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A Business Plan for the Leisure Industry

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A Business Plan for the Leisure Industry
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This thesis is an illustration of a business plan creation for the leisure industry in Helsinki, Finland. The plan follows Osterwalder's nine-stage business creation model, covering the main elements in business establishment.

Wolverine Fitness Helsinki is the sole trading name of Miska Toivonen, who is a certified CrossFit coach and the purpose of this plan is to justify and demonstrate the needed steps that need to be taken to turn a business idea into a sustainable business model. CrossFit as a sport is a rather new workout model in the fitness industry and it is expected to grow at a rapid pace in the near future. This CrossFit community of Wolverine Fitness Helsinki has already been partially established during the writing of this thesis and has grown in number, but the official and legally binding establishments are still needed to turn the movement into a legitimate and sustainable business.

An important element of any startup business is the financing and the methods adopted to allocate the funds effectively and efficiently. This thesis suggests a variety of options, which are proven to work in similar cases and with similar businesses. The CrossFit movement and the businesses associated with it are rather exceptional as they rely strongly on the loyalty of their athletes. This means that customer relationship management as well as the major influence of word of mouth marketing are extremely important. As a startup business, certain marketing functions should be considered. This is discussed in the marketing section of this paper and personal research has been done on the alternative methods of customer retention, mainly utilizing the major platforms of online media. Also a comparison between search engine optimization actions and purchased advertising is made in an objective manner.

The entrepreneur already has a concise inventory and this business plan has been created without consideration of any external investors, which makes the financial plans more straightforward than usual. If sales projections are met and purchases do not alter drastically the business is expected to become profitable for one person within its first financial year, equating up to 22 000€ in sales. The sales do not necessarily cover all of the expenses during the first year, but with a personal funding of 5 000€ the first year will be managed and the business will be projected to grow into a sustainable direction.

This paper offers a holistic view of the topic, by combining an explanation of the theory with the practical context, which is applied as a part of the business creation. The business plan, as it is, is expected to provide income for one person, but it has the potential to grow faster than anticipated as the workouts can be extended into larger contexts.

Key words Business plan, marketing, leisure, fitness, entrepreneurship

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1 Background information for the business plan topic

1.1 Principles of CrossFit

Crossfit is a relatively new phenomena as a commercialized sport. CrossFit was created by a former gymnast Greg Glassman in 1995 when the first CrossFit gym opened in 1995 in Santa Cruz, California. In 2005 there were only 18 affiliated CrossFit gyms, but the movement has taken a rapid leap towards more commercialized actions as the number of affiliated gyms grew from 18 to some 1 700 in five (5) years. (Brief History of CrossFit 2012) CrossFit is a principal strength and conditioning program, which has been used by many police academies, military units, martial arts athletes and other professional athletes worldwide, yet it is fully scalable for anyone to conduct and enjoy. The sport of fitness can be easily scaled to any individual regardless of the background, the programs are not changed, but the scale load and intensity can be scaled. CrossFit is designed to enhance the strengths and physical characteristics of a human body thoroughly, taking into account the comprehensive condition rather than just a few part of the body. Well conducted training enhances speed, power, agility, flexibility, balance and cardiovascular endurance on a right degree. (What is CrossFit? 2012)

CrossFit builds around four (4) taglines; functional movement, high intensity, constant variation and community. The taglines build a complete way of exercising functionally on a high intensity with a community of friends on a varied situations and styles. Functional movement means that there are little to no traditional machines used in the workouts and all of the moves are done with a person's own means and limitation, which allows no artificial styles of working out. What makes the sport goal - oriented is the intensity in which the moves are conducted as most of the workouts are measured either by doing as much repetitions as possible with high weights as possible or alternatively as fast as possible against time, all scaled to be fit for any individual of course. To enable a comprehensive workout, CrossFit is planned to take upon constant variation in the training routines so that an individual never does the same workout in a specific period of time (e.g. a week). The community has a significant role in the CrossFit - scene as the idea is to build a friendly and like - minded community of athletes of any level or background. All the members will become a part of a solid community where they actually know each other and their trainers as well as share a similar lifestyle in sports and nutrition

preferences. The community is built by the strong passion of the community members that they share with each other and towards the sport. CrossFit embraces all types of people despite their gender, nationality, age, sexuality, politics and with the help of an open-minded members, the community is able to create a strong position in the market as well as develop during the years. (Toivonen 2012)

In the recent history of CrossFit, the sport has been notified by the sports brand Reebok, which has made it ever so commercialized. Basically any CrossFit gym can get affiliated to a co - operation with Reebok to promote the “sport of fitness”. In 2010 CrossFit and Reebok entered a long - term partnership with a mutual mission to change the way people around the world perceive, experience and define fitness. Reebok also serves a main sponsor for the CrossFit Games, which is the official event of the CrossFit’s World Championships. The rising of the partnership with a major sports brand, such as Reebok has accelerated the popularity of the sport and has raised awareness in new countries as well. (Reebok CrossFit 2012)

As Chris Cooper, founder of the Catalyst Athletics, would describe CrossFit: “CrossFit is a social workout. It’s a community. It’s a revolution. And it grows ONLY through the telling of stories; the relay of excitement; the in-person experience.” (Cooper 2010) The essential quality, which makes CrossFit different from each other is that the role of community and how it is valued by both, the members and the entrepreneurs.

2 Purpose of a business plan

The purpose of a business plan is to give an outlook to the idea of a establishing business and to justify the need and a motive of an idea to become a sustainable business in the given industry. A successful business plan gives a perspective of a market and the viewpoint of a establishing business to have the resources and knowhow to up keep a steady flow of revenue and measure the future prospects in terms of growth and sustainability. A well structured business plan serves as a tool of communication between the entrepreneur and the potential investors and other parties needed to turn the idea into a operating model of business. The creation of a business plan is generally found as a valid tool for the entrepreneurs to introduce their motivation and logical process of all of the activities planned tin order to follow the set stages of

establishment. In addition to the first steps of establishment, business plan serves as a framework for the constant evolvement to meet the expected outcomes and goals for their employees, investors and management. The business plan has to be a thorough outlook to the entire model of business as well as the industry as business plan often has more than a few “interest groups”. Interest groups generally include investors, employees, marketers, vendors, suppliers and other associates and partners. (Kaplan & Warren 2007, 338)

A business plan serves as a blueprint of a company and is on average 25 - to 40 - page written document that illustrates where a business is heading, how it hopes to achieve the set goals and objectives, why the products and / or services are needed in the market and what has to be done in order to meet the business aims. A successful business plan provides the means to determine whether the business idea is viable and how to raise funds for the business, explain the hierarchy and values of the company to the new employees and plan the development of the new products and services. However, the single most important reason for the creation of a business plan is to secure capital, as business plan is the single most important document to be displayed when meeting with the potential investors and banks, whether it is in the early stages of establishment or when planning expansion on a later stage of the business. That being said, business plan is an evolving document which is being modified by the entrepreneur and the managers over the course of time as the business goes on. The creation of a business plan does not guarantee that there will be no problems, but it gives an anticipation to the managers and the entrepreneur to take action if problems are faced. An effective and complete business plan aims to explain what are the primary products and / or services, whether there is room on the market and has the opportunity been well defined, who are the target customer and does the service or product create value to the customers, what is the pricing structure, what is the competition like and are there any barriers of entry, what are the existing risks and how are they planned to be overcome, how is the product or service planned to be sold, what is the organizational structure, what is the current stage of finances and what are the anticipated needs of capital before breaking even and what are the future financial goals for the business and its founder. (Kaplan & Warren 2007, 339 - 344)

3 Methodology

This business plan is based on Osterwalder's model of nine (9) stage business canvas, with concise modifications and changes in the original arrangement. The structure of the text body has been formed using a zipper approach, in which the theory and the practice has been used within the same sections to illustrate the meanings more profoundly. The overall theme of the thesis is based on three to four different development procedures in creating a business plan, of which Osterwalder's model was chosen to be the most systematic and functional. The combination of the chosen business model generation and the main entries of the theory have been structured to a methodological approach to provide the most holistic view on the subject. (Boedeker & Vuorijärvi 2006, 13)

A great part of the practical information of this thesis was gathered through a series of interviews with a number of professionals from the significant industries. The interviews followed generally the same type of interviews, where the questions are prepared beforehand and then modified along the interview goes on. Also additional questions were used to follow up on the most complex topics.

4 Theory of market research & clientele

While establishing a business of any kind, one of the most important sections of a business plan is to justify if there is actually room in the market and whether the market is receptive for the service or product in question. It is of utmost importance to gather information of the market in terms of clientele as well as other, already existing adversaries. Investigation of the occurring trends in the market is important in order to find the right direction to the business. Issues such as market share, products demand, customer needs and perceptions, demographics, buying patterns and customer satisfaction levels give viable information of what is the current stage of a given market or a sector of a market. The results of a market research should be used beneficially for the company and the current stage of a company gives a good reflection to the reality when comparing companies and their positioning between each other. While it is important to follow trends as a new startup-company, but it is also suggested to try to create and evolve trends. (Wood 2010, 6)

Researching the clientele for a new company may accouter to become a

challenging stage of the research as the product / service offering of a company might still be in progress or might evolve according the demand, but the core idea to customer research is to find out who is buying a certain product or would be a potential buyer and why is it so. When the segment of the most potential customer have been determined, it is important to infiltrate the results of the research as part of the marketing plan to find out which channels would be the most efficient to utilize to create a sufficient number of sales. Methods of customer research vary greatly, depending on a method of implementation, customer research serves as a sufficient method of relationship marketing. (Wood 2010, 8)

One of the major reasons for conducting a market research is to identify the market opportunities. Once the research is completed the answers, numbers and results of the research should provide the company with enough data to be able to give forecasts in terms of sales, demand, market and its' potentiality. (Kotler, Keller, Brady, Goodman & Hansen 2009, 214) In terms of CrossFit as a sport and a rather little known phenomena in Finland it is important to follow the trends and keep up the market potentiality by constant variation and innovation. Such new trends, especially in fitness has a tendency to appear effective for a limited period of time and then vanish from the service offering rapidly after the highest climax of popularity has faded. (Räsänen 2012)

4.1 Methods of market research

As Philip Kotler suggests a good marketing research is rather goal-oriented and specific to detail, which anticipates managers to determine a certain objective and reasoning for conducting the research. Kotler presents the following six steps to a successful market research: (see figure 1 below).

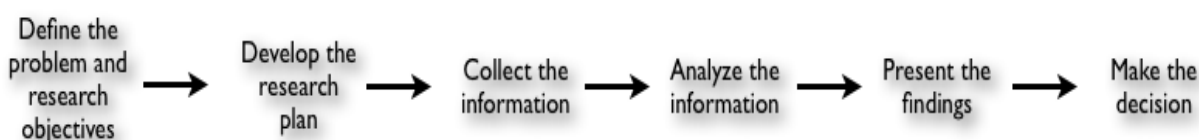


Figure 1: Stages of Market Research

The methods of conducting the actual research vary from expensive to cheaper options. Methods such as observational research, focus group research, surveys, behavioral data, experimental research, questionnaires, qualitative measures and technological devices are all methods of how to gather knowledge of a

given topic. For this particular case of Wolverine Fitness Helsinki, the most effective ways of research have proven to be experimental research and implementing qualitative measures with already existing businesses in the target market.

As it is being suggested “the most scientifically valid” research is the experimental research, because it gives an opportunity for anyone to try the product / or service themselves and then draw their conclusions based on their experience. Carefully designed, prepared and executed experimental research is, in the best case, one of the most reliable sources of research. On the contrary, it would seem that the segment of customers should be kept rather broad within the target market to avoid misconceptions and the lack of certain customer group. (Kotler, Keller, Brady, Goodman & Hansen 2009, 197)

Because of the nature of CrossFit as a sport, it is somewhat difficult to conduct market researches taking into account just the customer base or the possible potential customer, in any other way than through experimental methods. It is known in the sports- and leisure industry to conduct customer satisfaction surveys, but CrossFit, new trend as it is, must be experienced first hand and then draw the conclusions. After all, it is available to basically anyone who is interested in sports from ages 16 to 85, but of course, a certain framework for the most potential customer segments must be drawn by the entrepreneur to be able to focus on the primary segment.

There is a strong connection between conducting a market research and putting it into practice in the marketing plan, which means that it is important to learn and gather knowledge from the results. The marketing plans and the affiliated channels will be reviewed in more detail in the section 6.

4.2 Market outlook

CrossFit is relatively new movement to Finland and Scandinavia in general. The market, though, is growing in size and there are a lot of new gyms being established to the industry, not just official CrossFit affiliates but other functional movement promoters as well. Wolverine is focusing on the greater Helsinki metropolitan area and there are already two affiliates with the official certificates.

According to Statistiska Centralbyrån, over 60% of the people between 16 to 64 of age had been exercising at least two (2) times a week in the year 2010. We have no reason to believe that the equivalent percentage in Finland would be significantly different. Out of these 60% in Sweden of 16 to 25 years of age stated to have done sports indoors somewhat regularly. (Idrott och motion 2004)

In accordance with Wolverine's head coach it is believable that on the long sustainable plan CrossFit as a sport has a potential to take up 10% of the gym - market in the capital area including Helsinki, Espoo and Vantaa. At the moment there is a capacity for nearly 400 clients in the capital area, taking into account the previously mentioned gyms (including Wolverine). In a hypothetical situation of the 10% of the possible market (600 000 who exercise regularly), Wolverine would have a potential clientele of 60 000 people. This is merely an unrefined estimation, as the statistics did not separate the form of exercising. Though, it is worth noting that even with only 40% of the 600 000 people having a gym or a health club membership, there are still 240 000 members to compete over in the general capital area. (Toivonen 2012)

When discerning the market into more common terms, the fitness scene follows trends and fashion as any product or service offering and right now it seems to be forecasted that CrossFit is alighting to Finland with high potential to be "the next big thing" of fitness. That being established, there are pros and cons to the market and trending phenomena, since sport - trend like CrossFit can raise awareness and create success relatively fast, but the sustainability of the business might not last when new forms and trends of fitness are being emerged.

The absolute pros of the market are the clientele of the CrossFit. In general the people who are exercising and do sports of many kinds are open to try out new forms of athleticism and are open for new influences. After all, all goal - oriented exercise is about constant variation. (Räsänen 2012)

4.3 Customer segments

The customer segments of Wolverine are divided approximately between those who are aware of CrossFit as a sport and those who have not yet been introduced to the sport. Segments of people who are already aware of CrossFit or are affiliated with the sport already are estimated to be the easiest segment

to reach through social networks, as the number of people is rather concise in Finland and in Scandinavia in general.

The individuals who are not yet part of any CrossFit community, but might have heard about it, are following fitness trends, nutrition diets and / or are a part of any gym are likely to grow interest in CrossFit as a method of working out.

By assumptions, the most potential segment of customers are the ones who care for health, follow media and are likely to be a part of a gym or do exercising of any sort regularly and want to reach goals. Also, the individuals who have a background in martial arts have been found to raise interest towards CrossFit and functional movement - oriented training overall. (Liuzzi 2012) Despite the fact that CrossFit as a sport is available to anyone between approximate ages of 16 to 84, the most common profile of customers, at first, would be an regularly exercising individual between 21 to 30 years of age. The assumption is drawn based on the head coach's previous experiences from the industry and from the median of the already existing members of an underground community.

The most extensive segment of potential customers are certainly the audience who are not a part of any CrossFit community, have not heard of it, but care for their health, are eager to try new trends and are easily drawn into communal activities. They may be a part of a fitness club or may not, but might be looking for a new service provider as well, in pursuit of alternative, different and more competitive ways of exercising. The geographical spread of the customer segments is the extended capital area of Helsinki, covering individuals between the ages of 16 to 84 in Helsinki, Espoo and Vantaa As a future plan, Wolverine aims to certify at least one coach to be able to coach children as well, which will broaden the clientele a little.

4.4 Competitors

Generally any company who is offering fitness services or a possibility to exercise are a potential competitor for Wolverine, even if there are only two (2) actual competing CrossFit - gyms in the metropolitan area. The clientele of a CrossFit - gym and a commercialized chain gym differ in many ways, as CrossFit is more goal - oriented, less commercialized and perceived to be "only for the professional athletes and military units. The general misunderstanding is that CrossFit would be somehow exclusive towards certain people with a

certain background, CrossFit is for everyone.

The largest and most widely spread competitors in the industry are the chain-operating gyms such as SATS, Elixia and Motivus, which offer a wide range of services and methods for exercising whether in a group or individually. The methods of exercising range from traditional free weight area to machine operated gyms and communal activities such as body pump, yoga or zumba. The chains all offer personal trainer services as well and are, to some extent, expensive. Their pricing model is generally based on full, annual memberships in addition to personal trainer services and communal activities. The value to the customer is delivered through extensive possibilities of exercising, clean premises and trained staff. The pricing policies of such gyms are generally rated significantly higher than those of “underground” gyms. The brand name has an effect on the prices in chain gyms, as it is considered a trend to be a part of a gym to upkeep an image of inclusiveness.

The chain gyms do not yet offer CrossFit trainings, and likely are not going to offer as the name “CrossFit” is a concept of an official affiliation, but chains have taken upon a trend to start offering functional movement classes in a rising pattern. Even if the content of the classes would be very different from actual CrossFit, it possesses a threat to Wolverine and other CrossFit - gyms as certain customer segments might not know the difference between actual CrossFit and something offered in a similar suit.

Besides chain organized commercial gyms there are smaller and private gyms in the metropolitan area, which offer approximately the same characteristics than the chain, except for less maintained venues and less reputation, but more personalized service. Many of the martial art - dojos are considered to be an important segment in competitors as they are generally small in number of participants, offer gym and functional movement classes aside of their main product (martial arts) and are reasonably priced as well as offer personalized service. Public gyms and swimming halls, such as Töölön Kisahalli and Töölön Urheilutalo, offer a possibility for a variety of exercising as they offer nearly the same products than the chain gyms, but with less maintained venues and cheaper prices. The major differing is that these do not provide any expertise or communal activities, unless an individual hires an external personal trainer to assist in exercising. These gyms are rather operational and can be considered as a competition even if the business model is different, as they offer both

the premises and the equipment for a well structured functional movement - training.

Wolverine is facing straight competition as a CrossFit - gym only from two (2) different companies in the metropolitan area. CrossFitCentralHelsinki and CrossFitEspoo, which have been in business for a longer period of time and possess an edge over Wolverine both in resources and in reputation. CrossFitCentralHelsinki achieved their maximum limit of customers, 90 members, within their first four (4) months of business, and are still under an overwhelming demand. Due to the fact of high demand in the metropolitan area, Wolverine head coach has already established a relationship with the head coach of CrossFitCentralHelsinki and have mutually agreed that there is room in the market for several CrossFit - gyms. Also, some unrefined linings of the future has been drawn regarding projects of co - operation and possibly arranging championship games in Finland in co - operation. (Toivonen 2012)

4.5 Positioning map

The position map is divided to two (2) variables, price and the level of customer service to evaluate the competitiveness against Wolverine. The majority of the potential competitors possess an edge in terms of reputation and resources as they have been existing for a longer period time in relation to Wolverine and hence possess a solid group of recurring customers who help them expanding as well. The greatest contrasting differences are in the sizes of the organization, both of the official CrossFit - competitors have two (2) or more coaches which allows them to be more flexible in terms of scheduling the sessions, several times a day six or seven days a week. The current con for Wolverine is that it is only operated by a single coach and the scheduling for sessions is restricted by the potential landlord of the venue.

Regardless, Wolverine has been positioned to be nearly the cheapest option of the industry because of the mentioned reasons, but the value for the money is estimated to be more sufficient as the level of customization and personalized assistance is significantly higher than of competitors'. Wolverine has reason to believe that the level of customer service is rather high within its competitors as well, but before the boom of customers, Wolverine is able to pay more attention to its concise number of customers, which makes the customer service the most competitive advantage. (See Figure 2)
(Toivonen 2012)

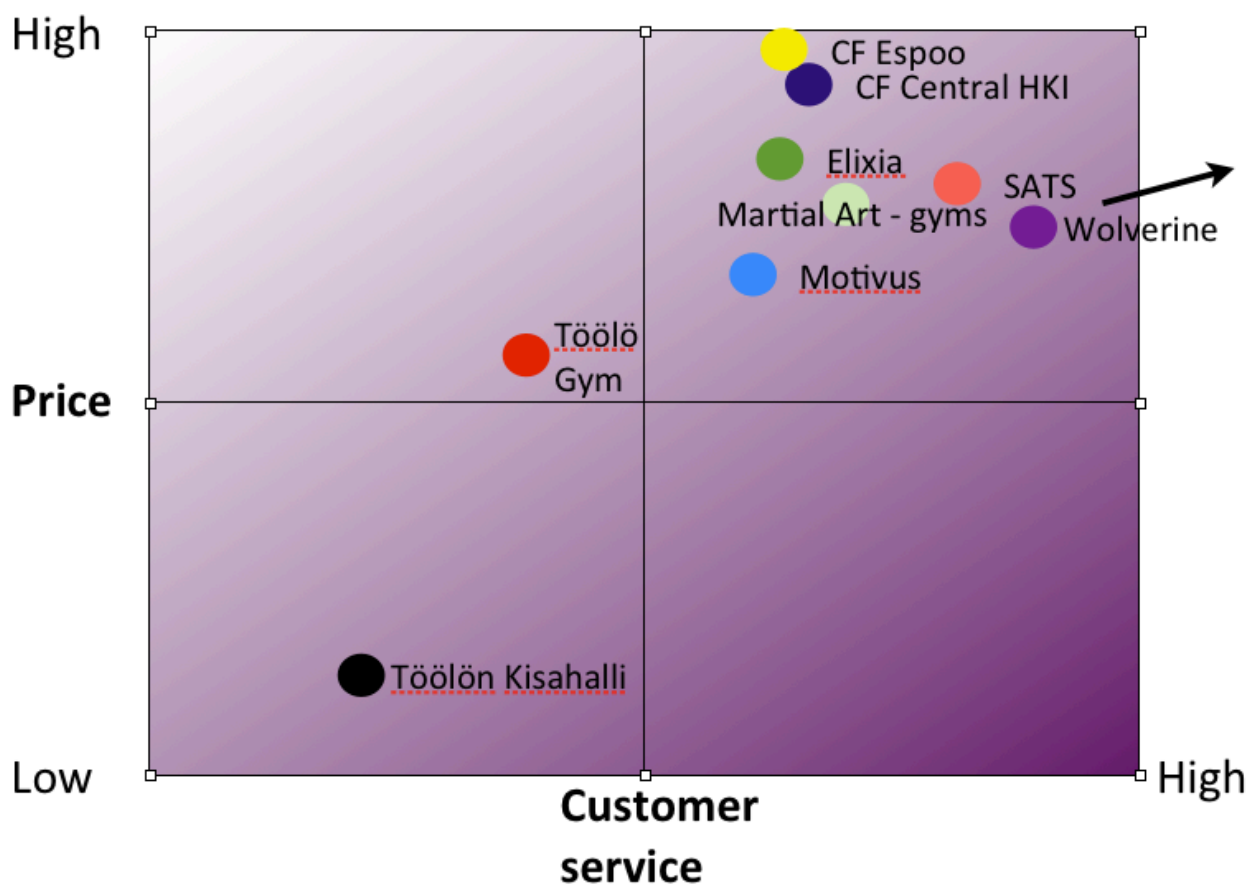


Figure 2: Positioning Map

5 Value proposition

The company creates value to its customer by providing them with a product or a service in exchange of money. The value delivery process is a combination of choosing, providing and communicating excellent customer - oriented value. The value chain is a tool for identifying the most relevant activities that create and add value to the end customer. The value chain was introduced by Michael Porter in 1985 and is based on measurements and evaluation of several internal and external processes as a part of product / service creation. (Kotler et al. 2009, 80, 113)

The definition of value proposition is a certain quality or a characteristic which a company possesses in order to gain new customer and retain the already existing ones, it is a quality which makes the customer from a certain segment of people to choose the services or products of a certain company instead of the competitor's. The value proposition describes a variety of products or

services that create value for the selected segment of customers. A successful value proposition of a company aims to fulfill the customer needs and solve the problems in the most effective and efficient manner possible. (Osterwalder & Pigneur, 22)

As Osterwalder suggests in his book “Business Model Creation”, a good value proposition can take a variety of forms which aim to cater for the customer segment’s demands. Values can be divided between quantitative and qualitative, for instance price of the product and speed of the service or alternatively design and customer experience. It is being suggested that elements like uniqueness, newness, performance, customization, price, status / brand, accessibility, convenience and reductions in risks and prices have been found to be functions which have an affect on value adding in a positive manner. (Osterwalder & Pigneur, 25)

In a sports - and leisure industry in particular it is valuable to measure the value creation process frequently and evolve according to the results as the industry is highly influenced by trends, both from the customers and the external guidelines of a certain sport.

5.1 Wolverine’s value proposition

As it is suggested by Osterwalder and Pigneur, the values which emerges Wolverine distinctively from its competitors are accessibility, convenience, newness and uniqueness. In customer terms this means that the classes are generally held in a one spot, at the gym, which is conveniently located in the central area in Helsinki and the scheduling of the classes is much reliant to the customers’ wishes. This way it is the most convenient for customers to plan their leisure time and the times of workouts whenever they find them suitable. Convenience in scheduling is subject to change according to the venue provider and the demand from the audience, but at first, it is reasonable to believe that Wolverine has to modify the scheduling in accordance of the most highest demand.

As CrossFit is a rather new form of fitness in Finland, its value proposition is absolutely the newness, as a great deal of the fitness trends come and go in trends. New forms of exercising are found to appealing by the audience and CrossFit in particular has reached a significant demand as both of the already

existing CrossFit gyms are at their current customer limit, after few months of operations.

Thirdly, both in terms of execution of the workout and business model, the innovativeness and uniqueness are considered as value generating aspects for Wolverine, as the workouts themselves are hardly ever the same and the classes are brought to the customer by just a single coach and a supporting community of athletes. This is met by a providing a high standard of customer service through constant variations in the actual workouts and in an atmosphere where every individual actually knows each other.
(Toivonen 2012)

5.2 Identity and Values

Identity and values for CrossFit and especially for Wolverine are strongly connected to the four tag lines of CrossFit; functional movement, constant variation, intensity and community. The core idea of the business is to build a strong community, which creates the base of customers. The community forms from an ambitious people who want the best from their life - healthy lifestyle, exercising and correct nutrition are important factors in order to meet this. Wolverine provides a solution for both of these factors by combining education about the right way of exercising and healthy nutrition. By providing up-to-date information and offering unique workout sessions the customer base is kept stable. Wolverine's product consist from a variety of elements, making it one of the best options there are on the market for a broad and inclusive fitness.
(Toivonen 2012)

5.3 Vision and Mission

Vision statement: "We provide gym coaches that care for the fitness development of a tight-knit and ambitious community of members". The vision of the business is to offer and promote the sport of functional movement rather than traditional gym training and establish a community around it. The aim is to gather a solid group of members to form the community and with their help, promote CrossFit and healthy values.

Mission is to establish a business around the vision with the given resources, strong enough at first to provide sustainable business model for one person to run on a daily

basis. Sustainability and making a profit of a movement which is somewhat an underground movement is likely difficult at first, but there are means to overcome the obstacles and turn the movement into a legitimate and profitable business. The core outcome of a successful training will teach individuals into more healthier lifestyle and generally educate participants in well being. The outcomes will be achieved through discipline and goal - oriented methods of training. (Toivonen 2012)

6 Channels

Business channels in general describe the methods and resources of a business to reach it's customers and how does a company communicate with it's given customer segment, and how the proposed value is being visible to the audience. Channels in which a company operates and is present serve as a relevant touch point for the customers and hence has a major influence in an overall marketing strategy. The channels a company is involved in build a framework around the company and they will serve as a interface for the company as well. Careful allocation of resources and attention to the right channels can lead to substantial profits and awareness when implemented to a sufficient channel. Channels serve as a way to raise awareness of a service or a product, helping customers determine and evaluate the company's value proposition, allowing customers to buy a specific product or a service, deliver proposed value to the customer and provide after - sales support and activities. (Osterwalder & Pigneur, 26)

6.1 Five stages of phases

The following table illustrates the five (5) stages of channel phases. The types and activities vary by the nature of the business and by the characteristics of a chosen channel, but the basic idea is now illustrated as it was described in the previous chapter. (Osterwalder & Pigneur, 27)

Channel Types		Channel Phases				
Own	Direct					
	Sales force					
	Web sales					
Partner	Indirect					
	Own stores					
	Partner stores					
	Wholesaler					
		1. Awareness How do we raise awareness about our company's products and services?	2. Evaluation How do we help customers evaluate our organization's Value Proposition?	3. Purchase How do we allow customers to purchase specific products and services?	4. Delivery How do we deliver a Value Proposition to customers?	5. After sales How do we provide post-purchase customer support?

Table 1: Channel Phases

All of the stages above apply for Wolverine's case of establishing a business and it gives guidelines of how to plan the activities for sales and marketing in particular. In Wolverine's case, most of the channels used will be own and direct channels, with the exception of utilizing social media as a part of awareness raising campaign. The general aim at first will be to raise awareness, both through certain channels of marketing and through the already existing base of customers. Secondly, the delivery of the service is a priority, because the customers have to be able to reach and experience the service to be able to evaluate the value of the service and decide whether to commit to it and purchase a membership or not. As a small startup business, the purchasing decisions of the customers come only after the first impression has been made through delivery and evaluation. Most of the channels are considered to be Wolverine's own since all of the activities and services offered in exchange for money are "in gym - activities" conducted only by the head coach. The channels where customers can experience the value brought by the company operate as a marketing channel for Wolverine, as it is believed that the "word of mouth" - marketing is one of the most effective channels of raising awareness amongst new potential customers. (Toivonen 2012)

As an example, CrossFitCentalHelsinki's Ben Liuzzi explained their strategy towards acquiring new customers to be as simple as getting others excited about CrossFit and waiting for them to spread the word. Such methods are still effective in gaining popularity as a single gym, since there are not many competitors offering the exact same service. To support the "word of mouth" - method of marketing, CrossFitCentalHelsinki utilizes the prospects of public social media through facebook as they post pictures of their customers doing CrossFit in their trainings and exceeding their own expectations. This way, they receive impressions in social media through their customers' contacts of social media. The allocation of resources and promotion with the help of their

existing customers, CrossFitCentralHelsinki has achieved their maximum limit of customers, both in terms of number of people and facility capacity. (Liuzzi 2012) In this particular example, facebook as a platform of social media serves company as a partner channel.

6.2 Marketing

Commencing the marketing operations are likely to be one of the first, most important steps in establishing any business, as the aim of marketing is to reach out to those who might be the potential customers. For Wolverine, there is already an existing concise group of individuals who are affiliated with the brand and are exercising somewhat regularly, but that group can not be transferred into full - time, paying memberships, hence the need for marketing. The aim for the Wolverines initial marketing campaign is to spread out the awareness of a new CrossFit gym and attract individuals to try CrossFit and eventually evolve them to become full - time members of the community.

The primary approach for Wolverine will be to advertise the new service through social networks, mainly through facebook. Facebook offers a sponsored advertising space on the page for anyone to create and advert which then can be modified, optimized and channeled to reach a very specific group of individuals. By utilizing the facebook advertising space, Wolverine can easily pick out the right groups of people to advertise to and avoid spending inadequate funds for advertising to the secondary groups of individuals. At first it has been planned to take upon a concise campaign to reach individuals between 20 to 45 years of age who are already a part of the fitness scene somehow and are likely to know what is CrossFit. It is also expected that the individuals are living in the metropolitan area of Helsinki. As facebook adverts allows several modifications of the adverts under the same campaign, the aims is to create a diverse variety of adverts which are channeled to reach different groups of people, not just the primary ones. If such modifications are made, then the campaign must be optimized with care as every impression in facebook is charged and Wolverine wants to avoid spending funds for ineffective coverage. Advertising in facebook has been found to be significantly more cost efficient channel of marketing in comparison to other medias available, especially when the audience is not a major take of the population, but more concise groups of individuals are being reached. The primary object of the establishment of the facebook campaign is to acquire 12 to 20

individuals who would create the base for the community and pay the full membership on a regular basis. (Kuusanmäki 2012)

6.2.1 The debate between Facebook and Google Ads

On the contrary to the Facebook advertising space, Google Ads is a much utilized platform within the marketers online, as it provides a wide selection of audience coverage based on geo - location and key words. The debate between facebook and Google as an advertising platform is really just a matter of opinion, where Google provides larges quantities of possible page visitors, facebook makes it more precise in terms of the visitor background. Also, Google's sponsored adverts are significantly more expensive per one impression when compared to for instance, facebook. (Kuusanmäki 2012)

Google Ads operates on a fairly similar basis as facebook advertising, as the marketer decides the rough deviation between locations where to advertise and determines the budget on how much to invest per click. Basically Google Ads really offers a competitive platform as there are no hidden costs and the marketer only pays for actual clicks for the website and because the adverts are being shown according to the key words typed into the search - field by the individual, for instance "CrossFit" and "Helsinki", the chances of reaching out to the adequate population is distinctively high. It is reasonable to believe that the audience starts looking for a CrossFit gym from Google if they do not already know of a gym or a specific web site to search for, which makes it a competitive platform to have visibility on. (AdWords 2012)

6.2.2 Objective take on online marketing

Either of the previously mentioned platforms, facebook or Google, present their own takes on sponsored advertising, but both of the platforms possess a similar problem; volatility. In general, audiences are not very fond of clicking through sponsored adverts, even if they found them highlighted in Google, also people do not join facebook for commercial reasons per se. It has been studied that people are more likely to click on organic results on Google, for instance, rather than a sponsored and highlighted story of which a company has paid for, partly because of the partial interest amongst audiences as people get affected to distinctive amount of advertising on a daily basis, so the power of an

advert decreases. Also, as stated, Google adverts are quite expensive for a startup company to establish proper sustainability and high enough ROI rate for the campaign, which means that Wolverine could only choose between establishing a campaign for a learning curve, during which the campaigns are being optimized and results are being gathered for the upkeep of a such campaign, or hiring an SEO (Search Engine Optimizing) specialist to create a more overall set up for the whole outlook of online marketing. This way a company would be more likely to reach out to the potential customers searching for organic results on a longer time span, rather than paying for a single campaign which only results in so many clicks and impressions and there is no guarantee of a positive ROI rating. (Vaitinen 2012)

Agreed that the facebook / Google Ad campaigns are an important part of the marketing in the beginning of the business, but evidently, the word of mouth marketing is by far the most effective method for raising awareness amongst the audience. It has been proven by other CrossFit entrepreneurs that by offering an appealing service and executing it with the most highest standards, the word will go on and actually, the satisfied customers become the most valuable channel of marketing. This is an issue which needs to be taken into consideration at all times when operating as Wolverine Fitness Helsinki, as it really makes a difference in the demand whether the service is found valuable by the audience or not. A content base of customers may act as a valuable channel of marketing, but if the service is found not to deliver adequate value, it may just as well be the force driving the customers away. (Liuzzi 2012)

The word of mouth approach can also be boosted with an active presence in the social media, for instance through actively updating the blog feed and keeping the audience updated on the latest news and events through facebook or other such social media platform. Ben Liuzzi of CrossFitCentralHelsinki suggested that simply by publishing photos from the workouts and uploading them to the facebook feed for everyone to see rose their customer base significantly as the “friend of a friend” - networks in facebook were then utilized.

Aside from just acquiring new customers and raising awareness, a major part of the marketing plan is to establish a customer record to ensure that the existing customers are well informed of the latest phenomena. The ways of keeping the records are countless and there are a variety of platforms to utilize for such purposes, but it is being suggested that traditional e-mail marketing would be

found useful for this. Such service is brought by, for instance, MailChimp, which is widely used by businesses for sending e-mails to a large base of addresses, and it is free of charge. (Kuusanmäki 2012)

7 Customer relationships

Customer relationships are not “relationships” before the customer feels comfortable in being “in a relationship” and in general, the companies do not build the relationships, but they manage the relationships through a series of activities once it has been established by the customer. Customer relationships do not establish only through a number of buying decisions or being part of a “loyalty” program. A successful customer relationship is generally established when the customer feels that they have unconsciously or consciously developed an emotional connection to certain companies or brands. (Barnes 2006, 5)

The establishment of profitable customer relationships are important for any company and pay respect to the company’s value proposition, because good value proposition does not only offer a solution to customer’s problem or a satisfaction for a need, but also contributes to the progression towards relationship building. James Barnes in his book “Build Your Customer Strategy” suggests a five (5) step model for adding value to the customer towards a sustainable customer relationships. The base for a customer relationship is the core service, which has to be conducted efficiently and basically can not go wrong in any way as it is the basic element of a company. Secondly there is a stage of backup support for the core service, which can mean after sales activities, warranties or extended opening hours, depending on a type of business. The punctuality and accuracy in delivery of business is substantially viable in creating customer relations to a next level while lack of delays, stock outs and system failures are scenarios which should not be known nor experiences by the customer. Lastly, when establishing a customer relationship, it is only possible through somewhat personal service and a high degree of helpfulness and friendliness. The emotional connection between the customer and the company is based on mutual respect and appreciation. In a flawless customer relationship, the customer gets recognition from the company and feels the value offered through a product or a service. (Barnes 2006, 47)

7.1 Managing Customer Relationships

The general function of customer relationship management (CRM) is to manage the already existing relationships with current customers and generating a process of acquiring new customers and developing the relationships with them through a series of activities. (Grönholm 2012) Acquiring new customers is usually seen as more expensive and time - consuming than selling a product or service to already existing customer. Customer retention is maximized by offering a range of products and services to the existing base of customers by their means and fulfilling the offering according to the level of existing customer expectations. “The central objective of CRM is thus to maximize the lifetime value of a customer to the organization.” (Peppard 2000)

The most viable customer relationships are based on information gathered through a series of clientele research, which is then transferred into actionable information and refined into customer insight (knowledge) according to the findings. Evolving the business processes in accordance to the customer insight provide the existing customers a personalized feel to the business and has a major effect on customer retention. Functions such as relationship marketing, engaging in personal dialogue and two - way open communication with the customer have been proven to increase the level of customer retention. As research shows that the retained customers are more valuable for the company on a sustainable plan, rather than attracting a distinctive number of new customers. (Peppard 2000)

A well structured and implemented customer relationship management creates a profitable combination of acquiring new customers and retaining the existing ones. Customer retention ultimately can lead to key account - relationship, which is generally a preferred method of doing business, as it provided a long - term seller - buyer relationship and are generally the most profitable for both of the parties. Today it is not unheard of for companies to get most of their revenue from a very concise number of key accounts, which proves that the retention of the existing customers is more valuable than acquiring new contacts constantly. The measures of key accounts and customer relations are, of course, subject to change by the industry and the profile of the company. (Tawast 2011)

7.2 CRM implementation

The customer relationships are a viable issue in Wolverine's case, as the plan for customer retention as well as acquisition is strongly based on the strength of the community of athletes. The establishment of the customer relationships is started from the first sessions onwards and every individual are being merged to the existing community and offered a high level of customer service and being welcomed to the community by the already existing members. The core competence of the business is to have the community to serve as a value adding asset, where everyone knows each other and share a social aspect for working out, also the head coach's aim is to get to know the athletes well and be able to give customized service according to individual demand. The cornerstone of the customer relationship management for Wolverine is the community atmosphere which needs to be fostered, the relationships between athletes are equally important as the relationships between the athletes and the coach. A supportive community creates trust amongst its members and the individuals are more likely to become friends and everyone enjoys the value delivered through the offered core service. The social aspect is truly one of the most important concepts of a CrossFit - gym. Positive atmosphere also helps in customer acquisition as the current customers are the most important channel of marketing, and it is easier to attract new customers to join in through satisfied existing customers.

The value to the customer is brought through measuring each individual's personal records and setting higher goals to reach, so that the athletes have a clear understanding of their achievements and development as an athlete. Such measuring also gives a possibility for the coach to give comments to the athletes and be able to follow the patterns in order to deliver more customized service by an individual. There has been no establishment of a platform of such surveillance yet, but as it is an important part of the goal - oriented training methods, it needs to be conducted at some level from the beginning. A platform called "Social WOD" is a monthly subscription based tool, which is widely used by other CrossFit - gyms for measuring statistics, but Wolverine has found the platform in question to be an unnecessary cost as long as the number of members are under 35 individuals. (Toivonen 2012)

8 Revenue streams

Revenue streams in a company represent the channels of cash inflows and

hence are the most viable channels to pay attention to in a company. Revenue model around a company builds up from a line of products or services, which are offered to the customers in exchange for money and keep the company existent and profitable. Each revenue stream may have their individual mechanism of pricing varying from fixed pricing to bargaining and market dependent pricing to yield management. Any business model can be divided approximately to two different types of revenue streams; transaction revenues resulting from a single customer payments and recurring revenues of ongoing payments to deliver value to the customer through a value proposed service or product and / or affiliated after sales activities or customer support. (Osterwalder & Pigneur, 30)

There is a number of ways to generate revenues as an entrepreneur - as Osterwalder and Pigneur suggest the most common ones are asset sales, usage fees, subscription fees, licensing, lending / leasing / renting and advertising. The ways of revenue generation vary significantly by the nature of the business and the working industry. For Wolverine the channels of revenue will be a mix from a several channels, but the main revenue stream is anticipated to be a subscription based membership fee, which allows customers to join the workout sessions anytime in respect to their own schedules and are charged by the month or annually, depending on a form of a subscription. (Osterwalder & Pigneur, 31)

8.1 Pricing mechanisms

Adequate pricing strategy is considerably substantial for a new startup company and Wolverine is not an exception in this. The methods of pricing will be a combination of value based and rationale based pricing, as Wolverine has nearly no variable costs related to the model, the main aim is to break even by earning enough capital to meet the fixed costs. Value based pricing is not just meeting the requirements of making a modest profit of the service, value based pricing means providing and adding value to the customer's money, - if the customer thinks that the service offered does not meet the price paid, entrepreneur should reconsider the pricing and / or perhaps even the service offered. To combine value based pricing with rationale based pricing should give a sufficient and appealing combination of pricing to the receptive audience. Rationale based pricing means giving justification to differences in prices when compared to the competitors, for a new business this attribute is an excellent opportunity to promote the difference from the competitors for

instance by being new, innovative and offer something the competitors lack and base the pricing to the differences. (Kaplan & Warren 2007, 72)

Before it can be established which method of pricing will a company decide to execute, the objectives for pricing should be established. There are a adequate number or methods and theories to choose from, but to keep it simple, perhaps the most simplest models are to orientation for revenue, operations and patronage. Revenue - oriented pricing aims to maximize the surplus of income over the expenditure and for a new company, to reach the break even point as soon as possible. Operations - oriented objective aims to fulfill the capacity of a company at all times, which means that for instance hotels and gyms offer specials and discounts during “off - seasons” to keep up the desired level of usage. Patronage - oriented model for pricing aims to attract customer by all means necessary, even if there was a possibility of momentarily going in the red. (Kaplan & Warren 2007, 73)

The patronage - oriented method for pricing serves as a marketing tool for Wolverine, because of the marketing budget is, to some extent, concise and the most important channel of marketing is the “word of mouth” and already existing customers. By applying patronage pricing to the basic processes of organizing lessons, it is expected to be effective in gaining new “leads” and new potential members of the community. The head coach of CrossFitCentralHelsinki, Ben Liuzzi, witnessed this to be a genuinely effective method of spreading the awareness of CrossFit and their business. CrossFitCentralHelsinki implements patronage - oriented pricing by organizing free classes for new athletes to come and try out CrossFit before given an opportunity to purchase a monthly or yearly membership. (Liuzzi 2012) Such measures and the possibility of offering free try - outs for new potential members is a concrete example of how service offered for now money in exchange may turn into a sustainable flow of capital in the future.

In general, the marketing- and sales plan has to be done in respect of the pricing strategy and vice versa, as they are both reliable from each other. Well structured and implemented market analysis and competitor review will help significantly when defining prices for a new company. Adequate pricing is the key for controlling the costs and displaying the profit, which makes pricing an effective marketing tool which needs to be mastered. There is a number of issues which take effect on pricing decisions and naturally the procedures of pricing vary by the industry and type of business. The mastery of successful can

be considered very important especially for a new business as the price of the product and / or service reflects a certain image and feelings about the offering which then affect the demand. (Kaplan & Warren 2007, 72)

8.2 Pricing strategy

The basis for pricing and the price justification is a critical issue when positioning a new company to the market and measuring competitiveness. Hence, a company has to set a definition to the unit of service / product consumption, whether it should be based on a completion of a certain task, admission to a performance of service, expert's time or perhaps should it be tied to a value. (Lovelock & Wright 2002, 184)

The foundations of pricing are reliable to three (3) external factors; costs, competition and value created to the customer. It is obvious that any company who wants to keep in black, has to price their services and / or products higher than the costs of acquiring and / or producing the product or service. Successful pricing takes into account and exceeds the manufacturing costs of the actual product, if not by a high percentage, then with its approximate high sales quantity. In addition to covering the manufacturing costs it creates competition to the market when competitors vary their prices between each other - the competitors are generally a valid example for a new company as a guideline to approximate pricing. Even if the previously mentioned factors are important in creating a pricing strategy, possibly the most important factor to be considered is the value brought to the end customers. If the customers were unsure about a value affiliated with a cost, they might postpone their buying decision or skip it entirely. (Lovelock & Wright 2002, 178)

In most services there is a distinctive relationship between the service provider and the surrounding market potential, the customers. The general fact is that the demand and the prices offered go consistently synchronized and as the prices rise, it usually decreases the demand. This inevitably has implications on the pricing strategy and revenue management as companies want to fill the capacities of their sales. When the fluctuations in prices have a major effect on the public base of customers the phenomena is called price elasticity. When a price of a product or service has little or no impact on the demand the product is price inelastic, which is something plenty of companies would prefer.

Infrequently a company manages to position their selves in a market to such position where their products are inelastic in prices and price fluctuations would have no influence in the demand. (Lovelock & Wright 2002, 179)

A major California based IT and phone designer and manufacturer company Apple Inc. is a good example of being successfully creating their brand into such high spheres that the general audience in the market will pay a higher price for their products because of the fact that it is considered somewhat “hip” and “exclusive”. Apple products are known for their higher prices than of their competitors, yet they are able to maintain their foothold in the global top competition. Apple’s products are not entirely price inelastic, but during the launch of their new iPhone in 2008, Apple gained remarkable success because of their brand elasticity as the high prices on the new iPhone generated sales, but the slightly decreased prices in the third quartet boosted the sales to all time high.

Apple is a valid example of a company successfully creating a brand into which people rely and support the brand no matter of the higher prices in relation to the competitors in the market.

8.3 Wolverine’s pricing and revenue channels

Wolverine’s pricing policy as a whole follows a straightforward pattern where all of the individuals are charged for the offered services through “in gym” - activities. The base for the revenue is estimated to establish through the monthly invoicing of the full time memberships. The service offering has several elements for individuals to choose, but in order to achieve the sustainable flow of revenue, the long term commitment of the athletes is seen as the most beneficial option. Also the possible seminar packages are a significant source of revenue from a single transaction, but are estimated to take place noticeably less frequently than the core service of organizing sessions for the members or introductory sessions for new members.

9 Key resources

The key resources of a business represent the resources which are required to keep the business model operative and to generate and deliver value to the customers according to the value proposition. Practically, a company’s

resources can be divided into four (4) contrasting types of resources which are equally viable for the businesses sustainability; physical-, intellectual-, human- and financial resources. Physical resources are the resources which provide the physical assets for a company to be able to deliver the offered product or service, where as intellectual resources can be, for instance, intellectual property, knowledge, copyrights or brand awareness. Human- and financial resources are the most compulsory resources along with the physical assets as most of the businesses require labor force to create and deliver the value to the customer and financial assets in order to constitute the business model. (Osterwalder & Pigneur, 34, 35)

The required resources for a startup company are subject to change depending on a type of a business and the industry of a business and can be seen as not essential for a very early stage of a business. For instance, the physical resources, such as rent of an office space may be postponed and hence considered as a method of saving from financial resources if the particular office space is not found necessary for the business model. (MacInnis 2012)

9.1 General investments

In order to start the operations as Wolverine Fitness Helsinki, certain investments are needed; majority of them are the very basic essentials for organizing any activity, such as venue, basic office supplies and equipment. The capital reserved for the startup investments have been estimated to be 5000€ of the trader's own savings. This entire business plan and it's all financial issues are calculated to be conducted without any outside investments or loans. The largest investments in the beginning of the operations are the purchases of the equipment; Wolverine has negotiated a package deal with CompactFit of a set of equipment, which includes all the essential of starting up a basic gym for a number of athletes. The package will consist of pull-up bars, dead weights, kettle bells, bar bells etc.

Aside from all of the major purchases, such as equipment, Wolverine will rely on personal supplies such as existing laptops, office supplies, whiteboards etc. but it is expected that the life time of any object other than concrete piece of equipment is no more than a few years, which means that Wolverine will have to keep up a steady flow of purchases for the all around needs.

10 Key activities

Key activities of a company are the measures the company has to take in order to provide value to the customers through the delivery of the service or a product. Key activities enable company to maintain its business model operational, additionally well implemented key activities help a company to build towards competitive edge in relation to its competitors. Like key resources, the key activities are needed to create and deliver value proposition, reach customer segments, manage existing and new customer relationships as well as earn revenues. (Osterwalder & Pigneur, 36)

10.1 Sales

Sales planning is a critical point of a business establishment as it can be considered as the point where the service offered is transferred into revenue for the company. Sales is hardly ever a single transaction based phenomena rather than an ongoing consistent process which needs to be maintained and monitored over the course of time. Commencing the sales generally take both financial - and labor resources as well as persistence, energy and focus.

A successful sales strategy builds upon five (5) stages and it starts from defining the target segment, as it is critical to be certain that the service or product is being offered to the most potential customer. Secondly, it is required to define the outreach of the sales strategy, meaning how are the potential customers reached and what resources are needed to fulfill the objective. After the contact with the potential customer has been made, it is important to know to ask the right questions and provide the customers with a professional two - way discussion to deliver the insight of the trade. Once the buying decision has been made by the customer it is the entrepreneur's duty to deliver the service or product and start building a relationship with the customer. The sales process do not end after a single transaction. After the delivery, the monitoring and after sales activities take place to review the past activities conducted as a part of the sales process. By having the knowledge of what is working and what is not gives an entrepreneur and opportunity to tune the sales process and exclude elements which were proven to be ineffective and pay more emphasize on those, which were declared to be successful factors in the overall process. (Helbig 2011)

10.2 Explanation of the product line

Wolverine's activities are all taking place at the gym, because the completion of the exercises require certain equipment and a supervision of a coach. The product - line of Wolverine is divided into four (4) parts which are all taking place at the gym and are mainly sold straight from the gym. The products are as follows:

1. Membership - An annual subscription to the gym, which is charged monthly. A membership grants access to each session of the gym in honor of the athletes own schedule. The membership is considered as the main product of the revenue model and it is expected to generate the most sustainable flow of capital.
2. Conferences for companies - Possibility for companies to organize a session as a part of a conference or a recreational day. The conferences packages are being marketed and sold by a partner company Fysio Acusa and the sessions are charged according to the amount of persons, generally between 750€ and 1500€ per afternoon. It is anticipated to have only a few number of conferences during the first year of operation.
3. Clipcard - A ten (10) session workout card which can be consumed whenever there are training sessions organized. Clipcard is a one time payment and expires after 12 months. Clipcard is the most suitable for individuals who are not yet sure whether to buy the full membership or not.
4. On ramp - This course teaches the foundations of CrossFit in a safe and supporting environment. The course takes up to three (3) weeks, but can be accelerated by individuals own will. On ramp course serves as an introductory form of exercising CrossFit before purchasing the full membership. It is not required for the full membership, but highly suggested.

The current offering still lacks a possibility for anyone to come and use the gym by themselves without supervision, but due to the current negotiations with a venue provider, Gar - Tak Center and Fysio Acusa, the premises are only

available during four (4) fixed days a week, which prevents the possibility of offering an “open gym” - access for the customers. The “open gym” - access is worth offering in the future when the venue setting will be different, but currently when the size of the community is rather concise and Wolverine is still only building its measures, the “open gym” - access would not grant a significant cash flow, rather than it would generate costs in maintenance and human resources.

11 Key partnerships

It is merely never a case that there would be a single business without any partnerships. It is beneficial to keep up good relations in the business world. Good business relationships with company's partners are often seen as strengths and may even take a form of an strategic alliances and / or help otherwise in making the most of the opportunities. Also during more difficult times, good partnerships may help in defending towards threats and profitably satisfy the customers.

In the ideal situation the business partnerships are mutually beneficial, both financially and ethically. Note, just the existence of a relationship itself does not necessarily give a competitive edge to neither of the parties, but the partnerships should be pampered. A poorly managed partnership with a vital partner can turn into more of a weakness, for instance in a rapid growth situation or when either of the parties is struggling to survive. Having good relations with the most important partners in the channels as well as suppliers is a value adding asset to work towards. (Wood 2010, 34)

Sometimes partnerships and networks of companies can create definitely positive new aspects for a business, but partnerships have the downsides as well. One of the most basic benefits of a traditional buyer - seller partnerships is to design the optimization of the allocation of the resources and activities. (Osterwalder & Pigneur, 39) Definite pros of networks and partnerships are new market opportunities in case of internationalization or otherwise different segment which usually brings in a flow of new customers as well. Secondly, if a partnership has gone to the stage where some or most of the risks are divided it reduces the losses of a single company if the risks are somewhat mutual. Also new products, increased sales - reaching the break-even point faster, utilization of mutual and exclusive distribution channels, innovation, speed and agility can be considered as value adding perks in partnerships. The

advantages, as well as disadvantages, always are reliable to the form of partnership and the degree of co-operation.

On the contrary to all the pros and benefits of partnerships, there are cons as well - by having a partnership is not an easy access to problem - free model of doing business. By being in a partnership, companies might lose their own edge in decision - making process to some extent as well as may have to face situations where certain options just simply are overruled. Dividing responsibilities in risks and financial issues has a other side as well, which means that all the profits are to be divided as well, which in the worst case, lowers the overall level of income. In a case where two companies are working closely in the same industry and in the same are, co -operating actually feed the competition towards the other company as well, hence by establishing a partnership with a similar company or a network, naturally increases the competition. When planning a partnership, it is critical to agree on the terms and processes for utilization in the future to avoid surprising disappointments for neither of the parties as well as have a long term plan which is to be modified as the time goes by, so that unexpected changes would not significantly affect either of the parties' business. (Vakaslaiti 2004, 48)

What makes a partnership into a key partnership is a mutual respect and ways of operating that benefits and requires mutual work towards a similar or the same goal. Key partnerships are the ones which are needed mutually in order to keep the business model operative and functionally profitable. (Osterwalder & Pigneur, 38)

11.1 Wolverine's partnerships.

For Wolverine, the key partnerships are with organizations which make the commencing of the business possible. The provider of the venue first of all, has a major role as a primary partner as the venue is an inevitable portion of the assets in order for the business to begin. Nearly as equally the equipment distributor has an important role as a key partner. The two mentioned partners establish a minimum structure for the commencing of the business and hence has to be chosen carefully and valued with care. Up until today, Wolverine has gone through negotiations with a number of such organizations, and has received the most appealing offers from Gar-Tak Center, Fysio Acusa and

Compact Fit. Gar-Tak Center is a martial arts oriented center in Helsinki, who want to rent out their gym space for CrossFit use; along with Gar-Tak Center operates a Fysio Acusa, which is a massage parlor operating in the same premises. Fysio Acusa is also the corporate sales contact for Wolverine which arranges the group class sales for companies. The importance of corporate sales service is predicted to increase as the business evolves and becomes better known. Other important cornerstone of the partnerships is Compact Fit, which acts as a distributor and provider of the equipment, which is vital for Wolverine in order to be able to deliver the service to the customers. (Toivonen 2012)

For the future, a possible co-operation and partnering with Reebok should be considered no matter on what level as it is estimated to bring a strong boost as a marketing asset. Reebok has announced themselves to be interested in partnering with starting, new CrossFit gyms internationally, but the degree of co - operation is a matter of negotiations. Reebok is also a main sponsor and supporter for the official, annual CrossFit championship games and does a lot of promotion of CrossFit as a sport. It is also proven to be possible to work together with Reebok as a Finnish CrossFit entrepreneur as, for instance, CrossFitCentralHelsinki and CrossFit 33100 in Tampere has Reebok sponsorship behind their gym name. (Liuzzi 2012)

12 Cost structure

The cost structure of a company describes all of the most important costs affiliated to a certain business model as it creates and delivers value to its customers and keeps the business operative. In general, all of the company's activities generate costs, which are inevitable for the company's existence. The affiliated costs are relatively easily calculated once the resources are notified along with the planned activities and key partners, who are a part of the value delivery process. Basically all companies aim to create and deliver value in the most efficient manner, with minimum costs to maximize the profit, but depending on an operating model of a business, some companies are more cost - driven than others. There are a concise number of extremes of the cost structures, but it is not uncommon for companies to establish themselves to be a mixture of a several structures, depending on the business model.

The suggested structures of extremes are cost - driven and value - driven

structures and can have characteristics such as fixed costs, variable costs, economies of scale - and economies of scope. Wolverine classifies between cost - driven and value - driven structures in costs as the startup resources are limited and customer satisfaction and relationship building is of utmost importance. Cost - driven structure aims to reduce all the costs when delivering value to the customer, yet value - driven structure is fostering the high degree of customer satisfaction, even if the costs affiliated would be moderately higher. (Osterwalder & Pigneur, 40, 41)

Wolverine is aiming for a high level of customer satisfaction not just to enable high customer retention, but also because the customers are the best marketing channel for a business of such nature. Hence, the value - driven cost structure is comprehensively more important structure for the business at the early stages of the business, but the startup resources are limited and this business is aimed to become profitable within its first 12 months, the cost - driven structure is present. At first, all of the activities delivered by the company are conducted through a single person, the head coach. The only costs for the activities as a single transaction are merely zero after the coach's salary. Cost - driven structure is more incidental at first when the establishment is under construction and the company is organizing marketing activities and purchasing the necessary equipment, but once the physical resources and a concise base of customers are joined in as members, the cost structure is transforming rapidly to the value - based structure.

12.1 Financial planning

Financial planning and financial statements do not just give an outlook to the past of the company, but they serve as a valid tool to start developing the financial plans for the future as well. Financial planning and a company's overall strategy merge together in financial statements as a sufficient financial plan requires a good understanding of how the company has planned to create a sustainable flow of income as a whole and what are the commanding forces and top competitors in the chosen market. (Brealey, Myers & Allen 2006, 804)

12.2 Cash budget

Cash budget is a financial statement which estimates the cash inflows and outflows of a certain company from a specific period of time, usually a one year divided into 12 months. Cash budget is one of the most important statements

especially for small entrepreneurs as it describes the balance of available funds, which allows the entrepreneur to draw conclusions and make decisions based on the financial situation without losing the liquidity. (What is a Cash Budget 2012)

Wolverine's bookkeeping officially starts on September 2012 and the cash budget is calculated to begin 12 months onwards, starting from September as well. The cash budget has the major purchases marked on the first month of the table, which covers mainly all of the required startup investments, including equipment. Due to the nature of the form of business, it is impossible to owe any money on the closing balance of any month, which forces the entrepreneur to not pay salary for the first four (4) months of the operations, if the marked investments were to be proven correct. The closing balance and general level of income are estimated to grow steadily over the course of 12 months as the business gathers more awareness, but also the outflows are expected to increase as the population and up keeping costs are increasing. The detailed cash budget with the estimated resources can be found as an appendix 2 on page 47.

12.3 Income statement

The income statement is also known as the profit and loss statement and it serves as a adequate indicator of success. The income statement forms from total revenues, gains, expenses, losses and net incomes and losses. The statement is build upon two (2) major functions, revenues and expenses, which are then compared and calculated to get the initial profit or loss of a company. Profits and losses can be both displayed including or excluding value added tax (VAT), but naturally the net profit determines the actual profit of a company. (What is an Income Statement 2012)

The sales forecast for the first year should equal up to 22 405,90€, including VAT if the sales projection estimates are met. The rent costs are subject to change over the three (3) year outlook as it is expected that it becomes necessary to move to a bigger facility when the sales grow in numbers. Also the hypothetical salary of the first year is subject to change because of the fluctuations in predicting the sales. As a rule, for the sole trader, anything that is left after the costs and taxes is income.

It may seem that the first year of the income statement is making loss, as it does not display the startup funds of 5 000 euros, which are used in both, purchases and partial upkeep in salary terms.

13 Commentary

As a writer of this business plan and an objective bystander I believe in and support the idea of establishing Wolverine Fitness Helsinki, and even along this writing process, I have witnessed the community around Wolverine building up and growing. It looks like that by the end of October 2012, the head coach might just have reached his limit in terms of the number of customers.

Along the way and during this writing process Wolverine has been able to establish certain important groundwork when building up to a legitimate company, for instance, the websites and domain names are acquired with a professional graphic designs and attractive exterior designs. Also, funds have been saved to be able to start a small scale marketing campaign when that is found necessary. Though, it has been questioned whether the marketing campaign is necessary or would create new customers and increase ROI rather than investing in creating organic results in the online marketing through a thorough search engine optimizing operation where the results would be more permanent and non - commercialized. To support the SEO operations, it would really be worth a try, because the marketing strategy relies strongly on the word of mouth marketing through the already existing customers, so even as a default setting, the advertising campaign utilizing any platform of online media might not be as effective as in advertising some other product or service.

Because the practicalities of this business plan has been mainly based on people's subjective estimates and analysis, there is always a danger that certain parts of the plan do not operate or fall into place like they did in some other similar case. Because a vast majority of the practicalities have been made with drawing assumptions according to subjective estimates, a good amount of approaches can and most likely will be subject to change as the business gets established and the realities and functions are fully understood and witnessed at work as they were originally planned.

As suggested and briefly mentioned earlier in the text, a possible co-operation with Reebok, is something which should be kept in mind as the operations go further as Reebok can be a significantly beneficial partner to have once a gym

fulfills the criteria. The attempts of contacting the Reebok corporate were not successful at this time, so the strict criteria and requirements remain partially undisclosed, but the matter should not be forgotten, on the contrary, it should be more thoroughly investigated.

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	First Year	Second Year	Third Year	
Sales	€22,405.90	€33,608.85	€43,691.51	
- VAT (9%)	€1,850.03	€2,775.04	€3,607.56	
Turnover	€20,555.87	€30,833.81	€40,083.95	
- Variable costs (without VAT):				
- Purchases	€1,987.50	€100.00	€100.00	
Contribution margin	€18,568.37	€30,733.81	€39,983.95	
- Fixed costs (without VAT):				
Salary	€9,000.00	€18,000.00	€18,000.00	
Rent	€9,540.00	€10,000.00	€14,760.00	
Repairs and maintenance	€220.18	€220.18	€220.18	
Insurance	€142.28	€142.28	€142.28	
Marketing	€406.50	€813.01	€813.01	
Telecommunication costs	€439.02	€439.02	€439.02	
Bookeeping	€300.00	€300.00	€300.00	
Office costs	€195.12	€195.12	€195.12	
Travel costs	€357.72	€390.24	€390.24	
Depreciation	€0.00	€0.00	€0.00	
Operating margin	-€2,032.46	€233.95	€4,724.09	
- Interest costs	€0.00	€0.00	€0.00	
Profit before taxes	-€2,032.46	€233.95	€4,724.09	
- Income tax (9%)	-€167.82	€19.32	€390.06	
Profit after taxes = Net profit	-€1,864.64	€214.63	€4,334.03	
Contribution margin				Break-even point
Sales revenue	€22,405.90			Fixed costs/contribution margin ratio
- Variable costs	0			€20,600.83
Contribution margin	€22,405.90	100		
- Fixed costs	€20,600.83			Margin of safety
Net Profit	€1,805.07			Sales revenue - Break-even point
				€1,805.07