Iron Fed Fitness: If We Build It, Will They Come?

Rhonda Richards
Southeastern Oklahoma State University

Kendra Ingram
Southeastern Oklahoma State University

Courtney Kernek
Southeastern Oklahoma State University

This decision-based case was derived from personal interviews with the owners and operators of Iron Fed Fitness, Jason and Stephanie. After opening their own fitness center, and realizing the niche they have for the business, their classes begin to fill and customers begin to demand more options. The entrepreneurs are faced with the decision to maintain, grow their current location, or move, while considering their future and the impact the growth, or lack of growth, would have on their family and careers.

Keywords: entrepreneurship, family business, maintenance, growth strategy, fitness industry, strategic management, marketing

INTRODUCTION

Jason and Stephanie waved goodbye to Carol and headed back into their home to get ready for work. Carol just finished her 6:00 a.m. workout and is one of Jason and Stephanie's 60 clients. She had just shared with them how much she enjoyed and appreciated their workouts. Carol had started their workouts with much hesitancy. She had not exercised in years, was 30 pounds overweight and was overwhelmed by joining a gym or hiring a personal trainer. But Stephanie assured her that they would modify the workouts until she was able to complete them without injury. After just six months, Carol was completing the workouts, increasing resistance and repetitions and had experienced weight loss of 25 pounds and 14 inches. Carol's story was familiar to Jason and Stephanie. Their clients range from ages 14-64 and have backgrounds as college athletes, stay at home moms, working moms, single college students and a variety of other backgrounds. Some of their clients have worked out for years and are competitive and others just simply want to maintain or improve their health and/or weight goals and have not exercised in years.

> *"I love IronFed Fitness! The workouts are fun and everyone is so encouraging and helpful! Stephanie and Jason are wonderful coaches! From day one of meeting them, you almost feel like you have been friends with them for years. I love the atmosphere and how it's not competitive. I would highly recommend this place!"*

"Stephanie and Jason are great teachers and really make everyone feel welcome! The workouts are super fun and the meal plan is easy to follow. After my first 6 weeks of Bootcamp, I feel amazing! I have more energy throughout the day and I feel way more confident. 😊 In 6 weeks, I lost 6 pounds and 2 inches around my chest, 2 inches around my waist, 3 inches around my hips, and gained nearly an inch (of muscle) in my quads! I am so thankful for IronFed Fitness!"

"Sore is the new sexy, I hear! These cats are great, and super motivating! If you have fitness goals, from novice to athlete, Iron Fed Fitness is the place you NEED to be!"

"Let me preface by saying I was a college athlete. I worked out. I knew how to lift going into this but boy, I sure needed to know more. Stephanie and Jason are a dynamic duo that bring humor, intensity, and passion all in a knowledgeable burpee wrapped package. I've been going here since boot camp number one; I wouldn't change it. The atmosphere is relaxing yet still pushes you to strive for greatness. Worried about not fitting in and not succeeding? Don't. This is a group of men and women that have become an IFF family and all we want is to watch EVERYONE reach their goals. I love the gym, I love the people, and I love the workouts (but never on Mondays). Hope to see you there!"

"I am on week 3 of IFFBC and enjoying it so much! I have tried various other gyms and boot camps, including a boot camp in Dallas. (At the time they were training DC cheerleaders, it was really hard) This is by far my favorite of any that I have done. I love that the emphasis is not strictly on lifting heavy weight and the workouts are always varied and fun. Stephanie and Jason are there making sure you get a good workout and that you don't hurt yourself because they constantly check everyone's form. This is a place where it is about making yourself better regardless of where your personal fitness level is. If you are on the fence about doing it, just go check it out! You cannot help but like this gym, they are so friendly and professional!"

After teaching a 5:00 a.m. and a 6:00 a.m. cross fit class in their backyard workout facility, Jason and Stephanie were rushed to get their kids ready for school, out the door and then follow closely behind to head to work. As Jason was driving out the driveway he smiled as he remembered the time they had spent that morning with their clients. Jason dreamed of spending all day every day helping his clients achieve their fitness and health goals. He was excited that their classes were filling up but concerned about how to move forward with his dream.

Stephanie taught the 8:30 a.m. class after getting the kids off to school and then headed to her part-time job. Stephanie could teach a class alone with up to 12 clients in attendance. After a long day at work, Stephanie would return home to teach a 4:15 p.m. class and Jason joined her to teach a 5:30 p.m. cross fit class. After their clients left for the day, they would get in their own workouts before heading in the house to help with homework, fix dinner and get their children to bed. After the kids were in bed, Stephanie sat down and opened Facebook to look at posts and read about her clients' success and Jason would begin designing workouts based on feedback and new knowledge he is gained through continued research. Jason also wrote out meal plans for the upcoming week and then the two together worked on new workouts for next week so that their clients would maintain interest in their programs, have fun and continue to see success.

Background

Jason and Stephanie met in college and both had a dream to own and operate their own fitness center. Jason was a very successful college basketball player and wanted others to experience the pleasure he received from working out and feeling good about fitness. Stephanie loves to work out and after having three children realized that there was a need for other parents to find time and facilities to work out and be successful.

Jason was well on his way to a successful career as a high school basketball coach and Stephanie was working part-time as an administrator in healthcare. While they both loved their jobs, they had a passion for their shared dream of owning and operating a fitness center. They had converted their shop that they purchased with their home into a workout center. They added a workout rig, bought several pieces of equipment, poured a concrete slab in the front and opened for business. They conducted their classes by offering modified cross fit and nutritional training to small group, six-week boot camps. Pictures of current facilities are in figures 1,2 and 3.

FIGURE 1
CURRENT FACILITY EXTERIOR

FIGURE 2
CURRENT FACILITY INTERIOR

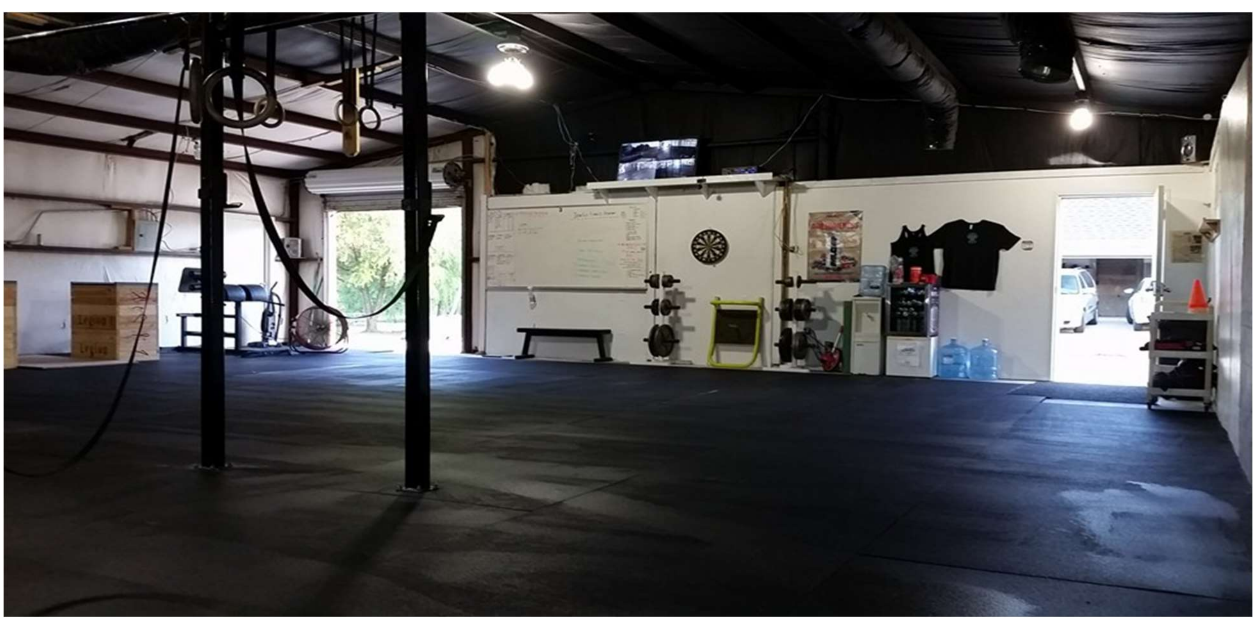


FIGURE 3
CURRENT FACILITY INTERIOR

Jason and Stephanie believed that they had the knowledge to expand their business and see their dream continue to grow and impact even more people. The cross fit classes were held in their rural location, approximately ten miles outside the largest community of 18,000 people and a university with approximately 4,000 students. The university did not have a large recreation center. They conducted the boot camps on a large property with space available to grow and expand the business.

Iron Fed Fitness operated as a sole proprietorship and as a limited liability company. In their first year of business they showed a net loss, but mostly due to the depreciation of new equipment. They were using part of their home for the office and were careful to keep their spending to a minimum in that first year. The couple had no debt related to the business other than the allocation of their home purchase for the home office and the shop. The first year net income/loss statement is shown below in figure 4 with notations made by Jason and Stephanie for planning and explanation purposes for their accountant in figure 6. The depreciation schedule is shown in Figure 5.

FIGURE 4
2016 FINANCIAL INFORMATION FROM TAX RETURN

Iron Fed Fitness, LLC Income Statement For year ended December 31, 2016		
Income		
	Revenue	10,464.00
Expenses		
	Automobile	5,756.00
	Water Cooler	99.00
	Spotify	50.00
	Repairs	1,690.00
	Porta Potty	870.00
	Supplies	8,587.00
	Home Office	8,760.94
	Marketing - Signs	200.00
	T-Shirts	204.00
	Cleaning	725.00
	File Cabinet	100.00
	T-shirts	600.00
	Internet	730.00
	Computer	200.00
	Depreciation	4,790.72
	Total Expenses	33,362.66
Net Income		(22,898.66)

FIGURE 5
2016 DEPRECIATION SCHEDULE

Fitness Fanatics Balance Sheet Saturday, December 31, 2016								
				Depreciation Calculation		2016-2020	2021-2035	
Assets				Years	%	Years 1-5	Year 6-15	Year 16-39
	Rig	4,000.00		5	100%	800.00		
	Flooring	2,400.00		5	100%	480.00		
	Jerk Blocks	450.00		5	100%	90.00		
	GHD Machine	450.00		5	100%	90.00		
	2 Rowers	1,600.00		5	100%	320.00		
	Concrete Slab	1,525.00		15	100%	101.67	101.67	
	Mens bars - 3	765.00		5	100%	153.00		
	Land	10,000.00		n/a	100%	n/a		
	Womens bars - 2	430.00		5	100%	86.00		
	Building	78,750.00	45% of $175,000	39	45.5%	918.75	918.75	2,041.67
	500 lb bumper set	775.00		5	100%	155.00		
	Mower	4,799.00		5	50%	479.90		
	500 lb bumper set	750.00		5	100%	150.00		
	3 file cabinets	492.00		5	100%	98.40		
	Wooded gym ring	440.00		5	100%	88.00		
	ipad	450.00		5	100%	90.00		
	White Board	350.00		5	100%	70.00		
	Stereo System	350.00		5	100%	70.00		
	Iron Plates	500.00		5	100%	100.00		
	Security System	400.00		5	100%	80.00		
	Fridge	400.00		5	100%	80.00		
	Tools	1,000.00		5	100%	200.00		
	Basketball Goal	450.00		5	100%	90.00		
Total Assets		111,526.00		Total Depreciation		4,790.72	1,020.42	2,041.67

Classes were starting to fill and there was a demand for more options from their clientele, such as new class times and one-on-one training. They had also filled the 5:00 a.m. and 5:30 p.m. classes and had wait lists for those times.

More than a year had passed and they were ready to study their options. With land to grow, they had to decide to maintain their current clientele and employment situations, expand on the current location and possibly change their employment structure, or move the gym to a more populated area in the largest community nearby.

Jason and Stephanie did not charge a membership, but instead they charged their clients for every six-week boot camp. They took four weeks off each year, in one week increments, for vacation and holidays. They charged different fees for college students and educators. A regular boot camp was $150 for six weeks while a college student paid $100 and an educator paid $120. Jason also offered a 10% discount for customers who paid in cash.

For every option available to them, Jason and Stephanie felt that they had the opportunity for 10% growth each year due to the growing population of the local community, as well as word of mouth from their clients. The community, where they drew most of their clients from, was in a period of growth. Durant is home to Choctaw Nation, Alliance Health, SOSU, Big Lots, Cardinal Glass and a new Steel Factory promising growth to community of Durant.

Jason and Stephanie differentiated themselves from the competition by providing modified, personal cross fit training as well as nutritional information, meal plans and support. Choctaw Nation had just opened a new state-of-the-art facility, free to members and employees. However, they did not provide the same one-on-one training. There was another workout facility in Durant that was similar but focused on athletes and competitive cross fit.

Option #1

Jason and Stephanie enjoyed their small client base and watching the success of their new friends while they learned about fitness and nutrition. They could maximize the current offerings of 5:00 a.m., 6:00 a.m., 8:30 a.m., 4:15 p.m. and 5:30 p.m. by filling up those classes with a maximum of 24 clients per class in their current 1,600 square foot building. The projections for each class are below in figure 6.

FIGURE 6
CURRENT CLIENTS

Classes	5:00 am	6:00 am	8:30 am	4:15 pm	5:30 pm	Per person	Revenue per six weeks
College	2	2	0	2	2	$100	$800
Educator	6	0	0	6	2	$120	$1,680
Regular	16	12	10	0	20	$150	$8,700
Total	24	14	10	8	24		$11,180

Jason expected an annual growth of 10% for each boot camp, but also recognized the 24-person limit for each group, based on the size of the building. Jason estimated the following cost projections for the future, if they stayed in their current building and maximized the space there. For simplicity, he expected $6,000 for automobile, $100 for water cooler and $200 per boot camp for marketing expenses. Other expenses were adjusted as indicated below in figure 7.

FIGURE 7
SUGGESTED EXPENSES

Expenses			
	Automobile	5,756.00	12,000 miles annually
	Water Cooler	99.00	Annual lease
	Spotify	50.00	Annual subscription
	Repairs	1,690.00	Varies with size of building/$1 per square foot annually
	Porta Potty	870.00	Annual rental
	Supplies	8,587.00	Estimated $20 per person, per bootcamp
	Home Office & Workout Facility	8,760.94	45% of home expenses**
	Marketing - Signs	200.00	Marketing***
	T-Shirts	204.00	Marketing***
	Cleaning	725.00	Varies with size of building/$0.50 per square foot annually
	File Cabinet	100.00	One time purchase
	T-shirts	600.00	Marketing***
	Internet	730.00	$60 monthly
	Computer Supplies	200.00	Annual expense
	Depreciation	4,790.72	Schedule Attached
**	Estimated annually		
***	Marketing - $200 per bootcamp or $1,600 annually		

For the home office expenses, Jason estimated those in the chart below in figure 8, throughout the five-year projection. Included in this number is mortgage payments, utilities, insurance, property taxes and other expenses related to maintaining the home.

FIGURE 8
FIVE YEAR PROJECTION FOR HOME OFFICE EXPENSES

****	Home Office Deduction	2016	2017	2018	2019	2020	2021
	Mortgage Interest	8,035.00	7500	7000	6500	6000	5500
	Property Taxes	1,479.00	1500	1600	1700	1800	1900
	Insurance	1,896.00	1950	2000	2050	2100	2150
	Utilities	6,936.00	7200	7400	7600	7800	8000
	Other	930.00	1000	1025	1050	1075	1100
	Total	19,276.00	19,150.00	19,025.00	18,900.00	18,775.00	18,650.00
	% use of property	45.45%	45.45%	45.45%	45.45%	45.45%	45.45%
	Deduction	8,760.94	8,703.68	8,646.86	8,590.05	8,533.24	8,476.43

Option #2

The second option was to build a larger facility at the current location and maintain the existing facility. With the additional responsibility, Stephanie would need to quit her current job as an administrator and focus on running the business and boot camps while Jason was at work. Stephanie worked 30 hours each week as an administrator and earned $35,000 annually.

If they built a new building on their property, the advantages were that they could design the building and remain close to home. Also, with a new building, they could provide locker rooms for clients, as well as an office and refreshment center, and continue to use the existing facility for workout space. Jason and Stephanie talked to builders and estimated that they could build a new 5,000 square foot building, equipped with locker rooms and an office, for $100,000. The insurance estimate was $2,400 per year and property tax was estimated at $800 per year. In addition, Jason estimated that he would need $30,000 to equip the building with infrastructure, weights and other cross fit supplies.

The building would have an additional capacity of 72 clients for a total of 96 clients in each class. However, if a class is larger than 40, Jason and Stephanie would need to hire an additional coach for every additional 20 clients and pay $20 per class. And as before, Stephanie would need an additional coach for the classes at 8:30 a.m. and 4:15 p.m. The estimates for the first year are located in figure 9.

FIGURE 9
OPTION #2 CLIENT PROJECTIONS

Classes	5:00 am	6:00 am	8:30 am	4:15 pm	5:30 pm	Per person	Revenue per six weeks
College	6	4	0	4	8	$100	$2,200
Educator	12	0	0	12	8	$120	$3,840
Regular	42	24	20	0	44	$150	$19,500
Total	60	24	20	16	60		$25,540

Jason and Stephanie would maintain their home office and current building deductions and would project additional costs based on square footage and number of clients as indicated in the estimated expenses. Additional expenses would be related to the new building. Jason estimated that utilities would double.

Jason estimated that with the new building mileage, Spotify, internet and computer supplies would be the same. The water cooler would triple in cost and the porta-potty would not be needed. Repairs and maintenance and janitorial would vary with the square footage. Supplies would vary based on the number of clients at $20 per client per boot camp and marketing would be set at $200 per boot camp.

Option #3

The other option Jason and Stephanie were considering was to purchase and remodel commercial property or rent a commercial building in a great location. With this growth, Stephanie would need to quit her current job and focus on running the business and boot camps while Jason is at work. Stephanie currently works 30 hours each week as an administrator and earns $35,000 annually.

With the purchase of a commercial building, renovations would be necessary to equip the building for cross fit. At the time, there was a 6,400 square foot building for sale near the university that would have required minimal renovation. Jason had talked with the current owner and also with a contractor and believed he could purchase the building and fully renovate it for a turn-key price of $1,500,000. This included 5 acres of prime real estate that he could later sell or develop. Real estate nearby recently sold for $400,000 for ½ acre.

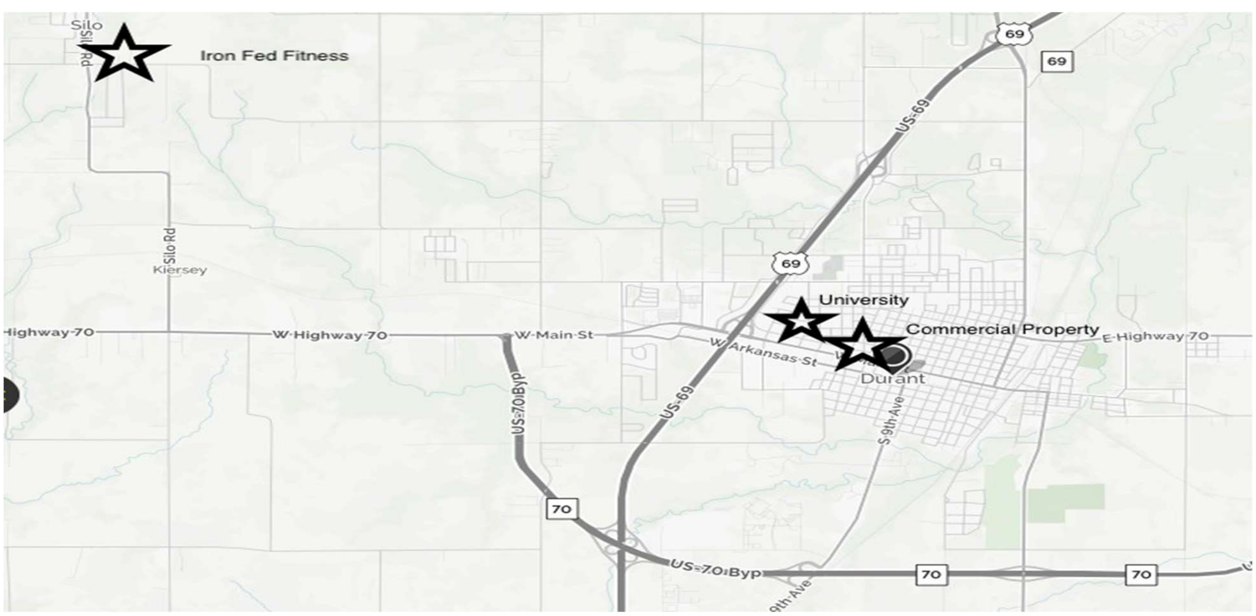
He could also lease the building without the land for $2,500 monthly. He contacted utility companies and the local tax assessor and received estimates for his budget. Estimated property taxes were $3,000 per year, estimated utilities were $1,000 per month and estimated insurance was $2,400 per year. In addition, Jason estimated that he would need $30,000 to equip the building with infrastructure, weights and other cross fit supplies. The new building can be seen in figure 10 and location in relation to the current facility as well as the university in figure 11.

Jason and Stephanie would maintain their home office and current building deductions and would project additional costs based on square footage and number of clients as indicated in the estimated expenses. Additional expenses would be related to the new building.

Jason estimated that with the new building, mileage, Spotify, and computer supplies would be the same. The water cooler would triple in cost and the porta potty would not be needed. Repairs and maintenance and janitorial would vary with the square footage. Supplies would vary based on the number of clients and marketing would be set at $200 per boot camp. He also estimated that internet would double due to the new location. Jason and Stephanie also discussed the current location and home office. They realize that with moving to a new location, they would not use these facilities, except maybe for storage or special events. Their accountant explained to them that this was a “sunk cost”, so they decided to leave it in the option #3 consideration since they must pay for it regardless of whether they moved the business or not.

FIGURE 10
POTENTIAL COMMERCIAL PROPERTY

FIGURE 11
LOCATION OF FACILITIES AND UNIVERSITY



Due to the building's convenient location near the university, and additional services such as a locker room, refreshment center, and open gym, the projections for class sizes would increase. A 6,400 square foot building has a capacity of 84 in each class. Jason and Stephanie felt that a good estimate of class sizes to start out was represented in the table below in figure 12.

FIGURE 12
OPTION #3 CLIENT PROJECTIONS

Classes	5:00 am	6:00 am	8:30 am	4:15 pm	5:30 pm	Per person	Revenue per six weeks
College	4	12	12	8	8	$100	$4,400
Educator	12	0	0	12	8	$120	$3,840
Regular	32	36	24	28	44	$150	$24,600
Total	60	48	36	48	60		$32,840

Jason and Stephanie were very excited about the future. They launched a new campaign for an upcoming boot camp and were excited to see what the future held for them and their family. While Jason and Stephanie were very good at fitness and nutrition training, they understood that business decisions involve many variables that they may have not even considered. They also realized there are potential opportunity costs and sunk costs to every decision they make. And, in addition, they had very little understanding of the tax implications of a business venture. With all the uncertainty, they put their dreams on hold until they could get a solid understanding of the costs and risks involved in making changes.

INSTRUCTOR'S MANUAL

Case Overview

Current Situation

Jason and Stephanie started offering boot camps two times a day, four days a week and now just over two years later they are at capacity in those two class times. Workouts happen in Jason and Stephanie's backyard and in their modified shed. Over the last two years they have added equipment and upgraded the facilities to easily accommodate 15 students per class. They have added class times, but the most popular times are at capacity at around 25 students.

Iron Fed Fitness has a niche in personalized training for workouts, nutrition and motivation. The students have a great relationship with Jason and Stephanie and often tell them how much they love their classes. However, as the classes fill up and the room gets more crowded, Jason and Stephanie are noticing that people are not returning for the next six-week boot camp. They realize that the space and facility issue is a definite problem, but are concerned with the expenses of growing. In a previous meeting with their CPA they projected net income based on growth and the financial numbers look good. However, they were cautioned that they needed to study the market before they moved forward with an investment.

Jason and Stephanie's desire is to be self-sustaining in their business so that neither of them must work outside Iron Fed Fitness. They enjoy working next to their home and use the arrangement to integrate their family into the business. Their home and the business are approximately 10 miles outside the largest town and they realize the remoteness may also be a hindrance to their business plan.

Marketing and Competition

Currently, the Iron Fed Fitness marketing plan consists of videos and posts on social media and campaigns for each boot camp also advertised in social media. They believe their best advertisement is word of mouth and work hard to maintain their stellar reputation.

While there are competitors in town, there is nothing catering to young, married women and offering the nutrition and motivational support that Jason and Stephanie provide. They also have plans to host basketball skills training for youth and after school nutritional and exercise classes for young children. And with a regional university just 12 miles down the road, they feel that the market might be available to offer classes designed for college students in the evenings.

Dilemma

Faced with the decision to maintain, grow where they are or move, they must consider future and the impact the growth or lack of growth would have on their family and careers. They have lots of ideas for use of the idle time and space, but again are concerned about the market and the demand for their new business model.

Courses and Levels for Which Case Is Intended

This case may be used in courses that focus on strategic management and marketing. It is suitable for an advanced undergraduate or graduate level course.

Research Methods

Primary and secondary data sources were used to develop the case. The in-depth interviews with the owner of the business were the main source of information.

Learning Outcomes

In completing this assignment, students should be able to:

1. Identify key stakeholders.
2. Recognize the relationships and interdependencies that exist between the internal and external environments.
3. Identify internal and external factors that can help a company successfully determine which growth opportunities to choose and strategies to implement.
4. Highlights the difficulties organizations face when choosing among growth opportunities due to their complexity and strategic fit for the organization.

Relevant Readings

Jill Avery and Sunil Gupta, *Brand Positioning*, Core Curriculum Reading in Marketing, HBP No. 8197 (Boston: Harvard Business School Publishing).

Robert J. Dolan, *Product Policy*, Core Curriculum Reading in Marketing, HBP No. 8208 (Boston: Harvard Business School Publishing).

Discussion Questions

1. Assess the factors of Iron Fed Fitness's success and its present challenges by conducting a SWOT analysis.
2. Evaluate the possible strategies Iron Fed Fitness could use going forward?
3. Should Iron Fed Fitness expand their current location, or relocate to a new location. If they relocate should they rent or build? Why?
4. Evaluate your decision to expand or relocate, specifically looking at the decision's potential sales and profit impact to Iron Fed and the strategic risks.

Discussion Question Answers

1. **Conduct a SWOT analysis of Iron Fed Fitness that includes Porter's Five Forces**

Strengths

Financial status. The owners of Iron Fed Fitness have very little debt associated with their business. The facility is a modified shed and they slowly added equipment as they could afford it.

Business location. The business is located on the same property as their home. For the owner's, the location of the business is ideal because it allows them to be at home with their children and to do other household related activities between fitness classes.

Walk-ins. Iron Fed Fitness allows anyone to come and try their class for free, which gives customers the opportunity to know whether they will like the class prior to joining.

Niche for personalized training. Jason and Stephanie have a niche for building and personalizing their workouts, nutrition, and motivation for their clientele, which has allowed them to form good relationships with their students.

Charismatic Personalities. The owners attribute part of their success to their ability to work together as a team and to display a very charismatic style and flow when working together to lead their classes.

Family support. With this husband and wife team, they are able to work closely together to raise their family, while maintaining the consistency and professionalism of their business.

Workforce. The duo run the business fully on their own, so they are not paying wages to any external employees.

Classes. Iron Fed Fitness offers multiple workout classes, and their popular workout times are currently at full capacity with around 25 students.

Differentiation strategy. The Iron Fed programming is jokingly described as, "If Cross-Fit and HITT got married and had a baby." Not only do they offer a different approach to their classes, but they also change them up every six weeks to ensure customers are getting something new and different.

Doing things the right way. Iron Fed classes are focused on doing workouts the right way to make sure no one gets hurt and that the only pain they feel is a "good" version of soreness. They believe that being fit means feeling good and having confidence, so they teach and train this mentality.

Price breaks. Iron Fed offers price breaks for additional family members, military personnel, students, etc.

Social media marketing. Stephanie maintains the social media site (i.e., Facebook) for the business and displays the weekly workouts, videos, etc.

Word-of-mouth advertising. Jason and Stephanie have learned that word-of-mouth is their best advertisement, so they work hard to maintain their stellar reputation.

Self-sustaining business. The business is Stephanie's full-time job and Jason hopes that it will someday be his full-time job, as well.

Repeat customers. Although many of their six-week boot campers do not return, 85% of their customers are repeat customers.

Sense of community. Jason and Stephanie work to build a sense of community with their clients. They take pride in their clients' accomplishments by displaying their milestones. They host a variety of cookouts and holiday parties to bring the customers together and allow them to get to know each other outside of the workout realm.

Determination/independence. Jason and Stephanie are very determined and independent. This, of course, is a strength when it comes to business, but it also is somewhat of a weakness, because they are determined to do everything themselves, which includes making the money to grow the business, as opposed to borrowing money to grow. They don't want to hire others, but rather prefer to do it themselves.

Weaknesses

Business plan. They do not have a solid business plan in place.

Staffing. The owners of Iron Fed Fitness do all of the work themselves and pride themselves on relating to the customers. The personality appeal that is one of their strengths cannot necessary be translated to any other employees.

Maxed out. Currently, Iron Fed is maxed out on the number of classes and time slots available. Between the two of them offering classes, they do not have additional time periods available.

Lack of space. Jason and Stephanie have noticed that people are not returning after the first six-week bootcamp. They realize it's likely due to the limited space (and limitations of the facility.) They need more space. Their space is designed for about 15 people, but they are currently holding classes with as many as 25 people in them. This overcrowding requires them to be creative with their workout program to meet the class size, which many mean the classes aren't as effective as they potentially could be.

Facility limitations. The building doing not have a restroom and shower. They currently use a port-a-potty for their restroom. Although the port-a-potty is kept very sanitary, it is still not equivalent to having an actual restroom facility.

Web presence. Iron Fed does not have a website. The only method of advertising used is social media sites. Although they maintain their Facebook page, they do not have an easily accessible menu of services and price descriptions, nor do they update with the consistency necessary.

Remote location. They are currently located 10 miles outside of the largest town and they realize the location may be a turn off for some customers.

Opportunities (external)

Social media. Iron Fed Fitness currently uses only one social media platform (Facebook) as a means of advertising, but there are additional ways to capitalize upon the social media reach and scope.

Growing pains. Jason and Stephanie realize the need for expansion of the facilities, but they are faced with a tough decision of whether to expand the current facility, rent an existing structure elsewhere, or buy a place to build a new facility.

Marketing and promotion. Iron Fed currently doesn't currently have a solid marketing or promotional plan. They need to take advantage of social media on a more consistent basis.

Proximity to a college town. Relocating closer to town would help open this market to college students. Further, they could add trendy classes or themed bootcamps to capture the interest of millennials… think "goat yoga"! Additionally, they could potentially offer programs on campus to get recognition, such as "workout on the lawn".

Strategic partnerships. Iron Fed could offer discounted rates to some of the larger employers in the area, such as Choctaw Nation, Southeastern Oklahoma State University, and First United Bank.

Web-presence. Iron Fed needs a web presence to inform potential markets and customers of their services.

Overall industry growth and popularity. The fitness industry has experience growth across the board and those numbers continue to rise.

Millennial population. With the close proximity of a university, there is a dense population of millennials. Iron Fed could target their marketing toward this

Workout trends. The popularity of being healthy and staying in shape has become a very popular trend with all ages.

City growth. The city council has stated plans of making major improvements and renovations to revitalize the downtown area, which is the largest city near the facility. Along with those renovations, the growth and the expansions of the other surrounding cities offers a greater

Low competition. While there are competitors in town, there is nothing catering to young, married women that offers the same level of nutritional and motivational support provided by Jason and Stephanie.

Nutritional products. Although Jason and Stephanie promote eating real food, they don't condemn people for using other nutritional products. They could offer a line of products and sell them in their facility.

Strategic Alliances. Iron Fed could mitigate some risk by finding a restaurant or shop that already provides things like nutritional vitamins and supplements, healthy meals, smoothies, and a juice bar and partnering with the to offer total body programs.

Skills training. Jason was a very successful college basketball player, who has the knowledge, skills, and abilities to offer training for youth and after school nutritional and exercise classes for children.

Workout program for kids. They could also offer a full-time, after school, kids' program for ages 5 to 18, just for fitness, not athletic based, as well as a summer program.

Workout program for men. Iron Fed currently serves a majority of female customers. They could offer a program geared specifically for men that would potentially bring a larger male population to their business.

Bargaining power of suppliers. The bargaining power of suppliers is relatively low due to the common availability of workout supplies and products. Therefore, Iron Fed has the opportunity to shop around for lower cost equipment and supplies.

Threats

Competitive rivalry. There are currently six workout facilities in the surrounding area, as well as a pure cross fit and competition-based facility.

Barriers to entry/threats of new entrants. Other than meeting state and local requirements for a fitness facility, it is relatively easy to enter the fitness industry in this location.

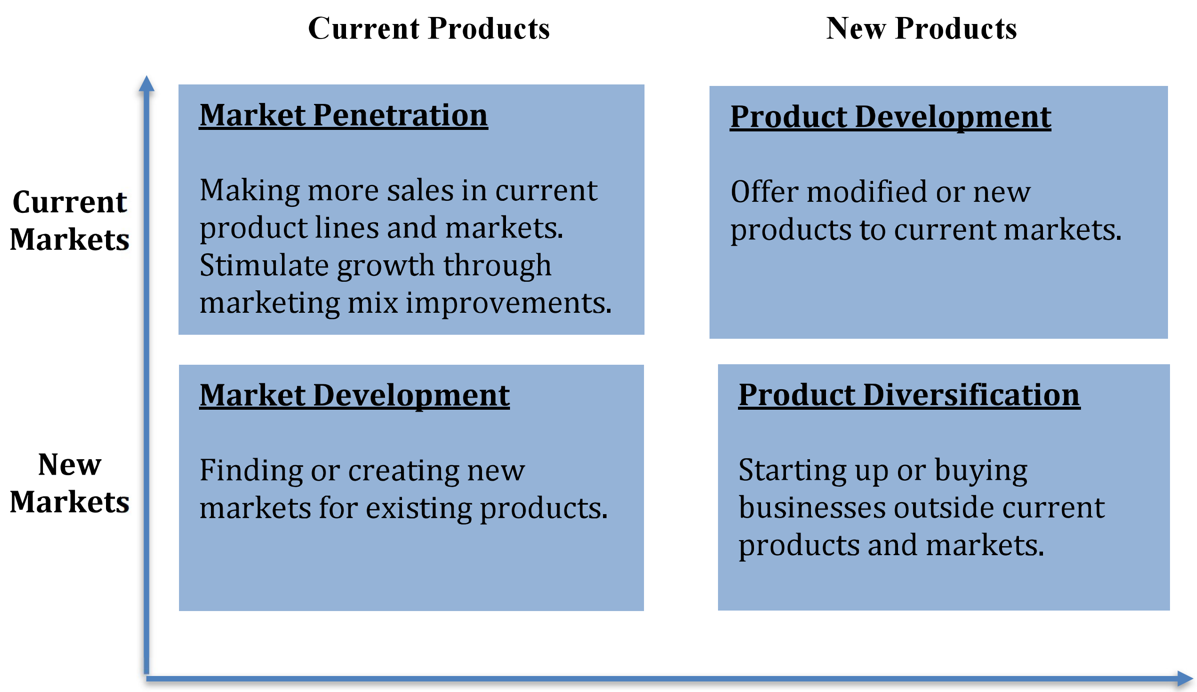
Buyer power. Buyers have options for other workout facilities or even online workout programs. Also, the business is in proximity to a college town, which means less traffic during the summer months.

Substitute products. The target market has the ability to perform do-it-yourself workouts, or to use pre-recorded workouts sold in stores or online. For example, Peloton offers a stationary bike and treadmill that allows users to participate in workout classes with others from the comfort of their own home.

Compliance with policy. There are specific laws and codes, enforced by the Department of Health and Human Services (DHHS) that Iron Fed must adhere to, so maintaining compliance and staying abreast of policy changes is vital for this business.

1. What growth strategies should Iron Fed Fitness use going forward? Discuss how the growth strategies align with options 1-3 presented in the case.

Suggested strategies for Iron Fed Fitness include (1) market penetration to increase sales, (2) product development to identify new product/service offerings, (3) market development to increase exposure, (4) concentric diversification to sell nutritional vitamins and supplements, and (5) strategic alliance with restaurants.



- ***Market Penetration***. The goal of market penetration is to increase Iron Fed's market share. They could spur growth through marketing mix improvements- modifications to services- such as adding a new trendy class, adding on to or relocating to improve the facilities, advertising, pricing, and distribution efforts. Specific examples students may mention include: services relaunch, rebranding, or facility upgrade.
- ***Product Development***. Product development involves changing or increasing the Iron Fed service offerings to add more variety for current customers. Currently, Jason and Stephanie

promote eating whole foods, but they could add nutritional supplements, or meal services to their current customers. Therefore, a range has been established- nutrition. Now new types of products within that range can be developed. This could include adding nutritional supplements, whole food meal services, and/or a juice bar. (Could be done with Options 1, 2 or 3 in case)

- ***Market Development***. The goal of market development is to add new geographical opportunities for Iron Fed's current services. The owners could find or create new markets by targeting new parts of the market- such as relocating their gym to a less rural location closer to town to create a new market of potential clients. (Option #3 in case)
- ***Product Diversification***. Typically, this strategy comes with the most risk- starting up or buying businesses outside the current products/services and markets. If diversifying, Jason and Stephanie must be careful not to overextend Iron Fed's brand positioning. Student answers could include concentric diversification including the sale nutritional supplements, healthy meals, or smoothies and juices. (Option #3 in case)
- ***Strategic Alliance***. Strategic alliance can increase sales through collaboration between two companies. Each business remains independent, but shares in profits generated from the endeavor. Jason and Stephanie could consider relocating the gym to a less rural area and partnering with a restaurant that provides prepared healthy meals to-go, smoothies, and juices. The two could work together to offer fitness and nutrition plans for a more comprehensive approach to overall health. This activity could potentially benefit both parties. Further, if Jason and Stephanie decide to relocate the gym they could add the additional retail space onto their building for the strategic partner and also collect rent. (Option #3 in case)

As seen through the alignments of the growth matrix with options presented in the case, Option 3 offers the most opportunity, but also assumes the most risk.

2. Should Iron Fed Fitness expand their current location, or relocate to a new location. Why?

The following can be summarized from the case:

Option #1: Stay where they are and do not expand

- 10% annual growth to current capacity
- Years 1-5 net income $211,011.33

Option #2: Stay where they are and expand

- 10% annual growth to new capacity
- Years 1-5 net income $403,737.05

Option #3: Move to new location and expand services

- Years 1-5 net income $498,565.84

There are strong indicators that Iron Fed Fitness should relocate. First, sales can increase little before they reach a plateau, as no new clients will be taken due to the lack of space at the current facility. Further, no new classes can be added as the schedule is maxed out. Thus, the only way to increase sales is to increase the number of clients in a class, or find a way to add more classes. Second, the current location is 10 miles outside of town in a rural area and not easily accessible.

Pros of relocating:

- Offers the greatest net income.
- Necessary for employing multiple growth strategies.
- Would enhance the Iron Fed brand as more than just a shed in someone's back yard.
- Competitive advantage if facility includes strategic partner offering nutritional side of the program- vitamins, supplements, prepared meals, smoothies, juice bar.

- According to a study published in ACSM's Health & Fitness Journal, more than 4,000 fitness professionals gave their thoughts on 2018 trends and upcoming 2019. Group training, like bootcamps, was number 2 behind high-intensity interval training which is also offered at the bootcamps.

Cons of relocating:

- Highest risk.
- Very expensive to build and/or difficult to find an existing building to fit needs without any additional cost.
- Iron Fed must make a serious financial commitment with no guarantee of more clients and sales.
- Some existing clients could choose to go elsewhere when the gym relocates.

3. Evaluate your decision to expand or relocate, specifically looking at the decision's potential sales and profit impact to Iron Fed and the strategic risks.

The financial risks of expanding are:

- Iron Fed must secure a loan
- Iron Fed must determine how the expanded space should be marketed and how to overcome the rural location.

The financial risks of relocating are:

- Iron Feb must secure a business loan
- Iron Fed must determine how to segment, target and position their brand in the new location.

The quantitative analysis is straightforward:

- Cost to expand ($130,000)- how many more clients (120 current location/480 expanded location- 360 additional) – years 1-5 net income ($400,000 rough estimate)
- Cost to relocate ($1,500,000)- new clients (120 current location/480 new location- 360 new clients) – years 1-5 net income ($500,000 rough estimate)

Based on analysis of the options presented, growth strategies, and financial risks most students are likely to select expanding the current location as it provides less risk and more financial reward than their current situation. However, to employ more aggressive growth strategies and diversify, Iron Fed Fitness would have to consider Option 3, as it offers the most realistic set of circumstances to enable growth- better location, strategic partnerships, untapped market. Option 2's success is very dependent on being able to fill the larger classes in a rural location without much advertising. Thus, more would need to be allocated to marketing Iron Fed due to its rural location and lack of branding awareness.