

Marketing Plan: Dragon CrossFit

Submitted by:



Dragon CrossFit

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TABLE OF CONTENTS

| | |
|--|-----------|
| 1 Summary | 4 |
| 2 Macro-Environmental Analysis..... | 5 |
| 2.1 PESTEL Analysis | 5 |
| 2.1.1 Political Factors | 5 |
| 2.1.2 Economic Factors..... | 6 |
| 2.1.3 Socio-Cultural Factors | 7 |
| 2.1.4 Technological Factors | 8 |
| 2.1.5 Environmental Factors | 9 |
| 2.1.6 Legal Factors..... | 10 |
| 2.2 SWOT Analysis | 10 |
| 2.2.1 Strengths | 11 |
| 2.2.2 Weaknesses | 11 |
| 2.2.3 Opportunities..... | 12 |
| 2.2.4 Threats..... | 12 |
| 3 Micro-Environmental Analysis | 13 |
| 3.1 Location | 13 |
| 3.2 Demographic | 13 |
| 3.3 Geographic | 13 |
| 3.4 Behavioral | 13 |
| 3.5 Psychographic | 14 |
| 3.6 Competition..... | 15 |
| 3.6.1 Commercial Fitness Center..... | 15 |
| 3.6.2 Community Center..... | 16 |
| 3.6.3 City Parks and Squares | 17 |
| 4 Entry | 18 |
| 4.1 Location | 18 |
| 4.2 Mode | 18 |
| 5 Target Market | 19 |
| 6 Positioning, Objectives and Goals | 20 |
| 6.1 Positioning..... | 20 |
| 6.2 Marketing Objectives and Goals..... | 20 |
| 8 Marketing Mix | 22 |
| 8.2 Product..... | 22 |
| 8.2.1 Memberships | 23 |
| 8.3 Place..... | 23 |
| 8.3.1 Public Transportation..... | 24 |
| 8.3.2 Foreigners in Beijing..... | 24 |

| | |
|--------------------------------------|-----------|
| 8.3.3 Specific Location | 24 |
| 8.4 Price | 25 |
| 8.4.1 More Expensive | 25 |
| 8.5 Promotion..... | 26 |
| 8.5.1 Pull-up/sit-up Challenge | 26 |
| 8.5.2 Success in Advertising | 26 |
| 8.5.3 Own Clothing..... | 27 |
| 8.5.4 Celebrity Endorsement..... | 27 |
| 9 Financial Analysis | 28 |
| 9.1 Costs..... | 28 |
| 9.3 Revenues | 29 |
| 9.4 Summary..... | 29 |
| 10 Implementation | 30 |
| 11 References | 32 |

1 SUMMARY

CrossFit is described as a constantly varied, high intensity, exercise program. The program aims for its participants to develop and increase endurance, stamina, and strength, in addition to promoting a general healthy lifestyle. CrossFit exercises excel over more traditional counterparts due to its focus on constant variety. One's body gets used to exercises as they are repeated; CrossFit combats this plateau effect by constantly changing the exercises performed. In addition, CrossFit focuses on high intensity functional movement. This promotes wellness of the entire body instead of simply individual muscles. Studies show that the program is successful; the US Army, for example, conducted a study that showed a power output increase of 20% over a period of six weeks.

In addition to emphasizing a superior workout, CrossFit builds a community that is essential to its prolonged success. Over 10,000 gyms, half of them in the US, exist around the world. Exercises are conducted in a group setting with an emphasis on competition. Every exercise is timed and measured in front of the group, as the group mates urge each other on. This creates a unique community built on the foundation of achievement. CrossFit communities often share commonalities outside the gym. For instance, many CrossFit members engage together in the paleo diet – the consumption of natural foods like nuts, berries, and meats. Through the use of a superior exercise regimen coupled with a supportive community, CrossFit has become one of the most popular exercise options in the market.

2 Macro-Environmental Analysis

This analysis provides an overview of the PESTEL analysis (Political, Economic, Social-cultural, Technological, Environmental and Legal factors) as well as SWOT (Strengths, Weaknesses, Opportunities and Threats) of China and its capital city Beijing. Based on this analysis, the company can predict changes in the business environment and adapt their business accordingly.

2.1 PESTEL Analysis

2.1.1 Political Factors

The political situation in China has been stable in the past years due to the one-party system. The country has been under the leadership of the Communist Party of China (CPC) for more than 60 years. One of the main issues in China is the media censorship and intolerance against criticism that the government is exercising. However, the country is, according to MarketLine (2014), “making efforts to strengthen the rule of law in the country through judicial reforms”. There have not been any major changes in the government and that does not seem like an issue that would change the system in the near future. The most recent political disruption has been in Hong Kong during the fall 2014, and that has affected the Chinese economy slightly. However, this unrest does not have much effect or physical damage on foreign companies in Mainland China. However, the political risk in China has been relatively low when compared to other emerging markets.

The country’s legal and regulatory transparency causes the biggest risk factor for foreign companies in China. The level of political violence and business interruption is relatively low in

the country (Collins, 2014). Due to the rapid economic expansion and the movement from rural areas to urban areas some social unrest has been happening in China but it has mostly been localized and thus has not affected the whole country. These movements include the situation in the province of Xinjiang; it is fairly vulnerable to an outbreak, since it is the home of Turkic-speaking Muslim Uighur ethnic group and it can cause separatist movements (MarketLine, 2014). These movements have usually related to land, labor or environmental disputes and have not created any major conflicts (Collins, 2014). Beijing, as the capital city of China, has not suffered from these outbursts and is not likely to have similar problems in the near future. However, as it is an important city and the leaders of the country make their decisions there, protests may occur in the area but usually they do not affect the lives of the citizens or businesses in the city.

2.1.2 Economic Factors

According to the Central Intelligence Agency (2014), the major economic challenges affecting China are: 1) reducing high domestic savings rate and low domestic consumption, 2) facilitating higher-wage job opportunities for middle class (including rural migrants and college graduates), 3) reducing economic crimes and corruption, 4) avoiding possible economic damage caused by fast transformation of the economy.

At the moment, China's economic situation is fairly good. However, there are multiple factors that can slow down the economic growth in the near future that need to be examined when entering the Chinese market. These factors include industrial overcapacity, slow recovery of the trading partners of China as well as the weak allocation of capital state-owned banks (Central Intelligence Agency, 2014). In order to avoid the slowdown, the domestic consumption should be increased, since this would make the country less dependent on exports in the future.

Since 2012 less than half of the population of China lives in rural areas. Beijing has one of the highest per capita GDP in China, \$12,447, after Tianjin (\$13,058) and Shanghai (\$12,783) (World Population Review, 2014). Beijing is the financial center of northern China and comes second after Shanghai, located in the south of the country. The business environment can be described as fairly stable and predictable (Collins, 2014). China is the world's second largest economy in nominal total GDP and purchasing power parity (PPP). Furthermore, the country is the world's largest exporter and importer of goods (Market Research Reports, 2014). The corruption rate is fairly high in China and it placed 72nd (out of 179) most corrupted countries in the world in 2008.

2.1.3 Socio-Cultural Factors

China's 12th five-year plan aims to increase social welfare payments, raise wages and improve healthcare in order to balance the inequality situation as well as lower the number of people that are under the poverty line. The improvements can be seen already, however, the main problem in the country is the rising number of population. The country has over billion people, which is more than any other country in the world. In order to limit the number, China has adopted one-child policy, which has slowed down the growth rate of the population, but also caused the population to be older than ever. (MarketLine, 2014)

The age distribution China can be divided into three different sections; children, adults and elderly. Out of these three groups 10% of the population is under the age of 14, whereas 11% of the population is over 65. The remaining group between 15 and 64 make up 79% of the entire population (World Population Statistics, 2013). It is expected that by 2050, the percentage of elderly people (over 65 years old) will rise to be over 30%.

China has attained a reasonably high life expectancy at birth at 75.15 years (CIA, 2014). The average retirement age in China is 60 years old for men and 50 to 55 for women, which is low compared to Western countries. This early retirement combining with an aging population - China is one of the most rapidly aging countries in the world - and shrinking workforce, which must support more than 200 million retirees, can cause problems in the future. According to Roberts (2013) “The government has moved in the last few years to add farmers, the unemployed, and migrant workers to its pension rolls, which now cover more than four-fifths of those registered in cities and 43 percent of rural Chinese”. This means, that the number of people getting pension is growing whereas the number of working people diminishes. Therefore, the working-age people ratio is expected to hit 1.6:1 by the year 2050, meaning that 1.6 people support 1 retiree. At the moment, the ratio is 4.9:1.

2.1.4 Technological Factors

Technology has developed rapidly in China during the past decades due to the government’s emphasis to fund and reform the science and technology in the country. In addition to this, the government of China focuses largely on technological effort which means that it puts lot of money on research in order to develop high technology innovations. According to Market Research Reports (2014), “China has made rapid advances in areas such as education, infrastructure, high-tech manufacturing, academic publishing, patents, and commercial applications and is now in some areas and by some measures a world leader”. China offers a cheaper place for companies to have their factories compared to Europe and North America. Therefore, it encourages the companies to move their business overseas to China since it gives the country not only competitive advantage but also great opportunities to further develop it and

make other countries be dependent on China. This leads to China having more political power over many other countries. This can mostly be seen in the bigger cities such as Beijing and Shanghai. Overall, the technological improvements are done in the capital and it that also helps companies to start their businesses in those cities; they have more opportunities there.

2.1.5 Environmental Factors

China has a very diverse environment, due to its large size. The country has lots of problems with its environment, especially in the big cities. Beijing has one of the worst air pollution problems in the world. The biggest problems are soil erosion, air pollution, and the fall of the water table, which are caused by economic development and over population of big cities. Moreover, the energy production is fairly dependent on coal and oil, which both have negative effects on the environment. In addition, the oil contamination is a major concern, and is caused by excessive mining and industrial waste (MarketLine, 2014). The government has been seeking alternative energy production sources to save the environment, but so far the deterioration has been unstoppable (Central Intelligence Agency, 2014). Also, the government has put effort in saving the environment by setting up a special State Environmental Protection Administration and ratifying the Kyoto Protocol for the second time, in order to take part of the international environmental co-operation and sustainable development. Furthermore, environmental protection is set to be part of China's national economic strategy and because of that, environment protection laws are becoming more important to the government and there are more requirements for companies to fulfill. (MarketLine, 2014)

2.1.6 Legal Factors

China has a decentralized court system, which means that it can solve various issues in the low levels. And it also has many legal bodies, which helps the country to work more efficiently in legal areas. The country's entry barriers are the highest among all the BRICS countries even though it has paid attention to lower the regulation of its markets. The Hukou system, which was reformed in 2012, allows the migrant workers to get social security and other benefits (European Commission, 2013). China's intellectual property rights (IPR) protection has been very weak and that causes concerns for both local and multinational companies. In general, product piracy is widely seen in China, among products such as music, films and software as well as other copyrighted products. The level of piracy was estimated to be 77% in 2011, which is almost double than the average 42% in the world. (MarketLine, 2014).

2.2 SWOT Analysis

As defined by Hult et al. (2012, p.33-34), SWOT abbreviation comes from words strengths, weaknesses, opportunities and threats. This analysis can be divided into two sections; strengths and weaknesses are the business' internal factors and opportunities and threats are factors that exist or may arise in the external environment. The idea of SWOT analysis is to help a business to assess its own position in the market and prepare for possible changes in the future. It is an effective way to analyze a firm's capabilities as well as potential opportunities and problems in the future. By using SWOT, a company can avoid problems and prepare for any changes occurring in the environment. It is also good tool to seek for new ways to develop the company and can give it a competitive advantage.

Table 1 *SWOT analysis*

| | |
|--|---|
| STRENGTHS 1. Fairly new in the Chinese market, one of a kind in Beijing 2. Easy to use 3. Different, gives the customers new ways to work out 4. Specific target group | WEAKNESSES 1. Not well-known product in Beijing 2. Reachability of customers 3. Price |
| OPPORTUNITIES 1. The product can be modified to fill the needs of Chinese customers 2. Expanding to other cities 3. Fastest growing sport world wide 4. Forerunner position in the Beijing market | THREATS 1. Competition 2. Economic conditions |

2.2.1 Strengths

CrossFit is a fairly unique sport style in Beijing. There is nothing similar in the market at the moment and that gives it an advantage when compared to other gyms in the Beijing. It is easy to use and it's not time specific in a sense that people can do it only once a day. Because of the format, the workout is for the whole body and it can be done alone or in a group. It is easy to do since there are instructors helping and it is different than going to a normal gym - it gives the customers new ways to work out. The product has a quite specific target market which eases marketing, since marketing activities can be more focused.

2.2.2 Weaknesses

Since Dragon CrossFit is a fairly new concept in Beijing, it does not have a lot of consumer feedback or trust. This is a weakness because the concept is not well known and the possible

customers might not be very excited to change from their old gyms to this one. In the future, however, this can be transferred to strength if more customer feedback is received and used for developing the concept further to match the specific needs of Beijing customers. The customer group for this gym is all the sport oriented people in Beijing who go to gyms regularly. The reachability of these customers can be hard, since many of the potential customers might not have heard from this kind of gym before and are uncertain about it. The price can also be seen as a weakness, since people might not be ready to pay for it more than they are willing to pay for their other gym membership.

2.2.3 Opportunities

In the future, Dragon CrossFit can be modified for other cities and customers that have different needs for their exercising. This can increase the number of customers. Because of its position as a forerunner in the CrossFit market in Beijing, it has a competitive edge towards its possible competitors. It has different kind of concept than other gyms in Beijing and that gives it the possibility to enter the market with no exact same product already in the market. CrossFit is also one of the fastest growing sports worldwide, which creates interest on the concept among possible customers and also helps it to make it to the market.

2.2.4 Threats

The biggest threat of Dragon CrossFit is possible competition. At the moment, there is no direct competition in the market, but there might get competitors in the future from other types of specialty gyms. In addition, its competitors are all other gyms in Beijing, even though they do not have similar workout programs. Economic conditions can also cause a threat, since gym memberships are one of the first things that people get rid of when the economy is not stable.

3 Micro-Environmental Analysis

3.1 Location

The company chose Beijing as the city where it will expand its commercial activities. Beijing is the capital city of China, and it is really a big potential market to get big profits.

3.2 Demographic

Beijing is very international with many foreign firms and international schools, so we can attract so many foreigners come to Beijing. According the sixth census, there are 593832 foreign permanent residents in China (excluding the tourists and personages), however, around 200,000 of them live in Beijing. As we know, the CrossFit is very popular in foreign countries. Foreigners are willing to spend time and money to do this kind of exercise. They also have ability to afford them. So it is wise to choose Beijing to start our business.

3.3 Geographic

The Beijing municipal bureau of statistics reported that the population of residents in Beijing is 20,693,000 people at the end of 2012, 507,000 more than the previous year for a growth of 2.5%. However, the Chaoyang District has the largest population, about 3,745,000 people, followed by Haidian District and Fengtai District, respectively with 3,484,000 and 2,214,000. The total population of residents in these three districts accounted for the city's resident population of 45.6%. High population is a basic condition for us to improve the people's awareness of Dragon CrossFit. So we can make full use this information to choose our location.

3.4 Behavioral

Nowadays, with the rapid development of Chinese economy, the whole country becomes stronger than before. We can see Chinese lives have improved from lifestyle, income level,

consumer behavior, and so on.

The per capita GDP in 2011 has increased 4 times than 2001, indicated a continuation in the upward trend in the economic development. Table 1 shows that the disposable income in December 2013 has increased 3 times than January – a year-on-year growth of 10.2%. It means the people's income level is increasing step by step. At the same time the people in here spend more money for fun like entertainment, travel, and luxuries. Though the consumers here are relatively conservative and emphasized intrinsic satisfaction, yet are still open to new product ideas (Ariga et al.1997). In this case, the decision to enter the Beijing market is rational and reasonable.

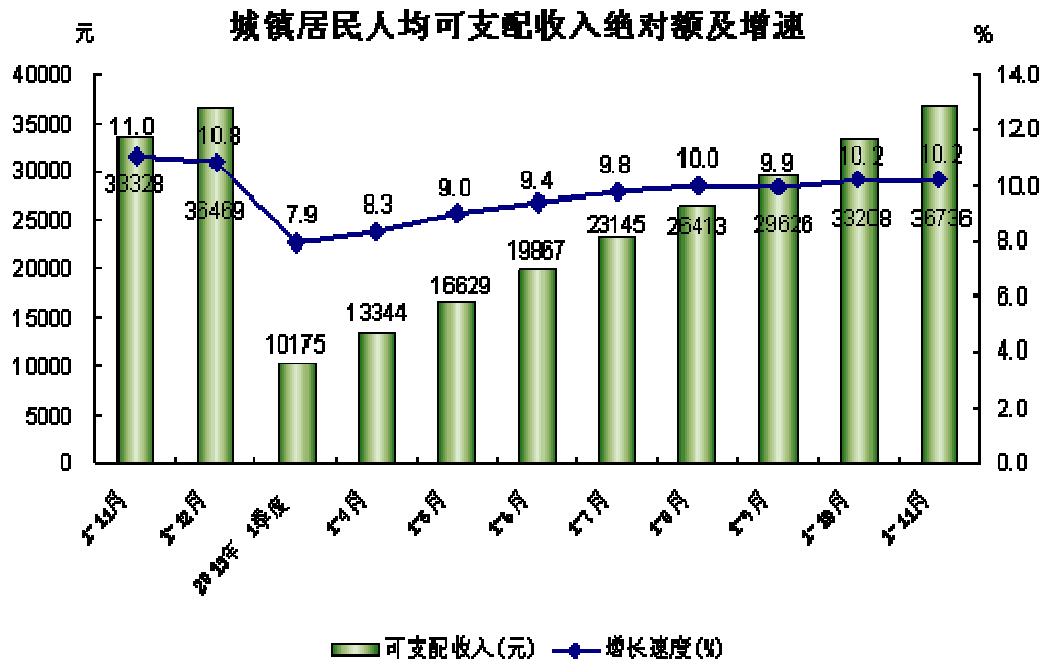


Table 1 source: [www. askci.com](http://www.askci.com)

3.5 Psychographic

Since the Beijing Olympic Games ended the people's awareness of fitness has improved. In the Beijing city, the people's goal is to achieve the National Fitness. A variety of physical exercises

are emerging. The people in here are more focus on the fitness.

Chinese Director Liupeng said in a report that the rural and urban residents' sense of fitness has obviously improved since the 18th party congress. Regular physical exercise in the proportion reached 28.2%, sport fitness become a healthy lifestyle of people more and more.

3.6 Competition

There are some competitions for us to start a Crossfit business in Beijing, such as Commercial Fitness Centers, Community Centers, and City Parks and Squares.

3.6.1 Commercial Fitness Center

There are many commercial fitness centers in Beijing. Firstly, Nirvana fitness was built in 2000. The average age of their workers is 26.56 years old, about 58% of them are college degree or above. This fitness center has received many prizes, and has attracted the managers from the enterprises of the World Top 500. There are 8 locations in Beijing. Their major marketing projects are colorful team projects (dance, fitness courses, aerobics). They also supply the good facilities to the customers, such as swimming pools.

Secondly, Bally Total Fitness company has opened about 400 fitness clubs in America, Canada, and other some countries. The first Bally total fitness club in Beijing was built in 2002. According to the senior background in the China Sport industry and the financial support from America, the chain system of Bally total fitness will also continue to expand rapidly. There are 17 locations in Beijing. Their major marketing projects are training and output the fitness professionals, developing the distribution of the fitness equipment and activities, and investment and management consultation to the fitness club.

Thirdly, Hosa fitness club is another competitive company, it is more mature than other competitors. In 1998 year, Hosa brought the advanced management system and international fitness experience to the mainland of China. In 2009, Hosa became the Asia's largest chain of fitness club. There are 31 locations in Beijing. Their products are Yoga fitness, movement of the water, sale the sport underwear and various fitness courses.



3.6.2 Community Center

In China, there are many community centers in each city like The Youth Palace (青少年宫) and Senior Citizen Activity Center (老年活动中心). Besides, each plot offers the community centers for their residents. They can dance, sing, do exercise, play chess, and any other things in there. It is convenient, but is not professional. Whether we choose there to do the fitness, it is up to our demands at different situations.

According to Implementation of the National fitness program from 2011~2015 in Beijing city(北京市全民健身计划(2011~2015年)), they would like to improve the people's awareness of fitness, so the goals in 2015, they hope they will build sport facilities in 100% of the city's townships and communities.

3.6.3 City Parks and Squares

Because of the Beijing Olympic Games in 2008, the government built many gymnasiums like the Bird's Nest and Water Cube. When the Olympic Games finished, people start to take full use of these gyms. Some of them are used to be a commercial place, and some are changed into a fitness center for all of the citizens. Meanwhile, Beijing also wants to increase the number of the city parks and squares.

According to the Implementation of the National fitness program in Beijing city, the government's goals in 2015 are:

- a.12,000 gyms in the city, 2.1 square meter/person
- b.60% of the town ships owns fitness club
- c.50% of the city parks built fitness facilities
- d.5500 teenager sport clubs

Above all, Our CrossFit needs to face many competitors, so we should know what specific features are, then attract more people.

4 Entry

4.1 Location

The entry location for Dragon CrossFit is in China's capital city of Beijing, a city of over 21,150,000 people. In particular, Dragon CrossFit will establish its gym in Beijing's Central Business District. The facility will be set-up on 2 Jianguomen Outer Street, Chaoyang, Beijing, China. This specific location has advantages to the product for a multitude of reasons. First, it is a highly populous district with over 3,500,000 people living there. Also, the people that live in the CBD are a perfect fit for the product's target market: young professionals and foreigners. The CBD is where many wealthy young professionals work, which gives them an easy route to our gym. Many workers will be able to conveniently head to Dragon CrossFit before or after their daily work commute. In addition, the majority of Beijing's foreign embassies are in the CBD. As a result, many expats will find it easy to attend Dragon CrossFit.



4.2 Mode

Dragon CrossFit will utilize a foreign direct investment mode of entry. This mode of entry allows for complete control over the gym's operations and profits. Local help or a partnership is not necessary for our product. Fitness is considered universal. The same ideologies and science regarding exercise and personal well-being are homogenous across all cultures and races. Since our target market consists primarily of expats, knowledge of local customs is not too pertinent. Over time, our company will learn of local subtleties in the Chinese market and use this knowledge to capture local customers.

5 Target Market

The target market for Dragon CrossFit consists of 20-30 year old foreign students and young professionals. 20-30 year olds are often bachelors or bachelorettes, and are thus concerned with keeping a prestige physical appearance: something that our gym offers. In addition, this age group is able to cope with the high physical demands that our product offers. Capturing these customers while they are young will grant the chance to attain lifelong customers for our product. Over 60% of the population in Beijing is under 54 years of age, so our target age is a large portion of the overall market.

Next, students and young professionals have the money to pay for our premium service. A student discount will make the price more manageable for students, and young professionals often don't have to spend extra income on a spouse or a family. Over 180,000 expats live in Beijing, which fits in well with our focus on attaining foreign customers. Foreigners are often wealthier, more familiar with conventional gym environments and CrossFit, and will be receptive to a western gym in the area. As we capture this base of foreign customers, we will slowly move toward capturing local customers as well.

6 Positioning, Objectives and Goals

6.1 Positioning

The primary competitive advantage of our product is differentiation. In other words, we offer products, services, and a community that our competitors simply cannot offer. As stated previously, the CrossFit exercise regimen is a superior workout. Constantly varied, high intensity, functional movement has been proven to increase power output. Varying classes each week ensures that competitors will not be able to easily replicate our product.

Dragon CrossFit offers a high degree of customer service and engagement through our experience trainers. Every class is led by an experienced and receptive trainer. Trainers are encouraged to answer questions about exercises, diets, and lifestyles in an effort to improve the customer's well-being. Both Chinese speaking and English speaking trainers will be utilized to ensure universal communication.

Lastly, the CrossFit community is something that only CrossFit offers. It is not only a workout regimen, but a lifestyle choice as well. When one overcomes obstacles with a group, they inherently grow close with that group. As a result, many CrossFit customers engage with each other both inside and outside the gym. Establishing a community ensures a strong personal tie to the Dragon CrossFit brand, and promotes lifelong friendships and customers. In addition, the communal focus fits in perfectly with the collectivist mindset of local Chinese citizens.

6.2 Marketing Objectives and Goals

Dragon CrossFit aims to have a 100% increase in membership from year one to year two to a total of 220 customers. In addition, we want to establish 60% brand awareness among gym users in Beijing over the first two years. In the first five years of the company, we plan to capture 5%

of the total Beijing fitness market. With our superior product, good location, and marketing prowess, we believe these goals to be perfectly reasonable and attainable.

8 Marketing Mix

8.1 The 4Ps

The marketing mix and the 4Ps of marketing are often used as synonyms for each other. In fact, they are not necessarily the same thing. "Marketing mix" is a general phrase used to describe the different kinds of choices organizations have to make in the whole process of bringing a product or service to market. The 4Ps is one way

– probably the best-known way – of defining the marketing mix, and was first expressed in 1960 by E J McCarthy.



In order to successfully position a product or service, a company should use the 4Ps and with that define the

marketing elements. The model of the 4Ps is the most well-known model and it can be seen as the best on the market. It helps to define the marketing options in terms of product, place, price and promotion. The model can be used to plan a new venture, or to evaluate an existing offer.

8.2 Product

CrossFit can be described as performing “functional movements that are constantly varied at high intensity.” CrossFit is a core strength and conditioning program. The CrossFit programme that the company has is designed for people from every age and also for every physical condition. The philosophy behind the CrossFit programme is an all-inclusive lifestyle change.

The focus of the programme is to power development, cross training with multiple training modalities, constant training and practice with functional movements, and the development of successful diet strategies. The programme varies every time, which makes it more interesting and challenging. CrossFit is about helping each other out and stimulate each other. The Chinese collectivism and the strong mentality fit this style of training. Customers will not stand-alone but they will go through the exercise together to be fit and in shape.

8.2.1 Memberships

There are four different memberships from where the customers can choose the one that fits their schedule the best. The company offers the following memberships:

- Gold member: (Unlimited classes and open gym)
- Silver membership: (4 classes a week)
- Bronze membership (2 classes a week)
- Student membership (2 classes a week)

8.3 Place

The most important part about the place is to have it located conveniently in an area where the potential customers either work or live, preferably both. Also, there should not be too much competition around the area. In other words, the place need to be accessible for the customers.

The target city is Beijing. This city has the second largest population of China and is as well the capital of the country. According to the most recent official census, in 2010, there were about 92,000 foreign residents living in Beijing. Other sources, however, estimate the number of foreigners in Beijing at closer to 180,000 in 2011/2012.

8.3.1 Public Transportation

When looking at the possible place of the gym, public transportation is very important. Easy access to the gym gives more people the possibility to become a member and therefore the location is crucial. Because Beijing is a large city, necessity has forced it to develop fast and efficient forms of public transportation. With the 2008 Olympic Games, the subway system was extensively improved and extended. There are three main forms of public transportation: subways, buses and taxis.

The Beijing subway has been extended over recent years and it is planned to be the largest in the world. The subway system is inexpensive (2 RMB single journey ticket) option for getting around. It is fast and convenient with English signage and announcements and most stations have self-serve ticketing machines. There are thousands of buses operating in Beijing with hundreds of routes, so getting almost anywhere within the city limits, as well as reaching suburban areas is possible.

8.3.2 Foreigners in Beijing

Foreigners are a big part of the company's target group and they are known as people who often care about their health and how fit they are. At the moment, there are around 180,000 expats living in Beijing and they are considered as the first target market.

8.3.3 Specific Location

The location for the CrossFit gym is in the LG towers in the central business district in Beijing. A lot of young professionals are living in this area. This means that the gym is located in the heart of the target group. The facility is 240 square meters which is the needed space for this kind of gym.

8.4 Price

The customers will get the whole CrossFit experience and that differs from other normal fitness facilities, which is described in the “product” part of this plan. The price is a bit more than normal fitness companies because of the concept; CrossFit gyms have a lot of personal trainers and classes that are included in the price.

The price is based on the price of the CrossFit company in Shanghai. CrossFit courses are more expensive than other gyms; they cost more than the average gym membership. In Shanghai the cheapest option is the unlimited semi-private class, ranging from one month at 1188rmb to six months at 5346rmb.

As explained before in the “product” part, the company offers different memberships with different prices. The prices are a monthly rate. These prices are lower than the ones of the Shanghai gym, because the prices for rent in Shanghai are around 4,76% lower than in Beijing. The prices for monthly average fitness club are 4,53% lower and the salaries are 14,84% lower.

The company charges the following amount in Hong Kong dollars a month:

- Gold member: 8,000 HKD (Unlimited classes and open gym)
- Silver membership: 6,000 HKD (4 classes a week)
- Bronze membership 4,500 HKD (2 classes a week)
- Student membership 3,500 HKD (2 classes a week)

8.4.1 More Expensive

CrossFit membership is more expensive than a normal gym. The customers pay, however, for focused and personalised training, which means that the trainers are focused and attentive in the

progress. Having a membership in a CrossFit gym means that the customer gets the training to move correctly and safely, get support and guidance. In addition, the membership not only gives an access to a gym but also offers a community for the athletes.

Compared to the other gym programs, the personal training is of exceptional value. The coaches are highly trained, passionate and dedicated professionals, holding national certifications in Fitness, Cross Fit, Endurance, Gymnastics and weightlifting to name a few. It all comes down to this - 'you get what you pay for'.

8.5 Promotion

Because a huge number of the target group are young professionals and as well white-collar workers the company can promote on universities and at companies. This means that the company can offer special student promotions, for example a trial membership so they can follow free classes for a month. Also, the company can offer other companies office deals because if the workers stay healthy it will be good for their mind-set and this also helps to loose stress.

8.5.1 Pull-up/sit-up Challenge

To attract the target-group on the streets, there will be different types of challenges, such as pull-up challenges for men and sit-up challenges for women. These will be organized around the city in order strengthen the brand awareness and get customers.

8.5.2 Success in Advertising

The two major characteristics of success in advertising in China are innovativeness and the use of aggressive advertising (Blasberg and Vishwanath, 2003). In addition, Batra et al. (1995) found

that product characteristics, brands, and advertising copy influence advertising effectiveness in terms of advertising awareness, brand awareness, or purchase intention. The company wants to avoid the traditional way of advertising. The advertising will be done mainly through social media. In addition the different challenges (as explained in 8.4.1 Pull-up/sit-up Challenge), advertising will be done on WeChat and Weibo.

8.5.3 Own Clothing

The Dragon CrossFit gym will have its own clothing line. This will help people to recognize the logo and gain brand awareness, which will also help the people to know the concept and company.



8.5.4 Celebrity Endorsement

In order to make the brand more recognised, the company wants people to connect the Dragon CrossFit name with a celebrity who is well-known in China. This celebrity is the former professional basketball star Yao Ming, 33. He is one of the most successful athletes in China. He has played basketball in the US. In 2002, he joined the Houston Rockets, where he played until the end of his career in 2011. In 2009, he bought his hometown club, the Shanghai Sharks, to save the team from bankruptcy. Currently, he is the team's manager and plays an increasingly important role in Chinese public life.

9 Financial Analysis

In this section explains the financial situation. The costs and revenues are examined as well as what is needed to break even. In the end of this section there will be a clear summary that shows both profits and losses.

9.1 Costs

| | | |
|-----------------|---------------------|----------|
| License fee | HK\$23,268.00 | Per year |
| Rent | HK\$1,411,610.00 | Per year |
| Salary | HK\$341,269.00 | Per year |
| Variable costs | HK\$120,000 | Per year |
| Promotion costs | HK\$500,000 | Per year |
| Material Costs | <u>HK\$25,000</u> + | Per year |
| Total costs: | HK\$2,421,147 | Per year |

9.2 Break-even

For a company it is very important to break even financially. Everything that is below the break-even point means that the company will lose money. This is why it is important to know what kind of turnover is needed to break even. In the table below that the company needs at least 35 members to break even.

| | |
|------------------------------------|----------------|
| Fixed costs | HK\$191,762.25 |
| Average membership price | HK\$5,500 |
| 35 members per month to break even | |

9.3 Revenues

| | |
|-------------------------------|--------------------|
| HK\$8,000: 35 Gold members | HK\$280,000 |
| HK\$6,000: 10 Silver members | HK\$60,000 |
| HK\$4,500: 40 Bronze members | HK\$180,000 |
| HK\$3,500: 25 Student members | <u>HK\$87,500+</u> |
| Total revenues per month: | HK\$607,500 |

9.4 Summary

| | |
|------------------------|----------------------|
| Cost per 12months: | HK\$2,421,147 |
| Revenues per 12months: | HK\$7,290,000 |
| Profit per year | HK\$4,868,853 |

10 Implementation

1st and 2nd Month

There are a couple of things that need to be accomplished in the first to month of the process. The most important thing is to find the correct accommodation for the gym. Once the place for the gym is found, the company needs buy the equipment for the gym, such as dumbbells etc. At this point the recruiting for the trainers will be done. It is very important for the trainers to be highly motivated to take the job.

As soon as the place is found and the 4 trainers are hired, the promotion period will start by handing out pamphlets and visiting universities in Beijing together with the new trainers. This whole process will take place in the first two months; however, the promotion will continue to take place throughout the entire process.

3th and the 4th month

After the first two months the exercise schedules will be done. Together with the trainers the company has to find the perfect schedule so that the members can get the most out of it. After this the doors will be opened. During this period the company will also start with a big social media campaign. Since Facebook does not work in Beijing, it is important to find other ways to make people aware of the existence of Dragon CrossFit. This is further discussed in part 8.4 Promotion.

5th and the 6th month

Depending on how the first 4 months are going, the company will decide on what to do more about the promotion. If the results are not as good as the company wants them to be, other methods of marketing will be used, such as celebrity endorser that will help the company to get better brand awareness. In this period the company will also start selling its own clothing line so that the members of the gym can identify themselves with the gym. Furthermore, the universities will be re-visited as well as new challenges will be held to get people excited about the gym. This implementation timetable is the most logical for capturing customers for Dragon CrossFit.

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