THE WAR ON ATTRITION

Sky-rocketing member loyalty in UK health clubs using Direct Debit

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retentionGURU

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1. RETENTION – WHAT'S THE BIG FUSS?

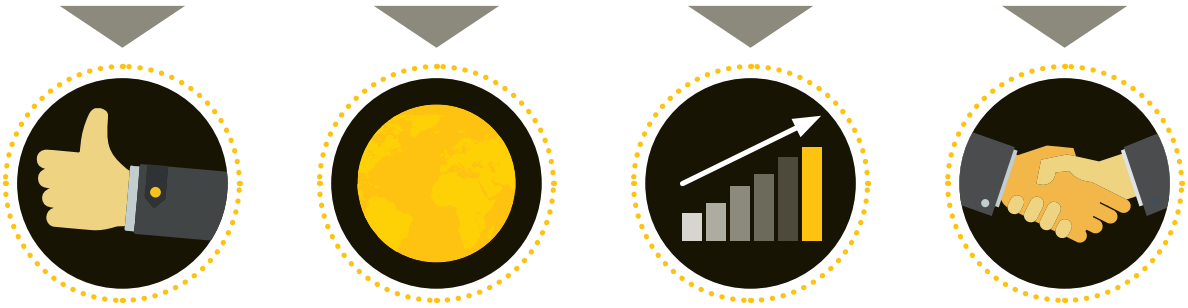
Across the UK, thousands of health clubs are battling to maintain loyalty. The fitness industry is flourishing, yet retention is a nut it struggles to crack.

With 82% of UK gym member payments made by Direct Debit thanks to the ease of cost-spreading, Direct Debit is one of the answers to improved attrition, but it's not the only answer. There are numerous reasons why people don't hang around and the warning signs usually aren't recognised until it's too late.

Customer flow in the fitness industry is cyclical by nature, which means there will always be some very predictable trends in retention and for many health clubs, this is enough to explain away member fluctuations. Instead, what health clubs should be doing is thinking proactively - addressing issues before they've had a chance to surface and hacking away the barriers to retention, leaving room for growth.

After all, it's 5 – 25% cheaper to retain an existing member than bring on a new one, so even the smallest nudge in improved retention can be transformative.

LOYAL CUSTOMERS CAN HELP YOU SAVE MORE THAN CASH:



IMPROVED REPUTATION

GREATER STAFF MORALE

MORE CUSTOMER ENGAGEMENT

MORE REFERRALS

A good retention strategy will look beyond the seasonal peaks and troughs to consider:

- If you provide an experience that keeps members coming back, whether they yo-yo or not
- If you are focusing their marketing efforts as much on retention as they do on acquisition
- If your members feel a sense of community and belonging
- Selling points that attract the right audience for you, be it:
  - Cost
  - The variety of activities on offer
  - Location

This in-depth guide will highlight some of the key reasons that members fail to renew their contract and proven ways to keep them loyal for longer

2. RETENTION VS ATTRITION

In most schools of thought, you will hear that attrition is the opposite of retention. In fact, these two measurement criteria have very different purposes:

RETENTION

A MEASURE OF MONTHS

Retention is the most important measure of growth to a health club owner's business. It gages the time between when a member leaves and when they join.

WHAT CAN RETENTION TELL US?

Average length of stay

The relationship between membership type and average length of stay

Trends in when and why members leave

The difference in time between members leave and when they stop paying

When sales initiatives are working vs when they're not

ATTRITION

A MEASURE OF PEOPLE

Attrition is a measure of how many people quit in a given week, month, quarter or year. Attrition should be quantified as an absolute figure rather than a percentage

WHAT CAN RETENTION TELL US?

Common denominators between groups of people staying and leaving

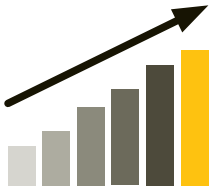
The number of members staying vs the number of members leaving

Reasons why members leave

When sales initiatives are working vs when they're not

Whilst there is a clear overlap between the results we can draw from attrition and retention, we can see that the two offer very different glimpses into the growth and success of a health club.

For example:

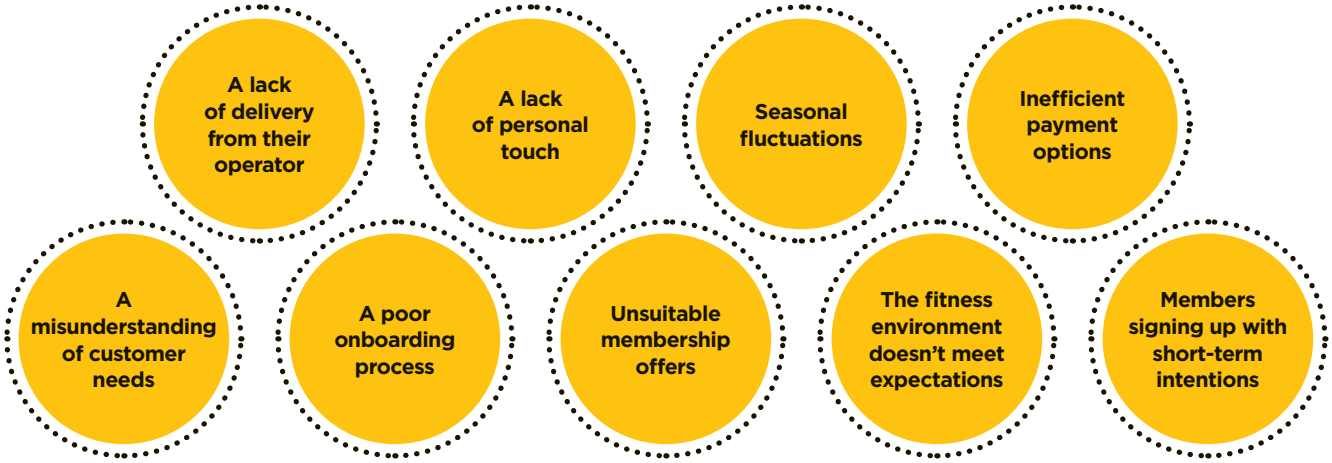


Imagine 1000 people joined and left a health club in the space of a year. If we measure the **attrition** over the course of that year, we will be able to see exactly that: 1,000 people left in that period of time.

But there's a very big difference between people leaving at the end of their contract compared with people leaving a few months in. This is what **retention** can tell us.

3. WHAT ARE THE BARRIERS TO MEMBER ATTRITION?

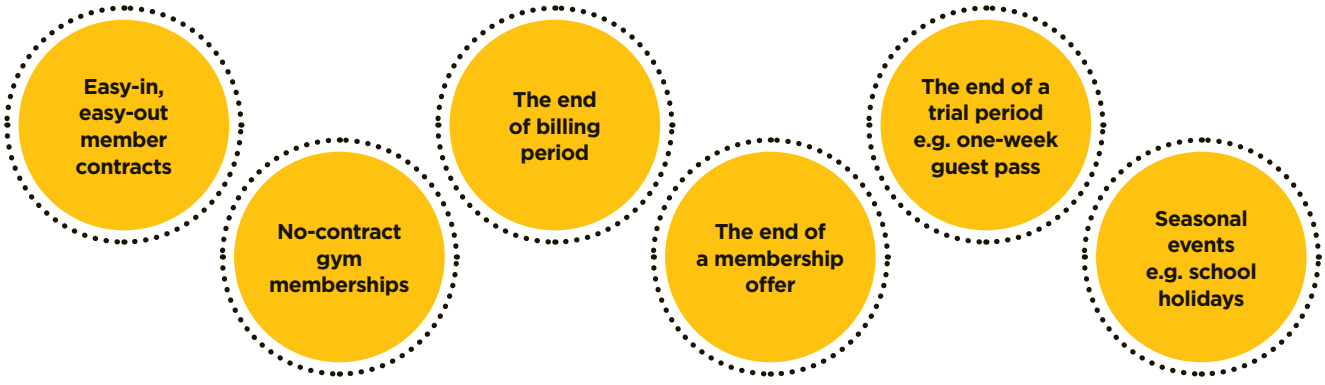
If membership numbers don't appear to be growing – or if they are, it's at a low rate – then there are reasons for this. Sometimes these are within a health club owner's control and other times not.
With one in seven people in the UK possessing a gym membership, it's safe to discredit a lack of interest in fitness as a primary reason for leaving. As we can see below, motives can be much more far-reaching than that.



TRIGGERS FOR LEAVING

Usually, a person won't up and leave unless there is an opportunity to do so. They are more likely to let their gym membership sit stagnant until their contract gives them the chance to break free, or a life event gets in the way.

Examples of these include:



WHO IS RESPONSIBLE FOR TACKLING ATTRITION?
ANSWER: EVERYONE...

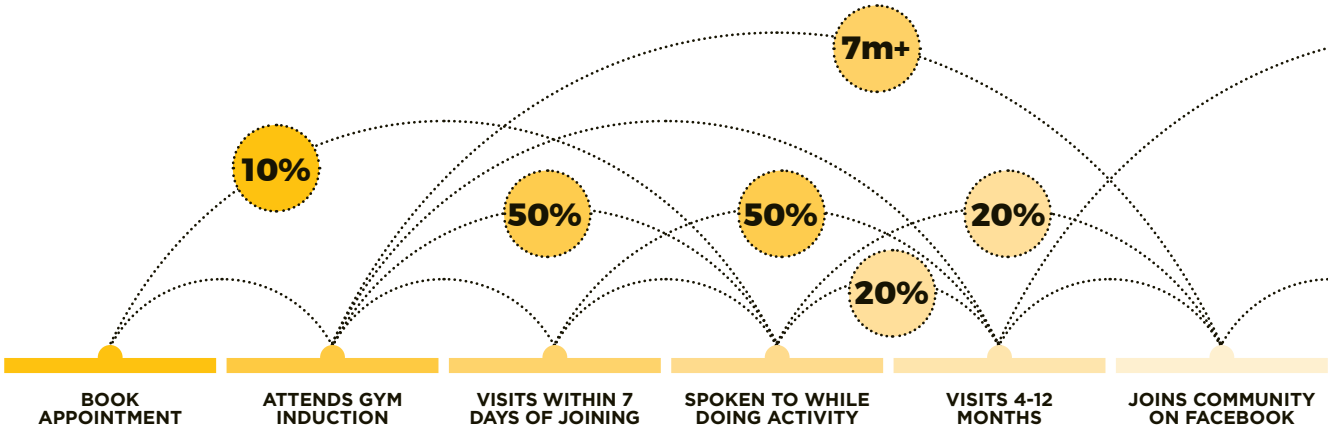
...Not just your fitness team.

Every member of staff will make an impression on customers in some shape or form, whether it's face-to-face or through software systems, like apps. Consider the customer service, customer journey and customer experience and how these elements work together. All three must work in harmony if the customer is going to maintain a seamless experience throughout their membership (and hopefully renew at the end of it).

4. MAKING THE RIGHT MOVES THROUGHOUT THE MEMBER LIFECYCLE

All customer journeys start as a blank slate, ready to be coloured with positive experiences. Every exchange made in the joining process and thereafter must be carefully considered as it will have a deciding impact on the loyalty of a member.

The image below shows a prompting sequence. It's representative of the types of actions that influence decisions throughout a gym membership lifecycle, showcasing the staggering importance of regular communication.



Paul Bedford: the War on Attrition

We can see, for example, that someone who visits within the first 7 days of joining is 50% more likely to visit within the following 4 – 12 months; and someone who communicates with gym staff during their activity is 20% more likely to join your gym's Facebook community.

THE FIRST SIX MONTHS

The first six-months in a gym membership are the most important. Within that time, you should be doing everything you can to help them stay, be it small steps like downloading the app or bigger ones like building regular attendance at a class. Dependent on your business model and audience demographics, the impact of the actions you take will differ from other operators.

For example, the customer journey for the two audiences below would need to be handled very differently.

HEALTH CLUB 1

Low-cost operator
Audience: 20 – 30-year olds, mostly males

REASON FOR MEMBERSHIP:
Building muscle, fast-track goal hitting, weight loss.

HEALTH CLUB 2

Mid-weight operator
Audience: Mixed, families

REASON FOR MEMBERSHIP:
Socialising, family activities, weight loss, improving physical and mental health

DEFLECTING NEGATIVITY

Providing an unforgettable experience is as much about averting negative behaviours as it is creating positive ones. Unfortunately, negative experiences are inevitable. But justified or not, they can wreak havoc on your reputation, particularly in the internet age where thoughts and feelings are publicised.

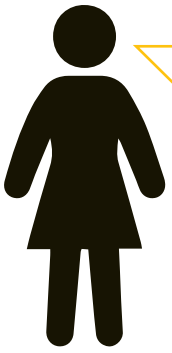
It's possible to alter negative conceptions through a process of setting expectations early on. Doing this gives you the control so that when an issue arises it doesn't seem as bad. It also gives you the chance to deploy a powerful marketing tactic, known as social proof.

SOCIAL PROOF

Social proof is a psychological phenomenon in which people follow the actions of others in a given situation. This condition is particularly evident in ambiguous situations where the appropriate mode of behaviour is not clear, leading to an assumption that others already in the situation know more than they do, and then ultimately, conformity.

The example below highlights an issue common amongst operators that use Direct Debits – bank cancellations. It provides a topic of conversation that should be conducted only after someone has signed the paperwork to become a member.

The example sets a standard for cancellations. If and when the member decides to leave, they will have an understanding of the expected protocols. In these situations, it's useful to use social proof – you can see this highlighted in bold.



We understand that not everyone maintains a regular exercise routine, and some may decide that the gym isn't the right route for them. When that time comes, some people cancel at the bank and that triggers a message to our finance team to chase the collection, which can sometimes escalate.

80% of our customers inform us in person when they are ready to end their contract. *We'll do everything we can to stop it getting to that stage. But we have a simple process to follow which means you will have to sign the right paperwork and we can part on good terms. We'll also let you leave feedback so we can take this onboard going forwards.*

5. SAVING MEMBERS WHO WANT TO LEAVE

People may try out several fitness operators in their time, so it's important not to get disheartened if you're not the right fit. If the reason for a member's departure is within your control, try to fix that for the next person.

Be sensible about the following:

- **Don't make assumptions about why they want to leave**
- **Don't take it personally**
- **Don't make it deliberately complicated or difficult**
- **Don't get disheartened**

WHAT ARE THE WARNING SIGNS?

1. **THEY TELL YOU**
This might be face-to-face, but you're more likely to see it through feedback, a poor net promoter score or online review.

2. **DROP IN VISITOR FREQUENCY**
Attendance drops suggesting disassociation with the club or unhappiness.

3. **EMAILS /MESSAGES NOT OPENED**
If you're sending marketing focused on your existing members, the open rates will tell you all you need to know.

PREVENTING MEMBERSHIP CANCELLATIONS AS THEY'RE ABOUT TO HAPPEN

RESPONDING CORRECTLY

Some customers don't want to cancel, but it's the only way for them to communicate they have a problem. When someone comes to the front desk to end their membership, look into their eyes and, with curiosity, ask them:

NEVER ASK WHY.

Why requires justification in a way that 'how come' simply doesn't. This method has up to a 20% success rate amongst many gyms, so make sure your team are armed with their package of solutions for those that members.

SET UP AN EXIT SURVEY

If the above has little success, then follow it with an exit survey. This is a challenge, because usually people just want to leave. So instead of giving it to them to take away, ask them to do it in centre.

DO	DON'T
✓ Use social proofing to get people to complete the survey.	✗ Get upset if they say no to the survey
✓ Ask open questions. You're looking for detail in their reasoning.	✗ Ask closed questions that are unspecific or contain two questions in one, i.e. tick here if you are unhappy with the service or facilities.
✓ Put the paperwork to one side at the end and ask if there's anything else you should know – occasionally, people will take this opportunity to tell you the real reason they're leaving.	✗ Make the survey too drawn-out. It will only irritate people.
✓ Leave an NPS asking how likely they are to recommend you to a friend. If they tick 9 or 10, ask for a testimonial.	✗ Use language that emits negative connotations such as 'we hate to see you leave.

KEEP IN TOUCH

Don't burn your bridges. Set an automated trigger in place that schedules a win-back sequence. This can be done through email, phone calls and SMS. Try to include a mix of multimedia items, including video and images. Send enough content to show them what they're missing, but not enough to make them hit the 'unsubscribe' button.

Content ideas can include:

1. **TELLING THEM THAT THEY'RE MISSED**

2. **WHAT'S HAPPENING IN CENTRE**

3. **SPECIAL OFFERS**

REMEMBER

THIS IS ABOUT BUILDING RELATIONSHIPS, NOT SELLING

6. MEASURING THE RETENTION OF *YOUR* HEALTH CLUB

Growing your health club model effectively requires the use of hard data. Data is an exciting thing. It can rocket your income and answer complex business decisions – the most important of which is 'how do I make members happy?' First, however, it's important to understand exactly what you're measuring and the formulas for doing so.

MEASURING ATTRITION AND RETENTION

Attrition is a measure of people. It is generally used to determine how many new members need onboarding in a given day, month, quarter or year. Attrition should not be presented as a percentage. Instead, it should be measured in actual numbers, representative of how many members have left your health club over that period. It's much easier to quantify that way and it has more impact when you present it to your staff.

There are two measures that can be used for attrition:

THE ATTRITION NUMBER

This amounts to the number of people that have been lost within a specific time period. In the above example, each of the icons represents ten people, so we can see that forty members have been lost in that month.

If forty people have left, but sixty have joined, then the loss is twenty. This can be presented in different ways to different people. At a board or finance level, it can be shown as revenue loss or gain, whereas, to your front of house staff, you will want to present it as an actual headcount.

THE ATTRITION RATE

The attrition rate is used to compare data at a site level. To ensure cohesion across all centres, data is capped at the number of people that have left per 1,000 members per month, over a 12-month period.

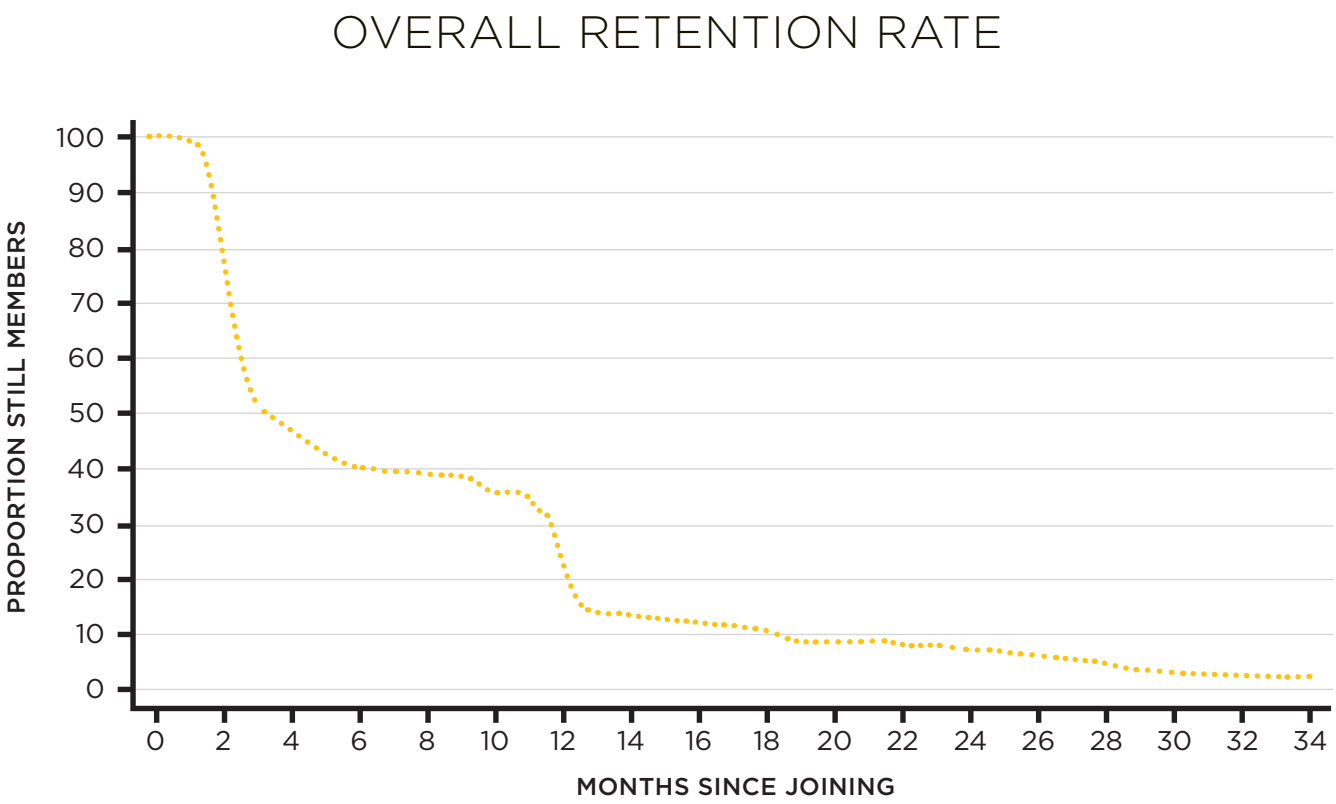
FOR EXAMPLE

Club X has **5000** members and **Club Y** has **2000**. In one month, **Club X** has lost **250** members and **Club Y**, **80**.

Scaled down to 1,000 members this would show as **50** for **Club X** and **40** for **Club Y**.

The average number of leavers can be used to benchmark club success. In this case, the average is **60** and **Club Y** is performing better than **Club X**

Retention, on the other hand, tells us the number of people who remain a member for a predetermined period of time. It's measured in months, and is usually shown as a line graph, with a curve to show the rate at which members drop off. Here's an example:



From the graph above, we can see that the operator has a real problem with members dropping off at the three-month mark. This could be for several reasons:

- A sales campaign that drove low-value customers
- A poor onboarding process
- A lack of delivery from the operator
- A dislike of the environment

Whatever the reason, it costs time and money to spend bringing on a new member for such a poor return. Looking at the graph more closely, you will also see a drop around the 13-month mark. This can be attributed to the sale of a 13-months for the price of 12 membership offer.

So we can see that retention is a fantastic way to pinpoint trends in your member data. But retention and attrition data works best when used in conjunction with survival analysis...

SURVIVAL ANALYSIS

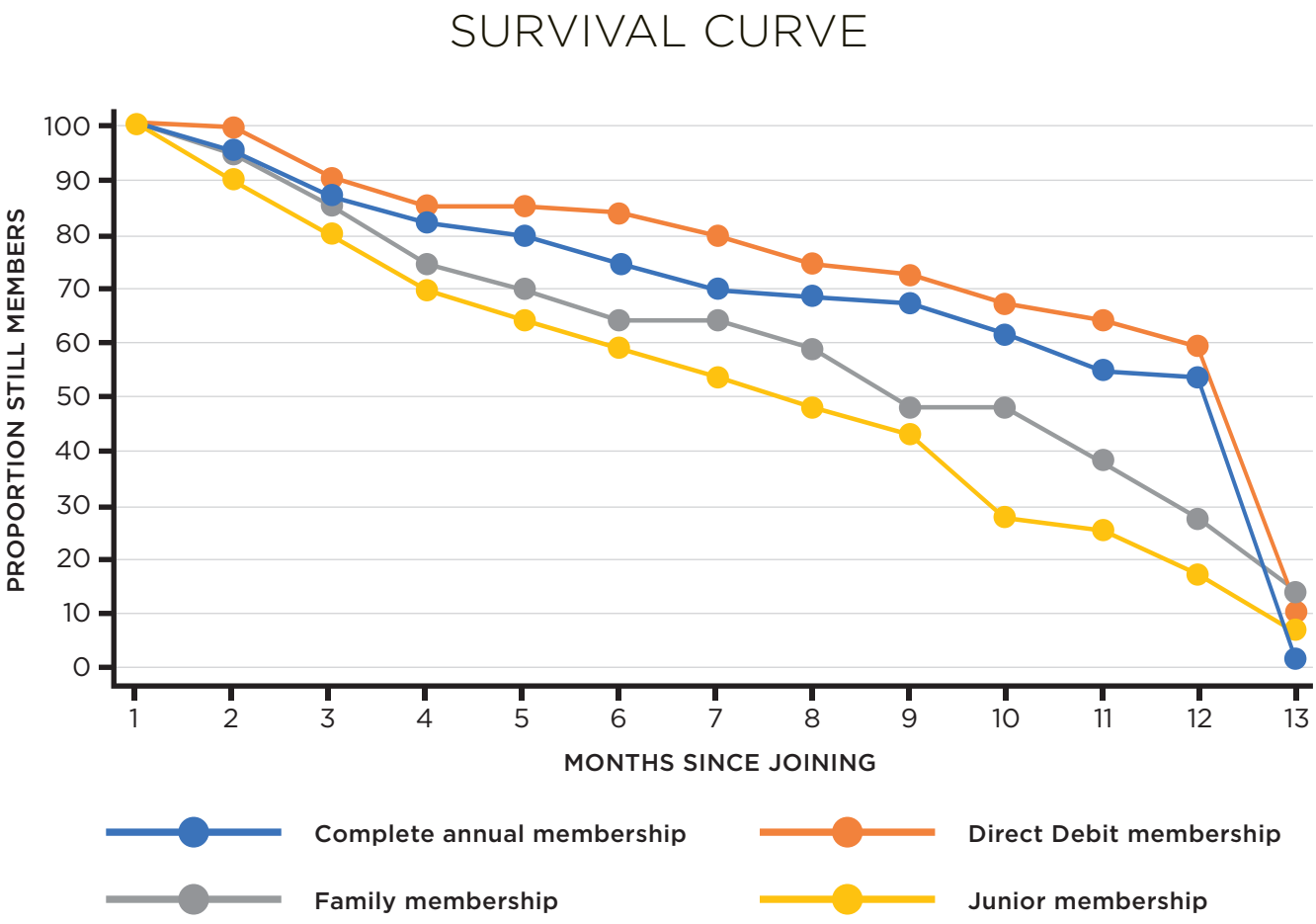
Survival analysis is used as a method of analysing the expected duration of time between events - in this case, the length of a membership and the factors causing cancellations to occur. Originally developed by the medical industry to determine the success of operations and medicine, survival analysis begs the following question:

HOW LONG DOES A PATIENT SURVIVE AFTER AN OPERATION BASED ON THEIR GIVEN TREATMENT?

In a fitness context, survival analysis provides health clubs with five key measures that add to our understanding of member behaviour:

Retention rate • **Retention time** • **Attrition rate** • **Odds ratios** • **Hazard rates**

Here's a survival curve in action:



A survival curve can be used to measure all sorts of member characteristics from age and sex through to whether they've paid a joining fee, signed a contract and distance from your health club.
As a health club using Direct Debit, survival analysis is a brilliant way to make sure you get the most out of this payment method by determining:

Which Direct Debit memberships are performing the best? • Are you doing enough to re-engage members at the end of their contract? • Are you engaging them enough in the first six months? • Are the payment plans you have in place the best one for your members?

About DFC

DFC Revenue Management Solutions | a TSG solution

DFC is a leading payment solutions and revenue management company for the leisure industry. A part of global group TSG, DFC provides holistic Direct Debit services to gyms across the UK, driving up collection rates, boosting member engagement and streamlining administration processes.

DFC works in both the private and public sector with some of the biggest names in the industry as well as independent and boutique gyms. Its main purpose is to create a true business partnership and make its clients' businesses easier by helping them to on-board members, manage and maximise customer revenue.

It's DFC's mission to help you improve your relationships with your customers so that they stay longer.

For more information on DFC, visit debitfinance.co.uk

About Retention Guru

retentionGURU

Dr Paul Bedford is the face of Retention Guru – widely regarded as the foremost global authority on attrition, retention and member experience.

Through research, presenting and consulting, Retention Guru aims to help operators increase the level of service customers receive through behavioural change techniques; improve retention and reduce attrition and increase the income operators receive.

For more information on Retention Guru, visit retentionguru.com

RESOURCES

www.retentionguru.com

www.leisuredb.com/blog/2018/5/16/2018-state-of-the-uk-fitness-industry-report-out-now

www2.bain.com/Images/BB_Prescription_cutting_costs.pdf

gocardless.com/guides/downloads/gym-member-retention-bootcamp.pdf

www.retentionguru.com/blog/retention-in-black-and-white

www.retentionguru.com/blog/why-is-it-so-difficult-to-measure-retention-and-attrition-accurately

www.youtube.com/watch?v=Wl7UeZTxvn0&t=357s

trpcem.com/research/2018-cea-member-engagement-survey-report/

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