TONBRIDGE & MALLING BOROUGH COUNCIL

LEISURE and ARTS ADVISORY BOARD

19 May 2009

Report of the Chief Leisure Officer

Part 1- Public

Matters for Information

1 LEISURE SERVICES BUSINESS UNIT – MEMBERSHIP RETENTION SOFTWARE

Summary
This report will be accompanied by a presentation from Mike Hills of The Retention People at the meeting and updates the Board on the success of the retention software installed at Larkfield Leisure Centre and Angel Centre in late 2007.

1.1 Background

1.1.1 Members will recall that this Board approved expenditure at it's meeting in July 2007 of £19,400 over two years to implement a software solution and reporting system in the Lifestyles fitness suites at Larkfield Leisure Centre and Angel Centre.

1.1.2 The software integrates with the member software used at reception to provide Lifestyles staff with instant recognition of who is in the gym, their pattern of use and a statistical measure of that customer's risk of leaving. Notes of previous customer contact are recorded by all staff to report advice and other communication with the customer.

1.1.3 The interventions are recorded and monthly reports detail the level of intervention and success of individual instructors. Subsequent usage frequency by customers with whom staff interact is recorded.

1.2 Industry Research

1.2.1 Industry research demonstrates that attrition rates amongst gym users are often above 4% per month, meaning that around half the customers who may start a year as Lifestyles members will not be a member 12 months later. This statistic highlights the need to focus on member retention with as much vigilance as new sales.

1.2.2 This retention average translates to having as many as 20 Lifestyles customers each week on the verge of cancelling their membership. The software identifies these ‘high risk’ customers and the research demonstrates that interaction will decrease the likelihood of cancellation.

1.2.3 The research also demonstrates, unsurprisingly, that customers who visit more regularly are more inclined to retain their membership. This retention is greatest where visit frequency exceeds one visit per week. The software allows visit frequency to be measured and identifies staff success in moving ‘high risk’ customers from below 4 visits in a four week cycle to above this level. This measure is known as the ‘perfect effect’ and is critical in the retention battle.

1.2.4 Finally, whilst not a researched piece of evidence, the Leisure Contracts Manager asserts the industry wisdom that staff in gym settings nationwide are renowned for talking to the wrong customers. All too often staff are drawn to the very regular, well-conditioned gym user rather than seeking out the less well known, less informed or de-conditioned and new customers who typically form the ‘high risk’ category. The software and measurement against targets set for ‘high risk’ interventions ensures this imbalance is addressed.

1.3 Overall Impact

1.3.1 The period measured for the benefit of this report covers 1 September 2007 until 28 February 2009.

1.3.2 In this period staff across the two sites have recorded intervention with almost 20,000 ‘high risk’ customers. At Larkfield Leisure Centre this equates to almost 70% with Angel Centre recording 42%. As staff training and use of the system increase these figures are now showing in excess of 80% and almost 70% on a monthly basis respectively.

1.3.3 In terms of total <u>additional</u> visits this equates to just under 30,000 visits and at Larkfield a ‘perfect effect’ of 4.4 visits in a four week cycle (i.e over one visit per week on average from customer’s with whom interaction has occurred) has been achieved by the entire instructor base. The Angel staff are close to this goal with an average visit frequency increased to around 3.7 in a four week cycle.

1.4 Financial Effect

1.4.1 At the start of the period covered direct debit member levels were around 1,360 and total income from direct debit around £45,300 monthly. To date these levels have increased to almost 1,600 and over £51,100. This 13% increase in monthly income should be seasonally adjusted and result in an annual increase in income from Lifestyles of around £22,000 in a full year.

1.4.2 This additional income may not all be directly attributed to the retention software as other factors including sales promotions, investment and training all play a part. However, this encouraging financial performance should be set against a backdrop of the current economic conditions that have seen an overall downturn in income within the Leisure Services Business Unit in the region of six figures.

1.4.3 The impact of the economic downturn is also highlighted in the attrition rates that were being successfully managed below the Business Plan target of 4% in the early part of the year but have increased to an annual average of fractionally over 4%.

1.5 Conclusions

1.5.1 Whilst it is not possible to determine the precise financial impact of the retention software it is notable that in difficult economic times Lifestyles has enjoyed increased income returns.

1.5.2 The visit frequency of customers has increased and improved retention is proven to result from this increase.

1.5.3 Staff are clearly engaged with 'high risk' customers, bringing health benefits to a wider section of the local community.

1.6 Legal Implications

1.6.1 None

1.7 Financial and Value for Money Considerations

1.7.1 It is felt that the investment in the retention software is fundamental to the continued success of Lifestyles and that payback has been achieved within the two year period of the initial investment.

1.8 Risk Assessment

1.8.1 The Indoor Leisure Operational Risk Register identifies the need to achieve annual financial targets and the potential adverse impact on the Council of the indoor leisure facilities failing to achieve targets. The retention software assists in meeting financial targets.

Background papers: contact: Martin Guyton

Nil

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