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Club Sportif MAA: Staying Ahead of the Game

Robert Mackalski, Delaney Brown and Marc Ducusin wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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There is a sense when you walk through the majestic wooden doors that you are someplace special. You can feel the pulse of 136 years of sporting history beating through the halls. The MAA is more than a club, more than a fitness centre. . . . It’s a family and a second home in the heart of downtown Montreal.

Pierre Blanchet, president and general manager, Club Sportif MAA

Pierre Blanchet, president and general manager of Club Sportif MAA (the MAA), knew his staff and all 3,000 members by name. He loved his club and exemplified its values. In 2017, building on the Montreal athletic club’s historic lineage, Blanchet worked to grow the MAA into a unique combination of state-of-the-art fitness centre and upscale social hub—as much a home away from home as a place to exercise and play sports for the business professionals and others who made up the club’s diverse clientele. He knew that the club’s success arose partly from its iconic role in Canadian sports history. Yet the market had changed: as older traditions subsided, evolving consumer and fitness trends had increasingly fragmented the market. To adapt to these changes, Blanchet renovated the club to dedicate more space, services, and resources to fitness. However, he knew he had to be vigilant about keeping the MAA distinct from other gyms. How could he preserve the MAA’s upmarket image while expanding from its traditionally exclusive membership to appeal to a wider customer base? Could the MAA integrate its fitness and social aspects to meet the evolving needs of its membership without sacrificing the character of its brand? Faced with a membership decline over the last year, Blanchet had to reflect on the MAA brand and decide which segments to target and how to best communicate the MAA’s offerings to these potential clients.

The MAA’S HISTORY

Athletic Origins

Originally known as the Montreal Amateur Athletic Association (MAAA), the club was founded in 1881 with the union of three groups: the Montreal Snowshoe Club, the Montreal Bicycle Club, and the Montreal Lacrosse Club. The lacrosse club brought with it the prestige of having won the first National Lacrosse Championship in 1867, the sport having been declared Canada’s national game in 1859. Other sports to subsequently join the association included hockey, track and field, water polo, and fencing.

These additions led to other significant firsts scored by clubs and individuals affiliated with the MAAA. The Montreal Hockey Club earned the hockey championship title in 1893 and became the first team to have its name engraved on the Stanley Cup. Subsequent Stanley Cups were won in 1894, 1902, and 1903. Lord Stanley, after whom the cup was named, was also a founding association member. In 1899, the MAAA organized and hosted the World Bicycle Championship, marking the first time the event was held in North America. Étienne Desmarteaux, another MAAA member, delivered the Canadian Olympic Team’s first gold medal by winning the hammer throw event at the St. Louis Olympics in 1904. Another member, George Hodgson, set three world records in swimming and became the first Canadian to win double Olympic gold medals, winning the 1,500 metre and 400 metre freestyle events at the 1912 Stockholm Olympic Games. In 1931, the Montreal Football Club won the first Grey Cup.

The association was also formative in the development of a number of sporting activities. The constitution and by-laws of lacrosse, competitive track and field, snowshoeing, and bicycling, for instance, were all either created at the MAAA, patterned on its rules, or founded by a member.

The Modern MAA

The club moved into the location the *Montreal Daily Star* called its “new palatial home”[[1]](#footnote-1) at 2070 rue Peel in 1905 and had been situated there ever since. The MAAA was a hub for competitive swimming, bowling, hockey, squash, baseball, soccer, boxing, and cycling, but it also had a strong club feel, with reading rooms, billiards tables, smoking rooms, and dining rooms. In the 1950s, it evolved to become an elite social gathering place as well as a fitness centre. By 2017, it was the oldest club of this format still existing in Canada. Initially a private club owned by its members, the facility was transformed into a public gym facility and renamed Club Sportif MAA in 1998. When Blanchet first worked with the MAA in 1997 through his own fitness consulting company, the privately owned club was on the verge of closure. It was revived by the investments of elder members, who brought in a Toronto company as managers and shareholders. Blanchet was subsequently hired to run the club’s fitness operations before eventually taking over as president and general manager in 2009.

Despite all the changes, the modern MAA remained connected to its origins as an institution that supported athletes. The club accrued one of the largest collections of historical sports photos, trophies, and memorabilia in Canada, attesting to the club’s storied legacy. The Canadian athletes supported by the MAA included over 150 newly retired and current Olympians and Olympic hopefuls. Among them were three-time gold medallist Kim St-Pierre (2002, 2006, and 2010) and two-time silver medallist Alexandre Despatie (2004 and 2008). Other former Olympians joined the MAA team. For example, Nathalie Lambert, Canada’s flag bearer at the Albertville Olympics and a gold-medal speed skater, headed up the marketing department.

Club services extended beyond sports and fitness training to include a multitude of social events for both members and non-members. These ranged from sports-oriented affairs such as the annual boxing gala to cultural gatherings, including year-round art exhibitions, monthly whiskey and wine tastings, oyster tastings, and a Saint Patrick’s Day luncheon. The MAA also became a popular place for professional networking, hosting corporate functions, and charity events. The MAA Bistro could cater to the needs of events holding up to 350 people.

These events tended to reflect the upscale image of the MAA. The MAA’s food and beverage manager, Thibaut Faucheux, expressed pride in the success of the scotch tastings, which were introduced partly because scotch was a staple of four- and five-star hotels. But Faucheux also pointed out that the scotch tasting events at the MAA Bistro were “casual-formal” and not black-tie affairs, further stressing that they were offered at good value. “There’s nowhere you can have this kind of event at this price anywhere in the city . . . maybe even the country. It’s accessible, inclusive.”

Blanchet described the increasing inclusivity of the club as an integral part of its modernization. A large-scale renovation to update the space and make room for new programs that would appeal to a broader audience was part of the MAA’s transformation. Yet in spite of this drive to become more inclusive, the MAA still had tightly knit units. Some members were friends who “hit the gym” together; others were business professionals who used the club exclusively for meetings at the MAA Bistro, and still others—members of world-class clubs for squash, handball, badminton, skiing, and speed skating—could be as intimidating as they were inspirational.

The Fitness, Fun, and Family Offering

The MAA’s strategy for integrating the different facets of its business entailed positioning the club as a single source for members’ health and fitness needs. Nonetheless, sales and membership reflected an asymmetry in the consumption of the club’s fitness and social offerings. Laurent Fayen, the sales and member experience director, estimated that 98 per cent of the club’s business came from its fitness services and only 2 per cent came from the social aspects. He found that those who came to the MAA for fitness reasons were frequently surprised at the breadth and depth of the club’s social offerings.

Apart from occasional non-sports-related events, such as charity galas or scotch tastings, the social offerings of the club were largely subordinated to the club’s investment in fitness and athletics, as befitting the club’s origins. As the MAA’s sports medicine clinical director, Steven Procter, said, “Its lineage is obviously saturated in sports and in fitness, and I think the social element that it has really revolves around that.”

Blanchet affirmed the priority the club placed on fitness and health. He viewed the club as full service for health: “We not only offer a wide variety of fitness options for men and women; we also have doctors, physiotherapists, personal trainers, a massage centre and spa, nurses, a restaurant, and more.” Blanchet summed up the broad scope of the club by likening it to “a service business—with 15 businesses combined into one.”

For avid gym-goers and athletes, the MAA offered state-of-the-art equipment catering to every area of fitness. The club maintained a 743-square-metre multisport gymnasium (see Exhibit 1), three badminton courts, a basketball court, a volleyball court, five squash courts, a handball court, an 18-metre pool, and four group fitness studios with close to 100 classes per week in staples like aerobics and sculpt, step-up, high-interval training, hot yoga, and spinning—and in more unusual offerings like hip-hop abs, showtime dance, anti-gravity yoga, and aquaphysical classes (see Exhibit 2). The MAA was also no stranger to co-branding exercises, having created the MAA-exclusive sessions with Cirque du Soleil and Reebok.

Additional features and services targeted other aspects of members’ health and well-being. The day spa offered aesthetic treatments such as skin treatments, waxing, tinting, manicures, pedicures, and electrolysis. The MAA Bistro, which operated during the week, featured an extensive bar, full menu, and daily “home-cooked” specials. Health services ranged from general medicine to massage, physiotherapy, osteopathy, acupuncture, and nutrition. The locker rooms included towel services, laundry services, and grooming amenities. Blanchet planned to invest CA$7 million[[2]](#footnote-2) over the next five years to keep the building and facilities up to date.

The club’s efforts won accolades and international recognition. Voted the best fitness club in Canada by *Reader’s Digest*, the MAA was a proud member of the International Health, Racquet & Sportsclub Association (IHRSA), which had 120 upscale affiliate clubs throughout North America, Europe, Asia, and Australia (see Exhibit 3).

A Playground in the Heart of the City

The MAA’s slogan, “Your playground in the heart of the city,” was developed to capture the MAA’s fun, welcoming, and personalized positioning. Blanchet noted that members came to the club with different needs requiring personalized attention. This emphasis on all-inclusive yet customized offerings particularly influenced the implementation of personal training and group classes. The club retained classes with at least 10 members, and most of these classes were included in the membership fees. Blanchet estimated that 800–1,000 members joined the club to participate in group classes. Research indicated that the demand for fitness services was driven by consumers who purchased group classes.[[3]](#footnote-3)

The MAA staff were confident that they offered something special within this market by personalizing their services. Shelly McDonald, a former group fitness director, group instructor, and personal trainer at the MAA, explained that the trainers’ services went beyond instructing classes and providing training for individual members. “There is a social aspect,” she said—a carefully nurtured personal rapport between the MAA staff and clients. “We go out for dinners, we go to places, we celebrate birthdays with our members.”

In accordance with the MAA’s culture of personalization, trainers were encouraged to make their classes distinctive. “So one instructor came to me and wanted to do a power pump program,” McDonald recalled. “It’s out of a box: every instructor in every [other] gym has the same music, the same moves. I said no way—it’s cookie-cutter. We [at the MAA] know how to teach. We know [how to] make our own choreographies.” The personalization strategy proved effective. In her time at the MAA, McDonald witnessed the frequency of specialized classes grow from about 10 per week in 2003 to almost 100 per week in 2017.

Revenue Sources

Monthly membership dues generated the highest portion of revenues for the MAA (see Exhibit 4). Prices varied by age, and à la carte or add-on services were available. Of all the add-on services offered, treatments at the MAA Sports Medicine Clinic and personal training were consistently among the biggest sources of revenue. However, while personal training was one of the most profitable services, only a handful of trainers were consistently booked. These were level-4 trainers (ranked as elite specialists); those ranked at level 2 and under tended to be booked less frequently. Other services offered at the MAA (e.g., spa and massage services) had a price premium that reflected the superior skill level of the service providers and the upscale ambiance (see Exhibit 5).

Culture, Customers, and Community

New members were won over by the sense of belonging to the club or “becoming a part of the family.” Blanchet stressed the need to forge authentic relationships with prospective members from the moment they first visited the club. The added value of an MAA membership came from these authentic relationships with trainers and employees, who welcomed members and listened to their concerns with genuine care. According to Blanchet, “the consistency of authenticity” set the MAA apart from similar clubs in the city. Implicit in this philosophy was the idea that maintaining this authentic quality should take precedence over immediate profits.

McDonald articulated the family dynamic between members and employees that lent authenticity to all of the club’s operations:

I love the people of the MAA. When I walk in and I see the front desk people and the members, [I know] I’ll never stop teaching there because I would miss the members and the social aspect with them. They are like another family. I can teach anywhere. But I won’t leave. I fell in love years ago, and still am in love today.

Membership Retention and Segmentation

The concept of the MAA as a family was also borne out by the club’s retention of its most faithful members. Nathalie Lambert, the director of sports programs and communications, said that one-quarter to one-third of the MAA members stayed permanently and renewed every year, even if they did not frequently use the club facilities. The overall MAA churn rate was 38 per cent—substantially less than the estimated 50 per cent churn rate faced by the nearest competitors.

In terms of regular club use, members fell into roughly four segments: general fitness gym users, class attendees, specialized athletes, and club enthusiasts. The members who joined to use the gym or take classes for general fitness purposes were often less interested in the club’s extra services and social offerings than the club enthusiasts or the specialized athletes. Therefore, the club needed answers to several crucial questions regarding its future: Should the different segments be separated or integrated? To what degree should they be separated or integrated? Was integration even possible? Any approaches to these questions should, of course, consider the patterns in membership and use of services, which could provide insights into which members were the most desirable.

In general, MAA members wanted to achieve a better quality of life. Many were already knowledgeable about health and fitness and did not need to be convinced about these benefits in order to join for fitness reasons. Some patrons spent over $1,000 per month at the club, and there were several who spent $1,000 to $3,000 per month. The sales department identified the MAA’s best customers as those who referred others to the club and helped improve it. Generally speaking, membership retention fell into the following age-based patterns (see Exhibit 6).

Under 30

Members under the age of 30 usually remained with the club for only two to four years. Often these were international students, many from the United States, Europe, and Middle Eastern countries, where they would pay significantly more for access to a similar club. They tended to make less use of the MAA Bistro and focused more on working out at the gym. While these individual members remained with the club for the shortest amount of time statistically, they were continually replaced by new students, who arrived annually. The MAA was located within walking distance of two major universities: McGill University and Concordia University).

Ages 30–40

Members aged 30–34 stayed an average of four to five years. Their membership was often contingent on the convenience of the club and its proximity to their downtown workplace or residence. When they left the club, it was often for professional or lifestyle reasons such as a new job or home that took them away from the area. This segment was also likely to use locker and laundry services.

40 and Older

The longest-term members tended to be those aged 40 and older, many of them business professionals. Their retention hinged on their relationship with the club and the added value of details that enhanced their experience of the club, which they appreciated. These members possessed greater stability in their professional and personal lives and commonly used both the MAA Bistro and personal training services. They also used the MAA Sports Medicine Clinic if they had conditions requiring treatment; the clinic identified middle-aged professionals as its general clientele.

The use of fitness services was common across all three age brackets, but in keeping with the sentiments expressed by McDonald, a sense of family and home characterized the relationships of longstanding members with the MAA. For instance, Fayen described a former professional athlete and 45-year member for whom belonging to the club was a basic part of his everyday life and routine. Blanchet told a similar story of a man in his 70s who had been a member for 50 years, first swimming in the junior program, then later meeting his wife at the club. Some lifelong members experienced occasional lapses in their use of the club but always came back eventually. Others who formerly used the athletic facilities would retain their memberships for social reasons—attending events, patronizing the MAA Bistro, playing bridge, admiring the art exhibits —even after they were no longer able to be as physically active as before. Still others, such as the 50-year member that Blanchet described, brought their children into the fold over the years, thus creating new members. For all of these lifelong patrons, the club became a second home.

Arda Setrakian, an under-30 member for over three years, offered additional insights into the culture of the club’s membership and the potential for that culture to shift with the MAA’s increasing priority on its fitness services over its social aspects:

The MAA has an expectation of its members. There is almost an unwritten MAA code. There is a self-selection of clientele who are well-mannered, courteous, and treat others how they would want to be treated themselves. You don’t have to worry about thieves, sketchy guys hitting on you, or sweaty equipment. I love the MAA, but I have a concern that as the MAA evolves more into a gym, it is losing what attracted me in the first place: different people, different vibes.

MARKETING AND COMMUNICATIONS

The marketing of the MAA was consistent with its personalized culture and emphasis on family. Close to 70 per cent of new members came via referral programs. Some of this was driven by incentives for existing members (e.g., members who referred a member received a free massage), but most referrals were done because members loved the MAA and wanted to share it. Positive word-of-mouth was confirmed through in-person visits to the club. Fayen estimated that 60 per cent of sign-ups occurred within 24 hours of the prospective member’s initial visit or tour of the club. Fayen called existing members “our best ambassadors.” As such, the MAA staff devoted considerable effort to cultivating happy MAA members.

To further keep things “in the family,” promotional images featured actual club members rather than professional models (see Exhibit 7). Large posters showcasing fit members were hung outside the club and rotated every quarter. Art work was done in house.

Blanchet had his communications team experiment with different communications to drive membership. Since he took over, more than $100,000 had been spent on advertisements targeting francophone and anglophone business professionals. According to Lambert, however, these campaigns did not generate as many new memberships as referrals did. Bartering, on the other hand, allowed the club to launch promotional campaigns without spending additional funds. In September of 2016, for instance, a francophone radio campaign was created in exchange for 15 memberships.

Special events such as charity functions and sporting competitions helped bring non-members to the club. The club’s program for Olympic hopefuls, current Olympic athletes, and retired Olympians not only supported athletes by furnishing them with free memberships, but also leveraged their public influence. Other free memberships were available to professional athletes, such as members of the Montreal Alouettes, who also had an influence on the public.

Deals involving celebrity memberships, including interviews conducted at the club and publicized training sessions in the club’s facilities, were another source of publicity for the club, which benefitted from its reputation as Montreal’s go-to gym for celebrities. Any carded athlete or visiting celebrity was welcome to work out at the MAA free of charge. Hollywood celebrities, including Brad Pitt, George Clooney, Penelope Cruz, Halle Berry, Robert De Niro, Robert Downey Jr., and band members from U2, were seen working out at the MAA while in town for filming or during tours. Some celebrities even joined pick-up games of basketball and badminton during social-gym hours. Although the club did not directly leverage the attendance of celebrities, word-of-mouth about their presence generated a positive buzz.

The MAA heightened its digital marketing and social media presence. In addition to maintaining a website, the club sent routine follow-up e-mails to new members at 48-hour, 15-day, 30-day, and 180-day intervals. The club also established Facebook, Twitter, Instagram, and YouTube accounts, with varying degrees of success. Of these, Lambert reported that the Facebook page was the most active, while the club’s YouTube channel was the least frequently used. It was clear that social media would have to play a more important role in the club’s marketing and communications, but precisely how this would work remained to be seen.

CHALLENGES

Internal Challenges

In terms of growing and maintaining membership, the club faced both internal and external challenges. Some internal challenges were practical, such as the lack of parking at the MAA, which inhibited members who neither resided nor worked downtown. Price was always an issue, too: when membership, locker fees, and laundry services were added up, the MAA was the priciest club in the city. Other issues were cultural. For instance, how could the club attract and retain younger members who tended to feel less of an affinity for the club because they placed less value on its history and legacy than many of the older members. Blanchet believed that close to 900 members were lost overall each year and that at least 10 per cent of those could have been recoverable if efforts had been redirected. Members who had not been successfully integrated were especially vulnerable. Due to generational lifestyle changes, many younger clients felt little or no inclination to consider the club a second home. The club’s near closure in 1999 was related to poor adjustment to these changes.

Moreover, younger customers may have been dissuaded by qualities associated with the club’s prestige. Blanchet identified consumer perceptions of exclusivity, snobbery, and elitism as foremost among the myths that the club had to overcome to increase membership. Lambert and Fayen corroborated the persistence of these myths, particularly among prospective francophone clients who also had to be persuaded that the club was not exclusively anglophone. Blanchet attributed this particular challenge to the fact that francophones in Quebec tended not to have a “club culture.”

In Blanchet’s view, these misperceptions could be debunked by emphasizing the importance of fitness for everyone—not only the rich. Contrary to the assumption that the MAA was a private club, members no longer had to be referred to join. Membership expenses, meanwhile, were justified by the club’s other services, which demonstrated that members were paying for much more than just a gym. As Blanchet put it, the MAA may have become more inclusive, yet it still qualified as a club by virtue of the variety and calibre of its offerings. Blanchet felt that most people who joined the club for fitness purposes tended to care less about the heritage aspects.

However, as Fayen noted, the club’s sense of luxury remained a strong selling point. This “wow factor,” in Fayen’s words, was epitomized by the visual effect of the MAA’s bright, pristine lobby, with its high ceiling and stunning chandelier. Fitness trainer McDonald said that the visual impressiveness of the club was counterbalanced by a welcoming atmosphere that belied any previous reputation of elitism: “There is a buzzing when you walk in. It’s the magic of the club. It’s not industrial. It has these massive, comfy couches when you walk in. There is an authentic friendliness at the front desk.”

However, not all members of the MAA agreed that courting a trendier, less exclusive market was the best course for the club to take. Steve DiGregorio, a member who used many club services for over six years, conversely suggested that the club should become *more* exclusive in order to preserve its cachet—even if that meant becoming more expensive as well. DiGregorio was drawn to the MAA by its iconic status in Montreal, and he thought the club would do well to capitalize even more on the sense of heritage and tradition that underpinned its brand rather than to cater to student clients who were unlikely to remain members in the long run.

However, industry predictions ascribed increasing importance to the youth market for fitness clubs. According to a recent report by IBISWorld:

Over the next five years, the industry will benefit from an increase in youth and baby boomer health club memberships. As a result, industry revenue was forecast to rise at an annualized rate of 3.5 per cent to $3.7 billion over the five years to 2021 [see Exhibit 8]. Industry operators will strengthen their product portfolios to bolster retention rates and generate membership sales via word-of-mouth recommendations between consumers.[[4]](#footnote-4)

External Challenges

The club’s external challenges were shifts in the market stemming from major changes in consumer behaviour with regard to fitness services. For instance, industry sources affirmed the success of smaller boutique gyms catering to niche interests with minimal amenities as a consequence of consumer wariness of “discretionary expenditures, including gym and health club memberships.”[[5]](#footnote-5) In accordance with these findings, DiGregorio’s spouse left the MAA to join a yoga centre that met her price sensitivity and specific needs.

People were not only becoming more sensitive to the price of memberships, but they were also frequently turning to the Internet for fitness programs, self-diagnoses, and nutrition information. To thrive, a club’s offerings needed to surpass what consumers could access freely for themselves. Again, industry trends pointed in a clear direction. As projected by IBISWorld, “Profit is expected to rise from 6.3 per cent of industry revenue in 2011 to 7.6 per cent in 2016, as larger, all-inclusive clubs, which provide more high-margin services like hot yoga classes, grow increasingly popular.”[[6]](#footnote-6) Market demands thus prompted the MAA to offer specialized classes and other services that were geared toward niche interests in order to remain competitive.

Competition

Mansfield Athletic Club

The MAA’s main competitor was Mansfield Athletic Club, a modern, upscale fitness centre with three Montreal locations. The flagship location was situated downtown, only a few blocks away from the MAA. Mansfield had similar membership fees and offered group classes, personal training, a health and nutrition clinic, and a bistro.

YMCA

The downtown YMCA, like the MAA, had a distinguished history extending back to the 19th century. The first YMCA centre in North America opened in downtown Montreal and 60 years later moved to Stanley Street, one street away from the MAA. While the “Y” offered an executive membership for its fitness services, it was well-known for its social activities, community programs for seniors and children, and language and cultural programs.

Nautilus Plus

Nautilus Plus was a Quebec-based fitness chain that had two locations in close proximity to the MAA. While the service offerings were not as broad as those at the MAA, the modern, well-maintained gyms did have weight rooms, group classes, and nutritional services. Membership fees were about half of the MAA’s.

Smaller Clubs

The established clubs faced additional competition from smaller clubs and studios specializing in yoga or CrossFit. Several of these opened throughout downtown Montreal with increasing success, stripping away market share by offering catered services to niche markets, such as spinning classes, hot yoga, Zumba, and CrossFit. The MAA and its competitors had to figure out how to position themselves amid this explosion of new fitness trends, fuelled by the Internet and social media.

LOOKING AHEAD: The Future of the MAA

In Blanchet’s view, the MAA would always qualify as a traditional club by virtue of its offerings; however, in keeping with the times, it had become more inclusive. He proudly pointed out that the club had grown beyond its origins as a male-dominated institution to one with a membership of 56 per cent men and 44 per cent women, with members of all ages, from children in the junior program to senior citizens in their nineties.

Blanchet had grown the MAA’s services to include 15 different departments spread out over 8,300 square metres. These departments were integrated to different degrees. The least profitable were the two smallest, namely the pro shop and the spa. Some services were well integrated. For example, the club’s nutritionist was incorporating her input into a new health-conscious menu, and personal trainers all had contacts with health-care clinicians.

Final Questions

It was January 1, and Blanchet knew that membership and visits to the MAA would get a boost from all the New Year’s resolutions (see Exhibit 6), but he couldn’t stop thinking about the changing nature of the industry and the bigger strategy and marketing issues facing the club. What services should be offered? Was a one-stop shop the right approach, or was the club becoming too much of a melting pot? What was the right balance among fitness offerings (e.g., gym, group classes, and personal training), health services (e.g., physiotherapy, osteopathy, kinesiology, nutritionist, and spa), and social club amenities (e.g., MAA Bistro, events, and art displays)? Had the club drifted too far from its elite fitness roots? All these questions were related to issues of who should be targeted and how. While the MAA had a proud history extending over 130 years, the answers to these questions would be decisive in securing the MAA’s future.

This case was prepared by Professor Robert Mackalski (McGill University, Desautels Faculty of Management); case researcher Delany Brown and Dr. Marc Ducusin (McGill University).

Exhibit 1: The Modern MAA facilities

Entrance to the Club



The Weight Room



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| --- | --- |
| MAA Bistro  Macintosh HD:Users:delaney:Documents:DELANEY:Bob:MAA Ivey Case:Appendices:MAA Appendices:MAA_Photos:MAA_ClubShots:MAA_Bistro.jpg | Upscale Events  Macintosh HD:Users:delaney:Documents:DELANEY:Bob:MAA Ivey Case:Appendices:MAA Appendices:MAA_Photos:MAA_ClubShots:MAA_EventMSGym.jpg |

Source: Company documents.

Exhibit 2: Sample MAA Club Classes

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| **Above**: Open-court squash challenge against Shawn Delierre (ranked #7 in the world)  **Centre**: Anti-gravity yoga class  **Right**: Aquaphysical class |  |  |

Source: Company documents.

Exhibit 3: MAA Affiliated Clubs

|  |  |
| --- | --- |
| **Canada** | |
| Ontario & Greater Toronto Area | Adelaide Club, Cambridge Club**,** Toronto Athletic Club, Hamilton Thistle Club, Royal Canadian Yacht Club, The Oakville Club, The Ottawa Athletic Club, Toronto Lawn Tennis Club, Toronto Cricket, Skating & Curling Club |
| Quebec | University Club of Montreal, Club de Golf Kanawaki, Pointe-Claire Yacht Club, Le Club de la Garnison |
| Nova Scotia | Saraguay House |
| Alberta | The Centre Club, Royal Glenora Club, Calgary Winter Club, Glencoe Club, The Bow Valley Club |
| British Columbia | The Terminal City Club, The Arbutus Club, Union Club of B.C., Vancouver Lawn Tennis & Badminton Club |
| Manitoba | Winnipeg Winter Club, Winnipeg Squash Racquet Club |
| **United States** | |
| Arizona | University Club of Arizona |
| California | Los Angeles Athletic Club, The Olympic Club, California Yacht Club |
| Colorado | Denver Athletic Club |
| Connecticut | The Graduate Club |
| Florida | Collier Athletic Club, Governor’s Club, The University Club of Orlando |
| Indiana | Indianapolis Athletic Club |
| Iowa | Des Moines Club |
| Kansas | The Wichita Club |
| Maryland | The Center Club |
| Massachusetts | Downtown Harvard, Harvard Club of Boston, The University Club of Boston, The University Club of Providence |
| Michigan | Detroit Athletic Club, The City Club of Lansing, The Peninsular Club, The University Club of Grand Rapids, The University Club of Michigan State University |
| Minnesota | Decathlon Athletic Club, Minneapolis Athletic Club, University Club of Saint Paul |
| Missouri | Missouri Athletic Club, The Kansas City Club, The University of MU University of Missouri |
| New Hampshire | The Balsams Wilderness |
| New Mexico | Albuquerque Petroleum Club |
| New York | Buffalo Athletic Club, Fort Orange Club, New York Athletic Club, The Cornell Club, The Mohawk Club |
| Ohio | The Cincinnati Athletic Club, The Cleveland Athletic Club, The Toledo Club, The Youngstown Club |
| Pennsylvania | Racquet Club of Philadelphia, The Engineers Club of Philadelphia, The Pittsburgh Athletic Association |
| Texas | The Amarillo Club, The Beaumont Club, The El Paso Club, The Lubbock Club |
| Washington | Capitol Hill Club, The Bellevue Athletic Club & Hotel, The University Club of Washington, Washington Athletic Club |
| Wisconsin | The Madison Club, The Milwaukee Athletic Club, The Wisconsin Club |
| **Asia** | Royal Brunei Yacht Club |
| **Australia** | City Tatersalls Club, Cypress Lakes Resort, North Queensland Club, Public Schools Club, Royal Automobile Club of Victoria, Royal Automobile Club of Victoria Country Club, Tatersalls Club |
| **Bangladesh** | Kurmitola Golf Club |
| **Bermuda** | Court House |
| **China** | Almeria Clubs, Hotels & Resorts, Old Chengdu Club, Shanghai International Tennis Embassy Club |
| **England** | Royal Automobile Club, St James Hotel & Club |
| **Hong Kong** | Hong Kong Football Club |
| **India** | International Club, Deccan Gymkhana, Umed Club, Resort Country Club |
| **Indonesia** | Enteous Club |
| **Italy** | Arts Sporting Area |
| **Japan** | Kobe Club, Tokyo American Club |
| **Kenya** | Nairobi Gymkhana |
| **Korea** | Seoul Club |
| **Luxembourg** | Cercle Munster |
| **Philippines** | Baguio Country Club |
| **Portugal** | Club Portuense |
| **Qatar** | Doha Club |
| **Scotland** | The Western Club |
| **Singapore** | The American Club |
| **Thailand** | The British Club Bangkok |

Source: Company documents.

Exhibit 4: the MAA Consolidated Income Statement, 2016

|  |  |
| --- | --- |
| Revenue | **CA$** |
|  |  |
| Membership/Admission Revenue Total | 4,600,000 |
| Other Services Revenue Total | 2,750,000 |
| Total Revenue | 7,250,000 |
| Expenses |  |
| Total Club Expense | 3,500,000 |
| Other Expenses | 2,500,000 |
| Total Expenses |  |
| EBITDA | 1,250,000 |

Note: EBITDA = earnings before interest, tax, depreciation, and amortization.

Source: Company documents.

Exhibit 5: Selected Offerings and Pricing of the maa

**Membership**

Month-by-month membership $165/month

12-month membership (> 25 years of age) $125/month

12-month membership (> 25 years of age) $99/month

Senior (65+ years of age) $99/month

Day pass (non-member) $30/day

Day pass (when accompanied by member) Free

**Additional Memberships/Services (Month)**

Squash membership $21.00

Laundry services $17.50

Half, full permanent locker $20.00, 52.50

Babysitting $15.00/hour

Shoe shine $5.00/pair

**Personal Services**

Personal training services $60–$112/hour

Private classes (circuit, Pilates, stretch, yoga, squash, badminton, etc.) $55–$80/hour

Semi-private classes $45–$50 per person/hour

**Specialty Classes**

Aerial fitness $15/class

Box fit $10/class

Triathlon $45/class

Swimming Bronze Cross $180

Aqua fitness $60/hour

Board room rental $250–$450/day

**Bistro & Bar**

Smoothie $7–$15

Breakfast menu varies

Lunch menu varies

Dinner menu varies

Game night menu varies

Scotch tasting night $100/person

Oyster party $90/person

Source: Company documents.

Exhibit 6: THE MAA Membership Data

**MAA Membership Churn by Year (Average, 2012–2016)**

MAA Churn 38%

35+ 24%

> 30 65%

University Students 72%

Competitor Churn (estimated) 50%

**Member Segments by Mother Tongue and Gender**

|  |  |
| --- | --- |
| 44% Female | 56% Male |
| 62% English | 38% French |

**Member Segments by Age**

|  |  |
| --- | --- |
| 35+ | 1,450 |
| 30–34 | 300 |
| under 30 | 750 |
| 65+ | 220 |
| Others | 300 |

**Member Visits per Month**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec |
| 19,000 | 18,100 | 21,200 | 19,900 | 18,000 | 16,500 | 16,500 | 15,500 | 22,200 | 19,750 | 18,500 | 17,300 |

Source: Company documents.

Exhibit 7: Samples of The MAA communications

|  |  |  |
| --- | --- | --- |
| **Macintosh HD:Users:delaney:Documents:DELANEY:Bob:MAA Ivey Case:Appendices:MAA Appendices:MAA_Photos:MAA_SampleAds:MAA_WindowSignage.jpg** | **Macintosh HD:Users:delaney:Documents:DELANEY:Bob:MAA Ivey Case:Appendices:MAA Appendices:MAA_Photos:MAA_SampleAds:MAA_WindowSignage2.jpg** | **Macintosh HD:Users:delaney:Documents:DELANEY:Bob:MAA Ivey Case:Appendices:MAA Appendices:MAA_Photos:MAA_SampleAds:MAA_WindowSignage3.jpg** |

Source: Company documents.

Exhibit 8: Gym, Health, and Fitness Clubs Industry, Canada (2016)

Industry Structure and Drivers

**At a Glance**

Revenue: $3.1 billion Annual growth (2011–2016): 5.6%

Profit: $236.6 million Annual growth (2016–2021): 3.5%

Wages: $1.2 billion Number of businesses: 4,587

Key external drivers: per-capital disposable income, leisure time, number of adults aged 20–64, adult obesity rates

|  |  |
| --- | --- |
| Spa Services | 1.7% |
| Meals and Beverages | 2.2% |
| Athletic Instruction | 2.7% |
| Fitness and Recreational Admissions | 2.9% |
| Fitness and Recreational Membership Fees | 60.6% |
| Other | 16.4% |

Source: Andrew Alvarez, “Industry at a Glance,” accessed January 2, 2017, <http://clients1.ibisworld.com/reports/ca/industry/ataglance.aspx?indid=1655>.

Gym, Health, and Fitness Clubs Revenue Growth (Canada)

|  |  |  |
| --- | --- | --- |
| **Year** | **Revenue  ($ millions)** | **Growth (%)** |
| 2006 | 2,211.5 | 0.0 |
| 2007 | 2,244.9 | 1.5 |
| 2008 | 2,313.3 | 3.0 |
| 2009 | 2,546.8 | 10.1 |
| 2010 | 2,704.7 | 6.2 |
| 2011 | 2,652.4 | −1.9 |
| 2012 | 2,759.1 | 4.0 |
| 2013 | 2,845.3 | 3.1 |
| 2014 | 2,994.2 | 5.2 |
| 2015 | 3,210.1 | 7.2 |
| 2016 | 3,283.4 | 2.3 |
| 2017 | 3,370.8 | 2.7 |

Source: Andrew Alvarez, “Industry Performance,” accessed January 2, 2017, http://clients1.ibisworld.com/reports/ca/industry/currentperformance.aspx?indid=1655.

1. “The Elite Club in the Heart of Downtown Montreal,” Club Sportif MAA Montreal, accessed April 10, 2017, http://maa.mezoweb.com/index.php?p=22&v=10750952e0ef554681b2.32560966. [↑](#footnote-ref-1)
2. All currency amounts are in CA$ unless otherwise stated. [↑](#footnote-ref-2)
3. “Gym, Health and Fitness Clubs in Canada, October 2016,” IBISWorld Industry Report 71394CA, accessed January 2, 2017, http://clients1.ibisworld.com/reports/ca/industry/productsandmarkets.aspx?indid=1655. [↑](#footnote-ref-3)
4. “Industry at a Glance,” IBISWorld Industry Report 71394CA, accessed January 2, 2017, http://clients1.ibisworld.com/reports/ca/industry/ataglance.aspx?indid=1655. [↑](#footnote-ref-4)
5. Ibid. [↑](#footnote-ref-5)
6. Ibid. [↑](#footnote-ref-6)