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Franchise Profile



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### *Entrepreneurship*

Retro Fitness was founded by a man who was not content with the gym's he was currently running. Eric Casabury began his business in New Jersey in 2004 and by 2006 the franchising of Retro Fitness was initiated. With the introduction of franchising to the company, only one of the Retro Fitness clubs is still owned by the company, the rest being franchised. The amenities of the Retro Fitness clubs include an 80's themed gym, cardio theatre, tanning booths, child care, RetroBlend Smoothies, and personal training. This high-end gym is offered at a low membership cost, attracting a wide-variety of members. As of today there are 110 Retro Fitness' in operations, growing from the 15 locations in the first year and 41 total locations in the second year.

While only one location is owned solely by the company, the rest being franchised, there are many advantages for Retro Fitness. By franchising, Retro Fitness is able to open up more clubs with managers who also share a similar vision. They are able to expand their business by finding others who may have their own ideas, skills, talents, etc. that will further help the company grow. Since Retro Fitness is not using its own capital to open up these franchises, there is a minimal risk involved. While weighing in the advantages, there are also disadvantages present. As many franchises, because the owners are not affiliated with the company as a whole, a vary in ideas related to the success of the business can become a problem. As part of a franchise your establishment must follow certain guidelines and rules that are known of the company, so if the owner chooses to make other decisions it could cause problems. The company itself has a lower level of control when it comes to the management of the establishments opened up by others.

## *International Business*

### Plusses

- Brand expansion; supplying a high-end gym at low cost to a larger audience/target market
- Introducing the lifestyle of Retro Fitness and what they stand for, internationally. By associating themselves with fitness enthusiasts and professionals around the world they would be able to increase their recognition.
- With Retro Fitness running a franchise that is built on its franchisee's opening establishments, with an international expansion the profits are limitless.

### Minuses

- Retro Fitness operates with amenities catering towards Americans with its theme, tanning, child care, and RetroBlend Bar. If expansions becomes international, catering towards the culture and ideals of other countries could become an issue.
- The cost of membership and other products offered by Retro Fitness may not be equally as valuable in other countries which could make profitability a problem while following the same price structure.
- Retro Fitness has a current standing near the locations relative to its creation, expanding internationally could be difficult because the Retro Fitness name is not yet popular or known internationally.

### Implications

- Retro Fitness will not allow changes to the rules it follows by, resulting in failure of franchises overseas due to cultural differences.
- Brand Recognition will not be high enough internationally for the survival of the clubs
- The introduction of a fitness club outside the norm of the country could be successful, offering a different set of amenities, food choices, etc.

### *Operations Management*

When viewing the decision making process for Retro Fitness, it is seen to have a decentralized authority. The corporate office allows franchise owners to take certain aspects of Retro Fitness and change them as needed. Some of these include whether or not certain amenities such as tanning, child care, and/or the cardio theater should be offered. Owners are also given the ability to choose the equipment, layout of the club, apparel and supplement choices, club hours, and the types of classes offered.

By having a decentralized authority for decision making, the variation in Retro Fitness' keeps no two locations to be identical. This allows for a small change and uniqueness to each center. In addition it also allows each Retro Fitness to cater towards its target audience in the area, allowing it to strive and succeed. By using a decentralized authority, the ease of decision making is also strengthened. Collaboration and permission is not needed from corporate and branches in order to make decisions that still abide by the regulations. While there are positives to a decentralized authority, there are negatives involved as well. With there being differences among each club, it is much harder to corporate to manage each one and ensure that they are all performing to the best of its abilities. This also means that as expansion continues, the general level of differences among each Retro Fitness will continue to grow larger, creating a bigger variability. This brings a lower sense of unity among the various branches.

### *Finance*

<b>Fee</b>	<b>Cost</b>	<b>Due</b>	<b>Explanation</b>
<b>Royalty Fee</b>	Accounts for 5% of gross sales.	5th day after receiving revenue.	Non-refundable unless gross sales

	Also includes a minimum of \$500/month/outlet	Paid monthly.	are overcalculated
<b>General Advertising Fund</b>	Total of 2% of gross revenues due permonth	5th day after recieving revenue. Paid monthly.	Non-refundable
<b>Local Advertising Fee</b>	5% of gross revenues/month + minimum of \$5000 per month	Paid monthly <b>ONLY</b> if failure to pay local requirements.	Non-refundable Used towards advertising for Retro Fitness Outlet
<b>Audit</b>	Cost given	Discrepancies of 2% or more in gross sales reported result in cost due 30 days after billing	Payable to Retro Fitness (Retro will reimburse auditor)
<b>Attorney's Fees</b>	Cost varies according to Attorney used	When stated on invoice	N/A
<b>Idemnification</b>	Total cost as a result of act/omission	When stated on invoice	If sued, any cost which Retro Fitness occurs
<b>Penalty Royalty Fee</b>	1-5% of all Gross Sales	5th day after recieving revenue. Paid monthly.	Failure to cure defaults under Franchise agreement will result in this fee
<b>Transfer Fee</b>	50% of Initial Franchise Fee	Before transfer occurs	There is not a charge if entity being transferred to is fully controlled by owner
<b>Retro-Techno Fee (Technology Fee)</b>	\$199.99/month	When stated on invoice	Payment for access to Retro-Techno software/support
<b>Consulting Charge (optional)</b>	\$125/hour	30 days after billing	Paid to Retro Fitness
<b>Additional Training/Conferences</b>	\$500/person	1 week before training	Up to 4 people included in \$500 then and additional \$500 per person
<b>Interest</b>	18%/year or highest amount	When stated on invoice	N/A

<b>Alternative Supplier Request Fee</b>	\$500	When applying for an alternative supplier	N/A
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<b>Fee</b>	<b>Cost</b>	<b>Payment/To whom</b>	<b>Due</b>
<b>Initial Franchise</b>	\$69000	Lump Sum – Retro Fitness	Signing of Franchise Agreement
<b>Opening Advertising</b>	\$30-45K	When needed/Advertising service	Before up to 90 days of business
<b>Signage</b>	\$15-55K	Lump Sum – Signage Company	Before business operations begin
<b>Opening Inventory</b>	\$2-7K	Lump Sum – Retro Fitness	Before business operations begin
<b>Initial Training</b>	Up to \$2500	As needed – Retro Fitness	Before business operations begin
<b>Start-Up</b>	Up to \$6000	As needed – 3 <sup>rd</sup> Party	Before business operations begin
<b>Office Supplies</b>	\$250 to \$2000	Lump Sum – Retro Fitness	When needed
<b>Utility Deposit</b>	Up to \$3500	Lump Sum – Utility companies	Before business operations begin
<b>Computer Equipment</b>	\$1-4K	Financed – Equipment Provider	Before business operations begin
<b>Licenses/Permits</b>	\$500-\$5000	Lump Sum – Gov	Before business operations begin
<b>Lease Review</b>	\$1500	Lump Sum – Retro Fitness	Before business operations begin
<b>Expenses for Training</b>	Up to \$3500	When needed – varies according to locations	N/A
<b>Fitout</b>	\$500-850K	When needed – contractor/supplier	Before business operations begin
<b>Equipment</b>	\$300-600K	Loan/Lease – Supplier	Before business operations begin
<b>Incorporation/Review</b>	Up to \$1500	Lump Sum – Gov	Before business operations begin
<b>Add'l Funds</b>	\$75-\$300k	When Needed	N/A
<b>Prepaid Rent/Security Deposit</b>	Up to \$75K	When signing lease – Landlord	Before business operations begin
<b>Insurance/Bond</b>	\$9350-\$36K	When needed – Insurance Company	Down Payment Before business operations begin

## *Management*

### S.W.O.T Analysis

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Amentities offered by Retro Fitness allows it to stand out among its competitors. Being one of the very few who offers its services with one membership</li> <li>• Offereing a High-End experience with a low cost being a monthly fee of \$19.99. A membership cost which is far below the average of its competitors</li> <li>• Retro Fitness offers a different atmosphere that is fitting for anyone, providing a separate personal training service (at an additional cost) and free group classes</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Certain amentities offered by other gyms such as a sauna, pool, teen workout area, etc. are not offered by Retro Fitness which may cause a loss of potential members</li> <li>• Retro Fitness has a limited area base. There locations are currently limited to a handful of space making their brand recognition weak compared to other national fitness institutions.</li> <li>• The hours of operation may differ according to location, so when attempting to visit a different location hours of operation need to be known.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Expansion to the rest of the United States as the services and cost of Retro Fitness places it above many of its competitots</li> <li>• Improvement among its amentities that are not as recognized such as tanning can provide an increase in revenue.</li> <li>• With America under a health kick and its high level of health awareness, Retro Fitness' opportunity to tackle the fitness market can result in success</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• The personal training program offered by Retro Fitness costs higher than competing personal trainers / training services, so potential customers could be lost.</li> <li>• Training and Certification to work at Retro Fitness and/or become a personal trainer at one of their locations entails a high number of training hours.</li> <li>• The high cost of RetroBlend smoothies/shakes/etc. opposes it idea of a "low-cost" gym when members end up spending more money for those services than the actual membersihp itself. Whereas competitors who also offer a similar smoothie bar service have their average prices lower.</li> </ul>

Retro Fitness is unlike its competitors such as Hype Gym. While the culture of Retro Fitness mimicks that of various other fitness institutions and clubs, the way which it is put together makes it appealing to wide range of possible members. Retro Fitness aims to gives its members a suitable exercise environment with machines to cater towards all forms of workout, assistance from trained professionals when needed, accomodations such as child care when timing is an issue, a smoothie bar for nutrition enthusiasts, tanning, etc. The wide range of services offered allow Retro Fitness to stand out among its competitors.

The benefits of Retro Fitness culture stem from its target audience. While catering towards fitness enthusiasts, having all the proper equipment and resources needed, they are also targeting every day gym go-ers, those with families, etc. Having the neccessities related to such a wide variety of individuals gives Retro Fitness the boost in the market for attracted more members. With the benefits, although, there are also its drawbacks to such a culture. Depending on the location and the type of member, they may be looking for a different type of gym. Typical of other smaller gyms which are solely dedicated to certain types of exercise such as UFC or even smaller gyms that utilize the basics of equipement like Gold's Gym, they may cater towards the members more than Retro Fitness. Not all members are looking for a more casual larger gym experience, with the features such as cardio theatres, smoothie bars, or tanning. Some may simply want a quick gym experience where they can enter, work out, and leave without anything else needed.

### *Human Resources*

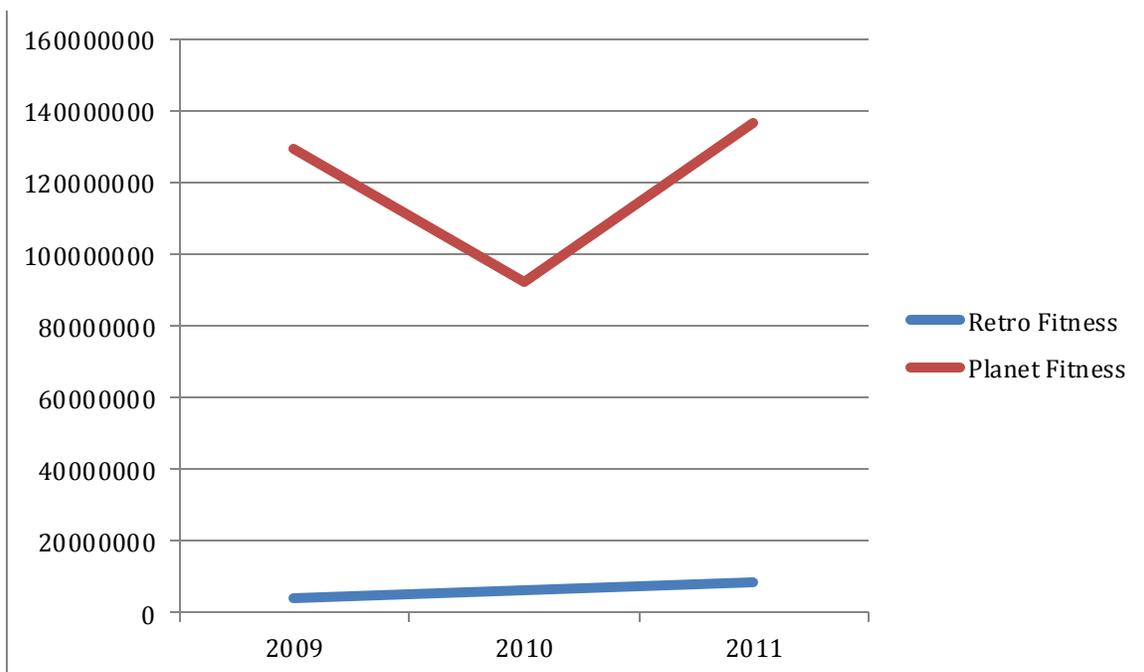
In order to become a franchisee certain guidelines must be met. To begin, the franchisee must (specific to Retro Fitness);

- Have a net worth of at least \$1.5M
- Have at least \$300K in liquid assets
- Pay the Franchising Fee
- Go through proper training
- Provide a Pre-Sale for approx 3-5 months

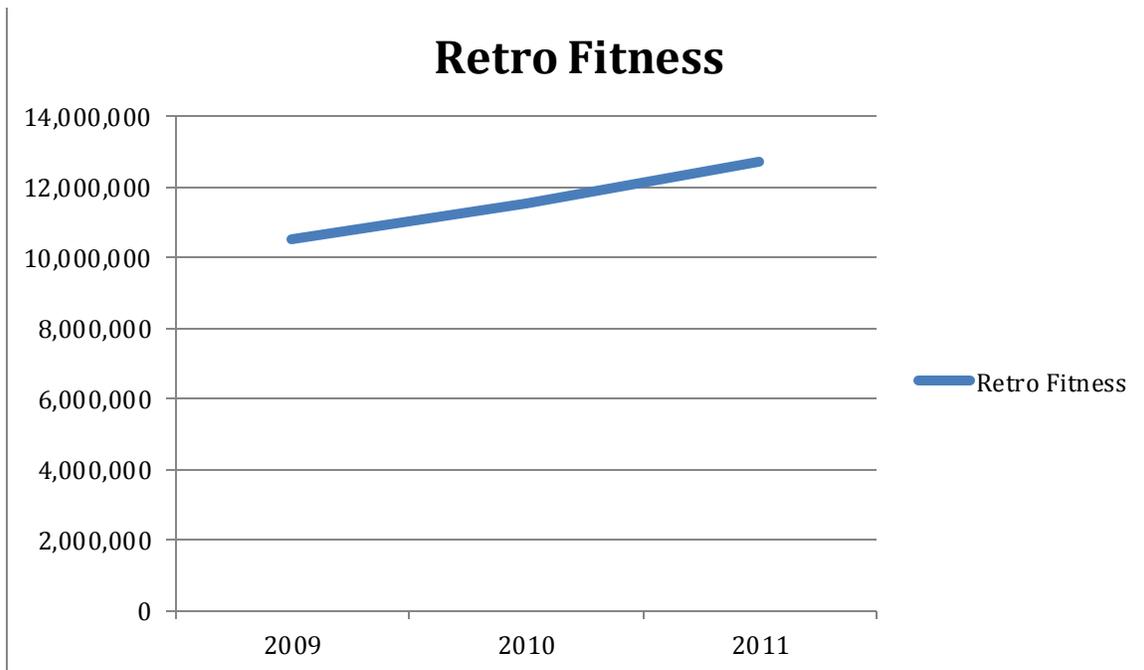
While in addition to those as well as other technical requirements required, relating to cost, the other necessary requirements needed for owning a Retro Fitness franchise include keeping the theme, pricing, machine brand, etc.

### *Excel*

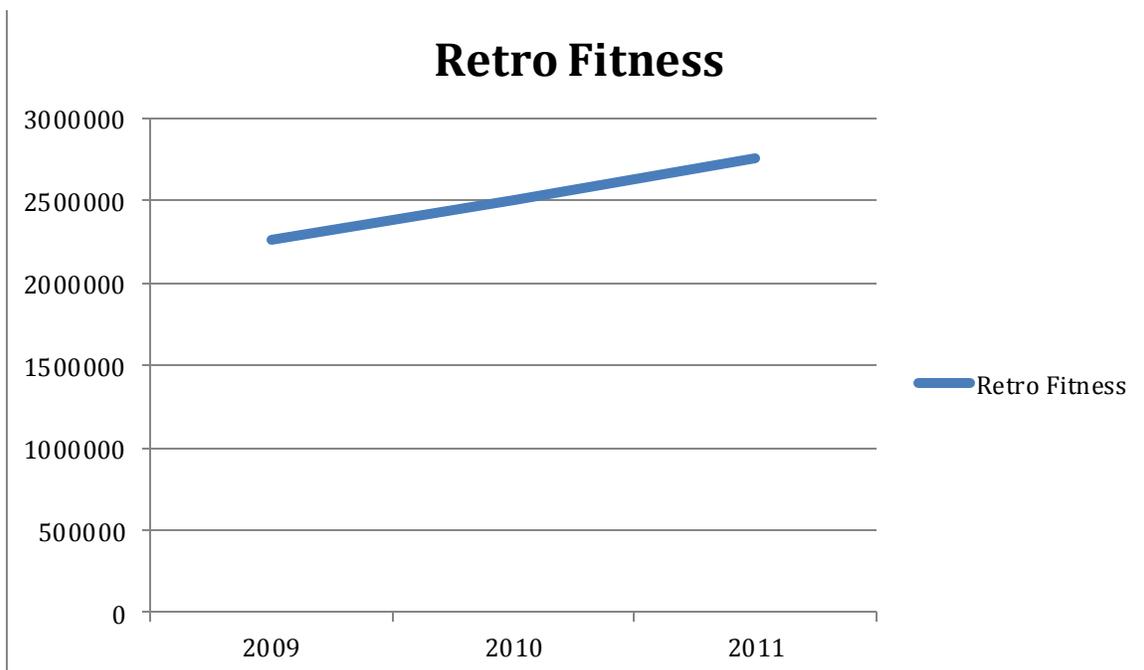
Total Revenue



## Series A Preferred Stock



## Series B Preferred Stock



Stock information for the Competitor, Planet Fitness, was not publicly available online without purchase of access to an online provider.

An advantage to owning a Franchise comes from the profits made from others opening up establishments in that Franchise. It also allows for a larger number of locations to open, expanding its location. For Retro Fitness, when compared to a competitor on revenues, it is clear that Retro Fitness is far below Planet Fitness. This comes from the fact that Retro Fitness is still small, having only 110 franchises in a limited area. With the expansion and growth of Retro Fitness, increase in revenue is what can be seen.

### ***Evidence Based Research and References***

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