

Teaching Note

CLUB SPORTIF MAA: STAYING AHEAD OF THE GAME

Robert Mackalski wrote this teaching note as an aid to instructors in the classroom use of the case Club Sportif MAA: Staying Ahead of the Game, No. 9B17A046. This teaching note should not be used in any way that would prejudice the future use of the case.

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SYNOPSIS

Club Sportif MAA (the MAA), formed in 1881, was an iconic fitness club and athletic institution in Montreal—the oldest fitness facility in Canada. Pierre Blanchet, the club's president and general manager, faced a changing market and pressure to ensure that the club evolved and remained competitive. Current consumer and fitness trends had increasingly fragmented the market in this area, and MAA membership declined over the last year. The MAA, which traditionally served a fairly exclusive clientele, must examine its fitness, health, and social offerings to determine how to meet the evolving needs of a wider and increasingly diverse customer base without sacrificing the character of the brand. Blanchet needs to decide how to preserve the MAA's upmarket image while expanding its appeal. He needs to determine which market segments to target and how best to communicate the MAA's offerings to these specific groups.

LEARNING OBJECTIVES

This case focuses on differentiation, segmentation, product offering, branding, and communication in light of the changing market. The case has three key learning objectives:

- Understand differentiation, especially in the context of an iconic brand.
- Understand segmentation and select a desired target market from among different segments.
- Understand how targeting impacts the offering and marketing mix.

POSITION IN COURSE

This case is suitable for undergraduate and MBA students in courses on brand management, services marketing, and marketing management.

RELEVANT READINGS

- Douglas B. Holt, “What is an Iconic Brand?,” chap. 1 in *How Brands Become Icons: The Principles of Cultural Branding* (Boston, MA: Harvard Business Publishing, 2004), 1–14.
- Don Morrow, “The Powerhouse of Canadian Sport: The Montreal Amateur Athletic Association, Inception to 1909,” *Journal of Sport History* 8 no. 3 (1981): 20–39.
- Miklos Sarvary and Anita Elberse, *Market Segmentation, Target Market Selection, and Positioning* (Boston, MA: Harvard Business Publishing, 2006). Available from Ivey Publishing, product no. 506019.

ASSIGNMENT QUESTIONS

1. Is there magic to the MAA or is it just another club?
2. What should Blanchet’s focus be? What segments and services should he prioritize?
3. What is the MAA brand, and how should it be communicated?

TEACHING PLAN

This case can be taught in a single 70-minute class, divided into three major segments based on the above questions:

Discussion Point	Time (Minutes)
Introduction	5
Assignment Question 1	20
Assignment Question 2	20
Assignment Question 3	20
Conclusion	5

ANALYSIS

1. Is there magic to the MAA or is it just another club?

The MAA is a fairly complex business that Blanchet describes as 15 service businesses combined into a single source. Students need to understand what has driven the MAA’s success historically, what drives it today, and what will continue to drive it moving forward. The question of whether it is just another club should lead to a discussion of what differentiates the MAA from other clubs. Discussion will generally focus on the following areas:

The MAA’s DNA of Sporting Heritage

The MAA as a brand touches on more than fitness; it touches on Canadian identity. For example, many students are surprised to learn that the MAA won the Stanley Cup and the Grey Cup—arguably the two most revered and iconic trophies for Canadians. Some students may point out that management does not seem to be doing enough to protect and build this DNA of the brand. For example, the slogan “your playground in the heart of the city,” communications (see case Exhibit 7), and renovated physical space

(see case Exhibit 1) seem to focus on the MAA's identity as a modern athletic club. Other students may bring up the relevance of the Canadiana history because many of the club's members are from abroad. Still other students will make the case that the MAA's heritage is the root of athletic elitism. They may argue that trainers and instructors receive a halo of excellence because of their association with the club's heritage and Olympians.

One-Stop Shop

The MAA has extensive fitness, wellness, and social-club offerings, and it has a large facility to support these. These offerings tend to be of superior quality, and given the MAA's success with referrals (70 per cent of new members came via referral programs) and retention, at least part of the MAA's success can be explained by its offering of a one-stop shop with vetted, high-quality service, which lowers the cost to potential clients of searching for good wellness providers. This is especially important for busy professionals and helps keep members locked in.

Location/Building

Some students will argue that the MAA is simply in the right location. It is in the heart of downtown—the professional district of Montreal—and two major universities, McGill and Concordia, are within walking distance. Instructors may ask students whether members would change clubs if the MAA changed location. This may lead to a discussion of the MAA as a family and second home.

The MAA as Family and Second Home

For some members, the MAA is a second home. Both members and staff value the relationships found at the club, and this keeps both sides tied to the association. This impacts both club revenues (by retaining members over long periods) and expenses (by reducing the costs of hiring and training new employees). In addition, the MAA has smaller communities within its walls. For example, those who use their memberships to play squash create relationships and rivalries with other squash players. It is unclear whether these different segments benefit from each other, or even if it is important for them to do so.

Exclusivity

Even though Blanchet has been trying to make the club more inclusive, some members prefer its exclusiveness. Some clients indicate that the price point and the professional clientele allow them to enjoy the MAA without intimidating interactions, awkward pick-up attempts, or even thefts.

2. What should Blanchet's focus be? What segments and services should he prioritize?

Segmentation

Asking students what provides the most value to the MAA can lead to a discussion of segmentation. While demographics can play a role in segmentation, segmentation based on the types of use and users can provide

important insights. Guiding the class through the distinctions among segments and the hypothetical spending patterns of different paying segments can be useful here (see Exhibit TN-1).

Club Enthusiasts

Students should understand that the club enthusiasts are likely the most valuable segment. Members who use more services will stay in the club longer. This longer membership lifecycle leads to a higher long-term value. This segment especially appreciates the “second home” aspect of the MAA; because they spend more time in the club and use it as a second home, they have more contact and develop relationships with other members and staff. Members in this segment likely have larger lockers (e.g., to store squash racquets, badminton racquets, and different shoes for a wider variety of exercises). By nature, these members will skew older demographically and will be long-term users of additional clinical services. As members in this segment age, they likely stay at the club for social reasons. The challenge is that they are likely the smallest segment.

Specialized Athletes and Fitness Enthusiasts

The fitness segment uses the club mostly for sports performance. They may use personal training services to get in shape for health reasons, to improve their appearance, or to enhance competitive performance in sports beyond recreation. In theory, they should spend more on pro-shop and clinician services. This segment reinforces the ideal of performance in the club and may be more inclined to value the athletic heritage.

Class Attendees

The medium-spender group tends to be a mixture of students and professionals who use the club for group classes. The group classes lead to friendships with fitness friends and staff (e.g., staff and members celebrate birthdays together), which should anchor longer memberships and drive some after-class get-togethers in the bistro. Friendships with members also play an important role in retaining the MAA staff, as McDonald noted in explaining why she wouldn't choose to work anywhere else. Given the MAA's mix of classes, which include dancing, yoga, and Zumba, this group skews heavily female. While this segment is growing, it likely faces the most competition from other clubs. A boot camp class, for example, requires only a certified instructor and an inexpensive room.

General Gym Goers

University students are likely to be the lowest spenders. They have the least expensive memberships and the highest turnover; they may grab a smoothie a few times a month in the bistro. Does the MAA need this segment? Some students will recall that members who want higher prices and more exclusivity are concerned that high-turnover members are unlikely to share the values of the club. They may erode the exclusivity of the club and brand and, because many are not Canadian, may care less about the club's place in Canadian history.

Instructors may ask students, “What is the contribution of a new member?” Given the heavy fixed-cost nature of the MAA, any member is a net contributor to the bottom line. Blanchet must also deal with what

happens to the bottom line if this segment (which is less likely to view the club functionally) disappears. If these 650 members disappeared, the club would lose close to \$1 million [$650 \times (\$119 \times 12 \text{ months})$]. Where could the club recoup the lost \$1 million?

3. What is the MAA brand, and how should it be communicated?

Here, students should recognize how segmentation targeting drives the MAA's offerings and how the MAA's offerings drive targeting. Students should also understand that uprooting the heritage of the club would strip away part of its "soul" or character. How the MAA strikes a balance among offerings and segments is central to this case. These decisions affect what the MAA brand of the future will be and what it needs to communicate. Classes may want to debate the relative importance of the offerings and club qualities that appeal to various segments (see Exhibit TN-2).

WHAT HAPPENED

Blanchet decided to experiment with two distinct communications campaigns, each running outside of the MAA for a 6-month period. The first communication effort continued to use members and staff, and positioned the MAA as a single source for health services. The second communications effort was a "myMAA" campaign and included professional athletes and celebrity members of the MAA (see Exhibit TN-3). The myMAA campaign focused on belonging to the club and was the more successful of the two communications. It increased street traffic inquiries by 30 per cent. Blanchet is expanding this communication to other customer touchpoints (e.g., myMAA t-shirts worn by staff, interactive contests, and social media.) The club has made a conscious effort to stay relevant to its younger members through social media and has hired a social media specialist to attract new members and enhance a culture of belonging.

The club's heritage is being emphasized in the MAA Bistro through special placemats featuring gold medals, and archived photos of the club's legacies will be showcased during upcoming Olympic Games, and Stanley Cup and Grey Cup events. Blanchet also plans to hang pennants of the MAA's winning teams (e.g., Stanley Cup champions) in the gymnasium during events.

EXHIBIT TN-1: HYPOTHETICAL SPENDING PATTERNS OF DIFFERENT MEMBER SEGMENTS

SERVICE OFFERING	General Gym Goers: Light Spenders	Class Attendees: Medium Spenders	Club Enthusiasts: High Spenders	Specialized Athletes/Fitness Enthusiasts: High Spenders
Membership	\$99	\$99–\$125	\$125	\$125
Locker		\$20	\$53	\$53
Laundry			\$18	\$18
Trainer/Lessons			\$380	\$605
Bistro	\$20	\$50	\$28	
Squash or Extra Class		\$20	\$20	
Pro Shop			\$1	\$105
Shoe Shine			\$5	
Clinical Services				\$100
Club Events			\$100	
Average Monthly Spending	\$119	\$200	\$1,000	\$1,000
Demographic Descriptors	Students	Women	Older	20–30 years old; Athletic and Competitive

Note: These members tend to book with Level 4 trainers, who are more expensive (~\$100 per session), more frequently.
Source: Case authors.

EXHIBIT TN-2: MOST IMPORTANT MAA CHARACTERISTICS, BY MEMBER SEGMENT

Segment	Values	Offering/Communication Emphasis
Club Enthusiast	Second home Friends Networking Recreational sports One-stop shop Cleanliness of the locker Amenities Friendliness of the staff Well-maintained equipment	Second home Multitude of services Exclusivity History of the club (for exclusivity)
Specialized Athlete/Fitness Enthusiast	High-performance equipment Customized training/programs Nutritional advice (for performance) Part of a legacy of high performance One-stop shop (for performance)	High-performance equipment Best trainers Tailored programs/nutrition History of the club (for performance reasons)
Class Attendee	Frequency of classes Variety of classes Motivation Non-judgmental environment Toning	Classes Motivational aspects of club Energy of the instructors/classes
Gym Goer	A convenient place to work out	Convenience of location High ratio of equipment to members

Source: Case authors

EXHIBIT TN-3: THE MAA'S UPDATED COMMUNICATIONS



Source: Case authors.



Source: Company documents.