

# **Explaining Non-renewal Behaviour: An Empirical Investigation of Recently Lapsed NRL Club Members**

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## **Abstract**

This paper reports on a survey of lapsed members of an Australian professional National Rugby League (NRL) Club. Analysis of the 195 useable responses returned suggest that these lapsed members had originally joined as much for intangible aspects, such as seeking a greater level of involvement with the club, as for the functional aspects such as savings on game entry. Overall, these lapsed members were satisfied with the service they received whilst a member, and claimed it had been performed in line with expectations. The main drivers of satisfaction were also a mix of tangible and intangible factors such as feeling valued by the club and receiving discounts on entry costs. The members gave a number of reasons for not rejoining in 2002, but primarily cited an inability to attend games. Despite joining for intangible reasons, it seems that if these members could not get to games, they perceived that membership was not worth maintaining. That said, a large number of members indicated that as their circumstances change they will rejoin the club, supporting the theory that non-renewal is not driven by service failure, but rather the perception that attendance is still the core product (entertainment). The overall level of satisfaction had a weak but positive relationship with the likelihood of members rejoining in the future.

## **Introduction**

In light of recent research indicating that customer retention is significantly more cost effective than attracting new customers, many organisations have begun to focus on strategies to reduce customer turnover or 'churn'. In subscription and membership-based organisations (MBO's), the infrequent nature of the purchase makes retention of members even more vital to organisational success. Knowledge about effective techniques to reduce member churn rates is limited though, since the bulk of the studies in this area focus instead on customer based organisations, which have very different factors affecting their operations.

In sporting clubs, consumers rarely "switch" teams, thus the issue is not one of attracting customers away from competitors, but increasing the level of participation of supporters. Given limited pools of supporters, retention is an even more crucial issue for these MBO's than most traditional customer organisations, thus emphasising the need for MBO's to implement measures to protect the existing membership base (McDonald 2002). Research that gives insight into how managers can approach the task of retaining members is limited.

This study seeks to address this issue by focussing on one particular member based organisation – an Australian professional National Rugby League (NRL) club – and by studying recently lapsed members of that organisation. Whereas most studies into customer / member satisfaction and churn investigate the attitudes and behaviours of current members, this study focused on lapsed members. This approach is in line with a growing number of recent studies which found that greater insight into "churn" could be gained from analysis of

the motives and behaviours of those that have recently left (Ahmad and Buttle 2002; Reichheld 1996; Reichheld and Sasser 1990; Desouza 1992).

### **Methodology and Key Research Questions**

The aforementioned research poses a strong argument for organisations to analyse defected customers in order to assist in the development of retention strategies. In the research project presented here, the approach most closely reflects the method of ‘defection analysis’ proposed by Rongstad (1999). Rongstad maintains that the key to studying defections is to focus on understanding all components of the lifecycle of a defected customer including how and why they were acquired in the first place, the type of relationship they had with the organisation during their tenure and eventually their reasons for leaving. All these areas were examined here, although in a post-hoc manner.

The research design for this study employs both *data* and *methodological* triangulation. The primary purpose of the qualitative research was to:

- *Identify* some of the reasons why the past members joined and why they lapsed.
  - *Identify* all components seen to be part of the membership package.
  - Use the information gathered in order to formulate a comprehensive survey questionnaire.
- Semi-structured interviews with three key staff members at the NRLC (Marketing Manager, Membership Manager and the Assistant Membership Manager) and eight lapsed members of the NRLC were conducted using face-to-face and telephone methods respectively. After eight member interviews, repetition was noted in the responses and this was taken as an indication that the qualitative research phase had covered all major issues.

The purpose of the quantitative research was to:

- *Determine* the main reasons why past members joined and why they lapsed. Johnson and Garbarino (2001) found members join primarily for savings, but Bhattacharya, Rao and Glynn (1995) proposed that membership was more of an expression of “social identity” (p. 46). The question remains as to whether members join for tangible or intangible reasons.
- *Measure* the lapsed members level of satisfaction with various components of the membership, overall satisfaction and future intentions on rejoining as a member. The nature of the relationship between aspects of membership service delivery, satisfaction and rejoining/ defection is not clear and is examined more closely here.

Postal surveying was used here, as a complete postal address list was available whereas telephone numbers and email lists were incomplete. An incentive (a signed guernsey draw) was offered to increase responses, but even though a follow up mailing would have been desirable, time and resource constraints did not allow it.

The sampling frame used for this project was a spreadsheet list of 2398 lapsed members of the NRLC, which was the total number of all lapsed members in 2002 from 2001. 1000 lapsed members were chosen at random. The response rate for the survey was 19.5% (195 questionnaires were returned from 1000 sent out). The returned sample was checked for non-response bias using two different methods and no evidence of it was found.

In order to determine the lapsed members reasons for joining as a member and also why they decided not to renew, participants were asked to indicate their reasons by allocating 100 points across all of the reasons presented that were relevant to them using a constant sum scale. They were asked to nominate as many or as few reasons as they wished as long as the

points added up to 100. These reasons were identified in the qualitative research phase. This method allowed identification of multiple reasons (something that had been suggested by the qualitative research) and a measure of the relative importance of those reasons.

Specific questions were framed to obtain performance ratings for 21 individual aspects of the membership offering. These questions were developed based upon the information gathered in the qualitative research phase. Overall satisfaction entailed one question asking the individual how satisfied they were overall with their membership package. Because satisfaction responses are often skewed, an eleven-point scale was used here in order to improve the sensitivity of the instrument and give the respondents more flexibility in answering the questions. The issue of item non-response bias was addressed through the placing of a 'don't know' box at the end of each question. The scales used to measure performance perceptions were labelled 'Poor' and 'Excellent' at each end of the scale. Overall satisfaction and perceptions of how well expectations were met were also measured on an eleven-point scale. These measures were included to examine the proposition that members do not renew because they were either dissatisfied with the offering, or because it did not meet their pre-purchase expectations.

In order to measure the lapsed members' future intentions, the purchase probability scale known as the Juster Scale was used. The two questions asked were

- How likely are you to re-join as a member in 2003?
- How likely are you to re-join as a member sometime in the next 5 years?

This scale was used as it has proved to be a better predictor future intention than purchase intention scales, and is seen as a reasonably accurate estimator of the future purchase intentions (Brennan 1995).

## **Results**

For the study a total of 195 useable questionnaires were used as a basis for analysis. The overall profile of respondents was of single people and young couples with no children, with a high income (\$50,000 +), between 25 and 34 years old and holding the highest level of membership – Gold. This profile fitted that of the population of lapsed members.

### **Reasons for joining**

The descriptive statistics displayed in Table 1 show the sum total of points allocated across each of the reasons for joining, with a mix of tangible and intangible motivations present.

**Table 1: Results of ‘reasons for purchasing a subscription membership’.**

	N	Min.	Max.	Sum	Percentage
To Gain Discounted Access into Home Games	147	0	100	3975	20.2%
To Feel Involved with the Club	140	0	100	3245	16.5%
To obtain a Reserved Seat at Home Games	108	0	80	2685	13.7%
To Financially Support the Club	102	0	100	2625	13.3%
As a Social Outing	115	0	80	2350	12%
Friend/Family was a member	101	0	100	2000	10.2%
As a Gift	84	0	100	1380	7%
Expectations of good on field performance	53	0	100	720	3.7%
To go to Colonial Stadium	5	30	100	300	1.5%
Enjoyment of the Game	4	50	75	255	1.3%
Other	9	0	40	130	0.7%

**Determinants of overall satisfaction**

A stepwise regression analysis was performed with ‘overall level of satisfaction’ being the dependant variable and the specific performance ratings of the various components of the membership offering as the independent variables. The stepwise estimation method for regression analysis was used in order to identify the most significant ‘predictors’ of overall satisfaction. This process selected the best predictor of overall satisfaction and added those variables to the model only when their partial correlation coefficient was significant. The results show that there are six significant ‘predictors’ of overall satisfaction in the subscription membership and they provided below in order of significance.

**Table 2: Significant predictors of overall satisfaction based upon the stepwise regression**

Variables in Equation	Beta	t-value	Sig.
The savings on game entry fees gained by being a member.	.271	4.472	.000
The way members are valued by the club	.226	3.663	.000
The overall spectacle provided by the club on match day	.137	2.081	.039
The performance of the team	.182	3.056	.003
The service of the members by the club staff	.134	2.119	.035
The convenience of entering the ground with a membership card	.119	1.991	.048

*D.V. = Overall Satisfaction, Adj.  $r^2 = .433$ , Standard Error = 1.83.*

**Relationship Between Overall Satisfaction and Future Intentions**

A correlation analysis was conducted to see if a relationship exists between overall satisfaction and the likelihood of rejoining as a member in 2003. The correlation coefficient of 0.203 was statistically significant ( $p < 0.01$ ) but showed only a weak positive relationship. Also tested through a correlation analysis was the relationship between overall satisfaction and the likelihood of rejoining as a member in the next 5 years. The correlation coefficient of 0.312 showed a slightly stronger positive relationship and was also statistically significant ( $p < 0.01$ ).

**Reasons For Member Non-renewal**

The descriptive statistics displayed in Table 3 show the sum total of points allocated across each of the reasons for ‘lapsing’.

**Table 3: Reasons why members did not renew their membership**

	Min.	Max.	Sum	Percentage
Unable to attend matches	0	100	4943	28%
Don't Have Time to go to games	0	100	2176	12.3%
Family structure changed	0	100	2011	11.4%
Membership costs too much	0	90	1640	9.3%
Didn't like Olympic Park	0	100	1630	9.2%
Unhappy with the Administration	10	100	1139	6.5%
General admission good enough not to warrant buying a reserved seat membership	0	80	762	4.3%
Membership was not good value	0	80	751	4.2%
Rather watch the games on TV	0	70	730	4.3%
Had Nobody to Go With	0	70	645	3.6%
Did not think the team would win many games.	0	100	578	3.3%
Other	0	100	575	3.3%
No longer interested	0	15	55	0.3%

The results in Table 3 indicate that the primary reasons for the members who did not renew their subscription membership were related to lifestyle changes (including time constraints, unable to attend and family structure change).

### Overall Satisfaction versus Expectations

Table 4 shows the mean for the two questions relating to overall satisfaction with the membership offering and how well overall expectations of the membership prior to purchasing were met.

**Table 4: Means for overall satisfaction and expectations.**

	N	Mean	Std. Deviation	Std. Error Mean
Overall Satisfaction	190	6.38	2.46	.18
Expectation Met	192	5.23	2.14	.15

The mean figure for 'expectations met' was 5.23, indicating that lapsed members felt that the quality of the membership offering was not below expectations and actual slightly exceeded expectations. The mean figure for 'overall level of satisfaction' was 6.38/10. Given that the membership fell in line with expectations, 6.38/10 is a reasonably good figure and it could be argued on that basis that members were satisfied on average.

### Discussion and Implications

The results presented here show a complicated set of influences affecting member decisions. Members joined for a mixture of tangible reasons (e.g. to gain discounts or reserved seats) and intangible reasons (to support the club or feel more involved). This finding supports the view of both Bhattacharya, Rao and Glynn (1995) who claim that members join primarily as a result of 'organisational identification' and that of Johnson and Garbarino (2001) who argue that subscription members are motivated by 'savings'. It seems that there are either segments of members who represent this different views or that there is some mixture of these motivations amongst all members. Future analysis of this data may allow insight into which is the case here.

Interestingly, the profile of lapsed members in this research is not one of dissatisfied customers not renewing out of protest, but of essentially satisfied customers who did not renew because their circumstances had changed. The fact that these lapsed members were not dissatisfied (6.38/10) supports the view posed by Stewart (1998) that dissatisfaction alone cannot explain all exit behaviour. In this investigation, a somewhat surprising finding was that the three main reasons for individuals to not renew their membership (52%) were lifestyle factors that were beyond the control of the organisation. This finding is different in magnitude to that of Trubik and Smith (2000) whose study concerned bank customer defections but matches other research into membership or leisure related organisations (e.g. Hendon's 1979 study of Museum members).

Despite claiming that they joined as much for a greater feeling of involvement as for discounts and savings, it seems that if members cannot attend games they see little reason to sustain membership. Obviously a "feeling of involvement" is much more difficult to manage and assess than tangible discounts, but it is clear that by continuing to promote and enhance the intangible (i.e. non-attendance related) benefits of membership, the club will be in a better position to reduce churn levels amongst members who cannot attend.

The results show also that overall satisfaction does have a positive relationship with the likelihood of a member rejoining in both the short and medium term, supporting the findings of past researchers like Jones and Suh (2000). The relationships, however, were rather weak indicating that many other factors may have an influence upon the member's likelihood of rejoining. Although these relationships are not strong, they still reinforce that the management of member satisfaction and keeping in touch with these lapsed members is sensible MBO practice.

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