



IB Business and Management SL Commentary

Should Courthouse Club Fitness Diversify Their Product Portfolio?

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I. Introduction:

The Courthouse Club Fitness is a small chain of gyms located within Salem-Keizer Oregon. The first Courthouse was established in 1976 and has since become a hit amongst the gym goers in the Salem-Keizer area. The Courthouse offers a luxury high end fitness experience in very large and spacious facilities to members that pay one of their various membership fees.

As a result of the Covid-19 pandemic, the Courthouse has suffered a decrease in membership and has, along with many other gyms, been subjected to mandates and regulatory action from the government that has severely cut income, to the point where many have permanently closed their doors, as evidenced by 15% of fitness clubs and studios having been closed permanently as of September 30th, 2020 (Rodriguez, November 19th 2020). Not only does the Courthouse have to worry about it's situation during the pandemic, but also after the pandemic. According to CNBC, 59% of Americans say that they do not plan on renewing their gym membership once the pandemic is over (Scipioni, July 23rd 2020).

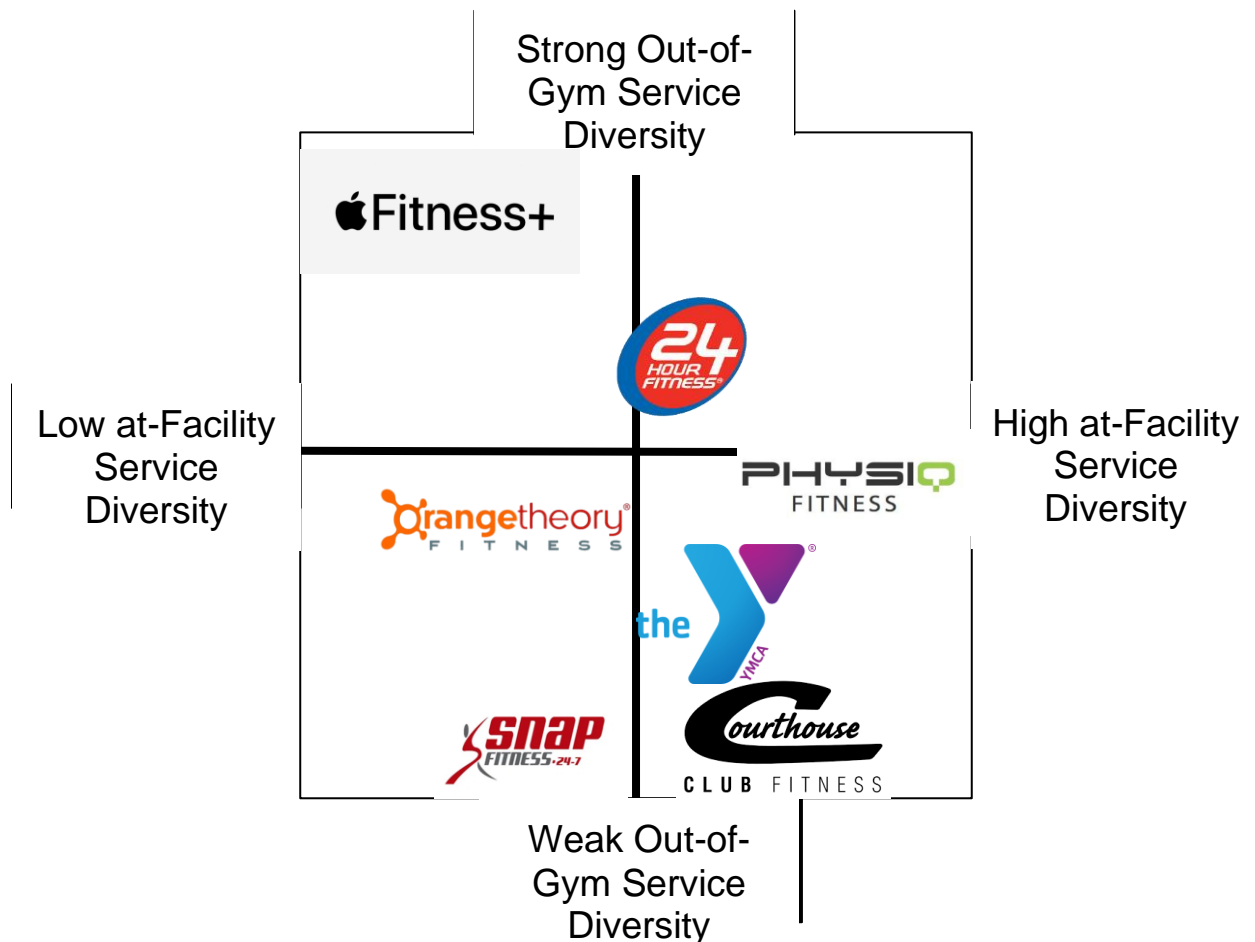
The methodology that will be used to uncover truths about the question will entail a SWOT analysis, a Perception Map, and an Ansoff Matrix. These tools will aid in determining whether The Courthouse athletic club should diversify their product portfolio.

II. SWOT Analysis:

Strengths	Weaknesses
<ul style="list-style-type: none">➤ Loyal customer base as evidenced by a 75.9% retention rate of fitness studios (Leve).➤ Higher end fitness offered at reasonable price.➤ Facilities cater to many different types of exercise and workouts.	<ul style="list-style-type: none">➤ Because of the large facilities and numerous staff members, costs of operations and maintenance are high, which has hurt the Courthouse during the pandemic.
Opportunities	Threats
<ul style="list-style-type: none">➤ Has the opportunity to enter into home fitness as shown by the doubling of fitness equipment revenue from March to October 2020 (Shaban, January 7th 2021).➤ Other gyms have been hurt by the pandemic and the government regulations to a similar extent thus the Courthouse could pick up their customers by taking action.➤ There exists a lot of opportunity for profit in the development of online fitness solutions, as shown by emarketer in their assessment that the number of fitness app users increased by 27% in 2020 from 2019 (Phaneuf, July 20 2020).	<ul style="list-style-type: none">➤ Public's perception of community areas.➤ Threat of government intervention and mandates.➤ After the pandemic ends, there will likely be a lot of individuals deciding to workout at home and alone.

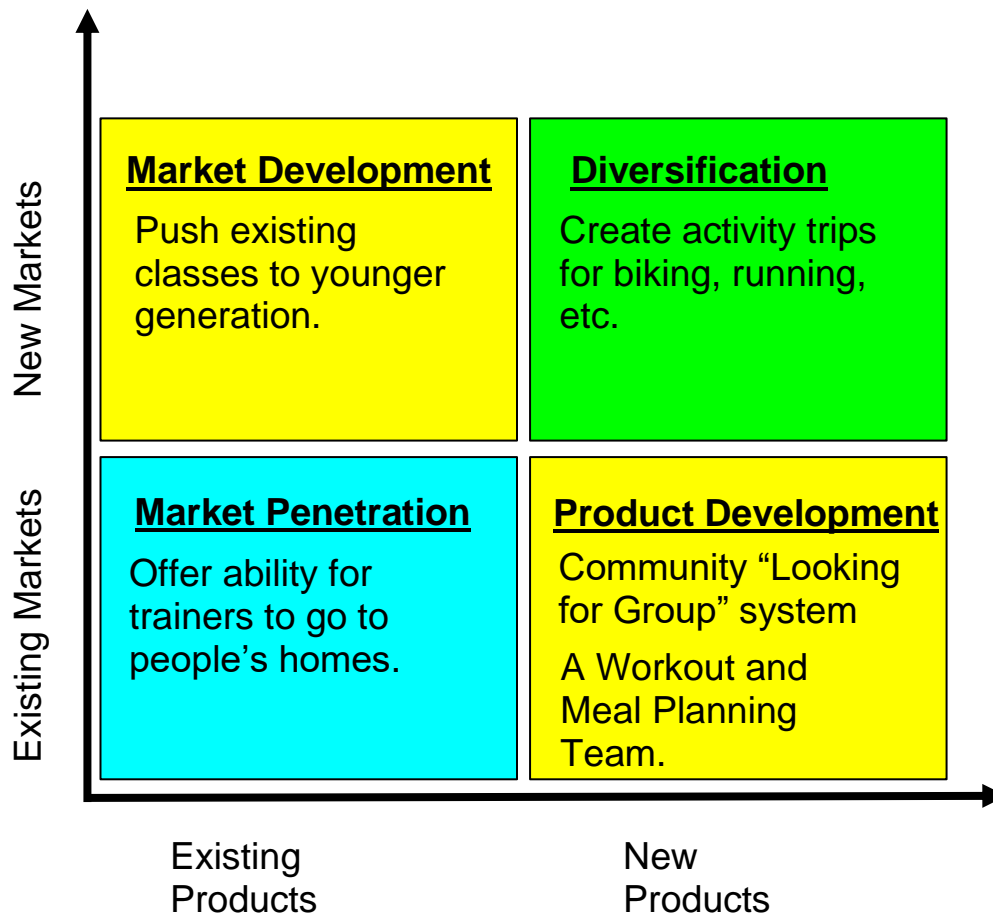
Here we can see the strengths that the Courthouse boasts with the main item being a loyal customer base. Regarding weaknesses, the Courthouse has high operating costs and many trained and experienced employees, which has ultimately hurt them during the pandemic and mandatory shutdowns at which point revenue of the business was severely cut. Within the opportunities currently available to the Courthouse, online fitness and out-of-gym services have been skyrocketing as the pandemic has continued. Looking at threats to the Courthouse, the general effects the pandemic has had on public opinion of gyms suggests that there will be a cut in revenue left even after the pandemic ends. Throughout all of the factors examined, one thing is clear: if the Courthouse does not do something to boost revenue, they will suffer the same fate as the 15% of fitness clubs and studios that have closed permanently (Rodriguez, November 19th 2020).

III. Perception Map:



The factors in the map were used because according to the American College for Sports and Medicine online training, outdoor activities, and virtual training are among the top 10 new trends for 2021 (American College for Sports and Medicine, December 29 2020). From the perception map, we can see that the Courthouse does not boast any options outside of their physical location, and has thus suffered due to various factors associated with operating a physical location in the pandemic such as a public perception of a lack of safety, as shown by only 20% of Americans saying they would feel safe going to a gym as of July 13th (Ducharme, July 15 2020). On the other hand, we can see that apple fitness+ is not tied to a physical location and offers individuals workout sessions available in the comfort of their own home. Apple fitness+ is expected to be a huge success with some predictions estimating 3 billion dollars of additional revenue annually showcasing a high market growth rate of services that are not tied to physical locations (Smith, November 10 2020). All of the aforementioned information leads to the conclusion that shifting the Courthouse into a hybrid focus with a strong out-of-gym service diversity will result in a surge of profit.

IV. Ansoff Matrix:



In this Ansoff Matrix, various product and market strategies are present to redeem the profit lost during the pandemic. One option is for the Courthouse to offer a personal trainer service that would see the trainers go to people's houses and help them exercise in the comfort of their home or at a nearby location. This has the potential of being very profitable considering that 9 out of 10 individuals that exercise regularly say they plan to continue working out from home even after they feel gyms are once again safe (King, August 17th 2020). One of the most promising options that the Courthouse could pursue is the creation of activity trips for biking, running, swimming, etc, as shown by 59.1% of adults surveyed saying that activities such as running, hiking, walking, and cycling are the best ways to achieve their fitness goals. (McGuire, January 28 2021). Whether it be through the less risky market penetration options, the moderate risk market development or product development options, or the high risk high reward diversification option, the avenues presented in this analysis offer pathways to lessen the cut of revenue through active product mix expansion.

V. Conclusion:

Based on findings from the three tools utilized the possible answer to the initial question posed has narrowed immensely, with the major findings being that the opportunity exists for the Courthouse to enter into home fitness services, the success of apple fitness and services like it, and the existence of various profitable expansions strategies like the offering of trainers that travel to people's homes or the expansion into activities like group bike rides or running.

Taking into account the findings of the tools and the analysis, if the Courthouse does not diversify, then they will continuously lose revenue to the out-of-gym service offerings and to the shifting of the fitness market to at home exercising. In conclusion, the Courthouse Club Fitness should diversify their product portfolio.

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