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Consumer Retention: The Key to Building Participant Volume

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CONSUMER RETENTION: THE KEY TO BUILDING PARTICIPANT VOLUME

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ABSTRACT

Mullin's Escalator Model was used to illustrate the dominant contribution of repeat participants to public recreation attendance. The "20-60" rule was substantiated. Evidence suggests that it is both more effective and less expensive to focus on building a loyal following of repeat participants than to concentrate on attracting only new customers. Substantial potential exists for recreation managers to increase attendance by simply keeping and holding on to their existing users.

CONSUMER RETENTION: THE KEY TO BUILDING PARTICIPANT VOLUME

Current research findings demonstrate that the key to maintaining and expanding attendance in recreation service programs depends NOT on the number of first-time users, but on the number of patrons who become <u>repeat</u> users.(1) In a recent article, Warnick and Howard (2) demonstrate that only 20 percent of all the users of public park and recreation services account for nearly 60 percent of the total attendance. More recently, Warnick (3) using participation data compiled from annual surveys conducted by Simmons Market Research Bureau (4), found that 20 percent of all the golf, tennis and racquetball players in the United States accounted for 58 percent of all games played in their respective sports.

THE ESCALATOR MODEL

The repeat visitation pattern is best illustrated by the "Escalator Model" first developed by Bernard Mullins (5) to analyze attendance patterns at sporting activities.(Table 1) The concept distributes consumers on the basis of their attendance or participation frequency across a continuum which runs from 1 through N, where N is the maximum number of events or activities a participant can consume. In this example, recreation participants are placed along the various steps of the escalator as "light," "medium," and "heavy" users. Marketing analysts commonly differentiate or segment consumers by how frequently they use or consume various products. The label "heavy" user is applied to core participants or those enthusiasts who demonstrate the greatest commitment to a product or activity. At the lower end of the use continuum are what marketers commonly refer to as "light" users. These participants are characterized by their more casual or infrequent use or involvement with an activity. The participation data used to illustrate Mullins' model were gathered from independently conducted recreation participation surveys in five American cities.(5, 6-8) In each case, large random samples of adults (18 years of age and above) were drawn and found to be representative of the community at large. A primary objective of all of these investigations was to assess the extent to which adults in each of the communities utilized or participated in publicly-sponsored park and recreation services. Of the 1,523 respondents participating in the survey, 61.2 percent reported that they had not visited, during the previous 12-month period, any specialized public recreation facilities in their communities, including such basics as recreation or community centers, swimming pools, athletic areas, tennis courts and golf courses. While non-use is a critically important issue, for the purposes of this article, attention is focused on the approximately 40 percent of the respondents who indicated they had used public recreation services and facilities. These public recreation participants were fitted to the Escalator Model according to the extent to which they reported using or visiting any specialized recreation facility. "Light" users were categorized as those who utilized services less than once a month. A large proportion of this infrequent use group reported as few as one or two visits to any facility during the previous year. "Medium users" occupied a participation frequency range of from one visit a month to as many as three times a month. "Heavy users" were characterized by their consistently frequent use of facilities. The average respondent in the heavy use group reported visiting a public recreation area or facility on a twice a week basis. The cutoff points between each level of use on the escalator were arbitrarily designated and serve only to illustrate the substantial variation in participation patterns across the sample. What is most evident from the data is that "light users" (18.8%) comprise, by a substantial margin, the largest group of participants in public service programs. Less than ten percent (8.9%) of all adults surveyed fit into the "heavy user" category. This pattern becomes more evident when the participation frequencies of USERS ONLY are plotted on the Escalator Model. In Table 2 only those 38.8 percent of the respondents who reported visiting or participating at a public recreation facility were segmented into light, medium and heavy use categories. In this context, light users comprise 48.5 percent of all those who participated. Significantly, however, these infrequent users accounted for only 12.4 percent of the total patronage at public recreation service programs and/or facilities. Conversely, heavy users, who comprise less than one in four (22.9%) of those who participate, contribute well over half the total number of visits to community park and recreation resources.

The heavy repeat user, while comprising less than ten percent of the general adult population, provides the dominant share of use that occurs in public park and recreation agencies. Further, the data from the five cities substantiates the "20-60" rule. The approximately 23 percent of the user population classified as heavy users accounted for a little over 55 percent of all public participation.

IMPLICATIONS FOR RECREATION MANAGERS

Many important implications for recreation managers emerge from these findings. First, it appears that the key to sustaining and building patronage in recreation service organizations lies with customer retention strategies. Historically, recreation managers have concentrated on increasing attendance by attracting a stream of new customers. It is evident from the data, however, that the vast majority of recreation participants are not new or first-time users. Certainly, when launching a new product or program there is little choice but to focus on reaching new consumers. However, once the program becomes established the emphasis should shift to concentrating on "customer keeping" rather than the traditional fixation on "customer getting." Evidence suggests that it is both more effective and less expensive to focus on building a loyal following of repeat participants than to constantly attract new customers.(9) Rosenberg and Czepiel (10) estimate that the average company spends six times more to get a new customer than it does to hold a current one. The economics of customer retention are even more evident in the research related to recreation travel. Robinson (10) found that for every dollar of marketing or advertising needed to sell a repeat traveler it was necessary to spend $115.00 to sell a brand new traveler. While there has been no direct research on the economic impact of servicing repeat public recreation participants, available data certainly suggest that it should be much less expensive to persuade an infrequent patron to use a recreation center or golf course more often than it would be to persuade someone to come for the first-time. Given the tight economic circumstances facing most agencies, the opportunity to allocate budget resources for promotion and advertising on a most cost-effective basis can be a very attractive feature of a retention strategy.

Mullins' Escalator Model depicts a customer-keeping emphasis by directing attention at moving people up the escalator to higher levels of repeat participation. The Model's effectiveness is based on the assumption that it is much easier to influence the behavior of an already "responsive" user than it is to attract a less informed or committed non-user. Adopting this rationale, then, a golf course manager attempting to achieve a goal of increasing annual rounds of play by 10 percent would NOT focus his/her marketing energies on finding hundreds of new golfers, but would instead concentrate on moving light users up to medium or heavy use patterns. Incentive programs designed to keep existing customers coming back and more often would become the focal point for building greater volume. Effective examples include special price discount programs (e.g., fee reductions related to repurchase or re-registration), convenient advance registration procedures, and even special recognition rewards for those participants demonstrating consistent loyalty to a program.

It would seem that recreation managers have already been successful at generating a high level of repeat use. This positive situation exists apparently in the absence of any planned customer retention or "keeping" strategies. In none of the five cities studied was there an established, ongoing program evaluation system. In effect, there was no method in place for even monitoring current levels of customer satisfaction. There was also no evidence of any effort to monitor the extent to which people dropped out of programs. It is quite conceivable that many recreation managers have a much higher rate of "defections" than they realize.

SUMMARY

In any event, it is evident that there is incredible potential for recreation managers to increase attendance by simply paying more attention to keeping and holding on to their existing clients. Almost half (48.5%) of the consumers of public park and recreation services are light users. If just a quarter of these infrequent participants could be moved up to medium usage levels, and an equivalent portion of medium users to heavy use levels, overall attendance would increase by more than 20 percent. This substantial jump in attendance volume would occur without the addition of one new customer!

It is evident that recreation organizations could realize significant benefits by paying more attention to their existing customers. This does not mean that efforts at customer getting should be discontinued. Achieving a balance between obtaining new patrons and satisfying old customers should be the goal of the agency. Currently, too much emphasis is placed on seeking new clients. Agencies must begin to distinguish between marketing efforts designed to attract new patrons and those directed at holding existing ones. Getting people to step on the escalator is not enough. Full value for both the patron and the agency can only be achieved through a commitment to encourage repeat participation.

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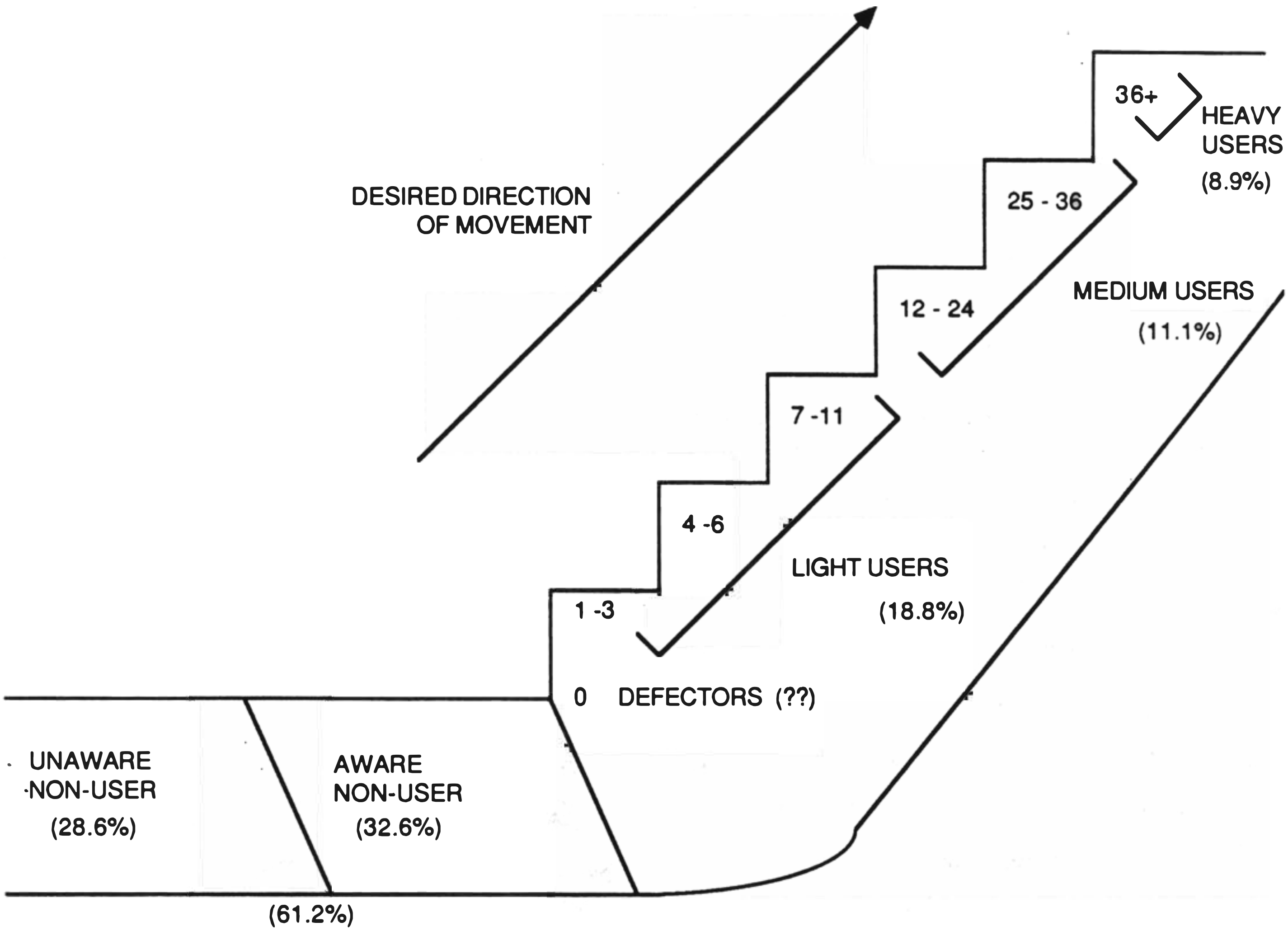
TABLE 1

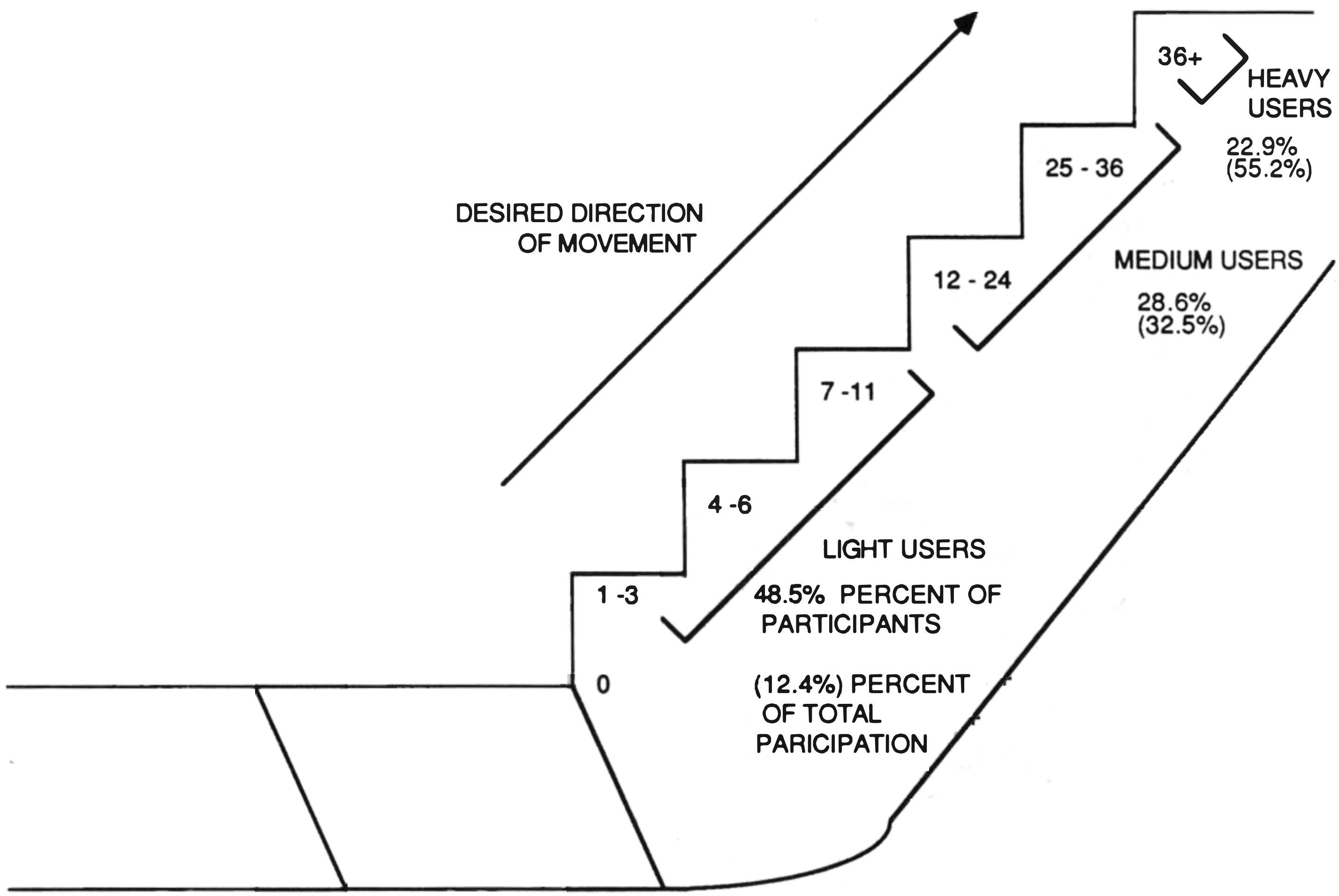
ESCALATOR MODEL



FREQUENCY OF VISITS TO SPECIALIZED RECREATION AREAS & / OR FACILITIES
(EXCLUDING COMMUNITY / NEIGHBORHOOD PARKS)

TABLE 2

ESCALATOR MODEL: USERS ONLY



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