

Healthy fitness center case study

[Business](#)



To assess the viability of the fitness center, this paper performs industry diagnostics using Michael Porter's Five Forces framework. The analysis will show the degree of threats coming from potential market entrants and other market forces. The paper will also outline the appropriate technology solution for UR UMUC Healthy Fitness Center that will assist the facility to run effectively. The appropriate business process model will be identified, as well as the suitable information system incorporated in the fitness center's new business strategy so as to achieve a competitive advantage in the market.

Porter's Five Forces Analysis Rivalry among Existing Competitors This factor will help the management to understand the nature of rivalry among competitors.

Competition can be technology driven, price driven or service driven (Kumar, 2012). When companies in an industry exhibit a high degree of rivalry, this causes industry profits to be reduced. Henry (2008) says that rivalry in the fitness industry can increase when competitors in the industry see an opportunity to improve their market position.

Threat of Substitute Products and Services This is competition from products and services, which meet similar needs of fitness center's customers. Substitutes limit the potential returns of an industry. The presence of substitutes means that customers can switch to these substitutes in response to lack of good services or high prices (Henry, 2008).

The Bargaining Power of Suppliers Suppliers in the fitness industry can exert bargaining power over participants in an industry by raising prices or reducing the quality of goods and services. Henry (2008) noted that the suppliers industry may be dominated by a few companies and is more

concentrated than the industry it sells to. Also the suppliers in the fitness industry may be faced with few substitutes. The Bargaining Power of Buyers Consumers of the fitness center services can affect the industry through their ability to force down prices, bargain for higher quality or more services and play competitors off against each other (Henry, 2008). Since the buyers have full information about fitness, and the switching costs are low, this factor is important. It is important to know how much influence and control the customers have on pricing and other aspects of offering (Kumar, 2012).

The Threat of New Entrants This is the extent to which competitors may decide to enter an industry and reduce the level of profits being earned by the existing firms. Henry (2008) says that if companies in an industry earn profits well in excess of their cost of capital, then it is more likely they will attract new entrants. It is important to analyze how vulnerable the industry is to threats from new entrants.

Differentiation Generic Strategy The differentiation generic strategy is ideal for the fitness center. Porter (2008) says that this strategy will differentiate the services offered by the fitness center, thus creating something that is perceived industry wide as being unique. The approach towards the fitness centers differentiation will be through the use of technology, improving the centers brand image and good customer services.

Porter (2008) says that if UR UMUC Healthy Fitness Center achieves differentiation, the fitness center will create a defensible position for coping with the five competitive forces. It is a viable strategy for earning above average returns in the fitness industry. Through implementing the differentiation strategy, the fitness center will have insulation against

competitive rivalry because of up to date technologies in the fitness center resulting in lower sensitivity to price (Porter, 2008). It also increases margins, which avoids the need for a low cost position. The resulting customer loyalty and the need for a competitor to overcome uniqueness provide entry barriers.

Differentiation through the adoption of latest technologies and fitness center information systems will yield higher margins with which to deal with supplier power and it will clearly mitigate the buyer power. The fitness center having differentiated itself to achieve customer loyalty will be better positioned vis-a-vis substitutes than its competitors (Porter, 2008). Strategic Business Area The most important strategic business area to be improved is information technology. The fitness center must develop a strategy for using information technology to define how to support key areas such as customer service, equipment scheduling, employee management, customer relationship management, and managing equipment maintenance. A fitness center information system is central to UR UMUC Healthy Fitness Center business strategy. The fitness center information system will support its generic strategy of providing specialized services that will set it apart from its competitors.

A fitness management information system at UR UMUC Healthy Fitness Center will be used to both reduce and control costs and enable the higher quality of service the customers demand to be delivered. If the fitness center's customers are paying a higher price for fitness services they will expect much better information of schedules, trainers, alerts, new equipments and new offers. This implies that good fitness information

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system can often be at the heart of a differentiation strategy (Glaser, 2004). Information technology will be used to differentiate and customize UR UMUC Healthy Fitness Center's services. The fitness center should establish an online application web site that includes information about registering online, paying upfront electronically, staff and facilities scheduling and making reservations for fitness training. The customers will be able to know their schedules and the trainers on duty at a particular time.

For the management, the online application will enable them to manage the fitness center online, communicate with service providers and suppliers, vendors and keep and update their inventory (Hill & Jones, 2009). With the online fitness center application, the management will keep a record of the employees scheduled to work each day. All this efforts will differentiate their fitness services from those of the others such as CableTV and Internet Exercise channels and sites, Wii and other TV Game Consoles. Business Process The fitness center information system will support the management of business process scheduling. Even though it does not directly improve the performance of equipment, employees and other facilities, it will certainly automate the time consuming business of administration. Glaser (2004) says that business process scheduling creates many benefits that can be directly associated with saving costs.

Scheduling business process will eliminate overtime costs by instantly seeing shift coverage and hours scheduled for different employees. With this information in the application, it will be easy to optimize staff, optimize facilities and equipments usage, classes, prevent over booking and registration and reduce overtime.

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