

# **FITNESS CENTR: A CASE STUDY OF ADAPTING STRATEGY TO A DIVERSE ENVIRONMENT**

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## **ABSTRACT**

A *Fitness Center's* objective was to adapt its business model to an economically homogeneous, culturally diverse neighborhood in California. Using census statistics comparing demographic data of the geographic area as well as interviewing existing Center members, a marketing strategy consisting of segmentation, targeting, and positioning of the health club was developed. This case study addresses how an international brand fitness center, primarily known for its affordable pricing, openness and technically advanced equipment positioned towards single, younger customers had to reposition itself in an affluent, family-based, and service-oriented environment with significant population of Asian, Latin American, and Middle Eastern demographics.

Keywords: *Strategic and Sports Marketing*

## **INTRODUCTION**

The Fitness Center (FC) is a chain of clubs that originated in New York in 1989. From its origin, the gym expanded through creative use of newly invented group exercise classes such as hip-hop, co-ed Boxing, wrestling, yoga and cycling with intense work-out routine and collectively enjoyable experience. FC's business model is based on the philosophy of "positivity, inclusivity and fun" depicted by "no judgements" mantra. FC with its global franchises operates 350 clubs in the United States, Costa Rica, Canada, Spain, Australia, and Puerto Rico. FC's franchise business model operates in the lower-cost, higher-value segment of the industry, which includes the franchises in California (FCC), the focus of this case study. FCC is a luxury franchise with extra amenities, benefits, and a staggered membership fee. In addition to top-of-the-line equipment and group exercise classes (cardio, dance, action sports, cycling and yoga), members can buy high-margin personal training, access to tanning and hydro-massage beds, towels, access to lockers, an accompanying guest and training bootcamps. The premium further allows access to on-line workout classes and other FC clubs in California.

Given the significant overhead of the business, FCC is interested in enhancing its brand equity in upscale and "hip" areas in Southern California to (1) increase value memberships, (2) enhance member engagement for retention and (3) project a unique customer service image to

challenge traditional clubs as well as compete against fitness boutiques. This study provides a research-based framework for the status of FCC and provides advice to achieve FCC's objectives by accomplishing the following:

1. Develop neighborhood *outreach* programs to interact with potential customers in the community through sponsoring and partnering in local events.
2. Design an *Integrated Marketing Campaign* focusing on existing & potential customers to create a consistent brand image for FCC across social and traditional media platforms to build brand awareness in the community and online.
3. Implement innovative *loyalty* programs to maintain and to further drive customer enrollment and to increase retention culminating in higher brand recognition for FCC in the area.

## **Methodology**

### **i. Secondary Data Collection**

First, background data on the market, industry and trends were accumulated through searching existing publications. Using secondary research, a SWOT analysis under the current sociopolitical, economic, cultural and technology factors was conducted (Appendix A).

Insurance companies under the Affordable Care Act provide obesity treatment and counseling. California has been on the forefront of such policies and remains a major supporter of obesity treatment benefits. Economically, average household/capita and the percentage of high-income families in the FCC area are higher than the national averages and culturally, the concept of fitness/health has become a national trend with nearly 65 million Americans having club memberships, 15% of whom reside in California. A major driving force for this trend is social media influencers on Facebook and Google platforms with multimillion followers. Finally, social media platforms such as Facebook, Instagram, YouTube, fitness blogs and websites, now offer digital alternatives to physical gym memberships in the COVID19 environment which will likely last way post-pandemic era. Furthermore, most personal trainers offer either workout regimes, on some platforms that can be completed at home, bypassing clubs under current and in foreseeable future.

### **Strategic Marketing Factors: segmentation, targeting and positioning**

FCC's geographic area is predominantly Caucasian with Asians comprising 30% of residents. Hispanics, blacks and other minorities combined, represent less than 10% of the area's population. FCC's neighborhood is predominantly family-oriented with married with children comprises largest segment of the population (followed by singles) of this sophisticated neighborhood with over three quarter of its residents having a college degree, earning an annual income of over \$165,000/household with healthcare and personal care expenditures significantly higher than the US averages. The most affluent income group in the region are 45–64-year-olds.

## ii. *Primary Data Collection*

### **Why Primary Data Was Needed?**

To accurately assess demographics of current members at FCC, primary data was required. Two methods were used: a survey sent via email distributed by club's management and captured via Qualtrics and on-site intercept surveys that were conducted on three separate occasions inside FCC to exiting members. A total of 172 member surveys were collected.

### **Demographics or Intercept Surveyed Members**

- 50% of members surveyed are female
- 2/3<sup>rd</sup> of the member households make over \$100,000/year, 37% make over \$150,000 and only 1/7<sup>th</sup> earn under \$75000/household
- Majority of members are within employment age of 25-64 and only 8% are senior citizens.
  - 15% under 24 years of age
  - 25% age 25-44
  - 50% age 45-64

Members' age distribution (FCC data) *significantly* differs from FCC region's population, which is divided into approximately 30% per each age group under 65 (Census Bureau). Members predominantly identify as White (75.5%) with blacks representing the smallest FCC's population. Asians at 30%, of area's population, are significantly underrepresented with only 11% being members. On the other hand, Hispanics that account for less than 1% of area residents count for 8.5% of FCC's members. The Asian paradox could partially be explained by lifestyle and habits, attitudes towards western exercise routines vs. traditional Asian's or economics with Asians attending premium clubs.

### **Distance**

The majority of members live under 10 minutes away from FCC with

- 1/7<sup>th</sup> under 3 minutes
- 55% 4-9 minutes
- 18% 10-12 minutes
- 1/7<sup>th</sup> over 12 minutes

A GYM with under 12 driving minutes is acceptable in California and 87% of FCC's respondents fall into that category. The other 13% are more likely to migrate to other clubs when available.

## **Social Media**

Members surveyed were social media savvy (98%) with the following platform usage habits.

- 31% Facebook
- 20% Instagram
- 18% LinkedIn
- 11% Snapchat
- 10% Twitter

## **What do Members Like about FCC?**

Responding FCC members identify “strongly like + like” club attributes as summarized below.

Cleanliness “90%”

Friendliness “84%”

Group Exercise Classes “45%”

Hours of Operation “85%”

Price “80%”

Amenities (towels, lockers, sauna, tanning rooms, aqua massage...) “62%”

Up-To-Date Equipment “84%”

## **IMC for Brand Awareness**

It is interesting to know that approximately 50% of members became aware of FCC *indirectly*, through friends/family and 20% by simply visiting the area. Utilizing the “Live” features of social media platforms will promote awareness and increase followers. FCC must connect with members outside the gym through real-time events sharing which will enhance FCC’s marketing strategy:

1. Followers are immediately notified for recording live streams
2. Informational videos encourage members to act which are effective when there is a “call to action” closing the video
3. Reinforcing a community atmosphere is possible by directly allowing members to know fitness trainers and management and when the video ends and saved, it can break into various pieces of promotional content.

LinkedIn is unique from most social platforms as it provides credibility, expertise and grows FCC’s *professional* network. Sharing blogs posts, industry related articles and promotional updates provides members with a content-rich newsfeed.

## **Community Outreach for Brand Associations**

Using secondary search and primary data collection, it was found that most members do not commute more than 9 minutes away from FCC which hints to community involvement

opportunities within 9 minutes or 5 miles radius to create brand awareness and deliver a positive word-of-mouth effect. FCC can also engage in the community by sponsoring high school athletic teams, scholarship, free memberships for student-athlete as well as exercise events through Corporate Dash such its currently planned events: 3-Day Summer Mind-Body Cleanse, Vital Energy through Healthy Organic Nutrition or Reiki & Yoga events.

### Incentive Programs for Brand Loyalty

Being a member is a benefit but being a *loyal* FCC member should be differently rewarded. FCC must portray its “love” towards loyal members through ways such as “Member of the Month” using Twitter #onlyatFCC and postings on Facebook and Instagram with video highlight video of a member who embodies the “no judgements” philosophy on You Tube. Finally, highlight members who check-in the most per month Provide FCC Fitness gear for these few members. A typical FCC member is 45–64-year-old, educated, white, social media savvy making over \$75000/year, eats healthy and resides less than 9 minutes-drive from FCC.

### CONCLUSION

The management of this particular FCC was able to use our data and implement new practices to increase its membership. Due to Covid 19, and mandatory closure of these types of clubs in California, the economic impact of the changes has been difficult to ascertain. We hope to be able to do revisit the operations and fine tune the marketing strategy for the post pandemic time at the beginning of summer 2022.

### APPENDIX A

## SWOT Analysis

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>● Amenities</li> <li>● Cleanliness</li> <li>● Customer Relations</li> <li>● Location</li> </ul>	<ul style="list-style-type: none"> <li>● Lack of Membership Data</li> <li>● Lack of Social Media Connection</li> <li>● Imitable Core Competency</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>● Health/Fitness Trends</li> <li>● Obamacare Coverage</li> <li>● Neighborhood Demographics</li> </ul>	<ul style="list-style-type: none"> <li>● High Competition and New Entrants</li> <li>● Personal Training and Specialty GYMs</li> <li>● DIY/on-line Exercise Routines</li> </ul>