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FINAL THESIS REPORT

## Marketing plan for Kuntokeskus Verde Oy

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## **ABSTRACT**

Strategic planning of marketing forms the core for the entire marketing process. A company should identify the opportunities of the external environment and optimise them within the framework of its own possibilities. This way it can gain strong competitive advantage and succeed in the market.

The aim of this thesis is to form a marketing plan for Kuntokeskus Verde Oy on basis of an analysis of its external and internal environment so that the company can optimise its operations. On request of the club managers, a special focus is on the competitor analysis and strategy formulation and no specific information about schedules is revealed.

The theoretical framework of the thesis is based on data from several text books, although the main source of information is the book Marketing Management by Philip Kotler. All features and stages of the general marketing plan are explained and identified so that the importance of each is clarified.

The latter part of the thesis is the actual marketing plan. On basis of the study, Kuntokeskus Verde Oy has selected its target customers well. Moreover, its service offerings are planned so that the current customers are content. The suggested strategies are based on thorough study in order for the company to meet its goals and the entire marketing plan will be controlled by reports and surveys.

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**Keywords:** Marketing plan, planning of marketing, marketing objectives, marketing strategy, fitness club

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# 1 Introduction

## 1.1 Background

The topic for this final thesis was gradually clarified in discussion sessions with the managers of Kuntokeskus Verde Oy, Marja and André Leino. It was decided that a careful analysis and documentation of both the external and internal environment of Verde would be beneficial for future operations as the information received from the consultation company, CMS Finland Oy, is quite general. Moreover, as the club is young, all new ideas for future marketing activities or ways of meeting objectives are welcomed. Thus, considering the needs and wants of the managers, and the requirements of Tampere Polytechnic, the topic was formed: create a marketing plan for Kuntokeskus Verde Oy.

Kuntokeskus Verde Oy is a young company which operates in the field of fitness training. The club is the only fitness training centre in Porvoo that offers membership based services and hence, its way of business, especially the active customer search, is new to the population in Porvoo. Furthermore, Kuntokeskus Verde Oy belongs to the CMS fitness club chain from where it receives excellent information about the industry and help in marketing efforts. As the club has not been in operation for long, its main focus is to gain more market attention and increase the number of customers.

The globally popular fitness club chains are gradually penetrating the Finnish fitness market. Compared to the traditional model, the membership based clubs bring many new possibilities for the club owners, such as steady cash flow, marketing assistance and long-term customers. Naturally, this also means that the field of fitness training is evolving and becoming more attractive in the business sense. However, as the field is new, many of the used marketing campaigns and business decisions in general are based on “trial and error”. Thus, in order to gain the best possible future outcomes, more control and documentation of the operations is needed

## 1.2 Aims and scope

The managers of Verde wished that the thesis would especially concentrate on the strategy formulation and on future marketing activities. Moreover, as the competition analysis was previously based on “gut feeling”, a more proper study of that would be in order. Hence, although the thesis covers all aspects of the general marketing plan, a special focus is put on these parts.

The first part of the thesis forms the theoretical framework for the marketing plan. The importance of strategic planning of marketing and its stages are explained in chapter two and the detailed contents of the marketing plan is in chapter three. Moreover, the second part of the thesis continues with the practical marketing plan for Kuntokeskus Verde Oy which can be found in chapter four. The summary of the specific findings is in chapter five and the used references and appendices in chapters six and seven, respectively.

Because the thesis will be public, the managers wanted to keep certain data confidential. These include the following:

- The timeline for the marketing plan and marketing actions.
- The specific number of current members.
- Received revenues.
- The planned marketing budget.

Because of this, I have used either alphabets or percentages to still keep the idea behind the given suggestions clear.

## 1.3 Methodology

The theoretical framework is mainly based on information from Philip Kotler’s book, Marketing Management. However, some tables and graphics are made for the thesis for clarification. For the practical part, the information has been gathered from both secondary and primary sources. The primary source includes a study on the competition and also personal experience in fitness training and sales.

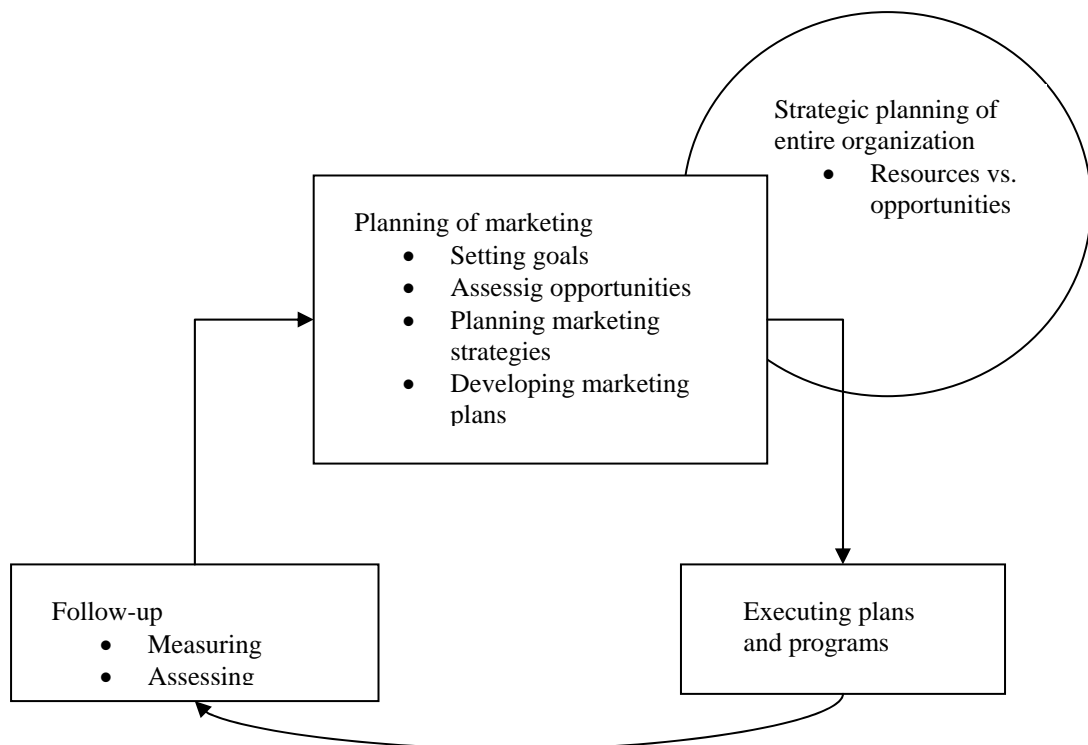
## 2 Planning of marketing

### 2.1 Marketing process

Marketing in general can be defined in several different ways depending on which way one wants to approach it. Philip Kotler (2000: 8) gives a clear definition that can be used here, as well:

Marketing is a societal process by which individuals or groups obtain what they need and want offering, and freely exchanging products and services of value with others.

As this thesis will focus on strategic planning of marketing, there is no need to go further on defining the indefinite field of marketing. However, it is necessary to show how planning of marketing fits to the larger picture of marketing management. The following picture shows the steps of marketing management.



**Figure 1:** Steps of marketing management (Ylikoski 1999: 208)

As can be seen, strategic planning of marketing forms the core of the marketing process. Tuire Ylikoski (1999: 208) states that the goal of strategic planning is to optimize the opportunities of a business environment within the framework of a company's goals and resources. Thus, if a solid marketing strategy is planned and executed, a business can gain a strong *competitive advantage*<sup>1</sup> compared to its competitors.

The marketing process is a broad area including analysing marketing opportunities, researching and selecting target markets, defining strategies, planning marketing programs and organizing, executing and managing the marketing effort (Kotler 2000: 86). A more detailed description of the process is given below.

### **2.1.1 Analysing market opportunities**

After setting its marketing goals, a company needs to take a closer look to its market. In order to find out its many opportunities in a market, a company needs to do intensive marketing research. This is an important tool for evaluating customer wants and behaviour and assessing market size. There are, however, many ways of conducting research. The company can use secondary sources or it can conduct its own research, for example, by phone, mail or personal surveys.

Marketing research also identifies both micro- and macroenvironment of the company. Microenvironment consists of all the instances that affect the company's business, such as suppliers, buyers and competitors. Macroenvironment, on the other hand is the broader view of the company's surroundings that affect its sales. This includes, for instance, demographic, legal and economic forces. (Kotler 2000: 86.)

Furthermore, it is essential to know what the consumer markets are like. In order to plan and execute a successful marketing plan, the company needs to find out exactly what consumers want and need. Furthermore, without analysing its

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<sup>1</sup> "Competitive advantage is a company's ability to perform in one or more ways that competitors cannot or will not match" (Kotler 2000: 56).



competitors, a business is bound to fail. It must know its competitors' strengths and weaknesses and plan its own activities accordingly. (Kotler 2000: 86.) The different areas of market analysis are explained in more detail in later sections of this thesis. When the market is thoroughly analysed, the company must develop detailed marketing goals and strategies to achieve them.

### **2.1.2 Forming marketing strategies**

When a company knows its potential in the market, it needs to start planning how it can differentiate itself from the competitor. The four aspects of the marketing mix (product, price, place, promotion) are the core parts of the strategy. Kotler (2000: 286) states that a company has to be alert at all times because competitors may easily copy a successful strategy and if that happens, a new plan needs to be formed. Companies have to plan new, value-adding features to the marketing mix constantly in order to gain and sustain competitive advantage (Kotler 2000, 286).

The strategy will also need to be changed at all levels of product life cycle: introduction, growth, maturity and decline. Moreover, changes in the micro- or macroenvironment force companies to make sure that the contemporary strategy is still effective. A detailed analysis of strategy forming is given later on in this thesis.

### **2.1.3 Planning and managing action programs**

Even a good strategy is merely a plan on paper if it is not executed well. Hence, companies need to develop ways to transform these plans into working action programs. Action programs in general give answers to several important questions. They clarify what the company must do in order to reach its goals, when these actions are done and how much money each action requires.

Basic decisions concerning marketing expenditures, use of marketing mix and marketing allocation should be made in order to achieve good results. Along with deciding the amount of the total marketing budget, a company must allocate the budget to the different elements of the marketing mix: product, price place and promotion. The allocation needs thorough planning because with a superior

marketing mix a company can gain strong competitive advantage. (Kotler 2000: 87.)

Finally, the last part of the marketing process is controlling the action programs. It is essential that a solid marketing organization is created so that plans are implemented well and effectively. A company needs proper tools for control and feedback in order to avoid major surprises or disappointments. These can be, for instance, annual plan control, profitability control or strategic control. With annual plan control, companies ensure that goals are met and see if there are gaps between those goals and actual performance. Profitability control shows the profitability of products, order sizes, trade channels, etc. This is a complex task as there are few proper measuring tools. Strategic control tells whether the marketing strategy is fit for current market. The effectiveness of marketing needs to be evaluated regularly so that market changes do not surprise the company. (Kotler 2000: 87.)

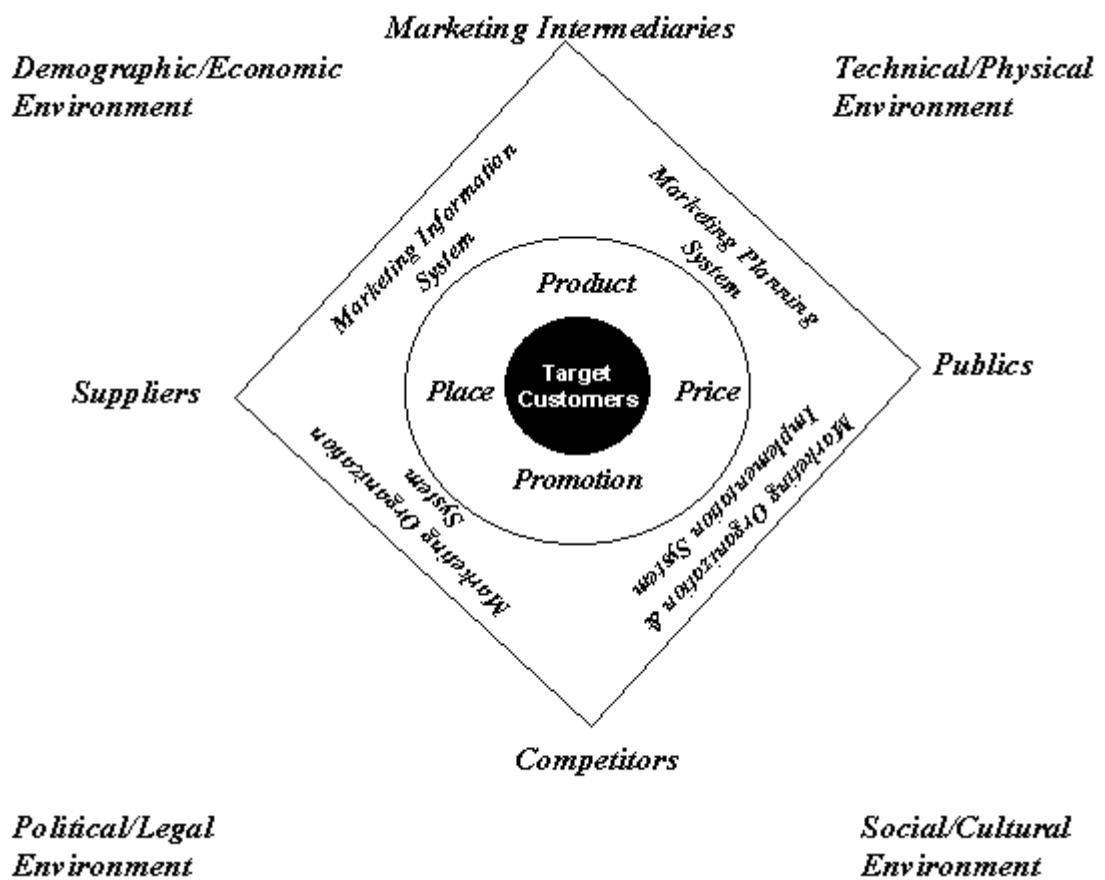
For the planning of marketing to be successful, companies have to go through all above mentioned steps: the internal and external analysis, then the strategy forming and finally, the planning and control of effective marketing programs. Naturally, these steps need to be documented so that the actual state of each can be analysed and goals achieved. The most important document of the marketing process is the marketing plan (Kotler 2000: 88).

### **3 Marketing plan**

Toivo Lipiäinen (2000: 585) states that a marketing plan gives base for the entire business. The marketing plan brings the company closer to its customers by showing how its operations should be executed so that each customer feels unique. Moreover, it shows whether or not potential buyers need the products or services of the business at all and thus, if the business should even exist. The marketing plan covers all four parts of the marketing mix: product, price, place and promotion. Furthermore, it includes the before mentioned steps of marketing planning and the tools for analysing these steps. (Lipiäinen 2000: 584.)

There are many reasons why companies form marketing plans. It can be written, for instance, to introduce annual marketing objectives, a new marketing strategy for a product or the plans of a new company to its financial sources. All in all, it is an essential tool for any company, old or new.

The following picture shows the factors influencing a company's marketing efforts.



**Picture 1:** Factors influencing a company's marketing strategy (Kotler 2000: 88)

As can be seen, companies are influenced by a number of forces and each should be carefully researched. Furthermore, companies should know how the forces affect their own operations. If and when changes occur in any of the influencing force, companies are ready and know how they should react. The management of a company has a significant role in the formation of the marketing plan. For instance, it sets goals, forms strategies and plans, organizes, motivates and controls the whole

organization. (Lipiäinen 2000: 585.) With a successful plan to achieve goals and strategies, the management forms a solid base for the company to succeed in the modern, highly competitive market.

As mentioned, the marketing plan is actually the documented version of a company's marketing efforts. The following table shows the contents of a general marketing plan.

**Table 1:** The contents of a marketing plan

<b>Order</b>	<b>Name</b>	<b>Analysis tool</b>	<b>Description</b>
1	Executive summary		Presents a brief overview of the plan
2	Current marketing situation	Major forces	Presents relevant background data of the environment and competitors
		5-forces model	
3	Opportunity and issue analysis	Opportunity and threat analysis	Identifies the main opportunities/threats, strengths/weaknesses and issues facing the company
		Strength and weakness analysis	
		SWOT analysis	
4	Objectives		Defines the financial and marketing goals of the company
5	Strategy formulation	Segmentation	Presents the broad strategy to achieve goals
		Targeting and differentiation	
		Positioning	
		Choosing a marketing strategy	

6	Marketing plan		Presents the specific marketing programs developed to achieve goals
7	Profit and loss statement		Plan's expected financial outcomes
8	Controls		Indicates how the plan will be monitored

In order to understand why each of the above mentioned part of the marketing plan is important, we will take a closer look on them separately.

### **3.1 Executive summary**

The marketing plan should begin by an executive summary. It tells the main goals and recommendations so that the management can read the main idea of the plan easily and quickly. A table of contents should follow the executive summary. (Kotler 2000: 89.)

### **3.2 Current market situation**

This section presents background data on sales, costs, revenues, market, macroenvironment and competitors. The data is collected from past performance and careful research. (Kotler 2000: 90.)

#### **3.2.1 Market and product situation**

The market should be analysed so that its size and growth can be seen. Information on customer needs, perceptions and buying behaviour is also presented so that the planning of strategy is based on this data. (Kotler 2000: 90.)

Furthermore, the sales, prices and profits of the company are shown from past years in a table form to see where the product actually stands in (Kotler 2000: 90). If the company is new, there cannot be any actual figures of sales or profits and then, the focus should be on analysing the macroenvironment and contemporary competitors.

### 3.2.2 Macroenvironment

This part describes the major macroenvironment trends that affect companies' performance. The macroenvironment is constantly changing and, thus, bringing both opportunities and threats to a company. This is why it is essential that a company follow the trends and needs in the macroenvironment. The six major forces of the macroenvironment are: demographic, economic, natural, technological, political-legal and social-cultural. Monitoring these forces enables a company to keep up with the changes and even create new innovations that give competitive advantage. (Kotler 2000: 136.)

It is also important that a company see how each force is interrelated. A change in one area usually affects other areas, as well. Hence, a broad view on the macroenvironment and a sense of how each aspect interrelates with the others gives again new opportunities to companies.

#### 3.2.2.1 Demographic environment

This is usually the part of the macroenvironment that companies research first. It shows the characteristics of the people in a particular market/geographic area. Companies analyze their markets, for instance, in terms of population growth, racial development, age and ethnic mix of the people in the area and their education and income levels. (Kotler 2000: 145.)

When companies know exactly what the specific demographic characteristics are, they can naturally focus on finding the best opportunities in the market. Moreover, changes in the demographic environment may either negatively or positively affect the company's growth.

#### 3.2.2.2 Economic environment

The economic environment involves everything related to the purchasing power of the people in the market. The purchasing power in turn is much affected by the saving and spending patterns so companies should be well aware of these trends. Also, current prices, debt levels and credit availability of an economy set clear directions how spending is distributed.

Kotler defines four different types of industrial structures (2000: 145): *Subsistence economy*, *raw material exporting economy*, *industrializing economy* and *industrial economy*. These economies differ in their income distribution, richness in natural resources and the amount and type of exported or imported goods. Hence, with research, companies see quickly if their products are suitable for a certain economy and how marketing should be performed.

Savings, debt and credit availability are important factors for companies to research because they tell if people in an economy like to spend or save their income. Price and interest level changes have a large impact on the operations of any business. (Kotler 2000: 147.)

### 3.2.2.3 Political-legal environment

Laws, rules and regulations govern the conduct of any company. Businesses today need to follow both official regulations and also regulations pressed by special-interest groups. However, in some cases, companies can even benefit from the newly established laws (Kotler 2000: 151.) A product related to public safety, such as bicycle helmet, can be made mandatory for all citizens in which case the manufacturer of this product naturally benefits.

Kotler (2000: 151) lists the three main reasons why business regulations exist: to protect companies from unfair competition, to protect consumers from unfairness in business and to protect the whole society. Companies must have solid understanding of laws that affect the specific field of business and also of regulations that are uniform to all. However, there are also an increasing number of special-interest groups that stress the rights of, for example, gays and women. Thus, companies should make sure that their marketing plans are passed through experts in the field of law, public-relations and consumer-affairs. (Kotler 2000: 152.)

### 3.2.2.4 Technological environment

New technology is changing the operations of businesses. The level of technology in a company has an impact on its strategies, such as the products and services offered, the way business is conducted and how the management works. Kotler (2000: 149) states that all new technological innovations hurt the old versions and

thus, it is important that a company be alert of all changes that might have an effect on it.

Moreover, the effect of evolving technology can have a long-lasting impact on the whole society. Kotler (2000: 149) mentions the effect of contraceptive pills which led to smaller families, more working women and thus, there is more expenditure on luxury goods and vacation travel. Companies should follow the pace of change in technology, the opportunities innovations offer, R&D budgets and again, increased regulation (Kotler 2000: 149).

#### 3.2.2.5 Natural environment

The natural environment should be investigated because it can offer both threats and opportunities to a company. Because of the deterioration of nature, new legislation and rules have been formed and companies have had to change their operations accordingly. There are four trends in the natural environment: shortage of raw materials, increased cost of energy, increased pollution level and the role of governments. (Kotler 2000: 147.)

With shortage of raw materials, companies must see whether the needed raw materials are renewable or not. For example, forests need to be reforested to ensure that there is enough supply for the future. However, the increased cost of energy is a serious problem for all businesses. Oil prices rise and fall and alternative sources are searched so that energy costs could be lowered. The lower the cost of energy, the lower can a company set its prices. Also, the increased pollution levels have forced companies to look for more ecological solutions in, for example, manufacturing and recycling. All in all, a number of governments are involved in ensuring the preservation of nature. More rules are formed and laws passed in hopes that an increasing number of companies would accept more social responsibility. (Kotler 2000: 147.)

#### 3.2.2.6 Social-cultural environment

This is the last major factor influencing a company's marketing decisions. It includes set of values, ideals and other characteristics which describe and distinguish different groups of people (Mayer February 13, 2005, lecture). People



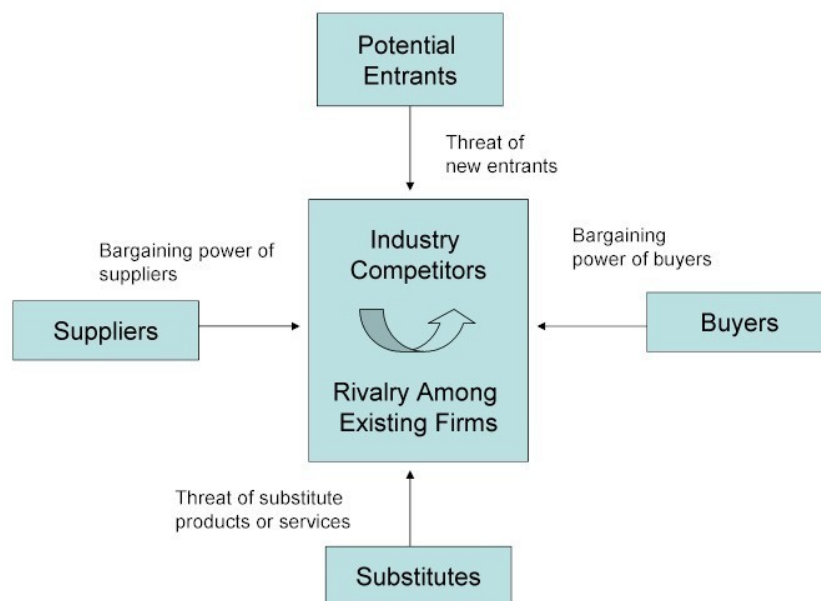
also have different views of themselves, others, organizations, society, nature and the universe. Furthermore, people can be grouped by their core cultural values, the impact of existing subcultures and shifts of values. (Kotler 2000: 153.)

The reason companies group people to smaller or larger groups is that their products should be made so that they correspond with the values of the target customers and address their needs (Kotler 2000: 155). This, in turn, helps in the formation of marketing strategies and strategic management process.

### **3.2.3 Competitor analysis**

Kotler (2000: 14) states that “competition includes all the actual and potential rival offerings and substitutes that a buyer might consider”. Thus, companies must take into consideration that not only the closest rivals but also companies producing substitute products are competitors. It is important that companies know where they stand or their position relative to competitors. This way they learn about the competitors’ strengths and weaknesses and can use this information in making strategic decisions and gaining competitive advantage.

Companies should first analyse the attractiveness of the market and identify their competitors. Michael Porter (1998: 4) lists five forces that influence a company’s market and competition. These forces are: industry competitors, potential new entrants, substitutes, buyers and suppliers (Figure 2).



**Figure 2:** Porter's five forces (Porter 1998: 4)

The forces form threats and the more threats there are, the more unattractive the segment is. Following are examples of possible threats that make the segment unattractive by raising the competitiveness within an industry (Kotler 2000: 218):

#### Threat of intense rivalry

- Numerous, equal competitors
  - individual efforts more important
- Slow industry growth
  - greater volatility and competition
- High fixed or storage costs
  - pressure to minimize inventories
- High exit barriers
  - hard or expensive to leave the market
- High stakes in staying in the market
  - more intense competition

#### Threat of new entrants

- Low entry barriers (small capital investments, few regulations, etc)
  - easy to enter the market
- Mild reaction from competitors
  - if no retaliation, easy to enter
- No “big players” in the market
  - none of the existing competitors has an advantage in size

#### Threat of substitute products

- Number of substitute products is high
  - consumers have a large selection from which to choose
- Performance of substitute products is good
  - consumers may easily choose substitutes
- Cost of substitute products is low
  - consumers may easily choose substitutes

#### Threat of buyers' bargaining power

- Buyers are concentrated
  - they have more power over prices and quality
- Product represents a large proportion of buyer's overall costs
  - demand more from the supplier of the product
- Market transparency for buyers is high
  - buyers know what they can expect from the product
- Product is undifferentiated
  - consumers may not distinguish the product from competitors' products
- Possibility of buyers to integrate vertically is high
  - gain more power when there is a possibility that buyers cover the activities of the suppliers

#### Threat of bargaining power of suppliers

- Concentration of suppliers is high
  - suppliers may set prices or quantities when they are concentrated

- No or little competition of substitutes
  - supplier's product is unique which gives the supplier advantage in bargaining
- Costs of switching suppliers is high
  - buyers prefer dealing with the same supplier
- Possibility of downstream integration is high
  - suppliers may take in the activities

The rationale behind the model is that the earnings potential of the market decreases the stronger the five forces are. However, the company that is strongest with regard to the five forces gains the earnings.

When the competitors are identified, companies should continue to analysing them in more detail. The competitor analysis has two important goals: getting information about important competitors and predicting competitor behaviour (Strategic Management... 2002 – 2005). These are gained by knowing who the competitors are, analysing their strategies, objectives and reaction patterns and finding out their strengths and weaknesses (Kotler 2000: 224). Michael Porter (1998: 49) identifies a framework for competitor analysis, which consists the following:

- |   |   |  |
|---|---|--|
| <ul style="list-style-type: none"> <li>• Competitor's objectives</li> <li>• Competitor's assumptions</li> </ul> | } | What drives the competition?                         |
| <ul style="list-style-type: none"> <li>• Competitor's strategy</li> <li>• Competitor's capabilities</li> </ul>  | } | What the competitor is doing or is capable of doing. |

### 3.2.3.1 Competitor's current strategy

Competitor's current strategy should be carefully researched in order to find out what the competitor is actually doing and what its capabilities are. Normally, strategies are revised from time to time so that the competitors cannot get a thorough picture each others' operations and activities. Companies may use different sources to find out strategies, such as annual shareholder reports, press releases and management statements. However, these give more information about

what the company wants to do instead of what it is actually doing. Thus, it is good to see what the practical actions of the company are, such as how it hires employees, how it uses promotional campaign and who its strategic partners are. (Strategic Management... 2002 – 2005.)

#### 3.2.3.2 Objectives

When the strategies of the competitors are identified, it is important to analyse what actually drives the competitors or what they seek in the market place. When the objectives of the competitors are known, it is easier to predict what their possible reactions to competitor activities are. Companies weigh general objectives, such as profit maximization, differently focusing on short-term or long-term goals. Moreover, there are plenty of factors that companies might consider in their objective formulation. These factors include, for instance, market share, growth rate and cash flow. More often than not, companies do not focus on one specific objective but have a mixture of them. (Strategic Management... 2002 – 2005.)

#### 3.2.3.3 Strengths and weaknesses

The strengths and weaknesses of the competitors show how they actually are capable of reacting to competitive pressure. The more strengths a company has the more capable it is in the market. Strength and weakness analysis may be formed by questionnaires for the consumers or by researching the actions of the competition. For instance, if a company has certain assumptions on which it bases its operations and these assumptions are not valid, the competition can take advantage of the situation. (Kotler 2000: 226.)

#### 3.2.3.4 Reaction patterns

Companies have different philosophies and values by which they operate and these guide the way they do business. Kotler (2000: 226) defines four general categories into which most companies fall:

1. Laid-back competitor:

A competitor that is slow to react to competitor changes. There are many different reasons why a company reacts this way and these should be identified.

2. Selective competitor:

A competitor that reacts only to certain types of attacks. These types should be known so that the competitors can use the information in planning their attack strategies.

3. Tiger competitor:

A competitor that reacts strongly to any form of assault.

4. Stochastic competitor:

A competitor that does not have a predictable reaction pattern. On many occasions, the reactions are possible when the companies' financial situation allows them.

When a company knows the patterns and behaviour of its competitors, it has an easier task in reacting to these patterns and its competitive strategy should be formed based on this data.

The strategy formation can be started by grouping companies according to their different roles and interrelationships. There are four types of competitor roles:

- Market leader
- Market challenger
- Market follower
- Market niche

The market leader is one step ahead compared to the competitors. The market leader is forced to defend its leading position against all other rivals wanting to copy its operation strategies. It can also ensure its leadership by expanding the total market or its market share. The market challenger, on the other hand, wants to become the market leader and chooses an attack strategy. This attack strategy can be based, for example, on price discounts, product innovation or intensive promotion. A market follower is usually a smaller company that imitates or adapts to the solutions of the market leaders and challengers whereas a market niche tries to find a segment to which it specializes. If it gets a solid position in the segment and invests to its operations, it has a good chance to become a market challenger. (Korkeamäki & al 2000: 91.)

When all the above mentioned aspects are gathered and analysed, companies should select the most proper competitive strategy in order to gain competitive advantage. More on strategy formulation will be covered in later chapters.

### 3.3 Opportunity and issue analysis

As the external environment has been analysed, a company should start identifying how the environmental aspects influence its own activities and what its internal strengths and weaknesses are. The evaluation of a company's strengths, weaknesses, opportunities and threats is called the SWOT analysis. For the analysis, a company must first identify how the macro- and microenvironmental changes affect it; do they create marketing opportunities or environmental threats. (Kotler 2000: 76.)

Kotler (2000: 76) states that "a marketing opportunity is an area of buyer need in which a company can perform profitably". Opportunities can be evaluated according to their attractiveness and success probability for the company. Companies gain competitive advantage by utilising the opportunities better than the competitors. For the analysis of the opportunities, a company can use a so called opportunity matrix (Table 2) that shows which of the opportunities should be pursued (No 1) and which should be left unpursued (No 4). Opportunities in slots numbers 2 and 3 should be kept an eye on so that if they become more attractive, they should be pursued. (Kotler 2000: 76.)

**Table 2:** Opportunity matrix (Kotler 2000: 77).

		Success probability	
		High	Low
Attractiveness	High	1	2
	Low	3	4

Moreover, when analysing threats, companies should study both their seriousness and probability of occurrence. Threats are challenges that are created by negative trends and if they are not acted on, companies may lose large profits. Companies should have ready-made plans in order to deal with possible threats so that as little damage occurs as possible. Threats can also be analysed using a threat matrix (Table 3). Again, with the matrix, a company can see which threats are very serious (No 1) and which pose only minor threats (No 4). Threats in slots numbers 2 and 3 should not be forgotten but followed so that they cannot change into serious threats.

**Table 3:** Threat matrix (Kotler 2000: 77)

		Probability of occurrence	
		High	Low
Seriousness	High	1	2
	Low	3	4

By adding up the opportunities and threats, a company can get a clearer picture of what is attacking its business and which trends could be utilised.

After the company has identified the opportunities and threats that it is imposed to from outside, it needs to focus on its own strengths and weaknesses. When it can focus on minimising the weaknesses and optimising the strengths, a company can take advantage of the market opportunities better. The strengths and weaknesses are always relative, which means that they should be compared with the competition. This way, companies can focus on only the aspects that truly give competitive advantage. There are different ways of evaluating strengths and weaknesses. Companies can use a specific form by which they can clearly see which strengths and weaknesses weigh the most, or they can use external sources. (Kotler 2000: 78.)



When all four elements - strengths, weaknesses, opportunities and threats - are gathered, they should be drawn together in a table format. This way companies can evaluate all the aspects together and draw conclusions about possible strategies to gain the most of its own features.

### **3.4 Formulation of objectives**

The formulation of objects includes the goals that the company aims to attain during the term of the marketing plan. The goals cover both financial and marketing objectives. Kotler (2000: 79) states that in order to actually evaluate how well the objectives are met, they should be made measurable. Furthermore, most companies define a set of objectives that they will pursue and form them so that the company can manage by objectives (MBO). For MBO, the objectives should meet these criteria:

- Objectives are formed hierarchically. The most important first and the least important last.
- Objectives should be formed quantitatively when possible.
- Objectives should be realistic.
- Objectives should be consistent. (Kotler 2000: 80.)

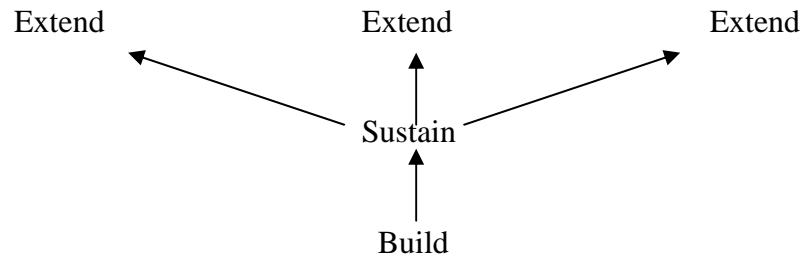
After and during the formulation of the objectives, companies should plan how these objectives will be met. With specific plans and strategies, companies can focus their operations on meeting the objectives and create a solid base for these operations.

### **3.5 Formulation of strategy**

Dr. Peter Mayor (February 13, 2005, lecture) states that in order to sustain their competitive advantage, companies should have three strategic imperatives. These are:

- Build competitive advantage
- Sustain competitive advantage
- Extend competitive advantage

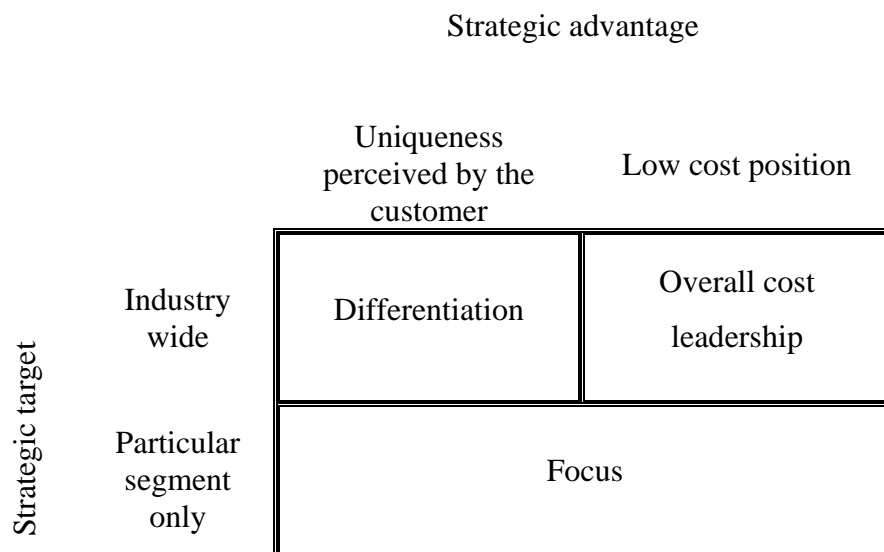
Or as an “Advantage tree”:



The competitive advantage can be build using several different strategies but Michael Porter (1998: 35) has condensed these into three generic competitive strategies:

- overall cost leadership
- differentiation
- focus

The three strategies can also be used in combination. The generic strategies give a good starting point into how goals can be met. The following figure shows the three strategies and their differences:



**Figure 3:** Three generic strategies (Porter 1998: 39)

### **3.5.1 Overall cost leadership**

In general, if a company's strategy is overall cost leadership, it aims at having lower prices than the competitor and gaining a bigger market share. In order to have the cheapest prices, the company has to have the lowest costs also in, for instance, production and distribution. A big threat in the strategy is that as the low prices are the only thing with which a company gains competitive advantage, it is easily lost. There can always emerge another company with lower prices so there is quite a lot of insecurity. (Kotler 2000: 80.)

### **3.5.2 Differentiation**

With differentiation, a company focuses on performing above the competition in an area that a large part of the market values. For example, the company can excel in service, quality, style or technology but not in all of them. Moreover, companies using the differentiation strategy utilise their strengths intensively so that they can truly differentiate and be better than the competition in the selected area. (Kotler 2000: 80)

### **3.5.3 Focus**

Companies using focus strategy select a specific market segment, buyer group or geographic market. The company also chooses either differentiation or cost leadership but for a specific target. This particular target is, then, served truly well so that every step in the operations are planned keeping the target market in mind.

### **3.5.4 Other aspects in strategy formulation**

The generic strategies give the framework for companies' operations. They show the underlying reason why a company is doing what it is doing. Companies also form strategies which give detailed guidelines for the operations and ways to gain competitive advantage. Companies have specific plans for differentiating and positioning their products or services so that they can perform better than the competition. These detailed strategies are formed at different stages of the product

life cycle<sup>2</sup> and take into consideration the four aspects of the marketing mix; product, price, place and promotion. (Kotler 2000: 286.)

Strategies must be changed whenever changes occur, either externally or internally. A company may face changes in the macroenvironment and adjust its strategy accordingly. Furthermore, if a competitive advantage is built, it does not mean that it can be sustained through time. Competitors often copy each other's strategies. Again, companies must be alert at all times and be ready to change as quickly as possible. (Kotler 2000: 286.)

### **3.6 Marketing plan**

Once the strategies have been clarified, companies should plan specific ways of implementing them. Actually, without a proper implementation program, even a well-planned strategy does not mean anything nor bring any benefits to the company. Thus, companies should first plan proper programs of how the strategies are implemented and second, make sure that the programs bring enough profits to justify their costs. The action programs specify what will be done for the strategy implementation, how it will be done and by whom. (Kotler 2000: 89.)

### **3.7 Profit and loss statement**

For the action plans, a projected budget should be formed. The budget shows the expected outcomes on the other side and the costs of each action program on the other. The outcomes include expected sales and prices so that possible revenues can be seen. Moreover, the costs include all possible expenses that are broken down according to each program. (Kotler 2000: 90.)

### **3.8 Monitoring the action programs**

Controlling the programs is also an essential part of the marketing plan. This is where the controls are marked so that the progress of the programs is clearly seen. Usually, companies mark down projected goals for each month and their costs.

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<sup>2</sup> Kotler (2000: 304) defines the generic product life cycle as bell-shaped with four stages: introduction, growth, maturity and decline.

With the information, the person responsible for monitoring can easily compare the actual results with the projected ones.

## 4 Kuntokeskus Verde Oy

### 4.1 Company description

Kuntokeskus Verde Oy is a fitness club in Porvoo, Finland, that offers health and fitness services to people of all ages. The company started its operations in April 2004 by Marja and André Leino who have a fifteen-year experience as entrepreneurs in different fields of business. Today Kuntokeskus Verde Oy employs four full-time members of staff, three part-time employees and approximately 7 – 10 fitness instructors. Marja and André Leino are also actively involved in the everyday operations. The responsibilities of the staff are as follows:

- Management
  - Financial management: André Leino
  - CEO: André Leino
- Board of directors
  - André Leino, chairman
  - Marja Leino
- Sales
  - Maria Haukkamaa, customer adviser
  - Pia Lindlöf, customer service manager
- Local marketing planning and execution
  - Marja Leino, André Leino, Pia Lindlöf, Maria Haukkamaa
- Customer support / Personal instructors
  - Cathlene Carlsson
  - Satu Partanen
  - Carita Riiheläinen
- Reception
  - Mira Vilmunen
  - Pia Lindlöf
  - Hanne Kauppinen
- Fitness instructors
  - enough to cover about 40 classes / week
- Maintenance
  - outsourced

## **4.2 Operations and business idea**

Kuntokeskus Verde Oy is a member of the worldwide Club Marketing and Management Services (CMS) fitness club network. Mike Chaet founded CMS International in 1965 and today, it has operations in over 50 countries. CMS International is a club consulting company which provides operational consulting and management training to its member clubs. New consultants are constantly trained all over the world and the Finnish branch, CMS Finland Oy, started its operations in 2000.

Nowadays, CMS Finland Oy has approximately 40 independent member clubs and the number is still rising. Following the guidelines of CMS International, CMS Finland Oy offers its member clubs training in several fields, such as membership sales, customer service, customer control, budgeting, marketing, etc. Moreover, CMS Finland Oy offers well-planned tools, a system, to execute different work tasks as effectively as possible. The goal is that all CMS member clubs are one step ahead in knowledge and experience compared to the competition. CMS Finland Oy also gives readymade marketing material, which includes campaigns, small promotions and internal marketing efforts. This material is planned by commercial and marketing professionals from all over the world.

### **4.2.1 Business idea**

Kuntokeskus Verde Oy offers high-level fitness club services. Like all other CMS member clubs, also Verde is independent in ownership although the clubs are gradually unifying their service offerings. Verde follows the guidelines of CMS Finland Oy and naturally, utilizes the given data about the field of fitness. CMS Finland Oy offers data, for instance, about market analysis, customer behaviour, sales and marketing.

The services of Kuntokeskus Verde Oy are especially designed to fit people of all ages and of different backgrounds in sports and fitness. Verde's services also automatically include personal instructing by professionals in the field of physical education. This means that people who are not familiar with fitness training get

thorough information and personal fitness plans to get into shape easily. Naturally, these people are also one major section of Verde's target group.

Furthermore, almost all customers in CMS member clubs have a membership. This means that they have made a commitment to stay as a member for a minimum of one year. The monthly fee for the customers is 54 euro / month. Members can use all the services in the clubs limitlessly so they have a large service package at their usage. Also, the members of CMS clubs may visit the other CMS clubs with a special Travelpass card which gives the members plenty of flexibility and versatility. Although the membership benefits customers a great deal, for the club owners, it means a more stable income and less customer turnover. The club system brings a new element to the fitness industry altogether, which is active customer acquisition or sales work. With active sales, customers in the target market quickly get information about the club and it takes a shorter time to acquire the minimum number of customers to ensure durability in business operations.

Moreover, compared to the traditional model of a fitness club, the CMS clubs have a more advanced customer retention system. Club employees give the club owners / managers a weekly report so that actual progress of each work task is easily seen and all operations are based on true data. According to the web site of CMS Finland Oy (2005), during the last years, customer satisfaction has increased a great deal in CMS member clubs and the retention percent has fallen from the previous 25 % to 2 %. This is the result of years of research and development.

#### **4.2.2 Mission**

The mission of Kuntokeskus Verde Oy is to give everyone a chance to enjoy exercising by offering high-level fitness services, unique professional support and tools for motivation. With regular workout in cosy environment, people of all ages can stay healthy and energetic and sustain good quality of life for a long time.

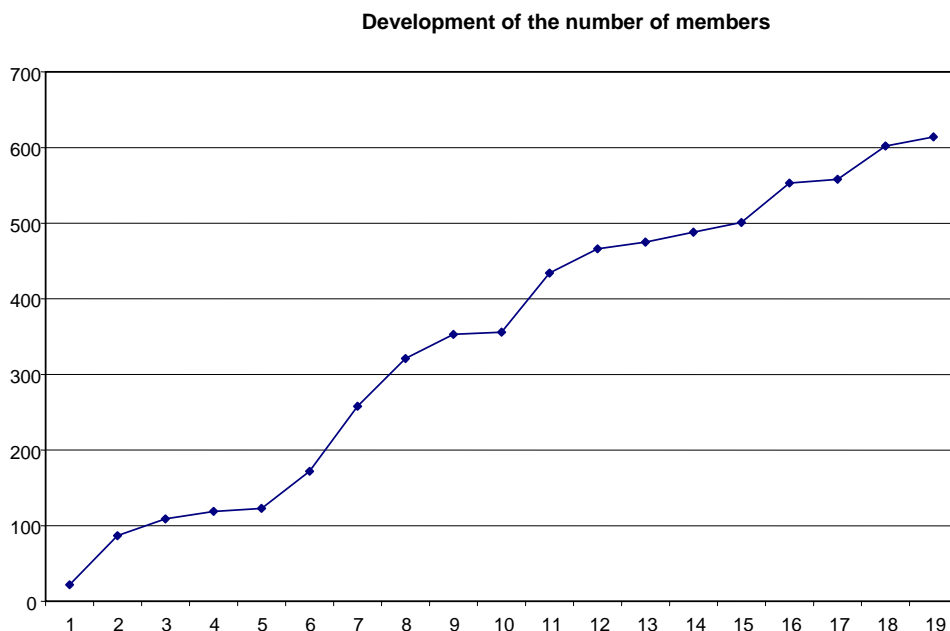
#### **4.2.3 Vision**

To give people both physical and mental satisfaction from exercising and offer unique services which improve the lives of our customers.

### 4.3 Market and product analysis

The actual market in Porvoo accounts for approximately 2 300<sup>3</sup> people, of which Verde has acquired 30 % during its first year in operation. Sales are expected to grow at a steady pace over the next few years. The primary customers of Kuntokeskus Verde are middle-aged women, who are or are not familiar with fitness club activities. Women account for nearly 80 % of Verde's customers. Our customers expect high-quality fitness services for "normal" people which means that they do not want to see fit teenagers or only demanding, choreographic group exercise classes. Moreover, they value the personal and professional support which Verde offers because this way, they can sustain their motivation better. Also, Verde's customers expect a cosy and clean training environment so that they can settle in and enjoy exercising.

Verde has sales data of only the first year, which does not give a clear picture of overall operations. However, I will add here the data of the amount of members so that growth can be seen. On the request of Mr and Mrs Leino, the chart does not show a specific time line.



**Figure 4:** The development of the number of members in Kuntokeskus Verde Oy

<sup>3</sup> The management of Verde estimates that a minimum of 5 % of the inhabitants in Porvoo are potential customers.



#### 4.4 Macroenvironment

Looking at the analysis of the demographic environment of Kuntokeskus Verde Oy (Appendix 1), we can see that the present target market of middle-aged people is a good choice. According to the Ministry of Foreign Affairs in Finland (Economics report 2002), the population growth in Finland is slow. However, the number of aging people has grown quickly and thus, more services should be offered for them as well. Also, the Finns are highly educated, so people know what they can and cannot demand, especially in customer service. Verde's business idea of offering high-quality fitness services for especially middle-aged people is well-planned as there are plenty of opportunities in the market. However, all customer feedback should be taken into consideration and operations improved when possible. Also, if someone were not satisfied with Verde, the matter should be cleared as soon as possible. Porvoo is a small town so especially negative news travels fast.

The income distribution in Finland is quite even, which means that there are no large income gaps. Still, as the cost of living is high, Finns do not have high purchasing power. This means that Verde must take a close look at the price-quality ratio because if that were not in order, people could quickly make the decision of not buying Verde's services. However, Finns still like to spend a larger part of their income than what they want to save and they do get consumer credit quite easily. This means that if Verde showed its benefits clearly enough, and a potential buyer prioritized Verde's services, s/he could afford the monthly fee no matter what her/his income level was.

Moreover, the national laws and restrictions must be researched carefully so that this would not turn against Verde's operations. Along with the normal company, employment and competitor legislation, especially the employees involved in sales should know the rights of customers and also about tax benefits. CMS Finland has created the membership contract form with specialists in the field of legislation so a large part of the work has already been made. They also offer legal support when needed, so the employer does not have to find out restrictions by him/herself.

Although operating in the field of fitness, Kuntokeskus Verde Oy can efficiently utilize technology. For instance, a new ERP system that was created for CMS clubs was taken into use in April 2005. This made it possible for the customers to find everything online: search for information, see class schedules, enrol to classes, etc. There has been much positive feedback from the customers. Moreover, the employees of Verde use the system in everyday tasks in sales, customer service and accounting. Technology is also important in the exercise room. Working equipment of high-quality is a sign for customers that they are taken care of. Marja and André Leino are actively searching for ways to increase customer satisfaction and at the same time gain competitive advantage. Hence, they must carefully see if new innovations in technology could benefit Kuntokeskus Verde's operations.

The natural environment of Finland offers Verde both opportunities and threats. For example, because of the short summer time, people usually want to make most of it. This means that most people do not want to come inside for workout and even fewer want to start their membership during the summer months. Also, after the peak season of fall and the beginning of the calendar year, people often have a lack of exercise motivation. This creates a threat in that the customer flow should be quite stable during all months of the year. This way, exercising is kept regular for the members and fewer want to resign after the first year. Verde should concentrate on the slow periods so that the motivation of its members stays more stable. On the other hand, it should get the most out of the peak seasons, especially in sales.

Finally, when we look at the social-cultural environment of Verde, we can conclude that although the Finns are quite health conscious, there are still a large number of people who truly need exercising but do not dare to come to a fitness club. These people especially include older women who believe that fitness clubs are for teenagers in good shape. Also, although well-educated, many Finns still believe that the so called quick-fix solutions, such as wonder diets, work. These are issues we need to address. Verde's employees, especially the sales people, should make clear that the services offered are for all and help is given for beginners. Moreover, the benefits of a regular workout should be emphasized so that the one-year membership would not sound like a negative commitment but a minimum time of getting true results.

## 4.5 Competitor analysis

First as a general note, the close analysis of the competitors of Kuntokeskus Verde Oy is limited to including only the other fitness clubs in the market, the primary competitors. There are a limitless number of competitors in the field of fitness training, starting from the living room couch to other free-time activities. Thus, for clarity and usable results, this thesis focuses on the market competitors that can and should be monitored in order to gain competitive advantage.

I will first give examples of the five forces in Verde's environment and then analyse the overall attractiveness of the fitness industry. After that, I will move on to analyse the three primary competitors of Verde in more detail in order to get data about their strengths and weaknesses.

### 1. Potential entrants

- New fitness clubs
- New gymnasiums

### 2. Substitutes

- Outdoor sports
- Ball games
- Free-time offerings (TV, theatres, movies), etc.

### 3. Suppliers

- Suppliers of gymnasium machines
- Suppliers of other machines
- Suppliers of cleaning and maintenance goods (paper towels, pencils, paper, etc.)
- Maintenance
- Office goods (computers, copy machine)
- Suppliers of beverages and food sold in the club

### 4. Buyers

- Customers in target area: end customers

### 5. Industry competitors

- Non-commercial institutions offering fitness services (community colleges, the city of Porvoo, etc.)

- Porvoon Kuntoklubi
- Kuntokeskus For Ladies Only
- Bodytonic

After distinguishing the five forces in the environment, we need to analyse the industry attractiveness in more detail. This can be seen in the following table:

**Table 4:** Analysis of industry attractiveness

<b>Industry Analysis</b>	<b>Evaluation of Sub-criteria [1]</b>	<b>Evaluation of main criteria [2]</b>
<b>Potential Entrants</b>	<b>Threat of mobility</b>	
<ul style="list-style-type: none"> <li>• Access to distribution channels is low</li> <li>• Customer loyalty to a certain fitness club is low</li> <li>• Legal restriction is low (to open a new company)</li> <li>• Number of companies with large market share is low</li> </ul>	<ul style="list-style-type: none"> <li>• high</li> <li>• high</li> <li>• high</li> <li>• high</li> </ul>	Very unattractive
<b>2. Substitutes</b>	<b>Threat of substitutes</b>	
<ul style="list-style-type: none"> <li>• The number of substitutes is high</li> <li>• Performance of substitute market offering is high</li> <li>• Cost of substitute market offering is lower</li> </ul>	<ul style="list-style-type: none"> <li>• high</li> <li>• high</li> <li>• high</li> </ul>	Very unattractive
<b>3. Suppliers</b>	<b>Supplier power</b>	
<ul style="list-style-type: none"> <li>• Number of suppliers is high</li> <li>• Cost of switching suppliers is low</li> <li>• Market transparency for fitness clubs is high</li> <li>• Possibilities for suppliers to integrate vertically (financial, technological) is low</li> <li>• Possibilities for fitness clubs</li> </ul>	<ul style="list-style-type: none"> <li>• low</li> <li>• low</li> <li>• low</li> <li>• low</li> <li>• high</li> </ul>	Relatively attractive

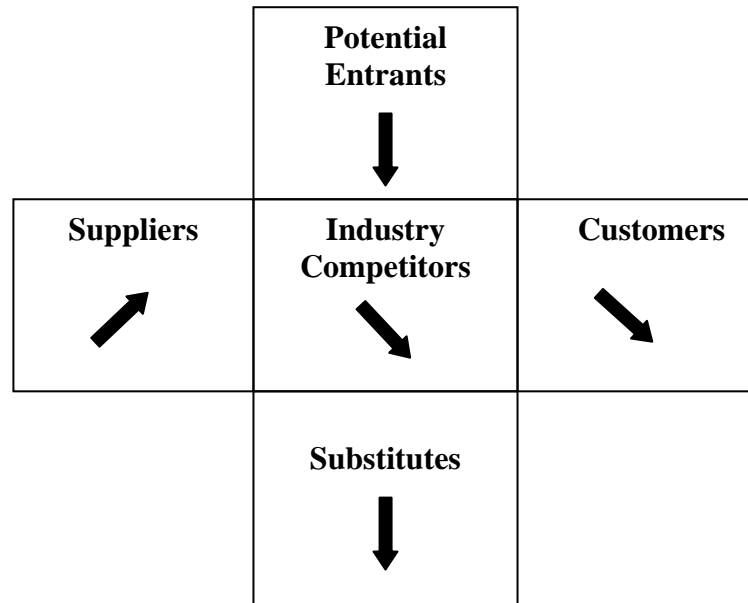
to integrate vertically (financial, technological) is low		
<b>4. Buyers</b>	<b>Buyers power</b>	
<ul style="list-style-type: none"> <li>• Degree of concentration of end consumers is low</li> <li>• Buyers' switching costs are low</li> <li>• Buyers' price sensitivity for fitness clubs is high</li> <li>• Market transparency for end consumers is high</li> <li>• Possibility of upstream integration is not likely</li> </ul>	<ul style="list-style-type: none"> <li>• low</li> <li>• high</li> <li>• high</li> <li>• high</li> <li>• neutral</li> </ul>	Relatively unattractive
<b>5- Industry competitors</b>	<b>Segment rivalry</b>	
<ul style="list-style-type: none"> <li>• Number of competitors is high</li> <li>• Customer segments with specific needs is high</li> <li>• Industry specific investment is high (technological advancements)</li> <li>• Cost of withdrawal from the market is low</li> </ul>	<ul style="list-style-type: none"> <li>• high</li> <li>• high</li> <li>• high</li> <li>• low</li> </ul>	Relatively unattractive

Legends:

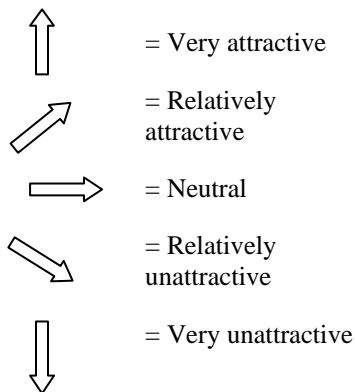
[1] low – neutral – high

[2] Very unattractive, relatively unattractive, neutral, relatively attractive, very attractive

And in a graph format:



Legends:



**Figure 5:** Five forces influencing the fitness industry

As can be seen, the overall attractiveness of the fitness industry is low. However, keeping in mind that the club system in the fitness industry is new, it also brings a totally different approach to seeing the industry. As long as Verde stays focused on the developments of its competitors and the market changes, there are no immediate problems. This means being one step ahead, as CMS Finland emphasizes.

Furthermore, as the threat of substitutes is high, we must make sure that our services are unique and that they satisfy our target customers. This way they will not want to turn to substitute products. The threat of mobility is also not a large problem as Kuntokeskus Verde is the only fitness club that offers services for

ordinary working people. This must be emphasized to the potential customers, as well.

#### **4.5.1 Primary competitor analysis**

The competitor analysis is based on a survey that I executed during the summer and fall months of 2005. The goal of the survey was to find out the reasons people choose a specific commercial fitness club and also to see what the greatest strengths and weaknesses of Verde's primary competitors are from the customer point of view. Moreover, my aim was to get new insights to the strengths and weaknesses of Kuntokeskus Verde Oy.

I implemented the survey by going to the three competing fitness clubs and handing out questionnaires which were made in Finnish (Appendix 2). The format of the questionnaires was the same in each club so that analysis would be more comparable. Naturally, I personalised the questions for each club, for instance, by omitting questions about services they do not offer. This way the owners of the clubs may use the analysis, as well. I visited the three clubs on three different occasions in the evenings so that I could get enough answers for credible and valid data. I also discussed with the club owners and full-time employees in the clubs, in order to find out relevant background data.

From Kuntoklubi, I got 71 valid answers, which accounts for approximately 55 % of their daily visitors. From For Ladies Only, there were 46 and from Bodytonic 38 responses, which account for 41 % and 39 % of their daily visitors respectively. One possible reason for the lower number of valid answers from For Ladies Only and Bodytonic is that the clubs do not have a proper space of handing questionnaires and following that they are filled in carefully. I had to omit some questionnaire forms altogether because they gave little input for the survey. However, the responses I got, do tell quite much about the clubs from the customer point of view. Naturally, also the error percentage is higher with low answer percentage. Following are the descriptions of each club. The descriptions are mainly based on the data I got during the discussions and the conclusion of the survey results are in Appendix 3.

#### 4.5.1.1 Porvoon Kuntoklubi

##### General information:

Porvoon Kuntoklubi is owned by brothers Markku and Jarno Tolvanen, Marjar Oy, and has been in operation since the mid 1990ies. Brothers Tolvanen bought the company in 2001. Today, Markku is handling all business operations and is also the only full-time worker that takes care of all everyday tasks in Kuntoklubi. The club employs approximately eight part-time employees who work as fitness instructors. Kuntoklubi is located in the centre of Porvoo and it is in two floors but still there is not much space. There are approximately 130 customers in Kuntoklubi daily.

##### Current strategy and objectives:

The target group of Kuntoklubi are active people of all ages but especially 26 – 35-year-olds, who are interested in weight training and independent in their training. Moreover, Kuntoklubi has no specific membership that people make a commitment to but it operates according to the traditional model of short-term cards. Moreover, it has quite good agreements with local companies so that their employees get the services of Kuntoklubi for a lower price.

Kuntoklubi rarely changes its offerings. The class schedules stay almost the same from year to year and the club advertises in a local newspaper three or four times a year. The main objective of the club is to sustain the loyal customers it has and this is one reason the service offerings are not often altered. Kuntoklubi has been in operation for so long that it has a solid number of loyal customers but as Bodytonic is extremely similar to Kuntoklubi in its service offerings, the loyal customers might not be so loyal after all.



Strengths and weaknesses:

The following strengths and weaknesses are mainly gathered from the survey but also from my experience of several years in the field of fitness training. The greatest strengths of Kuntoklubi are:

- Location
- Price
- Gymnasium for both men and women
- Easy-going atmosphere
- Opening hours
- Service and flexibility
- Broad service offerings of aerobics and spinning
- Good company agreements

On the other hand, the greatest weaknesses of Kuntoklubi are:

- Cleanliness
- Old gymnasium equipment
- Insufficient air conditioning
- Great number of short-term customers
- No possibility for expansion
- No new marketing efforts
- Almost identical service offering with Bodytonic
  - No new defense strategies

Reaction patterns:

The club is a so-called “laid-back competitor”, which means that it does not respond to changes of the competitor very quickly or at all. As the service offerings and business idea is not similar with Verde, Kuntoklubi does not see it as a primary competitor. Moreover, when Bodytonic came to Porvoo in 2005, Kuntoklubi has done very little to keep its position. Bodytonic is gradually strengthening its

position and if nothing new is tried in Kuntoklubi, there is a strong chance of it winning the battle.

#### 4.5.1.2 For Ladies Only

##### General information:

For Ladies Only is owned by a fitness professional, Sari Vainio. The club has been in operation since the late 1990ies. As the club name suggests, the club is only for women and this naturally narrows down its target group. The club employs approximately five part-time employees, not including Sari Vainio who is actively involved in both club activities and class instructing. Located in the centre of Porvoo, the club has limited space in its facilities and limited parking area. There are approximately 110 visitors daily in For Ladies Only when adding both visitors in the gymnasium and in the group exercise classes.

##### Current strategy and objectives:

The club can strongly differentiate itself with the fact that its services are only for women. This means that it will most probably have a certain number of loyal customers at all times. For Ladies Only relies heavily on its group exercise classes and the class instructors. Also, as Ms Vainio is a fitness professional, she has thorough knowledge of weight training. She gives good advice for the customers and has trained the personal instructor for the club herself. The customers feel that they are taken care of. The club also operates by the traditional model of short-term cards and its target customers are 19 – 25-year-old girls.

Ms Vainio does change the service offerings somewhat regularly. In fall of 2005, For Ladies Only did a surprising new turn by renting the group exercise room of its competitor, Bodytonic, and holding the group exercise classes there. At first glance, both Bodytonic and For Ladies Only benefit; the former having better quality and versatility in class offerings and the latter having enough space so that all interested can come to the classes. However, the customers of For Ladies Only will now go to the facilities of Bodytonic, which means that some might purchase a season card from there.

Strengths and weaknesses:

The greatest strengths of For Ladies Only are:

- Services for only women
- Location
- Class instructors
- Class selection
- Service personnel
- Good opening hours
- New marketing efforts

The weaknesses are:

- Services for only women
  - Narrower target group
- Very small facilities
- Old gymnasium equipment
- Not so large service offerings
  - No spinning. Aerobics in Bodytonic
- Great number of short-term customers

Reaction patterns:

For Ladies Only is a so-called stochastic competitor. It reacted in no specific way when Verde started its operations but it built a strategic alliance with Bodytonic, the newest rival. The club reacts more to trend changes, especially in the field of aerobics. When a certain class is trendy, For Ladies Only takes it into its offerings.

#### 4.5.1.3 Bodytonic

##### General information:

Bodytonic is the newest club in Porvoo and started its operations in the beginning 2005. It is officially owned by long-term businessmen Juha Seipäjärvi and Kari Uimonen but the operational management is done by Petri Laamanen. The club employs one full-time employee and approximately 5 class instructors. Like the former two clubs, also Bodytonic is located in the centre of Porvoo and has limited space but no room for expansion.

##### Current strategy and objectives:

It is difficult to tell how Bodytonic will continue its operations but according to the operations of the first year, it can be considered as a vigorous competitor. The club has invested on good-quality gymnasium equipment and its facilities are, although small, very bright and cosy. Mr. Laamanen has said that he wanted to offer high-quality, modern facilities for demanding customers, who are somewhat familiar with weight training.

The alliance with For Ladies Only was also a smart move. In the beginning, Bodytonic had very narrow class offerings and only two class instructors. Now, they have as broad offering as Kuntoklubi, even with greater variety and with highly appreciated class instructors. As Kuntoklubi is Bodytonic's closest rival, it most probably aims at excelling in areas that Kuntoklubi does not so that it can gain better competitive advantage.

##### Strengths and weaknesses:

The most important strengths of Bodytonic are:

- Location
- High-quality gymnasium equipment

- Good selection of aerobics and spinning classes
- Strong advertisements
  - aggressive competition style
- Clean and cosy facilities
- Service personnel
- Good opening hours

And the weaknesses:

- Almost identical offerings with Kuntoklubi
- Insufficient air conditioning
- Old spinning bicycles
- Small facilities
- Large number of short-term customers

Reaction patterns:

Bodytonic came into the market aggressively and has, in a short period, managed to improve its offerings a great deal. This implies that Bodytonic is also an aggressive competitor that follows trends and renews its offerings accordingly.

The following table shows the services offered by the competitors:

**Table 5:** Services of the competition

	Porvoon Kuntoklubi	For Ladies Only	Bodytonic
Gymnasium for men and women	x		x
Gymnasium for women	x	x	
Group exercise classes	x	x	x
Spinning classes	x		x
Massage		x	x
Solarium	x	x	x
Personal trainer services	x	x	
Other services (additional value)	Tanning shower	Beauty salon	

As we can see, all of the competitors offer very similar services. Especially Kuntoklubi and Bodytonic are in direct competition to each other, as they compete of the same customers with no special differentiation. If we compare with Verde, none of the clubs offer automatic guidance or classes that fit even older people / beginners. This means that all target their services for active people and for people in their twenties to forties. Furthermore, all clubs operate according to the traditional model of fitness clubs, which means that they do not have a membership principle. Thus, they do not have a steady cash flow or long-term customers to rely on. Still, even though the principles and target customers are different, Verde needs

to be aware of the reasons people prefer the competitors' offerings so that it can benefit from the information as much as possible. Also, more importantly, as two of the clubs have already made a surprising new turn in unifying their services, there might be more to come. Verde needs to be aware of the possible new strategies of the competitors.

## 4.6 Opportunity and issue analysis

Analysis of Verde's opportunities starts with gathering them to the opportunity matrix. I have gathered the opportunities from the environmental analysis and also from the competitor analysis. The following are Verde's marketing opportunities:

**Table 6:** Opportunity matrix of Kuntokeskus Verde Oy

		Success probability	
		High	Low
Attractiveness	High	<ul style="list-style-type: none"> <li>Wellness services are growing in importance</li> <li>Middle-aged people are growing in number</li> <li>Today, customers often demand personal support in training</li> <li>Companies invest in supporting their employees in training to keep them in good condition</li> <li>Convenience is important – everything under the same roof</li> </ul>	<ul style="list-style-type: none"> <li>The competing clubs have no opportunity for expansion</li> <li>Customers often come to clubs because the instructors are well-known in the area</li> </ul>
	Low	<ul style="list-style-type: none"> <li>Finnish healthcare system emphasizes anticipatory treatment</li> <li>The number of inhabitants in Porvoo is growing</li> <li>The competing clubs do not have as good-quality equipment as Verde</li> </ul>	<ul style="list-style-type: none"> <li>Finland has a high number of well-educated people</li> </ul>

As the most important opportunities are the ones in the upper-left corner, we will concentrate in those when planning our services and operations

Naturally, Verde needs to identify its threats in the market, as well. The following lists Verde's threats, the important and the less important:

**Table 7:** Threat matrix of Kuntokeskus Verde Oy

		Probability of occurrence	
		High	Low
Seriousness	High	<ul style="list-style-type: none"> <li>• Short summer season kills motivation to come to a club</li> <li>• Many beginners have a fear of commitment</li> <li>• Porvoo is a small town, negative news travels fast</li> </ul>	<ul style="list-style-type: none"> <li>• New innovations in competitors' clubs</li> <li>• Finland's economic situation forecasts depression</li> </ul>
	Low	<ul style="list-style-type: none"> <li>• Many people still do not want to spend money on keeping fit</li> </ul>	<ul style="list-style-type: none"> <li>• New laws and restrictions not in favour of our business</li> </ul>

Again, the most serious threats are in the upper-left corner and these should be addressed right away. The threats in the upper-right and lower-left corners should be taken into consideration when planning and executing our marketing efforts, as well.

After the opportunities and threats have been identified, we need to continue to the internal analysis. Hence, we should find the strengths and weaknesses of Kuntokeskus Verde Oy. In Appendix 4, I have listed possible strengths and



weaknesses in different areas. The following table shows the most important of these:

**Table 8:** The most important strengths and weaknesses of Kuntokeskus Verde Oy

		Importance for company	
		<i>Weakness</i>	<i>Strength</i>
High		<ul style="list-style-type: none"> <li>• Internal communication</li> <li>• Company sales</li> <li>• Geographical location</li> <li>• Sex of service personnel (all women)</li> <li>• Few potential customers know what Verde is</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfaction</li> <li>• Service quality</li> <li>• Steady cash flow</li> <li>• Financial stability</li> <li>• Dedicated and professional employees</li> <li>• Innovation effectiveness</li> <li>• Customer retention</li> </ul>
	Low	<ul style="list-style-type: none"> <li>• Temperature rises too high inside during summer months</li> <li>• Little flexibility with membership (many fear the commitment)</li> </ul>	<ul style="list-style-type: none"> <li>• Price / quality ratio</li> <li>• Class enrolment via Internet</li> <li>• Company reputation</li> <li>• Little flexibility with membership (effective for motivation)</li> </ul>
		Low	High
Performance			

We need to first concentrate on the strengths in the upper-right corner and on the weaknesses in the upper-left corner. Especially the most serious weaknesses are the ones that need improvement. The formed strategies should take into consideration how the weaknesses can be either omitted altogether or improved heavily. The most important strengths are the ones that Verde needs to sustain and this requires special attention, as well. The weaknesses in the lower-left corner need our attention so that their seriousness does not rise. Moreover, the strengths in the lower-right corner can be emphasised to our future and present customers so that they might become even more important.

Now that all four elements, strengths, weaknesses, opportunities and threats, are identified in detail we can create the SWOT matrix. With the matrix, we can begin the formation of strategies taking into consideration all the elements and making them as attractive to Verde as possible.

**Table 9:** SWOT matrix of Kuntokeskus Verde Oy

<b>SWOT matrix</b>		
Environment	<p><b>Opportunities</b></p> <ol style="list-style-type: none"> <li>1. Wellness services are growing in importance</li> <li>2. Middle-aged people are growing in number</li> <li>3. Today, customers often demand personal support in training</li> <li>4. Companies invest in supporting their employees in training to keep them in good condition</li> <li>5. Convenience is important – everything under the same roof</li> </ol>	<p><b>Threats</b></p> <ol style="list-style-type: none"> <li>1. Short summer season kills motivation to come to a club</li> <li>2. Many beginners have a fear of commitment</li> <li>3. Porvoo is a small town, negative news travels fast</li> </ol>
Company		
<p><b>Strengths</b></p> <ol style="list-style-type: none"> <li>1. Customer satisfaction</li> <li>2. Service quality</li> <li>3. Steady cash flow</li> <li>4. Financial stability</li> <li>5. Dedicated and professional employees</li> <li>6. Innovation effectiveness</li> <li>7. Customer retention</li> </ol>	<p><b>SO-Strategy</b></p> <ul style="list-style-type: none"> <li>• We must keep on emphasising the advantage of having all services under the same roof.</li> <li>• It must be advertised more intensively that our professional employees offer personal support.</li> <li>• Innovative campaigns for both external and internal use.</li> </ul>	<p><b>ST-Strategy</b></p> <ul style="list-style-type: none"> <li>• Sales personnel must emphasise the importance of regularity in training.</li> <li>• More intense advertisement campaigns before the summer season - should focus on “start now, pay later” sort of message.</li> <li>• All employees must work for the same goal – sustain good customer satisfaction.</li> </ul>

Weaknesses	WO-Strategy	WT-Strategy
<ol style="list-style-type: none"> <li>1. Internal communication</li> <li>2. Geographical location</li> <li>3. Company sales</li> <li>4. Sex of service personnel (all women)</li> <li>5. Few potential customers know what Verde is</li> </ol>	<ul style="list-style-type: none"> <li>• More fluent communication by e.g. two weekly meetings, shared bulletin board, etc.</li> <li>• Intense focus on company visits and effective direct agreements.</li> <li>• Emphasise the fact that we have a large parking area.</li> <li>• Intense advertisement, promotional visits, etc, for our target customers.</li> <li>• Hire a man for the next personal instructor.</li> </ul>	<ul style="list-style-type: none"> <li>• Carefully planned messages in advertisement campaign – whole personnel involved.</li> <li>• Get more companies involved – reduces the fear of commitment when a group of people come.</li> </ul>

## 4.7 Objectives

The objectives of Kuntokeskus Verde Oy are thought out and planned with Andre and Marja Leino. Because they did not want to define the specific time line during which the objectives should be met to the public, I will mark that time with “x”. Moreover, the goals do not contain any numeric information about revenues or cash flows. We will focus more on the expected number of members and the internal improvements.

The objectives for time x are as follows (in order of importance):

- To have 1 200 members.
- Sustain as many of the present members as possible. Aim for the same retention percent as during present season. Focus on June and September, which are the peak resignation months.
- Expand the awareness of potential customers from the present to double the number.
- Focus intensively on company agreements. Aim to double the number of companies involved.
- Aim for the price of 59 euro / month. The increase needs to be explained well.
- New personal instructor, preferably a man.
- Improve the internal communication in Verde.

- As soon as enough feed-back is received, expand. New facilities should be utilised with a well-thought plan.

## **4.8 Strategies**

### **4.8.1 Segmentation and targeting**

We start the strategy formation by segmentation. Before any specific strategies are formed, we need to make sure that they are targeted to the right customers. Verde wants to focus its services for “normal” people who do not need to have previous experience in the field of fitness training. I found four different types of people who are potential customers: active by nature, health conscious, appearance conscious and seasonally active people. For the information, I used the data I received from the competitor survey and also data from a quality survey that was implemented in Verde in 2005 (Aktiivitiето 2005).

**Table 10:** Generic segmentation of potential customers

Criteria	Groups	Active by nature	Health conscious	Appearance conscious	Seasonally active
<b>Demographic</b>	<b>Age</b>	18-30	30-65	20-40	20-40
	<b>Gender</b>	female/male	female/male	female/male	female/male
	<b>Income</b>	low/medium	medium/high	low/medium	low/medium/high
	<b>Education</b>	in education/ low education/ medium education	low/medium/high	in/low/medium	in/low/medium
	<b>Family type</b>	single/married/family with older children	single/family	single/married	family with children/single/married
	<b>Occupation</b>	wide	wide	wide	wide
<b>Psychological</b>	<b>Brand loyalty</b>	no	some	yes	no
	<b>Lifestyle</b>	simple	conservative	simple to conservative	simple
<b>Behavior</b>	<b>Readiness</b>	interested/ready to buy	ready to buy	ready to buy if enough information	interested/not interested
	<b>Information needs</b>	high	high	low	high
	<b>User status</b>	regular user	high potential customer	potential customer	non-user
	<b>Benefits</b>	versatility, flexibility, quality	quality, support, regularity and versatility	quality, versatility	flexibility

Of these four, Verde focuses its services mostly for the health conscious people.

This is because of the following reasons:

- Membership is good for people who want real results with enough time, not “quick-fix” solutions.
- This segment has enough financial stability to afford the long membership and its regular fees.

- The people of the segment are able to make a commitment to a longer membership because they are in a more stable life stage than, for instance, younger people.
- The number of middle-aged people who need health services is growing rapidly, so there is much potential within the segment.
- Especially the middle-aged people with no previous experience in fitness training need professional support, which Verde offers without any additional fees.
- The health conscious people understand the value of having a large service package at their usage. This way regularity is gained more easily.
- If these people already suffer from lack of exercising, such as feeling neck/shoulder/back pain, they can rely on having a safe program made by the personal instructors of Verde.
- More often than not, the health conscious people are satisfied with the services in Verde and do not need special breaks to have other hobbies.

As the health conscious people are the target segment of Verde, our marketing efforts are mainly targeted for them. However, this does not mean that the club would not have services for other segments, such as the active or appearance conscious people. These are merely not our main target when we either plan our marketing campaigns or our group exercise classes. On the other hand, it must be noted that if a large percentage of the members are not from the target group, this will have an impact on the operations in Verde. Also, the target group might not feel comfortable in an environment with, for instance, many fit young people.

#### **4.8.2 Differentiation and positioning**

Now that Verde's target segment is identified, we need to think about ways to differentiate our services from the competitors'. I will use here a so-called three-step process, by which we can identify the main features used to differentiate our services and gain competitive advantage. The first step is to define all the product and service factors that might influence the perception of value of our target customers. I will list the features in the following table:

**Table 11:** Product and service factors influencing the perception of value of Verde's target customers

<b>1. Product differentiation</b>	<b>2. Service differentiation</b>	<b>3. Personnel differentiation</b>	<b>4. Channel differentiation</b>	<b>5. Image differentiation</b>
<u>1. Feature</u>  Added features are: personal instructor, use of swimming hall, limitless usage of classes, courses, themes and happenings. We also offer the service of Hydrojet, a water massage machine.	<u>1. Training</u>  We do not only sell our product but we make sure that all customers receive proper training.	<u>1. Competence</u>  All the employees in Verde are professionals and sustain their knowledge by regular training. All know what the principles of CMS are and work accordingly.	<u>1. Coverage</u>  Verde is the only club in town that operates on basis of a so-called active customer search. We do not wait for the customers to find us but invite them personally.	<u>1. Atmosphere</u>  Verde is proud of its easy-going atmosphere, which implies that regardless of age, shape or past performance, anyone can join us.
<u>2. Reliability</u>  Our customers can rely on high-quality classes and professional support.	<u>2. Customer consulting</u>  Our customers receive consulting and up-date on their programs regularly.	<u>2. Courtesy</u>  Every employee has been trained to give outstanding customer service.		<u>2. Events</u>  As mentioned in the "Feature" part, we offer unique events only for our members.
	<u>3. Miscellaneous services</u>  Verde has regular campaigns for present customers too. Also, we offer surprise snacks, drinks and other nice treats every now and then.	<u>3. Credibility</u>  It is easy to have a credible personnel because all work for the same goal and give their best. Problems are discussed together.		

Now that the customer value model has been defined, I will continue with building the customer value hierarchy based on the experience of the previous year of Verde's operations. The value hierarchy starts from the basic features all customers

would expect from Verde and continues to the unanticipated features which build additional value. The hierarchy is depicted more clearly in the following table:

**Table 12:** Customer value hierarchy

<b>Levels</b>	<b>Description</b>
1. Basic	A gymnasium and group exercise classes.
2. Expected	Good-quality, working gymnasium equipment. High-quality classes with known instructors. Clean and cosy facilities.
3. Desired	Good customer service. Massage and solarium services. Children's room. Cafe services. Clear and personal instructing in the gymnasium. 24-hour availability of the personnel (not possible). Continuous support of the personal instructors.
4. Unanticipated	Campaigns with which the initial fee is reduced. Special offers. Registering to the classes via Internet. Use of the swimming hall. Themes, happenings, courses. Surprise snacks, drinks, etc. Tracking calls from the personal instructors.

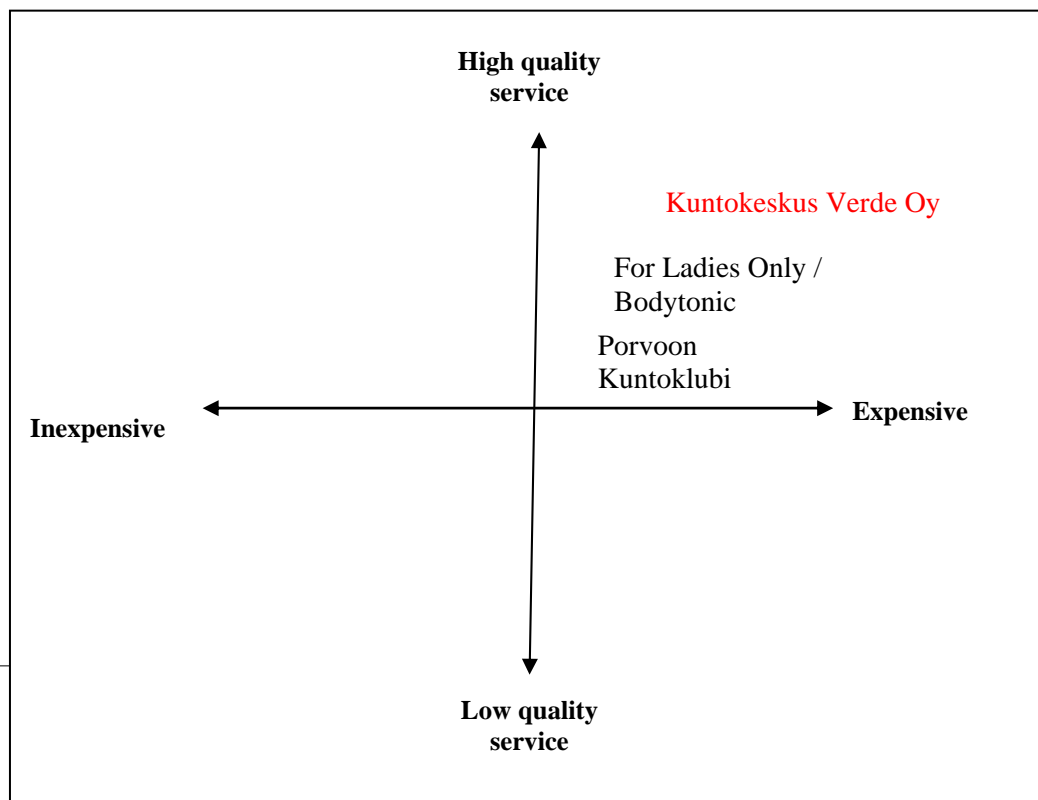
The third and final step is to choose the combination of the tangible and intangible features that we offer to our target customers to outperform our competitors. We differentiate with the following package:

We offer personal and continuous support for all our customers so that even beginners feel cosy and



motivated in Verde. Our trained personnel offer outstanding customer service both at the reception desk and in the group exercise classes. Our product package is large and it can be used limitlessly, ranging from the most versatile class schedule in Porvoo to the use of the swimming hall and a variety of happenings. Verde is the only club in town that offers services and motivational help also for non-active, middle-aged people, which means that our atmosphere is inviting for all. Finally, we do not expect the customers to come to us but practise active customer search.

Now that the differentiation features are clear, we can see how the potential customers see us and our competitors. I will use a perceptual map for clarity and use the data I have gathered from my discussions with potential and actual customers of Verde and from the competition analysis.



**Figure 6:** Perceptual map of the commercial fitness clubs in Porvoo

Many see Verde as being “the expensive one” and fail to compare our and the competitors’ service offerings. This image should be improved and thus, we should select the most inviting features from the differentiation package and form a positioning strategy according to them. My suggestion for the positioning strategy is to focus on the benefits customers can get from Verde and also on the high quality of our service package:

We offer our customers a premium package and support so that anyone can find the right path for staying healthy and energised.

#### **4.8.3 Specific strategy formulation**

We have selected to whom we offer our services and the main aspects of our services with which we outperform our competitors. I will continue with the formulation of strategies starting from the generic strategy and moving on to the plans by which the operations in Verde can be improved and objectives met for time x.

Verde operates according to the focused differentiation strategy. This means that instead of differentiating with price, we focus on making our services so unique that they truly differ from the competitors’ services. Moreover, as a general note, Verde is still quite a young company so a great deal of emphasis is put on getting more attention from the market. However, because many of our present customers have been members for over a year, their satisfaction is extremely important to us. If our present customers are content, we should have no problems in attaining more happy customers and increase our sales.

To build competitive advantage, more specific strategies should be formed. We must both keep in mind the SWOT analysis and focus on meeting our objectives for time x. This means that with the specific strategies, Verde can improve its weaknesses, utilize its strengths and meet the objectives it has set. For clarity and usability, I will form the strategies according to the marketing mix:

<p><b>Product</b></p>	<ul style="list-style-type: none"> <li>• Hire a man for the next personal instructor. Ask the present instructors for help in choosing the candidates. The fitness circles are small so the best references might come from our personnel.</li> <li>• Improve the internal communication of Verde by having more regular joint meetings, using a bulleting board more effectively and having more face-to-face discussions with the personnel.</li> </ul>
<p><b>Price</b></p>	<ul style="list-style-type: none"> <li>• When raising the price, focus on giving clear information to the present customers. Especially, clarify why the increase is important so that it does not sound bad for them (expansion, better services, etc.).</li> </ul>
<p><b>Place</b></p>	<ul style="list-style-type: none"> <li>• Before expanding, form a customer questionnaire where customers can give their input. Remember to also give them the chance to invite their friends along to Verde.</li> <li>• In expansion, take into consideration the strengths of the competitors, such as services for women only and new classes.</li> </ul>
<p><b>Promotion</b></p>	<ul style="list-style-type: none"> <li>• Focus on intensive sales. The sales personnel should be active and invite potential customers to Verde more intensively.</li> <li>• Start intensive company visits and form company agreements. Group power is good so if companies get more involved in supporting their employees in exercise fees, also sales should become easier.</li> <li>• Form intense and innovative external campaigns and</li> </ul>

	<p>promotions. Emphasize the benefits the potential customers can get in Verde, not so much what Verde has.</p> <ul style="list-style-type: none"> <li>• Innovative internal campaigns and special offers for present customers so that they form a deeper bond with Verde.</li> <li>• A strong campaign before the summer season. Focus on “start now – pay later” kind of message.</li> <li>• The messages that leave Verde should be carefully planned and if possible, all negative feed-back should be dealt with right away so that it will not spread.</li> </ul>
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The above mentioned strategies answer the question of what to do during time x. For them to be useful, an implementation plan and timeline should be formed, as well. Without this plan, the strategies are what they seem now: suggestions for improvement in paper. An action plan will make the strategies beneficial and thus, that needs to be formed next.

#### **4.9 Marketing plan**

Now that the question “what to do” has been answered, we need focus on “how to do it”. This means a specific execution plan. As the general timeline is x, I will also use no specific time for the plan. On basis of our discussion with couple Leino, I will divide x into four seasons so that the plan is clearer. Each part contains my suggestions of the strategy implementation in timely order. I have not included the plan of offering a variety of courses, themes and happenings to our current customers as that occurs constantly throughout time x. Also, there is no plan for hiring the new personal instructor. I only suggest that the next instructor will be a man. Naturally, if unplanned promotional events occur, Verde should participate in them.

## Period I

- Launch a big and effective campaign. This is the sort of campaign that must draw the attention of our target customers. I suggest that we utilize the ready-made campaign of CMS as more and more people recognise its name. If the campaign does not fit Verde's purposes, invent a new one. First, a gift certificate is given to those who participate. Initial fee should be reduced and some sort of supplement should be added when one becomes a member. Use local newspapers for advertisements, for example Ilta-Uusimaa or Itäväylä and utilise a one-page space. Use also Lead boxes with the campaign on them.
- Sales personnel need to do extra effort. This means company visits and company agreements. Also promotions are good with the campaign as backup because that will increase the awareness of the market.
- A bigger promotion in Kauppakeskus Lundi. The event was agreed on before, this is a good time to arrange it. Bring X-Bicycles and four instructors and show our target customers how much energy one can get in Verde.
- Do not forget our present customers. Offer free snacks (carrots, pieces of protein bars, etc.) so that they are positively surprised and new customers can feel the cosy atmosphere.
- Start the use of common bulleting boards in the personnel room and advice all personnel to utilize it. The internal e-mail system has not been enough, probably because Verde is still a small company where people expect face-to-face encounters.
- In the middle of the period, arrange an internal friendship campaign. During the campaign (one week), our present customers can bring their friends to Verde free of charge. If the friend becomes a member, a special gift is given to both.
- In the end of the period, form a customer satisfaction survey. The electronic questionnaire that was used the last time was good and gave both usable suggestions and good prospect customers. Also add question about what

new services our customers would wish. This information will be helpful in the expansion.

## **Period II**

- The customer survey continues.
- Now that the peak season is over, sales personnel should focus on promotional visits in the facilities of both our present company clients and potential new clients. Also attend all sorts of commercial fairs and happenings around the city.
- Arrange a small internal campaign in the beginning of the season (birthday campaign). It could be a game in which the customers can guess the right answer and receive a surprise gift.
- Around the middle of this period, arrange an effective campaign. Focus on offering something that the potential customers have a hard time resisting, such as free training months, a good supplement, etc. Invite people to participate with a gift certificate and use Lead boxes. Sales personnel should again emphasise the importance of regular training and advertisements should be in Itäväylä and Ilta-Uusimaa.
- Analyse the survey and make contact with the new prospects. Gather new aspects to Verde's strengths and weaknesses. Deal with small improvements right away and weigh the larger ones – are current resources enough for implementing the improvements.

## **Period III**

- The beginning of the period is slow so sales personnel should arrange as many promotional events as possible. Face-to-face encounters with potential customers are the most effective.
- Plan the expansion well. Use the information from the customer survey and think of the competitors' offerings in the renewal plan.
- If the price will be raised, start informing our customers well in advance. Explain that the price increase enables us to offer more and better quality

services and bigger facilities. Make sure that all customer feed-back is heard - give them a chance to give written feed-back and answer them in the bulleting boards for customers.

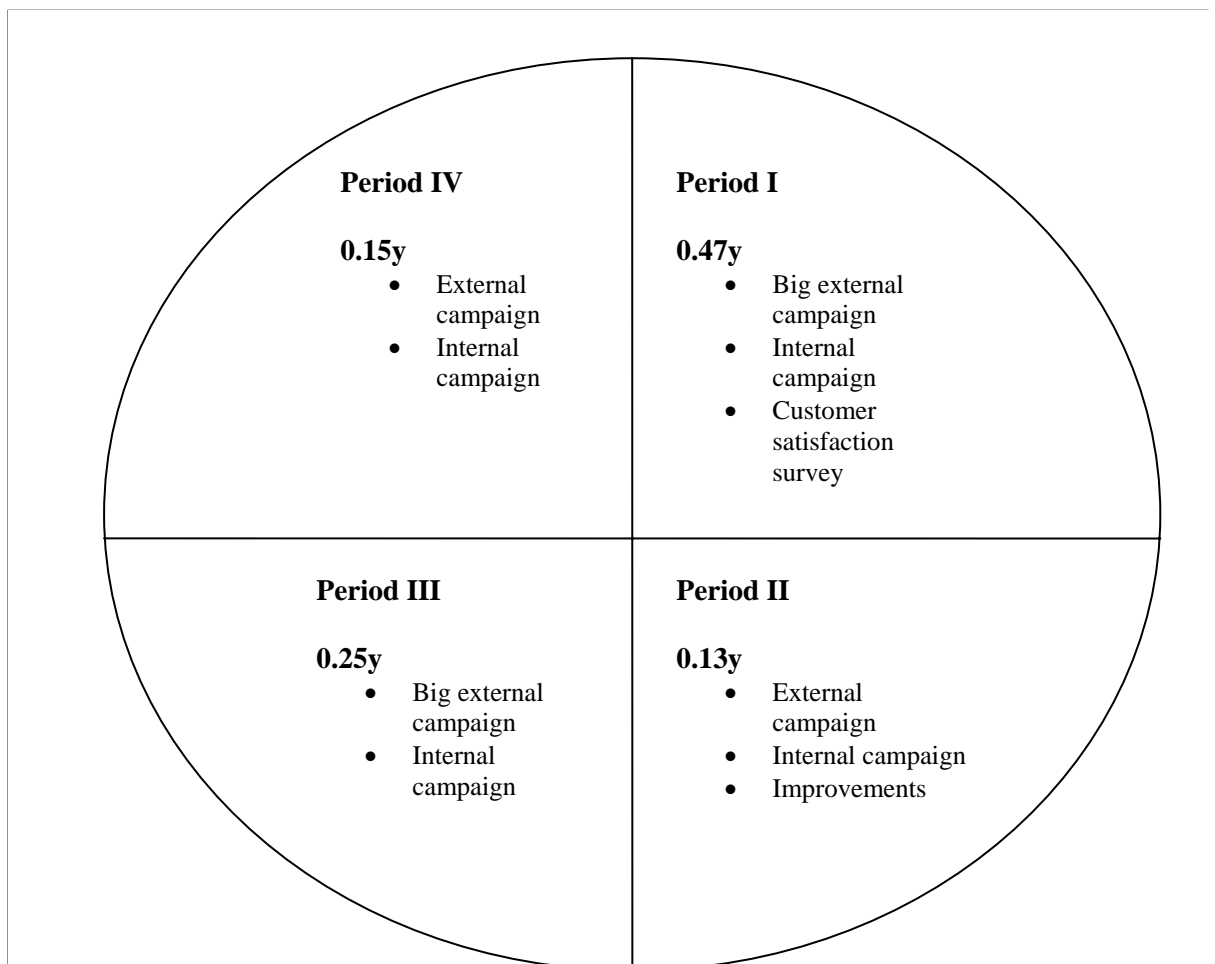
- In the middle of the period, plan and launch the second big campaign of the whole season. Again, evaluate the ready campaign from CMS and use it if possible. If not, make a new campaign which could include a surprise present and also gift certificates to Verde. Use the local newspapers and Lead boxes.
- Remember our present customers with an internal campaign that has the same theme as the external campaign. Our customers liked very much the campaign where they could collect stamps for each visit in Verde. A similar campaign could be used again.
- Sales personnel should continue to visit companies and make direct agreements. Also the personnel of the companies that already have an agreement with Verde should be invited to Verde either by face-to-face encounters or by offering our services to a group.

#### **Period IV**

- In the beginning of the period, focus on intense promotional events because sales will drop a bit around here. Increase customer awareness by bringing Verde closer to our target customers. This means show-type presentations in fairs or shopping centres. More of the same kind of events as was held in Kauppakeskus Lundi, maybe even repeat the same one.
- Implement a small employee satisfaction survey. It can be informal or formal, which ever feels appropriate. Informal survey could be an idea day, where anyone can say or write their thoughts.
- Plan and execute the fourth external campaign with a good discount and similar promotional methods as before. Use local newspapers and Lead boxes.
- Arrange a surprise internal campaign for our customers. Use the theme of the season and utilise previous knowledge of internal campaigns.

## 4.10 Budget

The budget has been divided according to the four periods. Moreover, I will not focus on revenues but on the expenditures of the above mentioned marketing efforts. The whole budget will not be revealed here because Mr and Mrs Leino do not want it to be public knowledge. I will use “y” as the whole planned amount for the marketing efforts and percentages to show how “y” will be allocated. The planned amount is calculated taking into consideration last years’ budget and my calculations for the extra marketing efforts. I have also marked down the largest allocation targets.



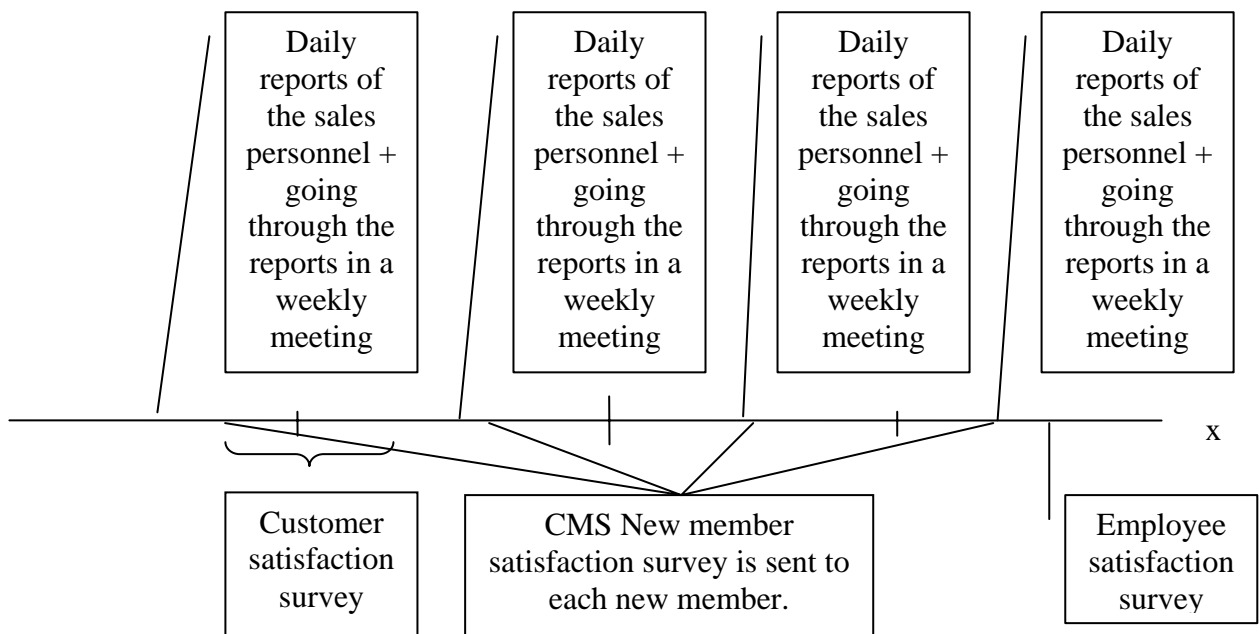
As can be seen, there are no indications about the specific costs of each marketing effort. I have, however, calculated the costs and thought about a few unexpected



expenditures that might occur during the season. I will give these calculations directly to Mr and Mrs Leino.

#### 4.11 Control

Naturally, both objectives and strategies do not mean much if no one sees to it that goals are actually met. This requires monitoring at regular intervals. In the following figure, I will show first the most important control methods that should be done throughout the season. Again, the whole season is marked with x and it has been divided into four periods.



**Figure 7:** The most important monitoring methods

Along with these methods, form a report of the expenditures and “revenues” (received prospects and members) of the following:

- The four external campaigns
- Promotional events
- Internal campaigns
- Company visits

Furthermore, the management should continue to monitor the progress of the number of members and the performance of personal instructors through the CMS ERP program that gives clear data of these aspects. Also, the implemented surveys must be evaluated carefully and the data should be utilised to Verde's advantage.

## 5 Summary

This thesis contains analysis of the external and internal environment of Kuntokeskus Verde Oy and clarification of its marketing objectives and strategies. In order for the company to succeed in its future operations, a well-planned marketing plan was needed. Before, the management of Verde did not have specific and study-based information of the fitness market in Porvoo nor documented strategies. Thus, on their request, the thesis focuses on the competitive environment and the future strategies.

A study of Verde's macroenvironment gave insights of the opportunities and threats that the club faces externally. The inspected areas were demographic, economic, political-legal, natural, technological and social-cultural environment. In short, it seems that Verde has selected its target customers well as the middle-aged people are growing in number and do expect good-quality instructing. Furthermore, because Finns like to spend their income rather than save it and are well-educated, the price-quality ratio of Verde should be in order and remain so. Also, the legal aspects and general requirement have been studied well, so no problems should occur in that area.

An important opportunity for Verde is the fact that because it utilises a thorough ERP system, it can also effectively utilise technology in the future. This will give additional value for its customers in convenience. However, Verde must acknowledge how the long winters and short summers in Finland affect the usage regularity of its customers. Especially the summer time creates a gap in the number of club visitors and this should be taken into consideration when planning effective campaigns. Still, as long as Verde's sales personnel emphasise the importance of regular training and the fact that the membership supports this regularity, there should not occur any major problems.

In general, the fitness industry seems to be an unattractive industry, when inspecting the five forces that affect the market and competition. However, if Verde focuses on emphasising the positive sides of the membership system, it should face no serious threats. This is because membership clubs give a different aspect to the fitness industry, from both the customers' and club owners' point of view. However, Verde's management should keep an eye on the close environment so that the threats do not evolve and become serious.

Furthermore, a closer look on the competing clubs gave more insights into how Verde could develop its operations. The three competing clubs that were studied seem to have quite similar service offerings and also their strengths and weaknesses are not very different. On the other hand, the customers of each value different features. The customers of For Ladies Only value the club's instructors and the fact that its services are only for women. Kuntoklubi's customers like the affordable price and the class offerings, and the customers of Bodytonic value the gymnasium equipment.

A surprising fact was that two of the competing clubs have unified their services. The group exercise classes of For Ladies Only are now in the facilities of Bodytonic. This indicates that although the three competing clubs differ from Verde because they do not have a membership based system, they may be more powerful competitors than first thought. Hence, the management of Verde should be ready for possible new turns.

After the external environment was studied, the study focused on the internal environment of Verde. The SWOT analysis brought together all four aspects that should be studied in order to improve operations: Verde's strengths, weaknesses, opportunities and threats. The greatest strengths are the customer satisfaction and good service quality and, on the other hand, the most important weaknesses are internal communication, location and company sales. The opportunities include, for instance, the importance of wellness services and the increasing number of middle-aged people and the possible threats are the lack of motivation during summer months and the fear for a long commitment of the customers.

The study of both the external and internal environment gave a solid base for the planning of objectives and strategies. The objectives were mainly planned by the managers of Verde and the thesis formulated them so that they could be measured and controlled. Because the thesis will be public, the managers of Verde did not want any specific information about schedules to be seen. Thus, the objectives and strategies are planned for time x. The objectives include, for example, increasing the number of members and market awareness and also expansion of the facilities.

The strategy formulation is naturally based on the planned objectives, but it also takes into consideration the aspects of the SWOT matrix and the marketing mix in general. The formulation begins by segmentation, targeting and differentiation and gradually focuses on the specific strategies for time x. Verde has selected its target customers carefully but people from outside the target group are also welcome. It must be noted, though, that if a large percentage of the current members are not from Verde's target group, it might have a big impact on the perception of the target group. Thus, sales personnel should be careful with how they present Verde for the prospect customers.

Finally, as the strategy formulation was clarified, also the specific marketing plan for time x was planned. On the request of the managers of Verde, the plan does not contain specific information about when the marketing efforts are done. However, for clarity, the plan is in four periods and includes all the actions that will make the strategies true and objectives closer. The plan contains, for instance, four external campaigns, four internal campaigns, surprise actions for current customers, customer survey and an employee survey. All actions are suggestions and if unplanned promotional events occur, Verde should naturally participate in them. Furthermore, a planned budget for time x is included, which contains budget allocation for the four periods.

The marketing plan is controlled by weekly meetings, control reports and surveys for the customers and employees. All in all, this thesis will act as a thorough tool for clarifying the strengths and weaknesses of Kuntokeskus Verde Oy and planning its future marketing operations.

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## 7 Appendices

### Appendix 1. Environmental analysis of Kuntokeskus Verde Oy.

Sources: <http://virtual.finland.fi>  
<http://www.vm.fi/tiedostot/pdf/fi/95429.pdf>  
<http://www.eiro.eurofound.eu.int/2004/05/feature/fi0405202f.html>

Dimension	Criteria	Description	Impact
1. Demographic Environment	Population growth	The population growth of Finland is very slow. Thus, this will not give many opportunities for potential market growth. However, our target market consists of people of 30-60 years, and this is the largest generation at the moment.	We need to make sure that our marketing efforts are made for our target market.
	Population age mix and income	The size and buying power of our target market 30-60- year-old people in Finland are large compared to other age groups.	Our product is designed for especially this age group as they need our product the most.
	Education	Finland has a large number of highly educated people.	Our sales arguments need to be thought through as people know what they can demand.

	Population in Porvoo	Porvoo is a small town where people more or less know each other. Word travels fast.	We must be careful of not letting negative messages spread.
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Dimension	Criteria	Description	Impact
2. Economic environment	Purchasing power	Relatively low compared to cost of living. Still, as our product is of high quality, most Finns will appreciate it. Nowadays, people are willing to pay extra if they know that they get good quality. Also, as consumer awareness is better now than, e.g. 10 years ago, people know what they can demand.	Higher price is good as long as quality is high. Responding to customer demands is extremely important.
	Low savings rate	The Finns have quite a low savings rate compared to many other EU countries or Japan.	No big impact. For Verde it is good to know that Finns spend more than what they want to save.
	High credit availability	Bank credits are quite easily available in Finland. People can depend on financial security.	Again, this makes it possible for people to consume easier as there is an alternative source of money.

3. Political-legal Environment	Criteria	Description	Impact
	Stable political climate	Finland's political environment has been stable for decades. No radical law changes should occur because they take years to develop. Also, we would not expect that any dramatic law changes should affect our field of business.	Stable political situation is always good for business. There are no big surprises.
	Legal restrictions	Not considering the normal restrictions of trade in Finland, we have not identified any special restriction relative to our product.	We take into account the regular restrictions, such as tax, reporting and consumer protection.

Dimension	Criteria	Description	Impact
4. Technological Environment	Opportunities for innovation	Although being in the fitness field of business, we can utilize new technological innovations and improve our customer satisfaction. Technology is strongly influencing the fitness industry as well, and this should be utilized the best possible way.	Our new internet based sign-in system is a good example of how to give good customer service. However, as there are many new innovations, we need to assess them carefully before making any big decisions.



	Increased regulations	As technological change is rapid, also regulations are changing.	We must be sure that we follow-up on new regulations.
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Dimension	Criteria	Description	Impact
5. Natural Environment	Short summer	Because of the very short summer time in Finland, the Finns want to make the most of it. This means that our sales and usage percentage is lower during summer period	Campaigns from CMS should be utilized fully so that sales does not drop to alarming numbers.
	Long and cold winter	Finns suffer from lack of light during the winter time. Also, they rarely want to move outside when temperature drops.	Our peak season is fall and we should keep people motivated during winter time, as well.

Dimension	Criteria	Description	Impact
6. Social-cultural Environment	Health consciousness	An increasing number of Finns are health conscious. However, the ones that are not and have never been are facing serious problems in the long run.	We need to focus on getting inactive people interested in their health. CMS has a good concept; our service needs to be of high quality as well.

	Core values	Finns appreciate healthy living, although the impact of the fast-food culture is clearly visible. Also, a surprisingly large number of people still believe in “quick fix” systems and do not understand the importance of regularity in maintaining good health.	What needs to be addressed is new way of living that is sustainable. Motivation is the key issue.
	Attitude	The Finns are usually open to new, especially if they see what benefits can be gained.	Again, we need to emphasize how our product can benefit people, especially in the long run.

## Appendix 2. Example of the original competition questionnaire.

Hyvä XXXn asiakas,

Vastaamalla tähän kyselyyn autat meitä kehittämään XXXa entistä paremmin sinua palvelevaksi liikuntapaikaksi.

### 1. Ikä?

- 15 – 18     19 - 25     26 – 35     36 – 45     46 – 55  
 56 – 65     yli 65 vuotta

### 2. Sukupuoli?

- nainen                       mies

### 3. Kuinka usein käyt XXXssa?

- alle 1 krt / vko                       1 – 2 krt / vko                       3 – 4 krt / vko  
 yli 5 krt / vko

### 4. Miksi olet valinnut juuri XXXn liikuntapaikaksesi? Valitse 3 tärkeintä syytä asteikolla 1 – 3 (1 = tärkein syy).

- |   |   |
|---|---|
| <input type="checkbox"/> Sijainti       | <input type="checkbox"/> Mainonta                 |
| <input type="checkbox"/> Hinta          | <input type="checkbox"/> Naistensali              |
| <input type="checkbox"/> Tuntivalikoima | <input type="checkbox"/> Työnantajan liikuntatuki |
| <input type="checkbox"/> Viihtyisyys    | <input type="checkbox"/> Maksukäytäntö            |
| <input type="checkbox"/> Tuntiohjaajat  | <input type="checkbox"/> Kuntosalilaitteet        |
| <input type="checkbox"/> Palvelu        | <input type="checkbox"/> Saliohjaus               |
| <input type="checkbox"/> Lapsinurkkaus  | <input type="checkbox"/> Muu syy,<br>mikä? _____  |

### 5. Miten arvioisit XXXn tiloja asteikolla 1 – 5 (1 = erittäin huono, 5 = erittäin hyvä)?

	1	2	3	4	5
Pukuhuoneet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aerobicsali	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lapsinurkkaus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Naisten kuntosali	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sekakuntosali	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spinningsali	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Viihtyisyys	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Siisteys	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aukioloajat	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Asiakaspalvelu	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### 6. Miten kehittäisit XXXn tiloja?

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### 7. Mitä XXXn palveluja käytät?

- Kuntosalia     
  Ryhmäliikuntatunteja (aerobic, spinning)     
  Molempia ed. mainittuja

### 8. Jos käyt aerobictunneilla, miten arvioisit niitä asteikolla 1 – 5 (1 = erittäin huono, 5 = erittäin hyvä)?

	1	2	3	4	5
Tarjonnan monipuolisuus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ohjaajien ammattitaito	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tuntien ilmapiiri	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tuntien tehokkuus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tunneille mahtuminen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Musiikin laatu	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ajankohtien sopivuus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### 9. Jos käyt spinningtunneilla, miten arvioisit niitä asteikolla 1 – 5 (1 = erittäin huono, 5 = erittäin hyvä)?

	1	2	3	4	5
Tarjonnan monipuolisuus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ohjaajien ammattitaito	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Tuntien ilmapiiri	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tuntien tehokkuus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tunneille mahtuminen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Musiikin laatu	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ajankohtien sopivuus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**10. Miten kehittäisit ryhmäliikuntatunteja (aerobic / spinning)?**

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**11. Vapaat kommentit XXXsta (risut ja ruusut).**

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**Kiitos vastauksistasi!**

### Appendix 3. Conclusions of the competition survey.

	<b>Porvoon Kuntoklubi</b>	<b>For Ladies Only</b>	<b>Bodytonic</b>
Age distribution	15 – 18 years 8,5 % 19 – 25 years 25,4 % 26 – 35 years 38 % 36 – 45 years 16,9 % 46 – 55 years 7 % 56 – 65 years 4,2 % Over 65 years 0 %	15 – 18 years 17,4 % 19 – 25 years 32,4 % 26 – 35 years 19,6 % 36 – 45 years 10,9 % 46 – 55 years 13 % 56 – 65 years 6,5 % Over 65 years 0 %	15 – 18 years 15,8 % 19 – 25 years 34,2 % 26 – 35 years 36,8 % 36 – 45 years 10,5 % 46 – 55 years 2,6 % 56 – 65 years 0 % Over 65 years 0 %
Sex distribution	Women 52,1 %  Men 47,9 %	Women 100 %	Women 47,4 %  Men 52,6 %
Frequency of use according to sex:	<b>Women:</b> Less than once / w: 5 % 1 – 2 times / w: 51 % 3 – 4 times / w: 41 % over 5 times / w: 3%  <b>Men:</b> Less than once / w: 0 % 1 – 2 times / w: 21 %	<b>Women:</b> Less than once / w: 6,5 % 1 – 2 times / w: 52,2 % 3 – 4 times / w: 39,1 % over 5 times / w: 2,2 %	<b>Women:</b> Less than once / w: 5,6 % 1 – 2 times / w: 50 % 3 – 4 times / w: 33,3 % over 5 times / w: 11,1 %  <b>Men:</b> Less than once / w: 0 % 1 – 2 times / w: 15 %

	3 – 4 times / w: 71 % over 5 times / w: 3 %		3 – 4 times / w: 80 % over 5 times / w: 5 %
Top first reasons	<ol style="list-style-type: none"> <li>1. Location</li> <li>2. Cosyness</li> <li>3. Class selection</li> <li>4. Price</li> <li>5. Employer support</li> </ol>	<ol style="list-style-type: none"> <li>1. Women's gymnasium</li> <li>2. Location</li> <li>3. Class selection</li> <li>4. Cosyness</li> <li>5. Class instructors</li> </ol>	<ol style="list-style-type: none"> <li>1. Location</li> <li>2. Gymnasium equipment</li> <li>3. Cosyness</li> <li>4. Price / Class selection / Other reason</li> </ol>
Top second reasons	<ol style="list-style-type: none"> <li>1. Location</li> <li>2. Price</li> <li>3. Cosyness</li> <li>4. Gymnasium equipment</li> <li>5. Class selection</li> </ol>	<ol style="list-style-type: none"> <li>1. Cosyness / Class instructors</li> <li>3. Price / Women's gymnasium</li> <li>5. Location / Class selection / Service</li> </ol>	<ol style="list-style-type: none"> <li>1. Gymnasium equipment</li> <li>2. Class instructors</li> <li>3. Price / Service</li> <li>4. Location / Cosyness</li> </ol>
Top third reasons	<ol style="list-style-type: none"> <li>1. Price</li> <li>2. Gymnasium equipment</li> <li>3. Location</li> <li>4. Cosyness</li> </ol>	<ol style="list-style-type: none"> <li>1. Location</li> <li>2. Class selection / Cosyness</li> <li>3. Women's gymnasium</li> <li>4. Price / Class instructors / Service / Gymnasium equipment</li> </ol>	<ol style="list-style-type: none"> <li>1. Cosyness</li> <li>2. Location</li> <li>3. Class selection</li> <li>4. Service</li> </ol>

	5. Service		5. Price / Gymnasium equipment
Conclusion of top reasons	1. Location 2. Cosyness 3. Price 4. Gymnasium equipment 5. Class selection	1. Women's gymnasium / Cosyness 3. Location 4. Class selection 5. Class instructors	1. Location 2. Gymnasium equipment 3. Cosyness 4. Price 5. Class selection / Class instructors
Evaluation of facilities (average values, scale 1 – 5)	3.8	4.0	4.0
Use of services	Only the gymnasium 61 % Only aerobics 24 % Both 15 %	Only the gymnasium 39 % Only aerobics 33 % Both 28 %	Only the gymnasium 53 % Only aerobics 24 % Both 24 %
Evaluation of aerobic classes (average values, scale 1 – 5)	4.1	4.3	4.2
Evaluation of spinning classes (average values, scale 1 – 5)	3.8	-	4.3



### Appendix 4. Strength and weakness analysis table.

	Criteria	Description	Performance					Importance		
			++	+	0	-	--	High	Med	Low
1. Marketing	Company reputation	Verde has gained good reputation as being the fitness club that cares. Still, some people fear the commitment.		x				x		
	Market share	30 % during the first year is a large share.		x				x		
	Customer satisfaction	Our customer satisfaction is of first-rate. 97 % of our customers would recommend us to their friends.	x					x		
	Customer retention	Our customer retention is much more effective than the competition's.		x					x	
	Product	All in all, our product package is large. There is plenty of versatility.		x				x		
	Service quality	Our service quality is very good. Our customers value the high-level customer service and good quality classes. Enrolling to classes via Internet is a large benefit.	x					x		
	Sex of service personnel	All our personal instructors are women. This is a good aspect of improvement.				x			x	
	Pricing effectiveness	Our price/quality ratio is well-thought. However, for one year (without fee breaks) many think it is too expensive.		x		x			x	

	Promotion effectiveness	Our promotions have been noticed by many but still, more attention could be gained with effective programs.					x		x	
	Sales force effectiveness	Now, with two sales people in active customer search, our sales are projected to rise intensively.		x						x
	Company sales	Company sales have stagnated.					x	x		
	Innovation effectiveness	Our innovation effectiveness is truly found in promotional innovations. The ideas mainly come from the couple Leino.	x							x
	Geographical coverage	Our location is not in the centre but not far away either. Many need cars to come to Verde. This is both a strength and a weakness.		x			x			x

2. Finance	Cost of availability of capital	The bank interests are at a low level at the moment.		x						x
	Cash flow	Compared to competitors, we have a steady cash flow.		x					x	
	Availability of finance source	The currency course against dollar is favourable to us.		x						x
	Financial stability	Our financial stability for a fitness club is good as we have long-term customers.		x					x	

3. Manufacturing	Facilities	Our facilities are of first-rate quality. However, in the summer time, the rooms were quite hot.	x				x			x
	Capacity	Our capacity is large already. However, as the number of members rise, we can expand.		x						x

	Able workforce	Our workforce is professional and motivated.	x							x		
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4. Organization	Visionary leadership	Our management follows the trends and has truly innovative ideas which are implemented quickly.	x								x	
	Dedicated employees	Very dedicated as all work for a common goal: having satisfied customers.		x							x	
	Flexibility	Again, as a small company, our internal flexibility is good. There are no problems with bureaucracy.			x						x	
	Internal communication	Although a very company, the internal communication has not been effective.					x			x		
	Flexibility with members	There are specific rules according to which Verde has to work (CMS). Members do not have much flexibility with membership rules which scares many.		x		x						x