

IMPROVING MARKETING STRATEGY FOR KILLAY FITNESS CLUB



Solmaz Safari

Consultancy Project Report

5/7/2019

Table of Contents

1. Introduction.....	2
2. PESTLE Analysis for Killay.....	2
3. Porter's Five Forces	6
3.1 Threat of New Entrants	7
3.2 Threat of Substitutes	8
3.3 Bargaining Power of Buyers.....	8
3.4 Bargaining Power of Suppliers.....	9
3.5 Industrial Rivalry.....	9
4. Marketing Strategy	10
4.1 Internal marketing analysis – 4Ps	10
5. Recommendations.....	12
6. Reference List.....	14

1. Introduction

Different industries across the world have been experiencing rapid growth every other day because new businesses keep on being formed. The availability of new and existing markets, together with the increased rate of demand play a major role in rise of new firms in different industries. This has forced many firms to device strategies which will make them the preferred choice for the existing and new customers in their respective industries. Proper environmental analysis has seen many firms maximize their profits and market share since the management is usually properly advised on what to maximize and what to minimize if the business was to achieve its main objectives (Srdjevic, Bajcetic and Srdjevic, 2012).

Killay Fitness Club, being one of the new entrants in the fitness club's industry, has been in existence for less than a year in the city of Swansea. This means that the club faces competition in all aspects from the already established clubs in the industry such as The Gym, Xercise4less and Simply Gym. These old entrants have an established customer care and a well-defined market share. Therefore, to enhance the survival of Killay Fitness Club in this highly competitive environment, strategic decisions will have to be made based on the recommendations and the analysis of this report. A proper analysis of Killay's competitive environment with the help of the PESTEL analysis, Porter's Five Forces and an investigative analysis of the current marketing strategy using the 7P's of marketing.

2. PESTLE Analysis for Killay

A PESTLE analysis is a tool that is often used by marketers for purposes of analysing the external environment of a company's marketing services and capabilities (Makos, 2016). It is also used in the assessment of a company's macro environmental

factors with an aim of enhancing the strategic decision-making process. A PESTEL framework includes the Political, Economic, Social, Technological, Environmental and Legal factors. It has proven to be one of the most effective frameworks when properly analysed (Issa, Chang and Issa, 2010). The fundamental need of a PESTEL Analysis focused on the marketing preferences that basically have an impact on customer preferences in terms of their purchasing and customer power. This aspect has simplified the decision making process of the customer with regard to the marketing trends (Rogers, 1999).

2.1 Political- The political environment of a certain area refers to all the ways that the government participates in the economy of that area. Many at times, the government comes up with policies and legislations that govern the operations of businesses in a given country (Gillespie, 2007). The UK government has policies and legislations that support the formation and the operations of small businesses in the UK. The management should therefore abide by these policies and legislations to continue keeping up the good records with the government. According to CDC (2010) most governments and political rallies are focused on improving the number of people who have a healthy and fit lifestyle and this has a positive impact on the general fitness industry. Most operations and activities within the fitness industry need to abide by certain guidelines that are politically driven to show that the fitness club businesses are in compliance with the respective legislations. In 2013, BBC reported that the UK government come up with a “Change4life” campaign that is aimed at improving the number of people who live a healthy, active and positive lifestyle. This is a

great opportunity for Killay Fitness Club, which has just started its operations in the fitness industry.

2.2 Economical- The economic factors of a given country determine how businesses operate and the competitiveness of the environment. These include the growing rate of the economy, the interest rates imposed in the country, the inflation of the country and the exchange rates of different currency (Begley Et al, 2005). Fitness Australia (2009) notes that there is an increasing levels of unemployment and the economy is gradually experiencing a downturn. Such effects are also being experienced by the fitness industry with people having to make budget cuts and thus end up spending less amounts of money on exercising and sport hobbies. Swansea has a high per capita GDP including an investment environment that is favourable, however, there is still a high rate of debt and deficit that makes the country to limit its expenditure. The economy is mostly affected by a stagnated import growth due to vulnerability of Europe exposure and Brexit.

2.3 Technological- The technological factors in a given country also play a huge role in the success of a company. Many organizations nowadays are shifting from the old business processes to the new technological advanced business processes. The adoption of the up to date technologically advanced equipment is a clear indication that the club is moving in the right direction and therefore this should be maintained. According to Kratzman (2002), technological improvements and advances have made the fitness industry to experience dynamic innovations and therefore, it is important for Killay Fitness Club to stay updated on the

technological advancements so as to remain competitive in the fitness industry. Killay Fitness Club also has the opportunity of utilising social platforms so as to effectively reach out to its target population and audience. In addition, due to the technological advancements of the social media, Killay Fitness Club would be able to easily monitor the feedback and satisfaction levels of their consumers.

2.4 Social- When we talk about the social factors of a given location, we simply mean the ways of lives of the surrounding communities. These include culture and beliefs of the community. For a business to thrive in a given location, the management has to understand the ways of lives of the community living in that area. By doing this, the business will receive maximum support from the community. For Killay Fitness Club to continue enjoying support from the surrounding community, it should support the community in various projects in terms of Corporate Social Responsibilities. Based on the factors associated with society, the number of elderly population is rising and therefore, more people are actively engaged in fitness clubs as they age in order of maintaining a healthy condition (Hanrahan, 2008).

2.5 Environmental- The surrounding environment of a business has become one key area of concern for investors and stakeholders before engaging in activities with a certain business. The increased rate of pollution in different parts of the world has discouraged investors to set up their businesses in such areas. The exact location of the Fitness Club is conducive. If it is necessary to move to a different location, utmost

consideration should be given to an area which has better environmental condition than the present location.

2.6 Legal- The legal factors include all the policies and procedures that a given business is expected to be in compliance with. These may include; consumer rights provisions, the equal opportunities provisions, products safety and standards and proper product labelling (Math and Keyboarding, 1994). The Club should therefore keep up with the legal requirements and provisions put up in Swansea and the UK in general to avoid getting into trouble with the relevant authorities.

3. Porter's Five Forces

Killay Fitness Club, as mentioned in the section above, is barely one-year-old in the Fitness Club industry. It is advisable for the management of the club to strive to do all it can to see that Killay Fitness Club has a competitive edge over the other established players in the industry in Swansea such as The Gym, Xercise4less and Simply Gym. A competitive advantage is a situation where a given organization outsmarts its main competitors in aspects such as market share, high profits realization, quick customer attraction and retention and low customer turnover (Barney, 1997). Analysis of the competitive advantage using the Porter's Five Forces framework will help the organization achieve the competitive advantage. The five forces include; threat of new entrants, industry rivalry, bargaining power of customers, bargaining power of suppliers and the threat of substitute products (Porter, 2008).

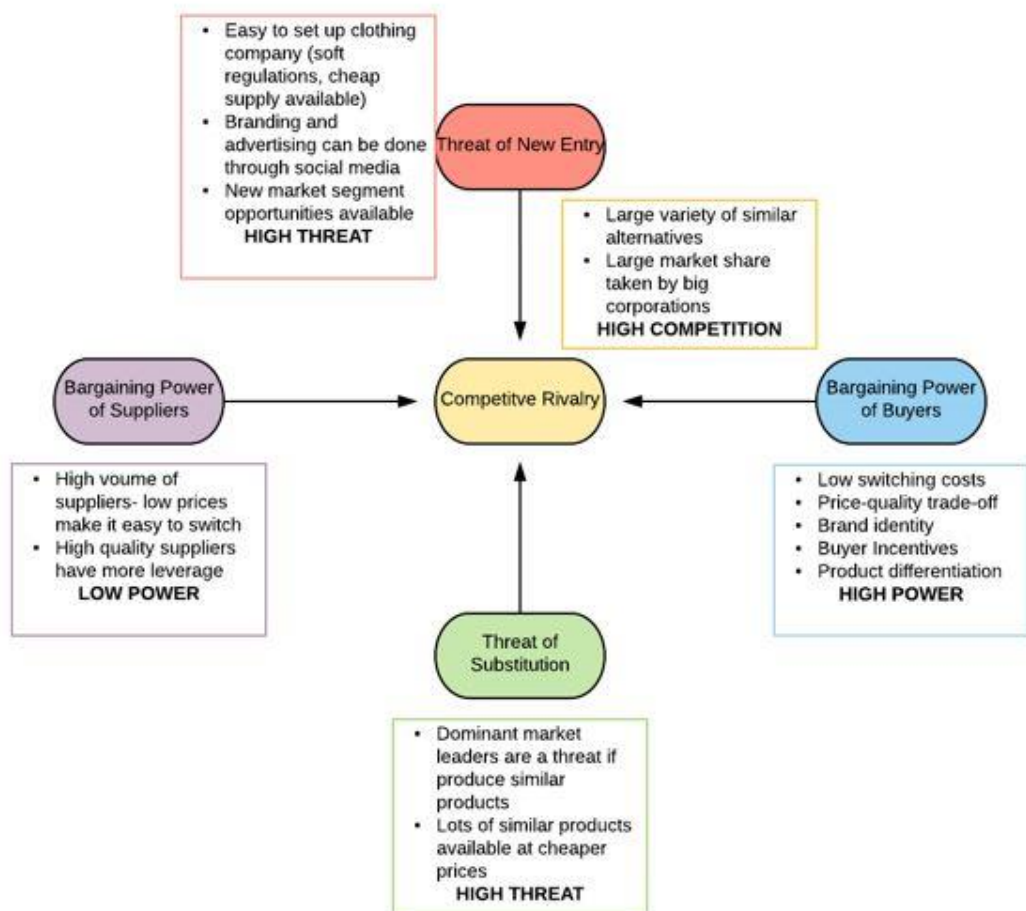


Figure 1: Porter's Five Forces: source Potter (2008)

3.1 Threat of New Entrants

With the increased levels of demand and limited supply, various industries have been witnessing new firms being set up in specific industries in order to match the demand with the supply. However, this is not always the case since at times the market may be flooded with firms which have perfectly matched the demand and the supply but still new entities are being formed and set up, these are the new entrants (Cash, 1985). New entrants in a given industry pose as a threat because the available market will be competed for, giving the customers an upper hand when it comes to bargaining.

3.2 Threat of Substitutes

Substitutes are those products or services that can satisfy the same customers' needs. This has been one of the threats in the Fitness club's industries. Most of the times the availability of substitute goods or services have a negative effect on the being of an organization which provides similar goods or services, an example being lowering prices and offering massive discounts so as to attract the customers to purchase their goods or services instead of going for the substitute goods (Porter and Heppelman, 2014). In the fitness and club industry, the same threat of substitute products or services is also experienced. The Club coming up with well-coordinated plans, for example one year contracts, monthly plans and per entry plans which include; Gym & Spa single £38.99/Month, Gym & Spa Duo: £72.99/Month, Gym & Spa Annual: £390 Spa Monthly: £22/Month, Spa single session : £7/ Entry (Health, 2018). The Club should continue coming up with such plans and flexible schedules that will encourage the clients to continue using its facilities other than going for substitutes.

3.3 Bargaining Power of Buyers

'monopsony' is defined as a type of market where there are very many producers for a certain product or service but only one consumer is available for the consumption of all those (Manning, 2003). The effect of monopsony is what brings about the higher bargaining power of buyers. The buyers in this case dictate the prices of certain goods or services or else they will switch to the other providers (Porter, 2008). As at the yearend December 2018, the total number of gyms in the UK was estimated to be 7,000 with the total membership being estimated to be ten million in total (DB, 2018). This is a clear indication that at any given time, the buyer would have an upper hand when it comes to bargaining. The decision by Killay Club to set its monthly single subscription to at least 33 pounds was a good strategy considering the

fact that its facilities and services are of high quality. Therefore, the management should keep on adjusting its services and products prices according to the average pricing in the Fitness industry in order to control this force.

3.4 Bargaining Power of Suppliers

Just like the buyers in a certain industry may have a higher bargaining power more than the service provider, the suppliers too may have a higher bargaining power. In order to dispense services or offer certain products to the suppliers, the business needs suppliers who get to supply them with the necessary equipment. In a scenario where there is one supplier who supplies products to a large group of business in a given market, the supplier usually has a high bargaining power. They are usually the ones dictating the prices and the terms of contracts (Porter, 2008).

3.5 Industrial Rivalry

Where competition is present, rivalry exists. Rivalry within the industry therefore exists because one company would like to outshine the other companies in the industry (Grundy, 2006). This is one of the main factors that brings about the art of competitive advantage in the industry. To keep up with the competition, a company will not stick to the same business process and routine but will keep on changing from time to time depending on the advancements taking place. Killay Fitness Club being a player in one of the fastest rising industry in the UK, the health and fitness industry, experiences this type of rivalry for the few months that it has been in existence. Therefore, to guarantee its survival in the industry, the management should strive to make its business processes and procedures in such a manner that will see the club attain a competitive edge. Adopting the new technology in the Fitness Industry has so far proven to be a good strategy in ensuring that the Club beats this rivalry.

4. Marketing Strategy

The customers in any business play a key role in the downfall or success of the business. Therefore, without the customers, businesses would not be in existence. This is because every product manufactured or any service rendered is usually aimed for either direct or indirect consumption by the consumers. Businesses strive to attract and retain as many customers as possible so that they can maximize their profits and increase their market share more than that of their competitors. This explains why marketing is an important aspect in the performance of a business. Marketing refers to the activities that an organization engages in for the purpose of promoting and selling a particular product or service to its customers (Kotler Et al, 2015). Very many strategies have been put forward as marketing strategies. However, in this section, the 4 main Ps of marketing are going to be analysed.

4.1 Internal marketing analysis – 4Ps

This paper will look at only four elements (4Ps) of the marketing strategies that are relevant and applicable to Killay Fitness Club.

4.1.1 Price- To begin with, price is a strategy that can be used for effective marketing of a given product or service. Proper pricing attracts customers and plays a huge role in retaining the customers who are present. Prices necessarily do not have to be cheap in order to keep and attract customers, but should match the value offered. Killay Fitness Club Setting up the minimum membership plan at 32 pounds per month (Health, 2018) is quite expensive compared Simply Gym which is 16.99 pounds per month (Gym, 2019) and The Gym which is 14.99 pounds (Gym, 2018), which may discourage the clients and make them move to the competitors.

4.1.2 **Place-** Secondly, place could be a good marketing strategy. This is the physical or the actual location where the consumers can access the products or services offered by a certain business. Therefore, for a business to excel the place where it is located should be accessible to the clients with ease or otherwise they will shift to those located in places that favor them. The exact location of the Club has proven to be convenient to the clients in terms of accessibility, security and parking.

4.1.3 **Promotion-** Promotion is an important part of the marketing strategy that any business adopts. This includes advertising, personal selling, public relations and sales promotion. It includes all the efforts that the organization undertakes to make sure that their products or services are well known to the consumers (Cravens and Piercy, 2006). Killay Fitness Club has made a good use of the social media advertising with the creation of a Facebook page, Twitter handle and Instagram page to reach some of its potential clients. This is not enough, the club should take advantage and use the Television and print media advertising which have higher chances of reaching a more members of the public.

4.1.4 **Product-** Lastly, the product is the last marketing strategy under the four P's of marketing. These include the actual goods or services that an organization offers to its consumers. Without the product, just like the customers, there is no need for a business to be in existence. The product should therefore be designed in such a manner that it fits the exact expectations of the consumers (Tracy, 2004). Killay Health & Fitness Club has done all it can to deliver perfect products and services to the clients which is a clear indication that the Club is on the right track to gaining a competitive advantage.

5. Recommendations

Marketing is an important business process that keeps on advancing with time. The best marketing strategy is that which gives the business a competitive edge over the other players in the industry. Killay Fitness Club, being a new entrant in the Health and Fitness Industry must seek the most effective marketing strategy to implement. Having looked at some of the strategies, the 4Ps remain to be the most effective marketing strategy to be used. This is because Killay Fitness Club is a service providing organization therefore factors such as price, place, product and promotion play a very important role in the growth of the organization in terms of increasing the market share (Customer attraction and retention).

It is recommendable to the management that they continue taking advantage of the prevailing economic conditions and policies put in place. The exact location of Killay Fitness Club, Swansea, hosts a variety of other fitness clubs which are likely to be supplied by almost the same suppliers. To overcome this force, the management needs to identify a particular supplier to enter into a long term contract with clearly defined terms. This will prevent situations where the supplier changes terms and prices whenever they feel like. Additionally, the club's management need to always take their client's feedback seriously. The suggestions, complaints and concerns raised by their clients should not be taken for granted. By doing this, Killay will stand out to be the best among the others.

Killay Fitness Club may cooperate with the other fitness clubs in Swansea and set high standards and requirements that will make it harder for new clubs to be established. Killay Fitness Club, Simply Gym, Xercise4less and The Gym can enter

into a coalition or union and set up high joining costs and other barriers to entry in the area of Swansea so as to protect their profits (Fee, Mialon and Williams, 2004).

As much as the 4P'S initially adopted by the club has shown signs of elevating the club's success to where the management desires in terms of large market share and high profits, frequent adjustments should be done for each and every P as time goes by, since the external business environment keeps on changing. For instance, when the government comes up with new legislation and policies about the standard of goods or services rendered to consumers, the club will have to adjust the Product aspect in order to match the new government specifications and standards. The same thing also applies to promotion and prices, when new technology comes up in the Industry, Killay Fitness Club will have to adopt it even if it is at a higher fee than the initial one, and in turn adjust its prices slightly higher. Therefore, the 4 P's continue to be the most preferred strategy since the management can always adjust to the necessary changes at will.

6. Reference List

- Barney, J.B., 1997. Gaining and sustaining competitive advantage.
- BBC. (2013). *Government adverts back healthy eating*.
- Begley, T.M., Tan, W.L. and Schoch, H., 2005. Politico–Economic Factors Associated with Interest in Starting a Business: A Multi–Country Study. *Entrepreneurship Theory and Practice*, 29(1), pp.35-55.
- Cash Jr, J.I., 1985. Interorganizational systems: An information society opportunity or threat? *The Information Society*, 3(3), pp.199-228.
- CDC. (2010). *Promoting healthy eating and physical activity for a healthier nation*.
- Cravens, D.W. and Piercy, N., 2006. *Strategic marketing* (Vol. 6). New York: McGraw-Hill.
- DB, L., 2018. *Leisure DB*. [Online]
Available at: <http://www.leisuredb.com/blog/2018/5/16/2018-state-of-the-uk-fitness-industry-report-out-now>
[Accessed 10 April 2019].
- Fee, P.R., Mialon, H.M. and Williams, M.A., 2004. What is a Barrier to Entry?. *American Economic Review*, 94(2), pp.461-465.
- Fitness Australia. (2009). *let's get physical: The economic contribution of fitness centers in Australia*. Fitness Australia.
- Grundy, T., 2006. Rethinking and reinventing Michael Porter's five forces model. *Strategic Change*, 15(5), pp.213-229.

Gym, 2018. *The Gym*. [Online]

Available at: <https://www.thegymgroup.com/find-a-gym/swansea/>

[Accessed 10 April 2019].

Gym, S., 2019. *Simply Gym*. [Online]

Available at: <https://simplygym.co.uk/>

[Accessed 10 April 2018].

Hanrahan, W. (2008). *Context Analysis and Promotional Objectives of Fitness First*.

Health, K., 2018. *Killay Health & Fitness Club*. [Online]

Available at: <https://www.killayhealthandfitnessclub.co.uk/>

[Accessed 10 April 2019].

Issa, T., Chang, V. and Issa, T., 2010. Sustainable business strategies and PESTEL framework. *GSTF International Journal on Computing*, 1(1), pp.73-80.

Kratzman, V. A. (2002). *US Fitness Industry: Market Overview and Entry Strategies*.

Makos, J. (2016). *An Overview of the PESTEL Framework*.

Manning, A., 2003. *Monopsony in motion: Imperfect competition in labor markets*.

Princeton University Press.

Math, M.T. and Keyboarding, O., 1994. Business Administration. *World History*, 2, p.3.

PESTEL. (2012). *PESTEL analysis of the macro-environment*.

Porter, M. E. (2008). *The five competitive forces that shape strategy*. *Harvard Business Review*, 86(1), 78–93, 137