

Customer Retention Strategies in Commercial Health and Fitness Centers

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Abstract. The sole purpose of a commercial organization was initially “to create a customer”. However, retaining the customer has since become regarded as equally, if not more important. This is because it has become increasingly difficult for organizations to assume that there exists an unlimited customer base prepared to maintain patronage. To achieve a competitive advantage, it has become necessary for organizations to differentiate themselves in the minds of customers. Customers are the central focus of any organization, therefore the mission of an organization should be to create, grow and nurture ongoing relationships with them. The current study explored customer retention strategies that commercial health and fitness clubs in the Gauteng province of South Africa implement to effectively retain customers. The methodology involved data collection by administering a questionnaire to a sample of commercial health and fitness centers managers and administrators. The research findings indicate that most health and fitness centers implement various strategies to retain customers. Among the different strategies improved service quality and providing the most up-to-date equipment and technology emerged as the most used strategies. It is recommended that health and fitness centers should communicate on a more regular basis with their customers to keep in touch with them since building a relationship with them, monitoring the benefits that they seek help to continually marketing those benefits back to them. The organization must continually deliver if the requisite trust is to be established. In order to retain customers, it is important for marketers to have in depth knowledge of what each individual customer wants and the capacity they have to continue to add value to the needs of the customer.

Keywords: customer, retention, health, fitness, strategies

1. Introduction

Drucker (1973) once famously claimed that the sole purpose of a commercial organization was “to create a customer”. However, retaining the customer has since become regarded as equally, if not more important. This is because it has become increasingly difficult for organizations to assume that there exists an unlimited customer base prepared to maintain patronage (Kandampully & Duddy, 1999). Christopher, Payne & Ballantyne (1993: 1) assert that traditionally much of the emphasis of marketing has been directed towards the “getting” of customers rather than the “keeping” of customers. Berry (1982) resonate similar views that in a highly competitive market, an organization’s success is immensely dependent on its ability to retain and increase its customer base. Consequently, organizations are continuously finding themselves in situations in which they have to build and maintain customer retention systems (Strauss, Chojnacki, Dockett & Hoffman, 2001). This has resulted in many commercial organizations seeking strategies to retain at-risk customers and

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recover lost customers. (Ang & Buttle, 2006). According to Jamieson (1994) the only meaningful strategies are those which place the highest priorities on building partnerships with existing customers.

Existing customers if retained effectively have years of revenue producing potential and are more likely to purchase new products and services than new customers (Jamieson, 1994). Irwin, Zwick & Sutton (1999) argue that organizations would not survive without effective marketing strategies based on a strong customer-oriented culture. Such strategies, if astutely developed, aid in differentiating excellent organizations from their competitors. Weinstein (2002) is of the view that most organizations spend the majority of their time, energy and resources chasing after new business, yet the retention of valued customers could be a source of advantage for an organization. Thus, the traditional emphasis of marketing effort on attracting new customers, at times at the expense of keeping existing customers can be viewed as shortsighted. Ravald and Grönroos (1996: 19) assert that this shift in focus from attracting customers to retaining customers necessitates the creation of customer loyalty so that a stable, mutually beneficial and long-term relationship is enhanced.

Customer retention is increasingly being seen as a significant managerial issue since it is acknowledged that it costs less to retain customers than to acquire new customers (Ahmad & Buttle, 2004). This is because the cost of losing customers is rising every day. Several studies concur that it is cheaper to retain a customer than to acquire a new one. The underlying premise is that attracting customers is not enough – retaining them is vital. Because fewer customers churn, customer replacement costs fall (Ang & Buttle, 2005). Furthermore, retained customers may pay higher prices than newly acquired customers, are less likely to receive discounted offers that are often made to acquire new customers and, as customer tenure lengthens, the volumes purchased grow and customer referrals grow. All of these conditions combine to increase the net present value of retained customers.

Customer retention has been researched from various perspectives in commercial organizations. Among these, Ang and Buttle (2006) and Ahmed and Buttle (2002) focused on customer retention management; Venetis and Ghauri (2004) examined the link between service quality and customer retention; and Strauss et al. (2001) investigated retention effects of customer clubs.

While the precise meaning and measurement of customer retention can vary between industries and firms (Aspinall, Nancarrow & Stone, 2001) there appears to be a general consensus that focusing on customers retention can yield several economic benefits (Dawkins & Reichheld, 1990). There are challenges in retaining customers. The problem of attempting to retain valued customers can be complicated as a result of asymmetric information where the manager in an organization does not know the information for which to ask from the customers and the customer does not know what information to provide. Customers, like products, have a life cycle that organizations can attempt to manage (Ang & Buttle, 2006). In addition, they are dynamic in nature (Slater & Narver, 1994). They are acquired, retained and grown in value over time. Organizations have to continuously re-invent themselves in order to retain customers (Chattopadhyay, 2001).

Buchanan and Gilles (1990) identified several benefits associated with customer retention. These include the following: 1) the acquisition cost of a customer takes place only at the beginning of a relationship. Consequently, the longer the relationship, the lower the is the amortized cost; 2) the likelihood of long-term customers switching is low; 3) long-term customers tend to be less price sensitive; 4) long-term customers are more likely to initiate referrals; 5) long-term customers are more likely to purchase ancillary products and high margin supplemental products; 6) regular customers are cheaper to service because of their knowledge of the organization.

Although customer retention has been widely researched in other fields, there is a paucity of research regarding strategies in the commercial health and fitness industry. In addition, the traditional approaches to marketing have not provided the understanding of, or the tools necessary for developing customer retention (Holmlund & Kock, 1996) as organizations are increasingly seeking to move their interactions with customers along a “marketing strategy continuum” (Grönroos, 1994: 10). Despite the fact that “organizations frequently acknowledge that existing customers are easier to sell to and frequently more profitable than new customers”, many of them still devote more time and resources to attract new customers than to keep existing customers (Payne, 1994: 30).

2. Purpose of the study

The purpose of the study was to identify strategies that are applied at commercial health and fitness organizations in Gauteng, South Africa.

3. Materials and Methods

3.1. The sample

The research sample comprised a convenient sample of managers and administrators at commercial health and fitness clubs in the Gauteng province of South Africa.

3.2. Data collection

A research questionnaire was administered to the respondents at their place of employment. Respondents were informed verbally as well as through a covering letter accompanying the questionnaire about the purpose of the study. In most instances the questionnaire was completed by the respondents in the presence of the researcher. Care was taken not to duplicate responses by administering only one questionnaire per health club. Data from 137 usable questionnaires were captured for analysis.

3.3. The measuring instrument

A questionnaire which sought information regarding the business profile of the organization and the strategies they employed to retain customers was developed and administered to potential respondents.

4. Results

4.1. Business profile

An analysis of the data as represented in Table 1 revealed that the vast majority of the respondents (93%) were either from franchise-owned or private-owned organizations. Gymsnasiums or fitness-centers represented 57% of the sample while the balance was leisure centers (21%) and corporate and sports centers (22%). With regard to membership almost half (45%) offered fixed term membership ranging from a minimum of two years, while 40% offered both fixed term membership as well as short term membership and the balance (15%) offering only short term membership. Membership at the different centers ranged from 300 to 1100 members with the majority of staff (78%) at most centers being in a part time fixed contract position. All organizations were in business for a minimum of 4 years.

Table 1: Business profile of organisations

Variable	Categories	N	n	%
Business ownership	Private- or franchise-owned	137	127	93
	Other	137	10	7
Business type	Gymsnasiums or fitness-centres	137	78	57
	Leisure centres	137	29	21
	Corporate and sports centres	137	30	22
Membership	Fixed term membership	137	62	45
	Both fixed term membership as well as short term membership	137	55	40
	Short term	137	20	15

4.2. Retention strategies

Table 2 illustrates the various strategies employed by health and fitness organizations to retain their customer base. Improving service quality was the strategy employed by most organizations to retain customers while regular communication and child care assistance were the least used strategies.

5. Discussion and Conclusion

It is interesting to note that improved service quality was viewed by most organizations as an essential factor to retain customers. Service quality has also been identified as a crucial factor in customer retention in several studies. This along with providing the most up to date equipment and technology provide reasons for customers to remain loyal to an organization. It is, however, of concern that most organizations do not

communicate regularly with their customers. This is crucial in providing information and updating customers with regard to the organization.

Retention requires building a relationship with customers, monitoring the benefits that customers seek and continually marketing those benefits back to customers. The organization must continually deliver if the requisite trust is to be established. In order to retain customers, it is important for marketers to have in depth knowledge of what each individual customer wants and the capacity they have to continue to add value to the needs of the customer. While it is important to acknowledge that despite doing this not all customers are guaranteed to return, it is almost certain that customers whose needs are not met are unlikely to return.

Table 2: Retention strategies

STRATEGY	N	n	%
Improving service quality	137	100	73
Upgrading facilities regularly	137	99	72
Social events for members	137	99	72
Professional complaints handling	137	99	72
Improving atmospherics	137	93	68
Upgrading facilities regularly	137	93	68
Upgrading equipment	137	88	64
Providing up-to-date programmes	137	88	64
Keeping memberships fees affordable	137	86	63
Special discounts for patronage	137	85	62
Courteous staff	137	85	62
Interaction with customers to ascertain needs	137	85	62
Suggestion boxes	137	75	55
Regular newsletters	137	75	55
Special offers	137	74	54
Regular messages to members	137	66	48
Child care assistance	137	49	36

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