BUSINESS PLAN

CLIENT ORGANIZATION: PLANET FITNESS

PRODUCT/ SERVICE: GYM AND FITNESS SERVICES

ENTRY COUNTRY: PHILIPINES

COMPETITORS: FITNESS FIRST (GLOBAL COMPETITOR) and BEYOND (local gym)

DATE: 3/08/ 2020

# Executive Summary

The purpose of the report was to explore the strengths of Planet Fitness over its competitors as well as strategic opportunities that exist in the market, with the aim of recommending the best competitive strategy for the corporation. Currently, Planet Fitness has the advantage of relatively low prices coupled with a wide variety of health and fitness services. The company provides better subscription rates and flexible time schedules, thus accommodating a wider consumer base. As a result, the company has consistently grown and achieved a wider consumer base. Based on the analysis, the best strategy for Planet Fitness will be a cost leadership strategy that will focus on building consumer value by offering a wide range of products and services at the lowest market price. The organization will provide gym services, customized training for high risk consumers and personalized services on nutrition at the lowest market costs to help attract and retain consumers. The Philippine is a developing country with most of the consumers in the middle and low income domain, creating the need for low priced products and services. The low pricing will give advantage for Planet Fitness over Fitness First which has a premium pricing model and Beyond Yoga which has limited health and fitness services at a relatively higher price. To support the cost leadership model, the company must develop a lean business model that is driven by cost saving and efficiency operation.

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# BUSINESS PLAN

# Introduction

Planet Fitness is an American based corporation that operates fitness clubs in more than 1,825 locations in North America, South America and Australia. The company gyms house a range of cardio and fitness equipment to meet the health, fitness and wellbeing needs of their clientele (Planet Fitness). As part of their expansion strategy, the company aims to expand their operations into the Philippine market. Expanding into the international market presents business with unique set of challenges and opportunities. A business must identify ideas to give the business competitive advantage in the new market to ensure effective competition (Woolf, 2018). The purpose of this business report is to explore the market potential for Planet Fitness Inc. in the Philippines. The report will focus on building a competitor analysis of two major competitors in the Philippine market, with the aim of understanding the strengths and weaknesses of the competitors in relation to those of Planet Fitness. The analysis will articulate the unique opportunities the business can use to differentiate their product and recommend strategies the business can use to develop a unique brand positioning in the market.

The Philippines was identified as a strategic location for expansion of Planet Fitness. The country is located in the southern region of the Asian continent, occupying a relatively small area. The country is however endowed with dense population and a fairly stable business environment. The dense population creates incentive for rapid urbanization which provides ready market for health and fitness providers (World Bank, 2018). In urbanized setting, individuals have better access to health information, increasing their intention for engaging in the consumption of health and fitness products and services.

The two major competitors to be evaluated include; Fitness First, a global fitness service provider and Beyond Inc., a local service provider. The Fitness First Inc. is a fitness organization based in the United Kingdom and one of the largest global providers of health and fitness services (Varma, 2018). In 2014, the company begun their expansion in Asia, motivated by the strong growth in urbanization, growing concerns over obesity and lifestyle conditions as well as increased awareness on the need for human wellbeing (Fitness First). The expansion of the company to the Philippines therefore poses a competitive threat for Planet Fitness. Beyond Inc. on the other hand is a health and fitness organization, operating within the local Philippine market. The business model of the organization is inclined towards training and practice of Yoga (Beyond Yoga).

The report will use the SWOT analysis model to compare the strengths and weaknesses of Planet Fitness to the strengths and weaknesses of competitors and apply Michael generic studies on competitive advantage to develop recommendations for building competitive advantage. The value of the competitor analysis is to unlock the business potential by articulating the gaps that exist in the market for Planet Fitness to tap.

# SWOT analysis

## Fitness first

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| **STRENGHTS**   * Strong global presence –Fitness first is the largest health and fitness center with over 370 clubs all over the world. * Presence of sophisticated technological endowment – the company invests in new models of gym machinery to remain innovative and efficient in meeting customer needs for health and fitness * More customer recognition due to worldwide reputation (Varma, 2018) * Professional and experienced staff * Provision of a range of services including cardio, sauna, steam bath, massage, swimming, running and gym * Different partnerships with different companies | **WEAKNESSES**   * Customers have to pay monthly or annual subscription fees, which are fairly higher * The gyms are relatively not easy to access * Does not operate a 24/7 model, thereby not fitting into a variety of consumer schedules * Recent decline in profits (Varma, 2018) * Lack of high risk trainers |
| **OPPORTUNITIES**   * Expanding their service portfolio to include consultation on nutrition and introduction of new sports (Varma, 2018) * Focus on attracting more corporate customers | **THREATS**   * Competition from budgeted gyms * Emerging consumer behavior of home training |

## Beyond Yoga Inc.

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| **STRENGTHS**   * Unique offering of Yoga culture (Beyond Yoga). * Intimate customer relationship * Variety of locations within the Philippines * Affordable pricing * Local market advantage * The nature of training is suitable for a range of demographics, whether young or old (Beyond Yoga). * Low expenditure due to limited material and labor requirements. | **WEAKNESSES**   * Limited variety of services * Limited options for innovation and technological advancement |
| **OPPORTUNITIES**   * Differentiate by offering other fitness and nutritional services * Expanding to new stores in the local and international market * Advertise to corporate brands to adopt yoga for employee mental health and wellbeing (Beyond Yoga). | **THREATS**   * Competition from other current and emerging health and fitness organizations * Consumer habits – Yoga is perceived more of a habit by consumers and may not raise the desired level of commitment leading to seasonal customers * Consumer behavior of practicing home yoga via apps and YouTube platforms |

## Planet Fitness

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| **STRENGTHS**   * Strong cash flow – Planet Fitness has strong cash flows which create strong liquidity and offer sufficient revenue stream for expanding in new projects (Planet Fitness) * High customer satisfaction – the company receives a lot of positive customer feedback due to dedicated customer relationship management personnel and technology * Highly skilled workforce who help consumers meet their health and fitness needs more efficiently (Byrene, 2018) * A variety of membership options that are varied in duration and pricing to accommodate a wider consumer audience * Quality equipment and strong innovativeness * Excellent location which creates convenience for a variety of consumers * Provision of a wider variety of services including gym, sauna, steam bath, massage, swimming and squash courts | **WEAKNESSES**   * High rate of employee turnover – the high attrition rates lead to loss of valuable talent and increase the organization’s costs through recruitment and hiring processes. * Lack of space for expansion * Lack of community involvement * Lack of special trainers to handle high risk consumers |
| **OPPORTUNITIES**   * Building awareness on healthy behavior in the community thus building customer base * Professional growth and development of staff to increase retention rates | **THREATS**   * High cost of machine maintenance and replacement * Reduced consumer incentive for physical gym activity * Lawsuits that threaten the company’s reputation * Government regulations on taxation and licensing may mean a stricter business environment for the company, thus raising compliance risks * Deteriorating economic conditions may suppress consumer purchasing power, reducing the consumer intention to participate in gym * Growing competition |

# Discussion

Planet Fitness and fitness first are both major competitors since they are global operators with highly equipped and innovative health and fitness centers. Beyond Yoga on the other hand is a local company that is more familiar to local consumers and also specializes in yoga exercises, which both Planet Fitness and Fitness First do not offer. Despite the competitive position of Fitness First and Beyond Yoga, Planet fitness has a variety of unique strengths, capabilities and opportunities to leverage to help build a competitive edge in the new market.

Currently, Planet Fitness has an advantage of strong cash flows which no other company has. Cash flow refers to the measure of cash inflows and cash outflows of an organization. Strong cash flow is manifested through excess inflows of cash, which reveal a business growth and smooth running. Strong cash flows is an important advantage for an expanding organization as it ensures that the organization can support new investments and sustain them without having any risk of liquidity. Having strong cash flows ensures that an organization operates in a strategic way that is proactive as opposed to a defensive way that is reactive (Planet Fitness). The strong cash flows have been supported by strong management coupled with favorable customer relationship management. Customers have varied options for subscriptions which vary over time, ensuring that the pricing and subscription model accommodates a wide array of consumers while taking into consideration the business interests. This gives Planet Fitness a market advantage over the Fitness First organization since the subscription options at the company are less varied and only include long durations that make the pricing model very expensive. While Planet Fitness is established on a relatively average pricing model, the Fitness First organization is established on a premium pricing model which has limited the cash flows of the company and led to fluctuating profits. The Fitness First Company is currently experiencing a plunge in sales and profit, revealing a weakness in the pricing and operation model. As a result, Planet Fitness may have the potential to use their strong cash flow and operation design to appeal to more consumers. The strong cash flow will allow the company to invest on an extensive and well equipped health and fitness center with state of the art equipment while still maintaining the stability of financials in the organization. The varied range of subscriptions will allow the organization to serve un-served consumers in the market who wish to engage in health and fitness activities but cannot afford the premium pricing at Fitness First centers.

On the other hand, the Planet Fitness health and Fitness organization will have a market advantage over Beyond Yoga Inc. by offering a range of products and services. Currently, Beyond Yoga Inc. has focused on meeting Yoga training needs for consumers, limiting the variety of consumer needs the organization is able to satisfy. By providing a range of services from swimming, sauna, steam bath, in door games and gym training, the organization will help serve the un-served needs of consumers who don’t do Yoga or perceive Yoga as a hobby rather than a form of fitness. By offering a wider range of health and fitness services, Planet Fitness has the potential to inspire commitment and loyalty among un-served health and fitness consumers in the Philippines. The company has an opportunity to introduce Yoga to their list of services given that the form of training does not require a lot of special equipment, if any and normally takes minimal number of instructors. One of the emerging trends in the Philippine market is the use of aerial yoga, a technique to enhance digestion, flexibility and fitness of mind. Investing in Yoga can help welcome a significant number of yoga consumers and update the brand portfolio for better competitiveness. Combined with a convenient pricing model, the company can build a competitive advantage by offering a range of health and fitness services at affordable prices.

Based on competitor weaknesses, Planet Fitness has the potential to out compete Fitness First on the basis of strategic location. Fitness First organization has received a lot of negative publicity from lack of strategic locations which greatly in conveniences consumers. On the other hand, the gym facilities are not operational on a 24/7 basis, further limiting the amount of time consumers can engage in health and fitness activities. Planet Fitness on the other hand has a market reputation of strategic location and strong customer relationships, which gives the company a market advantage over Fitness First. The company can advance their competitive edge in the market by offering a 24/7 gym model with a variety of trainers to avoid trainer burn out. A 24/7 business model will accommodate customer time needs and create preference for Planet Fitness as a customer convenient place for health and fitness. This will help the company compete even against Beyond Yoga who also don’t operate a 24/7 business model.

Planet Fitness can also build competitive advantage by employing more high risk trainers in their health and fitness centers. Currently, none of the gyms have adequate personnel or machinery to support the needs of high risk patients such as those with cognitive or neurological challenges, which shuts out a lot of consumers in need of exercise therapy. High risk patients are strongly advised to engage in routine exercise. Tapping into this unique market by employing trainers and acquiring specialized equipment to support the needs of high risk consumers can expand the consumer base of the business and inspire a better reputation for the brand, given that this is a form of social responsibility initiative.

Planet Fitness can also build competitive advantage by engaging the community more on health behavior and forming more intimate consumer relationships. The company has not participated in community awareness or engagement in other markets, which has limited growth opportunities. Currently, the Philippines have a very high population that has mainly settled in the urbanized setting, which creates access to markets for community engagement. The company can create more awareness of healthy behavior through health campaigns and let more consumers understand the need for health and fitness while also informing them on the different convenient health and fitness plans the company offers. The community approach is not practiced at Fitness First or Beyond Yoga, thus presenting a unique opportunity for Planet Fitness to build strong brand positioning through intimate customer relationships.

**Strategic Recommendation**

According to the theory of competitive advantage by Michael Porter, the concept of competitive advantage refers to the advantage gained by an organization over competitors by offering greater consumer value (Leitner and Guldenberg, 2010). Based on the analysis, the best strategy for Planet Fitness will be a cost leadership strategy that will focus on building consumer value by offering a wide range of products and services at the lowest market price. The organization will provide gym services, customized training for high risk consumers and personalized services on nutrition at the lowest market costs to help attract and retain consumers. The strong customer relationship practices and innovative gym environments will reinforce the cost leadership model and create better appeal for consumers. The company will also engage in high level community engagement to help attract and retain consumers by making consumers aware of their low prices. The cost leadership strategy takes to consideration the host country state of economy since it is a developing country with demand for more price convenient products and services. The cost differentiation strategy will require the organization to develop a leaner business model based on cost saving and efficiency to cut down costs and allow low pricing and greater profitability due to wider consumer base.

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