

Following sending out Case Study 7 GYMetrix received queries as to what impact did the increase in Net Promoter Scores (NPS) have on Renfrewshire Leisures 'Lagoon' revenue, if any?

GYMetrix research is proving that there is a link between how 'Available' customers find the equipment they want to use in their gym and how satisfied they are, as measured by the customers NPS.

However, increasing NPS scores is all well and good, but what difference does it make, to revenue?

A quick explanation of Net Promoter Scores for those of you who are not familiar with them.

The concept was introduced by Frederick F Reichheld in the Harvard Business Review in 2003 and is now used by some of the leading companies around the globe including GE, Amazon and Ebay.

How it Works:

Customers are asked the simple question . . .

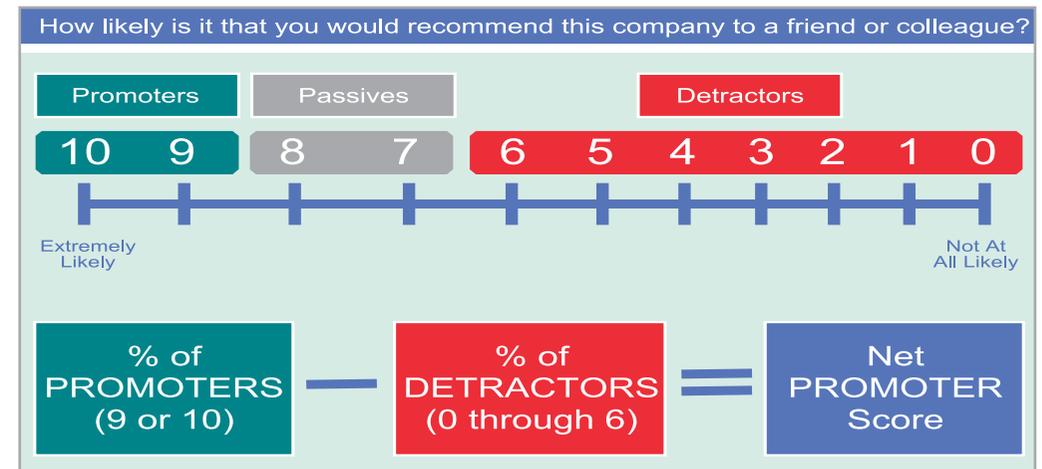
'On a scale of 0 - 10, with 0 being 'Not at all likely', 5 being 'Neutral' and 10 being 'Extremely likely' How likely is it that you would recommend this Gym to a friend or a colleague.

Promoters – Customers who answer with a 9 or a 10 are deemed to be 'Promoters' of your business, they tell their friends and colleagues how great you are.

Passives – 7 or 8 are deemed to be 'Passively Satisfied' they are happy but are not actively telling friends to join.

Detractors – 0 to 6 are 'Detractors' these are customers who have negative things to say to friends and colleagues about your gym.

The Net Promoter Score is calculated by subtracting the Percentage of 'Detractors' from the percentage of 'Promoters'



One of the real benefits of NPS over other customer loyalty metrics is that NPS has links with business growth.

“The path to sustainable, profitable growth begins by creating more promoters and fewer detractors. This number is the one number you need to grow. It is that simple and that profound”

Frederick F Reichheld

“We are using a simple metric called Net Promoter Score 'NPS' to measure how customers view GE, NPS creates a view of customer loyalty. The absolute score is less important to us than the trend. We learn from both Promoters and Detractors.

Most importantly, we have been able to associate NPS improvements with growth”

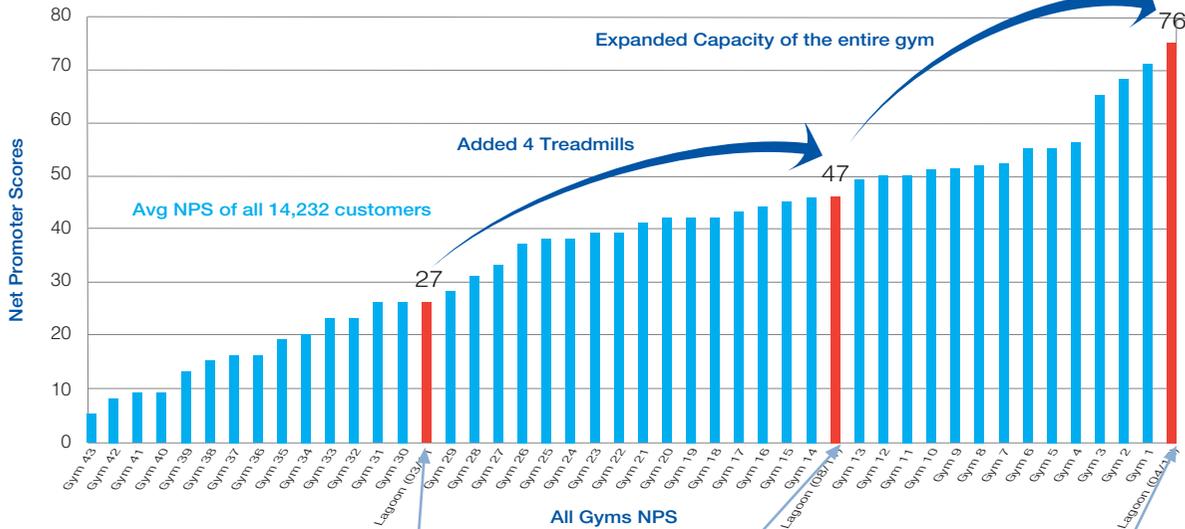
Jeff Immelt, Charirman and CEO of GE.

Case Study 7 research indicated that, if everything else remains equal, and Gym Customers are able to more easily access equipment of their choice, they are far more likely to recommend the gym to a friend or a colleague than if they cannot easily access equipment of their choice.

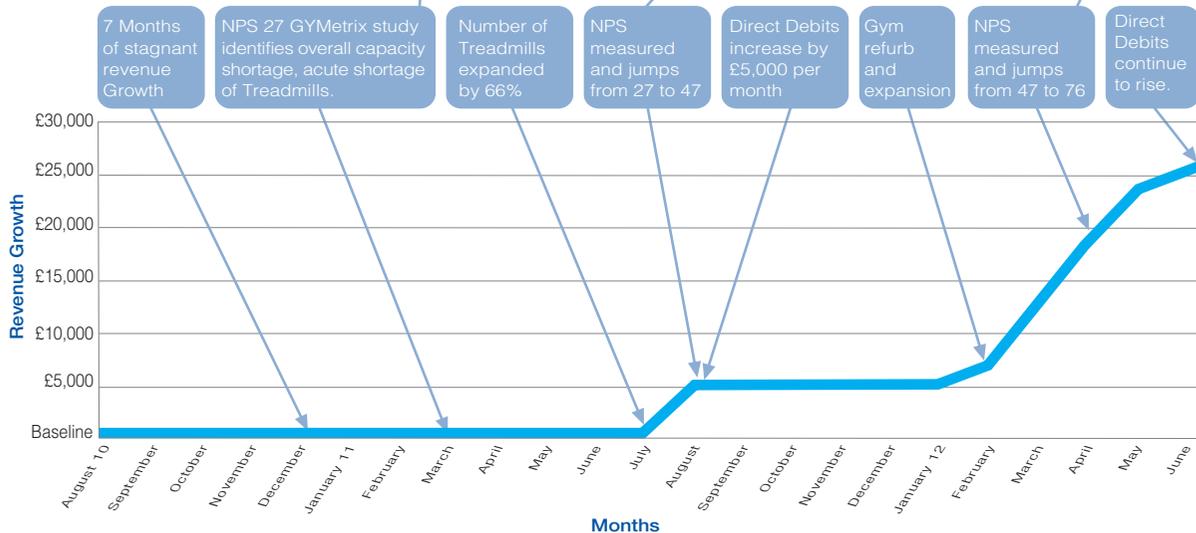
The question then is does this increase in Net Promoter Scores translate to revenue growth.

The link between Revenue Growth and NPS Growth

Net Promoter Scores – The rise of ‘The Lagoon’



Growth from Baseline in Monthly Revenue



So was buying in 4 more treadmills to solve low 'Equipment Availability' cost effective?

Analysing the investment costs;

GYMetrix Study £3,000 + 4 Treadmills @ £4,000 = £19,000

Monthly increase in DD = £5,000. Annualised return = £60,000

1st years return on investment = 315% return.

The next question is at what point will this growth in gym customers start to bring down 'Equipment Availability?' GYMetrix puts forward the theory that as customer growth continues 'Equipment Availability' will start to fall. When this happens the 'Equipment Availability' service offered to customers will drop and their satisfaction and NPS will fall. At that point growth will level off.

Conclusion

To answer the original question, 'Did an increase in customer Satisfaction as measured by Net Promoter Scores translate to increased revenue for The Lagoon?' Answer - Yes!

Is buying in more equipment to solve shortages causing a poor 'Equipment Availability' service, cost effective? For Renfrewshire Leisure it certainly was. However we are sure the impact will vary according to how acute the shortage and how popular of the equipment type that is in short supply.

The evidence is continuing to stack up. 'Equipment Availability' is a 'Primary' Value Driver for customers. To use 'Available Equipment' is the Primary reason they are on the gym floor.

Best practice is for operators to be measuring and monitoring this important service level metric.

Now we can see that identifying poor 'Equipment Availability' service, and solving it, creates happier customers, more promoters and less detractors and that generates increased revenue growth for operators.

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