

Should clubs increase their membership prices?

The 2010 Australian Fitness Industry Survey brought to you by Ezypay will again provide the owners and managers of Australian fitness clubs with the insights into club operations, staffing, sales, marketing and finance along with the thoughts feeling and perceptions of the members of their clubs.

To provide additional guidance and direction this year Ezypay invited some of the leading industry professionals to discuss some of the major outcomes from this year's survey results. The AFIS expert panel included;

Grant Gamble (GG)	Owner – Bodywise
Justin Wilshaw (JW)	CEO – Contours
Gayle Brimble (GB)	Training Team Captain – Australian Institute Fitness
Megan Crow (MC)	Business Manager - Christchurch City Council, NZ
Jamie Hayes (JH)	Managing Director - Healthy Inspirations
Edel Kilmartin (EK)	Director of Operations - Curves
Justin Tamsett (JT)	CEO - Active Management
Simon Hall (SH)	Marketing Manager - Ezypay
Celeste Kirby-Brown (CKB)	Sales & Marketing Director – Ezypay

In this article the 2010 AFIS expert panel discusses whether clubs should increase their membership price each year.

Survey Outcome - For the last 2 years, on average 60% to 80% of clubs intend to keep their membership pricing the same. (See graph below.)

Question - Is this a good strategy?

MC For the last 6 years the council has declined a price rise. Often councils want to be seen as the cheapest but still expect to offer the same experience as the commercial clubs. Due to not increasing membership prices we are so far behind that an increase this year would be quite dramatic and a shock for our members.

SH JT what do you advise your clubs to do?

JT As a consultant I always encourage health clubs to put prices up each year. Foxtel does it. I get my letter every year. It may only be a couple of bucks but my view is every other sector goes up. If you own a business all your supplier costs go up, you should increase your fees to cover them.

If however there is no price rise I recommend they send their members a letter informing them of no price rise, so they get some brownie points. There's an industry leading operator in America call Victor Brick. Victor use to say "if you put up your fees and no-one cancels you haven't put them up enough".

GG Following on from what JT was saying, if your operating costs go up by 3 or 4 % your membership fees have to go up 3 or 4% and justifiably so. If you chose not

to then you must see how you can cut your costs by 3 or 4%. It's just good business sense. If you hold off that rate increase for 3 or 4 years in a row, you then have to make larger increases to keep up with the market place and then you're really in trouble. Also as you get established your members know its coming. They expect it and if it's reasonable they don't balk at it. You also have an opportunity to market in December with a "beat the price rise" promotion and target the busy January market.

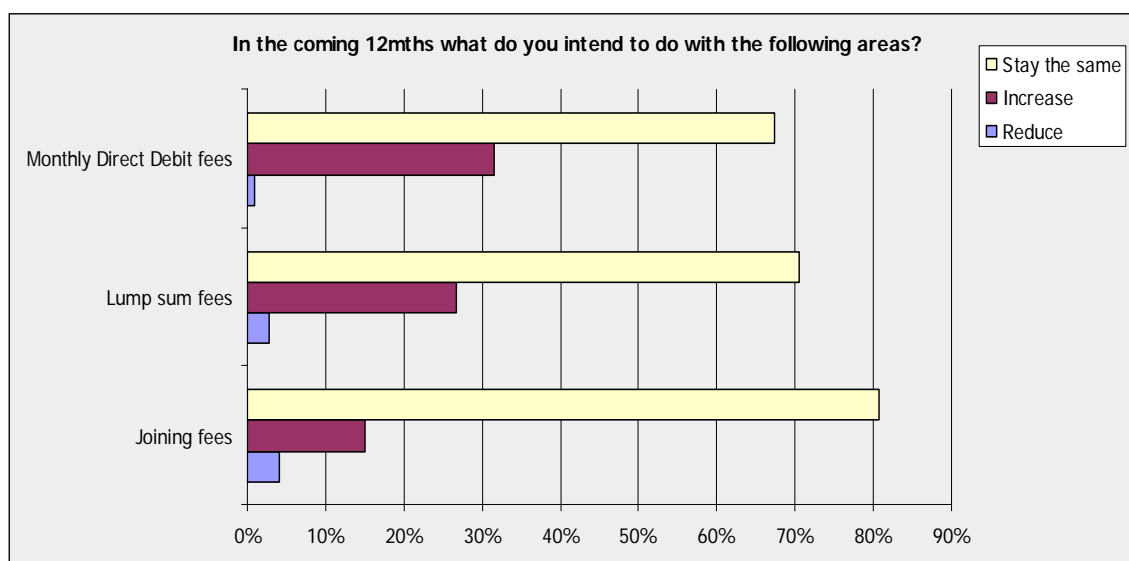
JT I think the biggest problem with increasing fees in the fitness industry is that owners are scared too. They think members will cancel by increasing the fees but if you don't do it in 3 or 4 years you have massive attrition.

JW The clubs may not be increasing their membership fees but are adding value to membership where their base membership fee stays the same but they add on for example a Platinum membership where you can get some added value.

JT It will be interesting in that question with clubs keeping their membership pricing the same, to see how many of that 60 - 70% charge a joining fee.

SH From last year's survey only 50% of memberships sold in the year had a joining fee attached to it so that could be buying time discounts or used as a bargaining tool at the point of sale that behaviour can be seen as a hard sales environment.

Summary The industry experts recommend the owners and managers of clubs change their thinking and make annual membership price increases to keep up with the general cost of running a club and also to safeguard from larger increases if left for a few years.



The 2010 AFIS discussion series covers 6 critical fitness topics including, staff quality, social media, membership fees, retention and growth and the concerns around membership contracts. The full series can be viewed on www.fitnesssurvey.com.au.

Visit our stand P22 at the Health and Fitness Expo.

Simon Hall – Marketing Manager - Ezypay Pty Ltd – January 2010