and appealing as possible. These settings invite the members of these clubs to slow down, to relax, to take it easy, to enjoy. Their goal is to make the environment as enticing and inviting as possible so that it will become a place where people will want to gather and stay... for a drink, for lunch, to watch a ball game, to read the paper, to enjoy.

Space allotted for these activities is not deemed to be dysfunctional or unprofitable. In fact, the space allocated for socialization is thought to be the heart and soul of these clubs.

“Every human being desires to feel in some way privileged, in some way elevated and in some way placed on a higher plane.”

Their clubhouses are truly *club houses*. They are places to gather, convene, socialize and enjoy the company of one's family, friends and fellow members.

The athletic and fitness dimensions of these facilities—the golf courses, the tennis courts, the swimming pools, the fitness centers, the docks—though essential and vital, are nonetheless secondary. They are not what first meets the eye when one enters these facilities. They are not front and center. When one enters these facilities, what normally first meets the eye are the multiple arenas for socialization—waiting areas, cafés, reading rooms, bars and dining areas.

Secondly, and once again from the perspective of pleasure as it pertains to membership retention, is that form of psychological pleasure that is associated with pride and prestige. Every human being desires to feel in some way privileged, in some way elevated and in some way placed on a higher plane. Every human being enjoys being treated

with deference and elegance, with grace and courtesy, with recognition and appreciation.

People take particular pleasure and pride in knowing that their club is among the finest there is... in their neighborhood, in their city, in their country. They are pleased and proud to belong to such a club. They experience their club as an extension or reflection of their own sense of themselves.

It is this appeal to pride and prestige that provides private clubs with the wings with which they fly. This is, in essence, what private clubs are all about. They are about making members feel special, respected, acknowledged, welcomed, admired and appreciated. They are about making their members feel proud of the club to which they belong. This, of course, involves the art of hospitality raised to the nth power.

Consequently, at private clubs, treating members with dignity, courtesy, enthusiasm, energy, pleasure and alacrity is not merely an option. It is the heart and soul of a club's identity. It is the adhesive that binds the member to the experience of membership at that particular club.

All of this is important. Nonetheless, it remains incomplete. For it is the third and final dimension of pleasure, the sociological form of pleasure, that is the *coup de grace* of private club membership.

This dimension is a function of camaraderie and *bonhomie*. It is the pleasure that members gain from being associated with people whom they like and enjoy. For the members of these clubs, it is not their association with the facility, nor with the staff—however important these most certainly are—but their association with their fellow club members that makes it difficult, if not impossible, for them to separate from these extraordinary enclaves.

This also differentiates the distinct role that golf, tennis, swim and sailing programs have at such clubs. Each of these activities includes a social dimension—an experience before, during and after these friendly competitions where the players meet for a drink, a light dinner or a small awards ceremony. In essence, every athletic program is, at the same time, a social program. In fact, it is these social programs that make the sporting competitions so much fun.

These, then, are the three dimensions of pleasure that distinguish the private club experience. Taken together, they render the retention rates of such clubs significantly superior to those of almost every commercial club operation.

These three related factors “raise the bar” for what is difficult, though not impossible, to achieve in a commercial club environment.

Do I hear a canary singing?

A Message from Technogym

Everyone agrees that member retention is a crucial element to any facility's success. There are three important things to consider when addressing retention. These are: new member **ATTRACTION**, existing member **RETENTION** and programs to encourage **SECONDARY EXPENDITURE**.

As competition increases within the fitness industry, a majority of operators are investing a significant amount of time and energy in marketing campaigns and sales promotions to attract new members, but few are investing the dollars to retain their existing members.

Attracting a new member is a strategic activity but it's difficult and expensive. However, maintaining an existing member has more value than getting a new one. It's easier and cheaper, but it doesn't come for free.

Retention is a direct result of the product a facility delivers to its members. A mix of different ingredients such as service level, equipment, staff skills, facility interior design, social atmosphere, etc. all play into retention. Every facility needs to find its own balance according to membership demographics, member interests, market and price positioning, and strategic target. Technology can also play a role in membership retention.

The challenge is to manage existing customers more effectively. We are all aware there are many people who will leave a fitness facility for a variety of reasons. Unfortunately it is very hard to understand this reason for every individual and to turn this knowledge into operational guidelines to improve retention performance.

Nowadays professional operators realize they need the right equipment and systems to respond to the changing demand of a broader member demographic in order to increase their clients and ultimately their revenues.

At Technogym we have recently celebrated 10 years with the Wellness System, the workout and asset management software which helps operators motivate and retain members. Together with our comprehensive integrated range of state-of-the-art equipment, it will provide you with the perfect customized Wellness Solution in order to attract and retain clients and create profitable business in all market segments. More than 2 million gym-goers use Wellness System by Technogym every day.

Enjoy this interesting report and don't miss the chance to share with us your ideas on how to win the retention battle together.

Nerio Alessandri

Technogym President & Founder



Introduction

This essay has two purposes: first, it proposes to assemble in one place what the industry has learned about membership retention in the last 25 years; second, it aims to specify a comprehensive list of tactical measures that can make a difference in decreasing membership attrition at your club.

Bottom-line, we know more about this issue than is generally acknowledged. Nonetheless, to this day, no one has developed a comprehensive strategy for membership retention. There is a reason for this. With respect to membership retention, there is no one-size-fits-all solution. Every club, depending on its circumstances, needs to discover for itself the retention initiatives that will produce the best results. To that end, this document contains an ensemble of practices that every club can implement if it wishes to register improvements in retention.

It is an underlying thesis of this document that every person employed by a club either strengthens or weakens a culture that either supports or depletes a club's initiatives aimed at improving membership retention. It is, therefore, imperative that all club employees come to recognize the vital role they play in making their club friendlier, more responsive, more hospitable, and more effective in helping their members 'connect' to the club to which they have hitched their hopes for a fitter, healthier and more enjoyable life.

It is a premise of this document that advancements in membership retention benefit three distinct parties. Gains in membership retention represent, as it were, this industry's equivalent of a Triple Crown. First, such gains benefit club members by making their membership experience both more enjoyable and more beneficial; second, they benefit club staff by providing them with a more energized work experience as well as additional compensation opportunities; and, third, they benefit club owners by making a high-impact contribution to club profitability. As such, membership retention is one of those games that, unlike many others, three parties can win at the same time and to the same degree.

Finally, this document is written in the recognition that this is not the last word on membership retention. Rather, it is meant to be a spur and a challenge to the reader's own thinking on this important issue.

Growing the Industry

Underpinning this document is IHRSA's mission to grow, protect, and promote the health club industry and to provide IHRSA members with benefits that will help them be more successful. We believe that improvements in membership retention address every aspect of IHRSA's mission. Such improvements serve to protect, promote, and grow the industry, and such improvements provide IHRSA members with a benefit that will make them more successful.

Integral to IHRSA's mission is its objective to reach 120 million health club members worldwide by the year 2010.

As will become evident in reading this publication, the health club industry continues to have success in selling memberships. We estimate that in America alone, the health club industry now sells 15-20 million new memberships each year.

However, for every 15 million members that walk in the industry's front doors, 12 million exit its back doors. In short, if the industry has an Achilles Heel, membership attrition is it! This Achilles Heel is the opposite of the forementioned industry Triple Crown. This is the industry Triple Dagger. It is a lose/lose/lose situation for club owners, club managers, and club members. It represents a financial loss for club owners, an opportunity loss for club managers, and an experiential failure for club members.

Thus, for the sake of the growth of the industry as a whole, as well as for the sake of every member this industry seeks to serve, industry-wide improvements in membership retention are imperative.

Nothing could more sharply accelerate worldwide industry growth than improvements in this domain. IHRSA's objective of 120 million members by 2010 could become a "walk in the park" if the industry could achieve even modestly better membership retention rates.



One Hundred Twenty Million
Members by 2010

The Bottom Line: Financial Impact

Keeping members is at least as important as acquiring them. As the late Ted Levitt often said, “The purpose of every business is to create and keep a customer.” This seemingly innocuous statement has a balance to it that needs to be integrated into the industry’s DNA. It balances the ‘creation’ of new customers with the retention of such customers. It does not suggest that membership acquisition is or ever will be a secondary goal, but it emphasizes that membership retention is—for our business, and for every business—at least as important as membership acquisition.

To quote another aphorism often repeated: “A bird in the hand is worth two in the bush.” The member you have today is worth more, perhaps much more, than the member you *may have* tomorrow.

When Levitt stated his thesis that the fundamental purpose of every business is to gain and keep a customer, he was countering the conventional wisdom that the purpose of every business is bottom-line profitability, plain and simple. But, said Levitt, every business, in order to achieve its governing objective (which is to get and keep customers), needs to be profitable, first, so that it can keep improving its products or services and, second, so that it can sustain the commitment of its investors.

Member acquisition costs are high—and rising

Competition within the industry is increasing. With increased competition, the cost of acquiring new members and replacing lost members is rising, thus making membership retention more important every year. Example: if the cost of acquiring a new member rises 50% from \$200 per new member to \$300 per new member, it may take two additional months before that new member will begin to contribute to club profitability. (Before the new member’s acquisition cost has been amortized, that new member does not even begin to contribute to club profitability.)

This point has important ramifications. It is one thing to be able to ‘outrun’ attrition in virgin, non-competitive markets. It is a different thing to ‘outrun’ attrition in more mature and competitive markets. In the first type of market, it is feasible—and possibly even desirable—to forget about attrition and focus totally on membership acquisition. But in the second type of market—mature,

competitive markets—it becomes progressively more important to focus on keeping every member you have... because every member that leaves is more difficult to replace.

If the health club industry today agrees on one thing, it is that every market is becoming more competitive. As this occurs, the cost of membership acquisition is bound to increase. This puts an added premium on the risk/reward relationships involved in membership retention.

Thus, if it were possible in the late-1990s to simply outrun membership attrition, that possibility is becoming more daunting with every passing year. As this trend continues, the risk/reward relationship pertaining to membership retention looms larger every year.

Think small

Small improvements in membership retention can yield large improvements in profitability. For example, assuming all other factors being equal, if a club with 3,000 memberships, and revenue per membership of \$800, and net income of \$200,000, improves its retention rate by only 1% (30 members), its net income could improve by as much as 12%. A 2% (60 members) improvement could increase net income by as much as 24%. (Figure 1.1)

FIGURE 1.1

$$\begin{aligned} 3000 \times .01 &= 30 \\ \$800 \times 30 &= \$24,000 \\ 24,000 \div 200,000 &= 12\% \end{aligned}$$

$$\begin{aligned} 3000 \times .02 &= 60 \\ \$800 \times 60 &= \$48,000 \\ 48,000 \div 200,000 &= 24\% \end{aligned}$$

Another example: if a club with a 40% annual attrition rate could extend the average life of every terminating member by only one month, the effect on revenue (and profitability) would be significant. For a club with 3,000 memberships and average revenue-per-member-per-month of \$75, and an annual attrition rate of 40% (1,200 members), extending the life of

FIGURE 1.2

$$3,000 \times .40 = 1,200$$
$$1,200 \times \$75 = \$90,000$$

Management makes the difference

uncontrollable factors, this implies that superior management can consistently achieve membership retention rates that are at least 5% higher than those achieved by less talented management.

Compound that differential for five years, and the annual difference in revenue between the two clubs would be more than \$300,000. Cumulatively, the total difference over the five-year period would exceed \$1,000,000.

Small differences in membership retention can translate into large differences in revenues and even larger differences in profitability.

FIGURE 1.3

[illegible]

Characteristics of High-Retention Clubs

Clubs with strong member-to-member connections have higher retention than clubs with weak member-to-member connections. Multi-purpose clubs have higher retention rates than fitness clubs (71.9% vs. 69.1%, according to the 2007 edition of IHRSA's *Profiles of Success*). Although IHRSA does not collect data on tennis-only clubs, we know, anecdotally, that tennis clubs have higher retention rates than multi-purpose clubs.

Anecdotally, we have also learned that country clubs have higher retention rates than commercial clubs of all types. These private clubs achieve this despite the fact that many of their properties, especially in the Midwest and Northeast, lie fallow from November 1 to May 1.

This point underlines the importance of a fact that is seldom discussed: namely, that member-to-member connections, as distinguished from member-to-staff connections, are integral to every club with high retention. An argument can be made—and it is an argument with which I agree—that in terms of achieving high membership retention rates, member-to-member connections are much more important than member-to-staff connections. Therefore, the assumption that the retention issue can be resolved simply and exclusively by enhancing staff-to-member connections is, in my opinion, fundamentally flawed.

I have visited many private clubs where the staff-to-member connections are no better or no worse than such connections at athletic or fitness facilities. Yet, year after year, these clubs achieve membership retention rates that are substantially higher than those of even the best performing athletic or fitness facilities. Several factors are at play here, including price and cachet, but it is the member-to-member connections and the social environment of these facilities that gives them such a huge advantage with respect to membership retention.

New clubs, especially in their first two years, generally have higher retention rates than older clubs. This is a function of two factors: first, there is the function of age itself and, second, there is the function of the attractiveness of new facilities. With respect to the age factor, attrition at new clubs is derived solely from people who have been members for a relatively short time. On the other hand, at older clubs, attrition is a function not only of those who have been club members for one or two years, but also of those who have been members for three, four, six, eight and ten years. The point to be made here is that at every stage of the game—first-year members, second-year members, third-year members, etc.—there is an attrition factor. The longer that a club has been in business, the heavier the attrition factor can become.

With respect to the newness or attractiveness factor, new clubs usually have a distinctive appeal that many (not all) older clubs lose. Just as most people do not trade in their new cars, so also do few people trade in their new fitness or athletic facilities. It is only when new clubs begin to age and when the newness factor begins to wear off, that attrition begins to rise. However, higher attrition is not an inevitable factor of aging facilities. Clubs that continue to reinvest and refresh their facilities will have lower attrition than new clubs. (Figure 2.1)

FIGURE 2.1

Retention by age of facilities and spending on facilities and equipment

Age of facility	Total \$ Reinvested	Retention (year 2002)
5 years or less	\$34,000	69%
6 to 10 years	\$55,610	63%
11 to 15 years	\$75,000	77%
More than 15 years	\$87,000	67%

(Source: IHRSA *Profiles of Success* 2003)

High-priced clubs have higher retention rates than mid-priced and low-priced clubs. This is not to suggest that there is anything wrong with low-priced facilities. On the contrary, from an industry perspective, there is much to be said in favor of such clubs. If it is positive that the automobile industry has developed cars for every wallet size, so it is also favorable for the health club industry that there are clubs that can be accessed at every possible price point. But the fact remains: lower-priced clubs, almost without exception, have lower retention rates than higher-priced facilities. A corollary of this is that high-volume clubs tend to have higher attrition rates than lower volume facilities. (Figure 2.2)

FIGURE 2.2

Dues Prices and Retention

Price per month	Retention (year 2006)
\$40 or less	63.6%
\$41 to \$69	69.5%
\$70 or more	75.8%

(Source: IHRSA Profiles of Success 2007)

Clubs with high joining fees (\$250+) have higher retention rates than clubs with low joining fees.

This does not imply or suggest, however, that all clubs should begin charging high joining fees. In this industry, as in every other, there are many successful business models. Every model has its advantages and disadvantages. One of the advantages of having a higher price is having lower attrition.

Within the industry, there has always been an inverse correlation between price and attrition: the higher the price, the lower the attrition; the lower the price, the higher the attrition.

As with all other purchases, price has symbolic value. On the part of the product, a high price is a symbol for quality; on the part of the buyer it is a symbol for commitment. The more one is willing to pay, the more deeply one is committing to the value of the purchase.

High usage correlates with high retention. There is an inverse relationship between average days of attendance and membership tenure, according to a study conducted for IHRSA by American Sports Data, Inc (*Why People Quit*). All of the ex-members surveyed in the study were visiting their clubs less than twice a week at the time they left.

The age factor: older is better. Members who are older in age have, on average, lower attrition rates than those who are younger. (This can be calibrated in five-year increments such that members 20 through 24 will have higher attrition than members 25 through 29, etc.)

This raises a point to which we will often refer, namely, that targeting and attracting the right prospects—i.e., those who are most likely to stay with your club—is a huge factor in membership retention. In terms of economic value, some members are worth much more money than other members. In general, younger members are worth less money, sometimes much less money, than older members.

Nonetheless, younger members continue to be a prime market for the industry and truly represent the future of the industry. Companies that serve younger members are not only doing a great service to those members, but also are doing a great service to the industry.

Couple memberships have lower attrition rates than single memberships; and family memberships have lower attrition than couple members. Older members, couple members, and family members are more stable geographically and economically than younger, single members. This points again to the fact that targeting the right prospects is a crucial part of the member retention equation.

In economic terms, couple and family members are worth more than single members. This suggests that clubs are well advised to entice individual members to include their spouse or significant other in their membership.

The more they pay, the longer they stay. Members who spend more money at the club (in non-dues revenue) have higher retention rates than members who spend less. (Figure 2.3)

The implication here is that getting members to spend non-dues dollars at a club is, in itself, a strategy that extends membership life. Every extra dollar that a member spends is, at once, an expression and reinforcement of a member's commitment to the club.

As a result, there is a correlation between clubs that have a high percentage of non-dues revenue and clubs that have higher retention rates. As a club's percentage of non-dues revenue increases, so also at the same time is it likely that the membership retention rate will increase. This brings into play another concept to which we will often refer, namely, the concept of 'leading indicators.' A rising percentage of non-dues revenue is a leading indicator of rising retention rates. This does not imply a one-to-one correspondence, but it does imply a trend or tendency.

In general, clubs that have non-dues revenue that is 25% or more of total revenue will have higher retention rates than clubs in which non-dues revenue is less than 25%.

As will be mentioned later, this fact suggests that clubs are well-advised to develop recognition and reward systems that provide special benefits and advantages to high-spending members. As of this writing, the industry's equivalent of the airline industry's frequent flyer benefit packages remain relatively underleveraged.

Clubs that regularly invest in improvements have higher retention rates than clubs that do not reinvest.

IHRSA research has consistently proven a relationship between facility reinvestment and member retention.

With respect to improvements, it is worth noting that many clubs continue to make the mistake of not sufficiently publicizing and promoting the improvements that they are continually making. It is the experience of the industry that club members everywhere respond positively to clubs that are continually improving their facilities. Thus, as soon as such improvements are planned, it is in the club's retention interest to promote and publicize these improvements to the members. In this business, as in so many others, consumers are buying the future at the same time as they are buying the present.

Closer is better. Members who are geographically closer to a club have higher retention rates than those who live or work farther away. For example, club members who live less than a mile from a club have lower attrition rates than those who live or work four to five miles from a club.

With respect to a person's choice of a club, convenience generally trumps most other factors (including, to a significant degree, price). The members who live or work closest to the club are, as a group, the least likely to defect to a competitor.

A corollary to this is that not only is the retention opportunity greater with members who live closest to the club, but also the acquisition opportunity is greater with these people.

FIGURE 2.3

Retention and Non-dues Revenue

Club type	Retention Rate	Non-dues Revenue as % of Revenue	Revenue per Member
Less than 20,000 sq. ft.	71.4%	19.6%	\$ 423.98
20,000 to 34,999 sq. ft.	69.1%	26.2%	\$1,045.67
35,000 to 59,999 sq. ft.	76.4%	24.0%	\$1,026.41
60,000 sq. ft. or more	72.5%	36.8%	\$1,044.03
Fitness-only	69.1%	29.0%	\$ 618.91
Multi-purpose	71.9%	31.3%	\$ 780.54

(Source: IHRSA Profiles of Success 2007)

Some clubs have discovered that their membership penetration rates among people living within a one-mile radius of their facilities approaches 30%. Thus, every club's 'in-close' marketing opportunity constitutes a unique asset both in terms of member acquisition and member retention.

Members who use multiple services at a club have higher retention rates than members who only use one service. For example, the member that uses only the treadmill is more likely to leave than the member who uses the treadmill, the café, personal training services, and the spa.

Breadth of usage often correlates to another factor that has already been mentioned: non-dues revenue. Getting members involved in multiple dimensions of a club is always advisable. This is another advantage of couple and family memberships because generally the spouses and the different members of a family are all involved in different activities at the club.

It is also part of the rationale behind why club cafés, though they often are not profitable in themselves, can be an important asset with respect to membership retention. Such facilities not only expand members' breadth of usage, but they also facilitate member-to-member and staff-to-member connections.

Members who join a club with a history of being sports and fitness-oriented have higher retention rates than members with no such previous experience. This highlights the importance of inquiring into the sports and fitness history of every new member. People tend to enjoy activities at which they excel. For people with no previous experience in fitness or sports, the likelihood that they will excel in or even enjoy these activities is low. As a result, the likelihood that people with no previous sports or fitness history will be long-term club members is low.

In risk-rating members, this fact alone is a vital piece of the retention puzzle. Long ago, the late Dr. George Sheehan made this important statement: "No one will for long continue in any activity which they do not enjoy." This statement pinpoints not only why so many people that enter into fitness activities with the best of intentions desert these activities within a relatively short period, but it also highlights the importance of involving people in activities that they can enjoy. In this respect,

group activities of all types have special relevance because they add a social, and presumably pleasurable, dimension to activities that can otherwise be deemed tedious and burdensome.

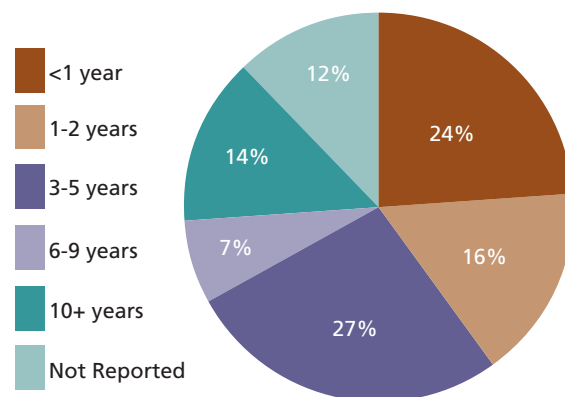
Retention rates are higher for 'group fitness' members than for 'machine members.' Every club has hundreds, and sometimes thousands of machine members, i.e., members whose only interactions with their club are with the particular exercise machines on which they exercise. Such members tend to be deficient in both member-to-member connections and member-to-staff connections. Their only connection to the club is the connection that they have to the cold metal machines on which they perform their exercises.

Machine members are, by definition, high-risk members. They belong, as it were, in every club's 'intensive care unit.' The loyalty of such members is paper-thin. For them, their club is no more than a place that stockpiles exercise machines.

The likelihood of quitting generally decreases with each year of membership. In mature clubs, i.e., those that have been open two or more years, the attrition rate for people in their first year of membership is higher than the attrition rate for those in their second year of membership. (Figure 2.4)

FIGURE 2.4

Total Health Club Members by Length of Current Membership
Average = 4.7 years



(Source: IHRSA/ASD Health Club Trend Report 1987-2005)

Retention rates are higher among members who visit early and often. Members who visit their club at least four to five times in each of the first few months of their membership have higher retention rates than members who come less than four or five times per month in these early months. (Figure 2.5)

These last two points underscore the importance of the new member's experience in the first months and the first year of their membership.

This is a point to which this publication continually refers, and which challenges the industry to provide new members with a continual flow of incentives that will, at the very least, launch them successfully into their second year of membership.

FIGURE 2.5

Frequency of Club Usage

Usage	First Month of Membership	Last Month of Membership
Less than 1x per week	5%	50%
1x per week	7%	17%
2x per week	21%	0%
3-4x per week	56%	16%
5-6x per week	7%	13%
7x per week	4%	4%

(Source: *Why People Quit*: Fitness Industry Association, U.K.)

Retention rates are higher among members who sign membership agreements. Members who sign one-year membership agreements have significantly higher retention rates than those who do not sign such agreements. Members who sign two-year membership agreements will, on average, have higher retention rates than those who sign only one-year agreements.

This factor is not to be underestimated. There are many clubs that are, on principle, opposed to what is known within the industry as “term” membership agreements. These are membership agreements that bind a new member to continue to pay monthly dues for a term of one or two years. No matter what opinion one might have on this issue, in terms of membership retention, a one-year membership agreement will almost always yield a higher retention rate than will occur in the absence of such an agreement.

Most people tend to try to keep the commitments that they have made. Thus, membership agreements, whether they be one-year or two-year agreements, are for most people an important factor in membership retention.

This points to the advisability of offering new members multiple membership options: a month-to-month option, a one-year option, and possibly a two-year option as well. These options can be framed in ways that are customer-friendly. Bottom-line, customers like choices. When clubs present such options to their prospective members, and when these various options provide members with differing but definite advantages, both the member and the club are winners.

It also suggests that, as a way of making such agreements more attractive, members who elect the one-year or two-year option might also be offered a “buy-out option” so that they will not feel like hostages if the club experience does not work for them.

Members who pay monthly are more likely to renew than members who pre-pay for a year. A study done by two economists, Stefano DellaVigna and Ulrike Malmendier, at the University of California at Berkeley found that those who paid monthly were 12.5% more likely to renew their memberships for another year than those who paid for 12 months up front. The monthly payers were more likely to be exercising in the two months prior to the expiration of their contract than the annual payers. Since members equate value with usage, the annual payers were more reluctant to pay a relatively large fee to renew for another year.

Participation in group activities correlates with higher retention. As might be anticipated from the previous discussion of machine members, members who are involved in group activities, whether they be tennis lessons, basketball leagues, or summer sports camps, have higher retention rates than members who are not involved in group activities.

A higher percentage of members involved in group exercise is a leading indicator for higher retention. As this percentage increases, so also can one expect that the retention rate will increase.

Members stay longer with a little help from their friends. Members who socialize with friends at their clubs have higher retention rates than members whose club experience is solitary. The proof of this is amply demonstrated anecdotally by the exceptionally high retention rates among tennis players and, particularly, among contract tennis players (i.e., players who contract with their club to play at a particular time every week with the same group of friends). Typically, death alone diminishes the retention rates of such players. Why? Because every time such a group gathers to play, they are meeting with their friends not only for a game of tennis, but also for a social hour or two that often culminates with a beer or soda after the game.

This, once again, points to the importance of the immense, relatively untapped potential of creating programs that facilitate member-to-member interaction.

Four-season, indoor-outdoor family clubs have, on average, higher retention rates than indoor-only clubs.

Increasingly, four-season clubs are occupying a power position within the industry in two different respects. First, they enjoy an important *competitive advantage* with respect to neighboring indoor-only facilities, and, second, they offer their members a four-season *value proposition* with respect to both membership acquisition and membership retention.

As a result, there is an increasing number of four-season clubs today that are as busy, or even busier, in July than they are in January. These clubs have a huge advantage over indoor-only clubs when it comes to membership retention.

Declining usage by any member is always a red flag.

Declining usage is a signal that the member's perception of the value of their membership is moving in a negative direction. As indicated by research conducted by Richard Blacklock for Sport and Health, Inc., whenever, over a 60-day period, an individual member's normal club usage pattern drops by 50% or more, that member is in danger of quitting. For example, adjusting for the effects of seasonality, if, over a six-month period, a member had established a usage pattern of two visits per week to the club, and then during a subsequent 60-day period usage fell to less than one visit per week, this is a signal that the member may be heading toward terminating the membership.

This highlights the importance of computerized tracking systems that can alert clubs to significant variances in a member's participation. Such variances are often telltale signs of a deteriorating relationship between a member and the club.

Member Motivation & Perception: What We Have Learned

Motivation is the trigger that ignites club membership.

People join a club because they are motivated to get fit, or play squash, or get involved with yoga, or spend more time with certain people. Implicit in the motivation that inspires a person to join a club is an expectation that the experience of being a club member will sustain and support that motivation. When the motivation that ignited the membership decision is not supported or sustained, then the rationale underlying the membership decision is also undermined.

This implies that clubs need to be clear on the motivation that underlies every member's joining decision. Inevitably, this motivation will be emotional rather than intellectual. It will be a desire to lose weight, to stay healthy, to firm up, to look better, to keep one's children active, etc. It is desires such as these that underpin membership decisions. Unless these desires are supported and sustained, the membership decision will wane.

Understanding—and leveraging—the member's motivation affects retention. In many cases, the transaction that occurs when a person joins a fitness facility does not leverage the motivation that brought the person into the facility. To be specific, when a person

is on the verge of joining a facility, there are four opportunities that are often not leveraged. First, there is an opportunity to ask the prospect to be as explicit as possible about their fitness goals. Second, there is the opportunity to let the person know, in a supportive way, that not everyone who joins a club succeeds in achieving their fitness objectives. Third, there is an opportunity to communicate to them that the achievement of their fitness objectives requires a twofold commitment—one from the club *and* one from the member, and then to ask them if they are ready to make that commitment. Finally, there is the opportunity to ask the member's permission to periodically remind them of their objectives and ask them if they are making progress. Such a conversation with a membership prospect opens the door to communication that supports membership retention.

Membership retention involves at least one intractable issue: behavioral change.

Every year, the industry sells millions of memberships to men and women who, though they earnestly wish that they could become regular exercisers, have not yet developed the discipline or habit of regular exercise. As behavioral scientists will attest, developing such a discipline is no easy accomplishment. It is difficult for everyone and impossible for some.



In this respect, the work of Dr. James Prochaska (*Changing For Good*) is important. With respect to the acquisition of the habit of regular exercise, Prochaska divides the process of becoming a regular exerciser into five steps:

- Pre-contemplation—those who are not yet even thinking about getting involved with regular exercise;
- Contemplation—those who are seriously considering involvement in regular exercise;
- Preparation—those who are taking their first steps toward involvement with regular exercise;
- Action—those who have begun the process of developing a habit of regular exercise; and
- Maintenance—those who have sustained the practice of regular exercise for an extended period.

With respect to this model, it is important, says Prochaska, to know at what stage every new member is. In his view, the strategies for moving people from one stage to the next are distinct and separate at every level.

Behavior modification is a discipline in which few club managers are trained, yet it is fundamental to the long-term success of our industry. From a positive perspective, the common sense basics of behavior modification are widely known and can be incorporated into club practice.

For example, it is important to help people focus on specific and achievable short-term goals; it is important for new exercisers to have a coach or mentor or support partner; it is important that new exercisers consistently get good advice as to how to exercise safely and effectively; it is important to celebrate every success, while, at the same time, recognizing that lapses are both inevitable and recoverable.

Club personnel can easily be trained in these common sense fundamentals so that they are continually providing members with the inspiration and support that they want and need. In a sense, the entire club staff can constitute a support group for its community of exercisers.

Millions of health club members join a health club for weight management and/or weight loss reasons.

Naturally, they expect results. However, within the industry we acknowledge that whereas exercise alone can serve as an effective weight-maintenance tool, for most people exercise alone will not achieve or sustain significant weight loss unless it is conjoined to an effective nutrition program.

This fact presents the industry with two problems. First, there are still many current and prospective health club members who continue to believe that regular exercise by itself can engender continual weight loss. These people, unless they are able to spend at least 90 minutes each day in the gym, are bound to become disillusioned. Second, to date, relatively few clubs have developed integrated exercise and nutrition programs that are known to produce meaningful results.

As a result of these two factors, millions of health club members, whose motivation for joining a club was premised upon the hope of losing weight, end up disappointed.

Approximately 40% of new health club members are first-time members. These people have no previous experience in health clubs, nor do many of them have previous experience with regular exercise.

The experience of many first-time health club members is, in some ways, comparable to that of a novice stepping into the cockpit of a Boeing 747, and then being asked to “start ‘er up!”

Club personnel, because they tend to be lifelong fitness practitioners, generally have no idea of how helpless it can feel to be a first-time club member in a contemporary fitness center.

Millions of Americans perceive mainline fitness centers as places of confounding complexity in which they would have no idea of what to do or how to do it. One of the factors behind the extraordinary expansion of Curves facilities is that for these many millions of potential health club members, the prospect of joining a mainstream fitness facility continues to be intimidating.

At many clubs a significant percentage (sometimes as high as 20%) of their new members are returning members. This fact is encouraging for three reasons:

- 1) It suggests that many members who terminate their membership do not do so out of antipathy toward the club to which they had joined;
- 2) It suggests that for many members the desire to be fit survives despite a previous membership termination; and
- 3) It suggests that members who have terminated their memberships often do not fault in any way the clubs that they have left.

Taken together, these factors imply that members who have terminated their memberships continue to be a fertile field for future membership acquisition.

The process by which new members are 'launched' into the life of the club is a factor in membership retention. For example, many clubs are now deploying cost-effective ways of introducing their new members, at the very beginning of their membership experience, to the club's personal training opportunities, its spa services, its café services, its nutritional guidance services, its group exercise offerings, etc.

In so doing, they are facilitating the new member becoming acclimated to every dimension of the club, and reducing the likelihood that the member will become solely a machine member.

Activating members in the first three months is essential.

Based on the research of Dr. Melvyn Hillsdon, clubs are well-advised to incentivize frequent club usage in the first 90 days of membership. Given what we know about the implications of frequent usage in the first three months of membership, incentives of this type can have powerful results.

Health club members equate value with usage.

No matter whether a membership costs \$25 per month or \$125 per month, high usage equates to high value, and low usage to low value. Thus, no matter what the price, there is a correlation between frequency of usage and the perception of value. High usage equates to a high perception of value; low usage, to a low perception of value.

The point not to be lost here is that (almost) no matter how low the price, the value equation is primarily a function of usage rather than of cost.

Frequent users should be recognized and rewarded.

Recognition and reward systems that benefit a club's frequent users and high spenders can be a potent tool in making a club's most valuable members feel valued and appreciated. As has already been stated, frequent usage and high club spending correlate positively with high membership retention. It is unfortunate that often clubs do not recognize and reward the three classes of members that mean the most to their success, namely:

- a) long-term members (those who have been members five or more years);
- b) frequent-user members (those who use the club 100 or more times per year); and
- c) high spending members (those that spend at least a dollar in non-dues revenue for every dollar they spend in dues revenue).

Member-to-member relations are more important with respect to membership retention than is generally recognized. In this respect, clubs are different than many other retail establishments. In a restaurant, or bank, or hotel, the company-to-customer relationship is everything. In a club, however, while such relationships are always important, member-to-member relationships can mean even more.

Though many other factors are also at play, country clubs are a classic example of this. At such clubs, where membership retention often tops 90%, a member's relationships to his or her fellow members is usually substantially more important than that member's relationships to staff personnel.

Most members who leave their clubs do not do so in anger. Rather, like the old soldiers referenced in General MacArthur's famous refrain, "they just fade away." ("Old soldiers never die, they just fade away.")

This is attested to by the fact that in almost every club a significant number of new members are former members of other clubs. These are people who, while they drifted away from their prior membership commitment, found no fault with the club that they had previously joined.

With the right approach, some members who are in the process of submitting a termination notice can be turned around. The issue here is offering incentives for a person to restart their membership. As stated elsewhere, many people leave a club simply because they have drifted away. The fitness objectives for which they originally joined the club have not changed. If they are invited to rekindle their motivation and incentivized to restart their membership, there is a reasonable chance that they can be persuaded to sustain their membership.

Some members just need time out. Some men and women who wish to resign their memberships are willing instead to accept a 'membership freeze,' which would enable them to resume their membership as soon as a current situation, which is often a temporary financial crisis, passes.

Currently, most members believe that with respect to their membership at their club they have only two options: they can either continue as members or they can terminate their membership. When presented with a third option—a temporary membership freeze—a small, but significant, minority are willing to consider this alternative.

The development of such an option gives a club the opportunity to articulate its value system to the member. It enables them to say how much they believe in what they are doing and how strongly they feel about helping their members achieve their fitness goals.

Providing such an option, so long as it is done face-to-face on an individual basis, has a large upside and hardly any downside. Basically, it presents the club with a resell opportunity and the member with a time-out or breathing spell in which they can rekindle their desire to be fit.

Celebrity members have a positive impact on retention. Clubs that have celebrity members, whether they are business, media, sports, political, or entertainment celebrities, tend to have higher membership retention rates than clubs that have no celebrity members. Celebrity involvement with a club sends a signal to other members that they belong to a premier facility within their community. Such members also give a club greater standing in the eyes of both members and prospects.

Exercise produces emotive results that relate to how people feel. In short, regular exercise helps people feel more energetic, more alert, more optimistic, more self-confident, more creative, more productive, more relaxed, more attractive, etc.

Regular exercisers realize that when they exercise consistently they feel better in almost every way. They are less moody, less anxious, less stressed, less tired, less prone to anger, less likely to become depressed, and less vulnerable to self-loathing.

These are all important and leverageable results, yet few clubs realize how important they are. The industry needs to trumpet *all* of the benefits of exercise at every opportunity.

Time is the scarcest resource for every adult aged 21-64. Asking busy people to give three to six hours per week for workouts at a health club is not a nominal request. In fact, it is a major commitment.

Whenever someone enters the doors of a club, they are presenting that club with an enormous gift, namely, the gift of their time. This is, for almost every member, one of the most precious and scarcest resources. Perceived from this perspective, gratitude needs to become a governing characteristic of clubs that value their members.

In this industry as in so many others, the coin of appreciation continues to be in short supply. Clubs that continually tell their members, implicitly as well as explicitly, how much they appreciate their presence in their clubs are touching one of the most vital chords of membership retention.

When the kids are happy, mom and dad renew. Family clubs that have outstanding youth leaders conducting their tennis, swimming, basketball and fitness programs will have higher retention rates than clubs whose youth leaders are uninspired.

Clubs that have such youth leaders virtually 'own' the parents of the youth under their care. The retention rate among the families of such youth probably exceeds 90%.



WHAT WE CAN DO

Realize that first-time club members need to migrate through many psychological barriers that experienced club members take for granted. With first-time club members, take nothing, absolutely nothing, for granted. Very likely, they have no experience with towel policies, or guest policies, or program sign-up policies, or day-care policies, or locker room policies. For them every piece of fitness equipment is a puzzle, a mystery, a problem to be solved. All of these factors make new members feel uncomfortable, vulnerable, ignorant, helpless, irritated. Many new members will not even know where the restrooms are or how to open their lockers, safeguard their personal belongings, or get into a yoga class. For certain, they will not know what programs are best suited for them. Provide every new member with a personalized introduction to the facility. Within the first two weeks of membership, call them to ask about their experience and if they have any questions.

Help members to help themselves. Ask every new member, as part of the joining process, to state as specifically as possible their fitness objectives and fitness intentions. These objectives and intentions are not likely to change, and they can be used as leverage to re-motivate members whose usage patterns indicate that they are beginning to lose touch with the club.

Say 'hello,' say 'goodbye.' Take heed of the wisdom of Bob Dedman, the late founder of ClubCorp, who said that every member deserves a 'warm welcome' and a 'fond farewell' every time they enter or leave the club. Very simple. Very true. Very important. (Robert H. Dedman was the founder, chairman and CEO of ClubCorp. His autobiography, *The King of Clubs*, is valuable reading for anyone in the club business.)

Combat early termination by incentivizing club usage by new members in their first three months at the club.

There are many ways in which this can be done. For example: if the new member uses the club four to five times in the first 30 days, give the member two complimentary guest passes; if they then use the club another four or five times in the second month, give them another personal training session, etc.

For the member who utilizes the club five or more times in the first month, a club could provide two additional free guest passes. If the new member then utilizes the club five or more times in the second month, the club might provide a free club t-shirt. For the member who utilizes the club five or more times in the third month, a free gym bag.

Recognize and reward. Take advantage of every possible opportunity to recognize and reward members with thank-you notes, congratulatory notes, and appreciation notes. Recognition and reward are a crucial (and generally underleveraged) part of every successful retention strategy. Bob Dedman started every day by writing five thank-you notes. Would that we all did that! Never miss an opportunity to recognize or reward your members.

Cater to mature members. Realize that the average 'membership life,' and therefore the economic value of mature members (35 years of age or older) is greater than the membership life and economic value of young adult members (18-34). This is true every step of the way: members who are 35 to 39 are worth more financially than members who are 30 to 34, and members who are 40 to 44 are worth more than members who are 35 to 39, etc. Consequently, it makes sense to go the 'extra mile' in making certain that the more mature market segments feel especially welcome, competent and confident in your club. These members deserve, as indeed all members deserve, the red carpet treatment. As said previously, targeting those prospects who are most likely to stay with your club for the longest possible period is a huge factor in membership retention. At every club, as the percentage of 35+, 45+, and 55+ members increases, so also, as a direct corollary of this, will the membership retention rate increase.



Become expert at incentivizing members to give themselves and the club one more chance to make it work. The goal here is to restart members whose vital connection to the club has frayed to the breaking point. Recognizing that the cost of acquiring a new member at most clubs now exceeds \$300, provide wavering members, i.e., members that state an intention to resign, incentives to restart their membership.

Obtain the e-mail addresses of all members.

Depending on their specific interests, send personalized messages to them inviting them to become more active. Focus these messages on the activities that the members have previously specified as being of particular interest to them, such as yoga, Pilates, weight loss, squash, etc.

Apply the 'Law of 50' to every complaint. The Law of 50 says that when someone on your staff receives a complaint, it is often likely that fifty other members feel the same way, but have not registered a complaint. Applying the Law of 50 implies analyzing every complaint as if it were being made simultaneously by 50 members. Conversely, when the club gets a single compliment, it is equally likely that there are another 50 members who share the same positive perception. (As a caveat to this, every club has its chronic complainers, whose daily diatribes can and should be differently considered.)

Develop a membership freeze program that offers members an alternative to termination. Such a program gives members, who may be experiencing a temporary, difficult situation (job loss, illness, increased expenses), an opportunity to continue their membership on a no-pay or low-pay basis, and also an opportunity to reactivate their membership without paying a new joining fee. By offering such an alternative, the club is manifesting sensitivity to the uncontrollable factors that affect many of its members.

Do not wake 'sleeping dogs.' Every club has a segment of its membership, and sometimes a sizeable segment, that can be classified as sleeping dog members, as in "Let sleeping dogs lie." These are members who rarely use the club, but—for reasons of their own—do not terminate their memberships. It is a mistake to awaken sleeping dog members. This fact raises the question as to the advisability of sending "we miss you" messages to members. Such may only serve to remind members that they are not using the facility and invite them to reflect on termination. Far better to send positive messages that make no allusion, direct or indirect, to the fact that they are not using their club. Far better to invite such members to interesting events than to, as it were, admonish them for not staying with the program.

Celebrate the emotive benefits of fitness. Make members ever more aware that regular exercise helps them feel more relaxed, more alive, more alert, more energetic, more focused, more poised, more attractive, and more physically and mentally in control. Conversely, without regular exercise, life becomes more stressful, more harried, and more burdened. These are the day-to-day benefits of regular exercise that so often go unacknowledged.

Celebrate the health benefits of regular exercise.

Whenever new research is released, make sure you make your members aware of it. This can reinforce their own motivation, and, equally important, it can transform them into promoters of regular exercise with their friends, families, and business colleagues. These health benefits of regular exercise provide the industry with unique firepower, both individually and collectively. (Enable your team leaders to receive the daily IHRSA Business Report. Contact IHRSA to get on this e-list.)

Just celebrate! Club celebrations (holiday parties, anniversary parties, Halloween festivities, Valentine's Day celebrations, Mother's and Father's Day events) present clubs with opportunities for staff to connect with members and, even more important, for members to connect with other members. As such, such celebrations are inherent to the operation of all clubs that are serious about membership retention.

The Role of Owners & Managers: What We Have Learned

Visible management is a factor in membership retention and, conversely, invisible management is a factor in membership attrition. Invisible managers are those who tend to operate behind the scenes or behind closed doors so that most members are scarcely aware of who they are.

Whether it's a restaurant, a resort, a hotel, or a fitness facility, general manager visibility makes a major difference to customers. GM visibility and accessibility personalizes the entire membership experience. There is no substitute for it. It enables customers to experience a more intimate connection with the company.

Invisible GMs, on the other hand, are negative role models for their staffs with respect to the hospitality skills that are so fundamental in making every club a warm and welcoming place. If the GM is distant from the membership, or if he or she is not connected to many members, it is unlikely that other staff will be motivated to do so.

Every club, like every restaurant or resort, has a personality.

That personality is either warm or cold, hospitable or inhospitable, upbeat or angry, happy or sullen, welcoming or patronizing, energetic or dispirited, organized or disorganized, etc. We further believe that club members can pick up on this personality quickly and accurately, and will react to it strongly. Finally, we believe that the personality of every club emanates first and foremost from the club's GM and, beyond that, from the company's ownership team.

A back office management style that might be appropriate to a manufacturing or accounting business is inappropriate to a business such as an athletic or fitness club.

This has important job design implications. If a general manager's job description is so filled with 'administrivia' that customer contact is crowded out, the company will be undermining what may be their general manager's most important managerial function.

In this respect, the example of WAL-MART founder Sam Walton reigns supreme. As busy as he was, he considered customer contact and front-line staff contact as two of his most important, most enlightening, and most rewarding functions as a CEO. Every week, all over the country, no matter how busy he was, he gave precious hours to immersing himself in the experiences of his customers and front-line personnel.

ClubCorp founder Bob Dedman so embraced this philosophy of GM visibility and accessibility that if he found a manager buried in his or her office at prime time (the period when the club is busiest), that manager would not for long be a ClubCorp employee.

Other club owners are so adamant about this that they require their club managers to take at least one shift each week at the club's front desk. Still others do not provide their managers with private offices as they regard such offices as warrens where GMs tend to hide. Steps such as these all state unequivocally that GM involvement with members and front-line staff on a daily basis is a function of the highest priority.

One of Boston's most famous restaurants is Anthony's Pier 4. Until his death in 2005 at age 93, owner Anthony Athanas, who ran the restaurant for 50 years, was likely to welcome you when you entered, seat you at your table, pour your water, and make sure you were comfortable in every way. Would he have made a greater contribution to his business if he were in a back office, managing inventory, checking his books, or writing staff manuals? I doubt it. People like Anthony Athanas are the greatest possible role models for general managers in any business in which customer contact is a make-or-break factor.

The occasional presence on the premises of a club's owner or of its ownership team can, by itself, be a factor that invigorates both membership acquisition and membership retention. The presence of the club's owner at the club can be invaluable to staff, to members, and to membership retention. The owner's presence is a statement that he/she cares and is personally interested in everything that happens in the club.

Whenever a club owner consistently visits the premises of a club, the operation of that club tends to run with a crispness that is often not found at other clubs. Derby's Law, an axiom that was formulated almost 30 years ago, states that clubs with absentee owners tend to deteriorate twice as fast as clubs whose owners frequent the premises. And when onsite owners articulate that they place a high priority on membership retention—and when this reinforces the priorities of the general manager—this can make a huge difference up and down the line.

When both the ownership team and the management team are passionate about membership retention, the entire operation becomes riveted to this objective.

When both club owners and managers are as passionate about membership retention as they are about membership acquisition, the company will have better retention results. This is a fact pertaining more to omission than to commission. If, on a day-to-day basis, both the club owner and the general manager appear to be almost exclusively focused on new membership acquisition, then the message that this sends to everyone on staff is that membership retention is a

secondary or peripheral priority. This message is not sent deliberately. It is simply that the focus is so exclusively riveted on membership acquisition goals that membership retention objectives are crowded out.

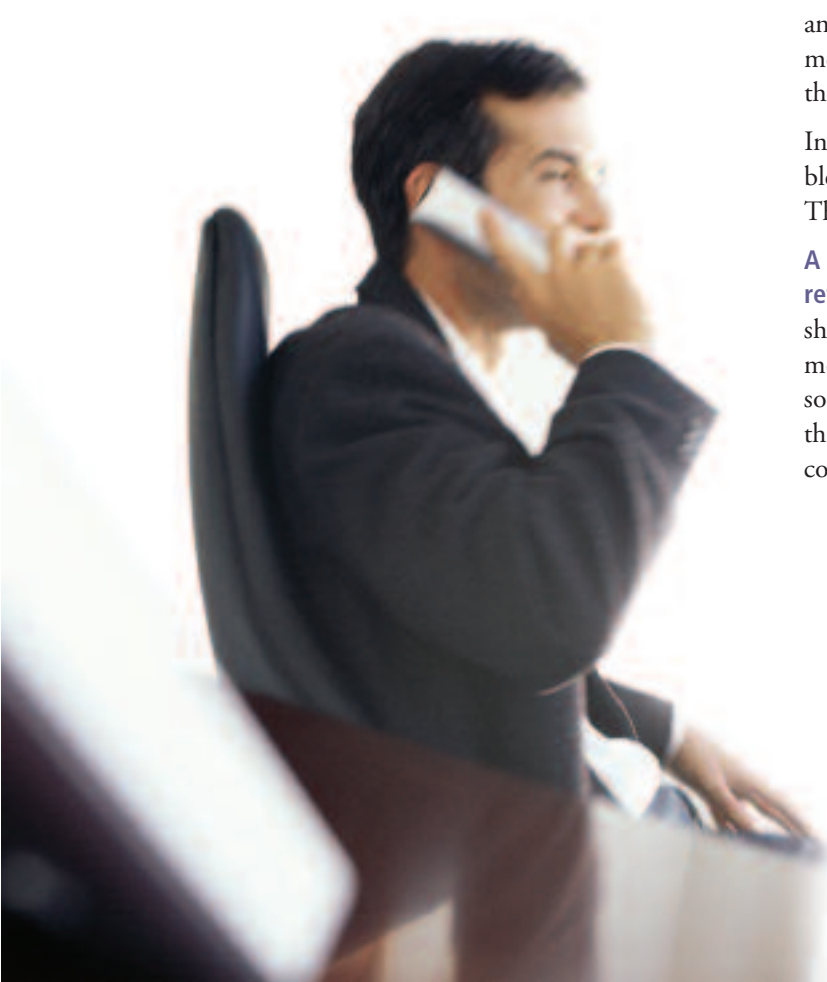
The culture of every club will always be a reflection of its leadership. In general, if the leadership (the owner, the general manager) excels at hospitality skills, customer appreciation skills, staff recognition skills, etc., so, too, will the entire organization.

A club's retention strategy should be embedded in the club's mission statement. The mission statement should be focused on providing every member and guest with the best possible experience each and every time they visit the club. When a club embraces such a philosophy, it becomes the platform for a retention-based culture and for specific retention initiatives.

The definition of a club, as stated by Bob Dedman, is relevant to every club manager who is passionate about member retention. Dedman said, "A club is a haven of refuge and accord in a world torn by strife and discord...a place where kindred spirits gather to have fun and make friends...a place of courtesy, good breeding, and good manners...a place expressly for camaraderie, merriment, good will and good cheer. A club is one of the noblest inventions of mankind."

In these few words, Dedman is describing the intangible realities that go to the heart of the club business. They are, in effect, what makes a club a club.

A company's business model is a factor in membership retention. If a club's business model perceives membership as a permit to use a space (a time-share business model), then membership in that facility will not have social, emotional or motivational content. It is precisely this content that accounts for the high retention rates of country clubs and dining clubs.



WHAT WE CAN DO

Make membership retention the centerpiece of the general manager's job. Require and empower the club's general manager to *own* membership retention in the same way that the sales manager owns membership acquisition. Organizationally, every club can be and should be divided into two teams: a membership acquisition team headed by the sales manager and a membership retention team headed by the general manager. Compensation systems need to be developed that reward improvements in membership retention in ways that are comparable to rewards for improvements in membership acquisition. If there is one single factor that underlies the industry's lackluster record with respect to membership retention, it is that the responsibility for it has not been fully delineated.

Get out of the office. Attend to the teaching of industry pioneer Dale Dibble, who believed that at prime time, i.e., when the club is busiest, no club manager or staff leader should ever be buried in his or her office; rather, at those times club managers should be out on the floor visiting with members, greeting them, welcoming them, encouraging, applauding and assisting them. Recognize that one of the greatest assets that a retention-based club can have is a visible, accessible, approachable and personable general manager. Conversely, one of the greatest liabilities that a club can have is an invisible, unapproachable, impersonal general manager. The goal here is to make your club the warmest, friendliest, and most hospitable facility in your marketplace.

Develop a company-wide mindset that perceives every member and every guest that walks into your club as if they were royalty. Imagine how your club would respond if you knew that the next guest to walk through your doors were Tiger Woods or Jennifer Lopez or Colin Powell. Then transfer that five-star treatment to every person who enters the premises. Bottom-line, the realization that there are no unimportant members and that every member is as important as Colin Powell or Jennifer Lopez, is a foundational perspective for progress in membership retention.

Recognize that in terms of super-ordinate objectives a club needs to have only two: first, a member acquisition objective; and, second, a member retention objective. Every other objective can be subordinate to these two. If a club has 3,000 memberships, what is more important: the 3,000 members the club already has, or the 1,000 prospects it plans to enroll in the next 12 months? That question can't be answered, because both are crucial, critical, essential.

Examine the job description for your general manager.

Does the job description tend to make him or her invisible? Does it maximize or minimize customer contact? Is your manager so burdened with 'administrivia' that he or she has neither the time nor the energy to visit with and be accessible to ordinary members?

Examine the location of your general manager's office.

Is it a back office that would be more suitable for a manufacturing operation? Or is it visible and accessible to members? Does it allow the manager to survey the operation at all times so that he or she can take the pulse of the operation morning, noon, and night?



The Role of Staff: What We Have Learned

Few clubs attach compensation opportunities to improvements in membership retention. The message that almost every club's compensation plan sends to its staff is that membership acquisition is more important than membership retention.

One of the ironies of contemporary club management is that almost every club manager gives lip service to membership retention, yet relatively few put hard cash on the line. Even more alarming is that whereas every club manager assigns two to five people to sell club memberships, and each of these people is accountable for a monthly sales quota that is the basis of their compensation, there is no equivalent allocation of responsibility, accountability or compensation for membership retention.

At many clubs if one were to ask who is responsible for membership retention, the answer would be: "Everyone." Yet, as we know, whenever "everyone" is responsible for something, it means, in effect, that "no one" is responsible.

If membership retention is as important as everyone affirms, and if it is measurable, and if it is a responsibility that can be allocated, then there is no reason not to provide financial incentives to those who are accountable for improvements in this arena.

Accountability continues to be the missing link in the way most clubs approach this issue. In this respect, membership retention stands in the sharpest possible contrast to the way in which most clubs approach membership acquisition in which accountability is standard practice.

The bottom line with respect to membership retention is ownership. Who owns this opportunity/challenge? Until someone senior in the organization takes *ownership* of this opportunity, and until compensation opportunities are attached to it, and until budgets reflect a commitment to success in this arena, creative solutions and significant improvements will continue to be unlikely.

The front desk is on the front line for combating attrition. A friendly, welcoming, hospitable and efficient front desk is an important piece of the membership retention puzzle. Conversely, a cold, unfriendly, unwelcoming or hostile front desk can be a major factor in accelerating membership attrition.

Whereas a warm and welcoming front desk is no guarantee of rising retention rates, a cold, impersonal and hostile front desk is almost certainly a leading indicator of a club that is destined to have higher membership attrition.

If there is any single litmus test for the personality of a club and, in particular, for the personality of a club's general manager, it is the hospitality (or lack thereof) of the club's front desk.

Courtesy is a factor in membership retention, and the lack thereof can be a factor in membership attrition.

When staff members open doors for club members, or when they step aside for them in lines at the club café, or when they ask them if they would like a towel, etc., these are all factors that make a favorable impression on club members and tell them, often in non-verbal ways, that they belong to an organization that places a high value on the quality of their membership experience.

The credo of the Ritz-Carlton Hotel chain comes to mind:

"The Ritz-Carlton Hotel is a place where the genuine care and comfort of our guests is our highest mission. We pledge to provide the finest personal service and facilities for our guests who will always enjoy a warm, relaxed, yet refined ambience. The Ritz-Carlton experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests."

A staff culture that appreciates every member every time they enter the club can be a factor in membership retention. It is a basic, but all-too-often overlooked fact that members delight in being appreciated, recognized, and acknowledged. Club cultures that emphasize this will tend to have higher retention rates than those for whom this is not a priority.

Strong staff/member connections boost retention.

Clubs in which a large percentage of members have strong personal connections with front-line staff personnel, such as personal trainers, tennis pros, yoga instructors, etc., will have higher retention rates than clubs where this is not the case.

Such people are the Pied Pipers of the entire industry. They are internal magnets drawing people into the club again and again and again.

High turnover rates in front-line staff personnel are a factor in member attrition. Anectodally, we know that clubs with high front-line staff turnover also tend to have high member turnover. These are the staff members who are most visible to the average member on a day-to-day basis. Implicit in this fact is the importance of acknowledging the enormous contributions that front-line personnel make to this industry. They are the foot-soldiers in this industry, and, as so often happens, the praise and glory goes to the generals (the general managers) who are far-removed from the front lines. The great WW II journalist, Ernie Pyle, noted the same phenomena in his classic, *The Battle is the Pay-Off*. He noted that in every engagement the soldiers who really won the battle were the front-line soldiers, but all too often they were the last and least to be honored.

This industry cannot expect young people (or any people) to continue for long in jobs for which there is little acknowledgment and no upside opportunity. But if from the outset these 'front-liners' are acknowledged at every opportunity, and if they can envision an upward career track, then not only will they be inspired to perform at the highest possible levels, but they will also be much less likely to resign when the first alternative employment opportunity is presented to them.

Back-office inefficiency can create hostility between a club and its members and can also engender negative word of mouth. For example, whenever a club makes billing errors, such as double-charging or losing records of payment, such inefficiencies can become triggering factors in membership termination.

Responsive listening boosts retention.

Clubs that make a practice of listening to their members will have higher membership retention rates than clubs that do not listen to their members. We also believe that clubs need to be able to act on what they hear from their members. Clubs that are responsive to their members will have higher membership retention than clubs that are not responsive.

The issue at hand here is the development of a company-wide habit of listening to, interpreting, and responding proactively to member interests. In this way, club members become partners in improving the club experience for everyone.

Every hiring decision is a retention decision.

Every person hired either strengthens or weakens a retention-based culture. They either make the club more hospitable or less hospitable, more appreciative of members or less appreciative, more welcoming or less welcoming, more responsive or less responsive, and more proactive or less proactive.

Every company has at least a few employees who set the standard for being hospitable to members. These people need to become the model or prototype for all future front-line hires.

Disney's 'moments of magic' philosophy is relevant to every long-term retention effort. Rewarding and recognizing staff members who create moments of magic for members is another way of consolidating member retention initiatives.

Employee esprit d'corp will always be a factor in membership retention. From a membership retention perspective, having employees who like one another and who enjoy working at the club is, to say the least, better than having employees who dislike one another and dislike working at the club. In short, there will always be a correlation between staff morale and member morale.

This raises the issue of firing—and not simply firing staff personnel who poison the morale of their fellow-workers, but also of ‘firing’ members who poison the well of membership morale. If a club member is a chronic complainer and is continually communicating his or her misery to other club members, the club may be well-served from a membership retention perspective to invite that member to take their business elsewhere.

WHAT WE CAN DO

Divide and retain. A functional way to organize club management is to divide it into two teams: a member acquisition team whose job is totally focused on developing new members and a member management team whose job is totally focused on membership retention. The first group is accountable for continually increasing the number of new memberships sold. The second group is accountable for continually increasing the percentage of members retained.

For many years, the business of membership acquisition has been a quantitative game with recognition and reward tied directly to quantitative gains. Only recently has the membership retention game become a quantitative game in which rewards are tied closely to quantitative gains.

Every month, communicate to the entire staff the previous month’s retention results. Celebrate every victory and calibrate next month’s objectives. Only in this way can the entire staff be made aware of how vital these numbers are to management and how important they are to the success of the club as well as to the success of its members.

Recognize that hospitality skills are—for all of us—a learned skill that requires endless application and improvement. Hospitality skills can never be assumed, nor can they ever be completely mastered or perfected. They can only be taught, nurtured, modeled, and incessantly incrementalized. As such, though some people may think they are naturals with respect to hospitality skills, almost everyone requires training to excel at it. Such skills can never be assumed and a company can only excel at these skills when such training is provided across the board, and modeled daily by senior staff.

Ensure that fitness staff continually interacts with members. Redesign fitness floor job descriptions so that this job encourages, facilitates and requires continual interaction with *every* person working out—advising them, assisting them, encouraging them, and recognizing them. Train fitness staff in how to create this type of interaction in a comfortable, friendly, encouraging and positive way.

Empower front-line staff to respond to member complaints. Develop a ‘recovery’ policy so that when, as inevitably happens at every club, a member gets poor treatment or poor service, front-line personnel are empowered to fix it on the spot, as well as to inform higher-ups so that they, too, can respond. Such

a process empowers front-line personnel to offer the equivalent of gift certificates to members whom the club has, despite its best intentions, treated poorly.



The Sales Connection: What We Have Learned

On an operational basis, most clubs invest more each year in energizing membership acquisition than they do in supporting membership retention. Most clubs—even modest sized clubs—will budget over \$100,000 each year to generate new memberships. Investments in the implementation of membership retention initiatives are usually lower and sometimes nominal.

The challenge here is not simply, or even primarily, one of commitment. Rather, it is much more an issue of resource allocation. Most clubs, at least verbally, are committed to the concept of membership retention. However, there continues to be uncertainty regarding what type of tactical investments in retention will actually yield significant returns. As a result, tactical investments in retention are simply not made and, for the most part, clubs proceed on a business-as-usual basis.

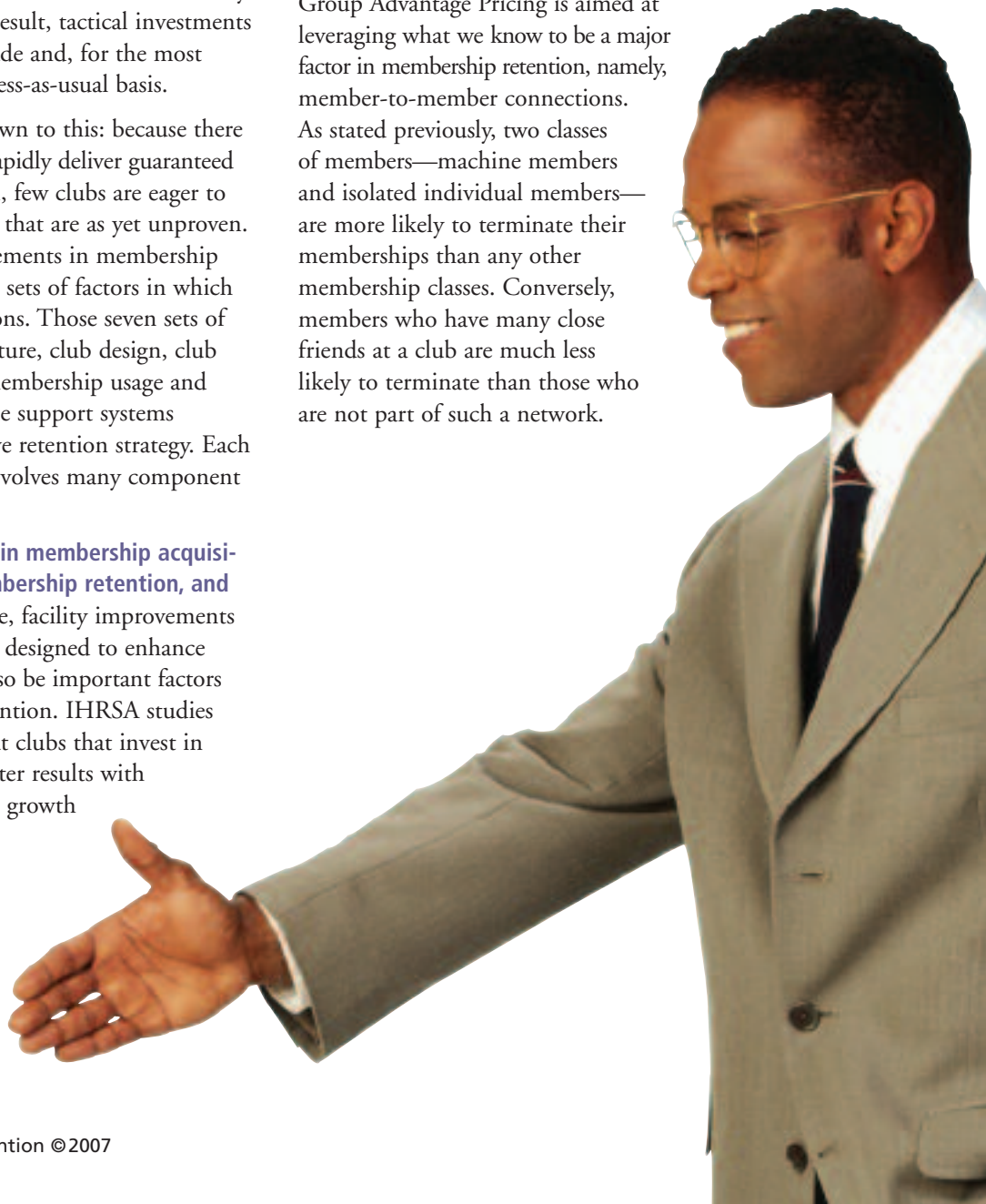
Ultimately, the issue comes down to this: because there are few silver bullets that will rapidly deliver guaranteed gains in membership retention, few clubs are eager to make investments in retention that are as yet unproven. The hard truth is that improvements in membership retention involve at least seven sets of factors in which each factor has many dimensions. Those seven sets of factors include: leadership, culture, club design, club type, membership selection, membership usage and the implementation of multiple support systems that constitute a comprehensive retention strategy. Each of these seven sets of factors involves many component factors that are also important.

Some of the factors involved in membership acquisition are also involved in membership retention, and vice versa. As but one example, facility improvements that may first and foremost be designed to enhance membership acquisition can also be important factors in enhancing membership retention. IHRSA studies have consistently indicated that clubs that invest in improvements also achieve better results with respect to both overall revenue growth and to membership retention.

This implies that membership acquisition and membership retention are not conflicting quests. In fact, they can be, and often are, mutually reinforcing initiatives.

Group Advantage Pricing (GAP) can be a factor in bettering both membership attraction and membership retention. GAP is a system whereby members who join in groups can get lower rates. For example, if three members join together, they get a 10% discount; if five members join together, they get a 20% discount; if 10 members join together, they get a 30% discount. These discounts prevail so long as all members of the group continue as members.

Group Advantage Pricing is aimed at leveraging what we know to be a major factor in membership retention, namely, member-to-member connections. As stated previously, two classes of members—machine members and isolated individual members—are more likely to terminate their memberships than any other membership classes. Conversely, members who have many close friends at a club are much less likely to terminate than those who are not part of such a network.



As a result of this, some clubs today welcome the opportunity to sell memberships at a discount to small groups of friends that join together. These groups receive advantageous pricing so long as all of the members of that group sustain their membership or the group itself finds a replacement for someone who terminates.

This type of arrangement (similar in some sense to Southwest Airlines' recent Friends Fly Free promotion) does two positive things: first, it bonds together a small group of members into a cohesive membership group and, second, in the event that one of these GAP members needs to terminate, it involves the group itself in the membership acquisition process.

An exceptional sales team can overpower a weaker service team and thereby become a factor in high attrition rates. The reasons for this are twofold: first, such sales teams will often induce many people to become members who are not yet prepared to make a commitment to regular exercise and, second, these sales teams can at times flood a club with so many new members in such a short period of time that the member integration procedures are overwhelmed. In effect, the stronger the sales team, the greater the risk of high attrition.

Getting the 'right kind' of member is a huge factor in member retention. For example, clubs that have more family members, more upscale members, more older members, more racquet sports members, and more members who are geographically close to the club, will have higher retention rates than clubs that have fewer family members, fewer older members, fewer racquet sports members, and fewer members who live or work near the club.

What is often overlooked here is the extent to which prospecting can be engineered so as to get more of the right kind of members.

For example, knowing that older members (35-plus) and family members have higher retention rates than younger members and individual members, incentives can be given to attract greater numbers of members who have greater economic value to the club.

WHAT WE CAN DO

Use the joining (initiation) fee as a mechanism for merchandising every aspect of your club. Embed within your joining fee specific services such as personal training, introductory yoga classes, nutritional guidance, mini-massages, etc. Realize that there is a correlation not only between frequency of use and membership retention, but also between breadth of use and membership retention. Consequently, at the very outset of a new member's club experience, endeavor to initiate the new member into every significant club service.

Develop attractive add-on opportunities for individual memberships. Recognizing that couple and family memberships have higher retention rates than individual memberships, continually offer individual members attractive add-on opportunities that will involve their spouses or significant others in the club. Do the same for parents with respect to adding their children. In the same way, provide incentives for friends to join together. It is the pervasive experience of the industry that small group memberships (whether they be couples, families, friends or business groups) enhance membership retention as well as increase revenue per membership.

Recognize that members for whom the club is most convenient in terms of travel time are more likely to be long-term members than those who live or work farther away. Make sure that the member acquisition team focuses its acquisition efforts on people working or living within a one-mile radius of the club. These are the people who, as a group, are least likely to defect to a competitor. This is yet another way in which targeting and attracting the right prospects impacts membership retention. Industry statistics support the fact that within a one-mile radius of a club, penetration rates upwards of 30% are possible. In terms of vulnerability to competitors, such members are the least likely to switch to a more distant facility.

Do everything in your club's power to involve your member's best friends in your club. Recognize that members whose best friends are also members tend to have higher membership retention rates than those who have no such best friends at the club. As such, figure out some way to adapt the promotions of other industries.

Systems: What We Have Learned

Systems matter. While membership retention will always be about random acts of kindness, even more than such random acts, retention is about systems—member integration systems, member recognition systems, member activation systems, member turn-around systems, member appreciation systems, member feedback systems, etc. Developing and implementing such systems is one of the highest priorities of every club manager.

Few clubs track average membership life. Average membership life is, for our purposes, different than the reciprocal of the termination rate. Many continue to perceive average membership life as simply the reciprocal of the termination rate. Thus they maintain that if a club's termination rate is 40%, then the average membership life at that club is 2.5 years. This is one way of perceiving average membership life. However, it is not the most useful way.

A far more useful way of tracking average membership life is to focus, on a monthly basis, on the average membership life of those members who terminate their memberships. This can be done simply by every month adding up the total number of months that each resigning person was a member of the club, and then dividing that number by the number of resignations that occurred in that month. (Example: If in March there were 100 resignations, and if the total number of months that those 100 people were members was 1,500 months, then the average membership life of those terminating members was 15 months.)

An advantage of calculating average membership life in this way is that it opens a club's eyes to precisely when and where a club is most vulnerable to losing its newer members. By calculating it in this manner, a club can determine exactly how quickly it is losing most of its new members. It can determine, for example, what percentage of its new members it is losing in months 1 to 3, 4 to 6, 7 to 9, and 10 to 12.

This information opens the door to strategic and tactical opportunities. And, as noted in the next point, extending the average membership life of terminating members has a significant impact on the bottom line.

The principal cause of short average membership life is early termination. This refers to members who effectively terminate their membership in the first 180 days after they have joined. This is the heart of the retention challenge. The surest way to extend average membership life is to develop systems that counter the early termination process.

How early does the termination process begin? As one experienced club operator said long ago, it begins before the ink has dried on the membership agreement.

From the very first moment of membership, every new member is subject to centripetal and centrifugal forces. The centripetal forces connect the new member more closely to the club. The centrifugal forces work to detach the person from the club.

The goal of every club is to strengthen the centripetal and weaken the centrifugal forces.

This process needs to begin at the earliest possible moment. Every effort needs to be made to draw the new member as close to the club as possible *in their first 90 days of membership*.

Every club, like every person, has only one chance to make a first impression. First impressions tend to be lasting impressions. How a club works with its new members in those first 90 days will tend to determine how that person will perceive and evaluate the club into the distant future.

CRM (customer relationship management) or MRM (member relationship management) software in the health club industry is still in an early stage of development and has not yet been deployed to significant effect. As such, clubs are not able to address the issue of membership retention with as much precision as would be desirable. Ideally, whenever a new member joined a club, that new member's data would include all the factors that are involved in membership retention, including type of membership, age, closeness to the club, spending levels, activity involvement, etc. If this were set up properly, a club could gauge the relative retention rates of every segment of its membership. This, by itself, would incentivize clubs to get more involved in targeting and attracting the right prospects, which is a huge factor in the membership retention puzzle.

Few clubs track membership attrition on a segment-by-segment basis. In short, they do not know the different attrition rates for members by age, types of activities, distance (from the club), spending levels, membership type and previous fitness history, etc. Why is this important? As industry marketing guru Ted Levitt said in his book, *The Marketing Imagination*: “If you’re not thinking market segmentation, you’re simply not thinking.” More to the point is the proverb that says: “If you don’t know where you’re going, any road will get you there.” Without segmenting the retention challenge, there is little likelihood of discovering the right solutions.

There are different attrition rates for every activity segment of a club’s membership. Tennis players, squash players, those in group exercise classes, those in personal training, those who use the spa, students of particular yoga teachers, etc., all have different rates of membership retention. As such, the members in each segment have different economic values to the club.

These various points pertain to the fact that improvements in membership retention necessarily involve segment analysis. Without such an analysis, retention initiatives can involve the application of strategies that may entirely miss the mark. Each segment invites the application of its own distinctive tactical arrangements.

This fact also makes it clear that achieving optimal retention is dependent upon the development of software systems that can quickly provide club managers with actionable information relative to membership attrition.

Few clubs have member recognition or member reward programs. As a result, at most clubs, all members are treated the same, whether they have been members for one year or 20 years, and whether they spend \$500/year at the club or \$5,000. As such, from the member’s perspective, membership retention is neither recognized nor rewarded. The implementation of recognition and reward systems provide clubs a uniquely favorable opportunity to communicate with their best customers.

Periodic membership surveys can provide insight into the improvements that club members would like to see. Such surveys are a key to informed investment in the future, and we know that clubs that routinely invest in improvements score higher on membership retention than clubs that do not.

‘Secret shoppers’ can provide clubs with valuable intelligence. They can offer the member’s perspective about the quality of a club’s phone service, front desk, fitness floor staff, locker room cleanliness, etc. Such shoppers give clubs additional insight into how members are experiencing the club on a day-to-day basis.

WHAT WE CAN DO

Help every club GM understand that though hospitality is the heart of member retention, systems are its mind and soul. Systems that are essential to member retention include: front desk, new member integration, member recognition and reward, member ‘recovery,’ member resignation, member appreciation, member involvement, and member feedback.

Keep score. Though this is obvious, many clubs still do not do it. Basically, there are at least four ways to track membership attrition. All of them can be deployed on a monthly, quarterly, and annual basis.

First, every month, quarter, and year, track the absolute number of deletions. The goal here is to reduce the absolute number of deletions, month-by-month, quarter-by-quarter, and year-by-year.

Second, track the percentage of the total net membership that is lost each month by dividing the net number of members at the beginning of each month by the number of deletions during that month. This number is useful in tracking the seasonality dimension of membership attrition.

Third, every month track the average membership life of the members that terminate by dividing the total months of membership of all the terminating members by the total number of deletions. This number tells you whether or not you are extending the average life of the average member.

Fourth, track early terminations; i.e., on a month-to-month basis, track the number of new members that terminate within six months and one year of joining. This number, if it is moving in the right direction, is an indicator that your 'new member launch' programs are useful.

Establish and incentivize monthly, quarterly and annual membership retention objectives.

Track, score, and reward membership retention achievements as diligently as membership attraction successes are currently tracked. Today, almost every club competes with itself every month on a YTD basis, so that new sales this March are aimed at exceeding new sales the previous March, etc. For every club, whenever this happens, it is a victory—an important victory. The objective every month is to best the score of the same month the previous year. The same types of internal competition need to be applied to monthly resignation totals. For example, if the club had 80 resignations in the month of February last year, the starting objective for the upcoming February would be to bring that number of resignations down to 70. As said previously, as markets become more competitive, achievement in retention becomes progressively more important.

Track differences. Begin tracking the differential rates of retention for the distinct age, activity, frequency of use, spending, membership type (single, couple, family), distance from the club, month of termination, and previous fitness experience segments of the memberships. Once a club knows where and when it is most vulnerable, it can begin to take corrective action.

'Risk rate' new members. Develop a method to risk rate all new members with reference to the likelihood that they will become inactive or terminate within one year. Based on the frequency or infrequency of club usage, divide existing members into high risk (1 to 49 uses per year); medium risk (50 to 99 uses per year); and low risk groups (100+ uses per year). Begin tracking the percentage of membership in each group as well as the attrition percentage for each group. Develop strategies and incentives to move high-risk members into the medium-risk group, and medium-risk members into the low-risk segment.

Track the major leading indicators of higher retention rates. Besides club usage, begin tracking the many leading indicators of gains or losses in membership retention, such as, for example, the percentage of members involved in personal training or in group exercise programs or the percentage of members spending at least 50 cents in non-dues purchases for every dollar they spend for dues. If these (and other) percentages are moving in positive directions, the likelihood of gains in membership retention increases. In my opinion, the way to attack retention is not to attack the issue itself, but rather to attack the indicators. (Many of these leading indicators are presented in Appendix B.)

Physical Plant: What We Have Learned

Club cleanliness will always be a fundamental factor in membership retention. Members expect that their clubs will be clean. When they are not clean, it is a reflection on management. Thus, while a clean club will not by itself improve membership retention, a filthy, unkempt, disorganized club will almost certainly contribute to membership attrition. It gives members an obvious excuse for complaining, and sets in motion a train of negative talk about the club that can quickly become unmanageable. As such, clubs that are filthy provide members with a rationale for departing the premises and beginning to look elsewhere.

Clubs that have comfortable spaces, where members can socialize, will tend to have higher membership retention than clubs that have no such spaces.

Almost every club that has a retention rate that is significantly higher than its competitors has such social spaces. In some clubs, social spaces abound. They are found in the locker rooms, the cafés and the viewing areas adjacent to the basketball, squash, and tennis courts. They also surround the indoor and outdoor swimming pools. These are comfortable places where people can visit with one another, or watch their children, or wait their turn to start playing.

Though some people still view such areas as non-productive, clubs that have high retention rates put a premium on such spaces. It is precisely these spaces that make a club a club. I know of no club that has exceptional retention that does not have such social spaces. Once again, this comes down to the fact that member-to-member connections are a vital piece of the retention puzzle. Clubs where the social spaces facilitate such connections will generally out-perform clubs that are designed to rush people in and rush people out.



Clubs, as they age, run the risk of rising attrition rates.

Thus, under normal circumstances, whereas in Year One, a new club might have an attrition rate in the 25% to 30% range; in Year Two, that range could rise into the 30% to 35% range; and in Year Three, it could rise again into the 35% to 40% range.

This is, in large part, purely a function of age. In a club's first year, it is dealing only with 'fall-out' from first-year members; in Year Two, it is dealing with 'fall-out' from both first- and second-year members.

'Store blindness' is a universal affliction affecting, to greater or lesser degrees, every club manager and club owner. Store blindness is a visual impediment that arises from being present in a club day after day after day, and, as a result, becoming blind to the gradual deterioration of a club's carpets, its wall coverings, its locker room areas, etc. As a result of this universal affliction, it often takes 'outside eyes' to identify areas where a club's appearance is no longer competitive.

Club design, décor, and furnishings are a vital piece of the retention strategy. The functionality for which many clubs are designed is uni-dimensional. Like some fast food restaurants, they are designed not for comfort or pleasure, but rather to expedite fast turnover. Such clubs are not envisioned as places to relax, socialize, or meet for a light lunch or coffee break.

There are no exceptions to the rule that clubs with industry-leading retention rates have spaces that invite socializing.

WHAT WE CAN DO

Continually improve your facility. Consider the wisdom of the legendary Red Lerille, who publicly challenges himself to make a significant facility improvement to his club not every quarter or every year, but every month. For 25 years, Lerille has posted in his club this pledge to his members: "If, in any month, the club does not make a meaningful facility improvement, every member will get the next month free." Continual club improvements are an inescapable piece of the formula for retention gains.

In planning for the future, realize that social spaces are an integral component of every club that has industry-leading membership retention statistics.

Such spaces are not non-productive space either in terms of membership acquisition or of membership retention. This industry needs to link health and hedonism. Only by making the club experience as enjoyably social as possible can we entice people to sustain the rugged work of getting in and staying in shape. The words of George Sheehan ring as true today as they did 25 years ago when he first said them: "No one can long sustain any activity unless it is linked to enjoyment, pleasure, satisfaction."

APPENDIX A

CALCULATING ATTRITION

Membership attrition is measured on an annual basis. Since memberships are added and dropped each month, the attrition formula is best calculated using the average opening monthly membership for a rolling twelve-month period. The definitions of the attributes are as follows:

	Memberships at the beginning of the period (membership accounts)
+	New memberships
+	Reinstated memberships that had been dropped in previous periods
-	Dropped memberships
<hr/>	
	Memberships at the end of the period

Note that this definition excludes all changes between paying membership categories such as upgrades and downgrades.

$$\text{Membership attrition} = \frac{\text{Aggregate Dropped Memberships for 12 Months}}{\text{12-Month Average Beginning Memberships}}$$

EXAMPLE

Month	Beginning Memberships	Dropped Memberships
January	2,000	60
February	2,025	60
March	2,040	110
April	2,060	75
May	2,090	50
June	2,100	60
July	2,125	60
August	2,130	50
September	2,140	60
October	2,150	70
November	2,175	70
December	2,190	60
TOTAL	25,225	785
Average	2,102	
Membership Attrition = 785 ÷ 2,102 = 37.3%		

Source: Uniform System of Accounts for the Health, Racquet & Sportsclub Industry

APPENDIX B

LEADING INDICATORS OF RISING MEMBERSHIP RETENTION

- Daily, weekly, and monthly usage per member is increasing.
- Revenue per member is increasing.
- Non-dues revenue as a percentage of total revenue is increasing.
- The percentage of members over 35 years of age is increasing.
- The percentage of members over 50 years of age is increasing.
- The percentage of family members is increasing.
- The percentage of couple members is increasing.
- The percentage of members who live or work within one mile of the club is increasing.
- The percentage of time that the general manager spends visiting with members is increasing.
- The percentage of members involved in personal training programs, group exercise programs, yoga, Pilates, etc., is increasing.
- The number of members socializing in the café or restaurant is continually increasing.
- Monthly, quarterly and annual cash incentives recognize and reward improvements in membership retention.
- The club has an established recognition and reward system that honors high spending, high usage, and long-term members.
- The general manager is esteemed by the membership and knows hundreds, if not thousands, of members by their first names.
- The fitness staff is perpetually proactive in coaching all members on the optimal use of the fitness equipment. They are particularly alert to assist new members in operating the equipment.
- The club's 'new member launch' systems provide all new members with complimentary introductions to all of the club's services.
- Hospitality training is a regularly scheduled training event that involves the entire staff. The club's senior leadership models this training in their daily interaction with members.
- The club employs multiple feedback mechanisms possibly including (but not limited to) secret shoppers, advisory committees, comment cards, and annual member satisfaction surveys.
- Total usage per month, and usage per month per member, are continually climbing.
- The club continually tracks the compliments that staff receive regarding their warmth, friendliness and helpfulness.
- Relative to its competitors, the club is the undisputed leader in the marketplace in terms of cleanliness.
- Compensation packages reward improvements in retention on a monthly, quarterly, and annual basis.
- The club is organized into two complementary teams: a membership acquisition team that is compensated on the basis of improvements in acquisition; and a membership retention team that is compensated on the basis of improvements in membership retention.
- The centerpiece of the general manager's job is membership retention.
- The company continually seeks out best industry practices with respect to membership retention.

APPENDIX C

WHAT WE CANNOT CHANGE

In general, 'the sky is not the limit' for retention.

The highest recorded one-year membership retention rate ever achieved in the health club industry is—to the best of our knowledge—97%. This has been achieved by the Oakwood Athletic Club in Lafayette, California. In addition, there are a few clubs that have achieved retention rates in the 93%-94% range, including the Rochester Tennis and Swim Club in Rochester Hills, Michigan, and the Houstonian Club in Houston, Texas.

Though numbers like these have been achieved, and though it is valuable to know the upper limits of possibility, for most clubs the realistic range of possibility is much more modest. For tennis and squash clubs—an average retention rate of 80% to 85% would be considered superb. For multi-purpose athletic clubs (without tennis)—a retention rate of 75% or better would be regarded as a splendid achievement. And for fitness-only clubs, a retention rate of 70% or better would be regarded by most industry veterans as outstanding performance.

These are ideals. Most clubs today are nowhere near these possibilities. Nonetheless, it is important to set the bar at challenging levels, and it is also important to recognize what is realistically possible.

We know that once a club has surpassed its membership break-even point, upwards of 75% of every membership dollar drops to the bottom line. Thus, for most clubs, every membership that is lost represents a direct 'hit' to the bottom line.

A major component of every club's attrition rate is uncontrollable. A substantial number of people leave their clubs for reasons that are totally outside of the club's control, such as change of residence, change of workplace, death, disease, injury, divorce, bankruptcy, etc. Taken together, these factors can account for as much as 25% to 35% of a club's total membership loss, depending on many factors.

Mathematically, this means that if a club's gross attrition rate is 40%, at least one-third of that number is uncontrollable. For such a club, its controllable attrition rate would be 25%, not 40%.

This implies two important facts: first, a club's controllable attrition is always substantially lower than its gross attrition; and, second, if a club has a gross retention rate in the 75% to 80% range, that club is probably already operating at the upper end of the range of possibility.

'Move rates' in some communities are higher than the move rates in others. For example, in some urban areas, the annual move rate among young adults approaches 30%. We know that high move rates correlate to high attrition rates.

Thus, clubs that are located in areas inhabited by large numbers of young adults (age 18 to 34 years) have both an advantage and a disadvantage. With respect to membership acquisition, they have an advantage because membership penetration rates among these young people are higher than the penetration rates of any other membership segment. On the other hand, with respect to membership attrition, such clubs are at a disadvantage because this population is much more transient than any of the other more settled age segments.

Retention rates vary greatly according to club type.

We know that whereas most fitness clubs retain only 50% to 65% of their members every year, there are many multi-purpose clubs with annual retention rates in the 75% to 80% range. Such clubs could be, in terms of member service, equally well managed. The obvious implication here is that retention rates vary greatly depending of the type of club.

There is no single or simple answer to membership retention. If one were to develop a formula for membership retention, that formula would involve a multi-factorial equation with at least 40 variables. Each variable would be important, and each would be weighted differently.

In past years, in industry trade magazines and elsewhere, one would often read simplistic nostrums to the effect: "If only clubs would do X or do Y, then the membership retention issue could be resolved." As industry veterans know, this is nonsense. Not only did most of these various 'solutions' fail to yield results, but also, as a consequence, many people today have come to regard attrition as a given about which little or nothing can be done.

As a result, thousands of clubs have, in effect, given up with respect to specific retention initiatives. Their

operational answer to the attrition challenge continues to be an all-out effort to outrun it, which means that the challenge that they set for themselves every year is simply to sell more memberships than they lose.

This is a 'treadmill solution' in which the faster you run today, the faster you will need to run tomorrow. This is no solution. It is, in fact, a strategy that sooner or later invites disaster.

There are seasonality issues embedded in the membership retention challenge. For example, for many people in the Northeast and Midwest, club usage patterns undergo substantial changes in the summer months when most people prefer to be outdoors. Complicating this is the fact that during these months most people take their family vacations, which further interrupt club usage.

In short, summer is a time when many people separate from their wintertime exercise regimen and, in effect, separate from their clubs. Just as marriage separations are often a prelude to divorce, so also are fitness separations often a prelude to membership termination. In the summer, in many parts of the U.S., outdoor activities prevail. Club usage becomes less regular. These months become periods of heightened vulnerability with respect to membership retention.

Full-service athletic clubs that have gross membership retention rates in the 75% to 80% range may be doing almost as well as can be hoped. Therefore, from an ROI perspective, it may make no sense for such clubs to embark on any expensive new retention initiatives. The same can be said of fitness-only clubs that have already achieved gross retention rates in the 65% to 70% range.

We believe that such clubs are performing at the upper end of possibility and that they are therefore well advised to focus future retention initiatives on refining and strengthening current processes rather than on embarking on expensive new initiatives.

APPENDIX D COMPETITION

Membership attrition spikes whenever a new competitor enters a market. Clubs can lose as few as 50 or as many as 1,500 members when a potent new facility enters a particular marketplace.

Any club that assumes that a new competitor cannot make a major dent in their so-called loyal membership is making a huge mistake. Every new competitor needs to be evaluated carefully. Clubs that take such challenges lightly are heading for trouble. On the other hand, clubs that take these challenges seriously are often able to begin combating new competition even before the new facility opens its doors. Such clubs sometimes surprise even themselves at how effective they have been in neutralizing the challenge of a new competitor.

Conversely, a club that brushes off every new competitor as if their facility were somehow invulnerable can sustain losses that can only be classified as insurmountable.

Some clubs become 'metro magnets.' These are clubs where one regularly sees a community's business and professional leaders, such as its leading politicians, athletes, physicians, attorneys, CEOs, etc. Such metro magnet clubs usually have higher retention rates than other clubs in the same marketplace. Almost all Americans love to be affiliated with people and places that have an aura of success. As a result, successful members and, even more, celebrity members are themselves an 'adhesive' factor when it comes to membership retention.

In every major market, particular clubs gain a reputation for being the best place to go. Some clubs attract the best tennis players; other clubs attract the best squash players, or the best basketball players. Still other clubs gain a reputation for having the best yoga teachers, or the best personal trainers, or the best tennis pros, or the best youth camps. Whenever a club gains a reputation for being 'the best of the breed' in category A or category B, its reputation in this regard serves as a magnet factor with respect to both membership attraction and membership retention.

Therefore, one question that every club needs to ask is this: what do we want to be famous for? For if a club is purely a 'plain vanilla' facility with no particular unique competencies, it will be forever vulnerable to every competitive wind that blows its way.

APPENDIX E

DMB SPORTS CLUBS, SCOTTSDALE, ARIZONA

by Carol Nalevanko, *President*

Retention begins the minute your member or potential member enters the front door of your club. The design of your facility goes a long way in making people feel welcome and comfortable, right at the beginning of their experience. Our facilities are designed in such a way that the first thing people see is the front desk and many smiling faces, not a sea of exercise equipment. The second area people enter is the café and the lounge with members relaxing, eating and socializing with each other. Because the health club environment is our life, I believe that many operators forget that coming through our front doors can be a frightening experience for a new exerciser.

The point of sale provides a great opportunity to practice retention. Our membership staff uses the club tour to begin the relationship-building experience. Before beginning the tour, we sit down with the individual to establish their goals and objectives for joining a health club. Each prospective member fills out a Client Needs Assessment Questionnaire, which goes to the Fitness Department, as well as a Member Interest Profile that is forwarded to our Activities Department. The sales staff schedules a fitness orientation with the member at the point of sale. Our Activities Director will phone the new member within the week to follow up with any special interests, programs and activities that the member has indicated on their interest profile. We are currently in the process of creating group interest distribution lists that will enable us to email all members interested in specific activities, i.e., hiking, golfing, cycling, etc.

The sales representative who initially signed up the member will make contact with the new member at the club or give them a personal phone call within five to seven days of joining. This gives the member a familiar face and a contact person to call if they have any questions about their new membership.

At the time of sign-up, the member receives a welcome bag and an Around the Club in 30 Days card. This card gives the member different offers and incentives to experience several different areas of the club. If they complete six of the areas listed, they receive a complimentary logo t-shirt.

One of the most crucial aspects of retention is building relationships. Our ability to get staff knowing staff, members knowing members and staff knowing members is a key element to building lasting relationships with our employees and our members. All of our employees are encouraged to participate in club programs and activities. Having an open-door policy and always being available for members to drop in and talk with us is very important.



Building strong relationships with your members and staff creates a keen sense of belonging. We put great emphasis on the importance of the social element. One of the areas that has really helped our retention is creating clubs within the club. We find employees with special interests, e.g., the personal trainer who loves to ride bikes, the activities director who loves to hike, etc. We then get these employees to head up the cycling club, the hiking club, etc. Putting members together with similar interests and giving them opportunities to get together in smaller groups has been a tremendous help to forming great friendships.

We have monthly member happy hours, wine tastings, member breakfasts, ski trips, golf outings and complimentary quarterly member parties. Members are encouraged to bring guests, at no charge, to all of our social events.

Our clubs also provide a strong program of events and activities for children. Introducing the power of exercise at an early age helps make the club a life-long habit for our members.

A significant enrollment fee provides members with a sense of commitment that greatly helps keep our retention numbers at 85-88%. Although many clubs tend to discount this enrollment fee, staying firm on your price while providing unquestionable value for the member's investment is still possible. Look for ways to create added value to the membership. We provide quarterly complimentary socials, free coffee every morning, a member business office and many networking opportunities that help promote the individual business needs of our members. Each month, we work with neighboring businesses to create cooperative marketing alliances. This allows us to give members gift certificates to area restaurants, sporting events, resorts and spa services at little or no cost to the clubs.

A strong referral program is essential to an excellent retention program. We have a program called "Share the Health." This program rewards our members for their referrals by offering a different referral gift each month. Gifts include massages, facials, one month of free dues, \$100 in Club Bucks, etc. Each gift has a value of \$100 to \$150. Our sales staff also sends out thank-you letters to members who have referred people in the past and include two or three complimentary guest passes. We also reward members who frequently use our spa through a program called "Spa Ahh-wards." This program rewards members who repeatedly utilize our spa by allowing them to earn valuable award certificates. These certificates can then be applied to future spa services or spa merchandise.

Lastly, great retention comes out of creating a strong sense of community with your members and staff. Get involved with the schools in your area, offer your club as a field trip destination, send your employees to the school for career day. Allow neighboring businesses to hold their meetings at your facility. Position your club as the area expert for fitness and health. Work with the local media and assist them with positive news stories about the latest trends in the health club industry.

Retention takes an ongoing, conscious effort from all of your employees. Creating that sense of pride among members and staff is a huge retention builder. There is nothing more powerful than creating a place where people feel like they belong.

APPENDIX F

COURTHOUSE ATHLETIC CLUB, SALEM, OREGON

by John K. Miller, *General Manager*

The Courthouse View of Member Attrition

Albert Schweitzer once suggested that we “make things as simple as possible, but no simpler.” I think he was suggesting that the habit of over-simplifying things could be as misleading as the more common habit of over-complicating them. For us, the search for new solutions to the nagging problem of member attrition began by taking a little more in-depth and complex view of the issue. The obvious—but over-simplified—view of attrition is that every lost member is bad, and fewer lost members is better, end of story. But look a little deeper and you will see subtle issues that are important, and that lead to approaching the problem a little differently.

For a moment, consider the membership of a club as a population, like a small island nation. When a new member joins, they are born into the club’s population. When they quit, it is as if they have died. And as long as they are an active part of the club, they are productive (dues-paying) members of our little society. So how can a lost member, a lost customer, be a good thing? Notwithstanding the occasional problem member who we would love to see join a competing club and torture *their* staff, the question is not, “Can attrition be a good thing?” but rather, “Is one kind of attrition less harmful than another?” I think you will agree that the answer is “yes”, and the distinction is important.

Focus on Member Life Span

In real life, we find the death of an elderly person who has led a full life, while sad, to be natural and acceptable. On the other hand, the death of a child is always tragic and difficult to accept. There is a lingering sense of loss for the many years of life that child will never experience. In the same way, while any lost member is bad, *the measure of a club’s success has much more to do with the life span of its members than with the rate at which they leave.* Losing a member who joined just recently, an “infant member”, represents a financial failure for the club in unrealized revenue, and also a failure to impact someone who came to us for help.

To extend the analogy a bit further, the life span of citizens in developed nations has increased dramatically in the past 75 years, causing death rates to drop. But while people in developed nations are living longer, death is still an inevitable part of life. Similarly, the longer a member is with us, the greater the likelihood that a factor

will come along that will outweigh our ability to retain them: a job change, a career change, moving out of the area, finances, health, or yes, even death. Thus, when we look only at the total number of members who leave, we set ourselves up for frustration because *eventually every member will leave us.*

While losing any member is unpleasant, we need to accord ourselves some measure of success as we retain members for longer periods before they leave. This understanding leads to a slight, but vital, difference in how we view, measure and address the issue of member attrition.

Two Key Retention Indicators to Track

In the early 90’s, we set a goal of lengthening the average life span of the members we lost every month, which led us to begin keeping close tabs on two new retention indicators that were very unique at the time. The first is average length of membership—the length of time exiting members had been members—the club equivalent of life span. When we first looked at this factor, we found that the average life span of our resigning members was just 11 months. Obviously, we wanted to see this number increase. Our strategy was to reduce the loss of our newest members, the kind of lost member that drags down the average life span. As we looked more closely, we found that 35% of the exiting members each month had been with us for four months or less. This discovery led us to start tracking what we call the “graduation rate.” The new members added each calendar month represent to us a “class” of members, (like the class with which you graduated from high school), and we began tracking each class through its first year of membership. We specifically measure the percentage of each class that graduates from the fourth, eighth and twelfth months of membership. Members we lose within this first year represent to us the equivalent of infant mortality. Reducing infant mortality, particularly within the first four months, is where we focus most of our retention efforts.



The Fitness Coach

The cornerstone of this strategy has been the creation of a staff position dedicated to helping new members learn to love exercise, or at least to enjoy moving their bodies a few times each week. We have given this position the title of Fitness Coach, and every new adult member is assigned to one. The effectiveness of a Fitness Coach is measured by the graduation rate of his or her specific set of clients, and the majority of his or her effort to retain clients for years is front-loaded into the first few months of membership.

Key to Fitness Coaching

“Fragile new members”: Some new members need very little help from a Fitness Coach. They come to us as established exercisers. However, most new members come to us with the hope of becoming regular exercisers. If you ask, most new members will readily admit their past failures with regard to regular exercise, and their hope (and, in some cases, even desperation) for permanent change. A Fitness Coach must assess which clients are the fragile ones—most in need of their time and attention—and focus on them. Everything that follows applies primarily to what we call our “fragile new members.”

Develop personal rapport: A Fitness Coach must be able to quickly develop personal rapport with clients. Members must come to feel that their Coach cares about them, has the knowledge to help them, and does not condemn them for their lack of fitness or self-discipline when it comes to exercise. A good Fitness Coach realizes that his or her role in the club is not to help the fit members become fitter. Instead, he or she should enjoy spending the day with people who are most often deconditioned and physically lazy, and whose commitment to fitness hangs by a thread.

Provide encouragement and accountability: A Fitness Coach has to make contact with fragile clients quickly when they blow it—and most do at some point during the first few months. The Coach’s ability to *keep the stumble small, and help the fragile new member recover* is an important key to them establishing an active lifestyle. Fragile new members need to see that their Coach knows how they are doing, cares how they are doing, and is going to hold them accountable to coming to the club on a regular basis. This accountability must happen quickly after a missed appointment, a missed class or, at most, a missed week. Calling after a missed month is too little, too late!

Group exercise: Coaches must help their fragile clients create a network of relationships within the club that will support the “club habit.” As a Coach releases one graduating class of new members, in order to take on clients from the newest incoming class, the attention and accountability paid to the fragile new member by the Coach should be replaced by relationships with other staff and members. The worst option for creating a long-term support network for a fragile new member is to put them on a program in the cardio and/or weight room. If you leave it up to the member, this is where 75% will say—or in many cases, insist—they want to be. *Don’t leave it up to them!* The Coach has to be the expert and has to exert some leadership with new members.

We have found that group exercise is the best vehicle for creating a long-term support network. With group exercise, fragile new members are forced to schedule their workouts; class starts at a set time, like any other appointment on their calendar. They work out with a leader—the instructor—and with other people they see regularly and get to know with help from a good instructor. Because group exercise is so effective at building the connections that keep members involved, we track the number of class introductions our Coaches do. Class introductions now equal 80% of new members added, and we believe we can further improve.

The Group Exercise Opportunity

Our club has always offered group exercise classes, but we have only made group exercise a central component of our retention strategy since 2005. As mentioned above, we have become good at getting most fragile new members to at least try one class. The next steps for us in this area are:

- 1) Improve our ability to help members through the hard part of being “new” to a class, moving them to being competent and committed to a class. Know with which clients we have succeeded (and failed) in this objective.
- 2) Develop automated tracking of client adherence to their class schedule, with automated alerts to the Coach when a class is missed during the initial membership period.
- 3) Increase the percentage of classes taught by Fitness Coaches and other full-time employees. These individuals understand our retention program best, and can optimize the retentive connections we want to build in every class experience.

Is all of this worth the effort and expense?

Thus far, our most encouraging results have come in: 1) the average life span of our members—improving from 11 to 30 months; and 2) the four-month graduation rate of new members—improving from 65% to 93%.

I am not suggesting that this approach is right for every club, or for any other club for that matter. It is just the path we have chosen. It seems, in recent years, that club market segments have split more starkly along the lines of retention strategy. Some clubs choose to ignore member retention altogether, taking a commodity approach to their offering, and others make retention and service even more central. There is no doubt that the largest segment of the U.S. population falls into the category of knowing exercise is important, knowing fitness adds to both the length and quality of life, and wanting to make exercise a part of their lifestyle, but being unable to do so. I'm drawn to the size of that segment, despite what a tough nut exercise adherence is to crack for these folks!

APPENDIX G

RDV SPORTSPLEX, ORLANDO, FLORIDA

Philosophy of Retention

Our philosophy starts with how we look at exercise. Most people who walk through our doors know they need to exercise, but the thought of getting started is intimidating. I think most of them relate exercise to their first experience in physical education class. Here they were tested, measured and thrown into activities that didn't fit their interests. As a result, they see exercise as boring and often difficult. Someone will start on a Monday and run for an hour, and then lift weights for an hour. On Tuesday, they wake up sore and don't come in. On Wednesday, they feel worse. On Thursday, they still don't come in and on Friday, it's the weekend. On Monday, this process starts all over again.

We take this thought process into account, and when someone comes in, our goal is to teach them that *exercise can be fun*. You don't need to run and lift weights for hours. You can play tennis or go skating and count that as your daily physical activity. If people enjoy what they are doing here, they will continue to walk through the doors.

Addressing Retention in All Aspects of the Facility

Point of Sale. We emphasize that we are a family facility, not a "see and be seen" club. Kids want to come here. We have a 20,000 square foot kids' club with multipurpose flooring, a huge obstacle course and Wii games.

For adults in the fitness area, we have trainers roaming around the floor to insure that everyone has found things they like to do. This makes the idea of taking time out of one's day to come here with the family more appealing.

Our new member integration program includes no measurements or tests, unless the new member requests them. We ask them what they want and teach them about realistic goal-setting. Their goals should be realistic, specific, measurable, achievable and timely.

Programs. We look at every program as a retention program. We have 8,000 members, so at times it can be difficult to maintain a family feel. We see our programs as a way to ensure that members are connected to the facility as well as to other members.

Facility Design. We have made our facility as bright as possible. The atmosphere is airy, open and inviting. We

by Matt Carlen, *Director of Operations*

have a large lineup of Technogym equipment that not only looks great in our facility, but also performs well and keeps our members happy. The entrance to our facility is on the second level and a huge walkway overlooks the entire club so members can see everything that is available to them.

Staff/Member Relationship.

We say hello to everyone, and we ask if there is anything that we can do for them. We make sure that this friendliness is part of our culture. We instill this concept in our employees from day one and keep an active eye out to make sure it happens continually.

How Retention is Tracked

Once a member signs up, we assign them to a membership advisor and this person becomes their member for life. For the first 90 days, members are contacted once a week. The communication decreases as members become more independent. At this point, we categorize members as green, yellow or red. The green member has become a habitual exerciser and averaged 2+ visits per week. The yellow member is becoming less excited about their experience and may need an intervention. We spend a lot of time and energy trying to save the red member.

Avoiding Attrition

It all comes down to the experience we create for our members, and the relationships they have with our facility, our employees and other members. Every person on our team plays a role in retention. They all have a responsibility to make our members feel happy and to be professional, friendly and efficient.

For our members, it's never about price. It's about value and what kind of experience we offer. Once we establish a solid relationship, we have a good chance of keeping that member for a long time. In the end, members may cancel memberships, but they won't cancel relationships.



APPENDIX H

THE HOUSTONIAN HOTEL, CLUB AND SPA, HOUSTON, TEXAS

by Mark Stevens, *General Manager*

Philosophy of Retention

Retention is one of the most important factors in our business. We have created an environment here that our members can call home. If they are as comfortable and happy here as they can be in their own natural environment, they will be less likely to leave for a different experience.

Addressing Retention in All Aspects of the Facility

Point of Sale. We do not do any real direct marketing. Our point of sale is done 100% through member referral and word of mouth. We have Sales Managers but we also have Member Services Managers. The Member Services Manager becomes a member's immediate point of contact for all services. This person introduces the member to the facility and walks him or her through all steps of using the facility. If the member is interested in tennis, the Member Services Manager introduces them to the racquet professionals team and walks them through the courts and the locker rooms. We want them to feel a certain comfort level, and if this is done effectively, we often see members spend more time here than they do at their own homes!

Programs. We have a number of programs including group exercise, fitness, aquatics, tennis and nutritional education. We watch and monitor the traffic patterns through these programs and evaluate daily use. We also work to obtain customer feedback through member advisory boards, surveys and constant communication. We make sure that our programs are consistently updated but also not "here today, gone tomorrow."

Facility Design. One of our company values is continuous improvement. We want to exceed members' expectations wherever possible. We are also in the high-end, luxury market and we want to make sure that our facilities reflect that. We are always updating our look by remodeling outdated rooms, replacing furniture, changing fabrics, and keeping our locker rooms stocked with the best products. We also have some of the most innovative top-of-the-line fitness equipment from Technogym. Our members find everything they need here so there is no need to bring anything from home. This develops an ease of use in our facility that keeps members coming back.

Modeled after a Texas Hill Country Property, our design is open, warm and bright. We have created an atmosphere in which members feel as if they have gotten away from it all, even though we are located in the middle of a busy city.

Staff/Member Relationship.

The relationship between our staff and our members is paramount. We think this relationship is what most directly impacts our retention level. We make certain that we are providing friendly service (Texas hospitality, if you will). With this in mind, we also make sure to maintain a level of professionalism that our members can depend on.



How Retention is Tracked

Our Member Services Managers and accounting department are very much on top of tracking retention. We monitor retention on a daily, weekly and monthly basis. We also closely monitor what makes our members happy or why they leave. In order to do this, we measure customer satisfaction by distributing comment cards, conducting member surveys and running utilization reports.

We believe every employee has an impact on retention. You cannot effectively manage retention with just a few key people. Everyone has to be a part of this process!

Unique Ways to Improve Retention

We have created several programs that have a positive impact on retention:

The Great Start Program. This helps initiate a positive start into the facility. The member is introduced to all team members, goes through a training session, and is educated about programs. We walk a new member through the whole experience and make sure every element is covered. We want them to get personal attention, learn their way around and feel like this is home.

The Houstonian Cares Program. We noticed that our demographic began to change as the general member population was aging. At this point, we considered that our members would be open to recognition of important events taking place in their lives. If an anniversary or wedding is coming up, we send a card. If a child is born or a promotion occurred at work, we might put together a care package. It is a small way to extend that extra component of care and personalization to the member experience.

APPENDIX I

NCH HEALTHCARE SYSTEM WELLNESS CENTERS, NAPLES, FLORIDA

Todd Monrad, *Director*

Philosophy of Retention

Retention is a direct result of having happy members. Addressing members' needs while providing exceptional customer service has a direct impact on your club's ability to sign up new members and keep them for a long time. Creating a sense of ownership and empowerment allows the member to become a part of the wellness family.

At the same time, it is important to treat each member (or potential member) as an individual. Providing each one with personal attention—from the initial application process through the free personal training sessions all new members receive—truly creates great relationships between members and staff.

Addressing Retention in All Aspects of the Facility

Facility Design. We have designed our facilities to meet our specific demographic in order to create a comfortable, non-intimidating atmosphere. No matter which facility you enter, you will always be addressed by our friendly administrative staff which is located at the entrance to both of our facilities. This area transitions into a small lounge/waiting area that has comfortable furniture and other amenities to make the visit more enjoyable. Earth tones and detailed tile work round out the atmosphere and create the sense that one is entering a special environment. These design features reflect that a positive experience is to be had. Creating an atmosphere that separates individuals from their hectic lives enhances the members' visits. We create a positive experience by providing a comfortable, clean environment which is supported by the best staff, equipment and technology available. This makes the facility more than just a place to work out. It becomes members' social hub and their sanctuary.

Programs. Approximately 30% of our members' visits are to participate in our group fitness programs, and these participants remain members longer than others. Our group fitness programs offer our members excellent classes in an environment in which friendships are created. As a result, group fitness plays a vital role to retention as these are the members who stay loyal to instructors and facilities. Offering the latest, most cutting-edge programs from Nia, Pilates, Kinesis and BTS programs definitely plays a large role in our success.

Point of Sale. Many studies have shown that long-term commitments and fitness centers are not a good match. Therefore, we offer very convenient payment options with no contract and a generous refund policy for cancellations. Our membership policies and low-pressure sales techniques combined with friendly staff create a transaction that is easy and brief.

Staff/Member Relationship. We have members who are proud to say, "I have been a member here for 18 years." That is directly attributed to the programs and the staff who have worked with these members. Our long-standing members and our new members alike are made to feel at home by a staff that is always eager to help. From a simple "hello" or acknowledgement to forming relationships that extend past the wellness center, we find our members not only looking to us for exercise assistance but sometimes they want to just talk and share personal stories. Our staff creates a comfort level in a very simple way. It doesn't take long hours of customer service training, it comes down to hiring the right people who like to interact with others and are friendly and outgoing.

Atmosphere. We serve a very diverse demographic, and with this diversity you see significant changes in the mood or atmosphere of the centers throughout the day. We are committed to providing a comfortable place for people of all fitness levels and to providing areas in which our members can socialize. We have an open-door policy through which our members have access to our entire management team, which creates a sense of security and ownership.

How Retention is Tracked

We calculate our retention by comparing the number of active members at the beginning of each month to the number at the end of each month. We also track the number of cancellations and the reason for each cancellation and address all issues as quickly as possible. At the end of every year, we create a report which reflects our net gain or loss.



The Wellness System and Retention

Utilizing the Wellness System enhances communication, and assists us in providing instruction to our members. Our staff is able to interact with a larger number of our members on a regular basis in a more efficient manner.

Currently, we are running internal competitions based on the data collected through the Wellness System. Using the software to track results creates a friendly competitive environment among members that keeps them on track with their workouts and rewards them for what they have accomplished.

Tracking dates such as birthdays and fitness-related milestones allows us to reward members with gift certificates and services that keep them motivated and in touch.

Unique Ways to Maintain Retention

We regularly hold member appreciation days and award prizes during our group fitness classes. Overall, communication is a key tool for us. Posting newsletters and updating web pages to ensure that all of our members know what is going on in the facility enhances participation and allows us to keep track of the trends inside and outside of our facilities.

We also separate ourselves from the other facilities in our area with our staff and the personal attention we give all of our members. Each new member is given two free personal training sessions with one of our full-time staff members. These staff members are highly educated and provide one-on-one direction for program establishment and progression. We also allow our members to schedule updates for their programs at any time. This not only builds relationships, but it also ensures that our wellness members are educated about their programs and make continued progress.

As a whole, retention is not just a statistic. It is the responsibility of every staff member on a daily basis. Empowering staff to make decisions with the best interest of the customer in mind—while at the same time maintaining the integrity of the business—has proven to be successful for us.

Notes

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Notes

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