

# Good case study on the franchise model

[Business](#), [Company](#)



Fitness industry business is one of the booming activities in the present business milieu. A fitness business focuses on offering individual training, fitness instruction and utilization of the fitness facility to those interested in pursuing their individual fitness objectives. Starting a fitness business does not require the initiators to be fitness gurus, but a passion in fitness or readiness to adopt a fitness lifestyle such as Zumba forms a critical part of success in the industry. This response to the case study seeks to consider various business models that Zumba could use to establish a successful business. In addition, a recommendation will be offered on the best business model to be considered. Moreover, the respective revenue and cost model diagrams for each business model will be illustrated. In addition, this essay will investigate the fundamental aspects necessary for implementing the recommended business model.

As a point of departure, the fitness industry consists of numerous activities in which the sponsoring firms can use to meet the demands of the clientele. This follows that, numerous business models can be used in the fitness industry and give the desired results. The business models that would be analyzed relative to this case study include the Franchise Model, Instructor Training Model and Exercise Video Model (Bygrave and Zacharakis, 146). Each of these models can be integrated to a fitness business milieu and work perfectly well to achieve the desired goals; however, in cases of comparison, one of the models will be recommended as the best result oriented. Before recommending any of these models, this analysis seeks to consider individual models and respective revenue and cost models.

Judi Sheppard Missett, Jazzercise, Inc. developed this model in 1969, and today it is the leading franchiser of dance and fitness classes with an estimate of 5, 000 franchisers. After creating the program, the demand of the class went past the supply curve and this necessitated her to recruit some of her students as instructors. The functionality of this Model is founded on a program, which helps the clients to undertake fitness lessons. In the case of Zumba, the instructors such as Beto will be required to pay Franchise fee and royalty fee of a given percentage of the gross revenues (Bygrave and Zacharakis, 146). The revenue and cost diagram related to this fitness model is as follows, and it indicates various costs and revenues. This model is easier to use however, the company might not get sufficient profits since it depends on the payments from the instructors and royalty fees. It is notable that, the costs are many compared with the revenues.

### **The Instructor Training Model**

The circus performer and boxer Joseph Pilates founded this model in an English internment camp in 1911, and since then this kind of exercise has become popular. The motivation behind this form of a model was the desire to perfect the development of the body, brain and spirit. In addition, the Eastern ideologies of Pilates were integrated with the exercise routines. These practices were called Contrology, which Pilates asserted would develop the body in a uniform manner, strengthens the body posture and brings restoration of the physical vitality. In addition, this practice helps in invigorating the mind and motivating the spirit (Bygrave and Zacharakis, 15 1). This model generates revenues from an individual instructor teaching and certification. This model relates to the unit sales-revenue model with the

instructor regarded as a unit. The certification costs estimates from \$3000 to around \$7000.

This model implies that, once the instructor has been certified he is not supposed to pay any extra money to the company. Upon certification as specified by the company, the instructors can train either the individuals or groups. In this case, the additional revenue to the company can be generated by sale of specific equipment used in presiding particular forms of Pilates. It is notable that, the existence of diverse forms of Pilate's certification, the primary cost of the firms adopting the Pilates Model is the cost of brand management and differentiation (Bygrave and Zacharakis, 149). Product differentiation is a fundamental aspect of a firm that deals in an industry where a similar product, but of different taste and brand is sold. A lot of money should be invested in branding and differentiating the product from others in a bid to catch the attention of the buyer. This also helps in creating the marketing niche. Consider the following diagram that indicates the revenue-cost diagram.

### **Cost [Branding and differentiating management] Firm Revenue [sale of equipment and certification fee]**

This model is easy to apply, because it does not factor numerous economic trend factors in determining its profitability; however, it is well understood in any marketing milieu of any product that product differentiation is the most expensive aspect to implement in a marketing strategy. In relation to the strength analysis of the firm, the element of internal milieu should be considered pegged on the ability of the marketing managers and the whole department at large to undertake marketing research and analysis of the

collected data and making further decisions regarding the a new marketing strategy (Fitness Industry, 36).

### **Exercise Video Model**

This model embraces a unit of sale through the production and selling of exercise video and DVDs to either individuals or fitness companies. In this model of business, the revenue structure is straightforward, this implies that once the units of exercise have sold, the revenue automatically counts, and, however, there is a complication in the cost structure. The success of this model entirely depends on the consumer awareness of the product and efficiency of the channels of distribution (Fitness Industry, 39). This process is expensive, particularly in identifying the appropriate distribution channels that will serve the market niche in an effective way. The complexity in marketing and distributing the unit of exercise makes this form of the model expensive to the firm in terms of balancing the equation that links the expenditure and the income. Consider the following revenue-cost diagram attributed to this model.

### **Costs [marketing and distribution channels] Firm Revenue [sale of exercise units]**

The above business models are the primary approaches various firms use in implementing their business plans. However, various factors are considered in determining the appropriate model for a certain business unit. It is imperative to note that, a model that cost less is considered than the one with high costs. This consideration is beneficial because the sole reason of forming and running a company is to make profits. In addition, Zumba should consider a model that is easier to be integrated into the business' system

and operates well without much involvement, with increased profits (Bygrave and Zacharakis, 149).

### **Recommended Business Model to be used by Zumba**

After a careful analysis of this case study, I recommend the Instructor Training Model because of its advantages over the others. It is imperative to note that, the instructor Training model is not cumbersome in terms of complexities attributed to the costs. The revenue –cost model attributed to this model is straightforward in the sense that, the company can easily gauge its profits and losses. In essence, the costs are relatively low in this model comparing with the other models (Fitness Industry, 42). Upon certification as specified by the company, the instructors can train either the individuals or groups. In this case, the additional revenue to the company can be generated by sale of specific equipment used in presiding particular forms of Pilates. In this case, the Beto, will assume the position of the instructor, Alberto's should assume the position of the company's strategic manager and marketer and Perlman's should assume the position of the corporate and relation manager. The three individuals have relevant skills to the stated positions and department. They should ensure that, they incorporate their skills into the model in a bid to offer exemplary services and skills.

In the case of Alberto, he should use his skills in marketing and internet design technology to establish new and modern channels of reaching the members of the market niche. Excellent marketing strategies will contribute to the increased size of the market niche and will see more clients desiring the firms' products. On a similar note, Perlman will apply his skills in

problem-solving to ensure that; any problem arising from the implementation of failure of a strategy is solved in an amicable manner. It is imperative to note that, with the implementation of the said strategies and monitoring done by the said individuals; the company will have passed the first step of SWOT analysis. This implies that, the company has the strength in implementing the internal elements such as marketing, human resource management and strategic management practices. This makes the firm strong. In the case of weakness, the aspect of product differentiation is key in determining the future direction of the firm (Don, 31).

As observed in this analysis, the case of firm's weakness, the firm may not be able to stretch and create a large market niche of its products because of the cost involved in creating new and modern channels of advertising and marketing. The inadequacy of capital represents the weakness of this company. However, the aspect of opportunity is evident, if Beto teaches a few individuals to assist him in instructing. This will open the limited audience of the company's clientele. It is noticeable that, with adequate advertising mechanisms, a large size of clients will be attracted and with adequate instructors, a large group of clients will be served. This will begin a road map to the company's success (Michael, 32). In essence, Zumba should adopt the Instructor Training Model, because it will easily merge with the company's organizational structure. This merging is of great significance, because smooth flow of information and operational chain is ensured. It is evident from this case that, a combined organizational and skill structure of the top three individuals will see Zumba moving to greater heights.

## **Key Revenue and cost drivers for the recommended model**

According to the case, analysis and recommendation discussed in this study, the best model for recommendation is the Instructor Training Model, because of the attributed critical revenue and cost drivers. The fact that, we know that, the Instructor Training Model is associated with the aspect of unit-sale revenue model. This model relates to the unit sales-revenue model with the instructor regarded as the unit. The certification costs estimates from \$3000 to around \$7000. This model generates revenues from an individual instructor who teaches and certifies.

This model implies that, once the instructor has been certified he is not supposed to pay any extra money to the company. Upon certification as exhaustive by the company, the instructors can sleeper either the individuals or groups. In this case, the additional revenue to the company can be generated by sale of specific equipment used in presiding specific forms of Pilates (Allan, and Tucci, 27). It is notable that, the existence of diverse forms of Pilate's certification is the principal cost of the firms embracing the Pilates Model is the cost of brand management and differentiation. Product differentiation is a central aspect of a firm that deals in an industry where a similar product, but of different taste and brand is sold.

A lot of money should be invested in branding and distinguishing the product from others in a bid to attract the buyer. This also helps in creating the marketing niche. In essence, the cost drivers that are associated with this model of instructor include the cost of advertising, branding and product differentiation (Allan, and Tucci, 45). In addition, this model is flexible to merge it with the modernized technological and logical organization of the



company. The ability of the company management headed Alberto, to design and use of technology complete the SWOT analysis, cycle of this company. In essence, the firm has passed the S, O & T of SWOT analysis and if more energy and skill is applied, the firm increases its clientele.

### **Key aspects of implementing this model**

In conclusion, out of the various business models discussed in this case study; the Instructor Training Model seem to be the best alternative for the Zumba fitness firm because of its ability to align well with the present business milieu. It is notable that, the model also, aligns well with the skills of the top management team, and this makes it easy to make decisions of integrating the systems for purposes of smooth functionality

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