



# **The current status of customer retention at Easy Fit, and ways to improve it in the future**

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Abstract:	
<p>This thesis investigates the customer retention of the company called Easy Fit. Two sets of methods are utilised, in order to answer the research question: customer data analysis and a customer survey. The investigation is limited to six Easy Fit centres around Finland. The focus is on the current status of customer retention, which is examined based on the customer data. This part includes the average customer lifespan, attendance patterns, and the customer retention rate. The future prospects are resolved by studying the customers' demands, and ways to respond to them.</p> <p>The average customer lifespan is calculated for both present customers and the past customers, who have terminated their membership contract within the past year. The attendance statistics focuses on the high risk customers, who are the ones that are most likely to churn. Customer retention rate describes numerically the situation of the customer retention. Customer survey is used as a method of mapping the customers' demands, and the results are analysed by comparing the customer data to the answers of the survey. By responding to the customers' needs, it is possible to improve the current status of the customer retention, and therefore enhance the profitability of the company.</p>	
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# 1 INTRODUCTION

During the recent years, fitness industry and fitness centres have experienced a strong growth, which has led to growing competition. The companies strive to differentiate from the others by focusing on different core competencies, and by finding new ways to attract new customers. Usually, the companies sell a membership to the customer with a convincing sales pitch in the acquisition process, but in order to keep the customer, a separate retaining process is needed.

For this thesis co-operation was agreed upon with Ab LL International Oy, a private Finnish company, which owns two franchise fitness centre chains. The company started off in 1987 with Lady Line and later on Easy Fit was established to respond to the growing demand for fitness centres with affordable membership fees. The case company in this thesis is Easy Fit, which offers as a product, a gym membership with lower price than many other competitors in the field. The affordability derives from strategic decisions such as: no constant on the spot customer service and mostly virtual group exercise classes (LLI, 2015). The attractiveness of the company is in its affordable price, open-ended membership contracts, and rather long open hours. A membership at Easy Fit is always open-ended, with 30 day term of notice. In other words, there is a possibility to terminate the membership contract, whenever the customer decides to do so. The easiness to terminate the membership with no limitations is the factor that affects the customer turnover. Meanwhile, the new customers are acquired, the old customers terminate their membership; causes the customer rates to fluctuate (Jyrki Hannula, 2015). This was the motivation to focus the investigation of the thesis on the customer retention of Easy Fit.

## 1.1 Research question

What is the current status of customer retention at Easy Fit? What are the customers' needs and in which way could Easy Fit respond to them, in order to improve the customer retention?

## **1.2 Research aim**

The research aim is to understand the concept of customer retention, and all the factors affecting it. The customer retention of Easy Fit is studied, in order to come up with beneficial research outcomes for the company. The investigation focuses on six Easy Fit centres. Two of which are located in Helsinki, another two in Tampere, one in Vaasa, and one in Siilinjärvi. The outcomes of this thesis provide a tool for Easy Fit to utilise in the future customer retention processes. After the research, the differences of different kinds of retention issues, customer lifespan, attendance, are understood and the right tools to affect them are introduced.

## **1.3 Approach**

The scope of the research focuses only on the customer retention issues of six Easy Fit fitness centres, but the outcomes will give the company a tool to fight the fluctuating customer rates also in other centres. The investigation provides an answer for the company: what are the actual factors, data and figures, when it comes to customer retention. What could the company learn from the outcomes, and eventually utilising the results to minimise the fluctuation of the customer rates.

The first step is to understand the concept of customer retention and apply it to the case Easy Fit. The secondary data is used to lay out a theoretical basis for the methodology part of paper. There is a great variety of literature about the topic of customer retention providing reliable data. The secondary data for this research is obtained from literature, e-books, and articles. Cooperation with the company enables the access to the Business Intelligence (BI) of the company. The customer related data is utilised for analysis and investigation of the current status of customer retention. The raw data is retrieved from the case company's BI-system. The raw data, such as, the average customer lifespan of a past and present customers, customer retention rate, customer attendance, is assessed and statistically analysed. Error and control analysis are needed especially, when the calculations are conducted for the customer retention rate and customer lifespan. The calculations provide the numerical data to answer the research question, the analysis based on the outcomes of the calculations will provide the results and answers to figure out the current situation of customer retention. Customer attendance is seen as a way to both

analyse, and predict the behaviour of the customers, which is also linked to the process of retaining the customers.

After having this data on the basis, the customer point of view is taken into account by carrying out the questionnaire. The questionnaire is sent to Easy Fit's past and present customers from the investigated centres. The goal is to find answers to why the customer attained a membership in the first place, have they been content with the company, have they considered terminating their membership contract, and so on. This way, it is possible to understand the customers' view and demands, and to end up with means to develop the customer retention process.

## **1.4 The expected outcome**

The expected outcome of the thesis are the following. Increasing the understanding of the retention issues, attendance, and acting patterns of their clientele. This would enable the company to take actions, in order to retain the customers. By investigating, explaining, and understanding, the lifespan of an average customer, predictive behaviour modelling could be carried out. Easy Fit could retain the customers by trying to predict the customer behaviour and establish counter measures for the needs, and demands of the customers. The questionnaire will help to show what the customer expects from Easy Fit, and do they feel that the company manages to meet their expectations. If the expectations are met, the customers are satisfied with the company, now this leads to customer retention, eventually. By combining the two sets of methods, this thesis provides a cohesive analysis of the current situation of the customer retention in the company. In the analysis part, by pointing out the strengths, weaknesses, opportunities and threats, it is possible to offer solutions, according to the results acquired from the questionnaire.

## **2 THEORETICAL FRAMEWORK**

The following chapters lay out the theoretical framework of this thesis the terms and concepts covered in this thesis are defined and explained. After explaining the core concepts, the focus shifts to the actual research. To build a base for this research, the theoretical framework consists of secondary data, gathered from several reliable sources, such as

relevant literature, electronic literature, and articles. The following chapters introduce the issues linked to the topic of this thesis.

## **2.1 Fitness industry and fitness centres**

The fitness industry itself is rather new, as a result of service oriented business market. Even though, the very first gym in Finland was set up in the 1950's, the business concept was simple and there was no actual competition in the market. It was not until 2000, when the fitness industry started to grow little by little (Palmu, 2009) and the rise of the commercial fitness centres emerged (Stern, 2008). The first concept included only a gym, however, nowadays the concept has evolved to multifunctional fitness centres offering a gym with numerous pieces of equipment, free weights, yoga, aerobic, body pump and dancing lessons (Palmu, 2009). Several benefits and utilities are included in a membership, in order to offer a competitive supply of services. Thus, the fitness centres focus on offering a great variety of services in order to stand out from the rapidly growing industry. The Fitness industry has, in fact, experienced a growth trend in the past few years (TEM, 2014). The branch in the industry that consists of the fitness centres has experienced a growth of 62 % during the past four years, from 2010 to 2014 (Lith, 2013). While the industry grew in the matter of economy and size, companies had to come up with new ways to stand out and attract customers (Lith, 2013).

The competition in the field has led into a broadening variety of side products to offer: it first started with having group exercise classes, such as aerobic, body pump, yoga, Pilates, kettlebell, etc. on the side. The biggest fitness centres offer several group exercise classes, for example, one of the leading companies in the Nordic fitness industry SatsElixia, has around 100 classes to offer (SatsElixia, 2014). The competitive factors have also spread to services, such as personal training, child care, physiotherapy, massage. In the same time, some fitness centres have competitive advantage by low cost option for the customers, providing the gym with core services only. Some of these types of fitness centres are so simplified in their concept, that there is not even a reception, but the customers get in with their membership card, and fingerprint (Fitness 24/7, 2015). These gyms are also accessible 24 hours a day and every day of the year, with a membership fee of half the price of the full service fitness centres (Finansavisen, 2013). According to Vorselman and

Katajisto (K&F Professional, 2014), the most popular fitness centres in Finland are the low budget fitness centres, and the so-called hygiene fitness centres. These low budget fitness centres fall into the price range of 20 to 30 euros per month, and the hygiene fitness centres are around 30 to 50 euros per month (Vorselman, Katajisto, 2014). The concept of Easy Fit falls in between these two categories. The monthly fee is kept rather reasonable in the range 29.90 € to 39.90 €, depending on the membership type. The cheaper price is for one gym only, and the other one covers all the Easy Fit centres in Finland. Customer service is provided to customers only in certain times, and the group exercise classes are mostly virtual (LLI, 2015).

## **2.2 The Easy Fit –centres in focus**

This thesis focuses on six separate fitness centres. Two centres are located in Helsinki: Helsinki Club, in the centre of Helsinki, and Helsinki Kalasatama. Other two are located in Tampere: Tampere Keskusta, and Tampere Koivistonkylä. The fifth investigated centre is located in Siilinjärvi, and the last one in Vaasa. The idea is to have fitness centres in both bigger, and smaller cities as a part of the research, since it will give a better chance to compare the results with each other. The oldest one of these centres is the one in Vaasa, which was opened in January 2011, and the second oldest one, Helsinki Kalasatama opened in November 2012. Helsinki Club and Siilinjärvi both were introduced in the February 2013, and Tampere Koivistonkylä was opened two months after these two, in April 2013. The newest centre of these six is Tampere Keskusta, which was opened in August 2014.

## **2.3 Customer relationship management**

Customer relationship management, CRM, is an invaluable tool for a customer-centric company, as Easy Fit, to maintain and develop customer relationships. It is a broad topic with several layers and factors (Rygielski, et al., 2002). CRM, as such, includes collecting, analysing, and storing, customer-level information, which may also be used as a tool for decision-making in the company (Kostojohn, 2011).

CRM aids the company to gain competitive advantage, through certain vital customer related processes, such as acquiring and retaining customers, and reactivating the passive

ones. The idea is to maximise the lifetime value of each client to the company, therefore, increasing the firm's profitability. There are four different categories to which CRM actions can be attributed: customer acquisition, customer retention, customer churn, and customer win-back (Kumar et al., 2012).

Customer acquisition is simply the process of acquiring new customers for the company. This process is a base for the entire CRM process (Kumar et al., 2012). A process, which manages the rate of existing customers leaving the firm, is customer churn, also referred as customer attrition. Customer churn rate is calculated, in order to come with concrete figures of the lost customers. This is the opposite of the CRR, customer retention rate, since CRR stands for the customers that the firm has managed to keep within their clientele (Carpenter, 2014). The process of reacquiring the customers, that have already left the company through customer churn, is referred as customer win-back (Kumar et al., 2012). As stated earlier, the focus of this thesis is on the concept of customer retention at Easy Fit; however, these four concepts are all linked to each other. The reasoning for chosen topic derives from the significance to companies in general, to understand the bigger picture of customer relationship management, and how all the processes are related to each other.

## **2.4 Customer retention**

“The key to customer retention is customer satisfaction”, according to Kotler (1994), and in numerous researches and publications, the customer satisfaction has been proven to be the premise for customer retention (Hennig-Thurau and Klee, 1997). The significance of customer retention, with reference to customer satisfaction, has increased in the past few years, and will most likely continue to do so. The reasoning behind this is the large range of services, and products to choose from, the competition tends to be intense within various different fields, including the fitness industry. The importance of customer retention is connected with the revenue of the company; in comparison to the cost of maintaining the existing customer base, it is several times more expensive to acquire a new one. Lately, this has been seen as a new potential, retaining the existing customers, while seeking for new ones, boosting the long-term growth and success of the company (Raab, et al., 2008). There are numerous opportunities to choose from, in order to achieve customer

retention. However, it should start from providing good quality products to the customers, the price of the product, or service for that matter, has also a great deal of an effect to the customer retention. As for also the relationship and communication between the company and the customer, and the modes of distribution (Raab, et al., 2008) The reality is that on average the companies tend to lose half their customers in five years' time (Barlow, Maul, 2000). Improvements in customer retention, however, cut losses and increase profits. A 2% increase in customer retention, has the same effect for the company, as decreasing costs by 10%, according to E. Murphy and M. Murphy (2002). In other words, the company should invest in customer retention, since the effect is positive in the short-term, but especially in the long run (E. Murphy, M. Murphy, 2002). Many companies have started to realise the importance of customer retention on a certain level, for example on the cost related side. However, only a few understand how the economics of customer retention, influence their own business. In other words, companies do not know the customer retention factors and figures, which affect to their outcomes (Payne, 2006). This fact states the motivation, to carry out this thesis in the first place.

There are certain strategies, which may be applied by the company, in order to enhance the customer retention. Firstly, it is important to know the customer retention rates, since it gives a more concrete idea of the situation. Secondly, the company should know the causes of defections, since by understanding why the customers leave the company, it is possible to move forward with the customer retention program, and find solutions to the problems. After these, it is important to set clear targets, focus on the most active customers, while of course not forgetting to reactivate the dormant customers. Meanwhile, it should not be forgotten to ensure carrying out consistent, and quality products and services (Leventhal, 2006). This framework of strategies, to reach customer retention, sums up the goal of this thesis rather well. The structure of the research is stated later on, but this indicates the relativity of this paper.

#### **2.4.1 Customer retention within fitness centres**

With regard to this thesis, the aspects affecting to the customer retention are, in a way, more complex. The nature of the business structure is different, when it comes to fitness centres. The customer base is already there, every customer has to sign up for a membership, in order to utilise the facilities, and services, of the fitness centre. In addition to the

earlier mentioned four factors of customer retention attributes and customer satisfaction, also brand associations, and commitment have an effect on the customer retention for fitness centres. The customer relations at the fitness centre, customer commitment, and the frequency of attendance tend to have a positive effect on the retaining process (Ferrand et al., 2010). Predictive behaviour modelling is a process, in which the derived patterns are applied, in order to find anomalous or unusual data elements (Rygielski, et al., 2002). In this research case, it is used to understand the behaviour of an average customer at Easy Fit.

There are three terms that need to be clarified. First off, the attendance itself means how often a member turns up at the fitness centre to train. Secondly, drop out, is an incident, which occurs when a member stops attending, even though, the membership might still be on-going. The third term, adherence, informs about the attendance situation. Adherence refers to whether a member attends actively, as it has been earlier prescribed in a program (PT Direct, 2015). Attendance, especially, is a good way of modelling the behaviour of the customer. In fact, customer retention and attendance are linked to each other, when it comes to fitness centres. Since, attendance correlates with the value received in return from the membership investment. Without attending, and therefore, not utilising the services that the centre has to offer, it is likely for the customer to lose interest for good. When the customer stops coming to the gym at all, or attends in drastically decreasing amounts, this means that the customer is not completely content with the fitness centre. Or the member is not motivated enough to continue attending on a regular basis (PT Direct, 2015). After getting a membership at a fitness centre, the first few months of training are the most critical ones, attendance-wise (Gilson, 2015). If the attendance pattern starts off as irregular and with a small number of attends, retaining the customer becomes less likely (PT Direct, 2015). Many aspects and factors may have an effect on this; however, at this point the company should realise the customer situation, and take on counteractions, before the decision of quitting occurs (PT Direct, 2015).

## **2.5 Customer lifespan and customer lifecycle**

Customer lifecycle describes the phases in the relationship between the business and the customer. Ergo, the phases that the customer goes through from considering of buying

the service, to the actual buy -in this case getting the membership- and the post-purchase phase (De Clerk, 2015). The nature of the customer relationship tends to change from time to time. The customer may find out new sides about the company, which may affect either positively or negatively to the attitude of the customer. Therefore, customer lifecycle is important for the company; it sets up a framework to understand the customer behaviour (Rygielski, et al., 2002).

Customer lifespan stands for the period of time, in between the first and the most recent transaction. In this case of Easy Fit, however, it means the period of time the customer stays as a member of the gym (Salesboom.com, 2015). One of the important aspects to cover is the customer lifespan, in a sense, that the average customer lifespan is calculated for each investigated Easy Fit centre.

## 2.6 Customer lifetime value, CLV

Customer lifetime value (CLV) describes the monetary value of a customer relationship; it is based on the present value of the projected future cash flows from the customer relationship. This concept emphasises that the companies' should, instead of short term and quarterly profit focus, look at the big picture, the long term quality of their customer relationships. As it is more expensive to acquire a new customer than to keep an old one, and customer retention is proven to be relative to the profit of the company (Fripp, 2014). When, the customer lifetime value is maximised, thereby the profitability increases (Kumar et al., 2012). Customer lifetime values of all the customers of the company, aggregated results in customer equity of the firm (Fripp 2014). In other words, customer equity is the sum of the CLVs of the firm's current and future clientele (Vriens, et al., 2006). The formula below, describes the relation of different factors on the CLV.

$$CLV = \sum_{t=0}^T \frac{(p_t - c_t)r^t}{(1+i)^t} - AC, \text{ where} \quad (1)$$

$p_t$  = price paid by a customer at a time  $t$

$c_t$  = direct cost of servicing the customer at time  $t$

$i$  = discount rate or cost of capital for the firm

$r_t$  = probability of customer repeat buying or being retained at a time  $t$

AC = acquisition cost

T = time horizon for estimating CLV

(Gupta, et al., 2006)

Price paid by a customer at a time  $t$ , stands for the membership fee, paid monthly. Direct cost of servicing the customer at time  $t$ , in the case of Easy Fit, depends on the opening hours of the customer service. Since, the on-the-spot customer service is available at the fitness centres only in certain times of the fitness centres' opening hours. Acquisition cost stands for the cost of acquiring a new customer for the company (Gupta, et al., 2006).

## 2.7 Customer retention rate, CRR

Customer retention rate is a metric, which demonstrates the proportion of customers that have stayed with the company only a while. New customers are not included in the calculation of customer retention rate. CRR can be calculated weekly, monthly or annually (Ahmad, Buttle, 2002). However, when it comes to investigating the customer retention rate, it makes the most sense to calculate it from a longer period of time. Since, the nature of the customership is tends to last at a minimum length of couple of months (PT Direct, 2015). Below, the formula to calculate customer retention rate for a company:

$$((CE-CN) / CS) \times 100 = CRR, \text{ where} \quad (2)$$

CE= number of customers at the end of period

CN= number of customers acquired, during period

CS= number of customers at the start of period

(Carpenter, 2014)

In order to find out the customer retention rate for a certain period of time, three factors need to be calculated, as listed above. When calculating the customer retention rate, the interest is in the number of remaining customers at the end of a period, excluding the new

customers acquired during that time. Hence, CE minus CN stands for the remaining customers. In order to end up with a percentage, the number of remaining customers, is divided by the number of customers at the start of a period, and multiplied by 100 (Carpenter, 2014). Even though, this is a simple calculation, it brings important data and relevance into the situation (Lehman, 2012). CRR is included in this thesis, since it is an excellent measure in tracking and understanding customer retention of a company (Lehman, 2012).

### **3 METHODS**

The thesis was carried out by utilising two sets of methods. The first method consists of an analysis of existing customer data, retrieved from the Business Intelligence of the company. It focuses on investigating the average lifespan of an Easy Fit customer, and understanding the customer retention through the figures that are obtained from the analysis. The concept of Business Intelligence is introduced, before further analysis of the data of Easy Fit. The second method used is the questionnaire, which is carried out to map the past and the present customers' attitude and thoughts about the company, and the retention issues. The objective in the second part of the research method is to find out the customer's side to the retention, and help the company to improve their processes, through the findings of the questionnaire. As the research question states already, the idea is to retain the customers, calculate certain rates and figures that come with it. In addition to this, the goal is to understand the mean lifecycle of the customer, in order to prevent the upcoming changes in the customership.

#### **3.1 Introducing the Business Intelligence of Easy Fit**

Enterprise resource planning (ERP) is software, which manages the business processes of a company. In other words, it enables a company to manage several important sectors of its business, such as back office and business support functions, in the same application. Therefore, these functions are easier to manage, and may also be automated to some extent, the data entry is kept efficient, in that sense (Beal, 2015). The information gathered in ERP, tends to be rather arduous, and slightly inefficient, to be used in the reporting. Hence, bigger companies engage in using Business Intelligence, which is there to ease the reporting of both ERP, and CRM, to mention a few (Jethwa, 2006). Basically, the

difference between ERP and BI is that, ERP stores all the company related information, while BI takes this information, analyses it and presents it back, on a clear layout. The data in DL BI Prime 3000 is used mostly in administrative purposes. The business intelligence includes confidential data, regarding Easy Fit's customer data. Hence, the separate classified Appendix 1 will not be presented in the published version of this research. The reasoning behind this is the fact that, all this customer data is a business secret, and might end up having a negative outcome for the company, if it was publicly available.

The first part of this research is based on the information and data, retrieved from the Business Intelligence of Easy Fit is called DL Business Intelligence, Prime 3000. This software is used, in order to attain the data and figures, regarding the customer retention. DL BI Prime 3000 includes data from each Easy Fit centre, all the customer data, from both past and present customers, attendance data, and group class statistics. The system is based on real-time data, it refreshes itself every hour. The customer data includes the general and contact information of each customer, the day the membership started, the type of the membership, the duration of membership in days, if the membership is terminated, and the termination date is also archived to the system. The fitness centre data includes data regarding the specifics of each centre, the quantity of customers, the membership types in the specific fitness centre, the monetary statistics, and the number of memberships to attain, in order to break-even. The group exercise class-statistics include information divided according to each instructor, how much the group class service has been utilised. The additional statistics is, in fact, a spreadsheet, which includes all the statistical data regarding the retention issues.

### **3.2 Analysing the customer data**

Six fitness centres are investigated, two in Helsinki: Helsinki Club and Kalasatama, two in Tampere Keskusta and Tampere Koivistonkylä, one in Siilinjärvi, and one in Vaasa. These researched fitness centres were chosen together with the CEO of Easy Fit, Jyrki Hannula. The idea was to have fitness centres both in bigger cities, and smaller ones. Since, the outcome of the research is targeted to be broader, which would not be the case if the focus would be on one gym only, or gyms in the same area. When the research is based on a several of fitness centres around Finland, the outcomes are representative and

the benefit for the company is greater. The hypothesis is that the results differ, depending on the size and the population of the city, where the fitness centre is located. It is presumed by the author, and the owner of the company that the smaller the city, the higher the retention and the longer the average lifespan of a present customer. This is based on the fact that there is a lot more competition in the bigger cities, than in the smaller ones. It might be easier for the customers to terminate the membership contract, and join another gym after that, when there is a bigger variety to choose from. For example, there are only a couple of fitness centres in Siilinjärvi, while in Helsinki there are 140 of them (Kuntosaliohjelma.fi, 2015).

The data analysis started with exporting data from the BI to a CSV-file, and then to Microsoft Excel. Each fitness centre's data is collected in their own Excel files, and each of them includes data, as follows: customer data from the past and the present customers. The data for each fitness centre was retrieved from the BI to Excel, in the same date, within the same hour on the 1<sup>st</sup> of July 2015. The reasoning behind this is the fact that the data on the BI refreshes itself on an hourly basis. The reliability of the thesis might be under question, if this was not taken on consideration. The customer data regarding the current and active customers includes data from several years. The mean, standard deviation, etc. is calculated, in order to understand the state of the customers' lifespan thoroughly. The non-active customer, in other words, the past customer data is delimited in a following way: only the customers, who have resigned within the past year (1.7.2014-1.7.2015), are included in the process. The reason to delimit the data set of past customers was the fact that, the tracking of them is not that reliable.

The most reliable way to export the present customer data from BI, was to export the customers who pay their membership with e-invoice, or with billing. This way, only the paying members were included in the research, and members such as employees, who are also in the customer register, were excluded. The demarcation was done, improve the reliability of outcomes.

The data, retrieved from the BI of Easy Fit, was divided into different Excel workbooks. Each workbook contained customer data of a specific fitness centre. There were three different sheets for following data sets, the present customers were divided into the customers, who pay with an e-invoice, and the customers, who are billed with a normal paper

bill, referring to the explanation in the previous paragraph, the past customers from the time frame of 1.7.2014-1.7.2015.

The calculations for the analysis were carried out in Microsoft Excel, which formulates the calculations automatically. The customer data was calculated, in the following order: mean and median, standard deviation and variance. Since, the research problem is to find out average lifespan of an Easy Fit customer, the typical value needs to be investigated, in order to come up with an answer. Mean is the average, a sum of all the values in the investigated data set, divided by the count of the values (Stapel, 2015). Extreme values have a strong influence on the mean, therefore it is important to use several methods to identify the most typical value, for the lifespan of a customer (Burdess, 2010). Median, as opposed to the mean, is not influenced by the extreme values. It is the middle number of the data set, when it is sorted in numerical order, from the largest to the smallest value (Stapel, 2015). If the numbers in the research happen to vary a lot, and there are extreme values included, the median would then give a more accurate answer to the question of the most typical value (Burdess, 2010). In this research, the lifespan figures vary from a couple of days to couple of years. The values in the data sets differ from one fitness centre to another. This is the reason, why both mean and median are calculated for all the data sets, in order to enable the comparison of the results.

After mean and median were computed for each data set, the next step was to find out what is the spread, what is the most typical value of the data set. Since the mean or the median do not provide the sufficient answer to the research question. For the proper analysis, the following measures were computed with Excel: standard deviation and variance. They are related to each other (Lane, 2015), and calculate the typical value for the difference between the mean and each value (Burdess, 2010). Standard deviation is a measure used to find out the degree of scatter of data; in fact, it is the square root of the variance. Variance describes how far the numbers are located from the mean, it is calculated by utilising the following formula:

$$s^2 = \frac{\sum [(x_i - \bar{x})^2]}{n - 1} \quad (3)$$

(QuickMBA.com, 2010)

Where the  $s^2$  stands for variance,  $x_i$  a sample observation,  $\bar{x}$  is the mean, and  $n$  is the sample size. However, in this data analysis, Excel calculates the variance and standard deviation automatically, after the right formulas are chosen (QuickMBA.com, 2010). Depending on, whether the standard deviation is high or low, it tells different things about the mean value. If the standard deviation is low, it means that the values in the calculated data set are close to the mean value of the data set, and vice versa (Lane, 2015). The focus is more on the standard deviation, since it is easier to interpret than the variance. Despite this, both of the values are computed. After calculating the standard deviation and variance, separately for each data set of the fitness centres, all the data needed for the understanding the customer lifespan, were carried out.

### **3.3 Customer attendance**

The BI system of Easy Fit provides overall attendance data regarding the number of visits in the fitness centres daily, hourly, and the frequency of visits per customer. The attendance statistics also enable to study the percentages of customers in the danger zone, as it was named in the BI of Easy Fit, which means the customer has one to four attends within the past 90 days. Another measure, which is interesting in regards to customer retention, is the number of customers, who have not attended within 30 days. In this work, in regards of the customer lifecycle the activity of the customer was investigated. This investigation was taken to extents, which were under the circumstances plausible. Separately for each fitness centre, the amount of customers in the danger zone was collected from the BI system, in addition to the figure consisting of the customer with no attendance within 30 days. The attendance data was retrieved from the BI system on the 31<sup>st</sup> of July, which means that the data sets include customer data from the following months; in the case of the customers in the danger zone (1-4 visits within 90 days), the attendance is tracked from July, June, and May of 2015. As for the customers, who have no visits within the past 30 days, the data set includes information from the time 1.7.-31.7.2015.

A percentage share of the current customers, in a danger to end the membership was calculated according to their past attendances. The following procedure was done for each and every investigated fitness centre. The percentage share of the customers, who had

less than four attendances within the past 90 days, was calculated, and similarly the percentage out of all the customers, had attended less than four times within the past 90 days. The exact same was done for the number of customers, with no attends within the past 30 days. The percentage values, give a better understanding of the situation, and allows more thorough analysis of the outcomes. The point of these calculations is to find out perspective to the customer lifecycle related questions. Even though, it is not possible to track the attendance patterns of the customers, and analyse them, it is possible to utilise the percentages of customers in the danger zone, as a part of the analysing process of the customer data. This gives the research a meaningful perspective on the commitment and motivation of the customers on the fitness centre membership, which brings us back to the retention issues.

### **3.4 Limitations and outliers**

In the process of computing the statistical analysis, some of the outcomes did not seem to match with the values in the data sets. The data sets were checked, and it was noticed, that there appeared to be outliers in each data set. These outliers were removed manually from the data sets, in order to come up with an outcome that is reliable. The outliers were not deleted completely, but kept on a separate Excel-sheet. The outliers were identified for the following reasons; the data regarding the duration of a customership was, either longer than the age of the fitness centre, or negative value. After the outliers were removed from the data sets used in the statistical analysis, the results matched to the values in the data sets. The reason for the outliers is in the fact, that the data before the November 2014 is not fully reliable, since the BI was introduced for the first time in 2014 (Santikko, 2015).

Other limitations in this part of the research were the attendance patterns. In the BI of Easy Fit, there are no options to follow up specific attendance patterns. This factor made it extremely difficult, if not impossible, to investigate the specific customers' lifecycles. This limited the possibilities of utilising predictive behaviour modelling, and investigating the customer lifecycle, in the research process. However, there were other possibilities to reach the customer's attendance information, which was not as thorough as hoped, but provides useful information. In addition, as it turned out in the research, it would have

been difficult to find out the customer retention rate, since the data required for the calculation of CRR could not be found from the BI system. Since, it was not possible to get the archived data, which would have been needed to calculate CRR for the past half a year. Nevertheless, the BI system calculates customer retention rate for each month. It was possible to retrieve the rate of the current and the previous month. The customer retention rate values utilised, were all retrieved from the BI system on the 31<sup>st</sup> of July. In the end, the customer retention rate is included in the results part of this research, and analysed in an adequate way.

### **3.5 Questionnaire**

In addition to the findings from the company's BI system, it is important to investigate the customers' side in the matter of customer retention. There are several different theories, when it comes to retaining customers, different ratios and statistics; as explained in the previous chapters. However, the one key factor in customer retention is to find out the reasons, why the company keeps losing customers in the first place (Mansfield, 2012). This is why, it is important to understand the customers' side, and their opinions, when it comes to these issues.

As a second part of this research an online questionnaire was used as the survey method, in order to map the motivation and attitudes of Easy Fit customers, was an online questionnaire. The questionnaire was designed to answer some of the questions allocated with the customer retention. For example, why they got a membership at Easy Fit in the first place, how long have they stayed with the company, have they thought about terminating the membership, the reasons for the termination of the customer contract, their overall contentment with the company, and so on; the actual questionnaire can be found in the Appendix 2. The number of questions was deliberately kept rather low (nine different questions), in order to keep the answering time reasonable from the customer's point of view. The different question types were considered to get answers on all the most important aspects to have cohesive outcomes in the research. The questions are mostly multiple choice questions, in order to map the answers and analyse them properly. An important part of the question-design process was to make sure that all of them were clear

and non-leading questions. Two of the questions, regarding the termination of the membership included a formula in them. This means that, the next question was either skipped, or asked from the customer, depending on the previous answer. These differently formulated questions are: questions 7 and 8. Basically, only the customers, who answered that they had already terminated their contract answered both of these questions. The ones, who answered that they had been considering of terminating their membership contract answered to the question 7, but skipped the question 8.

The questionnaire was created with the system called Survey Gizmo (Survey Gizmo, 2015), a link was sent to the customers via email encouraging them to help Easy Fit to improve their services. The questionnaire was sent to customers of the investigated centres, on the 17<sup>th</sup> of September 2015, they were given a week to answer. The present customers received a notification from the personal that there was going to be a customer survey, and they were kindly asked to take part on it. The response rate for the questionnaire was predicted to be rather low, hence it was sent to all the present customers. In addition to the present customer past customers, who had terminated their contract recently, were included in the sample. The reason why the questionnaire was sent to both past and present customers, was that the outcome would then represent the well the customers' opinions. Since, the retention issues are under the scope of the research, it is important to find out the opinions of the customers, who already left the company. Since, these are the ones that already made the decision of terminating the contract, and therefore churned. If these customers answer the questionnaire, it is plausible to find the reasons for churning. Through this survey, it was possible to attain, not just answers, but also suggestions for the company to apply to their activities, and functions. The answers of the multiple choice questions were processed to percentages, and after that to pie charts, so that the results were easier to analyse. The comments in the blank fields of the questionnaire were read through and the most common answers were presented in the results of this thesis.

## **4 RESULTS AND FINDINGS**

In this chapter, the results from both the customer data analysis, and the questionnaire, are presented. However, in regards to the company's wish, the specific figures are not

published, but kept confidential in the classified Appendix 1. In the published version, all the figures and values are presented in alternative ways, which allow the reader to understand the results in the best possible way. The alternative representing of the results is explained in the beginning of each results section.

## **4.1 Results of the customer data analysis**

In the following section, the results from customer data analysis are introduced. Firstly the results and figures regarding the present customers are covered. After that the past customer data is introduced, and as last part of the customer data analysis, the customers in the danger to churn.

Due to the confidentiality agreement with the company, the results presented in the published version are kept as column charts, which are put into perspective as follows: always the first column in the chart, e.g. in Figure 1 the column called Helsinki Club, is marked as 100, and the following columns are computed by using the same ratios, as in the actual outcomes of the research. For example, if the number of customers for Helsinki Club stands for 100% and the Helsinki Kalasatama has 127%: in means 27% more customers for Helsinki Kalasatama, compared to Helsinki Club, then also the values in the column chart are represented in exactly same proportions. The results and discussion is based on the raw data, retrieved from the analysis, which is only introduced in the classified part of the research, since it provides a broader understanding of the figures, results, and the differences.

In Figure 1 the number of customers of each investigated fitness centre is represented as a column chart. The number of customers it gives a good understanding in regards for the following figures, and outcomes.

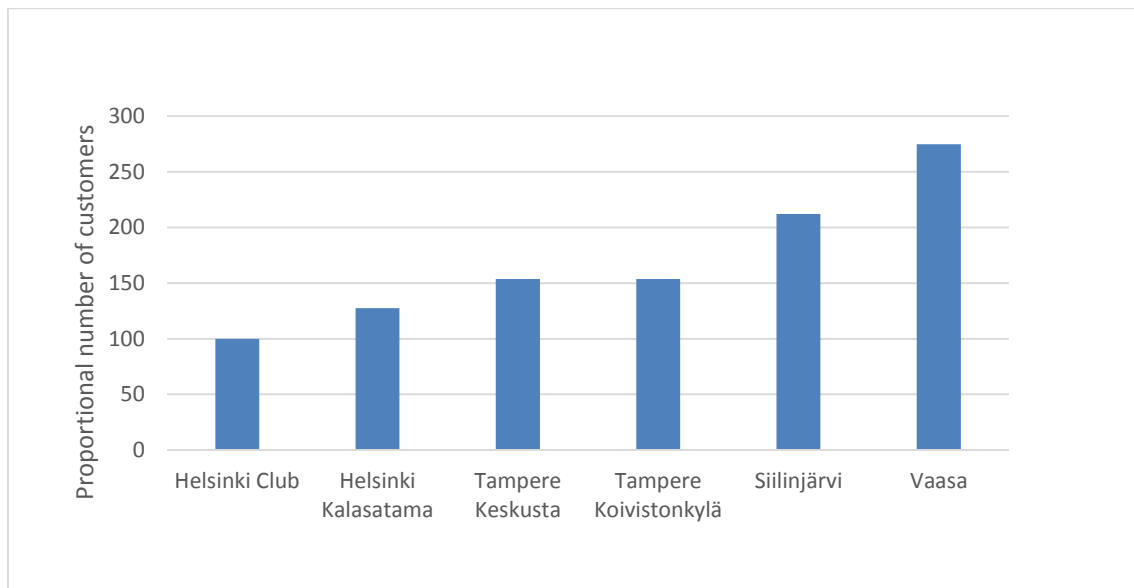


Figure 1. Number of present customers in each Easy Fit centre presented as proportional values

#### 4.1.1 Lifespan of present customers

Figure 2 presents the median values for the lifespans of Easy Fit customers. Each column stands for the median lifespan of an individual fitness centre. Both of the centres in Helsinki, have more or less the same median value; Kalasatama has just a bit higher value than Helsinki Club. As for the fitness centres in Tampere and Siilinjärvi, the median lifespan in days are a lot lower than in the ones in Helsinki. All the three have about 40 to 30 percent lower median value than the fitness centres in Helsinki. The most outstanding value is the median lifespan in Vaasa, with twice the value of Helsinki Club. The age of the centres affects the median values. Four of the centres: Helsinki Club, Helsinki Kalasatama, Tampere Keskusta, and Tampere Koivistonkylä, have all been operating from two to almost three years. Siilinjärvi was opened at the same time with Helsinki Club, yet the median customer lifespan in Helsinki Club is higher than in Siilinjärvi. Helsinki Kalasatama was opened on November 2012, and Helsinki Club three months after that, as for the customer lifespan of these centres, the median value are almost the same, with only a couple of days difference. The median lifespan at Tampere Keskusta is almost the same as at Koivistonkylä, even though, the Tampere Keskusta is more than year older centre. The median lifespan at Vaasa stands out, being also the oldest centre.

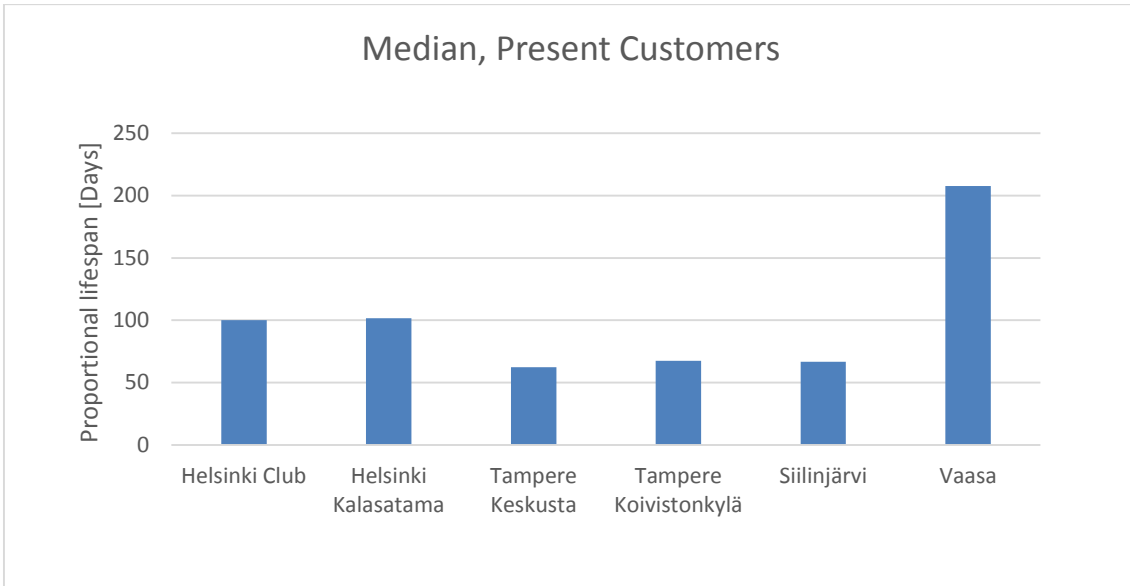


Figure 2. Median Lifespan of present Easy Fit Customers presented as proportional values

In the Figure 3, the mean values are presented in a column chart. Vaasa is the one with the highest mean value of the customer lifespan, the two fitness centres in Helsinki following as second highest values, and Tampere Keskusta, Tampere Koivistonkylä and Siilinjärvi have the shortest mean customer lifespans. Also the standard deviation is presented in the figure as error bars. The specific values are manipulated in a sense that the relations between each column bar and the standard deviation bar are constant, but the value scale on the left is changed. This system was used only with this figure and Figure 5. The reason is that the error bars could not be presented correctly in the proportional system used.

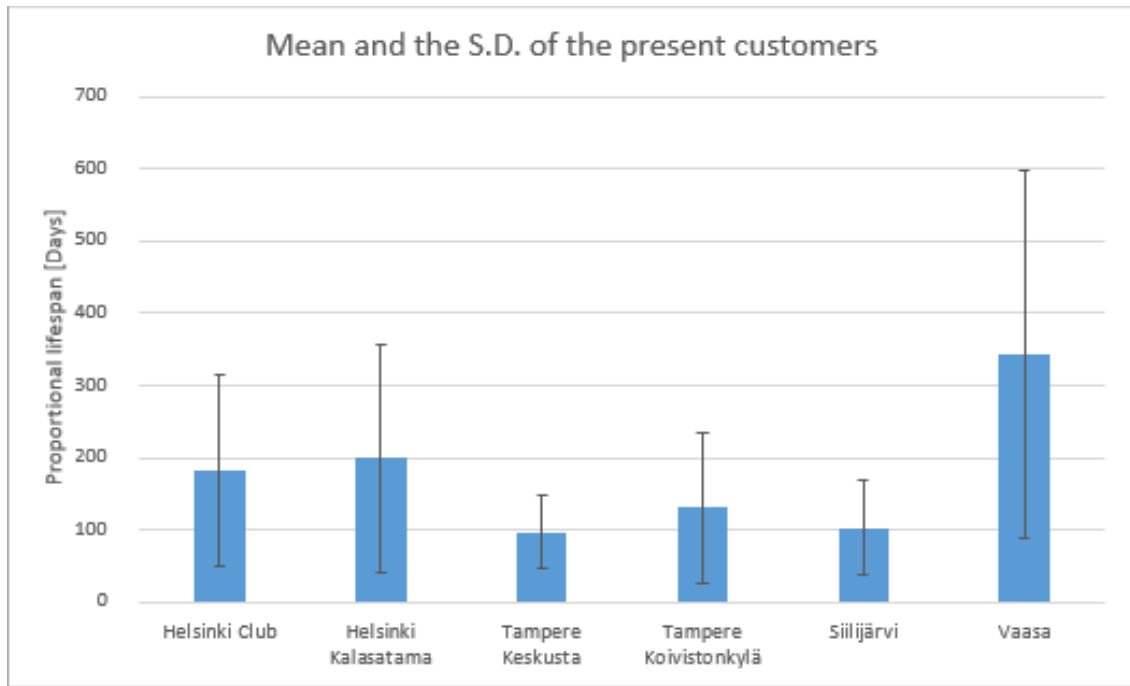


Figure 3. Mean lifespan with S.D. of present Easy Fit customers presented as proportional values

#### 4.1.2 Lifespan of past customers

In addition to the present customers, the customers who terminated their membership within the past year 1.7.2014-1.7.2015 were included in the research. The results of the customer data analysis are presented in the following figures with the same system as in the previous column charts.

The results of past customer data, differ from the present customer data. The median values of the past customer lifespan are presented in Figure 4. The centre in Vaasa has again the highest values, Siilinjärvi follows with the second highest values, the two centres in Helsinki and Tampere Koivistonkylä are in the middle and Tampere Keskusta has the lowest value. If the median lifespans of the past customers are compared to the median values of the present customers' lifespans, the median value of the past customer is lower. Though, here are two exceptions, Siilinjärvi and Tampere Koivistonkylä have higher median values in the past customer lifespan.

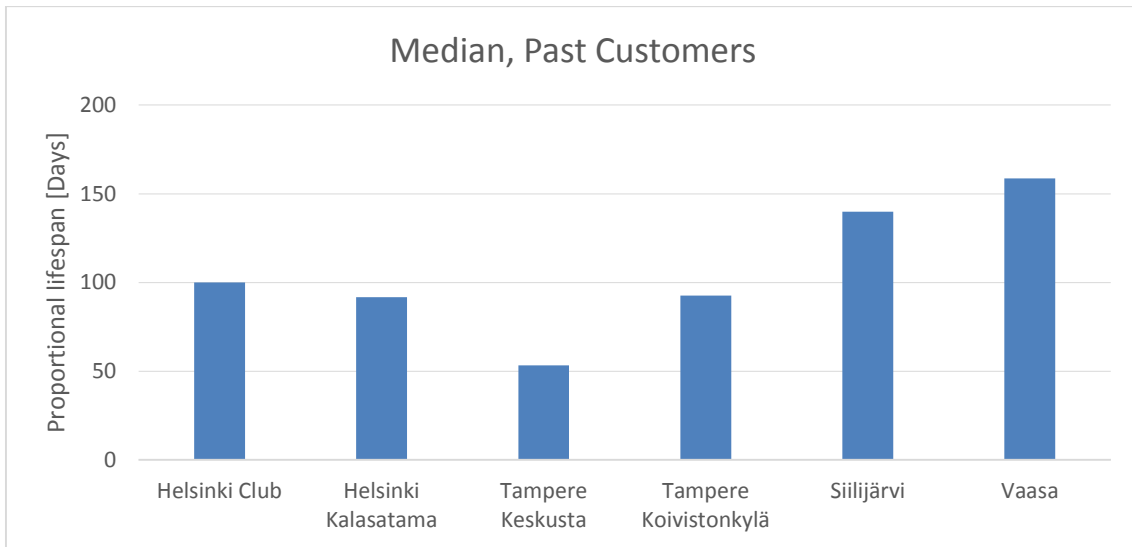


Figure 4. Median lifespan of past Easy Fit customers presented as proportional values, during 1.7.2014-1.7.2015

Figure 5 introduces the mean values of past customer lifespan. The results seem to be proportionally more or less the same as the median values, however, the actual numbers prove to be different. In fact, the difference of the mean and the median values varies from 24 to 134 days, depending on the centre. In spite of all, the proportions stay more or less the same in the median and the mean values. Except for the S.D. values, which are much higher when it comes to the past customer lifespan results.

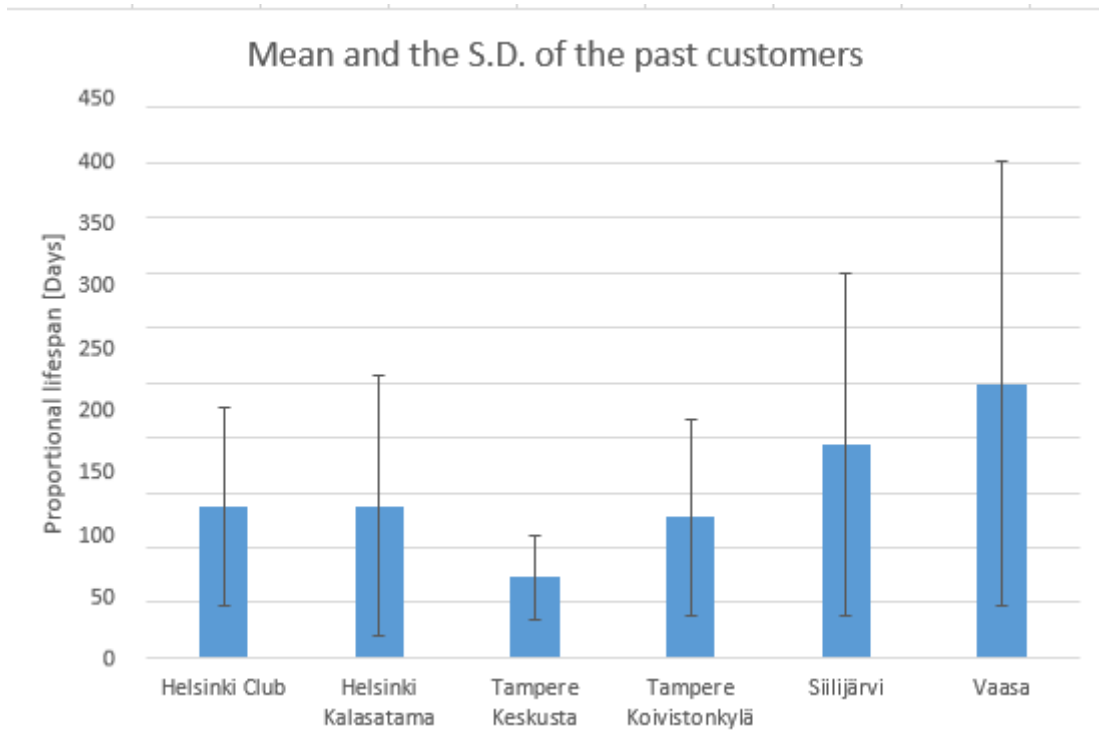


Figure 5. Mean lifespan of past Easy Fit customers presented as proportional values, during 1.7.2014-1.7.2015

#### 4.1.3 Customer attendance

In the following figures, the customers' attendance is presented. The normal attendance and the attendance data of who have not attended within the past 30 days, and the customers who have less than four attends within the past 90 days, are presented as pie charts. In Figures 6 to 11, with the confidentiality in mind, the values are not presented, when it comes to the customer attendance. However, the percentages in the following figures represent the relations of the actual values. Each figure presents the attendance of the customers in a single centre. The percentages are presented as pie charts, since it allows the reader to understand the relations between domains. The full circle stands for 100 % of the customers of each centre. The retrieved data from the so called danger zone, which includes customers, who have one to four visits within the past 90 days, includes attendance data from May, June and July. As for the customer data regarding the ones, who have no visits within the past 30 days have no visits in July.



Figure 6. The attendance of the customers, Helsinki Club, 31.7.2015

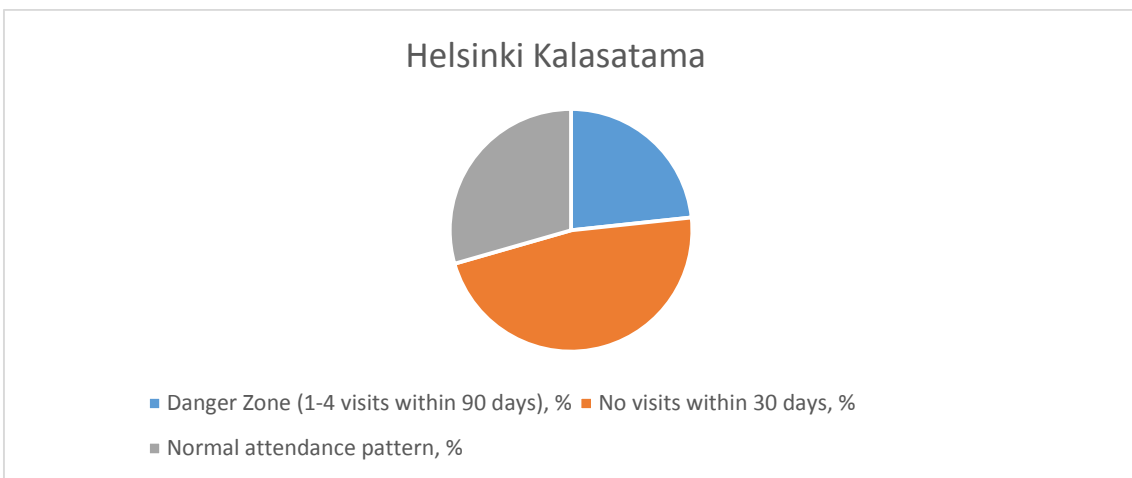


Figure 7. The attendance of the customers in Helsinki Kalasatama

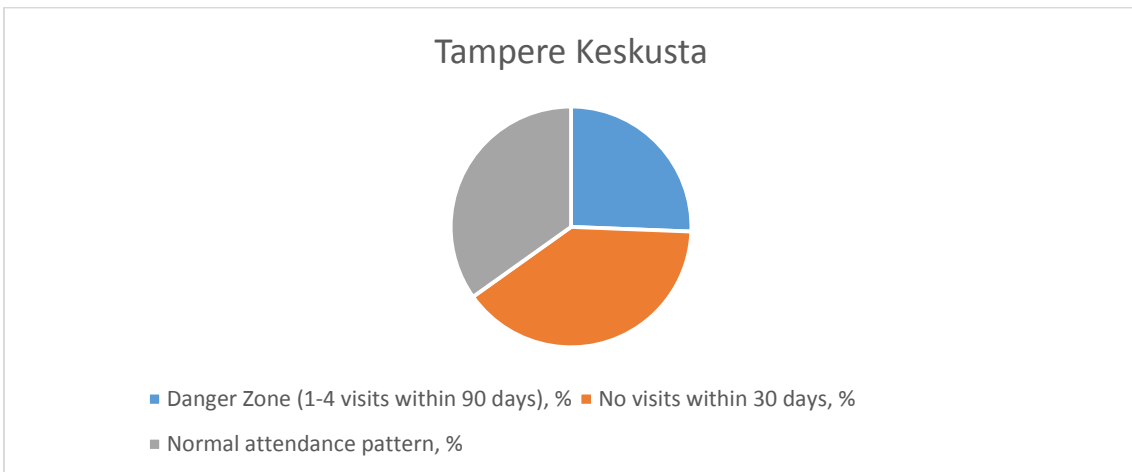


Figure 8. The attendance of the customers in Tampere Keskusta

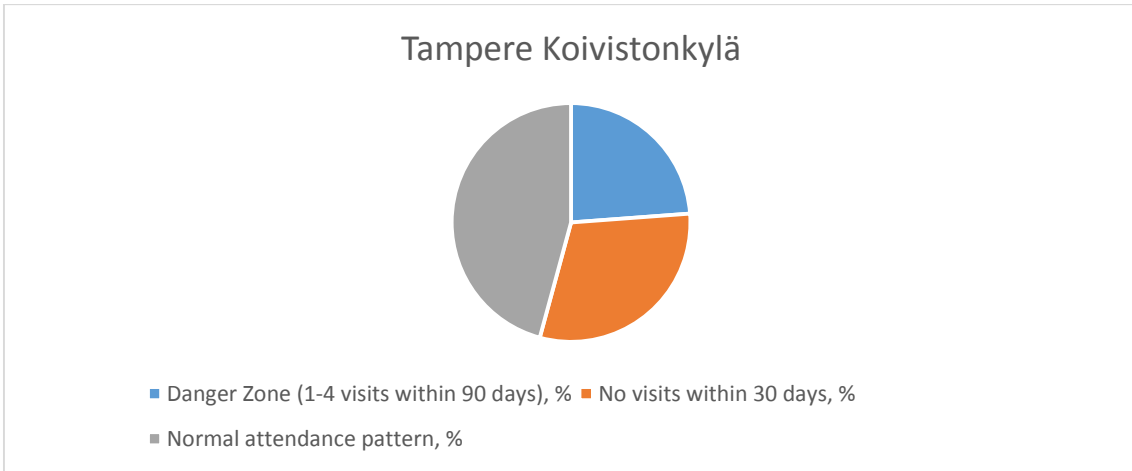


Figure 9. The attendance of the customers in Tampere Koivistonkylä

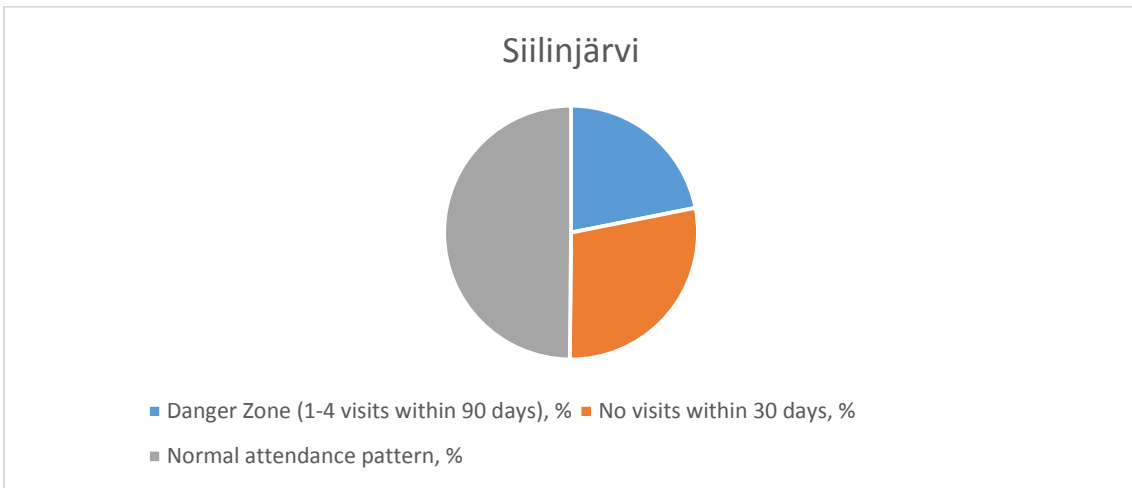


Figure 10. The attendance of the customers in Siilinjärvi

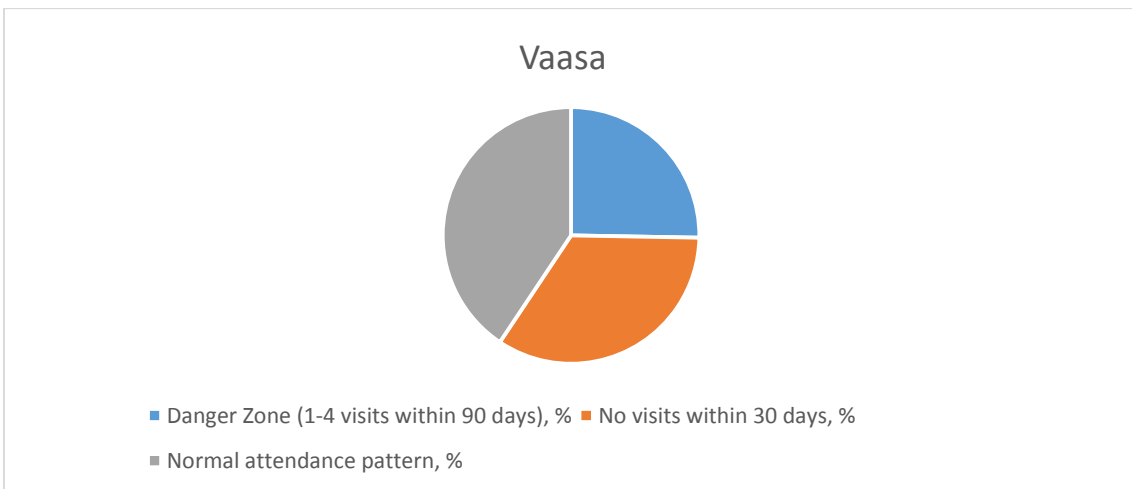


Figure 11. The attendance of the customers in Vaasa

More or less 20% of the members, in each centre, have one to four visits within the past 90 days, and are in the danger to drop out, and terminate their contract. In addition to this the amount of customers, who have not attended within the past 30 days, varies between 20 to 40 percent. These two rates are the ones that stand out from the normal attendance pattern. When it comes to the normal attendance Helsinki Club is the only centre, of with normal attendance reaching over 50%. The rest of the centres have less than 50% of the customers with the normal attendance pattern.

#### **4.1.4 Customer retention rate**

The customer retention rate is presented as pie chart in Figure 12 in a similar way as with the attendance figures. The CRR in charts stands for the actual percentages but the actual numbers are left out. The blue domain in the pie chart stands for the percentage of the customer retention rate, when the full circle stands for 100 % of customer retention rate. The figure presents the customer retention rates from July 2015. The BI calculates the rates on a monthly basis, which is why these rates represent the situation between the 1<sup>st</sup> of July and the 31<sup>st</sup> of July 2015. As presented in the Figure 12, the customer retention rates of each centre are rather close to 100 %, none of the rates falls under 90%. The Easy Fit centre in Siilinjärvi has the highest CRR of all, and Tampere Keskusta has the lowest one. However, the differences between the centres are not drastic at all, since they vary only in between one or two percentages.



Figure 12. The customer retention rates of the fitness centres during 1.7.2015-31.7.2015

## 4.2 Results of the questionnaire

The results of the questionnaire are presented question by question, mostly as pie charts, except for Figure 16, which is presented as a normal distribution curve. The answers for the ninth question is presented as a brief summary of the most common answers. The response rate was around 10%, which can be considered rather high.

The answers of the first question, presented in Figure 13, state that most of the customers, who answered the questionnaire have been members for half a year. The ones, who have been members for year or two were the second largest group, followed by the ones, who

have recently attained a membership. The smallest percentages of the replies come from the customers, who had been members for more than two years.

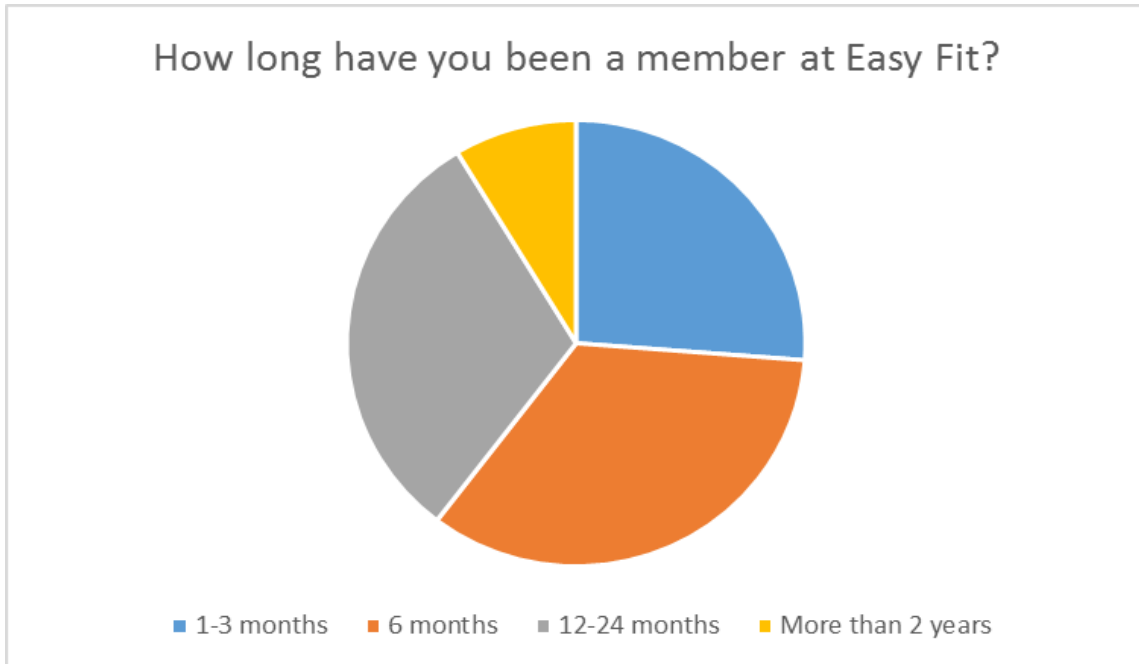


Figure 13 The answers of the question 1 in the questionnaire

According to the results of the second question, presented in Figure 14, affordable membership fee is the most important factor for the customers when deciding on the membership. Convenient location is the other one that the customers found important. The open ended contracts are important only for a small amount of customers. The 'other' option included a blank field; where the most common answers given were: all of the options, long open hours, friend's recommendation.

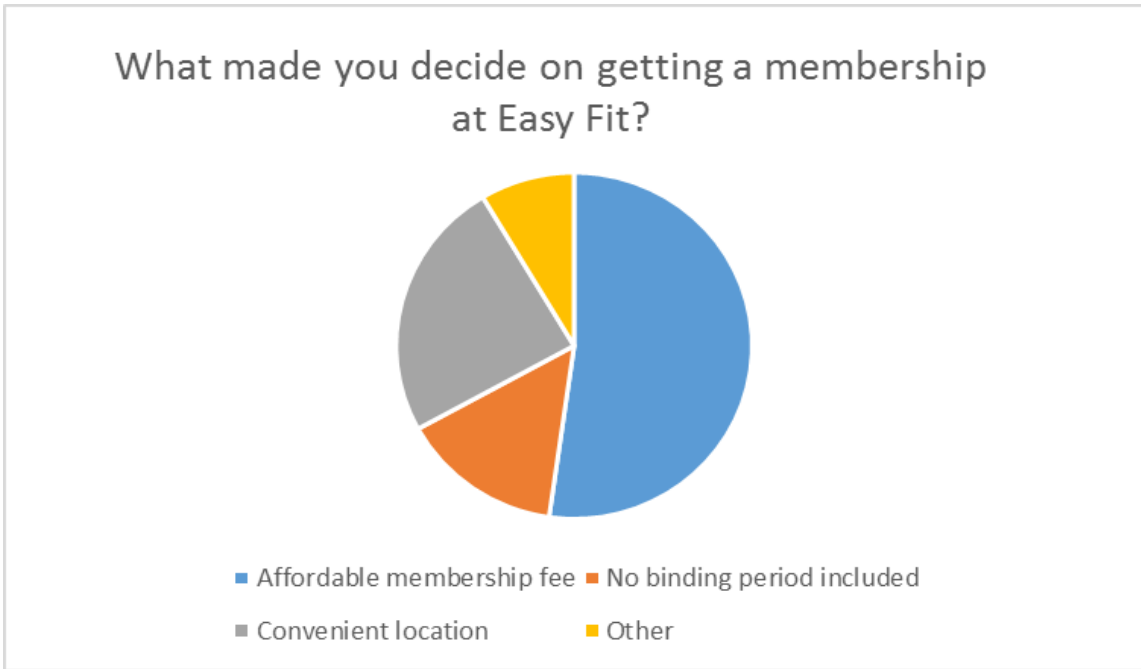


Figure 14 The answers of the question 2 in the questionnaire

Over 80 % of the customers attended on a weekly basis, over half of them attend less than three times a week, and the rest of them more than three times a week. As presented in Figure 15, the number of customers, who attend less than once a week is rather small. And the minority of them said to attend once a month or less.

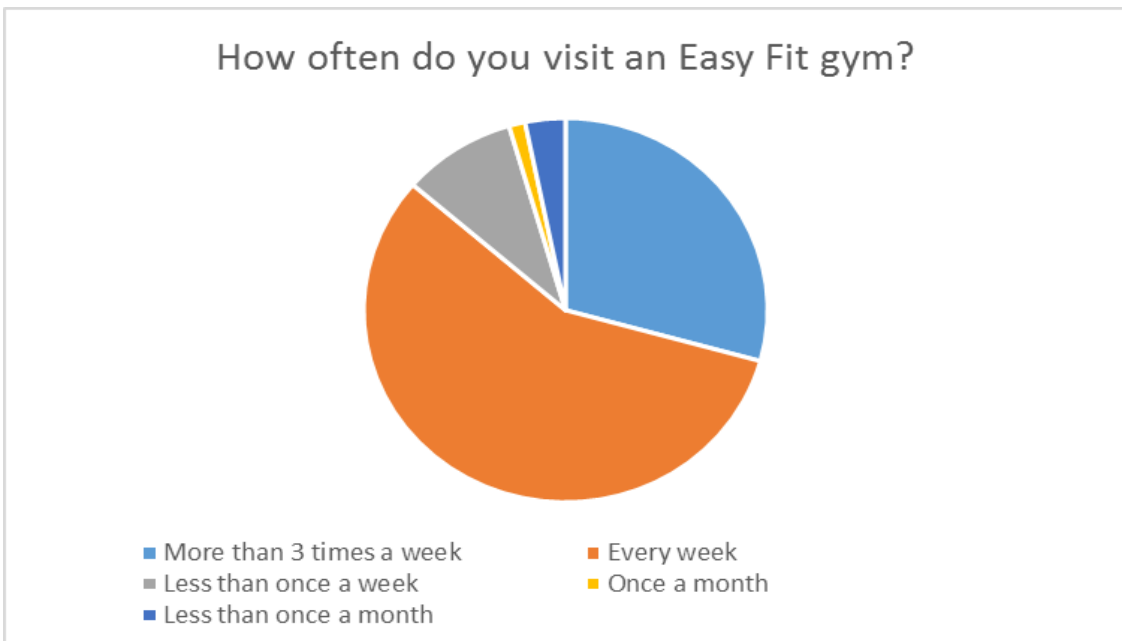


Figure 15 The answers of the question 3 in the questionnaire

In the question 4, the customers were asked to express their overall satisfaction for Easy Fit. According to the answers, the customers participating in the questionnaire were rather content with Easy Fit services, as presented in Figure 16. Only 0.3% of the customers gave the lowest score, and 2.8% chose the second lowest score. A great majority of the customers chose 3, 4, or 5 from the scale; 4 being the most common answer.

On a scale from 1-5, how content are you with the services that Easy Fit has to offer?

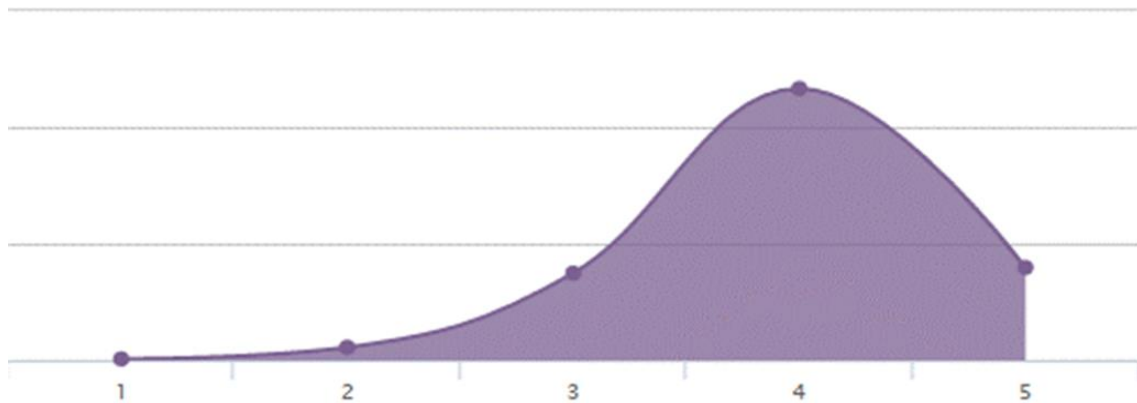


Figure 16 The answers of the question 4 in the questionnaire

According to the answers of the fifth question, 66 % of the customers replied that Easy Fit is lacking some services, as presented in Figure 17. The main reason for this was that they wish to have a different equipment at the gym. As previously, the ‘other’ option consisted of a blank field. The answers consisted mostly about gym equipment related suggestions, furnishing, and specific group exercise suggestions.

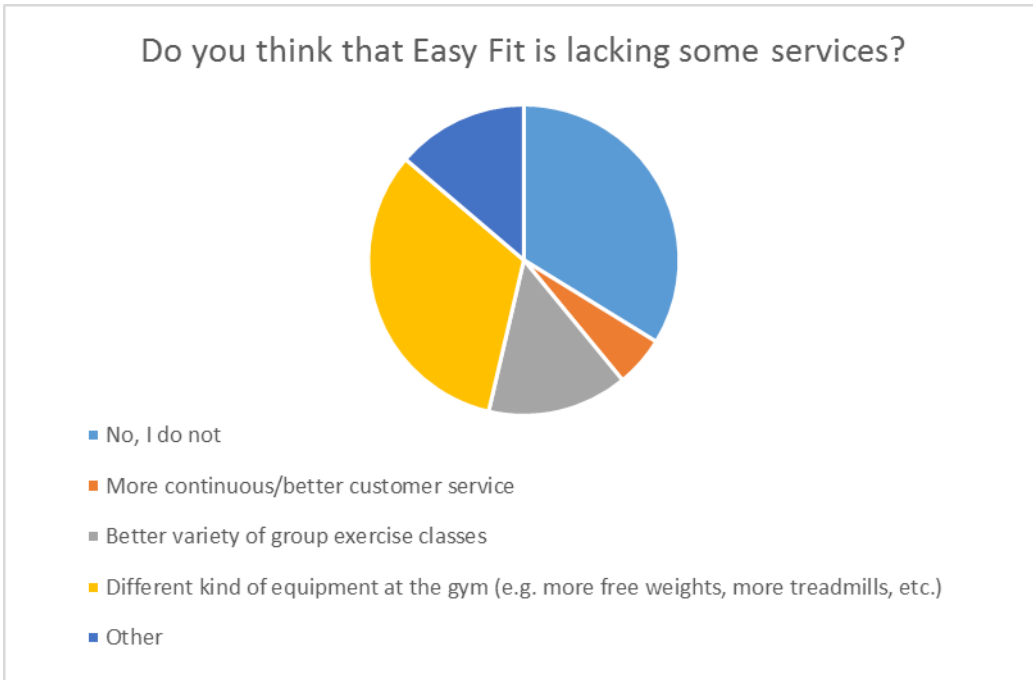


Figure 17 The answers of the question 5 in the questionnaire

In the sixth question the customers were asked about termination of the contract. As presented in Figure 18, the majority, over 70% of the customers, have not thought about the termination. One sixth of the customers, who answered the questionnaire, had thought about terminating their contract and a minority had actually terminated their contract.

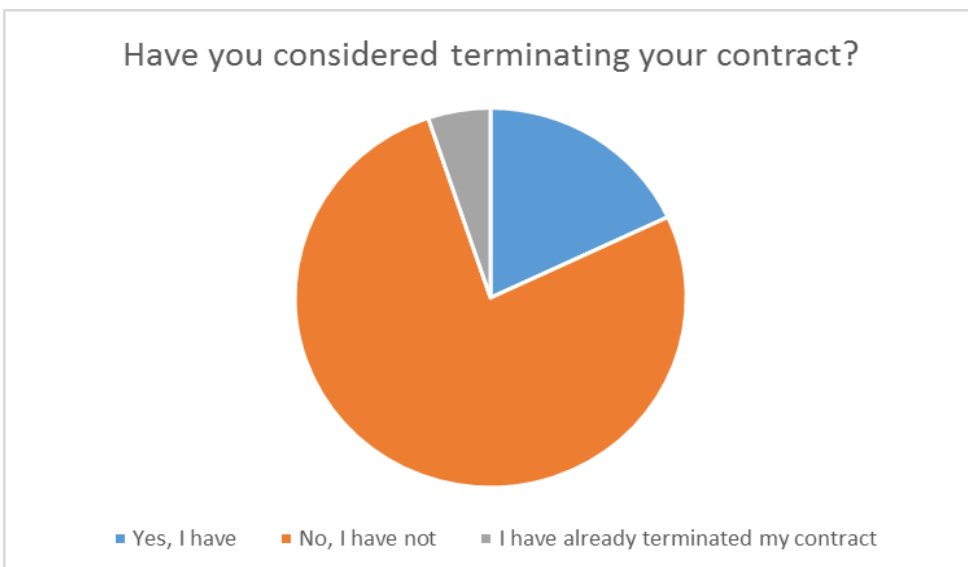


Figure 18 The answers of the question 6 in the questionnaire

An additional question was provided for those, who already had terminated their contract and the ones that had considered it. Dissatisfaction to the services and other reasons, were the most common reasons for the thoughts of termination, as presented in Figure 19. ‘Other’ reasons was almost as common as dissatisfaction to the services. Reasons, such as moving and health related reasons were included in this section. Also too few visits to the gym turned out to be one of the most common reasons. The other factors had not as great effect on the customers compared to these three.

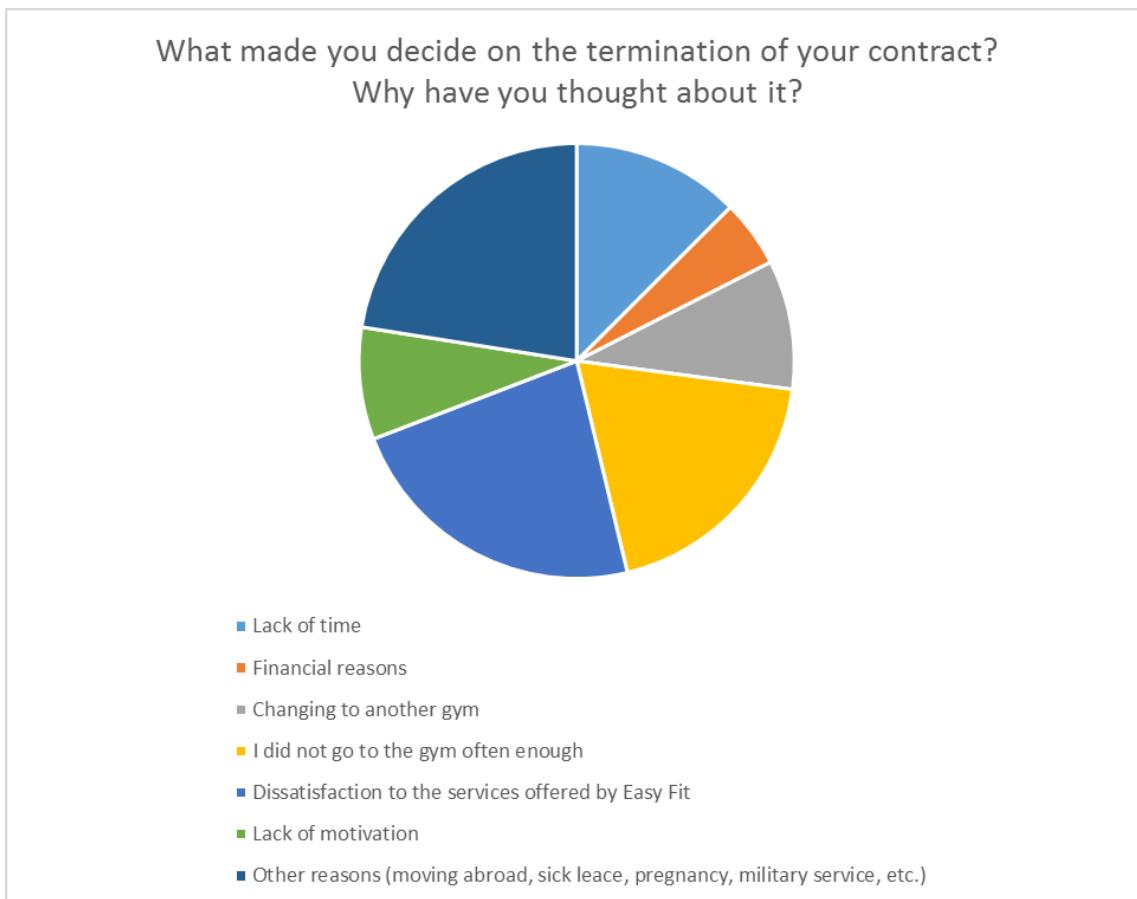


Figure 19 The answers of the question 7 in the questionnaire

Question 8 was targeted for the customers, who had already terminated their membership contract. According to the results, most of the customers thought that a modification could not have changed their decision as presented in Figure 20. Customers, who agreed that a modification would have changed their mind about the termination of the membership contract, were the second largest group. The ones that were not sure, were the minority.

However, the differences between each group were small, the differences were less than 10% in each case.

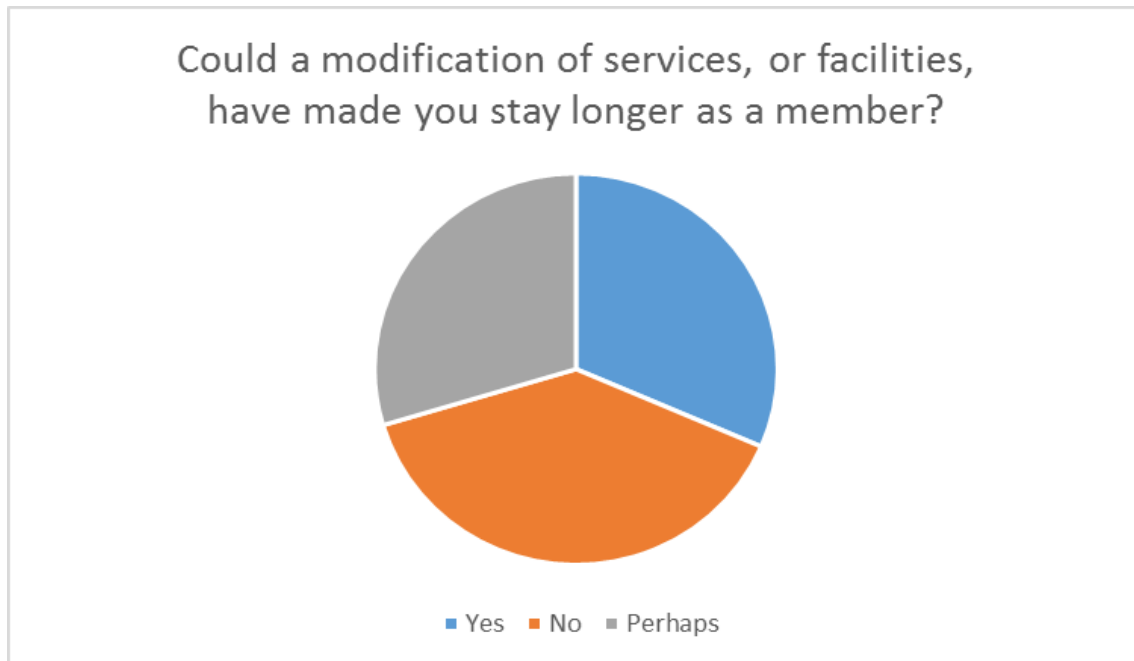


Figure 20 The answers of the question 8 in the questionnaire

The last question in the questionnaire, was a blank field, where the customers were asked to leave comments or suggestions for Easy Fit. The answers were and divided into different sections, in order to make the presenting of the findings easier to interpret. A summary of answers is presented in Figure 21. The 'other' section includes all the comments that did not belong to any other sections. All in all, there were 40 pages of text answers from this question. Largest number of the comments regarded the general equipment and facilities at the fitness centres, specific equipment suggestions, such as rowing machines etc. The second largest number of the answers were left blank. Also comments and suggestions regarding the group exercise classes were also rather common. The customers asked mostly for new classes, or for changes in the current group exercise system. The fourth most common answer was that the customers commended the services, facilities and customer service. Many of the other comments included a commendation, but also several specific comments, which made it slightly difficult to draw the line, of which comment belongs to which section. The lack of guidance, means in this case that some customers commented on receiving too little information regarding the services offered by Easy Fit,

and the general instructions of the centre were unclear for them. The comments regarding customer service, included not only comments related to the actual process of on-time customer service, but also regarding the open hours of on time customer service, and the comments related to invoicing. Also the possibility to freeze ones membership came up.

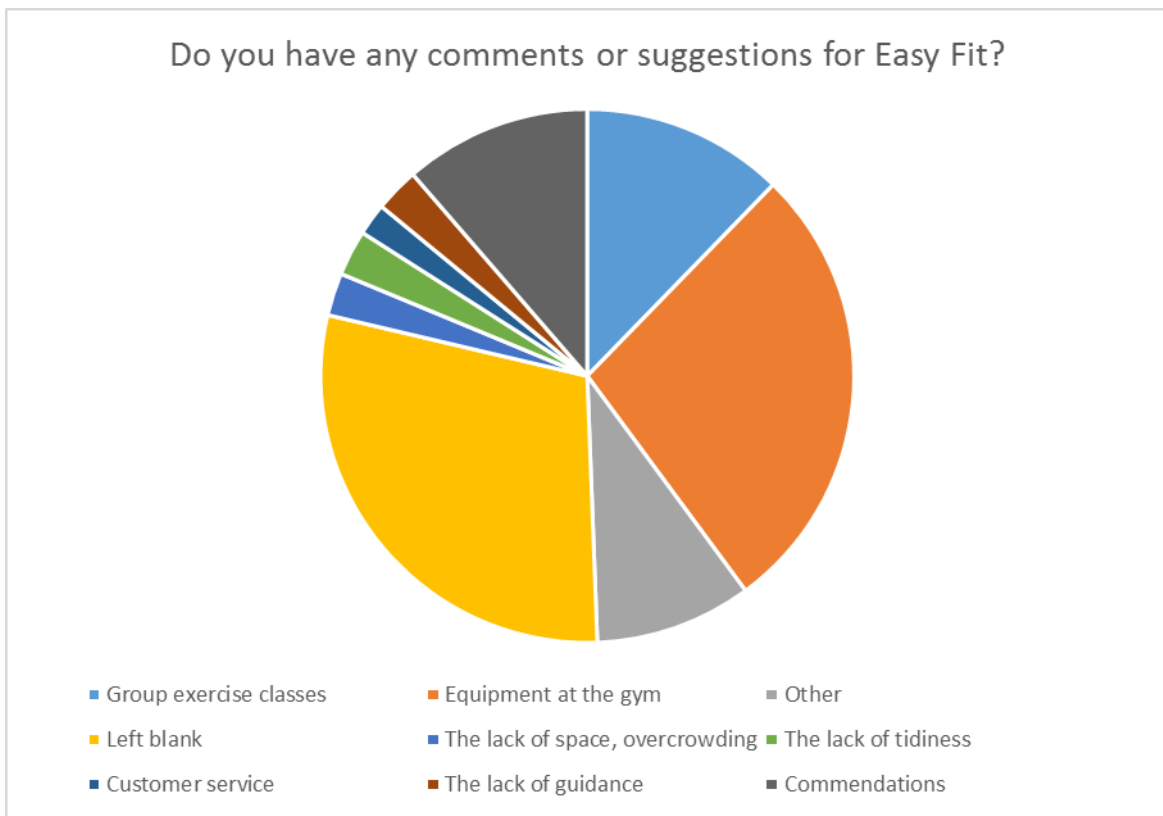


Figure 21 The answers of the question 9 in the questionnaire

### 4.3 Other results

As for indirect results of the thesis, related to working with the BI and finding out the lifespan measures. The additional statistics –sheet was utilised in the customer lifespan analysis. This sheet in the BI, in fact, exists as a result of this thesis. The Business Intelligence consultant of Easy Fit gathered the relevant data after the first method was already carried out. BI now gathers the both mean and the median lifespan of each Easy Fit centre and all of them in total.

## 5 DISCUSSION OF THE FINDINGS

The interesting observation related to fitness centres is that the smaller cities have more customers than the bigger cities, as presented in the Figure 1. Helsinki with its two centres, holds the place of smallest number of customers out of all the investigated fitness centres. Tampere Keskusta and Tampere Koivistonkylä are in the middle of the six centres, when it comes to the number of customers. Siilinjärvi has more than double the amount of customers than Helsinki Club; and the centre in Vaasa has got almost three times more customers than Helsinki Club. A trend can be detected in the Figure 1, where the number of customers is presented, in the column chart. It seems that, the further away from the Helsinki city centre the fitness centre is located; the number of customers increases gradually higher with each centre. Helsinki and Tampere are considered as the bigger cities in this research, since the population is around 620 000 in Helsinki and in Tampere around 220 000 inhabitants, Vaasa with around 65 000 inhabitants, and Siilinjärvi has the population of around 22 000 (Väestörekisterikeskus, 2015). The number of customers in regards to the population of the city, itself is an interesting factor to look at. However, it is also linked to other aspects in this research.

### 5.1 Customer lifespan

When analysing the results of the customer lifespan calculations, it is important to take into consideration all the different calculations that were executed, their differences, and the outcomes. In this research the differences of mean and median value are noticeable in all the cases. The mean values are higher than the median values; the same applies for the present and the past customer data. The standard deviation is based on the distance from the mean; the smaller the standard deviation the closer are the values in the data set to the mean. In this case all the standard deviation values rather high, meaning that the customer lifespan data is scattered rather far apart from the mean. This is a result of extreme values in the analysed data sets. Due to this large scatter the median values are more representative and they are used in the research to describe the average lifespan.

In the beginning of the research, the hypothesis was that the present customer lifespan would be longer in the smaller cities, than in the bigger ones. The outcomes prove this assumption to be partly incorrect. Vaasa stands out from all the six investigated centres

with the record of the highest median lifespan of the customers, one factor, which has an effect on this, is the longer lifetime of the centre. This is the case in both the past and the present customer lifespan. When it comes to present customer lifespan, Helsinki Club and Helsinki Kalasatama have the second highest median values after Vaasa. Tampere Keskusta, Tampere Koivistonkylä and Siilinjärvi have the lowest median lifespans. The attendance rates of the customers in each centre have the same type of trend, when it comes to the differences between the fitness centres. Helsinki Club has the smallest amount of customers in the danger zone, and the largest amount of customers with a normal attendance pattern.

The results of present and past customer lifespans are examined, both separately and together, in order to understand the differences between them. The past customer lifespan was in most cases lower than the present one. The exception were Tampere Koivistonkylä and Siilinjärvi. Tampere Koivistonkylä had slightly higher median value of the past customers. Siilinjärvi, however, had significantly higher median lifespan of the past customers. Especially with Siilinjärvi, it seems that during the past year several long term customers churned. This explains the low median lifespan of present customers and the high median lifespan of past customers in Siilinjärvi. The difference between the past and the present customers is not as drastic in Tampere Koivistonkylä, the median lifespan of past customers is less than a month higher. The past customer data describes what was the lifespan of the resigned customers. Hence, the median values of past customer lifespans give a reference when the customers churn; and what is the minimum average lifespan of the customers. If the customers churn on average after about six months, the company has to acquire new customers based on the same means. There is of course a constant customer acquisition process but the customer churn requires some extra measures to be taken, in order to replace the lost customers.

This overview to the customer lifespan of Easy Fit customers provides answers and results for the current situation, however, these measures change overtime. The additional statistics-sheet, which was created as a result of this thesis, includes the same type of lifespan measures as the ones that were computed and analysed for this thesis. This feature in BI enables the company to track and utilise the measures in the future processes as well. After applying the suggestions of this thesis to the processes of the company they have the opportunity to track effects on the average lifespan of customers.

## 5.2 Attendance of customers

By looking at the average lifespan of an Easy Fit customer in each centre it is possible to understand the current situation of the length of the customership. However, the attendance is an important factor to have a look at, since it shows how active the present customers are. The activity of the customer tells a lot about the commitment of the customer, and about the retention situation. The amount of customers in the danger zone is especially the group of customers that need to be taken into account, in order to retain the customers. The attendance rates of the customers are in most cases critical. The attendance of the customers presented in Figure 6 to Figure 11 show that Helsinki Club is the only centre in which more than half of the customers had a normal attendance pattern. In other centres, the majority of the customers were in the danger zone or had no attends within the past 30 days. On the other hand, the timing has an impact on the results of the attendance data. The peaks in the attendance of the customers are usually after New Year, before summer, and in the beginning of the autumn. The data for this thesis was collected the summer, which is attendance-wise the quietest time in the Finnish fitness industry, not just in the case of Easy Fit. Especially, the trainers with short-term training goals tend to go to the gym more rarely in the summer time. Both the weather and the fact that people are spending their holidays have an impact on the attendance of the customers (Työkkälä, 2014). However, the summer of 2015 was chillier than on average, which might have had an effect on the attendance as well (Rasi Maarit, 2015). Typically one of the reasons why customers attend less in the summer time, is the good weather. People want to enjoy the warm days, and leave the training for later time in the autumn, or then they switch to outdoor activities instead (Työkkälä, 2014).

Predictive behaviour modelling should be utilised by Easy Fit, in order to retain the customers. It is plausible to predict that the high risk customers with rare attends, are more likely to churn than other customers with a normal attendance pattern. This is why the company should keep an eye on the high risk customers, and seek ways to prevent customers from resigning. By focusing on these factors, it would be possible to increase the retention rate and also the customer lifetime value. As a conclusion, it would be good if Easy Fit, kept an eye on the customers, who are in the high risk to drop out and churn.

### **5.3 Customer retention rate**

As for the CRR, Siilinjärvi and Helsinki Club have the highest customer retention rates of all; Vaasa and Helsinki Kalasatama have also rather high rates. Tampere with its two centres holds the place for the lowest ones. The short term results are very promising, but based on the customer lifespan findings, it might make more sense to formulate the BI to calculate CRR for a longer time period than a month. One month is not an adequate period to cover all the changes of the median lifespans of present customers Figure 3. As shown in Figure 12, Easy Fit's customer retention situation is close to 100%, which is valid for a short period of time. However, taking into account longer period of time CRR would show lower, but more reliable values. For example, calculating CRR every six months would describe the retention situation in a better way. By getting the CRR higher from a longer period of time, would mean great results and outcomes for the company.

CRR is the measure, which describes the fluctuation of the customer rates; it is the clearest numerical way to present the situation of customer retention. The open ended contracts are definitely causing the customer rates to fluctuate. The effect is more drastic than in other fitness centres, which operate with a year (or even two years) binding period. Changing the open ended contracts to binding periods might have a negative effect, since open ended contract is the competitive advantages of the company, and one of the reasons why customers choose the Easy Fit membership in the first place.

### **5.4 Questionnaire**

The response rate of the questionnaire turned out to be higher than expected, which increased the reliability of the outcomes. The answers represent better the whole clientele of the six centres in focus and the return on investment of the survey. Certain factors had an effect on the response rate, for example the fact that the customers received a pre-contact from the personnel regarding the survey. The questionnaire was kept accessible and brief, this must have had an effect on the rate, as well. Based on the answers of the questionnaire it seems that mostly the active and content customers were the ones, who responded the survey.

The answers of the first question go well together with the outcomes of the lifespan analysis, most of the customers who answered the survey had been members for around half a year. The second largest number of respondents had been members for a year or two. This might also mean that the customers with the longer lifespan felt more motivated to answering the customer survey. The reason why the customers attained a membership in the first place, was the affordability, as the results of the second question present in Figure 14. This was expected, since one of the competitive advantages of Easy Fit is its affordable membership fee. The results of the third question presented in Figure 15, pointed out the attendance of the respondents. The results of the questionnaire indicate that the respondents consisted mostly of customers, who are active and got to Easy Fit from one to three times a week.

According to the results of the fourth question, Figure 16, the majority of the respondents are rather content with Easy Fit, and the services it has to offer. For this reason, the answers of the fifth question of the survey were surprising; only one third of the customers said that Easy Fit is offering all the facilities and services they need. The rest of the customers thought that something was missing from the concept. One third of the customers wished the equipment and facilities to be different. Also the 'other' option included mostly more specific comments regarding the fitness equipment or other facilities. There were a lot of similarities with these answers and the results of the last question of this survey. The comments and suggestions left in the blank field of the question 9 were very precise, and for example specific fitness equipment was requested most often. The same applies for the suggestions and comments regarding the group exercise classes. When comparing the results of this and the ninth question, it is possible to infer that the customers are, in fact, rather satisfied, but they would still appreciate small changes in the services and facilities. Three quarters of the respondents have not considered terminating their membership contract. The one quarter of customers, who said to have already terminated their membership contract, or thought about it, answered the question 7, results presented in Figure 19. Most of them said to be dissatisfied to the services that Easy Fit has to offer, or then they had other reasons, such as moving, health, and work related reasons.

The results of the eighth question, presented in Figure 20, express the customers' point of view regarding the customer retention. Most of the customers, who have already churned, or considered to terminate their contract, say either that they could have stayed if something changed, or they might have stayed. The point is, there is a great opportunity to retain the customers, even though they have considered terminating their contract. This is why the results of the questionnaire are very important, not only for the sake of this thesis; but also for the company to utilise. The customer feedback in the question, Figure 21, consisted mostly of comments about practical changes in the services and facilities. By taking up on some of the most common suggestions, might be a good opportunity for Easy Fit, not only to evolve, but to also to retain the customers.

## **5.5 The suggestions for future**

The possibility to freeze the membership came up in the comments of the questionnaire. Some customers had terminated their contract for health-, or work related reasons, or lack of time or the outdoor sports season, but were planning to get return, once the time was right. Based on these observations, Easy Fit could consider offering the customers a possibility to freeze the membership, especially if the reasons for it are decent. The freezing of the membership would mean that the customer contract is still valid, but the monthly fee would not be charged, and therefore the customer cannot utilise the services of Easy Fit, before the membership is activated again and the membership fee is being charged. These customers terminate the contract with a thought in mind that they will return when the timing is right, but there is always the opportunity that they do not return, or they find another fitness centre. Offering the customers this opportunity, would diminish the fluctuation of the customer rates, and the CRR.

Another aspect that arose in the findings of the questionnaire, was the customer service, which was both criticised and complimented. Especially need for information flow and general guidance were mentioned several times. The customers felt that they did not receive enough information regarding the services of Easy Fit in the beginning of their membership. Some were hoping to receive better instructions for the fitness equipment, such as a short overview in the beginning of the membership. The customer service was asked to inform more often regarding the changes in the fitness centres' or in the group

exercise classes. The customer service should take care that new customer receives enough information regarding the services of Easy Fit, the customs of the fitness centre, and so on. By making sure that a new customer is well informed, it leads more easily to a long customer lifespan. In the opposite case if the new customer has to find out everything by oneself might influence the customer satisfaction.

Customer service is part of the overall package that Easy Fit is selling to its customers, hence, they should focus on the quality of it, and realise it as an important part of the customer retention process. Derived from these findings, the preferred way to contact the customers is face-to-face customer service. Email, and other forums, such as social media, can be used in addition. Nowadays, the marketing and information flow is focused on the internet based and remote contacting, which is probably why the appreciation for face-to-face communications has grown. Face-to-face contact is not always possible, which is why Easy Fit could consider utilising a monthly newsletter as a way of informing the customers about the current changes and happenings at the fitness centres. This newsletter could also be one of the tools to activate the dormant customers.

## 6 CONCLUSION

The research question was to figure out the current status of customer retention at Easy Fit, finding out the customers' demands and the ways to respond to them, while improving customer retention. The current status was described with the results and findings of the customer data; lifespan, CRR, and attendance statistics, present the different factors that affect the customer retention. The questionnaire was used to examine the customers' demands. Both the customer data and the questionnaire data were compared and analysed, in order to come up with suggestions for ways to respond to the customers' demands. The suggestions of the customers were also analysed, in order to offer sufficient tools for Easy Fit to improve its customer retention.

As a result of this thesis, Easy Fit has tools to work on its customer retention process, and aspects to consider in their actions. One of the outcomes of the thesis, was the changes in the Business Intelligence of Easy Fit. In BI there is now a specific page created to calculate the mean and the median lifespan values. This is a great tool for the company to use later on, as well. The average lifespans of a customer are known, which helps the company in the retaining processes. And with the changes in the statistics of BI, they can focus on the changes in the average lifespan, and try to expand the length of it. The attendance of the customers should be monitored, and the high risk customers reactivated. By reactivating the dormant, high risk customers, it is possible to improve customer retention. A monthly newsletter could be sent out to the customers, or otherwise informing and motivating them. Adequate and comprehensive information flow should be ensured. The several suggestions, which were received from the questionnaire, give improvement suggestions to work on. Especially, the most common suggestions should be considered as an opportunity to develop. Meanwhile, the customers should be kept informed about the changes.

By applying these means the customer satisfaction can be improved, which will lead to enhancement of customer retention, and increase profitability.

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## APPENDICES

### APPENDIX 2

The actual questionnaire was sent to customers in Finnish, the attached version is translated to English.

1. How long have you been a member at Easy Fit?
  - 1-3 months
  - 6 months
  - 12-24 months
  - More than 2 years
  
2. What made you decide on getting a membership at Easy Fit?
  - Affordable membership fee
  - No binding period included
  - Convenient location
  - Other
  
3. How often do you visit an Easy Fit gym?
  - More than 3 times a week
  - Every week
  - Less than once a week
  - Once a month
  
4. On a scale from 1 to 5, how content are you with the services that Easy Fit has to offer?  
Discontent 1-----5 Very content
  
5. Do you think that Easy Fit is lacking some services?
  - No, I do not
  - More continuous customer service
  - Different kind of equipment at the gym (e.g. more free weights, more treadmills, etc.)
  - Better variety of group exercise classes
  - Other, please specify\_\_\_\_\_
  
6. Have you considered terminating your contract?
  - Yes, I have

- No, I have not
- I have already terminated my contract

7. What made you decide on the termination of your contract? Why have you thought about it?

- Lack of time
- Financial reasons
- Changing to another gym
- I did not go to the gym often enough
- Dissatisfaction to the services, offered by Easy Fit
- Other reasons (moving abroad, sick leave, pregnancy, military service, etc.)
- Lack of motivation

8. Could a modification of services, or facilities, have made you stay longer as member?

- Yes, please specify \_\_\_\_\_
- No
- Perhaps

9. Do you have any comments, or suggestions for Easy Fit?

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