

Will the new membership agreement law change the way you sell memberships?

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

To provide additional guidance and direction this year Ezypay invited a panel of 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 Advisor - 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

Survey outcomes - Following the recent media coverage on membership contracts being under the microscope at state level, both the club owner and members saw this area as key.

Question - Is this data strong enough for the industry to change the way they sell memberships?

JH I think that we are in challenging times I worry about clubs buying into a business plan with no minimum term contract unless they don't have sticky processes to have those members stay. An operators like Grant Gamble could go to a no minimum term contract because he has great strategies that make members stick without fear, but I do worry there's going to be a churn factor of club operators that say that they will go to no contracts and yes sure people will join but can they make them stick. I think we are going to have to wait and see no doubt it's attracted from a consumer point of view because it's a low transaction but weather those clubs will be profitable.

GG I think JH is so right in that having worked with one major group and having knowledge of another looking at their attrition rates in the 60+% if you look at their contract terms at 12 months the drop rate is like a cliff so with a no contract it would be like a sliding scale from 1 month down to 12 months with clubs missing out on that part of the curve and it could take that business into the red.

GB You also have to look at the effect it has on the membership consultants in the business, once they make a sale, they know they've got that member for 12 months which guarantees that revenue and then if they start cancelling in that period then the pressure will be put on the consultants to sell more memberships throughout that 12 months period, at least with a 12 month term you know where your membership is likely to drop off, it's manageable, no contract will make business planning unmanageable.

GG If you have a membership consultant remuneration system that gives kickbacks dependant on how long the member stays there's no incentive if the person can leave on a no contract.

JT So really the elephant in the room is we buy retention by locking people into contracts.

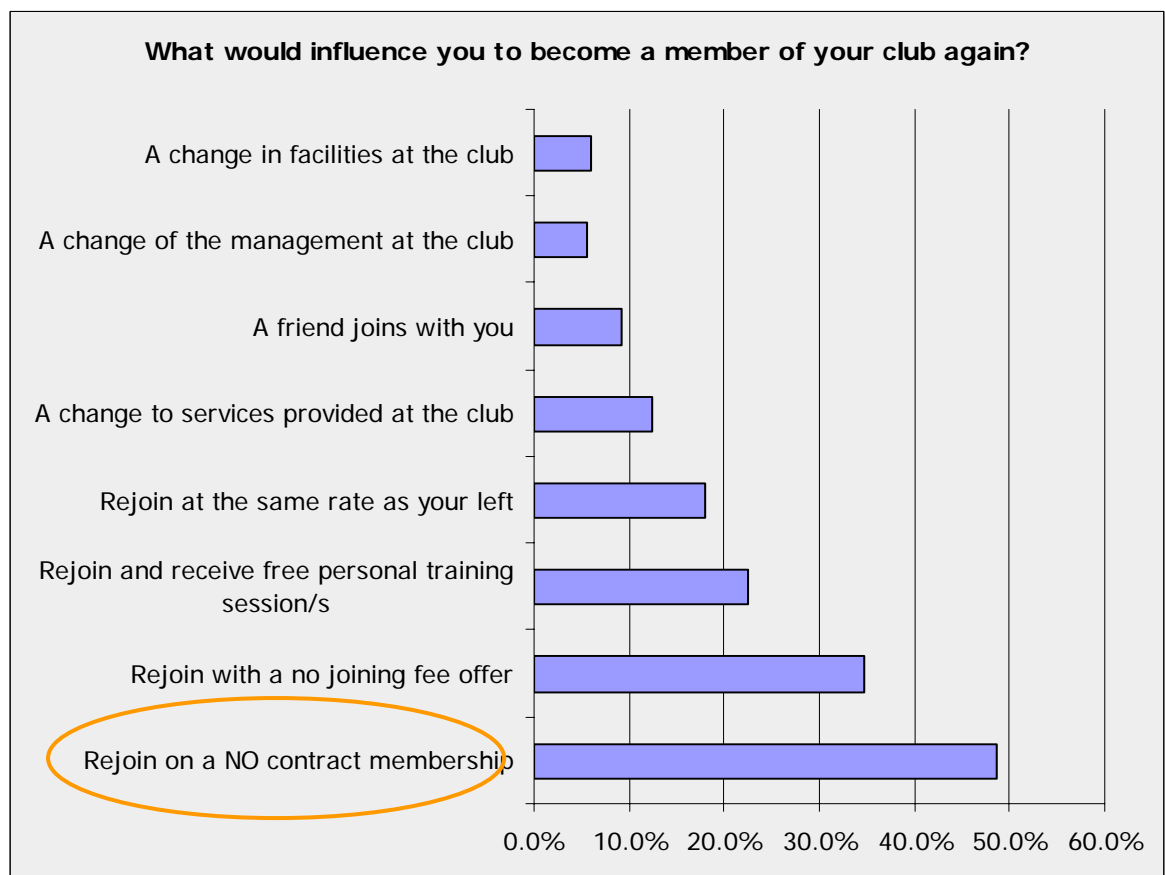
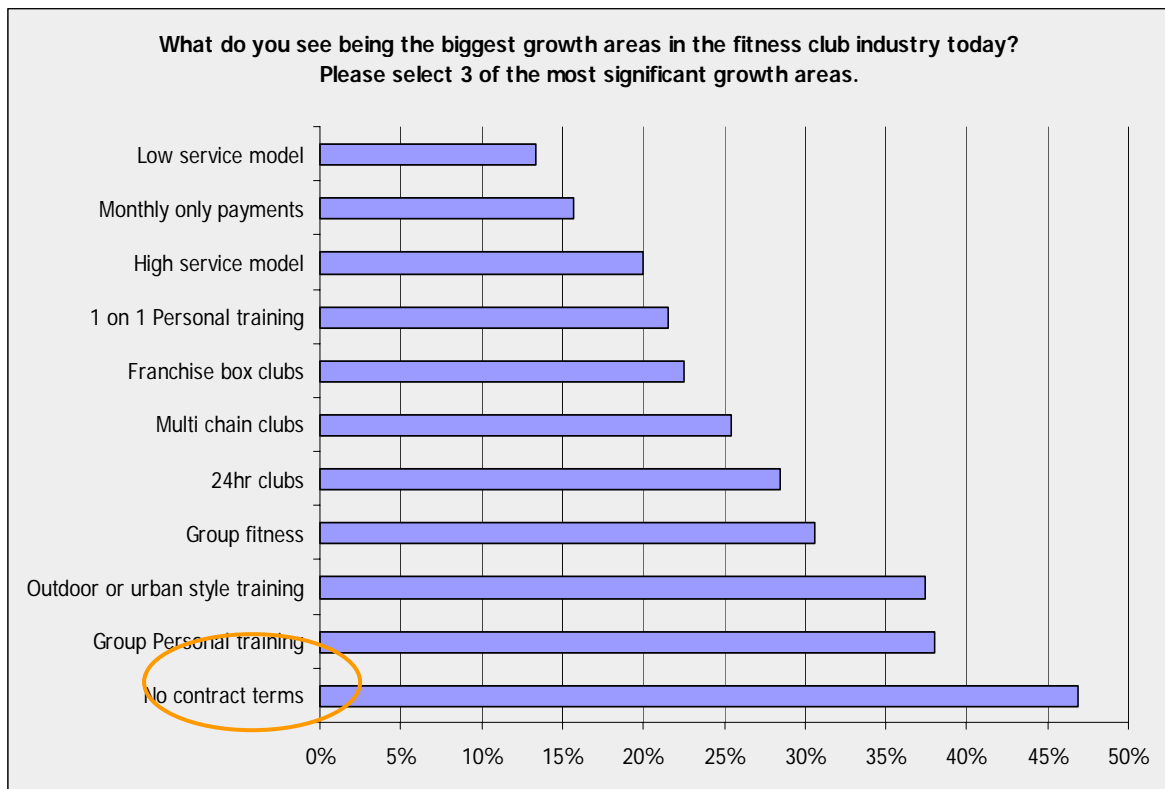
GG The contract has validity in my mind I've heard so many people say this, they join the club they come along and then they have a relapse, they drop out and then they come back they keep saying to themselves, I'm going to go next week, I'm going to go next week, and at some point in that 12 months they regroup and start up again. Maybe they are the yo-yo exerciser but maybe the contract is a good thing for them, it's that nagging presence and it's on their bank statement or credit card, look I've got to get back to the gym and I believe that the contract is a valid methodology for engaging with people who are on that cusp who are struggling to get connected and stay connected. But I think you need the choice to have a no contract option as well and I think you need to load that up, the cheaper rate is the person locking in for 12 months. You have to do it right, you've got to have the costs in the beginning to include the costs of orientation and training.

JW I think you are absolutely right, there needs to be a place for both. The law changes are about the government forcing the industry to do this crazy thing called customer service. It forces club owners to make sure that they are not just selling membership and forgetting about the person.

Last question – EK – with the Curves model being worldwide are there contract issues around the world in other countries similar to what may be happening here?

EK Not as such, we truly believe there needs to be an agreement in place between the owner and the member for both of them to work towards we also accept that especially with women they need enter and exit with grace with provisions like that throughout the Curves.

SH I think the issues we have discussed has moved back to one area and being staffing of our facilities and making sure staff are trained and qualified to ask the right questions when someone joins, to help people with the stickiness of their memberships and be able to ensure that the clubs are full of members who want to be there and are passionate.



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.

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