

Saimaa University of Applied Sciences
Faculty of Business Administration, Lappeenranta
Degree Programme in International Business

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Social Media Marketing Strategies for Customer Retention in Fitness Industry.

Thesis 2015

Abstract

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The purpose of the study was to investigate the most effective ways of social media marketing that can be applied for customers' loyalty management in fitness industry, as well as particular features, benefits, and methods of these strategies. The main idea is to create appropriate guidelines for the case companies to build social bonds with customer that will positively impact on maintaining communication and retention.

The data for this study were collected from several sources, such as articles, books, and journals. The customer retention process was analyzed on the example of two fitness clubs located in Finland and Spain. The quantitative research method was selected for acquiring data from the two case companies for further analysis and formulation of recommendations.

The results of the study revealed the significance of social media marketing in fitness service management in modern society. A comparison of earlier and more recent studies on customer retention concept helped in investigation of effective strategic approaches that successfully work nowadays. Together with the analysis of the organizations that played a role of examples in the author's case study, a set of general guidelines were elaborated for fitness clubs that disclose some hidden opportunities of social media sites for an improved application of customer retention techniques.

Keywords: social media marketing, customer retention, fitness marketing, customer loyalty, branding, service, gym, quality.

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1 Introduction

1.1 Background of the study

A well-known fact about the Internet becoming a part of today's customer's life does not sound so surprising anymore. Meanwhile, the most progressive entrepreneurs have already learnt the techniques of Web 2.0 and successfully applied them to their businesses. The key feature of Web 2.0 is its dynamic content being created and updated by online users. Shelly and Frydenberg (2010) consider Web 2.0 as a complex of interactive applications that «allow users to participate in contributing, organizing and creating its content with a result of improvement overall site quality». Social media marketing (SMM) has changed recently the manner of communication, interaction, and sharing of information between people. Social media is not a new advertising tool, it is all about creating an interesting content that users would discuss and share. What makes social networks so attractive to the majority of Internet users? The answer is quite simple. It is a joy, or even an euphoria, of being an active participant of online conversations, of having a real possibility to tell people your own story with a simple Internet access.

Building step-by-step close and trustful relationships with a customer becomes an essential part of achieving success in business. Creating a value for customers in SMM is all about engagement with a community. It seems to be easy to understand, but not that easy to do: saying the right things is not enough, these things have to be heard by the community. Clothes retailers, TV/music/film industries, hospitality businesses - those were one of the first to implement social media in their marketing strategies. Fitness industry still remains quite uncovered by social media techniques.

One of the recent researches involved over 2800 marketers and was described in the 2014 Social Media Marketing Industry Report, where Stelzner affirms that:

- 92% of consumers trust peer recommendations of marketers have generated more exposure for their businesses by their social media efforts;

- Facebook has 728 million active users daily what gives an extremely wide audience to the marketing managers worldwide;
- 90% of marketers regularly use Facebook ads;
- 54% claim that Facebook is the most important network;
- relatively 46% of online users rely on social media when making a purchase decision.

The chart below shows some general benefits from using social media marketing identified by the marketers, where increasing exposure and increasing traffic are the top two. Besides, 72% of marketers mention SMM as a method to develop loyal fans, what leads to customer retention.

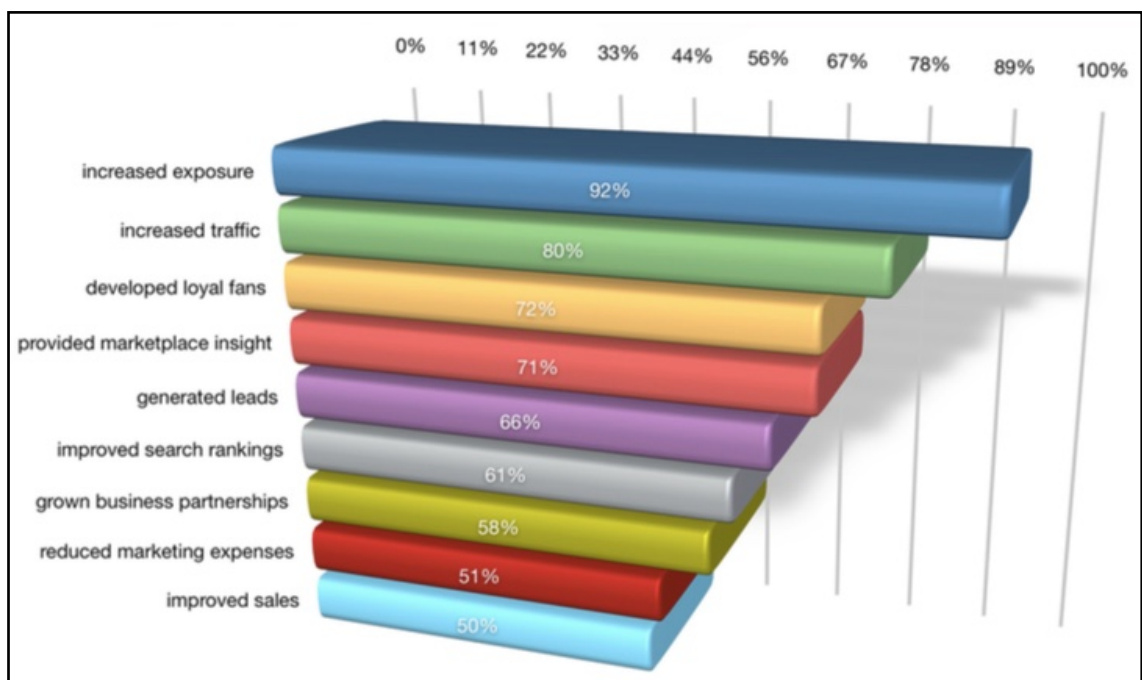


Figure 1.1. Benefits of social media marketing. (SMM Industry Report 2014).

Customer retention strategies are identified as more important by many enterprises nowadays what shows a certain change from a previous approach that was focused on finding new customers. Meldrum and McDonald (2000) point out that for many organizations the process of attraction of new customers consumes too much money while offering too low profitability in return. Thereby the effectiveness of the approach, that is based on the market share dominance

and is supposed to lead to revenue growth and long-term expansion on the market, was doubted. Customer retention turns out to be more beneficial in case the approach is applied correctly and the process is continuously updated according to customer preferences, as it was stated by some industries which profitability levels grew up.

Even though the market strategies have improved a lot since the beginning of 2000s, there are still very few research works made in the field of customer retention in fitness clubs through social media marketing. Due to the fact that social media has been applied to marketing management with positive results not so long time ago by limited number of organizations, it is not surprising that major part of fitness industry still does not enjoy the most of the power of social media.

1.2 Objectives

The first objective of the current research is to acquire a more profound theoretical knowledge of social media marketing (SMM) techniques for fitness club.

The second one is to determine the concept of customer retention and evaluate its best practices that can be implemented in fitness industry. The target of theoretical part of this study is to obtain all the necessary data of both phenomena (SMM and customer retention) in the framework of fitness business in order to develop appropriate guidelines for a fitness club.

Analysis of two fitness clubs, taken as the examples, gives a deeper understanding of how SMM strategies are applied nowadays in real life and how effective and beneficial for the business they are. Therefore, the third objective is to identify advantages and disadvantages of the approaches used for social media to retain fitness club members, as well as to distinguish some general features of SMM techniques for fitness management that have a positive impact.

1.3 Delimitations

First of all, the case companies that are used as the examples in this study are organizations that operate each one on a certain market (Finnish and Spanish), so the results that will be obtained by the author will be limited to the target customer groups in these two countries.

Secondly, fitness management is a broad concept involving many issues and depending on my factors, that is why the study is limited to fitness marketing, and in particular fitness marketing in social networks.

Obviously, social media marketing composes rather substantial part of marketing studies, as the concept is being continuously investigated and completed. Therefore, thirdly, the author plans to limit the study only by those social media networks that are used by the two case companies in their marketing efforts.

1.4 Research questions

The main research problem is described by the author in the following manner: *How social media marketing can be applied to fitness industry in the terms of customer retention strategy?*

The author targets to determine guidelines for SMM planning in the framework of customer relationship management (CRM), as customer retention concept is a part of it. Aiming to achieve this goal, the author searches how to respond the following questions:

- 1) What is customer retention and its importance?
- 2) Which role social media marketing plays in customer retention management?
- 3) What creates customer loyalty in fitness industry and how to retain it?
- 4) What techniques of social media marketing can be applied in fitness management?

1.5 Research method

In order to analyze how effective the marketing efforts performed by the case companies are, quantitative research method is used by the author. The quantitative research is applied due to the measurable nature of social media marketing in a certain context. Through analysis of collected data provided by the companies' managers in the questionnaire of social media effectiveness in their marketing work, the author targets to acquire the necessary information to understand how well social networks work towards customers' loyalty and how to achieve the most of that.

1.6 Structure of the study

The existent study includes two parts: theoretical and empirical. The first mentioned part describes the main concepts, such as customer retention, social media marketing and fitness management, of the research from theoretical point of view in relevance to books, online journals, and Internet websites.

The empirical part is based on practical findings, acquired by the author during the research in case companies: O2 Centro Wellness Neptuno and Etelä-Karjalan Liikuntakeskus Oy Forever. The quantitative research methods is applied to this study, particularly questionnaires with multiple-choice and open types of questions distributed to the managers of the both case companies. According to the collected data in the empirical part, the authors gives suggestions on how to the existing techniques and strategies can be improved for a stable customer retention.

The study is concluded with a summary about general findings and ideas, implications about achieved goal of the research, and recommendations for further research.

1.7 Case companies

The case companies that were chosen to be the examples in this research study are fitness clubs, both forming a part of big fitness club chain.

The first one, Etelä-Karjalan Liikuntakeskus Oy Forever, is a Finnish fitness club, located in Lappeenranta. It is a member of CMS International club chain with 40 fitness centers only in Finland and even more in other countries. The club is located in Huhtiniemi area of the city and is considered to be one of the leaders on the local market. Among the services offered in Etelä-Karjalan Liikuntakeskus are:

- group classes
- gym and women's gym hall
- physiotherapy
- tennis, squash, table tennis, floorball, badminton
- personal training
- classes for seniors
- child Park, sport store, snack bar.

The other fitness club, O2 Centro Wellness Neptuno, taken for comparison, is located in Spain, in the city of Granada. It also forms a part of the O2 Centro Wellness chain which consists of 13 fitness clubs around Spain. The club is situated very close to the city centre and is considered to be one of the biggest in the town. The services offered there are:

- group classes
- gym
- physiotherapy
- tennis (plus classes for children)
- personal training
- spa zone, 2 swimming pools, solarium
- child park, sport store, snack bar.

2 Customer retention

Experienced marketing executives say: customer retention management can be effective in case it is measurable. It sounds so simple but any improvements will be seen only if there is a certain way to calculate them. Meanwhile, the influence of service quality on B2B customers was studied quite deeply, the studies of this phenomena are nor sol well-developed in B2C relationships.

Undoubtedly, long-term relationships with customers lead to a long-term customer retention which fabricates a variety of significant benefits for a company. Bolton et al. (2000) deems that «when customers perceive that they are receiving better quality service for their money, they believe they are receiving “good value”, which increases their loyalty to the service provider».

2.1 Theoretical background

Not to be confused on the topic of customer retention, it is essential to understand the difference between customer loyalty and customer retention. These two subjects are related but not the same. Getting deeper into definitions, the author discovered that **customer retention** is about retaining customers' lifetime value, meaning construction of a strong relationship with customers for future. In simple words defining a potentially successful retention strategy is based on understanding why customers exit and choose one of your competitors. In order to find the reason why, customer's lifecycle should be analyzed. The mentioned lifecycle is a kind of a journey made in a purchasing process by customer. Assimilating this journey in the terms of a particular business sector, opens the new opportunities and uncovers some defects that were the reason of loosing customers.

Lowenstein (1995) in his book about customer retention states that the phenomena refers to retaining a customer along with achieving financial profits from maintenance of long-term stable relationships between the two parties (a company and a customer).

In comparison with retention, **customer loyalty** is a micro concept that is defined customer by customer. It does not show for how long an «active» or

«inactive» customer was in a company's life, like retention does; or it does not let to know how many customers stayed «active» and continued purchasing, as customer retention rate does. In other words, retention rate gives an outline for the status for the entire customer audience, while customer loyalty evaluates the performance of individual customers. Meanwhile, Cohen et al. (2006) indicates behavior of loyal customers as the ones who are more likely to make frequent purchases. Summing up this complicated explanation, the author proposes that retention rate is a relatively easy number to measure that helps to assess the overall company's performance.

Why customer retention should matter something for companies? After reading some annual strategy analyses or marketers' reports, it becomes clear that there is an assortment of benefits offered with successful retention. As it was already mentioned, customer retention-oriented businesses find it more cost-efficient to keep existing customers than finding new ones.

2.2 Loyalty management

Perceived customer value is related to brand and marketing management that indicates that success of a service stands on customers' perceptions if it satisfies their needs or not. Maynard (2010) describes this phrase as emphasizing one that when a company develops its brand and markets its services/products, customers ultimately determine how to interpret and react to marketing messages. Companies spend significant time researching the market to get a sense of how customers think and feel.

There is a direct relation between service quality level and pricing, but these are not the only elements as customers' price sensitiveness and quality demand are also important factors to consider. According to Berry and Parasuraman (1991), service quality is the basis for services marketing, because customers' quality satisfaction depends on how well a service is performed. The researchers suggest five core dimensions that have influence on customers' evaluation of quality, where the first one, reliability, is considered to be the paramount criteria. The dimensions, that were refined from ten by Berry, Parasuraman, and Zeithaml to five, refer to the acronym RATER, are the following:

- reliability - the ability to perform the promised service dependably and accurately
- tangibles - the appearance of physical facilities, equipment, personnel and communication materials
- empathy - the provision of caring, individualized attention to customers
- assurance - the knowledge and courtesy of employees and their ability to convey trust and confidence
- responsiveness - the willingness to help customers and to provide prompt service

The RATER model allows customer service experiences to be investigated and evaluated quantitatively and has been used widely by service organizations.

Concepts of retention and loyalty stand rather close and different information sources even do not mention any difference between them. Actually they do mean quite the same, except that retention considers more behavioral positions, while loyalty concept - attitudes. Oliver (1999) in his analysis of loyalty indicates that consistent purchasing cannot be only a feature of loyalty due to possibility of

Henning-Thurau and Hansen (2000) deem that a competent strategic retention program involves plans and methods for customer identification and registration, segmentation, reward design, and program maintenance operations that may be very resource intensive. As well, they mention that good relationships with customer take time to be built, using both tangible and intangible benefits, what creates more complex attitude-based models. On the other hand, behavior-based ones are easier to apply into real life management as they are usually built on more conspicuous benefits, like economic advantages, in order to stimulate more and more purchases from the same customer.

3 Social Media Marketing

The Internet precipitously «socializes» and it makes up the main trend in nowadays' online environment. There are dozens of thousands of different social networks and services that exist today: communicational, news, professional, video- and blog-based, graphical, etc. Nevertheless, new projects appear in this niche on an every-day basis. The approximate sum of social media platforms exceeds a billion audience of users and in the nearest future is expected to overcome the search engines' audience. There are lots of people now who use Internet only to communicate in their favorite social networks: for these users a certain range of them has become a synonym to the Internet as they get all the necessary information from these social platforms. Not surprisingly, this tendency alerted many organizations to integrate with social networks to get a better access to their target audience. In the beginning social platforms were involved in the marketing management only as the channels to place advertisement online, like banners or text announcement. Later on step-by-step a wider marketing potential of social media was discovered.

3.1 Concept and essential elements of SMM

Social media marketing (SMM) can be described as a form of online marketing that includes a complex of processes and efforts actualized through social media channels and focused on attracting attention to a brand/company/product, expansion of customer target group and its awareness of the brand or product, receiving a feedback from actual customers. The main component of this marketing form is creation of a «message» in social media with a content that will be easily found with the key words by a potential audience. New web technology allows to distribute the necessary content for a wider audience, at the same time making it at less costly for a company. There are many social media instruments that exist today

To be absolutely clear with the definition, it is important to point out that **social marketing** is a different subject to **social media marketing**. Since not so long time ago social marketing has been widespread in many spheres. It is concentrated on exposure of positive social influence, like promotion of healthy

nutrition, charity for children with diseases, sport exercises, or non-smoking lifestyle. These promotions are usually implemented by governmental bodies or public organizations, but also occasionally performed by some commercial enterprises.

The greatest advantage of using social media in business management is target orientation of such marketing, meaning the opportunity to easily find a certain interested audience and deliver the necessary information. Most probably this target audience will turn into a number of potential customers and further into loyal consumers. At the same time social media channels allow to basically not touch on a potentially uninterested audience, and consequently not invest money in promotion for potentially «unprofitable customer».

Social networks possess a set of advantages in comparison to the other online marketing tools (like SEO, content and banner advertisement), as well as in comparison to the traditional advertising channels, such as TV, outdoor advertising, BTL, or product placement. First of all, online users adore sharing interesting for themselves information with their community. With a correct approach this feature of online users' behavior can be used to capture a wider target audience and expand the number of followers.

The greatest advantage of using social media in business is its targeted orientation, meaning opportunity to easier find and deliver right information to a particular interested segment of audience that is likely to become a group of potential customers. At the same time social media marketing permits not to disturb potentially uninterested customer groups, meaning not investing money into «non-profit buyer». One more feature of marketing in social media is that it concentrates not on «a single-purchase customer», but on building long-term relationships with customers, creating a possibility to interact with consumer, to influence on his/her motivation and preferences, to receive feedback and recommendation for a better service quality. Along with that, it creates a possibility to attract new customers who are potentially loyal to a brand due to the positive experience of their friends/relatives who are already consumers of that brand and are able to create a strong brand image.

At this moment it would be relevant to mention **target marketing** that has some similarities with social media marketing. Target marketing is concentrated on a certain segment of potential customers and also on maximal satisfaction of such segment. In a nutshell, this type of marketing is based on market segmentation: splitting a market into segments according to different characteristics and further concentrating company's marketing efforts towards one or several segments that are potentially more likely to bring profit. Due to the fact that marketing activity is focused on something predefined, it turns out to be more cost-effective and easier to promote, distribute, and set pricing strategy. Social media marketing is also a type of marketing where understanding of who forms your segments of potential customers opens new horizons and allows to interact continuously with them.

The figure below represents the share of target market, those who show a strong affinity to a brand, in the overall consumers' universe.

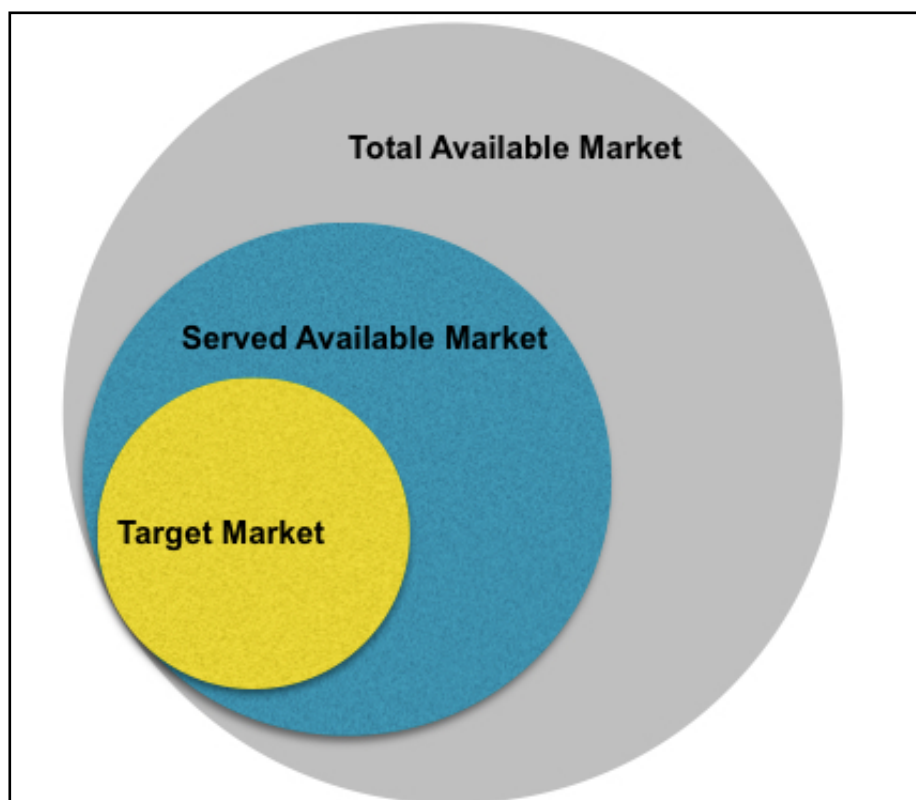


Figure 3.1. Target marketing scope.

There are basically three components that are similar to market division in social media marketing:

- *Total Available Market* - consumers that are potentially reachable by marketing efforts;
- *Served Available Market* - consumers that are possible to reach by particular sales channels of a company;
- *Target Market* - consumers that are more likely to become loyal customers.

The table below shows why managers need to distinguish what they want to use social media for. It is not enough just to have professional business accounts in all of the existing social media networks: it is about supporting «a dialogue» with your customers to follow all their behavioral changes.

	Best media channel to use:				
Reason for usage	Facebook	Twitter	Google+	LinkedIn	Blogs
Communication with customers	Blue	Blue			
B2B network			Blue	Blue	
Brand management	Blue				Blue
Special offers	Blue	Blue			
Awareness expansion	Blue	Blue			Blue
Content share		Blue	Blue		Blue

Table 3.1. Correlation between a type of social media and a reason of its usage.

Social media sites can be classified into categories but actually they do not have very clear frames, that is why they are quite often mixed. Some of them can be grouped into several categories, like those that offer their members to

share photos and write a blog at the same time. According to Zimmerman and Ng (2012), nowadays exist six types of social media platforms, which are classified in the following way:

1. Sites for social content exchange, which includes preparation and distribution of high-quality, relevant and valuable information that is not a sort of advertising but indirectly persuades the audience to choose a product or service. Such type of social networks includes so called «blogosphere», like Blogger, WordPress, LiveJournal, or also YouTube and Vimeo for video sharing, Picasa and Flickr for photo sharing, or Podcast Alley for audio files.
2. Social networking services, originally were developed for communication with friends, relatives, colleagues, but finally evolved into one of the most powerful marketing tools as they were detected to be the fastest and the most effective way to communicate with target audience. Sites that can be listed in this category are: Facebook, Google+, VK, microblogs like Twitter, professional networks like LinkedIn.
3. Social bookmarking services, resembling typical personal bookmarking of interesting web pages and sites but in this case publicly available, offering their users find relevant websites by category of interest that were recommended by other users. Sites that are sorted into this group are: Delicious, StumbleUpon, Kaboodle, etc.
4. Social news services, usually exist in the form of lists of recommended articles from various news sites, webpages, or blogs that readers are able to vote for. By ratings of these online users some articles automatically appear more often in the browser search as they considered as more important ones. The most popular social media news platforms are Digg and Reddit.
5. Geolocation services, which unite users more in real life than in cyberspace, among those are: Foursquare, Loopt, and other GPS applications.

6. Sites that are created and developed by the community, based on content and comments sharing, such as forums, online bulletin boards, groups on Yahoo! and Google. Also in this category may be mentioned Wikipedia sites (which are updated or edited by users themselves), and review sites (TripAdvisor, Epinions).

Obviously, the number of social media sites is incredible. With digital technology, it is now possible to have a one-on-one relationship with every consumer in the world. The more intimate the relationship, the more indispensable it becomes.

3.2 Basic tactics of SMM

As it was mentioned earlier, social media platforms have their target starting points that consider visit of each user to have a definite set of purposes, like: creation of an account with personal information, content sharing, direct interaction with other users, and also following friends' and communities' activity through news timelines. Social networks have become Internet-based platforms where everyone can find a technical and social basis to create his/her own virtual copy. Everyone has an opportunity now just communicate with people but share his/her own content with enormous audience worldwide. Spending time in social media in today's world is considered as some kind of leisure time activity that many people became addicted to. With expansion of social media tools, they are started to be used for a wider range of activities: job search, search for partners and customers, as well as many other commercial purposes. Moreover, social media sites are even applied today for social researches, promotion of scientific and technical knowledge, and social influence.

Social Media Examiner (2014) report indicates that 97% of marketers apply social media in their business management today, but around 85% of them mention that they do not have enough knowledge to understand which social media sites are more suitable for certain goals of their companies. The fact that marketers should consider seriously marketing strategies for social media is clear. It is not enough just to read through successful stories of international

enterprises because each case is individual and one ideal strategy for an organization can be defined by real life experience and deep analysis of the situation on the market.

According to Marketing Tech Blog (2014), among top five reasons why people follow brands on social media in 2014 are:

1. Promotions and discounts
2. For latest product information
3. Customer service
4. Entertaining content
5. Ability to offer feedback

Sashi (2012) claims that customer engagement surpass the framework of market orientation, which was discussed earlier, as now it involves customers in engendering intelligence on their changing need and in supporting the enterprise to respond to such needs. Individual customer experience stays in the centre now, instead of enterprise- or service-oriented approach used before. Simply saying, customers have become more educated in today's world: they co-develop service value together with the organization that should treat them as «informed, networked, empowered, and active» players, because they actually are like that.

Among the figures indicated in the Social Media Marketing Industry Report from 2014 the following proves that development of loyal fans is one of the strongest benefits from using social media in marketing. As show the chart below, time invested into social media networking makes a difference: of those spending from 1 to 5 hours a week, found benefits 56% of marketers, comparing to those spending at least 6 hours a week, where the benefits were admitted to be found by 78%. Meanwhile, same source claims that B2C marketers (77%) were much more likely to develop a loyal fan base through social media than B2B marketers (64%).

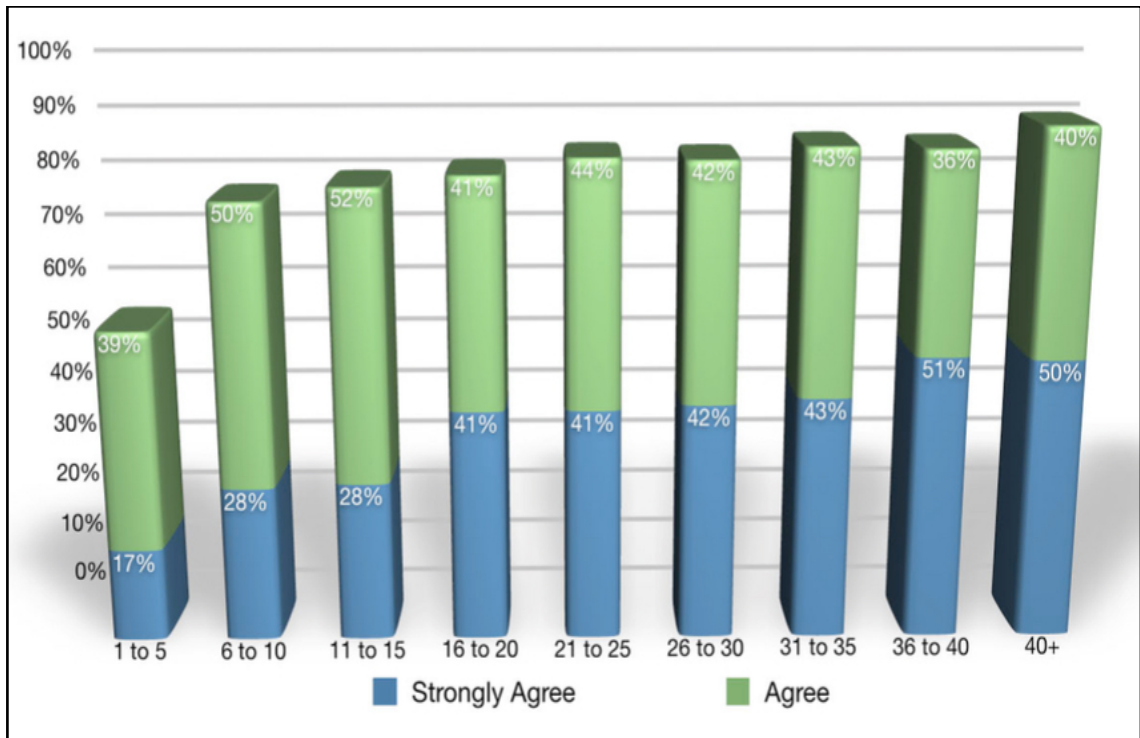


Figure 3.2. Marketers who benefited from social media marketing divided by the time dedicated per week.

4 Fitness marketing management

Studying topic of the importance of so called «community engagement» in sector in fitness activities, the author found the proof of this phenomena not only in case studies about huge role of social media in everyday communications nowadays, but also about «fitness group effect» described in «Get Fit Together» research by Penn State University (USA). People want to share their sport achievements, they like to set goals and show their results within their community, it helps them with motivation and lets them to have fun with those who are similarly fitness-minded. That is why thousands of mobile applications focused on fitness tracking, diet plans, online personal training and many others appeared on the market. The fundamental idea of all these applications is the access not only to your personal fitness management platform, but primarily is the access to communicate with people who do fancy fitness lifestyle like you. Such kind of mobile apps are developed today to find friends, meet new people, create groups/communities in order to set fitness goals together, share results, show your everyday performance, meet and do

sports together, create new running tracks, discover facilities of your local area, etc.

As once mentioned Phillip Mills, who represents Les Mills New Zealand enterprise, about the importance of community effect in fitness management: «People join to get results and motivation but they stay because they make friends». It might seem to be a very simple phrase suitable for many areas, but not all people are born professional sportsmen who have sport as their major life activity. There are lots of those who need continuous motivation, who need help to get started, who want to make new friends, who want to try new things for their health and search for opinions. Many social studies show that strong social connections can have a positive effect on health: reduced risks of obesity, cardiovascular diseases, and even psychological harms, like depression, anxiety, loneliness. Tons of dollars are spent annually on healthcare in developed countries to cure chronic diseases, while in fact most of that can be avoided by regular attendance of fitness club that helps in both ways - physically and psychologically.

4.1 The flower of service

All service organizations affront dilemma of the types of supplementary elements to offer to customers along with a core product. These additional services reinforce the use of the core service and add an extra value for customers.

Lovelock (2003) developed the flower of service which indicates a core services accompanied by eight petals, a collection of supplementary services. As can be seen from the figure below, four of the supplementary services belong to facilitating elements: information, order taking, billing, and payment. These elements are usually needed for service delivery, or for help in the use of core product. While the other four are enhancing elements, these ones add extra value for the customer: consultation, hospitality, safekeeping, and exceptions. The eight clusters are organized in a clockwise sequence, displaying how they are habitually to be experienced by customers, but not strictly always in this way.

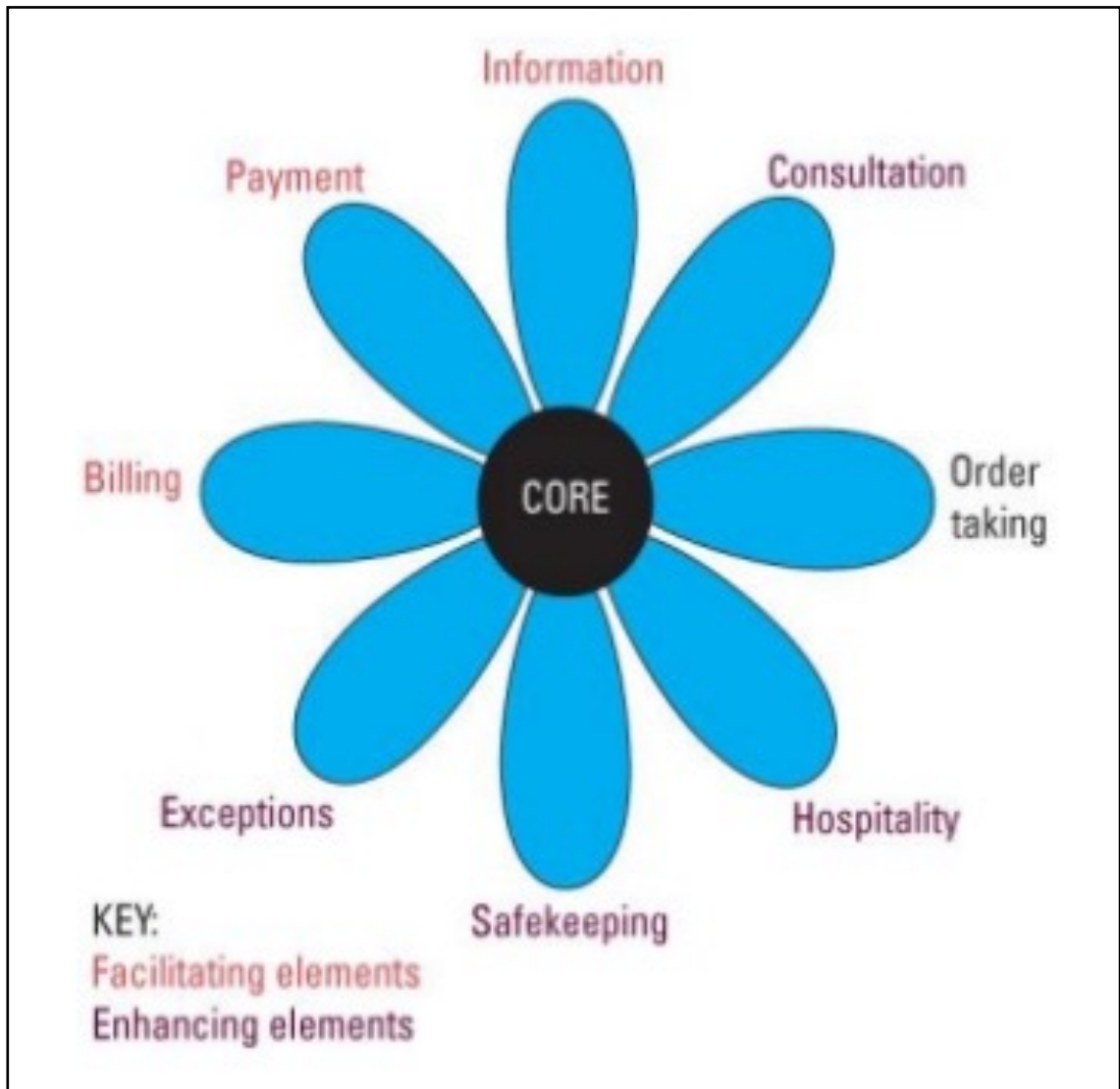


Figure 4.1. The flower of service.

Facilitating supplementary services

- Information. This type of service is necessary to obtain full value from any product or service. The information service vary from obtaining knowledge about the product(s) offered to the guidelines on how to use it. Unsurprisingly, information service is especially meaningful for the new and potential customers, as they need to be fully aware of what, when, how, and for what they can use the available services. There is a huge range of information that could be included in fitness club service: schedules, contact information, prices, receipts and pass cards, instructions for usage

of gym machines, services included in the membership and those offered for extra fee, notifications of changes or new offers, conditions of membership agreement, reminders of payments, etc. As in any other service, in fitness club information delivered on the right time and in a correct form is essential for service quality excellence. Customers value a lot such a professional approach and enjoy receiving a more personalized service. Meanwhile, the information service should not be overloading for a customer, as it will cause an irritating effect and lead to dissatisfied customer. This kind of service involves using very different delivery channels, starting from well-informed employees at the reception of a fitness club up to continuously updated website, mobile applications, paper leaflets, emails and traditional post.

- Order-taking. This supplementary service considers reservation, order-entry, check-ins, application submission, as soon as the customer has made a decision and is ready to pay. In this case, as in the others, convenience plays a big role for a customer. Since not so long ago online order-taking services have become extremely popular among consumers, and the majority of customers prefer to make a purchase using their smartphones or laptops, so that they prefer to spend as less as time as possible, have a receipt for the payment always available online, and be sure about the safety of money transfer. In fitness clubs order-taking is represented in the forms of: applications (memberships), on-site (website) order submission, appointments with club managers, reservations for equipments rental/studio rental.
- Billing. One of those elements that are present in any kind of service sector, unless a service is offered for free. The first and the most crucial rule here - a customer wants to know what exactly he/she pays for. It means that customers expect to see a receipt and understand in a clear way what the total amount is calculated from. Billing, as well as information mentioned earlier, should undoubtedly be timely and accurate. Any failures can create a negative image for customer and leave him/her dissatisfied. Billing service in the terms of fitness club can be offered in a form of

invoices for online account transactions, gym-based machines displaying amount due with member card or account login, printed annual statements of account activity, self-billing through the Internet.

- **Payment.** Billing element is related to payment one because it usually requires an action from a customer where a certain amount of money is paid. Both customers and companies prefer a prompt and easy payments, as it is convenient to clients and reduces accounts receivables for a business. It goes without saying that a secure transaction also means a lot for customers, as they want their personal data to be securely protected and payment to be delivered without complications. Fitness clubs nowadays use a variety of payment services to make it as comfortable as possible for their clients: popular PayPal, cash, credit cards, online regular withdrawal from bank account, or self-payment online.

Enhancing supplementary services

- **Consultation.** It consists of a dialog with a customer that is targeted to explore his/her requirements and further elaborate an individualized solution. Some of the examples that can be categorized to consultation element in fitness club business are: customized fitness services offered by a club personal manager, fitness trainer counseling, fixed-term personal training, receptionist's advice. Consultation has a great significance in the world of fitness industry due to the fact that is directly connected to a human's health. Customers usually have a set of goals that they would like to achieve when they ask for a professional support. What they want to know then? They seek a suggestion of pathways to reach these goals without any risk for their health, without struggling from overloaded workouts or wrong nutrition plan, and in addition to all of that — feel good and enjoy their sport activities. Not a secret that there are thousands of webpages in the Internet dedicated to fitness advices, but a fitness club must provide a differentiated service by offering a personalized support.
- **Hospitality.** It is one of the fundamental elements in any service industry. Hospitality depends a lot on a human factor, what means a strong

necessity to ensure a well-trained and customer-oriented employee team. Hospitality element is focused on treating customers like the most welcomed guests, including politeness, readiness to find solutions for any problem, attentiveness to customer's opinion, creation of comfortable psychological environment, and a lot more. Apart from that, a variety of tangible elements are extremely important in hospitality. For example, in the sphere of fitness club management, it can be fulfilled with: beverages and/or sport nutrition, waiting amenities (lounges, smoothie bar, cafeteria, summertime terrace, sofas, magazines/newspapers, TV), washrooms and showers with basic toiletries.

- Safekeeping. This kind of service is basically about assistance of customer's personal belongings that comes from the client's will to keep them safe while receiving services. There are two types of safekeeping elements: caring for items customers bring with them and caring for purchased/rented items by customers. The first type in fitness club business would represent the following elements: coat rooms, bicycle and car parking, lockers, safe deposit boxes, child care. The other type is mainly not applicable to the fitness industry because the service is performed in the company's premises and require customer's attendance.
- Exceptions. This kind of supplementary service offers an extra assistance that makes an exception from a normal service delivery. Foreseen customers' queries for service exceptions make it easier for personnel to react rapidly and effectively. Exceptions can be introduced in a form of problem solving elements, such as: guarantees (fitness or nutrition program results), solution of problems from using a service/product or caused by accident during acquirement of fitness services. Restitution element include refunds or compensation for some special cases and also a free delivery of a previously undelivered on-time service. Special requests in advance of service delivery usually consist of some individual requirements that are not so common for fitness service. Meanwhile, handling of special communications, like complaints, suggestions, or compliments are, on contrary, quite frequent even for fitness clubs.

4.2 Social media in fitness

Considering a broadened concept of social media in marketing management, the author decided to limit the research to those social media channels that are already used by case companies in day-to-day management.

- **Facebook** is the well-known online social networking service that is mostly used for personal information sharing and communication with friends and brands. Comparing some numbers available publicly from the case companies' official Facebook pages, the author found the following:
 - 2188 likes and 362 visits, while the total of 43 users rated O2 Centro Wellness Neptuno as 4.5 stars out of 5;
 - 1219 likes and 1033 visits. with the total of 42 reviews that counts as 4.4 points out of 5 for Etelä-Karjalan Liikuntakeskus.
- **Twitter** is an online social networking service that enables users to post and read short blog-type messages. Users can follow each other and share interesting content. Twitter is quite frequently updated by the central office of O2 Centro Wellness, using hashtags to indicate which club of the chain is mentioned.
- **Instagram** is an online application for social networking, photo- and video-sharing. According to the latest statistics, Instagram counts 200 million active users monthly and 20 billion photos shared in total. O2 Centro Wellness fitness club chain started using Instagram not so long time ago, there only several photos of clubs' facilities there.
- **Wordpress** is a software for creation of a personal website or a blog free of charge. The site is used by the Spanish fitness club, O2 Centro Wellness Neptuno, for fitness content sharing. The topics of the blog posts usually are: nutrition advices, vitamins for healthy training, new programs offered in the gyms, workout plans, fitness tips, additional services in the fitness clubs (like massage, physiotherapy, spa, personal training, beauty salon), sponsorship of sport events, etc.

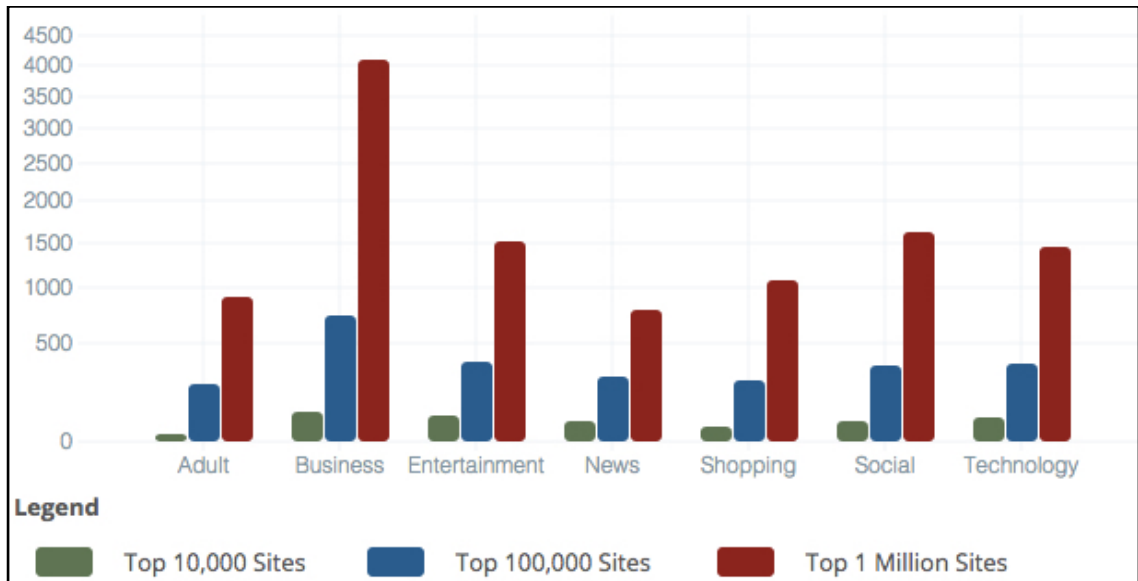


Figure 4.2. WordPress popular website verticals chart.

According to insight statistics provided by Built With website (2014), WordPress is being used by the majority of top websites in the world. This chart shows the amount of websites within the top 10k, 100k, and 1 million sites groups that are categorized as being in the specific vertical.

- **Pinterest** is an application where users can upload, save, sort, and manage photos and videos through collections known as pinboards. The platform is used by the Spanish club, but there are very few photos which means that the account is apparently updated.

4.3 Creation of a strong gym brand

Strong gym brand is built not only out of a well-invented gym name. It involves a lot more, and a priority is always given to the customers, whose opinions matter most as in any other service business. Undoubtedly, a backbone for any services marketing, like for a fitness club, is service quality, because what customers actually buy is a performance, not just a thing. A well-organized performance helps to be strong among competitors, and consequently obtain customers' trust and loyalty.

A potent gym brand is able to describe what it is about, what does it offer to its customers, and how the service is provided, showing at the same time fully customer-oriented approach. People are ready to pay for the brand, not only for the service, but it happens only when a high perceived value is achieved. Consumers switch from Adidas to Nike, and from Nike to Reebok, they choose Apple smartphones over other well-known brands, they understand a brand of one car manufacturer as a more prestigious than another. It all happens for some reason: how companies manage to promote their brands and convince the consumers. Having a strong gym brand means for a company to stand out in the competitive environment. Such kind of a dominating brand makes itself the communication with customers and establishes a stable connection to potential customers' needs and wants.

As in any other business sector, building a gym brands starts with statement of its mission. It is not only about making profits, therefore establishment of company's values is the first step in the whole marketing process. Service quality and customer orientation are undoubtedly important, but nowadays it requires a lot more, including adaptation of new technologies in the service management, brand advocates among actual customers, differentiation among competitors, B2B cooperations with benefits for clients, etc. Taylor (2003) states in his article about creation of brand for a local gymnastics gym in the USA that establishment of correct corporate values is based on understanding what benefits are highly relevant to the majority of target audience.

In order to fully understand how chosen case companies function in real life, it is essential to look into their corporate values. As for the Spanish fitness club, O2 Centro Wellness Neptuno, there are three core values that the whole business chain follows:

- *customer focus*, meaning the top priority is a welfare of clients, which includes personalized service in every aspect, promotion of health and sport in all the areas for achievement of maximum integration into living habits of each client;

- *innovation*, when the latest technology is integrated into a process of continuous improvement, together with quick incorporation of the latest tendencies to all the services with guarantees and proven results;
- *service excellence*, meaning an extreme neatness, order and perfect maintenance emphasize in all the areas and form a part of a common responsibility.

As for the second example, fitness club Etelä-Karjalan Liikuntakeskus, that also follows general values of the club chain around the country, there are the following:

- *best professional coaching*, the company emphasizes on a well-developed and tested personal training program that is being applied in all the gyms of CMS chain in Finland, it assures the customers about the professional approach of fitness plan offered and teaches them how to be fitness-educated to apply exercises correctly to their health;
- *personalized set of services*, gives customer a unique opportunity to choose what set of services he/she wants to be included in the membership, for example gym hall or ladies' gym hall included, group classes included or not, etc.

Apart from that, the brand should be used to settle relevance to the target customer group and develop trustworthiness with that group. A fitness club management team should clearly understand what are the competitive advantages that company can benefit from, what are the features that differentiate it from others on the market. An organization that is able to declare why it is the best on the market and demonstrate powerful approach to customer engagement has a chance to turn its business into unique well-known brand.

5 Empirical part

Empirical part discusses the research method more precisely. Additionally, in this chapter the results of the surveys are disclosed. In the beginning the author

introduces the research method which is followed by the survey description. Further on the questionnaire is analyzed according to the data collected from the case companies involved in the research. This discussion gives a look into the customer retention management strategies adopted by the case companies with a help of social media. The results of the questionnaires are also described in a diagram and chart formats. Moreover, the chapter is completed with author's considerations about the findings and possibilities to improve customer relationship management through social networks.

5.1 Research method

The method for this study was selected to be quantitative due to necessity to obtain statistical data needed for the analysis.

According to Aliaga and Gunderson (2000), quantitative research is based on «explaining phenomena by collecting numerical data that are analysed using mathematically based methods (in particular statistics)». Looking for explanation of some phenomena is always a foundation of any kind of research. In the current study the key phenomena is the answer to the question: «What social media marketing strategies are suitable for customer retention in fitness industry?» In quantitative research the information obtained is represented in a form of numerical data, so that a mathematical approach is applied. Usually the measurements used are: amounts, numbers, percentages, shares, and others. In addition, quantitative method excludes any subjective «insider view» because a researcher does not provide any own perceptions. It is a good method for focusing on facts and logical verification as the measurements are totally controlled by the researcher. Qualitative method, on contrary, involves data collection in a natural environment and explorative orientation, when a respondent gives his/her point of view.

Even those forms of data that do not naturally exist in a numerical shape can be converted into a numerical way to be implemented in a quantitative research. This is applicable due to formal methods and clearly defined criteria of possible answers and conclusions inherent to quantitative research. Therefore, all the data acquired must be processed and analyzed carefully.

The primary source of research data for this study was decided to be a survey. The survey was conducted in a form of a multiple-choice questionnaire that includes list of 10 questions. Only some of them were introduced as open questions or gave a possibility to submit respondent's own answer in addition to the multiple options. The questionnaire also was fulfilled with instructions for the answers. Both respondents, case companies, were aware of the purpose of such study and interested in receiving the final version of the whole research. The survey was offered for response to the companies' managers in an electronic format, in particular through Google Forms, that was sent by email and the answers appeared directly in the author's Google account in the variety of charts, graphs, and diagrams. The method applied for the research provided the author with information about usage of social media by case fitness clubs, the reasons of their approaches and the goals that companies set to achieve.

The quantitative methods especially suit in the case of this study as it tests a hypothesis about importance of such concepts as customer loyalty and social media marketing in fitness club business. Quantitative research is considered to be appropriate in such study as the author searches to understand some general trends and elaborate some core guidelines that would suit an average fitness club that is not dedicated to special segment of customers. Meanwhile, for an in-depth investigation to distinguish some particular cases (for example, how a fitness club could reach such target group as parents with children through social media marketing) it would be more suitable to apply qualitative methods, in the forms of interviews, observations, etc.

5.2 Questionnaire design

The figures for this research were acquired by implementing a survey into two case companies that were taken for comparison in the same business industry but different geographical areas. The survey was conducted in a form of a questionnaire focused on obtainment of qualitative data. In the case companies, two fitness clubs, the questionnaires were filled in by the club managers, because the club management level is responsible for communications with customers through online media.

In the survey in total 10 questions were used. Questionnaire content was revised twice in order to avoid useless questions that will actually bring any significance for research findings. Thereby, the number of questions was reduced from 15 to 10. All of them were composed in a maximally clear and understandable way. A logical layout also has place in the survey: the questions are numbered and ordered in the following sequence: from more general questions to more deeper topics about particular social media channels, numbers, or actions performed by the companies. Equalities issues were taken into consideration: there was a separate document with questionnaire created for Spanish fitness club managers. The document contained translation of questions to Spanish due to the fact that in Spain not so many people fluently speak English and it would be a problem in this particular case as well. The issues of confidentiality were also considered as important: there were no personal questions and both questionnaire responses were seen only by the author and her thesis supervising teacher.

5.3 Analysis of the results

The result that any kind of social or fitness studies show: people always hanker social connections. Not just accidentally Facebook has a number of 1.3 billion users today, without counting its subsidiary Instagram with 200 million members, and also considering such media as Twitter with 255 million members registered. Maslow's hierarchy of need shows that after physiological needs, safety and security, on the third stage goes loving and belonging, meaning people's desire to be a member of a community, to socialize, to form a part of a team. Nowadays new and integrated technologies allow to have these connections in a very easy way, so the fitness club's task is to create appropriate welcoming environment that will encourage its members to communicate and make the business grow. IHRSA's Top Trends 2012 report indicates that there are, undoubtedly, members who workout by themselves and do not talk to anybody else, but it is always a minority. The majority of 80-90% are interested in the opposite and it is each company's decision which part to support. Same source reports that members who are retained by high-quality

group programs tend to visit their fitness club more often, on average 3 times a week.

Turning a fitness club into a fun place to go for the members is not an easy task but totally achievable goal with the help of promotion of interactions both personally and online among members as well as between members and staff, along with encouraging regularly loyal customers.

As for the results of the questionnaires that were filled in by the club managers of the Finnish and the Spanish fitness centers, the following was distinguished:

- Both clubs consider social media marketing as an important tool for customer relationship management.
- Both fitness clubs mentioned the following activities as the ones the company uses social media: communication with customers, marketing promotions, advertisement of company's brand, news channel, receive customer's feedback, improve customer satisfaction, and brand image management. Meanwhile, Etelä-Karjalan Liikuntakeskus adds search for potential customers to this list. As it was discovered by the author, the Spanish club prefers word-of-mouth for that purpose, which it stimulates by special offers for members who recommend and bring their friends/relatives to the gym. Nevertheless, none of the two clubs consider social media as a tool that could help to be aware of competitor's environment.
- Due to the misunderstanding of one question and no response for the repeated inquiry for the answer by the Finnish club, the author had to change that question and ask to respond it the Spanish club. Consequently, the author discovered that the Finnish club spends only about 1-2 hours a week on social media marketing, while the other one dedicates around 4-5 hours on it.
- Among the social media platforms used by the organizations only two can be identified as common ones: Facebook and Google+ are applied to marketing in both of them. O2 Centro Wellness Neptuno indicates also such platforms as Twitter, Instagram, Blogs, Foursquare, Pinterest, and

YouTube. Although it is very clear from these investigation that some of them are used in common with other fitness clubs of the same company chain, so the content is updated regularly by the head office. Platforms that the club shares with the other ones are: WordPress, Twitter, and Instagram.

- Even though the author was not provided with the Facebook Insights data of the case companies, the types of content that create the most user engagement were distinguished. Both fitness clubs affirm photos and promotional ads to be the most effective. The Finnish club adds to this category also informational posts (that actually dominate on its Facebook page). Meanwhile, the Spanish club mentions videos and posts about special offers as one of the most successful. The author considers these differences to be related to the cultural differences. Spanish people are more likely to take photos or videos during group classes or special events and later share them with the community.
- None of the clubs applies hashtag marketing for Instagram, Twitter, or Facebook promotions. Such pathway is usually beneficial for very well-known and international organizations.
- The process of customer satisfaction measurement seems to be better managed in Etelä-Karjalan Liikuntakeskus, where the feedback collection is more regular: by emails with surveys, at the moment of termination of contract, as well as by regular paper feedback forms at the gym. The only kind of feedback collected by the Spanish club is the multiple-choice survey given to the customer when he/she ends the membership contract, when it is already too late to retain him/her. There is also a link to a free form on the club's website but obviously it is almost never filled in.
- As for the benefits offered to the customers who stayed in the fitness club for a long time, O2 Centro Wellness Neptuno seems to be more oriented on attracting new and new customers what finally results in making agreements for membership only for one month and losing such customers after the first month. The club provides such benefits as:

membership discount for friends; one month free of charge; extra fee services to be tried once for free; one-day passes for customer's friends; extra-fee group classes with a discount or for free. Most of these advantages are oriented on obtaining new potential customers in the club, but very little attention is paid to the loyalty of the actual club members. The Finnish club also offers some the mentioned above benefits, but also family membership offers (for kids/for couple/for family with kids, etc), and tennis court/football pitch/floorball hall for a discounted rent price.

- Finally, both club managers responded that they regularly change some aspects according to customers' requests, feedbacks, and recommendations. The aspects that were mentioned are: timetable of group classes, addition of new programs/sports (e.g. dance classes, martial arts, tennis, etc), and implementation of extra services (massage, spa, playroom for children with supervisor).

The results also indicate that maximum marketing efforts are needed from all staff member of a fitness establishment, therefore the author suggest the following guidelines that reflect the general picture:

1. Making social media sites relevant to the potential users: considering who is the audience that you target (fitness club members) is the key element here, because they are the ones you aim to engage into online community of your fitness club. Mobile application of your fitness club connected to the relevant social networks would be a great help to have all the customers «in the same place» and would definitely add an extra value to customer's perception of innovation level in the club.
2. Being ready for any customers' reactions and having a strategic approach for any kind of situation - this is what makes companies professional in customer relationship management. For example, if customer's loyalty rates drop, it should generate an offer that stimulates a new purchase. On the other hand, a risen interest of customers and a customer's loyalty peak should be reminder for a company to thank them and make offers for high-margin products.

3. Converting fitness exercising into something very social in order to create a huge and strong community that people would be happy to join: engagement of gym members into group trainings, team sports, personal training, and fitness events will be a perfect start for building a long-term relationships inside this community.
4. Staff training means a lot for internal service environment. Moreover, personnel involvement into creation of fitness club's community of friends should be maximal in both ways: face-to-face communication and online communications (through social media sites). Inside a fitness club and during trainings fitness instructors are like «ideal teachers that children want to follow»: they guide, support, motivate, listen to your opinions, give ideas, and just simply become with you. This friendly relationships play a great role in customer's loyalty. People want to go there if they are treated nicely, supported professionally, and have someone just for a chit-chat. Meanwhile, participation of staff members in discussions and information sharing on social media makes that picture look even brighter and exciting. It is not enough when club managers add promotional posts or photos of new club's facilities from the corporate Facebook account. Customers enjoy having trainers or receptionists (that they see almost everyday in a fitness club) participating in their group discussions where they can share opinion, or posting photos taken during fitness events or even group class presentations, or simply clicking likes on what members post.

Taking a look into statistics provided by annual Social Media Marketing Industry Report, the top commonly used social media platforms in 2014 were: Facebook, Twitter, LinkedIn, YouTube, and Blogging. Both case companies use these social media sites, but mainly just as an informational channel, not as a marketing one. For example, the Finnish club does not have an account on YouTube but only a couple of videos generally telling about the services provided and uploaded to the official website. Another example is Blogging, like WordPress, used by the Spanish fitness club: the content shared is absolutely suitable and even relevant to the members' needs and interests, but the posts

of this blog are not promoted properly, which is why the majority of the customers are not aware of its existence.

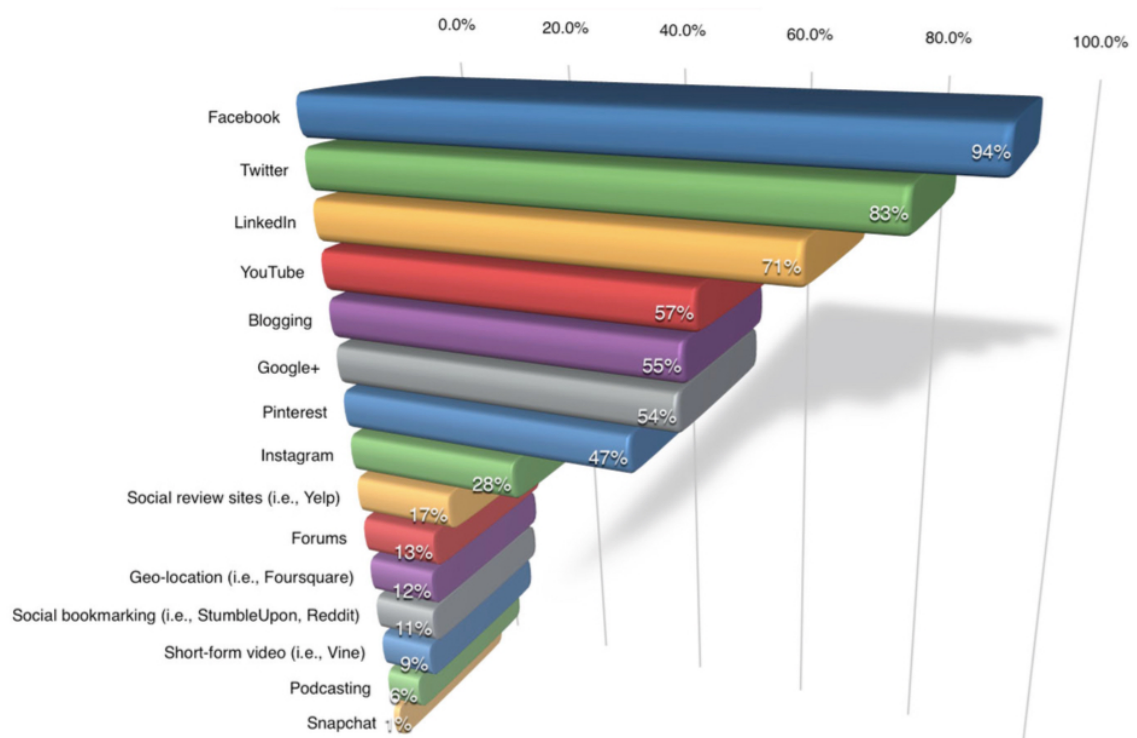


Figure 5.1. Most commonly used social media sites in 2014.

5.4 Suggestions

The guidelines developed by the author are described in the form of a social media marketing strategy that looks in the following way:

1. The first and the most important step is defining a particular goal that is desired to be reached by a fitness club. The goal must be reasonable and measurable. Otherwise, the efforts might result to be pointless and the findings unproved. In the terms of this research study, the goal of the fitness club is to retain customers, to turn customers into loyal club members. Such target is measurable with the help of social media sites that the gym has to use as primary marketing tool in this process.

2. The goal cannot be reached unless the customers are stimulated enough to engage with the company. In this phase traditional marketing tools are suitable to be applied. The fitness club has a variety of options to do so: promotion of a week of fitness for free, special promotions for local events or holidays (for example, Saint Valentine's Day, city marathon, or local hockey team game), weekend contests for members and trainers, offers for additional services (like discounted pass for a year of solarium), and so on. In addition to this, the stimulus must be well-shared. If it is just one post on Facebook about new promotion, most likely the goal will not be achieved as the majority of social media followers is going to miss that in their news feed. People need to be motivated to «like» or «share» something, only this way the message about the promotion will be widespread. As an example, together with the bright promotional ad the fitness club can mention that «first 30 users who share this post on their walls and click «a like» button, get a session with personal trainer for free». Something similar to this would also work.
3. As it results from the experiences of many organizations, posting only once about a promotion or even about offering something for free is not enough. The best practices show that creation of a schedule would be the smartest approach to the effective SMM retention strategy. Club managers should remind the audience about the promotion at least 2-3 more times, where the last one is posted on the last day of promotion to hurry up those who are interested but are slow in decision-making.
4. Management of communication after launching such processes is essential to establish a positive brand image and to satisfy the customers. The actions that customers expect to see are: fulfill all the promises (like 30 personal training sessions) preferable with further photo sharing of happy customers receiving those services; reply to users' questions and provide solutions for every single case, thank all the participants online after the promotion, etc.
5. Proper analysis, as in any performance, should be made after the marketing effort that will indicate the strong and the weak points, what did not work out

and what could be taken as an example for further actions. Moreover, taking some feedbacks from the customers will increase the chances to perform better next time and to keep more members in the fitness club.

6 Conclusion

Social media marketing is widely used in many organizations for better communications with customers and business management. According to the research presented in this thesis, marketing through social networking services can be a perfect tool for customer retention in different industries if it is implemented correctly and responsibly. The study covered the application of these two phenomena particularly in fitness industry. Therefore, the surveys considered only fitness clubs that were chosen to act as examples in order to understand how the industry functions and create general guidelines.

To sum up the issues discussed above, the thesis reviewed basic aspects of SMM, customer loyalty issues, and fitness marketing management in two particular companies. The literature sources provided the author with main concepts and key ideas for research development, while Internet sources gave the latest data about trends and statistics in today's world of marketing. The empirical part described how the strategies of SMM are applied in real life in fitness club industry, as well as contained author's suggestions on customer retention techniques for the most widely-used social media sites.

This study can be a reference to further wider research within this topic that would include deeper research questions and more case companies for comparison. Moreover, interviewing fitness club customers would be an additional source of information that can expand the topic in different directions.

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Appendixes

Appendix 1. The questionnaire

1. Do you consider marketing in social media is important for the company's customer relationship management?
2. For what kind of activity the company uses social media? (*Select all the options applicable*)
 - communication with customers
 - marketing promotions
 - advertisement of company's brand
 - news channel
 - receive customer's feedback
 - improve customer satisfaction
 - brand image management
 - find potential customers
 - awareness of competitors' environment
 - other: _____
3. After how much time since the company has begun using social media, it started bringing benefits and being effective?
4. What are the social networks being used by the fitness club?
 - Facebook
 - Twitter
 - Blogs
 - Youtube
 - Google+

- LinkedIn
- Foursquare
- Pinterest
- Instagram
- Yelp
- StumbleUpon/Reddit

5. Which kind of content creates most user engagement on Facebook page?
(*Select up to three options*)

- informational posts
- special offers
- photos
- videos
- promotional ads
- fitness advices/sport nutrition ideas
- posts with external links
- polls asking feedback

6. How much new audience is created monthly by paid ads in social networks?
(*Write down an average number*)

7. Does the fitness club use hashtag marketing in Instagram/Twitter/Facebook promotions?

- yes
- no

8. How customer satisfaction and loyalty is measured? (*Select all the methods used*)

- polls in social media

- emailed surveys
- link to survey on gym's website
- asking apparently at the reception desk
- at the moment of termination of membership agreement (reasons of termination)
- regular paper feedback distribution at the gym

9. What are the special benefits being offered to the loyal customers (from 6 months/1 year and more)? *(Select all applicable)*

- a month for free
- membership discount offer for a friend
- extra fee services included in monthly price
- extra fee services for free to try one time
- personal trainer session(s)
- day passes for customer's friend(s)
- extra-fee group classes with a discount or for free
- tennis court/football pitch/floorball hall for a discounted rent price
- family membership offers (for kids/for couple/for family with kids, etc)
- other: _____

10. What aspects are changed time to time according to customer feedbacks/ suggestions? *(Select all the changes that were ever applied)*

- opening time timetable/ group classes' timetable
- new programs/sports (e.g. dance classes, martial arts, tennis competitions, etc)
- extra services added (massage, spa, playroom for children with supervisor)
- other: _____