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James Lawson relates how the LA Fitness gym chain gained a clear view of its customer base – and acted on what it learned.

## Fit for purpose

**W**ith 88 outlets, LA Fitness is the UK's second largest gym chain. It positions itself in the value for money sector and has 250,000 customers on its books. But up until two years ago, it had no idea why its members joined, what they wanted to achieve – and why they might decide to leave.

### The data treadmill

"When I arrived two years ago, I saw the potential to do a lot more," says Mark Jenkins, marketing director at LA Fitness. "We weren't really exploiting the potential of the membership base, but didn't have the tools or knowledge to get started."

As LA Fitness has a specialised in-house customer management system (Legend) with swipe card functionality and front-office terminals, a fair amount of data was available on each customer. With a background in database marketing, Jenkins knew the first step was to understand the make-up of his own membership base.

After supplying an extract to data specialists G2, a profile rapidly appeared using a mixture of EuroDirect's Cameo classifications. "We tested each

of the Cameo overlays to see which one gave the best discrimination," says G2 managing director Alan Thorpe.

G2 also developed a simple RFM segmentation to give some initial insight in customer behaviour, using visit frequency in particular to group them into segments like "Buy and never go" and "3-5 times a week".

G2 then applied these segments to look at the make-up of each club's members. "This gave us centrally and each club a feel for how engaged the members were with us," says Jenkins.

From here, G2 went on to develop catchment areas for each club using the MicroVision GIS tool. Based on the ongoing profiling work, they were able to highlight where the highest concentrations of both customers and the most likely prospects for each club resided, and so which were the best areas for the face-to-face sales contact that works well in signing up new members.

"We gave this information to managers in the form of wall maps," explains Jenkins. "These showed the hotspots where they were most likely to get return for their local marketing investment."

G2 also looked at the differences in profile between rural and city locations, and plotted the location of competitors like David Lloyd. "Previous work on catchments had been simplistic, whereas we were able to use Microvision to generate far more detailed and accurate catchments," comments Thorpe.

The initial profiling work was the precursor to a far bigger project: developing a prospect pool to drive centrally-managed direct mail. The pool used data from EuroDirect's multisourced consumer universe Data Exchange, again overlaid with the most discriminating Cameo codes.

### This gave us a feel for how engaged the members were with us

Though the file contained six million prospects, only one million would be contacted over the course of a year. To make sure the right ones came first, LA Fitness ran two test mailings to a list made up of a selection of likely prospect profiles. From the results, G2 developed a set of ideal responder profiles to rank the prospects in the order they should be selected.

"We saw a three-fold increase in response to cold direct mail as a result of this," says Jenkins.

A later initiative, run in the third quarter of 2007, was to identify those most at risk of cancelling their membership. Once flagged up, LA Fitness could mail or call potential defectors to persuade them to come back to the club.

"It could be something as simple as a card saying, 'we haven't seen you in a while,'" says Jenkins. "We offer them a free session with a personal trainer to discuss training programmes."

However, the key piece of learning in retention has come in finding that those who eventually defect tend to show the signs very early on in their customer life-cycle, while those that stay longer would tend to come regularly from the start. "They might cancel at month 11 but you really need to be contacting them around the third month," explains Kate Daly, senior analyst at G2.

In the best traditions of first understanding the behaviour of customer groups, then trying to change it, this gave birth to the Kickstart programme which aims to instil good visiting habits in the new members.

"If they come twice a week for the first eight weeks of their membership, we reward them with a refund of their first month's membership fee," says Jenkins. "Due to this, we've seen a 30 per cent improvement in retention."

Another vital element of Kickstart is to collect the most important pieces of data from new visitors. As well as giving greater insight into the base, this permits email contact with those that visit but don't buy to encourage them to come back and join permanently. The other area of email activity is the personalised monthly e-newsletter that goes out to all

opted-in members.

"We want to understand why someone is with us and support them in achieving their goals," says Jenkins. Based on what each recipient has indicated as their interests, the e-newsletter is split into seven different goals and personalised to each of the 88 clubs.

Culturally, the business is beginning to value the insight the data provides, with more requests for *ad hoc* pieces of analysis. One example of this came in looking at the possible effect of price rises. By testing these in certain clubs, G2 was able to show the effect on incremental sign-ups versus lapse rates, and so help management decide whether or not to implement the rises across the whole network.

"It also helped decide at what point to contact customers to let them know about price rises," says Thorpe.

### Continued development

LA Fitness now has its pool data refreshed monthly by G2, which also takes a monthly extract from the in-house Legend system. Customer profiles and behaviour are used to inform prospecting and retention work, but the updated extract is also a base for reports for senior management on key metrics like lapse rates, new recruits, segment populations and the shifts between them.

As part of a general skills transfer, LA Fitness's own analyst will shortly be producing these reports in-house. The company already mixes and matches its own resources with G2's to get most out of the supplier's expertise. "They have to be efficient and use our skills where it's really going to make a difference," says Thorpe.

### The Kickstart programme aims to instil good visiting habits in the new members

Acquisition work using the pool is ongoing, with continual testing and tweaking; currently, the mailing response model is being completely revamped. So, with the basics well catered for, the next step is to look "deeper into the database", according to Jenkins. One future option is to make customer indicators available via the Legend system to in-club staff. Another is to reward long-term members through some sort of programme.

"We want to reward further good behaviour and long stayers, it's an area ripe for improvement for us," he explains.

To increase the scope for upsell work, Jenkins also wants to capture more data on what members do at the club, for example, what they buy from the cafeteria and the combination of other services they take up. "We're working to expand tracking," he says. "There's a lot of development going on." ■