Fitness First

PUTTING OUR MEMBERS FIRST

Marketing Society Awards 2017

Category B: Building Customer Relationships

EXECUTIVE SUMMARY

Fitness First has demonstrated groundbreaking vision in driving growth through a unique customer relationships initiative that has dramatically improved value for our members whilst strengthening our business.

Objective

Fitness First is a world-leading health and fitness brand but was caught in the "squeezed middle" of a highly competitive market polarised between budget and premium clubs.

Our objectives were to:

- **Identify, acquire and retain our most valuable (Core) members**
- **Give our staff clear direction on how to provide better service to members**
- **Increase satisfaction for every member**

By building strong customer relationships we could improve our bottom line and grow the business. Key to doing so was enhancing the ways our club staff interact with members, and giving members a greater sense of achievement.

Scale of the task

We commissioned robust quantitative research and cluster analysis that enabled us to transform:

- **Acquisition: by reaching the right customers with smarter marketing.**
- **Media profiling and tailored communication: going right to our Core targets.**
- **Understanding of our members: identifying their motives and what keeps them coming back.**

Key results

In doing so we have achieved a succession of **industry firsts**, and now have a depth of understanding about our members that **no competitor can match**. As a result we are providing them with a **better service** that has seen KPIs soar:

- **Digital Cost Per Acquisition and Cost Per Lead decreased by 50%**
- **NPS score moved from negative to positive**
- **Increased core membership over 18mths from 54% to 67% of the member base**
- **Customer satisfaction up 10%**
- **Customer Attitude increased by 6%**
- **Retention up 3%, and doubled save rates**

Core members now stay with us an average 85% longer and are worth 50% more.

Benefits across the business have had impressive impact on our bottom line: **EBITDA margin is up 2% (£4million) over 18mths.**

300 words

MAIN ENTRY: PUTTING OUR MEMBERS FIRST

Introduction

Fitness First is one of the world's leading health and fitness brands. We operate in 16 countries and have over 1 million members served by 14,000 staff, with 80 clubs in the UK.

But the market has become increasingly polarised between the no-frills budget sector and premium clubs with spa/pool facilities. Despite having a well-known name, we were in the dangerous "squeezed middle" of a highly competitive market with little to set us apart.

Our first step in January 2014 was a rebrand investing £225m to reposition us from a place providing fitness equipment to a brand passionate about helping people go further in life. We invested in our people, club refits and our award-winning CustomFit app.

But we needed to go further, and in January 2015 we embarked on a ground-breaking CRM strategy.

Our objectives were to:

- **Identify, acquire and retain our most valuable members**
- **Give our staff clear direction on how to provide better service to members**
- **Future proof our business strategy to ensure growth**
- **Increase satisfaction for every member**

To build stronger customer relationships we needed to enhance staff interaction with members. Staff understood that each member was looking for different levels of support/guidance but did not have the information to provide the right service to match each customer's preferences.

We would need to unearth that intelligence, then carry out a comprehensive staff engagement programme to deliver just the tailored service that would enthuse our members.

And we would need a bold new communications approach to reach our target customers by convincing them we could help them succeed – whatever their fitness goal.

Understanding of customer lifetime value

We commissioned a team of market researchers to carry out robust quantitative research and a team of data scientists to perform cutting-edge cluster analysis.

We used this unrivalled insight to transform our understanding of our customers, driving growth by enabling Fitness First to find, convert, serve and retain our most valuable members. Using two key customer-centric tools, segmentation and Customer Lifetime Value (CLV), we have brought huge beneficial change across the business.

Crucially, we have removed the limitation of looking at members on a yearly basis and instead look at them over their lifetime with Fitness First.

1. Segmentation:

Our researchers had asked 18 questions to 5,000+ gym users and considerers across topics such as fitness goals, motivation and critically, their level of comfort in the gym. We used the data to identify our different types of members, giving us a unique view of the global market.

Understanding segmentation of our members was the first problem, the second was how to tag our existing member base of one million members into each segment, as completing a survey for each was impractical.

Statisticians analysed 27 different CRM and financial factors over 48mths of historical data to create a sophisticated algorithm to determine with reasonable probability which segment each member fell into.

They profiled members using a range of behavioural, stated and derived characteristics including gender, age, membership type and psychographic profile:

Segmentation through analysis of 27 factors

| DEMOGRAPHIC			
Gender		Age	
PURCHASE			
Join Month	New/Re-joiner	Online Joiner	Induction Purchase
CONTRACTUAL			
Plan Type	Dues		Payment Frequency
Contract Term	Tenure		Access Tier
ATTENDANCE			
# Swipes Last 12m	# Swipes Last 3m		Home vs Reciprocal
# Clubs Visited		Weekday vs Weekend	
Regularity: Days of Week	Favourite Day of Week		Regularity: Time of Day
Favourite: Time of Day		Wks since last Swipe	
LTM Variability	LTM Trend		LTM Variability
# Early Swipes x3 (Mth 1, 2, 3)		LTM Trend	
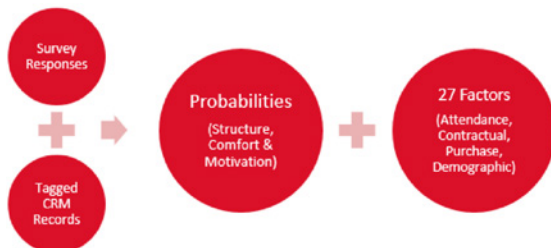
2. Customer Lifetime Value

Our CLV methodology was a sophisticated mathematical exercise incorporating the segmentation algorithm with financial factors to analyse the data and drive insights into our members. We:

- **Allocated costs and revenues to the membership data**
- **Analysed historical dues and attrition rates by group to derive historical and expected future lifetime values by member types**
- **Cut the data in a multitude of ways to drive insights**

Lifetime value of a typical joiner
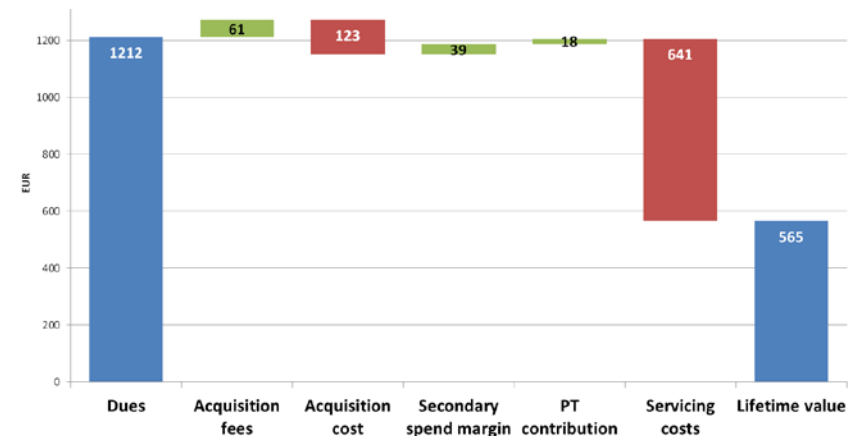
Customer lifetime value calculation

Monthly Dues x Expected Life	*Future life in months*
(+) Acquisition Fees	*(POS Revenue)*
(-) Cost of Acquisition	*(Marketing)*
(+) Secondary Spend	*Avg margin/month x expected life*
(+) PT Contribution	*Avg contribution/month x expected life*
(-) Servicing Costs	*Avg club costs/month x expected life*
Contribution Level	*(Level used for most purposes)*

Customer insights

The goal was to help our club staff identify different types of members and predict their needs and aspirations. Staff could then provide a tailored approach that would encourage members to keep coming back.

Our strategy was innovative and creative, demonstrating how much Fitness First are game-changers in the fitness industry.
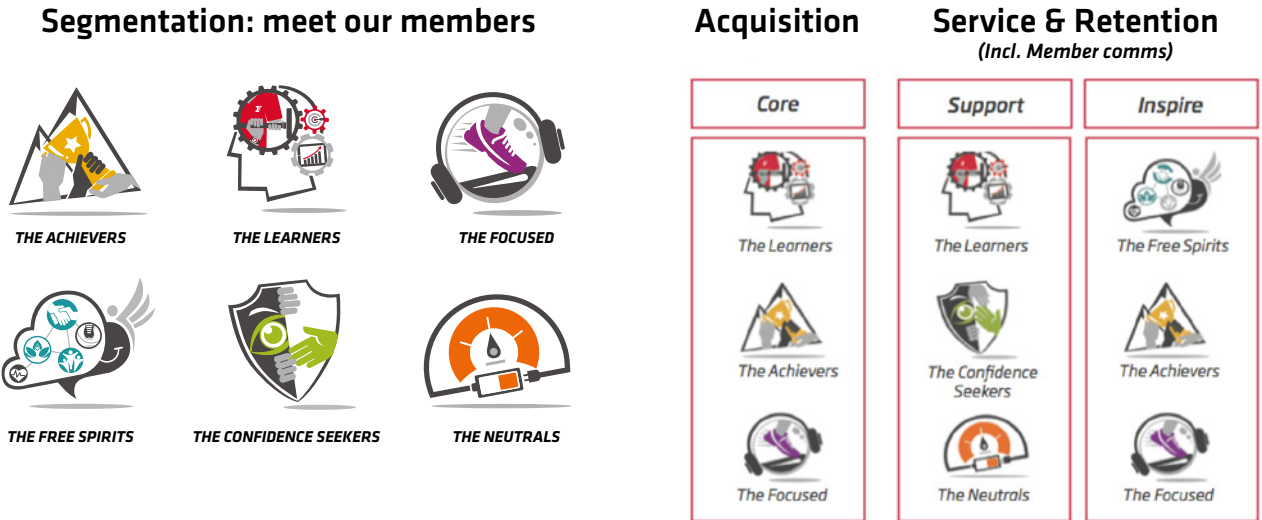
We used the segmentation data to tailor a distinct service to different types of members. We started by breaking them down into two groups:

- The "gym daunted" looking for *support*
- The "gym confident" looking for *inspiration*

SUPPORT and INSPIRE would be our watchwords going forward.

We then broke each group down into three segments, making six "member profiles" in all. These include **"The Learners"** looking for advice about equipment, classes and tracking technology, and **"The Achievers"** always setting themselves new goals.

Identifying six segments distinguished by their fitness goals, motivation and critically, their level of comfort in the gym, gave us a unique view of the global market of gym users – something no rival possessed.

Segmentation: meet our members

THE ACHIEVERS

THE LEARNERS

THE FOCUSED

THE FREE SPIRITS

THE CONFIDENCE SEEKERS

THE NEUTRALS

Acquisition

Core

The Learners

The Achievers

The Focused

Service & Retention
(Incl. Member comms)

Support

The Learners

The Confidence Seekers

The Neutrals

Inspire

The Free Spirits

The Achievers

The Focused

Meet our members: what they want

The gym daunted (low confidence)

The gym bold (high confidence)

SERVICE STYLE: SUPPORT ME

The Confidence Seekers

- Gym-confidence
- Desire to set goals
- Motivation — Appearance

Nervous. Find the gym a bit intimidating. Negative view of their own ability/potential.

Hold my hand, and don't let go...

The Learners

- Gym-confidence
- Desire to set goals
- Motivation — Appearance

New to the gym. Wants assistance. Wants to learn and make progress.

I'm willing but need help...

The Neutrals

- Gym-confidence
- Desire to set goals
- Motivation — Balanced

Not gym regulars. Would rather find something else to do. No specific fitness goals.

The gym's not really my thing...

SERVICE STYLE: INSPIRE ME

The Free Spirits

- Gym-confidence
- Desire to set goals
- Motivation — Wellbeing

Fun first. fitness second. Prefer variety to a fixed routine.

Fitness should be fun...

The Achievers

- Gym-confidence
- Desire to set goals
- Motivation — Wellbeing

Eat. Sleep. Train. Repeat. Committed to fitness. A fitness frame of mind.

Set me a challenge!

The Focused

- Gym-confidence
- Desire to set goals
- Motivation — Appearance

In the zone, on their own. Superfit, headphones in, know what they want.

Leave me to it...

We then used this segmentation to drive growth thanks to our unique CLV work.

CLV analysis identified our most profitable customers – the 3 'Core' segments: **Learners**, **Achievers** and **Focused** – and the remaining 3 'Non-Core' segments. An example is this "Day in the Life" analysis:
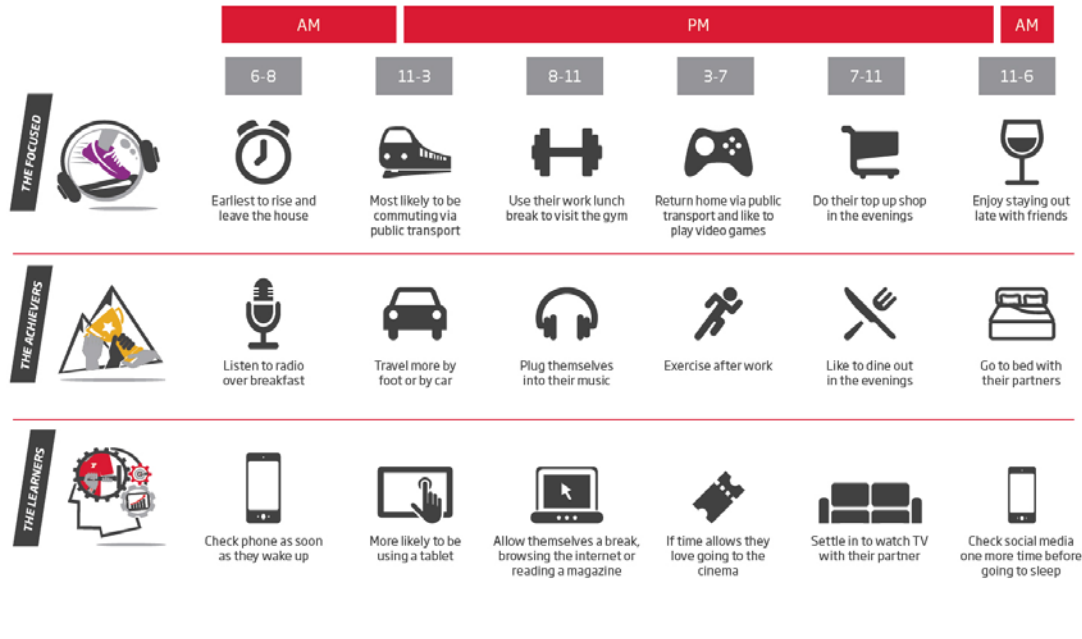
Key points from the CLV analysis included:

- Core members stay *85% longer* (37 months on average, compared to 20 months)
- They are willing to pay a higher premium
- They see the most value in the Fitness First proposition
- They are more likely to spend on Personal Training
- They are on average *50% more valuable*

We had c. 50% core members and needed to increase this mix to drive future profitability.

At Fitness First we have deployed our CLV analysis to ensure it affects the bottom line.

We have equipped all club teams with the insight, motivation and practical tools required to:

- **Identify every different member segment and deliver tailored service styles**
- **Learn the behaviours required to improve member retention and profitability.**

Through CLV we have been able to achieve our customer strategy goal to "find, convert, serve and retain our most valuable members", resulting in bottom-line business growth.

We have achieved our aim of attracting more 'Core' members
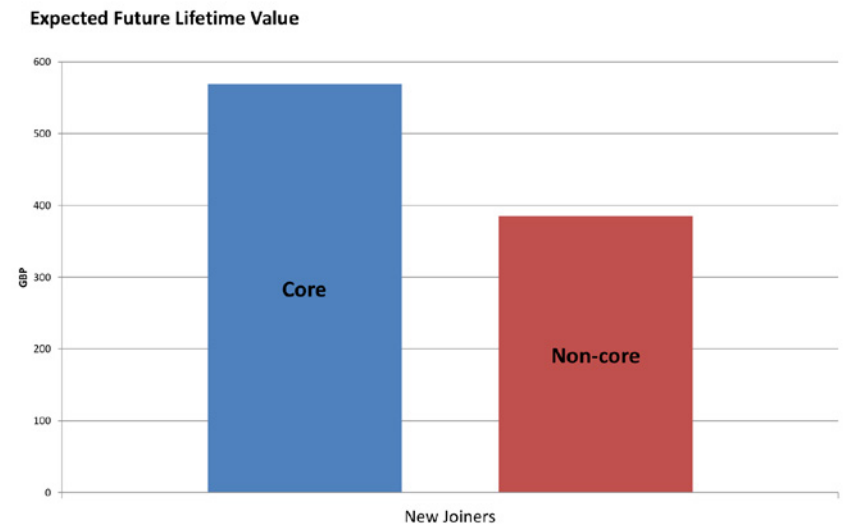
Original thinking to increase customer revenues

Getting our staff on board

The key to increasing profit was translating this insight into a programme of action our club staff could take to deliver superb service that would:

- **Forge strong customer relationships**
- **Build loyalty and**
- **Give us real competitive edge.**

Through workshops with our Marketing, HR and Operations teams, we developed a detailed set of actions and that included:

- **How to spot each type (e.g. by observing their workouts and body language)**
- **How to brighten up their day, e.g. with generous praise or a confidence-building new target**
- **Which products and services to offer them and how.**

In terms of practical delivery, we developed videos, reference guides and infographics for back office areas to give an 'at-a-glance' reminder of the six segments.

And we used impactful statistics to gain 'buy in' from staff, such as:

"Every day in every club, 3 members are visiting for the last time"

"80% of members who have never spoken to a member of staff leave us within a year"

Examples of our internal comms:

The Confidence Seekers

TODAY...
I'm going to let a Confidence Seeker know that I recognise them

Remembering them and knowing how many times they've visited this week is an easy way to make someone feel welcome. Can you find a go further moment?

Be inspirational

Fitness First

The Learners

TODAY...
I'm going to show a Learner how to use kit they've never used before

They're new to the gym. They are motivated and keen. They need you to show them the ropes. Make the basics brilliant.

Be inspirational

Fitness First

The "Raise the Bar" video showing our people the impact they can have on every individual club member won a Gold Award at the New York Film Festival for corporate films.

All of our members are different
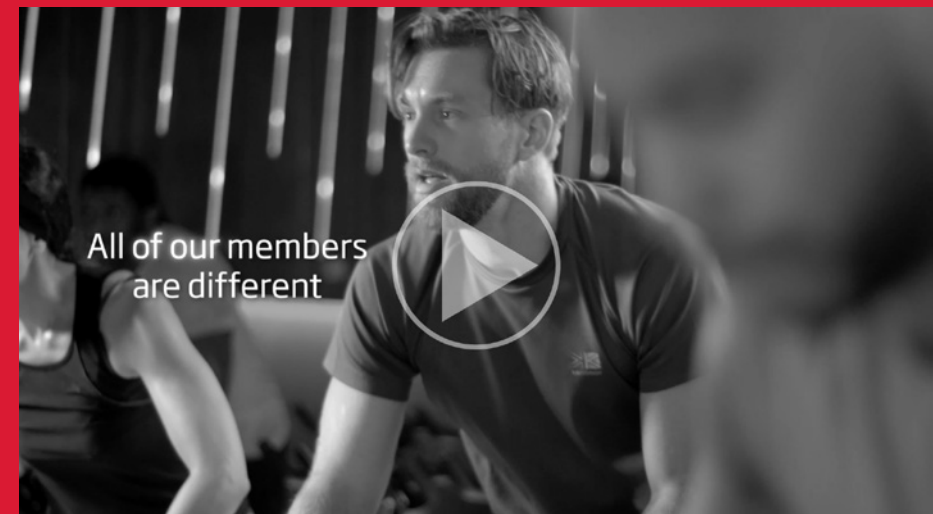
Practical delivery

A multi-channel learning and engagement programme.

Scenario based F2F training and workshops

Service Standards Book & Manager Guide
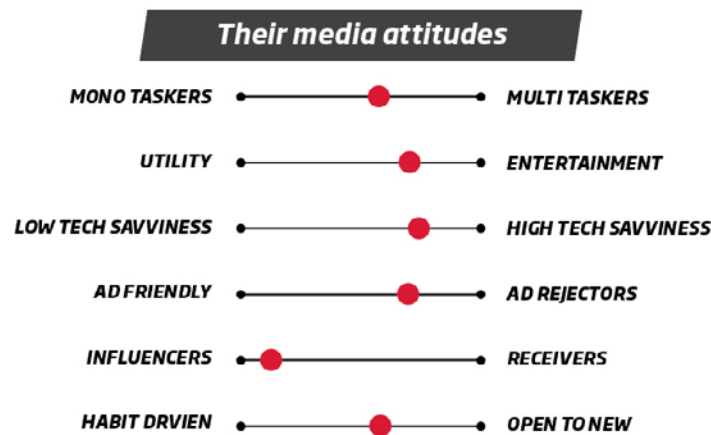
In-club infographics

Accipio Module

Global best practice to reach target customers

Fitness First now represents global best practice in using segmentation to deliver media profiling and targeted marketing that makes the smartest use of budget.
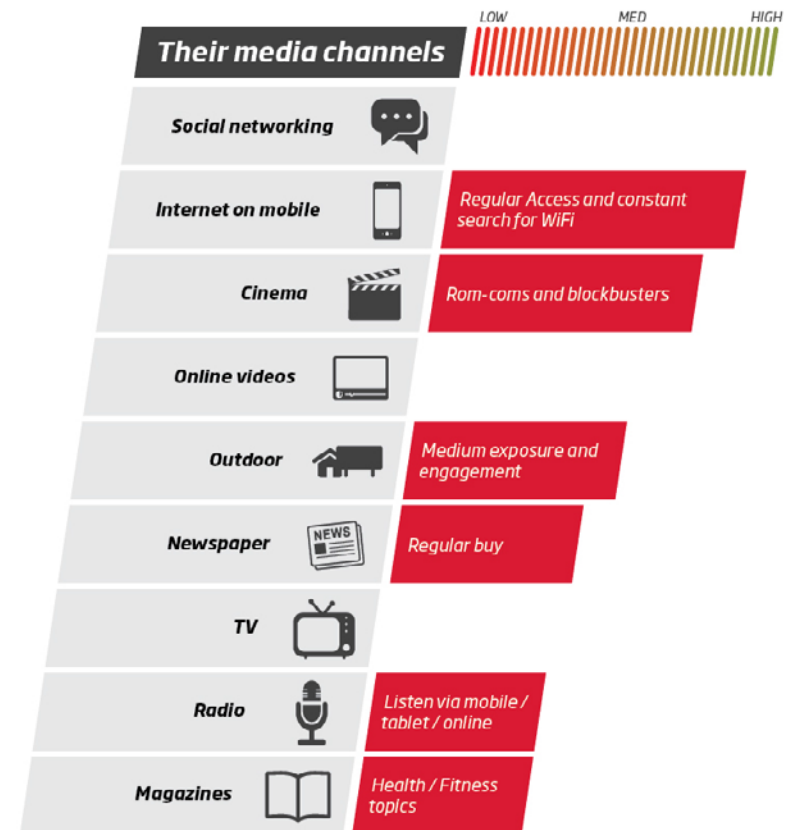
To focus recruitment and retention on our Core member types, we developed a communications framework for the marketing team based on our bold new SUPPORT and INSPIRE approach.

It sets out WHO to talk to and WHERE to find them (from Facebook to Heat magazine). We completed significant media profiling to align the right channels then communicated with the right messages and imagery.

Identifying media habits to provide further insight into our target segments' media habits and behaviour

THE ACHIEVERS

Their media attitudes

MONO TASKERS	MULTI TASKERS
UTILITY	ENTERTAINMENT
LOW TECH SAVVINESS	HIGH TECH SAVVINESS
AD FRIENDLY	AD REJECTORS
INFLUENCERS	RECEIVERS
HABIT DRVIEN	OPEN TO NEW

Their favourite media brands

WhatsApp, Facebook, magic 105·4, heat, Zest magazine, YouTube, Twitter, heart, Women'sHealth

Their media channels

LOW   MED   HIGH

| Social networking | |
Internet on mobile	Regular Access and constant search for WiFi
Cinema	Rom-coms and blockbusters
Online videos	
Outdoor	Medium exposure and engagement
Newspaper	Regular buy
TV	
Radio	Listen via mobile / tablet / online
Magazines	Health / Fitness topics

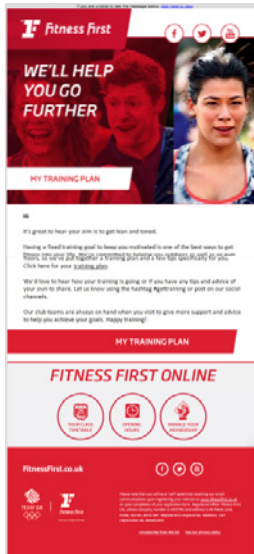# UK: "Whatever You're Aiming For" Campaign: Segmentation allowed smartest use of multiple channels

OOH

Web
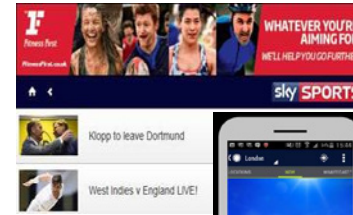
Digital

ECRM
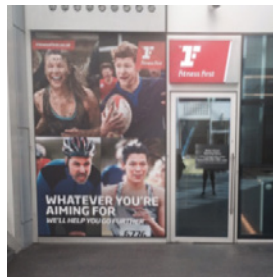
External and internal support materials
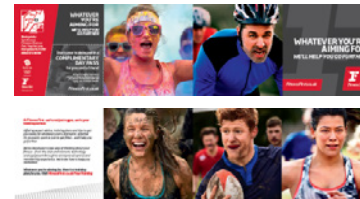
Social
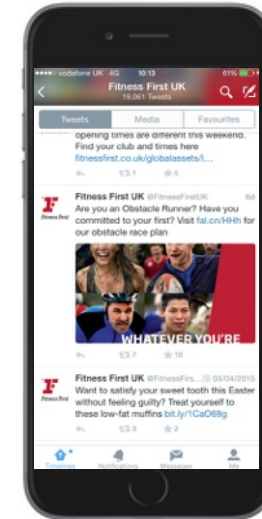
Whatever You're Aiming For

From a creative perspective, the segmentation insight into our 'Inspire me' groups provided a clear direction for imagery and tone of voice.

VS.
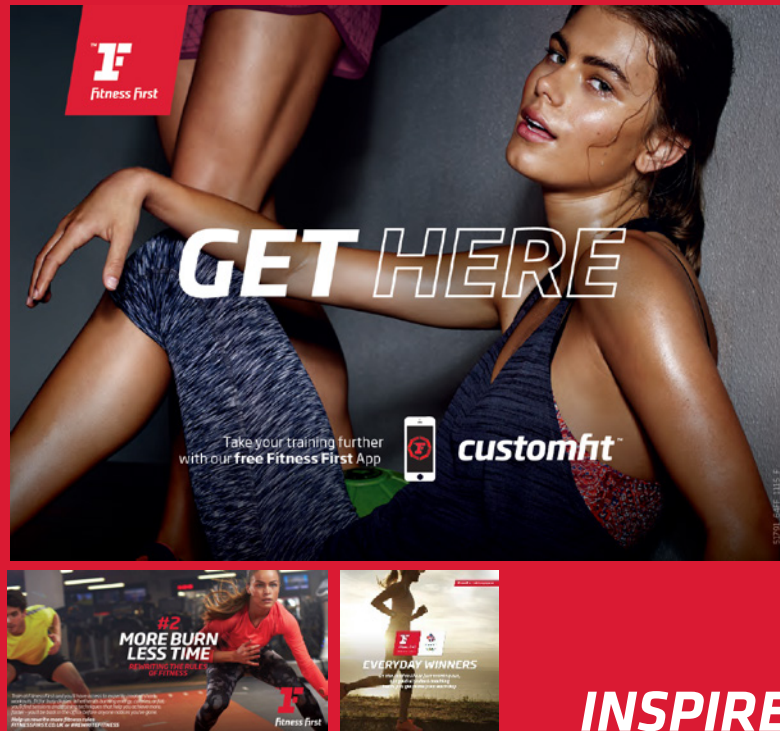
INSPIRE

SUPPORT

Example of "Inspire Me" ads

Inspirational copy – a pure articulation of our 'Go Further' philosophy

Example of "Support Me" ads

Clearly not just about the gym, but supporting every member

More examples of ads are provided among the images accompanying this entry.

Our world-leading CRM strategy also allows proactive retention, again using targeted comms. The examples below target members who have been inactive for four weeks – with separate SUPPORT and INSPIRE versions:

What?
An email that is sent to a member 120> days into their membership and they haven't visited in the last 27 days.

Who?
All members who have supplied us with a valid email address and have not opted out of communications.

When?
Sent daily.

FREQUENCY	DAILY
Average Volume per Month	4,600
Average Open Rate	34%
Average CTR	7%
Average Percentage inc. in Visitation - 7 Days of Send	43%

Inspire Segment
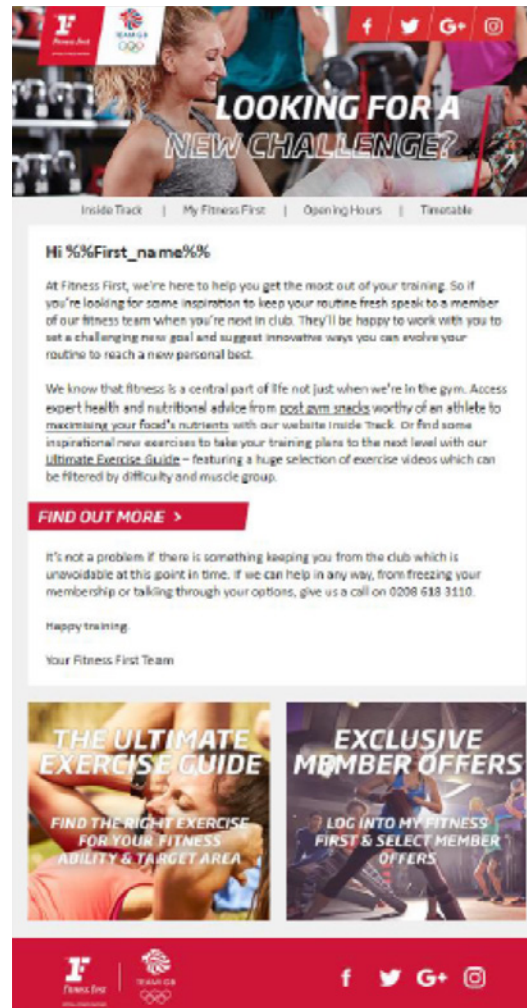
Support Segment
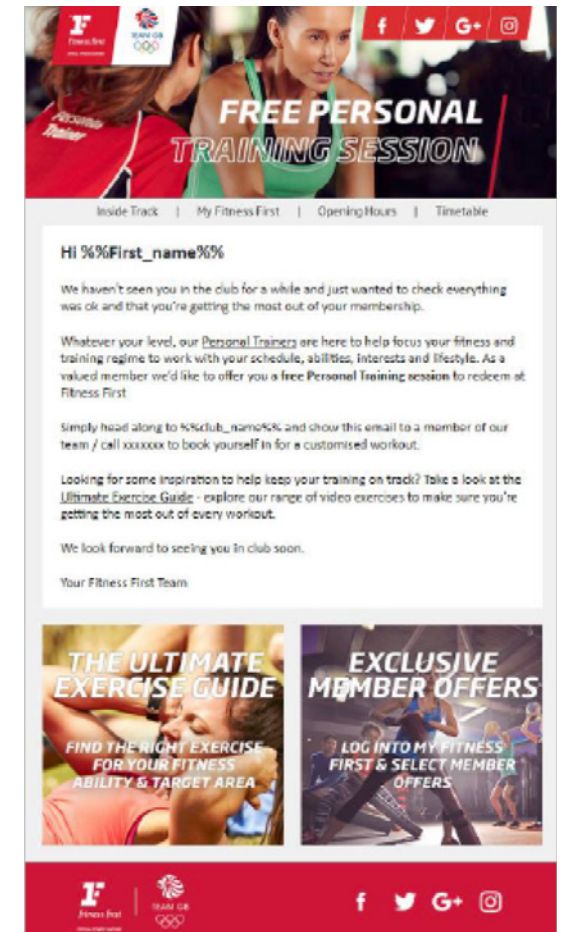
Nearly half the members who receive this email revisit their club within a week.

Improved value for customers

This whole initiative is built around making the business stronger by giving our customers better value – a more personalised relationship with club staff that focuses on each member's specific needs and provides them with the SUPPORT or INSPIRE guidance to achieve their goals.

Customer experience measures in our quarterly brand tracker study have improved:

- **"They gave me feedback on my fitness performance"**
- **"I learn something when I go to the gym"**
- **"The staff took an interest in me as an individual"**

These statements are known drivers of the brand differentiation we are seeking and evidence we are building stronger relationships with members.
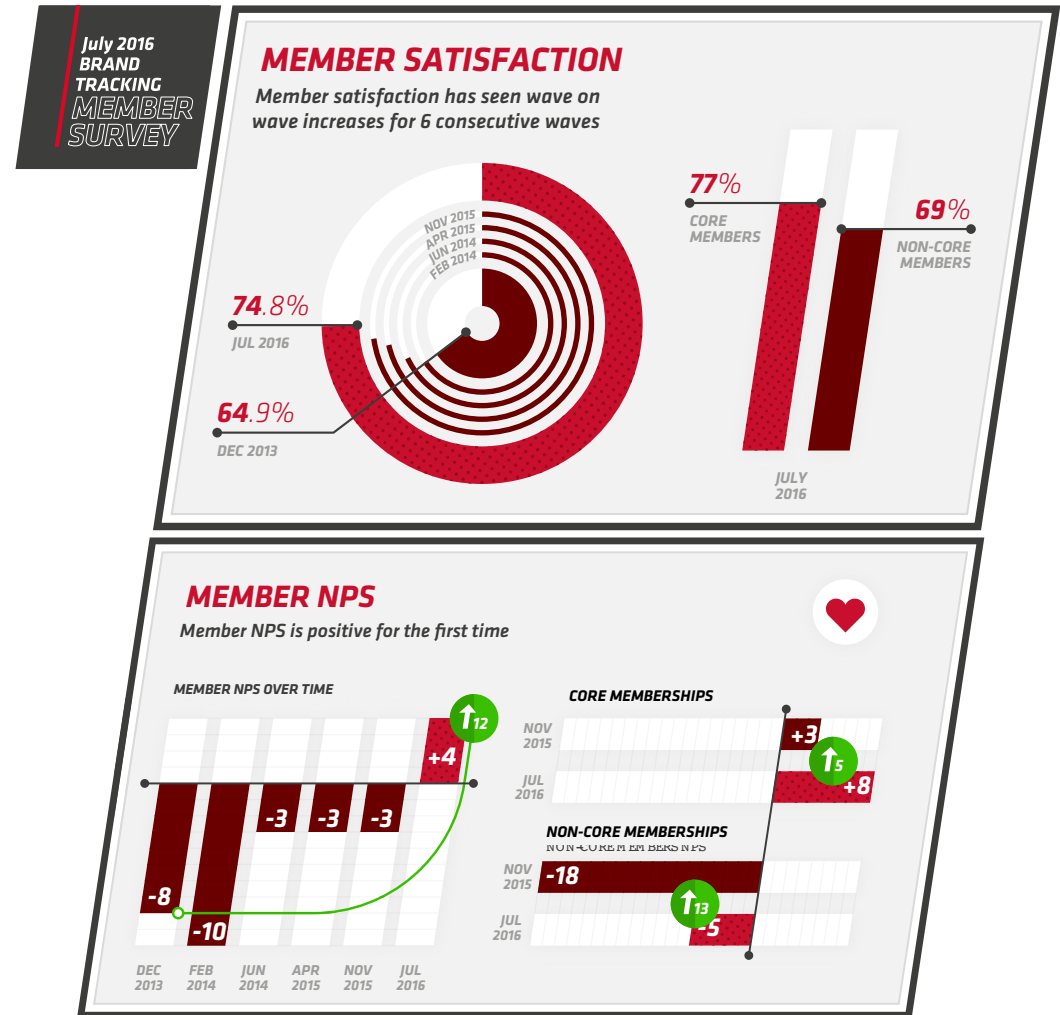

Customer loyalty

Our customer tracking reveals that low-confidence members are sustaining higher interest and energy levels. Higher-confidence segments are making more social connections and feel respected experts in the gym.

Increased satisfaction:

- **10% increase in member satisfaction from 65% in 2013 to 75% in 2016**
- **12-point increase in member Net Promoter Score since 2013, from a NEGATIVE NPS to positive**

We have built customer loyalty by creating the industry's first real-time **Member Experience Dashboard**. This online portal has improved the speed, efficiency and automation of customer satisfaction and feedback to operational management. It gives Club Managers a new level of quick, actionable information. Happy members are given an option to post a review on Google+ and the manager contacts unhappy members to resolve the issue.

July 2016 BRAND TRACKING MEMBER SURVEY

MEMBER SATISFACTION
Member satisfaction has seen wave on wave increases for 6 consecutive waves

NOV 2015 / APR 2015 / JUN 2014 / JUN 2014 / FEB 2014

74.8% JUL 2016
64.9% DEC 2013

77% CORE MEMBERS
69% NON-CORE MEMBERS
JULY 2016

MEMBER NPS
Member NPS is positive for the first time

MEMBER NPS OVER TIME
+12
+4
-3 -3 -3
-8
-10

DEC 2013 / FEB 2014 / JUN 2014 / APR 2015 / NOV 2015 / JUL 2016

CORE MEMBERSHIPS
NOV 2015 +3
JUL 2016 +5 +8

NON-CORE MEMBERSHIPS
NON-CORE MEMBERS NPS
NOV 2015 -18
JUL 2016 +13 -5

Example dashboard results: (April to December 2016)

- **7,300 survey completions**
- **1,100 Google+ reviews**
- **43 members with negative experiences who have been contacted**

Return on marketing expenditure

Our strategy was to make our existing base work harder and retain the profitable members we have, rather than increased market share or sales.

We have done just that – **identifying our most valuable members and focusing on this group to drive growth.**

In the UK, Core members' dues are less than Non-Core, however they stay 85% longer, and therefore are of greater long-term value.
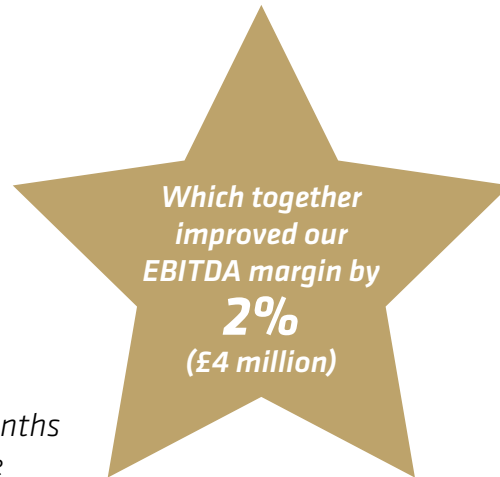
Business benefits

*Increased retention rates by 3% from **39%** to **42%***

*Increased core membership over 18 months from **54%** to **67%** of the member base*

Which together improved our EBITDA margin by
2%
(£4 million)

In December 2015 we introduced a discount based on customer lifetime value to those trying to cancel via our call centre, to save our most valuable members. In the UK this doubled save rates from 6% to 12%:

UK Discount Trial Results – Saved vs. Not Saved

- Discount
- Non-discount
- Not Saved

Digital marketing KPIs

Cost per acquisition reduced by **50%**

Conversion rate improved from **10%** to **15%**

Digital leads have increased **50%**

Digital joiners have **doubled**

45% email open rate = double UK average of **22%**

31.5% increase in email click-thru rate

Visitation
UK Member comms have generated an additional **100,780** club visits

Churn
UK Member comms saved an additional **4,250** members who on average remained at FF for an extra **1.04** months

Engagement
158,397
Clicks to FF online content

Data
Marketing opt-in has grown from **50%** to **60%**

Impressions
961,713
Times comms opened

**Increased member engagement
(From Sept 2015 to August 2016)**

Strategic benefit

The successful rebrand has allowed Oaktree Capital Management to sell its stake in Fitness First UK. Every sales offer document cited the work described above as priming Fitness First for profitable leadership of the fitness sector.
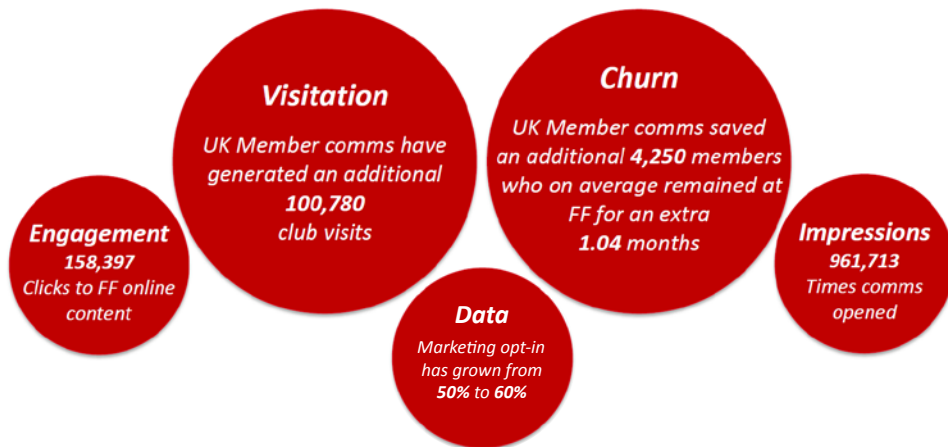
Proving a service profit chain

The outstanding results of this initiative have strengthened the business. We have proved this by carrying out economic modelling to correlate our people metrics, member outcomes and business performance. This has proved that:

10% improvement in employee engagement *results in* **2.5% increase in revenue**

Our people are enthused by this initiative. Buy-in to our customer value proposition 'I believe Fitness First delivers value to its members' has been unexpectedly positive with improvements of over 30%, taking our overall score to BCI 3 Star Levels, which is world class.

With a UK turnover of £80m (and £600m globally) this makes a significant difference. We have proved that a 'service profit chain' exists within Fitness First and our future is brighter as a result.

1935 words