

Good book review on demand for fitness service

[Sport & Tourism](#), [Fitness](#)



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Section I: Selection of Business

Economics is a social science concerned with decision making along with money making. Macroeconomics is concerned with the general problems of the whole economy as inflation, unemployment and growth. To start any business, the tools of economics are very important. I had chalked out a few prospective business plans for starting my own commercial activity. There was a lot of dilemma in the beginning, the plans were so many but the feasibility had to be worked out. I arrived at two options first, to open a café and second to open a fitness studio. Both the café and fitness were in great demand. Since I had no knowledge about the Café business I, finally decided to make my passion for fitness my profession. I finalized my plan of starting a fitness studio called “ Equilibrium” or “ Santulan”. It was “ Yoga” studio that, would teach physical as well as mental fitness. It would also offer a diet program along with the art of body cleansing (Reiki). Keeping in mind the busy schedule that people have these days, I had to work on a program which was easy and effective. I had become an Entrepreneur now, a risk

taker to produce a fitness service.

Then I began searching for a location of the studio. The prime locations demanded a huge rent. Being a starter, I had limited amount of funds. The recourses like money and labor were scarce but could be put to several uses. Scarcity leads to choices involving opportunities foregone. I had to choose the studio over the café plan. Increasing the Economic Efficiency was the reason for selecting the fitness plan. It would produce a service that even the government was promoting through media. The necessity of maintaining a healthy lifestyle, made me forgo the first option.

My country follows the economic system of “ mixed economy”, a system between the Capitalist and Socialist society. The government was promoting people to take up business activities that help them to pursue their economic goals and would improve healthcare. But, the government keeps a check on the cost of healthcare services. So I had to decide on the fee structure of the course keeping the government regulations in mind. A contract between my business entity and the customer was also prepared. The customer was free to use the facilities given by the studio once they filled in their membership fees.

The Yoga teachers, the Dieticians and the reiki healers that I appointed, had to get a certification from the government before they could start. The government has set laws and standards for health and safety of the people and business entity has to comply with it. The company also had to give a payroll tax, a tax that funds Social Security and Medicare. I had to apply for loans to start my business. This was a task as for a newbie in the business

it's a bit difficult. The American government has been facing problems with scarce loanable funds. Once this was sorted I had to give my staff the required training. The company had to incur extra cost for the training of teachers. This cost was incurred to give a better service to the customer and increase the productivity of the employees. The planning of the salary structure of the teachers was also very interesting. I had to keep in mind their standards of living of the educators while deciding their pay structure. That is exactly what the government does at a bigger level, to increase the standard of living of people. To give an edge to my business I purchased some machinery for the studio, to analyze the body mass, etc.

Section II: Understanding the Business Flow

My business firm comes under one of the five sectors of the economy. And the sectors interact with each other through markets. The studio “Equilibrium” comes under the output market of goods and services. The main aim of any macroeconomic activity is to produce goods and services, which are demanded by the consumer. This is called the expenditure (E) from the consumer's side. The consumer or households supply service to firms for production of goods and services; this generates Income(Y). There is a circular flow which shows that $E = Y$. The working class is stressed by the workload and household responsibilities. They need to rejuvenate their body. So the demand for the studio is created by the people (consumer). The teachers (households) at the studio are providing services to meet this demand. They get salaries for their services and this salary becomes expenditure when they purchase anything.

Equilibrium Studio

Thus, circular flow also contains certain leakages and injections. Any business or firm has to pay certain taxes to the government, saves a certain amount for investment, and imports. These are called leakages while government purchases, exports and investment spending are the additions or injections to the entire circular flow.

If we have to arrive at some data to give us the estimate of the dollar value of all final goods and services produced in the country, GDP or Gross Domestic Product is used. The current GDP for USA in 2013 was 16800 billions of US dollars. As prices keep increasing every year real GDP is used to arrive at constant prices. These movements in GDP measure a business cycle. The second step was to arrive at a business cycle for “Equilibrium”. There are four stages of a business cycle.

Right now the fitness industry as a whole in USA has growing demand from the health conscious consumers. The consumers are willing to buy monthly memberships than a yearly one as the per capita income has gone down. So I have planned to give membership on a monthly basis as this the trend nowadays. The fitness industry is expected to grow at a rate of 2.3%. Right now the fitness industry has reached maturity or peak but it is expected to stay there for some more time. As my business is not about gymming, it's about yoga and body cleansing; it still has a lot of scopes. The inflation rate would also influence the fee structure of the studio. It also determines the purchasing power of the consumers.

The membership fee structure was determined by the disposable income of the consumers. When the level of income increased they were able to spend

more as they got wealthier. The investment parameter had to be kept in mind too. I purchased latest computers and weight and body mass calculating machines. The latest machinery helped in faster and more accurate assessment.

It reduced cost of production as it saved time. The clients could see their improvement over weeks through our website. To efficiently run my business, I needed some kind of forecasting tool. The forecast is based on a model which in turn is determined by the data collected, theories used, the government scenario, etc. In my business, I had to use data collected by the fitness industry as a whole. The growth rate of the industry is 2. 3%.

Increasing obesity and health consciousness would see a rise in numbers though a gradual one. The government is trying to promote the industry as increased health would lead to increased productivity. The end result would be increased revenue.

Section III-Interconnection of Business and Economy

Spending and Taxation policies are collectively called as the Fiscal policy of the government. Fiscal policies can be restrictive and expansionary depending on the situation of the country. In the recession, the government might cut taxation rates and increase spending. The health and fitness industry was facing recession. The industry was at the maturity stage in USA, but since fitness never goes out of fashion, it is expected to grow but slowly. The Studio was targeting those prospective customers who were fed up of hard core gymming and wanted a new fitness regime. The government has also relaxed some of its policies to let the sector grow. Those working with a fitness organization can get certain personal tax deductions. The training

courses that we were providing to our staff at “ equilibrium”, on nutritional management and staff supervision; the teachers could claim for the cost of traveling and meals. The cost of buying equipment and insuring it was also subsidized.

We also got tax deductions for supporting a registered charity and also on tax agent fees (the amount paid to an accountant to prepare our tax return every year). This would increase revenue for the firms and increased revenue would lead to better tax collections. The government was doing this to prevent the situation of a Budget Deficit. The current scenario of the US treasury is of a whopping amount of Public Debt. As we know that the business cycles and loanable funds are interrelated. The government gets access to these funds by private savings, public savings and financing through rest of the world. Then there are financial intermediaries like commercial banks and finance companies.

For starting my business, I had to apply for a loan in a bank. The bank crosschecked my financial capability, the soundness of my business venture and my capability to pay back the loan. I had to do my research work too, by analyzing the interest rates offered on the loans. I did approach a financial company too, as they fund small business enterprises, but they were asking for a higher interest rate. My investments in the mutual funds were useful, in getting a loan approval as it added to my credibility. Investment in mutual funds has lesser risk compared to the shares as it covers a group of stocks than a single one. It can be personalized to a client’s requirement. The payments can be monthly or quarterly as it suits the customer.

As my venture is new, after some time if the business is a success, I plan to

float an IPO (Initial Public Offering) for the people. This will give the public and the members an opportunity to have ownership in the business. For this, I have to get my company listed in the NASDAQ. The current scenario for health-related stocks have some interesting investment opportunities. The prices, at which shares or stocks are traded in the stock market, provide an important indication about the macroeconomic scenario. The market is bullish when there is an increase in the stock market indices and bearish when opposite. Established companies raise money through bonds too. Bonds have a maturity date with an interest rate to be paid regularly. The higher the rate of interest the lesser will be a demand for loanable funds. Supply of loanable funds increases by an increase in the interest rate. Equilibrium between the two determines the equilibrium interest rate and quantity demanded. The current interest rate for US saving bonds Series I Bonds is 1.94% (May 1 2014 to Oct 31, 2014).

Section IV: Fitness Industry and Monetary Policy

The Federal Reserve in USA regulates the banking system. It was created to control the supply of money in circulation and provide assistance to the banking operations. All the commercial banks have to maintain a reserve ratio with the Fed. This chain of reserve continues, thus creating a money supply. The aim of the Fed is to improve and stabilize the financial condition of the economy. This happens through a monetary policy. When the government wants to follow an expansionary monetary policy then it decreases the reserve ratio, lowers interest rates and purchases government bonds with new reserves. The Fed can instigate a restrictive policy by raising the discount rate and reserve ratio.

It could also sell government bonds. We see the Fed trying to overcome the problem of long term unemployment and recession affecting the US economy. The current scenario for the fitness industry does not seem very good. The fed is trying to keep inflation below the 2 % level. The industry is expected to perform better in the second quarter of 2014. The current unemployment rate being 6. 7%, my business is expected to create employment opportunities for many. With the economic activity picking up, I expect my venture to operate at no profit no loss situation in the initial stages. The government is trying to follow a highly accommodative monetary policy. The federal funds rates are being managed between 0 to $\frac{1}{4}$ %.

American fitness and wellness industry is forecasted to grow by 23% gradually over the next ten years. The fitness industry will get stronger every year followed by an expansionary monetary policy of the Fed.

The fitness industry in the current scenario has reached the maturity phase of the business cycle. Now what will push the business are customer referrals that depend on the satisfaction level of the client. During an economic slowdown, the small, inefficient ventures close down. That gives my business an edge to succeed and deliver quality. As a result, there is improvement in the results or revenues. In a difficult time, the fitness centers give huge discount and increase membership. Those who join are not major health freaks. The rate of obesity has been growing alarmingly in US; there is now demand of facilities that offer a combination of two or more fitness forms. My business is targeted to cater to this demand. The performance of the economy can be explained through the concepts of aggregate demand and aggregate supply of reserves or Fed funds. The two are governed by the

monetary policy of the country. The real output and price level will be determined by the aggregate demand and supply. The fitness industry might be heading downwards, in a business cycle. To keep the business going if the Fed decreases the interest rate on loanable funds, then investment spending would increase in the short run. Thus, the Fed policy attempts to correct phases in the business cycle by changing the interest rate. I expect my venture to make a modest start as I have considered some important economic tools for planning and managing my business. The health and wellness industry will never go out of trend as health will always be a priority. It might be up or down in the business cycle but, there are always measures that the government takes for economic activity to bounce back. Fitness will never be out of fashion. So I expect my maiden business venture to do well. USA is a country that promotes health and wellness. I sincerely hope a studio like mine will benefit from the economic tools used by the government to promote such ventures. I have got a green signal from my bank. This means funds are available to purchase latest machinery. Any business big or small is affected by the market forces but a nation can always make sure through its economic policies that a stage of extreme inflation and recession does not arise. I hope that my business creates employment opportunities. I have entered an established industry, where survival would depend on innovations and improved technology.

Works Cited

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