



MINDBODY WHITE PAPER

Fitness Studio Pricing: Determining the Right Value for Retention

Think back to the last time price influenced a purchase you made. Most likely, price impacts many of your buying decisions. And at one point or another, you've probably been persuaded to make a more expensive purchase because the price tag conveyed better value or quality. Price often influences perception—and when it comes to your fitness studio's pricing structure, it's important to create a perception that encourages retention.

Consumers care about price as well as quality—and by setting your price point too low, you run the risk of damaging customers' perception of the value your studio offers. By setting it too high, you risk losing customers to the next-best-priced competitor.

Regardless of whether your goal is to attract new customers or to encourage existing ones to visit more often, it's important to find your pricing sweet spot. While your fitness studio likely serves a wide range of clients—from first-timers to loyal regulars—your pricing should always promote retention. But how do you know if your pricing structure is accomplishing this goal? Keeping your finger on the pulse of your competition's pricing certainly helps, but be mindful not to carbon copy. There's a wide variety of fitness studios—from yoga to spin to martial arts and beyond—and your pricing should make sense for *your* business and *your* customers.

This guide explores several factors to consider as you develop your pricing structure, or review your existing one—so you can create lasting relationships that keep your customers coming back.

01 The Inverted Pyramid of Pricing

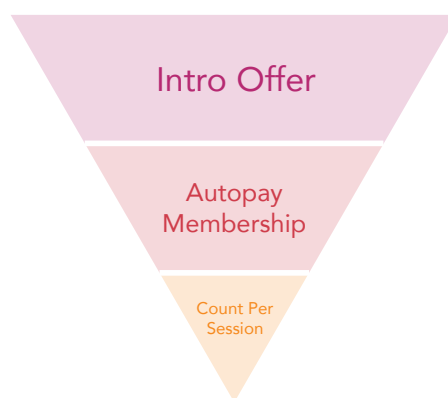
Think about your pricing structure from a customer's perspective; it's reassuring to know there are options to choose from. Studies show that giving customers too many options (often referred to as the "tyranny of choice") can actually lead to fewer sales.¹ The ideal number of options typically falls between three and seven.

Consider starting with an inverted pyramid pricing model, which features three distinct pricing categories, from lowest to highest price:

Intro Offer

Winning over new customers is the first step on the road to retention. Remove the cost barrier to entry by allowing first-timers to try your studio for less in the form of an intro offer—approximately 50 percent less than your next pricing option. Many fitness studios also offer a free or half-price first class as part of their intro offer package. For example, if you usually charge \$100 for a month of unlimited yoga classes, consider offering this same package to new members for \$50.

The goal of the intro offer is to entice new clients, giving you the opportunity to make an outstanding first impression and convert them into returning customers at a higher price point. With the right studio management software, [intro offers](#) are easy to implement and track.



Autopay Membership

Now that you've won over a new customer with your intro offer, it's time to pump up the retention. The best way to do this is with an autopay membership program. Memberships allow customers to pay a flat monthly fee for unlimited access, rather than paying for individual classes or sessions each time they visit your studio. Although not the lowest priced option, the autopay membership should be perceived as the best deal for your services—encouraging returning customers to spend more in exchange for greater value. Ultimately, this pricing option is designed to encourage retention among customers who frequent your fitness studio at a medium or high rate by offering value that's exclusive to your business. Look for a studio software system that can store your membership contracts and automatically charge customers on a recurring basis—ultimately saving you and your staff the time and effort of tracking membership payments.



Quick Tip

For fitness studios, autopay memberships typically work best when they convey a clear cost benefit (in comparison to single class passes). For example, if a single class pass costs \$20, consider pricing your unlimited membership at \$100 per month. Your frequent customers will see the \$100 membership as a better value, considering that their membership will pay for itself after just five classes.

Count Per Session Card

The count per session card—sometimes referred to as class cards, class packs, passes or drop-ins—should always be your most expensive and least prominent pricing option. This option is designed for occasional drop-ins and customers who wish to pre-purchase multiple classes or sessions. For example, if your gym offers semi-private training sessions, you might offer pre-purchase punch cards that allow clients to purchase five sessions up front. While this is less likely to encourage retention in comparison to autopay memberships, it will still encourage your clients to return on an as-needed basis (versus going to one of your competitors the next time they wish to purchase a training session). Count per session cards are also useful if you offer specialty services that don't make sense as a membership, such as nutrition counseling or physical therapy.

Quick Tip

Offering multiple count card options? The higher commitment package should always be a better deal than the lower commitment package. For example, if you offer a four spin class card for \$40 (an equivalent of \$10 per class), you might offer a ten class card for \$80 (the equivalent of two free classes).

02 The Importance of Autopay

The key takeaway of the inverted pyramid pricing structure is that your pricing should encourage autopay memberships, and discourage drop-ins.

Consumers typically gravitate towards the lowest-priced or lowest-commitment option, which can work against your goal of retention. To avoid this, make sure your count per session prices aren't perceived as your best deal.

While memberships may feature your classes or sessions at the lowest price point (intro offer aside), you'll make up for this lost revenue by retaining the best type of customers: those who are committed to frequenting your fitness studio. Creating recurring revenue with these contract-type packages helps you increase your long-term business stability.

The success of your autopay membership strategy depends on these key factors:

The Right Price

Just like no two workouts are ever identical, there's no one-size-fits-all price list for studio pricing—only you can decide how low or high you're willing to go with your prices. Remember to watch your competitors' pricing, but avoid over-analysing what they're charging when you determine your minimum and maximum. Keeping this pricing standard in mind, you may want to:

Price Low

- If you're at low capacity and not filling classes or appointments
- If competition is high in your area

Price High

- If you're at full capacity (70 to 80 percent)

The Right Software

Autopay memberships automatically charge a customer's credit card on a set schedule when a count card runs out or an expiration date rolls around.

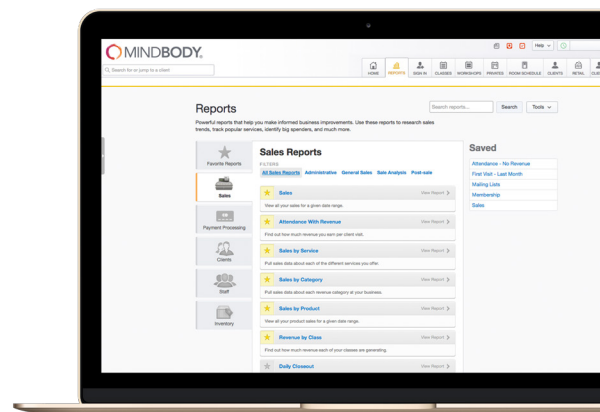
To ensure a seamless process for both your staff and your customers, you'll want to employ studio management software that enables you to easily design, sell and schedule payments for these contract pricing options.



Look for software features that support:

- **Creation and management of contracts**—from determining price to designing agreement terms and storing contracts. Say goodbye to file folders and look for a system that can store all your client information securely in the cloud.
- **Automatic billing**, including auto-sell capabilities that can safely store sensitive payment information and automatically charge customers for their next fitness package once the current one runs out. Having an automatic billing system in place will save you incremental amounts of time as your business grows—so you can spend more time focusing on the things you love about your business.
- **Reporting** that allows you to easily see what types of packages are selling best, and the profile of the customers purchasing them. This will help you better target your offerings and marketing efforts in the future.

As you develop or evolve your pricing structure, keep in mind the things that make your business unique. How does your studio stand out from the competition? Consider the auxiliary benefits you offer (that your competition might not), such as free parking, extended hours, highly-qualified trainers or instructors, complimentary fitness assessments or specialty classes. Knowing your strengths is important in determining your pricing, and is also a beneficial marketing tool to show your customers why your studio is a stride ahead of the rest.



¹van der Merwe, Bronwyn (10 August 2016). *Why brands giving too much choice can be overwhelming*. Retrieved from <http://www.adnews.com.au/opinion/why-brands-giving-too-much-choice-can-be-overwhelming>



To learn how MINDBODY can help manage your fitness studio's pricing, call us at 1800.082.989 or learn more about MINDBODY at au.mindbodyonline.com/overview.