

Barre3 Business Plan

Market Research & Financial Forecasting

Barre3

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Executive Summary

Business Overview

Barre3, located in Southern Oregon is a new upscale, trend-setting physical fitness environment. Barre3 provides local residents with a variety of workout classes, personal training programs, personal trainers, yoga, and other experiences. Our gym prides itself not only in having the most state-of-the-art workout facilities and Pilates, yoga studios, and other classes that follow the latest trends and proven research in exercise science, but also in providing our patrons a well-designed, spacious, and attractive gym facility.

Products and Services

Barre3 will provide services for all ages and both genders. Services will include a variety of fitness equipment, workout classes, personal training programs, yoga, and nutrition.

In addition to providing these services, Barre3 will also be a retailer of exclusive fitness products and select food items. Customers will find products at Barre3 that they won't find in grocery stores or mass retailers. The main products and services are:

Customer Focus

Barre3 will primarily serve the residents within a 5-mile radius of our location. The demographics of these customers are as follows:

- 564,000 residents
- The average income of \$74,700
- 58.9% married
- 49.6% in Mgt./Professional occupations
- Median age: 38 years

Management Team

Barre3 is led by [Founder's Name] who has been in the gym and fitness business for 20 years. While [Founder] has never run a gym himself, he has been a fitness instructor since age 20 and spent most of his adult life working in gyms. As such [Founder] has an in-depth knowledge of the gym business including the operations side (e.g., running day-to-day operations) and the business management side (e.g., staffing, marketing, etc.).

Success Factors

Barre3 is uniquely qualified to succeed due to the following reasons:

- The Company will fill a specific market niche in the growing community we are entering. In addition, we have surveyed the local population and received extremely positive feedback saying that they explicitly want to frequent our business when launched.
- Our location is in a high-volume area with easy access from multiple residential and commercial district zones.
- The management team has a track record of success in the gym and fitness business.
- The gym business is a proven business and has succeeded in communities throughout the United States.
- Local competitors leave a large gap in the market—there are low-cost providers (\$20-30/month), and ultra-luxury options (\$120+/month), but nothing in between

1. Introduction

Gym, health, and fitness clubs have grown over the past five years, bolstered by public health initiatives that have shed light on fitness' role in fighting diabetes, obesity, and other health ailments. This trend is evidenced by the number of health club memberships growing over the period, as more individuals have valued fitness as an integral component in their health regimen. Furthermore, population growth, particularly among individuals aged 20 to 64, which comprises the largest gym-going demographic, has spurred demand for health club memberships. Over the past five years, annual revenue has risen from \$2.4 billion to \$2.6 billion on a national scale.

Demand for health club memberships typically exhibits the strongest growth in the first three months of the year. For example, an estimated 30.0% of all new members have signed up for their gym and fitness club during the first few months of the year, driven by New Year resolutions, which may incite consumers to implement healthier lifestyles. To boost the number of new memberships during other months, many gyms have offered discounts and monthly memberships; however, January still comprises the largest portion of membership sales. Knowing this, the Company will aim for a grand opening of operations to begin in Q1.

A growing preference for easily accessible, smaller gyms with fewer amenities has benefited boutique gyms that have catered to a market niche of local consumers. The market share of smaller-budget gyms is subsequently growing, as consumers have substituted gyms with fewer amenities for expensive, all-inclusive clubs (which include related facilities, such as tennis centers, racquetball courts, ice rinks, and swimming pools). By providing an array of classes based on well-rounded fitness, the Company will thrive on the continuous fitness trends in America within a target niche market.

2. Market Analysis: Customers & Location

2.1. Demographic Profile of Target Market

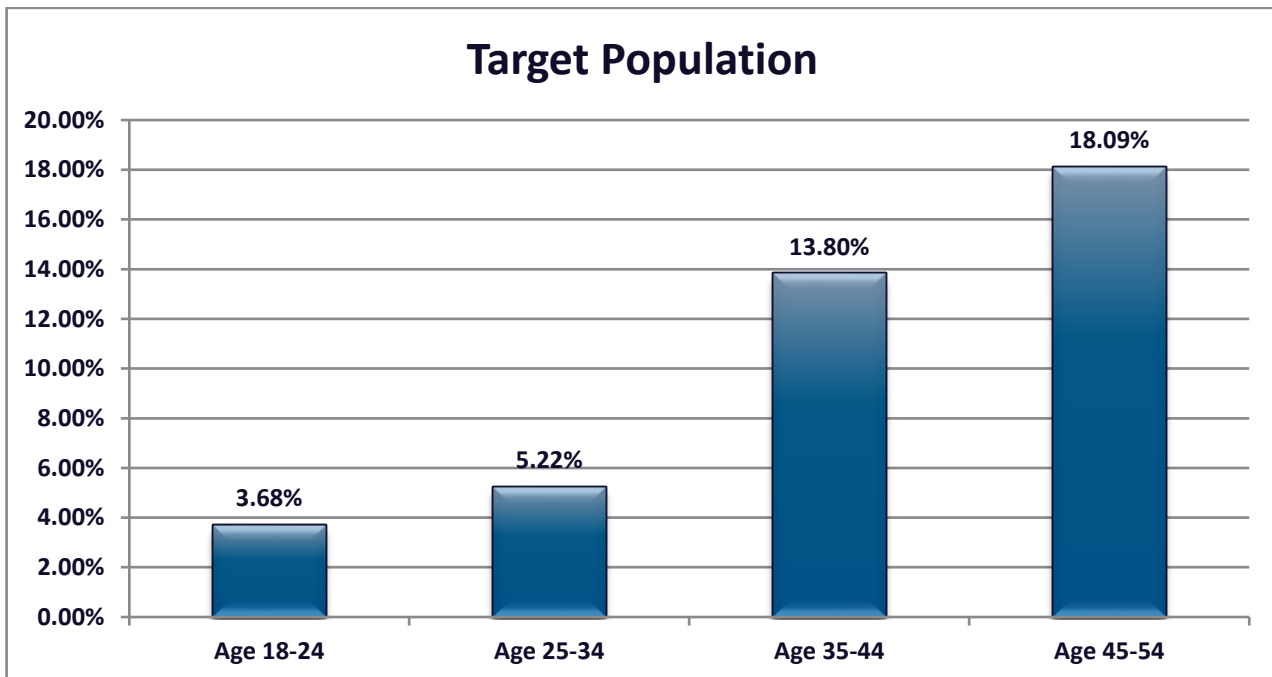
Barre3 will serve the residents of Southern Oregon and the immediately surrounding areas as well as those who work in the area. The area we serve is populated mostly by the upper-middle class; as a result, they have the means to pay for gym memberships, personal training, and other fitness-related services.

The precise demographics of the town in which our location resides is as follows:

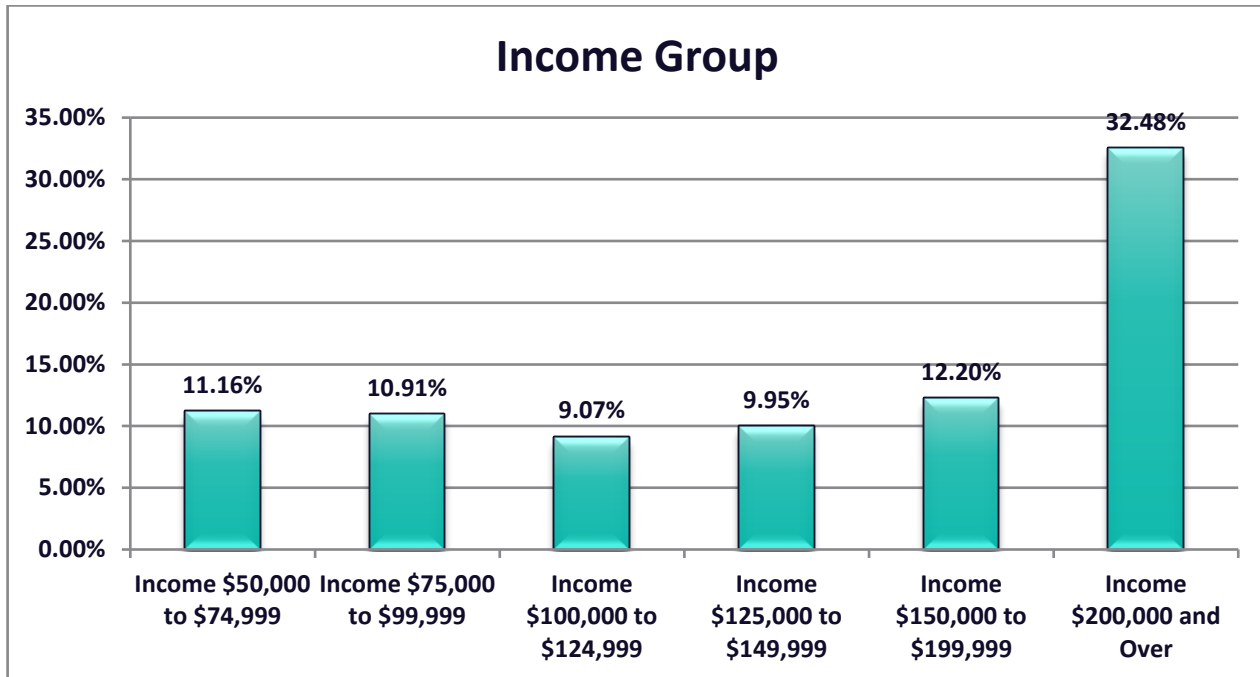
Particulars	Southern Oregon
Total Population	564,000
Square Miles	2,910.90
Population Density	5,000.00
Population Male	48.04%
Population Female	51.96%
Target Population by Age Group	
Age 18-24	3.68%
Age 25-34	5.22%
Age 35-44	13.80%
Age 45-54	18.09%
Target Population by Income	
Income \$50,000 to \$74,999	11.16%
Income \$75,000 to \$99,999	10.91%
Income \$100,000 to \$124,999	9.07%
Income \$125,000 to \$149,999	9.95%

Income \$150,000 to \$199,999	12.20%
Income \$200,000 and Over	32.48%

2.1.1. Target Population by Age Group



2.1.2. Target Population by Income

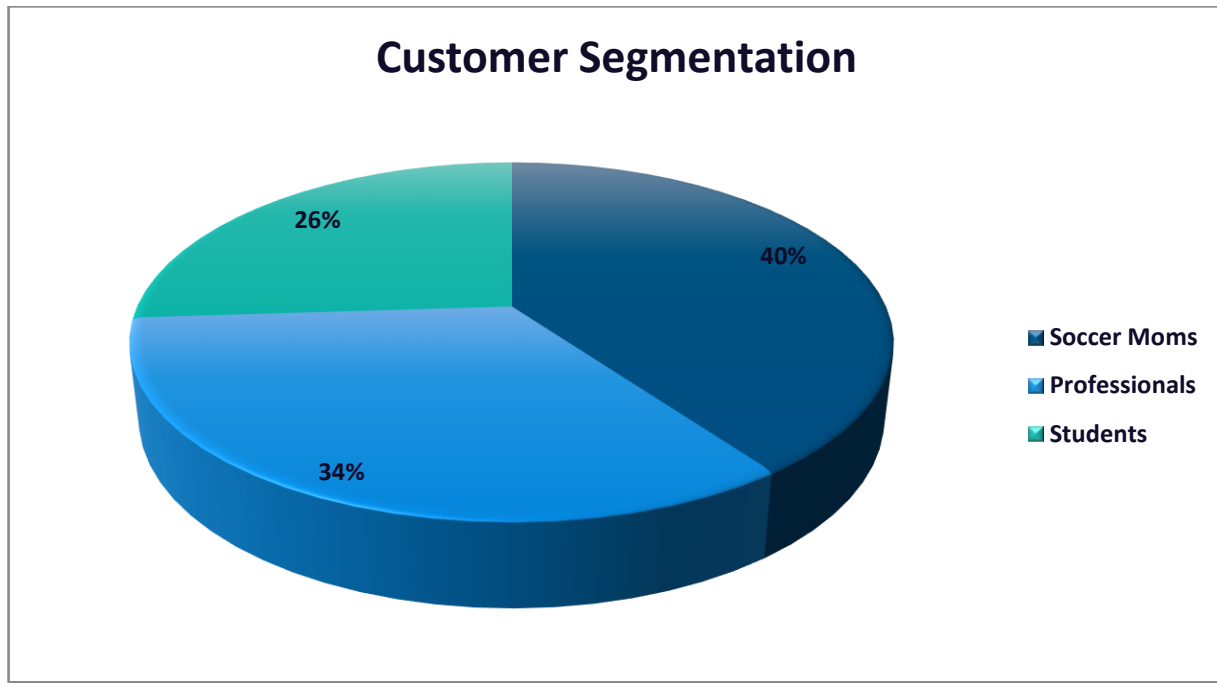


3. Customer Segmentation

The Company will primarily target the following three customer segments:

1. Soccer/stay-at-home moms: The town has a large population of stay-at-home moms who are active in the school and community. These moms seek fitness services regularly. Winning the loyalty of a mother often includes winning the business of her children and husband as well. These women are well connected and as such is a prime source of referral business. Barre3 expects to regularly acquire new customers from referrals.
2. Professionals: Barre3 is located along a well-traveled commute route. By offering a convenient location and exceptional service to the customer, Barre3 will draw in working men and women who want to stay fit.

-
3. **Students:** There are multiple high schools and middle schools located in the surrounding area. These students still live on their parent's income and can therefore afford to pay for services.



4. Market Analysis: Competition

The following retailers are located within a 5-mile radius of Barre3, thus providing either direct or indirect competition for customers:

4.1. CrossFit

Founded in 1974, CrossFit is a fitness and health program comprised of constantly varied functional movements performed at relatively high intensity. It is the principal strength and conditioning program for many police academies and tactical operations teams, military special operations units, champion martial artists, and hundreds of other elite and professional athletes worldwide. There are more than 13,000 CrossFit affiliates across the globe.

The CrossFit program delivers a fitness that is, by design, broad, general, and inclusive. It is designed for universal scalability making it the perfect application for any committed individual regardless of experience. These routines have been used for elderly individuals with heart disease and cage fighters one month out from televised bouts. The program is the same for everyone, but with scaled load and intensity.

4.2. New York Sports Club

New York Sports Clubs, part of the Town Sports International, is the largest health club company in the Northeastern United States. Founded in 1974, the company has grown to 160 clubs, over 500,000 members, and is publicly traded. Like most subscription gyms, this competitor offers group classes, personal training, indoor pools, lockers, and the usual gym amenities. Newco Fitness will differentiate through its cultural and personal offering. Part of the allure of a boutique gym is that clients can easily relate with those unaffiliated under a franchise name

4.3. Orange Theory Fitness

Founded in 2009, Orange theory Fitness is a scientifically designed, one-of-a-kind, group personal training workout broken into intervals of cardiovascular and strength training. Backed by the science of excess post-exercise oxygen consumption (EPOC), Orange theory's workouts are designed to get participants within the target-training zone of 84 percent to 91 percent of their heart rate, which stimulates metabolism and increases energy.

Since its first studio opened, Orange theory Fitness has become one of the world's top fitness franchises, with more than 400 studios in 38 states and seven countries, and a recent deal to open 70 studios in Japan. The company's fitness concept has helped tens of thousands of members lose weight, get toned, and meet their overall fitness goals. The fitness franchise is on track to open 700 studios by 2017.

4.4. Competitive Pricing

	Crossfit	NYSC	OrangeTheory
Membership	\$55/month	\$125/month	\$100/month
Classes	\$40 each	\$55 each	\$35 each
Bootcamp	\$425	\$575	\$925

4.5. Competitive Advantage

Barre3 enjoys several advantages over its competitors. These advantages include:

- Location: Barre3's location is near the center of town, giving us access to commuters going to and leaving the train station, local office workers, and city traffic. We also offer adequate parking making it easy for customers to patronize us.
- Great service at an affordable price: The services offered by Barre3 are similar in quality to its most premium positioned competitor. Barre3 will offer these services at a much more affordable price.
- Management: Our management team has years of business and marketing experience that allows us to market to and serve customers in a much more sophisticated manner than our competitors.
- Relationships: Having lived in the community for [xx] years, [Founder's Name] knows all of the local leaders, newspapers, and other influences. As such, it will be relatively easy for Barre3 to build brand awareness and an initial customer base.

5. SWOT Analysis

Baree3 is in business to help its clients achieve their health and fitness goals and at the same time to make a profit. We are aware that there is competition in the gym and fitness industry which is why we took out time to conduct an effective SWOT Analysis, as stated in our gym and fitness center marketing plan; before investing our hard-earned money.

We know that if we get things right before starting our gym and fitness club, we will not have to struggle before attracting loyal clients and building our membership base to a level where we can easily break even.

5.1. Strengths

One of the obvious strengths that will definitely stand as a plus for Barre3 is the fact that our facility is centrally located in a densely populated – residential area in Southern Oregon; our location is in fact one of our major strengths.

We equally have a team of highly qualified professionals who will work with all our clients to achieve their aims or enrolling in our gym and lastly our membership package is one of the best that anybody living in Southern Oregon can get; it is cheap and affordable.

5.2. Weaknesses

Having critically looked into our Business model, we were able to identify two major weaknesses. One is the fact that we are a new business and the second is the fact that we may not have the financial resources required to match up with existing gyms in Southern Oregon when it comes to acquiring the latest gym equipment and generating the needed hype that can drive traffic towards our facility.

5.3. Opportunities

We are centrally located in one of the busiest areas in Southern Oregon, and we are open to all the available opportunities that the city has to offer. We also run 24 hours, 7 days a week gym and fitness club; thus giving us the advantage to leverage on any available opportunity.

5.4. Threats

Some of the threats that are likely going to confront Barre3 are unfavorable government policies, demographic/social factors, the downturn in the economy which is likely going to affect consumer spending, and lastly, the emergence of new competitors within the same location where our gym and fitness club is located.

6. Marketing & Sales

Barre3 seeks to position itself as a respectable, upper-middle-market competitor in the gym market. Customers can expect to receive professional services and state-of-the-art equipment for a price somewhere between discount chains and luxury establishments.

The Barre3 brand will focus on the Company's unique value proposition:

- Convenient location
- Familiar, regular specialists
- Significant personal attention
- Moderate price point
- Comfortable, customer-focused environment

6.1. Promotions Strategy

Barre3 expects its target market to be individuals working and/or living within a 5-mile radius of its location. Barre3 promotions strategy to reach these individuals includes:

6.1.1. Local Publications

Barre3 will announce its opening several weeks in advance through publicity pieces in multiple local newspapers and publications. Regular advertisements will run to maintain exposure to relevant markets. Community newspapers, school publications, youth sports programs, and similar channels will be a major promotion effort.

6.1.2. Major Publications

We will make careful use of advertising in selected larger publications. [Publication or newspaper name] has a circulation of XYZ and we can expect to reach a wider geographic region of customers on a limited basis. Advertisements with major publications will be used selectively, based on cost-effectiveness. These ads will include discount coupons so that responses to the ads can be tracked.

6.1.3. Community Events/Organizations

Barre3 will promote itself by distributing marketing materials and participating in local community events, such as school fairs, local festivals, homeowner associations, or sporting events.

6.1.4. Commute Advertising

We will drive attention toward Barre3 by hiring workers to hold signs alongside [route or highway]. Advertising on heavily traveled commute routes is an opportunity to alert large numbers of working individuals with disposable income of our opening.

6.1.5. Customer Loyalty Programs

Barre3 will create a winning customer loyalty program to keep its best clients coming back again and again. When not actively providing services to customers in the Gym, our professionals and other employees will make periodic, regular phone calls to customers. These phone calls will (a) ensure that customers are satisfied with their memberships/services, and (b) remind customers after a certain period of time has passed that they might want a new class or session. Long-term customers will have the opportunity to participate in the loyalty program, and referrals will be rewarded as well.

6.1.6. Direct Mail

Barre3 will blanket neighborhoods surrounding its locations with direct mail pieces. These pieces will provide general information on Barre3, offer discounts, and/or provide other inducements for people to visit the gym.

6.1.7. Ongoing Customer Communications

Barre3 will maintain a website and publish a monthly email newsletter to tell customers about new events, products, and more.

6.1.8. Pre-Opening Events

Before opening the Gym, Barre3 will organize pre-opening events designed for prospective customers, local merchants, and press contacts. These events will create buzz and awareness for Barre3 in the area.

6.1.9. Pricing Strategy

Barre3's pricing will be moderate so customers feel they receive great value when patronizing the gym. The anticipated price point for membership will be comparable to the surrounding area gyms.

7. Operations Plan

7.1. Functional Roles

Barre3 will carry out its day-to-day operations primarily on a membership and appointment basis. All classes and personal training sessions will be scheduled in advance, but the gym itself will be open 7 days a week from 6 am to 10 pm.

In order to execute on Barre3's business model, the Company needs to perform several functions. The majority of employees will assist in up servicing and selling customers in addition to the primary functions. Barre3 anticipates using the services of X employees, divided into the following roles.

7.2. Service Functions

- Personal Trainers
- Dietician
- Sales/membership manager

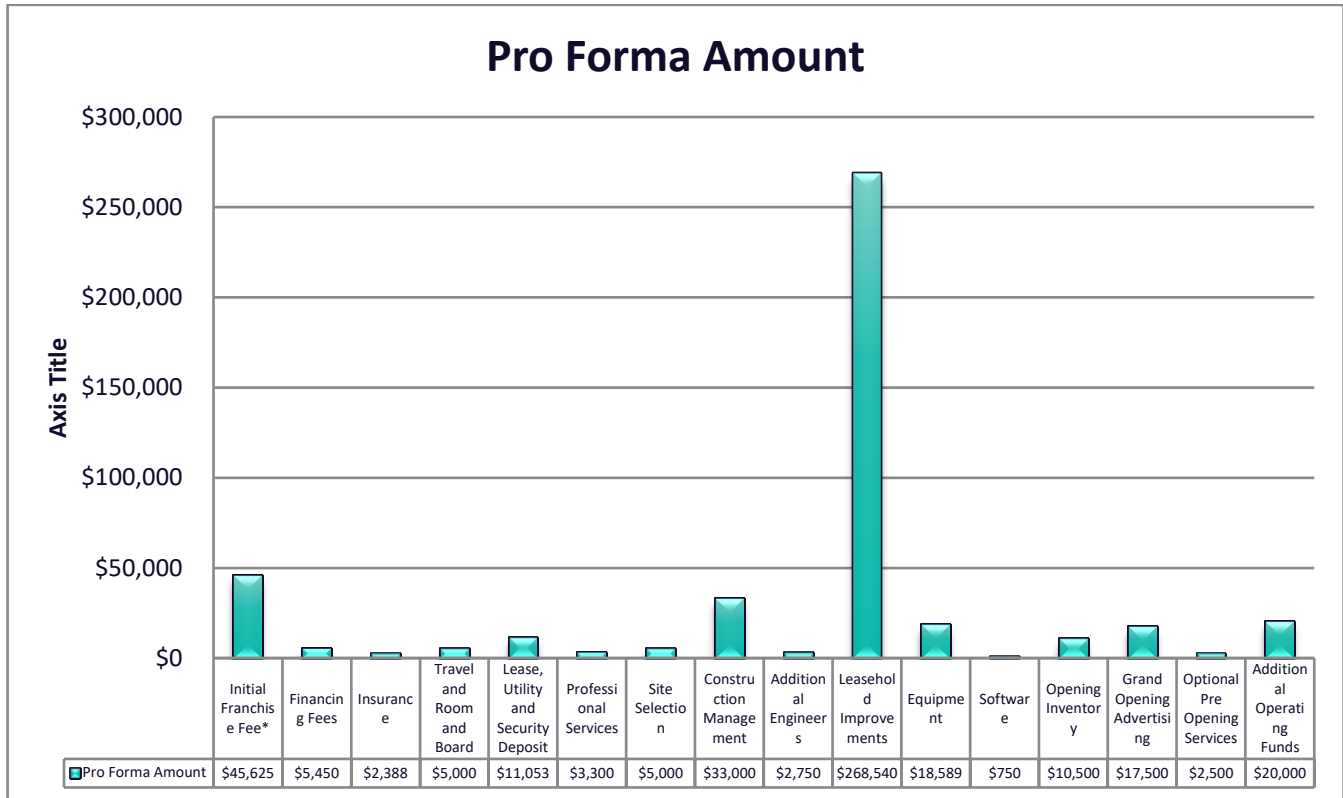
7.3. Administrative Functions

- General & administrative functions including legal, marketing, bookkeeping, etc.
- Sourcing and storing products
- Hiring and training staff
- Customer service/front desk function

8. Startup Expenditure (Budgeted)

This is the key areas where we will spend our start – up capital on;

Expenditure Head	Estimated Amount
Initial Franchise Fee	\$45,625
Financing Fees	\$5,450
Insurance	\$2,388
Travel and Room and Board	\$5,000
Lease, Utility and Security Deposit	\$11,053
Professional Services	\$3,300
Site Selection	\$5,000
Construction Management	\$33,000
Additional Engineers	\$2,750
Leasehold Improvements	\$268,540
Equipment	\$18,589
Software	\$750
Opening Inventory	\$10,500
Grand Opening Advertising	\$17,500
Optional Pre Opening Services	\$2,500
Additional Operating Funds	\$20,000
Grand Total	\$451,944



9. Financial Projections

9.1. Sales Forecast

It is important to state that our sales forecast is based on the data gathered during our feasibility studies and also some of the assumptions readily available on the field.

It would be hard to create a sales forecast with a newly opened business like a gym and fitness club. This is simply because the statistics that will be provided will be on a short-term basis. Experts said that usually, a business should be in operation for at least one year before they can generate the statistics that will need to help in accurate forecasting; statistics should be at least one year old in order to show the trends and patterns in consumer spending.

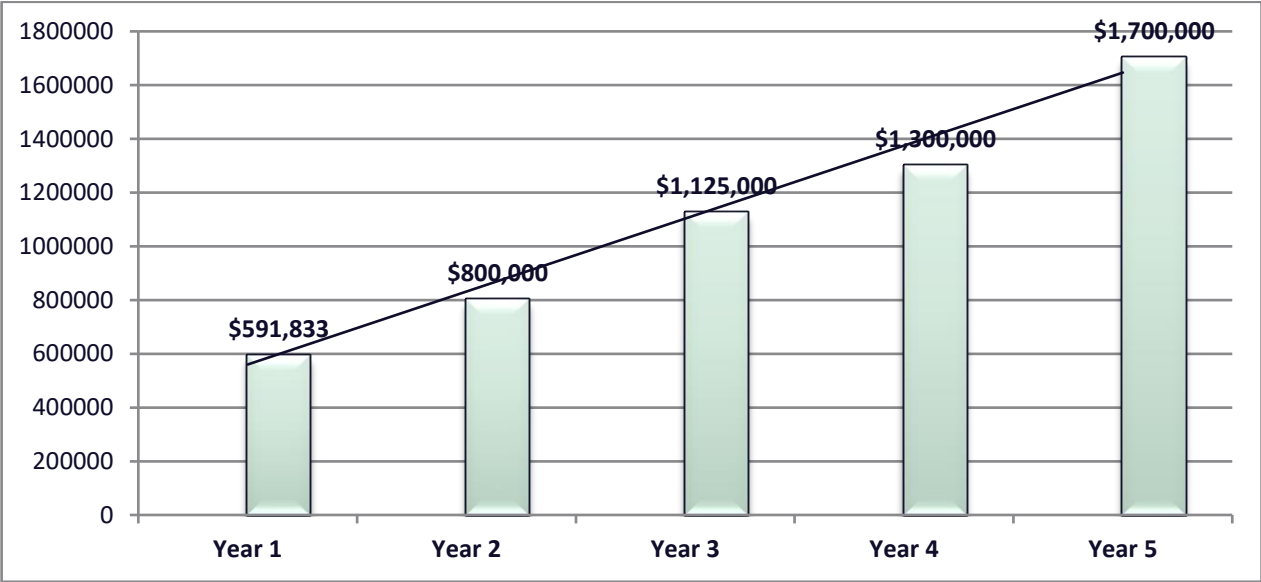
We expect to register a minimum of 1,000 active members within our first year of operations and then in a subsequent year, we will grow our membership. Below are the sales projection for Baare3, it is

based on the location of our facility and the services and products that we will be offering to our clients (members);

First Year: \$590,000

Second Year: \$800,000

Third Year: \$1,125,000



9.2. Projected Profit and Loss

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
Total Revenue	\$591,833	\$800,000	\$1,125,00	\$1,300,00	\$1,700,00
			0	0	0
Gross Profit					
Sales Taxes	\$17	\$17	\$17	\$17	\$17

Cost of Goods Sold	\$5,375	\$7,500	\$12,000	\$15,000	\$20,250
(Merchandise)					
Shipping and Delivery					
Royalty Fee	\$35,510	\$48,000	\$67,500	\$78,000	\$102,000
National Marketing Fund	\$11,837	\$16,000	\$22,500	\$26,000	\$34,000
Gross Profit	\$539,095	\$728,483	\$1,022,98	\$1,180,98	\$1,543,73
			3	3	3
Expenses					
Advertising, Marketing, & Promotion	\$500	\$500	\$550	\$600	\$500
Insurance	\$700	\$700	\$700	\$700	\$700
Labor	\$8,981	\$12,327	\$28,574	\$16,856	\$28,387
Rent	\$2,000	\$2,000	\$2,000	\$2,000	\$2,500
Repairs & Maintenance	\$1,000	\$900	\$1,100	\$700	\$1,000
Supplies	\$0	\$1,100	\$700	\$0	\$0
barre3 Training	\$0	\$568	\$670	\$0	\$0
Utilities (includes telephone)	\$799	\$900	\$600	\$800	\$1,000
Other	\$400	\$300	\$550	\$700	\$967
Total Expenses	\$14,380	\$19,295	\$35,444	\$22,356	\$35,054
EBIDA	\$524,714	\$709,188	\$987,539	\$1,158,62	\$1,508,67
				7	9

Loan Interest	\$38,770	\$35,946	\$32,888	\$29,575	\$25,988
Depreciation & Amortization	\$21,620	\$17,903	\$17,903	\$17,903	\$17,903
Profit	\$464,324	\$655,339	\$936,749	\$1,111,14	\$1,464,78
				9	9

