

Business Management HL Internal Assessment

Will expanding RHMT's below-the-line marketing strategies help them expand to a larger location?

Research Proposal

Session: May 2022

Word Count: 303

## **Rationale**

Richmond Hill Muay Thai (RHMT) is a local small Muay Thai gym located in Richmond Hill. The business has been steadily increasing its students even during the pandemic. Consequently, the firm expects to reach maximum capacity soon and is currently looking to move into a new, larger location. As a result, it is important to ensure that their below the line promotional strategies are effective to remain profitable to allow them to move to a larger, more expensive location.

## **Theoretical Framework**

1.3- SWOT Analysis- Analyzes the internal and external factors relevant to the business and identifies whether the current strategies set in place prove to be effective in aiding these factors or not.

1.7.3- Force Field analysis – Assesses the restraining and driving forces against a change (to expand the below the line marketing strategies) in order to determine whether the change should be carried out or not.

4.5- Four P's of Marketing- Provides the guidelines to evaluate the effectiveness of RHMT's current below the line marketing strategies.

## **Methodology**

An online questionnaire form has been sent to current RHMT members, which aims to identify unique selling points as well as weaknesses that RHMT has as well as which below the line marketing strategy has been the most successful. The founder of RHMT will be interviewed about his views on the current state of below the line promotional strategies as well as future concerns. Additionally, analytics from their website and social media platforms such as Instagram and Facebook will be used. The IB Business Management textbook will be used as a secondary source in using decision making tools and keeping the analysis focused.

## Action plan

Date	Activity
10/29	Approve IA Title
11/08	Present Proposal to class Organize follow-up interview with Kru Ryan and Kim
November 09-15	Review RHMT internal information Create Questionnaires
11/18	Interview Kru Ryan Distribute Questionnaires
12/15	Collect questionnaires
December 16 - January 12	Process data (collect any late responses)
01/12	Analysis and evaluation of data
January 12 - February 12	Conclusion + recommendations for RHMT
02/18	Submit draft
03/10	Final edits and improvements before final submission

Anticipated difficulties	Anticipated solutions
Lack of responses	Share the questionnaire on RHMT Social media platforms
Convenience Sampling Bias	Use the questionnaire data in tandem with the social media analytics

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Executive Summary Word Count: 182

Main text word Count: 1998

## Acknowledgements

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## Executive Summary

The owner of Richmond Hill Muay Thai was concerned with the fast growth rate of the business, as the business was operating near their maximum capacity in terms of real-estate and their plans of moving to a new, larger location would bring with it cash flow issues as the current number of students would only be a fraction of the maximum capacity. This led the owner to worry if they would be able to quickly attract new customers after the switch, which would allow them to remain profitable. This led to the question: “Will expanding RHMT’s below-the-line marketing strategies help them expand to a larger location?”.

Primary research was conducted through a questionnaire sent out to the Richmond Hill Muay Thai newsletter as well as through interviews with Kru Ryan, the owner.<sup>1</sup> Using a SWOT analysis, the data was processed and used to assess the strengths and weaknesses of the current below the line promotional strategies in play. Additionally, a force field analysis was carried out with the feedback of Kru Ryan to determine whether to expand their below-the-line strategies.

Word Count:182

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<sup>1</sup> Appendix 3

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## Introduction

Richmond Hill Muay Thai (abbreviated as RHMT) is a local martial arts school that specializes in teaching Muay Thai. Muay Thai is a martial art and combat sport that incorporates multiple body parts in striking and clinching.

RHMT started teaching within a rented room in a community center and has been operated by only 2 employees. RHMT has seen extraordinary growth during the pandemic season partially fueled by the closure of many other ‘mainstream’ athletic outlets, the owner forecasts that their current location will max out in capacity around summer of 2022. This leaves RHMT with a dilemma, to either keep expanding, or remain as a small gym. Small, unfranchised gyms tend to be the most profitable and lucrative due to the relatively low costs of operating. However, the owner Kru Ryan has stated that his ultimate vision for RHMT is a community driven space that hosts and offers many types of services to improve physical and mental wellbeing through martial arts. This leaves the only option to expand into a larger space, which also brings the need for more members to remain profitable in the more expensive new space.

The mission statement for RHMT is “Building the Tribe”, which is seen within the strong community that backs and supports the business. This community has been a major driving force in the rapid growth of RHMT, and the owner is questioning whether their current promotional strategies will still be effective when trying to expand to an even larger location. Currently, RHMT does not use any above the line promotional strategies and the owner has not seen any success using above the line promotional strategies for his company as the niche market of Muay Thai may not appeal to general media. This raises the question “Will expanding RHMT’s below-the-line marketing strategies help them expand to a larger location?”

## Methodology

This study was mainly conducted primary research in the form of an online questionnaire. Additionally, informal interviews with the owner were conducted but limited in information as the owners only had qualitative observations to provide. Secondary research was also considered, such as the data and analytics from social media platforms used by RHMT. These included Instagram, Facebook, and traffic data from their website.



## Main findings – Effectiveness of below the line strategies

The questionnaire revealed that RHMT's social media accounts have not been a successful in attracting new customers. Out of the 47 members that responded, none of them had heard about RHMT through any form of social media (Instagram, Facebook). The most effective strategies have been through the sign in the front of the gym being responsible for approximately 13% of the respondents, word of mouth accounting for approximately 30% of respondents, and a direct google search accounting for around 50% of the respondents. The majority (53%) of the respondents attended RHMT for the purpose of learning Muay Thai, with fitness and general health being a more minor goal with only 34% of the respondents attending RHMT for fitness reasons. 90% of respondents had heard of a competing gym before, compared to RHMT, 17% of respondents had heard of anyone of the competing gyms through social media. The two most effective below the line promotional strategies for the competitors have also been through word of mouth and a gym sign. Finally, what customers value from RHMT over other competitors is the 'Close knit and encouraging community'<sup>2</sup>. A holistic overview of the data reveals that the main reasons that customers choose RHMT over competing gyms is firstly the quality of instruction from Kru Ryan and Kim, the community and environment of RHMT, and the convenient location of RHMT.

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<sup>2</sup> Appendix 1

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## Analysis and Evaluation

### SWOT analysis

To fully answer the question, an analysis of their current below-the-line promotional strategies is necessary. Currently, RHMT as a small business only has below-the-line promotional strategies which consists of 3 major directives. Word of mouth, the gym sign, and the most effective which is through google search. Using a SWOT analysis of the current below-the-line promotional strategies, the current position of RHMT can be assessed to learn how and if RHMT should continue improving their promotional strategies.

<u>Strengths</u>	<u>Weaknesses</u>
<ul style="list-style-type: none"><li>• Word of mouth provides effective and low-cost marketing.</li><li>• Gym sign and google search are both low maintenance strategies for growth</li><li>• Strong growth with little to no ad spending</li><li>• Effective search engine optimization</li><li>• Strong Word of mouth marketing</li><li>• Strong public relations</li></ul>	<ul style="list-style-type: none"><li>• Lack of effective social media promotion</li><li>• Lack of scalability on current effective strategies (Google search, gym sign)</li></ul>
<u>Opportunities</u>	<u>Threats</u>
<ul style="list-style-type: none"><li>• Strong growing community in Richmond hill / Oak Ridges</li><li>• Large customer base nearby.</li><li>• Muay Thai competitions where RHMT athletes compete in</li><li>• </li></ul>	<ul style="list-style-type: none"><li>• Rudimentary Word of mouth strategy may not be successful on a larger scale</li></ul>

Firstly, RHMT currently is nearing the maximum capacity of the current facility, which indicates that their below-the-line marketing strategies are effective for their current size and location. The most effective strategy is their search engine results with 50% of respondents indicating that they heard of RHMT through google search.<sup>3</sup> This is in part because of the lack of dedicated Muay Thai schools in Richmond Hill, with many other gyms choosing to brand as 'MMA' or 'Boxing', thereby causing the search engine to redirect more users to RHMT when searching for 'Muay Thai'. Word of mouth marketing makes up 30% of all respondents. This is a very strong and effective strategy as this is free of cost to RHMT and provides trust and credibility to the business when a third party recommends the service out of their own accord. RHMT should act

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<sup>3</sup> Appendix 1

to actively expand their word-of-mouth marketing. It is also worth noting that RHMT has strong public relations that is largely in part of the quality of instruction and the nature of the

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service that requires the instructor to interact with the class physically and verbally. The importance of this concept will be discussed along side the more apparent and distinct strategies.

Next, looking at the weaknesses of RHMT the most glaring is the lack of effective social media promotion. 17% of respondents stated that they heard of RHMT's competitors through social media, while 0% of respondents stated that they had heard of RHMT through social media. This will be analyzed in depth in the next subsection. While Kru Ryan was already set on expanding the gym into a larger, more spacious facility, there are also many external factors that incentivise an expansion of the business as well as their below-the-line promotional strategies. Many houses are being built in the vicinity of RHMT with 7 new housing developments already in development. (BuzzBuzz homes) This provides RHMT with a large and new customer base which may make acquiring new customers easier. Finally, RHMT suffers from an ultimate lack of investment and consideration into their below-the-line promotional strategies. Namely, their word-of-mouth strategy is not successfully capitalized upon on their website and on their social media accounts. This will be further discussed in a later subsection.

Out of the 3 main marketing strategies, both their social media marketing and the word-of-mouth marketing need further analysis to determine whether it is necessary to continue to develop these strategies. The sign in front of the gym is a very rudimentary strategy that is consistently working and drawing in customers and should be considered last for changes.

### Force Field Analysis

The force field analysis was used to determine the driving and restraining forces regarding the expansion of below-the-line strategies. The weighting of each driving and restraining force was discussed with Richmond Hill Muay Thai's owner.

Driving forces		Restraining forces
5. Works to accomplish RHMT's mission  3. Increase customer base growth  2. Explore untapped markets (Through social media marketing)  4. Increase revenue to finance a new, larger location  Total: 14	Change: Expansion of Below-the-line Strategies	3. May require online website infrastructure changes  3. Promotional strategies may not be as 'passive' as they were previously, require more work  5. Small workforce to delegate new tasks to  5. Lack of experience and motivation from employees in this area  Total: 16

#### Driving Forces:

Kru Ryan stated that the main reason to invest in developing RHMT's below-the-line promotional strategies were to help him achieve his goal of creating a space for all types of martial arts and physical wellbeing practitioners to gather which produced a high rating of 5/5. This would require RHMT to become both large enough and financially stable enough, both of which would require a large customer base. However, as RHMT is currently operating at close to maximum capacity this rating is lower at a 3/5.

Expanding their below-the-line promotional strategies would allow them to achieve that by ensuring they can grow their customer base to the necessary size to relocate to a larger location. RHMT's use of social media as a marketing tool has been lack luster and expanding their strategies to capture previously untargeted markets. Failing to incorporate a more promotional nature to their social media accounts may ultimately result in lost profits. Given that their competitors are receiving 17% of their impressions through social media, it is an outlet that RHMT should continue to develop.<sup>3</sup> The owner gave it a lower rating of 2/5 as they are currently not experiencing any customer base issues.

One of Kru Ryan's more short-term goals is to relocate RHMT to a new, larger location. Consequently, this received a very high ranking at a 4/5.

#### Restraining Forces:

In order to accommodate for the expansion of new below-the-line marketing strategies, RHMT's website will ultimately have to undergo a reconstruction. Kru Ryan stated that he was

comfortable making these changes and that general IT concerns were not heavily weighted, ranking at a 3/5.

Kru Ryan had no issue putting in extra work to expand their marketing strategies as long as they brought in extra revenue. However, these strategies may not make a significant impact in revenue until they move to a larger location that would allow them to have a higher operating capacity. For these reasons he weighted this at a 3/5.

Despite these beneficial factors, Kru Ryan has also recognized that working to expand these strategies will be difficult as RHMT is owned and operated by 2 people, Kru Ryan and Kim neither of which have extensive experience working in social media marketing. The small workforce of unexperienced and unmotivated (due to lack of experience) employees poses a great challenge for RHMT to successfully implement. These factors therefore received both a very high ranking of 5/5.

## Conclusion

In conclusion, Richmond Hill Muay Thai expanding their below-the-line promotional strategies would allow them to reach many of Kru Ryan's goals and ultimately let them successfully maintain a healthy cashflow while expanding into a larger and more expensive location. By exploring previously untapped markets through more targeted social media marketing strategies, RHMT can increase their revenue with a relatively low cost of advertising. While their current strategy is more than adequate given the fact that they are almost maxing out in capacity, doing more research, and planning an in-depth marketing mix ahead of the decision to move to a larger location will allow RHMT to transition smoothly and stay profitable during this change.

## Recommendation

1. Consider planning and expanding their current below-the-line marketing strategy specifically their social media marketing and their word-of-mouth marketing.
2. Although most forms of below-the-line marketing are relatively inexpensive, it is recommended to carry out further research as smaller business may not have the luxury of resources to carry out some forms of below-the-line marketing.

3. The ultimate shape in which the expansion of these strategies take may vary heavily based on the new location RHMT chooses to relocate to as well as the demographics of locals. Conversely, the strategies that are working for RHMT at their current location may also be unique to the demographic of the local town, and further research and clarification regarding a new location is needed to accurately assess the efficacy of their below-the-line promotional strategies after relocating.

## Limitations

The small sample size that only captured 50% of RHMT's total audience may impact the accuracy and relevancy of the data. Additionally, the respondents were sent the survey from RHMT's emailing list. Respondents from this list may be more technologically inclined than people who are not on it, potentially resulting in respondents appearing to be more technologically inclined than the average RHMT customer. This may impact the questions related to social media marketing. Another downfall was the lack of high quality, insightful answers in the open responses which limited the scope of this investigation.

## Appendix 1 – Questionnaire to customers

Are you (or your child) currently a Member of RHMT (Attended class before gym closures)

47 responses



How did you first hear of RHMT

47 responses



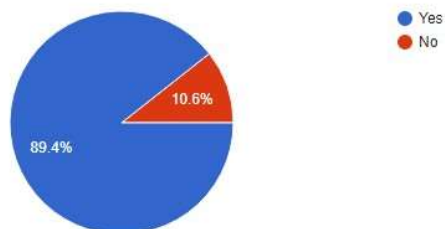
Why do you attend RHMT

47 responses



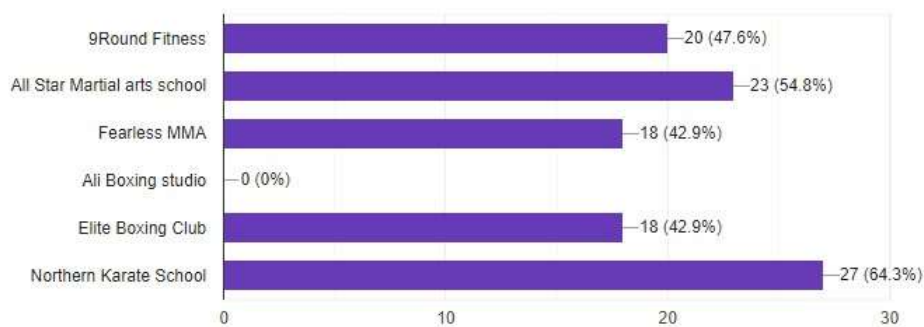
Are you aware of the Richmond Hill Muay Thai Facebook group or Instagram?

47 responses



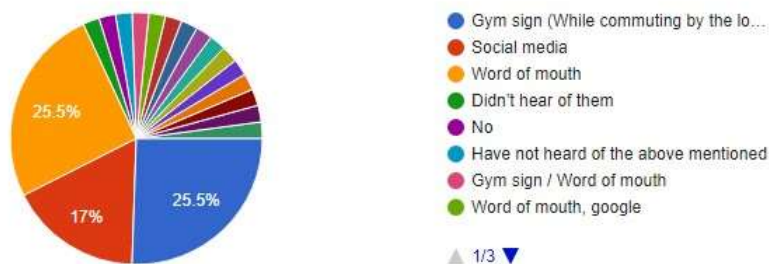
Have you heard of any of these gyms before?

42 responses



If you answered yes to any of the above, how did you hear of them?

47 responses



If you answered yes, what makes Richmond Hill Muay Thai better or worse than the competing gyms

47 responses

The community.

Close-knit and encouraging community

Not sure if better, but RHMT is fairly priced and in a convenient location for me. The team has also been great

It's for must Thai, had friend in this gym

Good teacher

The supportive environment

Haven't been to other gyms. The community at RHMT makes me want to be better and everyone is very encouraging

I haven't attended those gyms (I attended another Karate dojo), but I very much appreciate the positive, supportive vibe of RH Muay Thai.



the focus is strictly on one martial art, authenticity, kru is a cool guy

The focus on muay thai, fostering empowerment and building community.

I haven't been a member of any of those gyms. What I value in RHMT is Kru Ryan and Kim personality and character. Coupled with location and schedule of classes (weekday noon classes) fits in with my lifestyle.

Better- uplifting staff makes for a great atmosphere

It is much closer to home and I liked the community feeling of it

There aren't many places to practice muay thai, making RHMT the place to go

Only gym attended so don't have anything to compare to.

Amazing instructors and students

I wanted a gym more specific to Muay Thai

Never been to any of the above

Not sure if better, but RHMT is fairly priced and in a convenient location for me. The team has also been great

I like the training regimented reminds me of my first Muay thai experience at the original Lanna Muay thai.  
👍

The people

Students are encouraged to participate and assist Kru Ryan during class. It's a fantastic way to teach, excellent confidence booster.

I haven't attended those gyms (I attended another Karate dojo), but I very much appreciate the positive,

The instructor's approach and attention to the students makes it better. Overall, the ambiance is better at the RH gym

This place is fun, provides great workout and at the same time I learn Muay Thai with very talented and friendly instructors.

Schedule, price, personnel

Caring community / Location / Great Owners / Great Coach

Very friendly environment that encourages self improvement both in life as well as physically

Not a franchise

Personal relationship inside and outside in the community with them

This location was the only one that mainly focused on the martial art that I was interested in, Muay Thai. Other gyms focused on other arts or a combination, while this didn't (if we exclude the boxing class). Additionally, you could compete at this location in Muay Thai.

The community is very welcoming

Environment, people and the martial art

Because I like Kru Ryan

JP loves the level of teaching, the discipline, the comradery. He used to train at another gym (Lin Martial Arts) and though he liked it there, he loves RHMT

Referred by previous Kru from Calgary

didn't hear of them

Location close to me, Kim and Kru Ryan make it better!

It's for must Thai, had friend in this gym

The life lessons that knowingly and unknowingly come as a bonus with every class.

Management/coaching staff, convenient location

Friendly environment. Good group of people.

The community.

Kru Ryan and Kim

It's a better fit for me because it's more Muay focused

Good teacher

## Appendix 2- RHMT Social media data

### Profile Activity ⓘ

Profile Visits	1,745 -1.7%
Website Taps	78 +14.7%
Email Button Taps	7 +16.6%

### ← Reach

Last 90 Days ▾

Oct 25 - Jan 22

### Reached audience ⓘ

#### Top countries

Canada	78.8%
United States	5.6%
United Kingdom	2.1%
India	2.1%

1

2

3

1

4

### ← Reach

Last 90 Days ▾

Oct 25 - Jan 22

### Reached audience ⓘ

#### Top cities

Richmond Hill	21.1%
Toronto	15.3%
Brampton	7.2%
Markham	6.3%

To

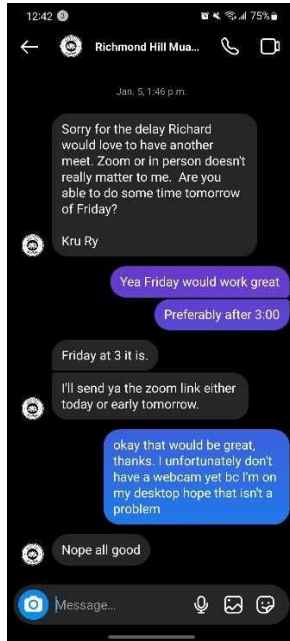
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## Appendix 3- Interview evidence.



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