



Optimizing Membership Structure for a Fitness Club

Membership Base Increase of 5% results in an annual **Revenue Increase** of ~2%

Health and Wellness



Optimizing Membership Structure for a Fitness Club

Background

Our client is an international fitness organization with more than **1,000 locations** across the country. This fitness club offers various programs that are tailored to fulfill the requirements of the communities they serve, benefiting thousands of individuals annually.

The primary focus of this study was to analyze 30+ facilities located across several key states. In past years, our client experienced **year-over-year growth in membership revenue** in most locations. However, when the COVID-19 pandemic hit and they were forced to temporarily close their facilities, **more than 30% of this revenue was lost**. Until now, they have been struggling to bring those numbers back up.

The Iris Pricing Solutions team was initially contacted by the client to recommend a **pricing strategy** that is based on customer insight, research, and

analysis to **increase the club's penetration** in the community and meet community needs during the current challenging economic climate.

The Challenge

Our client, focusing on growing revenue to help off-set increased costs and expanding their customer base, sought to **optimize membership pricing and bundling**. To do so, they wanted simplified membership categories to improve conversion, optimize pricing and bundling of different types of memberships offered, and explore differentiated offerings to create a membership alternative. This involved understanding factors such as price elasticity, purchase value drivers, discounting strategy, and joining fees, to accurately simulate and subsequently analyze price changes.

Deeper Understanding in Membership Structure

To find the best membership structure for our client, the research and data science team at Iris Pricing Solutions started by considering **membership usage** from each location. This analysis helped to understand the challenges they were facing, to gain a deeper insight into different types of membership offered, and to see how each location was implementing discounts. Also, a **churn analysis** was utilized to uncover and analyze the underlying factors contributing to the loss of customers.

As a second step, **discovery focus groups** were conducted at a variety of fitness locations to assess:

- Potential needs of different member segments.
- Membership usage expectations.
- Attitudes relative to different Membership offers and pricing

This second step was crucial in revealing value segments.

A third step focused on conducting primary research to gain insights into customer sensitivity-elasticity and choice dynamics. A **conjoint membership survey** helped our team find the best type of membership based on members' reactions to alternative membership offers, including potential new services and add-ons. The survey also measured members' **willingness to pay, demand, and price elasticity**.

After the quantitative survey, a **Pricing Simulation Model** was developed to determine changes in demand and revenue. The model took into consideration the most relevant **value drivers** that were identified. While the top value drivers were related to facility infrastructure, the second-tier value drivers revealed unique value segments that helped to inform the most **effective membership offer structure** to meet their needs and maximize the membership base.





Key Findings from our Research Team

The Iris Pricing Solutions team learned that, when selecting a membership, **access and monthly fees** are by far the most important features for members and non-members, respectively. For example, our team learned that by eliminating the joining fee, it would have a significant positive impact in the decision of non-members. The club would create additional members and increase their revenue.

Our research team proposed different membership options to the client based on the results from the conjoint membership survey. Also, considering that our client's customer base was very diverse, it was crucial to understand **the unique needs of niche customer segments** to help in the design of new targeted offers.

Overall, the expected financial impact of the optimized membership structure resulted in:

ANNUAL MEMBERSHIP
INCREASE

5%

ANNUAL REVENUE
INCREASE

2%
[~\$3.5MM]



What's the Pricing Solutions Difference?

Iris Pricing Solutions leverages its extensive expertise in customer research and data science to address the distinct challenges encountered by fitness centers. Our seasoned team employs specialized, tailored research methodologies to craft strategies that harness pricing dynamics to attain objectives effectively. Over the past year, we have successfully executed projects for premier wellness centers, employing customer research and data-driven approaches to bolster revenue growth, enhance market penetration, and harmonize pricing with consumer-perceived value.

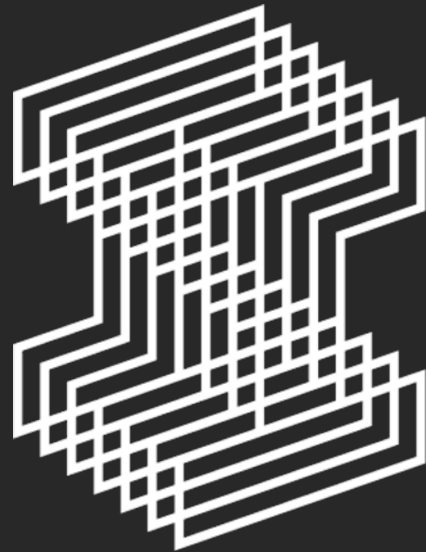
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