

ENTR 301

Fundamentals of Entrepreneurship

Business Plan

Name of Venture: Fit-Go

Group Members: Kyle Hanson, Axel Rasmussen,

Abby Rossiter

April 16, 2020

Executive Summary

Fit-Go is an outdoor-fitness app that is unique for its customizable fitness programming to the user's fitness needs and geographic location. The target market of the app includes health-conscious, tech-savvy young adults who would benefit from tracking their fitness and outdoor-related goals. The industry for outdoor-fitness apps is growing, which may make the success of this endeavor challenging. However, with the variety of exercises our app offers along with our localization factor, we have the opportunity to create a competitive advantage.

We plan to focus on our competitive advantage as we market our business. Starting out, we will focus on the target population in the state and surrounding areas of Virginia, where the founders reside. As our resources and clientele grow, we will expand to reach our target population across the United States. We will use the combination of word of mouth, face-to-face, and social media marketing.

Financial projections were organized to foresee the possible outcomes of our business. Our conservative projection gave us results that were not what we wanted, but they still had a profit coming within the fourth year. For this reason we will charge \$7 a month to have a larger clientele and get more money from advertising. This gives us the motivation to have our eyes on the prize so that we can work hard and fulfill our potential projection.

After the financial projection, we determined the type of positions that we would need for our employees. The roles are explained in detail under the team profiles section of this business plan. The number of Personal Trainers and Personal Trainer Managers will have an increasing number of positions as our company grows. This will be due to the growth in customers which will cause a higher need for Personal Trainers/Personal Trainer Managers. Each role of our company is very important to the overall operation and success of our business.

Business Description

There are many health apps on the market that track physical activity, promote the outdoors, encourage competition with friends, and provide monetary incentives. What if there was an app that could combine these components, but could also be customized based on where you live? Our founders found value in the idea of customization, and that is how the idea for Fit-Go was born. Fit-Go is unique because it is an outdoor-fitness app that is customizable for not only the user's goals, but also for a certain geographic area. Users have the capability to exercise no matter the location, giving users the opportunity to "Find Freedom in Fitness" (our tagline.)

The mission of Fit-Go is to re-imagine exercise by encouraging health-conscious young adults to explore the world around them and connect with others. Fit-Go is an app that could positively impact users and communities while promoting both a healthy, active lifestyle and the growing use of technology. This free-to-install subscription-based app, found on the Apple App Store (and coming to the GooglePlay Store after establishing a clientele) encourages users to explore the outdoors and stay active in a unique way. Users can explore their neighborhoods and the outdoors while posting updates, competing with friends, earning points, and winning monetary prizes.

This app operates as a platform for users to track and post their activity. First, the user will choose a specific geographic location, then can either search or browse activity locations. For example, if the geographic location is Norfolk, Virginia, activity locations listed under Norfolk may include the Botanical Gardens, the Elizabeth River Trail, or Town Point Park. Next, the user can browse or search for activity types, which may include walking, biking, a

series of yoga poses, a bodyweight workout, etc. The time duration of the activity may be customized as well. Users will then go to that destination and complete the activity. Users have the option to post photos or videos of the activity they completed or the nature in the area.

The subscription to use the app will cost \$7 per month after a free week trial. It will include features such as the ability to browse activity locations, a library of exercises to complete in these locations, a physical activity tracker, a media platform to share completed activities and challenges with friends, daily reminders and motivation to stay active, and the ability to earn points. Posting completed challenges, inviting friends to complete challenges, and activity tracked will allow users to earn points. Table 1 in the appendix lists how many points a user can earn for using different components of the app. Once a user accumulates 10,000 points, the user can redeem these points for \$10. Points can be redeemed for money once per year for a long-term reward for the year's activity.

Fit Go's business idea was moderately strong according to our Feasibility Analysis, which can be found in Table 2 of the appendix. This app attempts to solve the problem of an inactive generation by giving users a fun way to exercise and explore. Fitness apps are currently trending, and the saturation of related apps in the market may make the launch of this venture daunting. Our app is unique, however, because of its customization based on the user's goals, location, and schedule. Extrinsic motivation is powerful, and with the competition, points, and rewards this app offers, it would be beneficial to both the savvy customer and the health of the local community.

The customers attracted to this app, due to this design, are most likely younger, health-conscious, outdoor enthusiasts. Advertising specifically to our target market may be

challenging, but once the word is out, there is significant potential for growth. While this may be a challenge when launching our business, the growth rate of this industry continues to increase, and consumers hold health apps to a high value. In fact, many of today's youth solely use health apps to track their physical activity. The industry of health-apps is growing, and that being said, there are many competitors when it comes to outdoor-fitness apps. This brings us to our competitive analysis.

Competitive Analysis

As previously stated, there are currently many competitors when it comes to fitness and outdoor applications. Table 3 in the appendix summarizes how Fit-Go compares with its competitors in the Apple App Store. Most outdoor-fitness apps are free of charge, but some do require a subscription. Requiring a subscription will most likely be our number one challenge when it comes to gaining a clientele. In order to solve this problem, we will have to market our subscription for its overall quality and promote it as an investment in a user's health and customization.

Most successful outdoor-fitness apps are easy to use, so an easy-to-use platform is crucial in app development. In order to attract clients, our application will be simple, streamline, and aesthetically pleasing. Successful health applications also must be motivating for the user to use, which is why it is important to include features such as reminders to stay active and challenge friends. This goes along with social networking opportunities: it is important to allow users to share their successes with their friends in order to encourage each other to use the app.

Where we can create a competitive advantage for ourselves is through the variety of workouts offered for an outdoor-based app, and the localization component. Most outdoor

applications, like our competitors AllTrails, Strava, and Map My Run, solely focus on biking, hiking, running, and walking. By adding a greater variety of workouts to our app, such as bodyweight exercises and stretches, we are able to offer more than the competitors. The apps Fitness Court, Nike Training Club, and Norwell Outdoor Fitness offer exercise types other than biking, hiking, running, and walking, but they often have a limited variety of exercises, do not offer location customization, and/or are not outdoor-based. Apps that do offer more of a localization component, lack exercise variety. Apart from Fit-Go's unique combination of location customization and exercise variety, Fit-Go offers a point system as an incentive for competition and earning money. Similar incentive systems are present in health-apps such as Achievement and HealthyWage, but to our knowledge, these incentive systems are not present in any popular outdoor-fitness apps. Overall, the unique combination of features FitGo has to offer as an app is in our favor. However, the challenge of competing with free, already well-known and utilized outdoor fitness apps is very present. In order to face this challenge, our marketing strategy will focus on our competitive advantages.

Marketing Strategy

As stated in the competitive analysis section, we will have to market our subscription for its overall quality and promote it as an investment in a user's health and customization. Our target audience will be 18-30 year olds. They will be active and have some degree of competitiveness while liking to workout outdoors. The design of our app is convenient so that our users can even find time to use it regardless of a busy schedule. Fit-Go will also be cheaper than some brick and mortar gyms so our market will not need excess savings. Within the first two years of our business launch, we will serve individuals in Virginia and the surrounding

states. As our business expands and we gain more human resources, we will reach audiences in the midwestern and western states. Our long-term ultimate goal is to reach an audience that lives in cities, rural areas, or anywhere across the globe.

The ad campaign to promote the business will start on Instagram and Facebook. Fit-Go will create a business page on each and post content on the latest challenges and updates for the app. According to Dr. Williams, 78% of salespeople using social media outsell their peers¹. Influencers will be selected on social media, targeting fitness accounts and famous athletes. Once influencers are posting Fit-Go content, we will reach out to corporate sponsors like Nike, Adidas, and Reebok. The goal with corporation sponsors would be they would give us funding, prizes, or products in exchange for advertising on the Fit-Go app. This will bring them attention through a large athletic audience and Fit-Go users could be enticed by the latest fitness products.

Fit-Go representatives will go to local, and state parks to promote the app. A tent or table will be set up with information about Fit-Go. This marketing strategy will create a personal experience with the user and app.

The combination of social media, face-to-face, and word of mouth marketing Fit-Go will reach their target market and attract new customers. Fit-Go will be different from the competition by giving a product with more individual options while creating monetary incentives.

Financial Projection and Needs

To determine if our business was viable, we conducted a financial projection and analyzed our results (link is found in appendix.) We conducted 3 different projections including

¹ Williams, Brian. "21 Mind-Blowing Sales Stats." *Smarter Sales Enablement*, Brevet, 2020, blog.thebrevetgroup.com/21-mind-blowing-sales-stats.

one that is a conservative estimate, another that is a more realistic approach, and a final one that maps out our potential financial path. These three projections were made with a few assumptions, which go as follows. We assumed that within the first month, we will obtain 45 subscribers, 35 subscribers, and 25 subscribers for potential, realistic, and conservative, respectively. There will be no cost for download so that our application will be easily accessible to the user. Although, we do assume a subscription price of \$12, \$10, and \$7 for potential, realistic, and conservative, respectively. Our startup cost will be \$18,000 because we will be paying an app developer \$150/hour for 120 hours. We will be paying the same developer to do application maintenance and updates at the same rate. The tax rate in the Apple app store is 30% and the interest rate for cost of capital/risk free is 5%. To conduct this financial projection, we had to make some assumptions for business growth for the first three years as well. For the first year for the worst, realistic, and best case scenario, we hope for growth rates of 7%, 9%, and 10%, respectively. The second year, we hope to attain rates of 9%, 12%, and 15% for worst, realistic and best case, respectively. For the third and final year of our projection, we will be in good standing if our growth rates reach 11% for worst case, 15% for realistic, and 20% for best case scenario. All these assumptions helped us form these accurate financial projections.

The conservative projection is used to estimate the finances for our company in a safe way so that if everything doesn't go as planned, we can still expect what is coming. For this projection, the number of subscribers started at 25 for the first month and slowly grew until the yearly total was 487. The following year nearly tripled the number of subscribers with 1,278 as the total. For the third year, another great increase came and brought our numbers to 4,282 subscribers. These numbers brought the first year a gross profit of \$3,409.00, but a net loss of

\$123,697.70. This is not great, but many businesses start deep in debt. The second year brings a gross profit of \$8,736.00 and another net loss of \$63,414.00. For the final year calculated, the gross profit dramatically increases to \$29,974.00, but there is still a net loss of \$42,188.00. This pattern shows us that our business is slowly digging itself out of debt, but not fast enough to make a profit anytime soon.

Next, we made a more realistic projection with probably the most plausible scenario. The number of subscriptions per year increased from 755 after the first year to 7,371 at the end of the third projected year. Using these numbers and a \$3.00 increase on the price of subscription, our first year ends with a gross profit of \$7,550.00 and a net negative of \$145,999.00. The following year had a much larger gross profit of \$20,320.00 and a net loss of \$51,830.00. This is a dramatic improvement, but it definitely has a long way to go. The final year brings a gross profit of \$73,710.00 and a net positive of \$1,548.00. This may not seem like much, but this shows that the business is making money and will soon have large increases in net profits.

For our last projection, we made a potential category which may not be as likely, but if we work hard and make good progress, this may be attainable. The first year total subscriber count was 1,007. The second year had a pretty good increase to 2,834. But the final year had the most significant increase which brought the total to 11,0003. With these quantities and the subscription price up to \$12 a month, our projection was a little more comfortable. The first year brought about gross profits and net losses of \$12,084.00 and \$142,825.20, respectively. The second year projection had a gross profit of \$34,008.00 and a net loss of \$38,142.00, which seemed promising. The third and last year of projections for the potential category brought gross

profits and net profits of \$132,036.00 and \$59,874.00, respectively. We were very happy to see these numbers because this made our business seem much more profitable in the short term.

After mapping out three different paths for which our business could go, we were able to determine that our realistic and potential projections both turned a profit after the third year. This is significant to us because the quicker that we turn a profit, the quicker we can get money in our own pocket. Analyzing this data definitely made our company seem more feasible and it will give us the motivation to push on through a few net negative years.

Team Profiles

The following are the positions that will be held throughout our company:

Chief Executive Officer - Manages the overall operations of a company and in charge of making all financial decisions.

Market Analyst - Whoever fills this role will be tasked with analyzing the market to see what improvements we could make to our company. This person will also help with the financial decisions of the company.

Personal Trainer Manager* - In charge of all the personal trainers. This person will make sure that each of the trainers are effectively helping others get into shape. The Personal Trainer Manager will also help the trainers with setting up training programs for the subscribers.

Personal Trainer* - The Personal Trainer will be the direct line of contact to the subscriber. The subscriber can get help from the trainer to set up a workout program that best suits the goals of the subscriber. The Personal Trainer will also try to encourage the subscriber to the best of their ability.

Developer - The developer will help with the initial construction of the application. Also, they will help with any of the future adjustments needed or upgrades to the application.

*The number of personal trainers and personal trainer Managers will increase proportional to the increase of subscribers.

Non-disclosure Agreement:

Nondisclosure and Noncompetition².

(a) At all times while this agreement is in force and after its expiration or termination, [employee name] agrees to refrain from disclosing Fit-Go's customer lists, trade secrets, or other confidential material. [Employee name] agrees to take reasonable security measures to prevent accidental disclosure and industrial espionage. (b) While this agreement is in force, the employee agrees to use [his/her] best efforts to [Job Description] and to abide by the nondisclosure and noncompetition terms of this agreement; the employer agrees to compensate the employee as follows: [describe compensation]. After expiration or termination of this agreement, [employee name] agrees not to compete with Fit-Go for a period of 5 years within a 50 mile radius of Fit-Go: Norfolk, VA 23508. This prohibition will not apply if this agreement is terminated because Fit-Go violated the terms of this agreement. Competition means owning or working for a business of the following type: Fitness related App. (c) [Employee name] agrees to pay liquidated damages in the amount of \$100,000 for any violation of the covenant not to compete contained in subparagraph (b) of this paragraph. IN WITNESS WHEREOF, Fit-Go and [employee name] have signed this agreement.

Company Name: _____

Employee: _____

Date: _____

² Barringer, Bruce R. & Ireland, R. Duane. *Entrepreneurship: Successfully Launching New Ventures*, Pearson Education Inc, 2019.

Appendix

Table 1: App Activity-Point Chart

Activity	Points
Every consecutive day app is used	3
Every mile biked	3
Every mile by foot	5
Every nature photo or video posted	5
Every friend challenged	5
Every workout photo or video posted	10
Every workout challenge completed	10
Earn \$10.00	Every 10,000

Table 2: Feasibility Analysis

	Low Potential (-1)	Moderate Potential (0)	High potential (+1)	Score
Strength of Business Idea				
1. The extent to which the idea: a. Takes advantage of an environmental trend b. Solves a problem c. Addresses gap in the market	Weak	Moderate	Strong	+1
2. Timeliness of entry to the market	Not timely	Moderately timely	Very timely	+1
3. The extent to which the idea “adds value” for its buyer or user	Low	Medium	High	+1
4. The extent to which the customer is satisfied by competing products that are already available	Very	Moderately	Not very	0
5. The degree to which the idea requires customers to change their basic practices or behaviors	Substantial changes	Moderate changes	Small to no changes	0

Industry-Related Issues				
6. Number of competitors	Many	Few	None	0
7. Stage of industry life cycle	Maturity phase or decline	Growth phase	Emergence phase	0
8. Growth rate of industry	Little/no growth	Moderate growth	Strong growth	+1
9. Importance of the industry's products and/or services to customers	Ambivalent	Would like to have	Must have	+1
10. Industry operating margins	Low	Moderate	High	+1
Target Market and Customer-Related Issues				
11. Identification of the target market for the proposed venture	Difficult to identify	May be able to identify	Identified	+1
12. Ability to create "barriers to entry" for potential competitors	Unable to create	May or may not be able to create	Can create	0
13. The purchasing power of customers	Low	Moderate	High	0
14. Ease of making customers aware of new product or service	Low	Moderate	High	+1
15. Growth potential or target market	Low	Moderate	High	+1
Founders' Related- Issues				
16. Founders experience in the industry	No experience	Moderate experience	Experience	0
17. Founders skills as they relate to the proposed new venture's product or service	No skills	Moderate skills	Skilled	0
18. The extent of founders professional and social networks in the relevant industry	None	Moderate	Extensive	0
19. The extent to which the proposed new venture meets founders' personal goals and aspirations	Weak	Moderate	Strong	+1
20. The likelihood that a team can be put together to launch and grow new venture	Unlikely	Moderately likely	Very likely	+1
Financial-Related Issues				

21. Initial capital investment	High	Moderate	Low	0
22. Number of revenue drivers (ways company makes money)	One	Two or three	More than three	0
23. Time to break even	2+ years	1-2 years	Less than a year	0
24. Financial performance of similar businesses	Weak	Modest	Strong	+1
25. Ability to fund initial product (or service) development and/or initial start-up expenses from personal funds or via bootstrapping	Low	Moderate	High	0
Additional Questions				
26. The presence of potential flaws in the business design that would affect the feasibility	Many potential flaws present	Few potential flaws	Little to no flaws present	0
27. Is the target market for this product/service specific?	Too broad or too narrow	Could be more specific	Specific market (Still large enough for business)	+1
28. Availability to obtain necessary resources (office/spaces, equipment, business partners, etc.)	Not readily available	Moderately available	Readily available	0
29. The extent to which proposed venture is a topic founders are passionate about	Not passionate	Moderately passionate	Very passionate	+1
30. How likely would founders want to sell this product to loved ones?	Not likely	Moderately likely	Very likely	+1

	Score (-5 to +5) & Overall potential for each part	Suggestions for improvement
Part 1: Strength of Business Idea	3	Competitive industry The target market may need to change habits
Part 2: Industry-Related Issues	3	Growing, not emerging industry
Part 3: Target Market and Customer-Related Issues	3	Identify how to create barriers to competitors
Part 4: Founders' Related Issues	2	Little skills and experience in application design and launching

Part 5: Financial Issues	1	Funding challenges, but has the potential to become profitable
Part 6: Additional Questions	3	Financial setback and some potential design flaws
Overall Assessment	+15	

Table 3: Competitive Analysis Grid

Competitive Analysis Grid for FitGo Compared with Apple Outdoor-Fitness Apps						
Name of Competitor	Fitness Court	AllTrails	Norwell Outdoor Fitness	Nike Training Club	Strava	Map My Run
Price	Advantage	Advantage	Advantage	Even	Advantage	Even
Easy to use?	Even	Even	Disadvantage	Even	Even	Even
Motivation for the customer	Even	Disadvantage	Even	Even	Even	Even
Variety of features	Disadvantage	Disadvantage	Even	Advantage	Disadvantage	Even
Social networking component	Even	Even	Even	Disadvantage	Even	Even
Outdoor component	Even	Even	Even	Disadvantage	Even	Even
Competition with friends component	Even	Disadvantage	Even	Even	Even	Even
Localization component	Disadvantage	Advantage	Even	Disadvantage	Even	Even
Variety of workout types	Even	Disadvantage	Disadvantage	Advantage	Disadvantage	Disadvantage

Link to Financial Projection Excel Sheet:

<https://drive.google.com/file/d/1gEYpQUvUIPFyhaJCblu4K84hyTsrZfoe/view?usp=sharing>