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**Ginásio Clube Português (GCP)**

*Measuring Customer Satisfaction in Services Industry*



**GINÁSIO  
CLUBE  
PORTUGUÊS**

**Seminar:** Cases on Marketing Strategies

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## Abstract

**Title:** *Ginásio Clube Português (GCP): Measuring Customer Satisfaction in Services Industry*

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The objective of this thesis is to measure and analyze the customer satisfaction level in Ginásio Clube Português, by understanding the key determinants and consequences of customer satisfaction.

After an exponential growth both in revenues and in number of clients between 1998 and 2011, Ginásio Clube Português is losing competitive edge due to the increasing competition in the high-end and low-cost markets as well as due to the effects of the economic downturn. Aiming to ensure that revenues are greater than costs as well as to increase the market share in the Portuguese fitness industry, José Carlos Reis (CEO) is adopting cost containment policies since it has been difficult to raise revenues and, at the same time, investing in a market expansion growth strategy, often called market development strategy.

With these purposes in mind, José Carlos Reis would like to know which is the effect of the satisfaction of the most valuable asset of the company, the client, on GCP's financial performance as well as its effect in other metrics as: service quality, service value, customer loyalty and word of mouth.

Bearing in mind the literature review, in order to be successful in the market is not sufficient to attract new customers. José Carlos Reis must concentrate in retaining existing ones, through the implementation of effective policies of customer satisfaction and loyalty which will result in a greater profitability for the business and sustainability in the future.

The main conclusions drawn from this study are the following: first, clients with a high physical activity level in GCP are more satisfied. Second, perceived service quality and perceived service value have a direct positive effect on customer satisfaction in GCP. Last but not least, customer satisfaction has a direct positive impact on customer loyalty and word-of-mouth.

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## Resumo

**Título: Ginásio Clube Português (GCP):** Medição da Satisfação do Cliente na Indústria dos Serviços

**Autor:** Guilherme Rito Alves

Esta tese tem por objectivo medir e analisar o nível de satisfação do cliente no Ginásio Clube Português, através da compreensão tanto dos factores determinantes como das consequências da satisfação do cliente.

Depois de um crescimento exponencial, tanto em receitas como em número de clientes entre 1998 e 2011, o Ginásio Clube Português está a perder vantagem competitiva devido ao aumento da concorrência tanto no mercado premium como no low-cost e devido aos efeitos da crise económica. Com o objectivo de garantir que os proveitos são superiores aos custos, bem como de aumentar a quota de mercado na indústria de fitness em Portugal, José Carlos Reis (CEO) está a adoptar políticas de contenção de custos visto que tem sido complicado aumentar as receitas e, ao mesmo tempo, está a investir numa estratégia de desenvolvimento de mercado.

Com estes objectivos em mente, José Carlos Reis gostaria de saber qual é o efeito da satisfação do bem mais valioso da empresa, o cliente, no desempenho financeiro do GCP bem como o seu efeito noutras métricas como: qualidade do serviço, valor do serviço, fidelização do cliente e marketing “boca-a-boca”.

Tendo em consideração a revisão da literatura, para ser bem-sucedido no mercado não é suficiente atrair novos clientes. José Carlos Reis deve concentrar-se na manutenção dos clientes existentes que resultará numa maior rentabilidade para o negócio e sustentabilidade futura, e isto deve ser feito através da implementação de políticas de satisfação e fidelização de clientes eficientes.

As principais conclusões deste estudo são as seguintes: em primeiro lugar, os clientes que praticam actividade física mais regularmente no GCP encontram-se mais satisfeitos. Em segundo lugar, tanto a qualidade como o valor percebido do serviço têm um efeito positivo na satisfação do cliente GCP. Por último, a satisfação do cliente tem um impacto positivo na tanto na fidelização como no marketing “boca-a-boca”.

## Acknowledgments

Throughout this semester, I was able to develop my master thesis while I was attending an internship at Ginásio Clube Português. It was an exhausting semester since the tasks developed at the internship were completely different than the topic of my thesis. Looking back, I must say that I did not overcome this challenge alone hence I would like to thank and to express my deepest gratitude to everyone who helped at this stage of my life.

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Thirdly, I would like to show gratitude for the guidance and feedback of my supervisor Professor Pedro Celeste during this semester.

Last but not least, I would like to express gratitude to my parents for all the support and for giving me the opportunity to attend a Master degree at Católica-Lisbon.

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## List of Acronyms

ACSM - American College of Sports Medicine

AGAP - Association of Gyms and Academies of Portugal

CRM - Customer Relationship Management

EDP – Energias de Portugal

GCP - Ginásio Clube Português

IHRSA - International Health, Racquet & Sportsclub Association

TARP - Technical Assistance Research Program

# Table of Contents

Abstract .....	i
Resumo.....	ii
Acknowledgments.....	iii
List of Acronyms .....	iv
1. Research Proposal.....	7
1.1 Introduction .....	7
1.2 Problem statement .....	7
1.3 Research hypotheses .....	8
1.4 Methodology.....	9
1.5 Keywords.....	9
2. Literature Review .....	10
2.1 Introduction .....	10
2.2 Main tendencies within the fitness industry.....	10
2.2.1 Customer Relationship Management .....	10
2.2.2 Global wellness services.....	11
2.2.3 Focus on the extremes: “no frills” versus “high-end” .....	11
2.2.4 New trends in the fitness industry for 2014 .....	11
2.3 Customer Satisfaction .....	12
2.4 Antecedents of customer satisfaction .....	13
2.4.1 Service quality .....	13
2.4.2 Perceived value .....	15
2.5 Consequences of customer satisfaction .....	16
2.5.1 Loyalty .....	16
2.5.2 Word of mouth.....	17
3. Ginásio Clube Português (GCP) - <i>Measuring Customer Satisfaction in Services Industry</i> ...	18
3.1 Introduction .....	18
3.2 The fitness industry worldwide.....	18
3.3 The fitness industry in Portugal .....	19
3.4 Consumer trends in fitness industry .....	20
3.5 Ginásio Clube Português (GCP) .....	21
3.6 GCP in the 80s and 90s and “the recovery” .....	22

3.7	Market expansion strategy .....	24
3.8	Competitive analysis .....	24
3.9	Business Model .....	25
3.9.1	Segmentation .....	25
3.9.2	Value proposition .....	26
3.9.3	Channels .....	26
3.9.4	Customer Relationship - Culture and Core Values .....	27
3.9.5	Revenues .....	27
3.9.6	Key Partnerships.....	28
3.9.7	Costs .....	28
3.10	Positioning and Perceptual Map .....	28
3.11	GCP and Customer Satisfaction.....	29
4.	Market Research .....	30
4.1	Qualitative Research .....	30
4.1.1	In-depth interview.....	30
4.2	Quantitative Research.....	31
4.2.1	Survey.....	31
4.2.2	Sample Description - <i>Demographics and personal questions</i> .....	32
4.3	Measuring Customer Satisfaction .....	32
5.	Conclusion and Recommendations.....	36
6.	Limitations and Future Research.....	38
7.	Teaching note.....	39
7.1	Synopsis.....	39
7.2	Teaching objectives.....	39
7.3	Target audience.....	40
7.4	Teaching plan .....	40
7.4.1	In-class discussion .....	40
7.4.2	Group assignment ( <i>Groups of 4 students</i> ) .....	44
8.	Bibliography .....	45
9.	Appendices.....	50
9.1	In-depth interview ( <i>appendix 1</i> ).....	50
9.2	Survey ( <i>appendix 2 – English version</i> ).....	52
9.3	Exhibits ( <i>appendix 3</i> ) .....	57

# 1. Research Proposal

*This section aims to identify a research topic and hypotheses/research questions for the thesis and consequently specify procedures to be followed to answer them.*

## 1.1 Introduction

The most valuable asset in any company is not the money in the bank account. The most important asset for any business is intangible: a company's relationship with its clients since it consistently generates more and more money. However, dealing with customers is also one of the most challenging tasks in management. Many companies fall into the mistake of taking their clients for granted, particularly when the business is going well. Therefore, building customer satisfaction and loyalty is becoming increasingly important in this time of heightened competition and globalization. Measuring customer satisfaction with products is difficult but it is even harder to know how satisfied they are in the services industry. Due to the fact that the services are intangible, customers cannot directly measure the quality of the service provided. For that reason, managers evaluate the services industry based on the tangible assets such as: facilities, communication, machines, etc.

If a company wants to increase customer satisfaction should not only meet, but exceed the expectations of the customers. Managers must never forget that clients demonstrate their feelings about the company mainly when they are dissatisfied. According to the Technical Assistance Research Program (TARP) when a client is satisfied he or she tells 4 or 5 other people, whereas a dissatisfied one tells 10 to 12 people. However, this information is not updated. Nowadays, due to the technological innovation the angry clients simply logs onto the internet and have the possibility to express their dissatisfaction to thousands or even millions of people in a second. Hence, dissatisfied client is an incredible threat.

## 1.2 Problem statement

While it can be stimulating to engage in projects that re-work the layout of the fitness center or even projects to place illuminated signs at the entrance of the health club, the relationship between staff and clients that come from the gestures, nuances and other delicacies exchanged between them are extremely important to build customer satisfaction and loyalty.

Ginásio Clube Português was founded in 1875 but it is not giving true importance to the customer satisfaction level since it is not measuring it. The fitness center industry is becoming



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more and more competitive offering a panoply of programs that fulfills the needs of the majority of people: national fitness chains have begun to penetrate the market offering low prices by specializing in workout rooms and classes; 24/7 health clubs are starting to invest in Portugal as well as international premium health clubs that differentiate from the competitors by using its brand awareness to target the premium segment. Hence, it becomes mandatory for GCP to take the measurement and analysis of service quality and customer satisfaction in a more serious manner. It is proven that more satisfied customers will lead to a higher financial performance so in a highly competitive market it becomes even more important to have a closer relationship with the clients.

In this thesis I propose myself to assess and measure different metrics that affect and are affected by the overall customer satisfaction level in Ginásio Clube Português.

### **1.3 Research hypotheses**

As a result of the problem statement described above, five specific research hypotheses were drawn. Specifically, the present study intended to answer the following research hypotheses:

**H1: The service quality dimensions have a significant and positive effect on customer satisfaction.**

*The purpose is to assess the relationship between perceived service quality and customer satisfaction in Ginásio Clube Português. Specifically, the purpose of this hypothesis is to discuss the impact of the identified dimensions of service quality on customer satisfaction.*

**H2: Perceived service value has a significant and positive effect on customer satisfaction.**

*The purpose is to assess the relationship between perceived service value and customer satisfaction in Ginásio Clube Português. Specifically, the purpose of this hypothesis is to discuss the impact of the identified dimensions of perceived value on customer satisfaction.*

**H3: Customer satisfaction has a strong impact on customer loyalty.**

*The purpose of this hypothesis is to discuss and test the effect of customer satisfaction on customer loyalty in Ginásio Clube Português.*

**H4: There is no difference between physical activity level of the clients in GCP and their level of satisfaction.**

*The purpose of this hypothesis is to discuss and test the difference between physical activity level of the clients and their level of satisfaction.*

**H5: Customer satisfaction has a strong impact on word of mouth.**

*The purpose of this hypothesis is to discuss and test the effect of customer satisfaction on word of mouth in Ginásio Clube Português.*

## **1.4 Methodology**

Considering the hypotheses presented in the last section, it is clear that a market research have to be conducted in order to find answers for those hypotheses.

The measurement of customer satisfaction in the fitness industry is important to analyze clients' opinions. Each member has different expectations therefore it is important to know their impressions both through aggregated and individual statistics. It was followed an exploratory and quantitative methodological approach. In-depth interview by preparing a semi-structured conversation to get detailed information about GCP will be extremely important for the case study and surveys in order to measure customer satisfaction levels of the current clients of the health club will be distributed in Ginásio Clube Português (headquarters and swimming-pool).

The sample consisted of 136 participants who are attending the health club. A structured questionnaire, with a seven-point Likert scale, was designed to gather the data. Different statistical methods were analyzed in SPSS as: Frequencies, Descriptive analysis, Parametric Tests (One Way ANOVA, Regression), Factor Analysis, and Scale Reliability Analysis. This analysis is presented in chapter 4, the Market Research. For the analysis of all results a significance level of 10% was used.

Furthermore, in order to create the Literature Review (section 2) and the Teaching Note (section 7) data was collected from scientific articles, providing an overview of the most important concepts, determinants and consequences regarding the topic chosen. Information from other sources such as websites, reports and company presentations were also gathered in order to write the case study.

## **1.5 Keywords**

Customer satisfaction, fitness center industry, loyalty, perceived service value, perceived service quality, word of mouth, community.

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## **2. Literature Review**

*The purpose of this section is to review the scholarly literature on customer satisfaction emphasizing its main determinants and consequences as well as the main tendencies within the fitness industry.*

### **2.1 Introduction**

When paying attention to the emerging behaviors that are reaching the mainstream seems that consumers are demanding and expecting more than ever for this year. Due to the increasing collaboration of digital platforms and the growing consciousness of how limited resources are, innovations are creating value derived from otherwise unused knowledge. Having this information in mind, consumers are increasingly looking for more efficient and intelligent ways to solve their problems. In the fitness industry, they are mainly aiming to solve age old problems like keeping fit, lack of space and limited resources with more space for premium than ever. With all the data available nowadays, the outcomes are faster, sleeker and use information that were ignored in the past. From health to homes, people are better allocating the resources available than ever (Forbes 2014).

### **2.2 Main tendencies within the fitness industry**

The following tendencies are having a huge importance to the development of the fitness industry worldwide.

#### **2.2.1 Customer Relationship Management**

The constant development and implementation of sophisticated Customer Relationship Management (CRM) systems is one of the main trends of the fitness industry that is investing more than ever in technological innovation. These systems are able to identify the preferences of the members of the health clubs being a very useful tool to help in the creation of relationship marketing actions specially tailored to them (Peppers and Rogers 2004). Since this industry is becoming increasingly competitive, the focus on CRM by companies has a major importance if they aim to achieve the desirable profitability levels and long-term success. With the objective of enhancing the overall value of the company in mind, the leaders of these companies will understand that relationship marketing campaigns are extremely important to build profitable relationships with each client, to understand who are the best consumers of extra services and to predict future investment. Most likely there will be micro-targets (Loveman 2003) – for instance, the gold clients (who would wait less in the queue), the

platinum clients (who would not wait too much), and the diamond clients (who would never have to wait), etc.

### **2.2.2 Global wellness services**

Taking into consideration the case of shopping centers where customers can find different stores and products without leaving the facilities, the clients of the fitness industry are also increasingly looking for places that provide global wellness services. Hence, in the future, health and fitness clubs will offer several services related to wellness and personal look such as: cellulites treatment sessions, external nutrition treatment (skin treatment), time management sessions and wellness coaching, personal image management sessions, etc. (Sacavém and Correia 2009).

### **2.2.3 Focus on the extremes: “no frills” versus “high-end”**

It is predictable that increasingly more companies will bet in the low-cost segment since there is still plenty of room to invest under this concept in Portugal. In order to reach this market segment, it is also expected that brands facilitate the access to health clubs namely by diminishing the prices of the essential services (monthly fees) and/or by removing the entrance fees (or by charging a mere symbolic value). There will appear flatter organizational structures and the services offered together with the monthly fee will be reduced to the essential.

However, the managers of the health clubs must understand that unnecessary expenses can be reduced without putting at risk the reputation and the image of the health club (Sacavém and Correia 2009).

### **2.2.4 New trends in the fitness industry for 2014**

In this section, it is important to distinguish between two different types of health clubs: for-profit (commercial health clubs) and not-for-profit (community health clubs). Although they have different objectives, both of them have to pay close attention either to trends appearing for the first time (*e.g.*, High-Intensity Interval Training) as for those that do not appear this year or that have been replaced on the list by other trends (*e.g.*, Zumba and other dance workouts). On one hand, commercial health clubs should use this information to the establishment or justification of new markets that can result in an increase of revenues. On the other hand, community health clubs can use the results to justify an investment in their own markets by providing expanded programs for families and children. According to the ACSM worldwide survey for 2014, some new trends were identified (*e.g.*: High-Intensity Interval

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Training) while others were once again supported (e.g., Educated and Certified Health Fitness Professionals). This association defines trends as “a general development that takes some time and then stays for a certain period of time (usually described as a behavior change)”. (Thompson 2014).

## **2.3 Customer Satisfaction**

Customer satisfaction is a concept widely used in scientific articles related to marketing strategy, consumer behavior and theoretical and empirical modeling research streams in marketing (Rego, Morgan and Fornell 2013) being also a very important key marketing performance indicator (Luo and Homburg 2007).

Complete customer satisfaction is the key to strengthen the relationship between a client and an organization and, consequently, to secure customer loyalty and to achieve superior long-term financial performance (Jones and Sasser 1995; Morgan and Rego 2006; Storbacka, Strandvik and Grönroos 1994). Moreover, there are other important outcomes of customer satisfaction as: customer-related outcomes (customer commitment, repurchase intentions, price perceptions; willingness to pay; repurchase behavior; word of mouth, repurchase behavior and customer defection); efficiency-related outcomes, employee-related outcomes non-financial performance related outcomes (Luo and Homburg 2007).

Hence, in this time of heightened competition and globalization a satisfied customer is indispensable to create a sustainable advantage for an organization (Patterson, Johnson and Spreng 1997).

Taking into account the domain of defensive marketing, this paradigm considers that customer satisfaction is particularly important due to its relationship to choice and market share. It recognizes the positive relationship of customer satisfaction and customer retention on market share and profitability by emphasizing that marketing resources may be better spent in keeping existing clients instead of by attracting new ones (Fornell and Wernerfelt 1988). However, a recent study made by Rego Morgan and Fornell (2013) found a negative and significant relationship between market share and customer satisfaction. According to this study, customer satisfaction is generally not predictive of future market share of the companies. However, market share is a strong negative predictor of future customer satisfaction of the companies.

Some authors stated that there is no specific definition of customer satisfaction, and based on their studies of several definitions they defined customer satisfaction as: “a response (cognitive or affective/emotional) that pertains to a particular focus (expectations, product, consumption, experience, etc.) and occurs at a certain time (after choice, after consumption, based on accumulated experience, etc.)” (Giese and Cote 2002).

Nevertheless, there are two conceptualizations of customer satisfaction: the transaction-specific satisfaction and the overall or cumulative satisfaction (Andreassen 2000; Boulding et al. 1993). The transaction-specific framework focuses on satisfaction with a product or service on a given occasion/transaction or over a limited period of time by evaluating the reactions to a particular product transaction, episode or service encounter (Oliver 1997).

While early transaction-specific satisfaction research focused on the cognitive-psychological determinants of satisfaction, the most recent literature has explored the effects of positive and negative emotions on satisfaction (Oliver 1997; David and Baker 2013).

From a cumulative customer satisfaction perspective, satisfaction is defined as “an overall evaluation based on the total purchase and consumption experience with a good or service over time” (Fornell 1992). It can be seen as a combination of all preceding transaction-specific satisfactions (Jones and Suh 2000).

Several authors agree that the cumulative customer satisfaction perspective must be adopted (Fournier and Mick 1999; Johnson, Herrmann and Gustafsson 2002) because it is an essential indicator of the firm's past, current, and future performance, motivates firm's investment in customer satisfaction (Anderson 1994) and provides a reliable performance benchmark for making broad based comparisons (Johnson Herrmann and Gustafsson 2002), whereas transaction-specific satisfaction only provides information about particular product or service encounter (Anderson 1994).

## **2.4 Antecedents of customer satisfaction**

According to the literature, the following metrics affect customer satisfaction:

### **2.4.1 Service quality**

Throughout the past few decades managers and researchers are paying more attention to service quality due to its strong and significant impact on business performance, customer satisfaction, customer loyalty and profitability (Silvestro and Cross 2000; Sureshchander, Rajendran and Anatharaman 2002).

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There are two types of service quality: perceived and objective service quality.

Perceived service quality is defined by Parasuraman, Zeithaml and Berry (1988) as “a global judgment or attitude relating to the superiority of the service” whereas objective quality requires an objective evaluation of a thing or an event based on predefined standards that can be measured and verified (Zeithaml 1998). It is also important to distinguish between perceived service quality and satisfaction. According to Bitner (1990) and Zeithaml, Berry and Parasuraman (1993) the main difference between these two metrics is the standard of comparison. Perceived service quality is the result of a comparison between performance and what a client feels a company should provide whereas satisfaction is formed based on predictive expectations, or what the client believes will happen.

Taking into consideration the relationship between customer satisfaction and service quality, Oliver (1993) stated that customer satisfaction is always a consequence of service quality regardless of the perspective used by the different researchers (cumulative of transaction-specific) (Fornell et al. 1996; Spreng and Mackoy 1996). Throughout the past few years this relationship was studied in different service industries and in several countries. Caruana (2002) (banking services in Malta), Tsoukatos and Rand (2006) (insurance services in Greece) and Huang, Hsu and Chan (2010) (tour guide services in Shanghai) are examples that confirmed that service quality has a strong and significant impact on customer satisfaction. (Markovic, Jankovic 2013)

According to Parasuraman, Zeithaml and Berry (1985, 1988) overall service quality depends on the gap between expectations and perceptions of performance. In 1985, they suggested that clients evaluate the overall service quality based on the following dimensions: tangibles, reliability, responsiveness, assurance, and empathy. In their next scientific article (1988), they developed a tool where customers measure the perceptions of service quality called SERVQUAL with the following labels and definitions:

**Tangibles:** Physical activities, equipment, and appearance of personnel;

**Reliability:** Ability to perform the promised service dependably and accurately;

**Responsiveness:** Willingness to help customers and provide prompt service;

**Assurance:** Knowledge and courtesy of employees and their ability to inspire trust and confidence;

**Empathy:** Caring, individualized attention the firm provides its customers

This instrument can be used either to evaluate a quality of a given company along the five service dimensions by averaging the difference scores on items making up the dimension or by proving an overall measure of service quality in a form of an average score across all five dimensions (Parasuraman, Zeithaml and Berry 1988). Subsequently, Cronin and Taylor (1992)

developed an instrument that only measures the performance of the service quality called SERVPERF.

They argued that SERVQUAL confounds satisfaction and attitude explaining that service quality is a form of consumer attitude and the measurement only through performance is an improved mean of measuring service quality. Therefore, they stated that “Performance” instead of “Performance-Expectation” determines service quality that is evaluated only by performance without expectations and without importance weights.

### **2.4.2 Perceived value**

Perceived value is defined as: “consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given” (Zeithaml 1988). It takes place at different stages of the purchasing process, including the pre-purchase stage and can be generated without buying the good or service (Woodruff 1997). According to Patterson and Spreng (1997) it results from the trade-off between benefits or gets (economic, social, emotional and relationship) and costs or gives (money, time, efforts, risks, etc.). On the other side, satisfaction results from the experience of having used or bought the good or service (Hunt 1977; Oliver 1981)

According to Eggert and Ulaga (2002), the sensation of the value of a service is higher when clients perceive more qualified service (more benefits than costs) leading to an increase in satisfaction and loyalty. Several studies have shown that perceived value has a strong and significant effect on satisfaction (Eggert and Ulaga 2002; Patterson and Spreng 1997).

Taking into consideration the theoretical model on perceived value developed by Sheth, Newman and Gross (1991), they argued that consumer choice is a function of multiple “consumption value” dimensions (social, emotional, functional, epistemic and conditional value) that make changeable contributions in different choice conditions.

More recent studies claim perceived value as a multidimensional construct. Thus, Sweeney and Soutar (2001) developed a multidimensional construct called PERVAL that can be used to evaluate clients’ perceptions of the value of consumer durable goods. It is divided in 4 distinct values: emotional value, social value and two functional values (price and performance). A special scale was designed by Petrick (2002) especially for the services industry called SERVPERVAL. It was based on PERVAL model and encompasses 5 different areas: Emotional Response (the feelings the service produces), Quality (reliability and consistency), Monetary Price (the price of the service in terms of money), Behavioral Price (the price of the service in terms of sacrifices) and Reputation (the reputation of the service provider).



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## 2.5 Consequences of customer satisfaction

According to the literature, the following metrics are affected by customer satisfaction:

### 2.5.1 Loyalty

The majority of the marketing literature understands that there is a link between customer loyalty and satisfaction that, in turn affects financial performance of the company (Anderson, Fornell and Lehmann 1994; Fornell 1992; Oliver 1999). Loyalty is defined as “a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver 1999).

There are two major alternative approaches related to customer loyalty: the behavioral and the attitudinal (Javalgi and Moberg 1997). The behavioral loyalty is an approach widely used that results from the proportion of repeated purchases of the same brand over time compared to the total number of purchases made by the purchaser in that category (Neal 1999). However, it is insufficient to understand the different mechanisms that explain the pattern of repeated purchases (Dick and Basu, 1994). On the other side, attitudinal loyalty embraces a degree of commitment in terms of the unique value linked with the brand (Chaudhuri and Holbrook 2001; Wong and Sohal 2003).

While focusing on attracting new customers in the past, the marketing strategies today are concentrated on securing and improving customer loyalty. Studies on direct selling (Macintosh and Lockshin 1997), satisfaction (Oliver 1999), brands (Rust, Zeithaml, and Lemon 2000), customer value (Sirdeshmukh, Singh and Sabol 2002) and relationship marketing (Palmatier et al. 2006) show that customer loyalty improves the financial performance of a company (Palmatier, Sheer and Steenkamp 2007).

Fornell (1992) examined 27 different businesses and obtained strong and significant conclusions. According to his research loyal customers are not necessarily satisfied; however, satisfied customers tend to be loyal. Additionally, he stated that highly satisfied clients are much more loyal than satisfied clients and any drop in overall satisfaction results in a major drop in loyalty. Thus, one of the main objectives of any company is to deliver exceptional customer satisfaction in order to convert this satisfaction in behavioral or attitudinal loyalty (Kamakura et al. 2002, Oliver 1999).

## 2.5.2 Word of mouth (WOM)

It is defined by several researchers as “an oral, person to person communication between a receiver and a communicator whom the receiver perceives as non-commercial, concerning a brand, a product or a service”. Even the most recent studies about WOM (Gruen, Osmonbekov and Czaplewski 2006; Harrison-Walker 2001; Wangenheim and Bayón 2007) use the definition stated before or a similar concept written by Westbrook (1987) that describes WOM as “all informal communications directed at other customers about the ownership, usage or features of goods and services or their sellers”. In services context, it is more expected that clients rely on this type of communication due to the intangibility of this type of industry (Ng. et al. 2011; Zeithaml, Berry and Parasuraman 1993).

This concept is extremely important since clients usually trust each other more than they trust communication from companies (Ng et al. 2011).

According to Harrison-Walker (2001), WOM shows 2 dimensions. The first is called “WOM activity,” that encompasses features as: the frequency that WOM communication takes place, the number of people told and the quantity of information provided by the sender. The second is called “WOM praise,” reflecting the valence of the WOM communication (positive, negative, or neutral). Examples of positive word of mouth include recommendation to others; conspicuous display, relating pleasant; vivid or novel experiences. Negative WOM includes behaviors such as product denigration, relating unpleasant experiences, rumor and private complaining (Anderson 1998).

Several recent studies recognize the link between satisfaction, WOM and new customer acquisition (Brown et al. 2005; Heitmann, Lehmann and Herrmann 2007; Söderlund 2006; Wangenheim and Bayón 2007).

This relationship is the base for some important models as: Return on Quality (Rust, Zahorik and Keiningham 1995) Service Profit Chain (Heskett et al. 1994) and Satisfaction Profit Chain (Anderson and Mittal 2000) where WOM is recognized as both a consequence of service quality and customer satisfaction and a determinant of revenue and profit due to new customer acquisition (Wangenheim and Bayón 2007).

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## 3. Ginásio Clube Português (GCP)

### *Measuring Customer Satisfaction in Services Industry*

*The aim of this section (Case study) is to get an overview of the fitness industry worldwide and in Portugal and to study Ginásio Clube Português in depth.*

#### **3.1 Introduction**

On GCP's last birthday (18 March 2014), José Carlos Reis, CEO since 2002 called Patricia Jorge, director of marketing, into his office to discuss the possibility to collect, measure and analyze information about clients' satisfaction level.

After an exponential growth both in revenues and in number of clients between 1998 and 2011, Ginásio Clube Português was losing competitive edge due to the increasing competition in the high-end and low-cost market as well as due to the effects of the economic downturn. Aiming to ensure that the revenues are greater than the costs, as well as to increase the market share in the Portuguese fitness industry, José Carlos Reis is adopting cost containment policies since it has been difficult to raise revenues and, at the same time, investing in a market expansion growth strategy.

With these purposes in mind, José Carlos Reis would like to know if, the most valuable asset of the company (the customer), was the key to this dilemma. In other words, is there any positive relationship between customer satisfaction, revenues and market share? If yes, is it wise to measure and analyze customer satisfaction as well as its determinants and consequences or is it too difficult/time consuming leading to close to zero/very small increase in the GCP's financial performance? Is the current satisfaction level one of the causes of the decrease in number of clients and in revenues or are they a consequence of other events such as the economic downturn and increasing competition?

José Carlos Reis gave Patricia Jorge one month to research about the topic and to decide, until the GCP's next General Assembly.

#### **3.2 The fitness industry worldwide**

Despite the economic downturn, the health and fitness club industry has maintained stable growth and is expected to continue growing throughout the next five years, since people is

becoming more health-conscious and the aging population is placing a greater emphasis on staying fit. The fitness center industry started to grow in the 1970s and 1980s, when exercise, led by running and aerobics, became popular. Currently, there are around 150.000 fitness centers worldwide with more than 132 million members generating €70bn annual global revenues. The European market generates more than 1/3 of the global revenues (€25 bn) encompassing 44 million members that attend 48.000 health clubs (*Exhibits 1 and 2*). The five largest markets in Europe are: United Kingdom, Germany, Spain, France and Italy with more than 30 million members (*Exhibit 3*). Germany leads the European market in number of health clubs with more than 7500 facilities and Norway achieved the greatest membership penetration rate with almost 16% of the population (*Exhibit 4*).

The global fitness industry will continue to record steady growth as demand for a wide range of fitness solutions grows due to health awareness and government programs to promote healthy living. Fitness centers and sports clubs will continue competitive due to the constant innovation, offering to customers new fun ways to workout. Challenges and opportunities remain in Portugal, Greece, Italy and Spain, where high VAT rates and debt have affected growth in recent years. In spite of the challenges stated above, experts believe that there are opportunities that remain in this industry as, for instance: to tackle obesity rates, to ease regular physical activity and to complement sports participation outside the club. Spain and Italy still belong to the top 5 European markets in terms of market size (*Exhibit 3*), number of gyms and memberships, while Portugal and Greece maintain member penetration rates well below the average for the European Union (6%) (*Exhibit 4*), meaning potential for growth.

### **3.3 The fitness industry in Portugal**

According to AGAP – Association of Gyms and Academies of Portugal 2013, Portugal has more than 600.000 members in fitness centers (*Exhibit 5*) and 1.246.000 people went at least once to the gym (*Exhibit 6*) that corresponds to 15% of the Portuguese population over 14 years old. The evolution in terms of number of fitness centers was clear until the economic downturn: in 2000 – 600 fitness centers, in 2005 – 1000 fitness centers, in 2010 - 1400 fitness centers, that represented a turnover of 310 million Euros/year. From these 1400 health clubs, 700 are members of AGAP, an entity that provides support for companies in the health and fitness industry in Portugal, including legal support.

The economic downturn that started in 2008 led to a decrease both in number of clients and turnover. In 2011, Portugal had 1250 fitness centers and around 540 000 members, representing a turnover of 234 million Euros/year (*Exhibits 1 and 2*).

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There are some factors that have affected this sector, namely VAT rate change. In January 2008, the members of fitness centers benefited a VAT rate reduction from 21% to 5%, with sustained arguments that these “health spaces” provide a higher quality of life and long-term reduction and prevention of health problems, allowing savings to the State in terms of spending on health care expenses.

However, in 2011, the Portuguese government decided to update the VAT rate in fitness centers to 23% at the same time that it implemented austerity measures due to the crisis. The Portuguese State estimated to gather additional € 43 million changing the VAT rate from 6% to 23 % in fitness. Nevertheless, this goal was not achieved. The contraction of the economy led 100,000 people to left fitness centers since the VAT rate was updated.

2013 was the year of recovering after a negative year in 2012, in which more than 80% of the health clubs reported losses in clients and turnover in comparison to the previous year (*Exhibit 7*). Although the number of fitness centers has kept the same (1200), the number of members rose to 634 446 members (+24% in comparison to the previous year) culminating in a turnover of 290 million Euros (*Exhibit 5*). This positive result was mainly achieved due to the results of the 2<sup>nd</sup> semester of the year (*Exhibits 8 and 9*).

52,3% of increase in number of clients and 36,8% of growing in results (*Exhibit 9*) were the positive results that reflected the reversal of the negative trend of the previous years.

The balance between new members and cancellations was also positive in 2013 (+30.642) (*Exhibit 10*).

### **3.4 Consumer trends in fitness industry<sup>1</sup>**

Older adults are undertaking fitness programs more often than they did in the past due to the increasing propaganda of the health clubs that changed the mentality of this generation. Due to the several campaigns launched by fitness centers, people increasingly believe that these programs contribute to the extension of the life expectancy. There are several people looking for different types of programs emphasizing the core training, personal training, ZUMBA and high-intensity interval training.

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<sup>1</sup> Source: Fitness Industry Market Research & Statistics

Core training encompasses specific work on the muscles of the back, abdomen and thorax in order to encourage stability in the body. The customers that suffer from back problems and those that aim to see strength gains are the main participants of this type of training.

Personal training is another unquestionable trend. However, many clients do not have the financial resources to hire their own trainer. Hence, they choose to benefit from customized training in small groups of two to four people getting personal attention whereas benefiting from discounts. This type of training is particularly attractive during periods of economic instability.

With people increasingly showing interest in various cultures across many sectors, the fitness industry is observing a similar trend in the form of dance workouts like ZUMBA. Other dance workouts are gaining popularity with several fitness centers adding them to their activities in order to provide a range of fun classes that include resistance training and interval-type exercise.

The clients that want to see fast results are more and more attracted to high-intensity interval training classes. This military-style training allows them to work their flexibility, strength endurance and cardiovascular fitness through a range of indoor and outdoor exercises. High intensity workouts with short length are at the top of the list. Fitness clients are increasingly looking for exhaustive but at the same time, playful and fun classes in order to relax and burn many calories.

### **3.5 Ginásio Clube Português (GCP)**

GCP's origins go back to 1875 when Luis Monteiro and a group of 24 friends, lovers of strength exercises, artistic and acrobatic gymnastics decided to establish a gymnasium in a small Palace in Carreirinha do Socorro, in Lisbon.

Ginásio Clube Português is a nonprofit organization founded in response to the desires and wishes of the intellectually advanced young people in that Era. Those people sought in the physical activities a way to escape the tedious habits and traditions that prevailed in a restricted and underdeveloped social environment. In a poor country like Portugal most of the population was just concerned to meet primary needs. Nevertheless, this desire to break outdated concepts emerged mainly in Lisbon and in among the higher social classes. Due to the huge unexpected success, where even the princes D.Carlos and D.Afonso, sons of the king

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D. Luís I were members of the health club, the new headquarters was inaugurated in Rua Serpa Pinto in 1884.

It received many awards during its long lifetime giving emphasis to the FEARLEY CUP in 1951, a trophy that rewarded amateur clubs with recognized worldwide value and the OLYMPIC CUP in 1980 in recognition of the amateur activities developed in Portugal both given by the International Olympic Committee.

After 139 years, Ginásio Clube Português is one of the most eclectic fitness centers in Portugal and one of the oldest in the world. It was a pioneer of the concept of a health club with three different purposes: sports, social and cultural.

Nowadays, it has 9392 members and 4222 clients<sup>2</sup>. In 1973, it moved to Praça das Águas Livres, currently with the name Praça Ginásio Clube Português near Rato metro station. It is a huge building (8 floors with 3800m<sup>2</sup>) where you can play more than 50 activities, rent football and tennis fields with a private car parking for gym members. Inside the building is possible to find some of its partners as: Petra Clube (Restaurant), Centro de Estética (beauty center), Desporsano (Sports Clinic), Smart Way (language institute) and Hair Fit (hairstylist), etc.

The well-being of the members is GCP's mission. It continues to honor the philosophy of its past that is clearly visible in its motto "Mens Sana in Corpore Sano" aiming to provide a quality and customized service in order to satisfy and retain the current members and clients.

### **3.6 GCP in the 80s and 90s and “the recovery”<sup>3</sup>**

GCP reported losses since mid-80s achieving the worst result in its entire existence in 1997, a loss of 340.000€. In May 1998 was the first time that was not possible to pay wages and the payment to suppliers was over 6 months late. Consequently, in the end of 1998, GCP reported an unsustainable negative net income.

The current CEO, José Carlos Reis, was hired (part-time job) in 1998 as an external relations director and internal auditor<sup>4</sup>. He was hired to help the CEO in the reorganization of the health club and was also responsible for the analysis of the health's club profitability<sup>8</sup>. The situation was unsustainable, he said. Taking into consideration the mission, values and strategy of the fitness center, a set of decisions were taken in order to increase the wellbeing of the members.

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<sup>2</sup> Source: Annual Report & Accounts 2013

<sup>3</sup> Source: GCP's internal presentation – name given by the CEO for the period after 1998

<sup>4</sup> Source: In-depth interview

Concerning the financial performance, bank liabilities were renegotiated *“were over 500.000€ in 1998 and now are 0€”*<sup>5</sup> and a profitability analysis was completed through the comparison and analysis of costs and sources of revenues aiming to better allocate the resources available. *“When I was hired, GCP’s financial performance was analyzed only once per year by an external auditor. The internal employee responsible for the financial division knew a bit of financial accounting but did not have a background in finance or management”*<sup>6</sup>.

Regarding the tangible assets, IT and layout, an investment was made in new equipment especially in IT *“nowadays GCP is using an IT software that contains the information about payments, entrances and exits, buying of merchandising, etc. of the clients but when I joined the company we had all the information on paper and one of our employees was responsible to check the names of the client that were attending the different classes”*<sup>7</sup> and in the improvement of the facilities with an emphasis for the reception that *“seemed that we were entering the post office”*<sup>8</sup> and for the woman’s dress room that *“seemed that we were entering the locker room of 3<sup>rd</sup> league Portuguese football team”*<sup>9</sup> investing around 5,5M€ throughout the last 10 years (*Exhibit 11*).

Regarding the Human Resources, an organization chart was created (*Exhibit 12*). Nowadays, each division has to communicate each proposal to the CEO and, if he accepts the proposal, consequently communicates the decision to the General Assembly, composed by members and by the president of the health club, which can accept or decline the proposal.

The marketing division was created in order to launch new customer acquisition campaigns and to increase the brand awareness of the health club. In the past, each division had more power since they could communicate each proposal directly to the General Assembly.

In 2002, José Carlos Reis after a quick ascent inside the Health Club due to the good results achieved was invited to the position of CEO in full-time, position that he proudly accepted. From 1998 until 2011 the number of members increased from 2839 to 5767 and the revenues increased by 300%. Thenceforth, both the number of members and revenues decreased (*Exhibits 13 and 14*).

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<sup>5</sup> Source: In-depth interview

<sup>6</sup> Source: In-depth interview

<sup>7</sup> Source: In-depth interview

<sup>8</sup> Source: In-depth interview

<sup>9</sup> Source: In-depth interview



### 3.7 Market expansion strategy

In 2009, GCP started a market expansion strategy developing, for the first time, a project outside the headquarters. It began to manage the Municipal Swimming Pool in Campo de Ourique. It is a big building (5 floors with 2500m<sup>2</sup>) where the clients can participate in different activities like hydro gym, hydrotherapy having also customized training for kids and babies with a personal trainer. It contributed to an increase in the number of clients and consequently in revenues. Having 2142 enrolled in classes in Campo de Ourique<sup>10</sup>, GCP is currently searching for more partners to expand the brand Ginásio Clube Português in Portugal knowing that the managers have the capability and the know-how to face the forthcoming challenges<sup>11</sup>.

In 2013, the health club started to explore a gym exclusively for EDP employees and retired ones in Oporto through a protocol with EDP. It was the first time that GCP invested outside of Lisbon, which so far has proved to be a success with high probability of growth in the near future<sup>12</sup>. Thus, in the near future, GCP aims to build an underground parking lot for 190 vehicles, a gymnasium exclusively for acrobatic gymnastics, paddle courts and expand the existing facilities (construction of a new building) in the headquarters. It also aims to manage the sports facility in Lapa in partnership with ISEG University and manage at least one more municipal swimming pool in Lisbon<sup>13</sup>.

### 3.8 Competitive analysis

In Portugal, the fitness industry is highly fragmented. The largest 6 companies: Holmes Place, Clube VII, Virgin Active, Solinca, Ginásio Clube Português and Fitness Hut control less than 10% of the total market (market share in terms of number of facilities). However, in number of clients reaches almost 30%<sup>14</sup>.

*“Holmes Place, Clube VII and Virgin Active (in the premium market) and Fitness Hut (in the low-cost market) are our main competitors (Exhibit 15). The low-cost industry is the major threat for GCP in the short-run. In Portugal, the fitness industry is always delayed in comparison to the most developed countries. While in the USA the low-cost segment is diminishing in importance in the last years, in the Netherlands was increasing until 2014 and in Spain is now booming. In Portugal this industry is starting to grow, however, in my opinion this industry is unsustainable in the long-run taking into consideration what happened in other countries and the economic recovery that will happen after the recession”<sup>15</sup>.*

José Carlos Reis

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<sup>10</sup> Annual Report & Accounts 2013

<sup>11</sup> Source: In-depth interview

<sup>12</sup> Source: GCP’s internal presentation

<sup>13</sup> Source: GCP’s internal presentation

<sup>14</sup> Source: AGAP

<sup>15</sup> Source: In-depth interview

**Holmes Place** is an international premium wellness brand that has been operating fitness industry for over 30 years and encompasses over 270.000 members in total and approximately 60.000 in Portugal. Widely considered today to be the leading premium brand in Europe, it encompasses 80 health clubs across 10 countries and continues to grow. In Portugal, it launched its activities in 1998. There are 18 health clubs, 6 of them in Lisbon. In Lisbon, the price ranges between 70,80€ and 150€.

**Clube VII** is a Portuguese prestigious health club founded in 1997. There is just one location more precisely in Parque Eduardo VII (Lisbon). The price varies between 62€ and 119€.

**Virgin Active** is an international brand that belongs to the Virgin Group. This company began its activity in 1999 and it still remains in the top of the health and fitness industry. It has over 250 health clubs worldwide and more than 1 million members. In Portugal, it was founded in 2012 and there are already 4 Virgin Active Health clubs - one in Lisbon and other three in Oeiras, Oporto and Vila Nova de Gaia. The minimum price is 64,95€.

In Lisbon, **Fitness Hut** is located in Amoreiras, Arco do Cego, Odivelas and Cascais. It was the first low-cost (characterizing itself as a premium low cost) that opened in Portugal having approximately 30.000 members. The minimum cost is 4,40 € per week and the price varies depending on the type of registration requested by the member and the protocols with different universities and schools (*Exhibit 16*).

## 3.9 Business Model

Bearing in mind the Business Model Canvas, GCP's business model is described as follows:

### 3.9.1 Segmentation

Taking into consideration the profile of the clients, GCP does not have a specific target defined.

*"If I have to select a target market, I would say the family, always the family. Nevertheless, GCP focuses on offering the best to all clients without distinguishing. In this stage, it would be better to grow in number of adults since the classes for children are completely crowded, but at the same time, I know that more children can also bring more adults to the health club..."<sup>16</sup>*

José Carlos Reis

As every health club, GCP focuses on people that are concerned about maintaining a healthy life, developing specific programs tailored to each one needs and that easily fit into their daily routines.

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<sup>16</sup> Source: In-depth interview

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The profile of the clients varies throughout the day. Before 9 a.m. and after 6 p.m. (peak hours) the clients that attend the health club are professionally actives. During the off-peak hours, the retired clients and the children (mainly during the afternoon) are the heavy users of the gym.

### **3.9.2 Value proposition**

Believing that the wellbeing and health of the clients are constructed based on preventive approach; GCP promotes the adoption of healthy lifestyles that necessarily pass through the regular practice of physical exercise and a healthy balanced diet. For those that are aware of their physical weaknesses and to differentiate from the competitors, GCP developed 3 special programs aiming to enhance health and wellbeing: childhood obesity program, the cardiac rehabilitation program and the management and weight control program (*Exhibit 17*).

Obesity is being seen as the source of future pandemic and a cause of death of a large number of people, given its impact on the body and mind, with the loss of self-esteem, depression, among others and cardiovascular diseases that are leading cause of illness, death and health costs of the Portuguese population<sup>17</sup>.

### **3.9.3 Channels**

The main channel for promoting GCP is the health club itself, spending part of marketing budget inside the health club and in the surrounding area through the distribution or by displaying flyers, brochures, billboards, etc. Furthermore, it is investing, more than ever, in the improvement of service quality aiming that clients share their experiences in Ginásio Clube Português with their friends. For such, Ginásio Clube Português promotes many activities in which they can bring their friends.

The communication strategy also encompasses the official website [www.gcp.pt](http://www.gcp.pt), the social networks Facebook and Google+ and a quarterly newspaper called “O SPORT” – *that was the 1<sup>st</sup> Sports newspaper in Portugal*. Through the communication channels (Staff, social media, website, etc) GCP aims to ensure a “two-way communication” in order to build a sense of community in the fitness center.

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<sup>17</sup> Source: Directorate General for Health

### 3.9.4 Customer Relationship - Culture and Core Values

*“Family, community and sense of belonging – GCP is managed by members so all the decisions taken aim to increase their wellbeing. These are the core values in Ginásio Clube Português.”<sup>18</sup>*

José Carlos Reis

The staff is hired with these core values in mind to work for the clients and help each one of them become stronger, healthier and more satisfied having also the important job of motivating, coaching and teaching them.

The wellbeing of members is GCP’s mission. To achieve this mission GCP developed a “home away from home” sense of community within the health club. In other words, the culture of GCP is designed to embrace clients’ emotions in order to encourage them to develop meaningful relationships either with other clients as well as with the staff.

Considering the core values stated above, the staff with more seniority (some of them started to work in this health club in the 80s) teaches the new ones on the best ways to provide an excellent customer service and to develop a good relationships with the clients; some internal and external programs and even social events are developed aiming to increase the interaction between members and staff (e.g. GCP’s Running Club<sup>19</sup>, Conferences about Health) and some spaces were created within the health club allowing members to relax, socialize and communicate amongst them easily (e.g. the couches close to the entrance in which clients can read newspapers and magazines, the restaurant, etc).

### 3.9.5 Revenues

There are different sources of revenues such as: the monthly base payment (≈70%), the membership fee paid every year by the clients (≈15%) the rent paid by each partner that belongs to the GCP building (≈5%) and other revenues (birthday parties, parking lot, sponsors, etc.) (≈10%).<sup>20</sup>

The monthly base payment varies depending on the program chosen by the client. The Classic card allows every client to attend exclusively the group classes having a cost of 48€ and the Gold card allows them to attend the classes and the workout room for 52€. The Special Programs are becoming increasingly important having a higher cost for the clients (*Exhibit 17*).

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<sup>18</sup> Source: In-depth interview

<sup>19</sup> This program aims to plan the participation of members enrolled in different competitions from 5kms to 42kms (marathon), in Portugal or outside the country. personal and group trainings is provided for those enrolled in the program

<sup>20</sup> Source: In-depth interview

A partnership with ESN Lisbon also allows the Erasmus students to work out and to attend the group classes for only 37€.

In 2014, the marketing division launched a merchandising campaign hoping that it contributes to increase the wellbeing of the members and also revenues.

### 3.9.6 Key Partnerships

Besides the partners that belong to the GCP building, it also establishes protocols with other companies in the surrounding area. GCP searches for companies that share similar values and that at the same time add additional value to the brand.

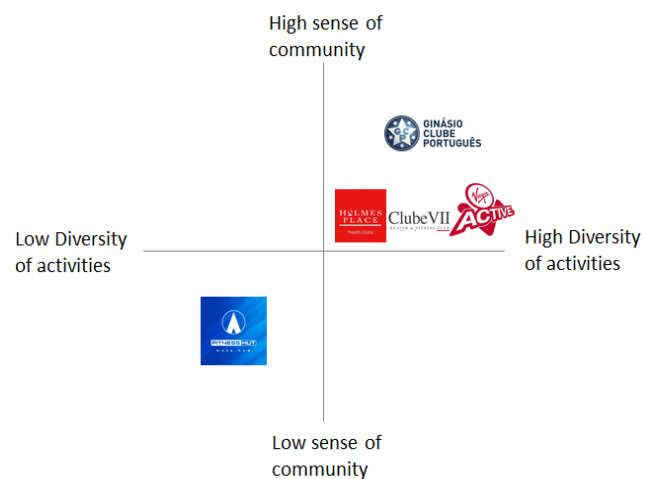
This type of local partnerships has been an important (and reduced cost) tool to promote the brand, increase brand awareness, reach new audiences, etc.

### 3.9.7 Costs

GCP is focused on optimizing its cost structure and ensure strict and efficient management of the health club. Due to the impact of the unfavorable economic conditions, and in order to optimize the resources available, one of the organizational objectives for 2014 is to keep a consistent policy of cost reduction started in 2012 since it is being difficult to increase revenues. It is occurring through a cost reduction in fees, consumables (particularly with the placement of low energy light bulbs and reformulation of all electrical panels) and staff expenses<sup>21</sup>. The staff expenses are the main costs since the company has many professors/ personal trainers and workers ≈135 and ≈70, respectively. The maintenance of the gym and the energy costs are also a critical concern for the CEO.

## 3.10 Positioning and Perceptual Map

To like, to admire, to respect and to trust are feelings and attitudes expressed towards brands that reflect the brand reputation levels. Currently, it is known that the choices made by the consumers go beyond a simple cognitive process. The emotional component assumes an increasingly prominent position in GCP. Ginásio Clube Português positions itself apart from the rest of the competitors, not just offering more than 50 activities for



**Figure 1: Perceptual Map**

<sup>21</sup> Source: Annual Report & Accounts 2013

all age groups but also fostering the sense of community and belonging. GCP communicates using the specific values of its personality aiming to grow the emotional and social relationship between the customers and the brand.

### **3.11 GCP and Customer Satisfaction<sup>22</sup>**

In the last years, GCP was not conducting customer satisfaction surveys since the clients were always reporting the same weaknesses: the parking lot and the men's locker room.

However, those surveys were just analyzed to better understand the wellbeing and satisfaction of the members about the conditions and activities provided by the health club.

GCP had more important and very challenging obstacles to surpass at that time: it was facing huge liquidity problems and an investment in the health club was mandatory since it was becoming outdated. Today, with the current market expansion strategy and decrease in revenues and in number of clients, José Carlos Reis would like to know if it is possible to grow financially through an increase in customer satisfaction as well as what are the effects and the main determinants and consequences of customer satisfaction. In January, for the first time, GCP conducted telephone interviews to understand how the clients perceive the quality of the service provided.

Having in mind the meeting with José Carlos Reis and the dilemma that he is facing, Patricia Jorge decided to conduct both qualitative and quantitative market research studies, as will be displayed in the next section.

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<sup>22</sup> Source: In-depth interview

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## 4. Market Research

*This section shows presentations, findings and analysis of the data collected by the researcher.*

### 4.1 Qualitative Research

The exploratory research is conducted in order to redefine or to construct new research questions and hypotheses. It helps to define the best research and data collection methods and provides the majority of the relevant highlights.

#### 4.1.1 In-depth interview

The in-depth interview with Dr. José Carlos Reis (*Appendix 1*), Chief Executive Officer in Ginásio Clube Português was crucial to better understand the fitness industry as well as the evolution of Ginásio Clube Português (tangibles, financially, culture, core values, etc.) over the last 30 years. Most of the information collected was introduced in the Case Study, with footnotes indicating the information gathered in the interview. Regarding the topic of the thesis, over the past few years GCP was not conducting customer satisfaction surveys since the clients were always reporting the same weaknesses: the parking lot and the men's locker room. However, in the past, those surveys were just analyzed in order to gain a deeper understanding of the wellbeing and satisfaction of the clients about the conditions and activities provided by GCP.

The company was facing more important and challenging obstacles to surpass at that time: first, from the early 90s until the beginning of the 2000s, the company was facing huge liquidity problems so it decided to turn the effort towards finding the solutions for the problem. From then on, it has turned its attention to the investment in GCP's headquarters since the health club (locker room, IT, equipment, etc.) was becoming outdated.

Nowadays, the engagement in a market expansion project, the decrease in revenues and in number of clients and the increasing competition become the customer satisfaction study more helpful to understand if the decrease in revenues and in number of clients is a consequence of unsatisfied clients or consequence of the economic downturn and increasing competition. It is also useful to understand the main determinants and consequences of customer satisfaction.

## 4.2 Quantitative Research

Quantitative research is a more logical and data-led methodology that provides a measure of what people think from a statistical and numerical point of view.

### 4.2.1 Survey

As previously stated, the tool used to collect quantitative information was a Survey (*Appendix 2*). Since the aim of the thesis is to measure the satisfaction level in Ginásio Clube Português the surveys were distributed in hand to the clients reaching a total number of 136 participants ( $\approx 3,2\%$  of the total clients of the health club). It is important to emphasize that some members of the health club pretested the questionnaire that was reviewed and changed before the disposal of the official one. The topics discussed are described and explained below:

**Section I** – In this part the intention was to get a better understanding on how the GCP clients evaluate the quality of the service provided by the health club. The overall service quality was measured based on the following five dimensions: tangibles, reliability, responsiveness, assurance, and empathy (SERVQUAL Model).

**Section II** - This block of questions focuses on how the GCP clients perceive the value of the service provided by the health club. This multidimensional scale encompasses 5 distinct areas: Quality (reliability and consistency), Emotional Response (the feelings the service produces), Monetary Price (the price of the service in terms of money), Behavioural Price (the price of the service in terms of sacrifices) and Reputation (the reputation of the service provider) (SERVPERVAL Model).

**Section III** - This section aims to measure the satisfaction level in Ginásio Clube Português. A 7-point Likert-scale was used, ranging from 1 (completely dissatisfied) to 7 (completely satisfied)

**Section IV and V** - These two sections intend to measure loyalty and word of mouth in this specific health club, respectively.

**Section VI** – Last but not least, the last group of questions contains all the general demographic and personal questions.

It was designed a congruent order of questions, in a way that each participant could comprehend the main intention of answering. The 7 point Likert-scale was defined in order to allow a good and useful tool of measuring the results.



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#### 4.2.2 Sample Description - Demographics and personal questions

After all the data have been collected and the analysis has been completed, 66,9% of the sample were female and 33,1% were male. Moreover, the majority of the respondents (64%), were under 30 years old and the largest number of respondents were aged 18-30 (39,7%) (*Exhibit 18*). Regarding the education degree, the majority of respondents stated that completed or are attending the upper secondary school and the bachelor degree, 36,8% and 38,2%, respectively (*Exhibit 19*). Taking into consideration the annual income after taxes, 8,8% of the respondents live with less than 7000€ per year, 16,2% have between 7000€ and 12000€ to dispose, 30,9% have between 12001€ and 20000€, 25% have an income that ranges between 20001€ and 35000€ and a total of 19,1% have higher than 35000€ (*Exhibit 20*). Regarding the average number of times that the respondents are exercising in GCP, 66% stated that workout more than 2 times per week (*Exhibit 21*). Additionally, more than 45% started to workout in GCP more than 5 years ago (*Exhibit 22*).

### 4.3 Measuring Customer Satisfaction

One of the main objectives of this thesis was to measure and analyze the overall customer satisfaction. Taking into consideration the sample described in the last section, the clients of GCP reported an average satisfaction of 6.4 in a 7-point Likert scale (*Exhibit 23*).

**H1: The service quality dimensions have positive and significant effect on customer satisfaction.**

Fitness center attributes were factor analyzed with Varimax rotation. The purpose was to identify the main service quality dimensions in GCP based on SERVPERF model. The alpha coefficient for the 22 items was 0,863, suggesting that the items have relatively high internal consistency (*Exhibit 24*). Bartlett's Test was significant (Sig.=0) meaning that the variables will load together properly (*Exhibit 25*). The communalities were also taken into consideration, being all extraction values really close or above 0,6 (*Exhibit 26*). The choice of the six factors resulted from looking at the Eigenvalues and to the cumulative percentage. The 22 variables (2 were deleted) representing fitness center attributes were reduced to six factors, explaining 67 per cent of total variance in the data (*Exhibit 27*).

The next step was to look to the rotated component matrix and group the variables with higher values inside each factor.

The six factors are labelled as follow (*Exhibit 28*):

**Factor 1 – Responsiveness and Assurance** – Willingness to help customers and provide prompt service; Knowledge and courtesy of employees and their ability to inspire trust and confidence;

**Factor 2 – Empathy** - Caring, individualized attention the firm provides its customers;

**Factor 3 – Tangibles** - Physical activities, equipment and appearance of personnel;

**Factor 4 – Other services** - Parking and locker room;

**Factor 5 – Reliability** - Ability to perform the promised service dependably and accurately;

**Factor 6 – Communication** - Personnel and non-personnel communication.

Afterwards, a multiple regression with the stepwise method was performed with overall customer satisfaction level as dependent variable and the factors as independent variable. Through the results of this analysis, it was possible to demonstrate that, for a significance level of 10%, the factors “Reliability”, “Communication” and “Tangibles” were statistically significant. All the statistically significant factors have a positive effect on customer satisfaction (unstandardized coefficient is positive) and the communication factor is the one that leads to the highest increase in customer satisfaction (in 0,394 if this factor increases 1 point). (*Exhibits 29 and 30*). According to the adjusted coefficient of determination (0.321), the three perceived service quality dimensions explained approximately 32 per cent of variance in overall customer satisfaction (*Exhibit 31*). Although all factors have a positive impact on customer satisfaction some of them were not significant in this case.

## **H2: Perceived service value has a positive and significant effect on customer satisfaction.**

Fitness center attributes were factor analyzed with Varimax rotation. The purpose was to identify the effect of perceived service value on customer satisfaction. The alpha coefficient for the 14 items was 0,871, suggesting that the items have relatively high internal consistency (*Exhibit 32*). Bartlett’s Test was significant (Sig.=0), meaning that the variables will load together properly (*Exhibit 33*). The communalities were also taken into consideration, being all extraction values really close or above 0,6 (*Exhibit 34*). The choice of the four factors resulted from looking at the Eigenvalues and to the cumulative percentage. The 14 variables (2 were deleted) representing fitness center attributes were reduced to four factors, explaining 69,41 per cent of total variance in the data (*Exhibit 35*).

The next step was to look to the rotated component matrix and group the variables with higher ones inside the same factor.

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The four factors are labelled as follow (*Exhibit 36*):

**Factor 1 - Emotional response** – the feelings that GCP's service produces;

**Factor 2 - Social response** – enhancement of social self-concept;

**Factor 3 - Monetary price** – the price of the service in terms of money;

**Factor 4 - Reputation** – GCP's reputation.

Afterwards, a multiple regression with the stepwise method was performed being the overall customer satisfaction level the dependent variable and the factors the independent one. All factors were statistically significant for a significance level of 10%. All factors have a positive effect on customer satisfaction (unstandardized coefficient is positive) and the social and emotional factors are the ones that lead to the highest increase in customer satisfaction (in 0,206 and in 0,229 if the factors stated above increase in 1 point, respectively) (*Exhibit 37*). According to the adjusted coefficient of determination (0.203), the four perceived service value dimensions explained approximately 20,3 per cent of variance in overall customer satisfaction (*Exhibit 38*). Therefore this leads towards the acceptance of H2.

**H3: Customer satisfaction has a strong impact on customer loyalty.**

The alpha coefficient for the 5 items was 0,802, suggesting that the items have relatively high internal consistency (*Exhibit 39*). To prove this hypothesis a linear regression was performed with the customer loyalty as dependent variable and the overall customer satisfaction as the independent variable. A new variable with the name `loyalty_variables` was created. This variable is the sum of the five loyalty variables divided by five. From the results, one could conclude that this test is significant, ( $p\text{-value}=0$ ), and more than that, the impact of such variable is positive (coefficient's sign is positive) (*Exhibit 40*). Since both variables are being measured in a 7-point Likert scale one could conclude that customer satisfaction has a significant impact on customer loyalty (0,689) as shown by the results as  $t=8,103$  and adjusted coefficient of determination of 0.33 (*Exhibit 41*). So this leads towards the acceptance of H3.

**H4: There is no difference between physical activity level of the clients in GCP and their level of satisfaction.**

To prove this hypothesis a one way ANOVA was performed with the level of satisfaction as the dependent variable and the customers' physical activity (categorical variable) as the independent variable (Factor). As the  $p\text{-value}$  is below the significance level of 10% (*Exhibit 42*), one can conclude that clients with high physical activity level in GCP are more satisfied. To access the direction of the impact, a means plots was performed (*Exhibit 43*). In sum up, those

that are exercising more than 2 times per week reported higher levels of satisfaction than the others (*Exhibit 44*). Therefore the alternative hypothesis is supported leading to the acceptance of H4.

#### **H5: Customer satisfaction has a strong impact on word of mouth**

The alpha coefficient for the 5 items was 0,717, suggesting that the items have an acceptable internal consistency (*Exhibit 45*). To prove this hypothesis a linear regression was performed with the word of mouth as dependent variable and the overall customer satisfaction as the independent variable. A new variable with the name word\_of\_mouth was created. This variable is the sum of the five word of mouth variables divided by five. From the results, one could conclude that this test is significant, (p-value=0), and more than that, the impact of such variable is positive (coefficient's sign is positive) (*Exhibit 46*). Since both variables are being measured in a 7-point Likert scale one could conclude that customer satisfaction has a significant impact on word of mouth (0,537) as shown by the results as t=5,965 and adjusted coefficient of determination of 0.243 (*Exhibit 47*). Hence, this leads towards the acceptance of H5.

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## 5. Conclusion and Recommendations

*This section seeks to integrate various issues covered in the body of the thesis (literature review, case study, market research), to make comments upon the meaning of all of it and to provide some recommendations regarding the topic studied.*

At the initial stage of the investigation I discovered that Parasuraman, Zeithaml and Berry (1985) through the SERVQUAL model made an important contribution to the literature in their summary of the antecedents that may affect customer satisfaction, namely tangibles, reliability, responsiveness, assurance and empathy. Subsequently, Cronin and Taylor (1992) developed an instrument that only measures the performance of the service quality called SERVPERF. Based on SERVPERF model, the purpose of the first hypothesis was to identify the main service quality dimensions in GCP. 6 factors were generated through Varimax Rotation, 3 of them were statistically significant (Reliability, Communication and Tangibles) having a positive effect on customer satisfaction.

With the purpose of perceived value in the services industry, a scale has been developed by Petrick (2002) known as SERV-PERVAL model. This multidimensional scale encompasses 5 distinct areas: Quality, Emotional Response, Monetary Price, Behavioural Price and Reputation. Bearing in mind this model, 4 factors were generated through Varimax Rotation: emotional response, social response, monetary price and reputation. All the factors have a positive effect on customer satisfaction and the social and emotional factors are the ones that lead to the highest increase in customer satisfaction in GCP.

There are two major alternative approaches related to customer loyalty: the behavioral and the attitudinal (Javalgi and Moberg 1997). The behavioral loyalty is an approach widely used that results from the proportion of repeated purchases of the same brand over time compared to the total number of purchases made by the purchaser in that category (Neal 1999). On the other side, attitudinal loyalty embraces a degree of commitment in terms of the unique value linked with the brand (Chaudhuri and Holbrook 2001; Wong and Sohal 2003).

In this study, these two approaches were put together. From the results, one could conclude that customer satisfaction has a significant impact on customer loyalty. Hence, a special attention must be given to customer satisfaction as it was determined that this variable has a huge influence on customer loyalty in GCP.

According to Harrison-Walker (2001), WOM shows 2 dimensions. The first is called “WOM activity,” that encompasses features as: the frequency that WOM communication takes place, the number of people told and the quantity of information provided by the sender. The second is called “WOM praise,” reflecting the valence of the WOM communication (positive, negative, or neutral). Considering the impact of customer satisfaction on word of mouth in GCP, one could conclude that customer satisfaction has also a significant positive impact of 0,537 on word of mouth.

Last but not least, those that are exercising more than 2 times per week in GCP (high physical activity level) reported higher levels of satisfaction than the others.

Regarding the questions presented in the introduction of the Case Study, in order to be a successful company in the market it is not enough to attract new clients. Managers must focus on the retention of the current ones, through the implementation of efficient policies of customer satisfaction and loyalty that will result in a greater profitability and market share of the business and sustainability in the future (Fornel and Wernerfelt 1988).

However, a recent study made by Rego Morgan and Fornell (2013) found a negative and significant relationship between market share and customer satisfaction. According to this study, customer satisfaction is generally not predictive of future market share of the companies. Nevertheless, market share is a strong negative predictor of future customer satisfaction of the companies.

Moreover, Ittner and Larcker (1998) provided evidence on the generally accepted assumption that future period retention and revenues are greater for more satisfied clients. These relations are non-linear, indicating decreasing performance benefits at high satisfaction levels. Since the clients of GCP reported a mean of 6,4 in overall customer satisfaction, it is not one of the causes of the decrease in number of clients and in revenues and will be difficult to increase financial performance through this metric.

However, the value stated above could be overstated considering the diverse limitations and biases of the questionnaires. Although it presented a high average, I highly recommend the implementation of advanced Customer Relationship Management (CRM) systems and a Balanced Scorecard through the analysis of its 4 perspectives and Key Performance Indicators (KPIs). As it was shown in the literature review and will be displayed in the section 7 (Teaching Note) the implementation of these systems are likely to have a positive effect on customer satisfaction.

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## 6. Limitations and Future Research

*This section highlights the range of limitations of this research study and provides direction for future research.*

It is a fact that one could extract important conclusions from the data analyzed. However, this market research study faced a range of limitations that are highlighted below.

Regarding the qualitative research, the number in depth interviews conducted may not be as high as it would be adequate to have all the data available to write the case study. For instance, a higher number of staff interviewed could emphasize more critical issues that perhaps are not written in the case study.

Taking into consideration the quantitative research, the diversification factor was not achieved. The characteristics of the respondents were very similar especially age and gender, since young women showed greater willingness to help me during the process. This most likely created a bias in the conclusions, not allowing a solid interpretation of some results. Another problem that resulted from the narrow sample size is the fact that some statistical tests were not significant, inhibiting the achievement of solid outcomes that could be representative of all members of the health club. Although some results were drawn, the results cannot be directly generalizable.

Future research should use the questions and issues raised in the thesis as a useful insight to reach wider and more heterogeneous clients.

## 7. Teaching note

*This aim of this section is to provide some background on thinking that went into the design of the case, as well as various approaches to using the case in the classroom.*

### 7.1 Synopsis

When José Carlos Reis was hired in 1998 the situation was unsustainable. The health club was facing huge liquidity problems and an investment in GCP's headquarters was mandatory since the health club (locker room, IT, equipment, etc.) was becoming outdated.

Through the analysis of the business model (mainly through the analysis of revenues and costs) and taking into consideration the mission, values and strategy of the fitness center, a set of decisions were taken in order to increase the wellbeing of the members. The family was the driving force for this restructuring. The restructuring was focused on the following pillars: financial performance, investment, human resources and marketing.

This restructuring led to an exponential growth both in revenues and in number of clients between 1998 and 2011. Currently, Ginásio Clube Português is losing competitive edge due to the increasing competition in the high-end and low cost industry as well as due to the effects of the economic downturn.

José Carlos Reis would like to know if it is possible to grow financially through an increase in customer satisfaction as well as what are the effects and the main determinants and consequences of customer satisfaction.

### 7.2 Teaching objectives

- To better understand the relationships between strategy, culture, values and business outcomes.
- To gain a deeper understanding of the STP (Segmentation, Targeting, Positioning) process.
- To be aware of the key determinants and consequences as well as the different methods to measure and analyze customer satisfaction.
- To gain a deeper understanding of the marketing research methodologies.



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## 7.3 Target audience

It is appropriate for Marketing and Strategic Management courses being suited for undergraduate and master's students. The case study encompasses basic and intermediary concepts related to marketing and strategy, therefore the type of questions and issues raised should be differentiated taking into consideration the required level of the course and the specific course.

## 7.4 Teaching plan

Prior to the class discussion, the students should read the case study and the following articles and link the theoretical concepts of the questions written in 7.4.1 (*In-class discussion*) with the Case Study.

- Ittner C. D. and Larcker, David F. (1998), "Are Nonfinancial Measures Leading Indicators of Financial Performance? - An Analysis of Customer Satisfaction", *Journal of Accounting Research*, 36 (Supplement 1998): 1-35
- Kaplan, R. S., and Norton D.P., (1992), "The Balanced Scorecard: Measures that Drive Performance." *Harvard Business Review*, 70(1): 71-79
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- Mithas, S.; Krishnan, M. S. and Fornell, C. (2005), "Why do Customer Relationship Management Applications Affect Customer Satisfaction?", *Journal of Marketing*, 69(4): 201-209
- Payne, Adrian; Frow, Pennie (2005), "A Strategic Framework for Customer Relationship Management", *Journal of Marketing*, 69(4): 167-176

### 7.4.1 In-class discussion

- 1) **What is the relationship between customer satisfaction and financial performance? Justify. (20 minutes)**

On one side, financial performance measures (e.g. Return on Investment (ROI), Operating Income) are, in general, lagging indicators of the financial performance of a company since they report the performance of past actions but provide little orientation on the best strategy to follow in the future. This type of performance measures indicates whether or not the strategy of the firm and its implementation are raising shareholder value.

On the other side, key nonfinancial measures are leading indicators of financial performance, since improvements in these indicators (e.g.: customer satisfaction and loyalty, process quality, and employee motivation) should increase future's financial performance of the company, whereas drops in these indicators, in general, predict decreased future financial performance. These measures are monitored in order to better understand whether the company through their customers, processes, employees and systems are building or destroying the overall value of a company (Kaplan and Norton 1996).

The balanced scorecard incorporates both lag and lead indicators and focuses on the measurement of performance aiming to achieve the goals defined by the company in each of the four perspectives (Financial, Customer, Internal Business and Learning and Growth). The process is the following: managers start to define the objectives the strategy to achieve those objectives and, after that, they identify the most important measures of performance that will predict long-term success. (Kaplan and Norton 1992).

Customer satisfaction ratings are critical Key Performance Indicators (KPIs) that help managers assess whether the company is achieving its goals. Customer satisfaction is analyzed in 3 out of 4 perspectives. First of all, the customer perspective helps managers to address the question, "How do customers see us?". Regarding this perspective customers tend to be worried about quality, performance, service and cost. If customers are not satisfied they will not come back. (Kaplan and Norton 1992). The second perspective, Internal Business, helps managers to address the question, "At what business processes must we excel to satisfy customer and financial objectives?" To answer to this question encompasses the following three cycles: innovation, operations, and post-sales service. They critically affect customer satisfaction which, in turn, affects the financial success of the company (Kaplan and Norton 1996).

Last but not least, the Learning and Growth perspective helps managers to address the question, "How can we continue to improve and create value?." It focuses on three topics: employee capabilities, information system capabilities and the firm's "climate for action."

This perspective lays the foundation needed to improve internal business operations, sustain customer satisfaction, and generate financial success. The firm will not be able to achieve the objectives of the other perspectives without skilled employees, updated technology and positive corporate culture (Kaplan and Norton 1996).

As it is easy to understand while you read the case study since the GCP is not giving the true importance to customer satisfaction therefore it is also not using a balanced scorecard to link customer satisfaction with financial performance (It is just analyzing lag indicators).

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Moreover, Ittner and Larcker (1998) provided evidence on the generally accepted assumption that future period retention and revenues are greater for more satisfied clients. These relations are non-linear, indicating decreasing performance benefits at high satisfaction levels. Since the clients of GCP reported a mean of 6,4 in overall customer satisfaction, it is not one of the causes of the decrease in number of clients and in revenues and will be difficult to increase financial performance through this metric.

According to the marketing literature, higher customer satisfaction improves financial performance by increasing the loyalty of the current clients, reducing price elasticities, lowering marketing costs through positive word-of-mouth advertising, reducing transaction costs and enhancing firm reputation (Anderson, Fornell and Lehmann (1994), Fornell (1992)).

**2) What is Customer Relationship Management (CRM)? Is GCP using a CRM system? What is the effect that CRM applications are likely to have on customer satisfaction? Justify with 3 different reasons. (15 minutes)**

CRM is a strategic approach that aims to increase shareholder value through the development of meaningful relationships with the most important clients and segments of clients. It links the potential of relationship marketing strategies with IT in order to create successful and profitable long-term relationships with clients and other stakeholders.

This system creates opportunities to analyze and use the data and information generated to better understand customers and create value with them. This is only possible through a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications (Payne and Frow 2005).

Nowadays, GCP is using an information technology (ITs) system that contains all the information about payments, entrances and exits, buying of merchandising, etc. of every single client. Nevertheless, CRM is much more than that. It is a complex framework that, if used properly, can provide a superior performance to the company (*Exhibit 48*).

Through CRM, health and fitness clubs will know which clients are better consumers of extra services, the best target segment of each campaign, knowing, in detail, the preferences of their members. This system will allow the development of creative relationship marketing actions and will facilitate the prediction of future investment. Customer relationship management strategies are expected to have a positive effect on customer satisfaction for the following reasons:

First, this system is used to gather information across customer interaction and processing this information in order to discover hidden patterns, allowing companies to customize their offerings for each client. According to the marketing theory, customization of offerings improves the perceived quality of services or products. Since perceived quality is a determinant of customer satisfaction therefore, the CRM system indirectly affects customer satisfaction through their effect on perceived quality. Second, CRM applications also enable companies to enhance the reliability for consumption experiences by simplifying the timely, accurate processing of customer requests and the ongoing management of customer accounts. Third, it also helps firms to manage customer relationships in a more effective manner across the three stages of relationship: initiation, maintenance and termination. In turn, effective management of the customer relationship is the key to manage customer satisfaction and customer loyalty (Mithas, Krishnan and Fornell 2005).

**3) Regarding the Ansoff Matrix, what is the growth strategy that GCP is currently using? What are the other possible strategies? Justify (5 minutes)**

GCP implemented a market development strategy. This strategy consists of finding new markets for existing products/services. Market research and further segmentation of markets helps to identify new groups of customers.

There are three other possible strategies: first, a market penetration strategy that comprises increasing market share within existing market segments. This can be achieved by selling more products/services to current clients or by finding new clients within existing markets. Second, a product development strategy that encompasses developing new products/services for existing markets. To be successful with this strategy, managers should understand how new products/services products/services can meet customer needs and outperform the products/services of competitors. Last but not least, the most risky strategy. The diversification strategy involves moving new product/services into new markets at the same time. As the company is moving away from what it has done during the past years this strategy creates uncertainty. However, if existing activities are threatened, diversification helps to spread risk.

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### 7.4.2 Group assignment (*Groups of 4 students*)

- 1) According to the case study what is/are the research method or methods that GCP is currently conducting, explaining its/their advantages and disadvantages? Please also indicate other research methods that can be conducted to measure customer satisfaction in Ginásio Clube Português. (10 minutes)

At present, GCP clients are being interviewed by telephone. It is a common way to measure customer satisfaction, although, in this case, the objective of the calls was to understand how the customers perceive the service provided. As with all methods of data collection, telephone surveys have advantages and disadvantages:

#### Advantages:

- Telephone interviews are almost always the quickest controllable way of gathering main survey data;
- They are relatively low cost and normally much less costly than face-to-face interviews;
- The two-way communication means that the interviewer can still explain things and minimize the risk;
- Distance is not a problem even in worldwide markets;
- It is the best data collection method for achieving a random and representative sample;
- It reduces interviewer bias as perceived anonymity is greater;
- Call-backs can be managed to maximize response rates;
- It is possible to gather reasonable amounts of qualitative information in order to understand the reasons underlying the scores. For example, interviewers can be given an instruction to probe any satisfaction scores below a certain level to ensure that the survey identifies the reasons behind any areas of customer dissatisfaction.

#### Disadvantages:

- Interviews cannot be as long as those achievable by face-to-face interviews. Generally limited to a maximum of about 15 minutes. The longer a phone survey continues, the more people will "drop out" and not fully answer all the questions;
- Questions have to be straightforward. Since those responding cannot see or read the questions, complicated or long questions are not appropriate for telephone;
- Although not as acute as in face-to-face interviews, there is still potential for the interviewer biases the responses.

There are other methods to collect data about customer satisfaction as: email, postal and web surveys and face-to-face interviews.

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## 9. Appendices

### 9.1 In-depth interview (*appendix 1*)

#### Interview guidelines

**Interviewee: Dr. José Carlos Reis**

Good afternoon and thank you very much for taking the time to meet today. My name is Guilherme Alves and I will be leading the interview.

The main purpose of the interview is to better understand the fitness industry in Portugal, the Ginásio Clube Português itself and your course in the company.

This interview should take no more than 15 minutes and I will be taping it (if you allow) since I do not want to miss any of your comments.

#### Questions:

- 1) Could you briefly describe your course in Ginásio Clube Português?
  - a) How long have you been working for the company?
  - b) When did you become CEO of the company and what are your responsibilities?
  
- 2) What are the critical differences between GCP today and when you joined the company? Were there any problems? (Organizational chart, financial performance, layout of the gym, marketing, etc)? *(if yes)* Are they already solved?
  
- 3) How do you describe the GCP's core values and culture? Are they changing?
  
- 4) What are the GCP's sources of revenues and the main costs?
  
- 5) How do you describe the STP (segmentation-targeting-positioning) process in GCP?
  
- 6) How do you think the fitness industry has changed over the last years? Who are the main players in Portugal? Who are the GCP's main competitors?
  
- 7) Does GCP have organizational and/or marketing objectives defined for 2014?
  
- 8) What about the future? Are you planning to keep the market expansion strategy started in 2009?

9) Did you ever measure customer satisfaction in GCP? (*if not*) Is there any special reason?

**Closing comments:**

10) Do you have any additional comments?

**Thank you very much for your cooperation!**

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## 9.2 Survey (appendix 2 – English version)

Welcome!

The Survey presented was developed within the framework of the Master thesis in Católica-Lisbon School of Business & Economics. This project aims to measure the customer satisfaction level in the fitness center industry by focusing in Ginásio Clube Português. To this effect, I would like you to participate in this survey with the purpose of getting to know your satisfaction level in this specific fitness center. It will take approximately 10 minutes to complete this survey.

There is no right or wrong answers. I just ask you to answer as honestly and seriously as possible. The questionnaire is anonymous and all your answers will be only used for research purposes.

I

### **Service Quality - (based on SERVQUAL/SERVPERF model)**

**Using a scale from 1-7, 1= strongly disagree and 7= strongly agree, please consider the following statements and provide your opinion:**

#### **Tangibles**

- 1) The Health Club has clean and convenient physical facilities (different gyms, locker room, workout room, swimming-pool, etc.).
- 2) The Health Club has modern looking equipment in good condition.
- 3) Physical facilities are visually appealing.
- 4) Exercise areas are spacious and preserved in order to encourage participation in health club's activities (temperature/humidity/ventilation).
- 5) The locker room is comfortable and convenient.
- 6) The parking area is safe and secure.
- 7) GCP provides plenty of convenient parking for customers.
- 8) Staff (employees, receptionists, manager, personal trainers, etc) is always well dressed and appear neat.

#### **Reliability**

- 9) When a customer has a problem, GCP's staff shows a sincere interest in solving it.
- 10) When GCP promises to do something (For example, if you report a problem and the Staff tell that someone will answer by a certain time), it will do so.

11) GCP provides me with accurate information that I can understand (good communication via facebook, flyers, brochures, etc.).

12) GCP has an accurate database (no problems related to billing, wrong data, etc).

13) The service is performed right the first time (e.g: check payments, claims, payment of fees, etc.) and the level of service is always good throughout the different hours of the day and when is performed by the different members of the staff.

### **Responsiveness**

14) The information passed by the Staff members is clear and consistent (for example, if customers ask a professor and a receptionist on the same subject at different times, the information provided is never different or contradictory).

15) The staff makes information easily obtainable by customers.

16) The staff gives quick services to customers (low waiting time in the queue, rapid response by email, etc.).

17) The staff is always willing to help customers.

### **Assurance**

18) The behavior of the staff instils confidence in customers.

19) Customers feel safe in their transactions (For example, payment of services) with the staff.

20) The Staff is consistently courteous with customers.

21) Staff is available to instruct on proper use of equipment/exercise techniques.

### **Empathy**

22) I feel that GCP's Staff wants the best for me.

23) I feel that GCP's Staff understands my needs.

24) I feel comfortable bringing ideas, problems, etc. to staff to improve the service quality.

## **II**

**Service Value** - *adapted from Levesque and McDougall (1996) and Petrick (2002)*

**Using a scale from 1-7, 1= strongly disagree and 7= strongly agree, please consider the following statements and provide your opinion:**

### **Monetary Price**

1) I consider that GCP has a reasonable price taking into consideration its quality.

- 
- 2) Comparing what I pay to what I might get from the competitors, I think the company provides me with good value.
  - 3) The price **was** the main factor when I choose to attend GCP. (Reverse Coded)
  - 4) I would continue to attend GCP even if the prices increase slightly.

#### **Emotional value**

- 5) Through the GCP I have found a sense of group belonging.
- 6) GCP improved the way I am perceived by others.
- 7) GCP gives me the opportunity to socialize with others.
- 8) Attending GCP gives me the opportunity to meet interesting people.
- 9) Attending GCP has helped me feel acceptable to others.
- 10) GCP allows me to share my interests with others.
- 11) I have a positive emotional relation to GCP and I feel attached to it.
- 12) Attending GCP gives me pleasure.
- 13) Attending GCP makes me feel good.
- 14) Attending GCP relaxes me.

#### **Reputation**

- 15) I consider that GCP has a good reputation.
- 16) I consider that GCP is widely respected.

### **III**

#### **Customer Satisfaction**

**Using a scale from 1-7, 1= not satisfied at all and 7= extremely satisfied, please consider the following statements and provide your opinion:**

- 1) Overall how satisfied you feel with your decision to work out in Ginásio Clube Português?

### **IV**

**Customer loyalty** – *Adapted from Chaudhuri and Holbrook (2001); Oliver (1997) and Taylor Celuch and Goodwin (2004)*

**Using a scale from 1-7, 1=strongly disagree and 7= strongly agree, please consider the following statements and provide your opinion:**

#### **Attitudinal Loyalty**

- 1) The GCP brand is different from the competitors.
- 2) I consider myself to be loyal patron of the fitness company I am evaluating.

- 3) I only pay attention to the news of this fitness center and never to the news of the competitors.

### **Behavioral Loyalty**

- 1) If I had to do all over again, I would choose GCP.
- 2) I intend to keep practicing in GCP in the following years.

## **V**

### **Word of mouth – Adapted from Wong and Sohal (2003)**

**Using a scale from 1-7, 1= strongly disagree and 7= strongly agree, please consider the following statements and provide your opinion:**

- 1) I usually encourage my friends and relatives to come to this health club.
- 2) I usually post positive messages about the company on some Internet message board/GCP's facebook.
- 3) I usually say positive things about the company to other people.
- 4) I would recommend the company to those who seek my advice about such matters.
- 5) I usually talk with my friends and relatives when I have positive experiences in GCP.

## **VI**

### **Demographics and personal questions**

#### **What is your gender?**

- 1) Male
- 2) Female

#### **How old are you?**

- 1)  $\leq 18$
- 2) 19-30
- 3) 31-42
- 4) 43-54
- 5) 55-66
- 6)  $\geq 67$



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**On average, how many times do you come to GCP?**

- 1) 1-3 month
- 2) 1-2 times per week
- 3) More than 2 times per week

**How long have you worked-out in Ginásio Clube Portugues?**

- 1) Under 6 months
- 2) 6-12 months
- 3) 1-2 years
- 4) 3-5 years
- 5) More than 5 years

**What is your education degree?**

- 1) Primary school (up to age of 10).
- 2) Secondary school (up to age of 16)
- 3) Upper secondary school (up to age of 18).
- 4) Professional Degree
- 5) Bachelor degree
- 6) Master's degree
- 7) PhD degree

**Would you please indicate the letter which best describes your household combined annually income after taxes.**

- 1) <7000€ F
- 2) 7000€ – 12000€ H
- 3) 12001€-20000€ Q
- 4) 20001€-35000€ L
- 5) >35000€ M

**Thank you for your time!**

### 9.3 Exhibits (appendix 3)

**Exhibit 1 – Number of fitness centers: IHRSA 2011, 2012 and 2013**

	2010	2011	2012
United States of America	29.890	29.960	30.123
European Union	48.005	47.701	≈48.000
Portugal	1.400	1.250	1.200

**Exhibit 2 – Number of members in fitness centers: IHRSA 2011, 2012 and 2013**

	2010	2011	2012
United States of America	50.220.000	51.400.000	≈ 51.000.000
European Union	44.446.750	43.453.600	≈ 44.000.000
Portugal	600.000	540.000	575.000

**Exhibit 3 - European Health Club Industry:**

Select Statistics – IHRSA 2013 – Year 2012

Market Size (in millions)	
UK	€ 4,790
Germany	€ 4,090
Spain	€ 3,840
France	€ 2,520
Italy	€ 2,117
Russia	€ 1,643
Netherlands	€ 1,235
Sweden	€ 566
Norway	€ 541
Switzerland	€ 519
Austria	€ 450
Belgium	€ 384
Denmark	€ 336
Finland	€ 324
Portugal	€ 234
Greece	€ 180
Ireland	€ 151

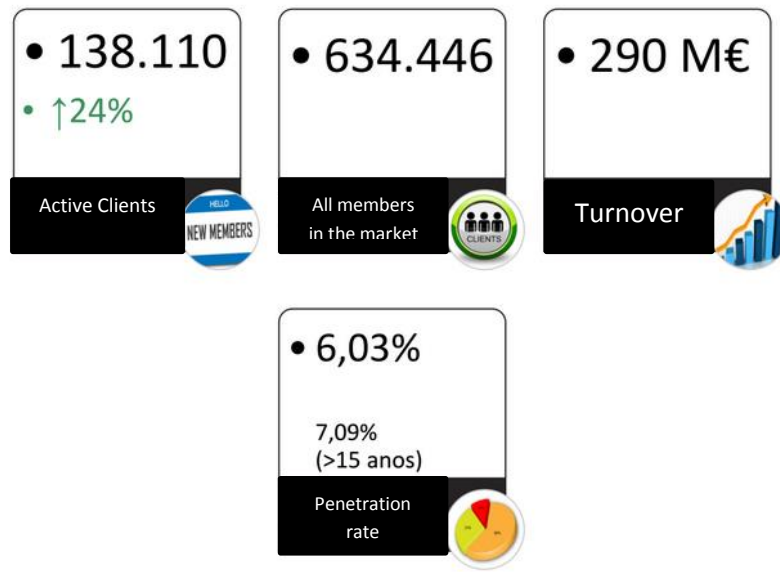
**Exhibit 4 - European Health Club Industry:**

Select Statistics – IHRSA 2013 – Year 2012

Market penetration rate*	
EU28 Average**	5.99%
Norway	15.70%
Denmark	14.29%
Spain	13.50%
Sweden	12.97%
UK	12.60%
Netherlands	12.50%
Finland	10.57%
Germany	9.72%
Switzerland	8.88%
Austria	8.52%
Ireland	7.50%
Italy	6.83%
France	6.37%
Belgium	6.25%
Portugal	4.63%
Romania	3.67%
Greece	3.21%
Russia	1.70%

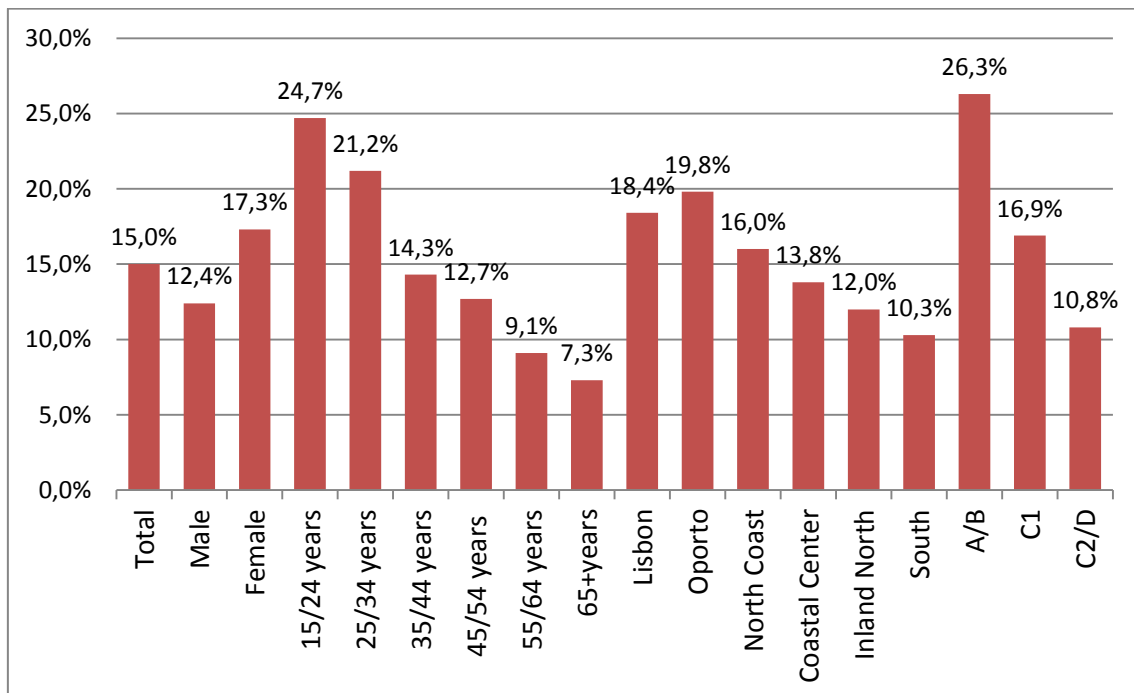
\*Percent of total population that is a health club member.  
\*\*Excludes Cyprus, Latvia, Luxembourg, and Malta.

**Exhibit 5 – Health club industry in Portugal in 2013 - AGAP**



by agap

**Exhibit 6 – Percentage of the Portuguese inhabitants that went, at least once to the gym in 2013 - over 14 years old – Total: 1 million 246 thousand (15%) - Marktest**

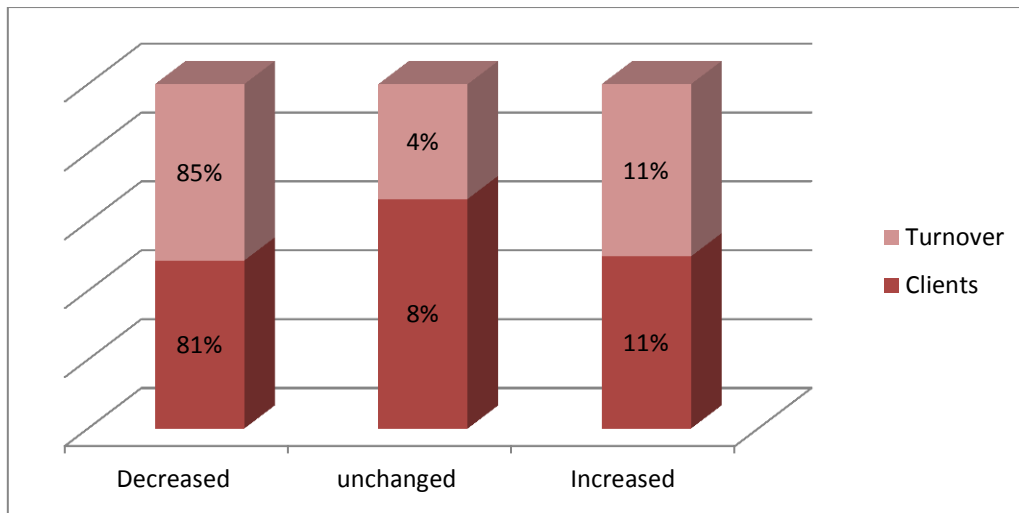


**A/B** – Higher and Upper Middle Class

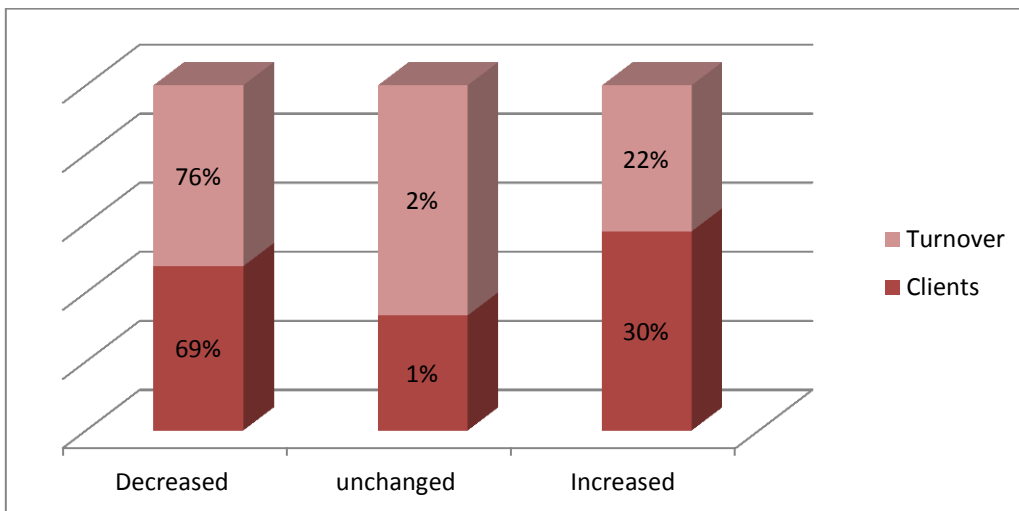
**C1** – Middle Class

**C2/D** – Lower Middle and Lower Class

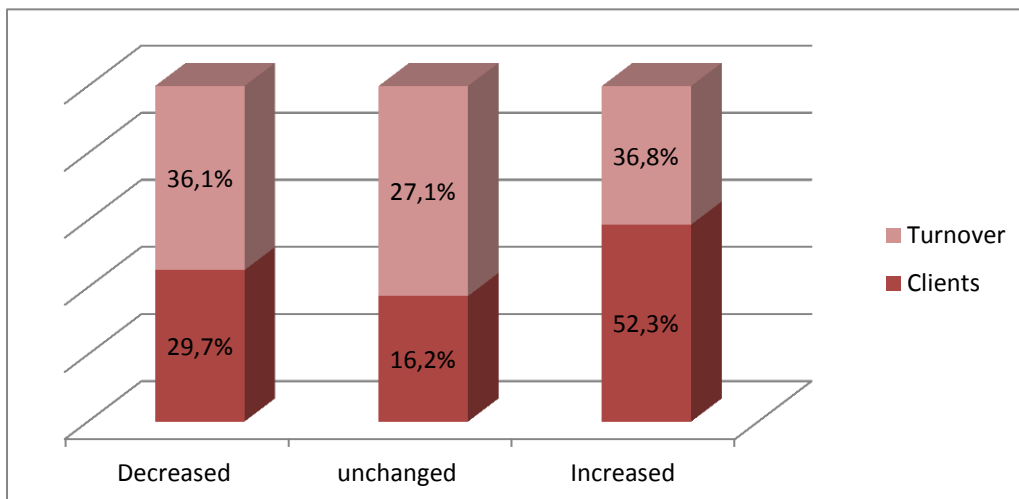
**Exhibit 7– The evolution in terms of turnover and clients between 2011 and 2012 in the fitness center industry in Portugal - AGAP**



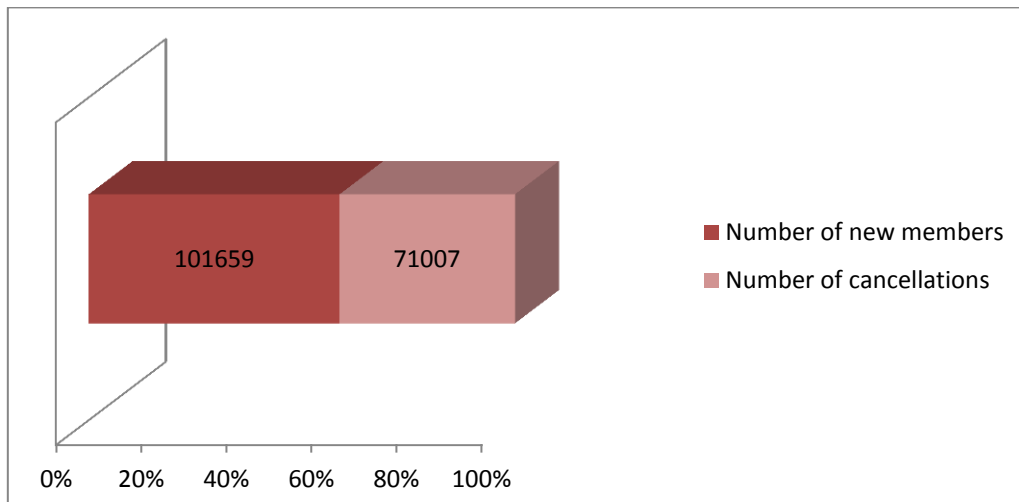
**Exhibit 8 – The evolution in terms of turnover and clients between 2012 and 2013 in the fitness center industry in Portugal (from January to March) - AGAP**



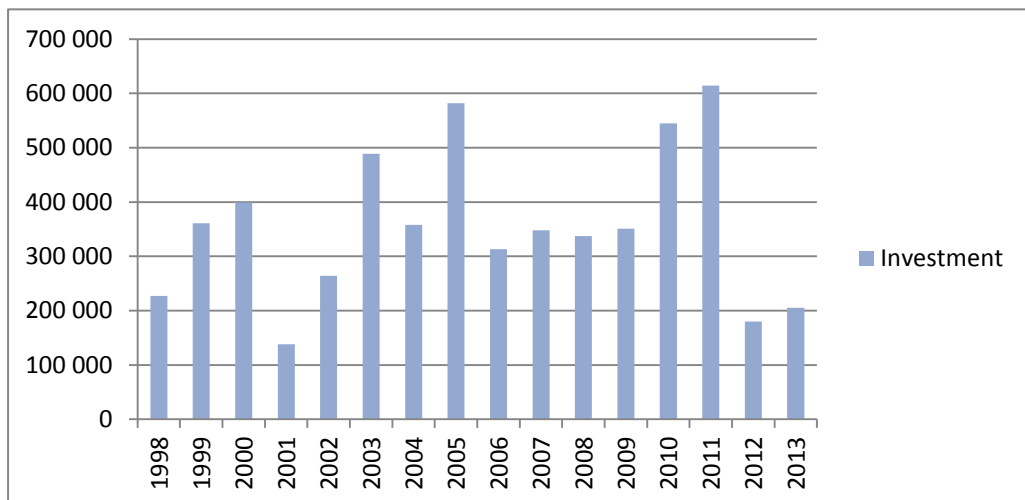
**Exhibit 9 – The evolution in terms of turnover and clients between 2012 and 2013 in Portugal (From June to December) - AGAP**



**Exhibit 10 – Number of new members vs Number of Cancellations – AGAP**

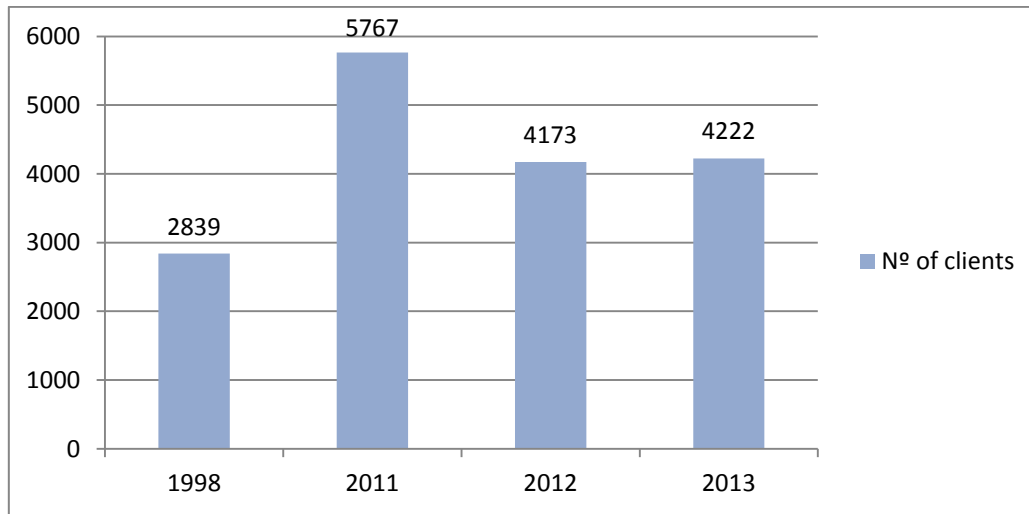
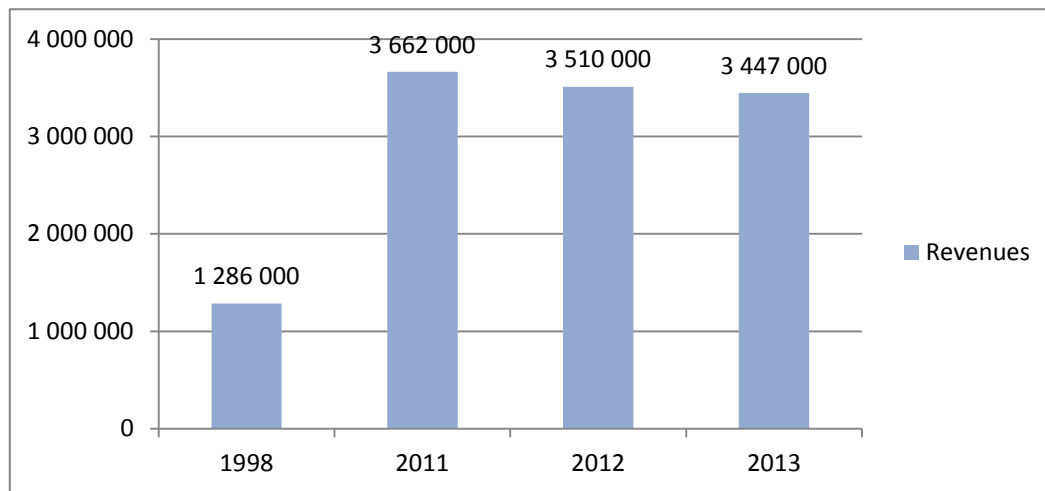


**Exhibit 11 – Investments since 1998 in GCP**



**Exhibit 12 – Human Resources – Organizational chart 2014**

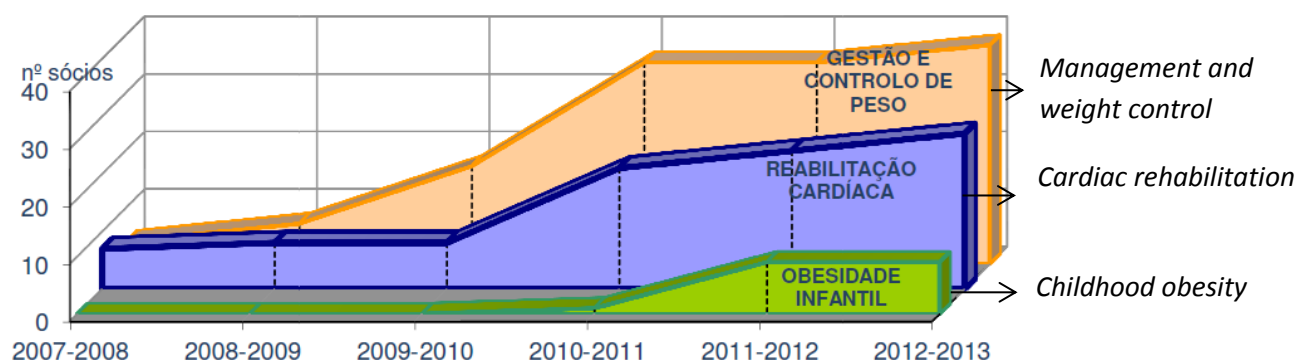


**Exhibit 13– Number of clients in GCP**

**Exhibit 14 – Revenues in GCP**

**Exhibit 15 - Location of GCP and GCP’s main competitors**


**Exhibit 16 – Features and activities of the main competitors**

	<b>Ginásio Clube Português</b>	<b>Holmes Place</b>	<b>Clube VII</b>	<b>Virgin Active</b>	<b>Fitness Hut</b>
<b>Personal training</b>	Yes	Yes	Yes	Yes	Yes
<b>Nutritionist</b>	Yes	Yes	Yes	Yes	No
<b>Spa</b>	Yes	Yes	Yes	Yes	No
<b>Parking Lot</b>	Yes. Paid	Yes	Yes	Yes.2 hours free	No
<b>Opening Hours</b>					
<b>Week</b>	7h – 22h	7h-23h	7h-22h30	7h-23h	7h-23h
<b>Saturday</b>	9h-20h	9h-20h	9h-21h	9h-20h	9h-21h
<b>Sunday and holidays</b>	9h-14h	10h-18h	10h-18h	9h-20h	10h-18h
<b>Prices per month</b>	48€-52,5€	60,80€ -150€	62€-99€ (fitness and swimming Pool) 88€-119€ (Access to everything)	Minimum 64,95€	17,6€
<b>Swimming Pool</b>	Yes.	Yes	Yes	Yes	No
<b>Swiming Pool for Babies</b>	Yes	Yes	Yes	Yes	No
<b>Cycling Studio</b>	Yes	Yes	Yes	Yes	Yes
<b>Jacuzzi, Sauna and Turkish Bath</b>	Sauna and Turkish Bath	Yes	Yes	Yes	No
<b>Restaurant and Lounge Space</b>	Yes	Yes	Yes	Yes	Yes
<b>Solarium space</b>	No	No	Yes	No	No
<b>Tennis classes/pitch</b>	Yes	Yes	Yes	No	No
<b>Football classes/pitch</b>	Yes	No	Yes	No	No
<b>Martial Arts</b>	Yes	Yes	Yes	Yes	No
<b>Hydrotherapy /hydro gym</b>	Yes	Yes	Yes	No	No
<b>Water Polo</b>	No	No	Yes	No	No
<b>Child care</b>	No	No	Yes	Yes	No
<b>Transportation for elderly people</b>	No	No	Yes	No	No
<b>Total number of activities</b>	50	44	50	56	15

**Exhibit 17 – GCP Special Programs**



**Exhibit 18 - Survey Sample cross tab gender-age**
**What is your gender? \* Which of the following age groups do you belong to? Crosstabulation**

		Which of the following age groups do you belong to?						Total	
		Less than 18 years	18-30 years	31-42 years	43-54 years	55-66 years	More than 66 years		
What is your gender?	Male	Count	3	22	2	11	2	5	45
		% of Total	2,2%	16,2%	1,5%	8,1%	1,5%	3,7%	33,1%
	Female	Count	30	32	16	7	3	3	91
		% of Total	22,1%	23,5%	11,8%	5,1%	2,2%	2,2%	66,9%
	Total	Count	33	54	18	18	5	8	136
		% of Total	24,3%	39,7%	13,2%	13,2%	3,7%	5,9%	100,0%

**Exhibit 19 - Survey Sample level of education**
**What is your education degree?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Upper secondary school	50	36,8	36,8	36,8
	Professional degree	13	9,6	9,6	46,3
	Bachelor	52	38,2	38,2	84,6
	Masters	21	15,4	15,4	100,0
	Total	136	100,0	100,0	

**Exhibit 20 – Survey Sample annual income after taxes**
**Would you please indicate the letter which best describes your household combined annually income after taxes?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 7000€	12	8,8	8,8	8,8
	7000€ - 12000€	22	16,2	16,2	25,0
	12001€ - 20000€	42	30,9	30,9	55,9
	20001€ - 35000€	34	25,0	25,0	80,9
	More than 35000€	26	19,1	19,1	100,0
	Total	136	100,0	100,0	



**Exhibit 21 – Survey Sample average number of times that the respondents are attending GCP per month**

On average, how many times do you come to GCP?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-3 times per month	11	8,1	8,1	8,1
1-2 times per week	35	25,7	25,7	33,8
More than 2 times per week	90	66,2	66,2	100,0
Total	136	100,0	100,0	

**Exhibit 22 – Survey Sample how long the respondents are exercising in GCP**

How long have you worked-out in Ginásio Clube Portugues?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Under 6 meses	27	19,9	19,9	19,9
6-12 months	11	8,1	8,1	27,9
1-2 years	7	5,1	5,1	33,1
3-5 years	29	21,3	21,3	54,4
More than 5 years	62	45,6	45,6	100,0
Total	136	100,0	100,0	

**Exhibit 23 – Overall customer satisfaction**

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Overall how satisfied you feel with your decision to work out in this gym?	136	3	7	6,40	,820
Valid N (listwise)	136				

**Exhibit 24 – Cronbach's alpha**

Reliability Statistics

Cronbach's Alpha	N of Items
,863	22

### Exhibit 25 – KMO and Bartlett’s Test

#### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,790
Approx. Chi-Square		1335,568
Bartlett's Test of Sphericity	Df	231
	Sig.	,000

### Exhibit 26 – Communalities

#### Communalities

	Initial	Extraction
The Health Club has clean and convenient physical facilities (Different gyms, Workout room, swimming-pool, etc.).	1,000	,584
The Health Club has modern looking equipment in good condition.	1,000	,528
Physical facilities are visually appealing.	1,000	,644
Physical facilities are spacious and preserved in order to encourage participation in health club’s activities (temperature/humidity/ventilation).	1,000	,703
The locker room is comfortable and convenient.	1,000	,613
The parking is safe and secure.	1,000	,641
GCP provides plenty of convenient parking for customers.	1,000	,666
Staff (employees, receptionists, manager, personal trainers, etc) are always well dressed and appear neat.	1,000	,666
When you have a problem, the staff shows sincere interest in solving it.	1,000	,622
When GCP promises to do something (For example, if you report a problem and the Staff tell that someone will answer by a certain time), it will do so.	1,000	,608
GCP provides me with accurate information that I can understand (good communication via facebook, flyers, brochures, by members of staff, etc.).	1,000	,669
GCP has an accurate database (no problems related to billing, wrong data, etc).	1,000	,742
The service is performed right the first time (e.g: check payments, claims, payment of fees, etc) and the level of service is always good throughout the different hours of the day and when is performed by the different members of the staff.	1,000	,705
The staff makes information easily obtainable by customers.	1,000	,621
The staff gives quick services to customers (low waiting time in the queue, rapid response by email,etc.).	1,000	,666
The staff is always willing to help customers.	1,000	,756
The behavior of the staff instils confidence in customers.	1,000	,701
The Staff is consistently courteous.	1,000	,601
Staff is available to instruct on proper use of equipment/exercise techniques.	1,000	,602
I feel that GCP’s Staff wants the best for me.	1,000	,792
I feel that GCP’s Staff understands my needs.	1,000	,810
I am comfortable bringing ideas, problems, etc. to staff to improve the service quality.	1,000	,730

Extraction Method: Principal Component Analysis.

## Exhibit 27 – Eigenvalues

### Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5,992	27,236	27,236	5,992	27,236	27,236	3,449	15,676	15,676
2	3,398	15,446	42,681	3,398	15,446	42,681	3,004	13,653	29,329
3	1,678	7,627	50,308	1,678	7,627	50,308	2,889	13,133	42,463
4	1,446	6,571	56,879	1,446	6,571	56,879	1,833	8,331	50,793
5	1,108	5,038	61,917	1,108	5,038	61,917	1,796	8,166	58,959
6	1,048	4,763	66,680	1,048	4,763	66,680	1,699	7,721	66,680

## Exhibit 28 – Varimax Rotation

### Rotated Component Matrix<sup>a</sup>

	Component					
	1 Responsiveness and Assurance	2 Empathy	3 Tangibles	4 Other services	5 Reliability	6 Communication
The Health Club has clean and convenient physical facilities (Different gyms, Workout room, swimming-pool, etc.).	,194	,129	,640	,329	-,109	,025
The Health Club has modern looking equipment in good condition.	,018	,051	,675	,019	,131	,227
Physical facilities are visually appealing.	-,055	-,001	,660	,131	,187	,392
Physical facilities are spacious and preserved in order to encourage participation in health club's activities. (temperature/humidity/ventilation).	,024	-,091	,793	,211	,145	-,019
The locker room is comfortable and convenient.	-,202	,040	,369	,643	,124	-,073
The parking is safe and secure.	,037	,083	,119	,779	,004	,106
GCP provides plenty of convenient parking for customers.	-,024	,149	,311	,553	,093	,483
Staff (employees, receptionists, manager, personal trainers, etc) are always well dressed and appear neat.	,381	-,140	,199	,179	-,133	,642
When you have a problem, the staff shows sincere interest in solving it	,742	,225	,061	,063	-,115	,017
When GCP promises to do something (For example, if you report a problem and the Staff tell that someone will answer by a certain time), it will do so.	,314	,401	-,080	,207	,451	,309
GCP provides me with accurate information that I can understand (good communication via facebook, flyers, brochures, by members of staff, etc.).	-,103	,200	,374	-,100	,129	,672
GCP has an accurate database (no problems related to billing, wrong data, etc).	,048	,145	,079	,202	,816	,070

The service is performed right the first time (e.g: check payments, claims, payment of fees, etc) and the level of service is always good throughout the different hours of the day and when is performed by the different members of the staff.	,238	,043	,205	-,078	,774	,011
The staff makes information easily obtainable by customers.	,407	,289	,375	-,295	,370	,083
The staff gives quick services to customers (low waiting time in the queue, rapid response by email, etc.).	,606	,507	-,038	,023	,169	-,104
The staff is always willing to help customers.	,777	,100	-,188	,063	,219	,235
The behavior of the staff instils confidence in customers.	,808	,097	,102	-,127	,106	,028
The Staff is consistently courteous.	,682	,265	,158	-,095	,176	,005
Staff is available to instruct on proper use of equipment/exercise techniques.	,177	,465	-,169	,221	,289	,440
I feel that GCP's Staff wants the best for me.	,352	,799	,039	-,070	,139	,064
I feel that GCP's Staff understands my needs.	,295	,841	-,059	,039	,101	,011
I am comfortable bringing ideas, problems, etc. to staff to improve the service quality.	,049	,812	,181	,172	-,012	,076

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 9 iterations.

### Exhibit 29 – Regression analysis – Stepwise method

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6,413	,062		104,266	,000		
	Communication	,372	,064	,448	5,782	,000	1,000	1,000
2	(Constant)	6,409	,057		111,883	,000		
	Communication	,385	,060	,464	6,421	,000	,998	1,002
	Tangibles	,268	,058	,334	4,621	,000	,998	1,002
3	(Constant)	6,406	,056		113,418	,000		
	Communication	,394	,059	,474	6,644	,000	,993	1,007
	Tangibles	,272	,057	,339	4,761	,000	,997	1,003
	Reliability	,127	,058	,156	2,193	,030	,995	1,005

a. Dependent Variable: Overall how satisfied you feel with your decision to work out in this gym?

**Exhibit 30 – Excluded variables – Stepwise method**

**Excluded Variables<sup>a</sup>**

Model	Beta In	T	Sig.	Partial Correlation	Collinearity Statistics		
					Tolerance	VIF	Minimum Tolerance
Responsiveness_Assurance	-,006 <sup>b</sup>	-,075	,940	-,007	,998	1,002	,998
Empathy	-,004 <sup>b</sup>	-,052	,959	-,004	1,000	1,000	1,000
Other services	,016 <sup>b</sup>	,201	,841	,018	1,000	1,000	1,000

a. Dependent Variable: Overall how satisfied you feel with your decision to work out in this gym?

b. Predictors in the Model: (Constant), Communication

c. Predictors in the Model: (Constant), Communication, Tangibles

d. Predictors in the Model: (Constant), Communication, Tangibles, Reliability

**Exhibit 31 – Model Summary**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	,448 <sup>a</sup>	,201	,195	,714	,201	33,434	1	133	,000
2	,559 <sup>b</sup>	,312	,302	,665	,111	21,356	1	132	,000
3	,580 <sup>c</sup>	,337	,321	,656	,024	4,808	1	131	,030

a. Predictors: (Constant), Communication

b. Predictors: (Constant), Communication, Tangibles

c. Predictors: (Constant), Communication, Tangibles, Reliability

**Exhibit 32 – Cronbach's alpha**

**Reliability Statistics**

Cronbach's Alpha	N of Items
,871	14

**Exhibit 33 - KMO and Bartlett's Test**

**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	,787
Approx. Chi-Square	939,939
Bartlett's Test of Sphericity Df	91
Sig.	,000

**Exhibit 34 – Communalities**
**Communalities**

	Initial	Extraction
Comparing what I pay to what I might get from the competitors, GCP provides me with a good value	1,000	,722
The price was the main factor when I choose to attend GCP	1,000	,671
I would continue to attend GCP even if the prices increase slightly	1,000	,659
GCP improved the way I am perceived by others.	1,000	,520
GCP gives me the opportunity to socialize with others.	1,000	,765
Attending GCP gives me the opportunity to meet interesting people.	1,000	,671
Attending GCP has helped me feel acceptable to others.	1,000	,612
GCP allows me to share my interests with others.	1,000	,646
I have a positive emotional relation to GCP and I feel attached to it	1,000	,582
Attending GCP gives me pleasure.	1,000	,727
Attending GCP makes me feel good.	1,000	,793
Attending GCP relaxes me	1,000	,655
I consider that GCP has a good reputation.	1,000	,860
I consider that GCP is widely respected.	1,000	,834

Extraction Method: Principal Component Analysis.

**Exhibit 35 – Eigenvalues**
**Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5,432	38,802	38,802	5,432	38,802	38,802	3,433	24,520	24,520
2	1,652	11,796	50,599	1,652	11,796	50,599	2,527	18,048	42,569
3	1,530	10,929	61,528	1,530	10,929	61,528	1,924	13,740	56,309
4	1,103	7,881	69,409	1,103	7,881	69,409	1,834	13,101	69,409
5	,973	6,952	76,361						

Extraction Method: Principal Component Analysis.

### Exhibit 36 – Varimax Rotation

Rotated Component Matrix<sup>a</sup>

	Component			
	1 Emotional	2 Social	3 Monetary	4 Reputation
Comparing what I pay to what I might get from the competitors, GCP provides me with a good value	,059	,035	,790	,304
The price was the main factor when I choose to attend GCP	,314	,144	,733	,121
I would continue to attend GCP even if the prices increase slightly	,329	,244	,694	-,101
GCP improved the way I am perceived by others.	,676	,168	,149	,109
GCP gives me the opportunity to socialize with others.	,834	,124	,113	,201
Attending GCP gives me the opportunity to meet interesting people.	,774	,099	,187	,164
Attending GCP has helped me feel acceptable to others.	,754	,124	,150	-,079
GCP allows me to share my interests with others.	,743	,226	,194	,075
I have a positive emotional relation to GCP and I feel attached to it	,414	,565	,298	,051
Attending GCP gives me pleasure.	,323	,770	,096	,145
Attending GCP makes me feel good.	,189	,864	,101	,028
Attending GCP relaxes me	-,003	,803	,077	,061
I consider that GCP has a good reputation.	,092	,140	,084	,908
I consider that GCP is widely respected.	,177	,047	,168	,879

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

### Exhibit 37 – Regression analysis – Stepwise method

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6,418	,066		96,681	,000		
	Emotional	,213	,068	,262	3,133	,002	1,000	1,000
2	(Constant)	6,417	,064		99,840	,000		
	Emotional	,216	,066	,266	3,281	,001	1,000	1,000
	Social	,203	,064	,255	3,145	,002	1,000	1,000
3	(Constant)	6,414	,063		102,381	,000		
	Emotional	,224	,064	,275	3,483	,001	,998	1,002
	Social	,205	,063	,258	3,261	,001	1,000	1,000
	Monetary Price	,180	,064	,223	2,823	,005	,998	1,002
4	(Constant)	6,412	,061		104,808	,000		
	Emotional	,229	,063	,282	3,648	,000	,997	1,003
	Social	,206	,061	,259	3,363	,001	1,000	1,000
	Monetary Price	,184	,062	,228	2,958	,004	,997	1,003
	Reputation	,168	,062	,210	2,718	,007	,998	1,002

a. Dependent Variable: Overall how satisfied you feel with your decision to work out in this gym?

**Exhibit 38 – Model Summary**
**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	,262 <sup>a</sup>	,069	,062	,771	,069	9,815	1	133	,002
2	,366 <sup>b</sup>	,134	,121	,747	,065	9,890	1	132	,002
3	,428 <sup>c</sup>	,183	,165	,728	,050	7,972	1	131	,005
4	,477 <sup>d</sup>	,227	,203	,711	,044	7,387	1	130	,007

a. Predictors: (Constant), Emotional

b. Predictors: (Constant), Emotional, Social

c. Predictors: (Constant), Emotional, Social, Monetary Price

d. Predictors: (Constant), Emotional, Social, Monetary Price, Reputation

**Exhibit 39 – Cronbach's Alpha**
**Reliability Statistics**

Cronbach's Alpha	N of Items
,802	5

**Exhibit 40 – Regression analysis – Stepwise method**
**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,339	,544		2,460	,015
1	Overall how satisfied you feel with your decision to work out in this gym?	,689	,084	,579	8,193	,000

a. Dependent Variable: loyalty\_variables

**Exhibit 41 – Model Summary**
**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	,579 <sup>a</sup>	,335	,330	,77492	,335	67,125	1	133	,000

a. Predictors: (Constant), Overall how satisfied you feel with your decision to work out in this gym?



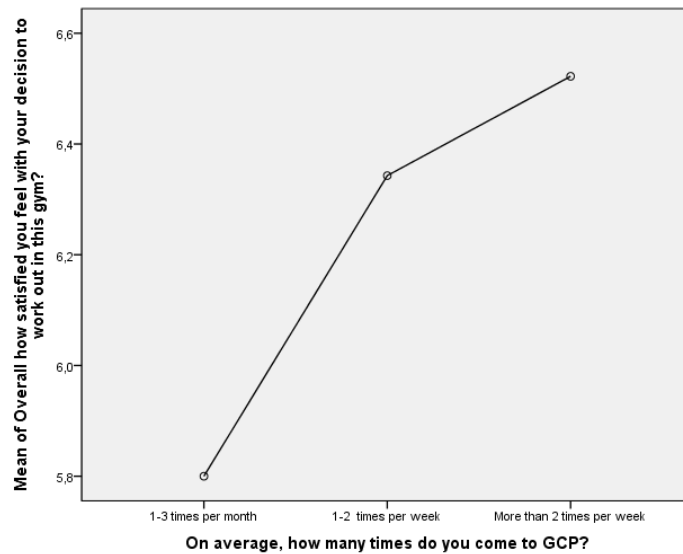
### Exhibit 42 – One way ANOVA

#### ANOVA

Overall how satisfied you feel with your decision to work out in this gym?

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	4,992	2	2,496	4,121	,018
Within Groups	79,941	132	,606		
Total	84,933	134			

### Exhibit 43 – Means Plots



### Exhibit 44 – Descriptives

#### Descriptives

Overall how satisfied you feel with your decision to work out in this gym?

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
1-3 times per month	10	5,80	1,229	,389	4,92	6,68	3	7
1-2 times per week	35	6,34	,725	,123	6,09	6,59	4	7
More than 2 times per week	90	6,52	,738	,078	6,37	6,68	3	7
Total	135	6,42	,796	,069	6,29	6,56	3	7

### Exhibit 45 – Cronbach's Alpha

#### Reliability Statistics

Cronbach's Alpha	N of Items
,717	5

**Exhibit 46 – Regression analysis – Stepwise method**

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,190	,578		3,786	,000
	Overall how satisfied you feel with your decision to work out in this gym?	,537	,090	,500	5,965	,000

a. Dependent Variable: Word\_of\_mouth

**Exhibit 47 – Model Summary**
**Model Summary<sup>a</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	,500 <sup>a</sup>	,250	,243	,78199	,250	35,576	1	107	,000

a. Predictors: (Constant), Overall how satisfied you feel with your decision to work out in this gym?

**Exhibit 48 – A conceptual framework for CRM strategy (Payne and Frow, 2005).**
