

**A MEDIATING EFFECT OF
CUSTOMER RETENTION ON
THE CUSTOMER LIFETIME
VALUE ACHIEVEMENT
AMONG FITNESS INDUSTRY
IN MALAYSIA**

*A Study on the Fitness Industry in Malaysia and the Creation of
Customer Lifetime Value to enhance Customer Retention*

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DECLARATION

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

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ABSTRACT

The fitness business is an industry that is receiving an immense amount of attention and growth in Malaysia. With the growing awareness of Malaysians to seek methods to live a balanced lifestyle, fitness has now become a trend in most social media news. However, most fitness gyms are unable to retain their customers for long as these businesses lack the knowledge of creating a concrete and innovative business strategy which provides a direction towards innovation and long-term relationships. Customer Lifetime Value may be the solution to retain quality customers. Fitness studio owners need to apply the knowledge acquired from understanding the reasons members of the fitness studio subscribe to their membership and use that knowledge to invoke or ignite their desire through their business strategy. The inability of management to ‘see the light’ and act upon the concept of investing in customer lifetime value as a more profitable avenue than acquiring new clients prove to be the fall of many organizations in the fitness industry. This business research will be practising the philosophy of positivism with quantitative data being retrieved from members of the boutique fitness studios through a survey questionnaire and data collected from boutique gym owners through semi structured interviews. This is in line with the current research as the perspective of both members and fitness studio owners is taken into consideration. This business research is carried out in the fitness industry particularly with boutique fitness studios in Klang Valley which fills the gaps in academic literature regarding the use of Customer Lifetime Value in Customer Retention Strategies but also in the context of boutique fitness studios rather than big box gyms. The current study is done in Klang Valley, Malaysia which also contributes to the Asian context while most studies have been done in the Western countries.

Keywords: Customer Retention, Fitness Gym, Customer Lifetime Value, Business Sustainability, Service Quality

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CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND OF RESEARCH

The fitness industry of today's world has immense potential opportunities, threats and challenges. In Malaysia, ranked as the Top 3 Asian countries suffering from high obesity, diabetes and heart diseases (Dhesi, 2009; Nair, 2014; The New Straits Time, 2018; Clark-Hattingh & Lo, 2019; Free Malaysia Today, 2022), the heightened awareness of its citizens to lead a more health conscious life has become a trend in daily conversations and media talks. Malaysians are constantly seeking for new methods and tools to lead a balanced lifestyle, with the goal of being 'fit'. (TheStar, 2022; Free Malaysia Today, 2022; Chaiyomchai & Charnarpas, 2021; Hurley, 2004; Dhesi, 2009; Foo, 2014; The Malaysian Reserve, 2017). Various big box gyms (Babel Fitness, Celebrity Fitness, Fitness First, Chi Fitness, Anytime Fitness), sweat gyms, crossfit centers, and boutique fitness studio have emerged with the encouragement of the government with loan availability, discounts, sponsored health classes, check ups and Wellness Tourism, that it is no wonder why the fitness industry has been booming (New Straits Time, 2018; Chu, 2018; Ismail, 2019; Michael, 2019; Malay Mail, 2019).

According to International Health Racquet and Sportsclub Association (2020) and Statista.com (2020) quoted by Rizzo (2021), Malaysia's fitness industry has a total revenue of USD 201,000,000 and has about 375 gyms around the country. With a member penetration rate between 1% - 2%, it has about 330,000 members across the country.

Paraphrasing a famous superhero, "with great opportunities comes great challenges". Although the fitness industry has been blessed with the support from all its stakeholders, the main challenge that fitness studios are unable to overcome is the retention of loyal customers. The enticement of low switching cost, new attractions and programs of other gyms, exciting discounts, and free memberships are some of the many reasons why customers 'jump ship'. Studies have also shown the main

reasons for the lack of retention is caused by the management of the gym itself where they lack presence and interactions (Yi et. al, 2019; Gyurcsik et. al, 2004; Grubbs & Carter, 2002; Irwin 2007). It is found that 70% of the main reasons for cancellations are controllable such as pricing of memberships, uninteresting/outdated workouts and equipment, absence of fun, empathy with trainer and teaching methods, failure of service encounter and service response or inability to achieve results (Yi et. al, 2019; Keaveney, 1995; Gyurcsik et. al, 2004; Grubbs & Carter, 2002; Irwin 2007) – all of which can be solved if the management puts their mind to it (Yi et. al, 2019; Fernandez et. al, 2017; Grantham et. al., 1998; Dagger & Sweeney, 2006).

The year 2020, brought in another unbeatable challenge to the fitness industry. The recent pandemic of COVID-19 and the government's enforcement of the Movement Control Order (MCO) from the 18th of March 2020 until 12th May 2020 and then the Conditional Movement Control Order (CMCO) from 13th of May until 9th of June 2020, disallowed the opening of public and private gyms and fitness studios as well as other recreational facilities. Some gyms enabled members' accounts to be paused until the period has been lifted and offered free virtual classes via YouTube, Facebook or Instagram Live just to keep in touch with clients. This has caused many gyms to shut their doors permanently due to their financial inability to preserve their gyms or fitness studios during the MCO and CMCO period as most of their clients decided to drop their commitment as members (Rider, 2020).

On the 10th of June, 2020 the Recovery Movement Control Order (RMCO) began and allowed gyms and sports facilities to reopen according to the Standard of Procedures (SOP) given. The SOPs enforced limits the amount of participants in a class which affects the capacity and turnaround of classes causing a domino effect on the gym's profit and losses. The fewer students a class can fit in, the more classes the gym has to offer, the more cost it will have to take up (Coaches fees, electricity, part time front desks fees) to accommodate its clients.

As the number of cases increased, the government reinforced CMCO once again from the 14th of October until 6th of December maintaining its SOPs for the fitness industry. By now, people have developed a fear of going out of their homes let alone going to a fitness studio for a workout. Many fitness studio owners made a

decision to pursue online fitness classes aside from its physical classes for clients who are only allowed to work from home, while some gyms have decided to shut down and pursue online classes to overcome the problem of overheads that exceed income. Gyms in Malaysia as well as around the world have been suffering not only to acquire clients but also to retain quality clients even before the pandemic, so how will they now be able to solve this challenge while the pandemic is still at large? Now, in 2022, Malaysia has reached the endemic stage of the COVID-19 ordeal, and members are coming back in to continue their fitness journey and retain their memberships at the gym. Some however, use the pandemic as an excuse with the purpose of “safety” and “prevention” to discontinue their membership. Now that new members are slowly coming out of their houses, looking for a place to workout, it is now that the management should figure out a way to entice, acquire and retain both old and new customers.

Most management, particularly in the fitness industry, believe in acquiring new customers rather than retaining the existing customers in order for rapid increase in profitability to sustain its business. Fitness studios may excel in their fitness programming and possess the latest technology and equipment in the fitness industry. However, most of these businesses lack knowledge of concrete and innovative business strategies that provide a direction towards long-term sustainability (Yi et. al., 2020; IHRSA, 1998; Hillsdon, 2003; FIA, 2004).

Studies reveal that acquiring customers incurs costs, while retaining loyal customers grows profits, increasing the database which sustains the business via a minimal cost of ‘caring’ for current customers (Yi et. al, 2019; Naumann, 1995; Alexandris et al., 2004; Green, 2005; Power, 2008; Kural, 2010; Goncalves & Diniz, 2015).

In reality, the fitness industry has a high customer turnaround with fitness studios losing 50% of its customers in 5 years. The dropout rate is more than 35% of its customers with an average retention rate of 40% – 50% per year (Emeterio et.al, 2020; Macintosh & Law, 2015). The fitness industry relies on continued patronage as membership retention accelerates continuous growth for business sustainability and

financial viability (Yi et. al., 2020; Sawyer & Smith, 1999; Hurley, 2004; Lam et.al, 2005; Goncalves & Diniz, 2015)

Retention of customers strongly correlates to customer satisfaction; the more satisfied the customers are with the company the more likely the customers are loyal and will retain their membership with the fitness studio (Chayomchai & Charnarpas, 2021; Leon-Quismondo, Garcia-Unanue, & Burillo, 2020; Anderson & Sullivan, 1993; Alexandris & Palialia, 1999; Murray & Howat, 2002; Tsitskari & Tsitskari, 2014). Satisfaction and retention should be the key motivators for businesses to continuously invest in discovering new values and meeting their customers' needs for a long-term relationship (Chayomchai & Charnarpas, 2021; Leon-Quismondo, et. al, 2020; Crespo-Hervas et. al., 2019; Howat, et al., 1999; Ferrand et. al, 2010; Fernandez et al. 2017). When the percentage of customer satisfaction increases, the rate of customer retention also increases – customers who are satisfied share to at least five to six people who then are curious to find and try out as well which leads to attraction of new customers organically, increasing revenue and profits towards business sustainability (Chayomchai & Charnarpas, 2021; Leon-Quismondo et. al, 2020; Griffin, 1995; Galen et. al, 2005; Kotler, 2009). Companies need to acknowledge customer retention is not based on luck but is based on a continuous effort in creating value and benefits for their customers (Otto et. al, 2004, Gupta & Basumatary, 2017).

Customer Lifetime Value (CLV) may be the solution to retain such quality customers (Parasuraman et. al, 1988; Afthinos, 2001; Alexandris et. al, 2004; Venkatesan & Kumar, 2004; Ko & Pastore, 2007; Papadimitriou & Karteliotis, 2000; Chang & Polonsky, 2012; Fernandez et. al, 2018; Rather et. al, 2019). It is the continuous growth in value as the journey of the customer with the business continues. The longer a customer stays in business with the organization, the more 'surprises' are awarded to them and the better value the company will enjoy. Customer Lifetime Value or CLV is defined as the anticipated stream of future profits received from a customer which is factored by the probability of retaining that particular customer year to year at the firm's discount rate (Kotler & Armstrong, 1996; Gupta et. al, 2004; Buttle & Maklan, 2019). It describes the monetary value of a customer's relationship with the firm by calculating the present value of projected

future cash flow from the customer relationship. Customer Lifetime Value (CLV) offers a method to summarise the value and profitability of a customer which is vital and beneficial when designing and budgeting a number of marketing decisions such as client acquisition plans and product or service development plans (Dwyer, 1989; Wang & Spiegel, 1994; Stewart, 2019; Dahana et. al, 2019; AboElHamd et. al, 2021).

Leveraging on value can contribute to client retention and Customer Lifetime Value (CLV) assists in that juncture as it emphasises the need for the company to look at the big picture of long term quality relationships rather than short term and quarterly profit goals (MacIntosh & Law, 2015; Dahana et. al, 2019). Studies reveal that companies are least likely to see defection in customer retention when Customer Lifetime Value (CLV) is of high importance which then affects the increase of profits ensuring business sustainability (Li, Huang & Song, 2019; Kumar & Peterson, 2012; Ahmad & Buttle, 2002; Zorn et. al. 2010).

Fitness studio owners need to apply the knowledge acquired from understanding the reasons members subscribe to their membership and use that knowledge to ignite their desire through their business strategy (Rodrigues et. al, 2017; Hawkins & Hoon, 2019; Foroughi, 2019). The inability of management to understand, acknowledge and act upon the concept of investing in customer retention and enhancing customer lifetime value as a more profitable avenue rather than acquiring new clients prove to be the fall of many organisations in the fitness industry (Foroughi, 2019).

In order for a fitness studio to sustain its business and expand its horizon in the competitive fitness industry, owners or management staff of the business need to understand and cultivate customer retention strategies in its business model (Foroughi, 2019; León-Quismondo et. al, 2020; Soleimani et. al, 2021) . The concept of Customer Lifetime Value (CLV) needs to be accepted and embraced as a step forward in giving added value to customers who have sacrificed other opportunities to have a long-term relationship with the business. This research has the aim to bring awareness to fitness gym owners that retaining quality customers is good for their business sustainability. This research also aims to bring awareness to the management's need to alter its business operation mind-set to lean towards customer

retention and leading its team in the direction of ‘what can we do better’, “what can we add to this” or “how can we serve the members better”. This aligns both management and staff (coaches, front desk, cleaners, sales personnel) in the direction of keeping customers happy and using that satisfaction to gain loyalty. Thus, customer retention strategies can be achieved through implementation of Customer Lifetime Value (CLV). This will then result in an increased retention rate along with profitability, popularity, and sustainability of the business.

At the current moment of time, a limited amount of research has been done in Malaysia pertaining to the needs and benefits for customer retention in the fitness industry and how Customer Lifetime Value (CLV) is important to the profitability and sustainability of the business. There are studies and research about the fitness industry across the globe correlating value (service quality and relationship) and customer retention– US, UK, Europe (Hurley, 2004; Goncalves & Dinis, 2015; Rodrigues et. al, 2017; AB & Wowor, 2004; Macintosh & Law, 2015; Macintosh & Doherty, 2007; Tsitskari, Quick, & Tsitskari, 2014; Foroughi et. al, 2019; Dahana et. al, 2019; AboElHamd et. al, 2021) but Malaysia having a wide diversity in culture, lifestyle, and buying behaviour, it could vary in its outcome whether its amongst customers or even reactions from the management when testing the same experiences.

1.2 PROBLEM STATEMENT

The Malaysian fitness industry is a booming industry that is filled with so much potential and technological advancement. Although a slight setback during the COVID-19 pandemic, the fitness industry took up the challenge and ventured into new environments of virtual and technology upgrades to stay afloat. Now, as the nation and the world slowly emerge from the pandemic, customers are slowly coming back to physical classes.

Customer retention has been a puzzling problem for the fitness industry since the beginning of time. Even before the pandemic, studies have shown almost 50% of customers are lost within three years of the fitness business (Emeterio et. al, 2019; Gjestvang et. al, 2019). The pandemic was just a new ‘excuse’ for members to continue their classes. Owners of the business and their management fail to have a concrete strategy for customer retention (Yi et. al, 2019). The value of customers and the value given to customers are not taken into priority when it comes to retaining customers. Most rely and place their resources on acquiring new customers - a traditional thinking that new customers are better than old customers. Based on the previous research 70% of the factors for the lack of retention can actually be controlled and influenced by management but most of them do not realise it or take any action on it (IHRSA, 2020).

There seems to be a gap of understanding between what customers value in order to stay with a business and what is given by the business to the customers to stay with the business. Values that are offered may not satisfy retained members as much as the management thought it to be. There have been researches done on how customer value and service quality affects customer lifetime value and customer retention (Chayomchai & Charnarpas, 2019; Othman, Harun, Rashid, & Ali, 2019; Ozdemir & Yildiz, 2020) however, the lack of empirical evidence on the effect of customer lifetime value on customer retention in the fitness industry in Malaysia restricts the formulation of effective retention strategies with desired values. Research on retention strategies that are implemented by fitness centers and the opinion of their managers are scarce worldwide (León-Quismondo et. al, 2020), and there are none in Malaysia.

There has been theoretical knowledge on the linkage of service quality to customer satisfaction and behavioural intentions, role of engagement and customer retention (Teik, 2015; Yusof, Popa & Soh, 2018; Sharmeela-Banu et. al, 2012) in Malaysia and in other industries in Malaysia but there is little or no theoretical knowledge on customer retention strategies and its effect on customer lifetime value in the fitness industry of Malaysia.

With such traditional thinking and the lack of knowledge on how to run a fitness business, customer retention deteriorates and eventually the fitness business loses its members. They have a hard time achieving long term sales because of this backward thinking which causes the lack of or no business sustainability.

In order to improve customer retention, the fitness business owners need to determine customer values that retains customers to achieve customer lifetime value.

1.3 RESEARCH OBJECTIVES

The objective of this research is to identify customer retention strategies which apply customer lifetime value in its strategy to ensure that profitable customers stay on doing business with the fitness gym for the sustainability of the business. The following are the objectives of this research:

- a) To investigate the impact of product & services to customer retention.
- b) To investigate the impact of organizational culture to customer retention.
- c) To investigate the impact of employee performance & involvement to customer retention.
- d) To investigate the impact of leadership influence to customer retention.
- e) To determine investigate the impact of Customer Relationship Management (CRM) to customer retention
- f) To investigate the relationship between Customer Lifetime Value (CLV) and customer retention strategies.

1.4 RESEARCH QUESTIONS

Based on the Research Objectives, the following are the Research Questions:

- a) What is the impact of product & services to customer retention?
- b) What is the impact of organizational culture to customer retention?
- c) What is the impact of employee performance & involvement to customer retention?
- d) What is the impact of leadership influence to customer retention?
- e) What is the impact of Customer Relationship Management (CRM) to customer retention?
- f) What is the relationship between Customer Lifetime Value (CLV) and customer retention strategies?

1.5 SCOPE OF RESEARCH

This research will revolve around the theories of customer retention and customer lifetime value and how it leads to business sustainability of fitness studios in Klang Valley. For better comparison, the research will explore boutique fitness studios in the Klang Valley area whose business models and fitness services offered are similar. Boutique fitness studios (PlayGround Fitness, VivaVertical, The Unit, KOA, HotYo, DailyMuscle, CrossFitLah) are gyms that are smaller by space (800 – 4000 square feet) and class capacity (5 – 20 members per class) offering workouts or services that are more specific, specialised and personalised with a high experiential factors who charge premium fees for their services (Cardona, 2018; Williams, 2020) . Customers or members who subscribe to memberships with these fitness studios should also have similar characteristics and buying behaviour. The entire research was completed in a year with a duration of four to five months utilised to collect, analyse, and present data from fieldwork done through questionnaires and semi-structured interviews.

Research was only done in the Klang Valley area due to the COVID-19 restrictions and the researcher's feasibility constraint. Extensive research through the whole of Malaysia will require more than a year of research and the researcher believes Klang Valley is the hub of modern thinking and the fitness industry has more appeal in this part of Malaysia. Therefore, a total of 125 participants from eight boutique fitness studios participated in the survey and eight boutique fitness studio owners were interviewed.

1.6 LIMITATION OF RESEARCH

One of the biggest limitations faced for this research is the availability and reliability of research papers as well as statistical facts pertaining to customer lifetime values and customer retention in Malaysia, especially in the fitness industry.

1.7 ETHICAL CONSIDERATION

All necessary consent and permission required for the execution of this business research will be obtained based on the research codes of ethics. The researcher is also aware that rules and regulations set by the university have to be complied at any stage of this research. Data collection and storage will be done in line with the Personal Data and Protection Act 2010 (The Malaysian Bar, 2012) where extra caution has to be taken due to the fact that misuse of personal information obtained may be punishable by law.

1.8 SIGNIFICANCE OF RESEARCH

This writer believes the knowledge of this study will significantly contribute to the theoretical literature and professional practices that currently exists, as well as, to the knowledge of the researcher.

1.8.1 Contribution to Theoretical Literature

Customer value through service quality mentioned before is currently the latest strategic “mode of attack” when it comes to business sustainability (Zeithaml, 1988; Gale, 1994; Zeithaml et. al. 1996; Parasuraman, 1994). Its theoretical literature, its body of knowledge has been growing but it is rather fragmented as different points of views have been addressed on the perception of customer value and its relationship with business stability. However, there is no widely accepted method of combining views as there is relatively little empirical studies on the subject of discovering customer value and its main characteristics (Zeithaml, 1988; Lapierne, 2000; Wang et. al, 2004).

There is a lack of theoretical empirical evidence of member retention strategies and the effect of customer lifetime value in the fitness industry in Malaysia. There have been studies on customer retention, customer lifetime value, service quality, engagement in Malaysia (Teik, 2015; Yusof et. al, 2018; Sharmeela-Banu et. al, 2012; Foroughi et. al, 2019) but there is scarce or none when it comes to customer retention strategies in the fitness industry in Malaysia, how customer lifetime value is mediated through customer retention and what are the qualities that are valued by the customer/members and the opinion of the managers implementing those strategies.

The researcher believes that with this research, influential barriers can be broken down for both researchers and practitioners to find out what defines customer lifetime value in the fitness industry in Malaysia and how it can be put into action. There are also many bodies of knowledge of what customer value is in the West. However, as mentioned previously from an academic perspective, the professional services industry, particularly the fitness industry, is neglected yet it is one of the upcoming economic sectors in the East, particularly focusing on Malaysia. With the research completed, the hope of bringing in better knowledge of understanding how

value is conceptualised by both customers and organizations in fitness can be wider and be practised in reality.

1.8.2 Contribution to Professional Practice

In Malaysia, most health and fitness companies create short-term values based on general assumptions of what they believe the value is to customers and how fast profits can be achieved. Commercial fitness centers are either abruptly closing down (Ram, 2017) leaving customers behind or being bought over to be ‘married into’ bigger commercial fitness centers to enlarge their database of customers and territory (Fitness First, 2017). Boutique fitness studios are being formed of what looks like an imitation/copy of other newly formed studios - all have similar group fitness classes, and state of the art fitness equipment with just a different ambiance. The Covid pandemic drove many fitness businesses to also close down or minimise their business capacity as many members either did not have the financial capacity to continue, was taking precaution to stay away from the virus or wanted to venture into other fitness access (Eschner, Fortune, 2020; Olick, CNBC, 2019; Cording, Forbes, 2020). Now that Malaysia is in the endemic phase, new and old members are reaching out (Diandra, Prestige, 2020; Erika, Free Malaysia Today, 2022) and this is the time for the fitness centers to rise to the occasion and work on strategies to build their business back up. The researcher believes that businesses are blinded by the competitive world of trying to survive by using price war to increase the number of memberships. Most businesses also tend to save time and energy by copying other products and systems that are already out there rather than spending resources to change mindsets and culture that creates value and retains customers. Studies have shown that customer retention strategies are either weak, scarce or not implemented as management is either unsure or do not believe that retention is more effective than acquisition (Yi et. al, 2019; YI et. al, 2020; Tsitskari et. al, 2021). The researcher believes with the conceptual model that will be the result of this research, an understanding of common and uncommon factors that form customer lifetime value will emerge and better strategies of creating these values will be achieved.

1.8.3 Contribution to Self

Customer value in the health and fitness industry has been the topic of interest for the researcher and how it links to customer loyalty and retention could be the answer to business sustainability. The researcher agrees with the findings that although customer value has been defined and factors have been identified, many businesses especially in the fitness industry do not factor in those sentiments, as it is believed to be time consuming, tedious, and a waste of resources. With the findings of the research and with the conceptual model that will be the outcome of the final research, the researcher would be able to have a more solidified answer which will enhance the researcher's perception of conceptualising and practising the knowledge in her professional life.

1.9 ORGANIZATION OF STUDY

Below refers to the organization of this research and what is included in the upcoming chapters.

The first chapter of this paper provides an overview of the research at hand, covering a brief description of the research content, objectives, questions to be answered, its scope as well as its significance and limitations.

Chapter Two consists of the literature review and it begins with customer retention being introduced, with its history and definition followed by its benefits and downwards. It then describes the theories of customer retention and examples of customer retention strategies that are being generally used. The underpinning theory is then introduced and how it is applied to the current business research's theoretical framework. Customer retention will then correlate to Customer Lifetime Value where the researcher presses the importance of keeping a long-term relationship with loyal customers through extensive amounts of value rather than periodically finding new customers; which has proved to be an expensive investment. Finally, the researcher ends with the history of fitness, how fitness studios evolved in Malaysia with an immense amount of opportunities and its challenges. The researcher also emphasises on literature that indicates the lack of knowledge and interest of fitness studio owners to take action when it comes to cultivating customer retention strategies and how customer retention strategies that creates customer lifetime value will be the solution for business sustainability.

Chapter Three delves in the research methodology of this paper. The researcher will introduce the philosophy, approach, and the design of this research and why these angles are taken. The sample population will also be explained and the methods of both quantitative and qualitative research will be conducted to ensure sufficient data is collected. This chapter will provide an informative understanding on how data will be analysed through the IBM SPSS Statistics for questionnaire answers and a basic analysis for semi-structured interview results.

Chapter Four, Analysis and Findings, is where this research paper becomes thought-provoking. Curiosity and interests are piqued as this is the chapter data collected is analysed and great findings are discovered. Cross tabulation tables, histograms, and graphs are used to display the correlation and outcome of the analysis.

Chapter Five allows the researcher to discuss the analysis and findings. Based on the researcher's knowledge through literature and observations during the research period, results are explained.

Chapter Six is the conclusion and recommendation. Based on the analysis and findings of the research done, an inference will be drawn and a conceptual model that emphasises on customer retention with the right type of service quality values that creates Customer Lifetime Value.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 CUSTOMER RETENTION

As the fitness industry grows, may it be physically or virtually, in order for the business to continue and succeed in caring for the well being of people, fitness studios needs to have members who subscribe to a continued, long-term membership and nothing would be able to accelerate this continuity other than to improve in the aspects of customer retention (Hawkins & Hoon, 2019; Goncalves & Diniz, 2015).

2.1.1 The Origin Of Customer Retention

The building of long term relationships with customers (Gronroos, 1994; Buttle, 1996; Berry 2002; Jovevski & Vasilevski, 2019) provides a context for this research as retaining customers is all about an extended relationship between business and customer that is beneficial to both parties (Petzer & Van Tonder, 2019; Christopher et. al, 1991) and it is often known as relationship marketing. Customer retention is part of relationship knowledge with maintaining existing customer by manipulating relationship in a way that enables parties to benefit through long term repeat business (Jovevski & Vasilevski, 2019; Hawkins & Hoon, 2019; Leong-Yow & Qing, 2006; Chang & Chen, 2007)

Commitment-Trust Theory (Morgan & Hunt., 1994)

Thorelli (1986) concludes that relationships are created and binded through power because of its mere existence and the ability for it to condition others. However, Morgan and Hunt (1994) in contrast theorise that the presence of relationship commitment and trust is central to the success of relationship marketing and not power and its ability to condition others.

Commitment and trust are key because they encourage marketing to work at preserving relationship investments by cooperating with exchange partners, it ensures

managers to resist attractive short term alternative in favour of expected long term benefits of staying with existing partners and enables managers to view potentially high risk actions as being prudent because of belief that partners will not act opportunistically (Brown et. al, 2019; Morgan & Hunt, 1994). When both commitment and trust and not just one or the other is present, they produce outcomes that promote productivity, efficiency and effectiveness (Brown et. al, 2019; Morgan & Hunt, 1994).

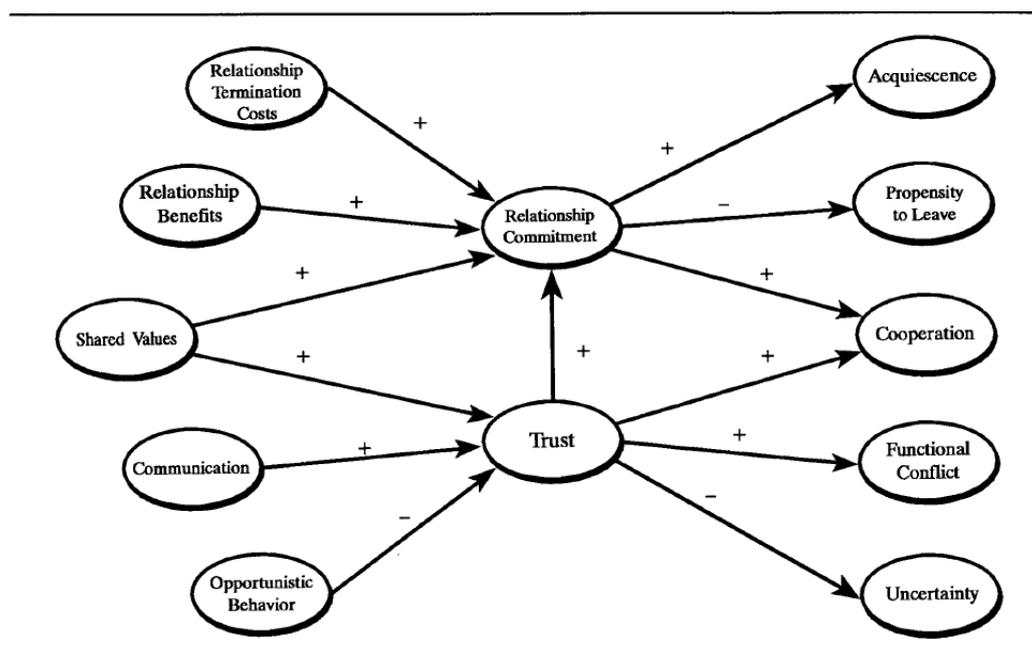


Figure 2.1 The KMV Model of Relationship Marketing, cited by Morgan & Hunt (1994, pp. 22)

In Morgan & Hunt's (1994) key mediating variable model focuses on a party's relational exchange and the party's relationship commitment and trust. Here they hypothesise that relationship commitment and trust are key components that mediate between the antecedents of relational exchange and the five outcomes.

a) Relationship Commitment

Relationship commitment draws on the conceptualization of commitment in social exchange (Cook & Emerson, 1978), marriage (Thompson & Spanier, 1983) and organisation (Meyer & Allen, 1984). It is assumed that the committed parties believe the relationship is worth working on to ensure that it endures indefinitely. This corresponds with Moorman et. al. (1992) who see commitment to a relationship as an enduring desire to maintain a valued relationship.

Morgan & Hunt (1994) proposed relationship commitment to be the central of Relationship Marketing because there is a common theme that emerges from various literatures (Thibaut & Kelley, 1959; Blau, 1964; Assael, 1987; Cook & Emerson, 1978; McDonald, 1981, Berry & Parasuraman, 1991; Sousa & Alves, 2019; Gilboa et. al, 2019; Steinhoff et. al, 2019) on relationships and that is commitment among exchange partners as key to achieving valuable outcomes for themselves and they endeavour to develop and maintain this precious attribute in their relationship.

b) Trust

Trust is created when a party has confidence in an exchange partner's reliability and integrity. This is similar to Moorman et. al (1993) definition of trust which is the willingness to rely on a partner who, one has confidence and Rotter (1967) who sees trust as a generalised expectancy held by an individual that the word of another can be relied on. It is basically the willingness to be vulnerable towards others (Van de Werff et. al, 2019)

Literature on trust suggests confidence on trusting party results from firm belief that the trustworthy party is reliable and has integrity associated with qualities such as consistency, competence, honesty, fair, responsible, and helpful (Amoako et. al, 2019; Altman & Taylor, 1973; Dwyer and LaGace 1986; Larzelere and Huston 1980; Rotter 1971; Lau et. al, 2019).

Trust Influence Relationship Commitment

It can be seen that when a relationship is built on trust that is highly valued, parties will have the desire to commit themselves to a relationship (Hrebiniak, 1974). Archol (1991) concludes that trust is the major determinant of relationship commitment which corroborates with Moorman et. al (1993) and Nora (2019) that trust by users in their providers significantly affects user commitment to a relationship.

c) Outcomes of Relationship Commitment-Trust

I. Acquiescence

Acquiescence refers to the degrees to which partner accepts and adheres to another specific request or policies, relationship has positive influence on this outcome and trust influences acquiescence through relationship commitment (Kumar et. al, 1992; Tanner & Su, 2019).

II. Propensity to Leave

Propensity to leave is the perceived likelihood that a partner will terminate the relationship in the future (Bluedorn, 1982; Huang et. al, 2019). There is a negative relationship between Relationship Commitment and propensity to leave when Relationship Commitment exists which provides a sense of stability (Kumar et. al, 1992; Huang et. al, 2019).

III. Cooperation

Cooperation is proactive and the only outcome to be influenced by both relationship commitment and trust. It is a situation in which parties work together to achieve mutual goals (Sousa & Alves, 2019; Anderson & Narus, 1990) and it promotes effective competition among networks promoting relationship marketing success.

A committed partner will cooperate with another member because of a desire to make the relationship work. Trust also leads to cooperation as when trust exists , parties will go to great lengths to ensure coordination behaviour exists and joint efforts are done to lead to an outcome that exceeds what the firm would achieve if done on their own (Sousa & Alves, 2019; Pruitt, 1981).

IV. Functional Conflict

Deutsch (1969) suggested when disputes are resolved amicably such disagreements are referred to as functional conflict because they prevent stagnation, stimulate interest and curiosity and provide a medium through which problems can be aired out and solutions can be arrived at (Shi et. al, 2019). Trust leads a partner to perceive that future conflictual episodes will be functional conflict which increases high productivity in relationship marketing and be viewed as just another part of business (Shi et. al, 2019; Anderson & Narus, 1990).

V. Decision-Making Uncertainty

This outcome refers to the extent to which a partner has enough information to make decisions, can predict consequences of those decisions and has confidence in those decisions (Achrol & Stern, 1988). Trust decreases a partner's decision making uncertainty because the trusting partner has confidence that the trustworthy party can be relied on (Wu et. al, 2019).

From the Commitment-Trust theory proposed by Morgan & Hunt (1994), it indicates that a relationship is built upon two parties engaged in a continuous process of exchange whereby both will benefit in the long term. Therefore, customer retention emerged in order for companies to increase profits and minimise both cost and customer switching in the long run.

2.1.2 Definition Of Customer Retention

Customer retention has many forms of definition. A simple definition would be when customers keep purchasing the same market offering over a long period of time (Blattberg et. al, 2001). Chatura and Andy (2003) defined customer retention as the future propensity of customers to stay with service providers (Ranaweera & Prabhu, 2003; Kassim & Souiden, 2007). Buchanan and Gillies (1990) defines customer retention in mathematical terms, as the percentage of customers at the beginning of the year who still remain at the end of year (Payne, 2000). Oliver (1997) describes in detail about customer retention as a deeply held commitment to rebuy or patronise a preferred product or service consistently in future despite situational influences and marketing efforts that cause switching behaviour potential (Mashaenene et. al, 2019).

To stay, to maintain, to commit, to remain, to continue a beneficial relationship is what these definitions have in common with one another. Customer retention can be said to be a part of the knowledge of relationship marketing concerned with maintaining customers that already exist and have a relationship with the business and somehow manipulate the relationship in a method that enables both parties to benefit in this long term repeated business (Bahri-Ammari & Bilgihan, 2019; Mokhtaruddin et al., 2019; Leong-Yow & Qing, 2006; Chang & Chen, 2007; Alshurideh, 2016). It is a method where products and services are offered according to the demands and expectations of a customer intending to establish permanent relations or create and deliver additional value to them in exchange for that beneficial relationship (Hillebrand et. al, 2011).

In a highly competitive and dynamic market environment such as the fitness industry, may it be in Malaysia or even the world, what a fitness studio does to keep customers in the next three to six months as mentioned earlier has the utmost importance and priority for the business to survive (Gustafsson et. al, 2005) because if customers don't stay long enough, they would not be able to reap or familiarise themselves with all the benefits and the values that the business has to offer. International Health Racquet and Sportsclub Association (IHRSA) (2020), Fitness Industry Association (2004), Hillsdon (2003) and Hawkins and Hoon (2019) also

emphasised the significance of cultivating customer retention strategies in the health and fitness industry as utilising existing relationships can prove to be very beneficial long term may it be in profit or brand image (Ortega et. al, 2020; Tsitskari & Batrakoulis, 2022). However, without customer retention, businesses do not have a chance to showcase their unique selling point and services through multiple visitations that offer differentiation, which is the trigger of building customer retention (Yi et. al, 2020).

As mentioned previously, about 50% of members leave within the first three to six months of their membership at the gym (Gjestvang et. al, 2019) but there is also an alarming percentage of members who leave within the first two years of joining the gym (Emeterio et. al, 2018; Williamson, 2001) and there are many factors why there is such a dropout of which 70% of those reasons are controllable by the management as it is mostly due to the fitness studios' service management whether its before, during, or after a session (Grantham et. al, 1998; IHRSA, 2020).

2.1.3 Benefits Of Customer Retention

I. Financial Viability

Customer retention is vital for a more viable financial status (Sawyer & Smith, 1999; Lam et. al, 2005; Jovevski & Vasilevski, 2019). It is one of the single biggest predictors of profitability in the future (Ortega et. al, 2020). Bain & Co (Desouza, 1992) found customer retention to have one the most powerful effects on future profitability and viability than expansion of market share, scales of economies or other variables associated with competitive advantage (Lam et. al, 2005, Alshurideh, 2019; Zeithaml et. al, 1996; Yi et al., 2020). By investing in existing clients, a company gets better returns and experiences faster growth than just acquiring new clients (Bahri-Ammari & Bilgihan, 2019; Almohaimmeed, 2019; Petrisson, 1993; Reinartz & Kumar, 2000; Eben, 2000; Seroka, 2000). Improvement even in a few percentage points sees an increase in profits by 25% to 85% (Kumar & Kaur, 2021; AB & Wowor, 2007).

Dawkins & Reichheld (1990) in their studies showed that a five percent increase in customer retention led to an increase of between 25% - 95% in customer net present value (Kumar & Kaur, 2021). Hanks (2007) saw a 75% increase in profitability when customer retention had an increase of 5% (Ishumael et. al, 2019). Reichheld (1996) in two of his six economic benefits of customer retention mentioned how there is a guaranteed based profit as existing customers are likely to have a minimum spend per period. Reichheld (1996) also commented how per customer revenue grows as existing customers have verified needs and as time goes by these customers are likely to earn more, therefore, spend more and what better way to spend than with the brand that they are most satisfied and loyal to. It can be said that an increase of percentage in customer retention has five times more impact on a firm's value rather than one percent change in its discount rate or cost of capital (Alshurideh, 2016).

II. Cost Reduction

Aside from increase in profits, studies in the consumer and industrial markets have provided insights that even a two percent increase in customer retention decreases cost by 10% (Reichheld & Sasser, 1990; Murphy & Murphy, 2002). It is widely accepted that customer retention costs much lower than customer acquisition, especially in the service industry such as fitness studios (Reichheld, 1996; Al-Awadi, 2002, Gupta & Basumatary, 2017, Stewart, 2019; Cláudia Dias et. al., 2019, Yi et. al, 2020). Gaining new customers may seem interesting and worthwhile to most companies as it brings new tastes, new likes, new perception of the company but it costs six to ten times greater than keeping existing customers as obtaining new customers requires more effort and investment to find and educate about the company's offering. (Gitomer, 1998; Gupta & Basumatary, 2017; Stewart, 2019, Yi et. al, 2020; Sobreiro et. al, 2021).

With customer retention increased, businesses need not acquire or replace with too many new customers which then decreases sales and marketing costs for brand awareness and sales pull which allows marketing resources to be better allocated (Desouza, 1992; Elben, 2000; Aydin & Ozer, 2005; Alshurideh et. al, 2012; Reichheld, 1996; Gummeson, 2004; Sobreiro et. al, 2021; Cláudia Dias et. al., 2019; Dias et. al,

2019) In the researcher's observation most boutique fitness studios, target their marketing and advertisements efforts and campaigns on social media platforms such as Facebook and Instagram. Member acquisitions require marketing campaigns on social media relating to brand awareness and sales promotion which can cost quite a substantial amount. However, when customers are retained, organic posts are posted and without any force intentions, interaction and engagement from existing members of the fitness studio help 'boost' those particular posts which leads to an increased amount of exposure to the social media users outside of the fitness studio's followers.

Aside from marketing costs, admin and transactional costs are much lesser as administrative work such as new account management, introduction of members to the 'group', onboarding kits and packages are reduced as existing clients already know how it is like and are accustomed to the culture of the business, therefore, less admin costs and effort is invested, which then, leads to the ability to maintain margin without decreasing prices (Zeithaml, 2006; Alshurideh, 2016; Bahri-Ammari & Bilgihan, 2019). Operational costs are also reduced relatively as most of its costs can be spread and covered over many customers that are retained over a longer period of time and existing members display fewer problems and fewer demands (Reichheld, 1996; Njenga, 2010; Muchardie et. al, 2019).

III. Existing Customers Become Assets

In terms of customers, acquiring new customers tends to be difficult to find and reach, they buy less than 10% because of uncertainty and they are less engaged in the buying process and creating a relationship (Levy, 2008; Alshurideh, 2016). Existing customers who have a more solid relationship and know what to expect allows the company to be able to cross sell which encourages customers to buy more. Existing customers are less price sensitive and find offerings more superior and are less likely to switch to the unknown; these customers also have positive word of mouth which allows the company to gain indirect and economical benefits through sales referrals (Hawkins & Hoon, 2019; Eiben et. al, 1996; Stahl et. al, 2003; Farquhar, 2004).

These benefits were also supported by many authors (Cláudia Dias et. al, 2019; Babakas et. al, 2004; Brady & Robertson, 2001; Howat et. al., 2002; McDougall & Levesque, 2000; Petzer et.al, 2009; Eiben et. al, 1996; Farquhar, 2004, Reichheld,

1996; Gummesson, 2004) who concluded how satisfied retained customers develop a durable relationship with the company and become customers who become more involved with the activities of the company by participating in the development of products and services and systems, continues to support the business in good and bad times repeatedly and takes part in any service offered by the business (Palma et. al, 2019; Hawkins & Hoon, 2019). They would be willing to pay the premium price as they know the value received and are more than willing to transmit word of mouth for good referrals.

Pareto's 80/20 Principle suggests that 80% of a company's profits derive from 20% of its customer base. Therefore, that customer base is the 20% of existing customers that tend to place frequent and consistent orders which allows businesses to flourish with their nature of being less price sensitive and having the willingness to sell the good reputation of the business through free word of mouth and referrals (Roberts-Lombard, 2006; Cláudia Dias et. al, 2019; Yuliantoro et. al, 2019).

IV. Competitive Advantage

When customers are retained, it becomes difficult for competitors to enter the market or increase their market share as the switching cost for clients becomes high when they appreciate and are satisfied with the product and services that have been offered. In the fitness business, the interaction between coaches, staff, and customers influences the decision for a member to continue their membership (this will be discussed more in the next topic). When there is high customer retention, the satisfaction of employees also increases, thus increasing employee retention, which in turn increases customer longevity because most fitness studio members stay for the social factor of the fitness studio (Goncalves, 2019; Yi et. al, 2020; Roberts-Lombard, 2006). Customer retention allows data to be collected and analysed, which enables companies to better forecast future sales volume and to tailor its product and services and marketing activities more individually. With customer retention, the company is able to identify characteristics of their best customers and use that similar profile to attract potentially new customers (Stewart, 2019).

V. Benefits of Customer Retention to Customers

In the perspective of a customer, customer retention strategies give both economical and social advantages. Customers' confidence is enhanced, as now a social relationship of trust and commitment is developed and their opinion matters when it comes to added value (Gilboa et. al, 2019; Alshurideh, 2016). Their confidence is also lifted when they become 'ambassadors' of a company, where again their word of mouth has a powerful influence on potential customers' attitudes and behaviour towards the company (Mazzarol et. al, 2007). Special treatment benefits and reduction of risk is experienced as customers are accustomed to the culture, the operation, and the added value that is gifted to them for their loyalty and it eases their process of decision making with more simplicity and efficiency (Gilboa et. al, 2019; Gwinner et. al, 1998; Marzo-Navarro et. al, 2004; Dubelaar et. al, 2005).

2.1.4 Downwards Of Customer Retention

Some may agree that customer retention is viable for the future of the company but some choose to believe it is not. Majority of companies tend to value new rather than old and use most of their time, energy, and resources about 80% of their marketing budget) to invest in obtaining new customers (Clapp, 2005; Weinstein, 2002). Claims that the era of Relationship Marketing and Customer Retention has yet to progress from beyond topics for articles and speeches into real action have been made (Pruden, 1995; Swan & Trawick, 1993). Some authors believe the ideas of allocating resources to keep the customer is not always practical as it demands further investment and majority of the companies focus on customers current period revenues and costs and pay no attention to potential cash flows over customer lifetime because not all customers and relationships are similar or profitable in the future (Foroughi et.al, 2019; Hausman, 2001; Chen & Popovich, 2003; Alshurideh, 2016; Reichheld & Kenny, 1990, Ahmad & Buttle, 2002).

1) Loss Of Control

Some companies believe that developing a relationship through customer retention means the loss of control over many things in resources, activities, and intentions (Hakansson & Snehota, 1995).

2) Indeterminateness

Building a relationship is uncertain and may not be constant even after investing time, effort and money. Some customers, although satisfied, may not want to have a long term relationship therefore wasting the resources invested in that relationship (Bloom & Perry, 2001, Cláudia Dias et. al, 2019). The future is uncertain and is only determined by its history, current events and the parties' expectation of the future (Hakansson & Snehota, 1995). In their studies, Kurtz and Clow (1998) concluded that despite efforts to attract, manage supply, demand, productivity and provide high quality service, customers who are satisfied does not always be or remain loyal and therefore businesses should focus on building relationships which will lead to customer retention (Srivasta & Rai, 2018; Samudro et.al., 2019; Claycomb & Martin, 2001). Constantly attracting new customers that require high cost and not being able to witness an increase in profit if one is unable to retain them is not beneficial, neither is it rewarding to maintain every customer since it is costly and not every relationship may be beneficial (Alshurideh et. al. 2019; Anderson & Mittal, 2000; Woo & Fock, 2004).

3) Resource Demanding

Creating and maintaining a relationship takes great effort, time and money and again it is uncertain whether or not the relationship will be fruitful. This process of retaining the relationship may be labelled as an investment or maintenance cost. (Hakansson & Snehota, 1995).

4) Preclusion From Other Opportunities

Because a variety of resources are required to build relationships and resources are 'stuck' in that strategy, conflicts may arise when other attractive opportunities arise (Hakanson & Snehota, 1995).

5) Unexpected Demand

When relationships are built, all parties are linked to many other relationships which may passively link into the network of relationships (Hakanson & Snehota, 1995). This results in customers thinking that everyone is 'on call' for them and they expect to get everything they want.

6) Lack of Practice

There is enormous attention paid to customer retention in the academic and management press, however, there is much lacking in practise as many claim to consider customer retention as an important business opportunity but businesses do not know how to define, measure or effectively execute it in practice therefore minimising their efforts of it all (Aspinall et.al, 2001, Yi et al., 2020; Farooq et. al 2019). Aspinall et. al (2001) in their research also found 54% of the organizations studied reported customer retention being more important than customer acquisition but only 23% of marketing budget is spent on customer retention (Payne & Frow, 1999). Proof is seen when new customers receive more favourable benefits like decreased or promo prices, more flexible contracts and payment terms whilst existing customers receive the bare minimum without any wow factor (Reichheld & Sasser, 1990; Abrams & Kleiner, 2003; Farquhar & Panther, 2007).

2.1.5 COMPONENTS OF CUSTOMER RETENTION



Figure 2.2 Components of Customer Retention cited by Bose & Bansal (2001)

Figure 2.2 represents the components cited by Bose & Bansal (2001) that consist of service quality, relationship quality and overall service satisfaction. Service quality refers to the overall customer perception of the relative superiority of a company and its services. Relationship quality has a common definition by many authors which is the evaluation of customers on the many transactions with business that is maintained because of the creation of trust, commitment, engagement and satisfaction (Ali et. al, 2022; Qian et. al, 2019; Gibbs & Kharauf, 2022; Itani et. al, 2019; Gummesson, 1987; Dwyer et. al. 1987, Parasuraman et. al, 1994; Kumar et. al., 1995). Overall service satisfaction reflects on the overall perception of the customer towards the product and service and the transactions that they have gone through with the company and whether it has exceeded their expectations (Mpwanya, 2022; Hennig-Thurau & Klee, 1997; Dabholkar, 1993)

Nasir (2015) proposed a more detailed description of components for customer retention which is depicted in Figure 2.3



Figure 2.3 Components of Customer Retention, cited by Nasir (2015, pp. 247)

In his book, Nasir (2015) explained how customer retention components comprises not only of customer satisfaction (Sylwia Gocłowska et. al, 2019, Ahmad & Buttle, 2002) and superior service (Sharma & Lambert, 2000) but also the ability and the effort of the company to monitor and minimise defection (DeTienne & Westwood, 2019; Larson et. al, 2021; Reichheld, 2000) and to service the right profitable customers through customization and specific targeted marketing.

From these two views of components the researcher would like to point out that each view is shown based on two different perspectives: Bose and Bansal (2001) are through the individual customer perspective while Nasir (2015) shows the perspective of the company and what should be the pillars of customer retention. From this it can be seen that both authors corroborate with each other in terms of components: overall quality, overall satisfaction., superior values.

2.1.6 THEORIES OF CUSTOMER RETENTION

The theoretical positions relating to customer retention management emerged from three main perspectives; services marketing, industrial marketing, and general management (Ahmad & Buttle, 2002)

I. Service Marketing - Quality-Intentions Theory

In the service marketing perspective, the way to retain customers is to improve customer service quality and satisfaction. Zeithaml et. al (1996) depicts behavioural consequences of Service quality as intervening variables between Service quality and financial gains or losses from retention or defection.

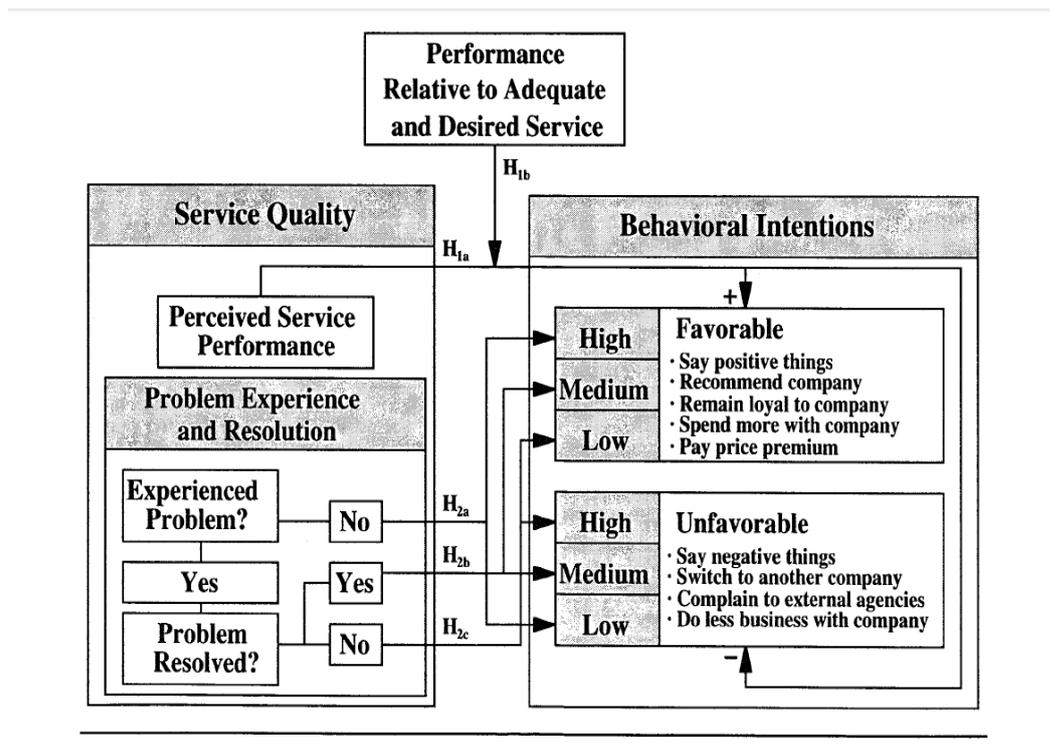


Figure 2.4 Effects of Service Quality on Behavioural Intentions cited by Zeithaml et. al (1996, pp.36)

The left portion of the model is at the level of individual customer and proposes that service quality and behavioural intentions are related and that service quality is a determinant of whether a customer will remain or defect. The model begins with customer assessing service quality and Zeithaml et. al (1996) posits that

when service quality assessments are high and positive, customer behavioural intentions are favourable which strengthens relationships with the company. When service quality assessment is low, customers' intention will be unfavourable and the relationship is weakened.

In Zeithaml et. al's (1996) research, multiple service quality and behavioural intentions were operationalized and used in their surveys of customers from four different companies.

a) Favourable Behavioural Intentions

Zeithaml et. al (1996) suggest certain behaviour signals that customers have forged a bond with a company may it be the customer praising the firm favourably (Boulding et. al, 1993), expressing preference over others (Parasuraman et. al, 1991) increasing volume of purchase and agreeable to paying a price premium (Simoes, & Nogueira, 2022; Kim et. al, 2019; Newman & Werbel, 1973; La Barbera & Mazursky, 1983; Rust & Zahorik, 1993). Several studies have examined association of service quality and specific behavioural intentions (Shamsudin et. al, 2019).

Parasuraman et. al (1991) finds a positive and significant relationship between customer perception of quality and willingness to recommend. Boulding et. al (1993) in their studies found a positive correlation between service quality and two item measures of repurchase intention and willingness to recommend. McLaughlin (1993) in the studies with Toyota found return repurchases increase from a base of 37% to 45% with positive sales experience, 37% to 71% with positive service experience and 37% to 91% with both positive sales and service experience. Tran (2020) finds a positive and significant relationship between service quality and behavioural intention.

b) Unfavourable Behavioural Intentions

Customers perceiving service performance to be inferior are likely to exhibit behaviour signalling they are poised to leave or to spend less with the company. Specific indicators of unfavourable behavioural intentions would be different types of complaining, negative responses, contemplation of switching to competitors and decreasing amount of purchases with business (Kim et. al, 2019; Zeithaml et. al, 1996).

Complaining behaviour is multifaceted (Dolan et. al, 2019; Singh, 1998) that is manifested into voice responses (seeking refund or recovery), private responses (negative word of mouth) and third party responses (taking legal action). Maute and Forrester (1993) find strong support for a three way classification of dissatisfaction response based on Hirschman's (1970) theory of exit, voice and loyalty responses.

c) Service Quality

There are many studies on how service quality is an antecedent of customer satisfaction (Albari & Kartikasari, 2019; Ozkan et. al, 2019; Alexandris et al., 2004; Lentell, 2000; MacIntosh & Doherty, 2007; Cláudia Dias et. al, 2019) and there are some that suggest it might not be enough for customer retention but also the reason for low customer retention (Alexandris et. al, 2004). The service industry has the characteristics of intangibility, perishability, inseparability and heterogeneity (Mande, 2019; Wirtz et. al, 2020; Hennig-Thurau and Klee, 1997) meaning the service rendered is a unique offering that cannot be seen, touched, tasted or smelled; its production cannot be separated by its consumption by customers and it cannot be stored, saved, returned or resold once they have been used. Meaning to say an instructor who conducts an experience in the class, would conduct a whole different experience in the next session even with the same movements and circuits written down on the board. The equipment used might be the same but the ambiance and the dialogue and the interaction would not be the exact same thing as the class before.

Service quality is defined as the overall customer perception of the relative superiority of a company and its services and studies have shown that there is a positive relationship between service quality and customer retention in the fitness industry (Chayomchai & Charnarpas, 2021; Othman et al. 2019; Garcia-Fernandez et. al, 2018; Lee, 2017; Lim 2006). Service quality is to be one of the best tools to sustain and increase the number of customers a company has, develop its competitive advantage and generate sustainable revenue (Othman et. al, 2019; Gocłowska et. al, 2019; Babakas et. al, 2004; Soita, 2012; Yu et. al, 2014).

Dimensions of Service Quality in the Fitness Industry

There have been many numerous studies starting from the late 1980s on the dimensions of quality in the fitness industry but there’s still no concrete agreement as to what these are (Hennig-Thurau and Klee, 1997). Below are some of the scales of attributes that been studies over the past 30 years (Table 2.1):

NO	YEAR	AUTHOR	DETAILS
1	1987	Chelladurai, Scott & Farmer Halywood SAFS	5 Dimensions 1) Primary core professional services 2) Primary core consumer services 3) Primary core peripheral services 4) Facilitating goods 5) Goods & services
2	1994	Parasuraman, Zeuthaml & Berry SERVQUAL	5 Dimensions 1) Reliability 2) Responsiveness 3) Empathy 4) Assurance 5) Tangibles
3	1995	Kim & Kim	11 Dimensions 1) Ambiance

		QUESC	<ul style="list-style-type: none"> 2) Employee Attitude 3) Reliability 4) Information giving 5) Programming 6) Personal consideration 7) Price 8) Exclusivity 9) Ease of mind 10) Convenience 11) Stimulation 12) Social Opportunities
	1996	Howat et. al CERM CSQ	<p>4 Dimensions</p> <ul style="list-style-type: none"> 1) Core services 2) Staff quality 3) General facilities 4) Secondary facilities
	1998	Tawse & Keogh	<p>5 Dimensions</p> <ul style="list-style-type: none"> 1) Health & safety 2) Class objectives 3) Value for money 4) Shorter modules 5) Service guidelines
	2000	Lentell	<p>3 Dimensions</p> <ul style="list-style-type: none"> 1) physical evidence 2) staff 3) secondary services
	2001	Brady & Cronin	<p>3 Dimensions</p> <ul style="list-style-type: none"> 1) Service attributes 2) Status of the brand 3) Service itself

	2003	Chang & Chelladurai SQFS	9 Dimensions a) Input Service climate Management commitment to SQ Programming b) Throughout Personal interaction Task interaction Physical envision Other clients Service failure & recovery c) Output Service quality
	2005, 2014, 2015	Lam et. al, Albayrak & Caber, Moreira & Silva. SQAS	6 Dimensions 1) Staff 2) Programme 3) Locker room 4) Physical facility 5) Workout facility 6) Child care
	2006	King & Castro	9 Dimensions 1) Price 2) Localization 3) Knowledge about other participants 4) Trainer Background 5) Facilities 6) Familiar environment 7) Availability of Physician 8) Innovative activities 9) Diagnosis & Control of training

	2011	Morales & Galves CECASDEP	6 Dimensions <ol style="list-style-type: none"> 1) Sports facilities 2) Attention to user 3) Sport spaces 4) Dressing room 5) Program of activities 6) Teacher or Monitor
	2011	Yildiz SQS-FC	4 Dimensions <ol style="list-style-type: none"> 1) Personnel 2) Physical environment 3) Supporting services 4) Program
	2011	Yildiz & Kara QSport-14	2 Dimensions <ol style="list-style-type: none"> 1) Staff 2) Program and installations
	2015	Nuviala et. al EPOD2	3 Dimensions <ol style="list-style-type: none"> 1) Perceived quality 2) Satisfaction 3) Value of service
	2017	Vieira & Fereira	4 Dimensions <ol style="list-style-type: none"> 1) Employee competencies 2) Facilities 3) Core service 4) Complementary service

Table 2.1 Dimensions of SERVQUAL in the Fitness Industry

As shown in Table 2.1, all of the models have similar or same dimensions but worded or categorised differently based on their own research done. Papadamitriou and Kar (2000) tested Kim & Kim's QUESC model and found inadequate measures of fitness service quality in its original form but supported the four factor solution - instructor quality, facility attraction and operations, program availability and delivery

and other services (Lagrosen & Lagrosen, 2007; Macintosh and Doherty, 2007). Afthinos et. al (2005) who also utilised Kim & Kim's QUESC model found cleanliness, professional knowledge, responsibility and courtesy to be the main dimension of service quality. Macintosh & Doherty (2007) emphasis the need for passion in fitness as one of the service quality attribute and Power (2008) expected a more advance service quality with computerised systems, helpful staff and a more detailed information regarding their fitness studios (Gonçalves & Diniz, 2015) and Tawse & Keogh (1998) regard health and safety as the key aspect of service quality (Moxham & Wiseman, 2009). Alexandris et. al (2004) found out that Parasuraman's SERVQUAL dimensions combined with nice atmosphere and acceptable behaviour of other customers to be the aspects customers look at when deciding on staying with a company. Morales and Galves (2011), Yildiz (2011), Yildiz and Kara (2012), Vieira and Fereira (2017) went more into physical attraction, programs and employee interaction. Nuviala et. al (2015) however, took a different route which emphasised on perceived quality, satisfaction and value of service.

When consumers evaluate whether to join, they may base their decision on the aspects of the club that is visible to them - the physical evidence of tangible facilities and goods (Weisheng et. al, 2019; Macintosh & Doherty, 2007) whilst members who have joined the membership but the decision on continuing membership and staying with the gym will be based not only on its venue aesthetics but also the core services, facilitating goods and peripheral services (HusetMcGuire et. al, 2003; Weisheng et. al, 2019).

The service environment that is established based on the service quality attributes becomes a factor in member satisfaction and member retention which will lead to profitability (Goncalves, 2019; Foroughi et. al, 2019; Meyer & Blümelhuber, 1998; Gerson, 1999; McCarthy, 2004). When one focuses on ensuring service quality in their service environment, members will tend to stay and be more loyal because of the perception of receiving a high level of service for their money and the good value received, the revenue streams will increase and the cost of attracting new members will decrease (Zeithaml, 2000; Ham et. al, 2003; McCarthy, 2004; Venetis & Ghauri, 2004). Research has indicated that assessment of quality and satisfaction are critical in the processes in which a customer develops positive attitudes towards a particular

experience and makes purchases on repeat and develops brand loyalty (Lee & Seong, 2020; Huang, Lee & Chong, 2019; McIlroy & Barnett, 2000; Webster, 1991).

In summary, service quality is a combination of the quality of core product which indicates the performance of the basic product relative to value (Clemmer, 1990) and service product quality which suggests the performance derived from interaction with service personnel (Price et.al, 1995). When the overall consumption is favourable, satisfaction is increased and the appreciation of the value of service quality increases customer retention (Lee & Seong, 2020; Huang et. al, 2019; Chiu et. al, 2012; Jani & Han, 2013).

d) Differential Impact of Service Quality Levels

A categorization of service levels follows one definition of service quality in the literature: the extent to which a service meets or exceeds customer expectation (Ramya et. al, 2019; Parasuraman et. al, 1988) and from the research there are two levels of expectations (Zeithaml et. al, 1996; Sion et. al, 2019): desired service which is the level of service customer hopes to receive consistent of a blend of what customers believes can and should be delivered and the second is adequate service which is the level of service customer will accept minimum service a company can provide and still hope it meets customers' basic needs. Zone of tolerance, bounded on the lower end by adequate service and on upper side by desired service captures the range of service within which a company is meeting customers' expectations

e) Impact of Problem Experience and Expectations

When customers encounter service problems, these experiences are likely to affect behavioural intentions. Lovelock (1994) hypothesised that customers whose business makes that extra effort to gain back become the businesses most loyal customer that a business would have. Service problems give the company the opportunity to demonstrate its commitment to the customer and its customer service through excellent recovery efforts.

Empirical evidence suggests service failure may weaken customer company bonds even if it is resolved satisfactorily (Bolton & Drew, 1992). In a previous report (Zeithaml et. al 1990), customers who experience no recent service problems have significantly better service quality perception than customers who experience recent service problems that were satisfactorily resolved because failure will never be forgotten no matter how good the service is.

II. Industrial Marketing - Social and Structural Bonding Theory

From an industrial marketing point of view, the way to retain customers is by forging multi-level bonds consisting of financial, social and structural bonds. In Turnbull and Wilson's theory (1989) customer retention is done through structural and social bonds.

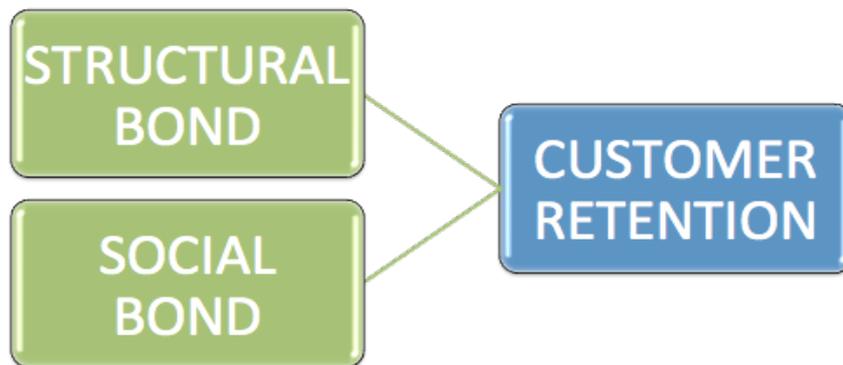


Figure 2.5 Structural & Social Bond Theory, cited by Turnbull & Wilson (1989, pp. 233)

Structural bond refers to a situation where two parties make investments that cannot be retrieved when the relationship ends and it is difficult to end the relationship due to the complexity and cost of changing sources (Turnbull & Wilson, 1989). The bond is not absolute but strong in that the cost and effort to change may prevent change of relationship. The key for a structural bond is to build marketing programs that create value to customers, require investment by buyers that cannot be salvaged if relationship ends and for it to be expensive to replace if the buyer must supply the service themselves if they were to change sources (Turnbull & Wilson, 1989).

Social bonds refer to the positive interpersonal relations between buyer and seller. Social bonds are easier to break as buyers cannot justify making an inferior decision based on friendship (Turnbull & Wilson, 1989).

Turnbull and Wilson (1989) performed a case study to research on these bonds with a company called Penmist UK Ltd.. The case study illustrated the impact on a company that is loosely bonded to its customer when a foreign competitor attacked the market on a price basis. The case study was done based on three different scenarios:

Case 1

Competitor cuts the market price by 10% and Penmist holds their prices with no reduction in sales and service staff meaning there is constant sales and service cost. It resulted in most of their customers switching to competitors with only medium accounts staying due to service bonding. Penmist net contribution falls tremendously.

Case 2

Competitor lowers price to the large customers by 12% and takes all top six customer categories. This assumes that service bonding is offset by price reduction. This results in Penmist not being able to hold premium prices and reduce its prices. Net contributions fall into a negative.

Case 3

Penmist lower its prices or be driven towards extinction. It is assumed that a 5%reduction will bring within 10% of the competitive price. This 5% reduction is given to all of its customers. Net contribution falls but retains all customers and it is feasible that Penmist offers 5% reduction to the top six accounts and holds the price for the rest of the accounts.

The Role of Investment and Bonding

When structural bonds that bind customers and suppliers are weak, the price becomes a powerful competitive tool. In the Penmist UK Ltd case study, structure of price affects the supplier choice. Social bonding may be high but it did not maintain the sales relationship in the face of large price differences.

It would be easier for buyers to resist lower prices from competitors who do not offer structural bonding that buyers require.

In their case study, Turnbull and Wilson (1989) concluded that developing bonds will bind important partners and create substantial barriers to competition. Company needs to understand what is valued in the relationship and invest in building structural bonds by investment in product and company. Initiating joint investment in product and process development, involving individuals from different levels and departments to build social bonds to strengthen relationships and make the process of termination become difficult is also another activity that could encourage creation of bonds. Careful development of a market investment strategy that seeks to build strong bonds also makes companies less vulnerable to attacks from competitors.

III. General Management Perspective - Loyalty Based Management Theory

From a general management perspective, Reichheld and Thomas (1996) promotes the pursuit of a three way approach of keeping customers, employees and investors and making adjustments in the firm's mission which should be creating value for all three components.

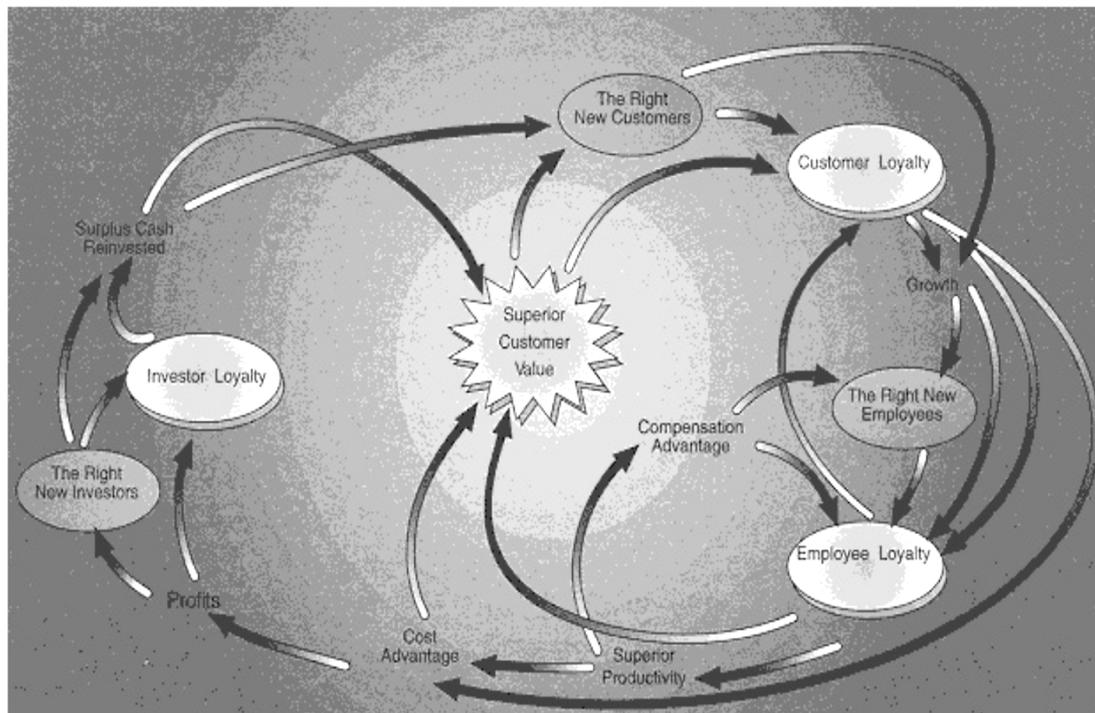


Figure 2.6 The Loyalty Based Cycle of Growth, cited by Reichheld & Thomas (1996, pp. 20)

Figure 2.6 shows what drives this model is not about profit but the creation of value for all three parties. Value creation generates the energy that holds these businesses together and their very existence depends on it. This creation of value initiates loyalty and this loyalty initiates a series of economic effects that cascade through the business system.

In this model depicted by Reichheld & Thomas (1996):

Revenue and market share grows as the best customers are attracted and retained with superior customer value, building repeat sales and referrals. Because of the company's competitive advantage of superior value, it has the ability to be more selective in customer acquisition and to focus its investments more on the most profitable and loyal prospects which further stimulates business growth.

Sustainable business growth enables retention of best employees. Consistent delivery of superior customer value allows employees to be proud and satisfied about their job thus creating loyalty. Long term employees are able to get to know long term customers and learn even more how to deliver the best value increasing loyalty in both customers and employees.

Long term employees learn how to reduce cost and increase quality on the job which then enriches customer value creation and generates productivity surplus. Productivity surplus then can be used to fund superior compensation and better training and tools for employees which reinforces employees productivity, compensation growth and loyalty.

Superior productivity combined with increased efficiency in customer service generates a cost advantage that is hard to imitate by competitors. Sustainable growth, competitive advantage, productive employees, and loyal customers generate profits that are appealing to investors which makes it easier to attract and retain the right investors.

Loyal investors become partners as they stabilise the system, lower the capital cost and ensure investments are put back in the business which allows improvement of value creation. And the cycle repeats again.

2.1.7 Example Of Customer Retention Strategies

Apple, Coca Cola, Nestle, Google, Southwest Airlines, Walmart, Amazon, Disney, Marriot and American Express are some of the world renowned companies that have great customer retention strategies (Weinstein, 2020) which is why they are able to not only keep customers for a very long time but also expand their market around the globe.

A good customer retention program or strategy is designed with the aim to directly support the value proposition of a customer. It must reflect loyalty to customer value and it needs to differentiate from their competitors for sustainable competitive advantage. Basically, it needs to be complex enough that high value is created, trust is generated and it bonds the customer closer to the business through frequent and high quality communication and engagement (Ortega et. al, 2020; Chayomchai & Charnarpas, 2021; Morgan et. al, 2000)

a) Traditional Customer Retention Strategy

In traditional times in fact even now, some customer retention strategies have been focused on behavioural outcomes targeting immediate benefits for the company (Yi et. al, 2019; Morgan et. al, 2000).

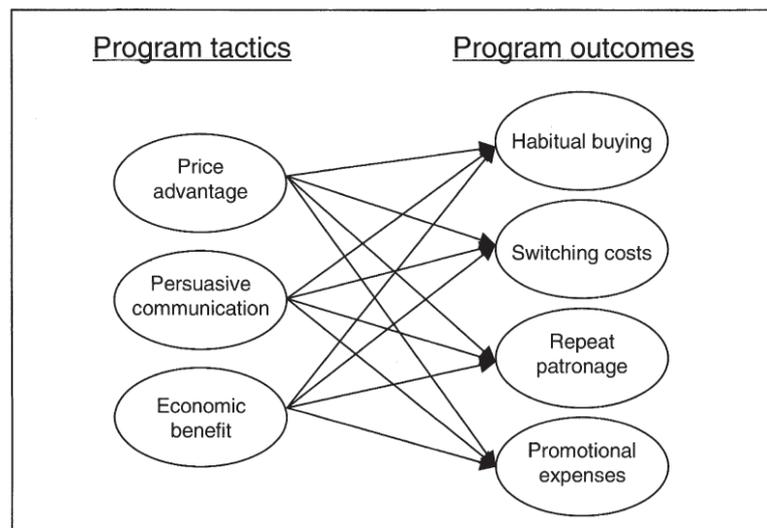


Figure 2.7 Traditional Model of Customer Retention Programs, cited in Morgan et. al (2000, pp. 73)

Traditional customer retention strategies focus on short term outcomes that may convince businesses it produces long term results. Program tactics such as price advantage, persuasive communication and economic benefits are the most common tactics that companies have used for decades (Morgan et. al, 2000) . Price advantage refers to companies offering the best price for the best value of its product and services (Kaleka & Morgan, 2017). Persuasive communication refers to the ability to communicate and be believed, affecting the audience's beliefs, desire and actions (Vincent & Kolade, 2019; Taillard, 2000). This is the tactic of convincing the customers to buy more and stay loyal to the brand through believable and friendly communication. Economic benefits refer to the usual benefits businesses use to attract and retain customers in the form of rebates, discounts, credits, points and free gifts (Morgan et. al 2000; Khare et. al, 2019).

Based on the traditional model, the researcher concludes that customer retention programs have focused on behavioural outcomes that have immediate benefits to the company such as habitual buying, increasing switching costs, constant repurchasing and decreasing promotional expenses (Morgan et. al, 2000). The downside of such models is it is easy to replicate as it is basic and short term and customers are also then easily convinced by competitors with the same strategy model just with a tweak difference (Pessiemier, 1959; Day, 1969; Jacoby & Chestnut, 1978).

b) Modern Customer Retention Strategy - Engagement & Relationships

Gradually, researchers have studied that engagement and relationship based customer retention strategies have a more heightened advantage that creates a more long term beneficial relationship that creates value for both customer and business (Ozdemir & Yildiz, 2020; Othman et. al, 2019) .

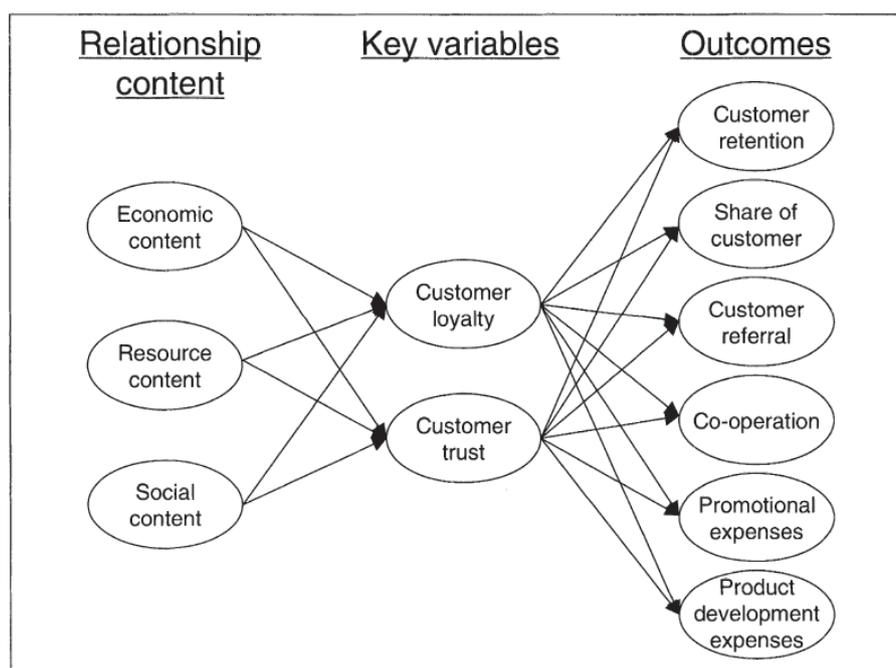


Figure 2.8 The Relationship-Based Customer Retention Programs, cited in Morgan et. al (2000, pp. 79)

Economic content refers to the economic benefits and cost of participation in a relationship. It is about seeking superior economic benefits at a lowered cost. Items such as rebates, discounts credits and free gifts are examples of economic benefits. Economic content is important as it provides an incentive to explore the relationship, cooperation becomes more attractive as enhanced economic return becomes expected encouraging repetition (Morgan et. al, 2000). Repetition of purchase then leads to partners mutually identifying ways to decrease cost of their exchanges. The researcher concludes strong economic relationship content encourages growth of loyalty but too much is not sufficient to sustain a healthy relationship.

Resource content refers to parties engaging in ongoing relationships to secure valuable resources that are unacquirable elsewhere efficiently (Van de Van & Walker, 1984). Customers seek valuable brands, products and services that are unique and scarce while companies seek valuable distribution opportunities, feedback and information to improve and be better (Morgan et. al, 2000). With this relationship, companies acquire many resources for long term advantages rather than immediate needs (Barney, 1991; Wernerfelt, 1984). Companies want purchasing power and effort from customers while customers want reliability, status, safety, reputation, and tangible value (Morgan et. al, 2000) . A good customer retention strategy enables the acknowledgement of these resources to both parties and it creates a reciprocal and equitable nature of relational exchange (Morgan & Hunt, 1994). With good resource content, there is interdependence which strengthens relationships (Oliver, 1991).

Social content is the social environment that encourages communication, honesty, fair play, engagement, transparency and awareness of relationship partners similarities (Morgan et. al 2000). Long term relationships must grow to trust each other, develop feelings of loyalty and cooperate. This can be created with the social environment that gives opportunity for members and business to interact in a casual setting, developing a much deeper relationship other than a transactional relationship (Morgan et. al 2000).

This relationship based model of customer retention strategies, looks beyond customer retention in its outcome. Not only will customers be retained, customer referrals will also exist through the relationship that binds two parties together which helps with extending the firm's share of customers. Promo expenses are decreased when business has more detailed customer information allowing superior targeting of promotional activities. Product development expenses will also be decreased as loyal customers are willing to provide feedback about new products and services and the types of customers. Loyal customers also offer insights of unfulfilled needs and wants and react to new product ideas. This lowers cost from conceptualization stage to product introduction and loyal customers are willing to be early adopters of new products (Rumelt, 1987).

c) Levels of Retention Strategy

Rai (2012) suggested four levels of retention strategies - financial bond, social bond, customization bond and structural bond. Financial bond refers to the financial incentives received by the customers for an increased number of purchases or for the continuation of a relationship. The more products and services consumed, the more 'gifts' customers will receive.

Social bond refers to a long term relationship through the development of social and interpersonal interaction. With social bonds, services are able to be customised to fit the needs of the customer. This is a retention strategy where business always looks for ways to keep in touch with the customer to build an informal relationship and have a personal touch to their customer service (Rai, 2012).

Customization bond is a strategy where products and services are tailored according to the customers by taking in account the views and opinions of the customers which will then make customers feel that their opinions matter and they feel important and prioritise that they will build a relationship with the business (Rai, 2012).

Structural bond is where a company establishes networks with customers and offers all means required in the service delivery (Rai, 2012). It ties customers in the structure of the company that can be leveraged by providing highly customised services to customers.

From the retention strategies reviewed in this research, the researcher has observed how these strategies have significant similarities which corroborates with each other. This includes superior customer value, interpersonal relationships, monetary and non monetary rewards, specialised and customised targeted marketing. However, the researcher does agree that customer retention may not be suitable for all industries or all customers (Smith & Higgins 2000; Li & Nicholls 2000; Farquhar, 2004) and different strategies need to be created for different companies as each of

them have their own criterias of customer segmentation and amount of resources they can invest in customer retention.

Analysis of Profit Impact of Marketing Strategy (PIMS) has shown a strong relationship between quality, market share and profitability of a company (Gale, 1994). Customers in these new generations are knowledgeable therefore becoming more and more demanding and wanting more value for their investment (Musskopf, 2021; Komulainen & Saraniemi, 2019; Band, 1991; Day, 1994; Gale, 1994; Naumann, 1995; Butz and Goodstein, 1996; Woodruff, 1997; Sanchez et. al, 2009). Butz & Goodstein (1996) in their research found that loyal customers place great emphasis on social and emotional value and the creation and delivery of superior customer value can help firms build close links with their targeted customers. Customers' assessment of total value and experience strongly affects not only acceptance and initial purchase but also their willingness to be retained to grow the share of the company (Weinstein, 2020; Best, 2009). Studies have also shown how superior customer value strategies relate to a positive relationship between market orientation, company performance and profitability (Ozdemir & Yildiz, 2020; Othman et. al, 2019; Ortega et. al, 2020; Chayomchai & Charnarpas, 2021; Best, 2009; Jaworski & Kohli; Narver & Slater; 1990). The world is evolving and technological change is rapid bringing in new competition who are keen to make a change. Therefore, firms are now looking towards superior customer value as a key factor and strategy to achieve and retain competitive advantage (Weinstein, 2020; Ozdemir & Yildiz, 2020; Woodruff, 1997; Slater, 1997; Day, 1994; Woodruff & Gardial, 1996).

2.2 UNDERPINNING THEORY - SERVICE QUALITY - INTENTION THEORY

In this section, the underpinning theory of the current research, namely the Service Quality - Intention Theory (Zeithaml et. al, 1996) will be further discussed on how it is an important tool in understanding service quality and the consequences it has on customer retention.

The fitness industry has unique characteristics of intangibility, heterogeneity and perishability (Mande, 2019; Wirtz et. al, 2020; Alexandris et. al 2001). It lies in a servicescape environment where its space, the facilities, the ambiance and the team defines quality of a business and becomes the factor of a customers satisfaction, retention and profitability (Othman et. al, 2019; Yi et. al, 2020; Goncalves, 2019;Gerson, 1999; Nickson et, al, 2002; McCarthy, 2004). When members receive the right product and perceive to receive a high quality level of service, they will be more loyal (Crespo-Hervas et. al, 2019; Foroughi et. al, 2019; Ham et.al, 2003; Venetis and Ghauri, 2004).

Based on the study of Service Quality and the effects on behavioural intentions by Zeithaml et. al, 1996, the researcher has seen the relationship between the two variables and relevancy of its components in the fitness industry.

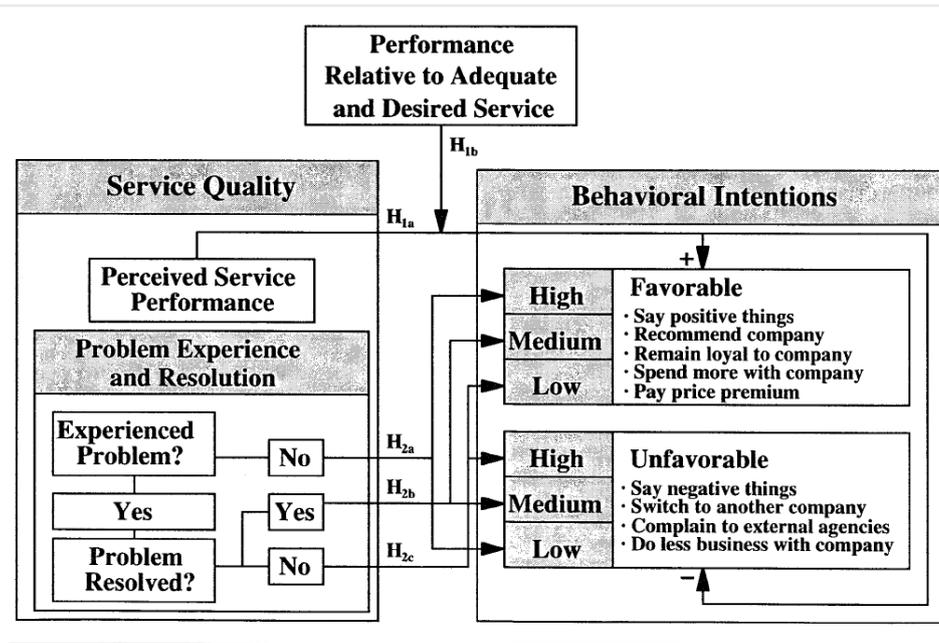


Figure 2.9 Effects of Service Quality on Behavioural Intentions cited by Zeithaml et al (1996, pp.36)

In the study of the underpinning theory, Zeithaml et al (1996) indicated how service quality which comprises perceived service performance and problem experience and resolution affects the behavioural intentions whether to be favourable and unfavourable. Service Quality was measured based on the performance of the service quality being adequate and desired service.

In this research, the researcher would like to take a more expanded and in depth look at what service quality components affect customers' intention to stay or to defect and how the behavioural intention to stay affects customer lifetime value. This can be seen in Figure 2.10 in the theoretical framework designed by the author.

Numerous studies have been done previously on the dimensions or components of service quality in the fitness industry (Goncalves et. al, 2014; Goncalves & Diniz, 2015; Yildiz & Kara, 2011; Yildiz, 2011; Viera & Ferreira 2017; Freitas & Lacerda, 2019). However there is much contrast and difference or no agreement regarding the service quality components in the area that the research was done. According to Ferrand, Robinson and Valette-Florence (2010), determining which attributes of a service are important still presents challenges when seeking to

uncover the likely impact on future intention. In addition, few investigations tried to investigate the relationship between the specific dimensions of service quality, satisfaction and renewal intentions proposed by Zeithaml (Zeithaml et. al, 1996).

Although numerous studies have shown the importance of service quality in the fitness industry, the context of most studies has been in developed and Western countries. According to Tarhini et al. (2017), there is a diversification between developed and developing countries' individual cultures which affect their behaviour. As such, further study is needed in developing countries such as Malaysia on the importance of service quality in the fitness industry (Foroughi et. al, 2019).

2.2.1 Conceptual Framework Of Current Research

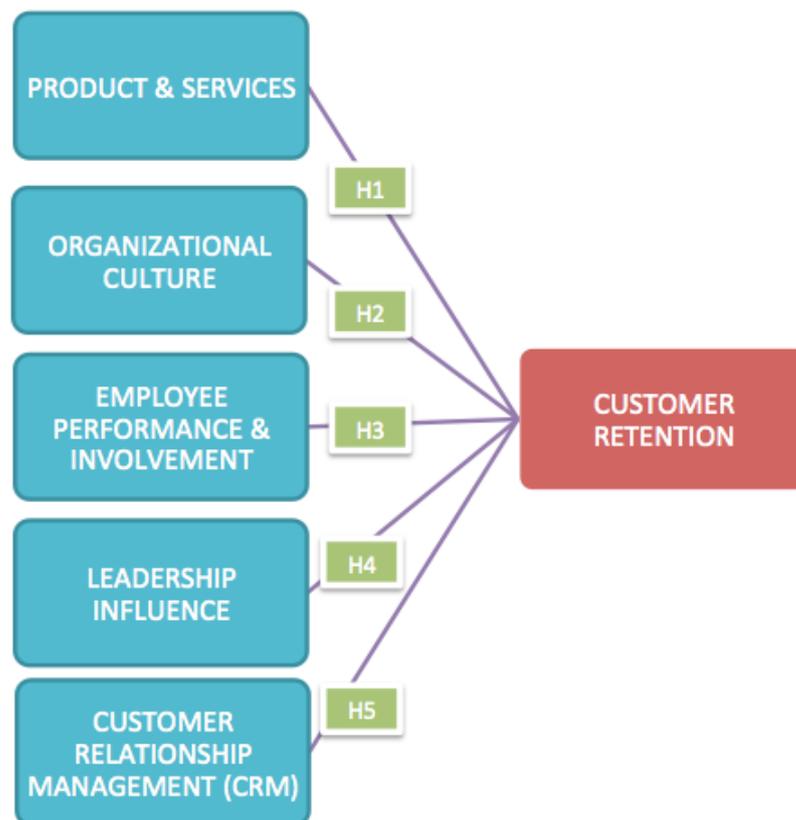


Figure 2.10 Conceptual Framework

The researcher's theoretical framework indicates a more detailed service quality component that was adapted from various authors which has more relevance

to the fitness industry based on the researcher's experience in the industry. Based on the framework above, when these service quality dimensions are achieved in a desired or adequate level of performance, customers become favourable to retain with the company and provide benefits to the company that will lead to a higher customer lifetime value. Below the researcher will describe in detail the components that were chosen for the service quality variable.

a) Product & Services

In the fitness industry, the product & services refer to the core, facilitating good and peripheral services (Macintosh & Doherty, 2007, Huset-McGuire, et. al, 2003). Macintosh and Doherty (2007) stated how Huset-McGuire et. al (2003) describes the core services as the professional services, consumer services and program services. Professional services refers to any service that requires special knowledge and comprehensive training of the individuals that deliver the service such as fitness testing and screening , training and instruction, programming of group classes and specialised classes, motivational methods (Huset-McGuire et. al 2003). Consumer services refer to services such as number of classes available, equipment rental and type of programmes offered (meal plans, strength improvement, fat loss challenge). Programme services which were added based on the works of some authors (Ghadiri et. al, 2021; Chelladurai & Chang, 2000; Howat et. al, 1996; Howat et. al, 1999; Kim & Kim, 1995) leads directly towards the programme variety may it be the fitness intensity levels, the convenience of class sessions and the availability of rewards and incentives.

Facilitating goods are goods that assist in executing the service may it be supporting facilities and equipment (Chelladurai et. al, 1987; Huset-McGuire et. al 2003). Most boutique gyms have similar equipment depending on what type of workouts they are offering which is now trending with modernised, computerised equipment that can be in sync with the latest moveable heart rate and step tracker such as FitBit, IWatch, Samsung Watch and Garmin. Equipment now is able to inform individuals of customised workouts based on age, height, heart rate and activity level. Boxing bags are now creatively created with water bags or other softer material that still has the impact of an ordinary boxing bag but is less prone to injury and is sweat

resistant. No more weighing oneself on an analog weighing scale. Now, the introduction of computerised body weighing scales such as InBody, MiBody that not only measures body weight but also skeletal muscle mass, body fats, body ratio and so on.

Supporting facilities (Huset-McGuire et. al 2003) also includes the ventilation system, the sanitization and cleaning procedures executed, temperature and smell of the facilities also plays a role in determining the mood and feel of the fitness studio. Online facilities refers to platforms such as private Facebook groups where members belong to a community, 'virtual' studios for those attending virtual classes and on demand workout videos where members are offered access to pre recorded sessions.

Peripheral services (Huset-McGuire et. al, 2003) revolve around the venue aesthetics, the look and feel of the studio, the layout of the workout place, the colours used, the background music played, the mood in the gym itself, the posters or paintings hung, TV displays also play a significant role in setting the tone of the studio. Participants' social support like the visibility of the front desk, the trainers who are out and about talking to members before and after class, the mood of the waiting area can also influence the vibe that has been created by the studio itself.

Macintosh & Doherty (2007) states that the fitness industry lies in a servicescape environment where its space, the facilities, the ambiance, the team defines quality of a business and becomes the factor of a customers satisfaction, retention and profitability and this is also a similar conclusion that other authors have on the related study (Ghadiri et. al, 2021; Othman et. al, 2019; Yi et. al, 2019; Goncalves, 2019; Gerson, 1999; Nickson et. al, 2002; McCarthy, 2004). Macintosh & Doherty(2007) agreed with authors of similar related studies that when members receive the right product and perceive to receive a high quality level of service, they will be more loyal (Ghadiri et. al, 2021; Rosli & Md Nayan, 2020; Hawkins & Hoon, 2019; Han et. al, 2019; Huset-McGuire et. al, 2003; Venetis & Ghauri, 2004). When choosing a product or service, customers are influenced by certain factors of the product and service such as attraction, image and prestige as it influences the lifestyle of a customer and it helps to remember the brand (Bachria et. al, 2019). In their studies related to the fitness industry, Macintosh & Doherty (2007), the physical service

environment is the first thing that faces customers and their perception, which is why environment and facilities as well as types of schedule of workouts play a key role in customer retention (Ghadiri et. al, 2021; Othman et. al, 2019; Goncalves, 2019; Afthinos et. al, 2005; Garcia-Fernandez et. al, 2018; Greenwell et. al, 2002; Lee, 2017).

There are many studies that found price to affect selection of centres whereby customers measure the value of service versus payment and select more economical services (Azad & Singh, 2021; Kim, 2019; Afthinos et. al, 2005; Tellis & Gaeth, 1990; Ferrand et. al, 2010; Han & Kim, 2009; Varki & Colgate, 2001). However, in the boutique fitness studio business, the price range of most studios are similar or on the same par therefore the features and speciality of the product and service become the main factor of customer retention. Features of product and services offered now become an investment towards customer value and offering different features and design to retain customers may produce savings due to lower customer acquisition costs and decrease of servicing costs (Ghadiri et. al, 2021).

However, Ghadiri et. al (2021) did state their claim that sometimes adding too many features and choices can actually decrease customer satisfaction when they experience feature fatigue - there are just too many choices that they can't decide. There is also a lack of not being aware that some features and added values are for attracting rather than retaining or vice versa. Therefore, management needs to identify effects of features on customer retention to be able to evaluate features against other potential investments geared towards increase in customer retention and customer lifetime value.

H1: Product and Services have a significant impact on customer retention.

b) Organizational Culture

Organizational culture has been defined by many various authors with different perspectives (Hofstede, 1991; Trice & Beyer, 1993; Schultz, 1995; Deal & Kennedy,

1999; Cameron & Quinn, 1999; Martin, 2002; Slack & Parent, 2006; Smith & Shilbury, 2004; King, 2012; Simoneaux & Stroud, 2014; Pathiranage, 2019; Madhani, 2019). This researcher agrees with Schein's definition of organization culture where Schein (1985) defined it as the pattern of basic assumption that the group has invented, discovered or developed in learning to cope with problems of external adaptation and internal integration and that has worked well enough to be considered valid therefore taught to new members as the correct way to perceive, think and feel in relation to those problems. This corroborates with MacIntosh and Doherty's (2007) simple definition of 'how things are done' in their research on organizational culture to customer retention (Madhani, 2019; Bailey et. al, 2019).

Organizational culture influences how a company deals with major external survival problems and internal problems (Schein, 1985; Pathiranage, 2019; Madhani, 2019; Maheshwari & Kushwah, 2019). The cultures will apply when the time comes for companies to set strategies, develop goals, decide on measurement of progress and control of output and how it decides to remedy situations that are out of line with goals (Schein, 1985). Culture also gives guidance when developing common language used in the company, concepts of time and space, view of human nature and personal communication, authority and intimacy roles as well as tasks that create the work and human organization (Schein, 1985).

Schein (1985) saw organizational culture in three dimensions: artifacts, values and belief and basic underlying assumptions which is aligned with MacIntosh and Doherty (2007; 2010) on how elements of the company and its culture can be seen to the naked eye with artifacts and symbols such as staff dress or uniforms, grooming standards, posters, painting, company logo and visible mission and statement while values and beliefs can be seen through actions and behaviour of company's staff (Smith & Shilbury, 2004; Pathiranage, 2019; Bailey et. al, 2019).

Studies have shown that organizational culture has a positive link to customer retention in the fitness industry (MacIntosh & Doherty, 2007;) and this has been corroborated by other authors and their studies in the fitness industry on customer retention (Hatch & Schultz, 1997; Kowalczyk & Pawlish, 2002; Bailey et. al, 2019). Organizational culture is perceptible in the fitness industry where there is high

customer-employee interface. Customer perception of what is valued in the company is reflected in corporate artifacts, company's policies and procedures as well as employee behaviour (Hatch & Schultz, 1997; Kowalczyk & Pawlish, 2002; Bailey et. al, 2019). Organizational culture also reflects the brand reputation or image of the company (Robinson, 2006; Dwivedi et al., 2019; An et. al, 2019) and it influences how consumers interpret the worth of membership (Chelladurai & Chang, 2000; Jamishidi & Rousta, 2021).

Therefore in the researcher point of view, it is prudent that an introduction of an organizational culture that is introduced which places customer at the heart of processes, activities and relationships especially in the fitness industry whose interaction with customers influences their decision to stay as organizational culture affects branding efforts because how fitness studios wishes to be perceived and its actual social representation can be significantly different (Oliver 2003; Wright et. al, 2017; Bodet et. al, 2009; Bailey et. al, 2019; Cuong, 2020). It is not a quick fix but should be a permanent item on the agenda where culture and methods should be examined to bring out the best value for its customers which will align with customer satisfaction and customer retention (Tsitskari & Tsakiraki 2013, Oliver, 2003; Bailey et. al, 2019; Pathiranage, 2019; Madhani, 2019; Maheshwari & Kushwah, 2019; Dwivedi et. al, 2019).

H2: Organizational Culture has a significant impact on Customer Retention

c) Employee Performance and Involvement

In the service industry, relationships and interactions are of central importance because marketing of the service, production of service, the delivery and consumption as well as the development of service are partly carried out in direct interaction with the customer (Ghadiri et. al, 2021). A fitness studio needs members in order for it to

have any transactional business. Without members, group classes do not exist, personal training cannot be scheduled in, facilities and development cannot be done without feedback of the current needs and wants. As the saying goes, it takes two to tango. In Gummesson (1987) words firms need to enter wedlock rather than one night stands which corroborates with Regis Mekenna (1985) that changes in the market can alter prices and technology but close relationships can last a lifetime, if not longer.

In services , the interactions during the production process provides opportunities for marketing by creating ‘favourable moments of truth’ that will encourage customers to return and recommend referrals. Gummesson (1987) noted two dimensions of relationship in a service business: profession and social relations. Professional relationships are grounded on the service provider's demonstration of competence (Gummesson, 1987; Dias et al, 2019). In the case of the fitness industry this means member to marketing team, member to account handling, member to front desk and member to fitness or nutrition expert interacting with each other based on the employee’s skill, knowledge, expertise and experience. Social relation is based on the efficacy of service providers' social interaction with the customer (Gummesson, 1987; Mummalaneni & Wilson, 1991; Dias et al, 2019). This means the ability of the team to have an interpersonal relationship, a friendship out of the fitness studio.

In Athanassopoulou and Mylonakis (2009) research the quality of relationship is measured through mutual trust, commitment and loyalty, satisfaction of product and services. This can also be found through similar research from other industries aside from the service industry (Lagace et. al, 1991; Wray et. al, 1994; Roberts et. al, 2003; Friman et. al, 2002; Huntley, 2005). Athanassopoulou & Mylonakis (2009) also found particularly in the service industry the measurement of cooperation and adaptation of services to customers needs is also included when measuring quality relationship of which Woo and Ennew (2004) as well as Fynes et. al (2004) have also concluded to include in their researches.

Athanassopoulou & Mylonakis (2009) in their studies quality relationship between employee and members leads to positive and future relation with providers (Crosby et.al, 1990; Boles, 2000; Foroughi et. al, 2019; Loureiro, Alves & Barbosa, 2019; Dias et al, 2019; Ghadiri et. al, 2021), increases the use of services, cross

selling, positive word of mouth, references and good publicity. High quality relationships lead to customer retention. This is corroborated by Woo and Cha (2002) who found that high quality relationships lead to loyal customers who stay longer with a provider.

The researcher agrees with Athanassopoulou & Mylonakis (2009) that the first years may not be very profitable but as time passes, cost for keeping each customer drops because relationship develops and with relationship born, it gives fitness studio members a feeling of value and belonging therefore becomes committed and is willing to pay a premium price and starts to buy more hence increase profitability (Foroughi et. al, 2019; Loureiro et. al, 2019; Dias et al, 2019; Ghadiri et. al, 2021).

Examples of employee performance and involvement affecting customer retention can be seen when Macintosh & Doherty (2007) research showed the influence of the front desk and how they play a role in satisfaction and intent to leave. McCarthy (2004) also agrees as they believe the front desk to be the front line for combating membership attrition and is the first base of interactions between employee and members of a fitness studio. Bentkowski (2003) contends that fitness employees have an influence on membership retention when members are recognized and are properly addressed in the fitness studio. McCarthy (2004) also emphasises that employees appreciating fitness studio members every time they enter a fitness club can be a factor in customer retention.

In the researcher's experience in the fitness industry, the first three months or even the first three weeks of a new member's time in the fitness studio is most vital as it determines their perception of the studio (Hurley, 2004; Myers, 2005). The moment the individual steps foot in the studio, the employees performance in their roles and their involvement in engaging the customer plays a role in how the customer reacts to the business. It starts off by being greeted with a smile and recognized by name by the front desk team, and then someone from the staff accustoms the individual to the facilities at the studio. A representative from the coach's team provides guidance on how best to prepare for a class and the new member sees a well equipped cleaning staff who is already ready to clean up after the next class and provide a certain ambiance of cleanliness, hygiene and freshness but also takes the time to greet and

smile at the individual. This type of performance and involvement already sheds light to the members on how authentic this studio is which can be a factor in retention (Bentkowski, 2003; McCarthy, 2004; Loureiro et. al, 2019; Dias et al, 2019; Ghadiri et. al, 2021).

H3: Employee performance and involvement has a significant impact on customer retention.

d) Leadership Influence

Leadership influence in the fitness industry primarily represents the head instructor and their pool of instructors who ultimately represents the status and symbol of the fitness studio. The head instructor or a combination of instructors of the boutique fitness studios are usually the management team who deal with sales and marketing of the memberships. Professionalisation of coach's occupation began back in the 1930s when it became distinguished. Specialisation then started in competencies and professional preparation of knowledge (Bodnar-Perenyi, 2012). Coaches are considered to be the leaders in the process of transmitting values and have an impact on customers and the motivational environment (Bartha & Perenyi, 2015; Ames, 1992). Whether it is in a physical or virtual studio or even in a pre-recorded session, a coach plays a vital role in influencing members to continue on their membership and attend a class or a session in the future.

Bartha & Perenyi (2015) in their study agreed with Chatzisarantis et. al (2003) that a coach's behaviour has strong correlation with dropouts. In class the instructor plays a fundamental role with setting the tone, mood and the groove of the class by planning the rhythm, repetition, the choice of songs and the interactions during class - factors that motivate the individual to do their best, to not give up and to feel good after a great experience whilst still feeling genuinely safe (Glaveli et. al, 2021; Bauer, 2009; Sassatelli, 2010). This is aligned with Smith MaGuire's (2008) statement that the instructors promote and institutionalise the practice of fitness as the central characters (Ghadiri et. al, 2021; Andreasson & Johansson, 2016), the leaders of the industry as they are both selling and embodying the very methods of the fitness field. Individuals who are accustomed to the teaching method and the mood set by a certain

instructor tend to switch gyms if the instructor starts to teach in a new location. Communication and teaching style becomes a determining factor where studies have shown customer training with assertive and aggressive communication coaches are more committed as these assertive communication style facilities group cohesion the most compared to passive or manipulative communication styles (Glaveli et. al, 2021; Bartha & Perenyi, 2015).

As mentioned, professional qualification and competencies of the coach has an impact on retention - the more health, sports and fitness related knowledge and experience the coach has, the higher the attendance rate of their classes (Glaveli et. al, 2021; Ghadiri et. al, 2021; Bartha & Perenyi, 2015). This assumption was also agreed by many authors who in their research found how members lean towards instructors or leaders of fitness that generate results, have certified knowledge and skills, experience, good reputation, a body type and appearance that portrays a fit body, accountability towards the members that train under them, have the compassion and the willingness to correct learners' mistakes. (Glaveli et. al, 2021; Soekmawati et. al, 2022; Afthinos et. al, 2005; Lee, 2017; Liu & Chen, 2012).

The engagement by instructors throughout the lifecycle of membership impacts retention (Ghadiri et. al, 2021; Macintosh & Doherty, 2007). Before or after class, instructors who take the opportunity to give advice, suggestions or even just a general interest about the member's personal life goals will bring much satisfaction to the member as it fulfils the need for interaction. This cultivates a more personal connection with the instructor that allows a personal bond and as time goes by a certain psychological loyalty to stay on with a 'friend' (Smith MaGuire, 2008).

Aside from the coaches/fitness instructors, the role of the manager and the type of relationship the manager has with staff and customers especially in fitness boutique studios significantly affect customer retention as they have direct relationship with customers (Glaveli et. al, 2021; Ghadiri et. al, 2021; Mathe et. al, 2016). Therefore it is essential that managers should properly behave towards customers and provide his staff with the necessary information and guidelines for behaviour towards customers. How the manager communicates effectively influences employees attitudes towards customer satisfaction. How the manager interacts between customer and staff, how

the manager identifies and responds to problems, how they control and handle current affairs influences customer retention (Glaveli et. al, 2021; Ghadiri et. al, 2021; Mathe et al, 2016; Foroughi et. al, 2019).

H4: Leadership influence has a significant impact on customer retention.

e) Customer Relationship Management (CRM)

In today's busy, fast paced marketplace, a business requires a brain to understand and analyse its environment and the customers that it connects with, a heart to put and flow out customer oriented information and actions throughout the businesses links (arteries), hands and feet to deliver services to customers. The customers are the source of revenue and the reason for being. Customers are the reason why an entire management philosophy was born, Customer Relationship Management (CRM) in recognition of the value of a customer.

Customer Relationship Management or CRM is a business philosophy, a system, or a method to manage a business relationship with a customer to maintain a prosperous long term relationship with loyal and profitable customers (Guerola-Navarro et. al, 2020; Ghahfarokhi & Zakaria, 2009; Navimpour & Soltani, 2006) and to ensure an effective and efficient flow of information and achieving the delivery of increased value to customers in addition to lowering cost in the company (Almohaimmeed, 2019; Guerola-Navarro et. al, 2020). It is a system that benefits both business and customers if utilised and managed well. Kangal (2012) defined CRM as an approach steered towards customers either through the emphasis on life cycles as a relational strategy in a market competition market or a customer driven technology (Ghadiri et. al, 2021). Kotler defined CRM as a process that concentrates on all aspects of identifying customers, establishing customer relationships, creating customer knowledge and shaping perception of a company and its products (Kotler, 2009). CRM functions both for customers and the business. It is a fundamental instrument to make customers feel free to perform their own services through several communication channels and also persuade new customers (Ghadiri et. al, 2021). It is also a managerial approach which is very much customer orientated in which information is provided by Information System in order to sustain collaborative,

operational, analytical and CRM processes leading towards customer satisfaction and customer retention (Kumar & Reinartz, 2006).

A business relationship is similar to a love relationship - it needs to have love and care in order for it to survive. Hollensen (2003) saw CRM as a relationship development system. Customer acquisition is like a courtship where a business must know the customer and make sure they are the right fit, the right market segment for the business. Customer retention is similar to the official relationship where affection and loyalty grows and there is a more solid relationship. The marriage will be considered as strategic customer care where both parties are inextricably linked and there is a mutual agreement of a long lasting relationship. Customers are a business's most valuable asset therefore a company must manage and direct its relationship with this asset intelligently.

For this business research the researcher agrees with Kumar and Reinartz (2006) description of CRM as the strategic process of selecting customers that a firm can most profitably serve and shaping interactions between a company and its customers and the goal of CRM is to retain strategically important customers which have direct impact on cost and revenue of a company .

In their book, Kumar and Reinartz (2006) explained how CRM aids in reducing cost of acquisition, reducing cost to serve as well as increasing the average transaction margin and the average customer value. In the fitness industry, CRM also known as the membership software handles all IT activities which includes member record management, billing, scheduling, marketing and promotional tools (Glofox.com, 2021; Mindbody.com, 2021; PerfectGym.com, 2021). It is a system that integrates all departments in the fitness studio to ensure that the whole team is aligned and is able to monitor and track the rate of customer retention, customers acquired, customer satisfaction, cross sell and upsell rates, products owner per customer, inventory turns, share-of-wallet, customer complaint rate, process cost and event employee retention and satisfaction (Leśniewska, 2014; Al-Dmour & Hayat, 2019).

The researcher utilised Kumar and Reinartz (2006) take on CRM because of their acceptance and inclusion of social CRM. The development of new technological

advances and the rise of social media allowed social CRM to evolve and it is the engagement of customers through the internet via web and social media (Arora et. al, 2021). With this opportunity, the company is able to engage in a whole different level, gain a deeper, personal insight on potential and existing customers and optimise an overall customer experience (Kumar & Reinartz, 2006).

In the fitness industry, networks such as the email, social media platforms mainly Facebook, Instagram and TikTok, YouTube, podcasts and internet radio and mobile applications have been used to further gain interaction and 'headspace' of the customers.

- Email

Email is probably the most cost effective way to continue engaging with customers. Boutique fitness studios send weekly or monthly newsletters informing members of the recent updates at the gym, the upcoming fitness challenges and the last minute membership sales (Arora et. al, 2021). From the researcher's experience, some even personalise the newsletter by mentioning a member's name and include a video sending shoutouts to the members. However, the researcher would like to point out that many are engaging in email marketing which floods customers' inbox day in and day out. Therefore, Kumar and Reinartz (2006) suggest that emails should be monitored and the advertising content should match with customers interest and not just a bomb of information which is aligned with Kumar et. al (2014) suggestion on keeping customers interested.

- Social Media

Since the early days of Facebook and Instagram many saw the opportunity to increase their network in one of the most lucrative high potential marketing and CRM tools. Platforms such as Instagram, Facebook, Youtube and now TikTok were deemed as 37% effective as a CRM tool (Deal, 2014). Businesses are able to identify and target micro segments of customers, starting a dialog with them and building brand awareness (Achen, 2020).

This can be seen during the pandemic of COVID-19, most fitness studios used the power of social media to promote their skills, their teaching and their fitness studio

virtually through Zoom classes, Instagram Live, Facebook Live, IGTV and even YouTube. Individuals recognized many more instructors and after the pandemic chose to reunite or retain these same instructors and fitness studio either in person or virtual classes (Soo, 18th June 2020, Malay Mail; Kobel & Preuschoff, 2020; Bos & Berger, 2022).

- Mobile Applications

Finally mobile applications, although at a very mature age, are still popular in today's world. Nowadays, member software companies provide boutique fitness studios the ability to have their own studio app to allow management to cater to their members whether it is to make bookings for a class, or to get the latest announcements, offers and the ability to upsell or cross sell can all be done through the personalised app (Glofox.com, 2021; Mindbody.com, 2021; PerfectGym.com, 2021). This gives customers a more personal approach and it is aligned with Lesniewska (2014) study on how CRM activities assist in customer retention (Wong et. al, 2019). In Leśniewska (2014) research on how CRM affects customer retention, the results shows that with CRM IT solutions, fitness clubs are in constant and regular contact with clients, they have a systematic transfer of information within the company, studios are able to have constant observation of client progress and attitude in training as well as monitoring customers motivation to consistently attend their workouts (Wong et. al, 2019; Goncalves, 2019).

Studies have shown that although important, service management especially CRM is quite deficient in the fitness industry (Tsitskari et. al, 2021; Hurley, 2004; Lagrosen & Lagrosen, 2007; Alexandris et. al, 2004) CRM, if implemented well, encourages a relationship with customers and the key to retaining customers lies in relationship marketing (Arora et. al, 2021; Berry, 1983; Groonroos, 1994). CRM, if planned well, encourages many activities such as providing more social activities, increasing awareness of financial value of lifetime members, tracking non attending members and initiating reactivation programs, executing proper customer service policy and providing a system for distribution of guest invitation and referral incentives (Al-Damour & Hayat, 2019; Hurley, 2004). CRM with the combination of a well equipped team of employees will definitely lead to customer retention. CRM is definitely a major competitive strategy for the company and it is used to enhance the

interaction with customers creating added value and it has direct and positive relation to marketing performance and customer retention (Guerola-Navarro et. al, 2020; Al-Damour & Hayat, 2019; Arora et. al, 2021; Alipour & Mohammadi, 2011; Soliman, 2001; Wachira & Were, 2016; Navimipour & Soltani, 2016)

H5: Customer Relationship Management has a significant impact on customer retention.

In the end, with all the customer values being offered, value is subjective and dependent on who is making the determination (Trasorras et. al, 2009). What may be medicine to one may be poison to the other. The same goes to values as some may see the service attribute a valuable feature while the other view it as an added expense. Therefore, companies must create unique value drivers and identify the selected market segments that matter (Weinstein, 2020; Johnson et. al, 1992).

Creating superior customer value requires more than just focusing on customers, it's about knowing who their competitors are, what technology gives a competitive advantage and whether target customers perceive them as alternate satisfiers (Weinstein, 2020; Slater & Narver, 1994). It is about identifying and understanding the competitors short term strengths and weaknesses and long term capabilities and strengths. The main challenge however is about maximising the effectiveness of a firm's creation of customer lifetime value by finding out what it is that customers want and meet that needs (Trasorras et. al, 2009). The level of customer retention depends on customers experience with the services and value provided and the level of satisfaction towards the values (Crespo et. al, 2019; Bueno et. al, 2019; Avourdiadou & Theodorakis, 2014; Garcia-Fernandez et. al, 2018).

To summarise the discussion of the literature review, the following are the hypothesis:

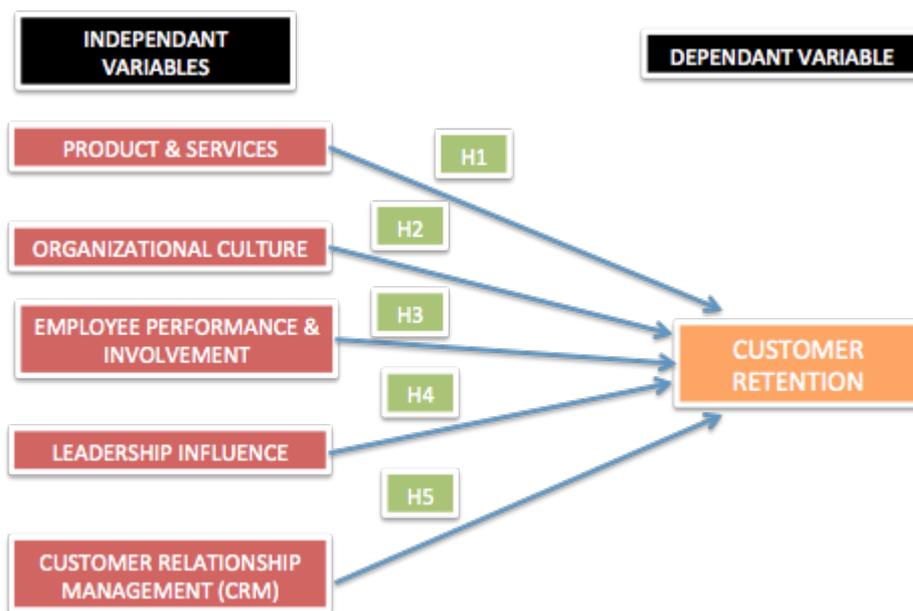
H1: Product and Services has a significant impact on Customer Retention

H2: Organizational Culture has a significant impact on Customer Retention

H3: Employee Performance and Involvement has a significant impact on Customer Retention

H4: Leadership Influence has a significant impact on Customer Retention

H5: Customer Relationship Management has a significant impact on Customer



Retention

Figure 2.11 Researcher's Conceptual Framework with Hypothesis and Variables

2.3 CUSTOMER LIFETIME VALUE (CLV)

2.3.1 Customer Lifetime Value (CLV)

The true cost of losing a customer is the amount that a person could have spent while involved in a business relationship with a company over a lifetime (Desouza, 1992). Customer Lifetime Value or CLV is the customer's value through the company's perspective as it describes the monetary value of a customer's relationship with the company based on present value of projected future cash flows from customer relationship without taking in to account previously spent costs factored by the probability of retaining that customer year to year and the firm's discount rate (Glady et. al, 2009; Buttle & Maklan, 2019; Capon & Senn, 2020). It is based on the notion that customers represent annuities where the focus is on many transactions the customer may engage over their lifetimes as customers rather than a singular transaction (Stewart, 2019; Hamilton et. al, 2017; Dandis et. al, 2022).

In simpler terms, it is the revenues of an individual or household that overtime exceeds by an acceptable amount the company's cost of attracting, selling and servicing that customer (Kotler & Armstrong, 1996). Introduced by Kotler in 1974, Customer Lifetime Value (CLV) comes aligned with Relationship Marketing which began in the early 80s where by creating superior customer value, customer satisfaction is elevated and loyalty can be fostered (Jackson 1985; Morgan & Hunt, 1994; EsmaeiliGookeh & Tarokh, 2017; Crespo et. al, 2019; Weinstein, 2020). CLV is based on a concept of customers as a source of streams of profitable revenue resulting from their own increasingly knowledgeable usage and the patronage of others to whom they recommend (McDougall, 2001; Heskett et. al, 1997; Reichheld & Kenny, 1990; Dandis et. al, 2022) and the revenue curve is determined by the degree to which each of the components - customer acquisition cost, base profits, profits from increased purchase and higher balances, reduced operating costs, profits from referrals and price premiums, contribute to costs and profits over time.

Customer lifetime value (CLV) is enhanced when certain situations are present such as high marketing expenses for customer acquisition, high admin cost to enter customer into firm system, low servicing cost, reasonable margins on sales, high

sales volume on customers and high word of mouth referral (McDougall, 2001; Reichheld, 1996). When a high amount of investment is needed to obtain new customers and benefits will only be reaped after a number of years especially when switching costs are high and where service involves a lot of interaction between customer and service provider, CLV becomes an attraction as it has a lower amount of investment needed. High admin cost to enter customers into the system refers to costs of customer approval and system entry of customer information and such admin costs may not be recovered for a few years will definitely enhance the implementation of CLV. When businesses are able to develop a smooth process for customer transactions efficiently and effectively, servicing costs are lower which then CLV is likely to be enhanced. Reasonable margin sales occur when customers are retained and business is able to charge premium prices because customers trust and are loyal to the brand which then also encourages CLV. Customer lifetime value also occurs when there is a high level of sales volume per customer and business is able segment and target their high volume customers encouraging cross selling, multi purchases and high word of mouth referrals.

2.3.2 Benefits Of Customer Lifetime Value (CLV)

I. Minimise Defection

Studies have demonstrated when CLV is maximised, a company is least likely to see defection of customers which encourages repeated sales and increases profitability (Deserina et. al, 2019; Kumar & Peterson, 2012; Gladly et. al, 2009; Zorn et. al, 2010). It is vital that businesses are aware of the importance of this discounted stream of price as it can be used as a metrics for customer selection as it offers a method to summarise the value and profitability of a customer and based on their lifetime value it provides a better way to improve market segmentation and resource allocation (Venkatesan & Kumar, 2004; Stewart, 2019; Dahana et. al, 2019; Diaz et. al, 2019). This allows the right decisions to be made in regards to resource allocation towards customer retention and customer acquisition and with the right allocation, it will decrease cost of customer acquisitions as there is far less effort and investment to educate repeat customers about firm's offerings than finding and educating new customers about the very origin of the firm (Stewart, 2019; Capon & Senn, 2020).

II. Proper Segmentation

When CLV is implemented, proper segmentation can be done which will then allow better customer related decisions to happen due to the application of a more customer centric approach which focuses on the most primary customer. With proper segmentation a better more efficient budget is allocated, marketing communication is more customised, timing of product offerings is more optimised and competitors are able to be evaluated (Cvijovic et. al, 2017; Ramon et. al, 2017; Dahana et. al, 2019; Marmol et. al, 2021). Customer lifetime value encourages business to look at the big picture of the business to emphasise on long term quality of customer relationship rather than short term and quarterly profit focus (Kumar et. al, 2012) which in turn companies will least likely to see defection of customers maximising CLV and see profits increase (Deserina et. al, 2019; Glady et. al, 2009; Ahmad & Buttle, 2002; Zorn et. al, 2010).

III. Easier Decision Making

Customer lifetime value offers a way to summarise the value and profitability of a customer and this allows important constructs in designing and budgeting marketing decisions and it also allows marketing methods to be more interactive (Stewart, 2019; Bauer & Jannach, 2021; Dwyer, 1989; Keane & Wang, 1995; Wang & Spiegel, 1994; Hughes & Wang, 1995; Blattberg & Deighton, 1996). Research has found that leveraging the aspects of value can contribute to client retention and loyalty (Macintosh & Law, 2015; Weinstein, 2020).

2.3.3 Downward Of Customer Lifetime Value (CLV)

I. Tedious and Time Consuming

Customer lifetime value is a tedious and challenging mathematical formula that some would not like to agree on as estimating the life of a customer can be difficult and impractical as it is with non-existent numbers (Ambler, 2002; Stewart, 2019). Before a company has the ability to work out the maths of CLV, the company needs to identify a few details such as sales transaction at customer level and the need to have a defensible method of assigning costs to individual transactions and customer support costs that are not included in sales transaction.

II. Unpredictable Change in Customers Preference

Ambler (2002) and Stewart (2019) made their remarks clear that not all customers are equal as some would be short timers who produce larger investments and there are those who could be lifelong customers but purchase at the minimum. Customers vary from time to time as customers' purchasing patterns change over time. Maybe it is the amount that they buy and the assortment of items, therefore impractical to depend so much on future predictions. It is a good starting point for a product based on previous sales with a particular cluster of customers but it is generally challenging to forecast a new customer who has little or no history of spending. Ambler (2002) mentions that it is difficult to interpret how future sales will be based on the justified interpretation of current customer attitudes and behaviours but at least the historical numbers are credible and can be tracked rather than numbers that are predicted from future fantasies which is just bad marketing practices and then it makes more sense to just invest more in customer acquisition than others.

In the end, customer lifetime value is a challenge because firms who are not connected to their customers cannot track their purchases therefore unable to calculate customer lifetime value (McDougall, 2001). To maximise customer lifetime value, companies must not only convince customers to buy produce or service once they need to also retain them (Hamilton et. al, 2017; Foroughi et. al, 2019).

2.3.4 Components Of Customer Lifetime Value (CLV)

In this study the researcher would like to place emphasis on the benefits of CLV rather than the whole calculation of achieving CLV. However, the researcher would like to state the different researcher's take on components needed to achieve high CLV.

Bauer et. al (2003) and Reinartz & Kumar (2000) classified CLV into three components - retention rate, revenue and costs.

Retention rate refers to the probability that an individual remains loyal and keeps yielding expected revenue as well as costs within a fixed period of time (Stewart, 2019). Dywer (1997) states that through retention rates, anticipated contribution margins are adjusted to the probability of occurrence. With the help of empirically validated determinants of loyalty such as customer satisfaction, switching barriers, variety seeking behaviour and attractiveness of alternatives (Jones & Sasser, 1995; Peter, 1999), retention rates can be estimated. Customer loyalty models that cover different kinds of relationship settings such as contractual and non contractual (Jackson, 1992) also can be a good starting point to analyse the retention rate.

Revenue can be classified into four subcategories - autonomous, upselling, cross selling and contribution margins revenue. Autonomous revenues are calculated by means of traditional procedures of demand forecasts (Lilien et. al, 1992; Schmittlen & Peterson, 1994). This revenue merely accounts for factors that could be only affected by standard marketing measures such as advertising. Upselling is additional selling of the same product as a consequence of increased purchase frequency and intensity in a long life relationship (Manchanayake et. al, 2019). Upselling also exists through selling high priced substitutes of the same category to loyal, long term customers who are less price sensitive (Reichheld & Teal, 1996). Cross selling is the activity of selling complementary products and services which have not been bought yet (Salo et. al, 2020; Reichheld & Sasser, 1990). Reference value, which can be estimated through the model developed by Cornelson (2000), measures revenue through new customers won through referral behaviour of existing customers.

When it comes to costs, the traditional forecast methods are being supplemented by using cost reducing effects of long term customer relationships (Reichheld & Sasser, 1990; Reichheld & Teal, 1996; Bruhn et. al, 2000; Diller, 2001). Acquisition costs are included when contemplating CLV of future customers while existing customers are considered one off costs known as sunk costs. Customer specific calculation and assignment is conducted depending on the type of acquisition being used whether direct or mass advertising. Marketing costs represent the cost of customer retention and cost of development which is aimed at the improvement of customer profitability such as upselling and cross selling. In this category, promo expenditures such as costs for soliciting, mailing catalogues and personalised cards are included. Recovery costs are also included in this category. However, there is a differentiation between cost incurred before termination of relationship to avoid defection and costs after completion of relationship stemming from efforts of regaining customers. Sales costs refers to the production costs of goods sold and all costs of servicing the customer, for example cost of procession, handling, warehousing and shipping. And finally termination cost which is also considered final costs is the cost of customers who have defected and are not worth recovering.

Rosset et. al (2003) classified CLV based on three components - customer value over time, customer's length of service and discounting factor. Customer value over time refers to the amount of value the customer is able to give whether it is through upsell, cross sell or referrals during the duration of their relationship. Customer length of service refers to the customer churn probability over time. The Discounting factor when explained in simple terms is how much each one dollar gained in some future time is worth for the company right now.

Stahl at. al (2003) classified CLV based on four components - base potential, growth potential, network potential and learning potential. Base potential refers to the cash flow from product and service that forms the core relationship of customer and business. Growth potential is the cash flow from the relationship development through cross selling, upselling and high share of wallet. Network potential overlooks the cash flow from new relationships created or acquired through customers word of

mouth and referrals and learning potential is based on the cash flow from knowledge created through interactions within relationships.

Gupta et. al (2006) and Blattberg et. al (2009) determined the four components of CLV to be lifetime duration, revenue, cost and discounted rate. Lifetime duration relates close to customer behavioural traits; it is the length of time that a customer remains active. Revenue relates to the purchase frequency and amount.

In all these various suggestions the researcher concludes that the main components that are similar to most of the classification is the allocation of cost to customer relationship according to resources employed, the need to have the estimation of monetary and non monetary benefit created by the relationship, the consideration of cost and revenue changes over estimated time span of relationship, the discounting factor to present of future cash flow generated over the time span of customer relation and the estimation of relationship risk. Questions that can be posed to a company in terms of customer lifetime value is this: How much more value is the customer providing to the company? How long will the customer stay loyal to the company? How much does it cost to retain the customer?

2.3.5 Customer Retention Leads To Customer Lifetime Value (CLV)

I. Customer Lifetime Value Framework

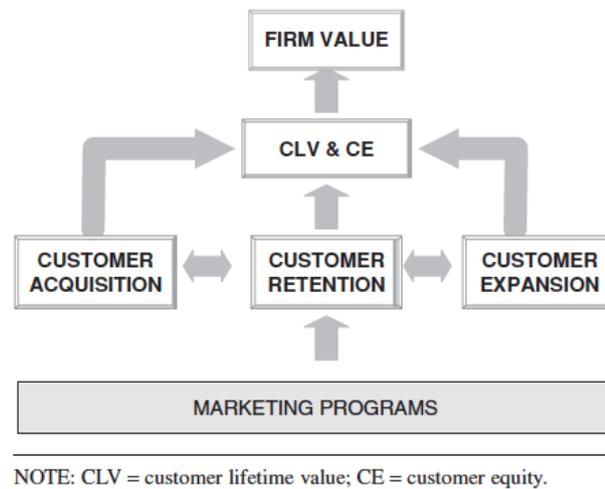


Figure 2.12 Conceptual Framework for Modeling CLV cited by Gupta et. al (2006, pp. 140)

This theoretical framework that is intuitive and variations has been used by many authors in their research. It shows that what a company does influences customer behaviour may be acquisition, retention or expansion (cross selling or upselling) which then affects customers' CLV and which then eventually forms a proxy for firm value or its stock price (Oblander et. al, 2020; Rust et. al, 2004; Kumar & Peterson, 2005; Gupta & Lehmann, 2005; Gupta & Zeithaml, 2006).

It is through this theoretical framework, various links that researchers on CLV have attempted to model on. Some consists of those that attempt to find the impact of marketing programs on customer acquisition, customer retention and customer expansion (Gupta et. al, 2006; Kumar et. al, 2006; Majid, 2020; Hawkins & Hoon, 2019). Lemmens and Croux (2006) studied customer churn and the factor influencing customer churn. Some models examine relationships between various components of customer lifetime value. Thomas (2001) showed links between customer acquisition and customer retention which provide links to customer lifetime value. Some even focus on identifying relative importance of the components for example Reichheld

(1996) suggests customer retention is most critical for CLV while in contrast Reinartz and Kumar (2000) shows in their research that customers with longer duration may not be the most profitable. Other models link CLV and customer equity to firm value. Gupta et al (2004) used five companies to show CLV is a good proxy for firm value while Kumar (2006) showed customer lifetime value is highly related with firm value using longitudinal analysis of firms data.

Based on this framework, the researcher would like to align the focus of the study towards customer retention and the actions of the firm that affects customer retention which in turn affects customer acquisition and customer extension to increase customer lifetime value.

II. Customer Lifetime Value and Customer Retention in the Fitness Industry

As mentioned in the previous topic of components of customer lifetime value (CLV) it can be assumed that customer retention affects customer lifetime value.

According to authors with related studies (Reichheld and Teal, 1996; Bettencourt, 1997; Blattberg et al., 2001; Almohaimmeed, 2019; Ishumael et. al, 2019), customer retention leads to higher intensity in usage level of product or service. It is easier to convince loyal customers during a cross sell or upsell activity and retained customers tend to spread favourable word of mouth about their favourite brand - these activities become value which is in line with authors on components of customer lifetime value and how value of monetary and non monetary is emphasised to CLV (Marmol et. al, 2021; Grossmann et. al, 2019; Bauer et. al, 2003; Reinartz & Kumar 2000; Rosset et. al , 2003; Stahl et. al, 2003; Gupta & Blattberg, 2009).

In terms of cost as a component of customer lifetime value, the authors mentioned how acquisition, marketing, sales and termination costs affects the level of CLV (Pedreno-Santos et.al, 2019; Marmol et. al, 2021; AboElHamd et. al, 2019; Bauer et. al, 2003; Reinartz & Kumar 2000; Rosset et. al , 2003; Gupta & Blattberg, 2009). Therefore, the lower the better. Reichheld & Sasser (1990) in their research in the consumer and industrial markets found insight on how customer retention gave the potential of cost reduction. This is corroborated with Stewart (2019) who agrees

with the findings as it involves low acquisition cost because it requires less effort and investment to find and educate retains customers about the firm's offerings. Reichheld (1996) also mentioned that free-of-charge referral of new customers by existing customers lowers acquisition cost as it would otherwise be costly in terms of commission or introduction fee. Fernandez et. al (2017) agreed that marketing and admin costs are lower as Marketing activities are now more individualised towards already known criteria rather than experimental and admin cost is minimal as retained customers are familiar with the processes and require lesser onboarding processes.

2.4 BUSINESS CONTEXT - FITNESS & THE FITNESS INDUSTRY

2.4.1 History Of Fitness

Fitness began with a step forward. Walking was the first form of exercise for human beings followed by running while hunting, not because they wanted to but because they had to for survival. There are many assumptions of where fitness originated from. If we think about it, early beginnings of humankind were rather vigorous but due to the harsh living conditions, life expectancies were rather minimal. Once technology and science came in, life expectancies increased but we still led a more active life in order to survive, may it be farming, or hunting and gathering. With technology and science comes separations of culture, knowledge and similarities. That is when wars, barriers, politicians and monarchies exist and the ability to be rigorous changes its meaning. As the decades and centuries go by, technology, science and culture evolves making us more technologically dependent providing us a more sedentary life which then requires a much needed urge to move to extend once again one's life expectancies. Fitness has been active since the beginning of time.

There are many explanations of how the physical culture began to arise. Technology made it possible for sports to expand its horizon, both physically and geographically. The invention of discus, javelin, and alteres (the first form of weights) promoted competitiveness amongst men in Athens whilst the inventions of dumbbells, barbells, indian clubs allowed the introduction of weight training (Todd, 1995; Hilvoorde, 2008; Smith 2015; Heffernan, 2020). The invention of electricity by Thomas Edison encouraged the ability for people to have more time available and to be able to conduct physical education or sports indoors rather than the outdoor sports arenas. Standardisation and formalisation of roles developed sports and transformed it to become a successful export product aligned with the revolution of transportation and communication, increasing mobility and widening peoples horizon to learn new types of sports from all over (Todd, 1995; Hilvoorde, 2008; Smith 2015; Heffernan, 2020). Development of science and medicine progressed a physical culture to be cultivated as the knowledge of sedentary life causing physical compensation was known. Certain professions and disciplines emerged with the possibility of prevention of ailment, the building and the repairing of the human body. This recreational

revolution, together with the development of urbanisation, secularisation, and industrialization, led people to be obsessed with the need for a fit body.

The purpose or motivations of training and to be fit varies according to the times of the century (Todd, 1995; Hilvoorde, 2008; Smith 2015; Heffernan, 2020). In the very beginning, the purpose to be fit was to survive the world and all its nature, may it be the weather, wild beasts, or other human beings. During the Grecian days, which many have made a conclusion, sports began, man exercised and performed strength movements for athletic prowess and physical beauty. The Romans trained to be more skilled in their military fitness and to be ready for their enemy. A Prussian, built Turnplatz or translated exercise field because he had the desire to restore the nation's pride and defeat France (Todd, 1995; Hilvoorde, 2008; Smith 2015; Heffernan, 2020).

It was only in the late 19th century when a french-strongman turned entrepreneur saw the business in fitness and opened up the first commercial gym ever known to man, first in Brussels and then in Paris where circuit classes were introduced (Todd, 1995; Hilvoorde, 2008; Smith 2015; Heffernan, 2020). The Grand Gymnase was an indoor gym formed with cast iron and glass where Hippolyte Triate taught calisthenic movements that are performed to the beat of the drum followed by a vigorous rubdown by Hippolyte himself (Todd, 1995; Hilvoorde, 2008; Smith 2015; Heffernan, 2020). This gym was the first sports center with aesthetic training as the main goal.

As sports developed, the fitness trend began to develop especially throughout the late 20th century. The sedentary lifestyle that emerged with the availability of ample food, a decrease in physical labour, and motorization of transport, introduced obesity and immobility to people especially among the wealthier ones. The reaction to such changes (obesity and immobility) were now frowned upon and the cultural tolerance for body fat decreased (Todd, 1995; Hilvoorde, 2008; Smith 2015; Heffernan, 2020). The pressure of self control and more physical activity increased when face to face contact stimulated the importance of first impressions, revolutionising not only fitness but also the cosmetic industry. Through a combination

of fantastic marketing, multipresence of the trend and developed technology and equipment, fitness has become a huge successful industry and product.

Fitness has also become a global trend – a folk movement where now everyone wants to be fit and health conscious (Dabija et. al, 2015; Peres, 2022; Tsitskari & Batrakoulis, 2022). Newsstands and book stores are filled with magazines and books of physical exercises and health; Physical education is blending with the pop culture of dance and movement. Fitness festivals are receiving bigger media coverage which contributes to the professionalisation of trainers (Sassatelli, 2018). Technology introduces to people new methods of being fit, through apps (applications) on mobile phones, nutritional advice, and workout classes from trainers all around the world (Jovevskiv & Vasilevski, 2019; Kobel & Preuschoff, 2020). Whoever said fitness is so yesterday has not immersed themselves into the cult.

2.4.2 Beginnings Of Boutique Fitness Studios

This study will be focusing primarily on the boutique fitness studios in Malaysia. The popularity of boutique fitness centers arose in the early 1990s but became a popular demand in the 2000s which catered mostly to women who if we were to look at 60 years ago would not have been seen perspiring in public or working out for fear it damages their fertility or even make them look more masculine (Friedman, 2018; Claire, 2021). The early beginnings of a boutique fitness studio for women began in the 1930s with Elizabeth Arden's and Helena Rubinstein's salons offered exclusively to well to do clients skin care, cosmetics and gentle fitness regiments which promotes control in one's physical appearances. In the 1940s, once World War 2 receded, Slenderella, a boutique center which vowed to slim women in specific areas without heavy regiments, became popular with over 170 locations in 50 cities in the United States (Friedman, 2018; Claire, 2021).

It was only in the 1950s with Jack Lalanne and his host Debbie Drake, the first TV fitness gurus who encouraged women to put their irons down and perform his low-impact stretches and exercises by following along during his TV Shows (Friedman, 2018). Everyone wanted to be Debbie Drake, the symbol of what slim and slender is which suggested will keep husbands happy. In the 1960s, women really

began to appreciate sweat with gratitude to Kenneth Cooper, who offered science backed evidence that vigorous exercise which he called Aerobics is beneficial to health. Lotte Berk, a retired German dancer introduced Barre to the world with the intent to recover from a back injury by combining ballet moves, yoga and rehabilitative exercises. She opened up a small basement studio in Manchester Street, London that attracted only star studded clientele (Friedman, 2018; Claire, 2021).

Jazzercise was introduced by Judi Sheppard Missett in 1969 which helped lay the groundwork of today's boutique industry by turning millions of women towards the concept of group fitness classes. Jazzercise became the second fastest growing franchise below Domino's Pizza by the year 1984 (Friedman, 2018; Claire, 2021). Jane Fonda tipped the scale of fitness culture with the introduction of her workout book and both women and men found the benefits of working out with movements and weights (Friedman, 2018; Claire, 2021).

Big box gyms were fixtures of both men and women in the 1980s which became sort of an urban country club. In the 1990s however, many began to seek small personalised gym sessions to fulfil their need of working out - personal training and yoga studios became the next fit fad. In their minds, one does not require a big space to fix their mind and body (Friedman, 2018; Claire, 2021). By the 2000s, fitness became a lifestyle introducing more premium gyms that are personalised and stylized. Gyms like Equinox, Soul Cycle, Barre expanded both nationally and internationally under different franchises promoting premium style and charging monthly memberships that are more than your usual big box gyms (Friedman, 2018; Claire, 2021).

2.4.3 The Fitness Industry In Malaysia

The fitness industry in Malaysia is growing at a progressive pace with the number of gyms and memberships increasing. In 2019, Malaysia was announced by the World Health Organization (WHO) (Clark-Hattingh & Lo, 2019; Soekmawati et. al, 2022) as the fattest nation in Asia and has the second highest child obesity rate. The nation was also developing heart diseases and high blood cholesterol at a young age – being overweight and obesity was a new norm. (New Straits Times, 2021; Clark-Hattingh & Lo, 2019; Soekmawati et. al, 2022)). The nation became more health conscious and desired to live a life that has higher quality, preventing the increase of health hazards and strenuous work conditions. This drove the government to plan various initiatives promoting health and wellness; loan availability, discounts, sponsored health classes, check ups, and Wellness Tourism (New Straits Time, 2018; Chu, 2018; Ismail, 2019; Michael, 2019). These initiations led to a surge of new fitness centers - boutique fitness studios and outdoor centers began to emerge. Malaysia is still developing and progressing with a market penetration of one to two percent compared to Singapore at five percent and the US, Australia and United Kingdom at 10 – 17% (IHRSA, 1998; The Malaysian Reserve, 2017; Choon, 2021).

According to International Health Racquet and Sportsclub Association (2020) and Statista.com (2020) quoted by Rizzo (2021), Malaysia's fitness industry has a total revenue of USD 201,000,000 and has about 375 gyms around the country. With a member penetration rate between 1% - 2%, it has about 330,000 members across the country.

It may be at its minimal but still a good progressive start even with an unfavourable economic climate and the presence of COVID-19, it has not distracted the fitness industry from pursuing its expansion plans may it be physical or virtually. (The Malaysian Reserve, 2017; Dhesi, 2009; Mardhiah, 2022; Erika, 2022).

2.4.4 The Boutique Fitness Studios In Malaysia

In Malaysia, the popularity of boutique gyms has increased in the last few years. Boutique gyms are gyms approximately between 800 – 3500 square feet with capacity of 10 - 30 clients per class offering limited but specialised group training classes. Comparing big box gyms such as Fitness First, Celebrity Fitness, CHI and Anytime Fitness, boutique gyms (DailyMuscle, Firestation, CrossFitLah, District13 and FlyProject) are premium priced but offer a more personalised unique training sessions. These boutique studios offer only a few varieties of specialised classes. DailyMuscle offers group classes for functional training; Fire Station offers HIIT, cycling, and boxing classes; FlyProjects offers functional, cycling, and boxing. These boutique studios are moderately spaced, encouraging management to have a closer connection with its members by giving the opportunity for employees to be able to know regular members by name. Social media marketing and word of mouth is used to spread awareness of existence and have a maximum number of about 300 members at any one time in one location (Ismail, 2019).

2.4.5 The Fitness Industry Today

In today's world, people now devote and commit quite a substantial amount of time, money, and effort toward attaining a healthy balanced lifestyle and the growth of the fitness industry reflects this trend as it is one of the fastest expanding sectors in the world and it continues to grow as more and more awareness in maintaining good health increases throughout the world (Chayomchai & Charnarpas, 2021; Yi et. al, 2020; Tsitskari & Tsakiraki, 2013; Deloitte, 2020) As the fitness industry grows, more opportunities and choices emerge for the clientele. Market becomes saturated with intense levels of competition coming from both physical and technological advancements (Tsitskari & Batrakoulis, 2022; Oliver, 2003). Profit margins and share prices are declining, cost of marketing and acquiring new members are extensive and expensive with nearly 80% of marketing budget being invested in obtaining new businesses (Alshurideh, 2016; Oliver, 2003).

It is quite known that the fitness industry has a high customer turnover (Freitas & Lacerda, 2019; Dias et. al, 2019; Rintjema, J.M., 1998) and a fitness center is doing

well if its attrition rate is between 11% to 16% which is fairly low but amazing in the fitness industry. Customer retention is one of the fitness industry's major problems with the average of only 40 - 50% of retention per year (Emeterio et.al, 2020;Rodrigues et. al, 2017; MacIntosh & Law, 2005, Tsitskari and Tsakiraki, 2013). It is said a fitness center tends to lose about 50% of its customers in five years, most of which would have 35% of their members drop out at the very beginning of their membership (Fernandez et. al, 2017). One can make the assumption that 50% of new customers are abandoned in the first 3 - 6 months of their time as members of the gym (Gjestvang, Stensrud & Haakstad, 2019; Myers, 2005)

2.4.6 Why Fitness Studio Members Switch Studios

Keaveney (1995) performed his research on why customers switch and he concluded there are eight categories which are price, inconvenience, core service failures, service encounter failures, response to service failure, better services from competition, ethical problems, and involuntary switching due to relocation, change in personal situation or death (Braun & Schweidel, 2011).

Other authors whose research was on fitness gyms and why customers switch included more personal causes such as change in family orientation, lack of time, lack of transportation options, lack of group integration, uninteresting activities, personal goals or personal results not achieved, no empathy with training, teaching methods are not sufficient, and absence of fun, aside from physical distance, pricing, ambiance and aesthetics, facilities, and reputation of the company (Grubbs & Carter, 2002; Whaley et. al, 2006; Hyurcsik et. al, 2004; Irwin, 2007; Yi et. al, 2020; IHRSA, 2010; Radhakrishnan et. al, 2020).

There are many and it is not just one single element that stands out as a critical determinant. However, it can be seen that most of the elements can be controlled and altered by the management in some form. Grantham et. al (1998) in their study concluded that 70% of the reasons why members switch are controllable and can be altered by the management. Market orientation and paying attention to requirements of a customer can affect a customer's decision on whether they are continuing or

withdrawing their membership in the fitness studio (Foroughi et. al, 2019; Kolbl et. al, 2018; Jang & Choi, 2018).

Fitness gyms are no longer the only hub that shapes the idea of fitness. With technological advances, the inventions of smartwatches and applications on one's phones that track steps and sleeping patterns aside from the offer of personalised recipes and workout lists paves way for a more accessible and affordable healthier lifestyle (Kanagaraj, 2020) at a press of a button. Hence, many fitness businesses have immersed themselves in different alternatives such as mergers and pivoting into different varieties of fitness services just to get a competitive edge.

2.4.7 COVID-19 And The Malaysian Fitness Industry

COVID-19 added another hurdle to the fitness industry when it struck globally in the year 2020 and all the secondary industries, especially the fitness industry were hit hard. Before the global shutdown and governments across the globe were issuing unprecedented restrictions of one's way of life with home quarantine, fitness centers were already announcing temporary closure due to being in contact with a COVID-19 infected member and a thorough sanitization was needed to prevent the virus from spreading within the fitness community. Even in this business which keeps communities healthy and resilient, COVID placed everyone at risk and the business had to abruptly stop functioning physically (Rider, Welltodoglobal.com, 27th March 2020; Cording, Forbes.com, 2020). In March 2020, it was recorded that 80% - 90% of ClassPass's 30,000 partners in 30 countries had to temporarily close (Rider, Welltodoglobal.com, 2020).

Billions of people were forced to stay home with minimal or no contact with other people causing most service based businesses such as reflexology, facial & spas, big sports areas, food & beverages that rely on physical patronage to close down as overhead still needed to be paid even without revenues coming in.

In Malaysia, COVID-19 impacted the whole country with a nationwide lockdown beginning from 18th March until 12th of May 2020. Strict SOPs (Standard of Operations) were imposed with only essential services being allowed to open and

only one person per household was allowed to go out for groceries and necessities with a 8pm curfew imposed. CMCO was then implemented on 13th of May until 9th of June 2020 with only certain businesses allowed to reopen. Gyms were still not allowed with the fear that working out together would cause another wave. On the 10th of June 2020, RMCO was implemented and gyms were allowed to open but with strict SOPs with much importance of sanitization and physical distancing was greatly reminded. Soon, the number of cases began to rise again and this time in double fold which led to another CMCO to be imposed on the 14th of October until the 6th of December 2020. Gyms were still allowed and the daily grind was back to normal until 11th of January 2021 where another MCO was imposed but with lesser restrictions as the numbers were increasing to 4,000 cases a day. Gyms and other socially influenced businesses were asked to temporarily close down once again, restaurants were only allowed pick up or delivery, Chinese New Year was celebrated within families in the same household, citizens were allowed to travel in twos within a 10km range only.

The Aftermath of Covid to the Fitness Industry in Malaysia

With gyms only being allowed to reopen on the 12th of February with only Personal Trainings and eventually small group classes, many fitness centers and boutique studios either temporarily close down to readjust their business models or completely shut down due to lack of financial capabilities. Studies by PRIHATIN (Adam, 2021) have shown, during this time, 35% of businesses in the fitness industry have laid off their staff with one third of them laying off more than 40% of their staff.

70% of respondents mentioned salaries have declined between 20 - 50% with the remaining respondents having salaries decline by more than 50%. Nearly 50% of business owners have lost more than 40% of their membership base in the last year which sees about 82% of the respondents see their profit decline by more than 30% with one out of three reporting a decline of more than 70%. Even with subsidies and supposed help from the government, only 46% were able to take advantage of these financial help (Adam, 2021).

It is also predicted nearly half of the business owners in the fitness industry would have to lay off more staff, with 25% of respondents laying off more than 30%

of their staff. Nearly half would have to close down one location of business to be able to sustain its financial capabilities. 80% of business owners have said they only have enough cash reserves to sustain another one to three months and the balance 20% saying their funds will run out in less than 30 days (Adam, 2021).

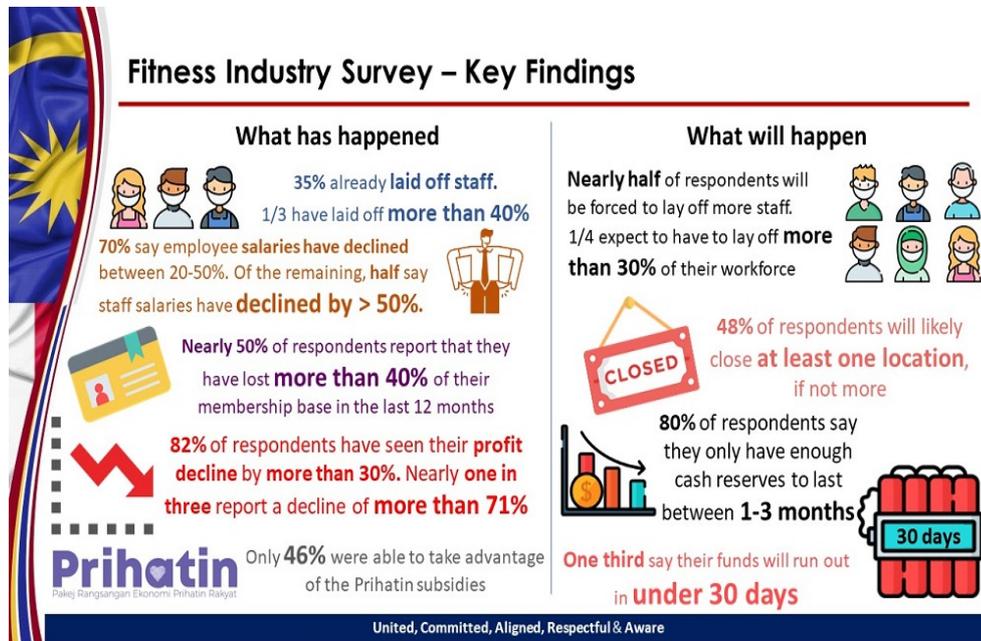


Figure 2.13 The Malaysia Fitness Industry Survey by Prihatin, cited by Adam, Malay Mail (13th February 2021)

The Opportunities of Covid-19

With challenges comes also opportunities. The global pandemic opened up a new world of fitness methods. During the lockdown, virtual classes via Zoom, Google Meet, Instagram or Facebook live heightened as people's workout frequency increases with nothing planned after working hours or during their lunch break. People were starting to workout or even increasing their workout frequency to at least five times a week as the pandemic raised awareness of poor cardiovascular health leading to major risk for severe illnesses and what a convenient way to workout without having the need to commute. People found it more accessible and more affordable and able to experience a great workout session at the comfort of their own home where they will not feel judged or embarrassed. According to the article by Kanagaraj in Business Today (14th October, 2020), the use of virtual content increased by more than quadruple. In the year 2019, only 7% of respondents utilised livestream and 17% utilised prerecorded workouts. In the year 2020, usage for livestream increased to 85% whilst prerecorded surged up to 73%. The value of digital offerings is, without a doubt, beneficial as it not only keeps businesses alive but it accelerates the fitness sectors in the integration of digital solutions. Imagine the capability of fitness businesses to reach clients not only nationwide, but globally (Cording, 2020).

As people adjust to the prospect of no physical connection, online opportunities expose people to change habits and the way the population chooses to keep active. 46% of respondents intend to make virtual class a regular while $\frac{1}{3}$ of them are planning to virtually visit more types of studios as 40% of respondents have booked a workout in studios they would have never physically visited due to physical or emotional constraints (Cording, 2020). The fitness industry has changed and digital fitness is here to stay. Articles have shown (Adam,2020; Soliano, 2020; Ravindran, 2021) that people still crave for community and connection and sports brings them just that. Whilst gyms slowly begin to open with the proper physical distancing, increase safety hygiene measures and decrease in capacity, business owners are forced to take a closer look at revenue streams and operation methods to reestablish better strategies (Adam, 2020; Soliano, 2020; Ravindran, 2021) .

2.4.8 Customer Retention Strategies In The Fitness Industry

In the fitness industry (Hurley, 2012) depicted the retention strategies in different levels based on Berry and Parasuraman (1991) framework of retention strategies.

<i>LEVEL</i>	<i>PRIMARY BOND</i>	<i>LEVERS</i>
Level 1	Financial	<ul style="list-style-type: none"> • No joining fee • Discounting • Special offers • Freezing of membership
Level 2	Financial and social	<ul style="list-style-type: none"> • Discount loyalty cards • Social activities • Buddy weekends • Referral incentives • Training partners • Guest invitations • Group activities
Level 3	Financial, social and structural	<ul style="list-style-type: none"> • Cultural/organisational change • Marketing approach • Customer service • Customer development methods • Points of contact • Staff training/rewards • Education • Awareness of lifetime/financial value • Identification of lapsed members • Membership tracking • Reactivation programmes

Figure 2.14 Levels of Customer Retention Strategies in the Fitness Industry, cited by Hurley (2012, pp. 24)

Level one, ties the customer to the business through financial incentives such as discounted membership fees, options to freeze accounts and special seasonal offers such as anniversary package sales, black friday sales package or buy 1 month free 1 month offers. These types of short termed retention strategies that are pretty common and easily copied by competitors. It is only strong if it is combined with a relationship strategy (Hurley, 2004; Tsitskari, et. al, 2021).

Level two, combines both financial incentives and social bonds that promotes long term relationships. Customization of services and continuous interaction and engagement between members and management (Hurley, 2004; Wong et. al, 2019; San-Emeterio et. al, 2020; Goncalves, 2019). This includes organizing social events outside of the gym, buddy or partner weekends, private facebook community, referral incentives, training partners and group activities. This strategy combines both monetary and non monetary benefits that binds members to the gym because of the interpersonal bond.

Level three involves financial, social and structural bonds which is hard to imitate and can be a competitive advantage for the gym. It is a psychological loyalty strategy that combines economic and social bonding (Czepiel, 1990) which involves the development of commitment, trust, mutual support, open communication and transparency, cooperation and shared responsibility of conflict resolution. (Macneil, 1978; Wilson, 1995; Nevin, 1995; Yi et. al, 2019; Fetchko, Roy & Clow, 2019; Soleimani, Ahmadi & Zohrehvand, 2021). This strategy involves the change of the company internally in terms of culture, development of customer service programs, staff training, identification of members who are demotivated, initiation of reactivation of lapsed members and completion of exit analysis which assist in strengthening the development of financial, social and structural relationships which will lead to higher customer retention.

The fitness industry is a growing but competitive industry whose businesses rely on continued patronage for ongoing success (Hawkins & Hoon, 2019; Fernandez et. al, 2018; Goncalves & Diniz, 2015; Tsitskari & Tsakiraki, 2013) and the need to improve customer retention aids in decreasing losses and increasing profits (Jovevski & Vasilevski, 2019; Fripp, 2014). Therefore, business owners need to consistently evolve strategies to connect with members and their specific needs in order for them to keep these customers who not only stay with the business but also bring in more business (Soleimani, Ahmadi & Zohrehvand, 2021; Foroughi et. al, 2019). They need to realise that it is not just about providing the best product or service, but it is also about creating relationships that are long term and beneficial for both members of the fitness studio and the fitness studio management (Yi et. al, 2020; González-Villora & Campos, 2020). It is a process that is a slow and continual process of change that

should aim to realign the fitness studio around its members and not just service provision.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

Research is a process that individuals undertake in a systematic way to find out things with the intention of increasing knowledge. Logical relationships are used to identify, describe, explain, criticise, analyse and understand a purpose of an activity which needs to be finished at a certain point of time to be used (Saunders et. al, 2019; Ghauri & Gronhaug, 2010). Research methodology is the theory of how the research is to be undertaken (Dawson, 2019).

This business research is to study customer retention strategies in order to create customer lifetime value in the fitness industry. This research is undertaken with the goal of being able to understand and explain the impact of customer lifetime value to customer retention and to explore ways of how the boutique fitness studios can do things differently based on the appropriate action suggested by the findings of the research to achieve success in the industry (Patel & Patel, 2019; Saunders et. al, 2019; Saunders et. al, 2016; Easterby-Smith et. al, 2012; Hendrick et. al, 1993).

3.1 RESEARCH PARADIGMS

A paradigm refers to a set of basic and taken for granted assumptions which underwrites the frame of reference, mode of theorising and ways of working in which a group operates. There are three research assumptions that need to be distinguished to determine the philosophy of the research (Saunders et. al, 2019; Saunders et. al, 2016). The first, epistemological, refers to human knowledge and what constitutes acceptable, valid, legit knowledge and how to communicate them to others. Second, is ontological which is the nature of realities encountered in a research whether it's the organization, management, individuals working life, organizational events or artifacts and thirdly, the axiological assumption of which refers to the extent and ways of the researches own values and ethics and how it influences the research process.

Once the assumptions are understood, there is a need to distinguish them based on a multi dimensional continuum - objectivism, subjectivism, regulation

perspective and radical change perspective (Burrell & Morgan, 2017; Burrell & Morgan, 1979).

I. Objectivism

Objectivism is the assumption of incorporating natural sciences with the assumption that the social reality that we research is external to us and others and that there is only one true social reality experienced which is made up of solid granular and relatively unchanging things.

II. Subjectivism

Subjectivism incorporates the assumptions of arts and humanities, asserting that social reality is made of perceptions and consequences of actions by people. Subjectivism embraces nominalism which is the school of thought that the order and structure of social phenomena that we study are created by us researchers and social actors through the use of language, conceptual categories, perceptions and consequent actions. Subjectivists are interested in different options and narratives that aid in helping to account for different realities and they do not detach themselves on their own values and openly acknowledge and reflect on what questions their own values.

III. Regulation Perspective

Regulation perspective refers to the need for relation of societies and human behaviour with the assumption of an underlying unity of cohesiveness of societal systems and structure. Most business research is aligned with this dimension as these researches seek to suggest how organization can be improved within the framework of how they are done now.

IV. Radical Change Perspective

This dimension approaches organizational problems from a viewpoint that is visionary and utopian as it seeks to improve or solve the problem by overturning the existing data or state of affairs.

The research paradigm can consist of two different continuums. Below Figure 3.1 refers to the combination of objectivist - subjectivist continuum and regulation - radical change continuum to create a 2 x 2 matrix of four distinct paradigms of organizational analysis.

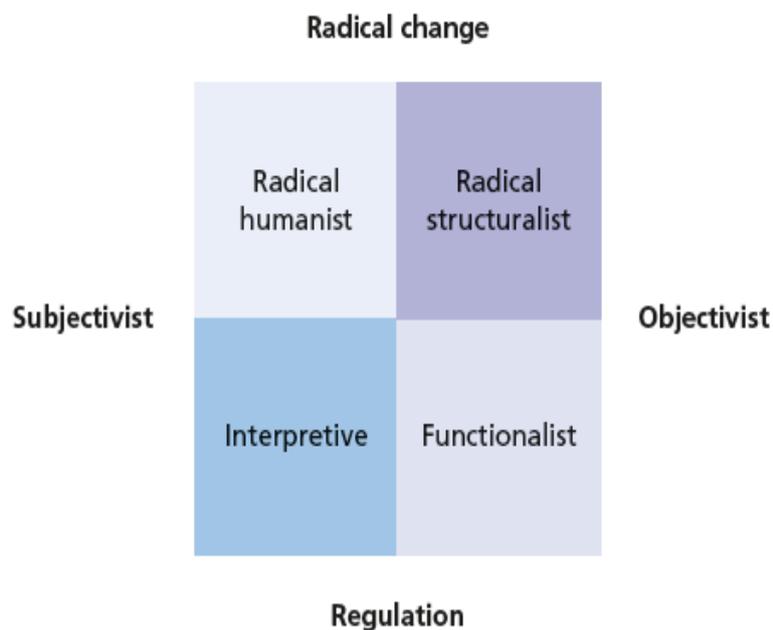


Figure 3.1: Four paradigms for organizational analysis, cited by Saunders et. al, 2019 (pp. 140)

Radical humanists adopt a critical perspective on organizational life and emphasise its political nature and the consequences of one's words and deeds upon others (Gunbayi, 2020; Kelemen & Rumen, 2008). This is a paradigm of changing the status quo and the research primarily focuses its concern on the issues of power, politics, domination, oppression but with the subjectivist approach where there is an

emphasis of social construction, language, processes and instability of structure and meanings.

The *Radical Structuralist* paradigm has the approach of researching with a view to achieve fundamental change based upon analysis of organizational phenomena which involves the need to understand structural political patterns within the organization such as hierarchy and reporting relationships and to what extent it may bring domination and oppression. It adopts an objectivist perspective due to the concern of objectivist entities.

Interpretive which is what this research will be using is the research undertaken with the goal to understand the fundamental meanings attached to organizational life and discovering irrationalities to understand the way we as humans attempt to make sense of the world around us.

Functionalist which most business and management research operates relates to research that is concerned with rational explanation by developing sets of recommendations within current structures which then be able to be used universally providing they are implemented and monitored correctly (Gunbayi, 2020; Kelemen & Rumens, 2008). This coincides with a positive research philosophy with the key assumption that organizations are rational entities in which rational expansion offers solutions to rational problems. This business research revolves around discovering the missing customer lifetime values that encourage customer retention in the fitness industry and through the functionalist paradigm, an evaluation study of customer retention through customer lifetime values to assess its effectiveness and make recommendations for improvements.

3.2 RESEARCH PHILOSOPHY

In the realm of business research there are five major philosophies to choose from - positivism, critical realism, interpretivism, postmodernism and pragmatism (Saunders et. al, 2019; Saunders et. al, 2016).

Positivism relates to working with an observable social reality to produce law-like generalization that promises unambiguous and accurate knowledge and focuses on strictly scientific empiricist methods designed to yield pure data and facts uninfluenced by human interpretations. This philosophy looks for causal explanations in data to create laws like generalization and uses universal rules and laws to help explain and predict behaviour and events.

Critical realism explains what we see and experience of the underlying structure of reality that shape the observable events with reality being the most important philosophical consideration which sees reality as external and independent but not directly accessible through observation and knowledge of it. It focuses on providing an explanation for observable organizational events by looking for underlying causes and mechanisms through which deep social structure shapes everyday life.

Interpretivism like its title emphasizes that humans are different from physical phenomena because they create meaning. This philosophy argues that human beings and their social worlds cannot be studied in the same way as physical phenomena, therefore social sciences research is different from natural sciences. This philosophy leads to the creation of a new, richer understanding and interpretation of social worlds and contexts by emphasizing the importance of language, culture and history in shaping interpretation and experiences.

Postmodernism emphasizes the role of language and power relation seeking to question the accepted way of thinking and give voice to alternative marginalized views by emphasizing the chaotic primacy of flux, movement, fluidity and change and believes that sense of order is provisional and foundationless and can only be brought about through language. It focuses on ongoing processes of organizing,

managing and ordering that constitutes such entities and challenges organization concepts and theories and seeks to demonstrate what perspective and relative they exclude.

Pragmatism is the philosophy that believes concepts are only relevant when they support action. It strives to reconcile both objectivism and subjectivism, facts and values, accurate and rigorous knowledge and different contextualised experience. It recognizes that there are many different ways of interpreting the world and undertaking research with the view that there is no single point of view that can ever give an entire picture. This research, with practicality in mind, considers theories, concepts, ideas, hypotheses and research findings play a role as tools of thoughts and actions. This philosophy believes in problem solving for future practices through credible, well founded, reliable, and relevant data that advances the research (Gunbayi, 2020; Kelemen & Rumens, 2008).

As this business research is a quantitative research, the philosophy that will be adopted will be the philosophy of positivism. Its scientific method will produce observable and measurable facts which contribute causal explanation and prediction. The researcher adopts this philosophy and remains neutral and detached on what is researched and maintains an objective stance (Saunders et. al, 2019). This value driven research is initiated by the belief and doubts of the researcher that there is a need to discover the fundamentals influencing customer retention through customer lifetime value for the sustainability of the business in the fitness industry but also for the members that invest money, time and effort to see transformation towards their best self as as to feel appreciated and recognised for the relationship with the business. With the values that are collected and analysed, the researcher would be able to understand and predict future business undertakings.

3.3 RESEARCH APPROACH

A research approach allows a more informed decision on the research design - whether just one or more techniques are used to collect data and the procedures used to analyse the collected data. It assists in the choice of research strategies and methodological methods that will work to cater and adapt to constraints that arise around the research.

Deductive, inductive and adductive are the three different approaches that a researcher could undertake. Deductive starts with a theory that is often developed from reading of literature and conclusion derived logically from a set of premises and the conclusion being true when all premises are true (Patel & Patel, 2019; Ketokivi & Mahere, 2010). Inductive starts by collecting data to explore phenomena and then theory is generated. This approach is used when there is a gap in logic argument between the conclusion and the premise observed. Adductive begins with a surprising fact being observed with the surprising fact being the conclusion rather than the premise. This approach collects data to explore phenomena, identify theses and explain patterns to generate a new or modify an existing theory which is subsequently tested through additional data collection.

This business research will utilise the deductive approach by developing the theory of customer retention strategies through customer lifetime values and subject it to a rigorous test. In this research, the study began with a problem in mind - the lack of a business model that portrays customer lifetime value for the sustainability of a business through customer retention. Academic literature research led to the discovery of certain factors that influence customer lifetime value. These factors will then be tested through data collection and measurements appropriate to obtain conclusive results that indicate if the theory is true and a business model can be conceptualised through these findings. The deductive approach will be also used because of the time constraint and the aim to collect data in one take. The audience for this business research will be aimed towards managers who are more familiar with deduction and the risk for this approach is low and prediction of time scheduling are more accurate.

3.4 RESEARCH DESIGN

A research design gives researchers a general plan on how the flow goes about answering the researchers research questions which will lead to obtaining clearer objectives derived from research questions, specify sources for data collection, how to collect and analyse those data and discuss ethical issues and constraints that will be encountered.

3.4.1 Research Purpose

Research can be of exploratory, descriptive, explanatory, evaluative or even a combination of more than one purpose (Saunders et. al, 2019; Saunders et. al, 2016).

Exploratory begins with the question of What or How and it is meant to ask open questions to discover what is happening and gain insights about a topic of interest to clarify the understanding of that issue. Problem or phenomena and has the flexibility to adapt to change.

Descriptive is an extension of exploratory purpose to gain a more accurate profile of the topic of interest that asks the questions Who, What, When or How which assist to explore more to draw conclusions and encourage to develop skills of evaluation, data and synthesis ideas.

Explanatory uses the questions of Why or How which allows the establishment of causal relationships between variables and to study a situation to explain those relationships.

Evaluative if the process of finding out how well something works through the questions of How, What and Why which allows researchers to assess the performance and compare which can produce theoretical contribution where understanding not only how effective but why and them is emphasised and then compared with existing theory.

This research will be using a mixed method of research purposes. Since this research explores the concept of customer lifetime value towards customer retention in the fitness industry, the academic research focused on customer retention, customer satisfaction and customer lifetime value to explore and provide a better understanding and discover what is to be focused on to be aligned with the research objectives and to find a connection between the effects of customer lifetime value towards customer retention. The explanatory phase allowed the researcher to find the causal relationship between customer values and how beneficial it was for customer retention and formulate the hypothesis to be tested on. The current study also uses the evaluative purpose as these factors are then compared with current findings of the study and existing theory which will then hopefully contribute theoretically.

3.4.2 Methodological Choice

There are three methodological methods for a research to be done - quantitative, qualitative and mixed methods.

According to Saunders et. al (2019, 2016) quantitative refers to data collection techniques such as questionnaire or data collection analysis like graphs or statistics that generate numerical data. Research philosophies that relate to positivism, realist and pragmatic usually use this method and a deductive approach is used based on the facts and data collected. The quantitative method examines the relationship between variables which are measured numerically and analysed using a range of statistical and graphical techniques. It often uses probability sampling techniques to ensure generalisation.

Qualitative is the total opposite where data collection technique and data collection analysis generates non numerical data (Saunders et. al, 2019; Saunders et. al, 2016). The interpretive and naturalistic research philosophers are driven to this methodological choice as they need to make sense of the subjective and socially constructed meaning expressed about a phenomenon being studied. Pragmatists and realists are also keen on using this methodological choice as when the research is done, it needs to operate within a natural setting to establish trust, participation and access to meaning and in depth understanding. An inductive approach is taken to

develop a theory however an abductive approach can also be taken as the inductive approach is taken to develop reference and deductive to test iteratively. This sort of data collection is non standardised as questions and procedures alter during research. It studies participants' meanings and relationships using a variety of data collection techniques and analytical procedures to develop conceptual framework and theoretical contribution. Qualitative uses non-probability sampling techniques and its success is based on physical access to participants, the ability to build rapport and the ability to demonstrate sensitivity to gaining cognitive access to data.

For this business research, the research will be using the quantitative method aligned with its positivism philosophy and deductive approach. This business research will use a multi method quantitative method by using a questionnaire that will be sent out to members of the boutique fitness gyms. Semi structured interviews will also be done unofficially to compare between the opinions of the members and the management of the boutique fitness gyms.

3.4.3 Research Strategies

A good research strategy enables research questions to be answered and research objectives to be met.

I. Experiment

Experiments are a form of research that leads most of its goal towards natural sciences with the purpose to study the probability of change in an independent variable causing a change in another dependent variable (Saunders et. al, 2019; Saunders et. al, 2016). It is mostly conducted in labs as it allows greater control over the aspects of the research and improves internal validity of experiment. It uses predictions (hypothesis) rather than research questions and the research anticipates whether or not a relationship exists between variables. It is used in both exploratory and explanatory research to answer what, how and why.

This particular research strategy uses participants (test subjects) in different experimental designs such as classical where a sample of participants are selected and randomly assigned to the experimental group (some form of intervention or manipulation is tested) or the control group. The Quasi is where participants are matched in pairs when groups are small. A participant is matched with someone from the control group based on matching factors such as age, activity level, amount of pay, gender to minimise effects of extraneous variables. Within the subject experiment is a single group being tested on and exposed to the procedure. It begins with pre intervention observation, planned intervention, observation and measurement and withdrawal of intervention where experiment ends.

II. Survey

The deductive research approach to answer what, who, where, how much and how many and used for exploratory and descriptive purposes (Saunders et. al, 2019; Saunders et. al, 2016). It uses methods like questionnaires, structured observation techniques and interviews as it is perceived as authoritative by people in general and it's easy to explain and understandable. Questionnaires allow collection of

standardised data from a sizable population in a highly economical way and it allows easy comparison. Surveys allow both quantitative data to be analysed quantitatively using descriptive and inferential statistics. Surveys allow more control over research processes and with the data collected it allows suggestions of possible reasons for relationships between variables. However researchers need to ensure that the sample is represented to ensure a good response rate.

III. Archival & Documentation

Digitization of data and creation of online archives has broadened the scope of studies. Documents are now durable repositories for textual, visual and audio representation (Saunders et. al, 2019; Saunders et. al, 2016). Text documents such as communication between individuals, individual journaling records, organisational sources of records and agenda; videos and audios and online access through websites on press releases, annual reports, company results, financial highlights and data archives offer a rich source of data which allows to analyse, evaluate and compare key events, the context of the events, roles of the actors involves the influence of external influences and the outcomes of it all. However researchers need to be sensitive with the information used and considered as secondary sources because the materials were created for a different purpose so sensitivity is key (Hakim, 2000; Langler et. al, 2019).

IV. Case Study

Case study in as in depth inquiry on a topic/phenomenon may it be a person, group, organisation association change process or event that is observed within its real life setting (Rashid et. al, 2019; Yin, 2018). Its research sets out to understand the dynamics of a topic being studied within a setting or context (Rashid et. al, 2019; Eisenhardt, 1989; Eisenhardt & Graebner, 2007) and often used when boundaries between phenomenon and context within which is being studied are not always apparent.

V. Ethnography

A relevant strategy to modern organizations who for example wish to gain in depth understanding of the market and experience of consumers to make sure the sale proposed in the project is achievable. It is used to study the culture or social world of a group where researchers will live among those of whom they study and observe and talk to them to produce detailed cultural accounts such as behaviour, beliefs, interaction, languages, rituals and events (Tracy, 2019; Cunliffe, 2010).

VI. Realist Ethnography

Believes in objective factual reporting and identifying true meanings where situation report is based on facts and data and uses standardised categories to produce quantitative data through observation ((Saunders et. al, 2019; Saunders et. al, 2016). Report is written in a detailed and contextual background using edited quotations without personal bias.

VII. Interpretive Ethnography

Places much stress on subjective impressions than on objectivity and believes in the likelihood of multiple meanings rather than being able to identify a single true meaning (Saunders et. al, 2019; Saunders et. al, 2016). It has a pluralistic approach which focuses on meaning with those being observed and treated as participants. Here the researcher engages in continuous reflexivity to ensure reliability and validity and the report reflects the researcher's participation and those being observed through dialogues, quotation, dramatisations, presentation of different perspectives and contextualism.

VIII. Critical Ethnography

With a radical purpose the researcher aims to explore and explain the impact of power, privilege and authority on those who are subject to these influences. These ethnographers adopt an advocacy role to try to bring change. It can be used to explore the impact of problematic issues within an organization with a view to advocate internal or external change whether in communication m regulation, governance, treatment, reward and promotion or even strategy decision making.

IX. Action Research

Designed to develop solutions for real organizational problems through a participatory and collaborative approach, action research is an emergent and iterative process of inquiry which uses different forms of knowledge which will have implications for participants and the organization beyond the research project (Tracy, 2019; Coghlan and Brannick, 2014). Here is research in action instead of research for action and it addresses practical purposes and resolving real issues in the organization and researcher works together with the members as facilitator to improve the situation. This strategy promotes organizational learning to produce practical outcomes through 1) identifying issues 2)planning action 3) taking action and 4) evaluating action.

X. Grounded Theory

An early commencement of data collection concurrently collects and analyses data by developing codes and categories from those data. It is a methodological approach, a method of inquiry and the result of a research process (Saunders et. al, 2019; Saunders et. al, 2016). It is used to loosely incorporate methodology and method but more specifically refers to a theory that is grounded and developed inductively from a set of data. Grounded theory can also be used to develop theoretical explanations of social interaction and processes in a wide range of context and be used to explore a wide range of business and management issues. It utilises constant comparison and writing of self memos to develop conceptualisation and

build theory and theoretical sampling and saturation to build theory. Using an abductive approach, the initial use of literature plays as a complementary source to categories and concepts emerging from data.

XI. Narrative Inquiry

This research strategy takes a more personal account interpreting events or a sequence of events and through a qualitative research interview. This strategy has the assumption that experiences are best accessed by collecting and analysing complete stories rather than collecting them as bits of data from specific interview questions. It provides an opportunity to gain access to organizational realities closely linked to members' experiences of events, actions and consequences (Tracy, 2019; Chase, 2011; Gabriel & Griffiths, 2004). This research strategy is associated more with smaller, more purposive samples as it is intense and time consuming but it allows to analyse linkage, relationship and socially constructed explanations that occur naturally within narratives accounts in order to understand the complex processes which people use in making sense of organizational realities.

The choice of research strategies undertaken in this research is the survey and archival and documentary research. In the initial stage the archival and documentary research is done to narrow down the focus of the research which is customer retention and the influence of customer lifetime value towards its progress or decline. Data collected and hypotheses and research objectives are formulated. Through survey and case study, research will be able to gain information from two parties involved in the research - business owners and members of fitness clubs in a specific amount of time. Questionnaires will be used on members in order to get a big insight of their thoughts in short amount of time with a big sample size and semi structured interview will be used for the business owners as researcher needs to gain the trust and understanding of the owners to get a more in depth insights of what is happening behind the scenes of the business to gain the traction of customers.

3.5 TIME HORIZON

Research can either utilise the cross sectional studies that studies a particular phenomenon at a particular time or the longitudinal studies which takes on a more “diary” perspective on the research in a longer period of time to be able to study change and development (Saunders et. al, 2019; Saunders et. al, 2016).

For this research, the cross sectional studies will be used due to the subject in hand of customer retention where the first three months determines whether or not a member continues on its membership, therefore, it is vital that the studies are done in a short period of time and employs a survey strategy. Furthermore, the research has a time constraint that needs to be adhered to and due to the challenges of the pandemic of COVID-19, the researcher has a shorter amount of time to collect data.

3.6 SAMPLING STRATEGY

Sampling strategy is conducted in this business research as a practical method to collect data from a part of the population (Saunders et. al, 2019; Saunders et. al, 2016). Due to the budget and time constraints as well as the challenge of receiving permission and accessibility to the entire population is not possible both probability and non probability samples will be undertaken for this research.

In line with the research objective, customer retention through customer lifetime value will be studied from both the perspective of business owners and the members of the gym and their take on the subject. As this is in regards to customer retention, the perspective of existing members will be considered as eligible respondents during the duration of the studies.

Boutique fitness studios as mentioned in Chapter One are fitness studios that are not more than 3500 square feet and have between 30 - 300 members. These boutique fitness studios are usually run by the owner itself with a small team of maximum 20 including coaches and front desk. In this research, the owners of the boutique fitness studios who make the decision on customer retention strategies will be considered as eligible respondents.

As the business research was done during the pandemic, there was a difficulty in gaining access to participants for the research as gyms were not allowed to open during the MCO period. Therefore, the non probability purposive sampling technique was used for this business research and using the Krejcie and Morgan (1970) sample size calculation, it is assumed that the total population is 190, therefore a total sample size of 125 respondents were collected for this research.

Non - probability sample, more specifically the self selection sampling will be used where researchers gained respondents by publicising the need for research subjects for the current research through social media and word of mouth and six have agreed to volunteer for the research. It has been summarised for the semi structured interviews there should be between 5 - 25 respondents to make the study valid (Saunders et. al, 2019; Saunders et. al, 2016; Creswell, 2013). As business owners in

the fitness industry, most owners are a challenge to reach and with the ever going pandemic, owners are busy trying to stay afloat. However, with much luck, researchers have managed to gain eight fitness gym owners to help gain understanding and insights on the customer retention strategies they are using and their opinions and thoughts on customer lifetime value towards customer retention.

In order for the research to be a non-biased one, a total of 125 respondents from the member side was for the purpose of this research, which is considered ideal to achieve within the given time from for the research.

Confidence Level: 95%

Margin of Error: 5%

As advised by (Saunders et. al (2019, 2016) the margin of error for a research should be 3% - 5%. With that statement, the researcher has a confidence level of 95% that the population is represented by the sample chosen.

3.7 DATA COLLECTION

The main objective of this research is to gain insight on the customer retention strategies that are used to create customer lifetime value which makes members in a boutique studio stay with their membership. In this background, this research will be taking into account both the business owners and existing members' perspective of what customer retention is and how creation of customer lifetime value increases customer retention. The perspective of the members will be taken into account to find out if the customer lifetime values created are the reason they remain and whether or not their voice have been heard and the perspective of the business owners will be looked upon to gain insight on whether customer retention strategies are used to create customer lifetime value and whether or not they have been 'listening' to the clients expectation to encourage them to stay or just focusing their budget allocation on customer acquisition.

For this purpose, both these respondents will be separated into two groups - owners and members. As this research will be a multi quantitative method, using questionnaire surveys for the members and semi structured interviews for the business owners.

I. Semi Structured Interview

One on one semi structured interviews will be conducted with the respondents that are known as 'owners' to explore the current status of customer retention in the chosen boutique fitness studio to determine whether what is found in literature review is aligned to what is currently executed. This interview will be conducted to discover the view of the 'owner' on what is seen as value by the 'members' when it comes to customer retention and what are the current strategies being utilised to meet those values that encourage customer retention.

The interview questions were adapted from a combination of studies in regards to business owners' take on customer retention, quality relationship and acknowledgement of customer lifetime value (Hurley, 2004; Jamieson, 1994; Athanassopoulou & Mylonakis, 2009).

The first question begins with a close ended question in regards to the fitness gym distinguishing factor based on the literature review of the current study which is as follows: Product and Service, Organizational Culture, Employee Performance & Involvement, Leadership Influence, and Customer Relationship Management. This method was adapted by Theresa Hurley (2004) in her study of the importance of customer retention in the fitness industry. The balance 10 questions will be in the form of open ended questions adapted from Davies Jamieson and Attnanassaopolou in their study of customer retention and quality relationship respectively.

Each one on one semi structured interview will be conducted with all “owners” respondents of the participating organizations. The one close-ended question and 10 open ended question is prepared in Appendix 1

If necessary, follow up questions will be asked to get a better understanding or richer context during the interview or after the interview via email or telephone call. As per suggested by Saunders et. al (2016, 2019), interviewees will be informed on the themes and questions are sent via email to allow respondents to be more prepared which facilitates more efficient and effective data collection. Some interviews will be conducted at the gym in the staff room or glass covered sales room and some will be interviewed via Zoom call based on the conditions of the constraint by the Covid-19 pandemic. Interviews will be conducted based on the convenience of the respondent's available time and convenience.

Several issues will be taken into consideration to reduce biases by ensuring that the researcher who is the interviewer will be conducting the interview in a neutral manner with questions being asked in a neutral but interesting tone. Interviewer will also inform interviewees beforehand that they choose to not answer any questions or to stop the interview at any time. To ensure all information given is not lost, all sessions will be recorded. However, although recorded, it will be informed and noted that the anonymity of the interviewee will be respected and ensured where only the researcher will have access to the recordings and permission will be asked at the very beginning of the interview to adhere to ethicality.

II. Questionnaire

Survey questionnaires will be given out to respondents categorised as “members” respondents. To recapitulate, these respondents are existing paying members of the participating fitness studio. This explanatory research will enable the researcher to examine and explain the relationship between variables, in particular the cause-and-effect relationship. These questionnaires will be self completed questionnaires where questionnaires will be distributed through email or Whatsapp to existing members of the fitness studio with a hyperlink to the questionnaire which offers greater control to determine who actually answers the questionnaire improving reliability of data. This method is aligned with the researcher's short time frame and financial constraint as it allows the researcher to collect data from more than one respondent at a time.

Questionnaire will be created using Google Form as it allows the researcher to design the questionnaire, capture and automatically save data which will be analysed within the research tool and downloaded as a data file for external analysis through SPSS version 23 (Saunders et. al, 2019; Saunders et. al, 2016)

The data variable that will be collected will be of factual (age,gender, marital status, frequency of gym visits), attitude and opinion (their expectation of a fitness gym and their perception of current gym) and behavioural variables which are influenced by context or event occurred (customer retention and word of mouth).

Closed-ended questions will also be used where respondents are to choose from answers that have already been provided (Fink, 2013). One of the closed-ended questions to be used are category questions of which data pertaining to the respondents' demographics will be collected, namely their gender, age group and frequency of gym visits. The balanced close ended questions Likert-style scales will be used to collect opinion data on how important or unimportant an attribute is to the respondent, how the respondent strongly agree or disagrees with a statement, how relatable an outcome is to the respondent, and how likely or unlikely respondent will perform a certain action. These scales will be adapted from existing scales, as advised by Schrauf and Navarro (2005), of its their details will be explained later on.

Validity of the questionnaire means to be able to measure what you intend to measure and reliability relates to the robustness of the questionnaire and whether it will produce consistent finding at different times under different conditions, To improve validity and reliability, the researcher chose to both adopt and adapt measures from previous published research to ensure adequate coverage and accurate predictions. The research also used previous published measurements to ensure internal consistencies based on previous research done by peers. Cronbach's alpha will be used to measure consistency of scale where values of 0.7 and above indicate the reliability of the questions.

MEASURES

As mentioned above the questionnaire will consist of one category based close ended question and mostly rating scale close ended questions.

- Control Variables

The current paper includes several control variables that are related to customer lifetime values and customer retention in the fitness industry, namely gender, age, income and frequency of gym visits based on previous research (Alexandris et. al, 2004; Goncalves et. al, 2015; Peitzika et. al, 2020; Parasuraman et. al; 1988; Fourughi et. al, 2019). Gender will be measured as a dichotomous variable (i.e. male or female). Age will be measured according to age group, namely “24 and below”, “25 - 35”, “36 - 45”, “46 - 55”, “56 and above”. Income will be measured based on the following: “Below RM2000”, “RM2000 - RM4000”, “RM4001 - RM6000”, ‘RM6001 and above’ and Gym frequency will be measured based on the following: “Once a week”, “Twice a week”, “3 - 4 times a week”, and “More than 5 times a week”.

- Customer Lifetime Value Factors

The researcher included this self developed close ended question based on previous readings of theory and findings of customer lifetime value that results in satisfaction and retention in the fitness studio. This is adapted from service quality dimensions from a combination of previous research: Organizational Culture, Staff Performance and Involvement, Leadership Influence,, Customer Relationship Management, Product & Service. The measurement for this will be with a 5 point Likert Scale, with “1” being “Unimportant” and “5” being “Very Important”

- Expectation & Perception Of Fitness Studio

These segments consist of close-ended questions that are adapted from Parasuraman’s et. al (1991) SERVQUAL with a reliability rate of Cronbach’s Alpha of 0.8 - 0.93 for all dimensions which has been used and adapted by many peer authors (Alexandris et. al, 2001, Konstantinos et. al, 2004). The dimensions used are “Tangibles”, “Reliability”, “Responsiveness”, “Assurance” and “Empathy” consisting between four to five items such as “Excellent fitness studios will have modern-looking equipment” under the expectation section and “Your gym has modern-looking equipment” under the perception section. Respondents will indicate their answers to the item based on a seven-point Likert Scale with “1” being “Unimportant” and “7” being “Very Important” for the expectation section and “1” being “Strongly Disagree” and “7” being “Strongly Agree” for the perception section.

- Customer Retention and Word of Mouth Section

This section's dimensions and items were adapted from the works of a combination of peer research (Chiu et. al, 2019; Oliver, 1980; Eggert & Ulaga, 2002; Alexandris et al., 2001; Zeithaml, et al., 1996). The Cronbach Alpha measurement scale for Customer Retention was 0.9 and Word of Mouth was 0.88 meaning the measurements are reliable and valid. Both dimensions were combined into three items each that will be measured with a Seven-point Likert scale. Respondents will indicate their agreement or disagreement to sample items such as “Next time I will renew my

membership with my gym and I will say positive things about my gym to other people” with “1” being “Strongly Disagree” and “7” being “Strongly Agree”. The items were modified to fit the context of fitness gyms.

The full questionnaire is presented in Appendix 2

3.8 DATA ANALYSIS

This research utilises quantitative research where the quantitative data gathered from questionnaires will be stored numerically according to their respective categories, which will then be integrated to IBM SPSS Statistics version 23 for analysis. Data from the semi-structured interviews will be sorted according to themes and a basic analysis will be done to describe the connection among the variables.

Presentation of data analysed will be presented in histograms, scattered graphs and cross tabulation tables, whichever deemed most appropriate.

CHAPTER FOUR

4.0 ANALYSIS & FINDINGS

4.1 PROCESS OF ANALYSIS

The current business research involves multi method quantitative data collection method where survey questionnaires were given out to members of boutique fitness studios and semi structured interviews were carried out with owners or the head coaches of boutique fitness gyms. Prior to the data collection methods, necessary coding was done to enable easier referencing and retrieval. Once responses from survey questionnaires were collected, all data from survey questionnaires were keyed into IBM SPSS version 27 software to generate quantitative data analysis. As for the qualitative data, all interviews were transcribed and later analysed.

Out of 10 boutiques fitness studios approached, 8 gave consent to allow the execution of the research to be done within their fitness studios, generating a response rate of 80%. From the 8 boutique fitness studios, a total collection of 125 members answered the survey questionnaires. Table 4.1 shows the breakdown of member respondents from the 8 different studios.

FITNESS STUDIO	TOTAL RESPONDENTS
Studio A	12
Studio B	41
Studio C	20
Studio D	15
Studio E	12
Studio F	14
Studio G	11

Table 4.1 – Breakdown of respondents per fitness studio

4.2 DEMOGRAPHICS

4.2.1 Gender

Based on the data collected, out of 125 respondents, 20 were male respondents and 105 were female respondents. This constitutes 16% male and 84% female respondents.

Figure 4.1 below illustrates the findings:

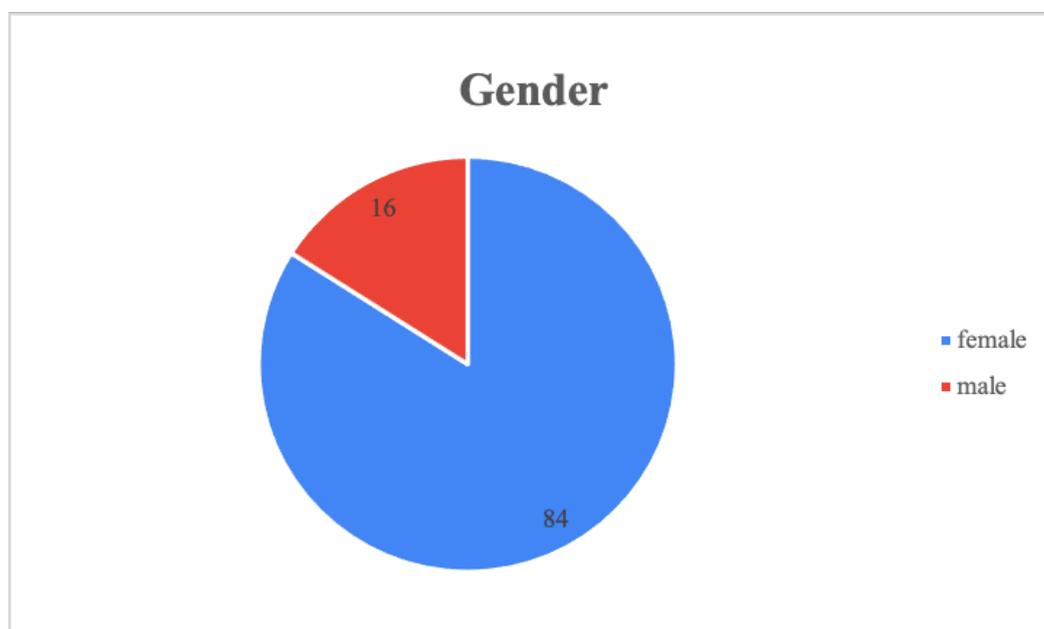


Figure 4.1: Gender

Interpretation:

There are more female members as compared to male members in the boutique fitness studios. This would indicate that the patronage in the boutique fitness studios is more female dominated.

4.2.2 Age Group

Only 0.8% of members were in the age group of “56 years and above”, 48.8% from “36 - 45” years old, 27.2% were in the group age of “25 - 35 years old” whilst 23.3% were from “46 - 55 years old”.

Figure 4.2 below illustrates the findings:

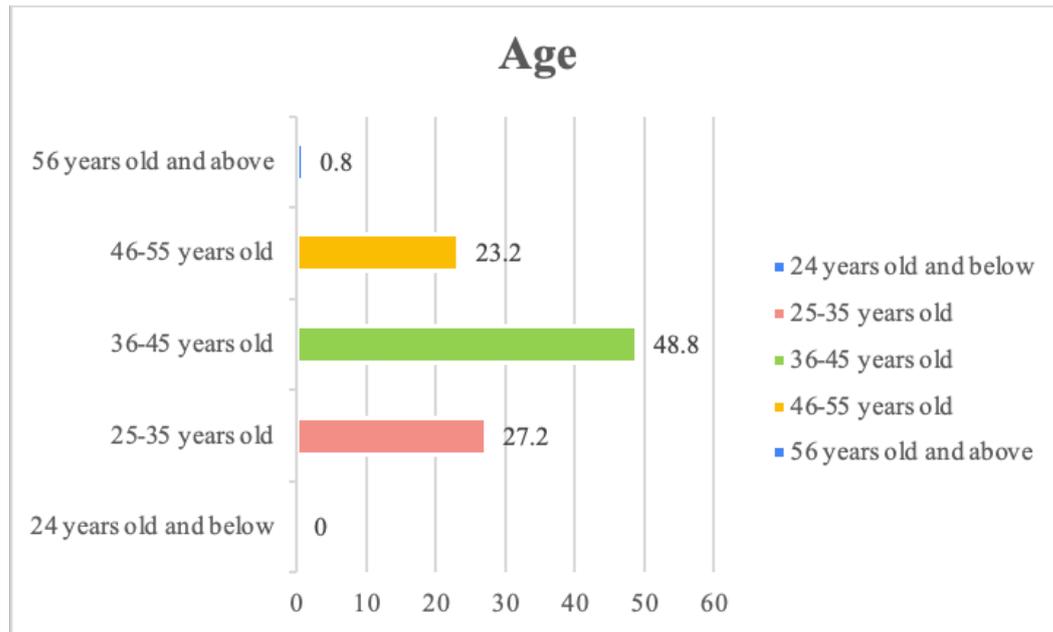


Figure 4.2: Age

Interpretation:

The majority of members were between the ages 25 years to 55 years old. From this majority it can be assumed that the fitness boutique studio appeals more to the youthful age group who love upbeat, fast pace workout environments.

4.2.3 Monthly Income

From the data collected, 65.6% earned RM6001 and above, 19.2% earned RM4001 - RM6000, 8.8% earned RM2000 - RM4000 while 6.4% earned below RM2000

Figure 4.3 below illustrates the findings:

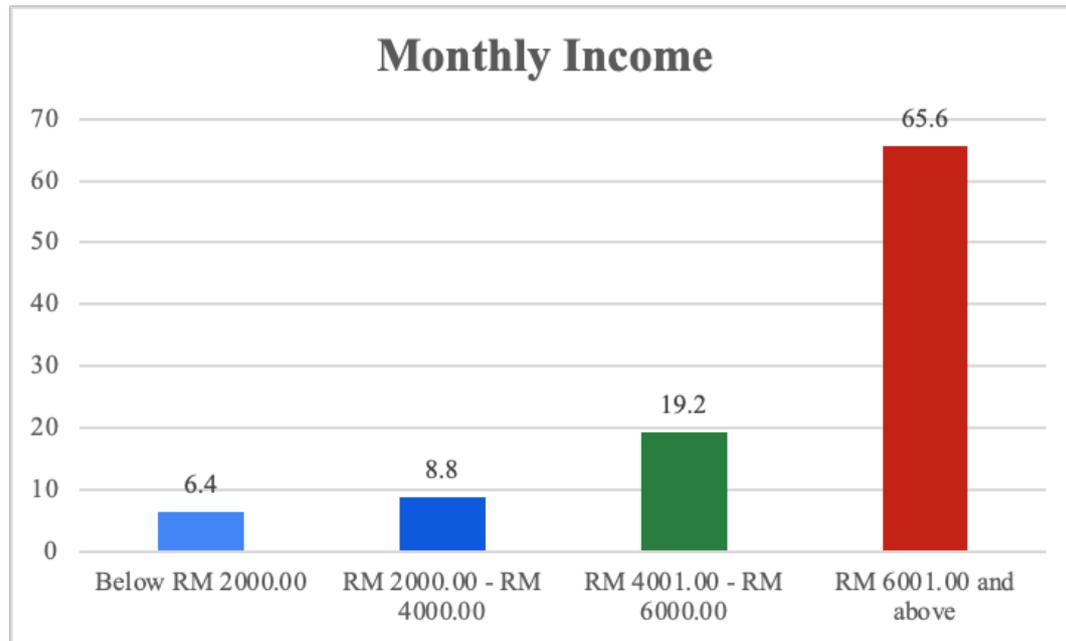


Figure 4.3: Monthly Income

Interpretation:

Based on the findings it can be seen that the majority of members that hold a membership earns above RM6000. This can be assumed that members pay a premium price to enjoy the benefits of membership in a boutique fitness studio and most members are from executive or high paid jobs in order for them to afford a membership in a boutique fitness studio.

4.2.4 Frequency of Gym Visits

From the data collected, 48.8% visit the gym three to four times a week, 22.4% visit the gym five or more times a week, 18.4% visit the gym twice a week while 10.4% visit the gym once a week.

Figure 4.4 below illustrates the findings:

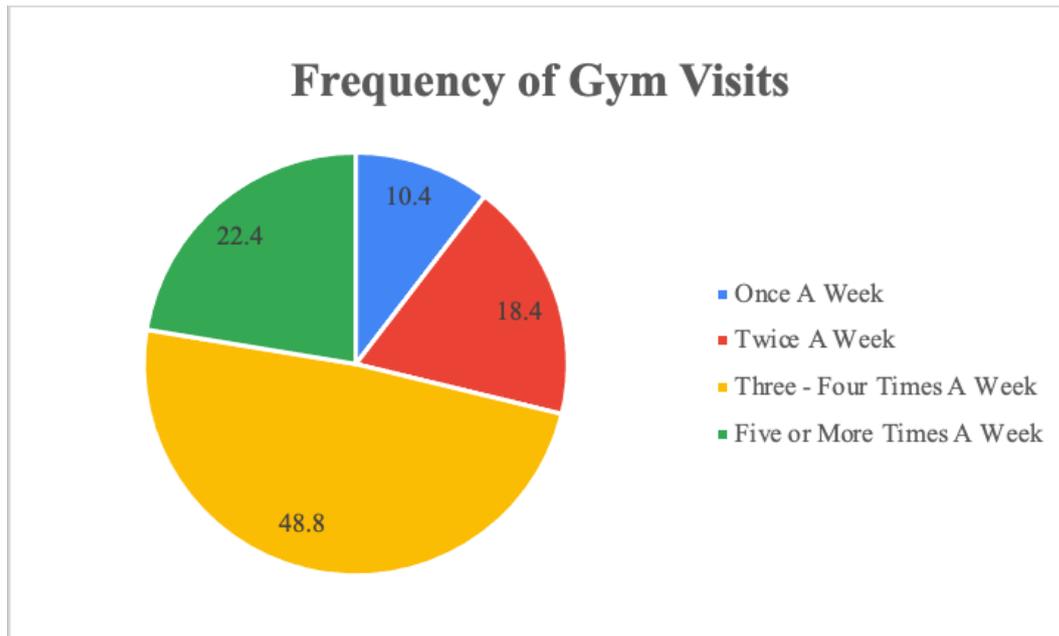


Figure 4.4: Frequency of Gym Visits

Interpretation:

From the data collected, it can be assumed that the majority of respondents visit the gym between 3 - 5 times a week which means the majority of them have a routine or a fitness goal that they would like to achieve and have enough experience and are accustomed to how things are executed in the boutique fitness studio. This also can be assumed that the members who attend regularly enjoy going to their gym and the fitness services provided by the fitness studio.

4.3 ANALYSIS OF SURVEY QUESTIONNAIRES

The survey questionnaire is separated into four sections. The first section collects the demographic data of respondents. The second section are closed questions determining the level of importance of the service quality dimensions (5 items). The third section are closed questions pertaining to the expectations of members on service quality offered by potential boutique fitness studio which consists of Product & Services (4 items) Organizational Culture (5 items), Staff Performance & Involvement (4 items), Leadership Influence (4 items) and Customer Relationship Management (CRM) (5 items). The fourth section are also closed questions involving the perceptions of members on service quality after experiencing the service quality of chosen boutique fitness studio which also consist of Product & Services (4 items) Organizational Culture (5 items), Staff Performance & Involvement (4 items), Leadership Influence (4 items) and Customer Relationship Management (CRM) (5 items). The fifth section with closed questions is regarding the outcome of service quality which is a combination of Customer Retention and Word of Mouth (3 items)

4.3.1 Individual Confirmatory Factor Analysis (CFA)

This study is a cross-sectional quantitative research that employs the SEM Analysis method called Confirmatory Factor Analysis, also known as CFA. One of the significant strengths of this particular method is that it could determine the assumption of whether the measures of a construct are consistent with the researcher's understanding of the nature of that construct.

In terms of the operational side of this method, it has two central approaches, namely, individual CFA and pooled CFA. Both approaches have their novel procedure and analytical considerations. The researcher employed both techniques to examine the reliability and validity of the construct understudied.

The Pooled CFA technique is alleged to be much more efficient compared to the Individual CFA technique because of the technique's ability to identify peculiarity in the model especially when some of the construct comprised less than four measuring items (Kashif et al., 2015; Awang et. al, 2015). In terms of its procedure,

this technique requires all constructs to be pooled together and then linked using the double-headed arrows to assess the correlation among the constructs.

On that account, it is a prerequisite conducting the Individual CFA technique before testing the model's correlation. At this stage, the construct validity and reliability were computed by deriving their fitness indexes and factor loadings. The recommended value for the factor loadings and construct reliability is 0.60 and 0.70, respectively (Hair et al. 2010). Meanwhile, the recommended value for each fitness index (Hair et. al, 2017) is summarised as follows:

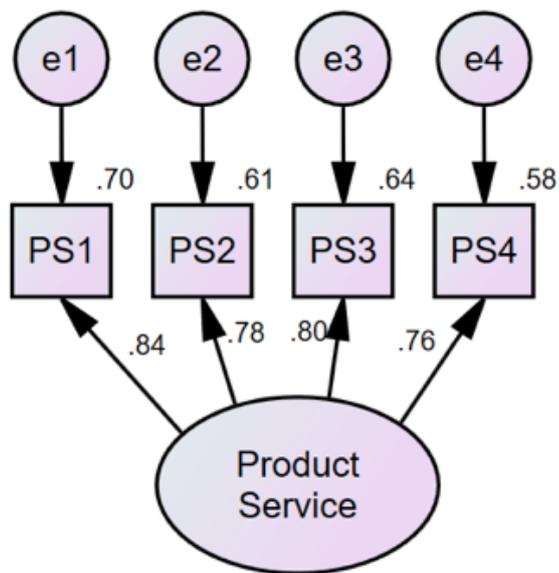
Name of category	Name of index	Level of acceptance
Absolute Fit Index	RMSEA	RMSEA < 0.08
	GFI	GFI > 0.90
Incremental Fit Index	AGFI	AGFI > 0.90
	CFI	CFI > 0.90
	TLI	TLI > 0.90
	IFI	IFI > 0.90
Parsimonious Fit Index	Chisq/df	Chi-Square/ df < 3.0

Table 4.2: Fitness Index Rules of Thumb

The following subsections will highlight the procedure of conducting Individual CFA technique for all the constructs being investigated in this study. Comprehensively, the researcher also explains and discusses the result of this particular analysis.

Product And Services

The first exogenous construct tested using the Individual CFA technique is the Product and Services construct. The researcher examined the level of Product and Services based on four items, namely, PS1, PS2, PS3 and PS4. This assessment is performed within the same construct.



FITNESS INDEX
1. Chisq/df=2.464
2. RMSEA=.109
3. CFI=.982
4. IFI=.982
5. TLI=.964

Figure 4.5 - Results of Fitness Indexes for Product & Services

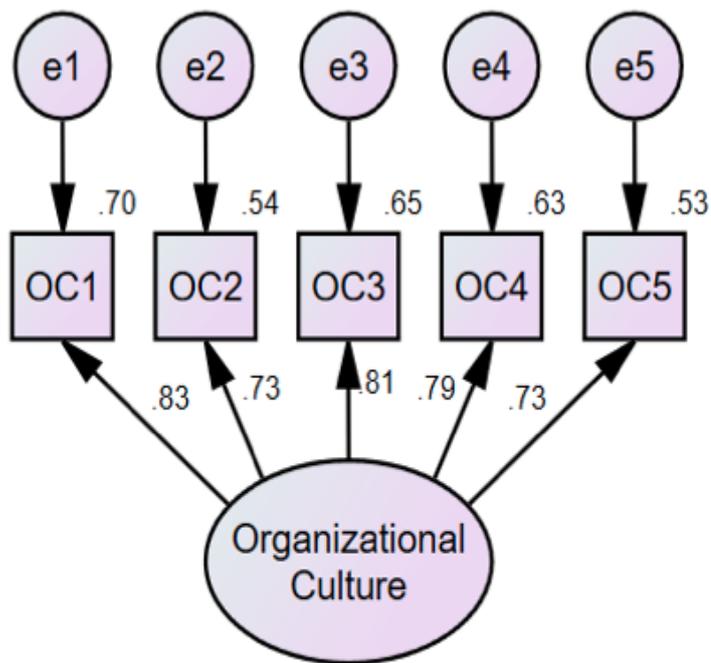
Name of category	Name of index	Index value	Comments
Absolute fit	RMSEA	0.109	The required level is achieved
Incremental fit	CFI	0.982	The required level is achieved
	TLI	0.964	The required level is achieved
	IFI	0.982	The required level is achieved
Parsimonious fit	Chisq/df	2.464	The required level is achieved

Table 4.3: The Summary of Fitness Indexes for Product and Services Construct

From the table above, the assessment revealed that this measurement model satisfied all fitness indexes' rules of thumb. The result of this procedure unveils that all items possess high factor loadings which exceed the value 0.6. Accordingly, the researcher decided to maintain all the items in the measurement model.

Organizational Culture

The second exogenous construct tested using the Individual CFA technique is the Organizational Culture construct. The researcher examined the level of Organizational Culture based on five items, namely, OC1, OC2, OC3, OC4 and OC5. This assessment is performed within the same construct.



FITNESS INDEX
1. Chisq/df=1.217
2. RMSEA=.042
3. CFI=.996
4. IFI=.996
5. TLI=.993

Figure 4.6 - Results of Fitness Indexes for Organizational Culture

Sequentially, the assessment revealed that this measurement model satisfied all fitness indexes, as summarised in Table 4.4.

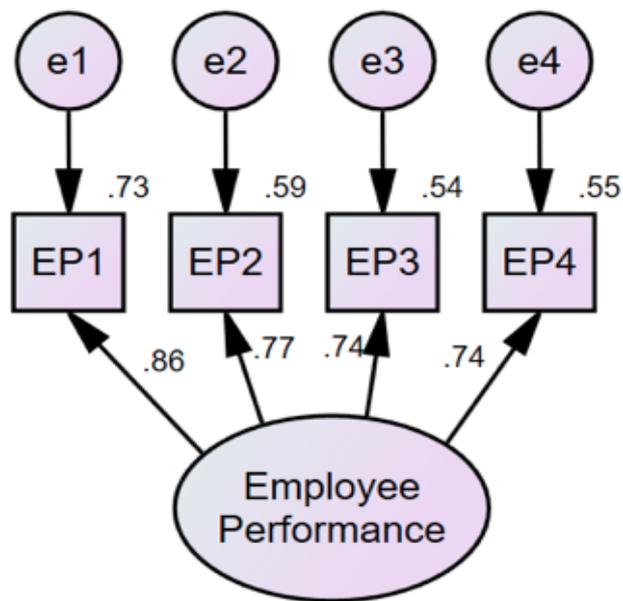
Name of category	Name of index	Index value	Comments
Absolute fit	RMSEA	0.042	The required level is achieved
Incremental fit	CFI	0.996	The required level is achieved
	TLI	0.996	The required level is achieved
	IFI	0.993	The required level is achieved
Parsimonious fit	Chisq/df	1.217	The required level is achieved

Table 4.4: The Summary of Fitness Indexes for Organizational Culture Construct

From the table above, the assessment revealed that this measurement model satisfied all fitness indexes' rules of thumb. The result of this procedure unveils that all items possess high factor loadings which exceed the value 0.6. Accordingly, the researcher decided to maintain all the items in the measurement model.

Employee Performance & Involvement

The next exogenous construct tested using the Individual CFA technique is the Employee Performance construct. The researcher examined the level of Employee Performance based on four items, namely, EP1, EP2, EP3 and EP4. This assessment is performed within the same construct.



FITNESS INDEX
1. Chisq/df=2.298
2. RMSEA=.102
3. CFI=.983
4. IFI=.983
5. TLI=.966

Figure 4.7 Results of Fitness Indexes for Employee Performance & Involvement

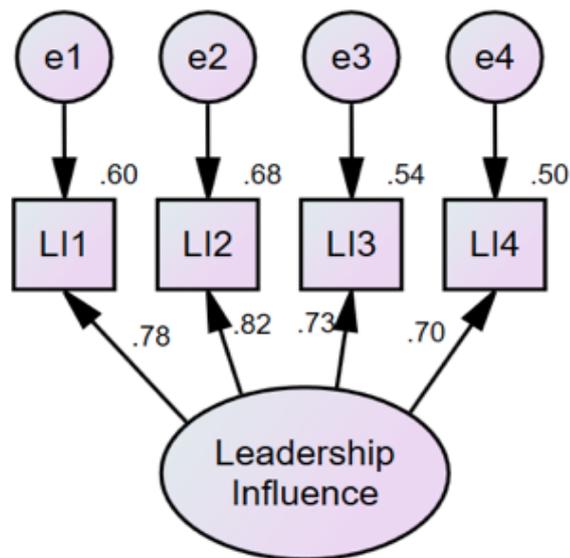
Name of category	Name of index	Index value	Comments
Absolute fit	RMSEA	0.102	The required level is achieved
Incremental fit	CFI	0.983	The required level is achieved
	TLI	0.966	The required level is achieved
	IFI	0.983	The required level is achieved
Parsimonious fit	Chisq/df	2.298	The required level is achieved

Table 4.5: The Summary of Fitness Indexes for Employee Performance construct

From the table above, the assessment revealed that this measurement model satisfied all fitness indexes' rules of thumb. The result of this procedure unveils that all items possess high factor loadings which exceed the value 0.6. Accordingly, the researcher decided to maintain all the items in the measurement model.

Leadership Influence

The subsequent exogenous construct tested using the Individual CFA technique is the Leadership Influence construct. The researcher examined the level of Leadership Influence based on four items, namely, LI1, LI2, LI3 and LI4. This assessment is performed within the same construct.



FITNESS INDEX
1. Chisq/df=2.042
2. RMSEA=.092
3. CFI=.984
4. IFI=.985
5. TLI=.969

Figure 4.8 Results of Fitness Indexes for Leadership Influence

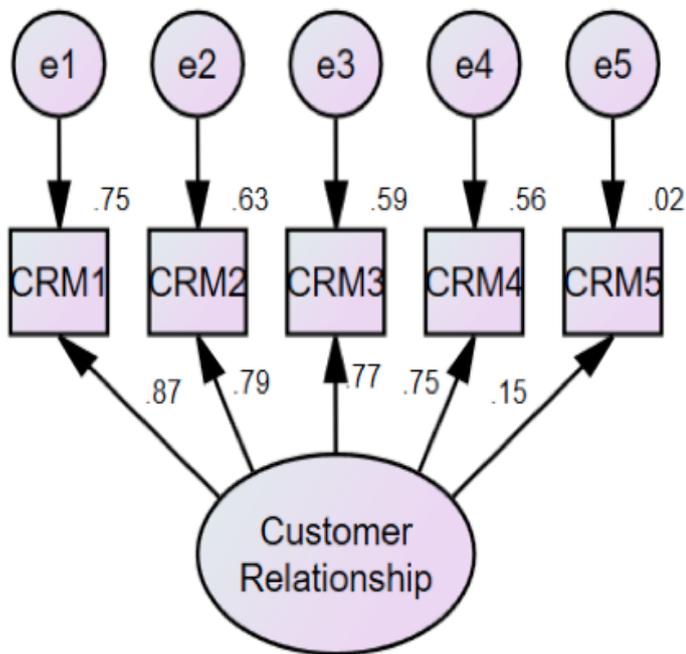
Name of category	Name of index	Index value	Comments
Absolute fit	RMSEA	0.092	The required level is achieved
Incremental fit	CFI	0.984	The required level is achieved
	TLI	0.969	The required level is achieved
	IFI	0.985	The required level is achieved
Parsimonious fit	Chisq/df	2.042	The required level is achieved

Table 4.6: The Summary of Fitness Indexes for Leadership Influence Construct

From the table above, the assessment revealed that this measurement model satisfied all fitness indexes' rules of thumb. The result of this procedure unveils that all items possess high factor loadings which exceed the value 0.6. Accordingly, the researcher decided to maintain all the items in the measurement model.

Customer Relationship Management

The second exogenous construct tested using the Individual CFA technique is the Customer Relationship Management (CRM) construct. The researcher examined the level of Customer Relationship based on five items, namely, CRM1, CRM2, CRM3, CRM4 and CRM5. This assessment is performed within the same construct.

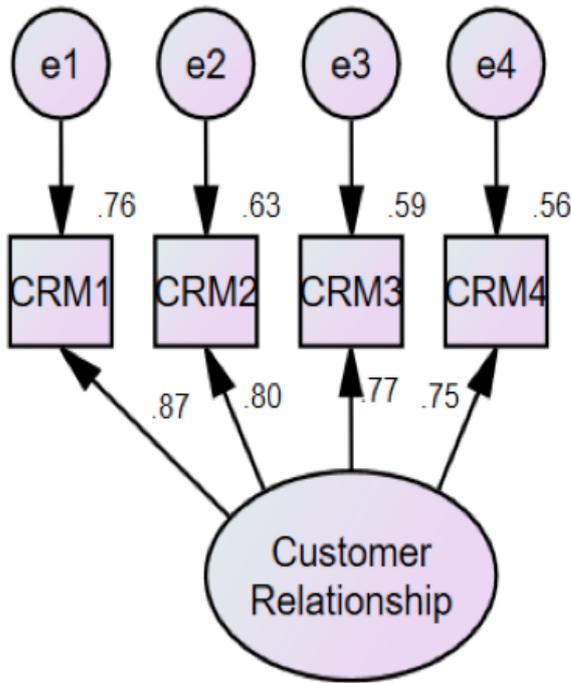


FITNESS INDEX
1. Chisq/df=2.125
2. RMSEA=.095
3. CFI=.973
4. IFI=.974
5. TLI=.956

Figure 4.9 Results of Fitness Indexes for Customer Relationship Management

Nonetheless, the factor loading results revealed that one item possessed the factor loading below 0.60 as demonstrated in Figure 4.9 above. Consequently, the

researcher decided to exclude this item (CRM5) for the final measurement model. The final model is shown in the following figure.



- FITNESS INDEX**
1. Chisq/df=3.062
 2. RMSEA=.079
 3. CFI=.975
 4. IFI=.976
 5. TLI=.951

Figure 4.10 Amended Results of Fitness Indexes for Customer Relationship Management

Afterwards, the assessment indicates that the new measurement model satisfied all fitness indexes, as summarised in the following table. Explicitly, the result for Chisq/df value of 3.062 is less than 5.0, RMSEA value of 0.079 is less than 0.08, CFI value of 0.975 exceeds 0.90, TLI value of 0.951 exceeds 0.90, and IFI value of 0.976 exceeds 0.90. Thus, the new Customer Relationship model is valid. Below is the summary of the fitness indexes for the model:

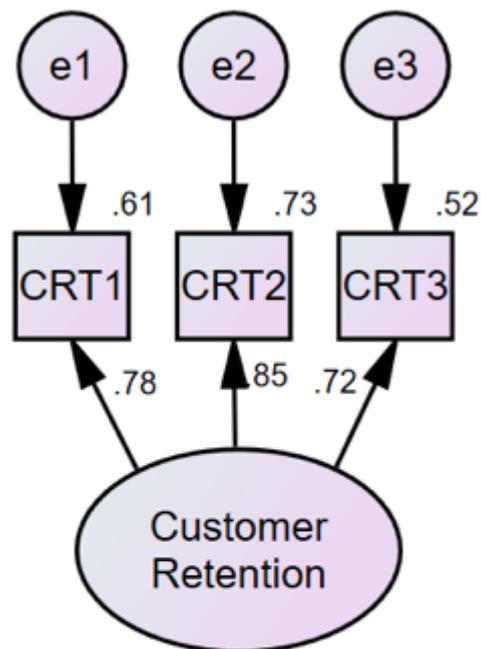
Name of category	Name of index	Index value	Comments
Absolute fit	RMSEA	0.079	The required level is achieved
Incremental fit	CFI	0.975	The required level is achieved
	TLI	0.951	The required level is achieved
	IFI	0.976	The required level is achieved
Parsimonious fit	Chisq/df	3.062	The required level is achieved

Table 4.7: The Summary of Fitness Indexes for Customer Relationship Management
New Measurement Model Construct

From the table above, the assessment revealed that this measurement model satisfied all fitness indexes' rules of thumb. The result of this procedure unveils that all items possess high factor loadings which exceed the value 0.6. Accordingly, the researcher decided to maintain all the items in the measurement model.

Customer Retention

The endogenous construct tested using the Individual CFA technique is the Customer Retention construct. The researcher examined the level of Customer Retention based on three items, namely, CRT1, CRT2, and CRT3. This assessment is performed within the same construct.



FITNESS INDEX
1. Chisq/df=2.411
2. RMSEA=.107
3. CFI=.990
4. IFI=.990
5. TLI=.970

Figure 4.11 Results of Fitness Indexes for Customer Retention

Name of category	Name of index	Index value	Comments
Absolute fit	RMSEA	0.107	The required level is achieved
Incremental fit	CFI	0.990	The required level is achieved
	TLI	0.970	The required level is achieved
	IFI	0.990	The required level is achieved
Parsimonious fit	Chisq/df	2.411	The required level is achieved

Table 4.8: The Summary of Fitness Indexes for Customer Retention Construct

From the table above, the assessment revealed that this measurement model satisfied all fitness indexes' rules of thumb. The result of this procedure unveils that all items possess high factor loadings which exceed the value 0.6. Accordingly, the researcher decided to maintain all the items in the measurement model.

4.3.2 Pooled Confirmatory Factor Analysis (CFA)

The researcher dedicated this section to address another Confirmatory Factor Analysis (CFA) approach, which is the Pooled CFA. This analysis runs all latent variables simultaneously to evaluate the fitness of measure of the model using structural equation modeling.

4.3.2.1 Pooled CFA From Expectation Data

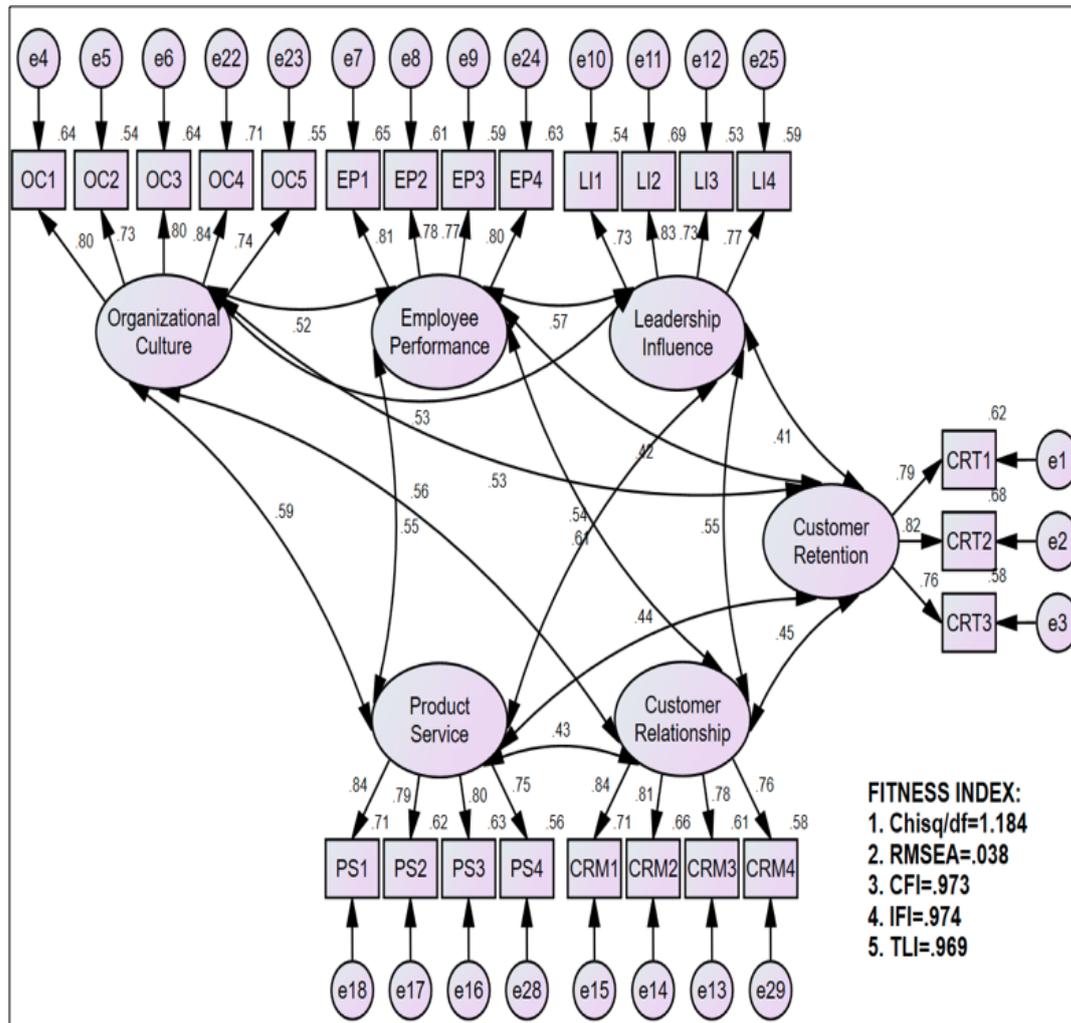


Figure 4.12 Results of Fitness Indexes for Pooled CFA (Expectation)

The Pooled CFA analysis indicates that the model understudied satisfied its unidimensionality and fulfilled all the required level of fitness indexes. Precisely this,

the researcher found that the factor loadings for this model surpass the minimum required values of 0.6. Moreover, this analysis also revealed that the correlation between all constructs is less than 0.85 (Hair et al. 2010; Kline, 2015), as presented in Table 4.9.

Name of category	Name of index	Index value	Comments
Absolute fit	RMSEA	0.038	The required level is achieved
Incremental fit	CFI	0.973	The required level is achieved
	TLI	0.969	The required level is achieved
	IFI	0.974	The required level is achieved
Parsimonious fit	Chisq/df	1.184	The required level is achieved

Table 4.9: The Summary of Fitness Indexes for Pooled CFA

The study adheres to Hair et al. (2017) recommendation that a study should at least report one index from each of the three-model fitness values, namely Absolute Fit, Incremental Fit and Parsimonious Fit, to prove the validity of the construct. This study designates that all fitness indexes have achieved the required level, as presented in Table 4.9. Consequently, the researcher presumed that this measurement model had attained the construct validity (Awang, 2015).

Later, the subsequent procedure is to determine the construct's reliability and validity using the Composite Reliability (CR), Average Variance Extracted (AVE) and Discriminant Validity, as presented in Table 4.9 and Table 4.10. This procedure is compulsory for the CFA analysis and the rules of thumb for CR, higher than the value

of 0.60 and AVE, higher than the threshold of 0.50 value (Nunnally & Bernstein, 1994; Lowry & Gaskin, 2014).

	CR	AVE
Product_Service	0.872	0.630
Customer_Retention	0.834	0.626
Organizational_Culture	0.888	0.614
Employee_Performance	0.867	0.621
Leadership_Influence	0.850	0.587
Customer_Relationship	0.877	0.641

Table 4.10: Reliability and Validity Results

	Product_Service	Customer_Retention	Organizational_Culture	Employee_Performance	Leadership_Influence	Customer_Relationship
Product_Service	0.794					
Customer_Retention	0.441	0.791				
Organizational_Culture	0.586	0.529	0.784			
Employee_Performance	0.554	0.424	0.524	0.788		
Leadership_Influence	0.540	0.404	0.531	0.568	0.766	
Customer_Relationship	0.431	0.446	0.563	0.609	0.553	0.801

Table 4.11: Discriminant Validity

The reliability and validity of a construct are proportionally related to the value of CR and AVE, which means that a higher CR and AVE value indicate higher reliability and validity for that particular construct. Explicitly, the range value for AVE for each construct falls between 0.587 and 0.641. Additionally, the analysis explicates that the correlation between all constructs is less than 0.85 (Hair et al. 2010; Kline, 2015). At this point, the researcher asserted that all constructs remain in the measurement model because it satisfied the minimum values requirement of discriminant validity and construct reliability.

Succeeding, the researcher conducted the assessment of normality procedure to determine the construct correlation, as shown in table 4.12. This procedure is more extensive compared to the traditional statistical analysis such as regression analysis because all items can be computed simultaneously (Awang, et. al, 2015)

Variable	min	max	skew	c.r.	kurtosis	c.r.
CRM4	1.000	6.000	-.355	-1.621	.657	1.499
PS4	1.000	6.000	.248	1.133	-.586	-1.338
SQ5	3.000	7.000	.132	.601	-.117	-.266
SQ4	1.000	6.000	-.193	-.883	.273	.622
LI4	1.000	6.000	-.258	-1.177	.215	.491
EP4	1.000	6.000	-.032	-.148	-.178	-.407
OC5	1.000	6.000	-.113	-.518	-.591	-1.348
OC4	1.000	5.000	-.120	-.546	-.181	-.412
PS1	2.000	7.000	.455	2.076	.143	.326
PS2	1.000	6.000	.240	1.095	-.190	-.435
PS3	1.000	6.000	-.135	-.616	-.563	-1.286
CRM1	1.000	7.000	-.449	-2.048	.562	1.284
CRM2	2.000	7.000	.024	.108	-.295	-.672
CRM3	1.000	5.000	-.077	-.353	-.584	-1.334

LI3	2.000	7.000	.074	.336	.638	1.457
LI2	1.000	6.000	-.091	-.416	-.275	-.628
LI1	1.000	6.000	.206	.940	-.419	-.956
EP3	2.000	7.000	.295	1.348	.290	.661
EP2	1.000	5.000	-.122	-.557	.268	.612
EP1	1.000	6.000	.097	.441	-.596	-1.360
OC3	1.000	7.000	-.093	-.424	.154	.352
OC2	1.000	5.000	-.022	-.099	-.252	-.575
OC1	1.000	6.000	-.139	-.634	-.087	-.198
CRT3	1.000	6.000	.173	.787	-.119	-.272
CRT2	1.000	6.000	-.297	-1.354	.383	.874
CRT1	2.000	7.000	-.151	-.688	-.391	-.892
Multivariate					.266	.035

Table 4.12: Assessment of Normality (Group Number 1)

It is compelling to conduct the normality assessment because this assumption will provide valuable insight for the researcher to determine the compatible inferential statistics method to be employed. Compulsorily, the data must have the characteristics of a normal data so that a parametric estimator such as the Maximum Likelihood Estimator (MLE) could be employed. The normality assessment includes the analysis of skewness which has the rule of thumb of value between -1.5 to 1.5 (Awang et. al, 2015). Table 4.11 also consists of the Kurtosis test, which is used to determine the normality pattern. Based on Gaskin & Lowry (2014) recommendation, the minimum acceptable value for kurtosis is between -3.0 to 3.0.

Concerning this investigation, the assessment revealed that the data is normal, and all items were satisfied for parametric analysis such as SEM. Moreover, the latest prominent assessment of normality is the use of Multivariate of Kurtosis, which must be less than 50 (Awang et. al, 2015). The result indicated that the Multivariate of Kurtosis value is 0.266. Thus, the value satisfied the threshold of lower than the value of 50.

Structural Model From Expectation Data

As described earlier, this study analysed seven constructs to test the proposed hypotheses. The Customer Retention construct is presumed to be the endogenous construct that associates with the exogenous construct of Organizational Culture, Employee Performance, Leadership Influence, Product Service and Customer Relationship Management. The standardised and unstandardised estimates summarised in Figure 4.13 and Figure 4.14.

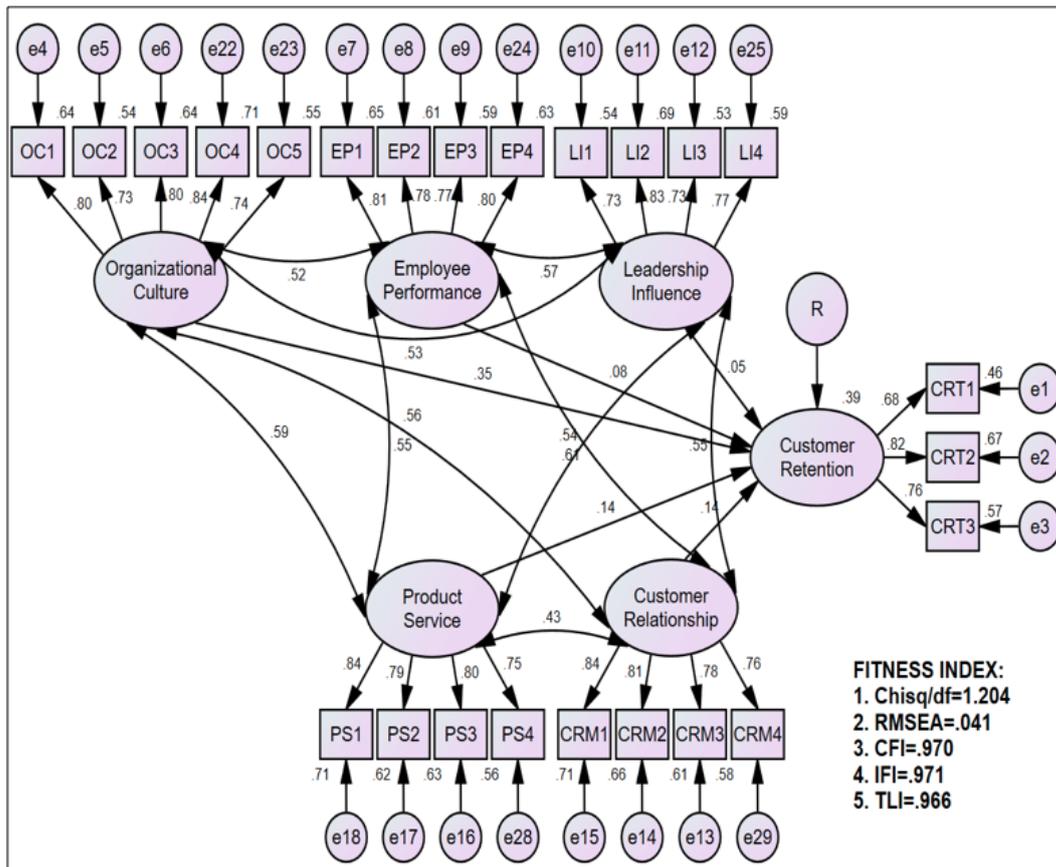


Figure 4.13: Standardised Estimates (Expectation)

Figure 4.13 illustrates the standardised result and squared multiple correlations (R²). It showed that Customer Retention construct was explained 0.39 or 39% by

Organizational Culture, Employee Performance, Leadership Influence, Product Service and Customer Relationship construct. Additionally, 0.61 or 61% of total variance could be explained by other predictors. In other words, 58% of the total variance can be explained by other constructs that might fit with this study. In testing the research hypotheses for direct effect, the unstandardized estimates summarised in Figure 4.14.

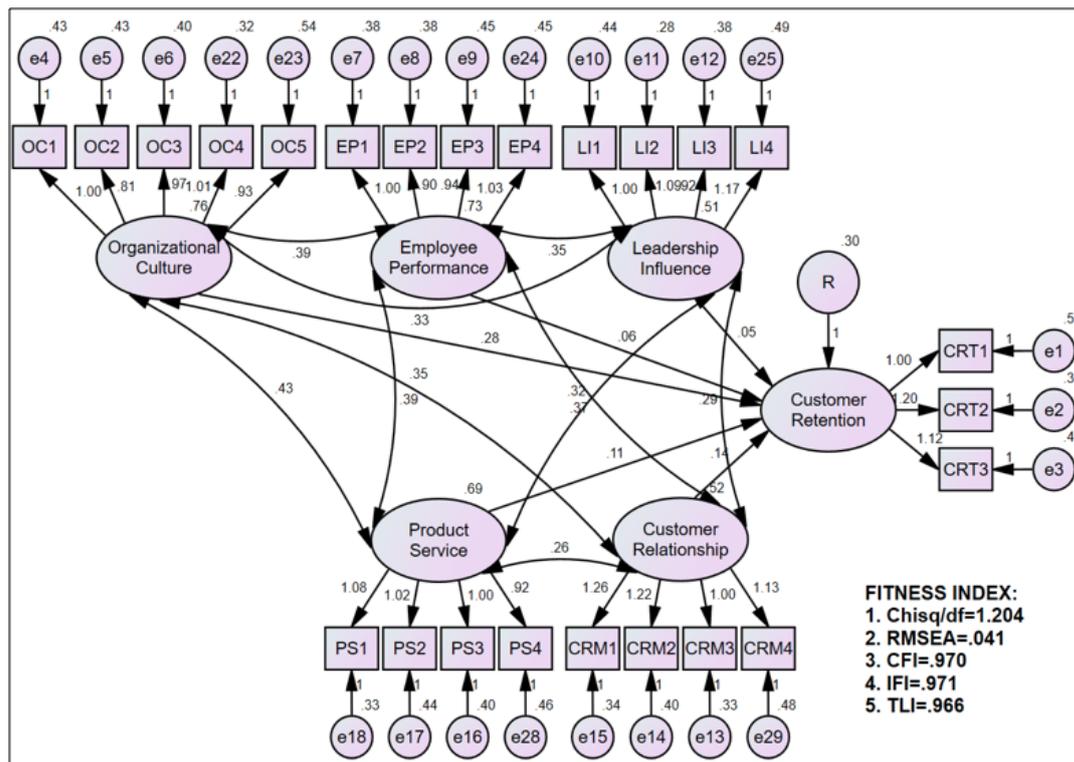


Figure 4.14: Unstandardized Estimates

			Estimate	S.E.	C.R.	P	Results
Customer_R etention	<--- Product_ Service		.114	.111	1.034	.30 1	Not Significant
Customer_R etention	<--- Organiz ational_ Culture		.282	.110	2.555	.01 1	Significant
Customer_R etention	<--- Employe e_Perfor mance		.062	.114	.541	.58 9	Not Significant
Customer_R etention	<--- Leaders hip Influenc e		.051	.130	.395	.69 3	Not Significant
Customer_R etention	<--- Custome r_Relati onship		.136	.131	1.040	.29 8	Not Significant

Table 4.13: Hypothesis Testing

Table 4.13 exhibits the regression weight for each path analysis proposed by the researcher in the research hypotheses. From this table, it is clear that one construct has a significant contribution towards its respective endogenous constructs. By looking at the estimated value, Organizational Culture (Beta = 0.282) has the highest positive contribution towards Customer Retention, The following tables will breakdown the interpretation for each effect:

			Estimate	S.E.	C.R.	P	Result
Customer Retention	<---	Organizational Culture	.282	.110	2.554	.011	Significant

Table 4.14: Causal Effect of Organizational Culture and Customer Retention

Firstly, (H1) represents the hypothesis for the causal effect of Organizational Culture on Customer Retention. The result of this hypothesis testing is explained in the following discussion: The path coefficient of Organizational Culture on Customer Retention is 0.282. This value indicates that for every one-unit increase in Organizational Culture, its effect would contribute 0.282 unit increase in Customer Retention. The regression weight estimates of 0.282 have a standard error of 0.110. The critical ratio is reported as 2.554 standard errors above zero. The probability of getting a critical ratio of 2.554 in absolute value is 0.011, which means that the regression weight for Organizational Culture in the prediction of Customer Retention is significant at 0.05 level. Hence, the hypothesis that Organizational Culture has a positive and significant effect on Customer Retention is highly supported.

4.3.2.2 Pooled CFA From Perception Data

Now, the researcher is dedicated to using the same research model as presented from expectation results. This model is repeatedly used using the perception data. The model is similar to the previous ones in that the questionnaire employed for this purpose is the same. As a consequence, the researcher skips the individual assessment for each construct and applies the pooled CFA as shown in the following figure. From here, the factor loading, fitness index for construct fitness, reliability and validity were reported. Using the same practice, the factor loadings were shown above the recommended value of 0.60. Other than that, the fitness indexes as $\text{Chisq/df} = 1.212$; $\text{RMSEA} = 0.041$; $\text{CFI} = 0.967$; $\text{IFI} = 0.968$; and $\text{TLI} = 0.968$ also reach the minimum requirement of indexes value.

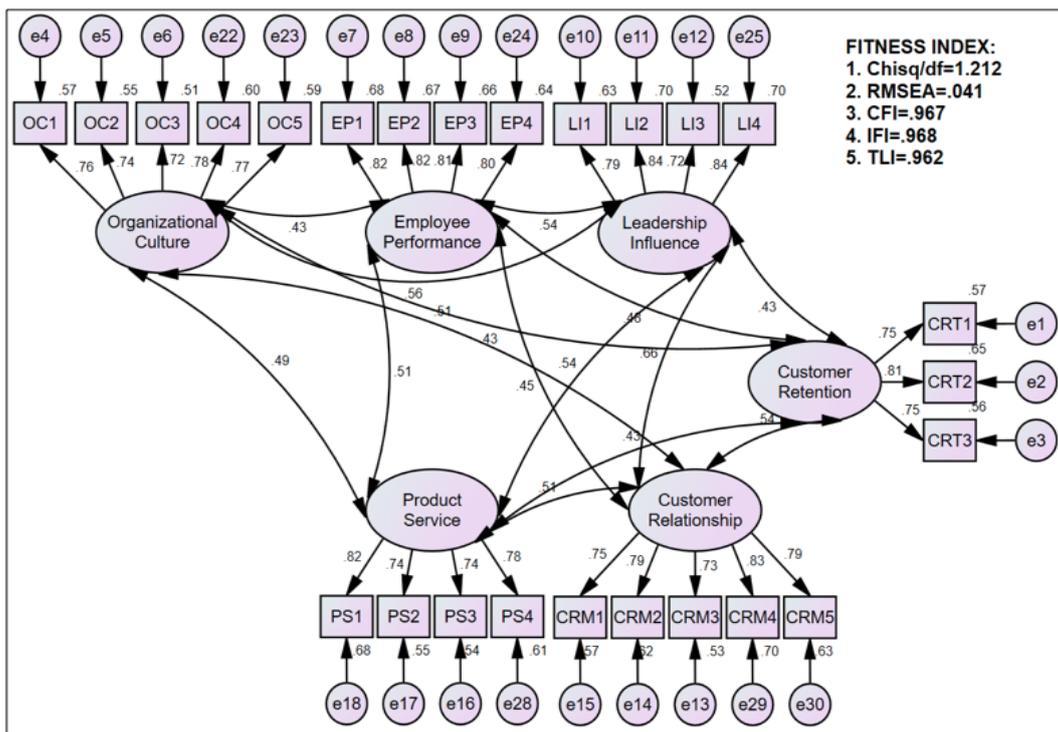


Figure 4.15 Results of Fitness Indexes for Pooled CFA (Perception)

Reliability and Validity

Reliability testing is assessed using the Composite Reliability (CR) while the convergent validity testing is measured by a well-known approach as Average Variance Extracted (AVE). Both methods were required in CFA testing the hypothesis testing.

	CR	AVE
Product Service	0.855	0.597
Customer Retention	0.813	0.592
Organizational Culture	0.866	0.565
Employee Performance	0.886	0.661
Leadership Influence	0.874	0.636
Customer Relationship	0.886	0.609

Table 4.15 Reliability & Validity Testing

Given the results above, all CR and AVE values met the acceptable value of 0.70 and 0.50 respectively. The higher the value of CR the higher reliability of construct. For the case of AVE, the higher value of AVE the higher the variance of the construct which could be explained that the items used for that construct are valid.

Discriminant Validity

	Product Service	Customer Retention	Organizational Culture	Employee Performance	Leadership Influence	Customer Relationship
Product Service	0.773					
Customer Retention	0.427	0.769				
Organizational Culture	0.494	0.433	0.752			
Employee Performance	0.507	0.474	0.431	0.813		
Leadership Influence	0.543	0.428	0.563	0.545	0.797	
Customer Relationship	0.515	0.539	0.513	0.452	0.658	0.780

Table 4.16: Discriminant Validity

The discriminant validity is performed as the final assessment under validity testing to check the redundancy problem. The discriminant result is established when the value of construct correlation (not bold) is not higher than the recommended value of 0.85 and the diagonal value (bold value) is higher than other construct correlations.

This method has been commonly used since the inception of the structural equation modelling method.

Assessment of Normality

Variable	skew	c.r.	kurtosis	c.r.
CRM5	-.022	-.100	-.151	-.345
CRM4	-.140	-.641	-.524	-1.196
PS4	.103	.469	-.370	-.844
SQ5	-.405	-1.848	.012	.028
SQ4	-.190	-.869	.114	.261
LI4	.438	2.000	.233	.533
EP4	.171	.782	-.371	-.847
OC5	-.200	-.914	-.122	-.279
OC4	-.228	-1.042	.295	.674
PS1	.098	.449	.305	.695
PS2	.312	1.423	-.207	-.472
PS3	-.144	-.655	-.016	-.036
CRM1	.171	.782	-.306	-.698
CRM2	-.135	-.614	-.612	-1.396
CRM3	.161	.733	.248	.565
LI3	.458	2.092	.215	.490
LI2	.190	.869	.494	1.128
LI1	.083	.380	-.262	-.599
EP3	.030	.138	-.676	-1.542
EP2	.148	.676	-.580	-1.323
EP1	.207	.944	-.409	-.934
OC3	-.090	-.409	-.364	-.831
OC2	-.411	-1.876	.018	.042
OC1	.161	.737	.575	1.313
CRT3	.091	.415	-.168	-.383

CRT2	-.352	-1.607	.185	.423
CRT1	.070	.321	-.323	-.736
Multivariate			-1.542	-.197

Table 4.17: Assessment of Normality

It is compelling to conduct the normality assessment because this assumption will provide valuable insight for the researcher to determine the compatible inferential statistics method to be employed. Compulsorily, the data must have the characteristics of a normal data so that a parametric estimator such as the Maximum Likelihood Estimator (MLE) could be employed. The normality assessment includes the analysis of skewness which has the rule of thumb of value between -1.5 to 1.5 (Awang et. al, 2015). Table 4.16 also consists of the Kurtosis test, which is used to determine the normality pattern. Based on Gaskin & Lowry (2014) recommendation, the minimum acceptable value for kurtosis is between -3.0 to 3.0.

Concerning this investigation, the assessment revealed that the data is normal, and all items were satisfied for parametric analysis such as SEM. Moreover, the latest prominent assessment of normality is the use of Multivariate of Kurtosis, which must be less than 50 (Awang et. al, 2015). The result indicated that the Multivariate of Kurtosis value is 1.542. Thus, the value satisfied the threshold of lower than the value of 50.

Structural Model From Perception Data

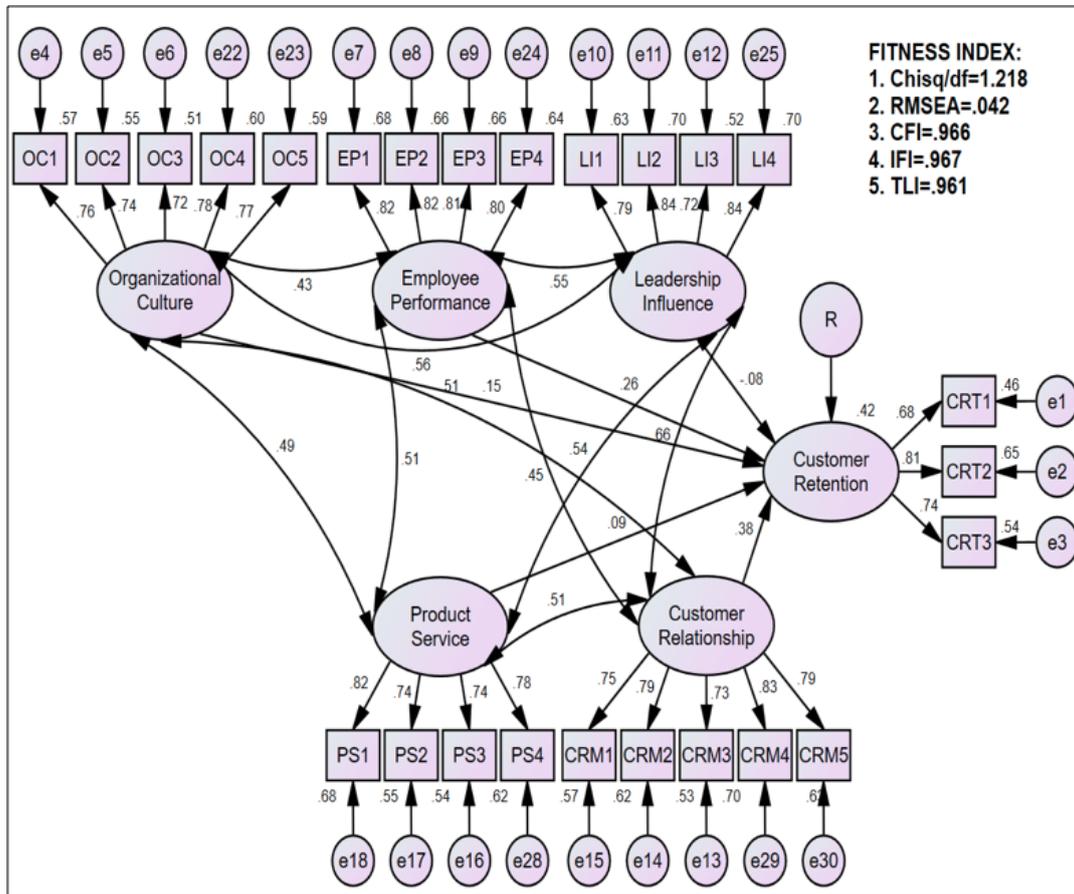


Figure 4.16: Standardised Estimates (Perception)

Figure 4.16 illustrates the standardised result and squared multiple correlations (R^2). It showed that Customer Retention construct was explained 0.42 or 42% by Organizational Culture, Employee Performance, Leadership Influence, Product Service and Customer Relationship construct. Additionally, 0.58 or 58% of total variance could be explained by other predictors. In other words, 58% of the total variance can be explained by other constructs that might fit with this study.

			Estimate	S.E.	C.R.	P	Results
Customer_ Retention	<---	Product Service	.086	.029	2.965	.003	Significant
Customer_ Retention	<---	Organizational Culture	.140	.113	1.241	.215	Not Significant
Customer_ Retention	<---	Employee Performance	.206	.095	2.175	.030	Significant
Customer_ Retention	<---	Leadership Influence	.066	.129	.514	.607	Not Significant
Customer_ Retention	<---	Customer Relationship	.387	.144	2.698	.007	Significant

Table 4.18: Regression Weight

Table above (Table 4.18) exhibits the regression weight for each path analysis proposed by the researcher in the research hypotheses. From this table, it is clear that four constructs have a significant contribution towards its respective endogenous constructs. By looking at the estimated value, Customer Relationship Management (Beta = 0.387) has the highest positive contribution towards Customer Retention. The following tables will breakdown the interpretation for each effect:

Causal Effect of Product & Service and Customer Retention

			Estimate	S.E.	C.R.	P	Result
Customer_ Retention	<---	Product Service	.086	.029	2.965	.003	Significant

Table 4.19 Causal Effect of Product & Services and Customer Retention

Firstly, H1 represents the hypothesis for the causal effect of Product Service on Customer Retention. The result of this hypothesis testing is explained in the following discussion: The path coefficient of Product Service on Customer Retention is 0.086. This value indicates that for every one-unit increase in Product Service, its effect would contribute 0.086 unit increase in Customer Retention. The regression weight estimates of 0.086 have a standard error of 0.029. The critical ratio is reported as 2.965 standard errors above zero. The probability of getting a critical ratio of 12.965 in absolute value is 0.003, which means that the regression weight for Product Service in the prediction of Customer Retention is significant at 0.05 level. Hence, the hypothesis that Product Service has a positive and significant effect on Customer Retention is highly supported.

Causal Effect of Employee Performance & Involvement and Customer Retention

			Estimate	S.E.	C.R.	P	Result
Customer Retention	<---	Employee Performance	.206	.095	2.175	.030	Significant

Table 4.20 Causal Effect of Employee Performance & Involvement and Customer Retention

Firstly, H3 represents the hypothesis for the causal effect of Employee Performance and Involvement on Customer Retention. The result of this hypothesis testing is explained in the following discussion:

The path coefficient of Employee Performance and Involvement on Customer Retention is 0.206. This value indicates that for every one-unit increase in Employee Performance, its effect would contribute 0.206 unit increase in Customer Retention. The regression weight estimates of 0.206 have a standard error of 0.095. The critical ratio is reported as 2.175 standard errors above zero. The probability of getting a critical ratio of 2.175 in absolute value is 0.030, which means that the regression weight for Employee Performance in the prediction of Customer Retention is

significant at 0.05 level. Hence, the hypothesis that Employee Performance has a positive and significant effect on Customer Retention is highly supported.

Causal Effect of CRM and Customer Retention

	Estimate	S.E.	C.R.	P	Result
					Significant

Table 4.21 Causal Effect of CRM and Customer Retention

Firstly, H5 represents the hypothesis for the causal effect of Customer Relationship on Customer Retention. The result of this hypothesis testing is explained in the following discussion: The path coefficient of Customer Relationship on Customer Retention is 0.387. This value indicates that for every one-unit increase in Customer Relationship, its effect would contribute 0.387 unit increase in Customer Retention. The regression weight estimates of 0.387 have a standard error of 0.144. The critical ratio is reported as 2.698 standard errors above zero. The probability of getting a critical ratio of 2.698 in absolute value is 0.007, which means that the regression weight for Customer Relationship in the prediction of Customer Retention is significant at 0.05 level. Hence, the hypothesis that Customer Relationship Management has a positive and significant effect on Customer Retention is highly supported.

4.4 IMPORTANCE LEVEL OF SERVICE QUALITY DIMENSION

To measure the importance level of service quality dimensions, 5 items were used (Product and Service, Organizational Culture, Employee Performance & Involvement, Leadership Influence and Customer Relationship Management (CRM)) and a six-point Likert scale will be used to measure the importance level of each service quality dimension where (1) indicates “unimportant”, (2) “little importance”, (3) “average importance”, (4) “somewhat important”, (5) “important”, (6) “very important”.

4.4.1 Product & Services

Item OC: “Product & Services influences my decision about to continue with a gym”

From the data collected, 52% answered “very important”, 32.8% answered “important”, 15.2% “somewhat important”. None found it “unimportant”, “little importance”, or “average importance”

Figure 4.17 below illustrates the findings.

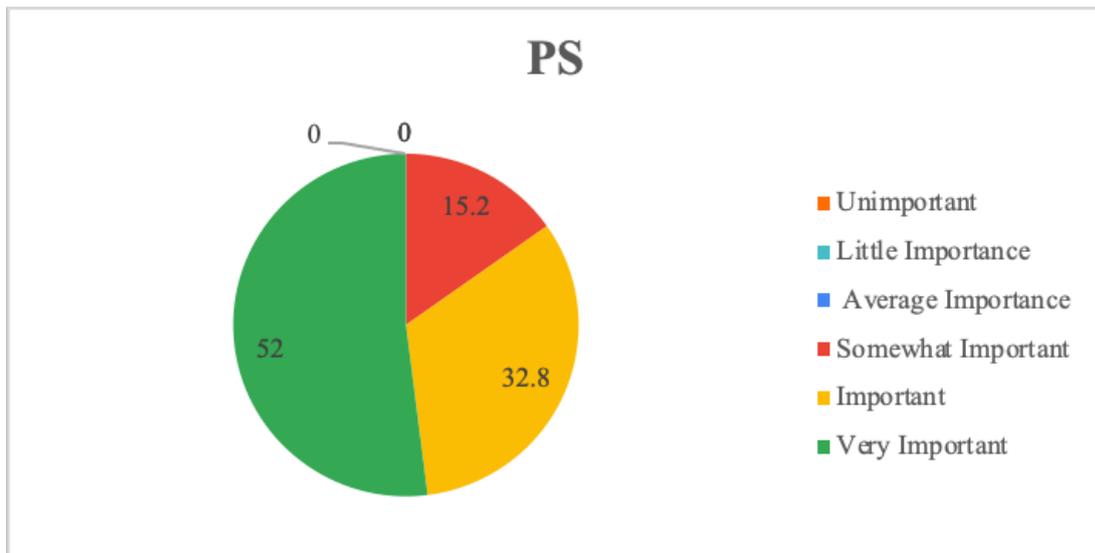


Figure 4.17 Item PS

Interpretation:

Based on these findings, all respondents find Product & Services are important when deciding on continuing their memberships in a boutique fitness studio. This indicates what the fitness studio is offering - its facilities, classes, supplementary services and fitness products and its convenience influences members to stay on with the gym and continue their membership.

4.4.2 Organizational Culture

Item OC: “Organizational Culture influences my decision about to continue with a gym”

From the data collected, 12.8% answered “very important”, 20.8% answered “important”, 66.4% “somewhat important”. None found it “unimportant”, “little importance”, or “average importance”

Figure 4.18 below illustrates the findings.

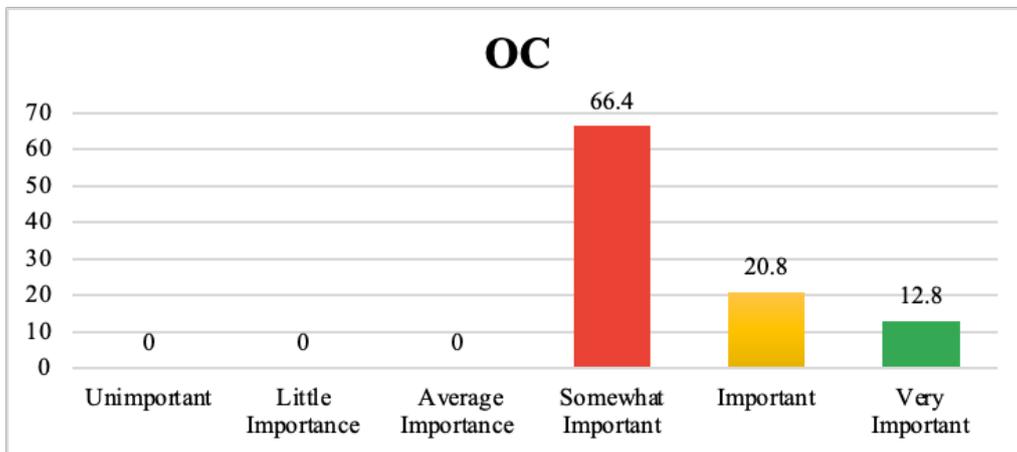


Figure 4.18 Item OC

Interpretation:

Based on these findings, all respondents find Organizational Culture important when deciding on continuing their memberships in a boutique fitness studio. This indicates that the decision of the members on whether or not to continue their membership is determined by how the fitness studio is run and managed, the practices and policies that are implemented, how the staff handles customer service and the atmosphere of the studio.

4.4.3 Employee Performance & Involvement

Item EPI: “Employee Performance & Involvement influences my decision about to continue with a gym”

From the data collected, 38.4% answered “important”, 34.4% answered “somewhat important”, 27.2% “very important”. None found it “unimportant”, “little importance”, or “average importance”.

Figure 4.19 below illustrates the findings.

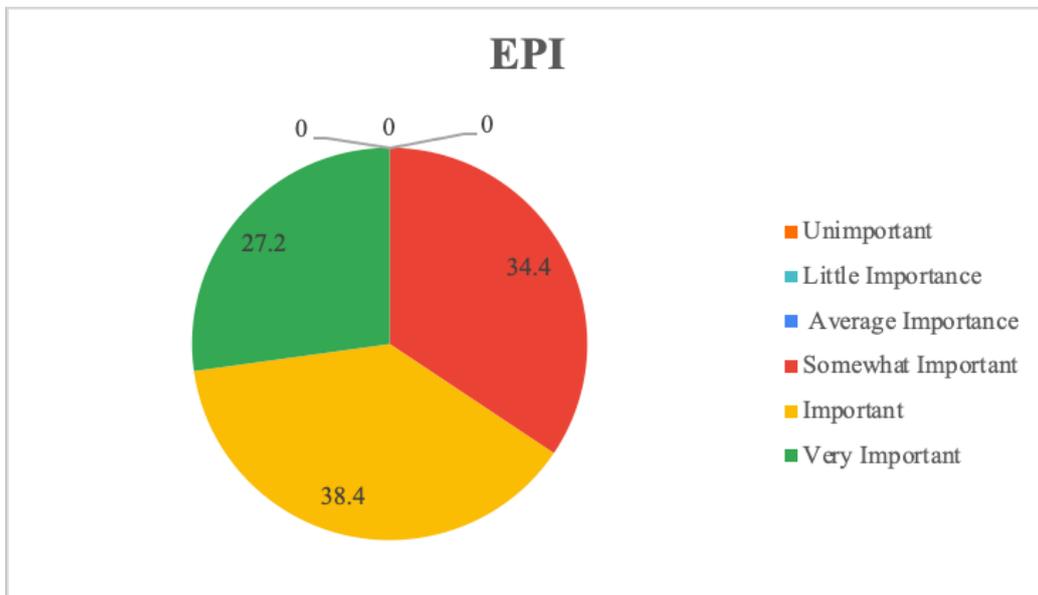


Figure 4.19 Item EPI

Interpretation:

Based on these findings, all respondents find Employee Performance & Involvement important when deciding on continuing their memberships in a boutique fitness studio. This indicates that the decision of the members on whether or not to continue their membership is determined by the professionalism, engagement and social interaction of employees of the boutique gym.

4.4.4 Leadership Influence

Item LI: “Leadership Influence influences my decision about to continue with a gym”

From the data collected, 36% answered “somewhat important”, 35.2% answered “important”, 28.8% “important”. None found it “unimportant”, “little importance”, or “average importance”

Figure 4.20 below illustrates the findings.

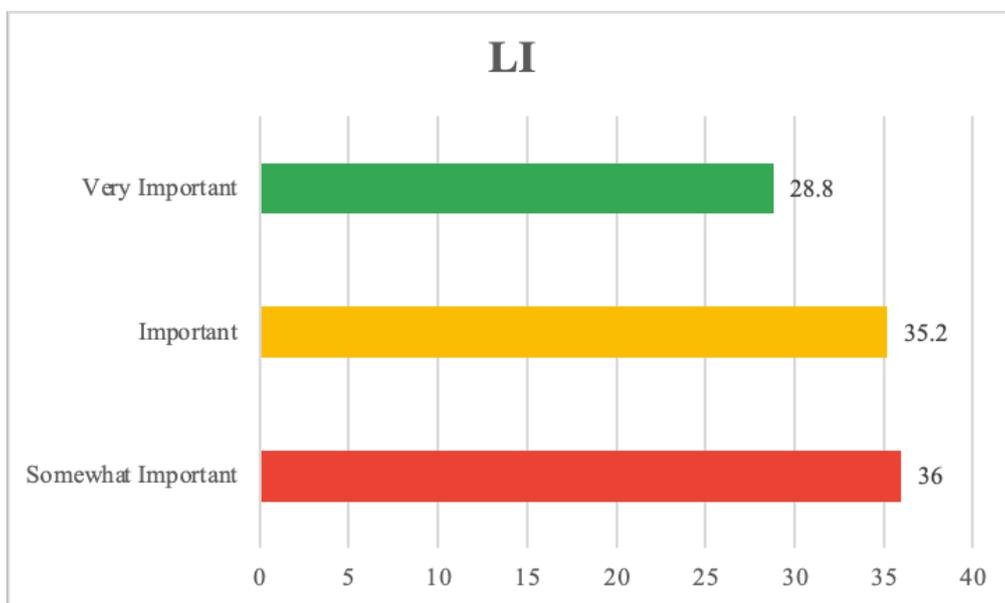


Figure 4.20 Item LI

Interpretation:

Based on these findings, all respondents find Leadership Influence important when deciding on continuing their memberships in a boutique fitness studio. This indicates that the head coach and coaches' professionalism and engagement of members influences members' decision to continue their membership. It can also be assumed that members like the coaches and how they lead workouts and how they are after workouts.

4.4.5 Customer Relationship Management (CRM)

Item OC: “Customer Relationship Management (CRM) influences my decision about to continue with a gym”

From the data collected, 40% answered “important”, 38.4% answered “somewhat important” and 21.6% “important”. None found it “unimportant”, “little importance”, or “average importance”

Figure 4.21 below illustrates the findings.

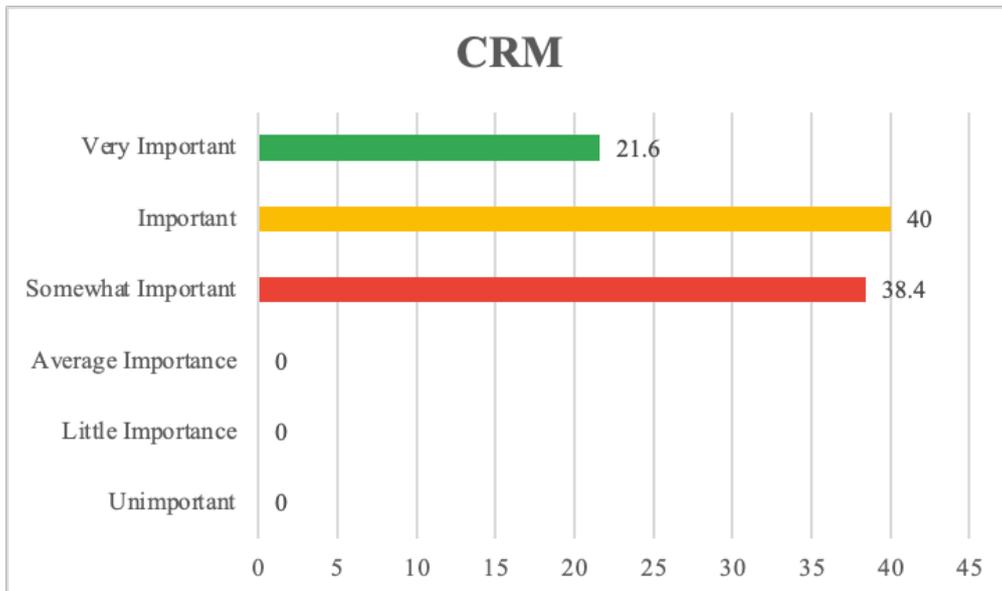


Figure 4.21 Item CRM

Interpretation:

From the data collected, it can be concluded that all respondents find CRM to be important when deciding on continuing their membership. It can be assumed that how members' accounts are managed, how fast complaints are handled and how members are taken care off before, during and after experience at the gym is vital when deciding on choosing to continue their membership at the gym.

4.5 EXPECTATION LEVEL OF SERVICE QUALITY DIMENSIONS

4.5.1 Product & Services

To measure the expectation level of Product & Services, 5 items were used and a seven-point Likert scale will be used to measure the importance level of each service quality dimension where (1) indicates “unimportant”, (2) “low importance”, (3) “slightly important”, (4) “neutral”, (5) “moderately important”, (6) “important” and (7) “very important”.

Item EPS 1: “Excellent fitness studios will have modern-looking equipment”

From the data collected, 27.2% “somewhat important”, 23.4% answered “neutral”, 19.2% answered “important”, 14.4% answered “very important”, 5.6% answered “low importance”, and 2.3% answered “unimportant”.

Figure 4.22 below illustrates the findings.

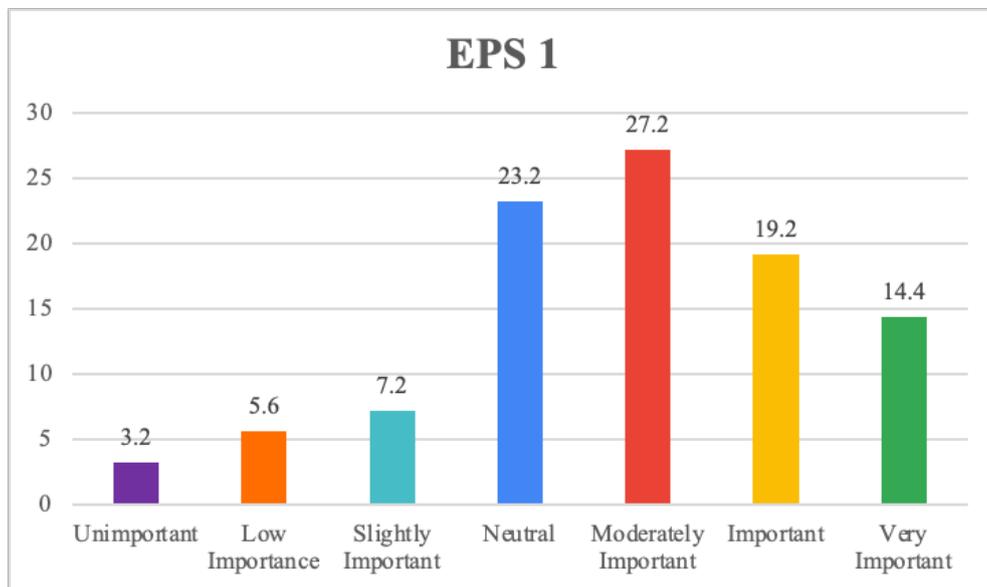


Figure 4.22 Item EPS 1

Interpretation:

From the data collected it can be seen that 60.8% place modern equipment in a boutique fitness studio. This can be interpreted that the majority care about being ‘in trend’ on what is the latest method of working out and would pay a premium to enjoy those benefits. The balance 29.2% can be assumed to not necessarily expect modern equipment as long as there are results rather than outlook.

Item EPS-2: “The physical facilities at excellent fitness studio will be visually appealing”

From the data collected, 28% answered “important”, 24% answered “moderately important”, 18.4% answered “very important”, 16.8% answered “neutral”, 2.4% answered “low importance”, and 1.6% answered “unimportant”.

Figure 4.23 below illustrates the findings.

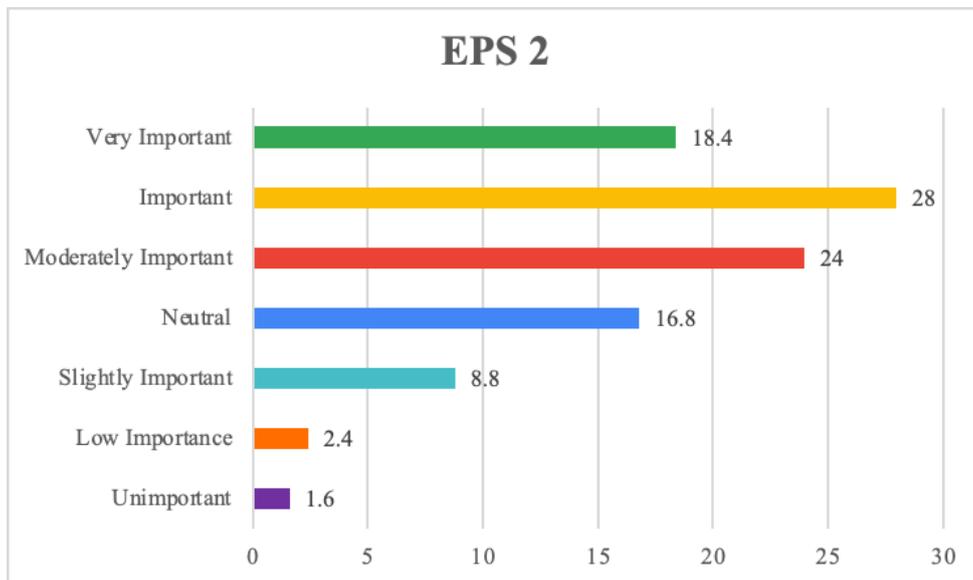


Figure 4.23 Item EPS 2

Interpretation:

From the data collected it can be seen that 70.4% expect physical facilities to be visually appealing in a boutique fitness studio. This can be interpreted that the majority are attracted by boutique fitness studios that have a positive modern stylish aesthetic look and are willing to stay with a gym that gives them satisfaction that is

‘pleasing to the eye’. For example, boutique boxing gyms having a high end boxing ring, with spotlights and the atmosphere of a boxing match which allows members to feel like they are working out in an actual boxing match attracts them to be a part of the gym.

Item EPS 3: “Excellent fitness studios will provide variety of programmes”

From the data collected, 36% found provision of variety of programmes to be “very important”, 21.6% answered “important”, 14.4% answered “moderately important”, 13.6% answered “neutral”, 7.2% answered “slightly important”, and 3.2% answered “unimportant”.

Figure 4.24 below illustrates the findings.

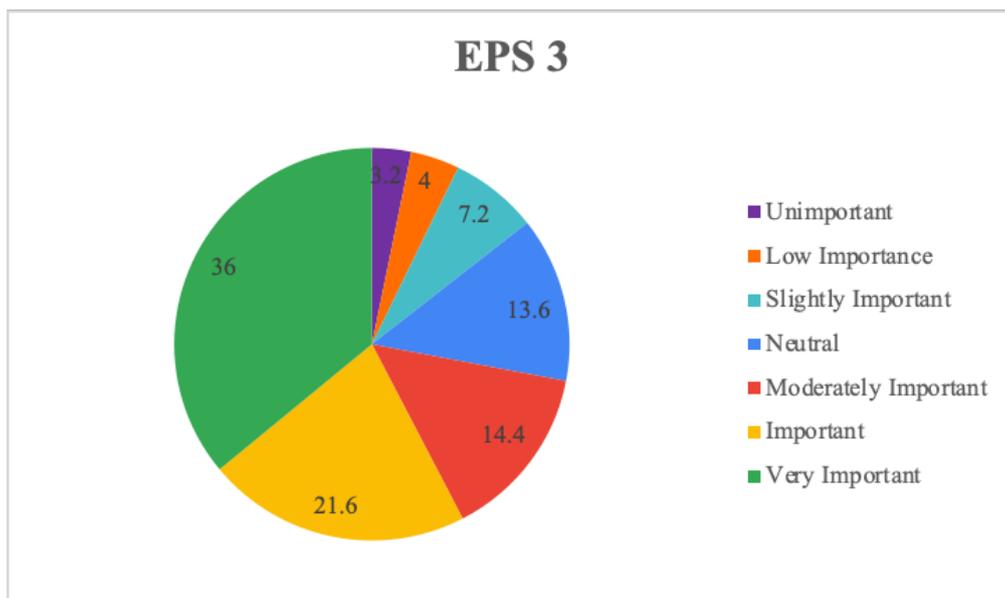


Figure 4.24 Item EPS 3

Interpretation:

From the data collected it can be seen that 72% place an importance on the variety of programmes provided by boutique fitness studios. This can be assumed that the majority of the members are influenced by the freedom to have choices of classes rather than just one type of workout when choosing to stay with a boutique fitness gym. This also does give the assumption that members' wants and needs can change

at any time and it is a plus point if gyms have the ability to provide variety to attract existing members to continue their memberships.

Item EPS 4: “Materials associated with fitness studios (logo, colors, posters, ornaments, motto, uniforms) will be visually appealing in an excellent fitness studio”

From the data collected, 21.6% answered “moderately important”, 17.6% answered “important”, 16% answered “neutral”, 15.2% answered “very important”, 11.2% answered “slightly important”, and 8% answered “low importance” and 10.4% answered “unimportant”.

Figure 4.25 below illustrates the findings.

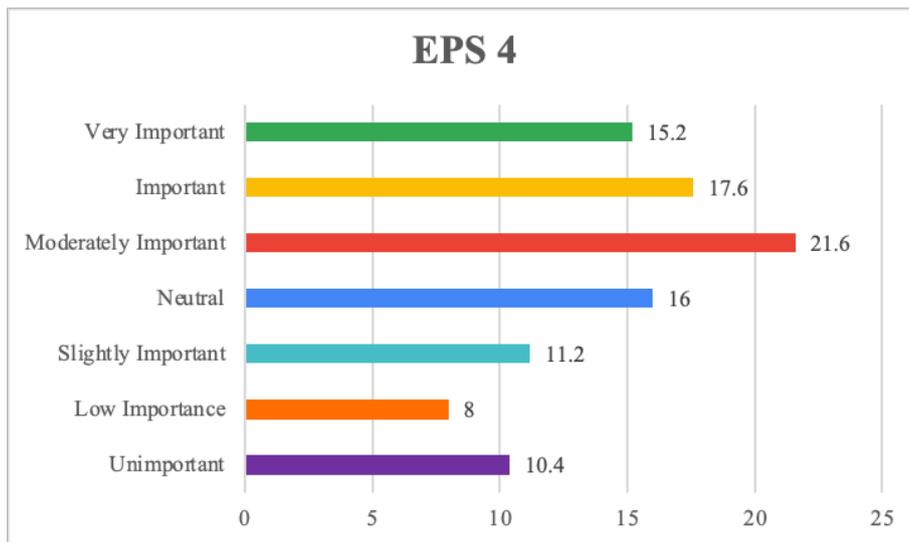


Figure 4.25 Item EPS 4

Interpretation:

These materials refer to the peripheral services of a gym which sets the tone of the studio. From the data collected it can be seen that 54.4% place an importance on these services. This means that the majority of the members in boutique fitness studios are motivated through peripheral services more than the workout itself and place an importance on how the tone of service is set to get them to continue their memberships.

4.5.2 Organizational Culture

To measure the expectation level of Organizational Culture, 5 items were used and a seven-point Likert scale will be used to measure the importance level of each item where (1) indicates “unimportant”, (2) “low importance”, (3) “slightly important”, (4) “neutral”, (5) “moderately important”, (6) “important” and (7) “very important”.

Item EOC-1: “When excellent fitness studios promise to do something by a certain time, they will do so”

From the data collected, 65.6% “very important”, 43.8% answered “important”, 8% answered “moderately important”, 1.6% answered “neutral”. None found it “Slightly important”, “low importance”, or “unimportant”

Figure 4.26 below illustrates the findings.

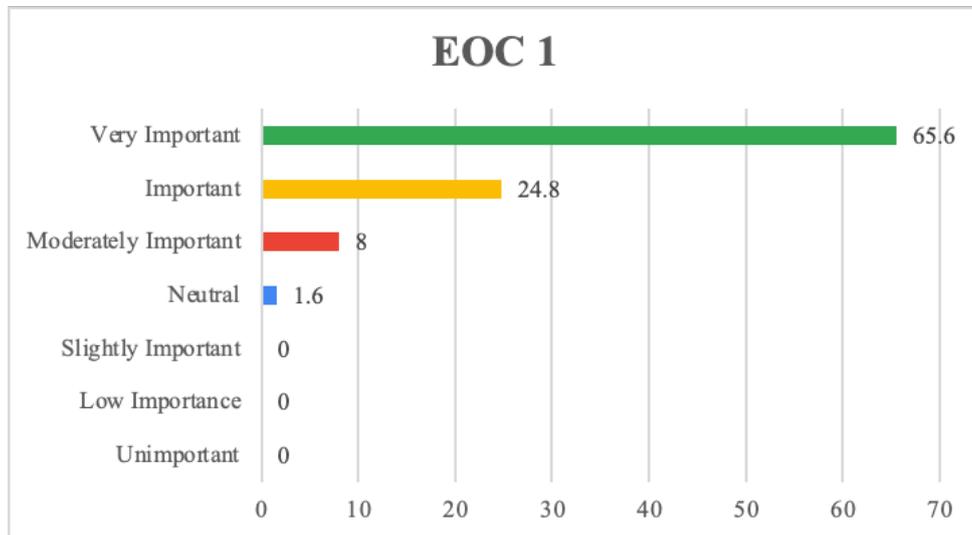


Figure 4.26 Item EOC 1

Interpretation:

From the data collected it can be seen that the majority expect to be able to rely on prompt and complete service as promised. It can be seen that reliability plays a big role in enticing members to stay on with a gym. The culture of the management to ensure that services are done promptly and as promised drives a member to stay on with the gym.

Item EOC 2: “When members have a problem relates to fitness, excellent fitness studios will show a sincere interest in solving it”

From the data collected, 68.8% “very important”, 25.6% answered “important”, 4.8% answered “moderately important”, 0.8% answered “neutral”. None found it “Slightly important”, “low importance”, or “unimportant”

Figure 4.27 below illustrates the findings.

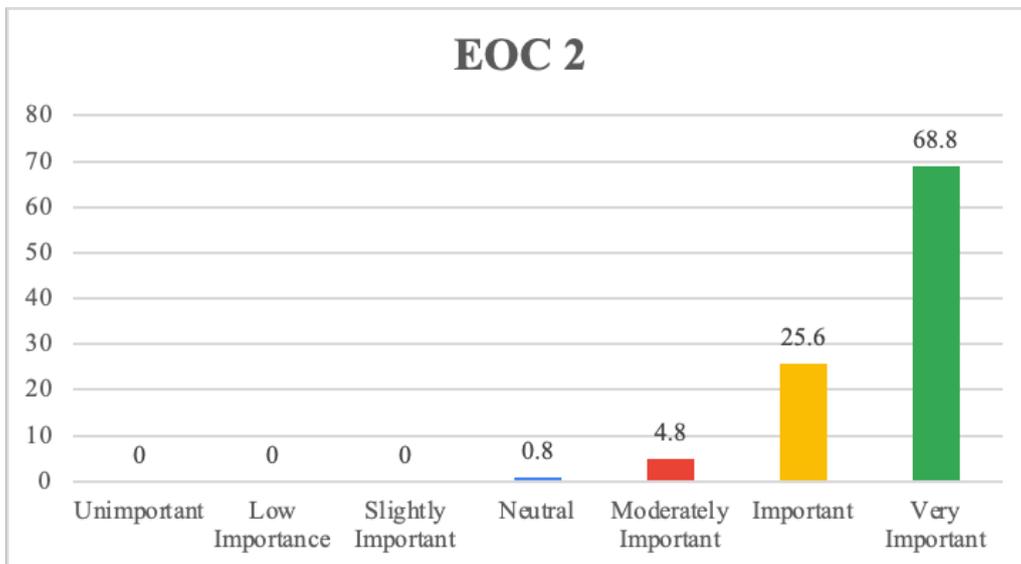


Figure 4.27 Item EOC 2

Interpretation:

From the data collected it can be seen that the majority expect the management to care about problems and take the effort to provide solutions. This shows that the culture of management in problem solving and to take an interest to

solve problems members' relating to the services provided is essential when members are deciding on continuing to stay with a gym.

Item EOC 3: “Excellent fitness studios will perform the service right the first time”

From the data collected, 44% “very important”, 25.6% answered “important”, 4.8% answered “moderately important”, 0.8% answered “neutral”. None found it “Slightly important”, “low importance”, or “unimportant”

Figure 4.28 below illustrates the findings.

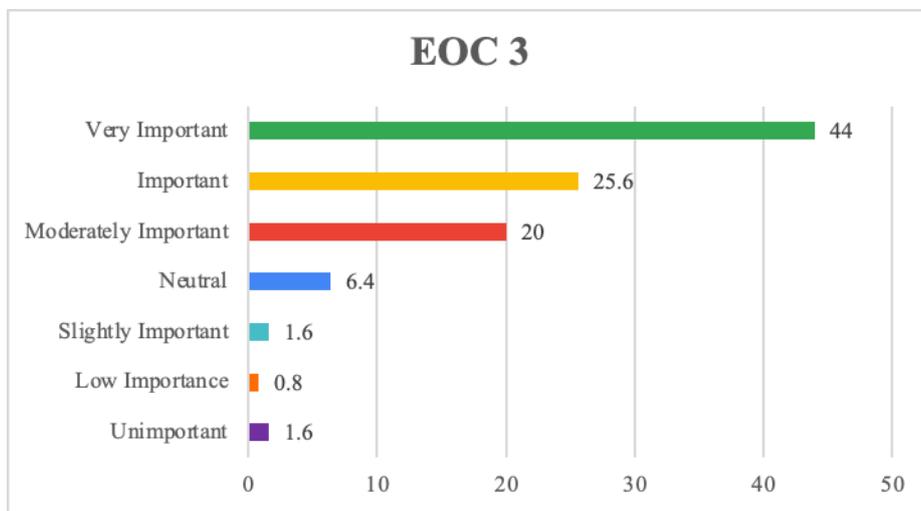


Figure 4.28 Item EOC 3

Interpretation:

From the data collected it can be seen that the majority place an importance on being able to rely on the management to care about problems and take the effort to provide solutions. This shows that the culture of management in problem solving to take an interest to solve problems members' efforts relating to the services provided is essential when members are deciding on continuing to stay with a gym.

Item EOC 4: “Excellent fitness studios will provide their services at the time they promise to do so”

From the data collected, 60% “very important”, 28.8% answered “important”, 8% answered “moderately important”, 3.2% answered “neutral”. None found it “Slightly important”, “low importance”, or “unimportant”

Figure 4.29 below illustrates the findings.

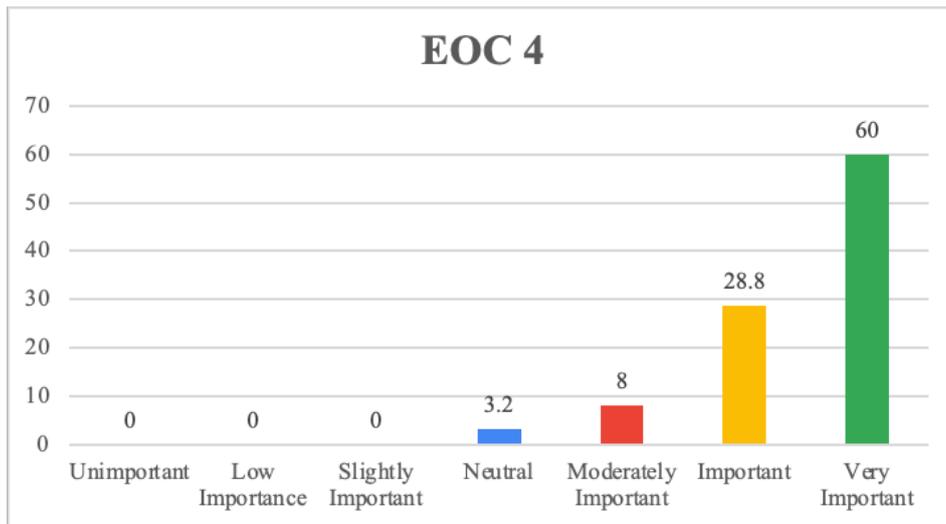


Figure 4.29 Item EOC 4

Interpretation:

From the data collected it can be seen that the majority expect to be able to trust management on providing their service at the promised time. This shows that the culture of management in being trustworthy in their policies, procedures and service offering is essential when members are deciding on continuing to stay with a gym. The values incorporated in the management's day to day business influences members decision to stay on with the gym .

Item EOC 5: “Excellent fitness studios will insist on goal achieving records”

From the data collected, 38.4% “very important”, 25.4% answered “important”, 16% answered “moderately important”, 15.2% answered “neutral”. 1.6% answered “low importance” and another 1.6% answered “unimportant” while 0.8% answered neutral.

Figure 4.30 below illustrates the findings.

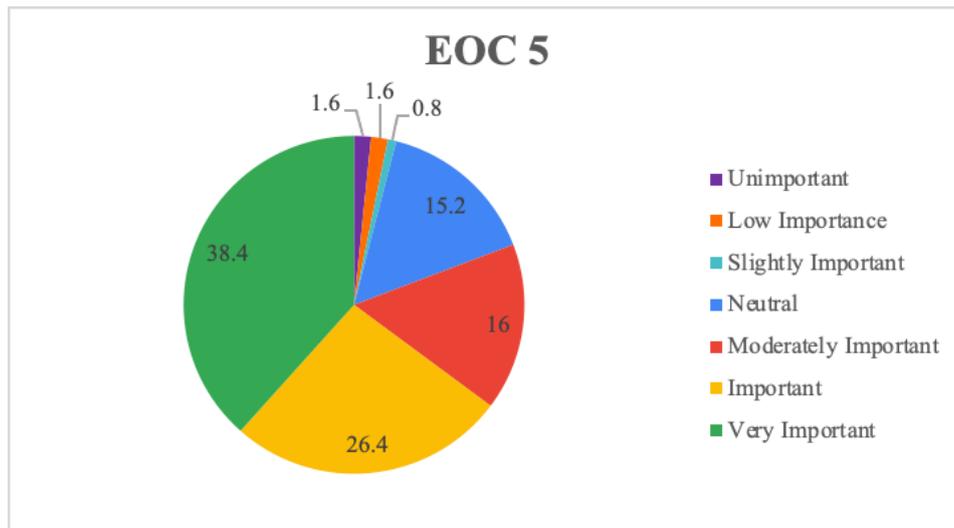


Figure 4.30 Item EOC 5

Interpretation:

From the data collected 80% expect the fitness studios to insist on goal achieving records and this plays an influence when deciding on continuing with a gym. This shows that the majority of members are goal driven and want their gym to also have the same values of reaching a goal which will guide them in achieving what they want in terms of fitness.

4.5.3 Employee Performance & Involvement

To measure the expectation level of Employee Performance and Involvement, 4 items were used and a seven-point Likert scale will be used to measure the importance level of each item where (1) indicates “unimportant”, (2) “low importance”, (3) “slightly important”, (4) “neutral”, (5) “moderately important”, (6) “important” and (7) “very important”.

Item EEPI 1: “Employees of excellent fitness studios will tell customers exactly when services will be performed (timing of classes, start date of challenges, times of briefings, weigh-ins)”

From the data collected, 67.2% “very important”, 19.2% answered “important”, 10.4% answered “moderately important”, 3.2.% answered “neutral”. None found it “Slightly important”, “low importance”, or “unimportant”

Figure 4.31 below illustrates the findings.

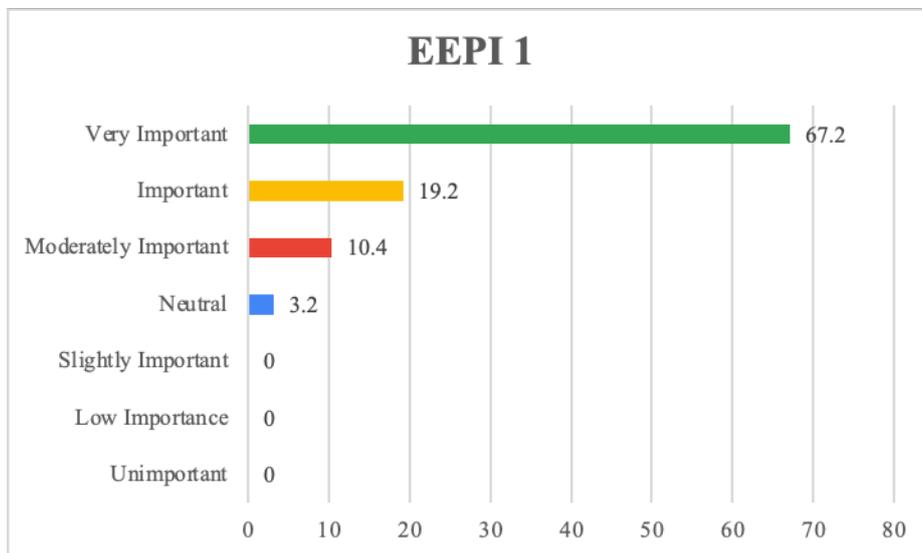


Figure 4.31 Item EEPI 1

Interpretation:

From the data collected 96.8% expect employees to tell members exactly when services will be performed. This shows that members prefer employees who are informative and are able to answer their questions without being pushed from one department to another. Employees that are updated on what is happening in the studio is important for members wanting information related to the fitness services provided.

Item EEPI 2: “Employees of excellent fitness studios will give prompt service to members”

From the data collected, 60% “very important”, 27.2% answered “important”, 8% answered “moderately important”, 4.% answered “neutral”. 0.8% found it to be “Slightly important” while none found it to be of “low importance”, or “unimportant”.

Figure 4.32 below illustrates the findings.

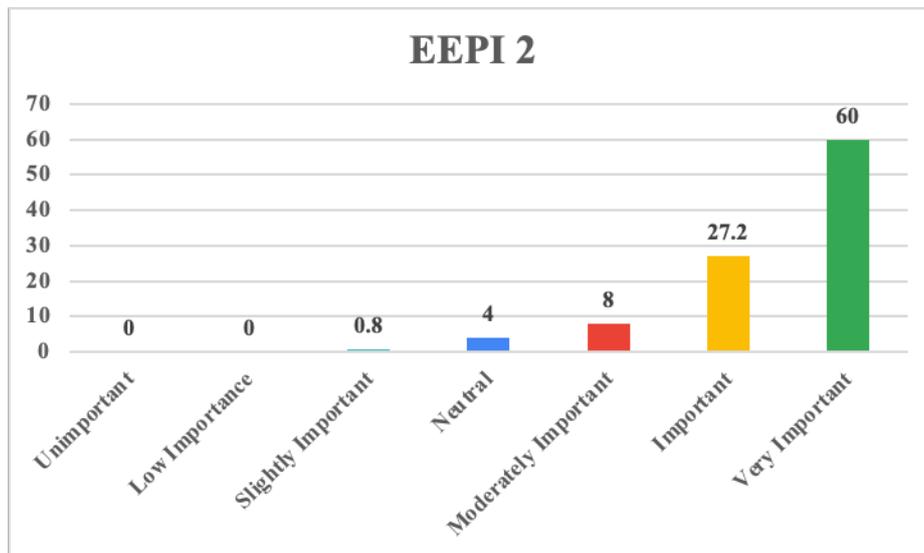


Figure 4.32 Item EEPI 2

Interpretation:

From the data collected 95.2% expect employees to provide prompt service. This shows that members do not like time consuming service that goes from one department to another. They prefer fast, effective and efficient customer service. This

shows that the involvement of employees to be efficient and effective when dealing with service is important when continuing with a gym.

Item EEPI 3: “Employees of excellent fitness studios will always be willing to help members”

From the data collected, 67.2% “very important”, 23.2% answered “important”, 6.4% answered “moderately important”, 0.8% answered “neutral”. 1.6% found it to be “Slightly important” and 0.8% answered “low importance”. None answered “unimportant”.

Figure 4.33 below illustrates the findings.

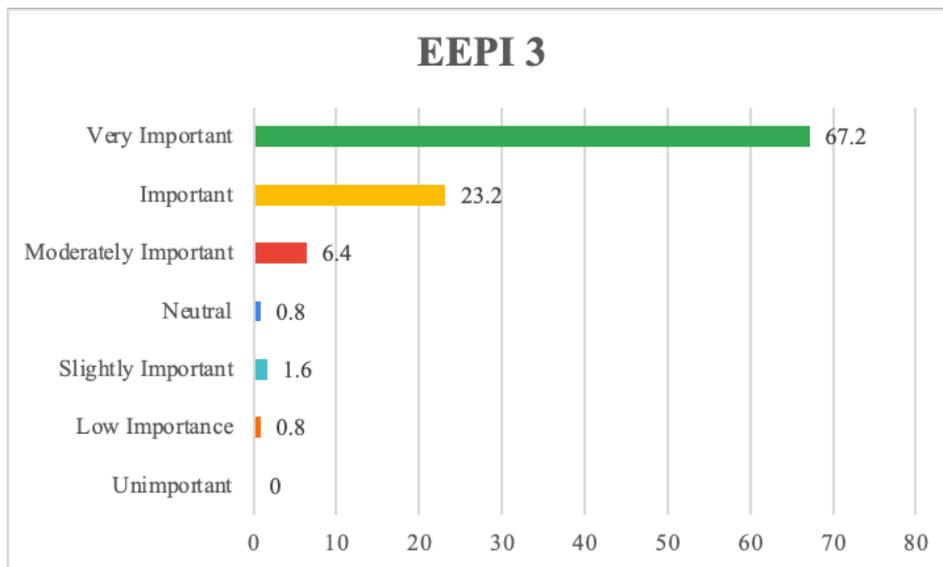


Figure 4.33 Item EEPI 3

Interpretation:

From the data collected 96.8% expect employees to be willing to help place an importance on continuing a gym. This shows that members are drawn to a gym which has employees who take an interest and who are willing to assist in any situations or issues related to the fitness services at the gym.

Item EEPI 4: “Employees of excellent fitness studios will never be too busy to respond to members requests”

From the data collected, 44.8% “very important”, 25.6% answered “important”, 19.2% answered “moderately important”, 6.4% answered “neutral”. 3.2% found it to be “Slightly important” and 0.8 answered “unimportant”. None answered “low importance”.

Figure 4.34 below illustrates the findings.

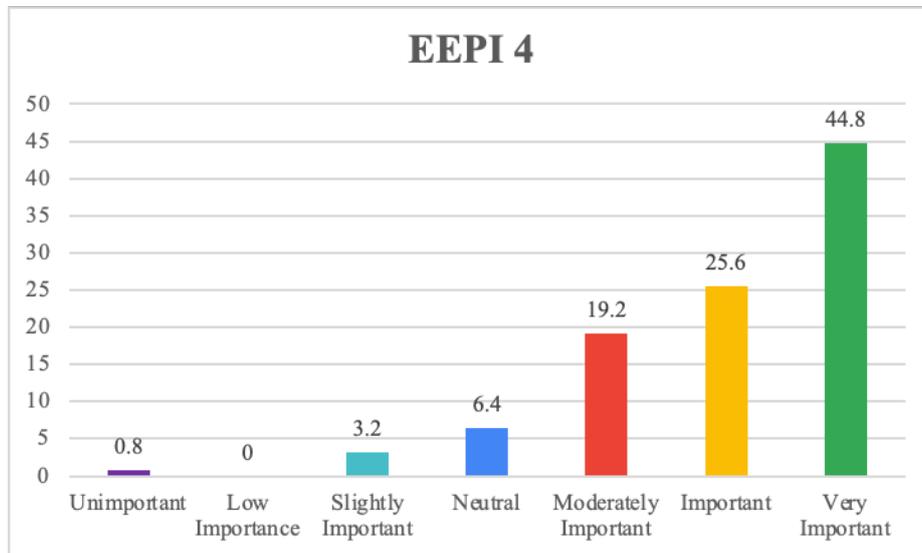


Figure 4.34 Item EEPI 4

Interpretation:

From the data collected 89.6% expect employees to be never too busy to respond to members' requests. This shows that members are drawn to a gym which has employees who care and place the member's needs first before theirs. It can be assumed that a personal relationship will be created because of the personalised attention given to the member in order for their needs to be taken care of.

4.5.4 Leadership Influence

To measure the expectation level of Employee Performance and Involvement, 4 items were used and a seven-point Likert scale will be used to measure the importance level of each item where (1) indicates “unimportant”, (2) “low importance”, (3) “slightly important”, (4) “neutral”, (5) “moderately important”, (6) “important” and (7) “very important”.

Item ELI 1: “The behaviour of instructors of excellent fitness studios will instil confidence in customers”

From the data collected, 74.4% “very important”, 17.6% answered “important”, 7.2% answered “moderately important” and 0.8% found it to be “Slightly important”. None answered “neutral, “low importance” or “unimportant”

Figure 4.35 below illustrates the findings.

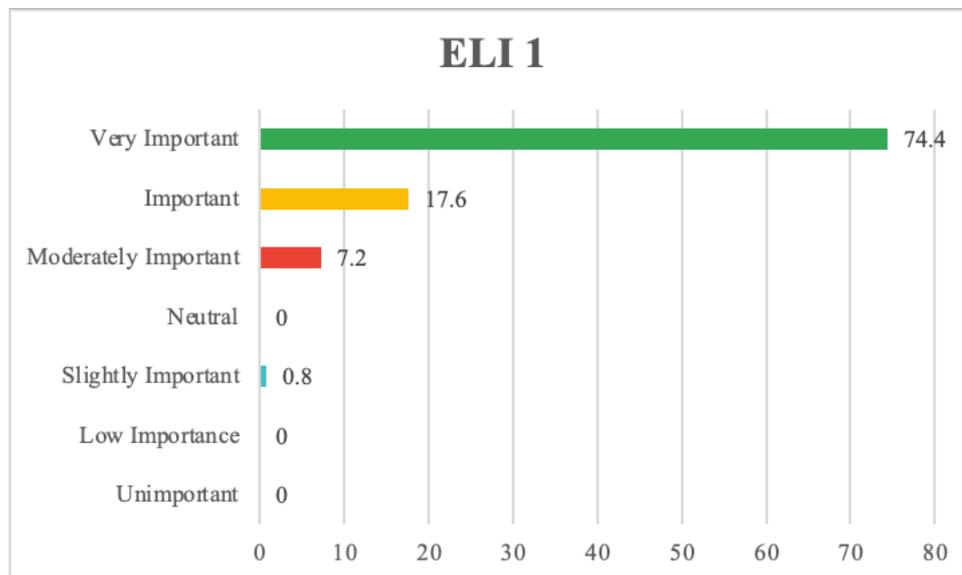


Figure 4.35 Item ELI 1

Interpretation:

From the data collected the majority expect behaviour of coaches to instil confidence in members. This shows that members are drawn to a coach who has a positive attitude, who motivates and drives members to do better, increasing their confidence. This can be assumed that the personality of coaches and how coaches respond to members are important when members choose to stay with the gym.

Item ELI 2: “Members of excellent fitness studios will feel safe in their experiences in classes and at the studio”

From the data collected, 74.4% “very important”, 18.4% answered “important” and 7.2% answered “moderately important” None answered “neutral”, “low importance”, “slightly important” or “unimportant”

Figure 4.36 below illustrates the findings.

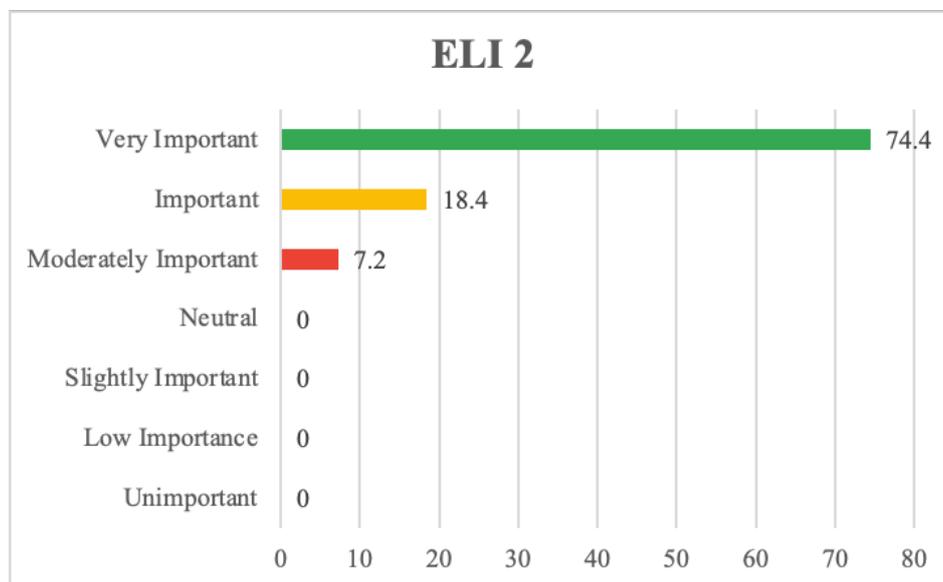


Figure 4.36 Item ELI 2

Interpretation:

From the data collected all respondents expect to feel safe in their experience in the classes and studio. This is important when choosing to stay with the gym. This shows that members prefer coaches who are experienced, knowledgeable and have professionalism when conducting classes and prioritize safety the whole time members are in or out of class. This also shows that members prioritize safety and it influences their decision to continue on with a gym.

Item ELI 3: “Instructors of excellent fitness studios will be consistently courteous with members”

From the data collected, 60.8% “very important”, 24% answered “important” and 10.4% answered “moderately important”, 4% answered “neutral” and 0.8% answered “low importance”. None answer “slightly important” or “unimportant”.

Figure 4.37 below illustrates the findings.

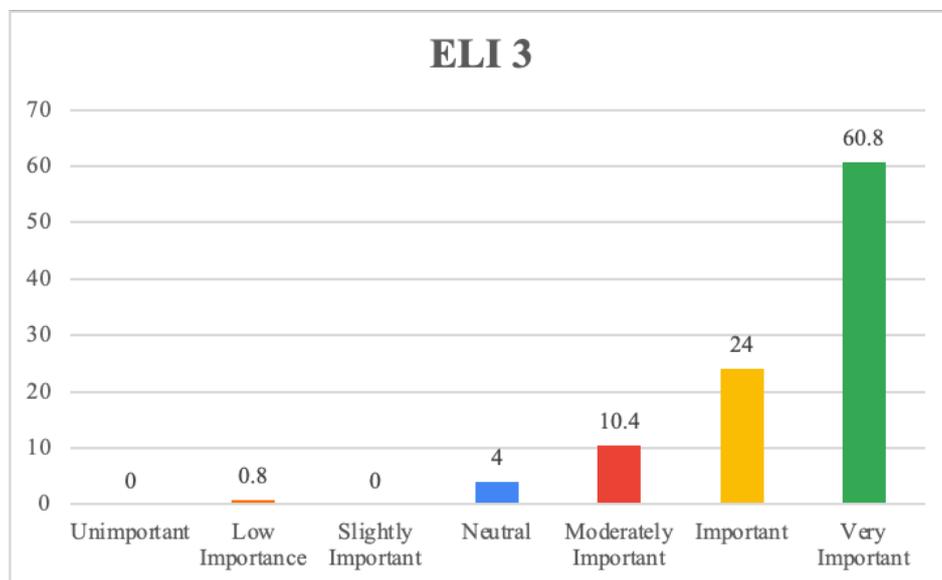


Figure 4.37 Item ELI 3

Interpretation:

From the data collected the majority find courteous coaches are important when deciding to continue on with the gym. From the data it can be seen that members want a social bond with coaches who are constantly courteous, respectful and friendly. This can be assumed that it motivates members to stay with a gym because they already have a bond with the coach.

Item ELI 4: “Instructors of excellent fitness studios will have the knowledge to answer customer questions”

From the data collected, 60.8% “very important”, 24% answered “important” and 10.4% answered “moderately important”, 4% answered “neutral” and 0.8% answered “slight important”. None answered “low importance” or “unimportant”.

Figure 4.38 below illustrates the findings.

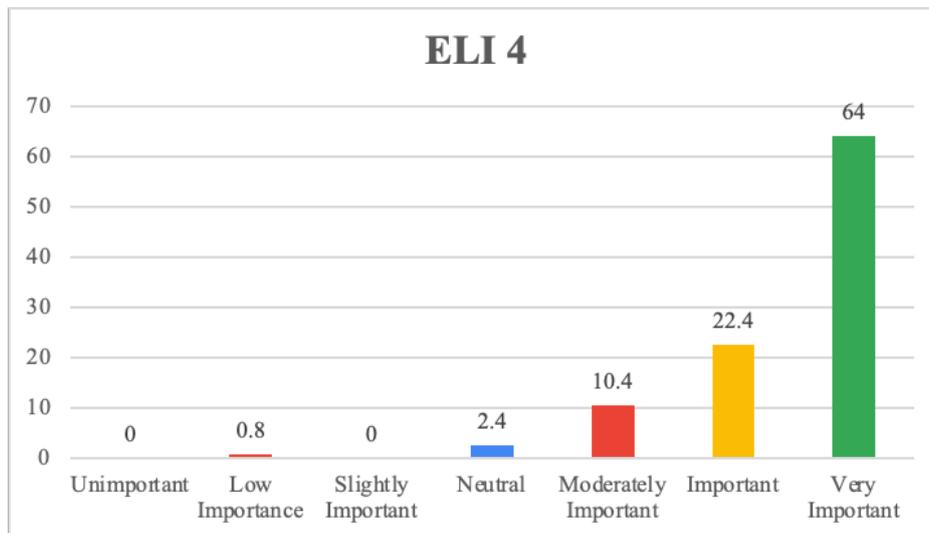


Figure 4.38 Item ELI 4

Interpretation:

From the data collected members expect coaches to be knowledgeable and be able to answer questions related to fitness. This shows that members are willing to pay a premium price to receive knowledge from coaches who are presumably experts in the field. When coaches know what they are doing and are able to answer or take the effort to find out the answers, members feel special and belonged.

4.5.5 Customer Relationship Management (CRM)

To measure the expectation level of CRM, 5 items were used and a seven-point Likert scale will be used to measure the importance level of each item where (1) indicates “unimportant”, (2) “low importance”, (3) “slightly important”, (4) “neutral”, (5) “moderately important”, (6) “important” and (7) “very important”.

Item ECRM 1: “Excellent fitness studios will give members individual attention”

From the data collected, 47.2% “very important”, 20.8% answered “important” and 19.2% answered “moderately important”, 8.8% answered “neutral” and 3.2% answered “slight important” and 0.8% answered “low importance”. None answered “unimportant”.

Figure 4.39 below illustrates the findings.

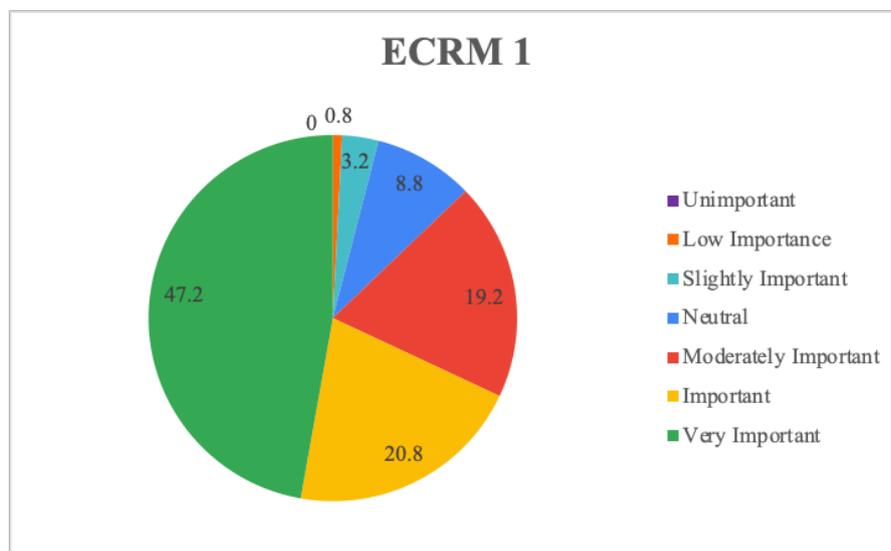


Figure 4.39 Item ECRM 1

Interpretation:

From the data collected 87.2% expect fitness studios to provide personalised attention to members. It can be assumed that with a good CRM, it provides information on members which allows the employees of the studio to cater their service to members individually. It can also be assumed that members of boutique fitness studios expect a certain level of social bond and would be willing to pay a premium for more attention given on their individualised fitness needs and wants.

Item ECRM 2: “Excellent fitness studios will provide convenience in terms of fitness services for all their members”

From the data collected, 47.2% “very important”, 18.4% answered “important” and 21.6% answered “moderately important”, 8.8% answered “neutral” and 2.4% answered “slight important” and 1.6% answered “low importance”. None answered “unimportant”.

Figure 4.40 below illustrates the findings.

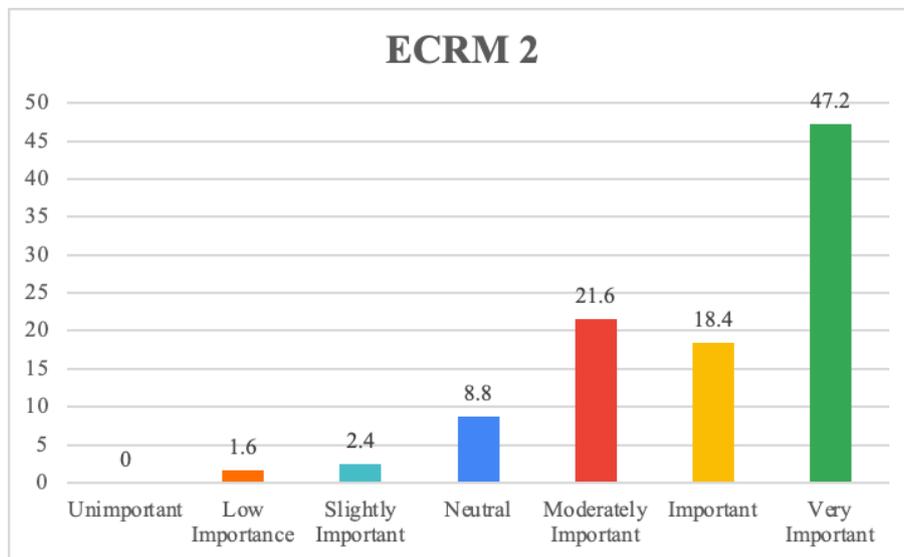


Figure 4.40 Item ECRM 2

Interpretation:

From the data collected 87.2% expect fitness studios to provide convenience. It can be assumed that with a good CRM, fitness studios are able to know what convenience to offer members through data collection of frequency of visits, feedback and suggestions.

Item ECRM 3: “Excellent fitness studios will have employees who give members personal attention”

From the data collected, 44.8% “very important”, 20.8% answered “important” and 16.8% answered “moderately important”, 10.4% answered “neutral” and 4% answered “slight important” and 3.2% answered “low importance”. None answered “unimportant”.

Figure 4.41 below illustrates the findings.

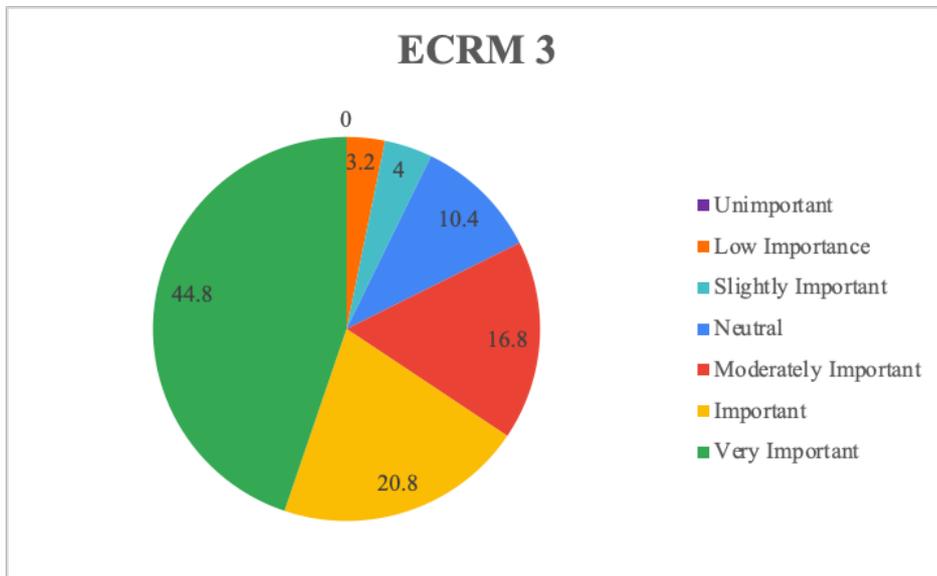


Figure 4.41 Item ECRM 3

Interpretation:

From the data collected, 82.4% expect personal attention from employees of the fitness studio. This can be assumed that the expectation of social interaction and

creation of social friendship is developed the more the members frequent the gym. This will then create a reason for members to continue in the gym.

Item ECRM 4: “Excellent fitness studios will have the members best interest at heart”

From the data collected, 65.6% “very important”, 17.6% answered “important” and 12% answered “moderately important”, 0.8% answered “neutral” and 2.4% answered “slight important” and 1.6% answered “low importance”. None answered “unimportant”.

Figure 4.42 below illustrates the findings.

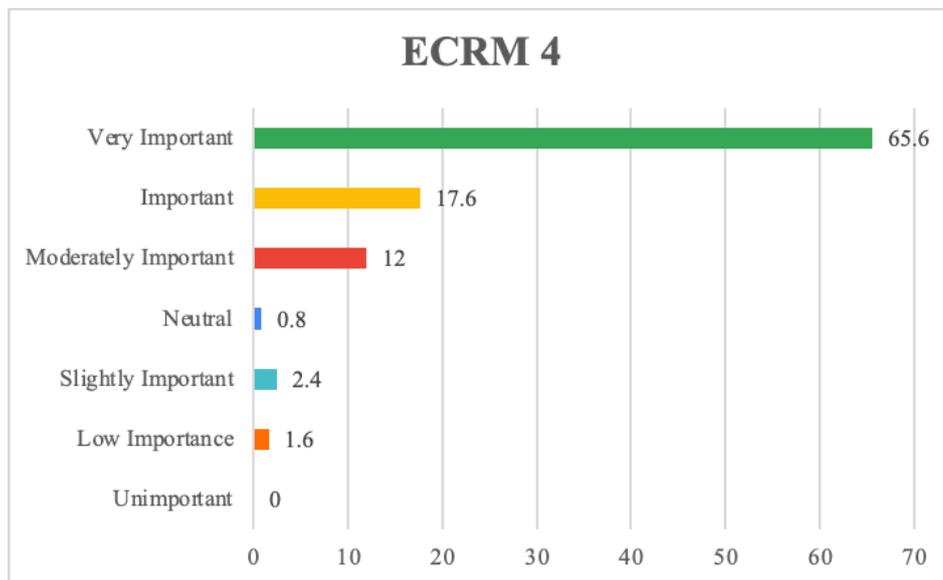


Figure 4.42 Item ECRM 4

Interpretation:

From the data collected, 95.2% expect fitness studios to have the members' best interest at heart. It is assumed that with good CRM, management is able to handle the members' service journey in the studio with utmost care and attention in order to provide satisfaction and for goals to be achieved.

Item ECRM 5: “The employees of excellent fitness studios will understand the needs of their customers”

From the data collected, 64.8% “very important”, 24% answered “important” and 8% answered “moderately important”, 0.8% answered “neutral” and 0.8% answered “slight important” and 1.6% answered “low importance”. None answered “unimportant”.

Figure 4.43 below illustrates the findings.

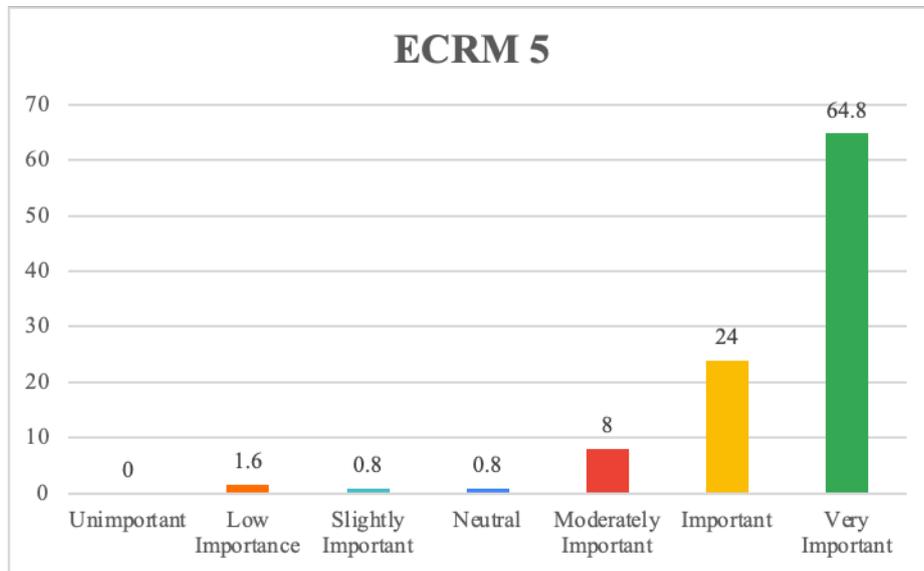


Figure 4.43 Item ECRM 5

Interpretation:

From the data collected, 96.8% expect fitness studios to have employees who understand the needs of the customers. It is assumed that with good CRM, management is able to provide strategy to enhance interaction with members and this will allow employees to understand the needs of its members and work along with that criterias to meet the needs of the members which encourages members to stay with the gym.

4.6 PERCEPTION LEVEL OF SERVICE QUALITY DIMENSIONS

4.6.1 Product & Services

To measure the perception level of Product & Services, 5 items were used and a seven-point Likert scale will be used to measure the importance level of each service quality dimension where (1) indicates “strongly disagree”, (2) “disagree”, (3) “somewhat disagree”, (4) “neutral”, (5) “somewhat agree”, (6) “agree” and (7) “strongly agree”.

Item PPS 1: “Your gym has modern-looking equipment”

From the data collected, 26.4% “agree”, 25.6% answered “strongly agree”, 24.8% answered “somewhat agree”, 15.2% answered “neutral”, 4.8% answered “somewhat disagree”, 2.4% answered “disagree” and 0.8% answered “strongly disagree”.

Figure 4.44 below illustrates the findings.

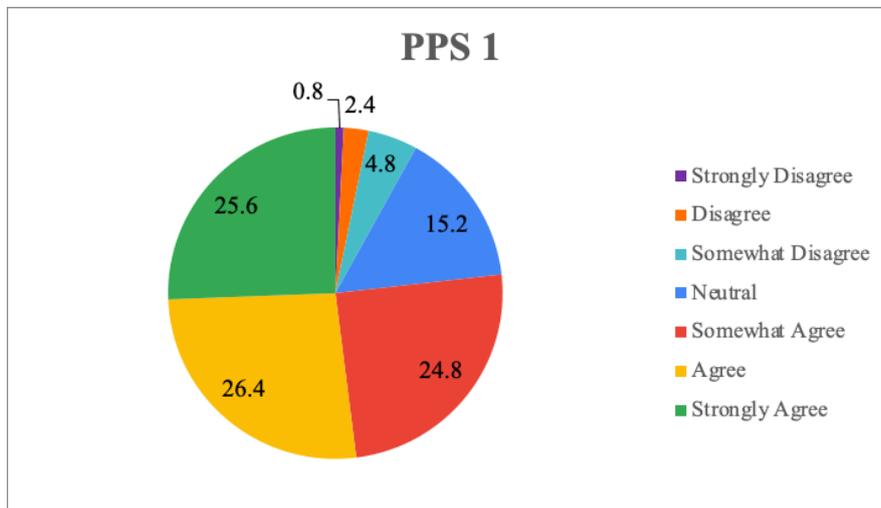


Figure 4.44 Item PPS 1

Interpretation:

From the data collected it can be seen that 76.8% agree that their gym has modern looking equipment. This can be assumed that 76.8% are satisfied and their perception level of their boutique fitness studio is high. This also shows that what value management offers and what members value is aligned.

Item PPS 2: “Your gym's physical facilities are visually appealing”

From the data collected, 34.4% answered “strongly agree”, 28% answered “agree”, 20% answered “somewhat agree”, 13.6% answered “neutral”, 2.4% answered “somewhat disagree”, 0.8% answered “disagree” and 0.8% answered “strongly disagree”.

Figure 4.45 below illustrates the findings.

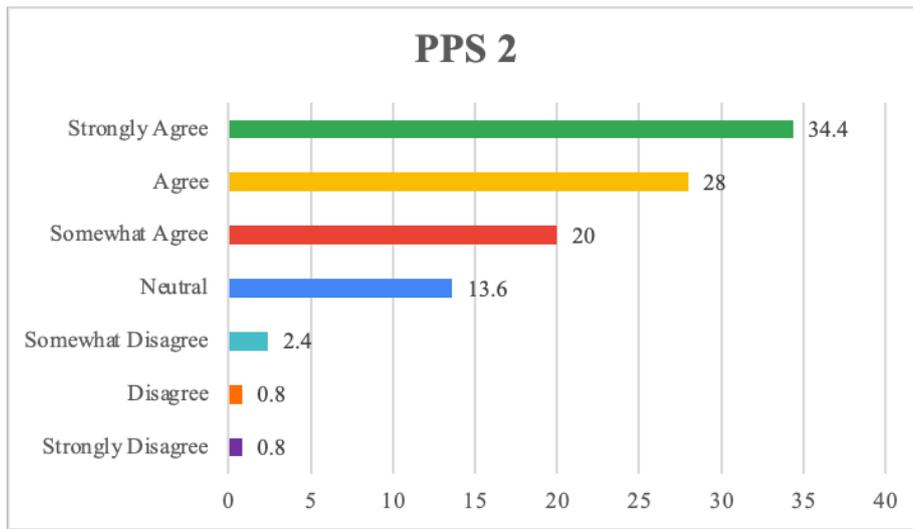


Figure 4.45 Item PPS 2

Interpretation:

From the data collected it can be seen that 82% agree that their gym has visually appealing facilities. This can be assumed that 82% are satisfied and their perception level of their boutique fitness studio is high. This also shows that what value management offers and what members value is aligned.

Item PPS 3: “Your gym's has a variety of programmes”

From the data collected, 56.8% answered “strongly agree”, 25.6% answered “agree”, 10.4% answered “somewhat agree”, 4% answered “neutral”, 2.4% answered “somewhat disagree”, 0.8% answered “disagree” and none answered “strongly disagree”.

Figure 4.46 below illustrates the findings.

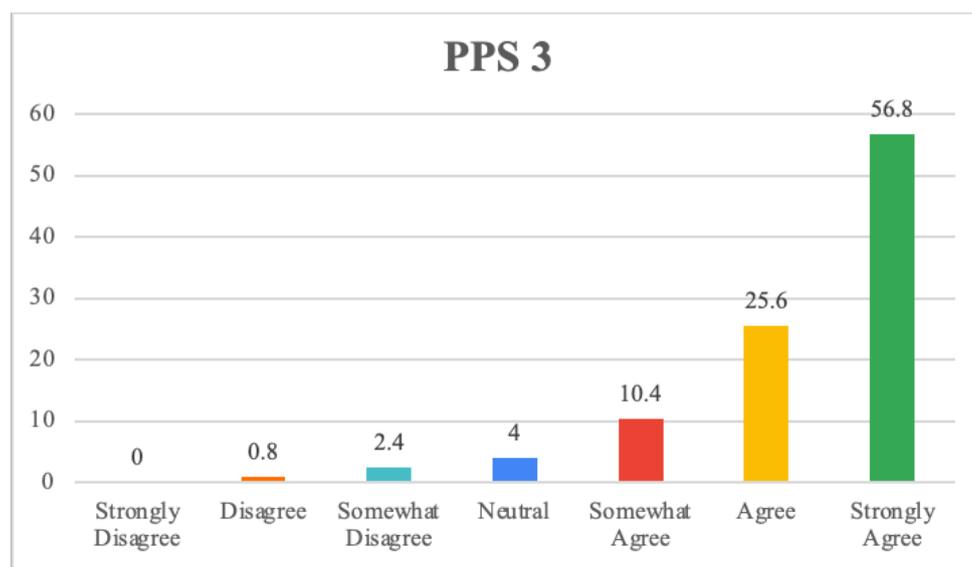


Figure 4.46 Item PPS 3

Interpretation:

From the data collected it can be seen that 92.8% agree that their gym has a variety of programmes and workouts. This can be assumed that the majority are satisfied and their perception level of their boutique fitness studio is high. This also shows that what value management offers and what members value is aligned.

Item PPS 4: “Material associated with the gym (logo, colors, posters, statements) are visually appealing”

From the data collected, 41.6% answered “strongly agree”, 24.8% answered “agree”, 17.6% answered “somewhat agree”, 7.2% answered “neutral”, 4.8% answered “somewhat disagree”, 3.2% answered “disagree” and 0.8% answered “strongly disagree”.

Figure 4.47 below illustrates the findings.

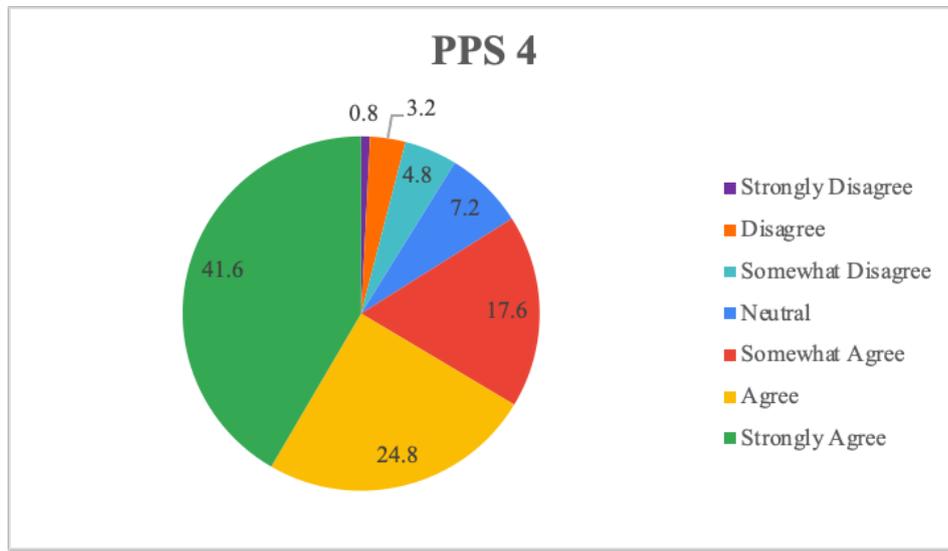


Figure 4.47 Item PPS 4

Interpretation:

From the data collected it can be seen that 84% agree that their gym is visually appealing. This can be assumed that members like the projected outlook of the gym and feel a sense of belonging and connection with the gym. Therefore they are satisfied and have a high level of perception for the gym. This also shows that what value management offers and what members value is aligned.

4.6.2 Organizational Culture

To measure the perception level of Organizational Culture, 5 items were used and a seven-point Likert scale will be used to measure the importance level of each service quality dimension where (1) indicates “strongly disagree”, (2) “disagree”, (3) “somewhat disagree”, (4) “neutral”, (5) “somewhat agree”, (6) “agree” and (7) “strongly agree”.

Item POC 1: “When your gym promises to do something by a certain time, it does so”

From the data collected, 49.6% answered “strongly agree”, 30.4% answered “agree”, 12.8% answered “somewhat agree”, 4.8% answered “neutral”, 1.6% answered “somewhat disagree”, 0.8% answered “disagree” and none answered “strongly disagree”.

Figure 4.48 below illustrates the findings.

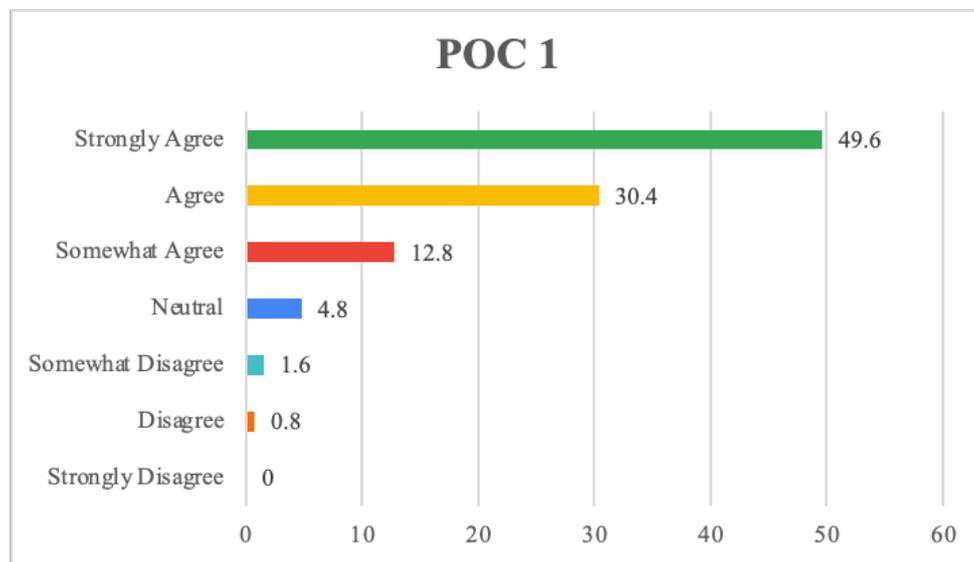


Figure 4.48 Item POC 1

Interpretation:

From the data collected it can be seen that 92.8% agree that when their gym promises to do something by a certain time, they fulfil that promise. From this item, it can be seen that the majority are satisfied with the gym’s organizational culture that is customer orientated and have a high level of perception for the gym. This also shows that what value management offers and what members value is aligned.

Item POC 2: “When you have a problem (in regards to fitness, membership concerns), your gym shows a sincere interest in solving it.”

From the data collected, 41.6% answered “strongly agree”, 24.8% answered “agree”, 17.6% answered “somewhat agree”, 7.2% answered “neutral”, 4.8% answered “somewhat disagree”, 3.2% answered “disagree” and 0.8% answered “strongly disagree”.

Figure 4.49 below illustrates the findings.

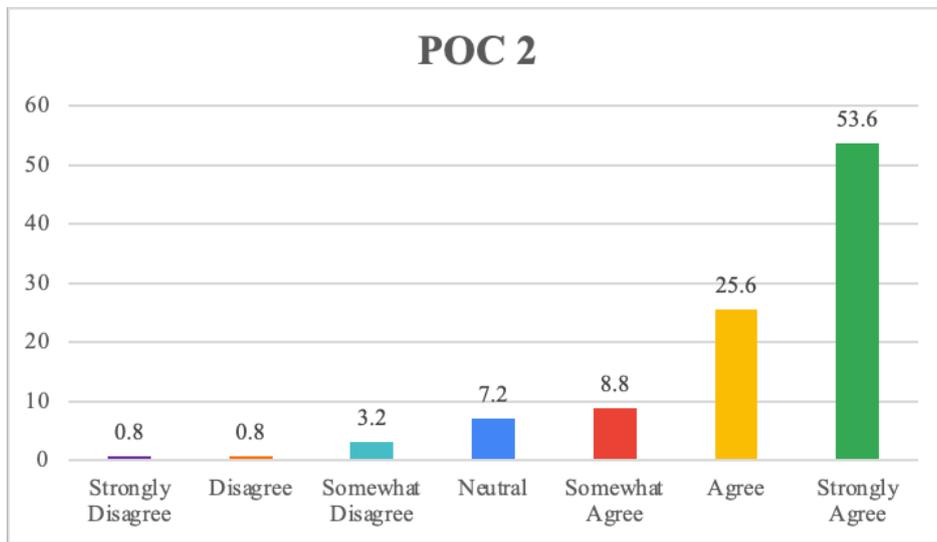


Figure 4.49 Item POC 2

Interpretation:

From the data collected it can be seen that 84% agree that their gym shows interest in solving fitness problems of their members. From this item, it can be seen that the majority are satisfied with the gym's organizational culture that is customer orientated and have a high level of perception for the gym. This also shows that what value management offers and what members value is aligned.

Item POC 3: "Your gym performs the service right the first time"

From the data collected, 36% answered "strongly agree", 35.2% answered "agree", 16% answered "somewhat agree", 8.8% answered "neutral", 3.2% answered "somewhat disagree", 0.8% answered "disagree" and none answered "strongly disagree".

Figure 4.50 below illustrates the findings.

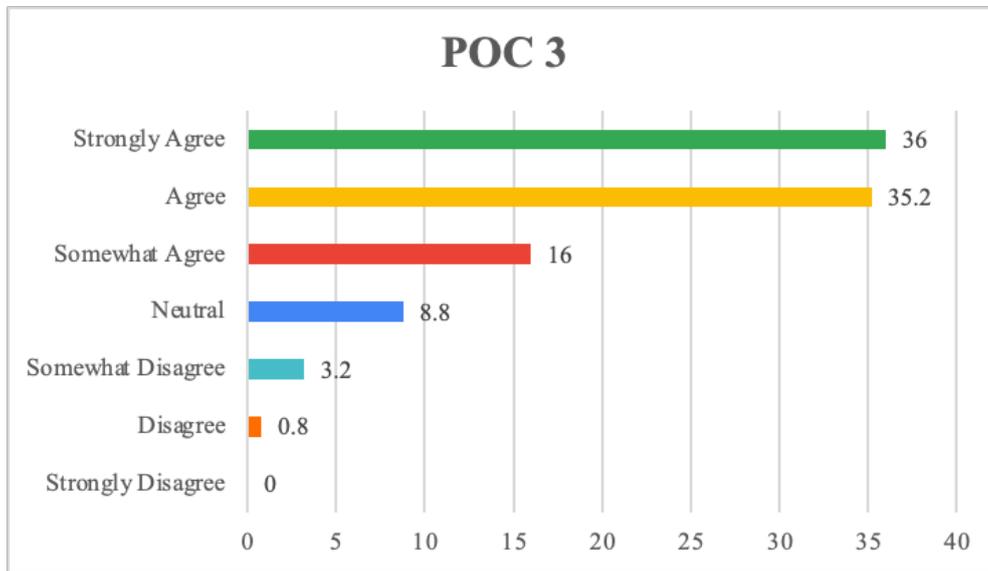


Figure 4.50 Item POC 3

Interpretation:

From the data collected it can be seen that 87.2% agree that their gym shows initiative to get the service right with zero mistakes. From this item, it can be seen that the majority are satisfied with the gym's organizational culture that is customer

orientated and have a high level of perception for the gym. This also shows that what value management offers and what members value is aligned.

Item POC 4: “Your gym provides its services at the time it promises to do so”

From the data collected, 48.8% answered “strongly agree”, 30.4% answered “agree”, 12.8% answered “somewhat agree”, 5.6% answered “neutral”, 1.6% answered “somewhat disagree”, 0.8% answered “strongly disagree” and none answered “disagree”.

Figure 4.51 below illustrates the findings.

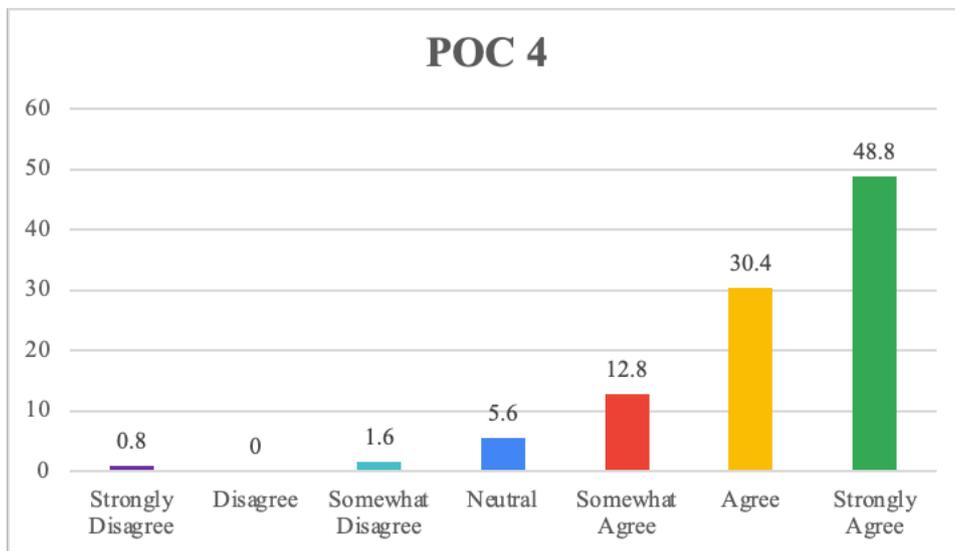


Figure 4.51 Item POC 4

Interpretation:

From the data collected it can be seen that 92% agree that their gym makes an effort to fulfil the promise of providing their service at the agreed time. From this item, it can be seen that the majority are satisfied with the gym’s organizational culture that is customer orientated and have a high level of perception for the gym. This also shows that what value management offers and what members value is aligned.

Item POC 5: “Your gym insists on goal achieving records”

From the data collected, 31.2% answered “strongly agree”, 24.8% answered “agree”, 23.2% answered “somewhat agree”, 11.2% answered “neutral”, 1.6% answered “somewhat disagree”, 4.8% answered “disagree” and 3.2% answered “strongly disagree”.

Figure 4.52 below illustrates the findings.

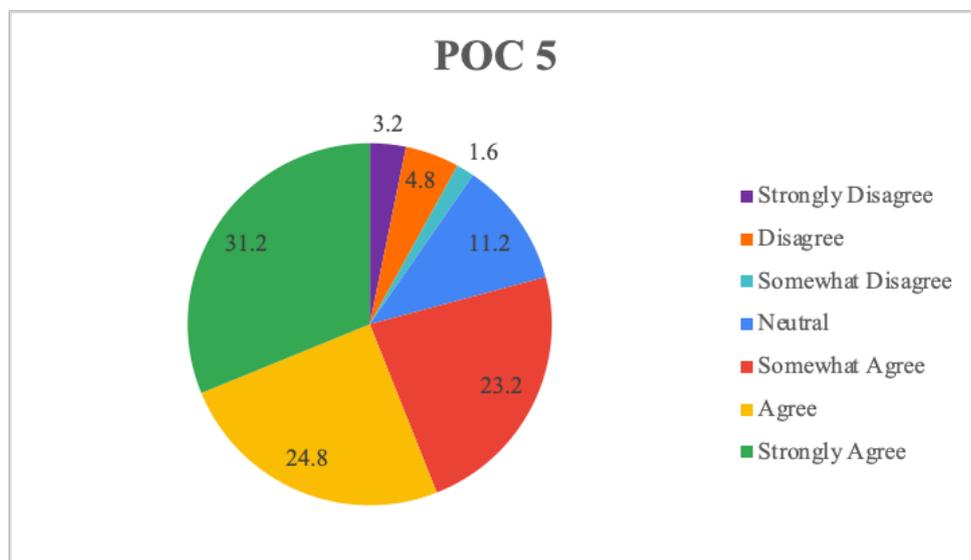


Figure 4.52 Item POC 5

Interpretation:

From the data collected it can be seen that 79.2% agree that their gym is goal orientated and want to see results. It can be seen that it is a good acceptable criteria as it is aligned with the members who are also goal orientated. From this item, it can be seen that the majority are satisfied with the gym’s organizational culture that is customer orientated and have a high level of perception for the gym. This also shows that what value management offers and what members value is aligned.

4.6.3 Employee Performance & Involvement

To measure the perception level of Employee Performance and Involvement, 4 items were used and a seven-point Likert scale will be used to measure the importance level of each service quality dimension where (1) indicates “strongly disagree”, (2) “disagree”, (3) “somewhat disagree”, (4) “neutral”, (5) “somewhat agree”, (6) “agree” and (7) “strongly agree”.

Item PEPI 1: “Employees of your gym tells you exactly when services will be performed”

From the data collected, 46.4% answered “strongly agree”, 28.8% answered “agree”, 16.8% answered “somewhat agree”, 4.8% answered “neutral”, 2.4% answered “somewhat disagree”, 0.8% answered “disagree” and none answered “strongly disagree”.

Figure 4.53 below illustrates the findings.

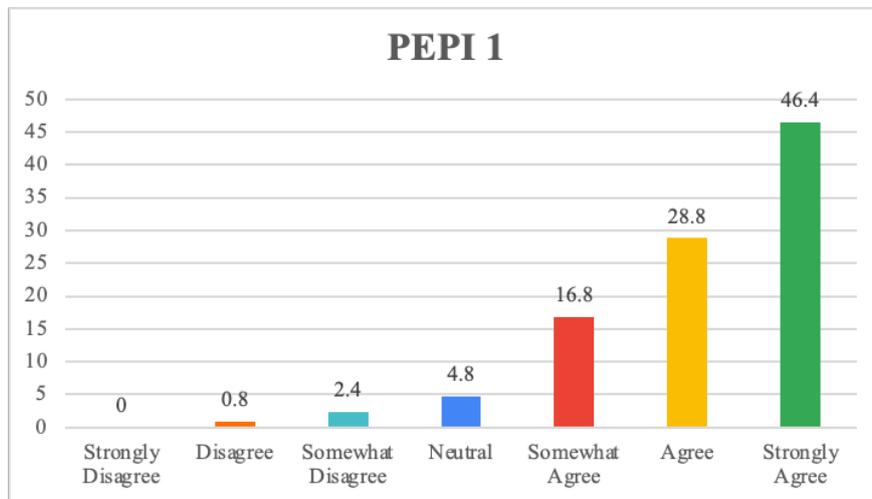


Figure 4.53 Item PEPI 1

Interpretation:

From the data collected it can be seen that 92% agree that the employees are informative and able to tell members when service is being provided. From this item, it can be seen that the employees' performance is aligned with the gym's

organizational culture that is customer orientated and has a high level of perception for the gym. This also shows that what value management offers and what members value is aligned.

Item PEPI 2: “Employees of your gym give you prompt service”

From the data collected, 48% answered “strongly agree”, 28.8% answered “agree”, 18.4% answered “somewhat agree”, 2.4% answered “neutral”, 1.6% answered “somewhat disagree”, 0.8% answered “disagree” and none answered “strongly disagree”.

Figure 4.54 below illustrates the findings.

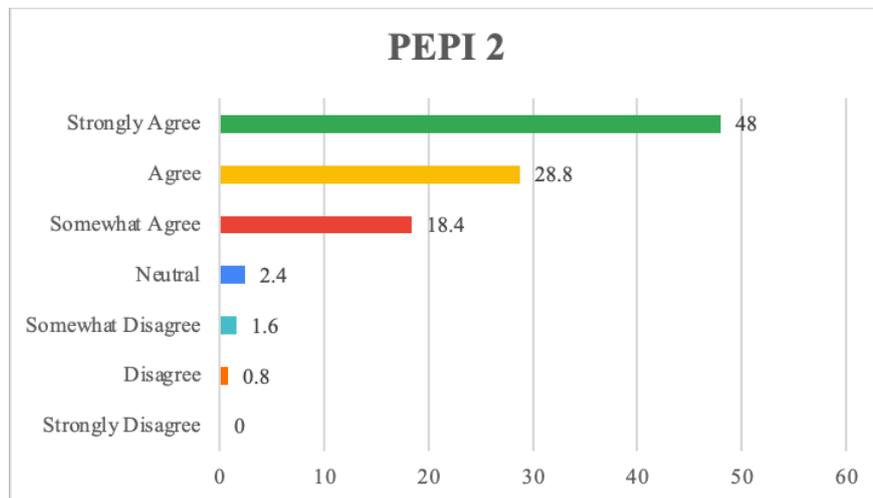


Figure 4.54 Item PEPI 2

Interpretation:

From the data collected it can be seen that 95.2% agree that the employees of their fitness studio provide prompt service. From this item, it can be seen that the employees take initiative to provide prompt service that is aligned with organizational culture that is customer orientated. This confirms that members have a high level of perception of this criteria in the fitness studio. This also shows that what value management offers and what members value is aligned.

Item PEPI 3: “Employees of your gym are always willing to help you”

From the data collected, 48% answered “strongly agree”, 28.8% answered “agree”, 18.4% answered “somewhat agree”, 2.4% answered “neutral”, 1.6% answered “somewhat disagree”, 0.8% answered “disagree” and none answered “strongly disagree”.

Figure 4.55 below illustrates the findings.

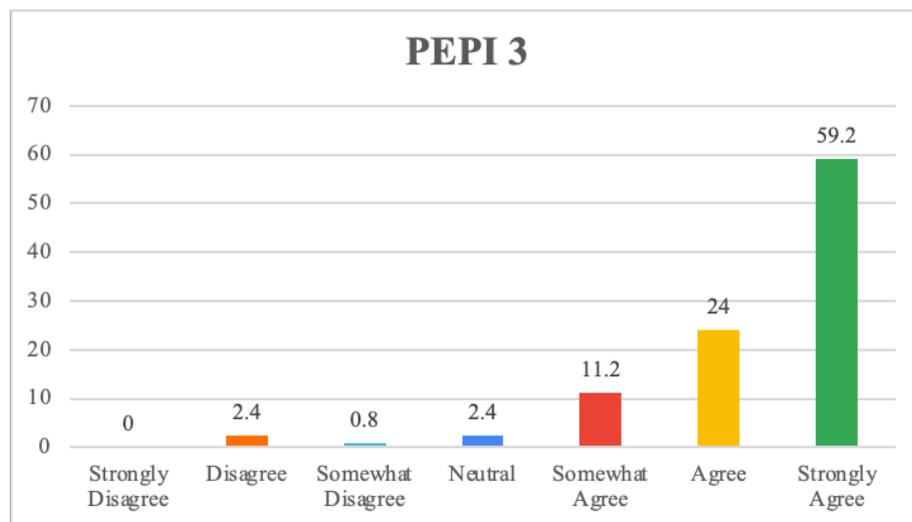


Figure 4.55 Item PEPI 3

Interpretation:

From the data collected it can be seen that 95.2% agree that the employees of their fitness studio are always willing to help. From this item, it can be seen that the employees take self initiative to provide help which could be aligned with the studio’s organizational culture which is customer orientated. This confirms that members have a high level of perception of this criteria in the fitness studio and it also shows that what value management offers and what members value is aligned.

Item PEPI 4: “Employees of your gym are never too busy to respond to your request”

From the data collected, 48% answered “strongly agree”, 28.8% answered “agree”, 18.4% answered “somewhat agree”, 2.4% answered “neutral”, 1.6% answered “somewhat disagree”, 0.8% answered “disagree” and none answered “strongly disagree”.

Figure 4.56 below illustrates the findings.

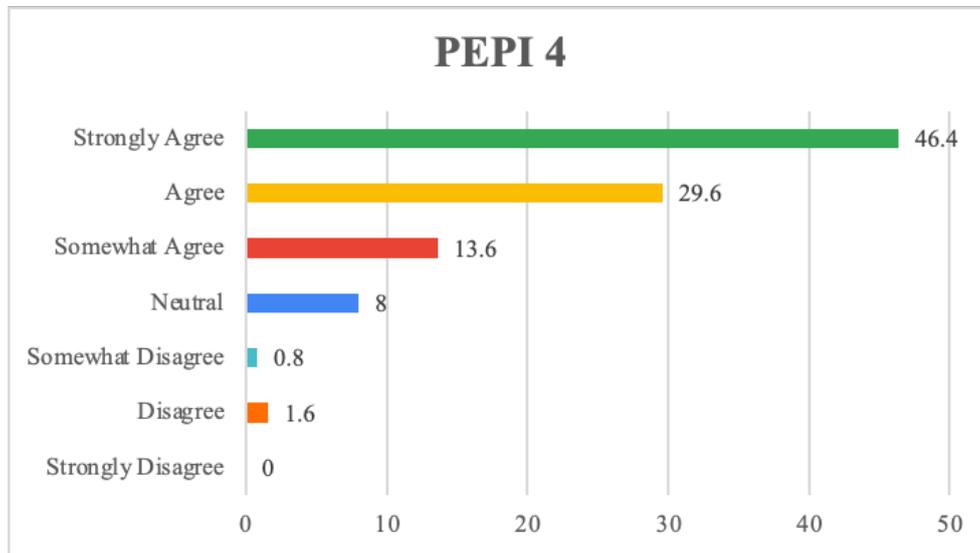


Figure 4.56 Item PEPI 4

Interpretation:

From the data collected it can be seen that 95.2% agree that the employees of their fitness studio are never too busy to respond to a member’s request. From this item, it can be seen that the employees prioritise customer service which could be aligned with the studio’s organizational culture that is customer orientated. From the results, this confirms that members are satisfied and have a high level of perception of this criteria in the fitness studio and it also shows that what value management offers and what members value is aligned.

4.6.4 Leadership Influence

To measure the perception level of Leadership, 4 items were used and a seven-point Likert scale will be used to measure the importance level of each service quality dimension where (1) indicates “strongly disagree”, (2) “disagree”, (3) “somewhat disagree”, (4) “neutral”, (5) “somewhat agree”, (6) “agree” and (7) “strongly agree”.

Item PLI 1: “The behaviour of instructors at my gym instils confidence in members”

From the data collected, 68% answered “strongly agree”, 21.6% answered “agree”, 6.4% answered “somewhat agree”, 1.6% answered “somewhat disagree”, 1.6% answered “disagree”, 0.8% answered “neutral” and none answered “strongly disagree”.

Figure 4.57 below illustrates the findings.

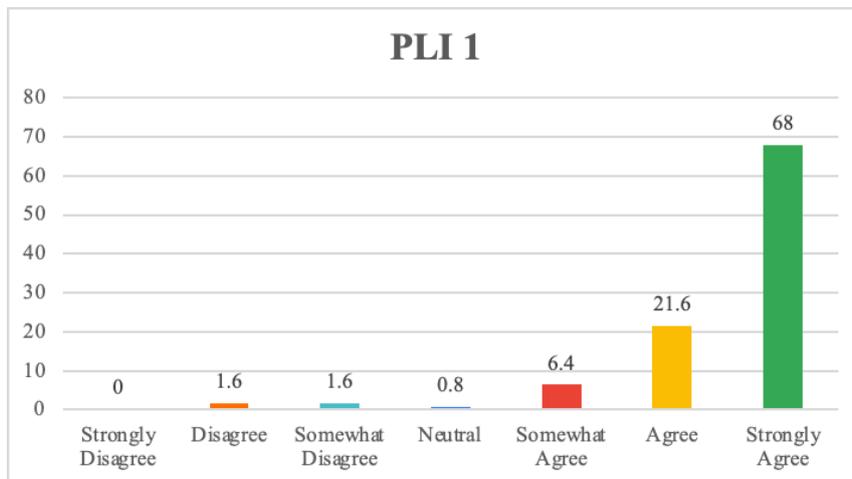


Figure 4.57 Item PLI 1

Interpretation:

From the data collected it can be seen that 96% agree that the behaviour of coaches instils confidence in the members. From this item, it can be seen that the ways coaches motivate members may be through their coaching style, how they set the tone for the workout and their lifestyle instils confidence in their members. From the results, this confirms that members are satisfied and have a high level of

perception of this criteria in the fitness studio and it also shows that what value management offers and what members value is aligned.

Item PLI 2: “You feel safe in your experience (classes, programs, service) with your gym”

From the data collected, 72% answered “strongly agree”, 18.4% answered “agree”, 7.2% answered “somewhat agree”, 1.6% answered “disagree”, 0.8% answered “neutral”. None answered “somewhat disagree” or “strongly disagree”.

Figure 4.58 below illustrates the findings.

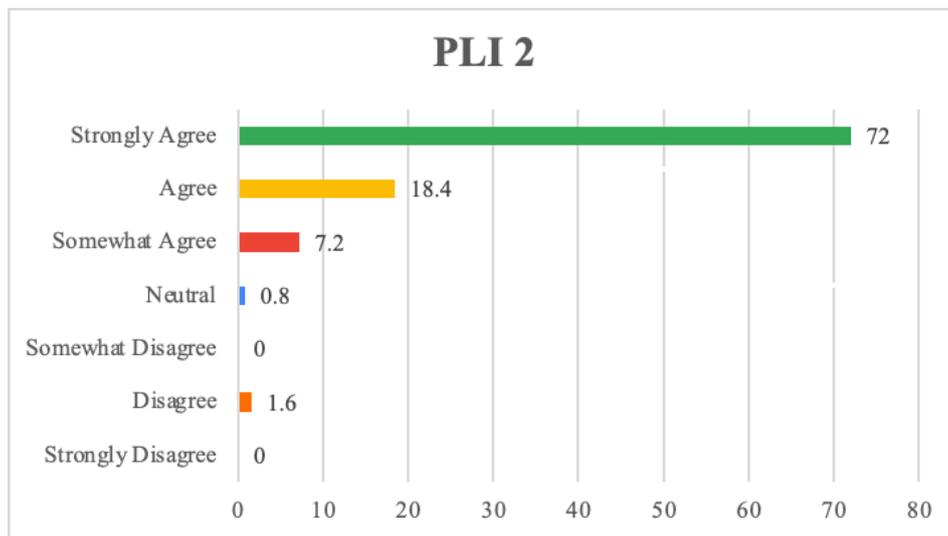


Figure 4.58 Item PLI 2

Interpretation:

From the data collected it can be seen that 97.6% agree that members feel safe in their experience at the gym. From this item, it can be seen that the coaches and the team with their expertise, knowledge and experience prioritise the safety of the members both in and out of the class. From the results, this confirms that members are satisfied and have a high level of perception of this criteria in the fitness studio and it also shows that what value management offers and what members value is aligned.

Item PLI 3: “Instructors are consistently courteous with you”

From the data collected, 64% answered “strongly agree”, 23.2% answered “agree”, 9.6% answered “somewhat agree”, 0.8% answered “neutral”, 0.8% answered “somewhat disagree”. 0.8% answered “disagree” or 0.8% answered “strongly disagree”.

Figure 4.59 below illustrates the findings.

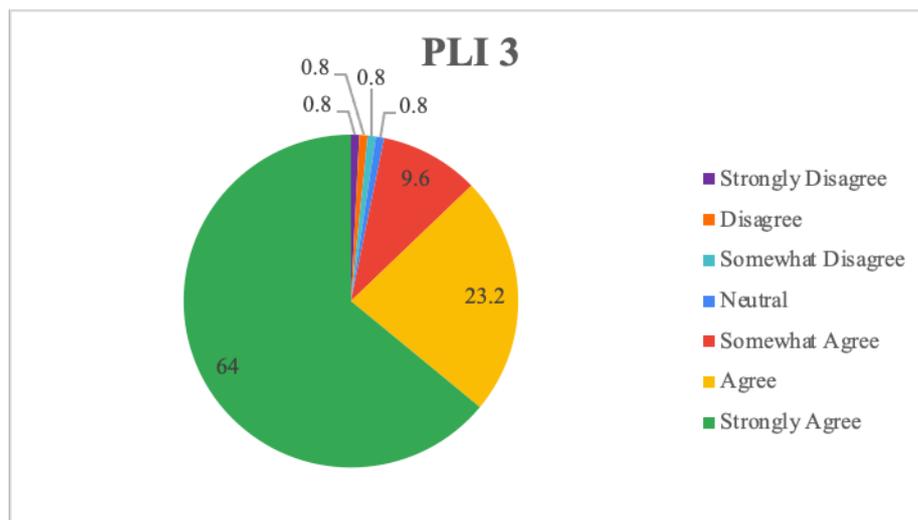


Figure 4.59 Item PLI 3

Interpretation:

From the data collected it can be seen that 96.8% find their coaches consistently courteous which From this item, it can be seen that a social relationship is formed with the coaches courteous and friendly manner. From the results, this confirms that members are satisfied and have a high level of perception of this criteria in the fitness studio and it also shows that what value management offers and what members value is aligned.

Item PLI 4: “Instructors have the knowledge to answers your questions”

From the data collected, 64% answered “strongly agree”, 23.2% answered “agree”, 9.6% answered “agree”, 0.8% answered “neutral”, 0.8% answered “somewhat disagree”. 0.8% answered “disagree” or 0.8% answered “strongly disagree”.

Figure 4.60 below illustrates the findings.

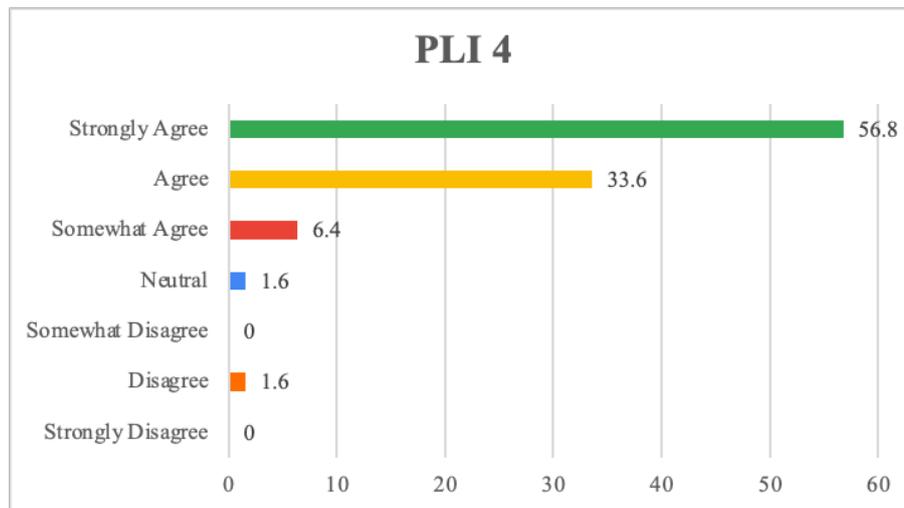


Figure 4.60 Item PLI 4

Interpretation:

From the data collected it can be seen that 96.8% find their coaches to be knowledgeable and able to answer questions posed by members. This shows that members place an importance on the expertise, skills, knowledge and level of certification of their coaches and this gives them satisfaction and a high level of perception of this criteria. It also shows that what value management offers and what members value is aligned.

4.6.5 Customer Relationship Management (CRM)

To measure the perception level CRM, 5 items were used and a seven-point Likert scale will be used to measure the importance level of each service quality dimension where (1) indicates “strongly disagree”, (2) “disagree”, (3) “somewhat disagree”, (4) “neutral”, (5) “somewhat agree”, (6) “agree” and (7) “strongly agree”.

Item PCRМ 1: “Your gym gives you individual attention”

From the data collected, 37.6% answered “strongly agree”, 28.8% answered “agree”, 19.2% answered “somewhat agree”, 8.8% answered “neutral”, 1.6% answered “somewhat disagree”. 4% answered “disagree” and none answered “strongly disagree”.

Figure 4.61 below illustrates the findings.

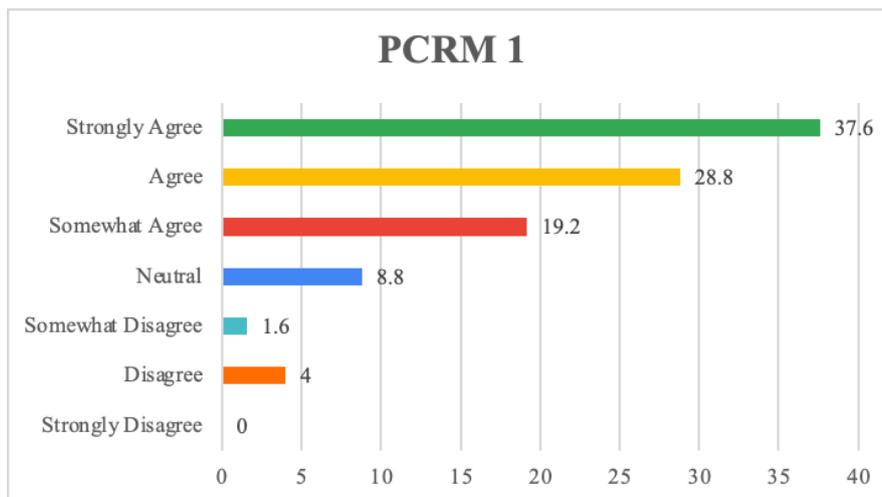


Figure 4.61 Item PCRМ 1

Interpretation:

From the data collected it can be seen that 85.6% find them giving them individual attention. This shows that the CRM system is being used and strategized well in the studio and it is aligned with their customer oriented objectives and team. This can be seen as respondents have a high level of perception of this criteria.

Item PCRМ 2: “Your fitness studio provides convenience in their services”

From the data collected, 40% answered “strongly agree”, 29.6% answered “agree”, 16% answered “somewhat agree”, 10.4% answered “neutral”, 2.4% answered “somewhat disagree”. 1.6% answered “disagree” and none answered “strongly disagree”.

Figure 4.62 below illustrates the findings.

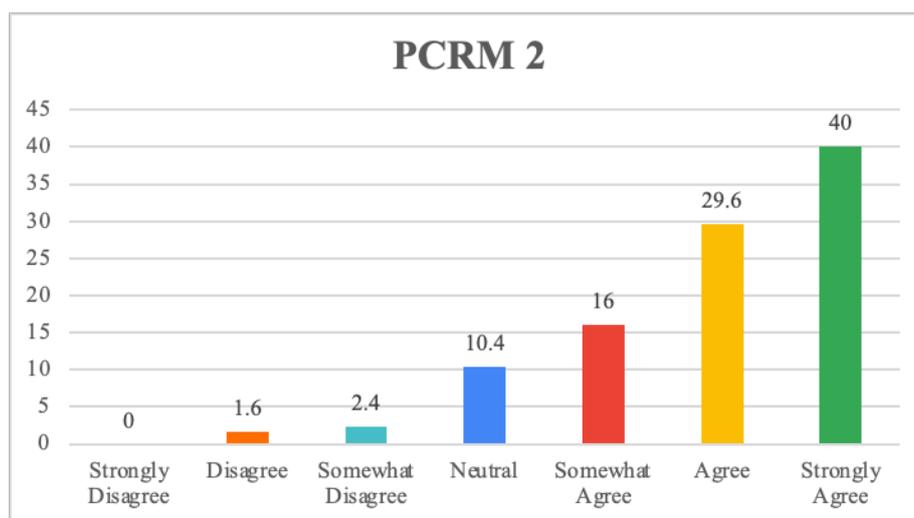


Figure 4.62 Item PCRM 2

Interpretation:

From the data collected it can be seen that 85.6% agree that their gym provides convenience in their service. This shows that the CRM system is being used and strategized well in terms of the provision of fitness services to the members. It can be assumed that data collected from tracking customers is used wisely to determine what customers want and need and how the gym can fulfil those wants and needs. The results prove that customers are satisfied and have a high level of perception of their gym.

Item PCRM 3: “Excellent fitness studios will have employees who give members personal attention”

From the data collected, 38.4% answered “strongly agree”, 31.2% answered “agree”, 16% answered “somewhat agree”, 8% answered “neutral”, 4.8% answered “somewhat disagree”. 1.6% answered “disagree” and none answered “strongly disagree”.

Figure 4.63 below illustrates the findings.

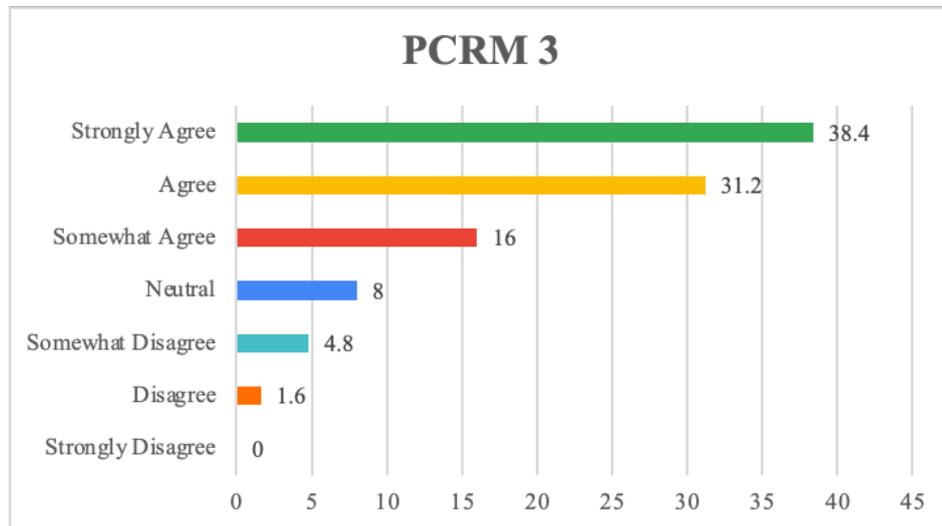


Figure 4.63 Item PCRM 3

Interpretation:

From the data collected it can be seen that 85.6% agree that their gym employees give members personal attention. This shows that the CRM system is being used and strategized well in terms of the provision of social relationships with the members. It can be assumed that activities that studio organizations encourage social interaction drives employees to be more interactive and involved. The results prove that customers are satisfied and have a high level of perception of their gym.

Item PCRM 4: “Excellent fitness studios will have the members best interest at heart”

From the data collected, 46.4% answered “strongly agree”, 23.2% answered “agree”, 17.6% answered “somewhat agree”, 6.4% answered “neutral”, 4% answered “somewhat disagree”. 1.6% answered “disagree” and 0.8% answered “strongly disagree”.

Figure 4.64 below illustrates the findings.

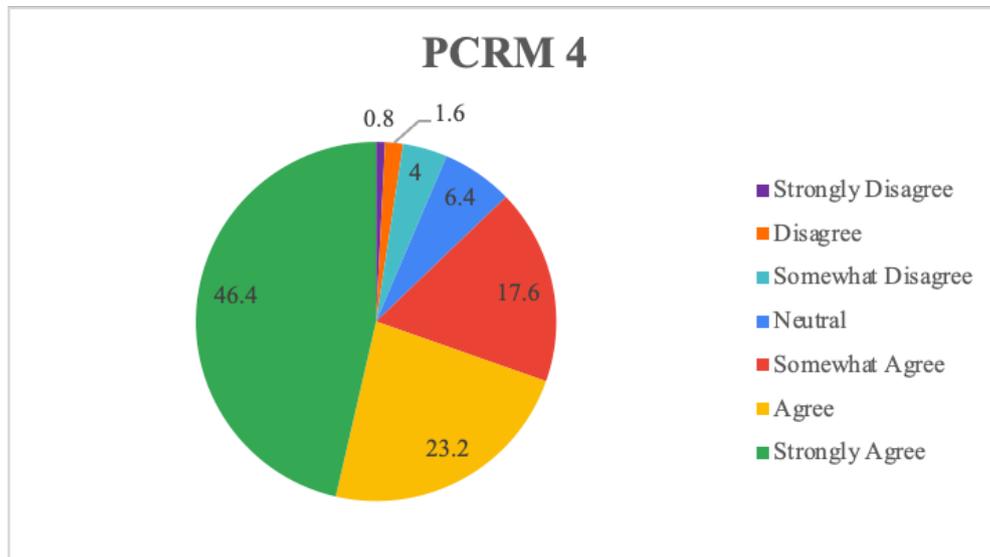


Figure 4.64 Item PCRM 4

Interpretation:

From the data collected it can be seen that 85.6% agree that their gym employees give members personal attention. This shows that the CRM system is being used and strategized well in terms of the provision of fitness services to the members. It can be assumed that data collected from tracking customers is used wisely to determine what customers want and need and how the gym can fulfil those wants and needs. It could also be that customer service and situation management are handled with personalised attention. The results prove that customers are satisfied and have a high level of perception of their gym.

Item PCRM 5: “The employees of excellent fitness studios will understand the needs of their customers”

From the data collected, 46.4% answered “strongly agree”, 23.2% answered “agree”, 17.6% answered “somewhat agree”, 6.4% answered “neutral”, 4% answered “somewhat disagree”. 1.6% answered “disagree” and 0.8% answered “strongly disagree”.

Figure 4.65 below illustrates the findings.

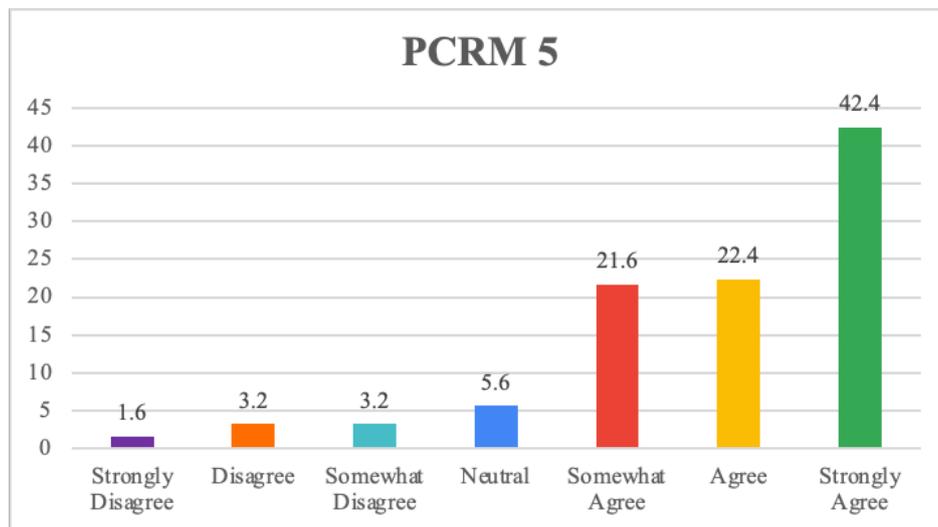


Figure 4.65 Item PCRM 5

Interpretation:

From the data collected it can be seen that 85.6% agree that their gym employees understand the needs of members. This shows that the CRM system is being used and strategized to achieve its customer oriented goals. It also shows that CRM information is distributed well to all employees enabling employees to understand and adapt their customer service towards the members according to their different segments. The results prove that customers are satisfied and have a high level of perception of their gym.

4.7 CUSTOMER RETENTION

4.7.1 Customer Retention & Word of Mouth

To measure the outcome level of Customer Retention, 3 items were used and a seven-point Likert scale will be used to measure the importance level of each service quality dimension where (1) indicates “strongly disagree”, (2) “disagree”, (3) “somewhat disagree”, (4) “neutral”, (5) “somewhat agree”, (6) “agree” and (7) “strongly agree”.

Item OCR 1: “Next time I will renew my membership with my gym and I am willing to say positive things about my gym to other people”

From the data collected, 42.4% answered “strongly agree”, 17.6% answered “agree”, 16.8% answered “somewhat agree”, 11.2% answered “neutral”, 3.2% answered “somewhat disagree”. 5.6% answered “disagree” and 3.2% answered “strongly disagree”.

Figure 4.66 below illustrates the findings.

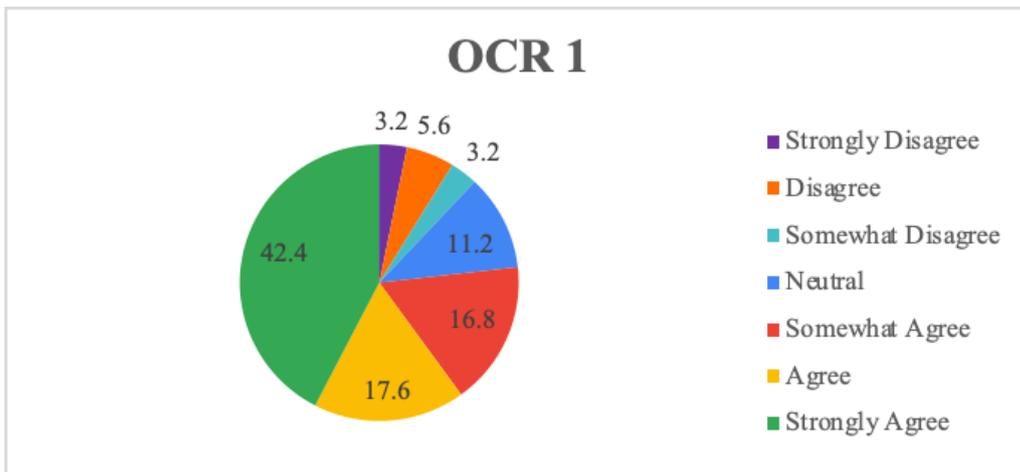


Figure 4.66 Item OCR 1

Interpretation:

From the data collected it can be seen that 85.6% agree that they will renew their memberships in their gym. This shows that members' needs and goals are being fulfilled and they have created both professional and social relationships with the team of the studio. It definitely shows a high positive outcome from the service quality dimensions provided by the fitness studio resulting into customer retention and increase of customer lifetime value by members returning to the gym in the near future

Item OCR 2: “I will attend this gym in the near future and I am willing to recommend my gym to other people”

From the data collected, 46.4% answered “strongly agree”, 19.2% answered “agree”, 16.8% answered “somewhat agree”, 9.6% answered “neutral”, 0.8% answered “somewhat disagree”. 4% answered “disagree” and 3.2% answered “strongly disagree”.

Figure 4.67 below illustrates the findings.

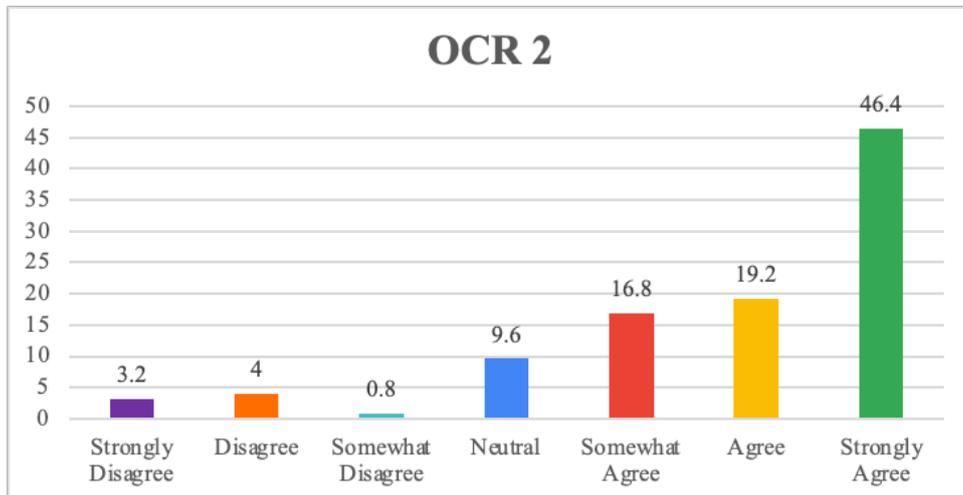


Figure 4.67 Item OCR 2

Interpretation:

From the data collected it can be seen that 85.6% agree that they will attend the gym again in the near future. This shows that members will be frequent in their visits to the gym and remain focused on their goal together with the gym’s team. This definitely shows a high positive outcome from the service quality dimensions provided by the fitness studio resulting in customer retention and increase of customer lifetime value by members continuing their membership therefore increase of sales and profits for the studio decreasing acquisition cost. (10 disagree)

Item OCR 3: “The probability that i will purchase other fitness services from my fitness studio is high and I will encourage friends and relatives to become members of my fitness studio”

From the data collected, 42.4% answered “strongly agree”, 16% answered “agree”, 20.8% answered “somewhat agree”, 8% answered “neutral”, 4.8% answered “somewhat disagree”. 4.8% answered “disagree” and 3.2% answered “strongly disagree”.

Figure 4.68 below illustrates the findings.

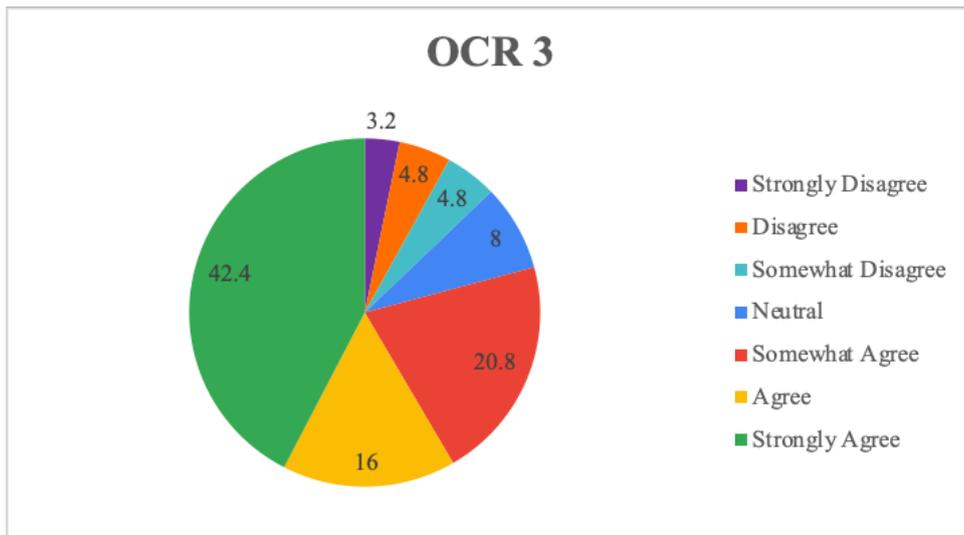


Figure 4.68 Item OCR 3

Interpretation:

From the data collected it can be seen that 79.2% agree that there is a high chance they will not only extend their membership but also purchase other services the fitness studios have to offer. May it be personal training, special challenges, merchandise and other fitness products or services. This results shows that members trust and are committed to the studio and not looking to switch gyms. This definitely shows a high positive outcome from the service quality dimensions provided by the fitness studio resulting in customer retention and increase of customer lifetime value by members continuing their membership, cross buying as well recommending other people therefore increasing sales and profits for the studio and decreasing acquisition cost.

4.8 ANALYSIS OF SEMI STRUCTURED INTERVIEWS

Data that was collected from the semi structured interviews were analysed using Thematic Analysis where answers to the questions were grouped together according to themes and rankings for each theme were made where the highest rank indicates the most frequently mentioned theme as answered by respondents. This method was used for all questions that were pre-set for semi structured interviews.

4.8.1 Findings

Question 1:

What are the distinguishing factors of your fitness studio? Product and Services, Organizational Culture, Staff Performance and Involvement, Leadership Influence or CRM?

THEMES	PERCENTAGE
Product & Services	87.5%
Leadership Influence	37.5%
CRM	25%
Staff Performance & Involvement	12.5%

Table 4.22 - Findings of Distinguishing Factors

Table 4.22 summarises the findings from the interview which is based on what was cited by the gym owners or managers from eight different boutique fitness studios. The most frequent factor that distinguishes them from other boutique fitness studios is Product & Services (87.5%), whereas Leadership Influence (37.5%), CRM was (25%) and Staff Performance & Involvement is (12.5%).

Question 2:

What is your marketing approach? (Customer retention/ Customer acquisition)

THEMES	PERCENTAGE
Customer Retention	50%
Combination	50%

Table 4.23 - Findings of Marketing Approach

From Table 4.23, it can be seen that 50% of the interviewed boutique fitness studios focused fully on customer retention in their marketing approach while 50% combined both acquisition and retention in their marketing approach.

Question 3:

Which factors facilitate the development of quality relationship between the member and the fitness gym

THEMES	PERCENTAGE
Communication	50%
Community	50%
Value Creation	37.5%
Safe & Comfortable Environment	25%
Mutual Trust	25%
Appreciation	12.5%
Transparency	12.5%

Table 4.24 - Factors Facilitating Development of Quality Relationship

From Table 4.24, it can be seen 50% of the gym owners and managers find Communication and Community to facilitate the development of quality relationship

between members and the fitness gym. The other factors include Value Creation (37.55), Safe and Comfortable Environment (25%), Mutual Trust (25%) as well as Appreciation (12.5%) and Transparency (12.5%).

Question 4:

Which factors discourage the development of quality relationship between the member and the fitness gym

THEMES	PERCENTAGE
Drop of Quality Service	50%
Rigid	37.5%
Coach Prioritize Selling	37.5%
Coach Flakiness	37.5%
No Trust	37.5%
No Community	25%
No Room for Advancement of Improvement	12.5%
No Results	12.5%

Table 4.25 - Factors Discouraging Development of Quality Relationship

Findings in Table 4.25 shows that 50% of gym owners and managers that were interviewed found Drop of Quality Service to be the main factor for discouraging development of quality relationship followed by Rigid, Coach Prioritising Selling, Coach Flakiness and No Trust with 35% each, as well as No Community (25%), No Room for Advancement of Improvement (12.5%) and No Results (12.5%)

Question 5:

Has the team ever calculated the customer lifetime value of its members?

THEMES	PERCENTAGE
Yes	75%
No	25%

Table 4.26 - Findings on Whether Customer Lifetime Value is Calculated

Table 4.26 shows that the majority of the gym owners and managers calculate the CLV of its members (75%) while 25% do not.

Question 6:

How would you describe a quality relationship between a member and the fitness gym?

THEMES	PERCENTAGE
Provision of Referrals	87.5%
Frequency in Attendance	62.5%
Participation	62.5%
Interaction & Engagement on Social Media	62.5%
Results	50%
Open Communication	25%
Mutual Trust	25%
See Value	25%
Loyalty	12.5%

Table 4.27 - Findings on Description of Quality Relationship Between Member and Fitness Studio

Table 4.27 shows the findings cited by gym owners interviewed that the majority of them describe a good quality relationship filled with Provision of Referrals (87.5%), Frequency in Attendance (62.5%), Participation (62.5%), Interaction and Engagement on Social Media (62.5%). Other descriptions include Results (50%), Open Communication (25%), Mutual Trust (25%), See Value (25%) and Loyalty (12.5%).

Question 7:

What are the consequences of a quality relationship between a member and the fitness gym?

MAIN THEMES	PERCENTAGE
Word of Mouth	87.5%
Referrals	50%
Results	50%
Retention	37.5%
Positive Energy	37.5%
Reviews	12.5%

Table 4.28 - Findings on Consequences of Quality Relationship Between Member and Fitness Studio

Table 4.28 showed the main consequences that the gym owners find from quality relationship with members which is Word of Mouth (87.5%), Referrals (50%), Results (50%), Retention (37.5%), Positive Energy (37.5%) and Reviews (12.5%).

Question 8:

How do you develop a quality relationship with members?

MAIN THEMES	PERCENTAGE
Community	62.5%
Good Experience	62.5%
Creating Connection	50%
CRM	50%
Equal Treatment	37.5%
Helping Attitude	37.5%
Appreciation	25%
Improving knowledge and skills	25%
Trust	12.5%

Table 4.29 - Findings on Method of Developing Quality Relationship Between Member and Fitness Studio

From Table 4.29, it can be seen that fitness studio owners and managers find Community (62.5%) and Good Experience (62.5%) to be a high method of developing quality relationship between members and studio followed by Creating Connection (50%), CRM (50%), Equal Treatment (37.5%), Helping Attitude (37.5%), Appreciation (25%), Improving Knowledge and Skills (25%) and Trust (12.5%).

Question 9:

How many points of contact are normally encountered by a member?

MAIN THEME	PERCENTAGE
Email	100%
Whatsapp	100%
Social Media	100%
Interaction During Class	100%
Website	100%
Front Desk	62.5%
Consultation	50%
Appreciation Gifts	37.5%
Newsletter	37.5%
Social Gatherings	37.5%
Private Facebook Group	25%
EDM	12.5%
Blog	12.5%
Sugar WOD	12.5%

Table 4.30 - Findings on Points of Contact Between Member and Fitness Studio

From Table 4.30 it can be seen that all of the owners or managers interviewed main point of contact is through Email, Whatsapp, Social Media, Interaction During Class and Websites. 62.5% have Front Desk as point of contact and 50% do Consultations. Other points of contact include Appreciation Gifts (37.5%), Newsletter (37.5%), Social Gatherings (37.5%), Private Facebook Group (25%), EDM (12.5%), Blog (12.5%) and Sugar WOD (12.5%).

Question 10:

To what extent are customer retention goals circulated and understood by everyone in the organization?

MAIN THEMES	PERCENTAGE
Weekly Meetings	50%
In Training	50%
Reminders	37.5%
Monthly Meetings	12.5%
No Activity	12.5%

Table 4.31 - Findings on Extent of Customer Retention Goals Circulated & Understood in Fitness Studio

Table 4.31 showed findings of to what extent customer retention goals were circulated and understood in the fitness studio. 50% circulated through Weekly Meetings and In Training. 37.5% through Reminders and 12.5% through Monthly Meetings while 12.5% had No Activity.

Question 11:

Does management regularly view and assess all operational items to determine if barriers to customer retention exist?

MAIN THEMES	PERCENTAGE
Coach Assessment	75%
Equipment & Facility Check	62.5%
Customer Feedback	50%
Customer Survey	25%

Table 4.32 - Findings on Method of Reviewing & Assessing Barriers to Customer Retention

Table 4.32 showed findings that the majority did do regular viewing and assessment through different methods such as Coach Assessment (75%), Equipment and Facility Check (62.5%), Customer Feedback (50%) and Customer Survey (25%).

Question 12:

What are your methods to discover why a member leaves the gym and what is your next step?

MAIN THEMES	PERCENTAGE
Informal Procedure	62.5%
Coaches' Enquiry	25%
Exit Form	12.5%
CRM System	12.5%
Nothing	12.5%

Table 4.33 - Findings on Method Discovering Why Members Leave Gym

Table 4.33, showed the majority of studios performed Informal Procedures when finding out why a member leaves the gym. Other methods include Coaches' Enquiry (25%), Exit Form (12.5%), CRM System (12.5%) and one of the fitness studios does Nothing (12.5%).

4.8.2 Comparisons Between Companies

Question 1:

What are the distinguishing factors of your fitness studio?

(Organizational Culture, Staff Performance & Involvement, Leadership Influence, Service Quality, CRM, Product & Services)

COMPANY	REPLIES
Studio A	CRM
Studio B	Product & Service
Studio C	Product & Service CRM
Studio D	Product & Service Leadership Influence
Studio E	Product & Service Leadership Influence
Studio F	Product & Service
Studio G	Product & Service Leadership Influence Staff Performance & Involvement
Studio H	Product & Service

Table 4.34 - Comparisons Between Companies on Question 1

Interpretation:

The majority of the boutique fitness studios distinguish themselves through their product and services which through the interviews done it can be seen that although they are boutique fitness studios, each of these studios represent different unique selling points.

Studio A cites, *“You can say one of the distinguishing factors between us and other gyms that I probably know of is that we don't filter them as individuals from ClassPass, or whoever. As soon as you walk into the gym, the team will just treat you as a friend. I guess that's one of the most surprising factors for most people who walk in, because they think like, you know, if you don't have a membership, you'll be treated differently”*

Studio B cited *“I like to think that what we offer is something very unique in terms of We are an inclusive gym”*. Studio C cited *“we do take pride in that because I don't think there is any gym in Malaysia that dedicates as much time and effort into private training. So I will say we are one of the pioneers..we have our own in-house, hybrid coaching systems, and coaches come to Studio C to coach not to be salespeople”*. Studio D said. *“our unique selling point is definitely just all for females only. So, everything here is tailored to the female body. So female coaches for females, because we understand everything the best.”* while Studio F cited. *“that I take it to the next level is tracking how much of this one we put into tracking our clients, where we create special forms to, to track all the data including steps, weight, food, calories. And at the end of the day, the most important thing is I deliver something called a consistency value”*

Studio E found Leadership Influence to be a distinguishing factor with Studio E citing, *“ Leadership, not just from like, between our group leadership, from the instructors themselves, they are all capable individual leaders...when you let people glow in their own way actually helps the group so much”* while Studio G found an evolution of distinguishing factors by citing, *“So, I would say that, like, you know, we kind of have evolved from products and services to, leadership influence, based on the instructors that we have...and then to our staff performance and involvement. So now it becomes like,how Anis is at the front desk, because she's very reasonable, she's always there, she knows what you need, what you do, outside of the studio, and all that...how involved we are as a small studio with our students.”* Studio A found *“creating a great experience”* through CRM is their distinguishing factor where *“everyone is treated the same”*.

It can be assumed that these studios have unique selling points that have very minimal chance of substitution or alternative as these studios create value through their product and services however only Studio G saw an evolution as the studio matures from attracting people through product and services to progressing and retaining customers through the staff performance and involvement.

Question 2:

What is your marketing approach? (Customer retention/ Customer acquisition)

COMPANY	REPLIES
Studio A	Customer Retention
Studio B	Combination
Studio C	Combination
Studio D	Customer Retention
Studio E	Customer Retention
Studio F	Combination
Studio G	Combination
Studio H	Customer Retention

Table 4.35 - Comparisons Between Companies on Question 2

Interpretation:

It can be seen that all of the studios interviewed have customer retention in their marketing approach.

Studio B cites, “ *So I would say 5050. I think the mistake a lot of gyms do is they don't focus on retention. They're very driven on customer acquisition*”. Studio D said, “*Retention For sure. I mean, you know, the dollar cost to attain a new client and*

retain that...” Studio G says, “it’s not obviously, half and half, but it’s a combination of both”.

It can be seen that studio owners and managers do make an effort on realising the importance of retaining customers however it can be assumed that most of the budget goes to customer acquisition. Studio B cites, *“...in terms of where we spend the money a lot more is spent on acquisition because ads can be expensive. But in terms of where we’re focusing our energy, I would say it is 50/50 with sending out the heroes to Wow, and then the cards and the birthday cards, the engagement, the weekly Facebook LIVES and the community activities”.*

Question 3:

Which factors facilitate the development of quality relationship between the member and the fitness gym

COMPANY	REPLIES
Studio A	Communication Safe & Comfortable Environment Coaches Engagement
Studio B	Communication Community Coaches’ Engagement Appreciation
Studio C	Mastering Craft Community
Studio D	Communication Mutual Trust Transparency
Studio E	Safe & Comfortable Environment Community

	Coaches' Engagement
Studio F	Community Value Creation
Studio G	Coaches' Engagement Value Creation
Studio H	Value Creation

Table 4.36 - Comparisons Between Companies on Question 3

Interpretation:

Based on the findings in Table 4.36, Studio K saw the need for mutual trust. *“There is a trust between client and coach that they will come back as they go through different life stages.”*

Studio A, B, C and D believe Communication facilitates the development of quality relationships. Studio F and H found creating value to facilitate the development of quality relationships by Studio F citing, *‘is definitely us trying to create an entire ecosystem...because at the end of the day, we don't want clients going...we want to keep them all within our business and to provide a whole ecosystem.’* Studio G found the need for both value creation and coaches' engagement to work hand in hand by citing, *“ We can run, like, you know, the business in, in the back office in the background, we can brainstorm as much as we can, and we can come up with the most brilliant ideas, but then if the instructor fails to translate it to the customer...the quality of it diminishes very quickly.”*

It can also be seen that Studio B focuses more on customer engagement and interaction on a more social structure *“Nurturing the whole community aspect of it. And the Facebook group that we have is a huge part of it. You know, once a month wishing everybody a happy birthday, Nani writes the cards on all these things, it's part of the relationship building. It's like dating, it's not just Hey, just you know, pay for one dinner and then you get married, actually, it keeps going on”* - Studio B.

Question 4:

Which factors discourage the development of quality relationship between the member and the fitness gym

COMPANY	REPLIES
Studio A	Culture Change Rigid Drop of Quality
Studio B	Rigid Coaches Prioritise Selling
Studio C	Coaches Prioritise Selling No Mutual Trust No Community No Results
Studio D	No Mutual Trust Coach Flakiness
Studio E	Rigid No Mutual Trust No Community
Studio F	Drop of Quality Coaches Prioritise Selling Coach Flakiness
Studio G	Drop of Quality Coach Flakiness
Studio H	Drop of Quality Coach Flakiness No Road to Improvement or Advancement

Table 4.37 - Comparisons Between Companies on Question 4

Interpretation:

It can be seen that the majority of the studios find the quality of the coaches in terms of their attitude and focus reflects on what discourages the development of quality relationships between studio and member. This is because Coaches aside from the Front Desk team represent the studio when in class. Members come to the studio for the classes and the results. If coaches only prioritise reaching their KPIs on sales and not how well they did in the experience of a workout, the quality drops and members will not feel satisfied because there are no results and they lose their trust. Therefore members would rather find alternatives than to stay with a studio. It can be seen that most of the studios find coaches to be the catalyst for discouraging the development of quality relationships.

Studio G cited, *“we can run, like, you know, the business in, in the back office in the background, we can brainstorm as much as we can, and we can come up with the most brilliant ideas, but then if the instructor fails to translate it to the customer...the quality of it diminishes very quickly...macam teachers being human. So basically, like, you know, they can provide a quality relationship, but then because they are human, right, they are subjected to their own, like, you know, like mood swings...”* Studio H cited, *“We're not selling access to equipment. We're selling coaching. So any deviation from that quality coaching or anything that doesn't help to build that side of the relationship, or actively detracts from it”*. Company F cited, *“the sloppiness of the trainer of course the quality t because that affects you know, the quality of service that people get right results....I've had trainers go to the client's car when they are like leaving the parking lot, tolonglah, you know, nak hit sales target nie, but that would immediately kill your relationship with the client.”*

Studio A cites, *“if we are too calculative on certain things, you know, like, for example, moving forward, we are going to charge double or we're gonna charge you're gonna change our payment structure into subscriptions”*.

Question 5:

Has the team ever calculated the customer lifetime value of its members?

COMPANY	REPLIES
Studio A	No
Studio B	Yes
Studio C	Yes
Studio D	Yes
Studio E	No
Studio F	Yes
Studio G	Yes
Studio H	Yes

Table 4.38 - Comparisons Between Companies on Question 5

Interpretations:

The majority of the fitness studio owners or managers interviewed responded to Yes and that they find the importance of CLV in running their fitness business.

Studio G claims, *“it's empirical evidence of the more obscure that like, Okay, if you bring someone on and keep them on, they're worth a lot, a lot more than trying to get new members get new members.”* Studio B says, *“You know how much you can spend buying them ice cream, you know, it's okay”* Studio D answered, *“MindBody has that thing of how much the customer has spent from day one. And we do appreciate the highest vendors that that one for sure. Make them feel appreciated”*. Studio G explains how CLV assists, *“ CLV tells us whether or not we're making enough money to keep and to acquire customers or not”*.

The studios who do not calculate are either oblivious to the calculations or do not know how to utilise the benefits of CLV. *“Not really. Yeah, I didn't use that. It's just like, they're happy that they buy more so they can pay less for your next payment or whatever”* - Studio E.

“Yeah. I know, such things can be calculated, but we never dig into that. Yeah. But we sort of know who the other members are, that it's the highest value, not just monetary value”. - Studio A.

Question 6:

How would you describe a quality relationship between a member and the fitness gym?

COMPANY	REPLIES
Studio A	Frequency in Attendance Participation Results Provision of Referrals Interaction & Engagement on Social Media
Studio B	Frequency in Attendance Participation Open Communication Provision of Referrals Interaction & Engagement on Social Media
Studio C	Participation Results Provision of Referrals Mutual Trust Interaction & Engagement on Social Media
Studio D	See Value

Studio E	<p>Frequency in Attendance</p> <p>Participation</p> <p>Provision of Referrals</p> <p>Interaction & Engagement on Social Media</p>
Studio F	<p>Frequency in Attendance</p> <p>Participation</p> <p>Results</p> <p>Provision of Referrals</p> <p>Interaction & Engagement on Social Media</p>
Studio G	<p>Frequency in Attendance</p> <p>Open Communication</p> <p>Provision of Referrals</p> <p>Mutual Trust</p> <p>See Value</p> <p>Loyalty</p>
Studio H	<p>Results</p> <p>Provision of Referrals</p>

Table 4.39 - Comparisons Between Companies on Question 6

Interpretations:

It can be seen from Table 4.39 that studios identify a quality relationship with frequency of attendance, members’ participation and interaction and engagement of members on the studio's social media.

Studio B gives a clear cut description, *“they're coming for classes consistently. So that means they are utilising the service. Number two would be they are not just utilising but telling their friends about it. And it could be as simple as posting on their social media, And some go on to referring their friends giving the two free classes...communication and is that the customer is happy to come to you and tell you if they can't afford it or if they need to quit rather than they quit and hide away”*

Studio G cites, *“the member keeps like, you know, coming back to you and supporting you and in terms of like, you know, situations like this, where you have a lot of competition they will choose you over competitors. Loyalty, loyalty, definitely here”*.

Studio F states, *“ number one is for a very good relationship is that there has to be the client that needs to be showing up. Number two in terms of a good relationship, this is more of it is more on the personal side where the trainers go out of their way to service the clients”*.

Question 7:

What are the consequences of a quality relationship between a member and the fitness gym?

COMPANY	REPLIES
Studio A	Referrals Retention Results Word of Mouth Positive Energy
Studio B	Referrals Retention Reviews Results Word of Mouth
Studio C	Results Word of Mouth Positive Energy
Studio D	Word of Mouth Referrals
Studio E	Referrals Retention Word of Mouth
Studio F	Word of Mouth Positive Energy
Studio G	Word of Mouth
Studio H	Referrals Results

Table 4.40 - Comparisons Between Companies on Question 7

Interpretation:

All studios see the consequences of quality relationships linking to referrals and word of mouth. This can be assumed that the studios know the benefits of quality relationships that lead to retention and how it can help the business grow without much marketing costs.

“I must say that when I'm taking care of the community, when I'm building relationships, when I'm sending them the text which I put on my calendar to say thank you to 10 heroes every three months. It is with a selfish intention to some extent as it makes it easier for me to ask for a referral”. - Studio B

“It makes you feel like you're worth every penny that the training the client is paying you. And if it makes you feel inspired, and it makes you strive to do better, right? And of course, other positive consequences are that you get to have a great income, revenue, doing something that you really love, you've helped someone else, you live in a legacy. And on the other hand, they get to feel more confident. Their relationship with family might improve with loved ones, might improve the business they might even, you know, end up making more money because they're slightly healthier. They're doing something good for themselves. They make them feel better about themselves. So there's a lot of positive domino effect, you know, happening on both sides” - Studio C

“I think quality is where the client sees the value. And then you obviously get a longer lifetime value data of the member. But the outcome is where word of mouth is the best outcome you want. And that's the only way. The best organic way for it to spread is word of mouth”. - Studio D

“Definitely word of mouth. Definitely. They bring in so many friends because they love the place so much. And they love the instructor so much, they will introduce new people to the place for sure. That's already free. That's all you don't really see us doing marketing”. - Studio E

Questions 8:

How do you develop a quality relationship with members?

COMPANY	REPLIES
Studio A	Community Creating Connection Equal Treatment Good Experience
Studio B	Community Creating Connection Good Experience Appreciation CRM Helping Attitude
Studio C	Community Equal Treatment Good experience Improving Knowledge & Skills CRM
Studio D	Community Creating Connection Good Experience Trust
Studio E	Community Improving Knowledge & Skills
Studio F	Equal Treatment Appreciation CRM Helping Attitude

Studio G	CRM Creating Connection
Studio H	Good Experience Helping Attitude

Table 4.41 - Comparisons Between Companies on Question 8

Interpretations:

In Table 4.41, it can be seen that the majority of the studios interviewed found building the community, creating a connection and providing help is how quality relationships can be developed. It can be seen that Studio B prioritises on appreciating and constantly engaging members through social interaction helps build the relationship.

“We have the heroes to Wow...the birthday cards...the Facebook Lives community features, the emails that you send out the messages that you send, thank you notes, thank you messages. You want to actually go all out and properly help them then so under That umbrella of doing everything you can to help them comes all the other things right of developing the quality relationship it's under the context of We are here to help you and you know what if we can't help you I'll give you a referral, go to this team instead because I think that's really what you want.” - Studio B

Studio C emphasised on, *“continuing to be better and, and continuing to improve on your education so that you can help with their results as well”*

“So the one thing I do, you know, have with my clients is if they will sometimes have a conversation with me that they don't like,” - Studio F

“...to develop a quality relationship is to actually get as much information as you can get from the customer, even before you see them...our CRM covers everything...” - Studio G

“We give a lot of free things...We do a newsletter, you know, we have these goal reviews we have, you know, we're trying to find three outcomes from them. So update on whatever their goals are. And then we'll look at alright. Here's a free solution to get you closer to your goals. Right. Like a good, better, best scenario. (S:Okay) And then Yeah, usually we if they want to get towards something, we'll reference” - Studio H

Questions 9:

How many points of contact are normally encountered by a member?

COMPANY	REPLIES
Studio A	Website Email Whatsapp Social Media Interaction During Class Front Desk Social Gatherings
Studio B	Website Email Whatsapp Social Media Interaction During Class Private Facebook Newsletter Front Desk Social Gatherings Appreciation Gifts EDM Consultation

Studio C	Website Email Whatsapp Social Media Interaction During Class Consultation
Studio D	Website Email Whatsapp Social Media Interaction During Class Front Desk
Studio E	Website Email Whatsapp Social Media Interaction During Class Social Gatherings
Studio F	Website Email Whatsapp Social Media Interaction During Class Front Desk Appreciation Gifts Consultation
Studio G	Website Email Whatsapp Social Media Interaction During Class

	Newsletter Front Desk
Studio H	Website Email Whatsapp Social Media Interaction During Class Private Facebook Newsletter Blog Appreciation Gifts Consultation Sugar WOD

Table 4.42 - Comparisons Between Companies on Question 9

Interpretation:

From Table 4.42, it can be seen that the majority have similar points of contact through the usual mediums - email, Whatsapp, interaction during class, front desk, public social media. What differentiates them is the other mediums that are linked to the fitness industry.

To create a more personal point of contact it can be seen that Studio B, C, F and H initiates consultation to get to know a member in a more personal and closer method. It can also be seen that only Studio B and F offers social bonds through appreciation gifts and acknowledgement. Studio H brings social bonding through a Workout of the Day which builds community through working out and reaching a goal. Studio B and H also levels up their interaction through private Facebook Groups making the bonding a more elite and it can be assumed that members feel more inclusive and belong to a 'family'.

It can be seen that Studio A, E and B understands the benefits of social gatherings and how social events like a morning run, Facebook LIVE, trivia games and birthday gifts builds a sense of belonging and social interactions with members building a bond between member and studio outside of classes.

Studio A answered, *“the one thing that we did that we were pretty proud of is our running day... We have a 5am run for all members. It's like a community thing you don't have to pay, you just you just book and show up so we know who's coming.... it's nice that they are getting closer...”*

Studio B answered, *“in our app we can actually blast a notification message . Sometimes we do and we tell them about what's coming up this month is that there's the Facebook Live that you do every Wednesday . of course there's the actual class as well, It's the classes where we take time to talk and not just work out. There's the QOTD there is the chit chat session after which they stay back for like five minutes that is also a point of contact. There are birthday cards which we send them weekly zoom calls”.*

Studio F answered, *“ I have a trainer called Mark, for example, on Chinese New Year he goes, and he buys all the Chinese...And he goes, and he brings it to the clients houses. And for our birthdays, our clients birthdays, we have, you know, giving them out a gift or something like that”*

Studio H cites, *“ we've had like a PR board on what you have accomplished at the gym where you write down, we'll do that. Yeah, you accumulate them over the course of the month. But then we do. In our private Facebook group, we do the bright spot Fridays, the bright side. It's Friday, Tell me your bright spots for the week. what went well...SugarWOD. That, you know, every day. The app everyday has like, you can put an image on it, and you can put any notes or announcements in there. So we'll kind of put it in there.”*

Questions 10:

To what extent are customer retention and loyalty goals circulated and understood by everyone in the organization

COMPANY	REPLIES
Studio A	Reminders
Studio B	Weekly Meeting Monthly Meeting
Studio C	Weekly Meeting In Training
Studio D	Reminders In Training
Studio E	No Activity
Studio F	Weekly Meeting In Training
Studio G	In Training
Studio H	Weekly Meeting Reminders In Training

Table 4.43 - Comparisons Between Companies on Question 10

Interpretation:

It can be seen that the majority of the studios prioritise circulating customer retention through weekly or monthly meetings. Studio C, K and HY takes it a level up by incorporating it in their training which can be assumed that their Organizational Culture is aligned with their Staff Performance and Involvement.

“Whenever a new trainer comes or whenever they will go through a rigorous test, I don't care how qualified you are, how many, there is a certain way we do things. And so the very standard thing, no upselling, no hard selling. We ingrained our coaches from a very early point that if you lose a client, I mean, like if they go

there are two checkpoints. Are they leaving? Because they're unhappy with your service? This is so then we gotta look into why” - Studio D

“Our instructors are trained for it. They know, like, you know, what, how, how we conduct ourselves at the studio, what needs to be said, what cannot be said...when we are still in the studio, we do performance review, every three months, we talk to like, teachers who are underperforming on how we can decrease the churn in their class. I would say every quarterly, if not, every half a year in terms of refreshing their training pointers that we do at the studio, the expectations and this is your performance, how will we get it as close as possible?” - Studio G

“We do start with our front desk team, we do you know go through with them in terms of like basic training in terms of like, you know, when a customer comes in, you know, greeting them and stuff. We do have training sessions that we do go go through it, but in terms of like, again when clients come in, the best way to keep them around is we advise our whole team is you know, to just project that warmth and that welcoming feeling and even further - Studio F

Questions 11:

Does management regularly view and assess all operational items to determine if barriers to customer retention and loyalty exist?

COMPANY	REPLIES
Studio A	Equipment Check Feedback
Studio B	Coach Assessment Customer Survey
Studio C	Coach Assessment Equipment Check
Studio D	Coach Assessment Equipment Check Customer Survey
Studio E	Equipment Check
Studio F	Coach Assessment Equipment Check Feedback
Studio G	Coach Assessment Equipment Check Feedback
Studio H	Coach Assessment Feedback

Table 4.44 - Comparisons Between Companies on Question 11

Interpretation:

Table 4.44 shows the majority does place importance on assessment on their facilities and trainers to see what they can improve or fix to ensure members have a good experience at the studio. Majority of the studios also pay attention to the feedback of their members which can be assumed that studios try to find the gap between the expectations of the members and the services offered by the studio. Also it can be assumed that owners are privy to the assessment of facilities, equipment and team because it is a boutique fitness studio and owners are privy to the everyday activities because they are always at the studio.

“So when it comes to the coaching department, we have regular, you know, the lectures with the, with the content, every week, actually, every Thursday, we get together for about three hours and we go through troubleshooting.” - Studio C

“Because I am in the gym every day. So I am privy to what goes on...” - Studio D

“I would say we review, I think maybe every week on what we can improve and what we can cut out and what we can add and how we can save money. We do that every week. Customer survey, i think we do once a year” - Studio B

“We do Google Form feedback for new coaches, new classes... we do surveys, yes, but then it's, we try not to do it so often so that we don't turn people off, but then especially when the classes are free, for example, are we collaborating with you know, another partner? We do feedback forms right after the class classes as well” - Studio G

Questions 12:

What are your methods to discover why a member leaves the gym and what is your next step?

COMPANY	REPLIES
Studio A	Informal Procedure
Studio B	Exit Form
Studio C	Informal Procedure
Studio D	Informal Procedure Coaches' Enquiry
Studio E	Coaches Enquiry
Studio F	Nothing
Studio G	Informal Procedure
Studio H	Informal Procedure

Table 4.45 - Comparisons Between Companies on Question 12

Interpretation:

In Table 4.45 it can be seen that most of the studios take informal initiatives to follow up on terminations and find out why members would like to quit; however only Studio A and B takes initiative to find a solution for members.

“There's this girl who left she actually transfer credit to another person and we can allow that as well ah, you know, really flexible in terms of credits package as valid validity paying stuff” - Studio A

“...they do have a termination form that they have to fill out which gives them an opportunity to explain why they're quitting. Not everybody fills that up but some people actually do. that gives us a chance to reach out if anything you know they say

is like financial difficulty then we can reach out and say like hey here's some options for you..." - Studio B

4.9 HYPOTHESIS

Based on the current study, the following are the hypothesis:

H1: Product and Services has a significant impact on Customer Retention

H2: Organizational Culture Employee performance and involvement has a significant impact on customer retention.

H3: Employee performance and involvement has a significant impact on customer retention.

H4: Leadership influence has a significant impact on customer retention.

H5: Customer Relationship Management has a significant impact on customer retention.

Summary Of Research Hypothesis

			Expectation	Perception
Customer_Retention	<---	Product_Service	Not Significant	Significant
Customer_Retention	<---	Organizational_Culture	Significant	Not Significant
Customer_Retention	<---	Employee_Performance	Not Significant	Significant
Customer_Retention	<---	Leadership_Influence	Not Significant	Not Significant
Customer_Retention	<---	Customer_Relationship	Not Significant	Significant

Table 4.46 Summary of Research Hypothesis

Table above shows the results from expectation and perception data. Based on this result, both expectation and perception of respondents agree that Service Quality has a significant impact on Customer Retention. Under expectation perspective, the Organizational Culture is seemed important for Customer Retention but this effect is not important under perception perspective. Nonetheless, the perception perspective has a more significant effect than expected results. Only two effects from Leadership Influence and Organizational Culture do not contribute to Customer Retention.

4.10 RESEARCH QUESTIONS

The following are the Research Questions (RQ) of the current research:

RQ1: What is the impact of Product & Services to Customer Retention?

RQ2: What is the impact of Organizational Culture to Customer Retention?

RQ3: What is the impact of Employee Performance & Involvement to Customer Retention?

RQ4: What is the impact of Leadership Influence to Customer Retention?

RQ5: What is the impact of CRM to Customer Retention?

RQ6: What is the relationship between Customer Lifetime Value and Customer Retention Strategies?

4.10.1 Research Question 1

What is the impact of Product & Services to Customer Retention?

The current research studied the impact of product and services to customer retention. The expectation and perception of product and services were studied and analysis found product and service did not have a significant impact in the expectation section of the research but had a significant impact in the perception section leading to a positive impact towards customer retention.

Therefore, the service quality dimension of product and service has a significant impact towards customer retention.

4.10.2 Research Question 2

What is the impact of Organizational Culture to Customer Retention?

The current research studied the impact of organizational culture to customer retention. The expectation and perception of product and services were studied and analysis found organizational culture had a significant impact in the expectation section of the research but did not have a significant impact in the perception section leading to a negative impact towards customer retention.

Therefore, the service quality dimension of organizational culture does not have a significant impact towards customer retention.

4.10.3 Research Question 3

What is the impact of Employee Performance and Involvement to Customer Retention?

The current research studied the impact of employee performance and involvement in customer retention. The expectation and perception of employee performance and involvement were studied and analysis found employee performance and involvement did not have a significant impact in the expectation section of the research but had a significant impact in the perception section leading to a positive impact towards customer retention.

Therefore, the service quality dimension of employee performance and involvement has a significant impact towards customer retention.

4.10.4 Research Question 4

What is the impact of Leadership Influence to Customer Retention?

The current research studied the impact of employee performance and involvement in customer retention. The expectation and perception of employee performance and involvement were studied and analysis found employee performance and involvement did not have a significant impact in the expectation and perception section of the research leading to a negative impact towards customer retention.

Therefore, the service quality dimension of leadership influence does not have a significant impact towards customer retention.

4.10.5 Research Question 5

What is the impact of Customer Relationship Management (CRM) to Customer Retention?

The current research studied the impact of employee performance and involvement in customer retention. The expectation and perception of Customer Relationship Management (CRM) were studied and analysis found Customer Relationship Management (CRM) did not have a significant impact in the expectation section of the research but had a significant impact in the perception section leading to a positive impact towards customer retention.

Therefore, the service quality dimension of Customer Relationship Management (CRM) has a significant impact towards customer retention.

4.10.6 Research Question 6

What is the relationship between Customer Lifetime Value (CLV) and Customer Retention Strategies?

The current research studied the relationship between CLV and customer retention strategies through the qualitative research on the gym owners using semi structured interviews. Through the analysis there was a positive relationship between CLV and customer retention strategies and how gym owners utilized the calculation of CLV to determine their marketing approach which leads their effort more to customer retention than customer acquisition.

Therefore, CLV has a positive relationship towards customer retention strategies.

4.11 THEORETICAL FRAMEWORK

The figure below shows the theoretical framework for the current research.

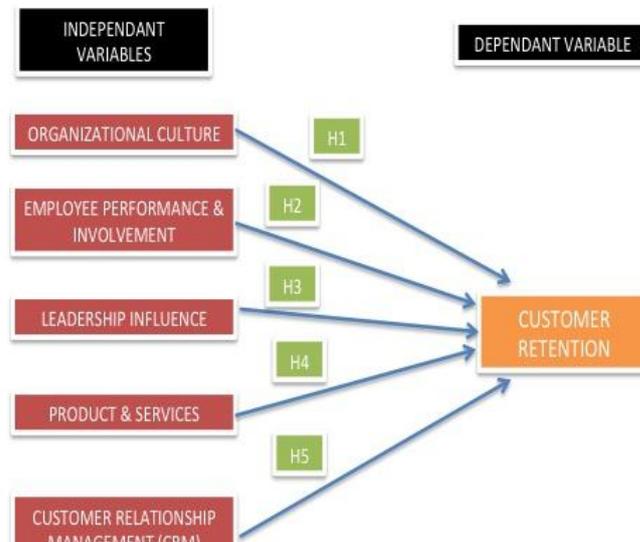


Figure 4.69: Theoretical Framework

Based on Figure 4.69 above, the independent variables are Product and Services, Organizational Culture, Employee Performance and Involvement, Leadership Influence and Customer Relationship Management (CRM) and the dependant variable is customer retention

From the research , Hypothesis (1), Hypothesis (3), and Hypothesis (5) are supported while Hypothesis (2) and (4) were not. It can be assumed that Hypothesis (2) and (4) may not have been supported because of several reasons. Firstly, the current business research was done during the pandemic COVID-19, where many members were forced to workout virtually at home. Therefore, the impact of organizational culture (Hypothesis 2) and leadership influence (Hypothesis 4) were minimal culture.

Secondly, both factors – organizational culture and leadership influence have a bigger influence when it has a physical interaction rather than a virtual touch. For example, organizational culture is reflected through the fitness studios artifacts, its atmosphere, its displayed values at the gym and the physical service and procedures

executed. This cannot be 'displayed' as most of the classes were done at the homes of the coaches that may not portray the actual 'feeling' of the fitness studio therefore, respondents did not feel the significance of the culture to be the reason for them continuing their membership at the fitness studio. Leadership influence was also very minimal as coaches had very little interactions with the members as most or all classes were done via Zoom or social media platforms such as Facebook Live or Instagram Live. Members are kept muted and some do not even turn on their camera, therefore there is less engagement and interaction via Zoom or no interaction at all if classes were done via Facebook Live or Instagram Live with the coach. Hence why, the influence of the leaders (coaches) did not make a significant impact on members' retention.

This shows that only Product and services, employee performance and involvement as well as Customer Relationship Management (CRM) has significant impact towards Customer Retention which then has an impact of CLV.

4.12 SUMMARY

Based on the findings it can be seen individually the five factors hypothesised do have a significant relationship with customer retention. However, when analysed as a pool, it can be seen that product and services, employee performance and involvement and Customer Relationship Management (CRM) has a more heavier significance to customer retention then organizational culture and leadership influence. These findings can be assumed that boutique fitness studios members not only crave more on specialised, unique and trending workouts but are also willing to pay a premium for relationships created throughout their membership at the fitness studio. The analysis also shows the gap between the perception of value through service quality between members and fitness studio management. Therefore, it can be assumed that management needs to ‘wake up’ and find ways to identify the gap through surveys and feedback in order for them to be able to offer what their members truly value in order for them to benefit from the retention of members.

The findings also show how significant in person or physical workouts are to the sustainability of the fitness studios because what differentiates one boutique fitness studio from another is the studios’ organizational culture and leadership influence. During this pandemic, it is quite a challenge for the studios because without being able to ‘show off’ their competitive advantage through these service quality dimensions it is up to the employees; the virtual front desk, the social activities through social media platforms such as virtual trivia nights, weekend virtual chats and the engagement of the management through their Customer Relationship Management (CRM) system to be able to convince the members to continue their membership during the challenging period of the pandemic COVID-19.

CHAPTER FIVE

5.0 DISCUSSION

The current research is a study of customer retention strategies to create customer lifetime value in the fitness business. In this thesis the perspective of both fitness studio members and boutique fitness studio owners were studied.

5.1 IMPORTANCE OF CUSTOMER RETENTION

Customer retention is important for the sustainability of a business. This research which also interviewed fitness studio owners found that by investing in existing clients, the business gets better returns and experiences faster growth than when acquiring clients.

The current research showed results that when fitness studio members have a high perception of value from the service quality dimensions, members are willing to continue their membership with their respective studio and they purchase other types of fitness services provided by the studio. This both sustains and increases revenue and profits for the business as retained customers are willing to continue their purchases, willing to pay a premium and willing to buy other types of services provided by a business as proven by previous researches (Cláudia Dias et. al, 2019; Stewart, 2019, Weinstein, 2002; Lam et. al, 2005; Fripp, 2014; Murphy & Murphy, 2002). Retained customers, because they are satisfied with the service received, are willing to talk favourably about the business and refer other people to the business therefore increasing both market share and profits of a business (Hawkins & Hoon, 2019; Weinstein, 2020; Eiben et. al, 1998). When members purchase more and business is able to cross sell as well as upsell (Farquhar, 2004; Njenga, 2010) to their existing customers this increases the customer lifetime value of the business' customers.

Previous studies have found that retained customers become assets to a business as they make an impact not only on profits but also the costs of a business. In terms of costs, existing customers are cheaper to manage and need less effort to

educate because customers are already accustomed to the procedures and processes of the business (Stewart, 2019). Therefore, businesses spend less on administrative and transaction costs of ‘onboarding’ customers into the system (Bahri-Ammari & Bilgihan, 2010; Dias et. al, 2019; Njenga, 2010; Eiben et. al, 1998). Acquisitions costs are also minimised as business do not need to ‘replace’ churned customers or add extra investment in acquisition budgets (Oliver, 2003; Reichheld, 1996; Gupta & Basumatary, 2017) as retained customers not only continue to purchase from business but also become more involved like ‘marketers’ of the business by referring and producing positive word of mouth to others without wanting any commission or referral bonuses from business (Reichheld, 1996; Cláudia Dias et. al, 2019; Yuliantoro et. al, 2019). This then reduces the cost of business as they do not need to pay out additional referral or commission fee (McDougall, 2001; Reichheld, 1996; Roberts-Lombard, 2006).

Retained customers also reduce the cost of product research and development as loyal customers are ever ready to assist in giving ideas and feedback on developing product and services and the systems around it (Palma et. al, 2019; Gummesson, 2004). This is aligned with the results of the current research when member respondents were willing to say positive word of mouth about their respective fitness studios and are also willing to refer their friends and family to the fitness studio. The gym owners and managers that were interviewed also stated that members who have a relationship with them are willing to provide feedback in order for the studio to improve on their product and services. With these outcomes, fitness studios can minimise or allocate their acquisition resources to other areas in need of investment (Muchardie et. al, 2019). This also in turn increases customer lifetime value of the members in the fitness studio as they increase profits and decrease costs for the business.

Businesses need to comprehend that there are many different types of customers (Stewart, 2019) both short term and long term and those who may not want to “bond” or to be loyal to a brand even though they are satisfied with the product or service provided by the business. Therefore, proper identification on keeping the right quality customers is essential (Glady et. al, 2009) in order for the

strategy to work and be beneficial to both parties and also because it is not rewarding to maintain every customer as it too can be costly (Anderson & Mittal, 2000).

It is important for a business to have a sound and concrete customer retention strategy and realise that acquisition strategies and customer retention strategy are two different approaches (Yi et. al, 2020). A structured and well planned customer retention strategy includes plans and methods of customer identification and registration, segmentation, reward design and program maintenance operations (Soleimani et. al, 2021; Morgan et. al, 2000). Management needs to also understand that a good retention strategy must be complex enough so that it is difficult to replicate by competitors which prioritise in providing high value, generate trust and bring customers close through frequent and high quality communication which will result in customer loyalty (Goncalves, 2019; Yi et. al, 2020; Moody, 1993; Morgan et. al, 2000).

5.2 SERVICE QUALITY VS CUSTOMER RETENTION

The current study compared and analysed both the expectation and perception of service quality and how it influences the members intention to stay with the fitness studio. The current research showed the service quality dimensions that influence members of the fitness studio to stay during the expectation phase may not be significant, and once they have experienced those service quality, their perception may change and this perception of these dimensions is what impacts their decision to stay loyal to the fitness studio.

Previous studies have shown how products and services have a significant impact on customer retention. Macintosh & Doherty (2007) states that the fitness industry lies in a servicescape environment where its space, the facilities, the ambiance, the team defines quality of a business and becomes the factor of a customers satisfaction, retention and profitability and this is also a similar conclusion that other authors have on the related study (Othman et. al, 2019; Yi et. al, 2020; Goncalves, 2019; Jeon et. al, 2021; Gerson, 1999; Nickson et. al, 2002; McCarthy, 2004). The member responses corroborates with the previous research on how the modern looking equipment, visually appealing facilities, variety of programs and the peripheral services has a significant impact towards customer retention. The current study results also agreed with authors of similar related studies that when members expect to receive the right product and perceive to receive a high quality level of service, they will be more loyal and stay with the studio (Macintosh & Doherty, 2007; Huset-McGuire et. al, 2003; Venetis & Ghauri, 2004; Crespo et. al, 2019; Foroughi et. al, 2019). This current research results is aligned with the studies of Macintosh & Doherty (2007), and how the physical service environment is the first thing that faces customers and their perception, which is why it is agreed that environment and facilities as well as types of schedule of workouts play a key role in customer retention (Afthinos et. al, 2005; Garcia-Fernandez et. al, 2018; Greenwell et. al, 2002; Lee, 2017; Ghadiri et. al, 2021; Othman et. al, 2019; Yi et. al, 2019; Goncalves, 2019).

Organizational culture has a positive link to customer retention in the fitness industry and this has been corroborated by other authors and their studies in the

fitness industry on customer retention (MacIntosh & Doherty, 2007). In the current study it is shown that members find organizational culture to have an impact on their intent to stay with the studio during the expectation section of the research. Customer perception of what is valued in the organization is reflected in corporate artifacts, organization's policies and procedures as well as employee behaviour (Pathiranage, 2019; Madhani, 2019; Maheshwari & Kushwah, 2019; Bailey et. al, 2019; Hatch & Schultz, 1997; Kowalczyk & Pawlish, 2002) and current research has corroborated with the previous studies that the outlook of the fitness studio, its logo and promotional materials as well as past results and goals achieved influences the members intent to stay with the studio. Organizational culture also reflects the brand reputation or image of the organization (Robinson, 2006; Dwivedi et al., 2019; An et. al, 2019) and it influences how consumers interpret the worth of membership (Chelladurai & Chang, 2000; Jamishidi & Rousta, 2021).

Employee performance and involvement has made a significant impact on customer retention and has been proven in both this current research as well as previous studies in the related matter (Ghadiri et. al, 2021; Gummesson, 1987; Athanassopoulou & Mylonakis, 2009). It is agreed that in the service industry, interaction and engagement is essential for the fulfilment of the service and this is corroborated in the current research when respondents intention to stay is impacted by the high level of employee performance and involvement during transactions when employees are informative, prompt, helpful and offer prioritised personal intention (Loureiro et. al, 2019; Dias et al, 2019; Ghadiri et. al, 2021). This engagement and interaction with employees leads to a quality interaction which creates a more personal bond and relationship that has been proven to result in positive outcomes such as increase the use of services, cross selling, positive word of mouth, references and good publicity (Foroughi et. al, 2019; Loureiro et. al, 2019; Dias et al, 2019; Ghadiri et. al, 2021; Crosby et.al, 1990; Boles, 2000). The current research results are aligned with Athanassopoulou & Mylonakis (2009) and Woo and Cha (2002) who found that high quality relationships lead to loyal customers who stay longer with a provider.

Another service quality that has a significant impact on customer retention is leadership influence. It has been proven through previous studies that coaches and

their engagement influences the attendance and the intention of members to continue with a gym (Soekmawati et. al, 2022; Bartha & Perenyi, 2015; Macintosh & Doherty, 2007) Members respond how the ability of coaches to instil confidence, prioritise safety, consistently courteous and knowledgeable personality affects their intention of staying with the studio. This is aligned with previous study by other authors (Afthinos et. al, 2005; Lee, 2017; Liu & Chen, 2012; Glaveli et. al, 2021; Ghadiri et. al, 2021;) who in their research found how members lean towards instructors or leaders of fitness that generate results, have certified knowledge and skills, experience, good reputation, a body type and appearance that portrays a fit body, has accountability towards the members that train under them, have the compassion and the willingness to correct learners' mistakes. Fitness studio owners and managers who have been interviewed corroborate how important coaches' interaction and performance are to both attract and retain members in the studio. Gym owners answered that the trust between members and coaches throughout the lifecycle of members influences the retention of members. This corroborates with the previous study that the engagement by instructors throughout the lifecycle of membership impacts retention (Macintosh & Doherty, 2007; Ghadiri et. al, 2021).

The present research corroborates with previous research that Customer Relationship Management (CRM) has a significant impact on customer retention (Leśniewska, 2014). Customer Relationship Management is definitely a major competitive strategy for the organization and it is used to enhance the interaction with customers creating added value and it has direct and positive relation to marketing performance and customer retention (Arora et. al, 2021; Alipour & Mohammadi, 2011; Soliman, 2001; Wachira & Were, 2016; Navimipour & Soltani, 2016). The current research results through the response of members that their fitness studios provides individualised attention, provide service convenience and have employees who understand the needs of their members and have members best interest at heart proves findings of previous studies that it is a system that integrates all departments in the fitness studio to ensure that the whole team is aligned and is able to monitor, track and influence the activities of customer retention ((Li et. al, 2019; Al-Damour & Hayat, 2019;Leśniewska, 2014). It also corroborates with previous studies that CRM, if implemented well, encourages a relationship with customers and the key to retaining customers lies in relationship marketing (Berry, 1983; Grootenboer, 1994;

Buttle & Maklan, 2019; Guerola - Navarro et. al, 2020; Al-Damour & Hayat, 2019; Arora et. al, 2021; Wong et. al, 2019; Goncalves, 2019). Through the findings of the semi structured interview with the gym owners it can be seen that management do place an importance on social CRM for interaction with members but do not utilise the CRM system wholly to benefit them even more. This is aligned with previous studies that, although important, service management especially Customer Relationship Management is quite deficient in the fitness industry (Tsitskari et al., 2021; Yi et. al, 2021; Hurley, 2004; Lagrosen & Lagrosen, 2007; Alexandris et. al, 2004).

5.3 CUSTOMER RETENTION AND CUSTOMER LIFETIME VALUE (CLV)

Based on the findings of the current research it can be agreed that customer retention is one of the significant predictors of productivity and profitability in the future (Sawyer & Smith, 1999; Lam et. al, 2005; Ishumael et. al, 2019; Jovevski & Vasilevski, 2019; Ortega et. al, 2020; Kumar & Kaur, 2021). Current research shows that members who stay are willing to continue their membership, increase their frequency of attendance, purchase other fitness services, spread positive word of mouth and recommend referrals to the studio. These activities corroborate with customer retention outcomes that lead to the increase of customer lifetime value, monetarily and non monetary benefits which is aligned with previous studies of how customer retention is linked to customer lifetime value (Marmol et. al, 2021; Grossmann et. al, 2019; Bauer et. al, 2003; Reinartz & Kumar 2000; Rosset et. al , 2003; Stahl et. al, 2003; Gupta & Blattberg, 2009).

As mentioned in previous discussion, cost of acquisition decreases as members retained produces referrals for free through their positive word of mouth and cost of transaction and management also decreases as retained members do not need to be acclimated to the procedures and policies of the business. This findings corroborates with previous studies done by many authors regarding acquisition, marketing, sales and termination costs affecting the level of customer lifetime value (Reichheld, 1996; Fernandez et. al, 2017; Pedreno-Santos et. al, 2019; Marmol et. al, 2021; AboElHamd et. al, 2019).

5.4 NOVELTY OF RESEARCH

Previous research done on customer retention and customer lifetime value in Malaysia focused on a variety of industries such as Takaful (Hassan et. al, 2014), retail (Dinesh et. al, 2018), commercial banks (Kong & Rahman, 2022), hotel (Kasim & Minai, 2009) and fast food restaurants (Abd Rashid et. al, 2015; Xiao et. al, 2018). Few of them focused on the fitness industry. Hence, this study is unique in its nature as it highlights customer retention and customer lifetime value in the fitness industry in Malaysia.

Secondly, previous studies on customer retention and customer lifetime value focused on constructs such as customer satisfaction, word of mouth, price sensitivity, repeat purchase, non complaining behaviour, service quality, engagement and physical environment (Gengeswari et. al, 2013; Teik, 2015; Suwono & Sihombing, 2016; Yusof et. al, 2018; Sharmeela-Banu et. al, 2012; Foroughi et. al, 2019) which differed from the constructs in this study which were product and services, organizational culture, employee performance and involvement, leadership influence and Customer Relationship Management (CRM).

Thirdly, the past research in the fitness industry was done in Western and European countries such as Spain, Canada, Greece, Portugal, India, South Korea and the United States of America (Gocłowska et. al, 2019; Emeterio et. al, 2019; Canamero et. al, 2019; Jovevski & Vasilevski, 2019; Dias et. al, 2019; Yi et. al, 2019; Thomas, 2020; Tsitskari & Batrakoulis, 2022; Macintosh & Doherty, 2007; Alexandris et. al. 2004). A few studies in Malaysia focused on examining relationships between process quality, outcome quality, delight, customer satisfaction, behavioural intentions and job satisfaction in the fitness industry (Foroughi et. al, 2019; Drus et. al, 2019) but none focused on the relationship between specific service quality attributes and customer retention towards customer lifetime value which is what this current business research focuses on.

Lastly, there have been previous studies on service quality dimension or attributes and their relationship to customer retention in the fitness industry (Ghadiri et. al, 2021; Othman et. al, 2019; Yi et. al, 2019; Goncalves, 2019; Bailey et. al, 2019;

Pathiranage, 2019; Madhani, 2019; Dwivedi et. al, 2019; Foroughi et. al, 2019; Loureiro et. al, 2019; Dias et al, 2019; Glaveli et. al, 2021; Wong et. al, 2019). However, these attributes were tested separately with other attributes and not with the combination that was proposed in this business research.

The current study found that all service quality dimensions were found to have a significant relationship to customer retention when it was analysed individually. Respondents showed that there is a strong significant importance of service quality dimensions that was chosen (product and services, organizational culture, employee performance and involvement, leadership influence and Customer Relationship Management) towards customer retention on both perception and expectation levels which corroborates with previous studies (Ghadiri et. al, 2021; Othman et. al, 2019; Yi et. al, 2019; Goncalves, 2019; Bailey et. al, 2019; Pathiranage, 2019; Madhani, 2019; Dwivedi et. al, 2019; Foroughi et. al, 2019; Loureiro, Alves & Barbosa, 2019; Dias et al, 2019; Glaveli et. al, 2021; Wong et. al, 2019)

What differentiated the current research and previous research is when these service quality dimensions were analysed in a pool, there was a big gap in what had a significant relationship to customer retention during the expectation and perception level of service quality assessment.

In this business research, it is found that only the organizational culture had a significant relationship towards customer retention at the expectation level of the service quality assessment. This corroborates with previous studies that the culture of a fitness gym - its logo, its attributes, its philosophy, its brand credibility and its management 'way of work' is essential (Pathiranage, 2019; Madhani, 2019; Maheshwari & Kushwah, 2019; Bailey et. al, 2019). The rest of the dimensions were deemed not having a significant relationship towards customer retention. This shows the importance of a fitness gym to have brand credibility and the 'appearance' of a good well established gym for a member to be fully committed at the early stages of retaining their membership.

In the assessment of service quality influence towards retention during the perception level, the results took a twist when only product and services, employee

performance and involvement as well as Customer Relationship Management had significant relationship towards customer retention which corroborates with previous studies (Ghadiri et. al, 2021; Othman et. al, 2019; Yi et. al, 2019; Goncalves, 2019; Othman et. al, 2019; Foroughi et. al, 2019; Loureiro et. al, 2019; Dias et al, 2019; Guerola - Navarro et. al, 2020; Al-Damour & Hayat, 2019; Arora et. al, 2021; Wong et. al, 2019). Organizational culture and leadership influence did not have a significant relationship. This finding is contrary to previous studies where organizational culture (MacIntosh & Doherty, 2007; Chelladurai & Chang, 2000) and leadership influence (Bartha & Perenyi, 2015; Macintosh & Doherty, 2007; Pathiranage, 2019; Madhani, 2019; Bailey et. al, 2019; Dwivedi et al., 2019; An et. al, 2019; Glaveli et. al, 2021; Ghadiri et. al, 2021) leads to customer retention. This could be explained by several reasons.

Organizational Culture

Firstly, it can be seen through the current study that organizational culture was the only service quality dimension that had a significant impact during the expectation stage of the research which had a positive impact on customer retention. This shows that organizational culture places an important role on the first impressions of the studio which is portrayed through the physical appearance of the fitness studio, the material marketing promotions, the logo, the appearance and the first interaction of the front desk rather than influencing members during their entirety at the studio. Secondly, the previous studies were conducted in Western or European countries (Bailey et. al, 2019; Dwivedi et al., 2019; An et. al, 2019; Glaveli et. al, 2021; Ghadiri et. al, 2021). Their results may differ from the current study that was performed in Kuala Lumpur, Malaysia because of the difference in perception of value amongst Asian and European customers. Thirdly, the current research was carried out during the outbreak of the COVID-19 pandemic of which required many members to workout virtually at home for more than a year. This might have reduced the influence of organizational culture because they are unable to see or feel the culture as now they are at home working out therefore the influence of the organizational culture is lesser compared to if they were to have in person classes at the studio itself.

Leadership Influence

The current research was carried out during the outbreak of the COVID-19 pandemic and mentioned previously members worked out virtually at home for more than a year. When working out virtually via Zoom classes, YouTube or IGTV Live through social media there is minimal or no interaction at all between member and coach which minimises the influence of coaches with the members. Social interaction between coaches and members before, during and after classes plays a major role when creating a loyal relationship. However, because of the pandemic and the never ending MCO restrictions, there is less personalised interaction therefore it can be assumed that coaches lose the power to influence members to stay. Although leadership influence is valued, this finding could indicate that leadership influence may not be a factor that would lead to customer retention in Malaysia during the pandemic. Secondly, because of the pandemic, members interact more with the front desk team in getting assistance on their account management or coming in for classes hence why employee performance and involvement becomes more impactful than leadership influence. Thirdly, although the current research met the requirement of participants, the amount may have not been sufficient enough for the factor of leadership influence to have a bigger significance to customer retention.

5.5 MEMBER VS OWNER PERSPECTIVE

The current research sought out to determine what is valuable to fitness studio members and what boutique fitness studios perceive that is valuable to members.

Perceptions on the dimensions of service quality that are deemed valuable are somewhat different between members and gym owners. Looking deeper into the interviews with gym owners, the results show that the majority of the studios assume that product and services as well as leadership influence has a significant impact on member retention. From the quantitative analysis it can be seen that the major dimensions that have significant impact on customer retention is Customer Relationship Management (CRM), employee performance and involvement followed by product and services. This research results corroborates with previous authors that a quality relationship that has both professional and social bonding has a bigger impact especially in a boutique fitness studio where the number of members are small and the whole team has the time to make the effort to get to know the members personally (Foroughi et. al, 2019) and the CRM system can be used to understand and personalise the attention given to the members (Li et. al, 2019; Buttle & Maklan, 2019). This shows that fitness studios need to understand the importance and benefits of quality relationships and how to manipulate the relationship for the benefit of both parties. This is aligned with research findings that companies must create unique value drivers and identify the selected market segments that matter (Soleimani et. al, 2021; Johnson et. al, 1992).

5.6 BOUTIQUE FITNESS STUDIO

Some of the findings of the current research were found to be different to previous research. For example, organizational culture and leadership influence was found to not have a significant impact on customer retention contrary to the findings of various authors (MacIntosh & Doherty, 2007; Chelladurai & Chang, 2000; Bartha & Perenyi, 2015; Glaveli et. al, 2021; Ghadiri et. al, 2021; Foroughi et. al, 2019; Bailey et. al, 2019; Cuong, 2020; Dwivedi et al., 2019; An et. al, 2019)).

This could be explained based on the fact that the fitness studios in the current research falls within the boutique fitness studio category as compared to previous studies that focus on big box gyms. Boutique fitness studios have more direct communication and more intimate relationships with its members which allows management to be more organic, personalised and less formal (Gilboa et. al, 2019)

Therefore, findings in current research may not be fully comparable to those carried in big box gyms where circumstances may be different. These findings in the current research may also be new insights in terms of service quality dimensions in the boutique fitness industry since practices of boutique gyms are more personalised and informal, as well as the fact that there is minimal researches focused in the study of customer retention strategies to create customer lifetime value in boutique fitness studios.

5.7 IMPLICATIONS OF STUDY

The current study has findings that bring implications in terms of academic theory as well as management practices which will be discussed in the following respective sections.

5.7.1 Theoretical Implications

The current study adopted the concept of perception of service quality in determining the retention of members in boutique fitness studios. Service quality dimensions that were predominantly used in the fitness industry were used as the contents of service quality to be tested on its fulfilment and how it relates to customer retention as suggested by Zeithaml et. al (1996). The service quality dimensions include product and service, organizational culture, employee performance and involvement, leadership influence and CRM (Schein, 1985 & MacIntosh & Doherty, 2007; Gummesson, 1987; Athanassopoulou & Mylonakis, 2009; Bartha & Perenyi, 2015; Kumar & Reinartz, 2006; Leśniewska, 2014; Ghadiri et. al, 2021; Othman et. al, 2019; Yi et. al, 2019; Goncalves, 2019; Bailey et. al, 2019; Pathiranage, 2019; Madhani, 2019; Dwivedi et. al, 2019; Foroughi et. al, 2019; Loureiro et. al, 2019; Dias et al, 2019; Glaveli et. al, 2021; Wong et. al, 2019; Goncalves, 2019).

The current study found that overall service quality dimensions have a significant relationship to customer retention except organizational culture and leadership influence which is contrary to previous studies as both these dimensions were found to be significant to customer retention. Details of these findings have been discussed in the previous section.

The findings of this study show that research models that utilises the concept of service quality - intention link can indeed determine the effect of customer retention (Zeithaml et. al, 1996). In studying the retention of customers and the perception of service quality dimensions, it is imperative to include the perspectives from both sides to identify the gap between perceptions of which was done in current research. Once identified, the gap can be understood and rectified.

The current research addresses the need to investigate boutique fitness gyms that were not included in previous studies as commercial gyms were used. Therefore, contextually these results may have not translated to other health and business models or other service industries (Ong, 2015). The current research also addresses the need of dimensions to study the motivational needs which are translated into behaviour and how the members would be engaged with a fitness studio when retained (Ong, 2014; Sekiguichi, 2005).

The current research addressed the study of organizational culture that was suggested by previous research (Ahmad & Buttle, 2002; Pathirana, 2019; Madhani, 2019; Maheshwari & Kushwah, 2019; Bailey et. al, 2019) and how it could be a significant contextual attribute that shapes the choice of customer retention strategy. The present study also establishes the influence of service quality on retention and how not all attribute have influence on retention (Goncalves & Diniz, 2015)

Through the analysis of the perspective of gym owners on service quality and customer retention, the current study showed that despite enormous attention that has been paid to customer retention in academic and management press much is lacking in practice. Many claim to consider customer retention is important but business objectives do not define it well or have any measurement for customer retention. This statement corroborates with many previous studies that proved customer retention is weak, non-existent or not understood by its management and employees (Yi et. al, 2019; Yi et. al, 2019; Tsitskari et. al, 2021; IHRSA, 2020)

5.7.2 Managerial Implications

Customer retention strategies that leverage the value of service quality aspects can contribute to client retention and loyalty (Goncalves, 2019; Yi et. al, 2019; Othman et. al, 2019; Iwasaki & Havitz, 2004; Zeithaml, 2000) especially when members feel they are receiving good value for money (Weinstein, 2020; Ozdemir & Yildiz, 2020; Othman et. al, 2019; Ortega et. al, 2020; Chayomchai & Charnarpas, 2021; Ham et. al, 2003; Venetis & Ghauri, 2004). In the current research it has been found that some service quality dimensions have significant relationships in achieving customer retention. This includes product and services, employee performance and

involvement as well as CRM which corroborates with previous studies done (Macintosh & Doherty, 2007; Gummesson & Athanassopoulou & Mylonakis, 2009; Kumar & Reinartz, 2006 & Lesniewska, 2014; Ghadiri et. al, 2021; Othman et. al, 2019; Yi et. al, 2019; Goncalves, 2019; Othman et. al, 2019; Foroughi et. al, 2019; Loureiro et. al, 2019; Dias et al, 2019; Guerola - Navarro et. al, 2020; Al-Damour & Hayat, 2019; Arora et. al, 2021; Wong et. al, 2019). Organizational influence and leadership however did not meet the significance contrary to previous study (Schein, 1985 & MacIntosh & Doherty, 2007; Bartha & Perenyi, 2015; Pathiranage, 2019; Madhani, 2019; Bailey et. al, 2019; Dwivedi et al., 2019; An et. al, 2019; Glaveli et. al, 2021; Ghadiri et. al, 2021).

From the statement above it can be assumed that several customer strategies can be adopted but management needs to understand what kind of variable affects retention behaviours such as the perception of attributes (Green, 2005) and expectations (Alexandris et. al, 2004). The owners or management of the fitness studio needs to find ways to distinguish their studio by understanding and fulfilling member's needs and expectations (Tsitskari & Batrakoulis, 2022; Foroughi et. al, 2019; Oh & Lee, 2010; MacIntosh & Doherty, 2007).

Products and services are found to have statistical significance in achieving customer retention. The very basis of the fitness industry is its product and services, therefore, it is of utmost importance of finding out what brings value to the customer through products and services provided by the studio through the solicitation of customer feedback to improve the studios' operations (Palma et. al, 2019; Hanks, 2007) Knowing what customers want and how it can be delivered through types of classes, offers of other fitness services and service convenience is vital in order to manipulate relationships to be beneficial to customers in terms of value fulfilment and to studios in terms of customer retention and increase of profitability.

In the current study, there is also a significance in employee performance and involvement and Customer Relationship Management (CRM). This shows that service provision in fitness is complex and unique that requires physical interaction and engagement between members and management with members actively involved in production and consumption of service (Chang & Chelladurai, 2003; Lagrosen &

Lagrosen, 2007; Foroughi et. al, 2019; Loureiro bet. Al, 2019; Dias et al, 2019; Ghadiri et. al, 2021; Buttle & Maklan, 2019; Guerola - Navarro et. al, 2020; Al-Damour & Hayat, 2019; Arora et. al, 2021; Wong et. al, 2019; Goncalves, 2019). Therefore it is imperative for management to recognize the significance and value of employees, train, guide and motivate them so that it guarantees that they can respond appropriately, work hard and enthusiastically to provide the appropriate service to members (Yi et. al, 2019; Tsitskari & Batrakoulis, 2022). It is also important to utilise the Customer Relationship Management (CRM) system holistically to benefit from its uses and how it can be used throughout the studio and its departments, by aligning and disseminating the right information in accordance to the business objective of the studio.

The current study showed that there is incongruence between the perception of value of service quality between members and management of the studio. Moreover, it was found that no two companies have the same results which emphasises the importance of identifying perceptions and wants within the studio and its customers rather than just using general assumptions and strategies. Management must understand customer expectation and perception of quality and therefore requires management to learn extensively about the market and their target customers which often requires finding and overcoming organizational culture, procedural and learning barriers (Tsitskari & Batrakoulis, 2022; Soleimani et. al, 2021; Woodruff, 1997).

5.7.3 Practical Implications

The implementation of service quality attributes in customer retention strategies can be used as a tool to retain quality members in the studio. However, in order for it to be successful it needs to be valuable to members and fulfil the needs and wants of the members. Therefore, it is imperative that fitness studios identify what service quality attribute is impactful and the current research did just that.

In general, most of the service quality attributes proposed found to be impactful to the retention of members except organizational culture and leadership influence. Firstly, product and services provided in a fitness studio that are modern, convenient, have variety and are visually appealing is essential. Hence, identifying

and selecting what products and services to offer that are aligned with what the members want is important (Foroughi et. al, 2019; Jovevski & Vasilevski, 2019). This can be done through a holistic monitoring system and regularly collecting information on members, competitors and current updates in the market to improve or replace products and services (Tsitskari & Batrakoulis, 2022; Alexandris & Paliatia, 1999).

Next, members value the employee's performance and involvement in being informative, provide prompt service, helpfulness and employees' willingness to provide personalised attention. This shows that employee training is essential to equip employees with the knowledge, skills and communication method to create a long and profitable relationship with members (Almohaimmeed, 2019; Foroughi et. al, 2019). Training should also be provided to ensure that employees are able to adapt to advancement in technology and how to manage customers based on differentiated approaches pertaining to service quality dimensions in different segments (Karatepe, 2011; Yi et. al, 2019) to enable them to assist members efficiently and effectively. The need to motivate and reward employees are also vital to ensure that employees are retained because they have already built trust and confidence with the members and members are accustomed and familiar to the service provided by them (Yi et. al, 2019). Therefore it will be a disadvantage if management were to lose that employee and have to rebuild a new relationship all over again which takes time and effort.

Lastly, a sound CRM helps to create superior value when CRM is used to provide individual attention to members, provide service convenience to members and be able to provide employees enough information in order for employees to understand and provide the best service that has the interest of members at heart (Li et. al, 2019; Rather et. al, 2019). Therefore it is essential that the fitness studios use CRM as a major competitive toll to enhance interaction with customers. The implementation of an effective CRM process will affect the effectiveness of communication with customers and align information disseminated throughout the organization and its employees (Almohaimmeed, 2019; Guerola - Navarro et. al, 2020; Ghadiri et. al, 2021). The need to train employees for them to be able to ensure effective and efficient use of CRM is vital in order for the system to have a competitive edge.

Based on the current and previous research customer retention strategies which incorporate superior customer values with service quality attributes that are wanted by customers enhances customer lifetime values (Weinstein, 2020; Crespo et. al, 2019; Bueno et. al, 2019; Ozdemir & Yildiz, 2020). Therefore, through sound operating and relationship management processes, fitness gyms would be able to have long term competitive advantage and more likely to achieve and sustain profitability (Ortega et. al, 2020).

CHAPTER 6

6.0 CONCLUSION AND RECOMMENDATIONS

6.1 CONCLUSION

Customers are the main asset of a company. The fitness industry is a highly competitive and dynamic market environment and what a fitness studio does to keep members over the next few months may be critical for survival (Gustafsson et. al, 2005). The growth in the industry and well being of members are dependent on membership retention as nothing could rapidly accelerate the continuous growth than improvements in customer retention (Goncalves & Diniz, 2015; Hawkins & Hoon, 2019) It is the manipulation of relationships that enables parties to benefit through long term repeat business (Foroughi et. al, 2019; Yi et. al, 2020; González-Villora & Campos, 2020) Fanjoy and Bureau, 1994; Leong-Yow & Qing, 2006; Chang & Chen, 2007). Customer retention is the single biggest predictor of future profitability (Ortega et. al, 2020; Petrisson, 1993; Reinartz and Kumar, 2000; Kamakura et al., 2003) and the business gets much better returns investing in existing customers than new customers (Bahri-Ammari & Bilgihan, 2019; Almohaimmeed, 2019; Kasabov, 2004; Lam et. al, 2005; Eben, 2000). Studies have shown that improvement in customer retention by even a few percentage points can increase profits by 25% or more and decrease cost by 10% (Kumar & Kaur, 2021; Griffin, 1995, Murphy & Murphy, 2002). Hence why there is greater emphasis on retaining as opposed to constantly seeking new members (Kasabov, 2004; Yi et. al, 2020; Sobreiro et. al, 2021). This was also proven by previous studies relating to the significance of customer retention strategies in the health and fitness industry by IHRSA, FIA and Hildon (Tsitskari et. al, 2014; Cláudia Dias et. al, 2019; Hawkins & Hoon, 2019; Jovevski & Vasilevski, 2019).

Customer retention strategies that leverage the value of service quality aspects can contribute to client retention and loyalty (Goncalves, 2019; Yi et. al, 2019; Othman et. al, 2019; Iwasaki & Havitz, 2004; Meyer & Bluemelhuber, 1998; Zeithaml, 2000) which then creates customer lifetime value especially when retaining

quality and participative customers who want to see a business succeed in order for them to continuously receive the product and service that they need.

Current research showed how products and services, employee performance and involvement as well as CRM has significant relationship to customer retention while organizational culture and leadership influence is not that significant contrary to previous studies (Glaveli et. al, 2021; Ghadiri et. al, 2021; Foroughi et. al, 2019; Bailey et. al, 2019; Cuong, 2020; Dwivedi et al., 2019; An et. al, 2019; Schein, 1985 & MacIntosh & Doherty, 2007; Bartha & Perenyi, 2015). Current findings also show the gap between the members and management's perception of service quality attributes that has a significant relationship to customer retention. This would mean that management of the studio needs to identify and understand what service quality attributes are important and valuable to members (Loureiro 2019; Tsitskari & Batrakoulis, 2022; Foroughi et. al, 2019; Oh & Lee, 2010; MacIntosh & Doherty, 2007). Evaluating and overseeing the whole service environment from the perspective of customers is important as it allows resources to be better allocated to increase customer retention and to improve the competitive advantage of the fitness studio (Jovevski & Vasilevski, 2019; Foroughi et. al, 2019; Kim et. al, 2006; Albayrak and Caber, 2014; McDougall and Levesque, 2000; Petrick and Backman, 2002).

Customer retention leads to customer lifetime value through the actions of loyal, participative retained clients. This can be seen in the statistical findings of the current research through the favourable intention of fitness studio members to continue their membership packages, to purchase other fitness services in the studio, their willingness to spread positive word of mouth and willingness to recommend their friends and family to the studio. These actions corroborate with previous studies how retained customers increase customer lifetime value of a business (Buttle & Maklan, 2019; Almohaimmeed, 2019; Ishumael et. al, 2019; Reichheld & Teal, 1996; Bettencourt, 1997; Blattberg et al., 2001).

The importance of customer retention is emphasised not only to enable business to have a competitive advantage amongst its business peers which cannot be replicated but also enhance the customer lifetime value of the business which then

leads to the sustainability of business through increase of brand reputation, profits, market share, and the decrease of cost (Marmol et. al, 2021; Grossmann et. al, 2019; Bauer et. al, 2003; Reinartz & Kumar 2000; Rosset et. al , 2003; Gupta & Blattberg, 2009).

A proper customer retention strategy has structure that coordinates and integrates function which is as important as a customer centered culture (Goncalves, 2019; Yi et. al, 2020) . Proper selection of recognizing customers that are profitable and retained and customers who should not be served (Reichheld & Sasser, 1990) should be executed. This helps in evaluating customer segments and potential customer values that can be provided. Information systems such as CRM should be implemented which assist in keeping accurate details on customers records to assess value of customers and picking up defectors should be configured in overall business activities. Employees should also be included in the strategy as they are the main contact between member and studio. Therefore, the ability to have more execution power, increasing access to information and adequate knowledge positions the employees to recover situations or assist customers and this ‘internal marketing’ supports the creation of a positive climate where everyone in the organization is working towards keeping customers (Yi et al, 2019; Foroughi et. al, 2019; Reichheld & Sasser, 1990).

It is the managers or in the boutique fitness studio case, the owners who play the most important role in customer retention. Even with the most complex sophisticated customer retention strategy, if the direction from the manager is not clear nothing can succeed. Managers are responsible in establishing what needs to be prioritised and need to make clear to the team that customers are the base of the business’s assets (Jovevski & Vasilevski, 2019; Foroughi et. al, 2019). Managers need to provide direction that is clear so that customers who churn can be recovered and addressed (Reichheld, 1996). Managers need to commit and provide clear signals with appropriate reinforcement required for the service quality, IT and long term perspective (León-Quismondo et. al, 2020). And last but not least, managers need to have the confidence that customer retention is more profitable than customer acquisition in order for any customer retention strategy to be executed.

With the right customer retention strategy, with the proper resources and with the right frame of mind, customer retention will benefit any business and this will then create customer lifetime value which will aid to the sustainability of the business.

6.2 LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

6.2.1 Limitations

One important limitation is the number of respondents that participated in the current studies. Although the number of total respondents is above the minimum suggested number by Saunders et. al (2016), a higher number of respondents will be statistically better as analyses such as CFA are sensitive to numbers. Furthermore, qualitative analysis was used for the findings of semi structured interviews of which human interpretation of themes and no software packages were used.

Attempts were made to recruit a representative sample of members from each facility however a larger participant pool volunteered from one gym as compared to the rest. Given the sizable difference, the disproportionate number of participants could be seen as a reflection of this.

The current research study was confined to a small part of Klang Valley limited to boutique fitness studios in Kuala Lumpur. Therefore, representation for the whole of Malaysia cannot be claimed. Furthermore, the current study was done in the middle of the outbreak of COVID-19 pandemic which may have affected the way the respondents have answered their survey and semi interview questions. Given the topic of research, many fitness studio owners were also reluctant to participate in the current study as some were having to deal with a lot of member termination because of the effect of the pandemic that has made man lose jobs or pay cuts which disallows them from retaining their gym memberships.

Finally, this was a cross sectional study and did not evaluate service quality in a longitudinal fashion which is needed to identify critical changes over time that enables research and managers to satisfy consumers' needs and enhance the fidelity to serve providers (Dias et. al, 2019). Customers want and need changes over time, therefore, findings from a point of time may differ to another point in time. Hence, future studies should consider a longitudinal study which includes collecting data multiple times over a longer period of time to track the changes in service quality. This will also be useful as the current research found to what extent a certain

perceived promise or obligation has been fulfilled but not how the response or reaction of members would change over time.

6.2.2 Future Research

The current research touches on the study of customer retention strategies to create customer lifetime value where service quality dimensions were used to determine the effect of customer retention. Future research should include consumption emotion as independent variables and satisfaction as a moderating variable as proposed by (Syaqirah & Faizurrahman, 2015) to get a more in depth results since retention in the fitness industry is highly influenced by creating relationships whether professional or social relationship.

The current study analysed the link between customer retention and customer lifetime value and how customer retention leads to the increase of customer lifetime value through the actions of retained customers such as increase of purchase, willingness to cross buy, provide referrals and positive word of mouth. The researcher recommends a future research of a more in-depth identification of CLV as suggested by Kumar and Reinartz (2016).

In terms of participants, a variant in client perception and preference and the impact of retention according to key demographics in the fitness industry (gender, age, frequency of attendance and membership length) will help managers to understand how different clients perceive service environments. It is also recommended that future study could be carried out using the same methodology and encompassing all states of Malaysia.

6.3 RECOMMENDATIONS

The purpose of this business research was not only to determine the relationship between service quality attributes and customer retention, but also to generate practical recommendations to participating fitness studios to formulate strategies that would encourage customer retention which leads to customer lifetime value based on findings.

This business research results shows that product and services, employee performance and involvement and Customer Relationship Management have significant relationship with customer retention which corroborates with previous studies (Ghadiri et. al, 2021; Othman et. al, 2019; Yi et. al, 2019; Goncalves, 2019; Othman et. al, 2019; Foroughi et. al, 2019; Loureiro et. al, 2019; Dias et al, 2019; Guerola - Navarro et. al, 2020; Al-Damour & Hayat, 2019; Arora et. al, 2021; Wong et. al, 2019). Therefore, these specified attributes should be included into customer retention strategies.

Statistical findings of the current research showed that there is only a minimal significance of organizational culture and leadership influence towards customer retention. However, based on previous studies (Pathiranage, 2019; Madhani, 2019; Bailey et. al, 2019; Dwivedi et al., 2019; An et. al, 2019; Glaveli et. al, 2021; Ghadiri et. al, 2021) it can be assumed through individual findings of these dimensions it still has an important role to play. As mentioned previously the reason why these dimensions are not as significant as the rest is because the current study was executed during the pandemic of COVID-19 hence the leadership influence by coaches and the culture organizational was also at a bare minimum with members only being able to workout from home. Hence, the influence of culture and coaches are minimal as members are not able to experience the culture 'atmosphere' and personal interaction with coaches. Once the pandemic impact declines, members will go back to their respective studios and that is when organizational culture and leaders' influence will come to play an importance too. There is still a need to be attentive to these two factors and identify strengths and areas of improvement for these two service qualities. Therefore, the need to identify the best practices through qualitative

procedures is vital to ensure superior customer value is offered (León-Quismondo et al, 2020)

When it comes to the findings of perception of service quality and how customer retention creates customer lifetime value to the businesses, the findings of the different studios interviewed showed that there is no same answer but the findings do have similarities.

Studio A prioritises on its members' experience and ensures that every member whether retained or drop ins are treated equally. They have very informal procedures as the team is small therefore all customer services are prompt and with the best interest of the members at heart. However, although Studio A has the members prioritised, they do not have clear business objectives or a concrete customer retention strategy. Because of this, Studio A is unable to reap the benefits of retained customers in order to achieve customer lifetime value. Therefore, it shows that StudioA needs to define their business objective and implement a customer retention strategy that focuses on creating customer lifetime value which is aligned with previous studies (Goncalves, 2019; Yi et. al, 2019; Othman et. al, 2019).

Studio B is an all rounder who prioritises on retaining its customers through various methods of interaction and engagement. They also touch not only professional relationships but also social relationships through social events, may it be virtually or in person. What they do lack is identifying and understanding why customers churn and the next course of action. Therefore, it proves that Studio B needs a much clearer identification of why members leave and undertake actions which can prevent discontinuation or next course of action (García-Fernández et al., 2020).

Studio C distinguishes itself with its product and services by being the leader of its specific professional service and prioritises on Customer Relationship Management (CRM). Studio C also works on its employee performance and involvement as they are aware how important service quality attributes are to customer retention. However, based on the interview performed, they lack identifying and understanding why customers churn and the next course of action. Therefore, a much clearer identification of why members leave and actions to be

taken which either can prevent churn or collect data on churn and how information could be used to improve on future customer retention strategies (García-Fernández et al., 2020).

Studio D is a leading fitness studio for a female specific fitness studio who prioritises their products and services and leadership influence. Staff performance and involvement is also prioritised by Studio D but based on the interview done, it can be seen that there is still a gap in utilising the Customer Relationship Management (CRM) system benefits and the weakness of identifying and understanding why customers churn and the next course of action. Therefore, the need for Studio D to align the Customer Relationship Management (CRM) systems with their business objectives in order for them to utilise the full benefits of CRM is vital. A much clearer identification of why members leave and actions to be taken which either can prevent churn or collect data on churn and how information can be used to improve on future customer retention strategies (García-Fernández et al., 2020).

Studio E's distinguishing factor is unique product and services that prioritises its leadership influence because without the coaches and their skills, Studio E may not be able to retain its members. Based on the research done, Studio E lacks a lot of service quality attributes as it relies more on its coaches to fulfil its customer service and its Customer Relationship Management (CRM) system to book and track attendance of members. Based on this business research, leadership influence does not have a significant relationship to customer retention and Customer Relationship can be used more profitably as it has a significant relationship to customer retention . Therefore, Studio E could take a step back and analyses their business as a whole - starting from their business objective right up to their customer journey and how the management would be able to engage and interact with their members and be able to create a customer retention strategy that creates customer lifetime value which has proven to be successful through a research done by León-Quismondo et. al (2020).

Studio F is similar to Studio C who distinguishes themselves through their product and services and prioritises engagement and interactions in both professional and social relationships. Studio F also answered in the interview that customer retention is prioritised, however a clear customer retention strategy and Customer

Relationship Management (CRM) system has not been properly executed because of the pandemic COVID-19 which constrained them to execute a newly structured strategy. Therefore, Studio F needs to prioritise on fully utilising its Customer Relationship Management (CRM) system and have a much clearer method of identification of why members leave and actions to be taken which either can prevent churn or collect data on churn and how information can be used to improve on future customer retention strategies (García-Fernández et al., 2020).

Studio G was the only studio that saw an evolution of the service quality attributes that members value which begins with product and services to leadership influence and now currently staff performance and involvement. Studio G found the importance of the CRM system and how it can be utilised for the benefits of improving customer lifetime value of its customers. Based on the interview, it can be seen that Studio G definitely has a more structured customer retention strategy which is aligned with its business objective. However, all strong businesses have their weaknesses and like most boutique fitness studios, the identification of why customers leave and the process of termination is informal which leads to minimal or no information of why members are leaving the gym. Based on previous studies the building of more social relationships with social activities can be done to strengthen the bond between studio and member even more than just through social media (Li et al, 2019; Rather et. al, 2019). There is also the need for a more formal exit procedure to enable the studio to identify and analyse the reason for customer churn which allows improvement of service with the data collected (García-Fernández et al., 2020).

Studio H prioritises its products and services, leadership influence and Customer Relationship Management (CRM) system. Staff performance and involvement is not a priority as aside from the cleaner the coaches and the owners are the people who fulfils all member activities in terms of account management or information. Studio G is similar to Studio B and F has created a social relationship with its members through social media that is exclusive for their members through Facebook Group Page and Sugar WOD where they exchange congratulations, inspirational and motivational conversations and fitness tips. One to one and regular check ups on members creates both professional and social bonds which is what

members crave for in these recent times. Based on the research, it can be seen that there is a need for a more formal exit procedure to enable the studio to identify and analyse the reason for customer churn which allows improvement of service with the data collected (García-Fernández et al., 2020).

The key to customer retention is measurement. It is about combining external and internal measurement systems (Njenga, 2010). It is about understanding the needs and the value that members want and meeting those needs (Foroughi et. al, 2019). It is also about meeting both management and employee requirements. There is a need to examine what needs to be improved and what needs to be applied to increase the interactions between employee and member (Foroughi et. al, 2019). Early detection of churn members needs to occur and the calculation of customer lifetime value of members should be performed and proper exit analysis need to be completed (García-Fernández et al., 2020; Hurley, 2004).

This is where a strong and positive organizational culture comes in to influence the goal of retention (MacIntosh & Doherty, 2007; Pathiranage, 2019; Madhani, 2019; Maheshwari & Kushwah, 2019; Bailey et. al, 2019). When the organizational culture is customer centric, the business objective and overall goal will be on building a relationship with customers that is beneficial for both parties. When the organizational culture focuses on satisfying customers, and the right information is provided, employees are able to understand and provide performance and involvement that is related to building a relationship with customers to retain their loyalty to the studio (Tsitskari & Batrakoulis, 2022; Soleimani et. al, 2021).

Based on the results of this business research, the need for fitness studios to understand that no two customers are alike and customers want and need change without announcement. Therefore, it is vital that fitness studios have a more holistic customer retention strategy with the outcome of creating customer lifetime value (Tsitskari & Batrakoulis, 2022; Foroughi et. al, 2019). A well crafted and strategic customer retention program includes plans and methods for customer identification and registration, segmentation, reward design and program maintenance operations (Morgan et. al, 2000; Foroughi et. al, 2019; Jovevski & Vasilevski, 2019).

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APPENDICES

Appendix 1 – Semi Structured Interview Questions

SEMI STRUCTURED INTERVIEW QUESTIONS

1. What are the distinguishing factors of your fitness studio?
(Organizational culture, Staff Performance & Involvement, Leadership Influence, , CRM, Product & Services)
2. What is your marketing approach? (Customer retention/ Customer acquisition)
3. Which factors facilitate the development of quality relationship between the member and the fitness gym
4. Which factors discourage the development of quality relationship between the member and the fitness gym
5. Has the team ever calculated the customer lifetime value of its members?
6. How would you describe a quality relationship between a member and the fitness gym?
7. What are the consequences of a quality relationship between a member and the fitness gym?
8. How do you develop a quality relationship with members?
9. How many points of contact are normally encountered by a member?
10. To what extent are customer retention and loyalty goals circulated and understood by everyone in the organization

11. Does management regularly view and assess all operational items to determine if barriers to customer retention and loyalty exist

12. What are your methods to discover why a member leaves the gym and what is your next step?

Appendix 2 – Survey Questionnaire

GENDER:

- Male
- Female

AGE

- 24 years old and below
- 25 - 35 years old
- 36 - 45 years old
- 46 - 55 years old
- 56 years old and above

INCOME

- Below RM2000
- RM2000 - RM4000
- RM4001 - RM6000
- RM6000 and above

FREQUENCY OF GYM VISITS

- Once a week
- Twice a week
- Three - four times a week
- Five or more times a week

SERVICE QUALITY DIMENSION IMPORTANCE LEVEL

Please rank these factors according to your reasons for choosing and deciding on a fitness studio. 1 being “Unimportant” and 7 being “Very Important”

FEATURE		1	2	3	4	5	6	7
<i>SERVICE QUALITY DIMENSIONS</i>								
R1	Product & Services influences my decision about to continue with a gym”							
R2	Organizational Culture influences my decision about to continue with a gym”							
R3	Employee Performance & Involvement influences my decision about to continue with a gym”							
R4	Leadership Influence influences my decision about to continue with a gym”							
R5	CRM influences my decision about to continue with a gym”							

EXPECTATION SEGMENT

Based on your experience as a member of various fitness boutique studios, please think about the kind of fitness studio that would deliver excellent quality of fitness services.

If you feel a feature is not at all essential choose the Number "1". If you feel a feature is absolutely essential choose the Number "7". If your feelings are less strong, circle one of the numbers in between.

FEATURE		1	2	3	4	5	6	7
<i>TANGIBLES – PRODUCT & SERVICES</i>								
E1	Excellent fitness studios will have modern-looking equipment							
E2	The physical facilities at excellent fitness studio will be visually appealing							
E3	Excellent studio will provide variety of programme							
E4	Materials associated with fitness studios (logo, colors, posters, ornaments, motto, uniforms) will be visually appealing in an excellent fitness studio							
<i>RELIABILITY – ORGANIZATIONAL CULTURE</i>								
E5	When excellent fitness studios promise to do something by a certain time, they will do so							
E6	When members have a problem relates to fitness, excellent fitness studios will show a sincere interest in solving it							

E7	Excellent fitness studios will perform the service right the first time								
E8	Excellent fitness studios will provide their services at the time they promise to do so								
E9	Excellent fitness studio will insist on goal achieving records								
<i>RESPONSIVENESS – EMPLOYEE PERFORMANCE & INVOLVEMENT</i>									
E10	Employees of excellent fitness studios will tell customers exactly when services will be performed (timing of classes, start date of challenges, times of briefings, weigh ins)								
E11	Employees of excellent fitness studios will give prompt service to members								
E12	Employees of excellent fitness studios will always be willing to help members								
E13	Employees of excellent fitness studios will never be too busy to respond to members requests								
<i>ASSURANCE – LEADERSHIP INFLUENCE</i>									
E14	The behavior of instructors of excellent fitness studios will instill confidence in customers								
E15	Members of excellent fitness studios will feel safe in their experiences in classes and at the studio								

E16	Instructors of excellent fitness studios will be consistently courteous with members								
E17	Employees and instructors of excellent fitness studios will have the knowledge to answer customer questions								
<i>EMPATHY - CRM</i>									
E18	Excellent fitness studios will give members individual attention								
E19	Excellent fitness studios will have operating hours convenient for all their members								
E20	Excellent fitness studios will provide convenience in terms of fitness service for all their members								
E21	Excellent fitness studios will have the members best interest at heart								
E22	The employees of excellent fitness studios will understand the needs of their customers								

PERCEPTION SECTION

The following sets of statements refers to your feelings about your own fitness gym. For each statement please show the extent to which you believe your fitness gym has the feature described by the statement.

If you feel a feature is not at all essential choose the Number "1". If you feel a feature is absolutely essential choose the Number "7". If your feelings are less strong, circle one of the numbers in between. There are no right or wrong answers here and we are interested in a number that best shows your perceptions about your fitness studios services.

FEATURE		1	2	3	4	5	6	7
<i>TANGIBLES – PRODUCT & SERVICES</i>								
P1	Your fitness studio has modern-looking equipment							
P2	Your fitness studio's physical facilities are visually appealing							
P3	Your fitness studio has a variety of programmes							
P4	Material associated with the fitness studio (logo, colors, posters, statements) are visually appealing							
<i>RELIABILITY – ORGANIZATIONAL CULTURE</i>								
P5	When your fitness studio promises to do something by a certain time, it does so							
P6	When you have a problem (in regards to fitness, membership concerns), your fitness studio shows a sincere interest in solving it.							
P7	Your fitness studio performs the service right the first time							

P8	Your fitness studio provides its services at the time it promises to do so									
P9	Your fitness studio insists on goal achieving records									
<i>RESPONSIVENESS – EMPLOYEE PERFORMANCE & INVOLVEMENT</i>										
P10	Employees of your fitness studio tells you exactly when services will be performed									
P11	Employees of your fitness studio give you prompt service									
P12	Employees of your fitness studio are always willing to help you									
P13	Employees of your fitness studio are never too busy to respond to your request									
<i>ASSURANCE – LEADERSHIP INFLUENCE</i>										
P14	The behavior of instructors at my fitness studio instill confidence in members									
P15	You feel safe in your experience (classes, programs, service) with your fitness studio									
P16	Instructors and employees are consistently courteous with you									
P17	Instructors have the knowledge to answers your questions									
<i>EMPATHY - CRM</i>										

P18	Your fitness studio gives you individual attention								
P19	Your fitness studio provides convenience in their service								
P20	Your fitness studio has employees who give you personal attention								
P21	Your fitness studio has your best interest at heart								
P22	Employees of your fitness studio understands your specific needs								

CUSTOMER RETENTION & WORD OF MOUTH SECTION

This section relates to the feeling of satisfaction and the after effect of the satisfaction from being a member of your gym. If you feel a feature is not at all essential choose the Number "1". If you feel a feature is absolutely essential choose the Number "7". If your feelings are less strong, circle one of the numbers in between.

FEATURE	1	2	3	4	5	6	7
Next time I will renew my membership with my gym and I am willing to say positive things about my gym to other people							
I will attend this gym in the near future and I am willing to recommend my gym to other people							
The probability that i will purchase other fitness services from my fitness studio is high and I will encourage friends and relatives to become members of my fitness studio							

