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**TURNAROUND STRATEGY FOR STAGNANT MARKET CONDITION ON FITNESS BUSINESS IN SOUTH JAKARTA INDONESIA**

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**Abstract**

This research is case study on how the turnaround strategy to growth strategy. The phenomenon is stagnant to declining condition on fitness business in Jakarta city. The objective of research is evaluate the condition of stagnant market of membership Fitness business in South Jakarta Indonesia. The method of this research is the Cause-effect examines the correlation and effect between two or more variables. The author carries out the research by using quantitative descriptive approach with cause-effect method using simple and multiple regression. The author finds that there are correlations and effects of independent variables such as product, price, location, promotion, people, process and physical evidence to customer loyalty. The result of this research shows that marketing mix variable such as product, price, place, promotion, people, process and physical evidence partially have significant effect to customer loyalty. The author find that managing people is very important as the front liner and as the main of the strategy.

**Keywords: Customer Loyalty, Turnaround Strategy, Marketing Mix & Business Life Cycle**

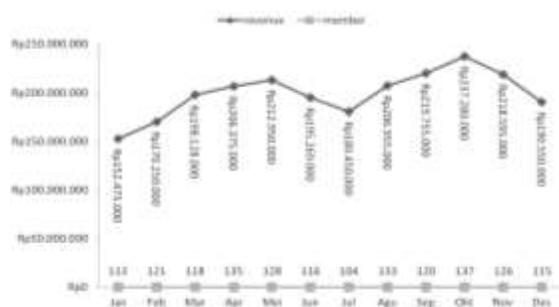
**PENDAHULUAN**

The history of fitness center as explained by Tharrett and Peterson (2006: 17-24) reveals that in the era of 1800s in the United States of America, especially in New York fitness clubs began to emerge initially for men who wanted to have excercises in order to maintain their fitness and to have a good body appearance to support the sport they are engaged in as well as for socialization among them. In the early 21st century there had been 15,900 fitness clubs in the USA serving around 33 million people. In the next four years, the number of fitness clubs increased to become 26,000 and served more than 41 million people, meaning that it grew from 7.4% in the era of 1980s to around 13% - 14% in the era of 2000s with the number of fitness clubs growing 35%.

Different phenomenon in Jakarta City. Man or women visit to fitness center because of healthy rationale or just killing time. The condition of Jakarta City, a big crowded and busy city leads people to choose fitness as their sport activity; they do not need to go to a sport arena far away from their activity center. In the

break time, people think why they do not take advantage of this time for practicing sport. Likewise, going home from work in a terrible traffic jam makes people think to stop in a fitness center for a while. The author make pre-research by observe with the result that is not many sport activities become so popular as fitness, the popular name of gymnastics that has been modified here and there. The industrial trend of future fitness club then adds the features which keep up with the times. It is in this time Fitness Club N (as unit analysis) initially enters this industry since 2014.

However, with the big opportunities making many new fitness centers emerge to compete, Fitness Club N tries to improve its marketing mix in an optimal way to overcome this thing. The fact that is Club N enter the stagnant of new fitness membership as follows :

**Figure 1. Sales report of Club N 2016**

Based on figure 1, author find that this club enter to decline condition market of product life cycle. This in the cause that author has been focused on the decision of customer loyalty variable to support the turn around strategy. Customer loyalty as the main point and will give more member such as word of mouth, etc. Regarding to the author of previous research report about customer loyalty, this research make some research questions are as follows:

- How to create the best strategy for the company for quit from the decline condition ?
- How much on the marketing mix does influence to increase number of costumer loyalty?
- How effective on turnaround strategy indicators does influence on increasing of costumer loyalty?
- How should we compete in those businesses to implement strategies ?

## LITERATURE REVIEW

Strategic management deals with the issues, concepts, theories approaches and action choices related to an organization's interaction with the external environment. Strategy, in general, refers to how a given objective will be achieved. Strategy, therefore, is mainly concerned with the relationships between ends and means, that is, between the results we seek and the resources at our disposal. For the most part, strategy is concerned with deploying the resources at your disposal whereas tactics is concerned with employing them. Together, strategy and tactics bridge the gap between ends

and means (Porter, 1985). Many literature explain about the strategic management offers clearer understanding of performance-reward relationship, enhanced problem-prevention capabilities of organisation. Also, strategic management can make identification, prioritization and exploitation of opportunities. Growth is essential for an organization. Organizations go through an inevitable progression from growth through maturity, revival, and eventually decline. The broad corporate strategy alternatives, sometimes referred to as grand strategies, are: stability /consolidation, expansion /growth, divestment /retrenchment and combination strategies. During the organizational life cycle, managements choose between growth, stability, or retrenchment strategies to overcome deteriorating trends in performance (William, 2002, Collins D.J. & Montgomery, C.A, 1998). The competitive strategy identifies how to build and strengthen the business's long-term competitive position in the marketplace while the functional strategies identify the basic courses of action that each department will pursue to contribute to the attainment of its goals (Harrison, 1999). The real strategic challenge to managers is to decide on strategies that provide competitive advantage which can be sustained over time (McCall & Kaplan, 1990).

Many researchers have done this growth strategy like studying the strategy in a particular industry by analysing the effect of one strategic concept on the particular market, a specific country by discussing a situational event in an organisation such as changes, value chain, business reengineering process, and turnaround strategy. Turnaround strategy which are commonly motivated by the substantial decline on the performance and demand to reform the company's competitive prominent (Boyd, 2011). Turnaround situation, a company is commonly faced at a particular situation which is called situation severity which threatens the core competency and company's survival (Day & Moorman, 2013). They defines turnaround

strategy as the changes which are rapidly carried out as the company needs to respond the issues on performance decline such as the decline in market share, prominence, and efficiency. Hoffman (1989) focused in his research with 3 (three) aspects to make turnaround by repositioning in the market such as cost reduction, asset redeployment and selective product/market strategy. Regarding to this, author see that many research focus on functional marketing as growth strategy.

Functional strategies are relatively short-term activities that each functional area within a company will carry out to implement the broader, longer-term corporate level and business level strategies. Each functional area has a number of strategy choices, that interact with and must be consistent with the overall company strategies. Marketing strategy deals with product/service choices and features, pricing strategy, markets to be targeted, distribution, and promotion considerations (McCall, Morgan W Jr & Kaplan R,K, 1990, William, S, W, 2002). Marketing is about obtaining better businesses, not only more businesses. A company should measure and monitor the quality of its practices, not only its volume. Marketing is a scientific concept in the business strategy that aims to achieve sustainable satisfaction for the stakeholders (customers, employees, and shareholders). As a science, marketing is an objective discipline obtained by using certain instruments to measure a business activity performance in creating, developing, and leading mutually beneficial exchanges in the long term between the producer and consumers or users. As a business strategy, marketing is an activity of adjusting a market-oriented organization to face the changing business realities both in micro-environment and macro-environment (Hasan, 2013: 5). Marketing program is famous that marketing mix.

Many researchers said that Marketing Mix program of marketing strategy to increase market share. But, author find that there is different facets in literature. Author only describe from two marketing expert in their

field. Kotler and Amstrong (2008: 62) stated that marketing mix is a set of tactical tools controlled and combined by a company to result in the expected responses from the target market. Marketing mix consists of the things that can be done by a company to increase the demand for its products. All the possibilities are then grouped in four groups of variables, namely Product, Price, Place and Time, and Promotion or what so called "Four Ps". Due to the characteristics of service involving various aspects of customer involvement in production and the importance of time and other strategic elements, Lovelock and Wright (2007: 18) implement the elements of marketing mix in eight components of integrated service or which is known as "Eight Ps" model: Product, Price, Place and Time, Promotion, People, Process, Physical Evidence, as well as Productivity and Quality.

With many statements of marketing expert, author make notes down that :

- Product

Manager should have the features of core product both goods and services and some elements of complementary data surrounding it by referring the benefits expected by the customers and the competitiveness of the product.

- Price

Price and the cost of other service components show the management various costs incurred by the customers for the benefit of a service product. The responsibility is not limited on determining the traditional price to set the selling price for the customers, determine the sales margin, and determine credit terms. Service manager should also identify and, if possible, find ways to minimize the cost, including time, physical and mental efforts, and bad experience that customers should bear in buying and using the service.

- Place and Time

The delivery of product elements to customers involves decision on the place and time of delivery and may involve physical or electronic distribution channels or both of

them, depending on the characteristics of service provided. The company can deliver the service to customers directly or through intermediating organizations such as the rerail store owned by other companies which get commission of the selling price percentage in order to do the things related to services or customers.

- Promotion

No marketing program can succeed without effective communication program that delivers promotion and education. This component plays three important roles: providing information and suggestion needed by customers, persuading customers or market about the excellence of a product, and encouraging customers to take action in a certain time. In service marketing many communications are educating new customers. A company can educate them about the benefit of a service, where and when they can obtain it, and how to be involved in the communication process can be explained by the persons in sales and training, or through media such as television, radio, newspaper, magazine, advertisement, brochure, and website.

- People

Many services depend on the direct personal interaction between the customers and the company's employees (such as when shaving hair in a barber shop or eating in a restaurant). This interaction much influences the customer perception on the service quality. Customers frequently appraise the quality of service they receive based on the assessment on the service providers. A successful service company makes fairly big efforts to recruit, train, and motivate its employees, especially, but not only, those who have direct contact with customers.

- Process

In order to create and deliver product elements to customers, it needs a design and implementation of effective process. A process explains the method and work order of the operation system. A process with a

bad design will annoy customers due to indolence, bureaucracy and ineffective service delivery. Likewise, a bad process will complicate front-line staff to perform their duties well, which can cause low productivity and increase the possibility of error.

- *Physical Evidence*

Building, land, vehicles, interior furniture, member's (staff) attributes, other signs of printed goods and guidance that can be seen give proofs on the service quality. A Service company needs to manage the physical proofs carefully because it can influence customers' impression. In the service with little tangible elements such as insurance, advertisement is frequently used to create certain meaningful symbols, like umbrella symbolizing protection and bull symbolizing security.

- Productivity and Quality

Productivity and quality, which are frequently separated each other, must be seen as two sides of a coin. No company is able to handle these elements separately. Increasing productivity is very important to control costs, but manager should be careful in order not to lower the service level preferred by the customers, even by the employees. The quality of service defined by customers plays an important role in differentiating products and for customer loyalty. However, investment for improving the quality without realizing the balance between the increased costs and the increased income will harm the company's profit.

### **Customer Loyalty**

Hasan (2013: 134) states that loyalty is a psychological condition (attitudinal and behavioural) related to the attitude toward a product; customers will build their belief, determine whether they like or not, and decide whether they want to buy the product. Customer loyalty is the behaviour related to the brand of a product, including the possibility for renewing the brand contract in the future, the

possibility for customers to change their support toward a brand, the the possibility for customer wants to improve the positive image of a product. If a product can not satisfy customers, they will react in an *exit* way (they stop buying the brand or product) and *voice* way (they tell their dissatisfaction directly to the company). If customers go out or change their support toward a product it will influence the long term *revenue*; improved retention will significantly influence the long term *revenue*, and the positive relationship between satisfaction and customer will be stronger.

Regarding to Hasan statement and compare to the fitness phenomena, Author stated that when the management determines customer loyalty as the highest factor for a company, then the main interest is how to find the determining factors or the main drivers customer loyalty. Longitudinal research shows that the main factors determining customer loyalty are customer satisfaction, service quality, brand image, perceived value, trust, customer relationships, switching cost, waiting time, reliability/ dependability.

## RESEARCH METHODS

Based on the above description the author makes his research analyzes the causal relationship used to explain the influence of independent variables, namely product, price, place, promotion, people, process, and physical evidence on the dependent variable, that is customer loyalty. The data collection uses survey with use questionnaires disbursement 57 members and 18 non members of Fitness Club N as respondents. The collecting also uses non-probability sampling, where the sampling technique does not have the same chance/opportunity for each element of respondent. The profile of respondents :

**Sex;** 53 % male and 47 % female.

**Range of age;** 15-25 years 32%, 25-35 41 %, 35-45 26%.

**Job;** Student 12 %, Civil Servant 13.3 %, Private Employee 44 %, Entrepreneur 30.7%

From the research model, it is found the factors that constitute:

- a. Product, are from the following dimensions:
  1. Membership tenure
  2. Training program
  3. Expert/Personal Trainer
  4. Training suplement
  5. Gymnastic class/Group Exercise
- b. Price, are from the following dimensions:
  1. General
  2. Special
- c. Place, are from the following dimensions:
  1. Location of fitness club
  2. Access path
  3. Operation hours
- d. Promotion, are from the following dimensions:
  1. Personal selling
  2. Corporate selling
  3. Member gets member
  4. Public relations
  5. Advertising
  6. SMS Blasting
  7. Direct Calling
- e. People, are from the following dimensions:
  1. Communication
  2. Services
  3. Customer identification
  4. Employee Relationship
  5. Employee's competency
- f. Process, are from the following dimensions:
  1. Exercises
  2. Program mechanism
  3. Administration
- g. Physical evidence, are from the following dimensions:
  1. Comfort
  2. Security
  3. Cleanliness
  4. Room setting
  5. Placement, equipment and service post
- h. Customer loyalty, are the following dimensions:
  1. Repurchase
  2. Purchase in the same place
  3. Giving reference to other people
  4. Loyal

## RESULTS AND DISCUSSION

Using the statistical measurement, all the data are valid and reliable. The p\_plot shows the values spread close to the diagonal direction, therefore it can be said that the data is normally distributed. Multicollinearity does not happen because the value of VIF is less than 10 and the tolerance is more than 0.1. It does not make a pattern, the dots spread above and under the number 0 so that heteroskedastisity does not happen. The value of Dw is 1.842 where it lies between  $du (1.8336) \leq dw \leq 4-du (2.1644)$  so that autocorrelation does not happen. The value of  $R^2$  is 0.914 meaning that the variables of product, price, place, promotion, people, process, and physical evidence can simultaneously explain the variation toward consumer loyalty as amount as 91.4% which is explained by the seven variables of this research, whereas the rests amounting 8.6% are influenced by other variables which are not studied.

Based on the result of regression analysis ( $\alpha = 5\%$ ) with  $F_{result} = 102.015$ ,  $n = 75$ ,  $k_1 = 8$  and  $k_2 = 7$ . If  $df_1 = k_1 - 1$  and  $df_2 = n - k_2 - 1$ ; then  $df_1 = 7$  and  $df_2 = 67$ , it is found the result for F table = 2.15; the value of  $F_{result} > F$  table, that is  $102.015 > 2.15$  and the significant value is found as  $0.000 < 0.05$ . Thus,  $H_a$  is accepted, meaning that the variables of product, price, place, promotion, people, process, and physical evidence simultaneously and significantly influence customer loyalty at the confidence level 95% ( $\alpha = 5\%$ ).

The t test (Partial Test) shows:

1. There is an influence of product ( $X_1$ ) on customer loyalty ( $Y_1$ ) indicated by the significance  $0.000 < 0.05$  and  $t_{result} (9.303) > t_{table} (1.99)$ .
2. There is an influence of price ( $X_2$ ) on customer loyalty ( $Y_1$ ) indicated by the significance  $0.000 < 0.05$  and  $t_{result} (11.04) > t_{table} (1.99)$ .
3. There is an influence of place ( $X_3$ ) on customer loyalty ( $Y_1$ ) indicated by the significance  $0.000 < 0.05$  and  $t_{result} (13.514) > t_{table} (1.99)$ .

4. There is an influence of promotion ( $X_4$ ) on customer loyalty ( $Y_1$ ) indicated by the significance  $0.000 < 0.05$  and  $t_{result} (8.831) > t_{table} (1.99)$ .
5. There is an influence of people ( $X_5$ ) on customer loyalty ( $Y_1$ ) indicated by the significance  $0.000 < 0.05$  and  $t_{result} (12.099) > t_{table} (1.99)$ .
6. There is an influence of process ( $X_6$ ) on customer loyalty ( $Y_1$ ) indicated by the significance  $0.000 < 0.05$  and  $t_{result} (9.895) > t_{table} (1.99)$ .
7. There is an influence of Physical evidence ( $X_7$ ) on customer loyalty ( $Y_1$ ) indicated by the significance  $0.000 < 0.05$  and  $t_{result} (8.435) > t_{table} (1.99)$ .

• The F test (simultaneous test) shows:

1. There is a simultaneous influence of Product ( $X_1$ ), Price ( $X_2$ ), Place ( $X_3$ ), Promotion ( $X_4$ ), People ( $X_5$ ), Process ( $X_6$ ), and Physical evidence ( $X_7$ ) on Customer Loyalty ( $Y_1$ ) indicated by the significance  $0.000 < 0.05$  and  $f_{result} (102.015) > f_{table} (2.15)$ .
2. Based on the result of the above analysis, among the variables of Product ( $X_1$ ), Price ( $X_2$ ), Place ( $X_3$ ), Promotion ( $X_4$ ), People ( $X_5$ ), Process ( $X_6$ ), and Physical evidence ( $X_7$ ), the most influential variable is *Place* ( $X_3$ ) where this can be seen from the magnitude of contribution given by the variable of Place ( $X_3$ ) based on the value of *R Square* as amount as 71.4%.

The result of multilinear regression analysis can indicate the influence of competence and independence variables on the audit quality :

**Customer Loyalty** = - 4,473 + 0.185 Product + 0.181 Price + 0.257 Place + 0.171 Promotion + 0.223 People + 0.180 Process + 0.173 Physical evidence + e.

From the value of constant it is seen that the number - 4.473 indicates the high importance of marketing mix for this fitness club. The most determining factor is *people* with the score 0.223 or 22.3 % compared with the other marketing mix. The dimensions that should be paid attention are *Communication*,

*Services, Customer Identification, Employee Relationship, Employee's competency. The roles of front liner, personal trainer, cashier and back office staff are very influential to improve the customer satisfaction.*

## CONCLUSIONS

Some important indicators for the fitness club management are as follows: a) It should maintain the place of Fitness Club N due to its strategic and accessible location, having direct access and close to shopping center and having large and comfortable parking area so that the members have time efficiency; it should improve its promotion activities to be more effective and easy to understand and increase the *value of free trial* voucher so that people are more interested in it; b) It should keep the *member gets member* program which has run well as seen from its influence on the increase of *revenue* from new members given reference by old members; c) It should maintain the variation of membership tenure in the short term and long term, maintain the quality of training program which can be adjusted to the need and condition of the member; d) It should make more products of group exercises for certain communities by allocating specific time and room, complete the variation of product supplement so that it includes all the types of member's need and want for a certain product brand, and improve the quality and capacity of experts to meet the increasing demand on private trainer's service; e) The existing price discount can be maintained and then create the variations of price offering which is more competitive than the other club fitness in the same class so that it can satisfy the consumers from the price, and make complete packages that are more reachable; f) It should maintain the quality of people or employees who are more competent in serving the members to get optimum results in creating good image of Fitness Club N; g) Employees and officers should have quick response on the member's need, this can become the trigger for the members to keep loyal Fitness Club N and even recommend it to others; h) It should improve

the quality of communication between the officers and members in an emphatetical way; i) It should keep the arrangement of meeting schedule between members with the training in a flexible way and maintain the simple and quick administration processes; j) Improving the operational processes related to *log-in/log-out* in a more efficient way; k) Maintaining and showing the existing good physical evidence by providing a service post which can be easily contacted and providing ready-to-use and facilities then rejuvenating the obsolete equipment so that all of them function well and equip it with the newest facilities of fitness following the trend which is being popular and comfortable to use.

In this journal, author only uses the 7Ps as variable. On the other hand, author realize that productivity and quality are the main points also. So, for the research further, author suggestion for focus and depth analysis to productivity factor which is the benefits element compare to sacrifices and buying efforts of customer. Research on quality delivery of product and services to customers.

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