



FAIRFAX COUNTY PARK AUTHORITY



M E M O R A N D U M

TO: Chairman and Members
Park Authority Board

VIA: Kirk W. Kincannon, Executive Director

FROM: Cindy Walsh, Director
Park Services Division

DATE: May 2, 2019

Agenda

**Park Services and Golf Committee
Wednesday, May 8, 2019 – 6:30 p.m.**

Boardroom – Herrity Building

Chairman: Michael Thompson

Vice Chair: Linwood Gorham

Members: Ronald Kendall, Cynthia Jacobs Carter, Jim Zook

1. RECenter Pass Strategy Update – Information*

*Enclosures



If accommodations and/or alternative formats are needed, please call (703) 324-8563. TTY (703) 803-3354

Committee Agenda Item
May 8, 2019

INFORMATION (with Presentation)

RECenter Pass Strategy Update

In response to the February 27, 2019 Budget Committee discussion of the FY19 Fee Proposal, staff was asked to provide a more complete briefing at a later date on two topics influencing current RECenter pass strategy: the dynamics of the local fitness market and the rationale for the development of the RECenter passholder retention strategy. The purpose of this discussion is to provide greater clarity regarding those two topics.

ENCLOSED DOCUMENTS:

NONE

STAFF:

Kirk W. Kincannon, Executive Director

Sara Baldwin, Deputy Director/COO

Aimee Vosper, Deputy Director/CBD

Cindy Walsh, Director, Park Services Division

Brian Laws, Manager, Park Services Division, Site Operations Branch

Nick Duray, Manager, Park Services Division, Marketing Services Branch



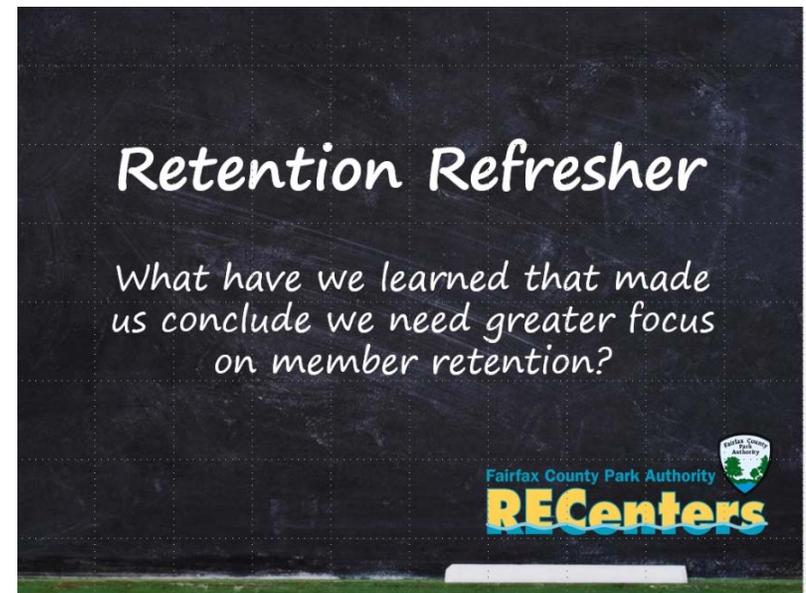
RECenter Pass Strategy Update

A Briefing for the
Park Services Committee
May 8, 2019



Background

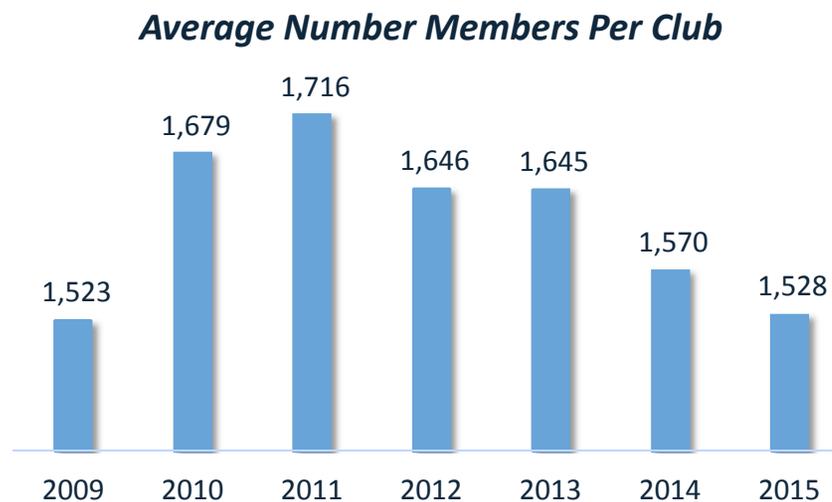
- February 27 PAB Budget Committee discussion
- RECenter pass strategy influences
- Agenda:
 - Dynamics of the local fitness market
 - Evolution of the RECenter passholder retention strategy



3 Key Facts About the Fitness Market That Are Affecting RECenters

1 Supply Is Outstripping Demand

- Potential # members per club is declining, despite increased participation



Source: 2014, 2016 IHRSA Health Club Consumer Reports

2 Local Market Hyper-Competitive

- Since 2010 the # of new facilities in the DC market has considerably outpaced the national average

199

fitness facilities in Fairfax

Source: melissadata.com SIC code 7991.

3 Fitness Biz Undergoing Major Disruption

- Most of recent membership growth is at the budget & premium ends of the market. Mid-market is feeling the squeeze



Source: Adapted from Oxygen Consulting, Health club industry mid-market report, 12/15.

3 Key Facts – RECenter Membership

1 Flat Pass Sales & Revenue

-0.5%

Sales, 2-Year Average Annual Growth

0.3%

Revenue, 2-Year Average Annual Growth

2 Higher Than Average Market Share

- RECenter study consultants B+D were surprised at the size of the RECenter member base, given the nature of the Fairfax market
- They consider us “fighting above our weight”



3 A Member Retention Problem

- Our passholder retention is...
 - Lower than the industry average
 - And our retention trend is flat, unlike the industry's, which has been improving modestly

67%

Member retention average, U.S. Multi-Club Chains

49%

RECenter passholder retention rate

- \$ loss from retention 'leaky bucket' is significant

\$47,300

Estimated impact of every 1% loss in passholders





Can't we grow our way out of the problem by slashing prices and/or spending more on advertising?

Price Slashing... How Is That Working?

- Indications are it's tough to convert a multi-purpose fitness business model into a low price/high volume model

Town Sports International Reports Fifth-Straight Year of Revenue Decline

Anthony Dominic, Content Producer

Feb 17, 2017

EMAIL [in SHARE](#) [Tweet](#) [G+1](#) [f Recommend 5](#)

COMMENTS

Town Sports International reported fourth quarter revenue of \$96.1 million and year-end revenue of \$396.9 million, decreases of \$4.7 million and \$27.4 million, respectively.



Town Sports International reported a small increase in its member count from 541,000 in 2015 to 544,000 in 2016, despite a fourth-quarter drop of 1,000 members. (Photo by Stuart Goldman.)

Price Slashing...

- Given Town Sports International's results and the fact that RECenter market share is already higher than expected (B+D)...
- Likelihood of capturing significantly larger market share is limited
- We aren't alone in concluding this...

the YMCA of Northwest North Carolina

We had a **13%** marketshare

- Growth slowed in 2013-14
- 2014-2015 was first negative growth year
- Cutting prices would not solve the problem

More Advertising?

- Likely can't outspend the competition to subsist on just new member acquisition either...

\$ 56,500 RECenter ad. budget

\$ 60,000 Avg. marketing spend
per club location

Source: Michael Scott Scudder, 2016 survey of state of health club marketing.

Conclusion

- All factors collectively point to the need to incorporate a more comprehensive retention effort (along with new member acquisition) as part of the RECenter revenue growth strategy

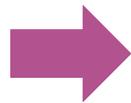


What can we do about retention? Aren't we losing members to cheaper, better competition down the road?

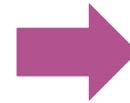
Top 2 Reasons Passholders Leave...

- Too expensive, not using RECenter enough
- Same reasons members leave health clubs nationally
- For most, doesn't mean we are too expensive... means we haven't engaged them enough to use our facilities

Lack of
engagement



No/minimal use

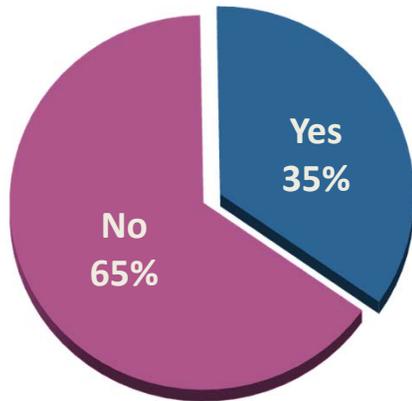


No value
proposition

2 of 3 Expired RECenter Passholders Don't Go To Another Gym... They Just Go Home

- Our biggest competitor is the couch

Are you currently a member of another health club/fitness facility?



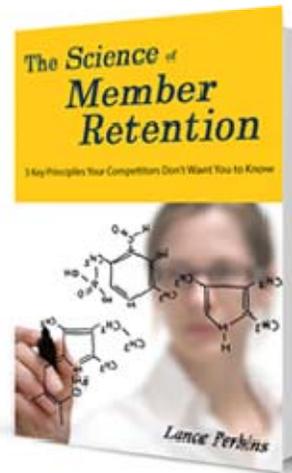
RECenters Have A Multi-Faceted Member Retention Plan

- Focus for today's discussion... new member onboarding



RECenter Retention Plan...

- Incorporates lessons from recent retention research
 - United Kingdom
 - IHRSA
 - YMCA



- Several lessons from the retention research pointed to the need for a robust new member onboarding program. These are as follows...

Make Sure They Get A Good Start...

10%

Of online joiners
never visit the club

2
Weeks

The gap between joining and first visit
strongly predicts future behaviors.

Those who take longer than 2 weeks to
make their first visit are less likely to
establish a sufficient visit frequency to
maintain membership.

Monitor Use For At Risk Behavior

FIGURE 1: THE NO-SHOWS

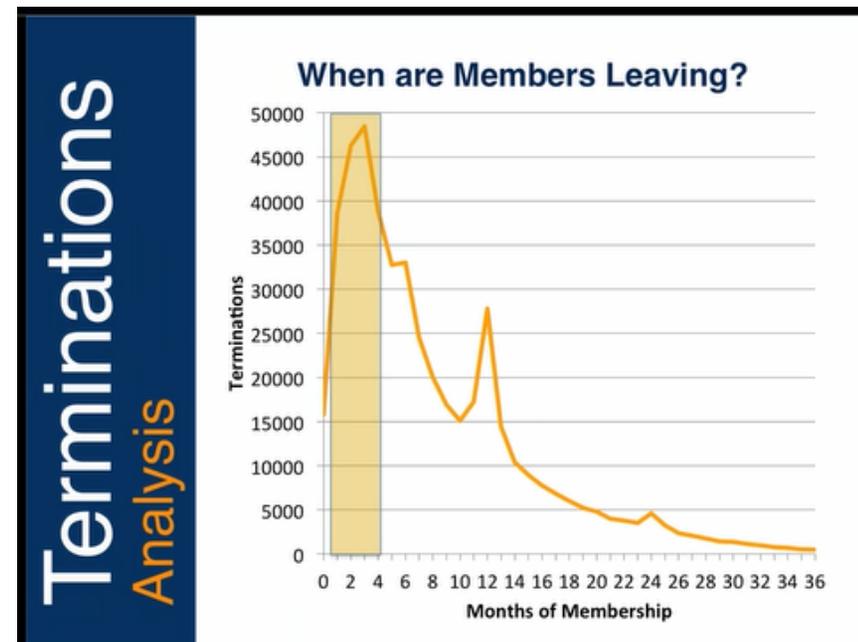
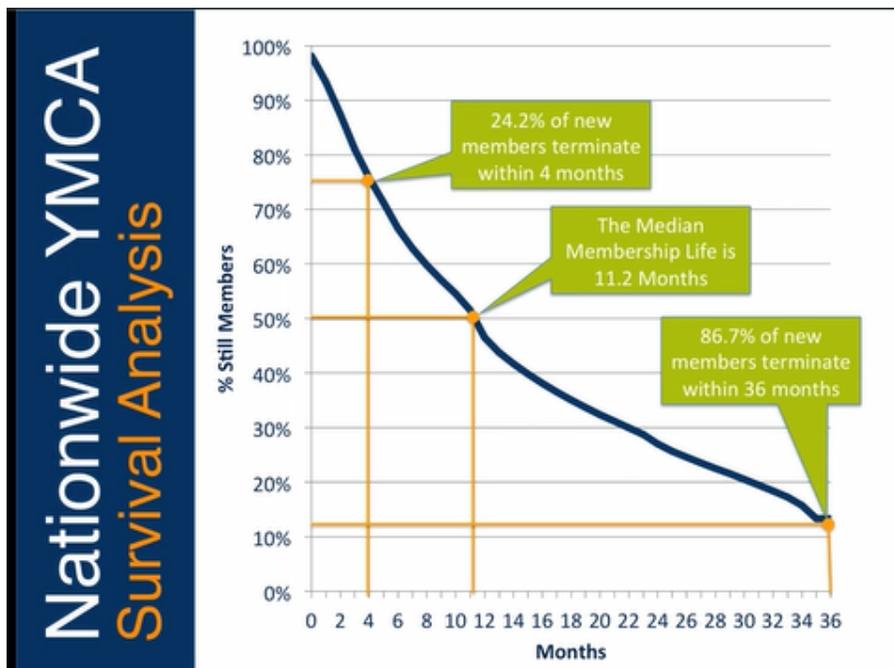
The proportion of members reporting no clubs visits (by number of months after joining)



- Use patterns that indicate risk of drop-out...
 - No visits previous month
 - Average visits < weekly
 - Drastic change in visit pattern
 - No visits last 14 days

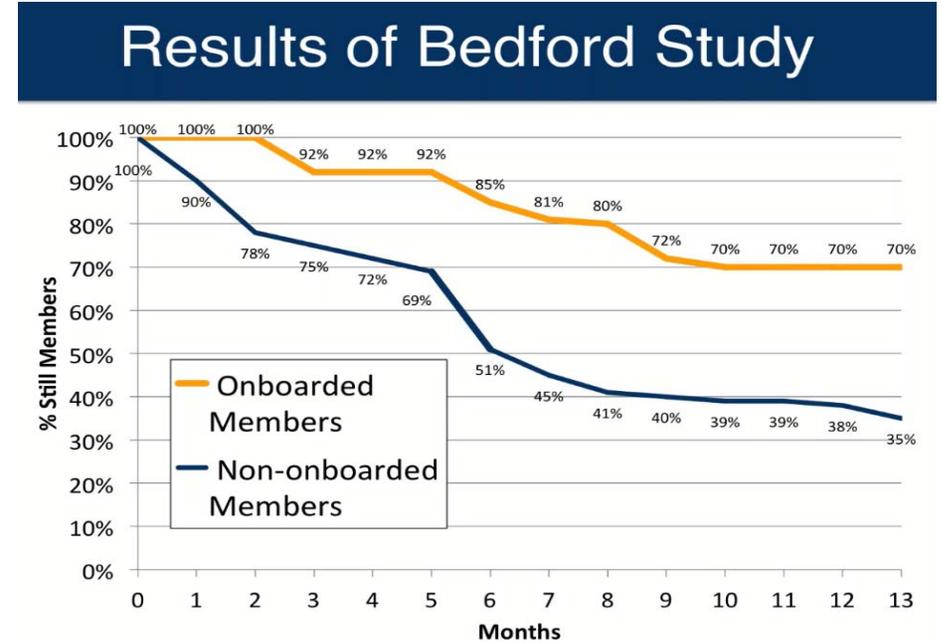
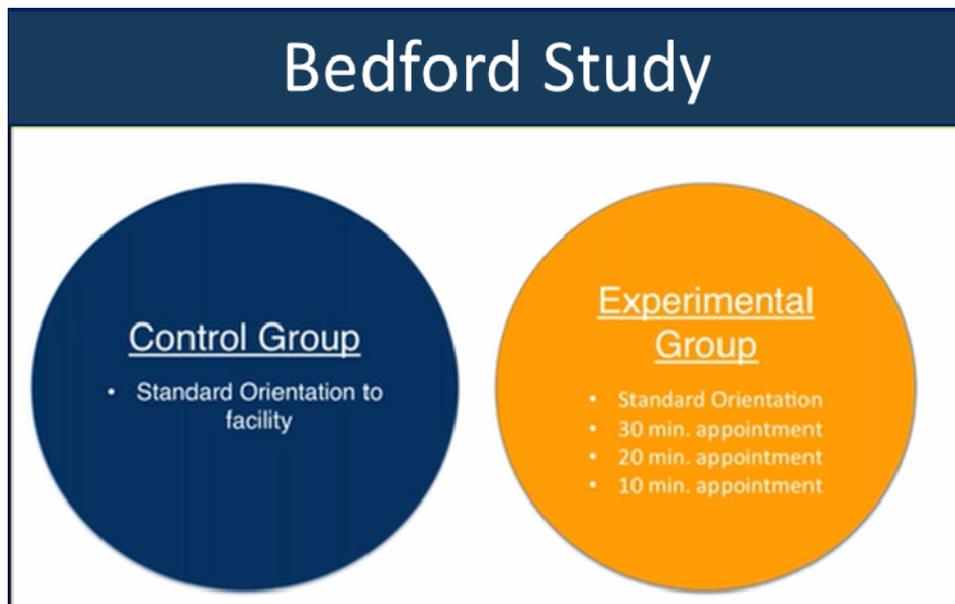
Establish A Comprehensive Onboarding Program

- Only 15% of members succeed on their own
- The first few months are critical



Effectiveness of Onboarding

- Orientation & 3-step onboarding improved retention 84% over just typical orientation after 12 months



GetFit – RECenter Onboarding Program



Fairfax County Park Authority
RECenters

MobileFIT



New members enjoy:

- Three coaching sessions to help you identify, set and achieve goals.
- State-of-the-art "In-Body" composition analysis.
- Introduction to equipment and fitness programs customized to help you get started and stay on track using our "GetFIT" tracking app.

GetFIT and Stay Fit!

Your membership includes the GetFIT program, designed to provide you with the tools and resources you need to get fit and stay fit.



Download the MobileFit app at <https://engage.mobilefit.com/mobilefit-assist>



GetFIT Coaching Sessions

Together, you and your coach will establish goals and create a customized fitness routine to help you GetFIT and stay fit.



Session 1 - Get Connected

- Meet your coach.
- Identify goals and eliminate barriers.
- Personalized introduction to the "GetFIT" tracking app.



Session 2 - Set Goals

- InBody assessment.
- Discuss appropriate fitness activities, classes and equipment to best meet your goals.
- Enhance your GetFIT workout options.



Session 3 - Stay Motivated

- Establish long-term goals.
- Adjust GetFIT workout options.
- Discuss alternative fitness activities available with your REC Rewards.
- Join the GetFIT 30-day challenge.

\$25

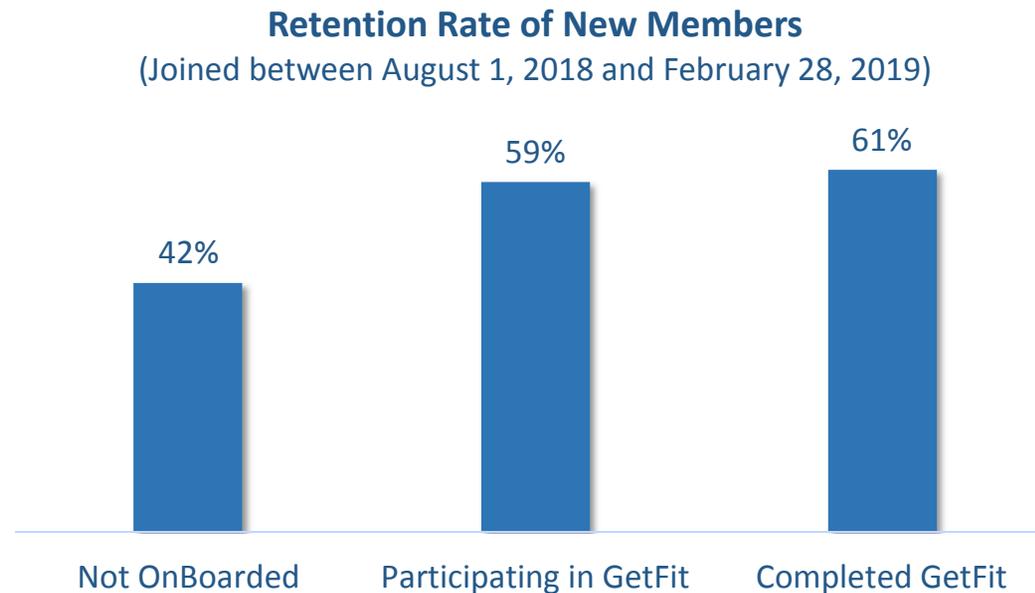
GetFIT
REC Reward

You've
earned it!

Fairfax County Park Authority
RECenters

Preliminary Results of GetFit Program

- Retention rate of new members participating in GetFit is 40 – 45% greater than among those not participating in the program



Questions

