

**SNAP – A BUSINESS CASE**

HARLANDS GROUP

Snap in simple is a means of acquiring new members on line. Until now new members have all joined on Club premises, with web sites being used to offer prospects a flavour of the Club and at best to gather information or book an appointment. The following report looks at the potential for growth in our market, the growth in UK Online shopping and why our Industry isn't immune to such purchasing habits.

ENCOURAGING GROWTH IN OUR INDUSTRY

The following information is extracted from the annual state of the industry report issued in August 2005 by the FIA and Leisure Database Company.

The annual state of UK Fitness Industry report shows that club membership continues to rise and has grown by 25% since 2002, with last year up 8% to over 7 million members across both public and private sectors. Despite the ongoing rise in obesity levels, the nation is now more active than ever. Over 11% of the population are now members of a private club or registered users of a leisure center gym in the UK, compared with just 8.9% in 2002. Predictions are suggesting this penetration could reach 13.5%, by 2007.

There are operators who have had considerable difficulties over the previous 12 months but on aggregate the market shows growth and potential. Clubs overall are performing better with average club membership increasing from 1,642 in 2002 to 1,843 in 2004.

“With a third of the population currently exercising, and the same again believed to be either unsuitable or not interested, the remaining third – those that do not but would exercise – leaves the health and fitness Industry with a great opportunity for future expansion”. Andree Deane, communications director FIA.

One of the challenges we are facing is therefore how to encourage the third not currently exercising into our clubs and also how to more effectively help those who have lapsed get back into Clubs more easily. Furthermore, HASBOS report, Leisure Net 2005, indicated that 18% of the population have been a member of a club and would consider returning.

A CHANGE IN SALES CULTURE

Sales in the UK health and fitness Industry has been heavily influenced by US consultants introducing techniques effective throughout the rapid growth in the Industry during the late 80's and 90's. Doug Miller (now Director of IHRSA Europe) trained Rachael Browse who despite making her own mark has trained many independent clubs, local authorities and chains such as La Fitness, David Lloyd and Livingwell. Suzanne Ruzika out of the Brenda Abdullah School has had a major influence on many Independents whilst also training Holmes Place, Virgin and Fitness First.

Only two names but what influence and also an indication of how a philosophy can dominate once set in motion. These techniques have been fine-tuned twisted and turned and subjected too new technology, however, they still follow a common path.



There are very few clubs that don't base their sales on getting the prospect into the Club, on the assumption that this is a basic requirement. Repeatedly we would hear that the most difficult thing about joining a club is coming through the door. We are also so used to believing that all memberships must be sold and forget how many people do want to join our clubs and don't need to be sold the concept just presented with the opportunity. Clearly this basic assumption cannot be correct. Of course many have felt it necessary to visit their chosen club before joining but just as other Industries find a move to online shopping why shouldn't ours. Before addressing how and why members will come into our clubs having joined on line, let's firstly take a look at the growth in UK on line shopping.

THE GROWTH IN UK ONLINE SHOPPING – extracts from BBC NEWS January 2006.

Internet shopping among UK consumers soared almost 50% in the 10 weeks before Christmas, a report has found. Shoppers spent £4.98bn online during the period; compared with £3.3bn for the same time a year earlier, according to e-commerce trade body IMRG.

For 2005 as a whole, it calculated that spending over the Internet in the UK totaled £19.2bn, 32% more than 2004. Overall retail sales rose by 4% in December compared to the same month in 2004, official figures have shown. The figure from the Office for National Statistics was in line with expectations.

IMRG managing director Jo Tucker said the 50% growth in online sales represented a "step change in retailing at Christmas".

Retail landscape

Some 24 million UK consumers shopped online in 2005, spending on average £816 each during the year and £208 in the run-up to Christmas.

Pre-Christmas Internet sales peaked in the week beginning 5 December, when £653m was spent online.

IMRG now forecasts that e-commerce will grow by 36% in 2006, with sales worth £26bn.

"There can no longer be any doubt that the Internet is a major part of the retail landscape, and that it will dominate the retail agenda for the next several years," said Ms Tucker. Mixed High Street



The boom in online shopping comes as the traditional High Street had a mixed experience over the Christmas period last year.

While many companies, such as Marks & Spencer and Tesco, enjoyed excellent sales, others such as Next, Body Shop and HMV had a tough time.

HMV and fellow music retailer MVC have also complained about the impact of online sales on their businesses.



IMRG chief executive James Roper said it was time for High Street retailers to make all their product ranges available online, and not just a limited number of items. Of those retailers that have embraced the internet, Tesco said a record one million customers bought through its website in November and December, while department store John Lewis recorded online and catalogue sales of more than £100m in 2005.

"Over the last seven years attitudes towards online shopping have gone through a seismic shift," said Richard Lloyd-Owen, head of consumer business at accountants Deloitte.

"Once labelled as the best way to get good bargains and cheaper goods, shoppers now flock to the web for different reasons."

Isn't it time that the UK health and fitness Industry felt the benefit of online sales. There is also a frightening message buried in this report that has implications for any that don't begin to buy into e commerce. Despite the increasing levels of debt in this country, now over a trillion pounds, the average consumer only has so much disposable income and for many, particularly the current non exercisers we are attempting to attract, we need to be aware that they are being encouraged to spend their hard earned cash online in the comfort and convenience of their homes. If we don't sell our wears online then we are in danger of falling down the pecking order of spending habits.

WHO? WHY? AND WHEN?

Once we accept that there is a market, we need to address what are likely to be our immediate targets. There is little doubt that the convenience of sitting at home and joining the club or joining during your lunch hour from your desk at work will result in sales. Attracting those who have never visited the club or have any current connection will be a major challenge but here are some of the more obvious and immediate opportunities:

Expired and lapsed members – these past members know what to expect and don't need to visit your club to have a look around. A large percentage of your expired members will return (up to 20% Leisure-net research for SIBEC 2005), what better way then to simply let them join online. This could be even more valuable to the large chains where members whom have relocated and allow their membership to lapse would join a local club knowing brand standards and what to expect.

**Prospects your sales staff didn't close**

Even the best of your sales staff will have prospects that get away. Many lost sales are genuinely those who want to have a look at other clubs or discuss with partners. You can try the relevant closing techniques but they still get away. However, allowing them to join online means not having to re-visit the club when they do finally make up their mind. Many lost prospects don't return because the moment is lost or they end up busy at work, however, the convenience and immediacy of the internet can turn this previously lost prospect into a sale.

HARLANDS GROUP

24 Hour Sales – obviously one of the key benefits of online sales is the ability for your member to join at any time irrespective of your club opening hours.

Referral – many new members join your club because they have friends or family who are members. These are often the simplest of sales. The prospect isn't going to go anywhere else since they want to be with friends. Consequently, why not make it even easier for them and allow them to join online.

Gifts – Valentines Day, Mother Day, Fathers Day, Christmas and Birthdays are all sales opportunities. Yet we make it difficult for members to buy memberships for friends. A simple online sign up would be so much easier.

Overweight and intimidated – this could be the biggest opportunity of them all. If the most difficult thing about joining a club is getting through the door, then let them join before they come through the door! It's essential that we take away any barriers including the embarrassment of walking in and asking for the tour, when in the eyes of the prospect this maybe isn't for them. A 19-year-old 7 stone sales advisor, raising doubts again in the prospects mind about how they will fit in, could well be keeping away potential members. However, if this member could join online having been supplied sufficient information then to walk through the door, as a member would be so much easier.

Leisure Centers – maybe an even greater opportunity. Many leisure centers have footfall which is the envy of the private sector but they are notoriously poor at converting traffic into sales. Even by there own admission Local Authorities struggle with employing staff and supporting them with a commissions structure to drive sales. Yet this is very often the easiest sales environment. Passing trade is enormous from associated activities in the facility. The local community will all be aware of the facility, car parking will be in abundance and charges are generally very competitive. Therefore you have a vast source of prospective members, whom are familiar with the facility, it's location, potentially want join, have seen the fitness suite and have the cash. However, no one has ever asked them if they want to join. What better opportunity than to capture these members by giving them the opportunity to join on line.



Conversion of Pay and Play Members to Full Memberships

Many Leisure Centre have a vast number of pay and play customers whom they would rather being receiving a regular direct debit. Using some simple marketing techniques such as flyers handed out by reception, direct mail, e mail or banners etc. you can make these customers aware f the potential savings by converting to a direct debit. These customers don't need to see a member of staff to upgrade they simply need a means to do so at their convenience and hence why Snap is ideal.

Those on Trials

Many clubs have extensive data bases of members who have been on trials. Using e mail marketing with a link to your web site it is both extremely cost effective and efficient to use Snap to convert these past users to members without them ever coming back into the club until they are ready to get started again.

There are obviously a number of very clear opportunities and I'm sure with a little imagination all clubs can create attractive marketing campaigns offering beneficial rates to those joining online. One of the major reasons for the growth in online shopping is the savings that can be made. There is no reason why we shouldn't offer similar savings. If we are able to reduce costs by selling online then we must do so. As stated earlier, online ability to sign up also means that the prospect isn't limited to your opening hours and the availability of a sales advisor and this could also have massive implications for the pre-sell of any club.

CHANGE YOUR MARKETING

To encourage the joining of members online may require some improvement in marketing using e mail and Internet. Here are just a few suggestions;

- Gather e-mail from all members and prospects.
- Use e news to communicate regularly and cheaply to all members and prospects.
- Create links back to your web site from e news.
- Use viral marketing e-mail campaigns to encourage members to pass e-mail addresses of family and friends.
- Communicate to expired and lapsed members regularly by e mail with links back to your web site.
- Re-design your web site to ensure the online sign up capability is prominent.
- Use banners to promote the online sign up ability.
- Consider virtual tours on your web site.
- Pre-sell clubs using online sign up.
- Get your web site into as many associate sites as possible.
- **Appoint help to effectively e market your web site.**

4/26/2007

PRIVATE & CONFIDENTIAL
HARLANDS GROUP



POTENTIAL NEW REVENUE

HARLANDS GROUP

The benefits of Snap and how it can improve on your marketing and sales have been demonstrated and I believe the benefits to any company will be significant. Below is a simple table showing the growth in income generated from modest increases in sales as Snap takes effect.

Projected Snap Revenue

Year 1														
	MI	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Total	
New members		2	4	6	8	10	12	14	16	18	20	20	20	
Monthly value		25	25	25	25	25	25	25	25	25	25	25	25	
Gross New Revenue		50	100	150	200	250	300	350	400	450	500	500	500	
Cumulative Gross Revenue		50	150	300	500	750	1050	1400	1800	2250	2750	3250	3750	1800
Year 2														
	MI	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Total	
New members		20	20	20	20	20	20	20	20	20	20	20	20	
Monthly value		25	25	25	25	25	25	25	25	25	25	25	25	
Gross New Revenue		500	500	500	500	500	500	500	500	500	500	500	500	
Cumulative Gross Revenue		4250	4750	5250	5750	6250	6750	7250	7750	8250	8750	9250	9750	8400

Although not all sites would achieve these sales figures in addition to normal sales many will and potentially more. Sites with current membership levels over 1000 could certainly achieve the above.

Using the marketing knowledge now within the company integration into the web site and inclusion of web address on all central marketing will be simple. You will also soon be able to generate e news and general e mail marketing to all members and prospects further increasing the opportunities and very low cost.

4/26/2007

PRIVATE & CONFIDENTIAL
HARLANDS GROUP

MARKETING

HARLANDS GROUP



We would be very happy to get involved in assisting both centrally and at a site level to ensure that sites are utilizing the capability of Snap to drive sales. We are also obviously able to monitor the sales at each site and can work specifically with any sites that appear to be struggling to generate sales.

CHARGES

Cost per site to create each individual portal
(this site can then be used also by the club / centre). £250

Year 1 Monthly hosting charge per site £25

In effect this means that only one sale per year of a 1 month agreement at a value of £25 will pay for the system for 12 months.

IMPROVING YOUR COMPETITIVENESS

We are rolling out SNAP and online membership sales at some pace since the launch at LIW, however, you are unlikely to see any of your immediate competitors in each town with this system since, Harlands Group are the only company offering this technology to the market. Therefore you will have a significant advantage until the others catch you up.