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# Konkurence a loajalita zákazníků fitcenter v regionu Praha v porovnání s oblastí Praha-západ

# Competition and customer loyalty of fitness centres in the Prague region compared to the Prague-West area

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***Abstract***
*This paper presents the results of research on the competition and customer loyalty of fitness centres in Prague and in the Prague-West region. A questionnaire for fitness and wellness centre customers and a structured interview with management of selected fitness centres in the sample have been used.*

*Four fitness and wellness centres, which are part of global or Czech chains, have been selected for the sample in the Prague region according to pre-defined criteria. In the second phase, an available sample of clients was selected for questioning in each of the researched facilities. The sample comprised 805 respondents in total. Five fitness centres were selected for the sample in the Prague-West region according to pre-defined criteria. The respondent sample from these fitness centres was selected using partly biased selection and deliberate selection. The selective sample consisted of 483 respondents.*

*The results were sorted according to Porter analysis of level of competition and they present competitive rivalry between fitness and wellness centres in Prague and Prague-West. They also show the gradation of competition for customers in these areas and how it is increased by low customer loyalty. Furthermore, the results present the bargaining power of fitness centre customers, the bargaining power of suppliers of exercise machines and other goods, the threat of substitutes for fitness and wellness services and the threat of more rival facilities entering the market.*

***Abstrakt***
*Příspěvek prezentuje výsledky výzkumu konkurence a loajality zákazníků fitcenter v Praze a oblasti Praha-západ. Pro oba regiony byl použit dotazník pro zákazníky fitness a wellnes center a strukturované interview pro management vybraných fitness zařazených do vzorku.*

*Do vzorku na území regionu Praha byla vybrána podle zvolených kriterií 4 fitness a wellnes centra, která jsou součástí světových event. domácích řetězců. V každém z vybraných zařízení byl v druhém stupni zvolen pro dotazování dostupný vzorek klientů. Celkem se jednalo 805 respondentů. Pro zařazení do vzorku v regionu Praha západ bylo podle zvolených kritérií vybráno 5 fitness center. Vzorek respondentů z těchto fitness byl vybrán pomocí částečně ovlivněného výběru a záměrného výběru. Výběrový soubor zahrnoval 483 respondentů.*

*Výsledky byly utříděny podle Porterovy analýzy konkurenčních sil a prezentují konkurenční rivalitu mezi fitness a wellnes centry v Praze a na Praze – západ a zároveň ukazují, jak graduje boj o zákazníka mezi těmito oblasti a jak tuto situaci umocňuje nízká loajalita zákazníka. Dále výsledky prezentují vyjednávací sílu zákazníků fitness, vyjednávací sílu dodavatelů dodávající posilovací stroje a zboží, hrozbu substitutů nahrazujících fitness wellness služby a hrozbu vstupu nových konkurenčních zařízení na tento trh.*

**Klíčová slova:** *marketing, konkurence, marketingový mix, marketing služeb, sportovní služby, kvalita služeb, loajalita zákazníků, fitness centrum.*

**Keywords:** *marketing, competition, marketing mix, marketing of services, sport services, quality of services, customer's loyalty, fitness center*

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## INTRODUCTION

Many authors address the issues of competition and customer loyalty in literature focused on services marketing, for example Bharadwaj (1993); Javalgi, Moberg (1997); Meffert, Bruhn (2003); Vysekalová (2004); Kozel (2006); Jakubíková (2008); Marinić (2008); Woolf (2008). Knowledge of current as well as potential competition in any field of business is essential for effective marketing decisions and the ability to establish marketing strategies in that field. Kotler (2007) defines competition analysis as "a process of identification of key rivals: assessment of their goals, strategies, weak and strong sides and typical reactions; selection of rivals that can be threatened and those that need to be avoided".

The customers also play their role in the creation of marketing strategies based on competition, since they determine substitute offers by their buying decisions. A satisfied customer, who then often becomes a loyal customer, is, according to Kotler (2001), loyal for longer time, buys more new products, praises the products of the company, pays less attention to competitive products, has less regard for price, and gives the company suggestions that can help improve services.

If we look more closely at loyalty, Kozel (2006) for example states that "customer loyalty (fidelity) is created by positive imbalance of performance and expectation. It is manifested by repeated buying, habitual behavior, price tolerance and recommendations to other customers." Marinić (2008) states that loyalty is an important tool that has a role in comprising the total value of a company. In a case where the company is not able to prevent customer loss, its long-term performance faces a significant threat. According to Pelsmacker (2003) high customer loyalty for the company strengthens distribution channels, reduces the risk of a competitive threat to the company, and helps the company lower marketing expenses and gain new customers. In the environment of strong competition in the fitness and wellness field, companies intensively try to influence customer loyalty. Customer loyalty is key to the business success of fitness and wellness facilities in Prague, so they try to take enough care using marketing tools (range of services, marketing communication channels, brand influence) that help establish loyalty.

Research into competition in sports services mostly focuses on measuring customer satisfaction (Theodorakis, Alexandris, Rodriguer, Sarmento 2004, Šíma 2013), competitive advantage in services (Woolf 2008), competition strategy (Lloyd 2005) and, in connection with creating customer satisfaction, also on the quality of sports services (Čáslavová, Vraný 1998, Woratschek 2001, Yildiz, Kara 2012).

## METHODS

The aim of this research was to characterize the competitive environment and competitiveness of fitness and wellness clubs in the Prague and Prague-West region. Evaluation was done using the position of customers' client environment and from managerial positions of these institutions leadership. The client point of view evaluated criteria that are significant while choosing a fitness club: services offered, customers' sensitivity to prices and evaluation of membership options including their reason for termination and change to a different sport institution. The managerial point of view evaluated the marketing philosophy concept including: services offered, current target groups and possibilities of gaining new customers with regard to the development of competitive environment in the wellness and fitness service market in Prague and the impact on Prague-West. The results were secondarily used in each region in order to fulfill the Porter Model of Competitive Forces. The research was realized in 2011, 2012 a 2013.

A questionnaire for fitness and wellness centre customers and a structured interview with management of selected fitness centres in the sample have been used. To ensure content validity of the questionnaire it was reviewed by three experts. Before the research itself a pilot experiment was carried out both in Balance Club Brumlovka and in the Expreska fitness centre (237 respondents in total).

Four fitness and wellness centres which were part of global or Czech chains, offered fitness and wellness services and were more than 1000 m2 in size, were selected for the sample in the Prague region. In the second phase, an available sample of clients was selected for questioning in each of the researched facilities. In total 805 respondents were used (59% men, 41% women).

The criteria for selection of the sample in the Prague-West region was in the first phase the location of the centre in the region, and in the second phase the management's willingness to cooperate. Five fitness centres were selected from this region. The respondent sample from these fitness centres was selected using partly biased selection and deliberate selection. The selective sample consisted of 483 respondents (158 men and 325 women).

The structured interview was conducted with marketing directors and managers of the selected facilities and it was aimed at characteristics of the facility itself and the offered services, description of target groups, and evaluation of competition in the field.

The collected data were secondarily used for filling in the Porter's model on competition forces, which incorporates these factors: creation of new companies entering the market of fitness and wellness services (potential options); influence of buyers (represented by fitness centre customers in this case); influence of suppliers of fitness and wellness equipment and other goods and materials; and substitutes that show the opportunities of substituting the used products with other products (ease of substitution).

## RESULTS

### Competition and customer loyalty in Prague

Based on the gained results it can be stated that **competition in Prague** is very intense.

The competitive environment in providing fitness and wellness services in Prague is divided to two constituent markets, the first consisting of lifestyle fitness and wellness clubs, the second of fitness centres. According to the results of our research, the predominate player in the lifestyle fitness and wellness category regarding marketing philosophy and offer of services is Holmes Place Premium Anděl. In the fitness centre category, the most prominent facilities are BBC Vinohradská and World Class Wenceslas Square (hereinafter referred to as WCWS). BBC Vinohradská was selected as prominent because it is open non-stop and has vast space available while WCWS reached this position owing to its exclusive locality and the club's renown.

Generally it can be said that the competition has certain rules: transfers of clients from one club to another or purposeful stealing of clients is not supported.

The most competition occurs between these big facilities (regarding the size of their spaces), so called "market leaders" and smaller centres, of which there are great number. Some of them run not as independent businesses, but as a part of sports organizations or hotels. From this point of view, smaller centres are at a disadvantage on this point, so they need to capitalize on unused opportunities and thus become "market small-timers".

However, clubs cannot put too much faith in customer loyalty, since 68.3% of customers stated that they use the centre's services only as an add-on to other sports and physical activities that they perform recreationally or professionally. 47.2% also admitted to visiting or having visited other fitness centres.

Above all, the clients of the researched centres in Prague (with the exception of one centre) decide according to the range of offered services which they think serve to improve physical fitness, building body shape and interest in health. A second thing they take into account is the club's accessibility from their work or school. The results show that the clients most often use the services of the centres on their way from work or school to home, in the afternoon and evening. It is therefore apparent that the centres in Prague take clients away from sports centres outside of Prague, including Prague-West, if they work or study in Prague. According to the results 34% of customers commute 15–30 minutes to the fitness centres, another 25.6% of customers 5–15 minutes, but only 6.1% of customers would be willing to travel over an hour for a special offer. When the customers are sure about the range of services and the centre's accessibility, they choose based on the **favourable price of the offer**. It must however be stated that according to the research results most customers obtain club membership for the fitness services, so that they have access to a broader variety of offered services. Only 7% of Prague customers use multi-entry packages.

The abundant offer of fitness centres corresponds with the demand, which decreases **the bargaining power of customers**. It is clear from the interviews with managers of Prague centres that they focus, or would like to focus on, customer quality. Therefore, client qualities such as loyalty and long-term interest come to the fore and management of the centres offer relatively cheap long-term memberships to the clients, which can be seen as an opportunity for certain kinds of bargaining. The bargaining position of the customers is improved by seasonal fluctuations in attendance. From the point of view of the customer this is manifested by special offers of services for the summer months and the Christmas holidays, and also by more favourable price policies in these periods (in the Porter model – threat of substitutes).

The **bargaining power** of the suppliers is apparent especially for the position of manufacturers and retailers of exercise machines and other equipment for fitness clubs. Customers in Prague prefer quality of service, which is a priority to them when deciding about changing centres. According to the manager interviews, the bargaining power of suppliers is slightly weakened since global chains have most of their suppliers arranged by contract and so the current market situation is not the only factor relevant for the business.

**The threat of new rivals** in Prague must be considered now, as well as in the future. For global chains these steps are possible primarily owing to their ability to overcome the initial barrier posed by the cost of building and equipping a new facility, and the costs of marketing and addressing potential customers, (for example the Pure Health & Fitness chain), since they have the strength of multinational chains behind them.

**Competition and customer loyalty in Prague-West**

The Prague-West agglomeration covers an area of 580 km$^2$ west of Prague and has 124,799 inhabitants (including 63,370 women) and serves as a base and a source of labour for Prague. Presently, economically strong inhabitants move to this area (according to the Czech Statistical Office, 5,800 people moved in and only 2,694 moved out in 2013). This significantly influences the number of newly established centres and also their termination. Competition in this area is above all focused on fitness services and the range of their offer is almost the same as in the capital, but there are no large fitness clubs of global chains. The area is divided into several smaller competition groups according to its traffic net. The only exception is a chain of smaller women's fitness clubs, Expreska (franchise), which has 32 branches in the Czech Republic and 9 branches in Slovakia. A characteristic feature of fitness services providers in the competition environment of Prague-West is the effort to gain an advantage over other fitness centres in the region using one provided service, which they use to try and fill the hole in the market of fitness services providers in Prague-West. Examples from the research results are the Multipurpose Centre Stechovice with its indoor tennis courts, Sports Hall Davle with squash courts that are available for doubles and Studio Ella's H.E.A.T. programme.

Customer loyalty in the Prague-West area is above all influenced by the accessibility of the sports centre and its price policy in relation to the chosen range of services.

Clients in Prague-West (49.7 %) much more often consider the centre's accessibility from their home, workplace or school when considering the range of offered services, which is confirmed by the fact that 47% of the respondents can get to "their" sports centre in 6–15 minutes and 33% in 5 minutes or less. From this number, 52.4% of customers who visited another fitness centre in the past transferred to one of the researched centres because of a change of their place of residence, workplace or school.

**Prices of the offered services** are set by the researched centres primarily according to their competition, both local and Prague-based. In all the researched fitness centres, the customers can use one-time entry, which is preferred in some parts of the Prague-West competition environment. It is also necessary to say that the system of discounts and other price benefits is not very complex in this area. Only two of the researched centres provide discounts for students and seniors, these being the Multipurpose Centre Stechovice and Studio Ella. Other price benefits are connected to buying permanent passes and club memberships which bind the customer to the given centre for a longer period of time.

**The bargaining power of customers** is quite high in the Prague-West area and it becomes even higher in the summer months when prospective and regular visitors prefer the opportunities provided by the nature close to the capital (substitute threat).

The results of the research have shown that the Prague-West customers place equipment quality only third after accessibility and price. **The bargaining power of suppliers** is determined by the trust of customers and centres' management and by financial sources of the local businessmen. The only exception is the Czech chain Expreska s.r.o. which has its own contracted suppliers.

**Entry (threat) of new companies** is far less financially demanding than in Prague. Though the competition intensity is high, managers of the researched fitness centres always see unrealized opportunities in the market. It can therefore be expected that new centres will continue to come to Prague-West. The current market of fitness services providers in this area is also greatly threatened by the new trend of low-cost fitness centres in Prague (such as Factory Pro), whose price and accessibility attract many prospective customers of Prague-West fitness centres.

## DISCUSSION

The questionnaire survey was aimed only at current customers of the fitness centres, and not at past customers who have left the fitness centre for some reason, which might have somehow influenced the results towards more positive answers. The presented results have also been influenced by the behaviour of the customers themselves and their efforts to make the survey as easy as possible for themselves and avoid open or additional questions. Fitness managers did not avoid a more problematic discussion on competition, however, their behavior showed different signs. Prague managers of world fitness chains did not acknowledge the existence of competition at all. They rely on the heart and strength of their business philosophy, even though some of them marked some rival institutions. On the other hand, the mananagers from the Prague-West region have been carefully mapping the competition and they are interested in gaining this type of information.

## CONCLUSIONS

The comparison of competition in Prague and the Prague-West region shows some interesting differences, not only in the position of the rival centres, but also in the customers' behaviour. More detailed results of different tendencies in customer behaviour in both regions are shown in Table 1.

**Table 1:** Comparison of research results in both regions

| | **Fitness clubs in Prague** | **Fitness centres in Prague-West** |
|---|---|---|
| 1. | focus on **customer quality** – loyal and long-term customers | focus on c**ustomer quantity** – all customers |
| 2. | customers prefer cheaper **long-term membership** to short-term ones | customers do not like commitment to a specific fitness centre, they prefer **permanent passes and one-time entrances** |
| 3. | **service quality and club equipment** is important when choosing a fitness centre | **fitness centre** accessibility – if it is closer to home, work or school – is important when choosing a fitness centre |
| 4. | word of mouth promotion works very little – **anonymous environment** | customers are the biggest promoters of fitness centres – **non-anonymous environment** |
| 5. | nearly **14% of respondents** use fitness centres during breaks at work or school | fitness centre clients in Prague-West **do not use** fitness services **during breaks** at work or school |
| 6. | 34% of respondents travel to a club 15–30 minutes and another 21% 30 minutes to one hour – respondents **are willing to commute to their club** | 47% of respondents commute to a fitness centre between 6 and 15 minutes and 33% reach a fitness centre within 5 minutes – customers **are not willing to commute/used to commuting for fitness services** |
| 7. | **89%** of respondents have had **previous experience** with a different fitness club | **39.1% of respondents have not had any previous experience** with a different fitness centre – customers are new to these types of activities |
| 8. | Fitness clubs are visited mostly by **men** (55%) | Fitness clubs are mostly visited by **women** (67.3%) |

In Prague the prominent position belongs to fitness and wellness centres of global chains which promote their marketing "lifestyle" philosophy or the large spaces available at their centre and try to use marketing tools to influence the customer. All these activities are put to good use in the broad range of sports and other services. Small fitness centres in Prague do not see the management of these facilities as their direct competition, since these centres can and do display good know-how in one specific service. Prague customers see the quality of services and the conditions in the centre as much more important than the customers of Prague-West fitness centres, where the customers are still hampered by the accessibility of the fitness centre from their home, workplace or school. The customers in Prague seem to be gradually developing a similar behaviour to the customers in Western Europe, while customers of fitness centres in Prague-West resemble customers of fitness centres in Prague 15 years ago, as shown in my previous research in 1998 (Čáslavová, Vraný 1998), and prefer firstly services accessibility and secondly price. Despite that, both regions must deal with very low customer loyalty towards the centre they have selected to visit.

The findings regarding competition and customer behavior have been used to improve the relationship with customers directly in the surveyed centres and in the future they can be used for new companies' marketing plan concepts in both regions.

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