fitnessKPI
The power of data

GUIDE TO MEASURING AND IMPROVING

RETENTION
IN FITNESS CLUBS

Discover data-driven strategies to optimize your customer retention. Learn to identify key metrics, implement effective actions, and use advanced technology to transform your club's management and improve profitability

INDEX

1 • INTRODUCTION: THE IMPORTANCE OF RETENTION IN FITNESS CLUBS

2 • WHY MEASURE RETENTION?

3 • KEY RETENTION METRICS

- Growth evolution in 12 months
- Churn Rate
- Adherence
- New joiners visits in their first 30, 60 and 90 days
- Cancellations profile
- Cancellations geolocation
- Cancellation requests avoided
- Lifetime value and non-dues revenues
- Customers per membership type
- Debt and how they are recovered
- Customer satisfaction and work environment
- Drop-out risk algorithm

4 • THE GLOBAL LOYALTY MODEL

- Retention
- Non-Dissatisfaction
- Satisfaction
- Motivation
- Education
- Communication

5 • EXERCISE DROPOUT RISK QUESTIONNAIRE

6 • CONCLUSION

7 • ABOUT FITNESSKPI

1.The Importance of Retention in Fitness Clubs

Retention as a Challenge and Primary Goal

Retention is one of the great challenges in fitness clubs today. Without a doubt, improving retention is one of the main objectives not only to improve the operation and profitability of clubs, but also to progress as an industry and be able to achieve the goal of more people practicing sports in fitness clubs.

> *In the more than **20 years** that I have worked as a consultant for fitness clubs, I have implemented many actions to improve retention, sometimes achieving **spectacular results**, going from annual churn rates **of 70% to less than 30%**.*

2. Why Measure Retention?

The Need to Measure to Improve

What is not measured, cannot be improved. For this reason, the aim of this document is to take the reader through the **analysis process** that should be done in a club to know in detail the level of retention and to thoroughly understand the problem and how it can be improved.

We will now look at the different indicators that need to be analysed in order to truly understand a club's retention situation.

> ***What is not measured cannot be improved***

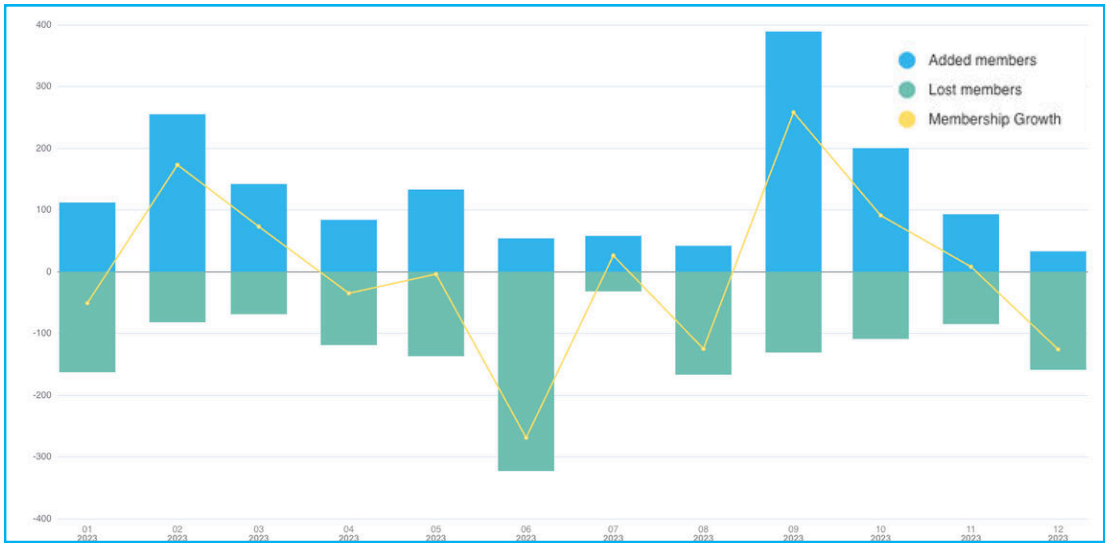
3. Key Retention Metrics

Growth evolution in 12 months

The 12-month Growth graph allows us to analyse the evolution of **New joiners, Cancellations and Growth month by month** in a single graph. This allows us to identify in which periods of the year we grow and in which we decrease, while at the same time telling us if this is due to changes in sales or changes in retention.

It is also interesting to see in this graph how many **peaks of growth and decline** there are and at what time of the year they occur. For example, in this case there are two growth peaks, one in February and one in September/October. The ideal to grow is to achieve at least **3 growth peaks**, so this club should try to create a third peak.

In this case we also see that there are two peaks of decline, one especially pronounced in the Summer months and the other in December/January. Here we identify **the most critical moments in which we lose members** and we can start thinking about **actions to reduce that loss** in those specific months.



It is also very interesting to be able to compare this growth graph with the same months of previous years. We do this first of all to check if the behaviour of growth, new joiners and cancellations is the same in several years or if something special has happened this year or there is **a change in the growth trend**. This comparison allows us, in the event that there has been any change with respect to the previous year, to identify whether this change is due to sales or retention.

In this example in which we compare with the previous year, we see that this year there is a greater decrease in June compared to the previous year and that it has been due to a significant increase in the number of cancellations. We also see that this trend of more cancellations occurs in April, May and June. This would allow us to try to **analyse why this is happening and propose actions to improve it**.

We also see in this example that in September/October there has been less growth this year and that it has been due to a combination of fewer new joiners and more cancellations, but especially due to fewer new joiners in September. Here we would analyse the **campaigns carried** out and compare them with those of last year to identify why there has been a lower number of new joiners this year.

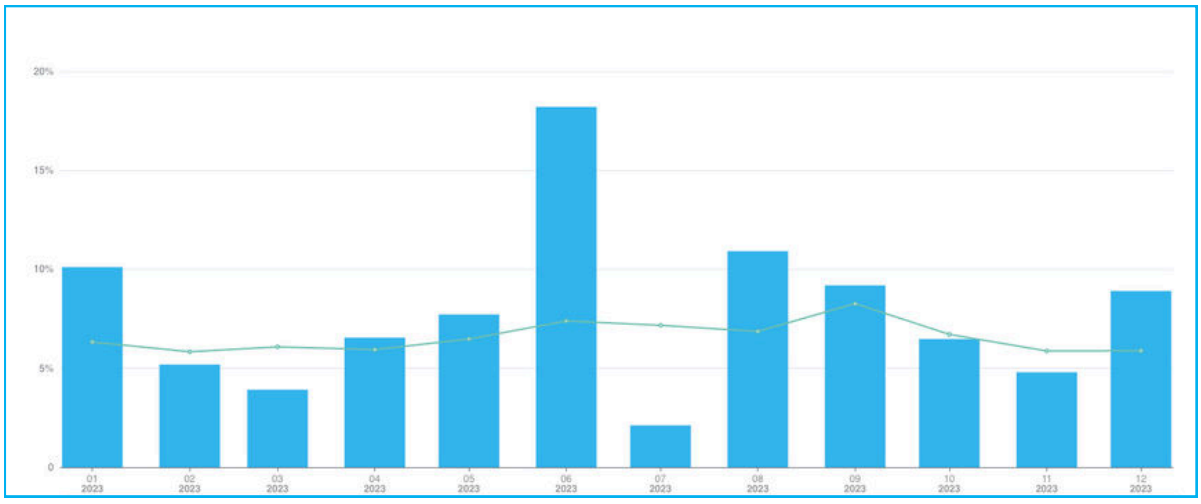
Churn Rate

The second indicator to measure is the Churn rate. This indicator is calculated by **dividing the number of cancellations by the number of members** at the beginning of each month and multiplying it by 100 to transform it into a percentage. To calculate the annual churn, the churn of all the months is added.

It is an indicator that does not provide much information but the interesting thing is that it allows us to **compare ourselves with the industry** or with other operators. Through this comparison with the industry, we can know if our level of retention is good, regular or bad and also if we have room for improvement.

As it is a percentage of the total number of members, it allows us to really know if retention is improving or not month by month. We could not see this by analysing only the number of cancellations, since the cancellations can increase, but if the number of members have also increased, the churn could remain stable or even be reduced.

In this example, in which the columns represent the club's churn and the green line represents the industry **average for clubs similar** to the one analysed, we see that this club actually has a very high churn in the Summer months and in December/January.



Adherence

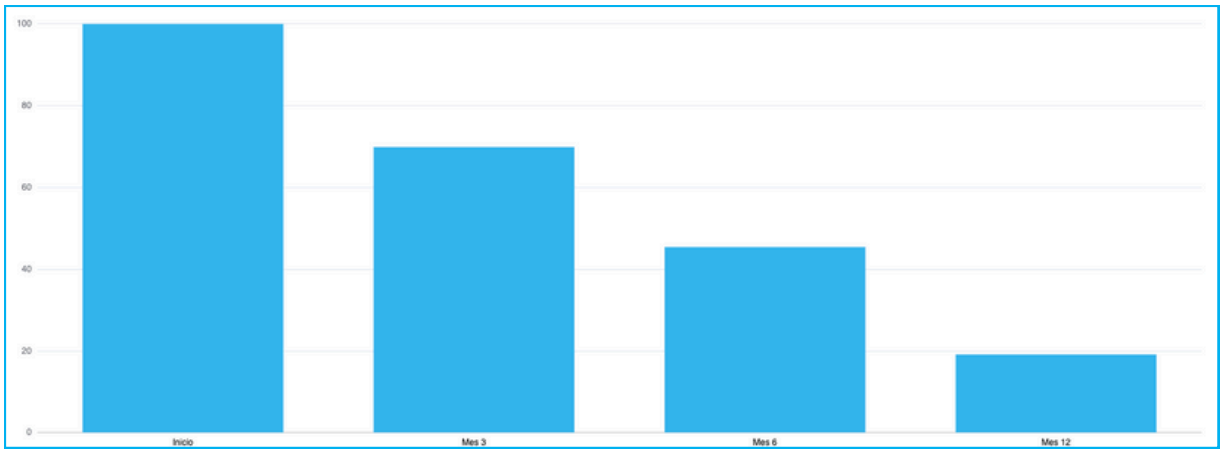
Adherence is one of the most interesting indicators and one that reveals the most information to understand retention. It is an indicator **that cannot be measured manually**, as it is very laborious because it consists of following each of the new members of a given month, person by person and seeing how many of them are still members in each of the following months.

As can be seen in the table, each month begins with 100% of the new joiners that have occurred and analyses how many of these people continue as members the following month. Logically, the value decreases progressively.

	Beginning	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7
January 2023	100.00%	87.50%	87.50%	83.93%	76.79%	71.43%	56.25%	50.00%
February 2023	100.00%	96.08%	92.16%	84.31%	59.22%	59.22%	49.02%	40.78%
March 2023	100.00%	92.25%	88.03%	57.04%	56.34%	50.00%	40.85%	39.44%
April 2023	100.00%	92.86%	75.00%	73.81%	66.67%	52.38%	41.67%	36.90%
May 2023	100.00%	81.20%	80.45%	48.87%	45.11%	42.11%	32.33%	27.07%
June 2023	100.00%	87.04%	70.37%	59.26%	46.30%	38.89%	33.33%	31.48%
Average	100.00%	89.49%	82.25%	67.87%	58.40%	52.34%	42.24%	37.61%

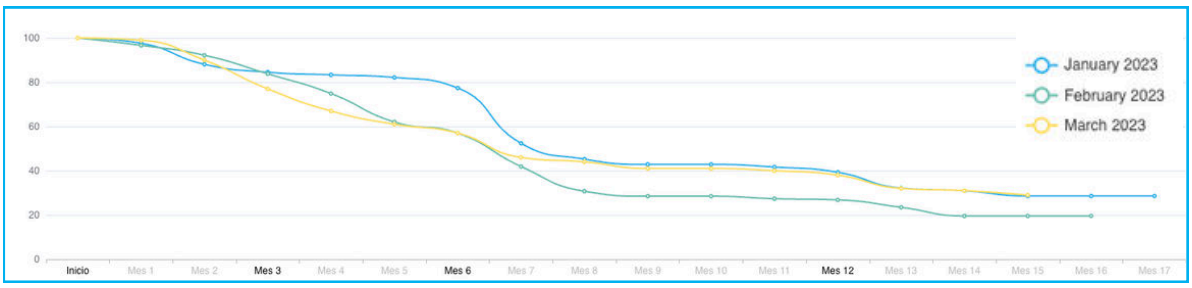
This allows us to calculate the average of several months, for example of an entire year and represent it in a graph in which we see the percentage of **customers who are lost in the first 3, in the first 6, in the 12 or in the first 24 months.**

This analysis **allows us to identify which are the critical moments** on which we must act to improve retention. Most clubs lose a large volume of new joiners, close to 50% in their first 6 months. The problem with many of these cancellations is due to the fact that the club has not managed to create the habit of exercise in that client and has not accompanied them sufficiently in the first 3 months as a member. To identify these customers, we will see later that it is important to analyse another indicator which is the number of visits of new joiners in their first 90 days in the club.



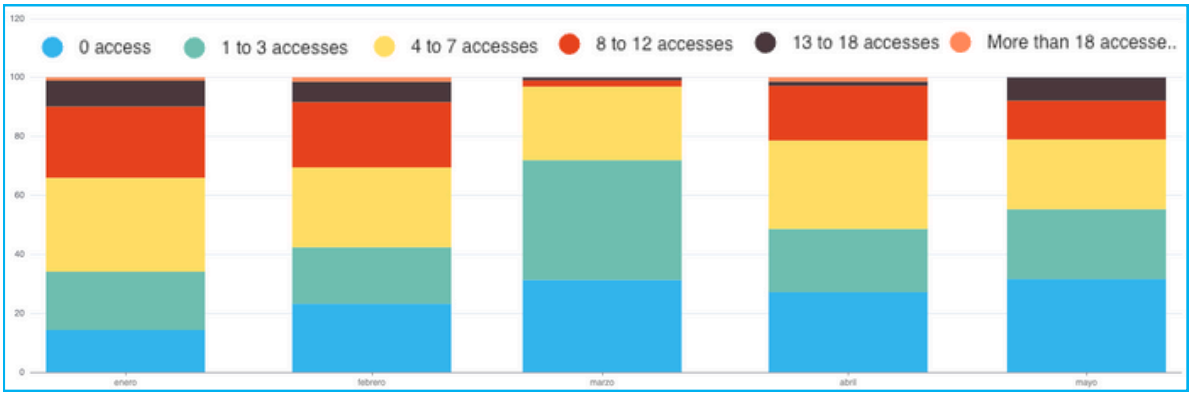
Adherence **can also be analysed month by month independently**, which allows us to compare between different months to know if the quality of new joiners is the same in all months. Sometimes we attract many new joiners through aggressive price campaigns, but these registrations are of low quality because they last very little time in the club as members. This analysis allows us to identify that and compare the quality of the new joiners in a month with an aggressive campaign with the quality of the new joiners in a month in which the campaign has not been as aggressive. This helps improve retention because it **allows us to improve the way we attract new customers** so that they stay longer as members of the club.

This month-by-month analysis is also very interesting to identify moments when there may be a sharp drop in members. For example, some clubs have a drop after the third or sixth month because they work with 3 and 6 month memberships and many of those are not renewed. Simply **moving these memberships to 12 months** would delay this sharp drop and considerably improve the retention.



New joiners visits in their first 30, 60 and 90 days

One of the key aspects in retention according to several studies is that new joiners, once they register, must come to the club early and very frequently. For this reason, it is important to measure the number of visits in the first 30, 60 and 90 days and **to be able to create clusters of customers by number of visits**. From here it should be possible to draw up the list of customers with fewer visits, work with them in the club and accompany them so that they feel comfortable and acquire a training habit.



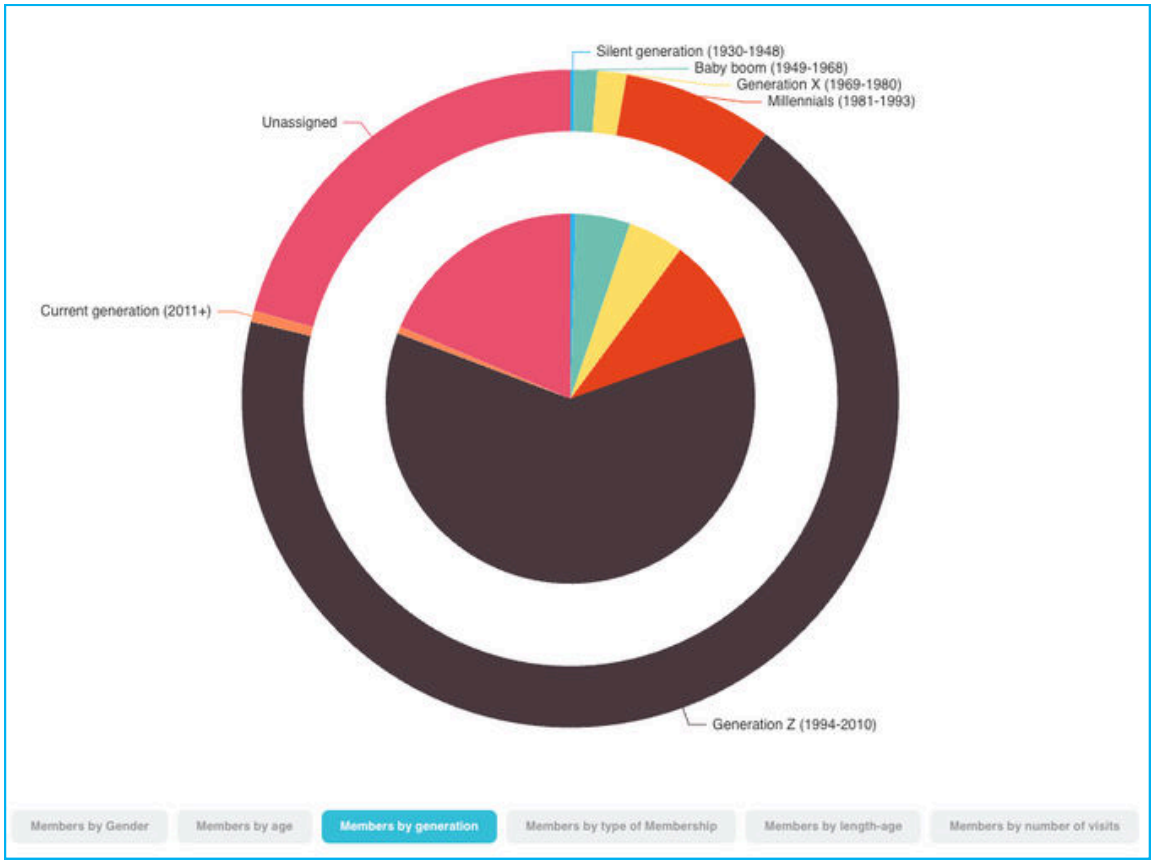
Date	0 Access	1 To 3 Accesses	4 To 7 Accesses	8 To 12 Accesses	13 To 18 Accesses	19 To 25 Accesses	More Than 25 Accesses
enero 2023	16.87%	25.3%	16.87%	10.84%	12.05%	3.61%	14.46%
febrero 2023	16.2%	21.23%	13.41%	7.82%	16.2%	9.5%	15.64%
marzo 2023	30%	28%	6%	9%	6%	10%	13%
abril 2023	26.56%	15.63%	14.06%	12.5%	15.63%	7.81%	7.81%
mayo 2023	27.93%	16.22%	18.92%	14.41%	12.61%	6.31%	3.6%

Cancellations profile

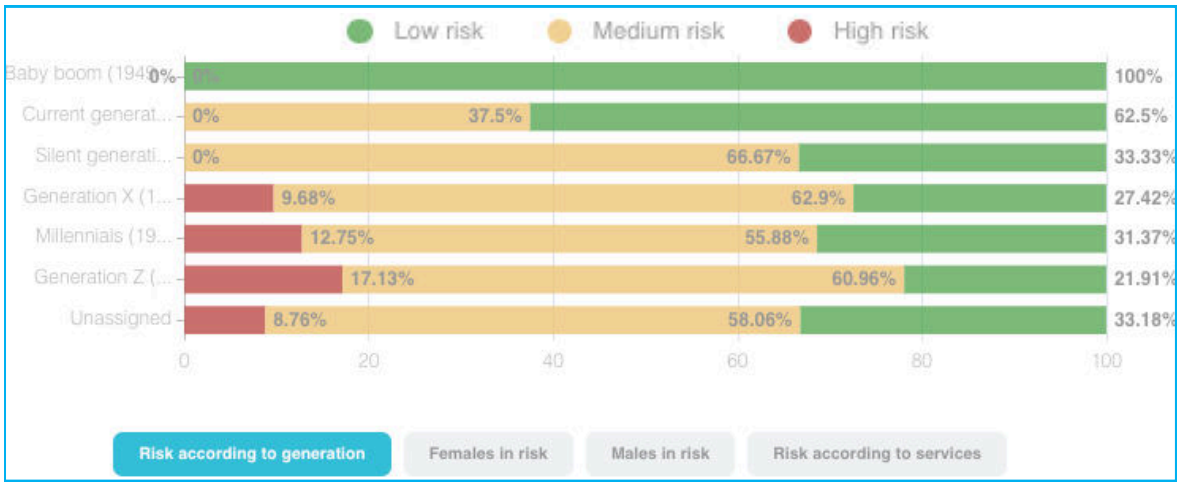
Knowing the cancellations profile in a given period **allows us to identify the customer segment with which we have a higher risk of churn**.

The main criteria that we must analyse in the cancellations profile are: gender, age, generation, type of membership, number of visits and seniority.

We at **FitnessKPI analyse the cancellations profile with two circles**. The inner circle represents the **current distribution of members**, and the outer circle represents the **distribution of cancellations** in the period we want to analyse. In this way, if we analyse it as a percentage, we can very easily identify when a profile represents a volume of cancellations higher than that which would correspond to it according to its representativeness in the volume of members.



The fact of being able to identify, according to all these profiles, in which of them we have the highest number of cancellations, gives us valuable information to be able to decide on corrective actions and to focus on the segments with the highest risk of cancellation.



Cancellations geolocation

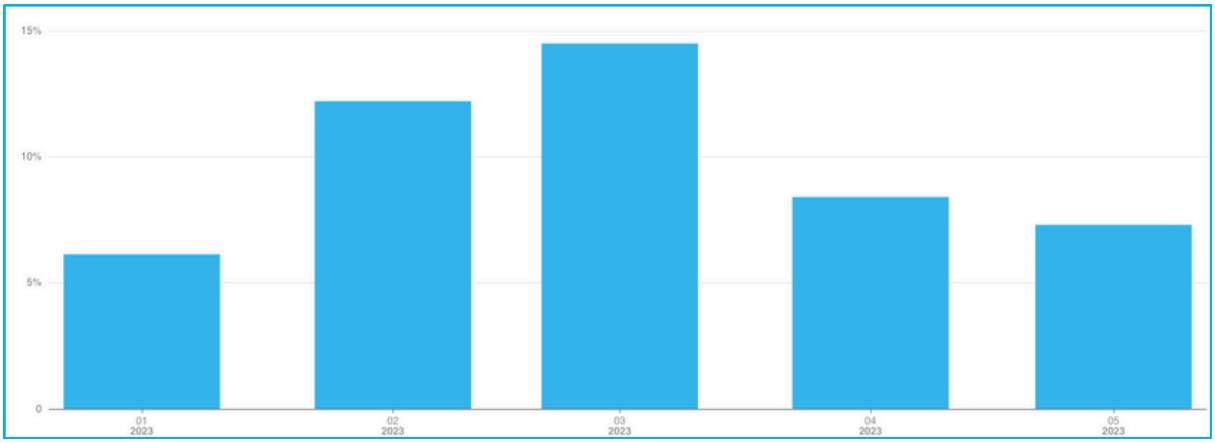
The geolocation of cancellations **by area of residence** (address or postal code) allows us to identify if there is a specific area from which more members are being lost and, if so, to analyse why. There can be several reasons, such as competition that has arrived in that area or that is doing something special to attract a segment of customers, permanent or temporary accessibility barriers... Based on this analysis, it is possible to decide on the **communication actions to be taken in that specific area** to try to reduce the number of cancellations and recover part of the lost customers.

Cancellation requests avoided

This indicator tells us how many of the **cancellation requests we have managed to avoid**. For that reason, it's an indicator of how good our cancellation process is.

We know that ideally, we should identify at-risk customers before they request to cancel and act preventively with them, but having a good cancellation process is the last chance to keep that member and also helps improve retention.

There are cancellations that are inevitable, but many others can be avoided, at least temporarily, if the advisor who is managing the process is able to identify the real reasons and propose a solution that captures the interest of the person.



Lifetime value and non-dues revenues

We know from different studies that the more money the customer spends at the club and the more activities and services they consume, the greater their loyalty. For this reason, it is important to analyse the non-dues revenues and to be able to create clusters of customers according to the level of spending they make at the club.

On the other hand, **Lifetime value (LTV)** is one of the main, if not the main indicator that every manager should monitor on a regular basis. LTV **represents the total amount of money a customer spends in the club during his or her lifetime as a member**, and should never go down, because if it does, the break-even point increases. In other words, the club will need more customers to get the same revenue, which in competitive markets is very dangerous.

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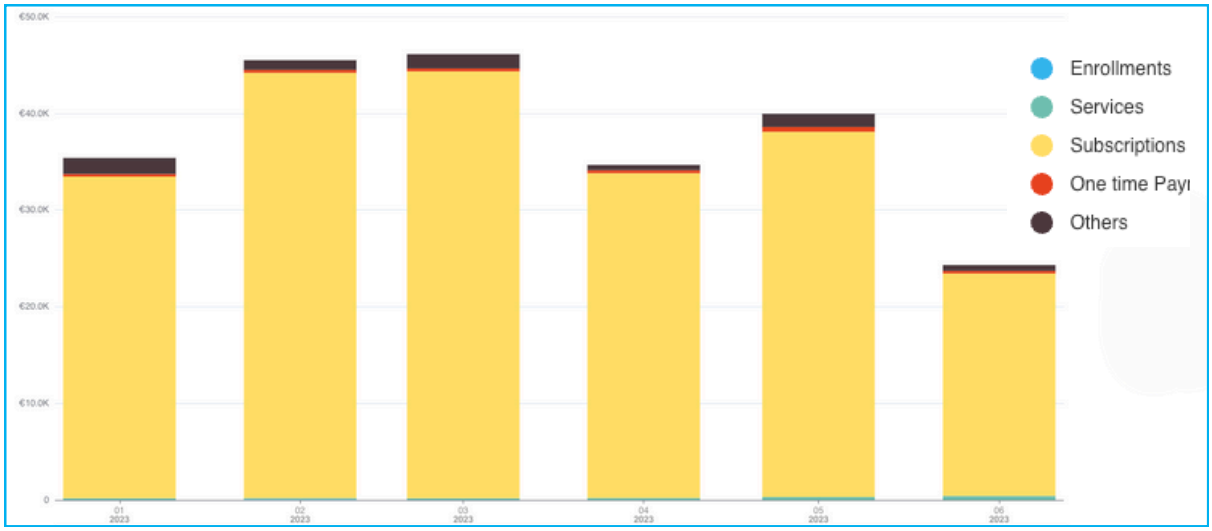
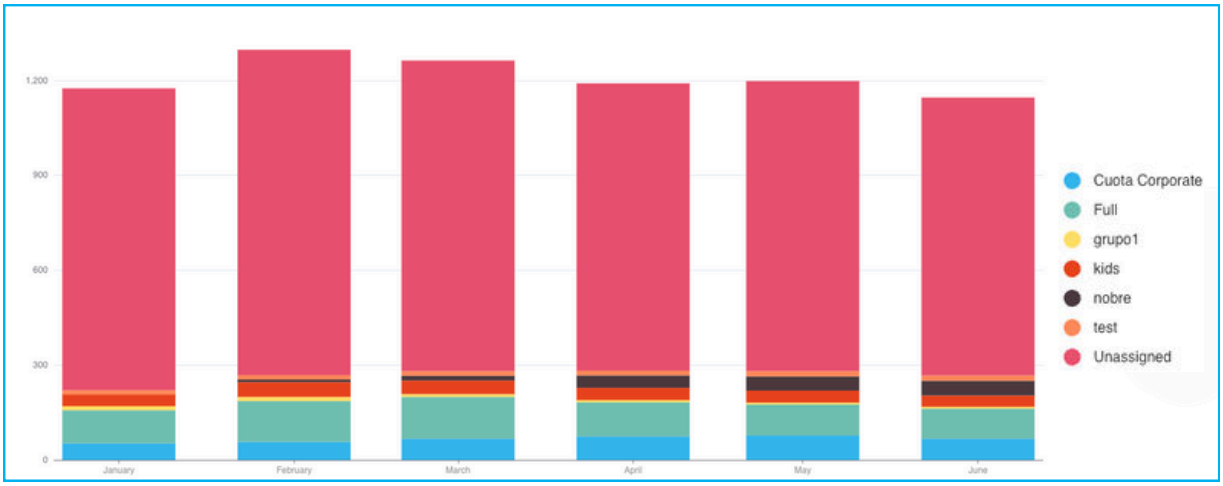


Customers per membership type

Pricing strategy **is one of the main tools for improving customer retention**. We know from different studies that there are some types of memberships that increase customer retention. Some of these memberships are Family, Duo or long-term memberships, at least 12 months.

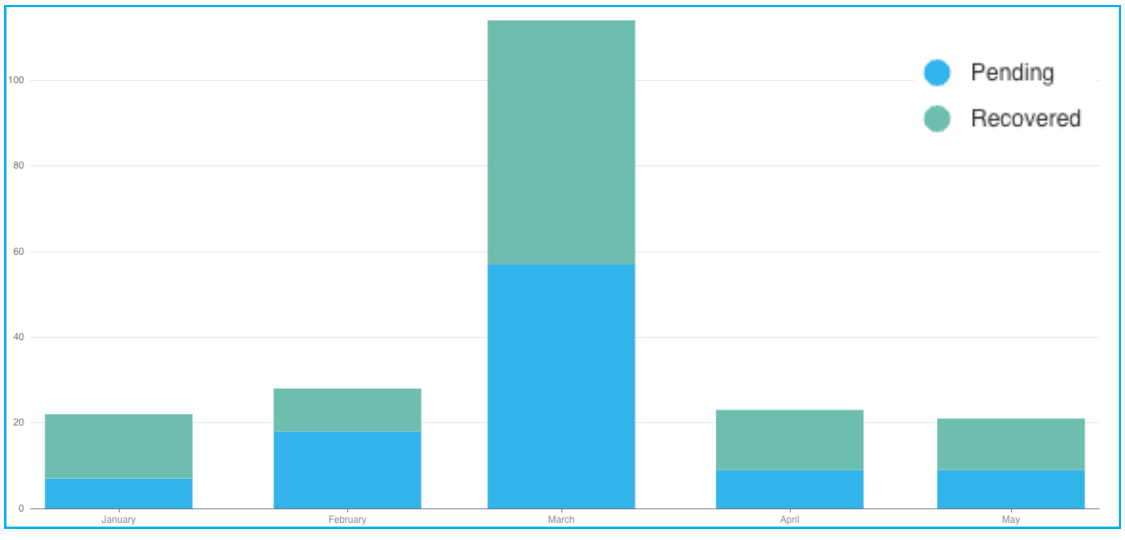
Monitoring the evolution of the number and percentage of customers in these types of memberships and taking actions to increase them can help considerably to improve retention.



Debtors and how many are recovered

There can be various reasons why a customer may have debt on a membership fee, but some of them are red flags to act and prevent non-payments from accumulating and eventually becoming a cancellation.

Regularly monitoring debtors and how many are recovered will help improve the process of managing these issues and **will ultimately have a positive effect on retention**.



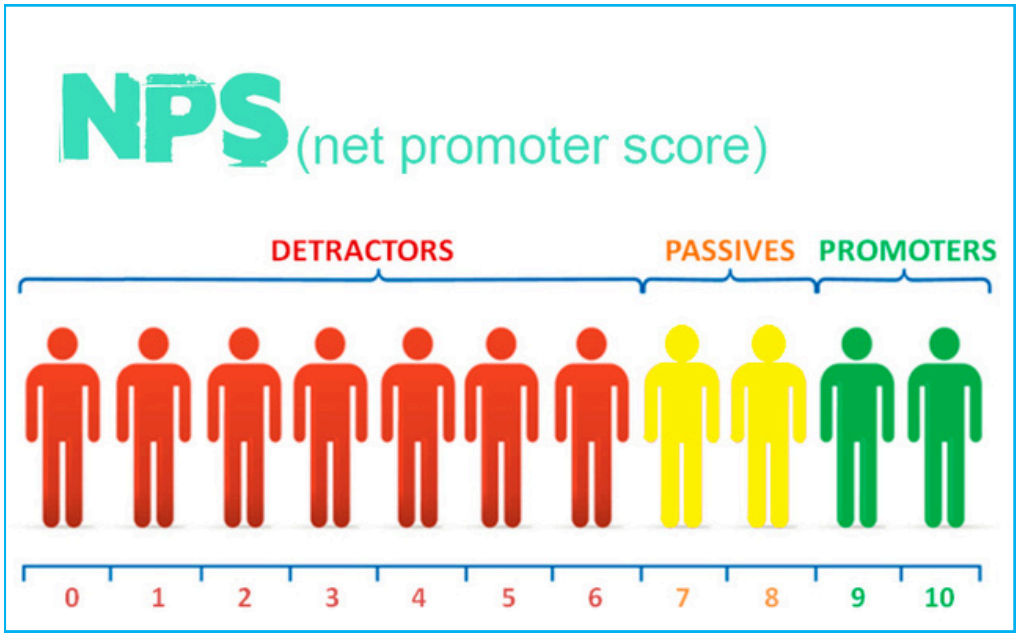
Customer satisfaction and work environment

Another group of indicators to be measured periodically has to do with customer satisfaction and also with employee satisfaction.

Different **strategies and types of questionnaires** are used to measure customer satisfaction. On the one hand, brief surveys based on the **Net Promoter Score (NPS)** are used, which are combined with more in-depth surveys that cover aspects related to cleanliness, equipment, personalised attention, activities and services...

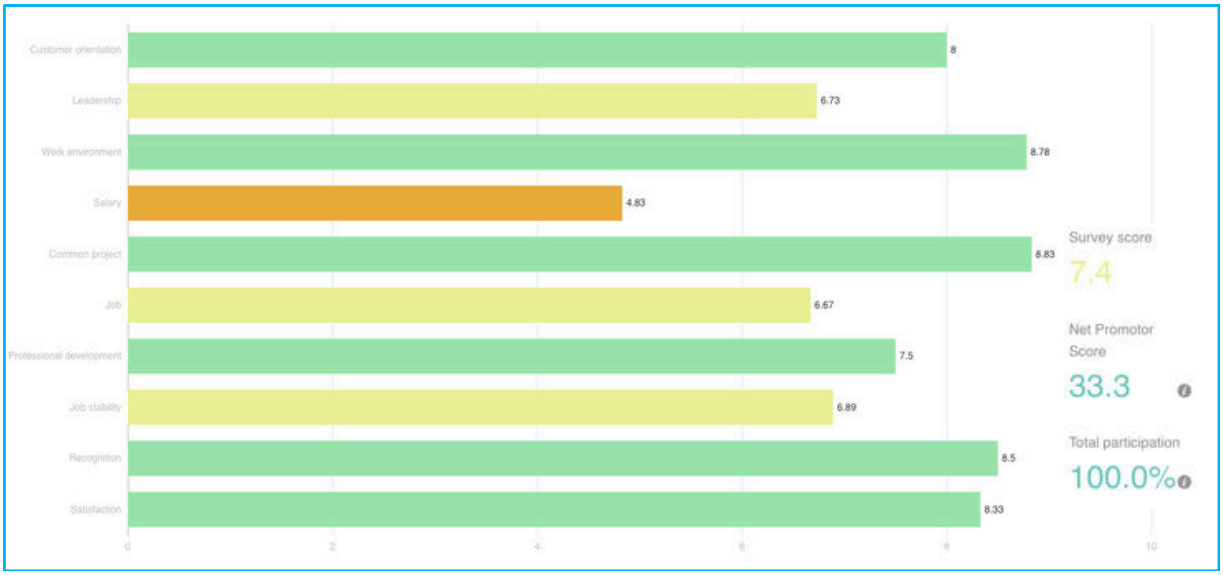
A very important aspect when measuring customer satisfaction is to **choose the right sample**. For this reason, at FitnessKPI we use an intelligent sampling system that allows us to achieve sufficient representativeness of all customer segments.

The use of **Artificial Intelligence** not only for sampling, but also for the analysis of open questions **is of vital importance** to be able to analyse samples of large customers.



Apart from analysing the level of customer satisfaction, it is convenient to analyse what is known as **Work Environment**. That is, the level of satisfaction and commitment to the project **on the part of all employees.**

In this case, a combination of NPS can also be used with more in-depth surveys that assess aspects such as customer orientation, leadership, work environment, remuneration, shared project, professional development, recognition...



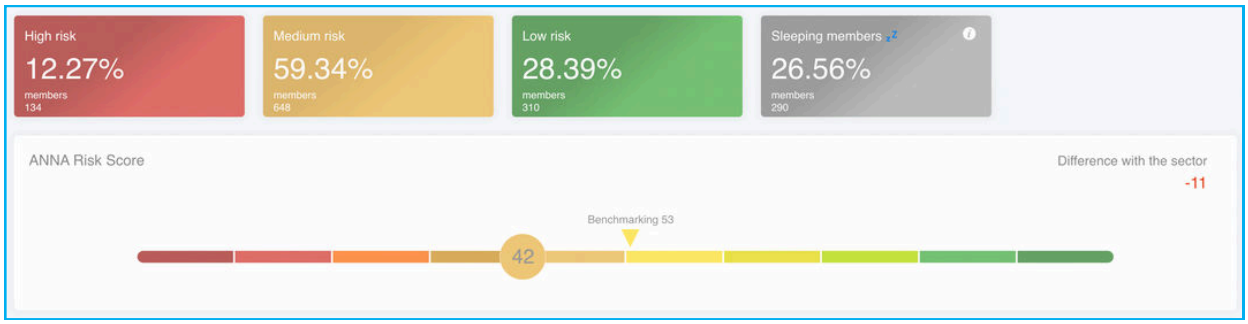
Drop-out risk algorithm

The use of **Artificial Intelligence** applied to business has given us new tools to predict customer behaviour. Related to retention, we have algorithms that predict the probability that a customer will unsubscribe in the coming months.

There is still some mistrust regarding the reliability of these algorithms mainly because they operate as “black boxes” and it is uncertain what they are taking into account and how accurate they may be. This will improve as the AI becomes more transparent and it is explained how the algorithm works and even managers themselves can make changes to the algorithm and see in real time how it affects the level of accuracy in the prediction.

In FitnessKPI we have an algorithm that **analyses each client individually and takes into account about 20 different variables** to classify them into 3 levels of risk of drop-out in the next 3 months: High, Medium and Low risk. In addition, we also group together the “Sleeping members” who are those who have not visited the club for more than 3 months but continue to pay, as this group must be managed separately so as not to cause cancellations when they are contacted.

These intelligent churn prediction systems are a great help in improving retention by contacting at-risk customers before they have even made the decision to cancel the subscription. Having the ability to anticipate the decision to leave is key to extending customer retention.



4. The Global Loyalty Model

The Global Loyalty Model addresses one of the primary misunderstandings in fitness club management: the idea that **customer satisfaction** is the only factor that guarantees retention. While satisfaction is important, it is not enough to ensure that customers remain with the club. This is where a more **holistic approach** comes into play, encompassing six key areas, each with specific sub-areas that directly impact retention.

Let's discuss each of these areas in more detail.

1.Retention

Within the Retention area, we have included 3 sub-areas to focus on:

1.1 Membership Models: Membership models have a direct impact on retention, according to studies conducted in the UK and the United States. There are three fundamental components:

- **Joining Fee:** Although many clubs have eliminated the joining fee to facilitate sign-ups, maintaining a fee, even if minimal, creates an "exit barrier" for customers. Offering a significant discount on the joining fee can serve as an effective promotional strategy without losing this benefit.
- **Commitment-Based Memberships:** Memberships that require a commitment, especially those longer than 12 months, help improve retention. However, long-term commitments should be handled flexibly, allowing for instalment payments to avoid creating a financial barrier.
- **Couples, Group, or Family Memberships:** These plans not only offer a discount but also encourage retention, as customers often find replacements within the group when one member cancels, aiding in the acquisition of new customers.

1.2 Alarm Management: Establishing systems to identify warning signs in customer behaviour is crucial. These signs might include a decrease in visit frequency, a lack of social interaction, or dropping out of classes or training sessions. A well-managed alarm system allows for proactive intervention to retain these customers.

1.3 Cancellation Management: A study conducted in fitness clubs in Spain found that 60% of clubs do not have a well-defined protocol for managing cancellations. A well-structured cancellation management process can be as important as the initial sales process, enabling staff to act effectively to retain customers.

2.Reducing Dissatisfaction

Reducing dissatisfaction is just as important as improving satisfaction. Here are the main sources of dissatisfaction identified in a recent study conducted by **WSC Consulting** with over 6,000 fitness club customers across Spain.

2.1 Changes in Group Fitness Instructors:

Frequent changes in instructors are one of the main sources of dissatisfaction. Customers often perceive these changes as indicative of poor management and a decline in the quality of classes. It is crucial to manage communication with customers and facilitate a smooth integration of new instructors.

2.2 Changes in Group Fitness Schedules:

Schedule changes, especially when not communicated properly, are another common complaint. Improving communication and explaining the reasons behind these changes can mitigate this dissatisfaction.

2.3 Differences in Instructor Quality:

Customers often perceive significant differences in the quality of instructors, which affects their experience. Implementing quality control systems, such as mystery shoppers or regular evaluations, can ensure a consistent and high level of service.

2.4 Unfriendly Staff:

Customers highly value the friendliness and treatment they receive from the staff. Comments like "they don't greet me" or "they have a distant attitude" are common. It is essential to train staff to maintain a positive and friendly attitude at all times.

2.5 Providing Guidance and Advice:

Customers expect staff to correct, help, and advise them during their workout. When staff fail to meet this expectation, it generates dissatisfaction, even among those who don't need direct assistance.

2.6. Price Differences Among Customers:

Price discrepancies among customers are a common source of dissatisfaction, especially when they are not justified. It is crucial to be transparent and explain any price variations.

2.7 Cleanliness in Locker Rooms:

Cleanliness, especially in locker rooms, is critical for customer satisfaction. A clean locker room is essential and should be a priority in the club's daily management.

2.8 Overcrowding at Certain Times:

Overcrowding during peak hours is a frequent complaint in some clubs. While increasing customer numbers may seem beneficial, exceeding certain limits can damage the club's image and lead to higher customer churn.

3.Satisfaction

Customer satisfaction remains a key component of loyalty, though it is not the only one. This area includes several actions that can enhance overall satisfaction.

3.1 Attention to Detail:

- **Club Environment**: The quality of design, lighting, noise, and odours are important factors that influence the customer's experience.
- **Staff Treatment:** The friendliness, empathy, and body language of the staff can make the difference between mediocre and excellent service.

3.2 Service Offering:

- **What We Offer:** The service offering should be varied, comprehensive, and up-to-date to meet customers' expectations.
- **How We Offer It:** Ensuring that services are delivered consistently with a high level of quality, using tools like **control checklists** or **mystery shoppers.**

3.3 Customer Feedback:

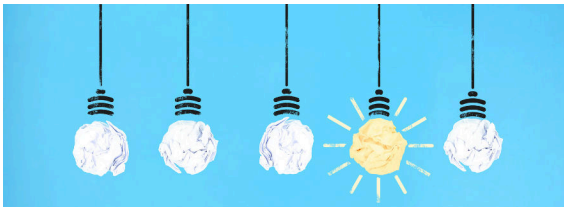
Being proactive in collecting customer feedback allows problems to be anticipated and continuous improvement. This includes using suggestion boxes, satisfaction surveys, and focus groups.

3.4 Brand Pride:

Fostering brand pride among customers can increase their loyalty. This is achieved through the club's active participation in community events, media, or partnerships with public figures.

4.Motivation

The lack of motivation is one of the main reasons why customers leave the club. This area addresses how to keep customers motivated through:



Challenges

Proposing personalised challenges that keep customers focused and committed to their goals.

New Offerings

Regularly introducing new activities and programs in the club to combat monotony.

Sales

When a customer spends money to acquire a new product or service, their motivation increases.

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5. Education

Fitness clubs should be the place where **customers learn** and **gain knowledge** about health, fitness, and nutrition. The more information a customer has, the more they will connect with exercise and the club. Education includes two main areas:

5.1. Customer Education:

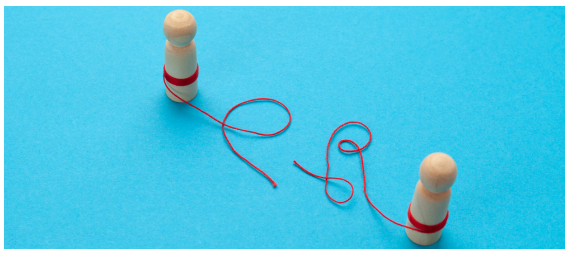
Few clubs have a Customer Education Plan, but we believe it is important to define what knowledge we will provide throughout the year and how we will do it. There are various channels to disseminate this knowledge, such as newsletters, training sessions, magazines, emails, TV screens, or within the activities themselves.

5.2. Team Training:

There should also be an Internal Training Plan for the staff, as the more the employees know, the easier it will be to share knowledge with the customers. Training is also a tool for employee loyalty.

6.Communication

We cannot talk about loyalty without considering both internal and external communication. For this reason, we include three key aspects to work on in communication:



6.1. Communication with the Team:

This helps create a common project, maintain passion and motivation, and unify procedures and ways of working. In short, it creates the company culture. This is achieved through regular individual and group meetings, internal newsletters, internal training sessions, etc.

6.2. Communication with Customers:

All clubs have various communication channels with their customers. In our experience, the most powerful and least utilised is communication through the staff themselves, especially the instructors. It is essential to get the instructors involved in communicating events, news, or issues, as they have significant contact with customers and can generate direct and effective communication with very little time investment.

6.3. Communication with the Community:

The goal is for the club to have a strong presence in its community and locality so that customers feel proud of their club. This is known as brand pride.

5. Exercise Dropout Risk Questionnaire

Identifying At-Risk Profiles

Not all customers have the same needs or are at the same stage in their journey towards an active lifestyle. Approximately **30-40% of new memberships** in a club are from **people joining a fitness centre for the first time** and, therefore, have no prior experience. This is the profile with the greatest need for support during their first 3 months at the club. The second profile includes individuals who have had some previous experience with sports and fitness, but it was short-lived and, in most cases, not successful.

The Transtheoretical Model of Behaviour Change outlines five stages that a sedentary person must go through to reach the Maintenance phase and make exercise a lasting habit. The two profiles discussed here fall between the **Preparation for Change and Action stages.**

Questionnaire and Practical Application

The Exercise Dropout Risk Questionnaire is a tool we have designed and tested in clubs over several years to identify these at-risk customers. This questionnaire, consisting of a series of simple questions, allows the club **to assess the dropout risk of a new customer**. When a customer answers affirmatively to any of the questions, it indicates that they may need more intensive support through a personalised onboarding program.

This questionnaire is very simple and easy to complete, so it can be done at the time of registration or during an initial consultation with an advisor

EXERCISE DROPOUT RISK QUESTIONNAIRE

Please answer Yes or No to the following questions:

	YES	NO
Is this your first time joining a fitness club?	☐	☐
Have you been inactive for more than 1 year? (minimum 2-3 days a week)	☐	☐
Do you think you might struggle to establish a regular gym routine at first?	☐	☐
Do you think you might need some extra help at first to feel comfortable at the club and with your workout?	☐	☐
Do you sometimes question your decision to join a fitness club?	☐	☐
Do you doubt whether you will achieve your physical goals due to lack of motivation?	☐	☐
Do you think it's likely that within 6 months you will stop exercising regularly?	☐	☐
Do you have any health conditions that require special supervision or control?	☐	☐

If you answered yes to any of these questions, the Onboarding Program will help increase your motivation for exercise and achieve your goals.

Signature and Date:

This questionnaire not only helps the club identify at-risk customers but also **increases the customer's awareness** of the challenges they may face, better preparing them to tackle these challenges and reinforcing their commitment to exercise.

Implementation of the Onboarding Program

Once at-risk customers are identified through the CRAE, they can be directed to an onboarding or induction program designed to provide them with the necessary support during the first few months of their experience at the club. This **onboarding program** is seen as a value-added service by the customers who need it, helping to differentiate the club from its competitors, increasing retention, and improving customer satisfaction.

4. Conclusion

Importance of Periodic Measurement

Improving retention is a complex process involving many factors. The solution does not lie in finding a single change that generates a significant improvement. In most clubs, retention improves by combining many small changes. The sum of all these changes can have a tremendous effect on retention and consequently on the club's profitability.

The Sum of Small Changes to Improve Retention

The first step to improving retention is to measure the metrics we have discussed correctly and periodically, as only then will you have a clear idea of which aspects to focus on to improve retention. However, measuring is not enough if it is not complemented by a comprehensive loyalty strategy.

In summary, improving retention is not the result of a single action but the sum of multiple well-executed strategies tailored to the individual needs of each customer. Only through the combination of measurement, analysis, and concrete actions can a significant impact on retention be achieved and, ultimately, the profitability of your fitness club.

> ***A Complex Process of Small Changes***

5. About fitnessKPI

FitnessKPI and its Technology

FitnessKPI is a leading **technology company** in the fitness industry, renowned for its expertise in data analytics. With a strong presence in over **18 countries** and a network of **more than 700 clubs**, FitnessKPI has established itself as the industry leader in state-of-the-art technology for data-driven decision-making.

FitnessKPI solves the problems of fitness companies that waste a lot of time and money searching for relevant data for decision making, sorting and analysing it. With FitnessKPI all this **process is 100% automatic**, so managers always have the data at hand on their computer or cell phone and have it automatically updated daily.

ANNA, FitnessKPI's AI

ANNA, FitnessKPI's AI is capable of analysing all the data of a club in less than **5 seconds**, makes future predictions and predicts which members will leave in the next 3 months.

Solutions for Benchmarking, Segmentation, and CRM

FitnessKPI also includes an industry benchmarking system, a customer segmentation engine and a CRM module that allows to automate actions with a **very high level of personalisation**.

FitnessKPI is the **key tool** that helps you **make better business decisions to improve retention, sales and revenue.**

Discover More on Our Website