



BUSINESS PLAN

By FitSpot Health Club



Contact:

Cobus Truter, (title) | +27 (71) 608-8550 | cobus.truter@empiriq.com

Executive Summary

In township areas (general LSM 4-7 market areas) where new developments like retail centers are increasing, great potential exists for locally based health clubs.

FitSpot aims to capitalize on the burgeoning middle class whose rising disposable income and lifestyle changes are creating a need for modern services and goods especially in smaller catchment areas not penetrated by larger health clubs.

We want to literally bring the gym to the target market. We will have affordable membership fees to ensure a level of distinctiveness that comes hand in hand with selected services. Unique and trendy commercial exercise equipment from quality brand name manufactures will cater for almost all ages.

We believe that this document will provide you with sufficient information and spark the same enthusiasm as we have. If any additional information is required, do not hesitate to contact us. (Contact details are provided on the cover)

Table of Contents

| | |
|---|----|
| Introduction | 2 |
| Vision and Mission | 3 |
| Target Market | 4 |
| Living Standards Measure | 4 |
| Geographical Description | 5 |
| Business Model | 6 |
| Ascertaining the demand | 7 |
| Layout model | 8 |
| Business Management | 9 |
| Competitor Analysis | 10 |
| Competitor Advantage | 12 |
| Business Financials | 13 |
| | |
| Appendix – A Bill of equipment quantities | 18 |
| Appendix – B Bill of installation costs | 20 |

Introduction

The immense, underserved market of the South African emerging consumer is growing rapidly. In these lower income areas where new developments like retail centers are increasing, great potential exists for locally based health clubs.

FitSpot is a multifunctional gym with all the niceties that appeal to the surrounding communities.

The key is to create locally based health clubs serving the township neighborhoods, ensuring less transportation complications and a healthier community.

We believe there is a gap in this emerging market that begs for attention.

Our **Vision**

“To be a recognized leader among health clubs specifically addressing needs in South African townships, by introducing a tailored health club model”

Our **Mission**

“To contribute to the health and wellness of township neighborhoods on their doorstep through customized physical products and services”

Target Market

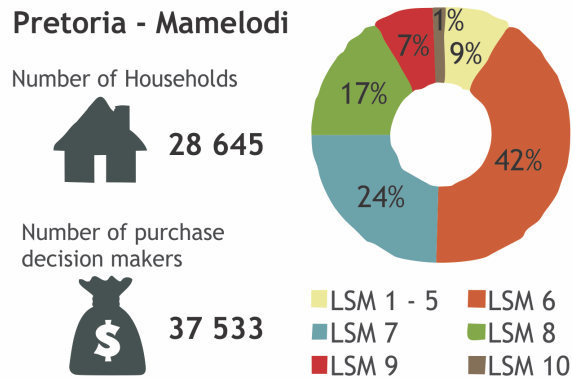
There is a new movement of South Africans entering the “middle class” that are underserved on many of their needs especially in the health and leisure category. This emerging consumer is made up of more than 80% of black people according to “Roots 2013” survey.

This market is the fastest growing class and is quickly transitioning from LSM4-6 to higher LSM classifications explaining an advance in buying power.

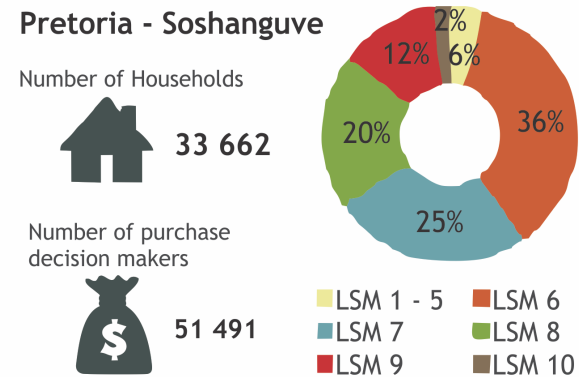
Determining the Living Standards Measure

FitSpot’s target market largely falls with the LSM-4-7 classification. Below is an example of two of Pretoria’s Northern Suburbs.

Pretoria-Mamelodi n300



Pretoria- Soshonguve n252



FitSpot Health Club Business Plan

The target markets key characteristics can briefly be described as:

- > Cash-based group mostly debt free
- > Monthly household income averaging R10500
- > Seeking convenience
- > Aspiring to modern necessities
- > Extensive demographic base (age 16-65)

Geographical Description

Geographically the target area is identified as high density areas (usually comprising of between 2000-11000 people/km²) near local economic drivers like retail and neighborhood centers. Examples areas include the Northern suburbs of Pretoria like Jubilee mall in Hammanskraal or smaller developments in Mamelodi and Soshonguve.

Tapping the vibrant township market:

“The outdated perception that the township retail market is limited to basic ranges and essential products needs a serious overhaul. Today, this market is very dynamic, includes all income groups and comprises of an overall monthly household income of R6.5 billion.” - Michel Mack | May 16, 2013

FitSpot Health Club Business Model

The idea is to develop low-cost gyms in the townships of Pretoria and surrounds. It will have the usual machines and free weights but not the features that make gyms expensive like the swimming pools and the cost of sales commissions.

The distinctive services and offerings of FitSpot Health Clubs will include:

- High end quality commercial equipment without the unnecessary features like build in TVs in treadmills. Products have 2-5 year guarantees. Products are more affordable to service and maintain. Products are more user friendly for the specific target market.
- More unique functional training equipment than heavy machinery consequently accommodating more members/m² at a specific time.
- Exclusive training products like an indoor boxing ring, catering for specific target market trends.
- Limited proprietary products, not necessary expensive ones, like TRX and/or Cross Fit will form part of the accessible merchandise.
- Staff members will do everything, from sales to admin to conducting fitness classes saving on operational costs.
- Occasionally Biokineticists and other Health Professionals will visit the gym for medical needs and to carry out occupational health and wellness.

FitSpot Health Club Business Plan

Ascertaining the demand

The potential of these local gymnasiums are mainly determined by the size of the local population and the location of the proposed gymnasium. Many existing retail centers of various sizes are currently operating without gym facilities. This argues the gap in the market as the only existing gyms are very small and home based lacking the modern and social services.

Proving the demand:

South Africa's two heavyweight gym chains, Virgin Active and Planet Fitness, have decided to target lower-income groups through a range of "no-frills" facilities.

July, Planet Fitness launched its new JustGym low-cost model in Sunnyside, Pretoria. Planet Fitness CEO Manny Rivera said: "We believe the South African market can carry at least another 100 sites, throughout Africa."

Virgin Active is launching its own entry-level gyms, Express Clubs, at the end of the year, and plans to add 30 to 40 over the next three to four years.

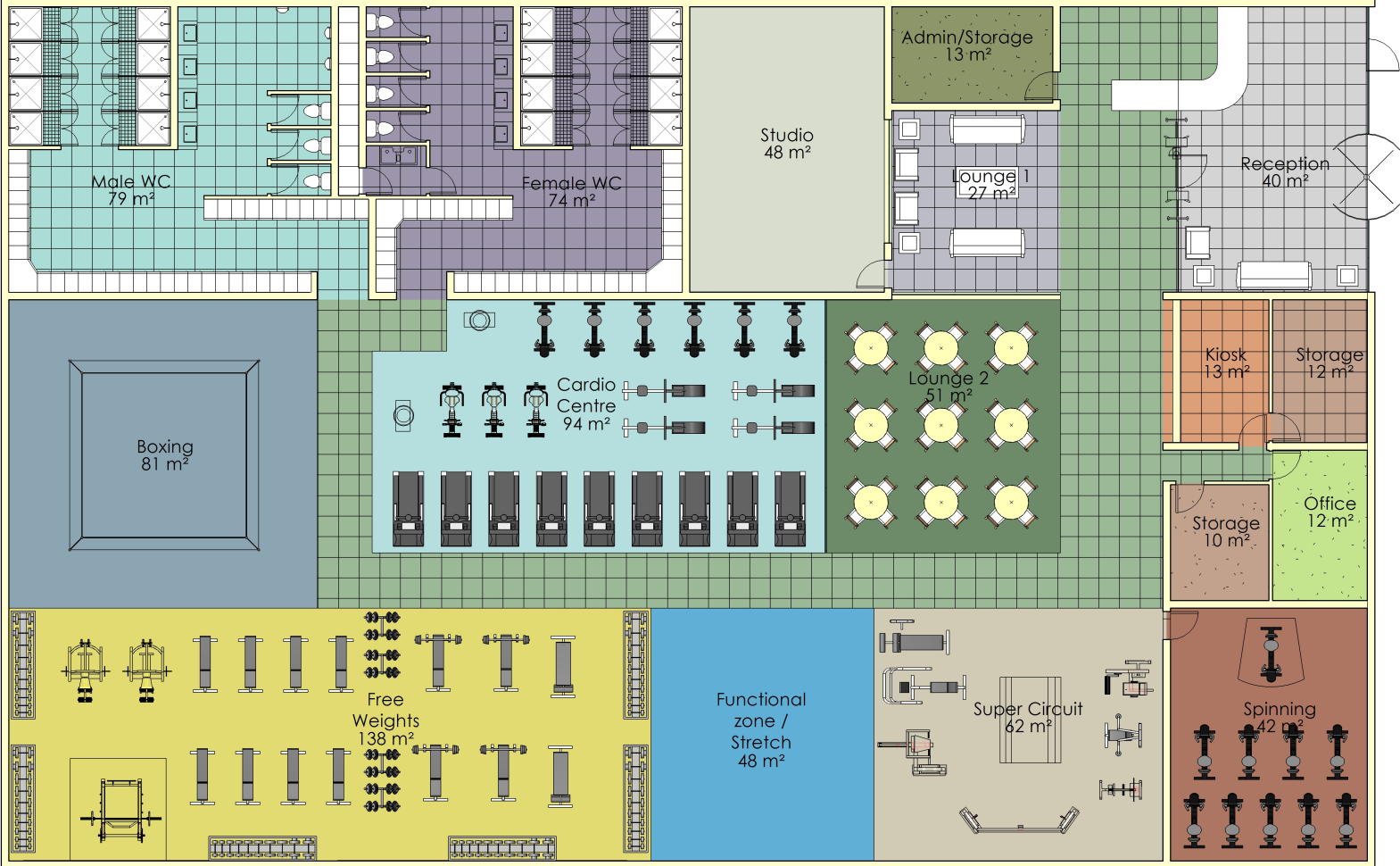
The charge for this new low-cost gym will be R175 a month- as a comparison Just Gym and VA Express

Clubs charge between R139 and R199 a month.

Prior joining the member is responsible for paying a "joining fee". This fee will comprise of a health assessment/screening, indemnity consent, program prescription and an "introduction to the gym".

Layout Model

FitSpot Health Club Business Plan



Management

FitSpot is a dynamic health club poised to capture substantial market share in one of the fastest growing service industries in the country. The health clubs will have a Club Manager and a team of various sizes composed of experts in health related and fitness disciplines.

One of the operative objectives is to keep wage and salary expenses low. To achieve this objective, FitSpot plan to salary the staff rather than contracting services. The expectation is that when not involved in delivering classes, or consulting with those for whom they are the personal trainers, they will be spending time on administration, sales and management. Therefore it's the club manager's responsibility to delegate the staff to the specific tasks mentioned and to manage the overall business area.

Each staff member requires experience and expertise in the following fields

- Administration and sales
- Customer service
- Qualifications in individual technical and group exercise elements or as per job description e.g. Biokineticist/ Class Instructor
- Oversee the member recruitment and retention program
- Safety and instruction to members on the floor
- Operation and maintenance of exercise equipment, media systems, computers etc.

All staff will be trained to perform all of these tasks by subcontracted "field" specialists before starting their job.

Competitor Analysis

Carrying out this competitor analysis not only pinpoints potential competition to but also FitSpots's competitive advantages and opportunities for improvement.

Virgin Active Express Club-

Virgin Active Express are part of the Virgin Active Health Club Group with 105 clubs nationwide (600, 000 members). They have opened their doors earlier this year to Alexandra & Khayelitsha (Cape Town) & Soweto. Another new location is to be opened in **Thembisa** earliest end of 2013 with 30 new clubs to follow in the next 4 years.

- Strengths: They are an internally financed company backed by a company with an existing brand name.



- Weaknesses: They have a slow rollout of new clubs (business processes is time consuming) and only opens in new or new phases of retail centers.

JustGym-

JustGym are part of the Planet Fitness Club with 23 clubs nationwide (160, 000 members). They have opened their first gym September this year to Sterland (Sunnyside Pretoria).



- Strengths: They are an internally financed company supported by a company with an existing brand name.
- Weaknesses: They have only opened one club targeting Pretoria CBD residents.

Competitive Advantage

Recognizing the competitive advantages and potential opportunities creates feasibility. To tap into this emerging market segment is fairly easy for there is very little competition at the moment. FitSpot has personal relationships with retail managers in and around Pretoria which makes it useful to acquire leasing space. Another advantage is that we are familiar with all the current clinical and commercial exercise equipment to make educated purchasing decisions.

“We are merely not just a health club but also a health care service. As part of our service model we will focus on functional training making workouts easy, unique, interactive and trendy“