IDENTIFYING THE TARGET MARKET AND HOW THEY DEFINE VALUE: INNOVATIVE FITNESS LANGLEY

by

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ABSTRACT

This study explored the similarities and differences in the consumer segmentation of two Innovative Fitness™ (IF) locations, Langley, BC and West Vancouver, BC to determine which market-segment(s) IF Langley should target. In addition this study explored what values are meaningful to consumers when choosing a fitness facility and how these values should be communicated to consumers through the IF brand.

The data was derived from a questionnaire, applying characteristics of the SERVQUAL instrument and Chelladurai and Chang's systems view of dimensions of quality in fitness clubs and from focus group discussions.

Demographic results showed that although both locations were relatively similar in many ways there were significant differences in income and post-secondary education levels.

Customer value and quality data revealed two significant and consistent factors in choosing a fitness facility, the quality of the training and staff knowledge. However, customer satisfaction levels reported by IF Langley customers of training quality and staff knowledge were lower than expected. This lack of congruency was speculated to be due to price sensitivity among other service gaps. When choosing a fitness facility brand was not identified as a prominent value factor although positive correlations with the IF brand did emerge as customers "experienced" IF Langley.

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> If I only had two words left to say to you …
> With my last breaths I'd confess the truth to you …
> You've never left my side even when I fell behind …
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> It's like you don't know how ….
> Thank you, Thank you for the life you've given me …
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CHAPTER ONE

1.0 Introduction

1.1 Statements of the Problem

According to the Fitness Industry Council of Canada (FICC), fitness is a $2.2 billion business in Canada with nearly 5.4 million Canadians enrolled in a fitness facility (Campbell, 2011). Increasing numbers of people are using fitness facilities as a convenient means of improving and maintaining their well-being (Moxham & Wiseman, 2009). However, with the variety of fitness facilities available to assist people in achieving their health and fitness goals including community gyms and recreation facilities, cross-fit, zumba, big-box gyms, smaller independent gyms as well as personal trainers, the health and fitness sector has become highly competitive (Aspostolou, 2011).

With the continued growth and competition in the industry, fitness facilities are seeking ways to differentiate themselves in order to retain existing customers and attract new customers. One element of differentiation available to fitness facilities is that of delivering exceptional levels of service quality (Moxham & Wiseman, 2009).

Innovative Fitness ™ (IF) is a fitness facility franchise company that specializes in one on one personal fitness training. The personal training sessions are personalized to suit the needs of each individual customer be it body sculpting, weight loss, muscle building, rehabilitation, pre-habilitation, sport specific training, stress management or any other health and fitness need (Innovative Fitness, 2014). Each franchise facility operates with this customer focus and provides exclusive member only facility access and pre-booked one on one training sessions. In addition members can receive additional support through affiliated health providers, e.g. physiotherapists. Innovative Fitness ™ also introduced destination training as a method to keep members focused and engaged whereby members can train for a once in a lifetime adventure such as trekking the Great Wall of China (2008), climbing Mount Kilimanjaro (2009) and cycling Tour de France (2010) (Innovative Fitness, 2014).

Innovative Fitness ™ began with a single corporate location in West Vancouver, British Columbia (BC) and expanded to a second corporate location in Vancouver, BC in the distinct area of Kitsilano. Their franchising endeavor began in 2006 with the opening of Innovative Fitness White Rock (IF White Rock), a facility located in an affluent area of Surrey, BC adjacent to White Rock, BC. IF White Rock was deemed a huge success and since that time eight additional franchise locations have opened, six in BC and two in Ontario (Innovative Fitness, 2013).

Langley, BC was identified by IF corporate to have appealing income demographics for a potential franchise location and in May 2010, Innovative Fitness's fourth franchise location, IF Langley opened its doors. Co-owned by experienced IF personal training coaches Paul Chung and Guy Demong, these business partners have a deep understanding of the Innovative Fitness brand having been facility and human resource managers at IF Kitsilano. Innovative Fitness's established brand was an important factor in their decision to purchase the rights to a franchise location (G.

Demong, personal communication, July 1, 2013) and with Langley already selected by corporate, these owners placed their confidence in IF corporate's research that Langley's market environment made it an opportune IF location. However, IF Langley has experienced slow and at a times stagnant growth over the past three years. In addition IF corporate quarterly evaluations of IF Langley reveal declining scores and further advise that although the facility has a good management team and that customers are loyal to the principals, IF Langley needs to drive sales to get more people into the facility by going after high income earners, customers that do not need to worry about money and focusing on IF's core service of one on one personal training (IF Quarterly Report, 2013).

Providing services valued by key consumer groups are vital to a business's success therefore identification of market segments is critical to achieving marketing goals (Woolf, 2008). A successful segmentation strategy is one that identifies a homogenous group(s) of individuals with distinct demands and then delivers different services or products that provide benefits desired and valued by this consumer group (Woolf, 2008). Understanding the lifestyle characteristics of the market segment along with more traditional segmenting strategies such as demographic characteristics provides the marketer with a clearer understanding of the market environment (Woolf, 2008).

Heading into its fourth year of operation, IF Langley is poised to examine some of the possible reasons for their slow market growth that we speculate are due to insufficient market research in choosing Langley as a location and a demographic profile that is incongruent with the franchise's target customer.

Therefore this study attempted to:

- determine the consumer segmentation of Langley, BC
- determine the consumer segmentation of IF Langley customers
- determine similarities and differences in consumer segmentation between a corporate location and the Langley franchise location
- identify which market-segment(s) IF Langley should target
- identify what defines value for IF Langley customers
- determine how these values should be communicated to Langley consumers

1.2 Purposes of the Study

The objectives of this study are to:

1.2.1 To identify the market-segment(s) opportunities in Langley, British Columbia

1.2.2 To define customer value and satisfaction of the targeted market-segment(s)

1.2.3 To provide strategic direction to IF Langley in targeting the right consumers, how to reach the right consumers and communicating value that is meaningful to consumers

1.3 Research Questions

This study attempts to answer the following research questions:

1.3.1 What market-segment opportunities exist for IF Langley?

- Determine the general consumer segmentation: geographic, demographic, behavioral of Langley, British Columbia
- Determine current IF Langley consumer segmentation: geographic, demographic, behavioral
- Determine past IF Langley consumer segmentation: geographic, demographic, behavioral
- Analyze the data to identify one or more market-segment opportunities

1.3.2 Are the market-segment opportunities different from the corporate locations?

- Determine the general consumer segmentation: geographic, demographic, behavioral of West Vancouver, British Columbia
- Analyze the data to determine if the market-segment opportunities are different from the corporate location

West Vancouver was chosen as the comparative location because its socio-economic data was readily available compared to IF locations in neighborhoods of municipalities such as Kitsilano or South Surrey whose specific socio-economic data was not readily available.

1.3.3 Which market-segment(s) should IF Langley target?

1.3.4 What values are meaningful to the target consumers and how can these values be communicated to the target consumer through the IF brand?

1.4 Significance of the Study

This study was conducted to investigate reasons for IF Langley's slow growth and to provide insight into problem areas and untapped opportunities. The results of this study were very beneficial to IF Langley in targeting customers that will deliver higher lifetime value and in tailoring their marketing approach to communicate meaningful value to their customers. In addition, this study may assist IF Langley in preparing for discussions and negotiations as franchise renewal nears.

1.5 Scope of the Study

For this study, an on-line questionnaire was distributed via email to 296 contacts from the IF Langley customer database. In addition, two focus groups were conducted. The first focus group session involved discussion and analysis of the strengths and weaknesses of IF Langley and the opportunities and threats in the fitness facility market of the Greater Vancouver area. The second focus group session involved discussion and analysis of the demographics of Langley, BC, what values were meaningful to Langley consumers and how these values could be best communicated to customers through the IF brand.

1.6 Definition of Terms

Innovative Fitness ™ - a fitness facility franchise group based in Vancouver, BC. Its franchise locations specialize in personal training with a focus on one to one sessions. Other services include corporate personal training programs for businesses, functional movement screening, fitness profiling including strength testing, body composition testing, VO2 max calculations and gait analysis, stretching protocols and other programs such as kids health programs, team training programs and Titleist Performance Institute golf screening and custom programming (Innovative Fitness, 2014).

Innovative Fitness Langley (IF Langley) - a franchisee located in Langley, BC. The facility is located on a major thoroughfare in an industrial retail and thrift retail area that fails to provide complementary walk-in business opportunities.

Innovative Fitness Target Customer - males and females aged 35-55 with an average income of $80,000⁺ and a "West Coast Lifestyle" (Innovative Fitness, 2006). Average income, e.g. household or individual, and "West Coast Lifestyle" is not qualified in the Innovative Fitness Franchise Start Up Steps manual (2006).

CHAPTER TWO

2.0 Review of the Literature

2.1 Fitness Facility Industry

This section provides information about the fitness industry in Canada and the Greater Vancouver area of British Columbia (BC) as well as information about the fitness facility franchise Innovative Fitness ™.

2.1.1 Canadian Fitness Industry

Increasing numbers of people are using the fitness industry as a convenient way to improve and maintain their well-being (Moxham & Wiseman, 2009). As a result the whole concept of going to the gym has changed over the past few decades from that of a muscle gymnasium to one that now caters to a variety of users (Harris & Marandi, 2002). Today the human body is viewed by many as physical capital to be honed, augmented and displayed and this societal view remains central to leisure, recreational and fitness pursuits (Maguire, 2004).

Commercial fitness facilities have become the primary site for the production and consumption of fitness services (Maguire, 2004). Fitness is a $2.2 billion business in Canada, according to the Fitness Industry Council of Canada (FICC) with nearly 5.4 million Canadians enrolled in a fitness facility of some type (Campbell, 2011). What certainly is new is the range of options available to today's fitness consumers with the choice of fitness facilities in a major urban center involving hundreds of possibilities (Maguire, 2004). In Canada there are approximately 6,000 fitness facilities ranging from independent mom-and-pop operations to small, medium and large-sized chain operations such as Extreme Fitness, Steve Nash Fitness World and Gold's Gym (Beer, 2011). While big box gyms continue to dominate the market, there has been significant growth in specialty programs and facilities to meet consumers' specialized interests and needs such as yoga, spinning and strength and conditioning facilities such as CrossFit (LaRose, 2014).

Today's fitness facility industry emerges as a field of choices structured by three key distinctions: fitness facilities are in the leisure business, they differ in their quality of service and membership and they are further differentiated through symbolic added value; "what might be thought of as a facility's personality" (Maguire, 2004).

British and Australian literature reports that there has been tremendous growth in the fitness industry. For example in the UK the health and fitness sector valued at almost £2.5bn grew in value by 4% during 2006 making it a significant contributor to gross domestic product (Moxman & Wiseman, 2009). Based upon this information we assume that this is likely true of Canada as well.

Canadians are generally active and they engage in physical activity in a variety of places or settings including local walking trails (70%) local parks (67%), private gyms and fitness centres (34%) and municipal recreation centres (34%) (Canadian Fitness & Lifestyle Research Institute, 2010). Of the ten provinces and three territories comprising the country of Canada, British Columbia is reported to have the highest level of physical activity in comparison to the other provinces with a level of 56% in 2007-2008 (Statistics Canada, 2007).

For the last decade with a seemingly permanent shift in lifestyle, there has been a steady growth in membership levels and the number of health and fitness facilities. "On a macro level, people have more disposable income to spend than ever before and are willing to spend it on leisure activities and recreation" (Luna-Arocas & Tang, 2007, p.383). Although the fitness industry is highly competitive, the strengths of this industry include its large growth potential, society's increased interest in health and fitness, positive psychographic characteristics emphasizing healthy lifestyles and uncomplicated business model however a major weakness or challenge is attrition rates with some health and fitness facilities suffering annual membership attrition rates up to 50% (Luna-Arocas & Tang, 2007) with one of the main reasons for attrition being the inability to feel or see the expected results of the fitness program (Alexandris, Zahariadis, Tsorbatzoudis & Grouios, 2008).

In addition to leisure pursuit and a healthy use of discretionary income, fitness facility membership may also be seen by customers as an investment in their status profile. With today's consumer culture also focused on the human body as physical capital to be honed, augmented and displayed as a status object, the places in which the body is tended, maintained and improved may also be seen as a space of status whereby membership in the right facility becomes a key deciding factor for the status conscious (Maguire, 2004).

But personal training, once an elite service for the wealthy, has evolved over the 1990s to become an occupation servicing the mass middle-class. Paid to design and facilitate individual fitness programs on a one to one basis, personal trainers have become a common feature with personal training services available in 94% of commercial fitness facilities as of 2002 (Maguire, 2004). The growth of personal training can be linked to public awareness of the rewards and connotations of status which helped to create a market for one on one exercise instruction as well as fitness service consumers becoming more educated about health and fitness and more insistent on an exercise regime that caters to their schedules and provides more adventurous and versatile activities in which they can participate (Maguire, 2004).

In summary, key challenges for fitness facilities include providing the right product to the local customer base, providing consistent levels of high quality service and continuing to differentiate themselves amongst their competitors (Luna-Arocas & Tang, 2007) (Moxham & Wiseman, 2009).

2.1.2 Greater Vancouver Fitness Industry

The Greater Vancouver area is comprised of a wide variety of fitness facilities that offer a wide variety of fitness services which include but are not limited to space and equipment for self-directed exercise; group classes such as high-intensity training, yoga, spinning and martial arts; sports facilities such as swimming pools and tennis courts; personal trainers for customized training, fitness and health consultation to help customers achieve their goals; nutritionists for health and nutrition planning; snack-bars; child-care facilities and women-only areas to name but a few. The YMCA, Ron Zalko, 30 Minute Hit, Level 10 Fitness, Curves, Steve Nash Fitness World, Gold's Gym, Just Ladies Fitness, Mixx-Co Fitness Studio, Bikram's Yoga, Bar Method and Innovative Fitness are some of the many fitness facilities located in the Greater Vancouver area.

2.1.3 Innovative Fitness (IF™)

Innovative Fitness™ is a fitness facility franchise group based in Vancouver, BC. Its franchise locations specialize in personal training with a focus on one to one sessions. IF™ advertises a training experience unparalleled in the personal training marketplace with a single focus, to facilitate personal reinvention of its customers through physical challenge, adversity and victory (Innovative Fitness, 2014).

Co-founded in 1995 by Jeff Sharpe and Matt Young, a "2011 Business in Vancouver Top 40 Under 40 Winner and a 2006 Canada's Top 40 Under 40 Winner", Innovative Fitness ™ began as a vision with a single corporate location in West Vancouver, British Columbia (BC) to a franchise group with 11 facilities across Canada, nine in British Columbia and two in Ontario (Innovative Fitness, 2013). They focused on capturing the niche fitness facility market, defined as the highest per capita income regions based upon demographic analysis that focused on total population, average age, household income, number of vehicles owned and number of people per household, offering quality and exclusivity as a strategy to target the higher end of the fitness market (Innovative Fitness, 2006).

While the fitness industry continues to cycle through boot camps, hard core workouts, cross-fit and other fitness trends, IF™ describes its services as more than "lifting weights" they are about lifestyle management (Innovative Fitness, 2014). With the IF™ philosophy focused on the customers' needs, the very nature of their training sessions is personalized at an appropriate level of challenge to help customers achieve their individual personal victories which may include but are not limited to: training for a sport or event, achieving fitness goals through supervised, safe and effective exercise, optimizing their physical condition or being challenged and motivated to achieve fitness results. Other services include corporate personal training programs for businesses, functional movement screening, fitness profiling including strength testing, body composition testing, VO2 max calculations and gait analysis, stretching protocols and other programs such as kids health programs, team training programs and Titleist Performance Institute golf screening and custom programming (Innovative Fitness, 2014).

2.2 Service Marketing & Quality

2.2.1 Definition of Service

Services make up the bulk of today's economy not only in the United States and Canada where they account for 73% and 67% of their gross domestic product (GDP) respectively but also in developed industrial nations throughout the world (Lovelock, 2001).

For the purpose of this project, service is defined as an act or performance offered by one party to another and although the process may be tied to a physical product;

service performance is essentially intangible and does not normally result in ownership of any of the factors of production (Lovelock, 2001).

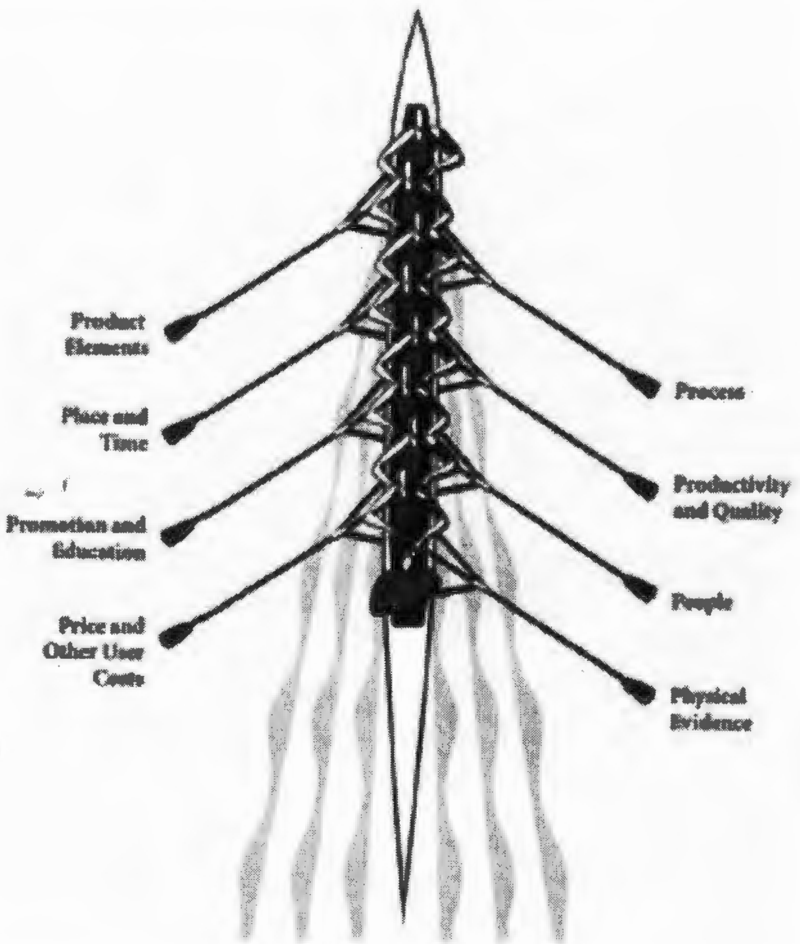
2.2.2 Service Marketing

In discussing strategies to market manufactured goods, marketing objectives usually focus on the four Ps: product, price, place and promotion (Kotler, Keller & Cunningham, 2008). However, the distinctive nature of service performance including customer involvement in production and the importance of the time factor requires the inclusion of additional strategic elements. Therefore in discussing strategies to market services, marketing objectives focus on the 8 Ps model of integrated service management: product elements, place and time, process, productivity and quality, people, promotion and education, physical evidence and price and other user costs (Lovelock, 2001).

Product elements are the features of both the core product and the bundle of supplementary service elements that have the potential to create value for customers. Place and time depend on the nature of the service being provided and include the speed and convenience of place and time for the customer as determinants in service delivery strategy. Process is the method and sequence of actions in which services are delivered. Productivity is how inputs are transformed into outputs and quality is the degree to which a service satisfies customers by meeting their needs, wants and expectations. People are the personal interaction between customers and a business's employees. The nature of these interactions strongly influence the customer's perception of service quality (Lovelock, 2001). Customers also make judgments about other customers they encounter. Promotion and education is the communication of information and advice persuading and teaching target customers about the benefits of the service as well as where, when and how to obtain it. Physical evidence is the appearance of buildings, landscaping, vehicles, interior furnishings, equipment, staff members, signage, printed materials and other visible cues that provide tangible evidence of a business's service quality. And finally price and other costs are the expenditures and other outlays incurred by customers in obtaining benefits from the service. Other costs incurred by customers in using a service include time, mental and physical effort and unpleasant sensory expenditures such as noise and smells (Lovelock, 2001).

Each of the 8 Ps, applied in unison with the others, is required for success in any competitive service business (Lovelock, 2001).

Figure 1: 8 Ps of Integrated Service Management



Note. From "Services Marketing," by C. Lovelock, 2001, p.16.

2.2.3 Service Quality

Quality has become somewhat of a cliché, something advertisers would have us believe every business provides be it a high-quality product or service (Hansen & Bush, 1999). But what is quality? This is a question that many people have difficulty answering with a common response being "I can't define quality, but I know it when I see it" (Hansen & Bush, 1999, p. 120).

Strong opinions regarding the concept of quality has resulted in a variety of approaches to quality and its definition (Hansen & Bush, 1999). Philip Kotler defines quality as the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs (Weinstein & Johnson, 1999). Garvin views quality as a means of pleasing customers not just preventing annoyances (Weinstein & Johnson, 1999). In other examples, quality has been defined as “fitness for use” and “conformance to requirements” (Hansen & Bush, 1999, p. 120).

Defining service quality is even more difficult due to the intangible and variable nature of service characteristics (Weinstein & Johnson, 1999). Consumers are generally limited to using credence quality to evaluate their service experience relying solely on the overall credibility of the service provider and their perception of what the service offered in comparison to what they feel the service actually provided (Weinstein & Johnson, 1999).

When judging service quality, customers have a set of attributes or characteristics in mind. Consumer focus group interviews conducted by Parasuraman, Zeithaml and Berry, found that customers assess service quality using ten dimensions: (1) reliability – the dependability and accurate performance of the promised service; (2) responsiveness – the willingness and readiness to provide prompt service; (3) competence – the knowledge and skill to perform the service; (4) access – the approachability and ease of contact of service personnel; (5) courtesy – the politeness, consideration and friendliness of service personnel; (6) communication – keeping customers informed and listening to customers;

(7) credibility – trustworthiness, believability and honesty; (8) security – the freedom from danger, risk or doubt; (9) knowing and understanding the customers – getting to know customers and understanding their needs and (10) tangibility – the physical evidence of service (Weinstein & Johnson, 1999).

Businesses make the quality claim because they see its potential in creating competitive advantage; however, the claim alone is not sufficient in creating competitive advantage. Quality is more than simply meeting specifications rather quality is what the customer says it is and therefore quality from the customers' point of view is key with customers setting the quality and value agenda not the business (Weinstein & Johnson, 1999). Therefore, the creation and maintenance of competitive advantage through quality requires an understanding of the quality requirements of the customer as well as an understanding of where quality improvements can be made and which improvements will be most valued by customers. In addition there must be a method of measuring quality effort and a commitment to do both (Hansen & Bush, 1999).

2.3 Value to the Customer

This section reviews customer value in the service industry which includes definition and significance of competitive advantage, definition and significance of creating customer value, measuring customer perceived value and assessing for customer lifetime value.

2.3.1 Definition and Significance of Competitive Advantage

In the past, businesses have primarily looked internally for improvement opportunities, such as quality management, downsizing and restructuring, to gain competitive advantage. But today with more demanding customers, intense competition and slow-growth economies, many businesses are looking externally for new ways to achieve and retain a competitive advantage such as by providing superior customer value (Woodruff, 1997).

Competitive advantage is viewed by some as "the enabler of superior profitability", by others as "performing in one or more ways that competitors cannot or will not match," (Kotler, Keller & Cunningham, 2008, p.65) and still others as something that is "good to have, like quality." One thing that all of these views have in common is a narrow focus (Christensen, 2010). The first view says more about why competitive advantage is important than what it is about. While resources and capabilities are important, not all distinctive differences are sources of competitive advantage which diminishes the merit of the second view and in the third view, without knowing which quality attributes are valued and to what degree by customers, competitive advantage is difficult to specify (Christensen, 2010). Therefore for the purpose of this project, the researcher has selected a more encompassing definition of competitive advantage.

Competitive advantage is defined as "whatever value a business provides that motivates its customers to purchase its products or services rather than those of its competitors and that poses impediments to imitation by actual or potential direct competitors" (Christensen, 2010, p. 21).

Christensen (2010) points out several important implications in this definition. First, competitive advantage is an external measure and therefore requires businesses to focus generous attention on how customers regard their product or services. Second, competitive advantage is a perception and therefore may be grounded in facts, in emotion-based branding or some combination of both. Third, competitive advantage must enable a satisfactory or better level of sales and therefore requires businesses to focus attention on the customer's decision to purchase. Fourth, focusing attention on the customer's decision to purchase highlights the importance of considering the entire array of competitive advantages, from performance characteristics to less tangible aspects like customer perceptions of value. And finally, viable competitive advantages offer significant customer benefits that endure only as long as competitors ignore them or are unsuccessful at matching them therefore making the connection between customers' perceptions and competitor positions and action essential in competitive strategy.

The importance of defining customer value as the driver of competitive advantage is clearly evident.

2.3.2 Definition and Significance of Creating Customer Value

Customer value is considered central to competitive advantage and therefore creating superior customer value is a key element for ensuring a business' success with superior value of products and services leading to customer loyalty, the real driver of a business' financial performance (Kahlifa, 2004). Critical to competitive advantage, high customer satisfaction, loyalty and retention, positive word-of-mouth, a strong competitive position and ultimately a higher market share is knowing where value resides from the standpoint of the customer (Ulaga & Chacour, 2001). However, defining customer value is difficult because the concept of value is subjective and ambiguous as well as dynamic in that it evolves over time (Kahlifa, 2004).

Many views on defining customer value take a rather narrow perspective, relying on terms such as utility, worth, benefits and quality, terms that are not well defined or measuring values as attribute-based desires or preferences that influence purchase (Parasuraman, 1997). Therefore for the purpose of this project, the researcher has again selected a more encompassing definition of customer value as defined by Woodruff, that "customer value is a customer's perceived preference for and evaluation of those product attributes, attribute performances and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations" (Parasuraman, 1997, p. 154).

This definition of value forces a link to the customer as value has to be perceived by someone. Understanding and responding to customers' perception of value is crucial to achieving competitive success and therefore "being competitive in delivering value to the customers is, indeed, the way to excellence" (Nicholls, 1990, p. 87). But linking value to the customer also requires broad and dynamic thinking, as the word quality encompasses innovation, flexibility, responsiveness in every aspect of doing the best possible because settling for "good enough" is not an option when striving to be competitive in delivering value to the customers (Nicholls, 1990). Adding further complexity to understanding, defining and responding to customers' perception of value is that customers are not homogenous. Instead value is perceived subjectively which means that different customer segments perceive different values within the same product or service (Ulaga & Chacour, 2001).

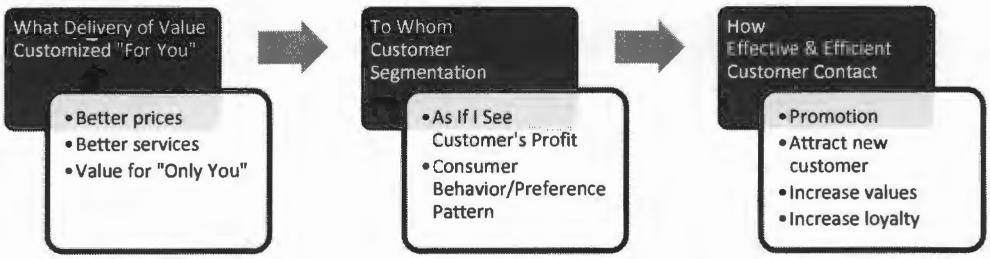
Offering customers superior value is the essential ideal of marketing. Creating customer value is based upon three principles, that in choosing between competing companies, the customer will select the offer that he or she perceives to be of best value, that customers do not want products or services for their own sake but rather for meeting their needs be they emotional, e.g. to look good, economic, e.g. to cut costs, or some combination of both and that businesses will find themselves more profitable in the long run if they create a relationship whereby trust is established between them and customers remain loyal and continue to buy from the business (Doyle, 2000).

Value strategies may include additional features and benefits, affordability, branding, customer involvement, customization and choice, enhanced quality, exceptional service, frequent marketing incentives, simplifying or bundling the offering, solving customer problems, product or service leadership, uniqueness of product or service among others (Weinstein & Johnson, 1999). Therefore the better a business knows and understands its consumers, orients its business practices toward this knowledge and develops strong customer relationships, the better the business is able to meet the needs of those consumers and to create a sustainable competitive advantage (Narver & Slater, 1990).

2.3.3 Customer Perceived Value

Customer perceived value is an important concept believed to have an influence on customer satisfaction and behavioral intentions (Tam, 2004). According to Chan (2008), creating customer perceived value involves three dimensions, defining and delivering value, identifying target customer segment and delivering effective and efficient customer contact (Chan, 2008). (See figure 2)

Figure 2: Customer Value Creation Concept, 3 Dimensions



Note. From "*Intelligent value-based customer segmentation method for campaign management*," by C. Chan, 2008. Expert Systems with Applications, 34, p.2756.

Value can be approached in three different ways, as core beliefs or higher order goals of the individual customer that guide behavior, as desired values which are the customers perceptions of what they want to have happen with the help of a product or service offering to accomplish a desired purpose or goal and as value judgments which are the customers' assessment of the value that has been created from them given the trade-offs between all relevant benefits and sacrifices (Ulaga & Chacour, 2001). Based upon this literature it is therefore assumed that core values, desired values and value judgments form the basis of customer perceived value.

In the service industry, perceived value involves a trade-off between what customers receive and what they give up acquiring the service and must be assessed by the customer (Walker, Johnson & Lenard, 2006). The customer value equation, proposed by Heskett, implies that customer value is the precursor of customer satisfaction and loyalty and further proposes that customer satisfaction, loyalty and profitability to a firm are derived from what they term the customer value equation (Walker, Johnson & Lenard, 2006). This is assessed by a customer with reference to results produced, process quality and the price and other costs to the customer of acquiring this. This implies that customer value is a precursor of customer satisfaction and loyalty and that a customer's perception or assessment of value forms an equation that is comprised of three main elements: results produced and received in relation to the price and other related costs incurred by the customer in acquiring the product or service (Walker, Johnson & Lenard, 2006).

This assessment of value is grounded in the customers' perception of the quality of what has been provided and how, what is referred to as customer perceived value (CPV). Perceived quality is determined by five main factors: reliability, assurance, empathy, responsiveness and tangible evidence experienced in the course of the personal service encounter (Walker, Johnson & Lenard, 2006). Therefore important questions that hold key information for a business trying to differentiate itself through CPV include:

1. Do you know your customers definition of value, including what are the basics, what is expected, what is desired and how can you provide unanticipated customer value?
2. Do you know your competitors definitions of value?
3. How does the business differentiate itself from its competitors, including what are its real and perceived competitive advantages, what is its unique selling proposition, can the business develop an even stronger unique selling proposition that communicates maximum value to its target market (Walker, Johnson & Lenard, 2006).

2.2.4 Definition and Significance of Perceived Service Quality

While the actual quality of service is difficult to define and measure, there is growing acceptance among researchers that service quality can be tied to perceptions of service performance (Tam, 2004). During consumption of a service, customers are able to determine the quality of the service and their satisfaction level. Therefore perceived value is believed to be a determinant of customer satisfaction whereby the more customers perceive the quality of service exceeds the costs of obtaining the service, the higher their perceptions of the value of the service which in turn results in greater satisfaction (Tam, 2004).

Although there is no accepted consensus among researchers regarding a single definition of service quality, the most commonly accepted definition views quality in terms of the consumer's impression of an entity's overall excellence or superiority (Afthinos, Theodorakis & Nassis, 2005). This means that consumers' perceptions of quality are largely based on a comparison of the customer's prior service expectations with their subsequent perception of the actual service performance and that meeting customers' expectations and satisfying their needs are important elements in an organization's efforts to retain its customers and gain competitive advantage (Afthinos, Theodorakis & Nassis, 2005).

For the purpose of this project, the researcher has chosen the most commonly accepted definition of perceived service quality, formulated and tested through research by Parasuraman, who holds that perceived service quality is defined by the customer with reference to how well the service delivered and perceived matches their expectations (Walker, Johnson & Leonard, 2006).

2.3.5 Measuring Service Quality

A common measurement of service quality involves either analyzing gaps between customers' expectations of service attributes and customers' satisfaction with the same attributes or applying importance-performance analysis (Liu, Taylor & Shibli, 2008).

Brady and Cronin's (2001) multi-level model to measure service quality of fitness facilities includes interaction quality, physical environment quality and outcome quality. Interaction quality refers to the interpersonal interactions between customers and staff that take place during service delivery and that staff attitude, behavior and expertise impact customers' perceptions of interaction quality. Physical environment quality refers to the tangible element of the organization and includes ambient conditions such as temperature, scent, music, hygienic issues as well as facility design and social conditions such as interactions among customers and the attitude and behavior of other members within the facility. A variety of studies have emphasized the importance of the physical environment including the quality, condition and availability of equipment on customers' evaluation of service quality. Outcome quality is defined as "what the customer is left with when the production process is finished" (Alexandris, Zahariadis, Tsorbatzoudis & Grouios, 2008, p. 38) and presents some unique challenges.

One of the service quality dimensions neglected in previous sports industry research is the technical quality (Alexandris, Zahariadis, Tsorbatzoudis & Grouios, 2008). According to Zeithami & Bitner (2003) technical quality is related to customers' perceptions about the outcome, such as winning or losing a lawsuit so in the case of exercise and fitness, technical quality is related to participants' perceptions about the outcomes of their exercise participation or outcome quality. This outcome is evaluated against the expected positive health (physical or psychological) related consequences. If fitness programs do not lead to the expected benefits, e.g. improve health, reduce stress, improve mood, customers might evaluate them negatively. There is also some evidence that one of the main reasons that individuals drop out of fitness programs is their inability to feel or see the positive health-related consequences of their exercise involvement, in other words the outcome quality (Alexandris, Zahariadis, Tsorbatzoudis & Grouios, 2008).

2.3.6 The Meaning of Price

The meaning of price varies greatly depending on whose perspective is taken. For businesses, price signals value for their products or services, differentiates their offering from competitors and shifts consumer demand. For consumers, price influences the perceived value of the product or service and the reflection on how much they have to give up to acquire the product or service. For competitors, price is a competitive weapon, something to match, beat or use to block market entry (Weinstein & Johnson, 1999).

Today value is often misunderstood to mean low price yet the real essence of value revolves around the tradeoff between the benefits customers receive and the price they pay (Weinstein & Johnson, 1999). Prior to a purchase, customers may use price as an indicator of quality and set expectations in regard to the service they are likely to receive. Following consumption, price is one of the costs perceived and used by customers to value assessment of the service. Customers perceive higher value when they perceive the quality of service as greatly exceeding the costs they have sacrificed to obtain the service (Tam, 2004). It is also noted that non-monetary costs such as time, physical and psychic effort are also considered in outlay costs of obtaining service (Tam, 2004).

Price setting is often based on convention, rules of thumb or even intuition about what the customer will or should pay (Tam, 2004). There is a positive relationship between quality and price however studies have also shown that price as a cue to quality is diminished in the presence of consumer familiarity or other available cues such as brand name (Tam, 2004). Regardless of how price is set, price messaging must be strategically integrated with all other brand messages in order to send customers and potential customers a coherent and meaningful statement that conveys the business's overall value proposition. In the end, price is only as good as the value delivered as perceived by the customer (Weinstein & Johnson, 1999).

2.3.7 Lifetime Customer Value

The cycle of customer lifetime comprises customer acquisition, customer development and customer retention. Customer acquisition focuses of identifying profitable customers, their needs and how to attract them, customer development focuses on growing customers to be higher-valued by matching customer wants with delivery methods and customer retention focuses on establishing and sustaining customer loyalty (Chan, 2008).

Figure 3: Lifetime Value Cycle

Who are your profitable customers?	How do you deliver: what the customer wants?	How do you build & sustain customer loyalty?
What are their needs?	How they want it?	
How do you attract them?	When they want it?	

Note. From "*Intelligent value-based customer segmentation method for campaign management*," by C. Chan, 2008. Expert Systems with Applications, 34, p.2757.

For the purpose of this study lifetime value, also known as customer lifetime value (CLV), is defined as the sum of the revenues gained from the business's customers over the lifetime of transactions after deducting the total cost of attracting, selling and servicing customers (Kim, Jung, Suh & Hwang, 2006). Time value of money is also a factor in determining CLV but is outside the scope of this project (Kim et. al., 2006).

Important to the success of a business is the selection of profitable customers and the avoidance of others (Viardot, 2011). Sustainable businesses are aware of the long-term value of their customers, measured by the number of annual purchases made by a customer multiplied by the number of years that the customer will be buying from the company. The pay-off is often the result of sophisticated customer relationship management processes designed to provide increased value to the customer and which also yield a lifetime value to the service provider (Viardot, 2011). The reason is because higher customer value increases customer satisfaction thereby instilling customer loyalty which in turn creates higher profit due to increased volume resulting from repeat purchases and positive word of mouth (Liu, Petruzzi & Sudharshan, 2007). These accumulated earnings that make up the value of customer equity and the creation of a loyal and stable customer base also represent a real asset for the company (Viardot, 2011).

2.4 Market and Customer Segmentation

Adopting a customer value delivery orientation requires businesses to learn extensively about the target market and customers; what exactly does the target market value, on which customer values should they focus on to achieve advantage and how will customers value change in the future (Woodruff, 1997). Therefore, from a marketing standpoint it is important to determine your market segment and provide services valued by that key consumer groups.

Market segmentation is generally defined as the "process of dividing a large, heterogeneous market into more homogeneous groups of people who have similar wants, needs or demographic profile to whom a product may be targeted" (Liu, Taylor & Shibli, 2008). In other words, a market segmentation strategy identifies homogenous groups of individuals with distinct demands that differ from the remainder of consumers in the marketplace (Woolf, 2008). Using differentiation and segmentation strategies is another way that businesses can create competitive advantage because it provides the desired segment of customers with the services or products they value (Woolf, 2008).

The key to identifying the customers segments is to select suitable variables which single-out people having different response characteristics to a product or service. Basically, segmentation variables can be grouped into two categories: objective (or physical, identifiable) and subjective (or behavioral, needs, benefits) attributes (Liu, Taylor & Shibli, 2008). The former includes demographic, socio-economic or geographical factors and the latter includes benefits sought, expectations, preferences, attitudes or perceptions. Traditionally, marketers use demographic data to segment markets because they are standard and readily available (Liu, Taylor & Shibli, 2008).

The basic value orientations of consumers can be expected to vary across geographical regions and when various socio-cultural influences exist. Additionally we might expect the importance of personal values to vary by age, education, income and other consumer demographics (Vinson, Scott & Lamont, 1977). Knowledge of consumer value orientations provides an efficient and measurable set of variables closely related to needs which expand the business's knowledge beyond demographic and psychographic differences of the market (Vinson, Scott & Lamont, 1977). In addition to knowing basic demographic profiles, understanding the psychographic profiles and lifestyle characteristics of customers provides added richness to the segment profile and enables the business a clearer understanding of the market (Woolf, 2008). While demographics allow us to describe who buys psychographic and lifestyle characteristics help us to understand their pattern of consumption, what they like to do, how they like to spend their leisure time and how then choose to spend their money (Solomon, Zaichkowsky & Polegato, 2011). In other words, consumers can share the same demographic characteristics but still be very different people where just knowing a person's income is not enough to predict whether he will drive a BMW or a Kia (Solomon, Zaichkowsky & Polegato, 2011).

Customer segmentation is designed to increase customer value or profitability through careful customer targeting (Chan, 2008). Again this requires that the business consider what the customer segment values and what values the business should be delivered to customer (Chan, 2008). But by knowing the target market segmentation, businesses can better determine the perceptions, needs and wants of target markets and satisfy them through the design, communication, pricing and delivery of appropriate and competitively viable offerings (Woolf, 2008).

2.5 Customer Demographics

According to the Canadian Fitness and Lifestyle Research Institute (2007) there are socio-economic and demographic differences in sport and physical activity expenditures. Men spend more on physical activity expenditures such as equipment and membership compared to women. Young adults aged 18 to 24 spend less on membership fees than those aged 25 to 64. Household income is associated with the amount of money spent on sport and physical activity. Adults with annual household incomes of $100,000 or more spend the most on equipment and membership fees related to sport and physical activity and individuals who work full-time spend more on membership fees compared to those who are retired, part-time or unemployed (Canadian Fitness & Lifestyle Research Institute, 2007).

IF™ demographic analysis of their desired niche market includes variables such as the total population within 1 and 3 mile radius, average age, household data including, per capita, number of vehicles owned and number of people per household. Their niche market is defined as the highest per capita income region of the chosen city. In addition, their city selection includes a look at some relatively low-level psychographic and lifestyle characteristics coined by IF™ as the "west coast lifestyle and trends" (Innovative Fitness, 2006).

2.6 Brand

Brand is an opportunity to inspire clients and give added meaning to their purchase. It helps create a psychological value to the product and creates a unique and comfortable involvement for customers. Dealing with a familiar brand is also reassuring for customers when they know it well (Viardot, 2011).

The concept of brand has attracted a great deal of interest from researchers who have focused on the associations that make up a brand, the image these attributes create and the value that this adds to the organization known as brand equity. According to Johnson and Fornell (1991) when services are difficult to evaluate image is a major factor that influences customer satisfaction with the service. Gronroos (2000) described the effects of "image" as being that of a "filter" for the quality experience and that a "filter" may not be noticed as such, but nevertheless these "filters" influence the quality experience. Essentially, image is an effect of the company's competencies, its communication and word-of-mouth comment by customers (Lagrosen & Lagrosen, 2007).

A strong brand image clearly recognized, appreciated and distinguished from others is an additional way to prevent customers from purchasing products from competitors with a less attractive image (Viardot, 2011). When alternative brands exist, customer sensitivity to marketing variables and switching cost play a prominent role in the customer's choice therefore the emotional linkage between a business and its customer is very important (Garcia & Caro, 2009). While it takes time and money to establish a strong and sustainable brand, successful businesses know that they must communicate their brands widely to have a recognized and appreciated image (Viardot, 2011).

CHAPTER THREE

3.0 Methodology

In this section, the methodology of the study is discussed. It consists of four sections, subjects of the study, research instruments, procedures and data analysis.

3.1 Subjects of the Study

In this study, 296 subjects from the IF Langley customer database were contacted via email and invited to provide their feedback by participating in an on-line questionnaire. A total of 41 subjects completed the on-line questionnaire.

Subjects that completed the questionnaire were also invited to participant in focus group interviews. Eight subjects contacted the researcher and expressed interest in participating in focus group interviews.

Focus group subjects also included IF Langley training coaches and the two principals (owners) of IF Langley who were contacted via email and invited to participate in the SWOT focus group interview alongside their customers. Two IF Langley training coaches and both IF Langley principals participated in the SWOT (strengths, weaknesses, opportunities and threats) focus group interview.

3.2 Instruments of the Study

Primary and secondary sources were used for data collection in this study. An online questionnaire and focus groups were used as primary sources of data collection.

Statistics Canada and British Columbia Statistics were used as secondary sources of data collection.

The researcher applied demographic profile parameters that would allow for direct comparison to provincial and federal statistics for determining customer segmentation. The researcher also applied characteristics of the SERVQUAL instrument and Chelladurai and Chang's systems view of dimensions of quality in fitness clubs in designing the questionnaire to measure customers' satisfaction and ultimately customer value using a 5-point scale (1 = not at all important to 5 = extremely important).

Customer segmentation such as customer grouping by the level of family income, education or any other demographic variable, is considered as one of the standard techniques used by marketers (Jiang & Tuzhillin, 2008). Its popularity comes from the fact that segmented models usually outperform aggregated models of customer behavior. A typical approach to customer segmentation is based on the statistics-based approach that computes the set of statistics from customer's demographic and transactional data (Jiang & Tuzhillin, 2008).

The SERVQUAL instrument is based on five dimensions of service, tangibles (physical facilities and equipment), reliability (dependability and accuracy in service provision), responsiveness (willingness to help customers) assurance (the knowledge and courtesy of employees) and empathy (Moxham & Wiseman, 2009). Chelladurai and Chang (2000) identify nine dimensions that contribute to fitness services quality, service climate (routines and behaviors), management commitment to service quality (conscious choice/commitment to quality initiatives), programming (designing core services; critical for long-term success), personal interaction (willingness to help customers, provide prompt services, treat customers with courtesy and honesty), task interaction (providing the correct information), physical environment (esthetics, equipment, hygiene), other clients (behaviors, language, dress), service failure and recovery (apology, refund, additional services at no cost) and service quality (customer's overall impressions of the relative inferiority/superiority of the service) (Moxham & Wiseman, 2009). A comparison of these dimensions to the questionnaire questions pertaining to value and customer satisfaction is outlined in Appendix 1.

The online questionnaire was distributed via email to 296 individuals listed in the IF Langley customer database. These individuals were either current, past or new/potential customers of IF Langley. Current customers were defined as any customer who had committed to a minimum of one IF Langley training session per week. Past customers were defined as any customer who had not attended a minimum of one IF Langley training session per week in the last two months. A new/potential customers was defined as any customer who planned to or had just started training a minimum of one session per week at IF Langley and started less than three months ago. A training session was defined as either a one on one personal training session, a doubles (two-to-one) personal training session, a spin class or a conditioning class.

Four focus group interviews were planned for the study. One of four the focus group interviews was designed to provide a multi-perspective analysis of IF Langley using the SWOT tool (strengths, weaknesses, opportunities and threats) to determine its external and internal marketing environment and included customer, training coach and principal participants. Three of the four focus group interviews were designed to determine what values were meaningful to customers and how these values could be best communicated to customers through the IF brand. Participation in these three focus group interviews was further stratified by customer type, either current, past or new/potential. Focus group data can be found in Appendices 2, 3 and 4.

3.3 Procedures of the Study

A total of three email invitations were extended to 296 subjects from the IF Langley customer database. The online questionnaire was open from October 28, 2013 to February 3, 2014.

Two focus group interviews were conducted, a SWOT focus group and a current customer values focus group. Each focus group interview was two hours in length. The focus group interviews were tape-recorded and transcribed and contemporaneous notes were taken during the interviews. The SWOT focus group was comprised of three IF Langley customers, two IF Langley training coaches and both IF Langley principals and was conducted on November 23, 2013. The customer values focus group was comprised of five IF Langley customers and was conducted on January 25, 2014.

Two focus groups interviews were not conducted, a past customer values focus group and a new/potential customer values focus group, as no subjects from either of these customer segments contacted the researcher expressing interest in focus group interviews.

Data was also collected from both provincial and federal statistics databases for the geographic areas of Langley, British Columbia (BC) and West Vancouver, British Columbia (BC) for demographic and socio-economic comparisons and analysis.

3.4 Data Analysis

Forty-one questionnaires were analyzed to determine the demographic characteristics of an IF Langley customer, what IF Langley customers are looking for in a fitness facility, what defines value for an IF Langley customer and whether customers were satisfied with their IF Langley service experiences. The demographic profile of an IF Langley customer was compared to the socio-economic profile of Langley, BC to identify similarities and differences with the general Langley consumer as well as the socio-economic profile of West Vancouver, BC to identify similarities and differences with the general consumer of the original corporate location.

Of the 41 respondents, 78% were current customers, 17.1% were past customers and 2.4% were new/potential customers. Two and a half percent (2.5%) of respondents did not answer the customer classification question.

Discussions from two focus groups were analyzed for further qualitative information regarding the Greater Vancouver fitness facility market, IF Langley's strengths and weaknesses, demographic profile of Langley BC compared to an IF Langley customer, what they look for in a fitness facility, what they value in IF Langley and where IF Langley could improve. The information and responses from the two focus groups can be found throughout chapter four as well as in Appendices 1, 2, and 3.

Demographic and socio-economic data for Langley, BC and West Vancouver, BC was analyzed to determine similarities and differences in the general consumer segmentation of these two geographic areas.

CHAPTER FOUR

4.0 Data Analysis

This section presents the data collected from the online questionnaire and focus groups and analyzes the results to determine the demographic profile of Langley, BC, the demographic and lifestyle profile of an IF Langley customer, similarities and differences in the demographic profile of the corporate location, West Vancouver, and the franchise location in Langley, what defines value for an IF Langley customer and whether IF Langley is successfully communicating and demonstrating value to their customers.

4.1 Demographic Profile of Langley, BC

Langley, BC is located approximately 48 kilometers east of Vancouver, BC. With Surrey, BC to its west and Abbotsford, BC to its east, Langley's land area extends south from the Fraser River all the way to the United States border. Langley BC, is comprised of two municipalities, the City of Langley and the Township of Langley. The cumulative demographic profiles of these two municipalities can be analyzed using the socio-economic profile of school district 35 (Langley) or the socio-economic profile of local health area 35 (Langley). The socio-economic profile of local health area 35 (Langley) was used in this analysis.

Langley, BC has a total population of 117, 858 according to 2006 Census data with population growth in this area trending slightly higher (1.4% - 1.5%) than provincial averages (1.0% - 1.4%) over the past 10 years (BC Stats, 2012). Its residents are primarily 25-64 years of age (54.7%) with residents 0-17 years of age (20.0%) comprising the second most dominant age structure and residents 65 years of age or older comprising the third most dominant age structure (BC Stats, 2012). Based upon this age structure, it is assumed that Langley, BC is primarily a family community. This assumption is confirmed in its family structure with children at home in 62.1% of households with the average number of children being 1.8 (BC Stats, 2012). In addition to families, 37.9% of households have no children at home with unattached individuals comprising 12.9% of the households with no children (BC Stats, 2012).

Langley, BC is predominantly Caucasian with total visible minorities comprising approximately 10.1% of its population, significantly lower than the percentage of total visible minorities in the province (24.8%). Chinese is the most predominant visible minority, at 2.5% compared to BC at 10.0% and their aboriginal population is approximately 3.0% compared to BC at 4.8% (BC Stats, 2012).

The primary income source for Langley residents is employment (82.3%) with retirement income being a very distant second at 7.8%. The average family income of Langley residents is $88,900 per annum with couple economic families having an average income of $94,384 and female lone parents an income of $51, 534. In all cases the average family income is greater than the BC average by 10-18% (BC Stats, 2012). Annual gross income of families is evenly distributed between two income brackets,

\$20, 000 to \$79,999 and \$80,000+ at 47.7% and 47.0% respectively. Approximately 5.3% of families have an annual gross income of less than \$20,000. Overall, Langley has higher income distribution in all categories compared to the BC average (BC Stats, 2012).

In comparison with BC averages, post-secondary education qualifications of Langley residents are mixed. While the percentage of Langley residents with a university degree or above is lower (17.3%) than the provincial average (24.1%), Langley residents with a College, Apprenticeship or Trades designation is higher (36.8%) than the provincial average (31.5%) (BC Stats, 2012).

4.2 Demographic Profile of West Vancouver, BC

West Vancouver, British Columbia is located approximately 10 kilometers northwest of Vancouver, BC. West Vancouver's land area extends from the northern side of English Bay to the southeast shore of Howe sound and is adjoined by the District of North Vancouver to its east. The demographic profile of West Vancouver can be analyzed using the socio-economic profile of school district 45 (West Vancouver) or the socio-economic profile of local health area 45 (West Vancouver-Bowen Island). The socio-economic profile of local health area 45 (West-Vancouver-Bowen Island) was used in this analysis.

West Vancouver, BC has a total population of 42,131 according to 2006 Census data with population growth in this area trending lower (0.6% - 1.0%) than provincial averages (1.0% - 1.4%) over the past 10 years (BC Stats, 2012). Its residents are primarily 25-64 years of age (49.1%) with residents 65 years of age or older (24.2%) comprising the second most dominant age structure and residents 0 – 17 years of age comprising the third most dominant age structure (BC Stats, 2012). Its family structure is comprised of families with children at home in 59.1% of households with the average number of children being 1.8 (BC Stats, 2012). In addition to families, 40.9% of households have no children at home with unattached individuals comprising 16.0% of the households with no children (BC Stats, 2012).

West Vancouver, BC is predominantly Caucasian with total visible minorities comprising approximately 21.7% of its population, which is fairly similar to the total visible minorities in the province (24.8%). Chinese is the most predominant visible minority, at 7.2% compared to BC at 24.1% and their aboriginal population is approximately 2.3% compared to BC at 4.8% (BC Stats, 2012).

The primary income source for West Vancouver residents is employment (71.8%) with 'other' income second at 24.2% followed by retirement income at 3.9%. The average family income of West Vancouver residents is $180,434 per annum with couple economic families having an even higher average income of $195,138 and female lone parents an income of $63,305. In all cases the average family income is greater that the

BC average by 69% - 224% (BC Stats, 2012). Annual gross income of families is distributed primarily between two income brackets, $20, 000 to $79,999 and $80,000$^+$ at 32.9% and 59.4% respectively. Approximately 7.7% of families have an annual gross income of less than $20,000. Overall, West Vancouver has higher income distribution in all categories compared to the BC average and their income share of the poorest households is the lowest in the province (12.1%) (BC Stats, 2012).

In comparison with BC averages, West Vancouver residents are highly educated. In total, 79.9% of residents possess some level of post secondary qualification, well above the provincial average of 61.8%. Over fifty percent (50.2%) of West Vancouver residents have a university degree or above which is significantly higher than the provincial average of 24.1% while 22.1% of residents have College, Apprenticeship or Trades designation which is lower than the provincial average of 31.5% (BC Stats, 2012).

4.3 Demographic Profile of IF Langley Customers

IF Langley has approximately 296 contacts listed in its promotions database. Included in this contact list are their current customers. IF Langley has approximately 72 current customers (P. Chung, personal communication, September 11, 2013).

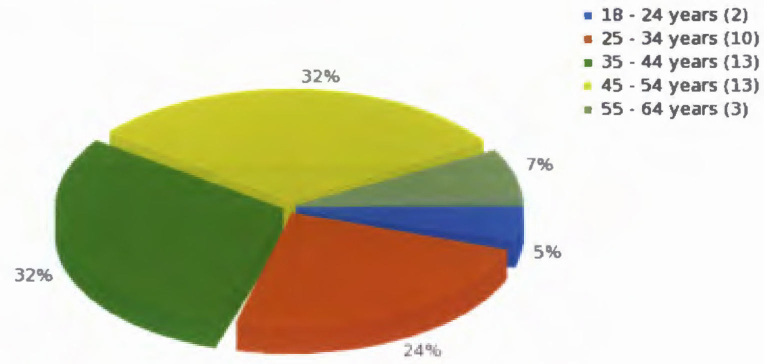
IF Langley, located near the municipal border of Surrey and Langley, is drawing customers from both areas. Surrey residents from the neighborhoods of Panorama, Cloverdale, Clayton Heights and Fleetwood represented 26.8% of respondents. Langley residents from the neighborhoods of Willoughby/Willowbrook, Brookswood/Fernridge, Walnut Grove, Aldergrove and Fort Langley represented 65.9% of respondents, see figure 4.

Figure 4: Neighborhood Distribution

Which of the following best describes the area you live in?		
Answer	**Count**	**Percentage**
South Surrey (A1)	0	0.00%
Panorama (A2)	3	7.32%
Cloverdale (A3)	4	9.76%
Willoughby/Willowbrook (A4)	9	21.95%
Brookswood/Fernridge (A5)	4	9.76%
Walnut Grove (A6)	7	17.07%
Aldergrove (A7)	3	7.32%
Murrayville (A8)	0	0.00%
Clayton Heights (A9)	2	4.88%
Fort Langley (10)	2	4.88%
Other Browse	7	17.07%
No answer	0	0.00%

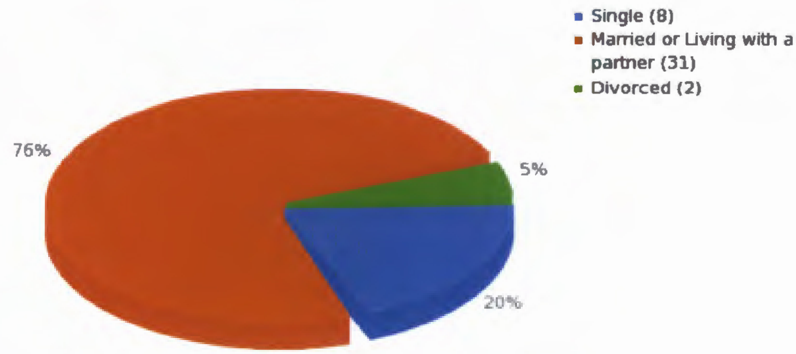
The majority of IF Langley customers are evenly distributed between two age categories, 35 – 44 years and 45 – 54 years. A third age category, 25 – 34 years, is also relatively well represented, see figure 5.

Figure 5: Age Distribution



IF Langley customers are predominately married or living with a partner. Unattached individuals either single or divorced represent the remaining quarter, see figure 6. The majority households have no children at home (61% - 73%).

Figure 6: Marital Status



The ethnic identity of IF Langley customers is predominately Caucasian with visible minorities' representation in less than 5% of customers.

IF Langley customers participation in the labor force is primarily as employees either full time or part time, although some customers report to be self-employed, unemployed or a student, see figure 7. The following categories best described the industries in which these customers work, health care and social assistance (17.1%), manufacturing (9.8%), transportation and warehousing (7.3%) and construction (7.3%). Other industries of interest also represented by the respondents include, agricultural (4.9%) (equestrian community), information technology (4.9%) and law enforcement (4.9%). Respondents described their employment role as a trained professional, self-employed/partner or upper management/executive, see figure 8. They predominately work within a 20 minute drive time from their residence as evidenced by their area of work, either within Langley (32.2%) or Surrey (31.7%) with only 14.6% of respondents commuting into Greater Vancouver.

Figure 7: Employment Status

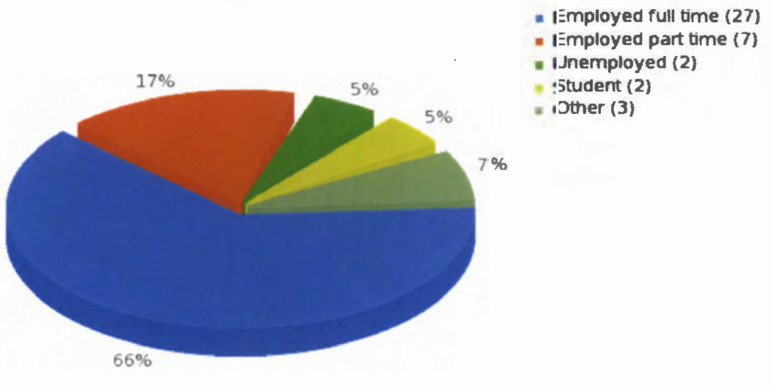


Figure 8: Employment Role

Which of the following best decribes your role in your industry?		
Answer	**Count**	**Percentage**
Upper Management/Executive (A1)	8	19.51%
Middle Management (A2)	0	0.00%
Supervisor (A3)	0	0.00%
Trained Professional (A4)	13	31.71%
Skilled Labourer (A5)	1	2.44%
Consultant (A6)	0	0.00%
Self-Employed/Partner (A7)	11	26.83%
Administrative/Support Staff (A8)	4	9.76%
Student (A9)	2	4.88%
Other Browse	2	4.88%
No answer	0	0.00%

Total gross annual household income of respondents ranged from less than $40,000 to over $180,000. IF Langley customer gross annual household income was predominately distributed between three income categories: $100,00 - $119,000, $150,000 - $179,000 and $180,000^{+} although 24.4% of respondents answered that they would rather not disclose their income. Overall, the majority of IF Langley customers have a gross household income of $100,000. An interesting finding is that all income categories outlined in the survey were represented among respondents.

Figure 9: Annual Household Income

What is your approximate total household income (gross)?		
Answer	**Count**	**Percentage**
Less than 40,000 (A1)	2	4.88%
40,000 - 59,999 (A2)	2	4.88%
60,000 - 79,999 (A3)	2	4.88%
80,000 - 99,999 (A4)	4	9.76%
100,000 - 119,999 (A5)	6	14.63%
120,000 - 149,999 (A6)	3	7.32%
150,000 - 179,999 (A7)	6	14.63%
180,000+ (A8)	6	14.63%
Rather not say (A9)	10	24.39%
No answer	0	0.00%

IF Langley customers have varying levels of education. The highest level of education completed by the majority of respondents is "some college or university" followed by an undergraduate degree or a college diploma or other non-university certificate. Apprenticeship/trades certificate preparation represented 7.3% of respondents equal to those with high school graduation being their highest level of education, see figure 10.

Figure 10: Education Level

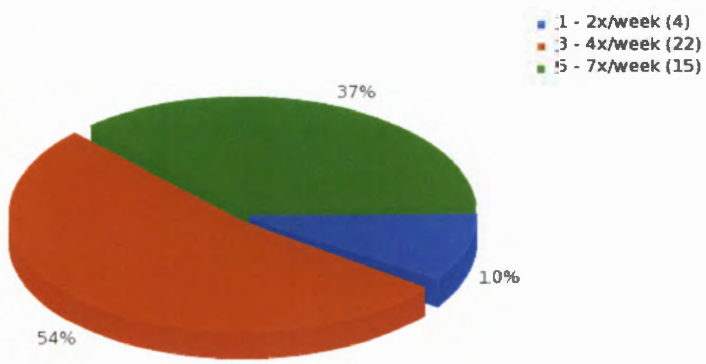
What is the highest level of education you have completed?		
Answer	**Count**	**Percentage**
Some highschool but did not finish (A1)	1	2.44%
Highschool graduate (A2)	3	7.32%
Completed some college/university (A3)	13	31.71%
College diploma or other non-university certificate/diploma (A4)	8	19.51%
Apprenticeship/Trades certificate or diploma (A5)	3	7.32%
Bachelor's degree (A6)	9	21.95%
Graduate degree (A7)	4	9.76%
No answer	0	0.00%

4.4 Lifestyle Characteristics of IF Langley Customer

Langley, BC describes itself as a community unlike any other (Township of Langley, 2014) or the place to be (City of Langley, 2014) with over 300 acres of parks, a 5,200 seat arena and a number of family-oriented events (Township of Langley, 2014). Half of the farms in Greater Vancouver are located in Langley making agriculture and farming integral to the community and its lifestyle. With farm gate receipts totaling approximately $200 Million annually, the bounty of the fall harvest is celebrated as is the environment and the promotion of physical fitness (Township of Langley, 2014).

IF Langley customers are physically active with the majority of respondents taking in part in some form of physical exercise either 3 - 4 times per week or 5 - 7 times per week, see figure 11. They participate in a wide variety of activities ranging from yoga and golf to kayaking and snowshoeing with personal training (100%), walking (63.4%), running (58.5%), cycling (58.5%) and hiking (41.2%) reported as the top five activities although one respondent pointed out the researcher's faux pas of not including hockey as a response option. The environment in which they participate in physical activity is not exclusively inside (12.2%) or exclusively outside (4.9%) instead IF Langley customers prefer to exercise in a combination of indoor and outdoor settings (80.5%).

Figure 11: Physical Exercise Frequency



4.5 Demographics and Lifestyle Profile - Focus Group Discussion

When IF Langley customers were asked to describe the personal characteristics of a typical Langley resident two predominant family life-cycle groups were identified. First Langley was described as a community of young families on budgets that choose to reside in Langley with its lower cost of housing in comparison to other areas of Greater

Vancouver. Second Langley was described as a community of baby boomers and empty nesters that have worked hard for their money and are now starting to treat themselves with some luxury items such as brand new luxury vehicles. They also described perceived differences among the various neighborhoods with Brookswood residents described as predominantly working class while Walnut Grove residents were described as having more disposable income although they also noted that all spectrums of lifestyle were present within each neighborhood.

When asked to describe the personal characteristics of an IF Langley customer, participants identified that the age group of customers varied from young teenage athletes to older adults with the majority of customers being between the ages of 30 and 55. Participants also identified that the employment sector of each customer really varied from blue collar workers to professionals and tradespeople with perhaps professionals and tradespeople being most prevalent.

When asked to describe their lifestyle, IF Langley customers talked about their commitment to health and fitness as a lifestyle choice. Some even described their fitness program as being equivalent to an RRSP, investing in their health and fitness as a strategy to ensure a healthy and happy retirement lifestyle.

4.6 IF Langley Facility Use

The main reasons in which respondents participate in activities at IF Langley included improving their fitness skills and abilities, improving their health and to get in shape. Other reasons included weight/fat loss, training for a fitness goal/event and to reduce stress, see figure 12. Just under half of the respondents were satisfied with their level of participation in physical activity (43.9%) but for those not satisfied with their level of participation reasons included lack of time (41.2%), illness/injury (22.0%) and cost (7.3%).

Figure 12: Main Reasons for IF Langley Use

What are the main reasons why you participate in activities at IF Langley?

Answer	Count	Percentage
Get in shape (SQ001)	25	60.98%
Weight/fat loss (SQ002)	18	43.90%
Improve health (SQ003)	29	70.73%
Reduce stress (SQ004)	15	36.59%
Improve fitness skills and abilities (SQ005)	31	75.61%
Train for a fitness goal/event (SQ006)	18	43.90%
Meet people (SQ007)	5	12.20%
Rehabilitation from an injury (SQ008)	8	19.51%
Get involved in the community (SQ009)	3	7.32%
Other Browse	1	2.44%

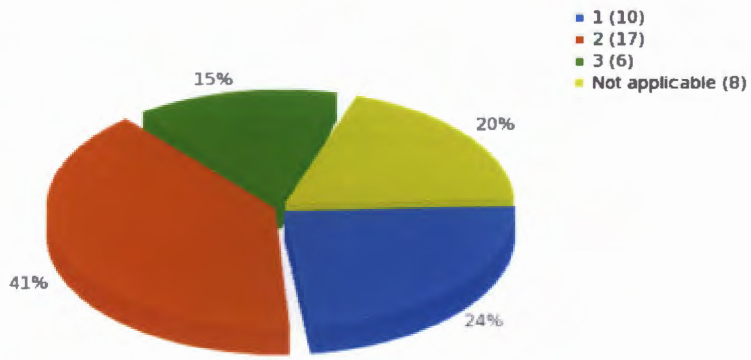
Most customers used more than one training option available at IF Langley with one on one (private) personal training, their core service, being the most utilized service. The next most utilized service was the conditioning/circuit class followed by spin-class then doubles (two on one) personal training, another core service, see figure 13. Destinations training their unique differentiation strategy did not emerge as a predominant service utilization category. Of interest was the emergence of the 'other' category in which all 7.3% of respondents noted the "Nutrition Challenge," a seasonal program offering.

Figure 13: IF Langley Service Utilization

In which programs have you participated at IF Langley? (check all that apply)		
Answer	**Count**	**Percentage**
Singles training (SQ001)	34	82.93%
Doubles training (SQ002)	21	51.22%
Spin-class (SQ003)	23	56.10%
Conditioning/circuit class (SQ004)	24	58.54%
Specialty class (strength/kettlebell) (SQ005)	6	14.63%
Destinations (Grand Canyon, Las Vegas Marathon) (SQ006)	5	12.20%
Other Browse	3	7.32%

The majority of customers using the personal training options (private or doubles) attend two regularly scheduled masters sessions per week, followed by one session per week. None of the respondents attended masters sessions four or more times per week, see figure 14. In addition, several respondents reported that they do not attended masters sessions and are speculated to be the responses of the past customers that participated in the questionnaire.

Figure 14: Weekly Masters Sessions



Group sessions such as their conditioning/circuit class and their spin classes were the second most utilized service. The majority of customers using the group sessions attended one session per week, followed by two sessions per week. However over 50% of customers reported that they did not use these group sessions, see figure 15. Specialty sessions such as their strength/kettleball class were the least utilized service with the majority of customers reporting that they did not use these specialty sessions, see figure 16.

Figure 15: Weekly Group Sessions

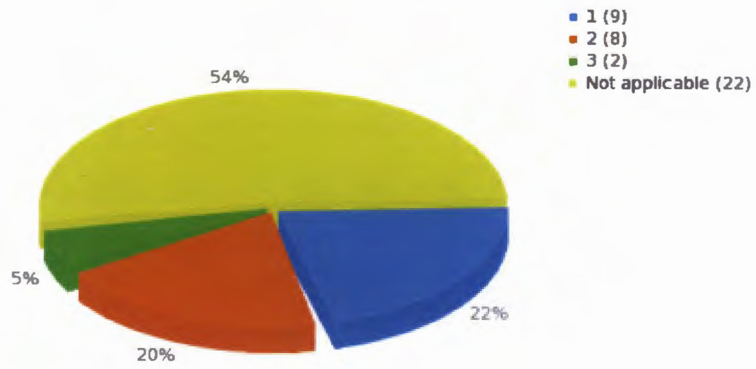
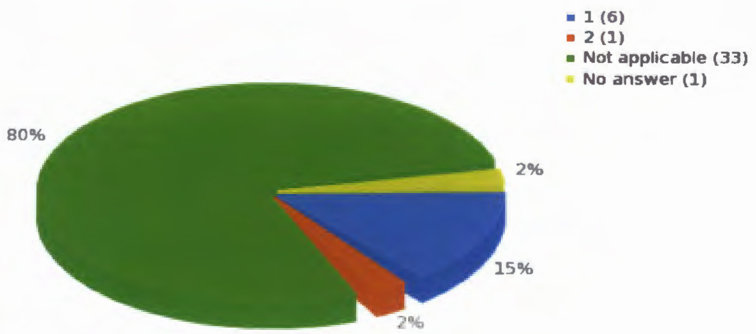


Figure 16: Weekly Specialty Sessions

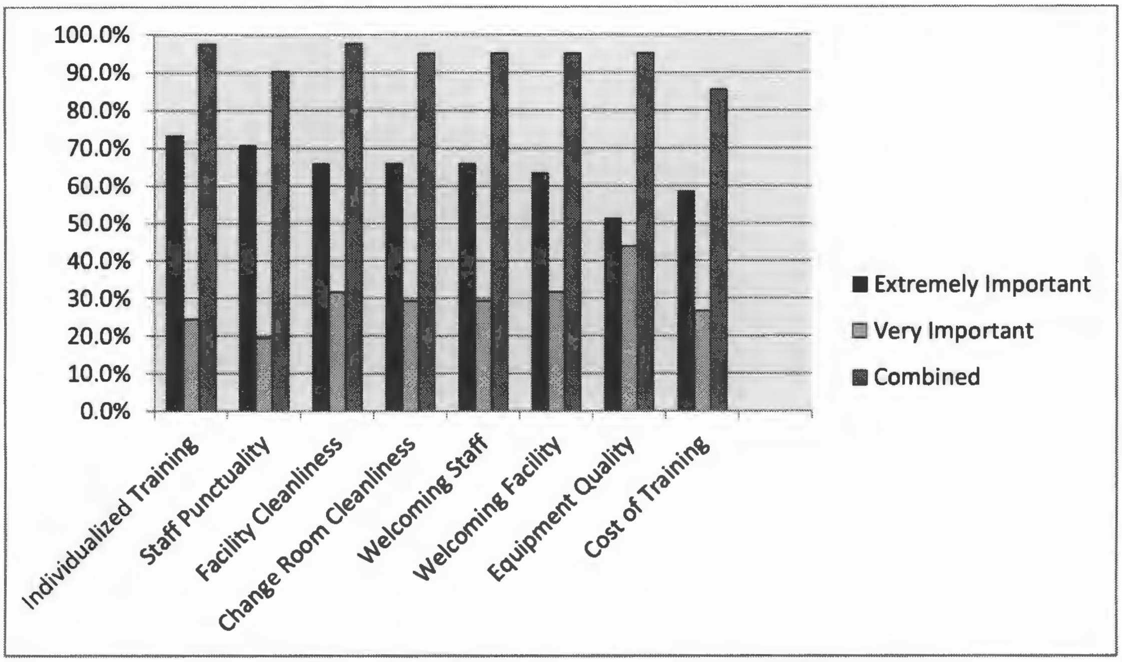


4.7 Customer Perceived Value Fitness Industry

Two measures of service quality and value in choosing a fitness facility emerged as essential to attracting and retaining IF Langley customers, with staff knowledge and the quality of the training both rated as extremely important, 95.1% and 97.6% respectively.

Several other measures of service quality and value in choosing a fitness facility also emerged as "extremely important" to IF Langley customers, individualized training, staff punctuality, facility cleanliness, change room cleanliness, how welcoming staff are and how welcoming the facility feels. These measures were even more prominent when combined with the "very important" responses, see figure 17. When "very important" and "extremely important" response options were combined, the following additional measures of service quality and value also emerged, equipment quality and maintenance and cost of the training, see figure 17.

Figure 17: Measures of Service Quality & Value



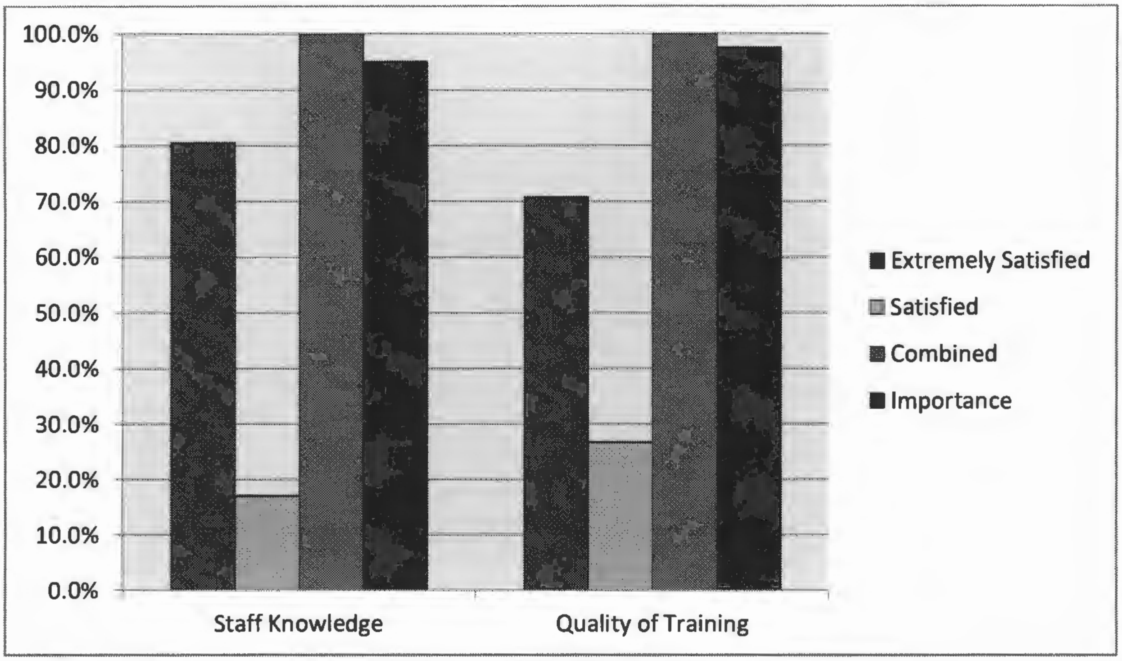
What did not emerge as a predominant factor in choosing/using a fitness facility was brand/reputation although 34.2% responded that brand/reputation was extremely important and a further 34.2% responded that brand/reputation was very important. Complementary services such as towel service, water coolers and shower facilities are of some importance (very important or extremely important), however the provision of a snack bar/energy drink cooler was not at all important to 51.2% of respondents while other respondents rated a snack bar/energy drink cooler as either slightly important (21.6%) or moderately important (21.6%).

From the data, we can see that factors in choosing/using a fitness facility touched on all five dimensions of the SERVQUAL instrument. We can also see that many of Chelladurai and Chang's (2000) nine dimensions of fitness service quality are also important in choosing/using a fitness facility including task interaction, interaction quality, programming, service climate and physical environment. What did not emerge with any significance in the questionnaire data was the role of other customers (behavior, dress, language) in a customer's perception of service quality.

4.8 Customer Satisfaction IF Langley

The two measures of service quality and value rated by IF Langley customers as extremely important, staff knowledge and the quality of training were compared to customer satisfaction ratings. For the most part, IF Langley customers were either extremely satisfied or satisfied with staff knowledge. However, only 70.7% of IF Langley customers were extremely satisfied with the quality of the training with a further 26.8% reporting that they are satisfied with the quality of the training, see figure 18.

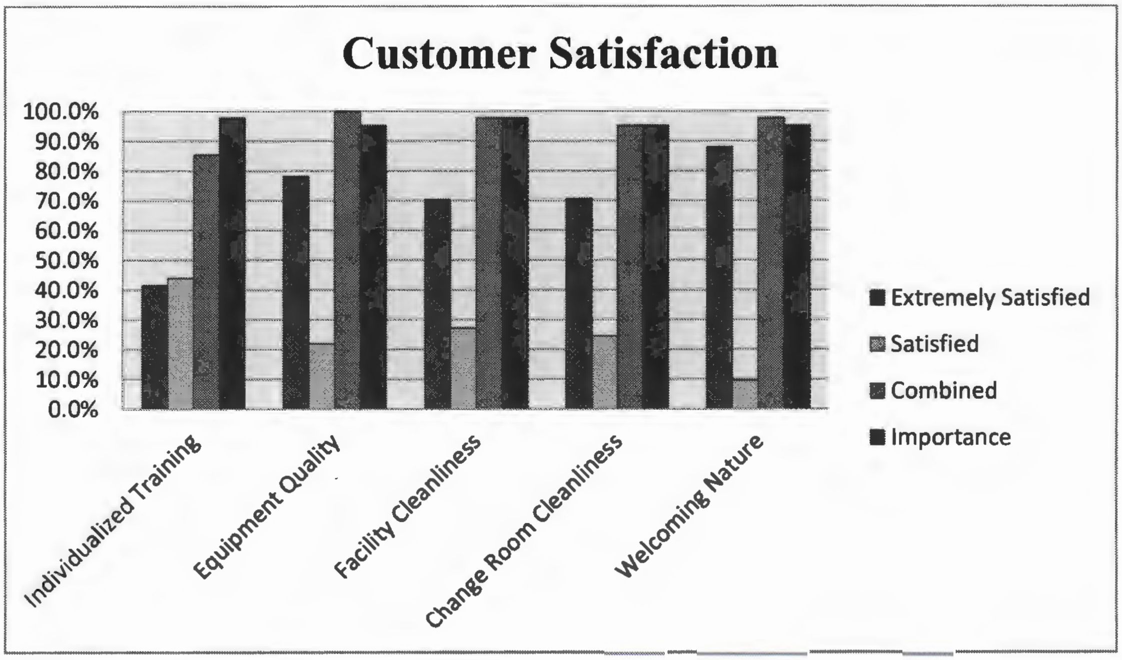
Figure 18: Customer Satisfaction with Important Service Quality Measures



While individualized training, a core service of IF Langley, emerged as an important quality in choosing a fitness facility when IF Langley customers were asked to rate how satisfied they were with the training options available only 41.5% were extremely satisfied with a further 43.9% reporting they were satisfied, see figure 19. When asked to rate their satisfaction with specific training (service) experiences, IF Langley customers reported they were extremely satisfied with their private training sessions (70.7%), doubles training sessions (84.0%), conditioning classes (73.0%) and spin classes (75.0%).

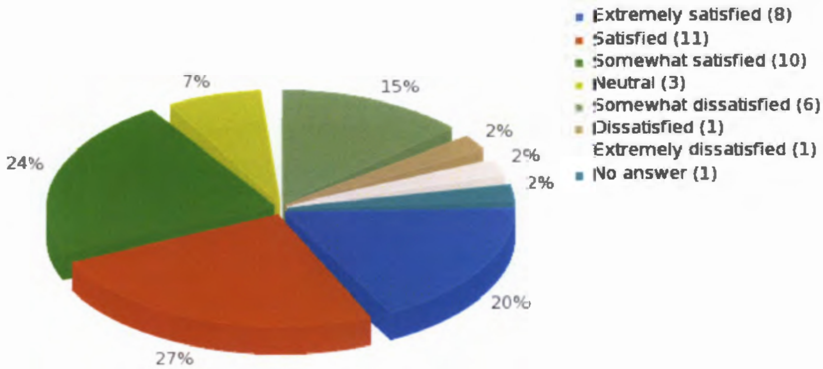
There were positive correlations between customer satisfaction ratings and the measures of service quality and value with the majority of IF Langley customers reporting that they were "extremely satisfied" with the equipment quality and maintenance, facility cleanliness, change room cleanliness and the welcoming nature of the facility and staff. These measures were even more prominent when combined with the "satisfied" responses.

Figure 19: Customer Satisfaction with Service Quality Measures



Customer satisfaction with the cost of the training was quite divided with ratings extending from extremely satisfied to extremely dissatisfied exposing a potential weakness for IF Langley. The majority of customers responded that they were satisfied with the cost of training, see figure 20. But in calculating the average of all responses, customer satisfaction with the cost of training was 5.125 out of 7 meaning that customers were, at best, somewhat satisfied.

Figure 20: Customer Satisfaction with Cost of Training

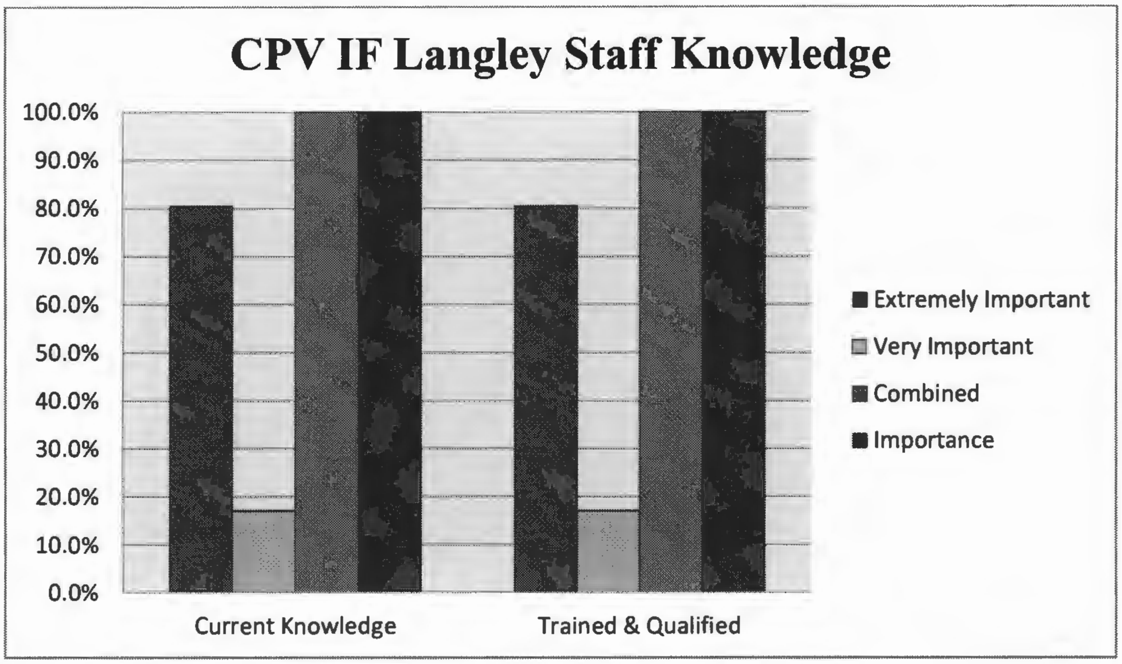


Although brand/reputation did not emerge as a predominant factor in choosing/using a fitness facility, customers seemed to respond positively to the IF brand with 56.1% of respondents reporting that they were extremely satisfied with the brand and a further 39.0% reporting that they were satisfied.

4.9 Customer Perceived Value IF Langley

Positive correlations again emerged in customer perceived value of IF Langley. Having knowledgeable fitness coaches that keep current in the field of health and fitness as well as coaches that were appropriately trained and qualified was rated as either extremely important or very important, see figure 21.

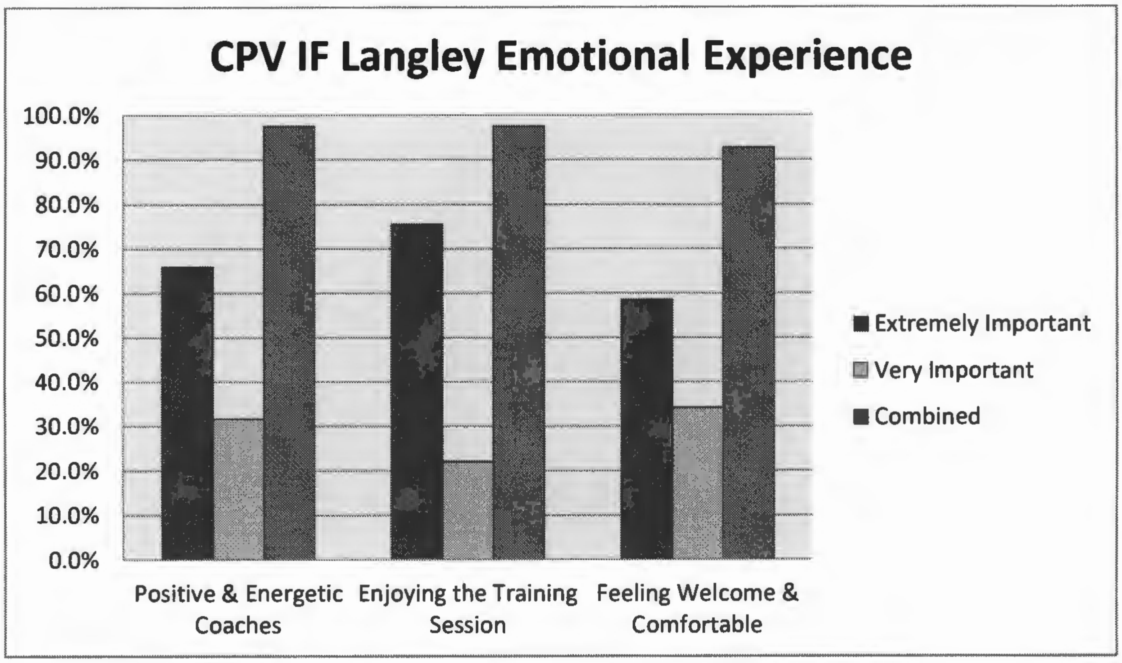
Figure 21: CPV IF Langley Staff Knowledge



Tangible physical environment factors such as the facility being visibly clean and organized was either extremely important (56.1%) or very important (36.6%) and the quality of the fitness equipment was rated as either extremely important (46.3%) or very important (36.6%).

The emotional experiences training at IF Langley was also positively correlated with the customers' perception of value. IF Langley customers reported that having training coaches that were positive, energetic and make the workout fun and rewarding, enjoying their training session and again the feeling of being welcome and comfortable at the facility resulted in high customer perceived value ratings, see figure 22. While the effect of other customers as a factor in determining value was not rated to be overly important to IF Langley customers with the need to relate to or with other customers reported as moderately important by 46.3% of respondents and that meeting new people by going to a fitness facility was slightly important (36.6%) or not important at all (34.2%).

Figure 22: CPV IF Langley Emotional Experience



Technical quality whether the fitness program leads to the expected benefits or not, (Alexandris, Zahariadis, Tsorbatzoudis & Grouios, 2008) also emerged as an important variable to customer perceived value with IF Langley customers reporting that being in better health and physical shape as a result of going to a fitness facility was either extremely important (78.1%) or very important (17.1%).

4.10 Customer Perceived Value & Customer Satisfaction - Focus Group Discussion

In looking for a fitness facility, IF Langley customers confirmed that they were looking for personalized service where an individualized plan was designed for each customer and changed regularly to ensure variety in exercises and that seeing progress in their health and fitness was also very important. In addition, they discussed how choosing to invest in personal training increased their motivation and sense of accountability to attend their training session and that confirming that the personal trainers were knowledgeable "experts" was also a significant factor in choosing a fitness facility as this was identified as a precursor in establishing trust with the training coaches.

When asked about their overall satisfaction and impression of the facility, IF Langley customers reported that they were highly satisfied with the personalized approach of the training, that the training is customized to the goals of the customer and that as the customer grows/progresses, their program grows with them challenging them to reach new fitness heights. IF Langley customers also indicated that they were highly satisfied with the exceptionally knowledgeable staff as well as with the physical environment of the facility being well organized, clean and welcoming. The reciprocal relationships between the training coaches and customers that grow where "they know me and I know them" also seemed to play a significant role in customer satisfaction and the development of complete trust whereby customers "feel 100% safe" in taking on a new challenge be it lifting more weight. And finally IF Langley customers reported that the service options available, like one on one training as well as group conditioning classes provided complementary benefits with the one on one focusing just on themselves and the group training providing occasion for sportsmanship and competitive "banter" with other facility customers.

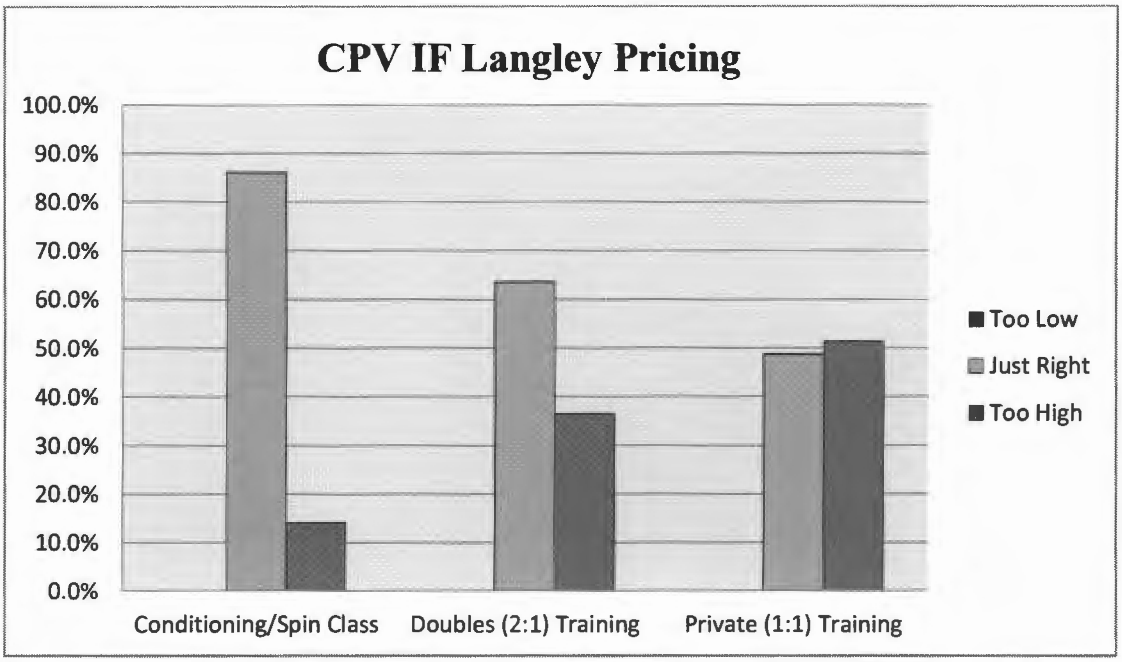
When asked what they value in IF Langley, customers discussed the fitness coaches' commitment to each customer. Coaches were described as "being there every step to the way" and that they focused on safety and injury prevention through exercise technique correction. Customers expressed their appreciation of knowing that when working through their exercise program that they were "doing it right" and that by "doing it right" physical fitness improvements were realized. Knowing that the training coaches and the facility principles were committed to life-long learning and continuous improvement was also identified as important to customers as they expressed benefitting from this learning and continuous improvement through the dynamic nature of their personalized program. And finally the facility principals, Paul and Guy, and their commitment to customers were also identified to be highly valued. Some customers, who have struggled to continue training at the facility due to the cost, expressed their feelings of commitment to the facility after IF Langley's willingness to support them during challenging financial times whereby communicating their reciprocal investment in customers and their recognition of the importance of lifetime customer value.

4.11 IF Langley Pricing

Langley seems to be a price sensitive community with its demographic spread of young families with children looking to stretch their dollars further and baby boomers and empty nesters just beginning to treat themselves to some luxury items.

The cost of the training sessions was identified as an important factor in the customers value assessment of the service with cost reported as either extremely important or very important by 92.7% of respondents. When the effect of cost was broken down into service options, the lower the cost of the service the higher the percentage of customers reporting that the training price was just right and therefore more closely matching their service expectations; for example the conditioning class (circuit/spin) $20 per session drop-in received the highest "just right" rating, followed by the doubles training price of $50 per session with one on one training, their core service, was almost equally divided between "just right" and "too high" ratings. There were no instances where the customers rated the cost of training as "too low," see figure 23. In focus group discussions, IF Langley customers indicated that the one on one training sessions were quite pricey. However these customers also felt that it was money well spent and that non-customers (potential customers) needed to "get over the price," that the benefits of the customized programming, knowledgeable staff, facility cleanliness, equipment quality and the principals reciprocal commitment to their customers far outweighed any sacrifices the customer may make in order to use their services. IF Langley pricing information is listed in appendix 5.

Figure 23: CPV IF Langley Pricing



4.12 Innovative Fitness Brand

When asked whether the IF brand matters, customers advised that the brand had no meaning to the typical Langley resident as the brand is relatively unknown. They stated that the brand is not actively advertised in the newspaper, television or radio and that unless you are a customer or a friend or family member of a customer, it is unlikely that you would know about IF ™ and what services it offers. Some customers expressed a difference amongst locations, that the IF brand had meaning in the adjacent municipality of South Surrey where being a customer of IF White Rock was valued by customers as a way of symbolizing their elite societal status. They also expressed a similar assumption of the West Vancouver location as being a status symbol. In comparison IF Langley customers advised that Langley residents are not very concerned with exuding their societal status, instead they described Langley residents to be very modest people. Given their modestly, IF Langley customers reported their reluctance to engage in word of mouth advertising of the facility because they did not want to create any social/status discomforts among their friends, families and colleagues as they feared that questions of price and affordability would inevitably arise.

Customers also discussed their perspective that the brand with its focus on private personal training sessions as their core business really restricted the services that the facility could offer to meet the needs and preferences of Langley customers. On a more positive note the participants were in total agreement that their relationships with the training coaches and principals were really the focal point of their commitment to the brand, rather than the brand itself. But after experiencing IF Langley, customers also expressed that knowing the IF brand now has some meaning to them and that the brand would be a factor in choosing a fitness facility should they find themselves re-locating elsewhere in Greater Vancouver.

4.13 SWOT Focus Group

IF Langley customers, training coaches and both principals participated in a discussion exercise to gain a broader understanding of the fitness facility market in Greater Vancouver. The industry was examined using Michael Porter's five-forces model, see appendix 2. Also included in this discussion was a SWOT analysis, see appendix 3, an overall evaluation of IF Langley's strengths, weaknesses, opportunities and threats.

The five-forces model confirmed that the fitness facility market in Greater Vancouver is highly competitive with lots of different types of fitness facilities and fitness services available in a wide range of price points. This results in high buyer power. In addition there is a high threat of substitutes with there being a wide range of substitutes available to consumers including home gym equipment and online training modules.

Participants identified that IF Langley had a wealth of strengths including their personal approach, welcoming feeling, polished appearance and knowledgeable trainers that results in visible fitness results for the customer. IF Langley weaknesses included the lack of brand awareness in the community, the cost of training, the lack of nutritional support and that they are selling something intangible that involves the customer having to earn their results through their own hard work. Nutritional support and extensive external marketing and advertising of the IF brand were identified by participants as opportunities. The demographic profile of Langley and the current slow and cautious economy were identified by participants as threats to IF Langley's success and future growth.

CHAPTER FIVE

5.0 Discussion

This study attempted to answer several questions which included:

1. What market-segment opportunities exist for IF Langley;
2. Whether the market-segment opportunities are different from the corporate locations;
3. What values are meaningful to IF Langley customers; and
4. How these values could be communicated to their target consumer through the IF brand.

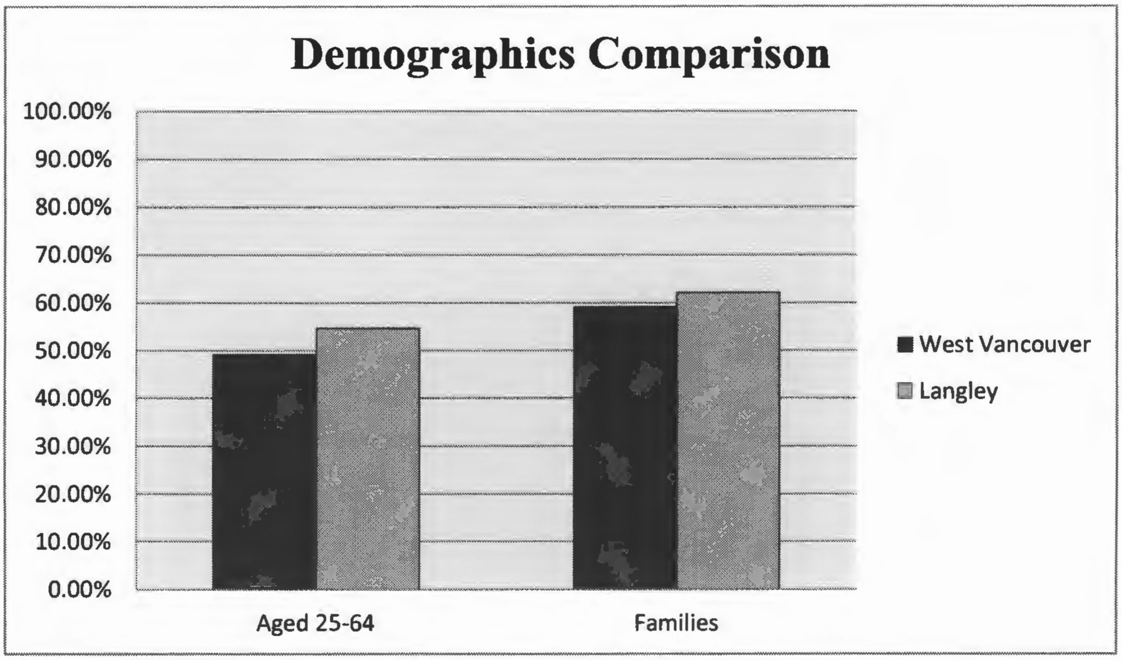
The results from the questionnaire along with discussions from the focus groups were used to compare customer satisfaction responses to service quality factors to determine where IF Langley communicates value to its customers and where further improvements could be made. Several trends emerged from the study.

5.1 Target-Market Opportunities

Socio-economic demographics between the corporate location of West Vancouver and the Langley franchise revealed both similarities and differences. Both locations were relatively similar in age demographics, aged 25-64, and the percentage of families, average number of children (1.8 vs. 1.8) and ethnicity (Caucasian), see figure 24.

Significant differences emerged in income with the average family income of West Vancouver ($180,434) more than double that of Langley ($88,900). In addition there were differences in education level with West Vancouver being more highly educated and Langley residents possessing more trades qualifications.

Figure 24: Demographics Comparison



The demographic data confirmed that for the most part IF Langley customer demographics was congruent with the IF franchise target of males and females aged 35-55 with an average income of $80,000^+$. IF Langley customers were predominately between the age of 35 – 54 and married or living with a partner. The majority of customers had no children at home. They had an income range of $40,000 to $180,000^+$ with 67.7% of customers reporting a household income $100,000^+$. In addition IF Langley customers had some university education and lead a physically active lifestyle.

Taking into consideration the time value of money which refers to the fact that a dollar today is worth more than a dollar promised at some time in the future (Ross, Westerfield, Jordan & Roberts, 2013), the researcher has calculated that the target average income requires updating to approximately $95,000. See appendix 6 for calculation variables used.

Therefore, it is recommended that IF Langley consider targeting the following market-segment: male and females aged 30 – 60 childless with some post-secondary education and a gross annual income of $100,000^{+}. If IF Langley wishes to include customers that have children at home then a gross annual income scale should be considered, based upon the number of dependents, to determine whether the potential customer matches their target-market criteria.

In addition with its location being on the municipal borders of Surrey and Langley and with a proportion of its customers from Surrey neighborhoods, IF Langley defined target market should include geographical factors to include both municipalities. See appendix 7 for a summary of the characteristics of the IF Langley target market.

5.2 Customer Perceived Value Fitness Industry

As the literature showed, a business that knows and understands its consumers and orients its business practices towards this knowledge the better the business is able to meet the needs of those customers and create a sustainable competitive advantage (Narver & Slater, 1990).

IF Langley's core service, individual or individualized training, was reported as being either extremely important or very important in choosing a fitness facility by 97.6% of respondents. Focus group discussion participants again confirmed that their primary reason for choosing IF Langley was that they were looking for personalized or customized fitness training services. Therefore, we can conclude that IF Langley is orienting delivery of their core service, personal training, individualized to the needs and desires of each customer thereby offering customers superior value and creating competitive advantage through their service programming.

5.3 Customer Perceived Value IF Langley

Two significant and consistent trends that emerged from the data were the importance of the quality of the training and staff knowledge. These same trends were also identified repeatedly throughout the focus group discussions. Additional measures of service quality and value that emerged included individualized nature of the training, staff punctuality, facility cleanliness including the change rooms and how welcoming the facility felt. However when IF Langley customers were asked to rate the quality of the training and staff knowledge, IF Langley's scores were lower than expected when compared to their rated importance.

With the differences in the ratings between what is important and what is delivered, it is assumed that there is a service gap. A service gap is defined as "the difference between customer's desired, expectations and their perceptions of the service quality" (Tsitskari, Tsiotras & Tsiotras, 2007). Several reasons for this service gap are speculated.

First, IF Langley customers are not homogenous as the demographic data has revealed. Because value is perceived subjectively, different customer segments perceive different values within the same product or service (Ulaga & Chacour, 2011). With differences in socio-economic variables as well as family life cycle there are different trade-offs between what the customer receives and what they give up in acquiring the service. These differences in trade-offs may account for this service gap.

Second, there are a variety of factors that customers consider when assessing service quality to expectations. This notion is supported through the literature in which several models are described including Brady and Cronin's multi-level model; Parasuraman, Zeithaml and Berry's findings of ten service quality dimensions and Chelladurai and Chang's nine dimensions that contribute to fitness service qualities. Because the customer sets the quality and value agenda not the business it is difficult to determine exactly which aspects of their service experience have greater impact in determining superior customer value. From the focus group discussions it is speculated that the following factors contributed to the service gap: training options available including master slot availability and nutritional counseling/support, credibility and responsiveness.

Current customers for the most part were satisfied with the training options available, e.g. private training, doubles training and conditioning class, however they were not entirely satisfied with the availability of the training sessions. Specifically, focus group participants indicated that they were dissatisfied with lengthy waitlists for highly desirable masters' time slots, particularly before work, after work and weekends. Therefore, it is recommended that IF Langley consider introducing split-shifts for training coaches whereby more masters' time slots are available at highly desirable times and that they pilot opening on Sundays.

Customers also indicated that exercise was only one part of their health and fitness investment and that expert nutritional coaching and programing was desired but not available. In particular, customers were looking for a one-stop-shop experience. It is speculated that not having expert nutritional coaching and programming available to enhance the personal training experience negatively impacts customers' perceived value, as their expectations are not being entirely satisfied. Therefore, it is recommended that IF Langley consider expanding their service programming to include professional nutritional coaching.

The credibility of the training coaches which is defined as their trustworthiness, believability and honesty (Weinstein & Johnson, 1999) was identified as an occasional source of dissatisfaction. Specific examples included training coaches not being completed focused on the customer during the training session and sometimes feeling as though the trainers were "insincere and putting on the IF smile." Any sense of dishonesty or interaction that leaves the customer feeling unimportant has the potential to significantly impact the building of relationships with customers and therefore negatively impact lifetime customer value. Therefore, it is recommended that the principals reinforce their expectations of training coaches' personal interactions with customers and that they communicate their commitment to service quality initiatives.

Overall responsiveness and access of the facility, the willingness and readiness to provide prompt service and ease of contact with service personnel (Weinstein & Johnson, 1999), was also identified as a frequent source of dissatisfaction. Focus groups customers identified that their training coaches are difficult to reach outside of their specific training sessions and that the best way of reaching a training coach is via email. However this is not the customers' preferred method of trying to reach their coach when on occasion they may be running late for their session or have to cancel last minute. Instead, customers advised that they preferred being able to speak with someone or at least know the frequency by which telephone messages and emails are checked so that they can be assured their message has been received and that they (customers) are not perceived to be uncourteous.

Currently there is no receptionist at IF Langley. Telephone calls and emails are answered based upon training coaches' availability throughout the day which would mean either at the start or end of their training day and in between sessions as time allows. Customers also noted that by not having a receptionist, training coaches may momentarily excuse themselves to attend to an unscheduled/walk-in customer thereby reducing the service experience during a training session. Customers further noted that by not having a receptionist especially at non-peak training times when the facility may be open but no one (customer with trainer) on the floor has the potential to negatively impact new customers' perception of the physical evidence of service including the loss of the welcoming feeling they value in IF Langley. Therefore, it is recommended that IF Langley consider implementing a reception role especially during non-peak times and that a telephone tree be implemented for "running late" and cancellation calls that also advises customers as to the frequency by which the messages are checked.

Although these factors are only an occasional source of dissatisfaction, their cumulative effect has the potential to negatively impact the customers service quality experience and therefore negatively impact the customers perceived value and ultimately IF Langley's customer lifetime value.

There was also much strength in IF Langley's delivery of service that resulted in positive customer perceived value including the managements' commitment to service quality, the physical environment including cleanliness, music volume and equipment and a feeling of comfort with both the staff and facility. Two additional strengths, security and trust, which were not included in the questionnaire, were identified during focus group discussions to be important factors in service quality.

Security, defined as the freedom from danger, risk or doubt, is an important factor in a fitness facility because engaging in physical exercise has inherent risks including the potential for injury, both musculoskeletal and cardiovascular. In light of these findings, further literature review pointed out that trust was a foundation upon which relational exchanges are built and that customer trust in the front line employee affected customer loyalty and therefore the development of long-term business relationships or lifetime customer value (Campbell, Nicholson & Kitchen, 2008). Focus group participants felt that the exceptional knowledge of IF Langley training coaches served as the foundation to their feelings of security. In addition, customers also recognized the principals' commitment to staff professional development as another demonstration of their commitment to customers in delivering exceptional service quality.

5.4 IF Langley Pricing

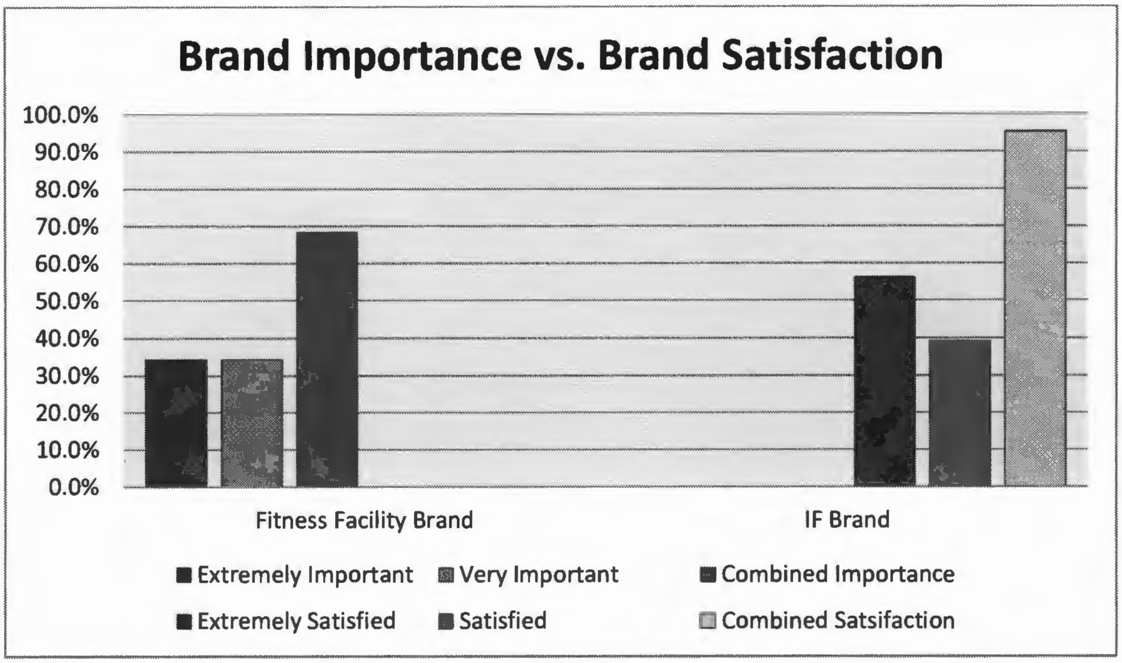
IF Langley customers appeared to be particularly price sensitive with satisfaction ratings ranging from either extreme, from extremely satisfied to extremely dissatisfied with the majority of customers responding that they were satisfied with the cost of training, see figures 17 and 23. But in calculating the average of all responses, customer satisfaction with the cost of training was 5.125 out of 7 meaning that customers were, at best, somewhat satisfied. In addition to this data, the focus group discussions revealed an interesting perceived difference in the psychological characteristics of Langley consumers, their modesty. Motivation for their modest ways appeared two-fold, first so as not to socially stigmatize friends and family that may not be able to afford IF Langley services and second as a protective mechanism from negative social stigma received when questioned as to why they would spend their hard-earned money on personal training.

The role of price in the customers' perception of value and the variable customer satisfaction rating on price cannot be positively or negatively correlated with any certainty due to the small sample size. But, it is still important to note that the relationship between price and service quality is extremely complex because value includes the dimensions of price and service received. Some literature has suggested that customers may place greater importance on the quality of a service than on the costs associated with its acquisition (Murray & Howat, 2002). Others have suggested that customers may be happy with the service provided (the core), how it is provided (the relational) and overall be satisfied with the service but in the end still not feel that they have received their money's worth (Murray & Howat, 2002).

5.5 Innovative Fitness Brand

This study revealed an interesting trend regarding the IF ™ brand. Questionnaire data revealed that brand played some importance in choosing a fitness facility although focus group customers advised that the IF ™ brand was relatively unknown in Langley. When asked to rate their satisfaction with the IF brand, customers responded more favorably with the majority of IF Langley customers reporting high levels of satisfaction with the brand, see figure 25. Based upon the data and the focus group discussions it is speculated that this brand appreciation and satisfaction is associated with the customers feeling of attachment to or affection for IF Langley's people and services and IF Langley's competencies in communicating value to their customers. Further literature review supported this assumption that service loyalty is more dependent on the development of interpersonal relationships as personal interaction form an essential element in the marketing of service (Campbell, Nicholson & Kitchen, 2008). In addition, customer loyalty was viewed as the strength of the relationship between a customer's relative attitudes towards an entity be it a brand, service or store (Campbell, Nicholson & Kitchen, 2008).

Figure 25: Brand Importance vs. Brand Satisfaction



5.6 Meaningful Values and the Innovative Fitness Brand

External, internal and interactive marketing activities of a business form the customer, employee and business brand perceptions (Brodie, Wittome & Brush, 2009). External marketing is the communication between the business and the customers, making promises about the service offer and includes building awareness of the brand name and logo creating a distinctive image and reputation about the service offer (Brodie, Wittome & Brush, 2009). Internal marketing is the creation of value through the supporting resources and processes which make and deliver service promises including the people working in the business (Brodie, Wittome & Brush, 2008). And finally, interactive marketing involves the interactions between the service providers and customers creating the service experience. If these experiences are positive and therefore aligned with the service promises, this leads to building customer trust (Brodie, Wittome & Brush, 2009).

This study revealed several values that are meaningful to IF Langley customers including the quality of the training, staff knowledge, and physical environment attributes such as cleanliness and equipment quality as well as the overall welcoming feeling of the facility and its staff. IF Langley customer satisfaction ratings in these areas support the conclusion that for the most part IF Langley communicates value to its target customer. In addition, the importance of security and trust emerged as important factors in customer perceived service quality and value. These values form the foundation of the IF brand with its standards for personalized service and a polished physical environment.

What remains a significant gap is external marketing of the IF brand. Customers confirmed that the IF brand, logo and reputation had no meaning for them until they "experienced" Innovative Fitness. They indicated that this likely true of Langley residents that the brand has no meaning and would not gain any meaning until they "experienced" IF Langley for themselves. They were also of the opinion that word-of-mouth advertising was ineffective in Langley because of the modest nature of its residents and that without active external marketing IF Langley would continue to experience difficulty in attracting new customers and therefore continue to experience slow customer and market growth.

CHAPTER SIX

6.0 Summary

This section presents a conclusion, implications of the study and recommendations for IF Langley as well as further studies.

6.1 Conclusion

This study aimed to determine the demographics of Langley, West Vancouver and IF Langley customers, compare the demographics of these three groups to determine similarities and differences and identify a target market for IF Langley. In addition, this study aimed to determine what service qualities were meaningful to IF Langley customers and thereby communicated value as well as how these values could be communicated through the IF brand.

The results showed that the market demographics of Langley were in keeping with the IF franchise target market definition and that although Langley was similar to West Vancouver in many socio-economic factors, their household income and education levels were significantly different. The study also confirmed that the socio-economic profile of the majority of IF Langley customers was congruent with the IF franchise target market definition. However psychographic characteristics of Langley residents and IF Langley customers were described as different. Langley residents were described as modest people, a characteristic speculated to be different in comparison to other IF locations where being an IF customer may be used to portray societal status.

Two main factors in choosing a fitness facility emerged as extremely important to customers, the quality of the training and staff knowledge. Several other factors also emerged as important when choosing a fitness facility including individualized training, staff punctuality, facility and change room cleanliness, welcoming feeling of facility and staff, equipment quality and maintenance and cost of the training. These were confirmed throughout the data to be the factors that define quality for IF Langley customers. This study also confirmed that for the most part IF Langley is meeting their customers' expectations which were measured using customer satisfaction data.

IF Langley customers appeared to be price sensitive. Customers were equally divided in their responses as to whether the price of a one on one training session was "just right" or "too high." The pricing of doubles sessions and conditioning classes seemed to be more congruent with customer expectations. However, IF Langley customers indicated that once a customer "gets past the cost" the benefits of the experience and training quality become evident.

The IF ™ brand was not identified as a prominent factor in choosing a fitness facility. However positive associations with the brand emerged as customers "experienced" IF Langley which they attributed to the quality of the training, staff knowledge, polished physical space appearance and welcoming feeling of the facility and staff. These brand resources and capabilities are congruent with what defines service quality and value to an IF Langley customer.

6.2 Implications of the Study

In this study, the researcher found both strengths and weaknesses in IF Langley's service quality. Many service strengths emerged which included the managements' commitment to service quality, the physical environment, security and trust. Service gaps also became apparent. Several reasons for these service gaps were speculated and included their non-homogenous customer demographics, waitlists for premium masters time slots, credibility of training coaches and the overall responsiveness and access of the facility. Therefore, IF Langley should continue to improve the service qualities determined to be most important to customers and communicate their commitment to customers through tangible evidence of improvement in service programming, credibility and responsiveness.

6.3 Limitations of the Study

This study is not without limitations which include but are not limited to the small sample size, the absence of customer value and satisfaction rating comparisons with another IF facility location, specific questions regarding service gaps including some exploration of whether customers were satisfied with and/or seeing the results of their training efforts and a possible misinterpretation of a survey question.

6.3.1 Sample Size

Although the questionnaire was sent to 296 individuals, the number of completed questionnaires was low. Of the 41 subjects, one was a new/potential customer, seven were past customers and 33 were current customers. Due to the low response rate, advanced level analysis of the data could not be completed to determine whether there were significant differences in the ratings of current customers versus past customers.

6.3.2 Target Market Demographic Difference (Corporate vs. Franchise)

Langley was compared to the socio-economic profile of West Vancouver, a community known across Canada for its affluence. While it was preferable to compare Langley to a less extreme comparative demographic profile such as the neighboring IF White Rock franchise located in South Surrey, this socio-economic data was not readily available and the researcher did not pursue the option of circulating the questionnaire to customers of the IF White Rock location.

6.3.3 Service Gaps

Although the quality of training and staff knowledge were identified to be most valued by customers in choosing a fitness facility, when IF Langley customers were asked to rate the quality of the training and staff knowledge the scores were lower than expected when compared to their rated importance. This difference was assumed to be due to a service gap, the reasons of which were speculated from the current customer focus group discussions. In addition, the study did not explore whether customers were satisfied with and/or seeing the results of their training efforts which is a significant factor in customer attrition in the fitness facility industry.

6.3.4 Interpretation of the Question

Although individualized training, a core service of IF Langley, emerged as an important quality in choosing a fitness facility, when IF Langley customers were asked to rate how satisfied they were with the training options available satisfaction levels were lower than anticipated. This may have been due to a limitation in the interpretation of the question that was intended to measure customer satisfaction of training customized to the individual needs and goals of the customer.

6.4 Recommendations for IF Langley

Based upon the literature review and the findings of this study, a marketing plan with recommendations for market segmentation (ideal customer), customer value (remarkable difference), customer satisfaction (quality service experience) and brand awareness (external marketing) are put forth for consideration. The detailed marketing plan is outlined in appendix 7.

In addition, IF Langley may also want to consider ongoing and regular review of customer satisfaction as a requisite for maintaining exceptional service quality.

6.5 Recommendations for Future Studies

6.5.1 Time Value of Money

IF franchise target demographics were established in 2006 and since that time there have been no updates that the researcher was aware of or had access to that factor in the time value of money. In recent years, there has also been a major global economic recession. The impact of the economic recession and its potential correlation with consumer price sensitivity and impact on the IF Langley franchise requires further research.

6.5.2 Defining Value of Service

Where value of service did not meet expectations has not been clearly determined, only speculated through qualitative information received from the focus group participants. Customers that did not rate the qualities and service experiences at IF Langley as extremely satisfied were not asked or required to further qualify reasons for a less than perfect rating (extremely satisfied). Further research to identify the real service gaps is needed.

6.5.3 The Role of Price

IF Langley customers appear to be price sensitive. The small sample size coupled with the variable customer satisfaction rating on price make the role of price in the customers' perception of value difficult to correlate, positively or negatively, with any certainty. Given the complex relationship between price and service quality, the potential reasons for price sensitivity in Langley needs further exploration.

6.5.4 Demographic Comparison

Langley, BC was identified by IF corporate to have appealing income demographics for a potential franchise location. Despite these favorable demographics IF Langley has experienced slow and at a times stagnant growth over the past three years. Although the past is the past, IF Langley may want to compare the demographic research provided by CB Richard Ellis (Innovative Fitness, 2006) when Langley was chosen as a franchise location with Langley's current demographic profile to identify similarities, differences and any socio-economic trends, both positive and negative.

6.5.5 Household Income Trends

While the demographic data confirmed that the average family income in Langley, BC was more than $80,000, a change or shift in the size of the target market may also be a factor of the slow growth of IF Langley. Therefore, further research is need to determine whether the proportion of households with an average income of $80{,}000^{+}$ has grown, remained the same or diminished over the past three years.

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APPENDIX 1

Survey Questions Methodology: Value, Quality & Customer Satisfaction

SERVQUAL KEY:

Tangibles (physical facilities & equipment)	(S-T)
Reliability (dependability & accuracy in provision of service)	(S-RL)
Responsiveness (willingness to help customers)	(S-RP)
Assurance (the knowledge & courtesy of employees)	(S-A)
Empathy	(S-E)

CHELLADURAI & CHANG KEY:

Service climate (routines & behaviors)	(C-SC)
Management commitment to service quality (conscious choice/commitment to quality)	(C-M)
Programming (designing core services)	(C-PR)
Personal interaction (willingness to help customer, prompt service, courtesy & honesty)	(C-PI)
Task interaction (providing the correct information)	(C-T)
Physical environment (esthetics, equipment, hygiene)	(C-PE)
Other clients (behaviors, language, dress)	(C-OC)
Service failure & recovery (apology, refund, additional service at no cost)	(C-SF)
Service quality (customer's overall impressions of inferiority/superiority of service)	(C-SQ)

<u>SURVEY QUESTION: **CUSTOMER VALUE**</u>

How important are each of these aspects of service to you?

1. Staff knowledge	(S-A)(S-RL)	(C-T)
2. Hours of service	(S-RL)(S-RP)	(C-SC)
3. Brand/reputation of the facility	(S-A)	(C-SC)
4. Facility location	(S-T)	(C-PE)
5. Parking availability	(S-T)	(C-PE)
6. Equipment quality & maintenance	(S-T)	(C-PE)
7. Facility cleanliness	(S-T)	(C-PE)
8. Change room cleanliness	(S-T)	(C-PE)
9. Shower facilities	(S-T)	(C-PE)(C-PR)
10. Towel service	(S-T)	(C-PE)(C-PR)
11. Facility layout	(S-T)	(C-PE)
12. General lighting (bright, natural light)	(S-T)	(C-PE)
13. Noise level/Music volume	(S-T)	(C-PE)
14. Water coolers	(S-T)	(C-PE)(C-PR)
15. Snack bar/Energy drinks	(S-T)	(C-PE)(C-PR)
16. Cost of training		(C-SQ)

17. Billing	(S-RL)	(C-T)
18. Quality of the training	(S-RL)	(C-T)
19. Individualized training	(S-RP)	(C-RP)
20. Training for destination events	(S-RP)	(C-T)(C-RP)
21. How welcoming the facility is	(S-A)(S-E)	(C-SC)(C-PI)
22. How welcoming the staff are	(S-A)(S-E)	(C-SC)(C-PI)
23. How punctual the staff are	(S-RL)	(C-PI)
24. How comfortable I feel around the other customers		(C-OC)
25. That the customers remind me of myself and/or my friends		(C-OC)
26. That what I wear to workout in does not feel like I am competing in a fashion show	(S-E)	(C-OC)
27. That the facility does not feel crowded	(S-T)	(C-PE)

SURVEY QUESTION: **CUSTOMER SATISFACTION**

Overall how satisfied are you with IF Langley's …?

1. Private training sessions	(S-RP)	(C-PR) (C-T)
2. Doubles training sessions	(S-RP)	(C-PR) (C-T)
3. Conditioning classes	(S-RP)	(C-PR) (C-T)
4. Spin classes	(S-RP)	(C-PR) (C-T)
5. Specialty classes	(S-RP)	(C-PR) (C-T)
6. Training options available	(S-RP)	(C-PR) (C-T)
7. Staff knowledge	(S-A) (S-RL)	(C-T)
8. Hours of operation	(S-RL) (S-RP)	(C-SC)
9. Facility location	(S-T)	(C-PE)
10. Brand/reputation of the facility	(S-A)	(C-SC)
11. Parking availability	(S-T)	(C-PE)
12. Equipment quality & maintenance	(S-T)	(C-PE)
13. Facility cleanliness	(S-T)	(C-PE)
14. Change room cleanliness	(S-T)	(C-PE)
15. Shower facilities	(S-T)	(C-PE) (C-PR)
16. Towel service	(S-T)	(C-PE) (C-PR)
17. Facility layout	(S-T)	(C-PE)
18. General lighting (bright, natural light)	(S-T)	(C-PE)
19. Noise level/Music volume	(S-T)	(C-PE)
20. Cost of the training		(C-SQ)
21. Quality of the training	(S-RL)	(C-T)
22. Destination training options	(S-RP)	(C-T) (C-RP)
23. Comfort in the facility	(S-A) (S-E)	(C-SC) (C-PI)
24. Welcoming nature of the facility & staff	(S-A) (S-E)	(C-SC) (C-PI)
25. Other customers		(C-OC)

SURVEY QUESTION: **LANGLEY VALUE & QUALITY**

It is important to me/for me that ...

1. IF Langley training sessions are offered at times that are convenient for my schedule
   (S-RL)(S-RP)(C-SC)
2. IF Langley shows a personal interest in me
   (S-E)(C-SC)(C-PI)
3. The coach's full attention be focused on me during my training session
   (S-E)(C-SC)(C-PI)
4. IF Langley takes initiative and is proactive in working with me towards my goals
   (S-RP)(C-SC)
5. IF Langley coaches are involved and seen in the community and at community events
   (C-SC)
6. I enjoy my training session
   (S-E)
7. The coaches are positive, energetic and make the workout fun, rewarding and enjoyable
   (S-E)(C-SC)(C-PI)
8. The coaches look healthy and seem to lead an active lifestyle
   (S-T)(C-PE)
9. I feel welcome and comfortable at the facility
   (S-A)(S-E)(C-SC)(C-PI)(C-OC)
10. I am able to relate to/with other customers in the fitness facility
    (C-OC)
11. To be welcomed by the coaches
    (S-A)(S-E)(C-SC)(C-PI)
12. Meeting new people by going to a fitness facility is important to me
    (C-OC)
13. A visibly clean and organized fitness facility is important to me
    (S-T)(C-PE)
14. The quality of the fitness equipment is important to me
    (S-T)(C-PE)
15. The availability of the fitness equipment is important to me
    (S-RP)(C-PE)
16. The fitness coaches by appropriately trained and qualified
    (S-RL)(C-T)
17. The fitness coaches be knowledgeable and current in the field of health and fitness
    (S-RL)(C-T)
18. The fitness coaches are connected to and/or can recommend other health and fitness professionals (e.g. physiotherapist, nutritionist etc.) to help me achieve my health and fitness goals
    (S-A)(C-PI)
19. Being in better health and physical shape as a result of going to a fitness facility is important to me
    (S-E)
20. The cost of the training sessions is important to me (C-SC)

APPENDIX 2

Porter's Five Forces Model

THE MARKET: GREATER VANCOUVER FITNESS FACILITY	
Types	**Services**
Big box: Gold's gym, Steve Nash, Club 16 Women's only: Curves, Ladies only CrossFit Community centers Independent gyms (mom & pop; owner operator) Mobile gyms, Fitness on the go 24 Hour facilities Personal trainers	Equipment Classes: Spin, yoga, pilates Swimming pool Tanning Pre-defined: specific to women CrossFit, Boot camp Childcare Snack bar

Threat of New Entrants MEDIUM	• Easy, no certification required to become a personal trainer • Cost of some equipment is low • Existing gyms for sale, 2nd highest business failure rates are gyms, 1st is restaurants • Marketing costs, advertising costs • Cost of getting certified • Leases, lease hold improvement costs • Brand recognition, brand value to community • Brand name of facility may matter, niche market
Buyer Power (Customer) HIGH	• Lots of options to choose from • With lots of options comes choices in level of service desired • Price linked to level of service • Dynamic customer concentration (fluctuates, coming & going) • Facilities come & go • Different image for women, strong vs. skinny • Aging population, quality of life considerations • Costs to change varies • Cancellation fees, contracts • Cost of new trainer, time loss, missed training goals, relationship development, injuries • Customer volume very important to Big box facilities • Trends, CrossFit • Premium service needs some volume of customers but not enough to compromise service • Home gym (depends on what the customer wants to gain out of it) • Supplements
Supplier Power (Fitness Facility)	• Other fitness suppliers • Nutritional supplements • Fitness equipment stores

LOW - MEDIUM	• Clothing, heart rate monitors, food • Training coaches, supply is concentrated, varying degrees • Education, qualifications, degree in kinesiology may not mean much • Experience of trainers • Cost for trainers, start-up costs, on-going training • Personality, appearance • Trainers setting up their own business, competitive, selling to the public via social media • Easy for trainers to sell themselves online • Very competitive • Cost of new trainer, keeping trainer turnover low • Loyalty of clients • Good coach can hustle increasing sales and hours • Providing food/supplements is a lost leader, e.g. Vega
Threat of Substitutes HIGH	• Home gym, PX90, u-tube, online coaching, home DVDs • Diet providers (Berstein, weight watchers) • Cost, location, comfort, crowds, other amenities • Lack of knowledge, risk of injury • Teen hangout, noise, kids • Equipment availability & quality, equipment familiarity • Cleanliness • Newest, latest trending, celebrity names (Club 16 – Linden) • "Train like …" • Atmosphere, sense of connection, social, friends & family
Degree of Rivalry HIGH	• High concentration of facilities • High growth potential • Easy to shut down a facility • Costly to close a facility • Buyouts, mergers • Facilities offering contract buyouts to attract customers of rivals
Complementors LOW - MEDIUM	• Events, charities • Sports teams, sports clubs • Physiotherapist, chiropractors, rehabilitation, insurance referrals • Destination events • Vega nutritional supplements • Pennisula runners (community partners) • Fitness town (equipment wholesaler for home-gyms; home equipment) • Area of opportunity to grow * • Add some value, nice to have, won't bring customers in

APPENDIX 3

SWOT ANALYSIS

	Strengths	Weaknesses
	• Sense of community • More welcoming • Personal approach • More engagement of personal lifestyle • Quality of trainers equals visible results • Functional and lifestyle training • Private 1:1 "my time" "my hour" "focused" • Cleanliness especially the change rooms • Extra programs • Educated trainers • "they listen to what I want" • Focus on customer wants • No guilt • Sense of caring • Help customers be accountable to themselves • Polished appearance • Professional service • Customers identify with IF • Internal brand keeps customers coming • Towel service • Hot water showers • Trainers connecting with clients • Trainers look healthy	• Cost • IF brand, weak in Langley • Some gaps in connection with community • Langley doesn't see/understand the value of IF • Selling customers something intangible that they have to earn through hard work • Return on investment is slow • Lack nutritional support • No personalized nutrition/diet planning • Prime time hours availability (lack of time/masters times available) • Ability to relate with trainers (age, gender)

Opportunities	• Nutrition support • Sales/marketing • Extended hours (Sunday) • More semi-private sessions • Past customers	• Provide nutrition education and meal planning • External marketing of IF brand & location • Continue to offer differentiating services (personal training, kettleball, functional movement assessment)	• External marketing of IF brand & location • Promote service differentiators (marketing plan) • Pilot split shifts to offer more prime time masters slots (before & after work) plus opening on Sundays • Provide nutrition education and meal planning (together with fitness, customer should see more visible results)
Threats	• Location • Economy (luxury service) • Lack of awareness • Client boredom • Potential of future competition • Demographics of Langley do not use to luxury service • Differing priorities, young families with children	• External marketing of IF brand & location • Attend community events, set up a booth to build awareness • Provide fitness warm-ups at community races & runs • Gear up IF customers for local races to advertise the brand and build awareness in the community • Promote service differentiators (marketing plan) & avoid references to "luxury" and "first-class"	• Consider relocating to a more affluent area of Langley (currently in a mixed industrial & thrift retail area) • Consider price adjustment (risk/benefit analysis of effects of price reduction & quality perception) • Attend community events, set up a booth to build awareness • Provide fitness warm-ups at community races & runs

APPENDIX 4

Interview Narrative: Current Customers Perceptions on Value & Quality

General Impressions of IF Langley: Why did you decide to check out IF Langley?

PROBES: What were you looking for in a fitness facility?
Tell me about your health and fitness level at the time?
Were you a past or current customer of another fitness facility?

Discussion:

<u>Looking for:</u>

- Expertise in fitness training
- Guidance in fitness and exercise training
- Personalized training
- Advanced fitness training
- Variety of training options; Mixing up of training programming
- Being accountable in achieving fitness goals
- Training plan designed for the individual's fitness goals
- Comfort and friendliness
- Mixing up of training options
- Modern location

<u>General Impressions:</u>

- Friendly
- Personalized service
- Greet by name (good for some; not for others)
- Not your typical training gym
- Equipment quality, but on first impression it does not look like there is enough
- Trainers are fit
- Holistic approach, determine individual baselines
- Private

Other information:

- Members at other gyms
- Looking for more personalized service
- Various levels of fitness
- Thought they were fit until they experienced IF Langley; whole new level of fitness; exercise technique matters; seeing results
- Comfortable, no-need to wear make-up, the session is about you

Demographic Characteristics of an IF Langley Customer:

Describe the personal characteristics of the average IF Langley customer? Personal characteristics include: age and stage in life-cycle, occupation and economic circumstances, personality and self-concepts, lifestyle and values

PROBES: What stage in life are IF Langley customers?
What are the typical economic circumstances of an IF Langley customer?
Does brand or societal status matter to the typical IF Langley customer?
Tell me about the activities and interests of the typical IF Langley customer?
Tell me about the personal characteristics of a typical Langley resident. Are they similar or different to what you just described and if different how so?

IF Langley customer

Generalizations:

- Members are committed to their health and fitness
- View membership as an investment, like an RRSP
- Membership is an economic commitment

Life Cycle:

- Age group varies, some young athletes, majority of customers 30-55 years of age
- Backgrounds of each member is variable, professional, blue collar

Economic Circumstances:

- Young families on a budget looking for value, for their finances to stretch further
- Empty nesters, baby boomers starting to treat themselves with some luxury items; spend this disposable income on "toys and goodies" rather than health and wellness

Brand:

- Brand doesn't really matter, its more about the trainers and the relationships that develop
- Find the brand limiting, limits the services that the facility offers
- Brand may have more meaning when re-locating to another community because you have experienced IF
- Customers are private modest people

Interests

- Langley residents have to commute for outdoor training experiences "Natural Surrounding" "North Shore"

Personal characteristics:

- Majority of population is Caucasian, although there is some ethnic groups emerging, more Asians versus South Asians. South Asian are more prominent in Surrey
- Neighborhoods like Brookswood and Fernridge are more "working class"; Walnut Grove has more disposable income although there are people from all walks of life in each neighbourhood
- IF Langley has an uphill battle; Langley is a large geographic area with lots of diversity
- IF Langley customers are fairly similar to the general Langley consumer

Value in a Fitness Facility: What do you value in a fitness facility?

PROBES: What services or qualities about a fitness facility are really important to you?
Tell me about your reasons for choosing a fitness facility

What do you value in IF Langley as a fitness facility?

PROBES: Tell me about the personal training coaches?
Tell me about the physical space of the facility
How could IF Langley be improved?

<u>Important Services & Qualities:</u>

- Expertise in fitness training
- Personalized training
- Advanced fitness training
- Variety of training options; Mixing up of training programming
- Training plan designed for the individual's fitness goals
- Comfort and friendliness
- Modern location
- Cleanliness

<u>Value in IF Langley:</u>

- Trainers commitment to each member; they are there with you every step of the way
- Focus on injury prevention, doing the exercise right "good technique"
- Trainers are always training/learning themselves; the benefit to customers is training programs that are dynamic rather than static
- Guy and Paul, in their willingness to support members during difficult financial times, feel that they are also investing in their customers
- Opportunity to join more classes and programs such as the "Rock Your Jeans Challenge"
- Every 4 weeks the program changes
- Program is customized to the customers goals
- Training options include personal training for one on one time, and Saturday conditioning group class for group "banter"

- Activities and events outside the facility such as hiking day trips or longer trips and destinations
- Potential customers have to get past the dollar

IF Langley Improvements:

- Having fruit and protein shakes available
- Trainers that are in the same age group as members, e.g. women in their 40s as a trainer
- Open on Sundays, different hours of operation
- Cleanliness of bathrooms and floors, on occasion have noticed some quality deterioration

Communicating Value: How can IF Langley best communicate these values?

PROBES: What services does IF Langley provide that are really important to you?
What qualities does IF Langley demonstrate that are really important to you?
Tell me about the general reception/welcoming of the facility
Tell me your reasons for recommending IF Langley to others
Tell me about your experiences when expressing your lack of satisfaction
How could IF Langley be improved?

Important Services & Qualities:

- Customized, personalized programming and services
- Experienced and expert trainers
- Program grows with "you" the customer as the customers fitness level grows
- Progression in fitness level is monitored through testing
- Trainers updating themselves; investing in their continuing education
- Facility is not a "trend" follower
- Not a high pressure sales pitch
- Customers do not feel judged, feel comfortable, no make-up needed

How Do You Feel When at IF:

- They know me and I know them
- Reciprocal relationships
- Engagement outside of the facility on personal time, e.g. bike rides, hikes
- Feel complete trust when here
- Feel safe to prevent injury or exacerbate injury
- Supportive in your fitness experience but still "push" you to achieve
- Feel like I belong

Recommending IF Langley:

- People are modest, less word of mouth advertising
- Recommend advertising more
- Location should be re-evaluated

Areas of Dissatisfaction:

- Waiting for time slots
- Nutrition support, expertise on nutrition
- Food and nutrition information on the website
- Sometimes trainers are not paying attention
- Sometimes trainers are not sincere, put on an "IF smile"
- Hard to reach, phone call are not answered in a timely manner, e.g. running late
- Without front desk reception, trainers "juggle" the front-end at the expense of the client on the floor, also first-time or new customers may feel uncomfortable on arrival with no one at the front to help guide them

Reasons to Leave IF Langley:

- Increase in price
- Services changed, no longer offering smaller classes
- Quality of trainers went down
- Trainers were not paying attention
- If Paul and Guy quit
- Poor time slot; inconvenient time slots
- Model of services changed to predominantly classes or groups
- Equipment being used by a drop-in (no trainer) customer and is not available to the "paying" customer when needed for his/her training session

- If the facility became really busy, would have to see the actual impact

General Comments on Closing:

- Continue doing what they are doing
- Improve marketing to get more affluent Langley residents
- Increase brand awareness, major challenge
- Not salesmen but need to be "so we don't lose our gym"
- Advertise in the correct market niche, e.g. Langley times newspaper, at fitness events as warm-up demonstrators
- Give customers IF t-shirts to wear at events
- Be visible in the community

APPENDIX 5

IF Langley Pricing

Innovative Package Prices

Prices do not include tax

Single Session Packages

	1x/week	2x/week	3x/week	4x/week
Monthly Packages	$320.00	$600.00	$840.00	$1040.00
Rate / Session	$80.00	$75.00	$70.00	$65.00
3 Month - 5% discount	$912.00	$1,710.10	$2394.00	$2,964.00
Amount of discount	$48.00	$89.90	$126.00	$156.00
Discounted Rate / Session	$76.00	$71.25	$66.50	$61.75
6 Month - 10% discount	$1,728.00	$3,240.00	$4,536.00	$5,616.00
Amount of discount	$192.00	$360.00	$504.00	$624.00
Discounted Rate / Session	$72.00	$67.50	$63.00	$58.50

Double Session Packages

	1x/week	2x/week	3x/week	4x/week
Monthly Packages	$200.00	$378.00	$540.00	$684.00
Rate / Session	$50.00	$47.25	$45.00	$42.75
3 Month - 5% discount	$570.00	$1,077.30	$1,539.00	$1,949.40
Amount of discount	$30.00	$56.70	$81.00	$102.60
Discount Rate / Session	$47.50	$44.89	$42.75	$40.61
6 Month - 10% discount	$1,080.00	$2041.20	$2,898.00	$3,693.60
Amount of discount	$120.00	$226.80	$342.00	$410.40
Discount Rate / Session	$45.00	$42.53	$40.50	$38.48

**Doubles rates are per person*

APPENDIX 6

Time Value of Money

Calculation:

Present Value (2006) $80,000

Inflation (estimated) 2% Years (2006-2014) 8

Future Value (2014) $93,733

APPENDIX 7

INNOVATIVE FITNESS®

Langley

Marketing Plan 2014

Ideal Client

The ideal client for IF Langley is a 30-60 year old resident of the Surrey or Langley area, or working within the vicinity of the facility. These clients are looking for one on one personal training, provided by knowledgeable fitness professionals, customized to their personal health and fitness goals.

Target Market Description

The characteristics of the IF Langley target market are:

- 30 – 60 years old
- At least $100,000 per year personal income
- Professional/trades occupation
- Lives or works within Surrey or Langley
- Looking for personal training customized to their health and fitness goals
- Requires knowledgeable training coaches
- Sees health and fitness as a personal investment

Remarkable Difference

The remarkable difference of IF Langley is in its commitment to its clients. Knowledgeable training coaches deliver the industry's highest level of training personalized to reach the client's health and fitness goals. With its welcoming atmosphere, quality equipment and fresh clean appearance, clients feel comfortable, supported, motivated and challenged to reach their fitness goals. The core message of IF Langley is Challenge, Adversity, and Victory which emphasizes the remarkable difference in achieving visible results.

Differentiators

The services of IF Langley are not unique from all other fitness facilities in the area. However, IF Langley delivers customized training programs designed with the client's health and fitness goals in mind.

IF Langley features:

- Personal training, either single or doubles sessions
- Conditioning classes, spin classes and specialty classes, e.g. kettleball
- Professional and knowledgeable training coaches
- Quality training programs customized to the clients fitness goals
- Quality well-maintained equipment
- Welcoming atmosphere
- Bright, organized, fresh and clean facility
- Well-appointed change rooms with complementary amenities

Quality Service Experience

The service experience of IF Langley is consistently examined both proactively and reactively. Customers are asked to provide regular and ongoing feedback on their experiences with the facility and staff and levels of satisfaction.

Customer satisfaction checks should include review of the following:

- Quality of the training
- Staff knowledge
- Facility cleanliness including change rooms
- Atmosphere (welcoming, comfort, safety)
- Responsiveness
- Fitness results
- Service gaps, if any

External Marketing

Innovative Fitness relies on word-of-mouth advertising to promote its brand and services. Langley is a modest community which makes word-of-mouth advertising ineffective. Currently the Innovative Fitness brand has no identity or meaning to Langley consumers until they "experience" IF Langley.

External Marketing Materials

Marketing materials for IF Langley should include:

- Search engine results for "Langley Fitness Centres/Facilities" that place IF Langley at the top of the list
- Downloadable brochure, specific to IF Langley
- Local newspaper advertising
- Flyer distribution to local area businesses and residents
- Visibility at local events, e.g. races, rodeo, equestrian etc.
- IF gear for customers to wear at fitness events, e.g. races
- Local press about the business & its services