

# [Zone fitness market research](https://assignbuster.com/zone-fitness-market-research/)

According to Kotler, P. (1988) marketing is a social and managerial process by which individuals and groups can obtain what they need and what they want. This can be achieved by creating, offering and exchanging products of value with others. The figure below illustrates the core concepts of marketing like needs, wants and demands, Product, value, cost, satisfaction and other concepts.

Needs, wants & demands

Product

Value, cost & satisfaction

Exchange transactions & relationships

Markets

Marketing & marketers

Fig: 1. 0. Core Concepts of Marketing

Zone fitness is the new health and fitness company based in Huddersfield. Due to the continued growth of the health and fitness market in the UK, the company was formed. The company offers a range of health and fitness services on a membership only basis. Zone fitness operates 1 mile away from town centre in a place which was previously furniture warehouse. Few of the company’s facilities are, rowing machines, exercise bikes, weights etc. One of the important parts of the services to the members is that there is an initial joining fee and the range changes according to the period of membership taken out for.

The company was formed by three friends with now previous managerial or marketing experience or knowledge. The company is three years old and now has employs a total of 15 staff. The company is looking to grow in future both in terms of members and also in terms of health and fitness facilities offered but feel it now need to become more effective at marketing in order to face the competition.

As a marketing consultant a report has been produced, to increase and improve the company’s marketing activities. The overall review of the report covers areas such as, industry analysis, market segmentation, targeting, position, pricing strategy, etc.

## INDUSTRY ANALYSIS

According to Brassington and Pettitt (2006), the industry analysis aim is to determine and understand the evolving opportunities and threats of the markets as they relate to the strengths and weakness of the health and fitness firm. The analysis covers areas such as size, growth, profits, cost structure, competitors, etc.

## MACRO ENVIRONMENT

Economic environment is the general changes the economic conditions and the changes in pattern of the income distribution of the customers as well as the operation of the economic system are responsible for a variety of economic phenomena. These involve factors such as fluctuations, trade, economic growth rate, inflation and recession. (Peter, 2008)

Socio-cultural environment is the attitudes towards the physical fitness and general wellness and individual ways of life of the customers and standards formed by the cultures and changing social values. (Johnson, et al., 2008)

Political environment is the government with its political involvement and the legislation as the main components which can change the political as well as influence of the key issues in the companies’ such as policies, regulations etc. (Peter, 2008)

Technological environment is responsible for the innovation and changes of the equipments such as tread mills, bikes, weights machines and also supplements. The development and new equipments can have an effect on the future of the Zone Fitness. The technology can change the emergence of the many substitute products. (Armstrong, et al., 2009)

## MICRO ENVIRONMENT

SUPPLIER: Suppliers form an important link to the company’s overall value delivery system. It provides the resources needed by the company to produce its goods and services. The Zone Fitness management must watch supply availability such as supply shortages, delays and other events which can cost sales in the short term and damage customer satisfaction. (Gilligan, et al., 2009)

CUSTOMER: The Company needs to study the types of customer markets. Consumer markets consist of individuals or households that need services and health care activities for personal consumption. Business markets where the company can sell the services to the employees and for further processing. Reseller markets where the company can buy the facilities for certain profits. (Gilligan, et al., 2009)

COMPETITOR: The marketing concept states that to be successful a company must provide greater customer value and satisfaction than its competitors. The Zone Fitness Management must do more than simply adapting to the needs of the customers. They must gain strategic advantage by positing their offerings strongly against competitor’s offerings. (Armstrong, et al., 2009)

## MARKET SUMMARY

The UK health & fitness clubs can be divided into two sectors: health clubs which are privately owned and leisure centres which are owned by the local authorities. Leisure centres which are defined as public facilities are changing to cope up with shifting consumer priorities and financial measures. UK has over 5, 750 indoor facilities for keeping fit. The health club is still fairly fragmented, but there are now 10 large chains including David Lloyd leisure, Fitness First, Virgin Active and LA Fitness. (The Leisure Database, 2007)

## MARKET DEMOGRAPHICS

Population of UK: 62, 348, 447 as of July 2010.

Age Structure: 0-14 years: 16. 7% (male 5, 233, 756/female 4, 986, 131)

15-64 years: 67. 1% (male 20, 774, 192/female 20, 246, 519)

65 and over: 16. 2% (male 4, 259, 654/female 5, 612, 953)

Median Age: Total: 39. 8 years

Male: 38. 6 years

Female: 40. 9 years (Mouseprice, 2010)

## MARKET SIZE & GROWTH

The UK health & fitness industry has a revenue estimated almost £3. 6 billion and 11. 9% of the UK population are registered as members in the health and fitness or publicly-owned fitness facilities. The membership has been growing up by 3% since 2006 and now there are over 230 new public and private facilities that have been added to the health and fitness industry portfolio. Almost 90% of the UK population lives within 2 miles of a private health or publicly-owned fitness facilities. UK market for health and fitness club has increased by a moderate of 1% in nominal terms, by 2010. (Research and Markets, 2010)

On contrary to this, annual growth rates have been declined from 7% in 2006 to just 1% by 2010. Both of which, exerted a downward pressure on disposable income and consumer confidence, reducing demand for health and fitness centres as the money is spent on necessities rather than luxuries. Moreover, annual growth is also believed to have slowed due to increased saturation and competition in the market, which has led to a reduction in membership fees in the private sector. (The Leisure Database, 2007)

The membership penetration is 33% higher in London than the UK average and also obesity risk rates are 65% lower in London. The Southwest region is another area in UK to have lower risk in obesity by 34%, but the membership penetration level is higher by 3% the UK average. The regions of North East and South West have largest membership growth in private club memberships’ whilst the East Midlands topped the impressive growth rates in the public sector. (Corporate Fitness, 2010)

## 3. 0. PORTER’S FIVE FORCES

A Porter’s five forces analyses explore five different principal factors, which determine the attractiveness of a health & fitness market.

Bargaining power of buyers

Zone Fitness

Threat of new entrants

Bargaining power of suppliers

Competitive rivalry within an industry

Threat of substitute products

Fig. 2. 0. Porter’s five forces for Zone Fitness

Threat of new entrants:

The barriers to the new entrants are very high. The main development of private gymnasium and leisure centres on the country which take years and capital required have put smaller companies out of the picture. Some of the health clubs are combined and franchised, but all existing major big companies have sufficient back up support to make themselves unattractive for acquisitions. The domination of some of the big health and fitness companies insure that they can manage a threshold level of profitability. (Euromonitor International, 2010)

Bargaining power of suppliers:

Suppliers have low bargaining poor over health and fitness centres due to strong brand power and distribution capabilities of the companies and due to fragmented supplying industry. The need for facilities and equipments is to explore and re-conceive their business models, like by playing on the customer’s experience issue and to try to arrive at a more profitable but risky mode. These kinds of initiatives might also help moderate the stance of health and fitness companies. (Market and Business Development, 2010)

Bargaining power of buyers:

Buyers have a strong bargaining power over health and fitness companies because of the range of choices the buyers have. All major companies sell same facilities and at nearly same price so buyer can switch to another company without any doubt. Nearly 94% of customers today have choice of three or more health and fitness companies which can be available to them within 5 minutes of range and many other leisure centres as well. Numerous companies are competing for their business with facilities of varying size and formats. Power of buyers is high and companies that raise prices are likely to lose customers. (Research and Markets, 2010)

Threat of substitute products:

Health and fitness centres in the available sector are an available alternative for customers, but there has been some convergence between these two sectors as the companies extend their formats. (Euromonitor International, 2010)

Competitive rivalry within an industry:

The rivalry is intense even though the market is concentrated, especially among the top companies. At a micro level the industry rivalry is centred and a limitation strategy that the major companies resort to if one initiative is successful. The rivalry among major companies is intense and this has led to a price war between companies. This is because the companies sustain the declining profitability without exiting the market and there is no incentive for major companies to rush into extreme and profit eroding price war. (Aaker and McLaughlin 2010)

## 3. 1. COMPETITION

Zone Fitness has a highly competitive market in Huddersfield, but the following four will be direct competitors due to their establishment in and around Huddersfield.

Bodyzone Fitness Centre

Unit 11f/Nortonthorpe Mills/Nortonthorpe Industrial Estate

Wakefield R

Scissett

Huddersfield, West Yorkshire, HD8 9LA

Website: www. bodyzonefitnesscentre. co. uk

Services offered: gymnasium, beauty centre, health club, aerobics, swimming, and sauna and cardio theatre. (The Fitmap, 2008)

Fitness First

Lockwood Park

Brewery Drive

Huddersfield, West Yorkshire, HD4 6EN

01484 429000

Website: http://www. fitnessfirst. com

Services offered: gym, cardio theatre, spinning room, x-press workout, crèche, squash, studio, lounge, juice bar, personal trainers, sauna, and steam room, aroma and sun bed. (The Fitmap, 2008)

University of Huddersfield Gym

Sports Hall

Queensgate,

Huddersfield, HD1 3DH

01484 472093

Website: http://www. hud. ac. uk/uni/about/campus\_facilities/06\_sports\_hall/1\_html/the\_gym

Services offered: cardiovascular training, step n tones, boxercise, groove n move, hula hoops, kettlebell, boot camp, pilates, abdominal blast, sports team camp, yoga, kung fu, spinning, tae kwon do and swimming. (Bizplan Cover, 2009)

## MARKET SEGMENTATION, TARGETING AND POSITIONING

Market segmentation can be defined as the process of dividing the total market into segments or target market of consumers with common needs or characteristics and selecting one or more segments to target with a marketing mix.

Zone Fitness company needs to know the needs and wants of their customers to better enable them to provide facilities and services that will satisfy the customer needs and wants. This may be problematic as there are numerous health and fitness facilities in the consumer market which the company can satisfy. Therefore, Zone Fitness must divide its market into various needs and wants. This is the process of the segmentation. (Cant, et al., 2009)

The company must next decide which market segment’s needs it can best satisfy. The company should develop its marketing offers such as facilities and membership discounts and the process of deciding which segment to pursue is referred to as targeting market. Therefore, targeting deals with the process whereby a marketing mix is tailored to fit some specific customers. (Aaker and McLaughlin 2010)

Positioning refers to the creation of a specific image or perception of the facilities and services by consumers in a selected target market. It is therefore the way in which consumers view competitive brands or types of products. For new products it means how the company wants to compare the new item in terms of its predecessors. The company will need attempt to establish a favourable position for its product by means of marketing communication such as advertising, however as it is believed that the product positioning is limited to advertising is no longer appropriate. (Ouwersloot and Duncan 2008)

## 4. SWOT ANALYSIS

Many companies evaluate opportunities utilizing an analysis framework referred to as SWOT. It is an acronym for strengths, weakness, opportunities and threats that can be investigated and can be used in early stages like market planning and decision making for zone fitness. On one hand it operates the matching of vital strengths with major environment opportunities and on the other hand it provides for improvising weaknesses and possibilities of risk in the zone fitness marketing. (Cant, et al., 2009)

STRENGHTS:

Zone Fitness is more committed towards a result orientated approach to maintain its customers in a highly competitive market.

Facilities and health programmes are well taught according to the need of Zone Fitness.

Reduction in fees and discount in membership service in entire market of UK. Also Zone Fitness has well trained and qualified staff.

Personal services, individual programmes and advice are seen as being a key part of competitive success. (About Health Clubs, 2009)

WEAKNESS:

Personal training and individual programmes can be expensive.

There are no swimming facilities which can be a problem in providing services to a large pool of members.

Marketing budget is very short to attract business clients. (NetMBA, 2009)

OOPURTUNITIES:

Health and fitness clubs are rapidly growing in UK.

Increasing health conditions and diseases such a obesity are causing people to join and pay more importance to exercise and health care activities.

Health clubs and gym have become a routine of life in the people’s daily schedule.

A low income area can be of special focus for zone fitness which is mostly ignored by rival competitors. (NetMBA, 2009)

THREATS:

One of the main threats could be because of recession and economic downturn, which can slowdown the growth of health and fitness industry.

Low cost equipments are also available in the markets for home exercise.

Although market is rapidly growing a small level threat can be of low cost offers from well established competitors. (About Health Clubs, 2009)

## MARKETING MIX

Zone Fitness company’s marketing mix is based on the factors of product, cost, distribution and advertising.

PRODUCT:

Health and fitness services:

Rowing machines

Exercise bikes

Weights

Aerobics

Yoga

Steam room

Sauna, tanning rooms

Massage services and Jacuzzis

PRICE:

Zone Fitness will be facing a challenge with highly competitive markets such as David Lloyd, Fitness First, etc. Therefore company is offering services at cost less than existing market standards with reduced fees for the under 18’s and over 55’s and discounts for the family memberships, etc. A new member for yearly membership would pay an initial joining fee of £100 and a yearly membership of £500. This would give members an unlimited access of the services and facilities of the company.

PLACE:

Zone Fitness company is located within the 1 mile radius of the town centre of Huddersfield. The company has a direct supply of their facilities and will not be involving in any kind of franchise or network.

PROMOTION:

Zone Fitness can use newspapers, magazines, internet, television and radio as the medium of advertising. In addition they could also print brochures for creating awareness in the market about their health and fitness services. (Cant, et al., 2009)

## INTEGRATED MARKETING COMMUNICATIONS (IMC) STRATEGY

Integrated Marketing Communications is a cross-functional process of creating and nourishing profitable relationships with customers and other stake holders strategically controlling or influencing all messages sent to these groups and encouraging them.

The marketing mix of an organisation for tangible products compress of four elements, these are; marketing communications, price, promotions and distribution. The marketing communication element influences the other three elements; therefore it is important for Zone Fitness to be aware of their relationship between these four elements, while designing and planning the marketing strategy. (Ouwersloot and Duncan 2008)

The responsibility of Zone Fitness management is to compile a programme that establishes a framework for the development, implementation, coordination and control of company’s marketing communications. The aim of such a programme is to develop an effectiveness IMC programme that targets the customers in an attempt to influence their attitudes and behaviour.

STRATEGIES & OBJECTIVES

Setting the IMC objectives and compiling it with the budget are crucial activities in the marketing communications department. IMC objectives and the budget constitute two basic guidelines and constraint in the formulation of an IMC strategy and for the various elements. The period within which the IMC objectives and strategies must be achieved covers the same period which all activities of the various marketing communication elements are implemented. (Hutt and Speh 2009) IMC objectives and strategies the Zone Fitness can follow are:

The objectives must be formulated and once they have been, a provisional marketing communication budget must be prepared on the basis of the formulated goal.

Marketing communications development and different strategies for each element are usually the most comprehensive of all phases. Each marketing communications element plays a unique role in achieving the integrated marketing communications objectives.

The IMC decisions must be co-ordinated to prevent element being singled out. The decision taken must be synchronised by the company so that the ultimate objective can be reached without any form of duplication and resultant additional cost.

After that there should be the development of an action plan for each IMC strategy. This is the operational programme, which is very detailed and contains activities, responsibilities and time frames.

The penultimate is the measurement of the IMC effectiveness. It is important to ascertain whether the IMC programme has achieved its objective.

The continual feedback on the effectiveness of the IMC strategy and programme so that deviations from the formulated objectives can be evaluated with a view to taking corrective measures.

In the overall summary the IMC objectives and strategies must be derives from the marketing strategies and elements such as advertising, personal selling, promotions, publicity, public relations and e-communications must be derived from the marketing communications strategies for Zone Fitness company. (Ouwersloot and Duncan 2008)