

ANALYSIS OF THE HEALTH AND FITNESS INDUSTRY



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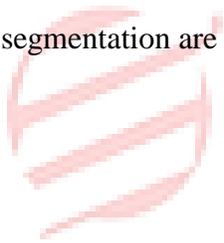
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Executive Summary

Physical fitness is a state of health which enables a person to perform his activities of daily living in good health. The fitness industry focuses on developing one's strength, endurance, speed, balance and coordination, by employing various methods to incorporate them, including specialized gymnasiums, personal trainings, and a wide range of home based equipments. This paper focuses on the environmental analysis of the fitness industry, including the external, internal, micro, and macro environments, the perceptions of both the provider and the consumer about the efficacy of a particular fitness brand or company, and the marketing mix analysis. Market Analysis focusing on the target population; Market segmentation focusing on the geographical, demographical, behavioural, psychographic, occasional, cultural, and multi-faceted segmentation are also analysed, along with the customer perception and marketing mix.



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Table of Contents

Executive Summary	2
Introduction	4
Market Analysis	5
Target Population	5
Market Segmentation	6
Market Positioning	7
Environmental Analysis	9
General Environmental Analysis (PESTLE)	9
Specific Environmental Analysis.....	11
Internal Environmental Analysis	12
SWOT Analysis	13
Consumer Perceptions	14
Marketing Mix	15
Conclusion	16
References	17

List of figures

Figure 1 - A schematic representation of the target population of the fitness industry	5
Figure 2 - A Positioning Map of the Fitness Industry in Australia.....	8
Figure 3 - The Predicted Economic Growth of Australia	10
Figure 4 - Impact of Climate Change in Australia	7

ANALYSIS OF THE HEALTH AND FITNESS INDUSTRY

Introduction

Physical fitness is a state of health which enables a person to perform his activities of daily living in good health. The trend of fitness has evolved over the ages, from being disease free to being able to maintain good health in leisure, as well as under challenging situations. Present day fitness is considered an aesthetic sense, where physical attractiveness and appeal is considered a target, along with training of one's muscles. This has led to the easy accessibility of fitness and sporting equipments, which could earlier be used only by certain sportspersons, to the layman. The fitness industry focuses on developing one's strength, endurance, speed, balance and coordination, by employing various methods to incorporate them, including specialized gymnasiums, personal trainings, and a wide range of home based equipments (Smith, 2001).

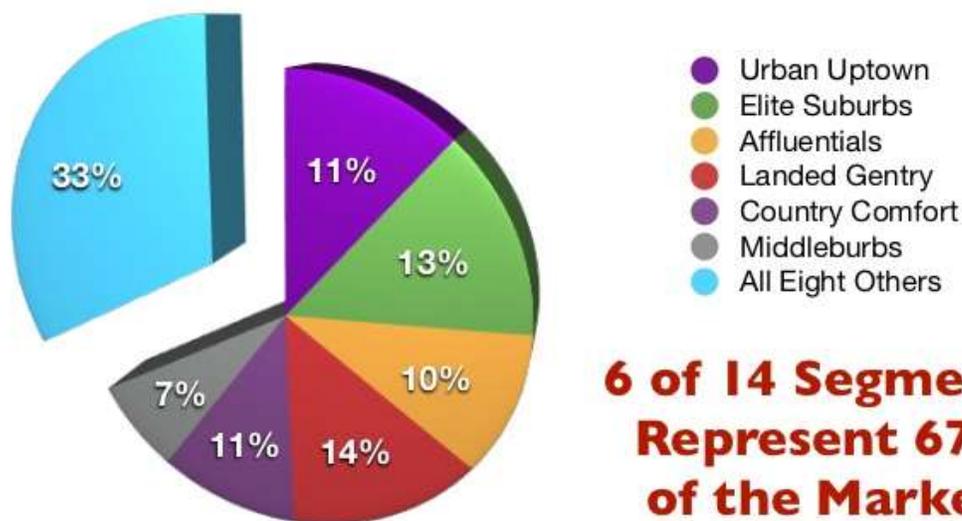
The fitness industry has boomed in business worldwide, after the advent of globalization, since when there was easy access to fitness equipments and fitness trainers from across the globe. The increase in lifestyle diseases such as obesity, cardiovascular diseases etc, becoming a rising concern, and the gravitation of interests towards sporting activities has been banked upon by various gyms and fitness centers in order to provide personalized and specialized fitness training to the individuals (Ferrand et al., 2010). Every company that is a part of the fitness industry must analyse the target market, the positional mapping within the industry, and its area of marketing strength. This paper focuses on the environmental analysis of the fitness industry, including the external, internal, micro, and macro environments, the perceptions of both the provider and the consumer about the efficacy of a particular fitness brand or company, and the marketing mix analysis. The analyses are performed, taking the institute "Fitness Australia", located at Alexandria, Australia.

Market Analysis

Market analysis is the study of the marketing dynamics within the industry. It comprises of the size, trends, factors influencing profits and losses, the target population, segmentation, its positional analysis, etc, along with many other factors.

Target Population - The target population of the fitness industry, and all associated institutes is the youth population comprising of young individuals of both genders in their early twenties to their late forties. Even though the industry caters to individuals of all ages, the maximum input comes from people of the aforementioned ages (Mullen & Whaley, 2010). The marketing strategy to cater to these potential customers must be to focus on what would they stand to gain by availing the fitness services, and what would they stand to lose by not availing the services. A long term approach, rather than a short term goal must be focused on.

Figure 1 – A schematic representation of the target population of the fitness industry



Market Segmentation - Market Segmentation is the division of the consolidated market into areas based on the customers, priorities, and the environment (Errunza & Miller, 2000). The segmentation is done in seven different types, namely:

1. **Geographical Segmentation**, which is based on the geographic location. With the advent of globalization and immigration, and the resultant lifestyle changes, market segmentation must be enabled for people of different ethnic backgrounds, to customize the fitness regimen offered.
2. **Demographic Segmentation**, where the personalization of the services offered would vary with age, gender, occupation, and the need of the client. For example, a 20 year old female and a twenty year old male would have different interests and requirements in the fitness industry, as opposed to a budding sports person.
3. **Behavioural Segmentation**, where the level of knowledge, educational background, and attitude towards the industry would influence the segmentation. A thorough analysis of one's behaviour is mostly the base upon which the choice of services build.
4. **Psychographic Segmentation**, where the lifestyle of an individual is considered, and the market are divided upon it. Today with the increase in globalization, the lifestyle of most individuals has gone to sedentary, so the industry must cater to the requirements of those who need a healthier lifestyle modification (King, 2010).
5. **Occasional Segmentation**, wherein the specific needs and behavioural patterns in every group of customers are analyzed. For example, the usage of high energy sports drinks, consuming junk food, using expensive accessories, etc in particular strata of people, vs. the use of plain water, healthy food, and only the basic essentialities.

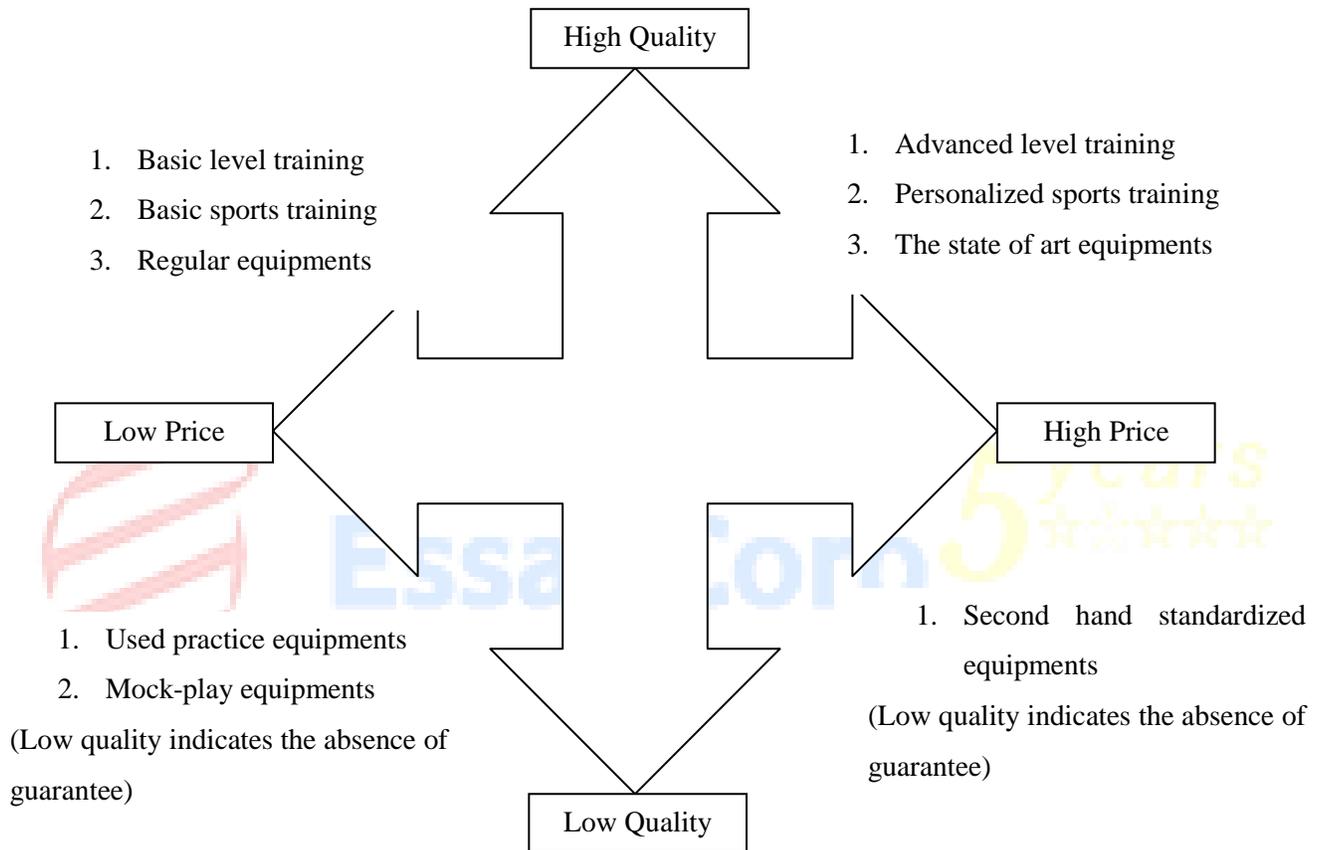
6. **Cultural Segmentation**, in which the market is divided by a cultural base, of consumer behaviour within a particular practice or culture. This includes the values and customs, like gender discriminations, activity taboos, inherent attachment towards certain products, etc (Sha, 2006).
7. **Benefit-based Segmentation**, where usually, the customer focuses on benefits that can be achieved by using a particular service. In the fitness industry, many clients come in search of short term benefits, such as slimming for a particular life event, qualifying for a sport event, etc. The industry, alongside with catering to the requirements, must provide options in order to sustain a long term goal.
8. **Multi-variable account Segmentation**, where more than one strata of segmentation are grouped together, to provide a holistic marketing experiencing.

Market Positioning – It is the strategy used by a company to position itself in the market and in the industry, and to know where it stands in relation to its competitors and new innovators. An idea of positioning is made by the company to enable a better understanding of their customers, and vice versa (Lagrosen & Lagrosen, 2007). This way, the progress of the company and its customer's perception on this regard can be achieved. Usually, a positioning map or a perceptual map is a graphical representation, describing a visual display of the perception of the customers and the company.

Below is a positioning map of the Fitness Industry in Australia (Fitness Australia, 2015). The 1st Quadrant involves the services that are provided at a high quality and a high price, the 2nd Quadrant involves the services that are provided at a low quality and a high price, the 3rd Quadrant involves the services that are provided at a low quality and a low price, and the 4th

Quadrant involves the services that are provided at a high quality and a low price (Maguire, 2007).

Figure 2 – A Positioning Map of the Fitness Industry in Australia

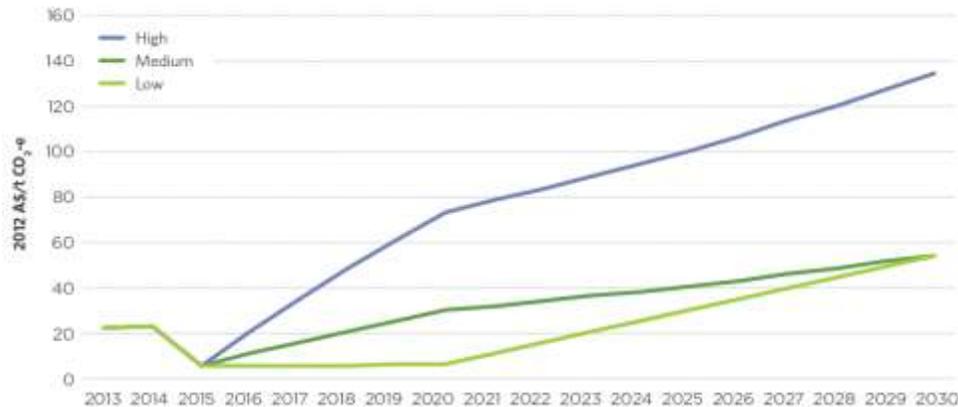


Environmental analysis

Environmental analysis is the scrutiny of the external and internal environments, or circumstances in which an organization is placed, in order to assess its performance efficiency. For the fitness industry, an environmental analysis is very important, as there are many institutes and competitors emerging in the fray; and in order to sustain in the business, one must always take steps to be on the fore. Analyzing the general, specific, external and internal environments for Fitness Australia by various analyses, we can analyze its productivity (Malhotra, 2008). Usually, the General or the External Environment is analyzed by various tools like the PEST, PESTLE, STEP, DESTEP, etc, all focussing on components like Politics, Economy, Society, Technology, Legislature, Ecological, Demographic aspects of the organizations. Given below, is a general environment analysis of Fitness Australia using the PESTLE analysis (America et al., 2003).

General Environments (PESTLE) analysis: Fitness Australia is situated in Australia, and the analysis is based on the location (Srdjevic et al., 2012).

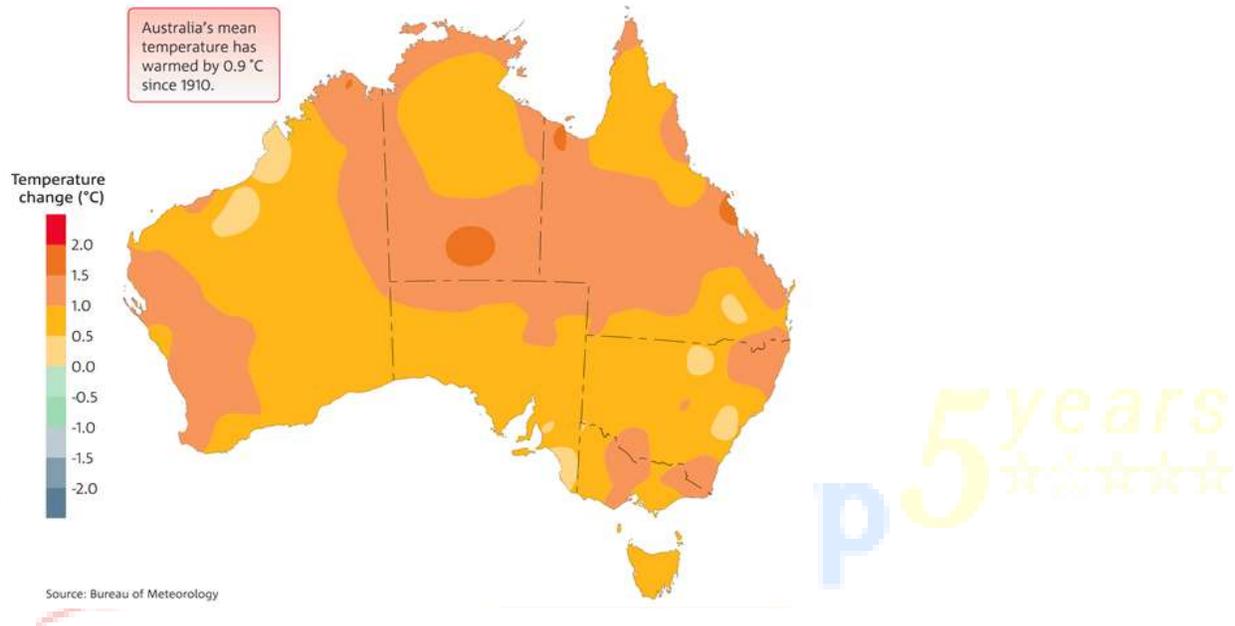
- Political – Australia is a Liberalist Capitalist Democracy, so there is a freedom in the business environment, without much political restrictions. Fluctuations of the monetary structure due to taxation variations also need to be considered.
- Economical – Australia is a Capitalist economy, with the income predominantly coming from the service sector. The reducing inflation costs means that there is much more disposable income which is beneficial for the industry, as it would garner more customers. The fitness industry has a huge market, as investments in fitness and gyms would have a higher value based return on investment than investment in savings.

Figure 3 – The Predicted Economic Growth of Australia (Australian Government, 2012)

- **Social /cultural** – Due to the advent of globalization, there is a varied cultural diversity in Australia, with wide acceptance of people from other cultural backgrounds. The global surge of fitness, in the media, networks and brilliant strategies by the marketing team of Fitness Australia, would enable to make most of the social and cultural acceptance of the fitness industry.
- **Technological** – The country of Australia is equipped with up to date latest technology, and has high amounts of money allocated for the R&D. There are also tax exemptions for research based areas, which encourages the scientists to carry out the research along with tax rebates at Australia. In the fitness industry, this has a better scope, as the market automatically increases for the import/production of state of art equipment.
- **Legal** – The APRA has mandated flexible business laws and regulatory measures for starting up of any new business, and thus the “Fitness Australia” would have no problem in expanding its bases, or setting up of new branches within the country.
- **Ecology (Nature)** – Australia is abundance in natural resources, however, highly impacted by the global climate change. It is essential that the market is not suited only for

the temperate weather of Australia, but also for the changing weather and climatic conditions. The market must set aside capital for unforeseen losses; low funds etc due to inclement rainfall/bad weather days.

Figure 4 - Impact of Climate Change in Australia (Bureau of Meteorology, 2014)



Specific Environments analysis (Song et al., 2005)

- Customers – The potential customers of Fitness Australia are the domestic customers who are self-inspired fitness enthusiasts; corporate customers who associate with the institute based on their corporate benefits; sportspersons, who utilize the services for personalized fitness concerning their particular sport; students, who avail the services as a part of their academic co-curricular activities.
- Partners – As Fitness Australia provides health and fitness services, it has long standing business partnership with companies dealing with fitness equipment, trainers, corporate

companies, sports institutes, e-commerce companies, etc. A healthy partnership facilitates the smooth running of the centre, and its sustenance in today's world (Woodruff, 2004).

- Industry – Fitness Australia belongs to the Health and fitness industry. Though initially the industry catered to only sporting professional, today it is open to almost all sector of people, thus being able to provide customized services to all customers concerned.
- Competitors – As fitness is a booming industry in Australia post globalization, and it is important that any fitness centre constantly innovates new ideas and provides quality services, in order to sustain the competition from its customers. Potential competitors for Fitness Australia include Talwalkers, Crunch, etc.
- Suppliers – Usually, the fitness industry mandates support from fitness equipment suppliers for products and maintenance services. The other major suppliers include domestic supply, human resource agencies, educational resource providers, etc.

Internal Environments analysis

- Process – The process of management in Fitness Australia includes promoting the concept of health and fitness among all people, attracting potential customers towards fitness, and enhancing sport and health education activities.
- System – It is a service based industry, and the system of management focuses on the effective provision of service.
- Employees – The employees of Fitness Australia include trained professional fitness staff, Physiotherapists, Kinesiologists, Biomechanical analyst, Orthotic engineers, Physical education trainers, sportspersons, educators, along with management and other domestic staff.

- Management – The team of Fitness Australia is led by a team of experts heading the leadership, comprising of experts from all departments, which enables effective management.

SWOT analysis (Chhabra, 2015)

- Strengths – A powerful name within Australia’s fitness centre; provides all options in the industry, Innovative to meet market standards.
- Weaknesses – Too many competitors, lack of human resources, relies heavily on seasonal profit (Voelpel† et al., 2004)
- Opportunity – Caters to diverse customers, can bank upon the global boom in fitness due to globalization, can focus on sporting event specific activities
- Threats – Financial crisis, stiff competition from other institutes, the rise of home fitness and personal trainers.

Thus, upon analyzing the various parameters of the company threadbare, one can understand the position and the current standing of the company with respect to the market, and thus an insight into future planning and execution can be obtained. On the hindsight, a periodical analysis of the environment is needed to be performed, so as to monitor any changes that can occur in the business environment, which could impact the business proceedings. It is impossible to maintain a relaxed stance on environmental analysis, and need to update one all times (Valentin, 2001)

Consumer perceptions

Any service based industry thrives because of the support of its customers and consumers, and satisfaction of one's consumers is the most important task of every industry. The fitness industry is no exception, as the consumers must feel that their money spent is worth the service. The usual perceptions of the consumers of the fitness industry range from self, price, and benefit (Blank, 2016).

Self perception: It is the rationale of how the individuals understand the basic concepts behind their own motives of seeking fitness services. Analysis of self perception of the consumer makes one realize the significance or futility behind investing time and money on fitness and sport, thus leading to continuity or dropouts. Ideally, there is a joining spree to fitness institutes during the New Year season or the academic holiday season, and there are a lot of dropouts two months from then. If the consumers self- analyse the importance and the need of their fitness training, the number of dropouts as well as the number of unattended registrations also would be limited.

Price perception: It is the rationale of the consumers to gauge the value of the services provided based on its costs. For example, the annual membership fee of Fitness Australia might be higher than that of another fitness institute, and lower than that of another institute. However, most consumers see the quality over the cost; and their conveniences over the cost. For example, if Talwalkers and Fitness Australia provide services at near similar costs, their time and costs spent for commutation, the ease of access, and their gut instincts decide their choice of the institute.

Benefit perception: Every individual seeks benefits for the costs expended by them. Usually in a fitness institute, the customer benefits that are highlighted are the upbringing of good health, maintenance of good health, development of disease resistance, and an attractive physique. However, in addition to the basic services provided, if the customers are provided with additional

benefits like educational services, equipment purchase, business opportunities, etc, it would definitely add on the consumer base (Kelley & Turley, 2001).

Thus, the consumer perceptions of the industry are very important for its development.

Marketing Mix

The Marketing Mix is a business tool used in the business market to determine what the particular service or product has got to offer to its customers. It is usually assessed by 4 P's or 4 C's, which later has expanded to the 7 P's and 7 C's, including the customer services and perceptions. There are many theories to Marketing Mix, which focus on basically the product, price, promotion, and distribution of the service, albeit with minor differences (Andreasen et al., 2003).

Product – It is the concept that satisfies the needs of the consumers. In the fitness industry, the services provided, and the fitness and sporting products sold are the products of the industry.

Price – Usually, it is the compensation provided by the consumer for the services obtained. The price varies from company to company based on the services provided, and the market situation.

Promotion – It involves the marketing, advertising, promoting, sales etc of the industry, and how well is marketing strategies applied to the service or products, to attract new customers, and to retain existing customers. Examples for promotion are discount coupons, events and competitions, attractive prizes and incentives, etc (Teece, 2010).

Place – This is more of the marketing distribution, where the apt service is distributed at the apt place and time, to the optimal customer. If the services are widely distributed at areas where there is no potential market for them, it would not garner a profit. Thus, proper placement is essential, in order to sustain in the market.

Conclusion

The health and fitness industry is one of the leading markets in terms of service and economy. The advent of globalization and the easy accessibility of internet is a great boon to the industry, as it has led to increase in the demand for fitness and fitness products. The increasing interest in sports and the grim statistics of rising lifestyle diseases are also a main cause for the rising awareness of fitness, and the subsequent enrolment in fitness institutes. However, the surge in demand is affected by various major and minor factors, including environments, market positioning, segmentation, the marketing mix, the target population, the quality of services provided, etc. Even if all the factors seem to be in favour of the institute, they must be monitored constantly, so as to keep the services constantly updated, to detect and manage any bugs in the system, and to provide quality and enhanced services.

It is important that all the stakeholders of the industry, including the service providers, consumers, the investors, and the supporters, work together to sustain the institute within the market.

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