

Business marketing plan



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Section 3. Marketing 3 Market Research The following sources were used to prepare this business plan: Sports Clubs/Fitness centers membership in Hong Kong

Monthly spending on video games in Hong Kong

Frequency / Experience of playing Video games in Hong Kong

No. of cardio equipment in Hong Kong

Total population playing video games in Hong Kong

Market research indicates that there are total 9% population is a sport clubs/fitness centers membership and the total population playing video games in Hong Kong is more than 1. 2 million.

3. 2 Market Analysis

3. 2. 1 Five Forces Analysis (Porter 2004)

3. 2. 1. 1 Competitive Rivalry: This factor is often controlled by the uniqueness of the product. The number and capability of the competitors play a key role. The product is the first entrant in this market and has an edge. In addition, it is also patented in Hong kong and China. The initial monopoly gained by the product should be used prudently to acquire and establish brand name in order to slow down forthcoming competition.

Besides gamefit will should be ready to revise prices based on competition. (Porter 2004)

3. 2. 1. 2 The Bargaining Power of Supplier : The product a new entrant does depend heavily on its suppliers for its components . Game fit will work on a plan to extend its supplier base and a backward integration after gaining a strong foothold in the market.

Fewer supplier choices and heavy dependence on suppliers will drive the cost of the product. The product does not have a self-manufacturing plant,

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which is a serious threat, and this raises the hand of the supplier (Porter 2004)

3. 2. 1. 2 The Bargaining Power of Buyers: The product has a large segment that includes Video gamers, people in search if fitness and health (obese children and adults) and regular gym goers. This huge target segment will prove to favor the product. The large buyer base will put the company on the upper hand. The initial monopoly and buyer base will prove profitable enabling a speedy break even. The bargaining power of buyers is determined by the cost of switching from one product to another in this case the additional cost a consumer will have to bear to buy this interface and the value he will see for this cost. (Porter 2004)

3. 2. 1. 3 The Threat of Substitutes: A factor which needs attention Game fit is only an interface for two existing products. It will not take long for fitness machine manufacturers to substitute this by providing wholesome solution i. e. a fitness bike that is compatible with any video game that could do away with the interface. Another aspect of concern here is the service offered, it comes as a package. A customer is going to see an advantage in going to one service provider or two rather than three. (Porter 2004)

3. 2. 1. 4 The Threat of New Entrants: Higher economies of scale attract new entrants to the market thereby increasing competition. Value addition the technology can provide is also a factor that can keep new entrants away currently, the product is patented and this handles the copying of technology. Low cost of production and the monopoly status of the product are powerful attracters of new entrants. (Porter 2004)

3. 2. 2 SOWT Analysis

STRENGTH (S)

No financing burden

Low set up running cost

Granted patent at HK and China

A new innovative product

Low product cost

WEAKNESS (W)

Small company, lack of reputation

No self-manufacturing plant

OPPORTUNITIES (O)

1st mover advantage

Increasing rate of overweight / obesity, heart disease etc.

Timing concern of Hong Kongers

Alliances with Nintendo Wii, Sony PS3, and Microsoft Xbox

THREATS (T)

Quickly changing environment in technology or threat of substitution

New regulation to the electronic items

Strengths, weakness, opportunities and threat analysis

Strengths:

No financing burden: As the product is, an interface product that does not require heavy financing. Hence, the requirement of repaying interest with principal to financiers is not necessary. This further brings down the cost of production and this gives the company an advantage of placing a higher margin on the product.

Low set up and running cost: The component of the product is purchased from suppliers and assembled in china, it does not require heavy investment

in machinery or other fixed assets, and the capital required for Work-in-progress is at a minimal level.

Granted patent in HK and China: The patent right of the product prevents the manufacture of duplicates in the market and gives the company the rights of branding and monopoly.

Innovative product: The product is new and innovative and the primary advantage of its newness will attract consumers and result in a higher sales volume.

Weakness :

Small company: The Company is a start up company, new in the market with no reputation or credentials. Besides Gamefit is its only product and hence heavy dependence on its sale

No self-manufacturing plant: The company is heavily dependent on its suppliers for its components the lack of a self-manufacturing plant give the suppliers the advantage of price negotiation.

Opportunities:

First mover advantage: The product is the first of its kind in the market. In other words, it has the whole pie for itself. The combined market of health freaks and video gamers is theirs.

Increasing rate of obesity and the threat of heart disease: The increasing health awareness and the increase in obesity and the risk of cardiac diseases have created a growing market for this product. Besides the reluctance of people to come to fitness, centre and exercise without entertainment will be eradicated.

Timing concern for Hongkongers: With gamefit at home, a consumer can

exercise and have anytime he wants and the time spent in going to a gym or a video game centre can be utilized for other reasons.

Alliance with video game and fitness machine manufacturers: The alliance of the company with Nintendo, Sony, Wii, PS3 and Microsoft Xbox, indirectly endorses the product and gets the credit of being associated with world-class companies.

Threats:

The changing environment in technology and threat of substitution: The rapid change in technology poses a serious threat as the product is dependent on two other products for its functioning and the chances of a merger of the product into a video game or a fitness machine is higher.

Government Regulation; Any new regulation by the government can hamper the growth of the company especially at a very nascent stage.

3. 3 Marketing Plan

3. 3. 1 Products / target market

GameFit is an innovative product. An add-on controller interface product which is served to connect any fitness machines with any video game console systems, such as Nintendo Wii, Sony PS3, and Microsoft Xbox. Game Fit has a granted patent in HK and China. The product is assembled at Shenzhen China to lower the cost. We developed our product into 2 stage. 1st Stage is for Mountain Bike and

2nd Stage Runner is Trail and Stepper

The benefit of Game Fit is to provide health, fitness, fun and enjoyment when doing exercise.

According to the market research analysis, our target market segmented by customer is

(i) Video gamers who are reluctant to exercise. Our aim is to help them reduce negativity and to alleviate their hard feeling and bad experience of doing exercise.

(ii) Regular and existing fitness clubs members who seldom play video games. Our aim is to give them a totally new experience

(iii) Regular and existing fitness clubs members who are also video games lovers. Our aim is to give them an all-in-one experience and enjoyment

What we are going to do is to create a market demand for this combined niche market.

For the long term, we will globalize our market. Our first target country will be China and then worldwide.

3. 3. 2 Placement

We will promote the business using a variety of methods, which including: Electronic tool - Internet (official website, advertising banners) - A powerful medium today can play a vital role in enhancing the brand image. The ease of buying the product through the website will also ensure faster return on investment.

Direct mail followed up by telephone calls - Database collected from Fitness centers and video game centers will serve as a base for this activity.

Trade shows - To ensure that the product is displayed and explained in all tradeshows to create product awareness and reach.

Free trial of Game Fit in fitness clubs - The free trial will provide a taste of the experience that game fit will offer this will induce both the fitness centre and the customer to buy it.

Display in corporate houses - Modern organizations are looking for upbeat systems

to remove stress and create a congenial work environment. Besides the growing awareness among corporate houses to have healthy employees is a potential market. The display in corporate houses will help break into this market. Game fit has tied up with two leading fitness machine manufacturers and video game companies to offer a 3- in -1 product effect at a discounted price if all the three products are bought.

Stalls in clubs - Clubs are frequented by the adult population and are again a potential market for the product. The tie up with the other two manufacturers of fitness machine machines and video games will continue here too.

Video game and Fitness machine showrooms - The sale of the product through video game or fitness machine showrooms will create one more market as the chances of a customer who walks into any one of the showrooms may have the other product at home and by purchasing gamefit can see the value of his products double. If the customer buys both products at any of these showrooms, he avails it at a discounted price. (Kotler 2002)

3. 3. 3 Price : Gamefit is priced at \$2000 . The price has been arrived after careful analysis of potential market demand market survey and purchase power. The discounted price is as follows.

Discounts for purchase in corporate houses: A 25% on each of the products . If only game fit is bought; it still comes at a 25% discount. The company has

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also has an agreement with the other manufacturers for a selling expense deal if only any of the other two products are purchased by the customer

Discounts at clubs: It follows the same pattern as corporate house.

Discounts for fitness centers: A 10% overall discount if more than two numbers are purchased.

Discounts at Showrooms: Gamefit comes at a 10% discount if bought from any of the showrooms. The issue here is gamefit is looking for a showroom and fitness and video game showrooms prove ideal. A customer walks in to buy a video game or a fitness machine not gamefit. The showroom sells gamefit . Hence, the other product manufacturer decides on the discount for his product.

The above-mentioned price and discount rates will be followed at the time of launch. This is subject to revision after the initial response from the market. (Kotler 2002)

3. 3. 3 Promotion: Experts comment that today is marketing has forgotten about the balance three P's and focus only on this one. What is your promotion strategy How well have you designed it Will it make enough sensation How much is invested in advertising this product What does the company have to say to the papers are they recommending the product. Well, all of this has to be taken care. It speaks a lot about the brand image. The company has signed a contract with a leading ad agency for its ads on print and Television. The timing and frequency of the ads are based on the TRP's of programs, and the age group of population watching the program. (Kotler 2002)

3. 3. 4 Appendix : Preliminary Market Research and Analysis in 2006:

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Sports clubs/Fitness centers membership in Hong Kong

Male

Female

Total

9%

10%

9%

Monthly spending on video games in Hong Kong

Age in years

\$0

\$1 - \$200

\$201 - \$1000

\$1001 - \$2000

\$2001 - \$3000

15 - 20

38%

47%

15%

1%

0%

21 - 30

48%

34%

15%

2%

0%

31 - 40

69%

22%

8%

0%

1%

Frequency / Experience of playing video games in Hong Kong

Age in years

never

Used to, no more now

Less than once a year

A few times per year

A few times per month

A few times per week

Daily

15 - 20

2%

3%

3%

12%

23%

32%

26%

21 - 30

6%

10%

3%

18%

21%

23%

19%

31 - 40

14%

16%

4%

17%

16%

22%

13%

Sources of research findings (secondary data):

The University of Hong Kong

The above table represents the combined market potential for the product the total population that goes to fitness centers and the population that is used to playing video games. The product will attract the entire crowd of video gamers and gym goers as it can be placed in both the arenas. The total of 9% who visit the gym will welcome the entertainment based exercise and the value addition in terms of health the product is going to provide with a difference is going to benefit the video gamers . It will create authenticity, accreditation and improved health for the youngsters.

The above data also represents a high potential for educating and creating awareness on the product for the age groups 31-40, which also is the

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fulltime working population with the highest purchasing. Gamefit has to promote the product by enabling this population to see the value in the product after it combines the fitness machine and the video game. 69% of the population does not spend on video game but a large percentage of them will start purchasing all the three after perceiving the health advantage and entertainment.

Appendix : Preliminary Market Research and Analysis in Aug 2008:

No. of Cardio Equipment at Each Fitness Club in Hong Kong

Age in years

never

Used to, no more now

Less than once a year

A few times per year

A few times per month

A few times per week

Daily

15 - 20

2%

3%

3%

12%

23%

32%

26%

21 - 30

6%

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10%

3%

18%

21%

23%

19%

31 - 40

14%

16%

4%

17%

16%

22%

13%

180 (3 stars- 5 stars) hotels has fitness center, each hotel has at least 10 sets of cardio equipment, then total cardio equipment in 180 hotels is 1, 800 sets.

Residential with GYM facilitates is around 500. If each building has 10 sets of cardio equipment, then total cardio equipment in residential is around 5000 sets

No. of cardio equipment at fitness center in Hong Kong (primary data, July 08) (table will be inserted later) is around 5000 sets.

Then, market has around 10, 000 sets cardio equipment at Hong Kong. First year, penetrate around 10% (1000 sets GameFit product).

In comparison to the data of 2006, what we see is a sharp increase in the population that uses

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cardio equipments and the increased risk of heart disease , obesity and the market that it

provides for gamefit. The product expects to double its sales through the fitness centers. Tincreased frequency of visit by people to fitness centers increases their number thereby creating indirect demand for gamefit. The company first looks at aggressively selling through all the health and fitness centers and through video game depots. This spreads the new concept of health with entertainment and lure crowds towards the centers.

The interesting data is the growing awareness among the young to stay fit and look attractive. This age group of 15-30 is a prime target for gamefit.

When gamefit is selling to health and fitness centers, they have to sell the data on the population visiting fitness clubs and video game clubs centers. In fact, fitness centers and video game centers will start having dual advantage of tapping both the market segments. So double the sales for gamefit!

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