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Development of a Growth Strategy for Small- and Medium-Sized Enterprises and Derived, Selected Recommendations for Action

Principles, Concept and Methodology by Means of a Practical Example

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The aim of this thesis is to research and present common concepts and methodologies of strategic management against the background of developing a growth strategy for small- and medium-sized enterprises. The theories, which are elaborated in the first part of this thesis will be applied on a German company operating in the fitness market. Therefore, customer surveys and interviews with the management are used to provide highly-qualitative market information.
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1 INTRODUCTION

The fitness- and health care market is one of the most rapidly growing sectors in the German economy. Due to the demographic change and the constant improvement of medical supply, the average age of the German population increases constantly. In 2015, the average lifespan of women was 83.4 years, men averagely lived for 78.6 years. The trend shows that the average lifespan will increase by two years within the next 15 years (Statista, 2016).

Furthermore, increasing health awareness, especially among the Generation Y, leads to an immense increase in demand for fitness and health care services. "Strong is the new skinny", is the new slogan, which is omnipresent in all lifestyle magazines, just as the German Cosmopolitan magazine published in June 2016 (Delastik, 2016). Fitness models become new role models and trends like "Clean Eating", living completely vegan or the "Plank Competition", where you have to hold the fitness position "plank" for at least two minutes, support the fitness trend in social media such as Facebook and Instagram.

This new trend of a healthy lifestyle is a big chance for German fitness- and health care providers. But since there is already a high supply, especially in the bigger cities like Frankfurt am Main, Munich, Hamburg or Berlin, the enterprises need to differentiate from their competitors within the market to maintain and grow sustainably.

The given practical example is a small enterprise, which operates in the personal fitness- and health care sector in the European metropole Frankfurt am Main, Germany. The managing director of the studio is willing to extend the business and to grow sustainably.
Therefore, this thesis is meant to give insights on chosen strategic topics of developing a growth strategy for small and medium-sized enterprises in Germany and to provide selected recommendations for action against the background of a detailed external and internal analysis.

2 THEORETICAL FRAMEWORK

This chapter is meant to convey the theoretical principles of strategic management. The following presentation of concepts and tools is taking place against the background of the development of a growth strategy for small or medium-sized enterprises.

2.1 Defining Strategy and Strategic Management

The word "strategy" originally has its roots in the Greek military language – "strategia" literally means "plan of action". This leads to the conclusion of Henry Mintzberg (1987), who assumes that strategic management can be seen as a "part plan, part ploy, part pattern, part position and part perspective" (Amason 2011, 7).

Nowadays, modern markets are characterized by an increasing competition within. Hence, the definition of strategy and strategic management needs to be seen more differentiated. The enterprises, which perform in modern markets need to develop competitive advantages to stay successfully. Thus, strategy can be described as the art and science to develop and use all sources of an enterprise to ensure profitable and sustainable survival (Von der Gathen 2014, 7).

In combination with the emergent definition given by Richard Lynch (2012, 222) who refers to strategic management as a tool for "[…] finding market opportunities, experimenting and developing competitive advantage over time", the increasing
importance of strategic management within enterprises becomes more clearly. The market situation is visualized in Figure 1.

To conclude, strategic management supports the enterprise to develop a sustainable competitive advantage to stay successfully within the market, by using its opportunities and threats under the given condition of its existing resources, which need to be utilized effectively. To allocate these resources, a plan of action needs to be developed against the background of the perspective of the organization.

Figure 1 Strategy as a border-/limit creating and border-/limit passing medium (Schreyögg 1998) in accordance with Grant & Nippa (2006, 34)

2.1.1 Understanding of Strategic Management

According to Alsdorf (2012, 14-15), the main understanding of strategic management can be clarified by the following characteristics, which are linked to the word "strategic":

![Diagram](image)
- The decisions by the management, which influence or determine the fundamental direction of corporate governance, are seen as strategic decisions.

- The main objective of strategic decisions is always to assure the sustainable growth of the enterprise by creating advantages towards the competitors and keeping them on the long-run.

- To determine the external or internal alignment of the enterprise by strategy, strategic decisions influence the positioning of the organization within the environment and especially within its market against the background of given resources.

This main understanding of strategic management is visualized in Figure 2.

![Figure 2: Main understanding of strategic management (in accordance with Hungenberg 2011)](image)

### 2.1.2 Competitive advantage

For small and medium-sized enterprises, the objective of developing a strategic plan consists of creating a competitive advantage, which is necessary to
strengthen the unique position within the market. Therefore, the unique competitive advantage needs to differentiate the enterprise from the crowd of competitors (Scarborough & Zimmerer 2003, 38). Hence, it is necessary to understand the meaning of competition strategy and following the competitive advantage in a first step.

A competitive advantage is a performance feature, which is recognized by the customers and not offered by the competitors. Furthermore, the customer is willing to pay for this feature and the value of this feature needs to exceed to firm’s costs of creating it (Amason 2011, 11).

As shown in Figure 3, the competitive advantage consists of three main factors, each influencing the other two. The organization, which creates the competitive advantage needs to realize at least a cost advantage towards the competitors. Nevertheless, price and performance of the offered services or goods need to be superior compared to the competitor’s offer as well to generate an unique feature, from which the customer can benefit by purchasing the good or service.

Figure 3 Competitive Advantages: Three C Triangle according to Ohmae (in accordance with Vahlen 2008)
Since a competitive advantage can be substituted by the competitors after a while, it is useful for a company to generate a set of core competencies to develop a sustainable competitive advantage in the long-run. Core competencies can be defined as a "unique set of capabilities that a company develops in key areas" (Scarborough & Zimmerer 2003, 39).

**2.1.3 Development of objectives**

To develop adequate strategic objectives, which will affect the performance and growth of the enterprise in the long-run, the interests of different stakeholders need to be taken into account. Stakeholders are employees, management, customers and also investors. Sometimes, the different stakeholders have contradictory expectations – the aim of strategic management is to balance between these opposing interests to ensure the sustainable success of the enterprise (Alsdorf 2012, 18). The connection of these factors is visualized in Figure 4.

In the early stage of developing strategic objectives, it is important to limit the selection of goals of the different stakeholders, because there is usually a limited set of important objectives, which should be taken into account. A selection of 15 to 20 goals in total is a pragmatic maximum, which means an average of four to five goals per stakeholder (Schmidt 2009, 181).

Furthermore, Grant and Nippa (2006, 63-65) point out that the as-is situation of the enterprise needs to be taken into account, as well as the target situation, which should be achieved by the strategic goals. Therefore, a specification of the target situation needs to take place against the background of the different stakeholder objectives.

They say that for every stakeholder, there are some typical objectives, which seem
to be important regardless the market in which the enterprise operates in. Following, an overview of these typical objectives will be presented.

The management’s and the investor’s objectives are primarily based on an economic point of view; the overall objective is to increase revenues and decrease costs. Furthermore, the gain of market share is an important objective, just as the increase of customer loyalty, which can be pursued by a high level of service quality.

The central objective for employees is a save job, following by an adequate and good payment. Also, demanding tasks and an equal amount of work is important to them. Plus, employees want to be well-educated regarding products or services.

Customers primarily ask for low prices and high quality of the purchased goods or services. Meanwhile, they ask for skilled communication partners at all levels of the purchasing process, including after-sales services.

Figure 4: Stakeholders of development of objectives (in accordance with Vahs 2007, 488)
2.1.4 Overview on the process of strategic management

This thesis deals with the development of a growth strategy, focused on creating competitive advantages by differentiation. Figure 5 illustrates the process of strategic management.

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<th>Strategic analysis</th>
<th>Formulation and selection of strategies</th>
<th>Strategy implementation</th>
</tr>
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<tbody>
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<td>• Development of strategies</td>
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<td>• Internal analysis</td>
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Figure 5 Process of strategic management (in accordance with Hungenberg 2011, 85)

2.2 Strategic analysis

To develop an adequate growth strategy for an enterprise, information about the as-is situation of the organization need to be gathered as well as information about the target situation, which will be the prospective positioning of the business within the competitive market. The information basis is found on the results of internal and external analyses of the enterprise’s environment, which will be explained in more detail in the following abstracts.
2.2.1 External analysis

Every enterprise acts in a different market, its so-called competitive environment. This environment can be divided into two different segments – the macro-environment and the micro-environment. Both segments deal with different factors, which have impact on the enterprise. The analysis of the competitive environment is called external analysis. (Fleisher & Bensoussan 2015, 29).

2.2.1.1 Analysis of macro-environment

To understand the competitive environment on macro-level, the general framework conditions of the industry need to be identified. There are several techniques to analyse the macro-environment. All of them have to follow the "precept of relevance". Only those factors, which influence the strategy of the organization, have to be examined more closely.

A common method to analyse an enterprise’s macro-environment in this direction and understand the industry is the socio-political / environmental analysis, the so-called PEST(LE) analysis (Von der Gathen 2014, 218).

The PEST analysis assesses the four main external factors – Political, Economic, Social and Technological – and determines how these will affect the enterprise’s business in the long-run (PESTLEAnalysis Contributor 2013). Sometimes, the PEST analysis is extended by two further dimensions – the legal and environmental factors. Then, it is called the PESTLE analysis. To receive an overall view on the macro-environment, this thesis will work with the extended version.

Unlike other strategy tools, PESTLE analysis is a tool, which can be seen as a checklist, which is used as a reminder list, since there is no "underpinning logic". Nevertheless, according to Lynch (2012,83), PESTLE is helpful to predict the future of the market, since the content relies on current and past events.
Following, the six different dimensions of PESTLE analysis according to Lynch (2012, 83) will be explained in more detail against the background of the precept of relevance regarding the enterprise’s future.

- **Political future**
  There are different ways on how politics might influence a future strategy of an enterprise, for example by alignments at local, national or European trading-block level. Furthermore, the government could change its attitude towards monopolies or competition in the market. Also, decisions, which affect the country’s economy directly (e.g. minimum wages) need to be taken into account.

- **Economic future**
  The economic factor is the only one within the PESTLE analysis, which is based on numbers and can be measured clearly. Influencing factors are for example the total GDP and GDP per capita, inflation / deflation rates, interest rates, disposable incomes and unemployment rate. Costs for energy, communication, transportation and raw materials can also have an impact on a business strategy.

- **Socio-cultural future**
  This factor is mainly based on soft factors, since it mirrors the society and though the customer behaviour. A general change in lifestyle, shifts in culture and values as well as the attitude towards work and leisure, education and health are topics, the socio-cultural analysis deals with. Furthermore, little hard facts like demograph changes and the distribution of income should be taken into account.

- **Technological future**
  The technological revolution and the increasing speed of change and the adoption of new technology are getting more important. New patents and products on the market and the competition’s level of expenditure on new
technologies are as influencing on an enterprise as governmental or EU technology investment policies.

- **Legal future**
  The given legislation is the framework in which a company can work without facing problems concerning the government. Important legislation topics are competition and labor law. Furthermore, the company should reassure whether it operates in conformity with recent product safety topics and brand /patent law.

- **Environmental future**
  "Green thinking" and sustainability become more and more important in today's world (Werbach 2009). Therefore, environmental topics, which might affect the enterprise's operations have to be considered by creating strategies. Here, the amount and type of energy, e.g. renewable energies and the disposal of waste are exemplary factors.

Summarizing, the PESTLE analysis is a supportive strategy tool, which points out different factors and delivers an understanding on the current situation of an industry's competitive environment, the macro-environment. It can be seen as a starting point for the strategy-creating process, since the results are representative of all actors within the analysed market without focusing on how the different actors deal with the various influencing factors (Fleisher & Bensousson 2015, 233).

### 2.2.1.2 Analysis of micro-environment

The second part of analyzing an enterprise’s environment is the analysis of micro-environment, hence, the analysis of the branch in which the enterprises operate. The main influencing factors are described in Michael E. Porter's Branch Structure Model, developed in 1990, which is a profound model when it comes to the analysis of branches. The model, which is better known as the "Five-forces model" by Michael E. Porter, is visualized in Figure 6.
Porter (2014, 21) assumes, a competition strategy is meant to well-place the enterprise within its branch, which is the main scene of competition. The aim of a competition strategy is to reach a profitable position, which is able to assert itself against the competition-decisive forces within the branch. This strategy underlies the competition rules of the market, out of which the strategy must grow. The competition rules define the attractiveness of a branch and the main objective of a competition strategy is to master the given rules and to change them in favor of the own organization. The competition rules are defined by following the five forces of competition: market entry of new competitors, bargaining power of buyers and the danger of substitutes within the market, as well as the bargaining power of suppliers. Furthermore, the rivalry among existing firms within the branch is an important competition force in Porter’s model (Porter 2014, 23-25).

Each force has specific determinants. For new entrants, there are certain boarders of market entry, for example economies of scale, brand identity or product differences.
The strength of buyers is determined by bargaining power and price sensitivity. The main determinant of substitutes is the price-to-performance of substitute products. Furthermore, transition costs determine the threat of substitutes. Suppliers' strengths underlie certain determinants as well, for example differentiation of input, transition costs of suppliers and firms within the branch and substitute inputs. Within the branches, rivalry exists. Thus, this rivalry has determinants, too. Examples are growth of the branch, fixed and/or storage costs, phases of over-capacity, heterogeneity of competitors, strategic interests of companies and market exit barriers (Porter 2014, 27).

The total power of these five forces of competition is decisive about the success of all firms operating within the branch, what is called the rentability of a branch. The individual forces' strengths differ in each branch, thus, the rentability of each branch differs as well.

2.2.2 Internal Analysis

In the section before, the external situation of an organization within its competitive market was focus of the analysis. This section will occupy the internal analysis – the analysis of individual company strenghts and weaknesses as well as opportunities and threats – by using different methods and models.

2.2.2.1 Analysis of the company-situation

For determining strenghts and weaknesses of an enterprise, thus, the current company-situation and to point out differentiating potentials, the value chain, developed by Michael E. Porter is an appropriate analysis tool. According to Porter, each company is a collection of activities with the objective of designing, producing, selling, delivering and supporting a good or service. (Porter 2014, 65). These activities can be illustrated in a value chain, which is visualized in Figure 7.
Porter’s value chain differentiates between primary activities and support activities of the company. The five primary activities, which are inbound logistics, operations, outbound logistics, marketing and sales and service, mainly deal with the creation of a product or service, the sales of this created product or service and the customer service. They differ from company to company, depending on the branch and the company’s strategy. Analogue, the four support activities, firm infrastructure, human resources management, technology development and procurement, take care of a smooth process of the primary activities. Both groups of activities work against the background of increasing the margin. Most of the activities within a company-specific value chain are similar to the competitors’ ones, nevertheless they usually differ in detail. Porter says that each company should design its own value chain, since a common value chain for a whole branch would be too general, as individual factors and features of each company are not taken into account. (Porter 2014, 65-68)

Furthermore, to define relevant value activities, activities with different used technologies and economic rules need to be separated. Furthermore, general
activities, such as marketing, need to be divided into different segments. How far this segmentation proceeds, depends on the economic context of activities and the reason why the value chain is created (Porter 2014, 69).

### 2.2.2.2 Situation analysis (SWOT)

By executing the external and internal analyses, a profound information base for formulating a business strategy is found. Following, the results of both analyses, which contain strengths and weaknesses on the internal side and opportunities and threats on the external side can be combined and confronted with each other. This concept is called SWOT-analysis (short for Strengths, Weaknesses, Opportunities, Threats), which "applies a general framework for understanding and managing the environment in which an organization operates” (Fleischer & Besoussan 2015, 109; Welge & Al-Laham 2003, 187; Lynch 2012, 830).

The results of the external and internal analyses, which are the identified strategic issues, will be entered in a first draft, which is meant as identification, analysis and ranking of strategic issues. This base for the SWOT-analysis is visualized in Figure 8.

![Figure 8](image)

Figure 8 First draft: Identification Analysis and Ranking of strategic issues (in accordance to Fleisher & Bensousan 2015, 108)
The SWOT-analysis generates outcome by isolating the major issues of the four elements. Afterwards, four strategic courses of action can be made by combining internal and external factors.

The process of developing the four strategic courses of action is visualized in Figure 9.

Figure 9 Model of SWOT-analysis (in accordance with Fleisher & Benssousan 2015, 108)

Following, the four courses of action, which can be deduced from the SWOT-analysis, in accordance to Welge and Al-Laham (2003, 312-315) will be explained in more detail.

1. *Strategies according to the SO-principle (strenghts and opportunities)*: The determined strenghts and opportunities of an enterprise are used and by means of growth strategies, chances of the environment will be perceived and used.
2. Strategies according to the WO-principle (weaknesses and opportunities):
By application of cooperation- and business development strategies, internal weaknesses will be abolished to enhance the ability of using the environment’s chances.

3. Strategies according to the ST-principle (strengths and threats):
Company strengths are used to minimize environmental risks and threats. In this case, diversification strategies or product development strategies are effective measures.

4. Strategies according to the WT-principle (weaknesses and threats):
Internal weaknesses are minimized by applying defensive strategies. Furthermore, environmental threats are abolished by defensive strategies.

2.3 Formulation and selection of strategies

The formulation and selection of strategies is built upon the strategic analysis. As a core subject of strategic management, information of the environment- and company analysis are used to develop an adequate strategy, by which the strategic objectives will be reached (Welge & Al-Laham 2003, 317). The main focus of strategy formulation lies within the development of competitive strategies. The application of these strategies is meant to sustainably position the business within the market to gain and keep competitive advantages in the long-run (Hungenberg 2011, 195).

Since there are numerous alternatives for developing competitive advantages, the approach changed to develop generic – idealized – strategies with focus on one characteristic. The most common generic strategy types are developed by Porter (2014, 35-38) and described in more detail by Hungenberg (2011, 201-202) as following:
1. **Strategy of differentiation:**
   This strategy takes into account the most important aspects for customers and tries to provide outstanding quality and innovative approaches, which have to highly differ to the competitors. Criteria of differentiation next to the offer of high-quality products or services are exemplary reliability, brand, communication or customer services.

2. **Strategy of cost / price leadership:**
   Due to lower prices than the competitors, higher revenues by winning new customers should be acquired. Also, the margin should be increased by lowering the production costs accompanied by constant market prices. A possible approach is the increase of efficiency within the value creating system.

Based on the two mentioned strategy types, a third strategy is found:

3. **Strategy of concentrating on focal areas (focus strategy):**
   Based on the assumption, that competitors act in a widely-spread competitive environment ad due to that cannot follow their objectives effectively, single parts are focused on, for example product portfolio, market / customer service, region or area of value added. The main focus always lies on one of the following, costs or differentiation.

Table 1 Methodological stages (in accordance with Meyffert 2008, 328)

<table>
<thead>
<tr>
<th>Methodological stage</th>
<th>Applied evaluating tools</th>
</tr>
</thead>
</table>
| 1. Methodological stage: Proof of strategy alternatives regarding the necessary resources for implementation | • Checklists  
• Strategy profil method |
| 2. Methodological stage: Proof of interdependencies between strategies and strategy sequences | • Cost-utility analysis  
• Life cycle analysis  
• Portfolio analysis |
| 3. Methodological stage: Quantitative valuation of strategies regarding their economic target attainment | • Capital value method  
• Strategy valuation with CAPM  
• Simulation models |
In a next step, the before described strategy alternatives need to be evaluated and compared with each other, to identify the best strategy for an organization. It is differed between three methodology classes of analysis and evaluation processes, which are presented in Table 1.

On the first methodological stage, the chosen strategy alternative is proven against the background of existing ability potentials. The second stage consists of measures, which evaluate the interdependencies of the strategy alternatives and their consequences. On the third methodological stage, a more detailed and quantitative evaluation of the strategies and their consequences takes place by means of economic objectives.

This thesis will concentrate on the second methodological stage, since the methodologies of the first stage are not concrete enough to receive the wanted output and the methodologies of the third stage need too much external input, which is not appropriate to the work load of this thesis. Therefore, the author recommends the cost-utility analysis as an appropriate assessment tool. For detailed information about the other mentioned systems, the author refers to Meyffert (2008, 328-330).

After developing and selecting strategy alternatives, the chosen measures need to be implemented. For implementing a strategy concept within an organization, structures and internal processes need to be established, respectively adapted, exemplary coaching of employees or establishing of new IT systems (PricewaterhouseCoopers, 2015).

2.4 Definition of Differentiation

Due to Lynch (2012, 824-825), differentiation is one of the three generic strategies, which are applicable on any business. It describes the development of individual benefits or features of products or services, which are meant to create a specific
position of an organization within the market and appeals to a specific customer group. Thus, the organization serves a segment of the market better than the competitors, what allows to increase the prices for the offered products or services.

There are three issues, which, according to Porter, need to be taken into account when deciding to use differentiation as a strategy to reach sustainable growth.

1. The products or services need to differ clearly from the offered goods by the competitors. They have to be specifically unique and hard to substitute (Porter 2014, 38).

2. The unique features of products or services need to create a real value for the customer, who is willing to pay higher prices to receive the offered benefits (Porter 2014, 37).

3. The company needs to find a solution of differentiation, which leads to prices, which are higher than the differentiation costs. A company, which applies differentiation, should always take their costs into account, since high differentiation costs may ruin the margin completely. Therefore, production costs should be minimized without losing the main differentiation factor. Porter (2014, 37) mentions that an organization should achieve a complete or approximate cost parity in comparison to the competitors.

2.5 Differentiation sources and uniqueness

Porter (2014, 180-185) assumes that differentiation is not understandable by seeing the company as a whole, but by focusing on specific activities and their impact on the customers. Differentiation grows out of the value chain of the company and uniqueness can appear from every value-creating activity of a company. It is not defined, whether the activity is a primary or support activity.
within the value chain. *Following,* a company can develop uniqueness in both, primary and support activities. Every activity of a company within the value chain can create uniqueness and thus, the company can benefit from this as differentiation.

Porter elaborated that the uniqueness of a value activity is determined by a set of profound influencing factors, which are – in sum – the reasons, why an activity can be seen as unique. Without these influencing factors, a company is hardly not able to recognize its differentiation potentials and to develop new differentiation factors. In following, the influencing factors are explained in more detail.

1. **Corporate-policy decisions:**
   The main factors to achieve uniqueness of a product or service lie in profound decisions, which are made by the management. Many principles, which can lead to uniqueness and thus to differentiation are based in corporate-policy decisions, for example:

   - Products attributes and service offer
   - Intensity of single activities, e.g. effort of marketing activities
   - Content of activities, e.g. provided information of the service center concerning prices, quality of input etc.
   - Used technology
   - Regulations on the behaviour of employees (high-service culture)

2. **Links:**
   Uniqueness can also be developed by the specific linkage within the value chain. Links between different activities, e.g. supply chain and sales channels or sales and IT etc. are examples. Furthermore, links between the company’s and the customer’s value chain may generate uniqueness. No matter which kind of
linkage is used, the different activities do always have an impact on each other.

3. **Time and location:**
   In some cases, the time, in which a product or service is brought to the market for the first time, can create uniqueness. Potential competitors are hindered in respect of their market entry and their product image of being "the first". Furthermore, a market entry on a later time point can also create uniqueness, as companies can benefit from the mistakes, which were made by the first market entrants.

4. **Integration:**
   Integration of new value activities can lead to uniqueness as well, as the company might be able to control and coordinate the activities better and more effectively. One example is the integration of a customer support center. The integration increases the quality of customer support comparing to companies with external support centers (abroad). Plus, it might also increase its image and though lead to differentiation within the market.

5. **Size of the company organization:**
   The relevant size of a company is different from company to company – some of them might operate more cost efficient when being bigger, some of them can provide better services or product more exactly when being small.

### 2.6 Concepts to develop growth by using uniqueness and differentiation

The expansion method matrix by Richard Lynch (2012, 320) is a supportive tool to evaluate environment-based strategy options, which illustrates different concepts of expansion and thus, possibilities of growth for a company. After evaluating the individual internal and external growth opportunities of a company and the geological possibilities, which are depending on the market segment in which a company operates, different alternatives of expansion can be taken into account.
This thesis focuses on national growth outside of the company, therefore internal development and also international methods, which can be found in the expansion method matrix, such as multinational or global operations, are negligible. Following, the methods of expansion outside of the company will be explained in more detail.

1. Acquisitions:
   Acquisitions describe the process of purchasing another organization with the objective of extending the own business (Fleisher & Bessoussan 2015, 467).

2. Mergers:
   The amalgamation of two firms into one entity is called merger. In this process, at least one of the participating companies loses its status of being legally independent. This is also the main criteria, which differentiates mergers from

![Expansion method matrix](image)

Figure 10 Expansion method matrix (in accordance with Lynch 2012, 320)
(strategic) alliances. When talking about two competitors merging, it is also called horizontal integration, as both participants acted on the same "level". Furthermore, a merger between supplier and customer is described as vertical integration (Macharzina & Wolf 2012, 709; Business Dictionary 2016).

3. **Joint ventures:**
   The concept of a joint venture is based on co-operation and contractual agreement. At least two organizations set up a subsidiary, which is jointly owned. The participating parties perform as a new legal entity, which also shares profits and losses of the subsidiary (Lynch 2012, 826; Fleisher & Bessoussan 2015, 467).

4. **Alliances:**
   Strategic alliances are defined as co-operations between competitors within a market. In contrast to the joint ventures, the participating parties remain legally independent and do not perform as a legal entity, but they do also underlie a contractual agreement. In case of an alliances, which is found by significantly more than two participants, it is called a strategic network (Macharzina & Wolf 2012, 279).

5. **Franchise:**
   Franchise is also defined as a co-operative strategy in form of a licensing agreement. A specific business concept, which is developed by a company, the so-called franchisor, is offered to other companies, the so-called franchisees. Due to a contractual agreement, the franchisees are allowed to use the business concept. The agreement usually includes the concept in general as well as the brand name, marketing measures, pricing methods etc., which are already approved by trials within the market. In return, the franchisees pay a defined amount of its sales to the franchisor. This measure offers both, security for the franchisees, as they get a "tries-and-tested business formula", and also control for the franchisor, who controls the whole operations (Lynch 2012, 323, 825). The most famous international example of franchise is McDonalds.
Each method of expansion has its own advantages and also disadvantages, which need to be weighed against each other in the individual case. The most common advantages and disadvantages are displayed in Table 2.

Table 3 Methods of expansion: advantages and disadvantages (in accordance with Lynch 2012, 322; Israel Promotion Center 2016)

<table>
<thead>
<tr>
<th>Method of expansion</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| Mergers & Acquisitions  | • May reduce competition  
                        • Cost savings from economies of scale  
                        • Increase of market size and market share  
                        • Savings in shared overheads  
                        • Can happen in a short period of time | • High risk in case of a wrong targeted company  
                                                                                     | • Expensive method, not applicable for start-ups  
                                                                                     | • Problems with the staff in the acquired company  
                                                                                     | • Problem of unwanted company parts |
| Joint ventures          | • Cheaper than mergers & acquisitions  
                        • Builds scale quickly  
                        • Obtains special expertise quickly | • Loss of control (to some extend)  
                                                                                     | • Participating parties should provide different expertise to the joint venture  
                                                                                     | • Profits have to be shared |
| Alliances               | • Development of deep partnerships  
                        • Joint expertise and commitment  
                        • Other competitors are excluded  
                        • Potential partners learn about the other’s business | • Constant amount of work to maintain the relationship  
                                                                                     | • Approach is slow  
                                                                                     | • No development of economies of scale |
| Franchise               | • Rapid expansion possible  
                        • Lower investments and risks  
                        • Constant two-way information flow | • Success is depending on the quality of the franchisees  
                                                                                     | • Profits have to be shared |

Summarizing, the expansion method matrix gives an overview on certain concepts of expansion. All of the mentioned concepts follow the objective of growth, even though the approaches are highly different. To figure out the best possible strategy and finally an expansion method for an individual organization, a detailed analysis has to take place and against the background of all results, the best fitting method of expansion can be chosen.

3 APPLICATION ON BUSINESS LEVEL

In this chapter, the principles, concepts and methodologies of developing a growth strategy for small- and medium-sized enterprises, which are elaborated in the chapter before, will be applied on a practical example. At hand of a chosen small
German enterprise operating in the fitness- and health care sector, the different steps of developing an adequate and sustainable growth strategy will be applied to prove them on their practibility.

3.1 Description of the exemplatory business

The exemplatory business is a small enterprise, which operates in the personal fitness market and is located in Frankfurt am Main, Germany. Due to data security reasons, the explicit name of the company will not be named throughout the thesis. Therefore, it is following called "the studio".

The core business of the studio is to provide a fast, uncomplicated and effective fitness training by using high technology fitness devices. Every customer is served personally and looked after by his / her own personal fitness coach. Coaches are highly skilled by profound university education or trainings. Hence, they adapt the different offered methodologies and develop an individual fitness plan for every customer to achieve his or her goals both, fast and also sustainable. Following, the different fitness devices and applied methodologies will be explained in more detail. (Bauer 2016).

1. Power Plate® (Power Plate GmbH 2016):
   The Power Plate is a three-dimensional vibrating platform, which transfers its vibration on the body and the muscles. This vibration effects a reflexive muscle tension. By performing different positions on the vibrating platform, the training can be focused on specific goals, e. g. strengthen of musculature, enhancing flexibility, relaxation or massage. Application areas are:

   - Health care and prevention: Power Plate, which is certified by the German Chamber of Medicine, supports the prevention and also therapy measures of back pain, arthrosis, osteoporosis, multiple sklerosis and parkinson.
- *Fitness*: Power Plate is also an important part of training of numerous professional athletes, exemplary the German national football team. The vibration animates the depth of musculature, which cannot be triggered by basic training.

The EMS training is a highly-efficient whole-body workout, which only takes 20 minutes. By the usage of electrodos, which are attached to special suit, electronic impulses are lead into the muscle. By performing different positions, the muscle works against the eletronic impulse. This supports the effectiveness of the workout and results can be measures faster compared to a normal workout.

3. **TRX – Suspension training** (Fitness anywhere LLC 2016):
TRX is a non-elastic suspension trainer. The workout takes place against the theory, that the own body weight is always the optimal training resistor. Different muscle-strengthening, balance and stamina exercises are performed to increase muscles and decrease body fat.

4. **VacuSprint** (b2-schneller fit 2015):
The main objective of using VacuSprint is to reduce body fat in the typical problematic abdominal, thigh and buttock areas. The customer is walking on a treadmill (5 km/h) for 30 minutes, which is surrounded by a vacuum chamber. The vacuum supports the blood circulation within the fat depots, so they can melt down faster.

The introduced training methodologies can be combined to reach the individual fitness goal of each customer. This is the first part of the individual treatment.

To meet the customers' needs at its best, training only takes place by appointment. This measure also ensures the personal atmosphere and high quality of provided training in the studio. Appointments can be made during the
usual opening hours from Monday to Friday between 8 am – 9 pm, but also special appointments on the weekend, in the early mornings or late evenings are possible.

To stay flexible, customers do not need to conclude two-year contracts. The studio offers different price models, varying on the flexibility of the customer. Firstly, the customer can buy training cards, which are valid for 10 or 24 training units. In this case, he or she stays flexible and can make his appointments according to his schedule. This model is sufficient for business people who have to travel a lot and do not have usual 9 – 5 working hours.

A second price model is a basic contract, which can be concluded for 6, 12 or even 24 months. Here, the customer can make appointments for two workouts a week, so still this is not a general walk-in method. (Bauer 2016).

Recently, the personal trainer team consists of four people, the managing director herself, a back office worker and two further trainer, who are employed in a part-time model (20 hours per week).

At the moment, according to the managing director of the studio, this business model is unique within the market in Frankfurt am Main and the demand is high. Therefore, the company is willing to grow externally. The aim to grow results of the fact that the competition in this specific market of personal fitness training is rapidly increasing and the studio wants to keep its position as a leading organization in the market (Bauer 2016).

A profound analysis of the recent company-situation will take place in the following abstracts and concluding, valid alternatives of action will be provided.
3.2 Strategic analysis

For developing a growth strategy, external and internal analyses of the studio will take place within the following abstracts. As a basis, especially for the internal part, the business concept of the studio is used as well as information given by the managing director.

Since the studio wants to grow within its recent geophysical area, the analyses generally refer to the environment in Germany.

3.2.1 External analysis

As a first part of the strategic analysis, the external analysis will take place. This part of the analysis is meant to elaborate the most important factors of the environment of the studio in both, macro- and micro dimension.

3.2.1.1 Analysis of macro-environment

To analyse the macro-environment of the studio, a detailed PESTLE analysis will take place. This analysis will focus on the German market environment, specifically Frankfurt am Main to receive an image on how certain external factors might influence the strategy.

- **Political future**
  
  The German government set-up a minimum wage of 8.50 EUR per hour in 2015 (Für soziales Leben e.V. 2015). This minimum wage has to be payed to every employee, no matter if it's a full-time employee or an intern. This is why the studio did not hire an intern yet and the studio has to think whether the company is able to pay more employees.

- **Economic future**
  
  The Gross domestic product (GDP) per capita in Frankfurt am Main in 2015 was
86,203 EUR, which is relatively high compared to the national GDP per capita of Germany, which was 37,130 EUR in 2015 (Burth 2016; Statista 2016 [3]). The high GDP per capita shows, that Frankfurt am Main is a city with a high economic turnover.

In addition, the comparison of national and regional income is a good indicator of the wealth of the region and the citizens. The average income of a full-time working employee in Germany was 3,612 EUR per month in 2015. Citizens in Frankfurt do earn on average 14.6 % more than the German average. Concluding, the average person in Frankfurt earned 4,139.35 EUR per months in 2015 (Absolventa 2016; Staufenbiel 2016).

Concluding, the citizens of Frankfurt am Main are, compared the the German average, more wealthy and thus, they are able to pay more money for fitness and health care applications.

- **Socio-cultural future**
  The big trend, regarding the socio-cultural future against the background of the fitness and health care market, is the shift of lifestyle and values of the "Generation Y" which is the generation born in the 1980’s to the early 1990’s (GAIA Insights 2015). These people are generally more aware of their well-being. They prefer a healthy lifestyle, where key elements, next to the work-leisure-balance, are healthy eating and a regular work-out. In 2015, around 9 million people in Germany were going to a fitness studio, what corresponds to more than 10 % of Germany’s inhabitants (Mittag 2015).

- **Technological future**
  As the studio works with high-tech fitness devices, the technological future is a very important factor for the future strategy. Recently, the used technologies Power Plate (Power Plate GmbH 2016) and EMS (Miha Bodytec GmbH 2016) are the most innovative products on the fitness market. But since the product lifecycle of innovative technologies is getting shorter and shorter, the used
techniques could be replaced by new devices in the future (Schulz & Riedel 2016).

- **Legal future**
  For the studio, product safety issues are important legal topics. Before a customer starts with his first training, the trainer has to reassure the health condition of each customer. To ease this process, the studio developed specific questionnaires, which each customer has to fill out before the training.

- **Environmental future**
  The studio works with technological fitness devices, which need energy to perform. Therefore, energy and energy costs are important factors for the studio. As mentioned before, the "green thinking" trend could lead to another focus of the customers, who might prefer a more green and sustainable way to stay fit. Here, the studio might take a change of the energy provider into account.

Summarizing, some factors of the PESTLE analysis are more relevant for the studio than others. Special focus should be taken on the socio-cultural future, as there might be the highest potential for development. The technological future has a large impact on the studio as well, since the studio is depending on the used technology.

### 3.2.1.2 Analysis of micro-environment

Within the micro-environment, different key players influence the competition within the industry. Following, the application of Michael Porter’s Five-Forces-Model will take place against the background of the fitness market in Frankfurt am Main to visualize the impact of the micro-environment.
- **(Threat of) New entrants:**
  Within the fitness market, the threat of new entrants is omnipresent. One example is a fitness studio chain operating in Frankfurt am Main. Within one year, the prime fitness club "Elements" (Migros Freizeit Deutschland GmbH 2016) opened three studios in top locations. The price range, starting at 85 EUR per month, is comparative to the studio, but the approach is different. Whereas the studio solely offers personal training, Elements is a big fitness park with numerous fitness devices and a large spa area.

- **Buyers:**
  The studio is a service organization, thus, it is strong depending on the customers and also their bargaining power. The price models is flexible, depending on the chosen trainings and forms of contracts, and following, the customers want to get the best deal.

- **Substitutes:**
  Since the studio started its operations in February 2015, there is not a high number of substitutes yet. But since the market is increasing and the studio becomes more famous within the industry, there is a high probability that more substitutes will enter the market. There is one local competitor (Ten Minutes 2016), who first started its business with Power Plate training in groups of five people, but nowadays they extended their business with EMS and also TRX.

- **Suppliers**
  The studio is not very depending on the suppliers and their bargaining power, since all fitness devices were bought in February 2015 and there is no need of a constant supply. The only thing, where a supply is necessary, is the recent (small) offer of food supplements. Again, there is no large impact, as the demand for supplements in the studio is quite small.

- **Rivalry among the market / industry competitors**
  As said before, the market is increasing and so is the rivalry within. There are
plenty competitors, which create a diverse offer of fitness services in the industry, from big prime fitness franchise companies like Fitness First (Fitness First Germany GmbH 2016) or low-cost gyms like McFit (McFit Global Group GmbH 2016), who operate europe-wide. Some competitors offer similar products and services, e.g. studios, who only offer Power Plate or EMS training, e.g. the national-wide franchise company EMS-Lounge, with 22 subsidairies within Germany and two in Frankfurt am Main (Ems-Lounge® 2016).

The branch structure analysis gives an overview of the recent situation of the fitness industry. It can be seen, that the market is highly competitive and very diverse. The external influencers in the micro-environment have an enourmous impact on the players within this environment.

The external analysis shows, that the fitness market is highly depending on external factors. The market is not a constant market, but it is highly innovative and a lot of different factors from both, macro- and micro-environment influence the industry. The organizations have to adapt to technological innovations and benefit from the good economy in Frankfurt am Main and the shift of values, mainly driven ahead by the "Generation Y".

As the fitness industry booms and the turnover of the German fitness market increases every year, from 4 billion EUR in 2011 to 4.8 billion EUR in 2015 (Statista 2016 [2]), it is obvious that the market is attractive for many new entrants. The existing offer is diverse and it is difficult to stay successful. A basic concept of a "normal" gym, equipped with a treadmill, some weights and standard fitness devices is no longer up-to-date. The customers ask for individual training, different approaches and innovations. This is why the studio needs to create value for its customers, to survive in this market and to operate sustainable. How the studio can create value and benefit from external factors will be examined in the following abstracts.
3.2.2 Internal Analysis

This abstract deals with the internal view on the studio with focus on the specific strengths and weaknesses. In a first step, Porter’s value chain is used to point out, where the studio’s internal potentials lie. In a next step, (internal) strengths, weaknesses and (external) opportunities and threads of the studio will be examined in a SWOT-analysis. Afterwards, strategic courses of action can be made by combining the main outcome of the analysis.

3.2.2.1 Analysis of the company-situation

For analyzing the recent company situation, a value chain analysis has taken place to identify internal strengths and weaknesses of the studio. To receive a realistic result from the customers’ point of view, a customer survey was executed. The customers of the studio were asked to answer a questionnaire consisting of four questions, concerning their contentment with the recent offering of the studio. Furthermore, the customers were asked about preferences of an extend of the existing offering. Therefore, they could choose from six alternatives (e.g. yoga classes or professional nutrition counseling). A seventh row offered the possibility to provide a new alternative, which was not given yet (Appendix 1). As a result, eight questionnaires were filled in, which are evaluated and entered into the following compressed value chain analysis.

Since the studio is a service-oriented organization, inbound- and outbound logistics do not have a strong impact within the value chain. Thus, the following value chain analysis is compressed on the areas "operations", marketing and sales and service. This value chain is visualized in Figure 11.
As a result of the value chain analysis, it can be said that the studio’s strengths lie in the strong service orientation, which base is individual treatment of the customers. Furthermore, the supply of high-quality techniques, skilled trainers and fair working conditions for the employees support the personal and friendly atmosphere within the studio. A weakness might be the limited amount of offerings, since only personal training by appointment and a small offering of methodologies is not sufficient for all kind of customer groups within the fitness market.

The identified strengths and weaknesses are used as a profound base in a the following steps of the internal analysis.

3.2.2.2 SWOT-analysis

This abstract is meant to evaluate the different dimensions of the studio’s SWOT-analysis. For the sake of simplicity, only two topics of each dimension will be highlighted and explained in more detail.
Firstly, the internal strengths of the studio are the specialist qualifications of the staff and also the individual treatment of the customers within an excellent atmosphere.

1. **Specialist qualifications:**
   The managing director, who is also the main trainer in the studio, has profound qualifications and experiences in managing a personal fitness studio. After her studies in fitness economics, she already lead two personal fitness studios of another company before she decided to develop her own concept and became self-employed.

   Before a new trainer is employed, he has to absolve specific certified trainings to assure a high-quality fitness training for the customers. These trainings are mostly provided by the suppliers of the fitness devices, e.g. Power Plate or miha bodytec. Furthermore, continuous coaching by the managing director takes place.

   All in all, the studio provides high quality fitness training by highly-skilled personal trainers.

2. **Individuality and excellent atmosphere**
   The studio offers an individual approach of personal training. Every customer is treated personally, agrees on personal appointments, not only during usual 9 to 5 working hours and his personal trainer takes care of him from the moment he enters the door to the moment he leaves after his workout. To support this exclusive feeling; the studio is equipped with bright furniture with only a few colorful accents. The customer is meant to feel special and not as if the training takes place in a standard gym. Offers like free beverages, towels and snacks as well as the possibility of online appointment arrangement complete the individual treatment of every customer. Due to this personal relation between coach and customer, the coach can adapt to every individual wishes and needs.
Secondly, internal weaknesses of the studio are on the one hand the limited amount of space in the studio and on the other hand the lack of beauty- and wellness applications.

1. **Limited amount of space:**

   As the studio is located in an old town city district of Frankfurt am Main, the size of available big commercial premises is limited. The studio’s size is measured with 170 m². This is why there is no possibility to add large-scale equipment, which need a lot of place in width and height, to the existing offerings, such as treadmills or weight-lifting stations.

2. **Lack of beauty- and wellness applications**

   In most cases, usual fitness studios offer a choice of beauty- and wellness applications, for example sauna, massages or swimming pools. These applications are interesting for the customers to relax after an exhausting workout or just after a long day at work. This lack of beauty- and wellness applications interrupts the image of a carefree all-around service.

Thirdly, the opportunities of the studio can be seen in the development of health care and prevention measures and also in a further-development and increase of the existing course offering.

1. **Health care and prevention measures**

   Due to the increasing numbers of patient in Germany, who suffer from diseases such as diabetis mellitus [270,000 new patients every year (Deutsches Diabetis Zentrum 2016)]. cardiovascular diseases, overweight or depression, prevention of these diseases became an important aspect within the German statutory health insurance sector. Health care insurances recognize that many diseases can be averted by preventive health support. This prevention does not only have a positive impact on the general health of the German citizens, but it is also lucrative from a financial point of view, since the costs of disease treatments are much higher, compared to the costs of preventive measures.
2014, the treatment costs for patients suffering from cardiovascular diseases are pronounced on 37.4 billion EUR. Until 2020, the costs will increase by additional 4 billion EUR per annum (AstraZeneca 2014). Thus, the health-care insurance provider support prevention measures to stop this trend.

Following, one opportunity for the studio is the increasing number of health-supporting prevention measures, which are strongly supported by the health-care insurances. Exemplary, the health-care insurance provider DAK (DAK 2016) takes over at least 80 % of the costs for professional prevention courses.

2. Increasing course offering
A second opportunity is to increase the studio’s course offering. The TRX suspension trainers can be removed easily from the roof of the course room, thus the course room can be used for many different courses. Furthermore, the higher number of participants of courses like yoga or pilates might increase the turnover per hour.

Last, the threads of the studio are the possibility of concept substitution as well as the price sensitivity of the customers.

1. Concept substitution
The substitution of the studio’s concept is an enormous thread, since the individual concept is highly valued by the customers (Compare: customer survey 2016). The concept is not patented or legally-secured, thus, every competitor or new market entrant could copy the concept.

2. Price sensitivity
Just like every service-based organization, the studio is depending on the customer and their regularly payments. Therefore, the pricing is also depending on the customers. The market also offers cheaper versions of the provided methodologies of the studio. Even though the cheaper methodologies are not as high in quality as the studio’s ones, customers might leave the studio and
start to buy the cheaper "home-versions" versions of the fitness devices, e.g. a cheap version of PowerPlate for less than 200 EUR (Idealo 2016). Furthermore, the customers might change to a basic gym, where the monthly payments cost 19.99 EUR (e.g. McFit).

After the four dimensions of the SWOT-analysis have been determined, strategies according to different principles are derived.

1. **Strategies according to the SO-principle (strengths and opportunities):**

   By utilizing the strength "Specialist qualifications" and the opportunity "Health care and prevention", the studio could offer special back-pain prevention courses and courses for the overall fitness-improvement of the participants, exemplary running courses. These courses, executed by the highly educated fitness trainers, can be certified by the health-care insurances, which also promote the courses and therefore, the studio in general. This positive reputation can lead to an increase of customers.

2. **Strategies according to the WO-principle (weaknesses and opportunities)**

   To abolish the weakness of a lack of beauty and wellness offering, the studio can offer special relaxation courses, such as Yoga or meditation classes. This measure does use the opportunity of an increasing course offering. Furthermore, a small area within the studio can be utilized for special treatments like massages or manual lymphatic treatments. This measure abolishes both weaknesses, the limited amount of space and the lack of beauty and wellness treatments, because a single massage table does not require much space, while pleasing the request of wellness offerings. Furthermore, these treatments do also cover the opportunity of health care and prevention trend.

3. **Strategies according to the ST-principle (strengths and threats):**

   To minimize the environmental thread of concept substitution, the studio can
apply for a patent of the individual concept. The patent secures that no substitute is allowed to copy the individual concept of the studio. This measure secures the main strength of the studio by abolishing the main external thread.

As the measure to apply for a patent is taking time, one short-term ST-measure is to offer bigger group courses, which are achievable for more people. On the one hand, the customers do still receive a training by a highly-skilled personal trainer, but due to the higher number of participants, the studio can offer lower prices without an immense lack of quality. New potential customers will try out the bigger group trainings and may decide to change to the personal training.

4. Strategies according to the WT-principle (weaknesses and threats):

The WT-principle asks for defensive strategies. Combining the lack of space and the price sensitivity of the customers, the studio could offer cheaper courses for bigger groups. The lack of personality and individual treatment leads to a lower quality which asks for lower prices. Thereby, the studio remains competitive.

Concluding, there are different strategic measures deriving from the SWOT analysis, which follow different principles. Thus, more than one strategic measure can be implemented, as long as there are enough provided resources in the studio.

3.3 Development and selection of strategy alternatives

After the strategic analysis is pursued, the provided information is used to formulate and select an adequate strategy. As mentioned before, the focus lies on competitive strategies, since the studio wants to grow and maintain its position within the market. Therefore, three different strategies, the strategy of differentiation, the strategy of cost / price leadership or the focus strategy are applicable.
For the studio, the strategy of cost / price leadership is not recommendable because the recent concept induces prices starting at 99 EUR per month, while the cheapest fitness studios only charge 19.99 EUR per month. Concentrating on the strategy of cost / price leadership would require a completely new business approach, which is not the aim of the studio.

The second approach is the focus strategy. Here, the studio has to concentrate on special operations areas. The recent concept of the studio does not offer the possibility to focus on a certain area, because all methodologies are coordinated with each other. Furthermore, focusing on only one methodology, either Power Plate, EMS, TRX or courses does not seem to be quite successful, as there are already many organizations within the market operating this strategy of focal areas.

Concluding, the author recommends the differentiation strategy as an appropriate growth strategy. Recently, the studio provides a mix of different methodologies. Each training method can be combined with each other to develop the perfect fitness training for every customer. This innovative approach differentiates the studio’s operations from the market competitors.

To grow sustainably, the studio should improve the factor of differentiation to create uniqueness within the market. Concluding, the competitive advantage of the studio is the uniqueness within the market, which is based on a profound differentiation strategy.

As mentioned above, uniqueness is defined as a factor, which is not provided by any other competitor within the market. The main weakness of uniqueness is substitution. To avoid substitution, the studio has to inherit a non-substitutable uniqueness. But in beforehand, the studio has to define its factor of uniqueness and ensure its sustainability.
Since the training methodologies (standing alone for themselves) cannot create uniqueness, the studio should focus on its business concept as a whole. As mentioned before, there are no competitors with an equal concept yet. To maintain this situation, one possibility is to acquire a patent for the business concept. Therefore, specific features have to be standardized and named in detail, exemplary the specific mix of applied methodologies and the used fitness devices, as well as the marketing mix and methodologies of creating personalized fitness plans.

Acquiring a patent is the most effective option to ensure the uniqueness of the business concept, since it provides a legal monopoly, which is binding for everybody within the market. Even though there is no direct possibility to apply for a patent for a business concept, the studio can apply for a patent of the combination of the technical fitness devices and the special methodologies on how to apply and combine these techniques in a personal fitness plan. This is, due to § 1 Patentgesetz (German Patent Act) a patent on inventions with a technical component in it. In most cases, the application for this alternative of patenting a business model is successful (Trinkel & Ritter 2013).

There are two options in applying for a patent – the European or the national route, but since the studio pursues national growth, the concept should not necessarily be patented in an international manner. In the European Union, a patent is acquired for a time-period of 20 years. The German Patent and Trade Mark Office basically relies on the European Patent Convention from June 2016 (Deutsches Patent- und Markenamt 2016, European Patent Office 2016).

For further information, the author recommends the European Patent Office and the German Patent and Trade Mark Office where profound information are provided and the process of application for a patent are explained in more detail. (European Patent Office 2016)
Concluding, the studios strategy is to grow with a differentiation strategy. The factor of uniqueness is provided by the individual and specific business model, which will be secured by a patent.

3.4 Recommendations for action according to the expansion method matrix

The expansion method matrix provides five different recommendations of action for external growth in a national environment – mergers & acquisitions, joint ventures, alliances and franchises. All of them have different advantages and disadvantages, which need to be taken into account and evaluated before deciding on a specific plan of action.

The studio wants to grow sustainably by use of its competitive advantage, which is the center of the differentiation strategy. Due to this, the options joint venture and alliance are not recommendable at a first glance.

Not recommendable is also the alternative "mergers", which requires the adaption of certain operations from the other organization. But since the studio wants to benefit from its uniqueness, the adaption of operations from another organization is not supportive for the differentiation strategy because the existing business concept is already improved and tested within the market. Furthermore, mergers usually lead to an extension of the management, because both of the merging organizations want to stay active within the market. This status is not wanted by the recent management of the studio, which wants to stay independent. (compare Interview)

In a first step, the option of acquisitions is a useful step to grow for the studio. On the one hand, acquisitions support the short-term growth because possible competitors are purchased and thus, their customers legally become customers of the studio. It is recommendable to purchase local, smaller studios with a comparable equipment, exemplary a fitness studio which already uses Power
Plate, as it is easier to apply the individual concept on a smaller studio. On the other hand, the acquisitions compensate the period of time in which the patent application is not successfully completed yet. Plus, a strategic acquisition leads to further advantages for the studio - Fast growth within a fast growing market is important to maintain the superior position within the market while competitors fail and disappear. Furthermore, it sets a clear signal for the competitors that the organization is growing and solvent.

In the long-run and after the process of acquiring a patent for the business model is completed successfully, the studio might take the opportunity of implementing a franchise model into account. Franchising is a methodology, where the tested and improved business concept is offered to external contractors. A franchise system offers the studio the possibility to run numerous studios (continuing called: branches) with self-employed managers. The responsibility lies on the individual branch managers, but the studio still supervises the operations. From this share of responsibility benefit both parties, since the branch managers can run the daily business independently and the studio’s management can focus on improving and extending the business model.

Summarizing, a combination of mergers and franchise will lead to sustainable growth for the studio in the short- and the long-run. A profound basis for this is the uniqueness of the studio’s individual concept and expertise, which is utilized to create a distinct differentiation strategy.
4 CONCLUSION

A sustainable and successful growth strategy is depending on numerous different factors of the external environment and internal factors of an organization. It is important to take various figures and influencing factors into account to create a suitable strategy for an organization. Therefore, specific strategy tools have been developed within to analyze the company situation regarding to special aspects, e.g. the Five-Forces-Model by Michael E. Porter, which mainly deals with the interests of different shareholders.

For the studio, the strategic analysis was necessary to figure out the growth potential, which lies within differentiation and uniqueness. After evaluating the internal factors and the external environment, it was possible to make a first statement concerning the as-is-situation.

Afterwards, the strategy has to be derived from the results of the internal and external analysis. Therefore, the different possible concepts, exemplary mergers and acquisitions, alliances or franchise need to be examined and their advantages and disadvantages need to be weighed against each other against the individual background of the studio’s situation. After examining all factors, it is not recommendable to focus on only one concept; thus; the recommendable growth strategy for the studio is a combination of two concepts: Acquisitions and franchise. This specific combination of expansion concepts offers a sustainable perspective because it supports the growth of the studio within the market in the short- and in the long-run. The aim of gaining market share and strengthen the own position within the market can be achieved by following this strategy.

For an implementation of this strategy, the studio has to apply for a patent at first. In the meantime, the acquisition of other studios can take place to achieve short-term growth. When the patent is achieved, the process of implementing the franchise system can take place and the manager can start to provide the concept
to franchisees, which will lead to another level of growth, since a national-wide expansion can take place.

Summarizing, the developed growth strategy and the derived, selected recommendations of action in form of acquisitions and implementing a franchise system can lead to sustainable growth in the short- and in the long-run for the studio.
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Appendix 1 Questionnaire (Blank)

Liebe Kunden von b2 - schneller fit,

Vielen Dank, Svenja Bauert ©

1. Wie lange trainieren Sie schon bei b2 - schneller fit und welche Angebote nutzen Sie?

________________________________________________________________________

2. Was gefällt Ihnen am Training bei b2 - schneller fit besonders gut?
(Mehrfachnennungen möglich)
☐ Angebot
☐ Präsentgestaltung
☐ Lage
☐ Trainer
☐ Andere: ________________________________________________________________

3. Welche Angebote sollten Ihrer Meinung nach ins bestehende Angebot aufgenommen werden?
(Mehrfachnennungen möglich)

Fitness:
☐ Yoga / Pilates
☐ Bootcamp / Crossfit
☐ Gruppentraining Power Plate oder EMS mit mehreren Geräten
☐ Spinning / Indoor Cycling
☐ Andere: ________________________________________________________________

Ernährung:
☐ Professionelle Ernährungsberatung inkl. persönlicher Ernährungsplan
☐ Detox-Kuren
☐ Größeres Angebot an Nahrungsergänzungsmitteln (u. a. Proteinshakes, Booster, BCAA etc.)
☐ Andere: ________________________________________________________________

4. Haben Sie weitere Anmerkungen, was b2 - schneller fit in Zukunft andern sollte?

________________________________________________________________________
Appendix 2 Questionnaire (English)

[ENGLISH VERSION]
Dear customers of [...],

within the framework of my bachelor’s thesis, I am evaluating different factors of the studio’s business model. Therefore, I would be thankful for your support. Thank you!

1. How long are you a customer and which offers do you use?

2. What do you like the most about the studio?
   (You can tick more than one answer)
   - [ ] Offer
   - [ ] Prices
   - [ ] Location
   - [ ] Trainer
   - [ ] Others: _______________________

3. Of which offers should the studio extend its existing offer?
   (You can tick more than one answer)
   - [ ] Fitness:
     - Yoga / Pilates
     - Bootcamp / Crossfit
     - Group training Power Plate or EMS
     - Spinning / Indoor Cycling
     - Others: _______________________
   - [ ] Nutrition:
     - Professional nutrition counselling incl. personal nutrition planning
     - Detox treatments
     - Increasing offer of food supplements (e.g. protein shakes, Booster, BCAA etc.)
     - Others: _______________________

4. Do you have any other suggestions, what the studio should change in the future?

____________________________________

____________________________________
Appendix 3 Filled-in Questionnaires

[Questionnaire content]

[Questionnaire content]

[Questionnaire content]

[Questionnaire content]
Appendix 4 Interview with the Managing Director of the Studio

Interview with the Managing Director of the Studio.

Date: 10th June 2016
Location: Frankfurt am Main, Germany
Participants: Svenja Bauer and Caroline Bauer

Svenja Bauer: Hello Caroline – thank you for taking your time for this interview. As you know, the objective of my thesis is to create a growth strategy for your enterprise. Why is growth important to you? Isn’t the Status Quo convenient enough?

Caroline Bauer: Hey Svenja! Well, of course, the Status Quo of our operations is quite convenient and we generate enough revenues. But, the fitness market, especially here in Frankfurt, is a fast growing market, where it is important to develop constantly. The competition is tough and especially when it comes to our business model, substitutes stream into the market. Thus, we have to offer special things for the clients.

Svenja Bauer: Well, you just mentioned your business model. Could you explain this in more detail? What makes your studio so different?

Caroline Bauer: My studio a personal fitness studio, well, better said it is a personal fitness institute. Here, we work with high-quality technological fitness devices, which enhance the training’s intensity and thus, create faster visible and measurable results. All methodologies can be combined with each other. So, we can develop an individual fitness plan for each customer, to achieve his or her personal goals. We have a kind of a holistic approach: we want our clients to be fit and healthy on all levels. Furthermore, every client is looked after personally by his or her personal coach. The coaches are well-trained and have an extend knowledge of health and fitness due to professional studies and continuous training.

Svenja Bauer: Well, you were talking about high-quality fitness devices – Which devices do you use in the studio?

Caroline Bauer: We basically use PowerPlate, EMS by miha bodytec, TRX suspension training, VacuSprint and Slimyonic.

Svenja Bauer: So all of these devices are only usable by one person at a time. Does this mean, you only offer one-to-one training?
Caroline Bauer: In general, yes. To ensure the quality of the training, we provide one trainer per client. Sometimes, clients prefer to work out in teams of two, for example couples. Then, they will work out either after each other or simultaneously – one on the PP, on EMS. All of these workouts are timed for 20-30 minutes.

The TRX courses can take place as a one-to-one personal training and also in group training with a maximum capacity of five participants per course. To my mind, it is not possible to supervise more than five people working out at the same time without decreasing the quality of coaching.

We also offer outdoor running courses, where clients learn how to run. After a check up on the techniques, we do not have a maximum of people participating – the more the merrier!

Svenja Bauer: Thank you, this provides me a good overview on your operations. Can you explain your pricing structure a little more detailed?

Caroline Bauer: Our pricing system is very diverse. We offer two different concepts – either you sign a contract for at least 6 months, where you can come to the training twice a week or you can buy a 10 times training card. The card concept is more convenient for the customers with a very complex time schedule. According to their jobs, they cannot make appointments twice a week. With the card, they are a lot more flexible. Prices start at 99 EUR per month for a 6 months Power Plate contract or 240 EUR for a 10 times training card for Power Plate. Combining different methods, e.g. Power Plate and EMS, we offer combination-packages with 10% discount on the second package. A ten times training card for EMS costs 350 EUR. The TRX course prices start at 15 EUR (for group training (per person per session) and go up to 35 EUR for single person training.

Svenja Bauer: Thank you! Last, not least. Could you tell me something about your employees?

Caroline Bauer: Recently, our team consists of four members, 2 part time employed trainers, my and my mother, who is running the back office and controlling all alone.

Svenja Bauer: Well Caroline, thank you a lot for these insights into your company.

Caroline Bauer: You’re welcome!