

2011

# Entrepreneurial factors for the fitness industry

Steven M. Herrmann

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Entrepreneurial Factors for the Fitness Industry

by

Steven Herrmann, CSCS

Thesis

Submitted to the Department of Health Promotion and Human Performance  
Eastern Michigan University  
in partial fulfillment of the requirements  
for the degree of

MASTER OF SCIENCE

in

Exercise Physiology

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November 4, 2011

Ypsilanti, Michigan

## **Abstract**

The following work examines the different aspects of opening an exercise-based business and identifies factors of the competitive environment that are conducive to opening a recreational and athletic strength training facility. Questions were answered regarding what type of exercise-based business could feasibly compete against the other exercise-based businesses and related non-profit organizations and what the existing exercise-based businesses and related non-profit organizations located within a 30-mile radius of southwest Dearborn, Michigan, were doing to survive in the current competitive economy. Information was gathered from 100 fitness facility websites and 30 survey interviews from the managers and owners of the exercise-based businesses within a 30-mile radius of southwest Dearborn, Michigan. The results demonstrated a need for a fitness center focused on sports training. Also, the current U.S. recession may be reason to start a business in the near future; however, future research is needed.

## Table of Contents

Abstract.....	ii
List of Tables .....	vii
Chapter I: Introduction .....	1
Problem Statement.....	10
Purpose Statement .....	10
Significance .....	10
Research Questions.....	11
Study Delimitations .....	11
Study Limitations.....	12
Definition of Terms .....	12
Chapter II: Review of Literature.....	14
Debate about Small Businesses .....	14
Variables of Opening a Small Business .....	14
Funding.....	14
Competition.....	16
Demographics and location .....	21
Fitness programs .....	26
Marketing.....	28
Sales promotion.....	29
Employment.....	32
Health insurance.....	35
Chapter III: Methodology.....	37

Participants .....	37
Instruments .....	37
Procedure.....	38
Data Analysis.....	38
Chapter IV: Results .....	39
Interview Data .....	39
Descriptive data.....	39
Years.....	40
Funding .....	40
Facility size .....	41
Employees.....	41
Members and gender .....	41
Hours .....	42
Equipment .....	42
Features.....	43
Classes .....	43
Membership .....	44
Degree.....	45
Certification .....	45
Healthcare .....	46
Economic strategies.....	46
Discounts .....	46
Reductions .....	47

Expansions .....	47
Advertising.....	47
Internet usage .....	47
Website Data .....	48
Descriptive data.....	48
Years.....	48
Facility size .....	48
Employees.....	49
Members and gender .....	49
Hours .....	49
Equipment .....	49
Features.....	50
Classes .....	50
Membership .....	50
Economic strategies.....	50
Discounts .....	51
Reductions .....	51
Expansions.....	51
Advertising.....	51
Internet usage .....	51
Chapter V: Conclusion .....	52
Survival Rate .....	52
Survival Rate and Start-Up Money.....	52

Start-Up Money and Economy .....	53
Employees .....	55
Members versus Facility Size.....	55
Member Gender .....	56
Facility Quality, Certifications, and Degrees .....	57
Facility Equipment, Features, and Classes.....	59
Healthcare.....	63
Hours.....	64
Discounts.....	65
Reductions .....	66
Expansions .....	66
Membership.....	67
Advertising .....	68
Internet Usage.....	68
Overall Implications.....	69
Future Research .....	72
References.....	74
Appendix A: Consent Letter .....	84
Appendix B: Market Research on Fitness Facility Survey Form .....	87

**List of Tables**

Table 1 Years Opened for Fitness Facilities .....	104
Table 2 Start-Up Funding for Fitness Facilities.....	105
Table 3 Fitness Facility Size .....	106
Table 4 Employees per Fitness Facility.....	107
Table 5 Members per Fitness Facility .....	108
Table 6 Gender per Fitness Facility .....	109
Table 7 Hours per Fitness Facility .....	110
Table 8 Equipment per Fitness Facility.....	111
Table 9 Features per Fitness Facility.....	112
Table 10 Classes per Fitness Facility .....	113
Table 11 Membership per Fitness Facility .....	114
Table 12 Degrees per Fitness Facility .....	115
Table 13 Certifications per Fitness Facility.....	116
Table 14 Healthcare per Fitness Facility .....	117
Table 15 Discount per Fitness Facility.....	118
Table 16 Reductions per Fitness Facility .....	119
Table 17 Expansions per Fitness Facility .....	120
Table 18 Advertising per Fitness Facility.....	121
Table 19 Internet Usage per Fitness Facility .....	122
Table 20 Hours per Fitness Facility .....	123
Table 21 Equipment per Fitness Facility.....	124
Table 22 Features per Fitness Facility.....	125



Table 23 Classes per Fitness Facility .....	126
Table 24 Membership per Fitness Facility .....	127
Table 25 Discounts per Fitness Facility .....	128
Table 26 Advertising per Fitness Facility.....	129
Table 27 Internet Usage per Fitness Facility .....	130

## **Chapter I**

### **Introduction**

Small businesses play a large role providing jobs throughout the country. Davis, Haltiwanger, and Shuh (1996) have shown that small businesses are equal to large businesses in creating jobs. However, research has shown that industry growth patterns support small businesses and the significant source of job creation they provide (Asquith & Weston, 1994). Furthermore, Dunkelberg and colleagues (2004) found that when trying to predict the national unemployment level, 80% of the variation in the unemployment rate is traced back to surveys that were collected from small business owners.

The relative contribution of jobs coming from small business has a huge impact. One of the most important economic and social aspects for any growing and innovative society is the formation of new business (Reynolds, Carter, Gartner, Greene, & Cox, 2002). Each business provides different goods, services, and products to the community to fulfill needs and wants (Horsley, Anderson, Biddle & Mulas, 2000). The United States Small Business Administration (SBA) defines a small business as an organization that is independently owned and operated, trying to make profit, makes large contributions to the U.S. economy through taxes or product, and is not dominant on a national level (U.S. Small Business Administration [SBA], n.d.). The business may consist of a partnership, sole proprietorship, corporation or any other legal form. Although there are many different small businesses to start, the limitations and guidelines differ from industry to industry.

The United States Small Business Administration sets limits on the number of employees, depending on the type of business. Some businesses, including heating oil dealers and liquefied petroleum gas dealers, have an employee limit of 50 employees.

Manufacturing businesses have a limit of 500 employees, while couriers and express delivery services have an employee limit of 1,500 employees. Some small businesses are limited in size by the average annual receipt. Fitness and recreational sports centers are limited to an annual receipt of \$7 million (SBA, 2008).

In the United Kingdom, small businesses dominated the economy in 1996 with more than 99% of all the businesses fitting the definition of a small business (Kirby & Watson, 2003). The Ewing Marion Kauffman Foundation found that in the late 1990s, there were 6.2 people out of every 100 U.S. adults over 18 years of age trying to start new business firms. This means nearly 10 million Americans attempt to start their own business at any given time (Reynolds, Carter, Gartner, Greene, & Cox, 2002). Also, the average team to start a business is 1.8 people, while 40% of businesses are sole-proprietorships. This means that there are approximately 5.6 million new firms trying to start every year (Reynolds, Carter, Gartner, Greene, & Cox, 2002). However, only a third of these attempts actually get a business open (Ramachandran, 2004). In 2002, a study performed by the SBA found that only 66% of new businesses can survive the first two years or more. When the results were extracted to six years, only 40% were still in operation (Ramachandran, 2004).

Although starting a small business may be a large risk, there are some steps that one may follow to try to get an idea of how to start the process. An entrepreneurship is a business that provides individuals with a chance to develop ideas and turn ideas into a successful business (Horsley, Anderson, Biddle, & Mulas, 2000). Many entrepreneurs follow a similar path when getting a small business started. One must create an idea, find the financing, market the product, find clients to purchase the product, and close a sale. However, some of the successful businesses start when a client offers to purchase a product

or service. Others start from a new invention or discovery, while some begin completely by accident (Ramachandran, 2004). Honig and Karlsson (2004) found data that strongly support having a business plan before starting a business. Entrepreneurs were much more likely to continue in the start-up process or actually start a new business than individuals who did not have a plan (Honig & Karlsson, 2004).

A business plan helps to develop a framework and plan to follow that individuals can identify what they do not know, realize what resources are missing and when certain resources can be used, figure out how to solve problems and attain goals, and help communicate how to achieve success through purposes, objectives, and activities (Delmar & Shane, 2003). The business plan provides how the firm will be profitable, the resources necessary for starting and operating the firm, efficiency in product and service supply, and the number of expected customers. This will provide entrepreneurs with a hard copy of beliefs and goals, rather than going into the business blindly. Therefore, a business plan can save time and money when starting a new business (Armstrong, 1982; Bracker, Keats, & Pearson, 1988).

Having a business plan may also reduce any delays in organizing the new firm, including acquiring a location, equipment needed, processes used when starting a business, producing goods, and providing services (Bracker, Keats, & Pearson, 1988). Last, a business plan can help entrepreneurs demonstrate their ideas and visions and come across as a more “serious” and “legitimate” entrepreneur to other investors, suppliers, customers, and employees for support and future investments (Bird, 1992; Delmar & Shane, 2004; Honig & Karlsson, 2004). Heriot and Campbell (2004) found that the probability of starting a new business is six times higher for entrepreneurs with a business plan than entrepreneurs without

a business plan. However, taking time to put together a business plan may not be as large a public commitment as actually purchasing a facility and equipment (Carter, Gartner, & Reynolds, 1996).

Along with having a thorough and well thought out start-up plan, studies have shown that having a college degree, working, previously owning a company, or employing a staff of your own can increase the chance of starting a new business. Reynolds, Carter, Gartner, Greene, and Cox (2002) found that 26% of Black men, 20% of Hispanic men, and 10% of White men had graduate education experience when becoming an entrepreneur. Likewise, Headd (2003) reported that entrepreneurs with a college degree and a start-up capital of more than \$50,000 increased the chances of surviving when starting up a business. Individuals who complete high school and continue on with some higher education are more likely to participate in the process of starting an entrepreneurship. Likewise, there is a higher rate of failure in new businesses that are opened by inexperienced and young entrepreneurs (Ramachandran, 2004).

An issue that may be just as important as experience and qualifications when starting a business is coming up with an idea or service that will survive in a competitive environment. There are a vast number of ideas to choose from when opening a small business, one idea being the fitness industry. The general health club focuses on three different areas of physical fitness: strength, flexibility, and cardiovascular conditioning. Some “full-service” health clubs included numerous additional features with aerobic conditioning classes, dance classes, exercise classes, swimming pools, spa areas, tanning booths and massages. Select health clubs have started including bone density tests, blood

sugar and blood pressure tests, stress relief classes, yoga classes, counseling programs, and child-care areas to attract a different genre of member (*Physical Fitness Facilities*, 2009).

From 1998 to 2008, the estimated number of memberships to fitness clubs in the United States grew more than 23%, which is more than 7 million members (American Sports Data, Inc., 2004). The American Sports Data, Inc. (2004) also estimated that more than 4 million people paid for personal trainers in the United States in 1998. A personal trainer is responsible for assessing physical fitness levels of individuals and setting goals for clients as they instruct members through various exercises and activities (Stein, 2007). The number of individuals using personal trainers has increased significantly each year since.

The International Health, Racquet & Sportsclub Association reported that the number of health clubs opened in the United States grew 5.1% from 16,938 facilities in 2001 to 17,807 facilities in 2002. Despite a slowed economy in 2001, the health and fitness facilities in the United States reported over \$12.2 billion in combined revenue (International Health, Racquet and Sportsclub Association [IHRSA], 2003). In 2002, even with fitness centers expanding to include children's programs, exercise classes, physical therapy, and aquatic programs, the majority of the fitness industry's revenue was reportedly collected from the combined 33.8 million members throughout the United States. According to reports, there were 32,040 physical fitness facilities with 254,345 total employees with an average of 9 employees for each facility in 2005. By 2005, the combined revenue was down to approximately \$10 billion (IHRSA, 2005).

As of January 2009, there were more than 30,022 fitness clubs in the United States, with more than 45.5 million members to these various clubs (IHRSA, 2009). Also, 89% of health clubs attract more customers by offering discounts to families, couples living together,

and married couples (IHRSA, 2005). The 55 and older age group increased from 9% in 1990 to 19% in 2005. From 1990 to 2005, there was an increase from 31% to 33% for the 35 to 54 age group. The 6 to 17 age group also increased from 9% in 1990 to 12% in 2005, while the 18 to 34 age group dropped from 51% in 1990 to 36% in 2005 (IHRSA, 2005).

The various data groups reported from the IHRSA studies indicate a number of points. There has been an increase in total members joining fitness centers, but the number of fitness centers opening each year has leveled off from 2005 to 2009. More fitness centers will be in demand as the total number of members keeps increasing. Also, the different age categories that are attending fitness centers over the last couple decades have changed. Fitness centers in the United States need to be aware of the increase in enrollment of 6 to 17, 35 to 54, 55 and older age categories and the decrease in enrollment of the 18 to 34 age category. The businesses need to take into account the changes in clientele and offer a variety of options for health and fitness. Some centers are responding to the changes in membership clientele by providing wellness programs for older age groups, yoga for women or other yoga enthusiasts, and boot-camp classes for people looking to interact with other members, while still offering traditional aerobic and strength training equipment for the traditional members.

Although fitness facilities have been successful recruiting different clientele through various avenues, the current competitive environment will bring a challenge. With unemployment rates higher than they have been in the last ten years, income problems may become an issue when recruiting members to join a fitness facility. According to the Bureau of Labor Statistics, unemployment rates have continuously risen every month from 4.8% in February 2008 to 9.5% in June of 2009 in the United States. There was a small drop in July

of 2009, but unemployment was 10.2% in October 2009 in the United States (U.S. Department of Labor, 2009c). In Michigan alone, the unemployment rate has risen every month from 7.4% in February 2008 to 13.9% in June of 2009. Michigan's unemployment rate of 13.9% in June 2009 is the highest unemployment rate for any state in the United States (U.S. Department of Labor, 2009d). Bankruptcy rates in Michigan have risen the past few years, from 44,995 filings in 2007 to 53,887 in 2008, and already 51,711 in the first nine months of 2009 (Munns & Metzger, 2010).

While unemployment and bankruptcy rates are affecting the current competitive environment in many different ways, interest rates on loans are playing a role as well. In Michigan, interest rates have been slowly declining from 4.741% in July 1, 2007 to 2.101% in July 1, 2009. On January 1, 2010, interest rates rose slightly, to 2.480%; however, this rate is still the second lowest interest rate since the historical data show, dating back to 1987 (State of Michigan, 2010). With low interest rates on loans, getting a loan from a bank will become more affordable for new entrepreneurs who are just starting up a new business. As stated previously, only a third of new businesses actually open, and the survival rate is 66% after two years of staying open and 40% after six years of staying open (Ramachandran, 2004). That being said, the current low interest rate may be helpful with surviving the competitive economy and the difficult survival rates after start-up.

Aside from the low unemployment, high bankruptcy rates, and low interest rates, another large indicator of the current economy is the investment rate. A large indicator of the investment confidence in the economy is the Dow Jones Industrial Average (DJIA; *Dow Jones Industrial*, 2010b). The DJIA was created more than a century ago as a straightforward view of the stock market, which provides an indicator of the U.S. economy.



The DJIA started as an average of 11 stocks and has expanded to 30 different stocks that are major factors in their respective industry. Because of its longevity, understandability, and reliability on the market's basic trend, it has become the most-quoted market indicator in newspapers, television, and the internet (*Dow Jones Industrial*, 2010b).

Based on the ten-year chart for the DJIA, February 2009 was the lowest it had been in over a decade. In October 2007, it reached an all-time high of \$13,930.01 and decreased to \$7,062.93 in February 2009, with some increasing spikes along the way. Since that low in February 2009, the DJIA has increased to \$10,625.83 in May 2010, with some decreasing drops along the way (*Dow Jones Industrial*, 2010a). This increase over the last year is indicative of how investors are starting to get confident in the U.S. economy and are starting to invest in the stock market and others investments and businesses in the economy. As the economy turns, loans may become easier to achieve from investors and businesses may have a better chance to compete.

Technological, financial, and professional businesses were polled to get ideas of how they have dealt with the recession (*Survey Shows*, 2009). The results showed that out of more than 400 businesses surveyed, nearly 50% of the respondents were optimistic about the market and business conditions, while 52% were pessimistic about the current decline in the economy. Although the companies plan on hiring fewer employees in 2009 than were hired in 2008, still 28% of the optimists and 4% of the pessimists plan to hire more employees in 2009. With this being the case, one-third of the respondents still made reductions in staff between October 2008 and February 2009. Also, one-quarter of the respondents still plan to make more cutbacks by June 2009. Many companies are offering "COBRA-only" or less when benefits were to be continued following employee termination (*Survey Shows*, 2009).

Acquiring funds for starting a business and keeping the business running successfully is always a challenge. Entrepreneurs try to find different avenues via which to acquire funds. Data have shown that 94.6% of entrepreneurs use personal funds during the process of running a business. However, only 34.2% use personal funds strictly during the early process of starting the business. While only 39.6% of entrepreneurs were able to start a business or be active in the startup process, 60% of entrepreneurs who acquired external funds were more likely to start a business or actively work in the startup process (Gartner, Frid, & Alexander, 2008).

Along with acquiring the adequate funding to open the business, one must consider a number of factors that will affect how the business will feasibly compete against other similar businesses. The entrepreneur needs to consider competition among businesses, location and demographics, marketing, employment, and the demand for the service he has to offer. The owner must analyze the environment and determine whether the environment demands what the company has to offer (Ghemawat, 2002). The entrepreneur must then analyze the current competitive economy and use various marketing tools to convey a focused message to the customer (Stokes, 1997).

While unemployment rates are increasing, family income is diminishing and it is becoming harder to purchase goods, whether they are wants or needs. Without people purchasing goods and products, businesses are losing money and being forced to make pay-cuts and maybe even file for bankruptcy. This is becoming a vicious circle during the current economic decline. For most people, a fitness and strength facility would be considered a want, which results in increased risk of staying open during the current economy. The owner of the strength facility must find an area that has a high demand for this type of business.

**Problem Statement**

The purpose of the following study was to examine the different aspects of opening an exercise-based business and identify factors of the competitive environment that are conducive to opening a recreational and athletic strength training facility.

**Purpose Statement**

The Ewing Marion Kauffman Foundation estimated that nearly 10 million Americans attempt to start their own business at any given time (Reynolds, Carter, Gartner, Greene, & Cox, 2002). With that said, only a third of these attempts actually get a business open (Ramachandran, 2004). Data collected by the SBA in 2002, found that only 66% of new businesses survive the first two years or more (Samavati & Stumph, 2006). When the results were extracted to six years, only 40% were still in operation (Ramachandran, 2004). Other studies have shown that having a college degree, working, previously owning a company, or employing a staff of your own can increase the chance of starting a new business. Likewise, there is a higher rate of failure in new businesses that are opened by inexperienced and young entrepreneurs (Ramachandran, 2004). With such a strong percentage of businesses closing prematurely, entrepreneurs should be aware of the processes that need to be taken to be successful and the risks that come with opening a business.

**Significance**

Opening a small business is a great way to help stimulate the economy of the city, state, and nation. One of the most important ways to stimulate economic and social aspects for any growing and innovative society is through formation of new business (Reynolds, Carter, Gartner, Greene, & Cox, 2002). Whether the business consists of a partnership, sole proprietorship, or a corporation, if the organization is owned and operated successfully, it can

make a profit and make contributions to the U.S. economy through taxes or product (SBA, n.d.). With the state and nation in such an economic low, small businesses are a great way to help turn the economy in the right direction and slowly start to turn the economy of the nation around. From 1998 to 2008, there was an estimated increase of more than 7 million members joining fitness clubs in the United States (American Sports Data, Inc., 2004). With such a large number of members joining fitness club, a strength training and fitness facility may be a successful small business to open during such an economic low.

### **Research Questions**

1. What type of exercise-based business could feasibly compete against the other exercise-based businesses and related non-profit organizations located within a 30-mile radius of southwest Dearborn, Michigan?
2. What are the existing exercise-based businesses and related non-profit organizations located within a 30-mile radius of southwest Dearborn, Michigan, doing to survive in the current competitive economy?

### **Study Delimitations**

1. The location will be limited to within a 30-mile radius of southwest Dearborn, Michigan.
2. The subjects participating in the survey questions are limited to only owners, managers, or assistant managers of the exercise-based facility.
3. The number of employees could vary from time to time, leading to variations in profit.
4. The total number of businesses that will be examined is limited to what is listed on yellowpages.com.

### **Study Limitations**

1. The amount of revenue received will depend on financial circumstances of the members and cannot be controlled.
2. Although marketing will attempt to attract all types of members, including athletes and recreational members, this variation cannot be controlled.
3. The value amount of equipment, utilities, and rent cannot be controlled as it will depend on the company, usage, and location, respectively.
4. Interviews will be conducted over the telephone, and the willingness of the participants and amount of information shared cannot be controlled.

### **Definition of Terms**

Demographics: Categories that describe a specific area of study, including sex, age, race, and ethnic origin (U.S. Department of Labor, 2008).

Entrepreneurship: A business that provides individuals with a chance to develop ideas and turn ideas into a successful business (Horsley, Anderson, Biddle, & Mulas, 2000).

Marketing: The activity, processes, and set of institutions for creating and exchanging valued offering with customers, clients, and partners (American Marketing Association [AMA], 2008).

Monitored Funds: Funds acquired through an outside financial company after thorough overview of the business plan and business operations (Gartner, Frid & Alexander, 2008).

Personal Trainer: A person responsible for assessing physical fitness levels of individuals and setting goals for clients as they instruct members through various exercises and activities (Stein, 2007).

Sales Promotion: A limited period of time when marketing pressure is placed on the public to stimulate trial, increase demand of the consumer, and improve quality of products (Hillstrom & Hillstrom, 2005).

Small Business: An organization that is independently owned and operated, trying to make profit, makes large contributions to the U.S. economy through taxes or product, and is not dominant on a national level (SBA, n.d.).

Unmonitored Funds: Funds that are attained by the entrepreneur with little overview of the business plan or operations of the business (Gartner, Frid, & Alexander, 2008).

## Chapter II

### Review of Literature

The purpose of the present thesis was to identify and discuss the variables of opening a small business in the current economy. This chapter will present a review of various aspects of business that must be acknowledged when starting a small business. A brief description of the debates will be discussed concerning small businesses. This section will include many aspects of opening a small business, including the extent of the problem and variables of opening a small business, including funding, competition, demographics and location, fitness programs, marketing, sales promotion, employment, and health insurance.

#### Debates about Small Businesses

Opening a small business and feasibly competing against others in the industry is known by business professionals as a large and difficult risk to take. One may argue that much time, effort, and money are wasted when attempting to open a small business. With 10 million Americans attempting to open small businesses at any given time, only a third of the businesses were successful (Ramachandran, 2004). In 2002, a study performed by the SBA found that only 66% of new businesses can survive the first two years or more. When the results were extracted to six years, only 40% were still in operation (Ramachandran, 2004). However, the United Kingdom was dominated by small businesses in 1996, with more than 99% of the economy coming from small businesses (Kirby & Watson, 2003).

#### Variables of Opening a Small Business

**Funding.** Acquiring funds for starting a business and keeping the business running successfully is always a challenge. Entrepreneurs try to find different avenues via which to acquire funds. When starting a business, a person has essentially two different ways to attain

funding: unmonitored and monitored funds. Unmonitored funds are attained by the entrepreneur with little overview of the business plan or operations of the business (Gartner, Frid, & Alexander, 2008). These funds may be acquired through credit cards, friends, family, spouses, or through a second mortgage. Monitored funds are acquired through an outside financial company after thorough overview of the business plan and business operations (Gartner, Frid, & Alexander, 2008). These funds can be provided through bank loans, finance companies, current employers, the SBA, or venture capitalists.

Gartner and colleagues (2008) analyzed a sample from the Panel of Study of Entrepreneurial Dynamics (PSED) that was able to initiate the startup process within two years of the first interview. The 146 respondents were surveyed on the type and amount of financing they expected to receive and the firm characteristics that influenced the funding at the initial interview. During the next three surveys, the firms were interviewed to record the type and amount of funding they acquired at that point (Gartner, Frid, & Alexander, 2008).

The survey results demonstrated that 94.6% of entrepreneurs use personal funds when starting up a business, and 34.2% only use personal funds when proceeding through the startup process of a business. More than 50% of the respondents were expecting unmonitored funds; however, only 27.2% were successful in acquiring unmonitored funds. Sixty percent of entrepreneurs who acquired external funding, through both monitored and unmonitored sources, were able to succeed getting through the startup process of a business. Only 39.6% of the entrepreneurs who only used personal funds were able to get a business started. When viewing overall funding, respondents who used external funding resulted in using less of their own finances (Gartner, Frid, & Alexander, 2008).



**Competition.** Competition is a major aspect of opening a small business. The competitive thought process needs to cover the strengths and weaknesses as well as the opportunities and threats of the marketplace, which is known as SWOT (Ghemawat, 2002). The owner of a small business must analyze what other competitive companies are doing to attract customers. The owner must also analyze the environment and determine whether the environment demands what the company has to offer (Ghemawat, 2002). If a business opens in a risky environment that has no desire for that product, it will quickly fail.

Weinrauch, Mann, Robinson, and Pharr (1991) conducted a study that included 99 small businesses with a breakdown of 52 retailers, 22 service firms, 2 manufacturers, and 23 that did not indicate the type of business. Each business answered a questionnaire that identified the owners' attitudes and perceptions of dealing with a limited marketing budget. The survey results showed that the small business owners felt the only way to have a competitive advantage against the big businesses was to fill a small niche in the marketplace. With limiting financial resources and many marketing strategies being more useful for big businesses, the small business owners must find a way to separate their business from the competition (Weinrauch, Mann, Robinson, & Pharr, 1991).

Based on what some successful small, independently owned fitness facilities have done to compete against health club chains, seven strategies have been outlined (Agro, 2007). These strategies include defining a niche, offering reliability and innovation, expanding physical presence, keeping members happy, staying connected with the members, staying in touch with members, and giving back to the community. The Evanston Athletic Company (EAC) was a perfect example of using its strengths to compete against LA Fitness, a large chain fitness center. The owner of EAC knew the members wanted a wide range of

programming, which was fulfilled by the 150 fitness classes that were offered each week. Some of the unique classes included “Super Spin Saturday” and “African dancing and Nia” and helped separate EAC from LA Fitness’s large numbers of workout machines. EAC knew it could not compete in size so it defined its niche in the community and made sure to use that against LA Fitness (Argo, 2007).

Although EAC offered unique classes and filled a certain niche, some members are more attracted to the size of a facility. LA Fitness is much larger than EAC, which results in less waiting for certain exercise machines. To compete with the size of LA Fitness, EAC expanded its facility by 65,000 square feet. More equipment, a juice bar and a second yoga studio were included in the addition to the building. Old members now have less wait-time for machines and new areas to utilize, while new members may be more apt to join EAC with the new renovations (Argo, 2007).

Work Out World (WOW!), a small family-owned business in New Jersey, distinguishes itself by using innovation and unique tactics in the facility. The mission statement and marketing plan even put emphasis on being innovative and unique with the training offered (Argo, 2007). WOW! reported that a large part of the reason members came back was because of the relationship that was built with the members and staff at the facility. Although small health clubs can offer memberships to only one club instead of many franchises around the country, the personal training makes the members feel more comfortable with the staff (Argo, 2007). McCarthy (2006) stated that the number one advantage that existing clubs had over new entrants into the market was connectivity with the members. Even with powerful new businesses opening, connectivity between the members and staff, and the connectivity between other members, helps keep existing businesses open.

The Arena District Athletic Club stayed connected with the members by offering a retention program. Members used a rewards program that allows them to earn points that can be redeemed for merchandise (Argo, 2007).

One owner of a small business in the fitness industry mirrored the idea of Curves, the largest women's fitness franchise in the world. John Gennaro analyzed what Curves offered that separated it from a larger gym or any other fitness facility and applied it to men. The formula for Curves included a small, low-key facility with hydraulic machines and offered 30-minute workouts that are structured. Realizing that men are more concerned with moving actual weight, John Gennaro provided a small, quick workout without the intimidating atmosphere and called it "Cuts for Men." This idea eventually caught on as more and more franchises opened across the country (Agostino, 2006).

To appeal to the female crowd, Gennaro opened "Cuts for Women" to compete against Curves. The fitness facility would be similar to Curves with the small, low-key workout classes, but would distinguish itself by offering a spa look and the newest, most sophisticated equipment on the market. This would appeal to the more upscale environment of women (Agostino, 2006).

In the fitness industry, having employees and trainers with accredited certifications is very important to stay competitive. According to the National Board of Fitness Examiners (NBFEE; 2008), there are between 100 and 200 fitness certification companies that offer "personal trainer certifications," many of which are downloaded on the internet for a small fee. The lack of regulations and standards in the fitness industry are leading to lawsuits from injuries and even death in some cases. Having certification from an accredited, nationally recognized organization will ensure safety for all clients, but it will also distinguish the

fitness facility and trainer from the lower level facilities and personnel (National Board of Fitness Examiners [NBFEE], 2008). High quality distinction will allow exercise-based businesses to be competitive among other exercise-based businesses in the area.

To be considered a "nationally accredited certification," the certification must be recognized by the National Commission for Certifying Agencies (NCCA; Institute for Credentialing Excellence, 2009a). The NCCA's purpose is to establish accreditation standards to ensure health, welfare, and safety of the public through various certification organizations (Institute for Credentialing Excellence, 2009a). Through the NCCA, quality certifications are developed for over 200 certifications in over 100 organizations (Institute for Credentialing Excellence, 2009b).

In the fitness industry, there are eight personal trainer certifications that are recognized by the NCCA. This list includes American Council on Exercise (ACE), American College of Sports Medicine (ACSM), National Academy of Sports Medicine (NASM), National Strength and Conditioning Association (NSCA), National Counsel on Strength and Fitness (NCSF), National Federation of Professional Trainers (NFPT), National Exercise and Sports Trainers Association (NESTA), and International Fitness Professionals Association (IFPA; "NCCA accredited personal," 2008). All of these exams require the test to be taken onsite, and each test lasts at least two hours and includes at least 100 questions. Some of the certification exams include two sections of more than 100 questions per each section. Although all eight personal trainer certifications are nationally accredited by the NCCA, the ACE, ACSM, NASM, NSCA, and NCSF certifications are recognized in the fitness industry at a higher level than the other three certifications ("NCCA accredited personal," 2008).

Tom Spring and Nancy Jerominski (2008), two accredited fitness experts, agree that with more stringent guidelines on qualifications, education, and practical experience in the fitness industry, businesses would separate themselves from others. Having employees with higher levels of certification and large amounts of practical experience will help distinguish which businesses are actually producing a quality service. In an industry where athletes and other clients are relying on the knowledge of the trainer, certifications and practical experience is what should separate a high quality business from a lesser quality business. For the small businesses in the fitness and health industry, relying on quality services is the only way to keep the business growing (Spring & Jerominski, 2008).

Aside from the examples of competition among the exercise-based businesses, a number of other great examples occurred in the Alaskan business industry. The Anchorage Economic Development Corporation, Anchorage's Retail Expansion, created an outline of strategies that small businesses could use to compete against the larger businesses in the state. The strategies included defining a market niche and monitoring it, creating more efficient techniques for inventory management, observing shopping location changes, joining purchasing cooperatives, saving income on shipping, increasing the capital base, and being ready for any changes (Woodring, 1993). By following this information, some of the small Alaskan businesses were able to withstand the large businesses in the state.

In 1975, a family opened a Japanese restaurant in Anchorage, Alaska. To get their business to stand out from other Japanese restaurants, "Sagaya Oriental Foods" offered international cuisine. As business began to increase, the family started to add other characteristics to the restaurant to distinguish them from the rest of the competition. They added a full-service seafood case, one of Alaska's first, and began advertising on the radio

more than other similar restaurants. Advertisements on delicacies were an important aspect of pulling in new customers across Alaska (Woodring, 1993).

In 1990, the Japanese store was attracting so many customers that it had to expand to a larger building. Sagaya's Oriental Foods changed the name to New Sagaya's International Groceries and began to offer new aspects to the business. The store added asymmetrical aisles with exotic treats and hot international dishes in the Asian deli. The produce department contains ripe fruits and vegetables, and chemical-free beef was offered in the meat department. As long as the family made small changes to the store as other competing stores began to mimic their ideas, they would stay successful (Woodring, 1993).

In the Alaskan tourism industry, Mariah Charters & Tours was able fend off competing businesses as it evolved from a halibut fishing charter service to a wilderness tour. When the business opened in 1981, it offered solely halibut fishing charter services. In a couple years, the traffic changed and the demand for wilderness tours increased. Mariah Charters & Tours increased clientele by 12% to 18% each year as wilderness tours to Kenai Fjords National Park became a regular aspect of the company (Woodring, 1993).

By 1992, glacier and wilderness tours were the largest income provider of the business. Mariah Charters & Tours was able to fill a niche that other small and large competitors were unable to fill. The tours were smaller and more personalized, and exclusive tours and charters were much easier to offer. Advertising in the Official State Vacation Planner and joining the Alaska Visitors Association was also a benefit to separating this business from the competing businesses (Woodring, 1993).

**Demographics and location.** As with any business, the demographics of the area play a big role in the success or failure of the business. Demographics are defined by the

Bureau of Labor Statistics as categories, including sex, age, race, ethnic origin, and many other statistics that are used to describe a specific subject (U.S. Department of Labor, 2008).

The health club industry has changed over recent decades due to changing demographics in the United States. To keep the industry growing, fitness centers responded by catering to different age groups. In the past, the 18 to 34 age group dominated the health clubs. By 2002, the 35 to 54 age group was the largest group with 37% of the memberships. The 18 to 34 age group held 34% of the memberships, while the members over 55 years of age owned 23% of the memberships in 2001. The youngest category, 6 to 17 years of age, started to show significant growth in the health clubs (*Physical Fitness Facilities*, 2009).

As of January 2009, there were more than 30,022 fitness clubs in the United States, with more than 45.5 million members (IHRSA, 2009). Also, 89% of health clubs attract more customers by offering discounts to families, couples living together, and married couples (IHRSA, 2005). The 55 and older age group increased from 9% in 1990 to 19% in 2005. From 1990 to 2005, there was an increase from 31% to 33% for the 35 to 54 age group. The 6 to 17 age group also increased from 9% in 1990 to 12% in 2005, while the 18 to 34 age group dropped from 51% in 1990 to 36% in 2005 (IHRSA, 2005).

Aside from the demographics of the fitness industry, the demographics of the environment in which the fitness facility will open are important. Statistics were taken covering the 614.15-square-mile area of Wayne County in Michigan. In 2000, the population was estimated to be 2,061,161 for Wayne County. In 2009, the population in Wayne County was reported to be 1,925,848 people. This change in population from April 1, 2000, to July 1, 2009, represented a change of -6.6%. In 2008, 55.3% of the population was between the ages of 18 and 64 years old. This age group represents the majority of the population that

attends fitness facilities. Males represented 48.2% of the population in Wayne County, while females represented 51.8%. The median household income that was reported in 2008 was \$42,463, and the per capita income for 1999 was \$20,058. Median household income and per capita income takes into account every person that is 15 years or older. In regard to education level, 77.0% of the Wayne County population that was 25 years and older had at least a high school diploma as reported in 2000. In addition, 17.2% of the population that was 25 years and older had a bachelor's degree or higher as reported in 2000 (U.S. Census Bureau, 2010b).

When focused directly on a city within Wayne County, statistics were taken covering the demographics of the 24-square-mile area of the city of Dearborn, Michigan. In 2000, the population in the city of Dearborn was reported to be 97,775 people. Based on the estimated population for July 1, 2006, there were 92,382 people living in Dearborn. This change in population from April 1, 2000, to July 1, 2006, represented a change of -5.4%. In 2000, 48.3% of the population was between the ages of 18 and 64 years old. This age group represents the majority of the population that attends fitness facilities. Males represented 49.7% of the population in Dearborn, while females represented 50.3%. The median household income that was reported in 1999 was \$44,560, while the per capita income for 1999 was \$21,488. Median household income and per capita income take into account every person who is 15 years or older. In regard to education level, 78.0% of the Dearborn population that was 25 years and older had at least a high school diploma, as reported in 2000. However, 26.4% of the population that was 25 years and older had a bachelor's degree or higher as reported in 2000 (U.S. Census Bureau, 2010a).



Giles-Corti and Donovan (2002) conducted a survey on the different types of influences on physical activity, including household income and education level. The survey results showed that education level and household income were associated with physical activity. In the study, 1773 subjects were surveyed, and the results showed that 59.2% exercised as recommended. Exercising the recommended amount was defined as at least 30 minutes of moderate activity on most days of the week. Moderate activity was measured as 4 METs of work, with 3.5 METs representing walking as the base. Out of those 59.2% that exercised the recommended amount, 51.8% completed sub-secondary education, 53.2% completed trade education, 58.8% completed secondary education, 60.4% completed certificate education, and 65.5% completed tertiary education. The higher the education level, the more subjects were likely to engage in the recommended amount of physical activity. Of the subjects who exercised the recommended amount that reported household income, 50.3% earned less than \$20,000, 59.7% earned between \$20,000 and \$39,999, 63.0% earned between \$40,000 and \$59,999, and 64.3% earned \$60,000. The results demonstrated that as household income increased, subjects were more likely to engage in the recommended amount of physical activity (Giles-Corti & Donovan, 2002).

Another aspect of demographics that has an impact on customer traffic to a fitness facility is the distance between a customer's residency and the facility. The results of the study conducted by Giles-Corti and Donovan (2002) also revealed a relationship between physical activity and the distance travelled between a subject's home and the fitness facility. For the purpose of the study, the examiners used a coefficient, taking into account a number of factors. After the factors were taken into account, the result was a decay of distance parameter. A decay of distance parameter that was greater than one meant that as distance

from the residency to the facility doubled, the amount of facility use was reduced by more than one-half. The results indicated that the decay of distance parameter was 1.91 for public open space (parks, etc.), 1.71 for the river, 1.64 for the tennis court, 1.48 for the beach, 1.39 for the gym/health club/exercise center, 1.27 for the swimming pool, 1.16 for sporting and recreation centers, and 1.06 for golf courses, and 1.03 for other facilities (Giles-Corti & Donovan, 2002). The survey results demonstrated that the distance between home and a gym/health club/exercise center can have an inverse relationship on how often people attend that facility.

Sallis et al. (1990) conducted a survey study that measured the relationship between homes and exercise facilities and the frequency in which the latter are used. The study surveyed 2053 subjects; 938 were classified as sedentary due to no vigorous activity, and 800 were classified as exercisers due to reporting 3 or more sessions of vigorous exercise per week. The remaining 315 subjects were not included from the analysis of the results. A list of 385 facilities were collected and classified as free or pay facilities. The 311 free facilities included parks and sports fields, public recreation centers, colleges and universities, and public schools. The 74 pay facilities included tennis and racquet clubs, aerobic and dance studios, swimming pools, health and fitness clubs, YMCA and YWCA centers, and skating rinks.

The results collected in the study showed that there was a higher density of pay facilities in relation to the exercising group than there was for the sedentary group (Sallis et al., 1990). The density of the facilities was defined by the number of pay facilities within 1 km to 5 km, with 1 km increments. For the exercising group, 0.4 pay facilities were located within 1 km, 1.0 were located within 2 km, 1.7 were located within 3 km, 2.5 were located

within 4 km, and 3.5 were located within 3.5 km. For the sedentary group, 0.3 pay facilities were located within 1 km, 0.8 were located within 2 km, 1.4 were located within 3 km, 2.2 were located within 4 km, and 3.1 were located within 3.5 km. These results indicated that the exercising subjects were more likely than sedentary subjects to live near pay facilities. Subjects were also asked if they had performed any of 24 activities during the two weeks prior to the survey and the perceived convenience of the closely related facilities. The exercising group felt the facilities were significantly more convenient than the sedentary group did (Sallis et al., 1990). Although distance may play a role in the amount of activity that occurs for some subjects, a subject that is a regular exerciser may be willing to travel a further distance because of how physical activity is perceived by the exercising group and sedentary group.

**Fitness programs.** As reported by the National Sporting Good Association (NSGA) survey (2008), exercising at the gym showed a small decline of 3%, which was equal to 33.8 million people. For the guidelines of this study, a participant was identified as someone who was older than seven years of age who took part in a sport or activity more than once during the calendar year. This was a change from 2006, when working out in the gym was the fastest growing activity as shown from the survey results. However, the number of people attending the gym has stayed consistent, which will keep revenue high. When broken down, the results showed 33.2 million participants weight lifted, a 0.9% increase when compared to the previous year. Aerobic exercising had a significant decrease of 9.9%, dropping from 33.7 million people in 2006 to 30.3 million people in 2007. With the large drop in aerobic exercising participants, some of the decline may have been a result of the yoga category

included in the survey. Interest in yoga has been increasing as shown by the 10.7 million participants who were more interested in that activity than any others (NSGA, 2008).

Some fitness centers have focused on attracting a younger crowd, while others have opened “all-female” health clubs and still others have opened up “ultraluxe fitness centers.” In 1997, only 5% of the health clubs were considered “single-sex” health clubs (*Physical Fitness Facilities*, 2009). As a result, more all-female health clubs were opened for women to feel more comfortable while working out at the gym. “Ultraluxe fitness centers” have opened up in New York, Chicago, and other cities with wealthier clientele (*Physical Fitness Facilities*, 2009).

Another large aspect of the fitness world that has grown as of recent years is yoga (Harris Interactive Service Bureau, 2008). The results of the survey study titled “Yoga in America” found that Americans have spent \$5.7 billion a year on yoga classes and products. This is an increase of 87% compared to the study that was performed in 2004. Although the amount of money spent on yoga has increased over the four-year span, the number of Americans who practice yoga has gone from 16.5 million in 2004 to 15.8 million in 2008. The results also showed that 72.2% of the participants were women; 40.6% were between ages 18 and 34, and 41% were between ages 35 and 54. The results illustrate that women are the larger target audience between the ages of 18 and 54. Also, 68% of the yoga practitioners have an income of \$75,000 or more, while 98% of yoga practitioners have at least a college degree. As the results show, the type of clientele interested in yoga is specific. However, based on the amount of money spent, there is a market in having yoga for this type of clientele (Harris Interactive Service Bureau, 2008).

**Marketing.** Marketing is a very important tool to use when starting a new business and being competitive against other businesses. For small businesses and businesses that are just starting out, marketing is critical for survival and growth (Romano & Ratnatunga, 1995). The American Marketing Association (AMA; 2008) defines marketing as the activity, processes, and set of institutions for creating and exchanging valued offering with customers, clients, and partners. Romano and Ratnatunga (1995) analyzed a large group of studies and found three major aspects of marketing. First, a business must analyze the consumer needs and wants and assess the competitiveness of the other businesses, which is marketing as a culture. The second aspect was marketing as a strategy. This included development of market segmentation, and targeting and market positioning of their business and the competitors. Marketing as a tactic demonstrated that the most widely used method and most effective technique of marketing was the survey technique (Romano & Ratnatunga, 1995). With these methods, small businesses can increase the likelihood of being competitive against other businesses in the industry.

The internet has become a widely used tool for marketing over the last decade. The internet has had a huge impact on businesses by allowing easier and quicker access to information and in larger quantities to a larger customer base (Freeman, 2001). With the internet becoming a widely used marketing tool, businesses can compete globally with other small businesses and big businesses by supplying faster and more current information (Walker, Walker, & Wallace, 2002). As of December 2009, there were more than 1.8 billion internet users in the world, which is just over a quarter of the world's population (Miniwatts Marketing Group, 2010). North America has the highest percentage with internet usage at 76.2% of the population (Miniwatts Marketing Group, 2010). As the statistics indicated, it is

important to use the internet to attract customers and compete against other businesses in the industry.

Walker, Walker, and Wallace (2002) conducted a study that surveyed how small businesses were using the internet for marketing. Of the 500 surveys sent out, 89 surveys were completed to be used in the results. The survey results showed that 36% of the respondents had a website for the business. Of the 64% that reported not having a website established, 74% of the businesses planned on developing a website in the near future. The survey results also showed what information was posted on their websites. The two main features on the websites were company contact information with 96% of the businesses and company description with 93% of the businesses. Respondents also reported having email options (75%), product information (50%), links to related sites (50%), product and price catalog (36%), and online ordering and online payment options with 21% and 14%, respectively. The respondents reported starting a website to increase sales (77%), increase customer service (46%), compete against other businesses (42), technical support (31%), training for customers (27%), and training employees (12%; Walker, Walker, & Wallace, 2002). Although this is not all that was found from the survey results, this is what the businesses were using the websites for to help marketing and improve business.

**Sales promotion.** When discussing marketing, an important component of a small business is sales promotion. Sales promotion is defined as a limited period of time when marketing pressure is placed on the public to stimulate trial, increase demand of the consumer, and improve quality of products (Hillstrom & Hillstrom, 2005). It acts as a competitive tool to guide the target audience to purchase particular items and brands over others. With effective sales promotion, the value of a product can be increased for a limited

time and can help increase consumer purchasing, effectiveness of product selling, and sales efforts. By using free samples, coupons, contests, displays, sales, and rebates, the consumer can become more informed, persuaded, and reminded of the business and what it has to offer (Hillstrom & Hillstrom, 2005).

One of the well known examples of sales promotion occurred when Pepsi offered a loyalty rewards program for purchasing Pepsi products. This promotion tool started in 1996 and was the largest promotional campaign of the company's history ("The Media Business," 1996). By purchasing Pepsi products, customers could collect "points" and buy Pepsi memorabilia, including t-shirts, hats, jackets, shorts, pants, bags, and other items. Pepsi also advertised on the television that a Harrier fighter jet could be redeemed if 7,000,000 points were collected. The Harrier jet was not a serious part of the promotion as Pepsi went to court when a 21-year-old male redeemed the required points and received no Harrier jet ("Cola-drinker," 1996). The fact that someone spent money and time collecting that many points shows how much of an impact the promotion had on soda drinkers.

In the 2000s, Pepsi continued with similar promotions to try to compete against Coca-Cola. Pepsi began to include cash and free MP3 songs to download. In 2004, Pepsi started listing codes on the bottle caps that were good for redeemable iTunes downloads. This promotion did not work as well as hoped, as it only produced 5 million free track downloads out of the expected 100 million downloads (Fried, 2004). The company began to expand the promotion internationally as it spread into Canada. In 2008, Pepsi launched a new promotion that partnered up with Amazon MP3. This promotion worked to benefit both Pepsi and Amazon mutually by putting Pepsi products on Amazon's website. The company even made

a Super Bowl commercial to advertise the promotion by using celebrities like Justin Timberlake and Andy Samberg to increase the effectiveness (Leeds, 2008).

Although Pepsi's promotional tools were very well-known, sales promotion can vary when involving the fitness industry. Bill Parisi, of Parisi Speed School, travels the country, giving presentations at conferences. The International Health Racquet & Sports Club (IHRSA) Conference was held over a three day weekend in 2009 in California. The event brought in over 10,000 fitness professionals from all over the world. Parisi is one of the leaders in youth fitness programming and used this event to discuss guidance to individuals and companies that are interested in the youth fitness market. According to the National Sporting Goods Association (NSGA), there are over 44 million athletes from ages 7 to 17. As a promotional tool, Parisi Speed School created a new youth membership model that allowed unlimited Signature Parisi Speed & Performance Classes for a month for a set price. This attracted more youth athletes as it eliminated the cost barrier that once existed.

Another example in the fitness industry was when Gold's Gym in New York launched two promotions for the summer of 2009 (Wong, 2009). Two mottos were launched, "Friends don't let friends get cankles" and "Say no to cankles," to capture the women getting ready to wear a bathing suit for the summer. The slang term "cankles" describes a weight gain in the lower leg that makes the ankle look less defined. Through digital and social media ads, Gold's Gym advertised to educate the current members and non-members of the prevalence of the condition. Along with this promotion, Gold's offered "calf-busting workouts," advice on nutrition and exercise, and a one-week VIP free pass to first-time visitors. The advertisement was displayed in network television advertisements in 600 locations in 28 countries and was in monthly newsletter e-mails (Wong, 2009).



Another fitness chain, LA Fitness, launched a number of sales promotions to help increase revenue (Billings, 2007). In 2007, the company offered short-term contracts to try to attract people who are afraid to get tied in with long-term deals. This promotion was offered just before Christmas and New Year's Day in hopes that people would use them for gifts or that people would try it out during January when many New Year's resolutions consist of getting fit and healthy (Billings, 2007).

In 2008, LA Fitness teamed up with Goal, an agency that conducts educational talks with groups of people. Together, LA Fitness and Goal began attending different local groups around the country to perform 45-minute talks that included the benefits of health and fitness. The talks were specific to the attendees of the different groups, which included women's institutes, rotary club, and the National Childbirth Trust, among many. A free "day pass" was offered to all attendees, which increased attendance and resulted in many new members ("LA Fitness Promotes," 2008).

**Employment.** With all businesses, full-time and part-time employment is always an issue that employers must resolve. In the United States, fitness centers around the country have more than 600,000 total employees, including both full-time and part-time workers. However, there were 80% more part-time employees than there were full-time employees during the late 1990s (*Physical Fitness Facilities*, 2009). In 2001, the U.S. Department of Labor reported 4,520 athletic trainers in the fitness industry (*Physical Fitness Facilities*, 2009).

In 2006, aerobics instructors and trainers occupied nearly 235,000 jobs in the United States. Job openings in the fitness industry are expected to increase 27% from 2006 to 2016, which is much faster than many other occupations. This is due to an increase in the number

of people recognizing the importance of a healthy lifestyle and businesses recognizing the benefits for their employees as well (U.S. Department of Labor, 2009f).

In May of 2006, the median annual earnings of fitness trainers and aerobics instructors were \$25,910. There was a wide range of earnings with the bottom 10% making less than \$14,880, and the top 10% earning at least \$56,750 (U.S. Department of Labor, 2009f). One of the largest niches of the fitness industry is located within the fitness and recreational sport centers. The median annual earnings of the fitness workers in 2006 in the fitness and recreational sports centers were near \$27,200 (U.S. Department of Labor, 2009f). According to Occupational Employment and Wages, fitness trainers and aerobics instructors earned a mean hourly wage of \$16.50 and a mean annual wage of \$34,310 among 229,030 employees nationwide up to the month of May in 2008 (U.S. Department of Labor, 2009a). In Michigan, 6,120 employees earned a mean hourly wage of \$12.68, with a mean annual wage of \$26,380 (U.S. Department of Labor, 2009b).

In 2007, American Express Small Business Monitor conducted a survey that contained results of more than 600 companies that had fewer than 100 employees (International Communications Research, 2007). The survey results illustrated how these small businesses were dealing with the drastic fluctuations in the economic market. The survey demonstrated that 7 out of 10 business owners had no plan to hire full-time or part-time employees in the next six months. This number was the highest it has been in more than seven years (International Communications Research, 2007). Whether an employee is looking for a part-time or full-time job, finding a small business that is hiring is becoming a difficult task in the economy.

When it comes to the arts, entertainment, and recreation industry, which includes fitness industry employees, employees generally work part-time hours. On average, unsupervised employees in these fields logged 24.1 hours of work a week in 2008, while privately owned facility employees worked 33.6 hours a week (U.S. Department of Labor, 2009e). That being said, these industries provided nearly 2 million jobs in 2008, with 58 percent of those jobs in the “other amusement and recreation industries” field, which includes physical fitness facilities (U.S. Department of Labor, 2009e). Fitness trainers and aerobics instructors are often independently employed and also work at a number of facilities. This is determined by the number of clients and where they are able to train them. However, because only 30% of small businesses are looking to hire new employees in this economy, fitness trainers may have a hard time finding a job that is ideal for them (International Communications Research, 2007).

Draper, Grobler, Kilian, Micklesfield, Lambert, and Noakes (2006) collected data on 442 fitness centers throughout South Africa. The information that was collected included type of equipment, types of services offered, location of the facility, size of the facility, and fitness related staff employed at each facility. The fitness related staff had to be involved in health and fitness aspects in the facility. This meant they had to either be employed as a personal trainer, biokineticist, fitness consultant, group instructor, or floor supervisor. The average number of part-time employees ranged from two employees in a single-purpose fitness center to seven employees in the fitness centers in a college or university (Draper, Grobler, Kilian, Micklesfield, Lambert, & Noakes, 2006). As these results indicated, the number of part-time employees can vary depending on the focus of the fitness facility.

**Health insurance.** A huge factor for many employees when searching for a job is healthcare. Employees need benefits not only for themselves, but also for family members if they have a family. Even with rising costs of opening and running a competitive business, the well-being of employees still remains important. As of November of 2009, approximately 61% of Americans received the current healthcare through an employer (Kaiser Family Foundation, 2009). However, as healthcare costs rise, employers and employees are reaching a problem. On average, United States employers pay 11.3% of payroll costs on healthcare to insure their employees receive benefits (Nichols & Axeen, 2008).

Unfortunately, due to the size of small businesses, healthcare is often more expensive and the employees receive less. The fewer employees a small business has, the higher the premiums it pays (Association of Health Insurance Plans Center for Policy and Research, 2009). Due to the cost disadvantage, only 49% of businesses with 3 to 9 employees offer health coverage, while 95% of businesses with 50 or more employees offer health coverage (The Kaiser Family Foundation & Health Research and Educational Trust, 2008). Not only does this cause a cost disadvantage for employers and employees, but it may also lead to issues when hiring employees as they want a job that can ensure a healthcare plan. To save funds, an employer may want to hire more part-time employees and avoid the premiums that come with healthcare plans. On the other hand, an employer may be approached by high quality full-time employees who demand healthcare.

According to the survey conducted by the International Communications Research (2007) for the OPEN from the American Express Business Monitor, 70% of small business owners feel it is important to offer healthcare to all employees. However, 71% of small

business owners do offer healthcare to the employees, which has not changed from 2006 to 2007 (International Communications Research, 2007). Because many of the workers work part-time in the fitness industry, health insurance and other benefits are often not received by employees (U.S. Department of Labor, 2009f).

## **Chapter III**

### **Methodology**

The purpose of the following study was to examine the different aspects of opening an exercise-based business and identify factors of the competitive environment that are conducive to opening a recreational and athletic strength training facility. The proposal and methodology were reviewed and approved by the Institutional Review Board.

#### **Participants**

The criterion consisted of exercise-based business and related non-profit organizations located within a 30-mile radius of southwest Dearborn, Michigan. A list of 720 businesses was found on yellowpages.com. To be consistent and control the validity of the responses, the subjects who participated in the survey questions were limited to owners, managers, or assistant managers. This eliminated receiving responses from participants who may not have known the proper information needed to answer the survey questions.

#### **Instruments**

A consent form was created to read to each participant before the interview was conducted (see Appendix A). A survey was created to include all questions that were of interest for the study (see Appendix B). For convenience, the survey was conducted via telephone, using the questions listed in Appendix B. The investigator performed every telephone survey and recorded all the data to ensure proper and consistent collecting procedures. All information was recorded directly on the survey form that is provided in Appendix B.

## **Procedure**

The list of 720 businesses was examined and downsized to a total of 168 businesses after duplicates, closed businesses, and businesses that did not fit the description. Of these 168 remaining businesses, 120 were exercise-based businesses, 41 were private studios, and 7 were related non-profit organizations. Before the telephone surveys began, the investigator recorded all information that was listed on each business's respective website. This information included some of the following: name, address, hours of operation, price of a membership, type of equipment in the facility, extra features the facility offers, and the different types of classes offered. Recording this information beforehand saved time for the participant and the investigator.

Telephone calls were made to all 168 businesses, although not all businesses agreed to participate. All participants that agreed to participate in the survey were asked a series of questions that are listed in the survey in Appendix B. Before the interview started, all participants were informed that if they agreed to answer the questions, that gave consent to share the information in the study.

## **Data Analysis**

The study was used to answer two questions: (1) What type of exercise-based business could feasibly compete against the other exercise-based businesses and related non-profit organizations located within a 30-mile radius of southwest Dearborn, Michigan? (2) What are the existing exercise-based businesses and related non-profit organizations located within a 30-mile radius of southwest Dearborn, Michigan, doing to survive in the current competitive economy? To answer these two questions, descriptive statistics were used to analyze all information for each category.

## Chapter IV

### Results

The purpose of the following study was to examine the different types of exercise-based businesses and determine what each business is doing to survive and compete during the current economic conditions. Collecting and analyzing the data for this study helped answer the two questions that were established previously. By analyzing the data, we could conclude what type of exercise-based business could compete against the other exercise-based businesses and related non-profit organizations located within a 30-mile radius of southwest Dearborn, Michigan. Also, the data helped conclude what the new exercise-based business would have to do to compete with the other exercise-based businesses and related non-profit organizations that are located within a 30-mile radius of southwest Dearborn, Michigan.

#### Interview Data

**Descriptive data.** The study began with a list of 720 exercise-based businesses that was examined and downsized to a total of 168 businesses after duplicates, closed businesses, and businesses that did not fit the description were deleted. Of these 168 remaining businesses, 120 were exercise-based businesses, 41 were private studios, and 7 were related non-profit organizations. In this section, *data* refers to the facility data that were obtained through the facility website. One hundred websites were used to gather as much information as possible from the 168 businesses. The information gathered from the 100 websites was not part of the 30 businesses involved in the interview data. Some websites included much of the information that was needed to answer the survey questions, while others had limited data.



To supplement the website data, each of the 168 businesses were contacted via telephone to gather interview data. Of the 168 businesses, contact was made with owners, managers, or assistant managers of 83 of the businesses. From the 83 businesses contacted for interviews, 30 spokespersons agreed to participate, for a total of 36.1% response rate. The 30 spokespersons consisted of 5 owners, 9 managers, and 16 assistant managers. Although the website data were the bulk of the data gathered, the interview data will be presented first.

**Years.** The category titled “years” was used to figure out how many years each fitness facility has been opened. This helped determine how many facilities were able to successfully compete the longest and which facilities were just opening during a struggling economy. This category was broken down into five-year increments to analyze which businesses were trying to survive the critical first five years and which businesses have survived many years of competition.

The majority of the fitness facilities were opened within the last 0 to 5 years, with 14 responses (see Table 1), while 7 respondents reported that the business started within the last 6 to 10 years. As the years increased, the results began to taper off as only 30% of the businesses were open past 10 years. Four respondents reported that the business was opened between 11 and 15 years ago, 3 respondents indicated between 16 and 20 years, and only 2 respondents’ businesses lasted longer than 20 years.

**Funding.** The “funding” category was developed to analyze the type of funding the business owners used during the start-up process. The most common response was a combination of external and personal funding, with 20 out of 30 respondents reporting this answer. Also, eight respondents used strictly personal funding and two respondents used

only external funding. This illustrated the importance of both external and personal funding for starting up a business but, more importantly, the use of personal funding with just over 93.3% using personal funds to start up a business. See Table 2 for the distribution of responses.

**Facility size.** The category titled “facility size” was used to analyze the average size of the fitness facilities within the area. Categories were broken down into 5,000 foot increments as shown in Table 3. The average size of the fitness facilities was between 5,001 and 10,000 square feet. There were 12 respondents, 40% of the participants, which reported the facility size was no larger than 5,000 square feet. There were only 4 respondents reporting that the facility was over 15,000 square feet, which was equivalent to 13.3% of the participants.

**Employees.** The category “employees” was used to analyze the average number of employees it took to run a fitness facility. The average number was between 11 and 20 employees, as displayed in Table 4. However, 16 of the 30 respondents reported that there were between 1 and 10 employees working there and 9 of the 30 respondents reported between 11 and 20 employees on staff. The data displayed that 83.3% of the businesses only required 20 or less employees to run the fitness facility.

**Members and gender.** In the “members” category, “males” and “females” were analyzed together to get an idea of the breakdown of each gender. Getting an estimate of the percentage of the two genders revealed what type of clientele the facility was trying to attract. The average number of members who attended the fitness facilities was between 1,001 and 1,500 members. However, 11 of the 30 respondents reported there were between 1 and 500 members attending the facility. The members were broken down into gender as

well. For males and females, the most common response and average was directly in the middle, between 41% and 60% males and 41% and 60% females. One statistic that stood out was that 6 out of 30 respondents reported that between 81% and 100% of the members were females. For a further breakdown, view Table 5 and Table 6.

**Hours.** A category titled “hours” was established to analyze the amount of hours the facility was open. This was also analyzed to establish what type of members the facility was targeting. For example, a facility opened for 24 hours is trying to accommodate all members with a wide variety of schedules. A facility that is only open for select time during a given day is trying to target members who are interested in what they have to offer during that time period.

With regard to hours of operation during weekdays, the mean was between 13 to 18 hours. However, responses were fairly evenly distributed throughout as displayed in Table 7. Eight respondents reported having the fitness facility open for 12 hours or less. These facilities consisted of specialized training that included personal training, different types of classes, or gender specific facilities.

**Equipment.** Similar to “hours,” the type of equipment was used to reveal what type of clientele the facilities were trying to target. This category was titled “equipment” and was broken down slightly differently to account for the multiple answers for some facilities. When multiple responses were given, they were grouped into the number of items and not the specific item. This gave an idea of which facilities were trying to target a wide variety of customers and which facilities were trying to target a very specific group of customers.

Respondents were asked to include all different types of equipment that was included at the facility. If there were numerous responses, results were put into groups based on the

amount offered rather than the exact items. The types of equipment consisted of cardiovascular, strength machines, free weights, strongman, and kettlebells. None of the respondents had all five equipment types at the fitness facility. The most common response, which was three to four items, represented 83.3% of the respondents that were surveyed. This 83.3% was the response for 25 out of the 30 respondents, as displayed in Table 8.

**Features.** As with “hours” and “equipment,” the category of different features that a facility has to offer was used to reveal what type of clientele the facilities were trying to target. This category was titled “features” and was broken down similarly to “equipment,” which allowed for the multiple answers for some facilities. As with “equipment,” when multiple responses were given, they were grouped into the number of items and not the specific item. This helped to identify when a facility was trying to target a wide variety of customers and when a facility was trying to target a very specific group.

All respondents were asked to include all features that were included at the facility. In most cases, numerous responses were given so the results were put into groups based on the amount offered rather than the exact items. Extra features included pool, court facilities, indoor track, turf, spa related, lockers, showers, retail facilities, dance studio, physical therapy, childcare, salon, and anything else the respondents wanted to include. The mode for this category was between 3 and 4 features, which equaled 40% of the subject. Some fitness facilities, 13.3% of the respondents, offered a large number of features, with a response of 7 or more features. Interestingly, 3 out of 30 respondents reported that the facility did not offer any extra features. A full breakdown of the features is displayed in Table 9.

**Classes.** The category “classes” was assessed the same way as “hours” and “equipment.” It was used to identify how the facility was targeting possible members. This

category was broken down similarly to “equipment” and “features,” which took into account the multiple answers for some facilities. As with the previous couple of categories, multiple responses were grouped into the number of items and not the specific item.

The participants were asked to include all classes that were offered by the facility. In most cases, groups were made to organize the responses based on the numerous responses given from each participant. A list of the classes included one-on-one, sport specific, group training, spin, yoga, boot camp, pilates, zumba, kickboxing, boxing, MMA, aquatics, crossfit, aerobics, karate, gymnastics, self-defense, and any others that the facilities had to offer. Every facility offered at least one type of training class. The most common response was between three and four classes, with 33.3% of the facilities selecting that choice. However, five facilities offered five to six classes, five facilities offered seven to eight classes, and two facilities offered at least nine different training classes, as shown in Table 10.

**Membership.** The category “membership” was used to describe membership prices and was categorized into yearly fees. The responses were analyzed to identify what type of clientele was being targeted. Lower fees would suggest the facility is looking to bring in as many members as possible, while higher fees would suggest they are trying to target wealthier clientele who have a strong desire for that type of facility or service.

Membership prices were distributed throughout each range of prices; however, 23.3% of the facilities offered yearly membership between \$201 and \$300, which was the most common response. The average membership price was between \$301 and \$400. Also, 5 (16.7%) respondents reported yearly prices between \$301 and \$400. Prices were not provided for six fitness facilities as they were dependent on what type of training was needed and duration of the training routine. For a complete breakdown, view Table 11.

**Degree.** The amount of education a trainer has can say much about the quality of training for a fitness facility. Whether the facility required a degree in exercise science to become a trainer at the facility was analyzed. This category was titled “degree” and can help determine the type of reputation the facility wants to develop in terms of quality personal training and knowledge of the body and nutrition. In general, a facility that demands highly educated employees wants a facility with a high reputation and wants to stay competitive with other fitness facilities.

Respondents were asked two questions concerning the type of educational background they desire. As Table 12 displays, facilities seemed to be more concerned with certifications than exercise-related college degrees. Certifications will be discussed in the next category. Only 10 out of 30 respondents reported that trainers were required to have a college degree in exercise science. The mode was “No,” as 66.7% of the respondents responded in this manner.

**Certification.** Along with having a degree in exercise science, some facilities require some type of exercise-related certification. Some certifications are viewed more highly than others, and this was analyzed and categorized as “certification.” Having high standards for certifications speaks very highly of a fitness facility and the quality of training that it provides. The higher the certification, the higher the quality of training and more competitive the facility will be with other fitness facilities.

Surprisingly, facilities did not seem too concerned with high quality, accredited certifications. Of the 30 respondents, 53.3% required trainers to have some type of certification, while only 26.7% of the 30 respondents reported requiring a certification from an accredited source. Six of the 30 facilities did not require any type of certification. That

resulted in 22 fitness facilities, 73.3% of the facilities, that required only a non-accredited certification or no certification at all. A further breakdown of the certification data can be found in Table 13.

**Healthcare.** Healthcare can be a huge factor in deciding what employees would desire a position at the facility. The category “healthcare” was used to identify if a fitness facility was willing to offer healthcare benefits to the personal trainers or not. This was simply broken down into a “yes” or “no” question. Twenty percent of the facilities were willing to offer healthcare to the trainers, while 80% of the facilities did not. The results are displayed in Table 14.

**Economic strategies.** The categories titled “discounts,” “reductions,” and “expansions” were used to analyze the strategies that the fitness facilities were using during the U.S. recession. Along with these three categories, “advertising” and “internet usage” were analyzed to understand how facilities are using different sources of media to bring in members and compete against other facilities during economic times. Respondents were asked to select all answers that applied in each category. If multiple answers were given for a category, they were grouped into the number of answers that were given for each category as opposed to the specific answer, similar to some of the previous categories.

**Discounts.** The category “discounts” was used to describe any type of offer that would save customers on fees in any manner. The survey has a breakdown of the various ideas. The responses showed that 93.3% of the respondents offered at least one discount for the fitness facility. The data displayed that 40% of the fitness facilities offered two different types of discounts to attract members during this economy, which was the most common

response. However, nine respondents, 30% of the field, offered three discounts and one subject offered at least four different discounts. See Table 15 for the full results.

**Reductions.** The category “reductions” was used to describe any type of cutbacks to deal with the economy. Interestingly, not one of the facilities decided to reduce hours or staff. Table 16 shows that 100% of the respondents did not select either of these options.

**Expansions.** “Expansions” was used to describe any efforts to make the fitness facility more available to attract more members and bring in more revenue to counter the U.S. recession. For a complete breakdown, see Table 17. The majority of the respondents, with 43.3% of the field, reported that they responded to the economy with no expansions. However, 56.7% of the 30 respondents, 17 respondents, decided to expand in at least one way by expanding hours or number of employees. Thirty percent of the respondents expanded in only one way, while 23.3% of the respondents responded in two different ways.

**Advertising.** The advertising source was used to identify how businesses are getting their name out there for the public, bringing in new customers, keeping old customers, and the facilities adjustments to the economy during the U.S. recession. The category was labeled “advertising” and was broken down similarly to “equipment” and similar categories as they were grouped numerically.

The data for the advertising responses can be found in Table 18. As displayed in the table, the most common response was that fitness facilities advertised using between three and four different types of media. The response was chosen by 66.7% of the 30 respondents. Two of the 30 respondents were using at least 5 different advertising sources.

**Internet usage.** Internet usage was focused on understanding how fitness facilities are using this particular advertising medium to increase company success. The category



“internet usage” was broken down similar to “advertising” by grouping responses into numerical groups. The majority of respondents reported using the internet in three to four different ways, with 40% of the responses. There were 26.7% of the respondents who reported using the internet in five or six different ways, while 13.3% of the respondents found at least seven different ways to use the internet to help bring in members. As displayed in Table 19, all 30 respondents were using the internet in some manner to advertise for the facility.

### **Website Data**

**Descriptive data.** Website data were gathered from 100 websites in the list of 138 businesses remaining after the interviews took place. These 100 websites represented the bulk of the information, while the interview data were supplemental. As much data were gathered as possible, however; some websites contained more information than other websites. Below is a breakdown of all the website information.

No information was found for the categories titled “funding,” “degree,” “certification,” and “healthcare,” so there will not be a breakdown of the information for this section. To be consistent with all the results, all percentages were relative to 100 websites for every category.

**Years.** Very little data were found concerning the years of operation on the facility websites. Out of the 100 websites, only 7 websites displayed this information. Two facilities were open between 0 and 5 years, 2 facilities were open 6 to 10 years, and 3 facilities were open for more than 20 years.

**Facility size.** Information was found for only 1 out of the 100 fitness facilities regarding the size of the facility, which was between 0 and 5,000 square feet.

**Employees.** As with “facility size,” information was found on only one website regarding the number of employees working at the facility, which was between 1 and 10 employees working there.

**Members and gender.** There was no information regarding the number of members per facility. As with the questionnaire, the members section was broken down into gender. Although there was not much website information on the number of members attending each facility, one could conclude the gender breakdown for certain fitness facilities. Curves for Women, a gender specific fitness facility that caters specifically to women, allows only women to attend. Therefore, it can be assumed that 100% of the members are females. During the research, of the 100 websites, 11 of the businesses were Curves for Women. It could be concluded from these data that 11% of these fitness facilities had 100% female members.

**Hours.** The data found on the websites displayed that 47% of the facilities stayed open from 13 to 18 hours per day. With 15 of the websites not listing specific hours of operation, that left 20% percent of the facilities to stay open for no more than 12 hours. It was found that 18% of the facilities operated between 19 and 24 hours, as displayed in Table 20.

**Equipment.** As expected, there were high percentages displayed for cardiovascular equipment, strength machines and free weights. These three categories consisted of 75%, 74%, and 75%, respectively. The less common equipment, consisting of kettlebells and strongman equipment, was available at only 13% and 2% of the fitness facilities, respectively. Table 21 displays the data.

**Features.** As displayed in Table 22, there seemed to be a variety of features included for the facilities. The most common feature used by the facilities was lockers at 61%. Close behind this feature was spa facilities and showers at 45% and 58%, respectively. Thirty-two percent of the facilities offered childcare, to attract businesses from families. Interestingly, only 1% offered turf as an extra feature, which would suggest a feature that was targeted toward athletes.

**Classes.** As expected, the most common fitness class offered is one-on-one personal training, with 78% offering this. As seen in Table 23, in general, there are a large variety of classes to choose from in some fitness facilities; however, not many facilities offer every variety. The second most common type of training class was group training, at 72%, and then the drop-off for all other training classes offered went down to 25% of the facilities.

**Membership.** Similar to the survey responses, the most common membership price range was between \$201 and \$300 with 33%. The findings showed a normal distribution, or bell-shaped curve distribution, with a steady decrease in each price range, moving further above and below the most common response. Table 24 illustrates the normal distribution and breakdown of price ranges.

**Economic strategies.** The categories titled “discounts,” “reductions,” and “expansions” were used to analyze the strategies that the fitness facilities were using during the U.S. recession. Along with these three categories, “advertising” and “internet usage” were analyzed to understand how facilities are using different sources of media to bring in members and compete against other facilities during economic times. The fitness facility websites were analyzed to examine how these businesses were handling the U.S. recession.

**Discounts.** Just under half of the fitness facilities used their websites to advertise the discounts that were offered. The most offered discounts involved reductions in membership prices at 40% of the facilities. The next two common discount offers were “elimination of enrollment fees” and “no contracts,” with 39% and 34%, respectively. The rest of the discounts are listed in Table 25. The discount titled “refer friend” helps reduce the membership fees as it results in a rebate or a reduction in fees for a period of time.

**Reductions.** Concerning reductions to staff and hours, not one internet site displayed any changes in reductions for staff; however, 3 of the 100 websites reported a reduction in hours.

**Expansions.** Eight of the 100 websites indicated that there was an expansion of hours. This was the only expansion listed.

**Advertising.** Based on the fact that all of the data were gathered from various internet sites, 100% of the fitness facilities used the internet as an advertising source. It was difficult to gather information regarding other sources of advertising; however, various websites indicated that there were other advertising sources used. Table 26 displays the information that was gathered.

**Internet usage.** As mentioned in the category “advertising,” 100% of the facilities used the internet as an advertising source. The second and third most common usage of the internet was “free passes” and “membership sign-up.” These were available on 27% and 24% of the websites, respectively. The other various ways the fitness facilities were using the internet were displayed on less than 20% of the fitness facility websites, as shown in Table 27.

## **Chapter V**

### **Conclusion**

#### **Survival Rate**

The chance of staying open for a small business is not in the favor of a small business owner as demonstrated by the steadily decreasing survival rate as the number of years opened increases (Ramachandran, 2004). Approximately 5.6 million new firms try to start every year (Reynolds, Carter, Gartner, Greene, & Cox, 2002), and only a third of these attempts actually result in a business opening (Ramachandran, 2004). In general, once a business is opened, only 66% make it past two years and only 40% survive to make a sixth year (Ramachandran, 2004). The interview data that were gathered in the study support these statistics, as 53% of the businesses surveyed were open six years or longer. The website data indicated otherwise; however, only seven of the one hundred websites displayed the length of time the business had been open. The data support how important it is to start a business that is needed in the area and will compete with the other competitive businesses. It is clear that having a thorough plan to follow with detailed goals and some direction is important to have success. Many suggest having a business plan as part of the start-up process so there will be a framework to identify the goals and what is needed to increase the chances of getting a business started and continuing success (Armstrong, 1982; Bird, 1992; Bracker, Keats, & Pearson, 1988; Delmar & Shane, 2003; Honig & Karlsson, 2004).

#### **Survival Rate and Start-Up Money**

The importance of starting a business with different types of capital has been examined, and it has been found that the chance of starting a business and surviving increased as the amount of start-up capital increased (Headd, 2003). Likewise, the

importance of using personal funds as well as external funds was exemplified as 94.6% of entrepreneurs used personal funds and the 60% of entrepreneurs that were able to acquire external funds were more successful in starting a business (Gartner, Frid, & Alexander, 2008). The survey data were similar, as 93.3% of the respondents reported using personal funds to start the business. However, 66.7% used a combination of personal funds and external funds.

With the survival rate being so critical during the first couple of years, having the funds to support the business until it starts to grow and receive customer support is extremely important. Headd (2003) reported that having a college degree and a start-up capital of over \$50,000 increased the chances of surviving when starting up a business. If large amounts of personal funding is not available, external funding will be the only option. Selling the business to investors and loan companies will become a critical aspect of the process and, as many have stated, having a business plan may increase the chances of receiving that external capital and increasing the chance of surviving until customer support is received (Bird, 1992; Delmar & Shane, 2004; Honig & Karlsson, 2004). Likewise, if start-up money is a factor that is holding the business back from surviving, having a high awareness of money management may be helpful in spreading out that money over a long period of time until the number of customers increases. It would be interesting and helpful to see how much start-up money was used for the facilities in the area; however, future research would need to be done.

### **Start-Up Money and Economy**

During the U.S. recession, opening a business is going to be a challenge for any entrepreneur in all aspects of the business world. Although unemployment rates are the

highest they have been in the last ten years (U.S. Department of Labor, 2009c) and bankruptcy rates in Michigan have risen the past couple years (Munns & Metzger, 2010), other statistics would suggest the current time is a chance to get a business started. With the Michigan interest rates the second lowest they have been since 1987 (State of Michigan, 2010) and the DJIA steadily rising since the lowest value in over a decade (*Dow Jones Industrial*, 2010a), investors are seeing an opportunity to start a business.

The survey data supported the fact that investors feel there is an opportunity to open a business, as 46.7% of the respondents reported that the business was opened in the last zero to five years. With all these points to look at, the current time may be an ideal time to start a new business. As reported, only a third of new businesses actually get started, while the survival rate for businesses steadily decreases as the number of years opened increases (Ramachandran, 2004). That being said, the current low interest rate and change in investor's confidence may be helpful with surviving the competitive economy and the difficult survival rates after start-up. Purchasing land, buildings, and equipment or products to start the business may be more affordable than in previous years. As the economy turns, loans may become easier to achieve from investors and businesses may have a better chance to compete.

From another standpoint, data have shown a large increase in the number of members attending fitness facilities, but a small decrease in the number of fitness facilities opening. From 2005 to 2009, the number of facilities dropped by nearly 2,000 businesses, while the number of members increased by just under 12 million (IHRSA, 2005; IHRSA, 2009). At some point, there has to be an increase to the number of fitness facilities or an expansion of the old facilities to accommodate the large increase in members. With financial demands at a

low point and investors favoring business openings, the time to open a fitness facility to recruit some of the growing fitness members may be now.

### **Employees**

Due to the increase in members and small decrease in fitness facilities from 2005 to 2009, it makes sense that the average number of employees increased when comparing the survey data and internet data to past data (IHRSA, 2005; IHRSA, 2009). The average number of employees was nine per fitness facility (IHRSA, 2005). Although more than half of the respondents reported between one and ten employees, the average number was between 11 and 20. That resulted in 83.3% of the fitness facilities that were surveyed requiring less than 20 employees to run the facility. Based on the internet data, information was provided for only one facility; however, that facility required between one and ten employees. Based on the following data, it would seem that the facilities increased the number of employees to help support the large, steady increase in the members since 2005. This could be indicative of having more part-time employees, more personal trainers to support the needs of more members, or larger facilities that need more employees to properly run the facility. Each facility will require a different number of employees, depending on the needs of the facility and the members. Also, having more employees may lead to keeping members happy as they can have more attention and help when needed. Keeping the customers happy will only lead to keeping the original customers around and bringing in new customers.

### **Members versus Facility Size**

Nearly 37% of the respondents reported there were between 1 and 500 members attending the facility and 13.3% of the respondents reported between 501 and 1,000



members, while the average number of members was between 1,001 and 1,500 members. Likewise, facility size was reportedly smaller than most exercise-based businesses, with 40% smaller than 5,000 square feet and 26.7% between 5,001 and 10,000 square feet. Also, the only facility that advertised its size on the website was smaller than 5,000 square feet. These figures are indicative of the smaller, specialized training facilities. This could be due to a number of ideas. One reason could be the area demands pointing in the direction of the more specialized facilities.

Another reason, which is supported by the high unemployment rate (U.S. Department of Labor, 2009c), the low Michigan interest rates (State of Michigan, 2010), and steady increase in economic confidence (*Dow Jones Industrial*, 2010a), may be that business owners can afford only a smaller exercise-based business at the current time. Purchasing the land and starting the business while the financial situations are favorable for business owners may be the most appropriate approach. During a time when the population is having trouble affording unnecessary purchases, the cheaper land and lower interest rates on a smaller location would be easier to support until business and the economy continues to increase.

### **Member Gender**

The interview data showed an average of between 41% and 60% for males and 41% and 60% for females attending the fitness facilities, which is right in the middle. It seems that the majority of the time, both males and females are comfortable with attending fitness facilities with each other. The one statistic that did stand out was that six of the 30 respondents reported between 81% and 100% female members. In 1997, only 5% of the health clubs were considered “single-sex” health clubs (*Physical Fitness Facilities*, 2009). The interview data showed that 20% of the facilities focused on targeting only females.

Likewise, the website data illustrated that 11% of the facilities were “Curves for Women,” indicating that the members would be 100% female.

Based on these data, it would seem that although the majority of the facilities are similar to the traditional facilities by attracting both genders equally, there has been an increase in “single-sex” facilities. All of the “single-sex” facilities are specific to the female gender, which means females tend to be more comfortable working out in a facility with all females and no males.

The large percentage of “female-only” facilities shows that there is a niche for facilities that support females who would rather work out with the same gender to feel more comfortable. That being said, there may already be enough of these types of facilities in the area. The demand for more facilities like this may be much lower within the 30-mile radius of southwest Dearborn, Michigan. The fact that the interview data showed that the average gender percentage for each fitness facility was exactly the same illustrates that there is not a large number of females who prefer these “female-only” facilities in this area. The ones that do prefer them have a number of “Curves for Women” to choose from. The one issue may come from the driving distance for some females; however, this would be in very specific locations when compared to the larger percentage of “female-only” facilities.

### **Facility Quality, Certifications, and Degrees**

In a country where the economy and businesses are extremely competitive during the U.S. recession, quality services and products can carry the business a long way. With between 100 and 200 different fitness certifications, only eight personal trainer certifications are recognized by the NCCA (NBFE, 2008; “NCCA accredited personal,” 2008). Acquiring one or more of the eight accredited certifications illustrates the significance in quality and

effort of the business and employees. This is one factor that can separate one business over another in a competitive economy.

A number of interesting statistics stood out while conducting the survey. Of the 30 respondents, only 26.7% reported requiring the trainers to have an accredited certification. With 53.3% requiring trainers to have a non-accredited certification and the remaining 20% not requiring any type of certification, a significant number of the fitness facilities did not seem concerned with quality trainers. This is indicative of the types of members they are trying to target and the quality of training the majority of facilities is willing to provide to the customers.

It is interesting that the majority of facilities do not require employees to have accredited certifications. Providing high quality trainers would be a great asset and a great way to separate the facility from the lower level facilities. This could mean that the majority of members would rather train alone and without quality trainers or they may not have the funds to pay for the extra training sessions. Also, members may not realize the significant difference between an accredited certification and a non-accredited certification. A serious athlete looking for a professional or college level career in sports may recognize the difference between a highly qualified trainer and a less qualified trainer. The average member, however, may feel that if a trainer is employed by a facility, he must be highly qualified at the position.

Another possible reason for the significant difference in certification requirements may be a financial issue from the business owner standpoint. Although the statistics are not as current as possible, in 2002, even with fitness centers expanding to include children's programs, exercise classes, physical therapy, and aquatic programs, the majority of the

fitness industry's revenue was reportedly collected from the members rather than the fitness classes offered (IHRSA, 2005). If more revenue is coming in via memberships, there is not a reason to have high priced trainers at the facility. The more personal trainers with high credentials, the higher salary that will be demanded and the less profit that for the business and owners.

On the other hand, facilities should want trainers with high credentials. Although statistics have shown that the majority of revenues is generated through memberships (IHRSA, 2005), highly qualified trainers may increase the amount of the revenue generated through personal training. If members are looking for a personal trainer, they may just continue to train on their own because of the unqualified trainers. If a member is choosing which fitness facility to purchase a membership from, highly qualified personal trainers may be one of the many reasons to choose a particular facility. Also, having a certification from an accredited, nationally recognized organization will ensure safety for all clients (NBFE, 2008). It may lead to fewer injuries for members and fewer lawsuits for the facility.

Similarly, the amount of college education that the trainers have will demonstrate much about the quality of the facility and the product they want to provide to the members. Based on the interview data, it seemed most facilities were not too interested in employing trainers who acquired a college degree in Exercise Science or a similar area of study, as only 33.3% required trainers with this type of degree. This may be because of all the same reasons as the certification requirements.

### **Facility Equipment, Features, and Classes**

Although there is no membership figure for 2007, research has shown that there were 33.8 million members in 2002 (IHRSA, 2005), and 45.5 million members in January of 2009

in fitness facilities in the United States (IHRSA, 2009). Based on these figures, one can get an idea of the membership figure for the year of 2007. With research showing that 33.5 million members weight lifted and 30.3 million members participated in aerobic training, one can get an idea of the high percentage of members using both of these two forms of exercise in 2007. Besides just those two forms of exercise, 10.7 million members were interested in yoga, as well as other forms of exercise (NSGA, 2008). Although most members stick to the basics, weightlifting and aerobic training, many are interested in other ways to train in the fitness facility. The data collected concerning equipment, features, and classes help illustrate this idea.

The survey and internet data concerning types of equipment is right in line with what the past research has shown. The survey data illustrated that 83.3% of the respondents reported supplying an average of three to four different types of equipment, while the internet data demonstrated that 75% supplied cardiovascular equipment, 74% supplied strength machines, and 75% supplied free weights. Naturally, these are the more common types of equipment and most of the facilities were offering all three types. Some facilities tried to attract a less common crowd on top of the more common crowd by offering kettlebells and strongman equipment, with 13% and 2%, respectively.

The data show that most facilities are trying to keep it simple with the equipment offered to the members. Strength machines, free weights, and cardiovascular equipment will get the most use and therefore result in the most economically sound purchase by the facility owners. This would make sense as these are the most commonly used pieces of equipment; however, when a new business is trying to start, providing something that stands out is always critical to distinguish the business from the others. The statistics show there is some

interest in other styles of equipment with strongman and kettlebell training. This will lead to high expenses so there must be a demand in the area where the facility will be opened.

In regard to the extra features of the facilities, the survey data showed the average facility offered three or four different features. Based on the internet data, it can be assumed that of the three to four features offered, lockers, showers and spa facilities was probably the most common provided feature. These extra features are simple and are a great asset to a facility as members can come to the facility before or after work or other activities and shower to be ready for the next activity. Similarly, 32% of the facilities offer childcare to try to attract members with children who find it difficult to make it to the gym. The fact that a small percentage of facilities offered a pool (9%), indoor track (9%), physical therapy (2%), dance studio (6%), salon (4%), and turf (1%) indicates that facilities are trying to keep it simple for members. Although fitness centers started to include more extra features in 2002, it was reported that most of the revenue was generated from memberships (IHRSA, 2005). Fitness facility owners may keep this in mind when planning what to supply to the members. Supplying many features for members will increase spending costs, leading to an increase in membership prices. It may be more important to keep prices lower and keep the members coming to the facility. On the other hand, with little facilities offering a large number of extra features, opening a new facility with the extra features may be what helps the new facility compete.

The fact that only 1% of the facilities offered turf as an extra feature raises the question of whether fitness facilities are trying to attract athletes or not. Turf is not required to train athletes; however, athletes are generally trained different ways than the average member. Different agility drills and sport specific training ideas are implemented. Having a

turf surface in the facility would indicate that there would be some type of training for athletes at that facility. Advertising that the facility offers sport specific training is one thing, but actually providing specialized equipment shows more dedication to what the facility is trying to do. This type of feature may be what separates a new facility from the other facilities in the area. However, the fact that such a small percentage of facilities offer turf may be indicative of what is needed and demanded in the area and further research would be needed.

IHRSA (2005) determined that the majority of fitness centers generated the most of the revenues through membership fees. Although this is true, research also has shown that there are members interested in other types of exercise besides lifting weights and regular aerobic training without the help of a personal trainer (NSGA, 2008). Likewise, it was estimated that there were over 4 million members paying for personal training in 1998 (American Sports Data, Inc., 2004). With the total number of members increasing since that estimate was made and the variety in personal training classes growing, it can be assumed that the number of members paying for personal training is either equal or higher now.

Although every respondent reported offering at least one type of class, the majority of respondents reported offering numerous classes. The fact that the facilities offered three to four classes (33.3%), five to six classes (16.7%), seven to eight classes (16.7%), and more than nine classes (6.7%) supports the idea of offering varieties in the personal training classes. The idea of supplying variety in training classes was supported through the website data as well. With 15 different classes to choose from, someone looking for personal training at a fitness facility would definitely be able to find the right training facility that offers the classes to suit their needs. Even with the variety in classes, the fact that only four types of

classes were offered at 20% or more of the facilities explains what the demand of the public wants. It also speaks for the facilities that are trying to stand out from the competition. The majority of facilities offer the same type of training, making that facility the same as the next facility. The facilities that offer unique training classes may slowly build an edge over the competition by attracting the general public, as well as the members looking for unique training classes.

### **Healthcare**

The interview data demonstrated that only 20% of the facilities offer healthcare to personal trainers. Although healthcare availability is usually lower in small businesses than larger businesses, 20% is still lower than normal. Forty-nine percent of businesses with three to nine employees offer health coverage, while 95% of businesses with 50 or more employees offer health coverage (The Kaiser Family Foundation & Health Research and Educational Trust, 2008). The higher premium is the reason small businesses do not offer their employees healthcare as often as larger businesses (Association of Health Insurance Plans Center for Policy and Research, 2009). Not only does this cause a cost disadvantage for employers and employees, but it may also lead to issues when hiring employees as they want a job that can ensure a healthcare plan.

One of the main reasons the data collected from the fitness facilities showed a significant difference between the research in the other small businesses may be due to the larger number of part-time employees in the fitness industry (U.S. Department of Labor, 2009f). Many personal trainers do not have a set schedule or a salary wage. The number of hours worked for a personal trainer may vary from week to week depending on the number of clients. Healthcare is generally offered to full-time employees or part-time employees



who work a high number of hours and want partial healthcare. With the unusual work schedules in the fitness industry, healthcare numbers in the fitness industry can be much less than in other small businesses.

## **Hours**

The average hours of operation were between 13 and 18 hours, for the weekdays for fitness facilities for both the interview data and the website data. These data seemed consistent with what fitness facilities have done for years. The one important statistic that was interesting was that 33.3% and 18% of the fitness facilities were open 19 to 24 hours, when looking at the interview and website data, respectively. It seems that more facilities are staying open later, trying to attract as many members as possible. Not everyone has the same schedule, and keeping the hours of operation open longer will accommodate a larger variety of members. The big issue is whether the increase in capital spent on the longer hours is beneficial and profitable for business. If hours are increased and capital is spent on employees and other variables, but member usage and sign-up do not increase, the increase in the hours will not be beneficial to the business.

An interesting statistic that stood out was the fact that 26.7% (interview) and 20% (website) of the facilities are not open over 12 hours. While many facilities around them are increasing hours, these facilities chose to keep hours short. These facilities will usually consist of more specialized training that included personal training or different types of classes, or gender specific facilities. While many facilities are trying to attract a larger number of members by increasing hours, these facilities are shortening hours or keeping hours short and trying to make more efficient use of them.

## **Discounts**

Although there was not much research on discounts in the fitness industry, 89% of health clubs attracted more customers by offering discounts to families, couples living together, and married couples (IHRSA, 2005). The interview data supported this research as 93.3% of the facilities offered some type of discount. In most cases, the facilities offered multiple discounts to attract a wider variety of members, with 80% offering at least two discounts. The website data showed that there were as many as eight different discounts that facilities would use to bring in new members, with the most common ones being membership fees (40%), enrollment fee elimination (39%), and contract elimination (34%).

It is obvious that fitness facilities believe that discounts help out revenue in a positive way. The idea for these facilities is to do whatever it takes to get the members in and get the members to keep the membership going for a long period of time. Although the statistics are not as current as possible, in 2002, even with fitness centers expanding to include children's programs, exercise classes, physical therapy and aquatic programs, the majority of the fitness industry's revenue was reportedly collected from the members rather than the fitness classes offered (IHRSA, 2005). Offering different discounts that will attract new members is the key to getting the number of customers to grow. Once members move past the sign-up phase, keeping them at the facility over a long period of time is much easier. The facility makes the revenue over a long period of time, not during the sign-up period. Also, during the U.S. recession, people are much more hesitant to spend money on products that are not necessities. A fitness facility with the best discounts may be the key to being competitive.

## **Reductions**

Based on the data collected, almost every fitness facility still in business felt that having reductions in staff, hours, or other things would have a negative effect on business. None of the respondents reported any reductions, and only 3% of the websites listed that there were reductions in hours. In an economy where businesses are struggling and having a hard time staying open, the fitness facilities that are staying competitive seem to be sending a message that they will do anything to keep the members happy. Although reducing hours, staff, or other things would save money in the short term, members may slowly leave if they are not happy with the changes, and this will have a negative effect on the business.

## **Expansions**

A number of points can be drawn by the fact that 56.7% did expand in some way to help business, while 43.3% did not expand in any way. From one aspect, with just under half of the facilities not expanding in any way, those facilities may not need to expand to stay competitive during the U.S. recession. If the revenue is still moving in a positive way and members are still keeping memberships, there should not be a reason to expand. On the other hand, these facilities may not have the resources to be able to expand to attract more members or keep the members they have.

When you look at the fact that 56.7% did expand and the website data that showed 8% of the fitness facilities expanded the hours of operation to help attract more members, you can see that there are plenty of fitness facilities struggling to stay competitive and trying different expansion ideas to appeal to more people. The interview data even supported an average of two different expansion ideas, showing the importance of appealing to more members.

## **Membership**

The average membership price per year was similar between the interview data and the website data, with between \$301 and \$400 a year and between \$201 and \$300 a year, respectively. This is indicative of the type of clientele these facilities are trying to attract. The price range is low to invite a large number of members, but not low enough to target members that are not serious and may not treat the facility well.

It was interesting how many facilities offered a very low price per year, between \$0 and \$100 a year and between \$101 and \$200 a year. These facilities that offered very low prices were trying to target as many members as possible, regardless of whether that member ever showed up or not. Owners hope that people will purchase a membership because it is more affordable than the competition. Once the membership is purchased, a member is more likely to keep the membership going and keep paying the fees to the facility.

Looking at prices that are between \$401 and \$500 a year or more than \$500 a year, it would indicate that the facility probably offers a large number of extra features and different training classes. These facilities are trying to target the members who are looking for a facility with everything and do not mind paying a large amount of money for the membership. In general, the number of memberships will be lower at the lower-priced facilities, but the higher value in the membership allows the facility to make profit. There are not many of these facilities, as members generally cannot afford to pay much for a gym membership. Placing a facility with a higher membership would be most successful in a location where the standard of living is higher.

## **Advertising**

It is obvious that advertising is a huge part of success to any business and the data collected support this. The website data showed that 100% of the facilities advertised using the internet. The websites also showed that 7% of the facilities had online or television commercials, as well as newspapers and lawn signs. Just under half of the fitness facilities used the websites to advertise the discounts that were offered. With the interview data showing that facilities used an average of three to four different media of advertising, the facilities displayed how important they felt it was to advertise the business. It can help get the name out to the public, bring in new customers, keep old customers, and make adjustments to counter the effects of the U.S. recession and stay competitive.

## **Internet Usage**

In 2002, a survey showed 36% of the respondents used websites for business (Walker, Walker, and Wallace, 2002). By 2010, 76.2% of North America was using the internet (Miniwatts Marketing Group, 2010), showing its increased importance in improving business. The two main features on the websites were company contact information, with 96% of the businesses, and company description, with 93% of the businesses. Respondents also reported having email options (75%), product information (50%), links to related sites (50%), product and price catalog (36%), and online ordering and online payment options with 21% and 14%, respectively (Walker, Walker, & Wallace, 2002).

The interview and website data support the past research on internet usage. The interview data showed that facilities use the internet in an average of three to four different ways, with some facilities using the internet in five to six different ways. Especially during the U.S. recession, facilities are looking to the internet for convenience for the members, as

exhibited by the website data. Facilities are using the internet to make it easier on potential members by offering easy membership sign-up (24%), free passes (27%), coupons (18%), and even a virtual tour (13%), in which new members can see what the facility looks like before signing up without having to drive to the facility. For existing members who want to schedule training classes, the facilities are offering online scheduling (12%) to make it easier on the members. All of these ideas allow the business to bring in revenue directly and indirectly, and in today's competitive business world, using all means to increase revenue is critical.

During this U.S. recession, with the market becoming more competitive, members at fitness facilities are going to be more attracted to a facility that has much easier access to account management. It seems more facilities are growing in the internet world and expanding the website options to bring in more members. In general, many people do most of their shopping online. Signing-up for a membership and managing a number of different aspects of the account online for a fitness facility is no different. Some people will avoid talking about the different options over the telephone or in-person as it takes up too much time. A fitness facility with many internet options will have an advantage against the competition that does not favor much internet usage.

### **Overall Implications**

The purpose of the following study was to examine the different aspects of opening an exercise-based business and identify factors of the competitive environment that are conducive to opening a recreational and athletic strength training facility. Collecting and analyzing the data for this study helped bring answers to the two questions that were established previously. By analyzing the data, it could be concluded what type of exercise-

based business could compete against the other exercise-based businesses and related non-profit organizations located within a 30-mile radius of southwest Dearborn, Michigan. Also, the data helped conclude what the new exercise-based business would have to do to compete with the other exercise-based businesses and related non-profit organizations that are located within a 30-mile radius of southwest Dearborn, Michigan.

It would seem that opening a new fitness facility in the near future would be conducive to the competitive environment within a 30-mile radius of southwest Dearborn, Michigan. The two huge factors that lead me to believe the conditions are correct is the fact that the Michigan interest rates are the second lowest they have been since 1987 (State of Michigan, 2010) and the DJIA steadily rising since the lowest value in over a decade (*Dow Jones Industrial*, 2010a). While many businesses that were unstable are going bankrupt, investors are noticing an opportunity to purchase property and start a business when prices are low, and loans are slowly being granted with more ease due to the slow turn around in the economy. The survey data supported the fact that investors feel there is an opportunity to open a business, as nearly half of the businesses were opened in the last five years.

Based on the fact that there seemed to be a large number of facilities within the 30-mile radius of southwest Dearborn, Michigan, it will be critical to distinguish a new facility from the existing facilities. It seems there is a need for a facility that specifically targets sports and athletic training. Although turf or strongman equipment is not the only indicator of sport specific training, only 1% of the facilities offered turf and 2% offered strongman equipment, which would suggest most facilities are not focused on supplying extra equipment for training athletes. With the different agility drills and different training ideas that go on with athletes, a surface that is more suited for this style of training should be used

to avoid injury and create the best possible training environment for athletes. Although there is much weight training involved with training athletes, having a turf surface in the facility would indicate that there would be some type of training for athletes at that facility. Also, only 11% of the facilities reported offering sport specific training.

In order to survive the economic recession while staying competitive, most businesses are doing what is necessary to keep current and new customers happy. Businesses were not making reductions in staff or hours as they felt it would have a negative effect on business and result in losing current members. Although a reduction in staff or hours would result in saving funds in the short-term, members may become unhappy with the business and decide to leave, resulting in negative long-term effect.

About half of the facilities demonstrated no need or want to expand. If revenue is still positive and members are still happy with how the business is running, expansion may not be necessary. However, a little more than half of the businesses did feel it was necessary to expand to keep current members and attract new members. Expanding hours may allow the business to compete with other exercise businesses that are open late hours or 24 hours. This can result in attracting a large range of members who have different work schedules but still want to attend the facility. Also, with some expanding in staff, this will allow the facilities to provide extra attention for the members' needs. Keeping extra staff at the facility for the members is important to keeping them at the facility until the U.S. recession turns around.

Offering discounts was extremely important for the businesses to compete during the U.S. recession as 93.3% offered at least one type of discount. Also, the website data showed



that the most common discounts offered were on membership fees (40%), enrollment fee elimination (39%), and contract elimination (34%).

It is obvious that fitness facilities believe that discounts help out revenue in a positive way. During the U.S. recession, people are much more hesitant to spend money on products that are not a necessity. For many, a membership to a gym may be considered an unnecessary purchase. By offering discounts that are related to membership fees and sign-up fees, people who want a membership to a fitness facility will be more likely to sign up as they feel it will not be offered for a long period of time. Once members move past the sign-up phase, keeping them at the facility over a long period of time is much easier. The facility makes the revenue over a long period of time, not during the sign-up period.

### **Future Research**

If the area is in need of a facility that will specialize in training athletes, the exact location is going to greatly need to be taken into account. There are not many facilities that offer sports specific training for a reason; however, that reason is unknown. When opening up a fitness facility that is a specialized facility, the exact location of the existing locations that do specialize in sport specific training needs to be taken into account. There may be a large area within this 30-mile radius where no sport specific facility is located, and opening this type of facility may be perfect for the area.

Also, demographics need to be taken into account once the location is established. There may be a need for a sport specific training facility, but there may not be a demand in that area. A survey of the area needs to be taken to see if athletes would attend a facility of this manner. In a location like southwest Dearborn, Michigan, the main athletes that will be targeted will be older athletes who play recreational sports, lower level college athletes, high

school athletes, and even younger athletes. In 2008, 55.3% of the population was between the ages of 18 and 64 years old (U.S. Census Bureau, 2010b). This age group represents some of the athletes who will be targeted; however, there needs to be further research to see the population of people that are 17 and younger in the area. A great indicator of this would be to find out how many schools are in the area and survey the schools to see how many students play sports there.

Furthermore, research should be done to establish a plan that will help the public understand the importance of training with personal trainers who have a nationally accredited certification and an Exercise Science or related degree. Having a certification from an accredited, nationally recognized organization will ensure safety for all clients, but it will also distinguish the fitness facility and trainer from the lower level facilities and (National Board of Fitness Examiners [NBFEE], 2008). The problem is that the general public may not recognize the difference between a quality certification and a low quality certification. Research could be conducted with existing exercise-based businesses that only employ highly qualified trainers to examine how they informed the public of this information. One way to get the information across to high school and middle school athletes may be to discuss the information with the coaches. The coaches will be more trusted by the athletes and the parents of the athletes, so the information may be more accepted.

Last, a business plan will be crucial in developing a plan to start and continue this type of business as it is a focused, specific type of business. Acquiring external funds to help with the start-up process and the initial couple years will rely on the business plan. Examining how to survive as a differentiation focus business will need to be taken into account when developing the business plan.

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**Appendix A**  
**Consent Letter**

Dear Business Owner/Manager:

I am interested in understanding the demographics and marketing schemes that are being utilized in the exercise-based businesses and non-profit organizations. I am currently an Exercise Physiology Master's student at Eastern Michigan University, and have conducted research examining the different aspects of opening an exercise-based business and other factors that allow these businesses to compete in the economy, including funding, competition, demographics and location, fitness programs, marketing, sales promotion, employment, and health insurance.

This is a research study, conducted with a survey methodology. If you consent to be in this study, I would like your permission to use all the information gathered from the survey questions that are answered. The responses to the survey questions will be recorded by hand. This study is voluntary; you are also free to stop the interview at any time without any repercussions. Refusing to participate will involve no penalty or loss of benefits.

The interview will last approximately 30 minutes. Before we begin, you will decide if you would like your real name and/or business to be used or if you would like to choose a "fake name" for the interview. If you choose a "fake name", your real name will not be used at any time. Additionally, if you choose a "fake name", your business will not be identified in the interview by name or in any presentation or write-up of the results. This will help ensure

confidentiality. All information that is gathered will be stored in a safe, secure, and locked area. All information will be destroyed in five years. Confidentiality will be maintained when the results are either presented or written up for publication. Your name or the name of your business will not be used in the dissemination of the results unless you have given consent by signing on page two that you wish your name/business name to be used.

All studies have benefits and risks. The risks of participating in this study are minimal. Participants are free to end the interview at any time.

The results of this research will be used in completion of the requirements for the Degree of Master of Science.

Please sign form if you consent to be surveyed if the interview is conducting in-person.

If you have any questions about the study, please do not hesitate to contact Dr. Brenda Riemer at 734-487-7120 ext 2745 or via email at [briemer@emich.edu](mailto:briemer@emich.edu).

This research protocol has been reviewed and approved by the Eastern Michigan University Human Subjects Review Committee CHHS Human Subjects Review Committee for use from July 2010 to September 2011. If you have any questions about the approval process, please contact Dr. George Liepa (734-487-0077), Chair of CHHS HSRC, [chhs\\_human\\_subjects@emich.edu](mailto:chhs_human_subjects@emich.edu). ”

*I agree to be interviewed for this study.*

Name: \_\_\_\_\_ Date: \_\_\_\_\_

*I would like my real name and/or business name used in this study.*

Name: \_\_\_\_\_ Date: \_\_\_\_\_

***Or***

*I would like to use a pseudonym in this study.*

Name: \_\_\_\_\_ Date: \_\_\_\_\_

## **Appendix B**

### **Market Research on Fitness Facilities Survey Form**

1. What is the name and address of the facility?
  - a. Name:
  - b. Facility:
  - c. Address 1:
  - d. Address 2:
  - e. City/Town:
  - f. State/Province:
  - g. Zip/Postal Code:
  - h. Country:
  - i. Email Address:
2. How many years has this location been in business?
  - a. 0-5 years
  - b. 6-10 years
  - c. 11-15 years
  - d. 15-20 years
  - e. >20 years
3. What type of funding did you use to start the business?
  - a. Personal funding only
  - b. Personal funding and external funding
  - c. External funding
  - d. Other, please specify



4. How large is the facility?
  - a. 0-5,000 square feet
  - b. 5,001-10,000 square feet
  - c. 10,001-15,000 square feet
  - d. >15,000 square feet
  
5. How many employees do you have working for you?
  - a. 1-10 employees
  - b. 11-20 employees
  - c. 21-30 employees
  - d. >30 employees
  
6. How many members are currently enrolled at the facility?
  - a. 1-500 members
  - b. 501-1,000 members
  - c. 1,001-1,500 members
  - d. 1,501-2,000 members
  - e. 2,001-2,500 members
  - f. 2,501-3,000 members
  - g. >3,000 members
  
7. Estimate the percentage of males and females attending the facility.
  - a. 0-20%
  - b. 21-40%
  - c. 41-60%
  - d. 61-80%

- e. 81-100%
8. Estimate the percentage of different age groups that attend the facility.
- a. 6-17 years of age
  - b. 18-34 years of age
  - c. 35-54 years of age
  - d. >55 years of age
9. How many hours is the facility open during the week?
- a. 0-12 hours
  - b. 13-18 hours
  - c. 19-24 hours
10. What type of equipment does the facility offer? (Check all that apply)
- a. Cardiovascular
  - b. Strength Machines
  - c. Free Weights
  - d. Strongman
  - e. Kettlebells
  - f. Other, please specify
11. What extra features does the facility offer? (Check all that apply)
- a. Pool
  - b. Court Facilities (Basketball, Tennis, Racquetball)
  - c. Indoor Track
  - d. Turf

- e. Spa Related Features (Tanning, Hot Tub, Steam Room, Dry Sauna, Massage Tables)
- f. Lockers
- g. Showers
- h. Retail Facilities (Supplement Shop, Protein/Fruit Drink Bar)
- i. Dance Studio
- j. Physical Therapy
- k. Childcare
- l. Salon
- m. Other, please specify

12. What type of training classes does the facility offer? (Check all that apply)

- a. One-on-One Personal Training
- b. Sport Specific Training
- c. Group Training
- d. Spin
- e. Yoga
- f. Boot Camp
- g. Pilates
- h. Zumba
- i. Kickboxing
- j. Boxing
- k. MMA Training
- l. Aquatics

- m. Crossfit
- n. Aerobics
- o. Karate
- p. Gymnastics
- q. Self Defense
- r. Other, please specify

13. How much does a membership cost per year?

- a. 0-100
- b. 101-200
- c. 201-300
- d. 301-400
- e. 401-500
- f. >500

14. Do you require all trainers on your staff to have a degree in Exercise Science?

- a. Yes
- b. No

15. Do you require all trainers on your staff to have some type of certification? If so,

what is the minimum requirement?

- a. No
- b. Yes (check one)
  - i. NCCA Nationally Accredited Certification (ACE, ACSM, NASM, NSCA, NCSF, NFPT, NESTA, IFPA)
  - ii. Non-Accredited Certification

16. Do you offer healthcare to any of your employees? Is it available to full-time and part-time employees?

- a. Yes
- b. No

17. Why did you feel you would be successful opening this business in this location?

18. What are you doing to compete during this current economic condition?

- a. Discounts – Membership
- b. Discounts – Eliminate Enrollment Fees
- c. Discounts – No Contracts
- d. Discounts – Classes
- e. Discounts – Personal Training
- f. Discounts – Memorabilia
- g. Reduction in Staff
- h. Reduction in Hours
- i. Expansion in Hours
- j. Expand the use of Online/Website capabilities
- k. Increase in Advertising (Newspapers, Commercials, Flyers, etc)
- l. Refer Friend
- m. Free Health Screening
- n. Other, please specify

19. What sources of media do you use to advertise for your business?

- a. Internet
- b. Commercials

- c. Brochures
- d. Flyers
- e. Newspapers
- f. Billboards
- g. Lawn Signs
- h. Other, please specify

20. How have you been using the internet/website to help bring in members?

- a. Advertising
- b. Membership Sign-up
- c. Scheduling Training Classes
- d. Scheduling Personal Training
- e. Offering Coupons
- f. Emailing Lists
- g. Free Passes
- h. Virtual Tours
- i. Exercise Tutorial Videos
- j. Social Network Websites
- k. Online Consultation
- l. Nutrition Calculator
- m. Newsletter
- n. Blogs
- o. Fitness Info
- p. Other, please specify

21. The website provides comprehensive information about the business.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

22. The website information is update on a regular basis to provide the latest development of activities.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

23. The website is intuitively easy to navigate.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

24. The design of the website is logically organized.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3

- d. Agree = 4
- e. Strongly Agree = 5

25. The website is aligned with the target audience of the business.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

26. Customers can make purchases on the website.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

27. Programs and event schedules are available in real time for viewing.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

28. Customers can register for events or programs.

- a. Strongly Disagree = 1
- b. Disagree = 2



- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

29. A click through is provided to send emails.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

30. Evaluations or reviews can be completed on the web.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

31. Users have an opportunity on the website to create and join the business's online community.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

32. The website is connected to different social media websites, e.g. Facebook, Twitter, LinkedIn, etc.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

33. Information is gathered from the website for analysis.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

34. Customer information can be downloaded for analysis of trends.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

35. Customers can create a personal account.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3

- d. Agree = 4
- e. Strongly Agree = 5

36. The website supports record keeping for the business.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

37. The website is primarily a marketing tool.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

38. The website is used as a strategic tool.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

39. The website is a key to sustaining a competitive advantage into the future.

- a. Strongly Disagree = 1
- b. Disagree = 2

- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

40. Educational and training programs are delivered through the website.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

41. Streaming videos are available on the website.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

42. The website supports financial and accounting record keeping.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

43. The website enables staff to complete routine tasks.

- a. Strongly Disagree = 1

- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

44. The website directly generates a revenue flow that is separate from the general business revenue.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

45. The website engages other business partners in business to business activities.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

46. The website is used for telecommunication purposes such as meetings and conducting training.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4

e. Strongly Agree = 5

47. In-house staff resources are dedicated to supporting the website.

a. Strongly Disagree = 1

b. Disagree = 2

c. Neutral = 3

d. Agree = 4

e. Strongly Agree = 5

48. A budget line item is dedicated to developing and maintaining the website.

a. Strongly Disagree = 1

b. Disagree = 2

c. Neutral = 3

d. Agree = 4

e. Strongly Agree = 5

49. Customer feedback is used to design and develop the website.

a. Strongly Disagree = 1

b. Disagree = 2

c. Neutral = 3

d. Agree = 4

e. Strongly Agree = 5

50. Future strategic plans will increasingly leverage the website.

a. Strongly Disagree = 1

b. Disagree = 2

c. Neutral = 3

- d. Agree = 4
- e. Strongly Agree = 5

51. The website provides for multiple functionalities of the business – marketing, account, training, etc.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

52. The website is used to gather information about the latest development that is related to the business.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

53. The website helps to gather information about future trends.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

54. The top management team values the website as a strategic resource.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5

55. The top management team has a clear vision about how the website fits with the business.

- a. Strongly Disagree = 1
- b. Disagree = 2
- c. Neutral = 3
- d. Agree = 4
- e. Strongly Agree = 5



Table 1

*Years Opened for Fitness Facilities*

Years	Responses	Percentage (%)
0-5	14	46.7
6-10	7	23.3
11-15	4	13.3
16-20	3	10.0
Over 21	2	6.7
Total	30	100.0

Table 2

*Start-Up Funding for Fitness Facilities*

Type of Funding	Responses	Percentage (%)
Personal	8	26.6
Personal & External	20	66.7
External	2	6.7
Total	30	100.0

Table 3

*Fitness Facility Size*

Size (ft sq)	Responses	Percentage (%)
0-5,000	12	40.0
5,001-10,000	8	26.7
10,001-15,000	6	20.0
Over 15,000	4	13.3
Total	30	100.0

Table 4

*Employees per Fitness Facility*

Employees	Responses	Percentage (%)
1-10	16	53.3
11-20	9	30.0
21-30	2	6.7
Over 30	3	10.0
Total	30	100.0

Table 5

*Members per Fitness Facility*

Members	Responses	Percentage (%)
1-500	11	36.7
501-1,000	4	13.3
1,001-1,500	3	10.0
1,501-2,000	5	16.7
2,001-2,500	1	3.3
2,501-3,000	4	13.3
Over 3,000	2	6.7
Total	30	100.0

Table 6

*Gender per Fitness Facility*

Ranges (%)	Males	Females
0-20	6	2
21-40	7	8
41-60	9	9
61-80	7	5
81-100	1	6
Total	30	30

Table 7

*Hours per Fitness Facility*

Hours	Responses	Percentage (%)
0-12	8	26.7
13-18	12	40.0
19-24	10	33.3
Total	30	100.0

Table 8

*Equipment per Fitness Facility*

Number of Items	Equipment	Percentage (%)
1 Item	2	6.7
2 Items	2	6.7
3-4 Items	25	83.3
All 5 Items	0	0.0
No Equipment	1	3.3
Total	30	100.0



Table 9

*Features per Fitness Facility*

Number of Items	Features	Percentage (%)
1 Item	7	23.3
2 Items	3	10.0
3-4 Items	12	40.0
5-6 Items	1	3.3
Over 7 Items	4	13.3
No Features	3	10.0
Total	30	100.0

*Note.* The actual percentage was 99.9%.

Table 10

*Classes per Fitness Facility*

Number of Items	Classes	Percentage (%)
1 Item	4	13.3
2 Items	4	13.3
3-4 Items	10	33.3
5-6 Items	5	16.7
7-8 Items	5	16.7
Over 9 Items	2	6.7
No Classes	0	0.0
Total	30	100.0

Table 11

*Membership per Fitness Facility*

Membership (\$)	Responses	Percentage (%)
0-100	2	6.7
101-200	4	13.3
201-300	7	23.3
301-400	5	16.7
401-500	2	6.7
Over 500	4	13.3
No Set Price	6	20.0
Total	30	100.0

Table 12

*Degrees per Fitness Facility*

Responses	Degree	Percentage (%)
Yes	10	33.3
No	20	66.7
Total	30	100.0

Table 13

*Certifications per Fitness Facility*

Responses	Certification	Percentage (%)
Yes (Accredited)	8	26.7
Yes (Non-Accredited)	16	53.3
No	6	20.0
Total	30	100.0

Table 14

*Healthcare per Fitness Facility*

Responses	Healthcare	Percentage (%)
Yes	6	20.0
No	24	80.0
Total	30	100.0

Table 15

*Discounts per Fitness Facility*

Number of Items	Discounts	Percentage (%)
1 Item	6	20.0
2 Items	12	40.0
3 Items	9	30.0
Over 4 Items	1	3.3
No Discounts	2	6.7
Total	30	100.0

Table 16

*Reductions per Fitness Facility*

Number of Items	Reductions	Percentage (%)
Staff	0	0.0
Hours	0	0.0
Both Items	0	0.0
No Reduction	30	100.0
Total	30	100.0



Table 17

*Expansions per Fitness Facility*

Number of Items	Expansions	Percentage (%)
1 Item	9	30.0
2 Items	7	23.3
All 3 Items	1	3.3
No Expansions	13	43.3
Total	30	100.0

*Note.* The actual total percentage was 99.9%.

Table 18

*Advertising per Fitness Facility*

Number of Items	Advertising	Percentage (%)
1 Item	3	10.0
2 Items	5	16.7
3-4 Items	20	66.7
Over 5 Items	2	6.7
Total	30	100.0

*Note.* The actual total percentage was 100.1%.

Table 19

*Internet Usage per Fitness Facility*

Number of Items	Internet Usage	Percentage (%)
1 Item	3	10.0
2 Items	3	10.0
3-4 Items	12	40.0
5-6 Items	8	26.7
Over 7 Items	4	13.3
Total	30	100.0

Table 20

*Hours per Fitness Facility*

Hours	Websites	Percentage (%)
0-12	20	20.0
13-18	47	47.0
19-24	18	18.0
N/A	15	15.0
Total	100	100.0

Table 21

*Equipment per Fitness Facility*

Equipment	Websites	Percentage (%)
Cardiovascular	75	75.0
Strength Machines	74	74.0
Free Weights	75	75.0
Strongman	2	2.0
Kettlebells	13	13.0

Table 22

*Features per Fitness Facility*

Features	Websites	Percentage (%)
Pool	9	9.0
Court Facilities*	13	13.0
Indoor Track	9	9.0
Turf	1	1.0
Spa Facilities**	45	45.0
Lockers	61	61.0
Showers	58	58.0
Retail Facilities***	35	35.0
Physical Therapy	2	2.0
Childcare	32	32.0
Dance Studio	6	6.0
Salon	4	4.0

*Note.* \* = basketball, tennis, racquetball, etc; \*\* = tanning, hot tub, steam room, dry sauna, massage tables, etc; \*\*\* = supplement shop, protein/fruit drink shop, etc.

Table 23

*Classes per Fitness Facility*

Classes	Websites	Percentage (%)
One-on-One	78	78.0
Sport Specific	11	11.0
Group	72	72.0
Spin	18	18.0
Yoga	20	20.0
Boot Camp	23	23.0
Pilates	19	19.0
Zumba	5	5.0
Gymnastics	2	2.0
Self Defense	2	2.0
Karate	2	2.0
Boxing	5	5.0
Kickboxing	16	16.0
MMA	5	5.0
Aquatics	9	9.0

Table 24

*Membership per Fitness Facility*

Membership (\$)	Website	Percentage (%)
0-100	6	6.0
101-200	16	16.0
201-300	33	33.0
301-400	14	14.0
401-500	2	2.0
Over 500	3	3.0
N/A	26	26.0
Total	100	100.0



Table 25

*Discounts per Fitness Facility*

Discounts	Website	Percentage (%)
Membership	40	40.0
Eliminate Enrollment Fees	39	39.0
No Contracts	34	34.0
Classes	9	9.0
Personal Training	2	2.0
Memorabilia	3	3.0
Refer Friend	11	11.0
Free Health Screening	1	1.0

Table 26

*Advertising per Fitness Facility*

Advertising Source	Websites	Percentage (%)
Internet	100	100.0
Commercials	7	7.0
Brochures	0	0.0
Flyers	0	0.0
Newspapers	2	2.0
Billboards	0	0.0
Lawn Signs	2	2.0

Table 27

*Internet Usage per Fitness Facility*

Internet Usage	Websites	Percentage (%)
Advertising	100	100.0
Member Sign-Up	24	24.0
Scheduling Classes	12	12.0
Offering Coupons	18	18.0
Emailing List	13	13.0
Free Pass	27	27.0
Virtual Tour	13	13.0
Exercise Tutorial Video	3	3.0

