Link to presentation:
https://www.dropbox.com/s/x0ypm4izgqd9mfy/OC%26Gym%20presentation.mp4?dl=0

OC&GYM
Case Report
Group A3

OC&Gym revenue has grown rapidly in the past, however recent price adjustment does not lead to expected result

Cumulative Active Member and Growth
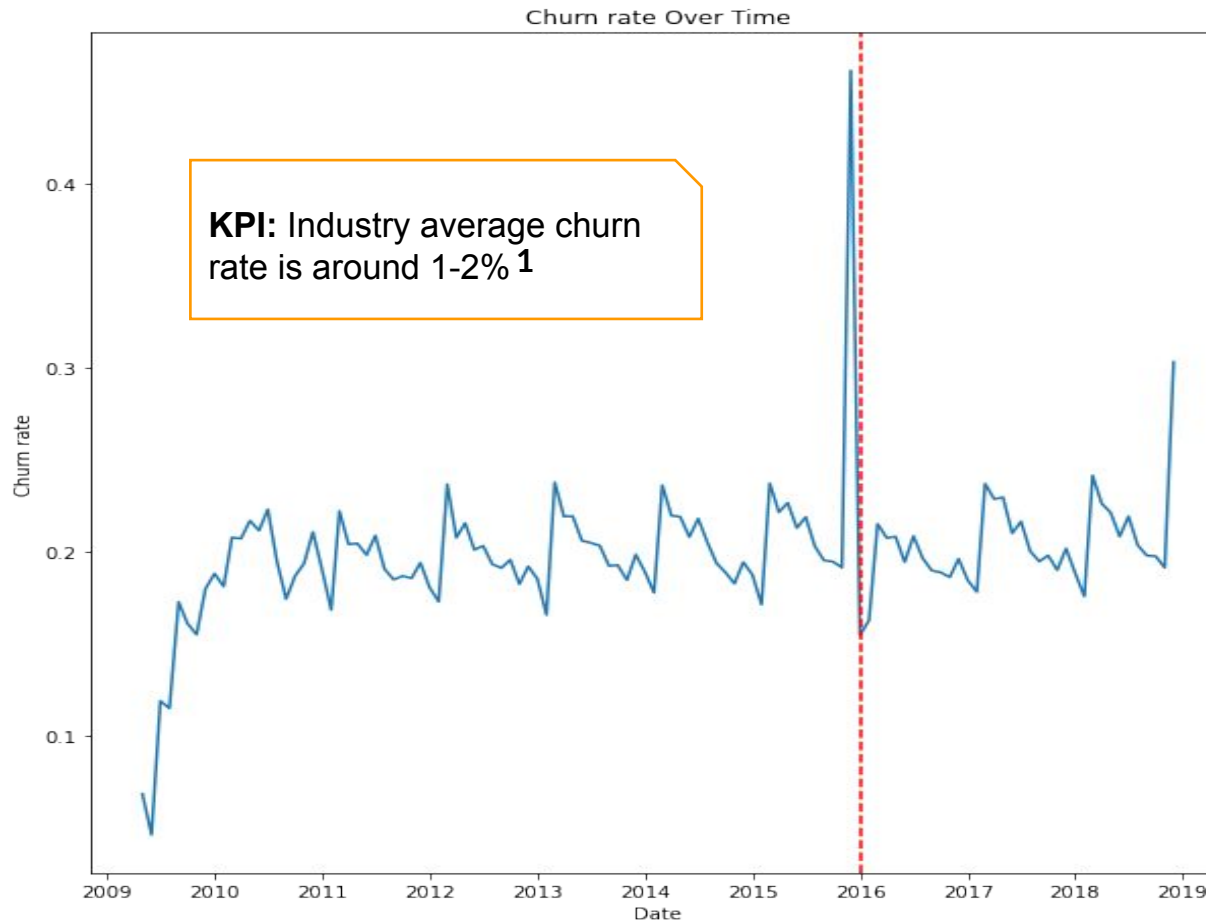

Total revenue growth rate
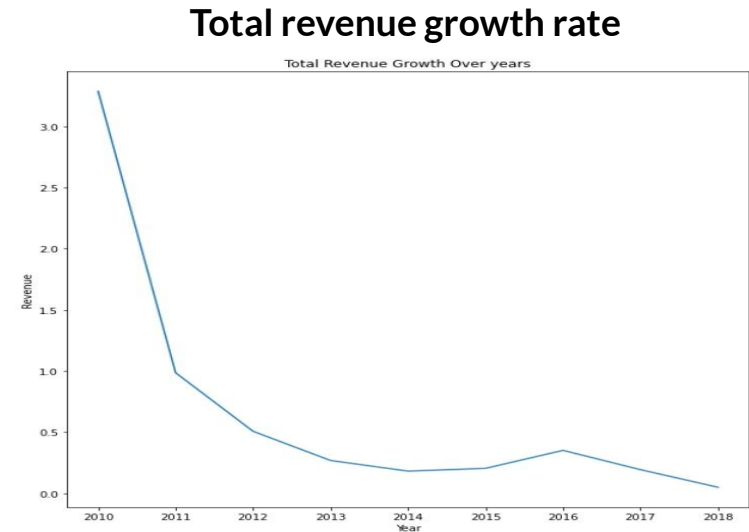
- The price increase in 2016 and aggressive expansion doesn't link to revenue growth as predicted
- Growth of new club in 2016 was 20%, while growth of new member in the same period was 11%
- The growth of revenue and new members consistently slows down in 2017 and 2018

Membership fee increase lead to a jump in churn rate in 2016, which in return hurts the total revenue growth

Membership churn rate over time

%

Churn rate Over Time


KPI: Industry average churn rate is around 1-2% [1]

- The Overall membership churn rate has a sharp increase around 2016. This is due to membership fee increase at 2016

- Churn rate plays a big role in total revenue growth. As a result it is critical to understand influencer that impact churn rate

- The churn rate trend fluctuates from peak to tough continuously is due to seasonality impact, which we are going to touch later in the session.
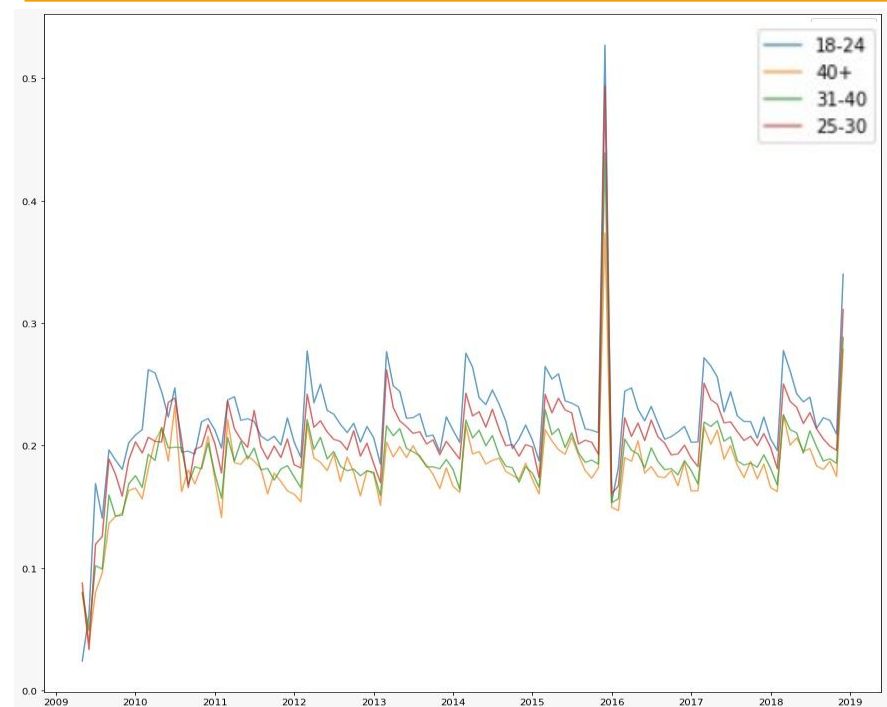
1)   Is your gym health? : https://www.causely.com/blog/is-your-gym-healthy-find-out-with-these-16-metrics

Members from lower affluence class and younger generation are more sensitive to price adjustment

**Yearly churn rate plot by different affluence class**
%
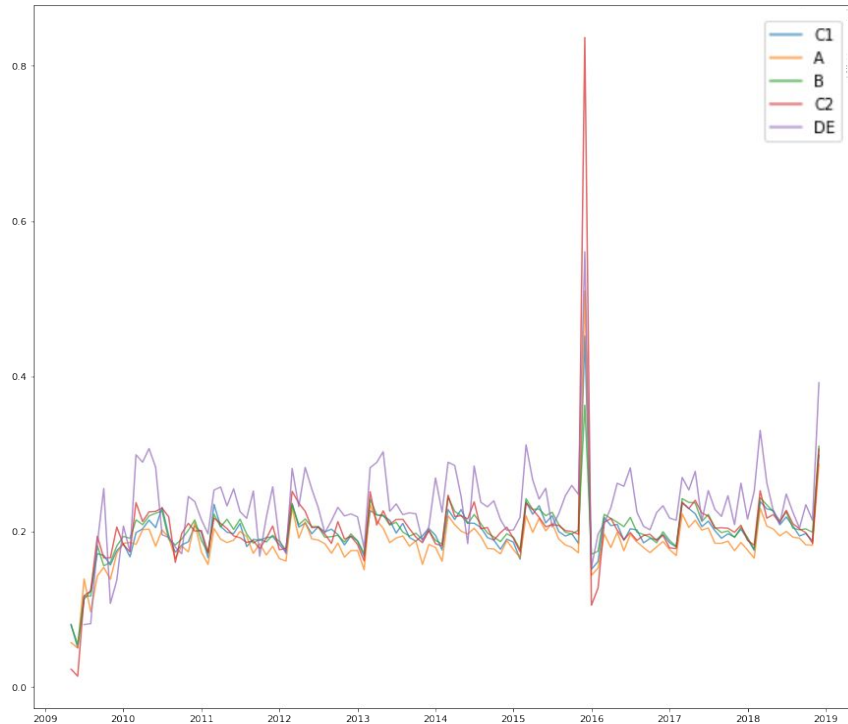
Yearly churn rate plot by different age group
%

- Younger generation and people from low class seems to have high volatility in churn rate, and more sensitive to price increase. The C2 affluence class churn rate reaches 0.8% in 2016, whereas other class remains less than 0.5%.
- Pricing strategy such as price dicsrimination according to different segment group can be conducted according to this behaviour. For instance, offering young people discount to attract more customer..

Marketing strategy should be modified to target loyal customer that stick longer- such as members from higher affluence class

Duration Distribution by Affluence Class
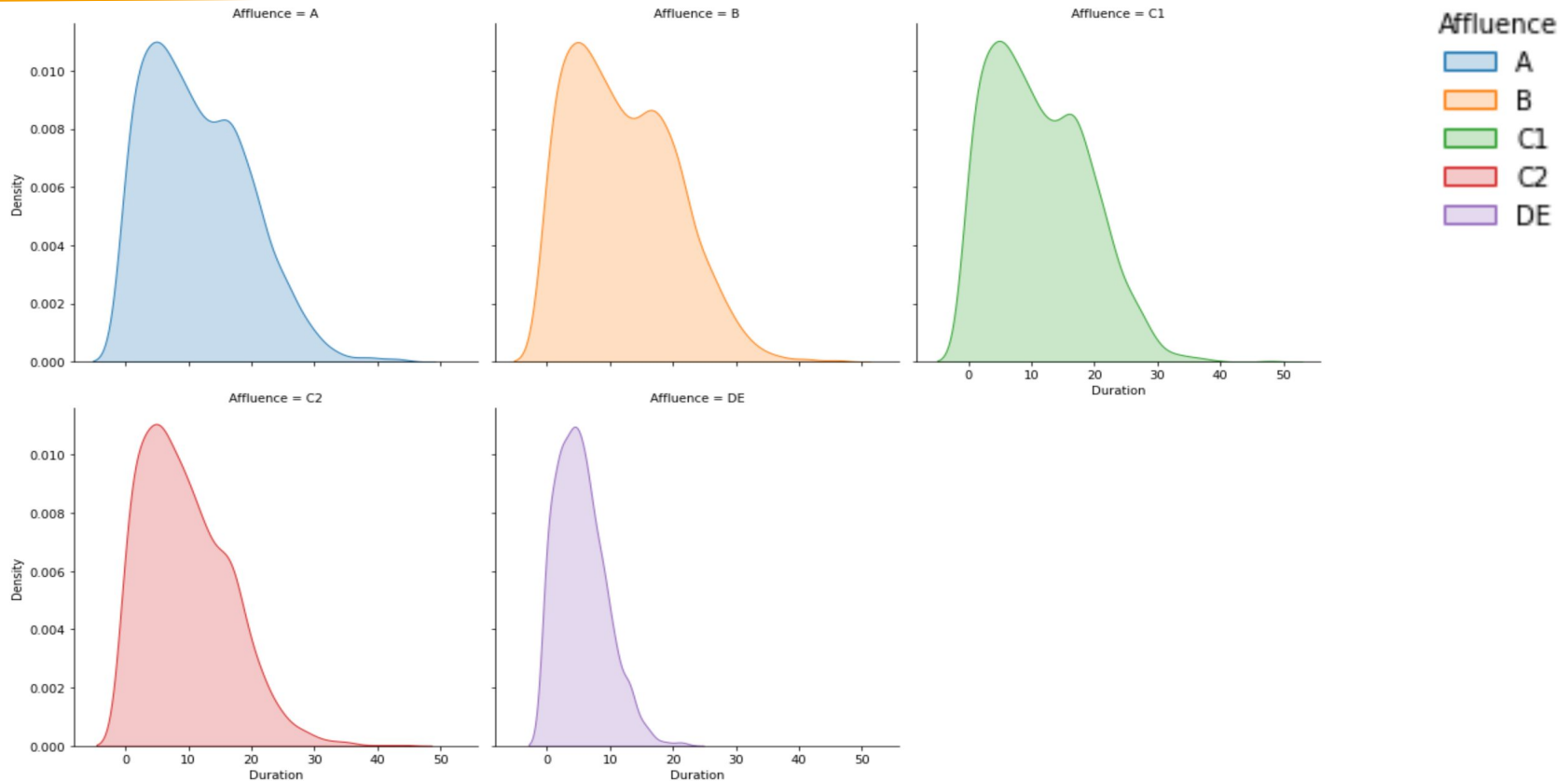
- Lower Affluent classes **DE and C2** have lowest membership duration on average relative to other classes
- Class **A, B and C1** has longest membership duration. This are classes with lowest churn rate
- Strategy Implementation: Marketing strategy focused on attracting 'good/loyal' customers

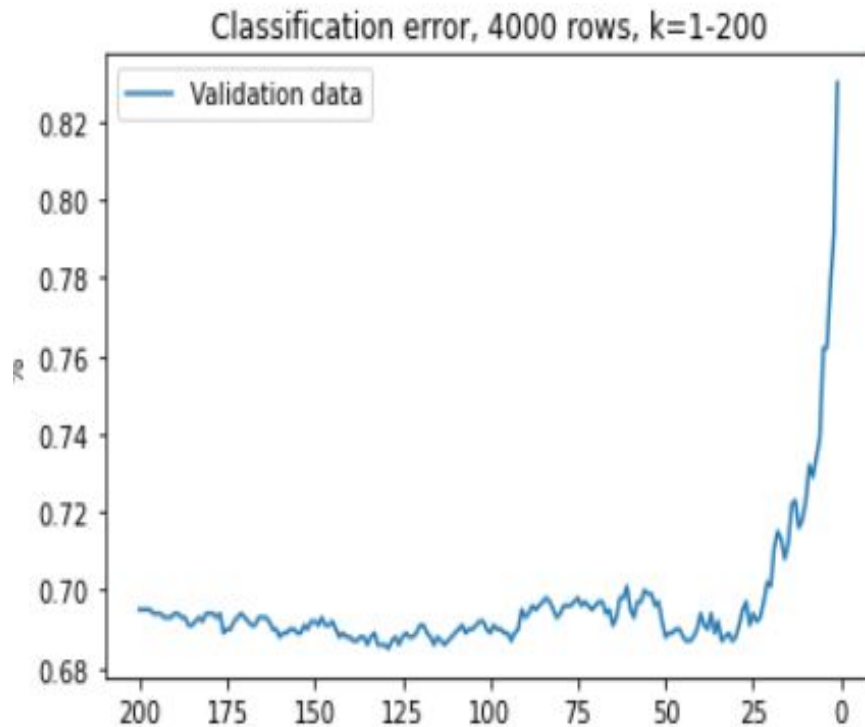# Winter has higher member cancellations compare with others
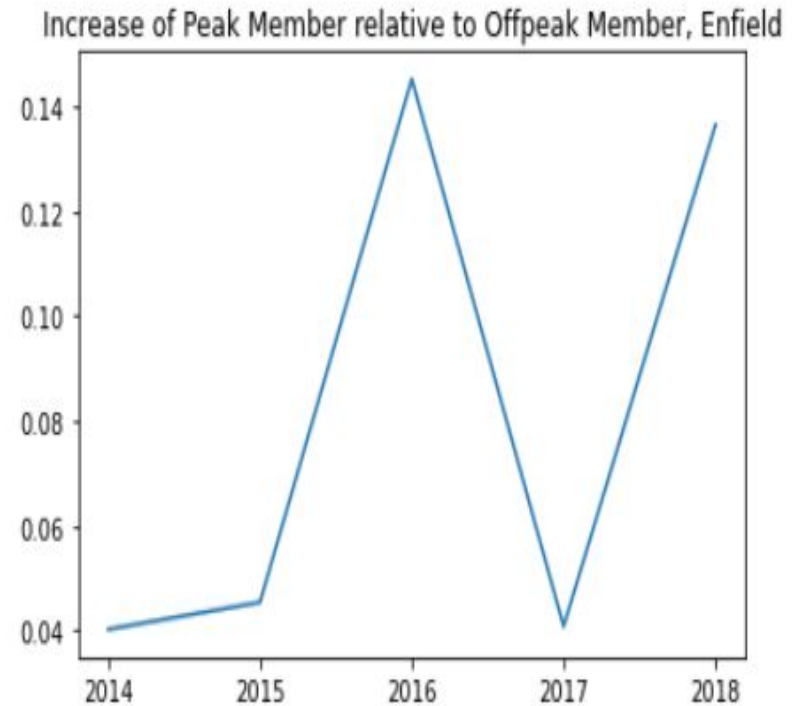
Membership Cancellations by Season
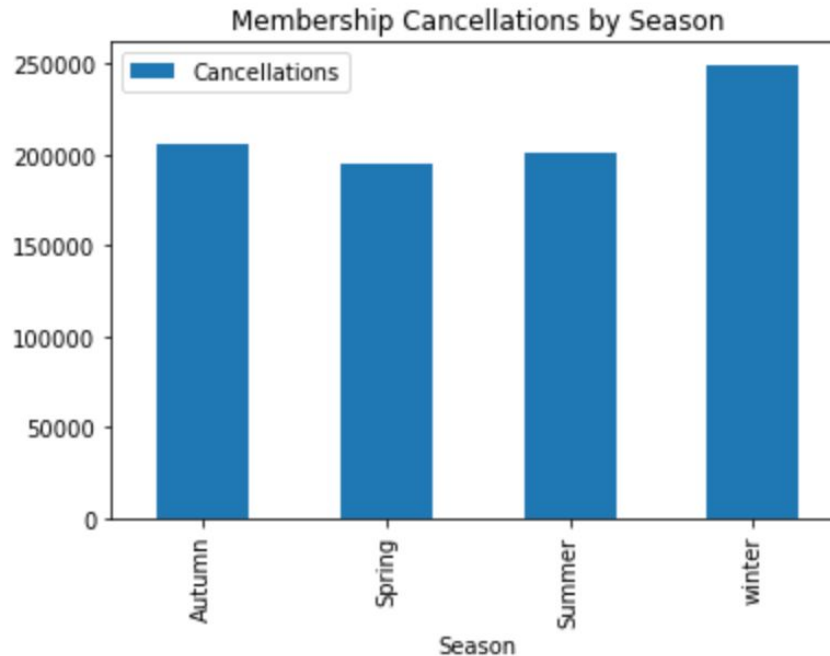
- Highest number of **membership cancellations** during the **winter season** (December, January, February)
  - Potential explanation: High influx of new-year resolutioners leave within short period of time
  - Potential Solution: Winter classes/group exercise

Advanced Topics

KNN Model

Change of Behavior

Classification error, 4000 rows, k=1-200

Increase of Peak Member relative to Offpeak Member, Enfield

📝 Conclusion

Increase in the churn rate ➡️ Revenue improvement lower than expected

Recommendations:

KPI: Increase Revenue Per Member

- Improve pricing strategy according to **members type.**

  While increasing the membership fee in general, handing special offers to price elastic existing customers group like lower class customers or younger customers to reduce their incentives to leave membership.

KPI: Reduce Churn Rate

- Reduce churn rate by organising more **group exercise** in the club.

- Adjust its **marketing strategy** to attract groups of potential loyal customers.

  Focus on middle-class customers.

- **Identify and predict** leaving customer and use an appropriate approach to retain them.

THANK YOU