

FITNESS FACILITY

Consulting Report

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Nu NRG Consulting

Mark Wilson

Ravi Sran

Kyle Darvasi

MRKT 4330

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Executive Summary

This Fitness Facility (FF) is a sole-proprietorship that was established in 2005 by OWNER, and operates in the health and fitness industry, providing interactive, comprehensive health and lifestyle coaching service to its clients. They pride themselves on providing comprehensive injury preventative training for beginners and professional athletes. This service is highly personalized for each individual, based on goals, fitness level and body type.

FF does have an online presence, yet their website is their best form of marketing and promotion, as it is the most updated. The owner has not been utilizing his social media accounts, and has failed to upload his training videos to YouTube.

FF employs a training system called H.E.A.T, which stands for “human engineering application training”. This training system provides consumers with services that include “personal training, nutrition consulting, custom meal planning, group training, ladies & men’s classes, co-ed classes, mobile fitness planning, seminars and strength & conditioning for athletes” (OWNER, 2011).

FF’s custom tailored programs provide consumers a valuable service and effective training at a lower cost than their competitors. By providing consumers with injury resistant training, affordable on-site classes, personalized workout and dietary plans, and exceptional customer service, they have created a niche competitive advantage in a highly saturated industry.

The Owner has identified two key goals for NU NRG’s report:

- 1. Overcome fluctuating revenues and earn \$20,000 in monthly profit within 5 years**
- 2. Fitness Facility to be running at 75% capacity and self-managed within 3 years**

After a detailed evaluation and analysis of the Fitness Facility, NU NRG Consulting identified three key areas in achieving the above goals: Financial, Operations & Human Resources and Marketing.

The key challenges the Fitness Facility faces are as follows:

Financial

- Fluctuating Sales Patterns – From lows of \$3,000 to highs of \$10,000 a month
- Stagnant Revenue Growth – Revenues have not grown in the past 6-12 months
- Facility is running at 12.2% of maximum capacity

Operations & Human Resources

- Owner is taking on too many day to day activities and not focusing on Company growth
- No software present to manage client files, employee pay, and day to day operations
- The company lacks a reliable trainer base

Marketing

- Company does not advertise Competitive Advantage
- Lack of focus on a specific training market (i.e. group classes vs. individual training)
- Fitness Facility is currently not using any marketing initiatives to expand business
- No plan in place for a campaign to drive growth and develop brand

The Fitness Facility has 2 key target markets they are trying to reach. The first is males and females between the ages of 20 – 59 that attend a gym regularly, and have a passion for

achieving fitness results and healthy lifestyles. This equates to a defined target market of 4,547 people in the LOCATION area. The second is stay at home moms that are interested in personal training throughout the daytime hours (to fill Fitness Facility's classes during the day).

The recommendations and tactics to achieve the above goals are as follows:

Financial

Fitness Facility must refocus their business model to develop a consistent revenue stream

- **Tactic 1.1: Position Fitness Facility in the market based on group class service model** – It has been determined that group classes have generated a more consistent stream of income over individual training. Individual classes require 40 sessions per day, while group sessions require 16 per day to reach the goal of \$20,000 in profit a month. To operate at 75% effective capacity, FF will need to hold 10-11 sessions per day. There is no direct cost involved with switching the focus from individual to group sessions.
- **Tactic 1.2: Differentiate service from local competition** - Position FF as a fitness facility that focuses on using compound injury preventative exercises. These stabilize joints and connective tissues, while the patient's aerobic and anaerobic systems are challenged with various 'supersets' and 'circuits'. FF also develops specialized workout and dietary plans within the training program for each client. FF provides specialized training and services at an average cost per session of \$15, opposed to \$43/session. (Peak Exercise).
- **Tactic 1.3: Develop a monthly membership plan with automatic customer payments** – Currently, once a customer's package expires, OWNER must resign them for another package. FF must launch a membership plan that automatically bills the client's account every month to save time and money. The automatic renewal system will allow for potential revenues of \$14,995/year (max capacity), generating a 100% ROI.
- **Tactic 1.4: Create an online information database for 'home' training & nutritional plans** – FF should build a backend log in area to their existing website for workout and nutritional plan information and exercises. This service has been requested from clients in the past and would be personalized for each individual online. Our market survey indicates that 54% of potential customers would pay for this service and 84% would be willing to pay \$10/month. The database will cost Fitness Facility a total of \$5,300 for the initial year, and \$3,600/year for ongoing maintenance.
- **Tactic 1.5: Purchase insurance required to run facility based on business model** – It is vital for any fitness gym or center to have insurance to cover any possible liabilities. The total cost per year is \$1,025, coverage is provided by Sport & Fitness Insurance Canada.

Marketing

Fitness Facility needs to drive sales by implementing an extensive marketing plan.

- **Tactic 2.1: Print Ad Campaign** –A direct mail campaign that focuses on the V5H postal code which is located within a 5 KM radius, 51% of market survey respondents would choose a fitness facility no further than a 5 KM from their home. Throughout the year, it is suggested that 4 phases be executed at four different times and places in LOCATION. A free class & babysitting services will be offered as an incentive on the flyers, with our primary focus being the stay at home moms. Total cost - \$2,376.77 / ROI – App. 2200%
- **Tactic 2.2: Guerilla Marketing Strategy** – This initiative will target people that already attend a fitness gym in the LOCATION area. 300 flyers will be placed on the windshields of the cars around our competitors parking lots every two months throughout the year. At a medium redemption rate, total cost will be \$4,730, but will yield an ROI of 398%.

- **Tactic 2.3: Referral Program** – The focus of the program is for current clients to bring in other members and create another group which will generate income for FF. The member that brings in the new customer will receive 2 weeks of free training. An additional group referral will equate to \$380 of profit a month, including the loss of revenue from the reward for providing the 2 weeks of free training, valued at \$60.
- **Tactic 2.4: Google Adwords** – Our market survey indicates 31% of people research online for a fitness facility and 68% routinely look online for health and fitness tips. In order to capitalize on this opportunity FF will launch a Google Adwords campaign that is easily manageable for \$20 per month (\$240/year). This will translate into app. 387 unique views, bringing 6 clients into the gym, generating almost \$1,000 of profit yearly.
- **Tactic 2.5: Increase Web Video Database** – With YouTube, FF has the ability to broadcast training videos which will showcase FF's style and services. By uploading and creating clips, it will give another avenue to expose the FF brand to current and potential customers online. Mr.OWNER has already created many videos and can simply upload them from his online database into YouTube with minimal time investment.
- **Tactic 2.6: Outdoor Facility Signage** – FF is located in a high traffic location on a busy road in LOCATION, but has no signage to indicate where the facility is, making it difficult for people to find. Having a sandwich sign to direct where exactly to go will greatly improve his brand visibility. The cost of the sandwich sign is \$150, a onetime fee.
- **Tactic 2.7: Social Media Communication** – FF does have a current presence online; however, it has not been properly and effectively monitored. The owner lacks time to dedicate the effective means to increase its presence and build an online community that will create discussion and interest in the facility. Mr.OWNER has indicated he is willing to create time for social media; but if he is unable to do so, social media services will be outsourced to an external agency.

Operations & Human Resources

Fitness Facility must create a structured management plan in order for the facility to be self-managed within 3 years

- **Tactic 3.1: Decrease OWNER's training role and focus on building the FF brand** – By utilizing trainers full time and advertising Fitness Facility's services without his name, it will take the focus off OWNER, allowing him time to build the business and brand.
- **Tactic 3.2: Incorporate an Accounting system for fast and accurate financial analysis** – Currently, OWNER is unorganized, he does not use any database for managing revenues, expenses, etc., and often loses track of his current situation, wasting needless amounts of time. We have recommended Simply Accounting Pro (SAP) with Gold service, costing \$570 for the initial year. SAP will aid him in the organization and management of the accounting aspect of the business, save him time and effort.
- **Tactic 3.3: Implement iGo Figure Software System to help manage Fitness Facility's daily operations** – Currently, FF has no software system to assist in running the gym effectively; almost everything is done manually. It is suggested that he purchase and implement iGo Figure, a well-used program designed specifically for the health and fitness industry. It has been documented to save an individual between 15-20 hours of paper work per week. It has the capability to perform many functions and hold a large amount of client data to deliver better overall service. The initial cost is \$800, with a monthly fee of \$60 and 2-3 hours in program training time.
- **Tactic 3.4: Increase employee responsibilities to include facility management** – OWNER needs to delegate responsibility for the operations of the gym in order to

accomplish his goals and focus on other aspects of the business. The ideal day for a full time employee would be 5 hours of sessions and 3 hours dedicated to operations and administrative duties to run the establishment. The 3 hours will be compensated for with the regular wage of \$30/hour, costing \$900/week for 2 full-time trainers.

- **Tactic 3.5: Develop training schedule for employees that excludes OWNER** – A full time employee's daily schedule will be divided into 5 hours of training sessions and 3 hours to complete administrative duties and operate the facility. The two trainers will be able to handle the work load until the growth goes beyond 60 hours a week, which will be at a 71% 6 day capacity point, or at 61% for the full gym capacity. To run at effective capacity, OWNER will need to hire a 3rd trainer once he nears these capacity points.

Financial

Fitness Facility needs to develop an expansion strategy in order to reach OWNER's goal of \$20,000 monthly profit/salary

- **Tactic 4.1: Identify geographical locations, costs, and requirements for new facility location** – In order to reach OWNER's financial goal, a second location will need to be opened. The decided location for expansion will be Moodyville, North Vancouver, which is known to be a prestigious area with an above average median income (\$97,000) and standard of living. Fitness Facility will have the opportunity to target 14,000 individuals that regularly attend a gym or fitness facility. The facility will be 900 sq. ft. and will cost a maximum of \$10,000 for renovations, and \$24,500 for equipment. There will also be other day to day operational costs which will be split between owners. With this new facility, OWNER will be setting up a profit sharing venture with his two current trainers and hire new trainers to run the LOCATION facility.
- **Tactic 4.2: Set up profit sharing contract for new location management** – A business partnership and profit sharing agreement will be created to expand into the North Vancouver location. This way the trainers will have vested interest in the company and seeing it grow. OWNER should maintain 51% of ownership, while the remaining 49% will be divided among the trainers. The new location has potential to earn \$159,623 in annual profit for OWNER.
- **Tactic 4.3: Expand marketing plan to incorporate new facility** – An initial blitz marketing effort will be put into effect through a mail out of 10,000 promotional flyers offering a free class to specific postal code areas around the gym. Based on estimates, the mail out should provide FF with 15-30 groups. This location will also take on many of the original location's marketing tactics, such as guerilla, referral, Google Adwords and social media. The total marketing expenditure for the first year would be \$4,667.

The entire first year budget for the new facility management plan is \$61,089. Marketing expenditures will only be \$17,803.22 (\$20,000 budget), while facility operations and management fees will consist of the remaining balance.

After implementing the above detailed recommendations over a strategically planned timeframe, we have estimated that OWNER will reach his goal of \$20,000/month in profit and maximize both facilities effective capacity. The 5 year campaign will see returns of 398% by year 3 and 522% by year 5. This indicates that the venture will be highly profitable long-term.