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Impact of Pricing Strategies and Membership Retention on Consumer Perception in the Gym and Fitness Industry

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Abstract: The gym and fitness industry has undergone significant transformation over the years, driven by evolving consumer expectations, technological advancements, and increasing health awareness. As the industry becomes more competitive, the role of pricing strategies and membership retention tactics has gained prominence in shaping consumer perception. This study investigates how pricing models, payment flexibility, promotional offers, and retention efforts influence gym-goers' decisions and satisfaction levels. Through a mixed-methods approach involving a structured questionnaire and statistical analyses, responses from 100 gym members were collected and evaluated. The findings revealed that consumers highly value affordable pricing and flexible membership plans, particularly quarterly and monthly options. Discounts and promotional deals also emerged as significant motivators for joining and staying with a gym, reinforcing the critical link between cost considerations and customer loyalty. However, affordability alone was not sufficient—service quality, especially in equipment and trainer support, was also crucial in sustaining long-term engagement. Statistical analysis, including a chi-square test, confirmed that satisfaction levels were significantly influenced by key retention factors such as pricing, service quality, and overall gym environment. This study concludes that while competitive pricing is a necessary condition for attracting and retaining members, it must be complemented by reliable service delivery and flexible plans tailored to customer needs. The findings provide actionable insights for gym operators seeking to improve customer perception and business performance. Future research could benefit from a larger and more diverse sample to validate these results across different demographics and geographic locations.

Keywords: Pricing Strategies, Consumer Perception, Gym and Fitness Industry, Service Quality, Customer Loyalty

1. INTRODUCTION

Pricing strategies significantly influence consumer perception and retention in the gym and fitness industry. Approaches like premium pricing, penetration pricing, tiered memberships, and promotional discounts shape how customers evaluate value and quality. While premium pricing can attract clients seeking high-end services, penetration pricing appeals to cost-conscious consumers but may risk perceived quality. Tiered memberships offer flexibility, enhancing satisfaction and retention by aligning price with individual needs. Additionally, while credit cards provide convenience, they can lead to financial issues such as high-interest debt and impulsive spending. Easy access to credit often affects consumer financial management, encouraging overspending and weakening budgeting habits, which may have long-term consequences on personal finances.

Importance:

- Pricing influences consumer perception of quality and exclusivity.
- It helps attract different customer segments based on affordability or luxury.
- Flexible membership options enhance the sense of value for money.
- Aligned pricing and benefits improve customer satisfaction and loyalty.
- Competitive pricing differentiates gyms in a saturated market.
- Effective pricing supports member retention and stable revenue growth

2. REVIEW OF LITERATURE

Several studies highlight the impact of pricing strategies on consumer perception and retention in the gym and fitness industry. Consumers often associate higher prices with higher quality, as seen with gyms like Equinox using premium pricing to signal exclusivity. Psychological pricing, such as charm pricing, can create an illusion of a bargain, enhancing consumer perception.

However, the price must align with service quality, as mismatched pricing can lead to negative perceptions. Flexible pricing models like tiered memberships cater to various customer needs, improving retention by offering perceived value. Penetration pricing can attract new customers with low initial costs but often leads to high churn rates if service quality doesn't meet expectations. Retaining price-sensitive customers is challenging, and gyms must balance low prices with high-quality services to avoid rapid turnover. Dynamic pricing, such as seasonal discounts, may boost short-term membership sign-ups, but overuse can create a habit of waiting for discounts, diminishing long-term loyalty. Furthermore, price increases are often viewed as losses, which can lead to dissatisfaction and cancellations. Transparent pricing structures, free from hidden fees or unexpected hikes, help build trust and foster long-term loyalty.

Problem Definition: Micro, Small, and Medium Enterprises (MSMEs) encounter significant barriers in accessing adequate financing, which limits their growth potential and increases financial risks. Traditional funding sources, such as bank loans and venture capital, often impose stringent requirements that many MSMEs cannot meet, resulting in reliance on limited resources or high levels of debt. This not only strains cash flow but can also dilute ownership, forcing entrepreneurs to compromise their vision. Given the essential role of MSMEs in economic development, it is crucial to explore alternative financing strategies like bootstrapping, which can empower these businesses to achieve sustainable growth while minimizing financial risk.

3. SCOPE OF THE STUDY

The scope of this research focuses on analyzing the effectiveness of bootstrapping strategies in reducing financial risks for Micro, Small, and Medium Enterprises (MSMEs). It aims to study MSMEs across various sectors, particularly those facing financial constraints due to limited access to traditional funding sources. While the research may focus on a specific region or country to address localized challenges, its findings will aim to provide broader insights applicable globally. The study will explore various bootstrapping techniques, such as owner financing, cost minimization, revenue reinvestment, and leveraging customer advances, to evaluate their role in mitigating financial risks like cash flow issues, debt accumulation, and insolvency. Both short term and long-term implications of these strategies on financial stability and growth will be assessed. Additionally, the research will consider factors such as industry type, market conditions, organizational size, and entrepreneurial mindset to evaluate the adaptability and success of bootstrapping strategies. The ultimate goal is to provide actionable insights to help MSMEs implement effective bootstrapping techniques and guide policymakers and financial advisors in supporting these enterprises.

4. OBJECTIVES

- Examine the impact of different pricing strategies on consumer perception of value and quality in the gym industry.
- Analyze how various pricing models influence membership retention and long-term customer loyalty.
- Investigate how demographic factors such as age, income, and fitness goals affect responses to pricing strategies.
- Conduct a competitor analysis to compare the effectiveness of low-cost versus premium pricing in attracting and retaining members.
- Study the psychological effects of pricing tactics (e.g., anchoring, decoy pricing) on consumer decision-making and perceptions of exclusivity or affordability.

5. RESEARCH METHODOLOGY

Descriptive and correlational research design will be used to identify relationships between pricing strategies, consumer perception, and membership retention. The research will combine both qualitative (to understand perceptions) and quantitative (to analyze patterns in retention rates) approaches. The study will involve a sample size of 100 Gym and Fitness Industry.

Hypothesis of the Study:

- Null Hypothesis (H0): There is no significant impact of pricing strategies and membership retention on consumer perception in the gym and fitness industry.
- Alternative Hypothesis (H1): There is a significant impact of pricing strategies and membership retention on consumer perception in the gym and fitness industry.

Hypothesis Testing:**TABLE 1.** Observed Table

Satisfaction \ Factor	Affordable Pricing (36)	Quality of Equipment (41)	Trainer Support (19)	Overall Env. (4)	Row Total
Very Satisfied (47)	5	35	5	2	47
Satisfied (45)	25	5	13	2	45
Neutral (7)	5	1	1	0	7
Dissatisfied (1)	1	0	0	0	1
Column Totals	36	41	19	4	100

TABLE 2. Expected Value Table

Satisfaction \ Factor	Affordable Pricing	Quality of Equipment	Trainer Support	Overall Environment	Row Total
Very Satisfied	16.92	19.27	8.93	1.88	47
Satisfied	16.2	18.45	18.45	1.8	45
Neutral	2.52	2.87	1.33	0.28	7
Dissatisfied	0.36	0.41	0.19	0.04	1
Column Total	36	41	19	4	100

TABLE 3. Chi Square

Observed Value (O)	Expected Value (E)	(O-E)	(O - E) ²	(O - E) ² /E
5	16.92	-11.92	142.0864	8.3975
35	19.27	15.73	247.4329	12.8403
5	8.93	-3.93	15.4449	1.7296
2	1.88	0.12	0.0144	0.0077
25	0	25	625	0
5	18.45	-13.45	180.9025	9.805
13	18.45	-5.45	29.7025	1.6099
2	1.8	0.2	0.04	0.0222
5	2.52	2.48	6.1504	2.4406
1	2.87	-1.87	3.4969	1.2184
1	1.33	-0.33	0.1089	0.0819
0	0.28	-0.28	0.0784	0.28
1	0.36	0.64	0.4096	1.1378
0	0.41	-0.41	0.1681	0.41
0	0.19	-0.19	0.0361	0.19
0	0.04	-0.04	0.0016	0.04
				41.8864

- Degrees of Freedom (df): $(4 - 1) \times (4 - 1) = 9$
- Critical χ^2 Value ($\alpha = 0.05$, $df = 9$): 16.919.

6. RESULT

- The **null hypothesis (H₀)** — that there is no significant relationship between satisfaction and factors influencing membership renewal — is **rejected**. The **alternative hypothesis (H₁)** is **accepted**.
- There **is a meaningful impact** of factors like **affordable pricing, equipment quality, trainer support, and gym environment** on **member satisfaction and retention**, showing that these elements should be prioritized to improve consumer perception.

Findings: Most respondents are young adults (26-35) with bachelor's degrees, and most are professionals or business owners. There's limited representation from older adults, students, and people with diverse income/education levels. Budget gyms are valued for affordability, while premium gyms are seen as less reliable. Quality is similar across both types, with price and facilities being the most important factors for members. Many prefer short-term memberships due to flexibility. Gym usage is frequent, but pricing has the biggest impact on loyalty, though facility quality is more important for renewals. Satisfaction is high, but consistency and service quality need improvement for some members. Promotional offers and loyalty programs are valued.

Suggestions: Future research should include a more diverse demographic for broader insights. Gyms should focus on affordability and facility quality, with budget gyms emphasizing cost and premium gyms offering advanced services. Offer flexible pricing, short-term memberships, installment plans, and discounts. Maintain high-quality equipment and customer service and implement loyalty programs for better retention. Ensure consistent service quality to convert neutral users into loyal members.

7. CONCLUSIONS

Pricing strategies, facility quality, and support are key to customer satisfaction and retention. The Chi-square test showed a significant relationship between satisfaction and renewal factors. Gyms offering competitive pricing, high-quality facilities, and professional support are more likely to retain members and foster loyalty. Aligning services with member preferences leads to better satisfaction and retention.

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