

# **ANALYZING WHETHER TO RELOCATE A SERVICE FRANCHISE**

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## **UNDERSTANDING A HIGH END CLIENTELE**

**TSATSATZU**  
**BOSTON, MA USA**  
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## THE CLIENT

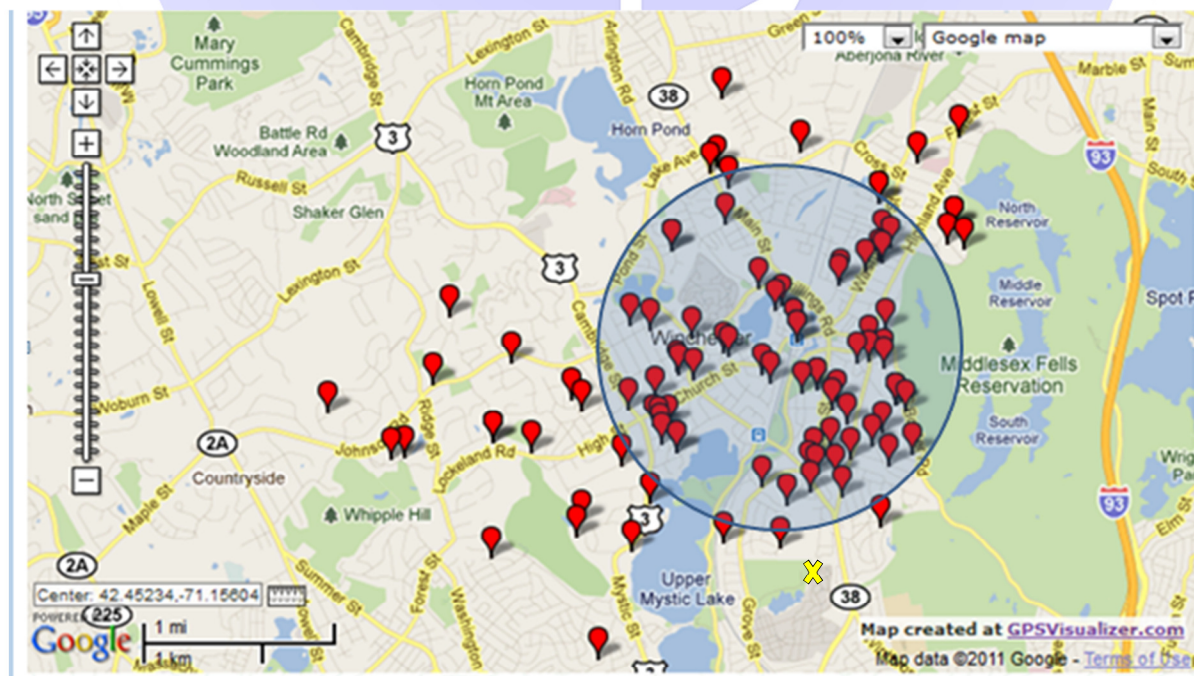
In early summer of 2011, the management of a medium-sized fitness center engaged TsaTsaTzu to focus on issues of marketing: client capture, client retention, and upselling of services. We recommended employing mobile adware and Google Analytics to deliver timelier, targeted marketing to local area clients and potential clients. The goals included increasing utilization, eliminating unused service sessions and boosting walk-in traffic by compensating for the center's lack of commercial frontage. These recommendations are found in the document entitled Strategic Plan – Recommendations for a Personal Fitness Center.

During the initial process, the principals mentioned that they were considering moving their franchise from a central location in downtown Winchester, Massachusetts to a new location two miles north of the city center. The new location offered more space, lower rent and better frontage. Such a space would better support the business, which operated on a fee-for-services-rendered model. The owners considered the move to be an excellent opportunity to save money and add services.

As part of the ongoing consulting work with the fitness center, we were asked to do an assessment of how the move could impact the business from a revenue, cash flow and client perspective. We conducted client interviews and made use of business records going back three years to understand what drives service utilization and client retention. The following paragraphs describe our technique and conclusions.

## THE INITIAL ANALYSIS

Our first step was to interview several current and former clients of the fitness center as well as other competing fitness centers. We asked about the clients' expectations, motivation, and client experience. With several hypotheses in mind, we then analyzed data from the fitness center's current client roster

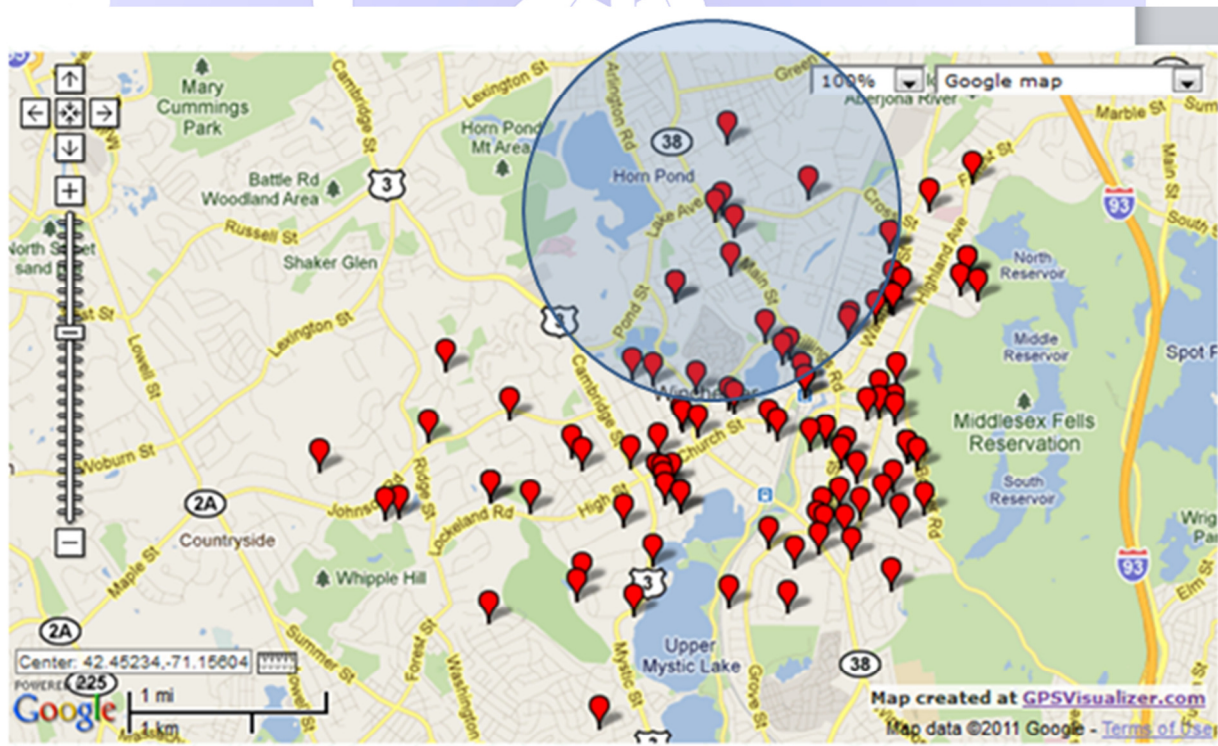


to create the map shown. The clients' home addresses are plotted in red. The blue circle is centered on the existing fitness center location and has a one mile radius.

From the client interviews, we had hypothesized how important location is to the fitness center's clientele. Being close to the center inspires clients to use services, i.e. "Proximity drives utilization." The map appeared to support this idea.

Specifically, we noted that the majority of active clients (68%) live within a one mile radius. These clients live in the [wealthiest areas](#) of Winchester, i.e. the "Flats" and the Fells proper, where roughly half of the households report incomes of greater than \$150,000/year. (Reported disposable income is also at the highest level.) If we expand the circle's radius an additional half mile to 1.5 miles, the area within includes 90% of current clients.

As a point of contrast, our consultancy plotted the same size (1 mile radius) circle around the proposed new location of the fitness center. The households within this radius typically have [lower incomes](#) than those which surround the original location, i.e. in the Flats or the Fells proper,. For example, the percentage of households in the new location which report incomes of greater than \$150,000 per year drops to roughly 10%, down from 50%. In addition fewer than one fifth of currently active clients live within a mile of the new location. That fraction rises to one third if the radius is expanded one half mile to 1.5 miles.



What this analysis suggested is that the business would be moving to a location with a much shallower pool of potential clientele. The relocation could also create barriers to service utilization for existing clients, who would have to travel a longer distance roundtrip several times a week.

With this knowledge in hand we posed the following questions to the fitness center's principals:

### Questions

- *How important is proximity to a service location that clients typically visit several times a week?*
- *How loyal would current clients be if the service location moved; i.e., are their relationships with service providers strong enough to retain their business?*
- *Does the calculus change if purchased services have an expiration date?*
- *What strategies could be employed to maintain current client loyalty and service usage?*
- *What lower cost services could the fitness center provide to gain and maintain new clientele? For example, are options such as group classes, off-peak sessions, flash service sales, etc. likely to make up for any losses due to attrition?*

In effect, the new location would require strategies to help retain active clients whose households lie outside the one mile radius, to maintain current revenues from existing services. It would also benefit from promoting lower cost services to residents within the critical one to one-and-a-half mile zone, who may not have the funds to purchase existing services.

### NEXT STEPS

To help the principals quantify the effects of the potential move, we put together a series of spreadsheets with the assumptions made clear. We then walked them through the conditions that would be necessary to maintain their clientele or to compensate for client defection to other service providers. We discussed marketing and pricing options as well as modifications to the à la carte services currently being provided.

The management chose not to make the move.