

Report of the Chief Officer Resources and Strategy, City Development

Report to the Sustainable Economy and Culture Scrutiny Board

Date: 16th December 2014

Subject: Sport and Active Lifestyle Marketing Report

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): All	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: 10.4 (3) Appendix number: 4	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

1. The report provides Members with a summary of where the Sport and Active Lifestyle service would like to further develop its marketing activity. It identifies successful work that has been taken place over the last two years as well as identifying what is required to take marketing to the desired level matching the objectives of the service.
2. The content of the report is to provide the context for the ongoing development of a business case to support investment in new specialist marketing posts and the potential options for delivery of the services website.

Recommendations

3. Members are requested to note and comment on the proposals enclosed in this report.

1 Purpose of this report

- 1.1 To outline to Members the current marketing activity undertaken by the Sport and Active Lifestyle service and to make Members aware of the potential to increase income and participation through investment and better co-ordinated marketing.

2 Background information

- 2.1 Sport and Active Lifestyles introduced a new Leisure Management System (LMS) in 2012 to replace its outdated point of sale system procured in the early 90s. The new system is membership based, allowing the service to manage its business and customer development and conduct marketing and communication, in a way it's not previously been able to do, an option already enjoyed by the private sector leisure providers in the city, and more widely nationally by commercial chains and larger Trust / 3rd Sector organisations.
- 2.2 During the summer the service has further investigated how the commercial and trust sectors conducted their marketing with a view to present a set of proposals as to how this learning could be adopted by the Sport service.
- 2.3 This work identified that the service had most of the required resource around which to develop its marketing function, but they needed to be better co-ordinated with some additional investment to allow the marketing approach to move away from "generalist" to "specialist" marketing.
- 2.4 The base income budget for the Sport service is circa £14m (including grants) and as part of the proposed Council budget strategy a figure of increasing net income by £100k has been put forward for 2015/16. The leisure market in Leeds is highly competitive, and the Sport service believe it better to increase income with a better co-ordinated marketing approach, than increasing prices for activities in leisure centres, thereby utilising business intelligence and marketing options provided through new systems, linking up with web based and digital options explained later in this report. Rather than increase prices for current customers we need to focus on attracting more customers in total
- 2.5 The service operates in a potentially volatile and dynamic market that is susceptible to the economic climate and market change. The increase in the number of budget gyms in the city is a good example and has the potential to eat into the services market share. For example, a marginal swing in performance of only 1% either way on £10m of income is potentially +/- £100k.
- 2.6 The service has identified that, with investment, there are three keys areas of sustainable business growth:
 - Better use of dead, lapsed and existing data.
 - Developing communication based retention programmes to support campaigns.
 - Improved and complimentary on-line and off-line processes.
- 2.7 In addition to attaining demanding income targets, the service is also currently managing two major funded programmes to increase participation in sport and physical activity, Leeds Let's Get Active and the NGB Place Pilot. Both of these

Sport England funded programmes require significant levels of marketing and communication support.

- 2.8 Through the current centralised communications and marketing model, the central team is only able to provide a fixed amount of marketing resource and are therefore supportive of the business case to determine further investment and change to how the Sport and Active Lifestyle service is to conduct its marketing.

3 Main Issues

The marketing needs of the Sports and Active Lifestyle service differs significantly to other services within the council as it needs to generate income in an increasingly competitive market, whilst at the same time developing an understanding of non-users who are inactive and providing assistance to the most vulnerable people who need supporting the most. It is currently estimated that there are in the region of 70 private sector leisure providers across the city, in addition to competition provided by business, schools and community groups.

The service has testing targets to meet and as the service operates in a competitive and dynamic market, marketing is at the heart of everything the service does. (Appendix four).

The service has introduced innovative ways of marketing the service, working closely with internal and external partners, but much of this work contributes to maintaining the current significant income position. The lack of resource, specialist knowledge, flexibility and some times the speed at which we can deliver solutions within the authority's current arrangements restricts the service from developing the wider marketing function to attract additional income streams.

To build on successful marketing campaigns, the service needs to introduce retention programmes to encourage more visits and extend a members stay, as well as increasing marketing activity to target further sales.

Generated through the LMS, the service has captured a significant amount of customer data that needs to be translated into business intelligence, which in turn needs to contribute to targeted and appropriate marketing. The service invests significantly in member acquisition campaigns, unique within the council as there are few, if any, services that need to sell £400 annual products to customers. To support these campaigns, the service needs to have in place effective retention programmes built around smooth processes and excellent customer service.

The services marketing approach is built around a clear digital vision which intends to match up both on-line and off-line processes. This approach is centred on the need for a strong web presence built around speed, flexibility and agility, creating a strong business hub to deliver e-commerce, marketing and communication. The current web offer does not currently provide this. The service also wants to develop new digital functionality to improve customer access to the service and to service information.

In addition to income generation, the service also has to meet key social objectives, contributing to many different agendas across the city. Leeds Let's Get Active and the National Governing Body (NGB) Pilot scheme both aim to encourage participation in sport and physical activity, and successful delivery of both programmes requires strong marketing and communication support. Both these programmes come with significant marketing budgets but both have to be delivered with existing marketing officer resource.

The service believes that through better co-ordination of independent functions and investment in key specialist areas, there is an opportunity to build on success and further develop its marketing approach.

3.1 What will effective marketing look like?

Through good marketing, the service wants to: increase net income for 15/16 and 16/17 by £100k and attain 20,000 live Bodyline members by March 2016. This is to be achieved by: improving retention levels; implement intelligence based marketing campaigns to increase sales; improve processes to make the customer experience even better; and use the data and intelligence the service has access to, to improve service development and delivery.

The service wants to derive maximum benefit from the investment in the new systems and the potential business change opportunities this brings to how the service develops and markets itself in an increasingly competitive market.

It wants to place the LMS and the website as the key foundation stone in developing a digitally based hub upon which it manages business. This hub includes: the LMS, where critical geographic, demographic and usage data is inputted and stored; "Cascade" - reporting software that provides the service with key business intelligence and extracts customer data for marketing and communication purposes; "Communicate" - a customer relationship platform (CRM) through which the service can manage targeted, automated, planned and reactive marketing and communication through email, sms and direct mail; and a website, one that is fit to meet both the needs of the business and the customer and provides the speed, agility and flexibility to support e-commerce, campaigns, retention programmes and up to date and accessible customer information. (Appendix One)

Development and delivery of the hub requires specialist resource to support: data management, business intelligence, marketing planning, campaign delivery, customer relationship management, sales and retention programmes, customer service, IT development and support the ongoing development of digital platforms including the web, social media and customer access. Much of the resource to deliver this is already in place, but needs re-aligning to provide a marketing process that ensures that independent functions move forward together and at the same pace. (Appendix Two)

Once the above is in place it provides the service with a solid foundation upon which to manage and build its business. It also places the service in a strong position to work more effectively with partners and agencies and to be able to

identify new business opportunities and provide the required level of support to derive the financial benefits from such developments. It is essential that all the key building blocks are in place upon which to build efficient and effective marketing, (Appendix three)

Longer term, the service would look to invest in and expand this model to other services so that they can benefit from this approach. Bringing specialist marketing support to other income-earning services could generate similar benefits to those to be derived by Sport.

Three sustainable business development opportunities have been identified that could immediately benefit from this approach and bring about financial benefits:

- better use of data, including current, lapsed and dead data
- improved and better joined up on-line and off-line processes to improve access to the service and increase sales
- and the introduction of a retention programme to support member acquisition, using CRM to increase participation and extend a members stay.

The introduction of a better co-ordinated marketing approach assists in service delivery and development. Better understanding of the business through improved customer insight and business intelligence can help inform future pricing strategies and product development and prevent the service from stagnating and ensure the introduction of new income streams along with protecting the current income base. In the long term the impact will enable us to focus more resource into getting the inactive active, or to reduce subsidy overall.

3.2 What are the barriers to effective marketing?

It has been identified that the Sport service has developed one of the most sophisticated eco-systems in the council: LMS, reporting servers, CRM platform, website, externally hosted micro sites, Facebook applications, on-line booking and joining, payment portals, social media etc. Just getting these independent functions to work in their own right is a significant challenge.

The service has enjoyed considerable marketing success. Better use of data and business intelligence has resulted in better application of innovative integrated marketing techniques. New micro-sites and Facebook apps, on-line registration, targeted digital campaigns and applying social media in a business environment, have contributed to live Bodyline memberships increasing; maintaining membership sales and renewals; and registering 45,000 participants for Leeds Let's Get active (300% above target)

To build on this success, the service now needs to work towards further maximising the potential of system integration by:

- Cleaning up data to ensure it is of good quality, up to date, accurate and useable.
- Working with suppliers to develop the right reports to provide accurate business intelligence and customer insight.

- Introducing a new CRM platform built around the customer journey and providing automated, triggered, planned and reactive communication.
- Improving the web offer, working with corporate colleagues to explore the best options to provide a website that meets the needs of the service and its customers.
- Joining up on-line and off-line processes to provide a seamless customer experience
- Exploring the options to introduce specialist marketing support to assist in data management and best use of and application of that data. To bring in additional resource to support more frequent and better targeted campaigns as a result of improved business intelligence and customer insight to maintain and increase income
- Working alongside colleagues in the Communication and Marketing Team to ensure that marketing meets the current needs of the service and invest in additional specialist marketing support to increase income.

3.3 How is effective marketing to be delivered?

The main priority is to get all the individual components of the digital hub to work independently and then to ensure that they can be integrated to provide a seamless approach. The priority needs to be: maximising the potential of the LMS, including on-line booking and joining; ensuring Cascade is working and appropriate reports are delivered and being acted on; customer journeys are worked up to start introducing effective CRM through Communicate; and the service has a fit for purpose web site through which it manages its business, marketing and communication. In addition to this, identify and provide the necessary resource to assist in delivering the above.

To maximise the potential of the services marketing activity, it needs to move from “generalist” marketing to “specialist” marketing. Much of this specialism already exists, but there is a need to appoint a CRM Marketing Officer who can manage and use data and oversee the development of Communicate. There is also a need to introduce a Campaigns Marketing Officer as improved business intelligence allows the opportunity to develop more frequent and targeted campaigns. It also frees up the Senior Marketing Officer to fulfil a more strategic marketing role.

The two posts identified above are integral to delivering the business growth opportunities already identified. These opportunities are not currently being optimised and there is the potential to access additional income streams through better use of data and increased marketing activity through more frequent and targeted campaigns (Appendix Four).

As the CRM Marketing Officer post is a specialist role, the service doesn’t envisage being able to source this post internally within the council and may seek approval to appoint externally. In the first instance, both appointments would be on a temporary two year basis.

As identified in the Communication and Marketing review report taken to CLT, the intention is to bring together; data management, business intelligence, marketing planning, campaigns, sales, retention, CRM, ICT, customer services and digital; into one marketing / business development focused team to ensure a better joined up and co-ordinated approach.

Develop the existing marketing strategy to incorporate all of the above, and develop an overarching action plan that clearly sets out: objectives, timescales, resources and evaluation.

4. Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 A "Communication and Marketing Review" report was presented to CLT in September 2014. The report proposed that the Sport and Active Lifestyle service would benefit from a different marketing approach due to the nature of its business and this was agreed by CLT

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 An Equality Impact Assessment is now being undertaken.

4.3 Council policies and City Priorities

- 4.3.1 The approach links to the council's policy of spending money wisely as a more efficient and effective approach will lead to increased income.
- 4.3.2 The proposals aim to narrow health inequality, a major council objective, by identifying and marketing to inactive people, particularly those in areas of higher deprivation where activity levels and life expectancy are lower than the city's average.

4.4 Resources and value for money

- 4.4.1 The two additional posts, CRM Marketing Officer and Marketing Campaigns Officer combined are at a cost of £71.2k per annum. There are options for providing a fit for purpose website, with a cost likely to be in the region of £1.5k per month for three years, unless this is retained within the council. Increased campaign activity will bring additional costs, but the potential to increase income and market share through untapped sources, as identified, should far outweigh the costs.
- 4.4.2 Following consideration of this report at Scrutiny we will incorporate Members comments into our business plan development. Clearly these ideas need to be fully worked up in order to determine the real potential to grow the business and hit improved performance targets. The business case will be presented to the Deputy Chief Executive as an invest to save type proposal.
- 4.4.3 The business case to be produced to deliver the proposed marketing strategy must be self-financing over 2 years, but must also generate the £100k additional income proposed for the 2015/16 budget.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The report is not subject to Call In

4.5.2 The information contained in Appendix 4 is exempt under Access to Information Rule 10.4 (3) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that the public interest in maintaining the content of Appendix 4 as exempt outweighs the public interest in disclosing the information.

4.6 Risk Management

4.6.1 The service operates in a volatile and competitive market and the proposed approach presents a calculated risk that is mitigated by the proposal to appoint temporary staff for an initial period of two years.

5 Conclusion

5.1 For the Sport and active Lifestyle service to survive in a competitive market and maintain and increase its income the service must change its approach to marketing. Better use of additional resource with additional investment creates a better co-coordinated approach, thereby improving marketing efficiency and effectiveness to increase income.

6 Recommendations

6.1 Members are requested to note the proposals enclosed in this report, and that a report can be presented to a future meeting for discussion on the impact of the new marketing approach.

7 Background documents

7.1 None.