

Establishing and Maintaining Customer Relationships in Commercial Health and Fitness Centers in South Africa

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Abstract—The purpose of a commercial organization was initially “to create a customer”. However, retaining the customer has since become regarded as equally important. This is because it has become increasingly difficult for organizations to assume that there exists an unlimited customer base to maintain continued patronage. To achieve a competitive advantage, it has become necessary for organizations to differentiate themselves in the minds of customers. Customers are the central focus of any organization, therefore the mission of an organization should be to create, grow and nurture ongoing relationships with them. The purpose of the study was therefore to identify customer relationship and retention strategies that are applied at commercial health and fitness centers in Gauteng, South Africa. The methodology involved data collection by administering a questionnaire to a sample of commercial health and fitness centers managers and administrators. Both descriptive statistics and exploratory factor analysis were used to report on the results. The findings indicate that most health and fitness centers implement strategies such as complaints handling, competitor strategies, service monitoring, profitability monitoring, resource and incentive strategies and membership renewal strategies to retain customers. Among the different strategies improved service quality and providing up-to-date equipment and technology emerged as commonly used strategies. In order to retain customers, it is important for marketers to have in depth knowledge of what each individual customer wants and the capacity they have to continue to add value to the needs of the customer.

Index Term—Customer, retention, health, fitness, strategies.

I. INTRODUCTION

Research has been consistent within the business world where it has been shown that competitors are always seeking innovative ways to allure customers away from where others conduct their business [1]- [4] once notably claimed that the sole purpose of a commercial organization was “to create a customer”. However, retaining the customer has since become regarded as equally important. This is because it has become increasingly difficult for organizations to assume that there exists an unlimited customer base to maintain continued patronage [5], [6] assert that traditionally much of the emphasis of marketing has been directed towards the “getting” of customers rather than the “keeping” of customers [7] resonated similar views that in a highly competitive market, an organization’s success is immensely dependent on its ability to retain and increase its customer base. Consequently, organizations are continuously finding themselves in situations in which they have to build and maintain customer retention systems [8]. This has resulted in

many commercial organizations seeking strategies to retain at-risk customers and recover lost customers [9]. According to [10] the only meaningful strategies are those which place the highest priorities on building long term relationships with existing customers.

II. ESTABLISHING CUSTOMER RELATIONSHIPS

Despite disagreement, current marketing is still largely based on the view that the marketing of services in service organizations differ from manufactured products in many ways. This is largely due to the growing body of literature which has brought with it new approaches and streams in different areas of concern in contemporary marketing [11]. These streams of contemporary marketing include *inter alia* relationships, which are interactive, external and internal in nature. Customer retention lies in the heart of relationships and relationship marketing [12] defines relationship marketing, as “marketing to establish, maintain and enhance relationship with customers, at a profit, so that the objectives of the parties involved are met”. Inherent in the relationship are two essential components, namely to attract the customer and to build the relationship with the customer.

The basic premise of relationship marketing within an organization lies not only on attracting new customers, but also in maintaining long term relationships with them [13], [14]. Some of the factors that have contributed to the growing impetus on relationship marketing include: global and intense nature of competition; demanding and sophisticated customers; changing customer patronage patterns; increased standards in quality; the influence in technology in marketing efforts [5], and a need for organizations to enhance, establish and maintain long term relationships with customers [15].

Recently, the building of long term relationships has become a critical issue in sport organizations [16] where value-laden relationships with customers has become a cornerstone for sustainable competitive advantage. Like other profit-oriented organizations health and fitness centers, which are also managed in similar fashions, realise that it is cheaper to foster and maintain strong relationships with existing customers [17]. They are aware that to be successful in their rapidly growing competitive environment, they must be able to implement effective customer relationships This calls for the implementation of effective customer relationship programmes. By developing long term customer relationships health and fitness centers can add value to their service offerings [18]. Improving relationships with customers involves, among others, treating customers fairly, improving core services by increasing value to the service, providing customised individual services and developing strategies to lure customers away from their

competitors [19].

Improved customer relationships ultimately ensure viability and growth of the organization [20], [21] regards relationship marketing as marketing to establish, maintain, enhance and commercialize customer relationships to achieve the objectives of both customer and the organization. [9] posits that relationship marketing is particularly relevant to service markets and is strongly associated with loyalty. It is therefore imperative that loyalty is developed before a relationship with a customer can develop [22] since the essence of relationship marketing lies in enhancing customer loyalty [23]. It is important for organizations to realize that customer loyalty will only be sustained as long as an organization provides better service than its competitors [22].

Managing customer relationships involves a comprehensive approach by health and fitness centers that seeks to maximize relationships with all customers. Increasing its knowledge of each customer through a customer-centric business strategy helps the organization to proactively and consistently provide more products and services for improved customer retention and loyalty over longer periods of time. This approach represents a shift in emphasis from managing product portfolios to managing portfolios of customers. By understanding customer drivers and customer profitability, companies can tailor their offerings to maximize the overall value of their customer portfolio.

In order for this approach to succeed health and fitness centers need to focus on delivering the highest value to customers through better communication, faster delivery, and personalized products and services. Existing customers if retained effectively have years of revenue producing potential and are more likely to purchase new products and services than new customers [10], [24] argues that organizations would not survive without effective marketing strategies based on a strong customer-oriented culture. Such strategies, if astutely developed aid in differentiating excellent organizations from their competitors. [25] is of the view that most organizations spend the majority of their time, energy and resources chasing after new business, yet the retention of valued customers could be a source of advantage for an organization. Thus, the traditional emphasis of marketing effort on attracting new customers, at times at the expense of keeping existing customers can be viewed as shortsighted, [26] asserts that this shift in focus from attracting customers to retaining customers necessitates the creation of customer loyalty so that a stable, mutually beneficial and long-term relationship is enhanced.

While the precise meaning and measurement of customer retention can vary between industries and firms [27] there appears to be a general consensus that focusing on customers retention can yield several economic benefits [28]. There are challenges in retaining customers. The problem of attempting to retain valued customers can be complicated as a result of asymmetric information where the manager in an organization does not know the information for which to ask from the customers and the customer does not know what information to provide. Customers, like products, have a life cycle that organizations can attempt to manage [9]. In addition, they are dynamic in nature [29]. They are acquired, retained and grown in value over time. Organizations have

to continuously re-invent themselves in order to retain customers [20], [30] identified several benefits associated with customer retention. These include the following:

- 1) The acquisition cost of a customer takes place only at the beginning of a relationship. Consequently, the longer the relationship, the lower the is the amortized cost;
- 2) The likelihood of long-term customers switching is low;
- 3) Long-term customers tend to be less price sensitive;
- 4) Long-term customers are more likely to initiate referrals;
- 5) Long-term customers are more likely to purchase ancillary products and high margin supplemental products;
- 6) Regular customers are cheaper to service because of their knowledge of the organization.

III. PROBLEM STATEMENT

Resulting from a fitness boom experienced in South Africa the health and fitness industry has undergone a phenomenal growth in the past decade [31]. Despite the fact that customer retention has been widely researched in various spheres of marketing, a paucity of research regarding customer relationships and retention strategies in the commercial health and fitness industry still exists. As competition and the cost of acquiring new customers continue to increase, the need to build and maintain customer relationships has become a fundamental priority for health and fitness centers.

The purpose of the study was therefore to identify customer relationship and retention strategies that are applied at commercial health and fitness centers in Gauteng, South Africa.

IV. METHODOLOGY

An extensive literature study was conducted on relationship marketing with a particular focus on retention strategies. Furthermore, a quantitative empirical design was used for the research.

A. Sample and Procedures

Participants in the study comprised a convenient sample of managers and administrators responsible for marketing at commercial health and fitness clubs. Data was collected through face-to-face interviews and a postal survey. Respondents were informed prior to the survey of the purpose of the study and that they were under no obligation to participate in the study, through a covering letter. A research questionnaire was administered to the respondents at their place of employment. In most instances the questionnaire was completed by the respondents in the presence of a fieldworker. Care was taken not to duplicate responses by administering only one questionnaire per health club. Data from 137 usable questionnaires were captured for analysis.

B. The measuring Instrument

Arising from the literature study a three-part questionnaire was developed and used in the study. Section A comprised questions which sought information regarding how the centers managed customer relationships, Section B

comprised questions regarding the business profile of the centers and section C comprised a 40 item scale investigating various retention strategies. A 5-point Likert type scale anchored at 1= strongly agree and 5= strongly disagree was used to elicit responses on retention strategies.

C. Data analysis

Descriptive analysis of the sample composition as well as methods of managing customer relationships was undertaken. In addition, exploratory factor analysis was conducted to identify the retention strategies adopted by health and fitness centers.

V. RESULTS

A. Managing Customer Relationships

TABLE I illustrates the various strategies employed by health and fitness organizations to manage their customer base. Improving service quality was the strategy employed by most organizations while regular communication and child care assistance were the least used strategies.

TABLE I: CUSTOMER RELATIONSHIP MANAGEMENT STRATEGIES

STRATEGY	N	n	%
Improving service quality	137	100	73
Upgrading facilities regularly	137	99	72
Social events for members	137	99	72
Professional complaints handling	137	99	72
Improving atmospherics	137	93	68
Upgrading facilities regularly	137	93	68
Upgrading equipment	137	88	64
Providing up-to-date programmes	137	88	64
Keeping memberships fees affordable	137	86	63
Special discounts for patronage	137	85	62
Courteous staff	137	85	62
Interaction with customers to ascertain needs	137	85	62
Suggestion boxes	137	75	55
Regular newsletters	137	75	55
Special offers	137	74	54
Regular messages to members	137	66	48
Child care assistance	137	49	36

B. Business Profile

TABLE II: BUSINESS PROFILE OF ORGANISATIONS

Variable	Categories	N	n	%
Business ownership	Private- or franchise-owned	137	127	93
	Other	137	10	7
Business type	Gymnasiums or fitness-centers	137	78	57
	Leisure centres	137	29	21
	Corporate and sports centres	137	30	22
Membership	Fixed term membership	137	62	45
	Both fixed term membership as well as short term membership	137	55	40
	Short term	137	20	15

An analysis of the data as represented in TABLE II revealed that the vast majority of the respondents (93%) were either from franchise-owned or private-owned organizations. Gymnasiums or fitness-centers represented 57% of the sample while the balance was leisure centers (21%) and corporate and sports centers (22%). With regard to membership almost half (45%) offered fixed term membership ranging from a minimum of two years, while 40% offered both fixed term membership as well as short term membership and the balance (15%) offering only short

term membership. Membership at the different centers ranged from 300 to 1100 members with the majority of staff (78%) at most centers being in a part time fixed contract position. All organizations were in business for a minimum of 4 years.

C. Exploratory factor analysis

In addition to the descriptive analysis, exploratory factor analysis was conducted in order to identify the key factors used by commercial health and fitness centers in their efforts to retain customers. In order to establish whether the data was suitable for factor analysis the Bartlett's test of Sphericity and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy were undertaken. The results of both tests provided sufficient indication that the data was suitable for factor analysis. During the scale purification process items that reflected low factor loadings, cross-loadings or low communalities during factor extraction were deleted from the analysis. Seven factors were extracted through the factor analysis procedure. The factors, number of items per factor and Cronbach α reliability values are presented in Table 4. The reliability values of all the factors were higher than 0.7, thus satisfying the benchmark level of 0.70 as recommended by [32].

TABLE III: RELIABILITY VALUES

Factor name	Cronbach α	Number of items
Complaints handling	0.886	6
Competitor strategies	0.882	5
Service monitoring	0.858	5
Profitability monitoring	0.824	4
Marketing communication strategies	0.808	4
Resource and incentive strategies	0.775	4
Membership renewal strategies	0.741	2
Overall Cronbach α = 0.956 (Number of scale items = 30)		

VI. DISCUSSION

A. Descriptive Results

It is interesting to note that improved service quality was viewed by most organizations as an essential factor to retain customers. Service quality has also been identified as a crucial factor in customer retention in several studies. This, along with providing up to date equipment and technology, provide reasons for customers to remain loyal to an organization. It is, however, of concern that most organizations do not communicate regularly with their customers. This is crucial in providing information and updating customers with regard to the organization.

Retention requires building a relationship with customers, monitoring the benefits that customers seek and continually marketing those benefits back to customers. The organization must continually deliver if the requisite trust is to be established. In order to retain customers, it is important for marketers to have in depth knowledge of what each individual customer wants and the capacity they have to continue to add value to the needs of the customer. While it is important to acknowledge that despite doing this not all customers are guaranteed to return, it is almost certain that customers whose needs are not met are unlikely to return.

B. Factor analysis

Complaints handling has been identified as an important factor which, if implemented astutely, has the potential to improve customer retention. [33] found that service-related problems such as service complaints and service failures were main the reasons why customers switch service providers. More recently, [34] alluded to the fact that a well-executed complaints-handling process is of strategic importance because it can have a positive effect on customer retention since customers whose complaints are properly addressed are less likely to switch compared to customers who had no cause for complaint at all [35].

Competitor strategies which involves health and fitness centers being aware of and updated on strategies that their competitors adopt is a significant factor that many centers focus on to retain their customer base. These strategies included, among others, regular dissemination of marketing material, improving the general atmospherics of the facility, developing friendly staff and providing value for money to retain customers. [36] posits that that regular dissemination of marketing material, atmospherics of a facility, staff courtesy and value for money are important strategies used by competitors to attract customers to their business. This is supported by [37], [38] who argued that economic forces such as price and value for money win and retain customers.

Service monitoring strategies comprise issues that are concerned with renewal notifications and assessing reasons why customers may want to defect. This would help marketing managers at health and fitness center to develop and implement strategies to strengthen customer relationships and retain customers.

Profitability monitoring strategies is an important factor that involves assessing the financial impact of lost customers as well as identifying possible reasons for customers leaving the center to join other centers. [22] found that the retention of customers has a direct relationship with profitability. The authors further affirm that it is more expensive to recruit new customers than retain customers.

Communication plays an important role in establishing customer relationships and improving customer retention. Consumer Behavior Theory (CBT) holds that various sources of communication such as social events, renewal notifications and updated information for members provide vital information that assist customers in their decision-making [39], [40] commented that a failure point in customer retention is poor communication. This supports [41]'s assertion that communication is an important facet of service delivery which is necessary to keep customers informed.

It is imperative that health and fitness centers have appropriate *resource and incentive strategies* in place if they want to retain customers [36]. These strategies may include a dedicated budget for customer retention, staff incentives to retain customers and retention plans. The extent of success of these plans would provide the health and fitness center an important pointer as to the extent to which they would need to chase after new customers.

Strategies to ensure *membership renewal* play an important role in improving customer relations and retaining customers. If health and fitness centers are unable to incite

their members to renew their membership there is a great chance that their members would defect to their competitors

VII. IMPLICATIONS FOR FUTURE RESEARCH

The study could be extended by examining other retention strategies by health and fitness centers. Future research can extend the study to examine the relationship among customer retention, satisfaction and loyalty. Reasons why customers defect to other centers could also be explored. Research on managing customer relationships has the potential to provide a unifying framework for studying diverse marketing issues and identifying new areas for theoretical and methodological advances.

VIII. CONCLUSION

Effective and efficient management of customer relationships makes it possible to plan and provide for the needs of customers, thereby strengthening the relationship and protecting customers against predatory competition practices. Having an in-depth knowledge of what each individual customer wants, monitoring the benefits that customers seek and continually marketing those benefits back to customers will assist health and fitness centers to retain customers more easily.

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