

**VIVAFIT – A WOMEN-ONLY FITNESS CONCEPT  
ANALYSIS OF THE INTERNATIONALIZATION PROCESS**

**Beatriz Pinto Carlos**

Dissertation submitted as partial requirement for the conferral of

**Master in International Management**

Supervisor:

**Prof. António Vieira da Silva, Prof. Convidado, ISCTE Business School,  
Lisbon, Portugal**

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## **ABSTRACT**

Globalization is a recent phenomenon that is pushing markets' interdependency exponentially. To keep up with this trend, businesses are forced to expand operations due to diverse reasons. However, internationalization is a challenging step for the life of a business and this, many times, is retained by not knowing where to start.

Although the research in international business has been growing along the globalization process, I found a lack of practical information that can help companies with little knowledge on the topic to take their companies abroad.

As an attempt to provide this practical information to other Portuguese companies, I started by identifying one that currently has operations abroad and therefore analysed it. For this analysis, I conducted two interviews and researched articles about the company in order to obtain all the necessary information, as well as collected several theories and models developed by academics considered in international business studies. After connecting theoretical approaches to this real case, I was able to identify the stronger and weaker points of the internationalization process carried out by the company. Therefore, as a result, I used this information as a basis to create a practical framework that may help Portuguese companies to expand their businesses.

**Keywords:** International Management, Internationalization Process, Fitness Franchising, Market Interdependency

**JEL Classification System:** F23, M16

## **ABSTRACT**

A globalização é um fenómeno recente que está a impulsionar exponencialmente a interdependência de mercados. Para acompanhar esta tendência, as empresas são obrigadas a expandir as operações pelas mais diversas razões. No entanto, a internacionalização é um passo desafiante na vida de uma empresa, sendo muitas vezes adiado por não se saber por onde começar.

Embora a pesquisa em negócios internacionais tenha crescido ao longo da tendência da globalização, existe falta de informações práticas que possam ajudar empresas Portuguesas com menos conhecimento na área a levar o seu negócio para o exterior.

De forma a tentar providenciar essas informações práticas, comecei por seleccionar uma empresa portuguesa que tenha atualmente operações no exterior e, posteriormente, analisei-a. Assim, para essa análise, realizei duas entrevistas e pesquisei artigos sobre a empresa de modo a obter todas as informações necessárias, incluindo várias teorias e modelos desenvolvidos por académicos abordadas na temática da internacionalização de empresas. Após relacionar as abordagens teóricas com o caso real da Vivafit, identifiquei os pontos mais fortes e mais fracos do processo de internacionalização da mesma. Por fim, utilizei essa informação como base para criar um modelo prático que possa ajudar as empresas portuguesas a expandir seus negócios da forma mais eficaz e eficiente.

**Palavras-chave:** Gestão Internacional, Processos de Internacionalização, Franchising de Ginásios, Interdependência de Mercados

**JEL Classification System:** F23, M16

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## INTRODUCTION

The strong changes that the world has been facing throughout the last years, comprising politics, economics, technology, environment and even culture, have been pushing companies to become more and more competitive in order to survive. To keep up with the current trends, companies must challenge themselves not only in internal processes but also externally. The most prominent form of external challenges is the internationalization of the company, with the most diverse motivations such as strong competition, economic crisis, market saturation, lack of resources, etc., as we will be able to understand further on in this study.

Although companies' internationalization has been studied throughout the last centuries, it became more consolidated in the last five decades. In its development stage, theoretical frameworks were more based in economy, sociology and anthropology. However, the most recent studies have a more comprehensive approach, focusing more in fields such as marketing, organizational behaviour and international business. (Cavusgil, *et al.*, 2005: 5).

In Portugal, the internationalization of companies is a recent phenomenon, highly triggered by the economic crisis outbreak of 2007.

One of the successful companies that decided to anticipate the crisis and internationalize was the one used for this study: Vivafit, a women-only fitness chain. The choice of this company as a case study for my thesis was due to the fact that its internationalization is renowned both in Portugal and abroad. Therefore, by analysing the whole process and identifying its strengths and weaknesses, I intend to provide a framework to other companies in order to help them going abroad and to be as successful as possible. Focusing on the academic studies, I will try to answer primary questions that arise when the company decides to take "the next step": When? Where to? How? Why?

The formal structure of the investigation will be:

1. **Literature review:** revision of the main theoretical approaches relevant for this study;
2. **Methodology:** explanation of all the process of the investigation;

3. **Vivafit – A women-only fitness concept:** presentation of the studied company and all the relevant information to provide a final critical analysis on the whole process of internationalization.

In the end, I will conclude by providing a framework and recommendations that may help other Portuguese companies to internationalize in the most effective way.

## **1. LITERATURE REVIEW**

A study on the international strategy of the Portuguese company Vivafit requires a deep understanding of a few concepts and theories that will be approached in the following chapters. The content presented on this section was chosen according to what I consider to be the most relevant to carry out this study and it will be divided as the following: definition of the concepts International Business, Globalization and Internationalization; Internationalization Theories – the Uppsala Model, the Market Imperfection Theory and the Competitive Advantage Theory; Market Entry Modes – Export-based Methods, Non-Equity Methods and Equity Methods; Relevant Dimensions for an Internationalization Process.

### **1.1. Defining concepts: Globalization, Internationalization and International Business**

Over the past decades, Globalization and Internationalization have increasingly been part of the agenda of countless firms, especially the ones who seek or already perform International Business. Therefore, it is important to understand these three concepts and distinguish them, as they usually go hand-in-hand and, for that reason, are very often confused. The broadness that characterizes these concepts has led to the difficulty of reaching a consensus and therefore they have evolved throughout the years as a subject of different theories.

Firstly, I would like to present in this first chapter the concept of International Business. I believe it makes sense to define it since this dissertation analyses and concerns the process of “exporting” a service to other countries. Cavusgil, Knight & Riesenberger (2014: 39) define it as “...*the performance of trade and investment activities by firms across national borders.*”, because firms conduct value-adding activities such as sourcing, manufacturing, marketing, etc., on an international scale as well as seeking foreign customers and business relationships with foreign partners. The same authors advocate that firms who perform International Business may consider six major elements: they promote the globalization of markets, engage in international trade and investment activities, face risks in various fields, include different participants such as firms, distribution intermediaries and facilitators as well as they adopt international entry strategies such as franchising, direct investment, exporting, etc. In summary, International Business is the phenomenon that allows us to have access to a very wide range of products, services and opportunities of choice coming from around the world without having to go out of our little town.

In regards to Globalization, the fact that we find it described in different ways is mainly due to the various dimensions that we can focus on, such as communications and technology, economics, culture, civil society, among others, from which economic globalization is probably the most debated nowadays (Beck, 2000). As a matter of defining Globalization in a more comprehensive way, Beck (2000: 19) states that “...it means that borders become markedly less relevant to everyday behavior in the various dimensions of economics, information, ecology, technology, cross-cultural conflict and civil society.”. Nevertheless, if we wish to explain Globalization in a more business-oriented way, we can refer to it as an “...intense economic, political and personal interconnectedness between companies and consumers.” (Cavusgil, *et al.*, 2014: 36).

Finally, the last concept to be defined is Internationalization. We can also find different approaches and theories about it, not due to the macro dimensions as in Globalization, but because each theory presents a process with its own steps and considerations. Buckley and Ghauri (1999: 84) argue that, although internationalization tends to be described as an “...outward movement in an individual firm’s or larger grouping’s international operations”, a broader definition should be adopted as both inward and outward movements “...have become more closely linked in the dynamics of international trade.”. Therefore, Calof and Beamish (1995: 115-116) have come up with a less limitative definition, stating that Internationalization is “...the process of adapting firms’ operations (strategy, structure, resource, etc.) to international environments.”.

As a result, after distinguishing the concepts above, we may conclude that there is a link among them since Globalization favours Internationalization, which in turn accrues in International Business. **Globalization** is a trend of interconnectiveness in several dimensions and has led to a proliferation and evolution of products, technology and knowledge, increasing the number of firms’ **internationalizations** and, subsequently, the volume of cross-border transactions of goods, services and capital flows, known as **International Business**. In short, Globalization pushes and facilitates the expansion of firms to other countries. (Cavusgil, *et al.*, 2014).

## 1.2. Internationalization Theories

In literature, it is possible to find different internationalization theories developed by different authors who consider different key-subjects in their approaches, such as location, resources, external agents, environment, among others. Nevertheless, even though some

theories are taken as incompatible among them, we may notice that some of their key-subjects intersect.

In the following paragraphs, I will present three theories, which I consider to be the most appropriate for this study, based on its definitions and on the type of business of the company Vivafit. These will be the “Uppsala Model”, the Market Imperfection Theory and the Porter’s Competitive Advantage Theory.

### **1.2.1. The “Uppsala Model”**

The “Uppsala Model”, also mentioned as the Internationalization Theory, was developed along with an examination of the internationalization process of Swedish firms by Johanson and Wiedersheim-Paul (1975), who found “...*a regular process of gradual change involving the firm moving sequentially through four discrete stages...*”, as mentioned by Wall, Rees & Black (2001: 40). The sequence of four stages that a firm goes through when gradually increasing its international involvement is also called “establishment chain” and includes: (1) exporting irregularly, (2) exporting through agents, (3) sales subsidiary such as licensing or franchising and (4) overseas production with FDI (Malhotra, *et al.*, 2003). The theoretical basis of this sequence are the premises that a strong resource commitment, along with a new market and a great amount of information acquired, reduce the uncertainty and risks in the internationalization; plus, firms will move initially to similar countries, and only later to more culturally and geographically diverse ones (Johanson and Vahlne 1990). Nevertheless, it is suggested that, as firms go through these stages, the knowledge and information increase and the psychic distance (language, culture, political systems...) between these firms and the new market reduces, progressing more easily to the next stage.

Forsgren (1989) argues that this theory evidences some limitations, such as the fact that the process model refers only to the early stages of internationalization, taking the lack of market knowledge and resources as constraining factors. However, these factors are no longer a problem when the firm already has activities in several countries. Secondly, Hedlund and Kverneland (1985) argue that there has been a general internationalisation of industries and markets and, therefore, the lack of market knowledge is no longer a limiting factor. Thus, it may happen that the model will be less valid in the future. Yet, Nordstrom (1990) defends that the world has become more homogeneous which has decreased the psychic distance. Finally, “*Studies have shown that the internationalisation process model is not valid for service industries.*” (Johanson and Vahlne, 1990: 15).

### **1.2.2. Market Imperfection Theory**

Malhotra, Agarwal & Ulgado (2003) present us the market imperfection theory, developed by Hymer (1976), and defend that the fact of having limited knowledge of local conditions doesn't prevent necessarily a successful competition in the local market. Plus, it is argued that a firm, in the initial phase of entering a new business environment, is "competitively handicapped" due to the costs of adaptation to the new environment and thus, to overcome this handicap, it must have a competitive advantage over its competitors. This theory encompasses the following factors: *"1) imperfections in the goods markets, such as brand names, marketing skills, product differentiation and price collusion, which other firms do not have; 2) imperfections in the factor markets, such as exclusive resourcing capabilities, proprietary managerial skills and technology; 3) imperfect competition because of external and internal economies of scale which lead to cost declines that in turn affect a firm's ability to survive; 4) imperfect competition caused by government intervention when government-imposed policies provide FDI opportunities."* (Malhotra, *et al.*, 2003: 4)

The main limitation highlighted in this theory is the fact that, assuming there is limited market knowledge, it excludes collaborative entry modes and considers only FDI.

### **1.2.3. The Competitive Advantage Theory**

Wall, Rees & Black (2001) explain us this theory developed by Michael Porter (1990) in order to attempt to explain the necessary factors for a successful production (national and international), regarding competitive advantages.

According to Porter, at a national level, these advantages are the reason why the most successful companies can have more profits than the ones that are just "surviving" in the sector and that may include innovative services, ideas or products (protected by patents); first-mover advantages, since an early player in the field has more time to gain reputation and control of the market, as well as the distinctive aspects in the relationships between suppliers and customers. However, these advantages are usually ephemeral, as there are constantly new sources, materials and techniques that make innovation a very unstable factor. The fact that first-mover advantages may not last forever and that successful relationships may be replicated, means that firms must constantly seek new sources of competitive advantage if they want to avoid being the "survivors" among the sector.

At an international level, Porter considers the dynamic perspective of competitive advantages, reaching to six variables who potentially gives a country competitive advantage over another one: “1) *demand conditions: the extent and characteristic of domestic demand*; 2) *factor conditions: transport infrastructure, national resources, human capital endowments, etc.*; 3) *firm strategies – structures and rivalries: the organization and management of companies and the degree of competition in the market structures in which they operate*; 4) *related and supporting industries: quality and extent of supply industries, supporting business services, etc.*; 5) *government policies: nature of the regulatory environment, extent of state intervention in industry and the regions, state support for education and vocational training, etc.*; 6) *chance.*” (Wall, *et al.*, 2001: 55).

As in every theory, it is difficult to reach a consensus and thus, some of the critiques towards Porter’s Diamond Model address the fact that it disregards the role of multinationals on the competitive success of countries (Dunning, 1993) and also that it is not given too much attention to the impact of national culture on the sources of competitive advantage, since as showed by Hofstede, the acquisition of money and the importance of performance and growth, for instance, have influence on productivity (Van den Bosch and Van Prooijen, 1992).<sup>1</sup>

In summary, each one of the theories has a different explanatory variable. In the “Uppsala Model” the variable is the firm’s experiential knowledge, while in the Market Imperfection Theory the focus is on market imperfections and on firm’s specific advantages. Yet, in the Competitive Advantage Theory we can observe an emphasis on the advantages that innovation can bring to the firm and finally, in the Eclectic Paradigm, the variables are the ownership-specific assets, the locational settings and the internalization advantages (Malhotra, *et al.*, 2003).

### **1.3. Entry Modes**

Whenever a company has decided to take the step of expanding its business to other countries, the question that pops up right away is “how?”. Thus, one of the first stages of the process is to analyse the best way to enter the new market. We can find in literature many strategies, so I will focus on the concepts and explanations provided by Wall, Rees, & Black (2001) and Peng (2014). The authors defend three following categories of entry modes: export-based methods, non-equity methods and equity methods, which will be further explained in this chapter.

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<sup>1</sup> <https://www.ukessays.com/essays/economics/evaluating-porters-concept-of-the-diamond-economics-essay.php> (13.05.2017)

### **1.3.1 Export-based methods**

The export-based mode of entry can be explained as a simultaneous process of production of the products for the domestic market and exporting part of the output to the foreign markets, considered by Wall, Rees, & Black (2001) as the most common and oldest way of going abroad, allowed by the liberalization of trades that took place over the past decades (e.g. establishment of NAFTA in 1994). Yet, the authors also consider the export-based methods less risky than others and a way of firms to test the market before resorting to FDI. These methods can also be split in two types: indirect and direct exporting.

#### **1.3.1.1. Indirect Exporting**

We can refer to indirect exporting when a firm operates through intermediaries in a foreign country rather than engaging directly in international activity. Thus, the company resorts to outsource the exporting functions which includes activities such as assuming the physical distribution, setting up channels for sales and distribution, among others. Regarding the advantages and disadvantages of this method we have, respectively, the fact that there is no need for acquiring expertise about the new market and the fact that there is little or no control at all on marketing issues, plus little contact with the end user, which prevents getting feedback for marketing (Wall, *et al.*, 2001).

#### **1.3.1.2. Direct Exporting**

Concerning direct exporting, we can define it as an engagement of a company in the distribution and selling of its products in a foreign market, implying the choice of agents and intermediaries in that market. Some of the relevant advantages of this method include the control and monitoring developments, a closer relationship with the end-user and the encouragement of repeating purchases due to the long-term commitments to the market. However, the disadvantages include the need to develop expertise, conduct market research and deal with bureaucratic issues (Wall, *et al.*, 2001).

### **1.3.2. Non-equity methods**

The non-equity methods are characterized by the sale of intellectual property such as know-how, technology, trademarks, patents and copyrights under the form of contractual agreements like licensing and franchising (Wall, *et al.*, 2001).

### **1.3.2.1.Licensing**

Licensing is a type of contractual agreement in which the *licensor* (who grants a license) gives permission to the *licensee* (who receives a license) the rights to use and exploit proprietary technology (e.g. a patent), trademarks (e.g. a corporate logo) or know-how in exchange of a royalty fee (Peng, 2014). Some of the advantages include the fact that the licensor benefits from the local knowledge and distribution channels of the licensee and it is a low-cost strategy since there is little resource commitment (Wall, *et al.*, 2001). However, some cons include little control over technology and marketing and difficulty to engage in global coordination (Peng, 2014).

### **1.3.2.2.Franchising**

Just like licensing, franchising is also a contractual agreement but typically covers the entire business concept, not only the product, service and trademark but also the marketing strategy, operation manuals and quality control procedures. Thus, the franchisor (who grants the franchise) sells to the franchisee (who receives a franchise) the right to undertake its business activity. The advantages of this type of contractual agreement concern the fact that it establishes a quick presence with relatively little direct investment, has low development costs and low risk in expanding abroad. On the other side, the franchisor doesn't have tight control over production and marketing and the way their technology and brand names are used (Peng, 2014).

### **1.3.3. Equity methods**

To conclude the chapter of entry modes, we must define the third category: equity methods. These methods refer to a way of entering the global economy by using FDI (Foreign Direct Investment), which can be done by creating a joint venture or establishing a wholly owned subsidiary by acquiring an existing firm, merging two firms into one or making a "greenfield" investment. By using one of the equity modes, a firm assures control over its property and don not share the profits with other players such as agents or distributors (Peng, 2014).

#### **1.3.3.1.Joint Ventures**

One of the types of equity methods is a joint venture, which is a new corporate entity created and jointly owned by two or more companies who take decisions together. Some of its benefits include sharing risks and costs, getting economies of scale and having access to the partner's assets; however, the costs can be the difficulties to reach a consensus in the

decision-making process and in the global coordination as well as the limited equity. (Peng, 2014).

### **1.3.3.2.Acquisition or Merger**

Joint ventures can easily generate problems concerning decisions and one way to overcome this can be through the acquisition of an existing firm, transferring the control of the operations and management from one firm to another or through a merger, which combines the operations and management of two firms in order to establish a new legal entity. The advantages of acquiring or merging are the total equity and control on operations, the protection of know-how, quick access to the knowledge on the local market. Nevertheless, it must also be considered that it may have high costs on development and potential political problems. (Peng, 2014).

### **1.3.3.3.Greenfield**

Another way of establishing a wholly owned subsidiary is by making a Greenfield investment, meaning to start an entirely new foreign operation such as building factories and offices from the scratch. This method can be also favourable in terms of having the total equity and operational control, protected know-how and easier global coordination although it may have as well high costs on development, potential political problems and a slow speed of entry (Peng, 2014).

To conclude, the entry modes that a firm must adopt is, at some point, subjective as it depends on multiple factors such as whether the company sells a product or a service, the strength of the economic background of the firm, the competition on the new market, among many others.

## **1.4 Relevant dimensions for an internationalization process**

The decision of taking a firm to a foreign country can be either spontaneous, disregarding a “pre-work” such as market studies and with the simple intention of attempting if it works, or a pre-studied and cautions decision, which involves developing a comprehensive study regarding several dimensions about the market we intend to enter. In the following chapters I will describe six dimensions that according to Wall, Rees, & Black (2001) should be taken in consideration before taking a firm abroad.

### **1.4.1 Political Conditions**

The political environment of a country, such as its method of governance and institutional framework, is one of the six fundamental dimensions that one should consider before internationalizing a company.

In order to enhance the chances of succeeding in a new market, the political risk, defined by Zonis (2000) as “*uncertainty that stems, in whole or part, from the exercise of power by governmental and non-governmental actors*”, must be assessed and classified into two categories: Macropolitical risks – war or unexpected governmental changes – leading to expropriation, inflation and security risks; Micropolitical risks – new regulations or taxes that affect specific businesses.

This research on the political conditions of the country may include foreign capital controls, industrial regulations, diplomatic tensions, etc., and result in a country-risk report with the country’s profile and its risk assessment. When there is a possibility for these risks to be managed, one can either develop a stronger relative bargaining power than the host country or adopt integrative, protective and defensive techniques. Integrative techniques include having good relations with the host government and produce there as much as possible, while protective and defensive techniques can be producing the least possible in the host country (Wall, *et al.*, 2001).

### **1.4.2 Legal Conditions**

The legal systems may vary from a country to another, having a great impact on the way a business should be conducted in a given country. It usually follows one of the following laws: the common law (unwritten and based on decisions reached by judges throughout the years), the code law (a written codification of what is or not permissible; the most common system), the religious law (based on rules related to faith and a particular religion) and the bureaucratic law (laws determined by bureaucrats; common in dictatorships and communist countries).

The control imposed by a country on business is also variable, so it is vital to understand the national laws and regulations. Corporate taxation, employee rights, the number of assets a company can own, the policies on human resource management, health and safety, provision of maternity leave and minimum wage are examples of laws that must be taken into account. Regarding regulations, restrictions on trade, foreign ownership, environment and exit must be considered.

Another significant issue on the legal environment are the intellectual property rights, since they can be easily discarded in some countries. The most important are Patents (confers ownership rights to the creator), Trademarks (defined by the UK Trade Marks Act in 1994 as “*any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings*”) and Copyrights (prevention of the replication of forms of work such as books, articles, music scores, etc.). While patents and trademarks depend on registration for their validity and last for a given period of time, the copyright is extended to the life of the author (Wall, *et al.*, 2001).

### **1.4.3 Socio-Cultural Conditions**

The authors Wall, Rees, & Black (2001) argue that there are two features that distinguish culture from other attributes: “*it is enduring and changes very little over time*” and “*it has a social context in that it is expressed as part of a community.*”

Some important studies on this field created frameworks that allow us to study the socio-cultural conditions of a country: Hall (1976) distinguished High and Low Context Cultures and later, in 1980, Hofstede identified five Cultural Dimensions.

In 1976, Hall opposed High-Context Cultures, the ones who tend to use indirect language to avoid confrontation (what they are saying is often found more in the context surrounding the words rather than in the words themselves), to Low-Context Cultures, in which the meaning is explicit and a listener is able to understand what they are saying without referring much to the context.

On the sequence of a study at IBM in 1980, Hofstede identified five cultural dimensions: individualism vs collectivism, power distance, uncertainty avoidance, masculinity vs femininity, long-term vs short-term orientation and indulgence vs restraint. Individualism presents the degree of interdependence a society maintains among its members, in which individualist societies people are supposed to look after themselves while in Collectivist societies, people “belong to groups”; the Power Distance deals with the fact that all individuals in societies are not equal, expressing the attitude of the culture towards these inequalities; uncertainty avoidance reflects the extent to which the members of a culture feel threatened by ambiguous or unknown situations, trying to avoid them; in masculinity vs femininity dimension a high score means Masculine and a low score means Feminine, indicating that the society will be driven by competition, achievement and

success or prefers quality of life and enjoy the profession, respectively; in long vs short-term orientation a low score reflects preference to maintain traditions and norms while viewing societal change with reluctance and a high score reflects a more pragmatic approach, encouraging modern education as a way to prepare for the future. Finally, indulgent societies (higher score) allow relatively free gratification of basic and natural human desires leading to enjoying life and having fun while in restrained societies (lower score), gratification of needs are regulated by strict social norms.

#### **1.4.4 Ecological Conditions**

Ecological and environmental issues have been increasingly relevant, not only for people but also for governments and businesses.

The importance of environment to the human being is undeniable and the overexploitation led to the need of creating regulations and brought environmental issues on debate. It provides us space and consequently a place to live, natural beauty, resources for production (wood, water, plants, etc.). This reflects how much we, human beings, depend on environment and why we should preserve it and not waste all these resources. However, as the environment cannot regenerate at the pace of global economies anymore, we are responsible to promote a sustainable development, in other words, promote a development that meets the current needs without compromising the ability of the future generations meet their needs.

The intensification of public concern on environmental issues has been shaping the international business in several ways. On the consumers' side, it was created a market for "green products", on the producers' side, there has been an increasing awareness to be environmentally friendly, which leads to a reduction of their cost base and to manage environmental risk factors not to affect its reputation and revenues. To regulate the environmental damage caused by the human overexploitation, governments have been imposing taxes and regulations. (Wall, *et al.*, 2001).

#### **1.4.5 Economic Conditions**

Concerning the assessment of the economic environment, businesses must consider some variables that may influence its success.

First, it is important to understand what is the economic system of the country: it has free market economy, in which "*the market is the key mechanism for resources allocation*" (Wall, *et al.*, 2001: 175) and where the interaction between buyers and sellers determines

the prices and quantities of exchanged goods, or a command economy. Although not so popular nowadays, it used to control all the different areas of life.

When assessing economic opportunities and threats, other variables must be considered such as the Real Income per head (measures the total products and services produced in a given period by the country's residents, reflecting the country's well-being), the Economic Growth (the percentage difference in the real income per head, indicator of future prospects), the Elasticity of Demand (measures the responsiveness of demand when there is a change in price or income, for example), the Exchange Rate (the price of a nation's currency in terms of another one; its rise make exports more expensive and imports cheaper, and vice-versa), the Inflation (tendency of rise in prices; lead to instability, higher costs, deflationary measures, etc.) and also the Taxes and Subsidies that may vary from country to country, having a significant impact on the decision process. (Wall, *et al.*, 2001).

#### **1.4.6 Technological Conditions**

The last dimension to consider on this chapter is the technological environment. Changes in this dimension may involve new processes and techniques, new products and services and thus, it must be considered in an international business.

The impacts on this dimension can be multiple and that is the reason why it must be considered. Innovation in processes, on a negative side, result many times in automation and consequently in the increasing of unemployment, although it also gives businesses a competitive advantage. Nevertheless, technological transfer, more specifically the internalized type (an investment done by a parent company to its affiliate overseas), may have a beneficial impact such as the provision of access to new and more efficient technology as well as a cost, since the foreign affiliate becomes more controlled.

## 2. METHODOLOGY

- **Approach**

The methodology chosen for this research subject was an exploratory qualitative analysis (argued by Denzin & Lincoln (1994) as emphasizing processes and meanings not accurately measured in terms of quantity, intensity or frequency) which resulted in a dissertation about the specific case of the internationalization process of the Portuguese company Vivafit. This type of method allows us to use different empirical material such as case studies, literature, experiences and reports. Yet, this research can also be considered as intensive as it is focused on a single case study, mainly through direct observation in the natural context and interviews as will be further explained. The focus is understanding questions such as *why?*, *how?*, *when?*, perspectives, in order to investigate a contemporary phenomenon in a real life context by exploring, describing, explaining and assessing the case.

- **Selection of the company**

Vivafit became the object of my study due two main reasons. First of all, I would like to have as an object of study a company related to a personal interest such as fitness and secondly, to study an internationalization process. Thus, after reading several articles that pointed the Portuguese company as one of the best-succeeded overseas, as an International Management student, it was very interesting to me to understand how a Portuguese-born company managed to be so successful in such different “environments”.

- **The Path**

This research intends to analyse the process of internationalization of the company Vivafit by comparing its path throughout the years to academic theories. Therefore, the main question is:

- **What were the strong and the weak steps of Vivafit’s internationalization process?**

In the beginning, a focus on the cultural impact seemed to be the right path, however an overall analysis on the international process of the company became more

interesting and less limitative, allowing a practical understanding of what it is like to take a company to other countries and what are the implications of that.

In the first weeks, it was important to create a draft of the structure of the thesis to decide where to begin, what should be asked in order to have the right answers. Thus, my first questions were:

**1. What information do I need to carry on this study?**

**2. Where do I get this information from?**

To answer these two questions, I started searching authors mentioned in classes such as International Business, Intercultural Management and International Strategy. After reading some of the books suggested in the courses' bibliography, it became clearer which academic theories and concepts should be approached to sustain my thesis and selected them for the first section: Literature Review.

As stated before, the literature review works as the theoretical introduction of the thesis. Therefore, I decided to clarify concepts such as Internationalization and Globalization, which are very often confounded and to present some internationalization theories, with emphasis on the most applicable ones to the company used for this study, the main international entry modes, with a focus on franchising (the only entry mode used by Vivafit) and the dimensions to be considered before going abroad, having the PESTLE framework on the theoretical basis. For this academic section, the main authors mentioned are Wall, Cavusgil and Peng.

For the following section, it was crucial to get all the possible information from the company, stating a description of the company, its history, evolution and process of operations. To get this information, an interview was conducted to the expansion manager of Vivafit, Carla Oliveira, who provided all the necessary information to give a detailed description of the company. In addition, the relevance of this interview concerns not only all the information that I had access to but also the fact that Carla was one of the first staff members to integrate Vivafit which makes her one of the biggest contributors to the evolution and successful internationalization process of the company. For this interview, I prepared a comprehensive list of questions, based on the primary research carried on to writing the "literature review" chapter, which I thought that would give me the further information I needed to complete this thesis. The questions comprehended a full description of the company, its organization and operations, the internationalization processes and

criteria used before entering a given country, initial ideas, models, theories and strategies considered, the path until today, results and expectations, what would they do differently, future plans and alternatives. However, after conducting the interview and analysing the retrieved information, I concluded that it was not enough since I found lack of information mostly due to the fact that I could not have access to the “brand books” that explain all the processes of establishing a Vivafit fitness centre, which pushed me to schedule another meeting to get the missing information. In this second interview, besides the answers that I needed, Carla kindly provided me three documents that were very helpful to complement my information: a “Guide for searching for a Vivafit Centre”, a “Price List for 2017 and a “Pitchbook of Vivafit”. These documents may be consulted in the appendixes 2, 3 and 5, respectively and the questions prepared for each interview may also be found in the appendix 1.

The last step that I found interesting to give a personal insight on the company was the performance of a “mystery client”. The idea arose in one of the interviews conducted and the goal would be to understand if the theory matched the reality, meaning that I would go to one of the Vivafit clubs and would act as an interested client, so that I would understand if the real sales approach is the same as the theoretical approach supported by Vivafit. To do this, I booked an appointment by phone in “Vivafit Odivelas”, for the 4<sup>th</sup> of May 2017, and there I was showed the club, as well as I was explained which classes I would have access to, the prices and conditions (the information gathered may be consulted on appendix 3). The output of this may be found in the “Critical Analysis” chapter.

Besides constrains regarding some lack of information, I faced other obstacles such as the fact that the company did not consider academic theories or strategies for their internationalization process as well as difficulties to schedule meetings and interviews.

### 3. VIVAFIT – A WOMEN-ONLY FITNESS CONCEPT

#### 3.1 The Company



Figure 1 - Vivafit Logo

VIVAFIT is a fitness franchise business for women-only, founded in Portugal in 2002 by Connie and Pedro Ruiz, and its value proposition promotes an innovative concept of fitness by combining three services: Exercise / Personal Training + Nutrition Sessions + Online Counselling. Currently, it operates in 8 foreign markets - Uruguay, India, Oman, UAE (Dubai & Abu Dhabi), Singapore, Taiwan, Saudi Arabia and Pakistan. – and future plans include openings in Kazakhstan.



Figure 2 - Vivafit Foreign Markets

It is the Portuguese market leader in the niche of “women-only gyms” with 80% of market share and serves nearly 16500 women in over 55 franchisees around the world.<sup>2</sup> The opening average counts 5 gyms a year and is mainly explained by the high rate of women dissatisfaction with their bodies (80% in 2012, according to World Health Organization, however a study of the American Psychological Association, conducted in 2016, found that

<sup>2</sup> Adapted from “Appendix 5”

this dissatisfaction is declining<sup>3</sup>) along with the satisfaction with the service provided by Vivafit, passed by word-of-mouth and reflecting over 50% of new memberships.

The company started its expansion in the local market by adopting a franchising system and advantages such as the fast-paced evolution along with the possibility of creating a network of franchisees through know-how sharing, contributed to the push towards international expansion.

According to what is presented on the company’s website, some of its milestones include:

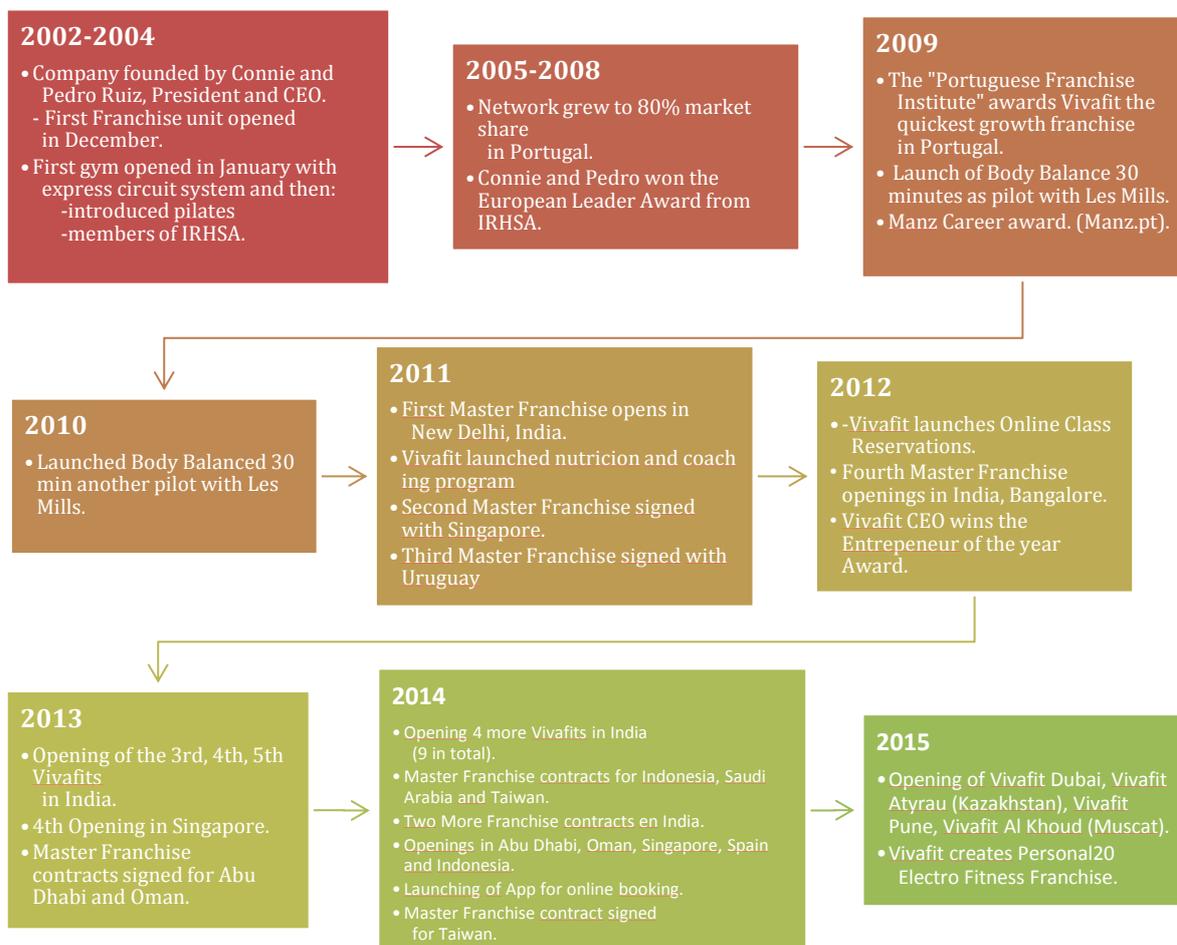


Chart 1 - Vivafit Milestones<sup>4</sup>

### 3.1.1 Vision and Mission

The company states that its vision embraces “*sustaining profitable growth by being the worldwide women only fitness and nutrition leader in each market we serve; achieve the leadership position creating a healthier and fashionable lifestyle and to always be a woman’s first choice!*” as well as to have the mission of “*being the worldwide reference in*

<sup>3</sup> [https://www.eurekalert.org/pub\\_releases/2016-08/apa-wat072816.php](https://www.eurekalert.org/pub_releases/2016-08/apa-wat072816.php) (18.01.2017)

<sup>4</sup> [http://www.vivafit.eu/1\\_4-about\\_us.aspx](http://www.vivafit.eu/1_4-about_us.aspx) (09.05.2017)

*the women only fitness & nutrition market, motivating women to lose weight, be healthy, and enjoy life, creating value and making the difference by providing outstanding group fitness classes and nutrition programs that meet the specific needs of each member, with a great customer service at affordable prices.”<sup>5</sup>*

### 3.1.2 Services Offered

After a careful analysis on the websites of each country, it is possible to understand that the services offered differ from country to country. According to Carla Oliveira, this difference in the offer derives from the necessity of adapting the brand to the local market, a feature that she considers determining to succeed.

In Portugal, the company offers three different services: Personal Training, Nutrition Services and Group Classes.

Personal Training is a service in which it is possible to have a personalized and adjusted plan to the person who subscribes it. This plan is prescribed and executed with the help of a fitness professional, taking into account the objectives and limitations of the person.

It is recommended to everyone who wishes to start being more active, to achieve a specific goal, boost the trainings, who has a clinical condition or even who lacks motivation to train alone.

Some of the benefits of training with a personal trainer include having a personalized plan which leads to faster and more efficient results, as the knowledge of the trainer allows having different stimulus and methodologies as well as executing the exercises in the correct way, which prevents injuries and harmful positions.

Regarding the Group Classes, there are nine different ones, although only some of them are available in each gym.

	<p>A class inspired in High Intensity Interval Training (HIIT) with dynamic and explosive exercises. (30min)</p>
	<p>A class based on the repetition of exercises typical of a woman's daily routine - like pushing and pulling. (30min)</p>
	<p>A class focused on the abdominal and back muscles training resorting to several muscular strengthening exercises.</p>
	<p>A class with a set of exercises conceived to strengthen the body and improve posture. (45min)</p>

<sup>5</sup> Adapted from [http://www.vivafit.eu/1\\_4-about\\_us.aspx](http://www.vivafit.eu/1_4-about_us.aspx) (17.01.2017)

	A Vivafit-Exclusive class inspired in Ballet, Pilates and Yoga, using the ballet bar and other fitness material such as Suisse balls and rubber bands. (45min)
	A powerful dance class that combines exotic rhythms with Latin and international music. (30min)
	A class that combines Yoga, Tai-Chi and Pilates exercises in a slow and balanced rhythm to improve strength and flexibility.
	A low-impact class combining aerobic exercises for a better cardiovascular health, resistance training to develop strength and stability and exercises for flexibility and mobility. (30min)
	A dance class characterized by trendy moves and songs with no previous practice required. (30min)

Table 2 - Vivafit Classes<sup>6</sup>

Vivafit also offers a Nutrition service that seeks “*to change habits, eating behaviors...and maintain a healthy weight through exercise and food habits that are adequate and balanced.*” and attempts that nutrition becomes a key in every Vivafit member’s life by allowing them to:

- ❖ Having periodic appointments with a nutritionist, in order to assess the profile of the person and define objectives;
- ❖ Keeping focused on their objectives by providing unlimited access to an online platform ([www.myvivafit.com](http://www.myvivafit.com)) where gym members can:
  1. Manage their personal nutritional appointments;
  2. Receive nutritional counselling from the nutritionist working at that time;
  3. Search healthy recipes;
  4. Access a calorie-counter software;
  5. Consult their personal achievements and diet plan;
  6. Download a water-reminder software and other weight-loss tools.

<sup>6</sup> Adapted from: [http://www.vivafit.pt/1\\_4-como\\_funciona.aspx#groupclasses](http://www.vivafit.pt/1_4-como_funciona.aspx#groupclasses) (17.01.2017)

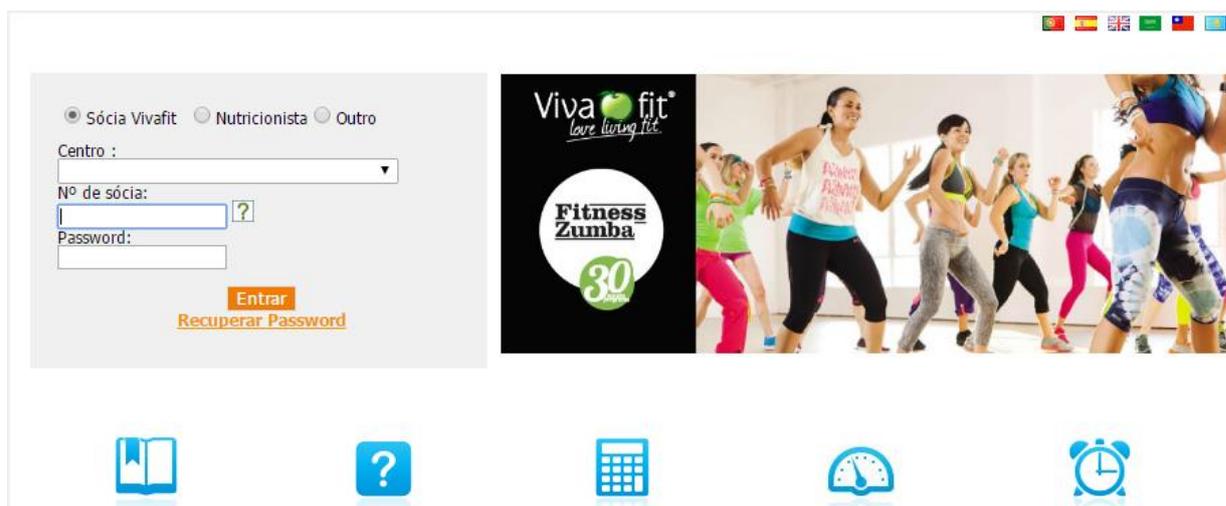


Figure 3 - MyVivafit Homepage (Portugal)<sup>7</sup>

The platform is currently translated into Portuguese, Spanish, English, Arabic, Mandarin and Russian, although not all the features are available for all the countries, just like some of the services that I presented above.

### 3.1.3 Membership Options

When there is an interest of getting a membership in a Vivafit centre, the first step is to book an appointment with the salesperson in order to follow all the established process. Thus, this meeting is important to diagnose and recommend the most suitable services. The person is asked her personal details as well as her training record, motivations, limitations and availability. In addition, it is offered a body diagnosis (weighing, body measures, BMI and comparison to health standards) and an experimental session. In case of special needs such as extra motivation and limitative health issues, a personal training service is recommended.

Currently, Vivafit offers four types of memberships:

Membership	Price
Full access to all classes, any time	49,90€
Access to SBarre and Pilates classes only	44,90€
Access to all the classes except SBarre and Pilates	39,90€

<sup>7</sup> <http://www.myvivafit.com/> (17.01.2017)

Access only twice a week	26,40€
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Table 2 - Vivafit Membership Options

These four offers are expected to meet the different needs of each person that wishes to enrol in the fitness centre, being given the possibility to choose the modality that most suits to her needs and preferences. Nevertheless, the Personal Training service requires an extra subscription while Nutrition service is already included in the monthly fee, meaning that a part of the amount paid every month includes already a nutrition session every six months, plus full access to the online nutrition platform that provides unlimited support.

### 3.1.4 Organization of Operations

The company started operating only in Portugal in January of 2003 focusing on the two main Portuguese cities: Porto, where the first Vivafit gym was opened, and Lisbon under the franchising mode, since according to the initial idea of the company, this was the best way to expand the business quickly.

Currently, Vivafit headquarters are based in Lisbon and is composed by the CEO and professionals in the fields of Marketing, Design, OPs, IT, Finance, Expansion and Training, in a total of 12 people, whose main tasks are providing support to the Franchisees and developing the brand through innovation.

Regardless of the country, a Vivafit centre is considered a “familiar / boutique gym” and the structure must be relatively small, composed by a Manager, a Marketer, two or three fitness instructors and a technical manager.

The whole process of opening a new Vivafit gym is standardized in manuals and usually takes at least four months. It involves following the rules set by the company and check the “To Do List” of the tasks comprised by the following pillars:

- **Choosing the place** - it must have a usable space of 150 to 200 m<sup>2</sup> with a continuous ceiling height of 3m (mandatory criteria). This space may be divided in a weight loss circuit (80m<sup>2</sup>), reception (10m<sup>2</sup>), locker room for members (25-35m<sup>2</sup>), locker room for staff (5m<sup>2</sup>), Pilates room (35-50m<sup>2</sup>) and technical room for storage (2m<sup>2</sup>). Ideally, everything should be fit in one floor, open-space, with several square or rectangular areas, one entrance to the street, a display window and street visibility. It is convenient to have at least commercial use license otherwise it will require a lot of bureaucracy. The zone that must be looked for should be highly populated, near to tall buildings and business areas, and located in a safe area. Regarding the price of the rent, it is preferable to be a more expensive but well-located space than a very cheap and badly located one.<sup>8</sup>
  
- **Sales** - the company follows the eight steps of the sales process:
  1. Prospection – looking for people, where they are; usage of Facebook, google ads, flyers, outdoor classes, contacts gathering.
  2. Initial contact – when someone walks in a gym.
  3. Qualification – getting to know the person and understand what they are looking for, objectives, availability.
  4. Visit – tour around the gym.
  5. Presentation of prices – show the prices according to which service the person is looking for.
  6. Overcome objections – objections raised by the person.
  7. Close and start – the person accepts and to register it must fill all the necessary documents.
  8. References – benefits from giving contacts or bringing friends; for instance, the lady can bring 5 friends to experiment the gym for one week and for each friend that registers, she gets a prize.

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<sup>8</sup> Adapted from “Appendix 2”

- **Client Support** - complaints are usually dealt by the gym where the person is registered, however, if it is a serious complaint, there is a national line that reaches the office.
  
- **Technical learning** - whenever a contract is signed, one of the main tasks is to transfer the knowledge. This process takes usually two weeks and either the new team comes to Portugal or the “coaches” go there in order to teach all the classes and choreographies. Since some of the classes offered by Vivafit belong to the company “Les Mills” (provides some of the world’s most famous choreographed fitness classes such as “Body Balance”, “Body Pump” and “Body Attack”), this technical skill is usually a requirement for the candidates to the trainer’s position. In addition, Vivafit provides training to the Managers, Marketers and further members of the team.
  
- **Recruitment process** - the brand teaches the ideal recruitment process but then it’s up to each gym the way it is conducted. They recruit using ads on Facebook, websites trying to attract people to the job. After receiving the CV’s there’s a small interview through the phone and schedule a one-to-one meeting to firstly analyse the profile of the person (DISC profile; D - directive, I - interactive, S - serene, C - cautious). The choice of the profile is based on the type of task to perform. The chosen ones have a group meeting to analyse the practical part. Subsequently, a contract is proposed and a set of internal trainings is scheduled. In many of the countries that Vivafit operates it is difficult to find the required technical skills (e.g. UAE) so the recruited trainers are mostly Portuguese; however, some gyms also recruit trainers from other European countries (E.g. India). To be a trainer it is required to have either an academic diploma in the field or a valid professional diploma. Besides this, the trainers must attend specific trainings on a regular basis. In the manuals provided by Vivafit, the Masters have access to all the information and procedures of how to conduct a recruitment interview, how to choose the right person from the position, or which skills should they look for in a candidate.

### **3.1.5 Expansion**

The expansion process started by going to franchising fairs and conventions, investing in brand promotion through traditional and digital marketing, translation of manuals, software purchase and technical training, among others. In 2010, the company signed its first master contract with India.

Once an investor is interested in the brand, regardless being Portuguese or a foreign, he is the one contacting the company and starting the negotiations. While in Portugal, the company itself is responsible for the expansion within the country, in foreign countries, the investor will be the Master Franchisee, who signs the contract in order to have the rights to expand the brand in the country. Consequently, it will be responsible for all the sub-franchisees that will open in its country, although in bigger countries such as India or states (e.g. UAE), there may be more than one Master.

In the qualification process, the potential franchisee is responsible for providing all the information required by the company, such as market/country information (to generate a market study without extra costs) which will subsequently be analysed in a profitability study. If the investor passes this first phase, a representative of the company will travel to meet the investor and sign the contract after agreeing on all the details.

The first selection of international Master Franchisees occurred in 2010 and these are currently located in India (2), Singapore, Uruguay, Indonesia, Abu Dhabi, Oman, Saudi Arabia and Taiwan.

## **3.2 Internationalization Process Analysis**

### **3.2.1 Reasons for internationalization**

Internationalization is a process and thus it is important to understand the motivations that lead companies to go abroad.

Academics suggest several reasons for internationalizing a business such as finding new know-how and other resources, trying new strategies in different markets and increasing efficiency and profits, market saturation and tough competition.

The motivations for internationalization can be generically grouped into four main factors and can be a source of knowledge to the organization, acting as an injection of innovation, productivity, profitability and competition in the market:

1) Penetration in external markets: it is frequently connected to the desire of the company to grow and it is one of the main reasons for internationalization, since companies may be attracted to the dynamic of the external markets analysed or may try to survive due to the saturation/decline of the domestic market.

2) Maintain or strengthen relationships' network: it is associated to the international replication of relationships that already exist in the domestic market. Improving and strengthening relationships with clients help companies to grow.

3) Access to productive resources: it comprises firstly the supply of natural resources and secondly the acquisition of lower-cost production, meaning to find locations with lower-cost and qualified labour.

4) Access to skills: getting competitive advantage and have fast access to ideas, concepts and knowledge in order to integrate them within the organization.

Although they are classified in four different groups, they are all connected in the sense that most of internationalization processes result in many cases of a combination of several factors and not only one. (AICEP, 2013)

When it comes to internationalization it is important to have a clear idea of the target before deciding how to act by analysing the company and its capacity of going abroad and be successful.

The intensity and broadness of the internationalization must be assessed according to the opportunities identified and resources of the company and the following four questions must be answered in order to assess the feasibility of the process.

- 1) What are the advantages for the company?
- 2) Do we have the necessary managing skills?
- 3) Do we know the potential partners?
- 4) Will the benefits overcome the costs?

Since internationalization may be a risky move, all the steps must be carefully defined. For Vivafit, the ideas of growth and expansion were present since the very beginning and the actual reasons that pushed Vivafit towards internationalization were the aspiration of growing and minimizing the impact of the instability caused by the crisis that Portugal was about to face at the time, otherwise the company would have the same faith as the similar ones in the niche that remained in Portugal.

Therefore, if we relate the motivations of Vivafit with the theory presented above, we may conclude that the main one was the “Penetration in external markets” since the company wanted to grow wanted to try to survive due to the decline of the Portuguese market as result of a deep economic crisis. I believe that the remaining three motivations presented in the theory may have not been considered since mostly of the foreign locations are not considered as having a lower-cost or skilled/qualified labour, since the employees are hired mostly in Portugal and other European countries, considered to be more qualified in the field.

### 3.2.2 Entry Mode

As it was explained in the Literature Review chapter, it is important to analyse the best way to enter the new market. In this specific case, the entry mode to be considered is Franchise, a type of contractual agreement that typically covers an entire business concept, such as the product, service, trademark, marketing strategy, operation manuals and quality control procedures, in which the franchisor (who grants the franchise) sells to the franchisee (who receives a franchise) the right to undertake its business activity.

As it has been said, Vivafit operates mainly as a Franchise, although it has also strategic alliances with international companies, such as the case of Saudi Arabia. The company presents itself to the potential Franchisees with the slogan “*Your European Successful Franchise Business*”, inviting people to “*join the success of the European health and fitness franchise with a low-cost business opportunity in your country*” with a “European Chic” well branded concept that is determined to be “*the world’s best provider of fitness for women with nutrition for real weight loss results.*”.

For the company, the choice of adopting Franchise as the system operating worldwide derives from the fact that it is considered the most efficient one to develop the business fast along with the huge potential of Fitness Franchise as a consequence of obesity rate increase, which is “*today’s most blatantly visible – yet most neglected – public health problem...which affects virtually all ages and socioeconomic groups and threatens to overwhelm both developed and developing countries.*”<sup>9</sup>

Vivafit acknowledge the following **advantages** regarding the using of a Franchise system:

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<sup>9</sup> <http://www.who.int/nutrition/topics/obesity/en/> (26.01.2017)

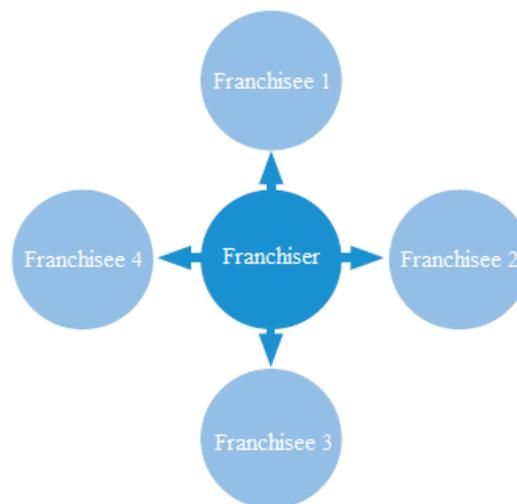
- Know-how sharing;
- Management support;
- Networking;
- Technical assistance;
- International branding;
- Proven concept and fast return on investment;
- Low risk on market entry.

On the other hand, the major **disadvantages** of Franchise that may be raised are:

- The competition and ease of replication, although Carla Oliveira disclosed that. At the moment, the company doesn't have significant competition neither in Portugal nor in the foreign countries it operates;
- In some cases, franchise features do not comply with the country's legislation, making the adaptation to the legislation more difficult;
- Difficulty on the international control of the system;
- Demanding of continuous protection of intellectual and industrial property.

In addition, it is important to distinguish the two models of franchise contracts signed by Vivafit: direct franchising and master franchise.

In direct franchising model, the franchiser negotiates the contract directly with each one of the franchisees and controls them directly as well.



*Figure 4 – Direct Franchising Model*

In master franchising model, a master franchiser is subcontracted as an intermediary to control a region/country. This master franchiser selects and controls the franchisees of its own territory. (AICEP, 2013)

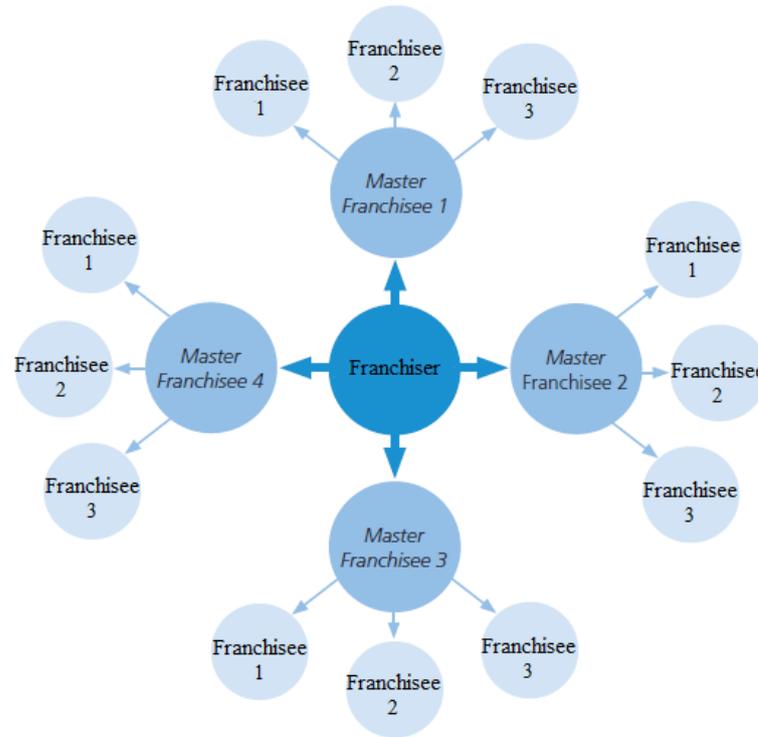


Figure 5 – Master Franchising Model

The investor of a Vivafit Franchise becomes the Master Franchisee and is granted an exclusive 20-year agreement to operate in a defined territory. According to what Vivafit presents on its website, some of the benefits of a Master Franchisee include:

- ❖ Launching a successful pilot location in their home country;
- ❖ Selling individual Vivafit units to franchisees;
- ❖ Training and supporting unit franchisees;
- ❖ Protecting and promoting the brand in the home country.
- ❖ Support on the following areas:
  1. Store and location approval and store branding;
  2. Initial training for all staff positions, at their headquarters and on location;
  3. Marketing and promotional tools;
  4. KPI performance coaching;
  5. Technical support of software tools for club management and CRM;

6. Advanced training on fitness industry trends with regular innovations;
7. Yearly international franchise conventions.

### **3.2.3 Country Selection & Barriers**

Selecting a country to internationalize a business depends not only on internal factors but also external ones such as geographical closeness, economy, culture, etc.

While geographical closeness and economy can be studied in a more quantitative way, such as for example identifying the costs involved in having a company on the other side of the world or the economical record of a country, cross-border negotiations require a cultural analysis and culturally sensitive adaptations to products are necessary to sell successfully to foreign customers.

To analyse the cultural factors, the cross-cultural studies are very helpful to understand the differences that many times require changing the approaches in a business context. Examples of these studies are researches on cross-cultural psychology, suggesting that interdependent cultures (e.g. India, Uruguay, African countries...) acknowledge more often the importance of other people and the interpersonal nature of behaviour than independent ones (e.g. West European, North American...) <sup>10</sup>. According to AICEP (2013), one of the main reasons for Portuguese companies to internationalize is market penetration to countries with lower risks on foreign discrimination (interdependent-cultured countries) and with interest on new opportunities (e.g. Spain or Angola, geographically and psychologically similar, respectively). Therefore, regarding this factor, we may conclude that, for example, India and Uruguay, interdependent cultures, were good options for Vivafit.

Another known framework was developed by Hofstede, named “The 6-D model of national culture”, in which by analysing people who worked for IBM in more than 50 countries, he identified six dimensions that could distinguish one culture from another, as it was explained previously on the Literature Review Chapter. <sup>11</sup>

As an example, we may find below a comparison among Portugal, UAE and Uruguay using the 6-D model developed by Hofstede:

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<sup>10</sup> <http://www.psych.nyu.edu/tropelab/publications/LibermanTrobeStephan2007.pdf> (06.05.2017)

<sup>11</sup> <http://geerthofstede.com/culture-geert-hofstede-gert-jan-hofstede/6d-model-of-national-culture/> (15.10.2017)

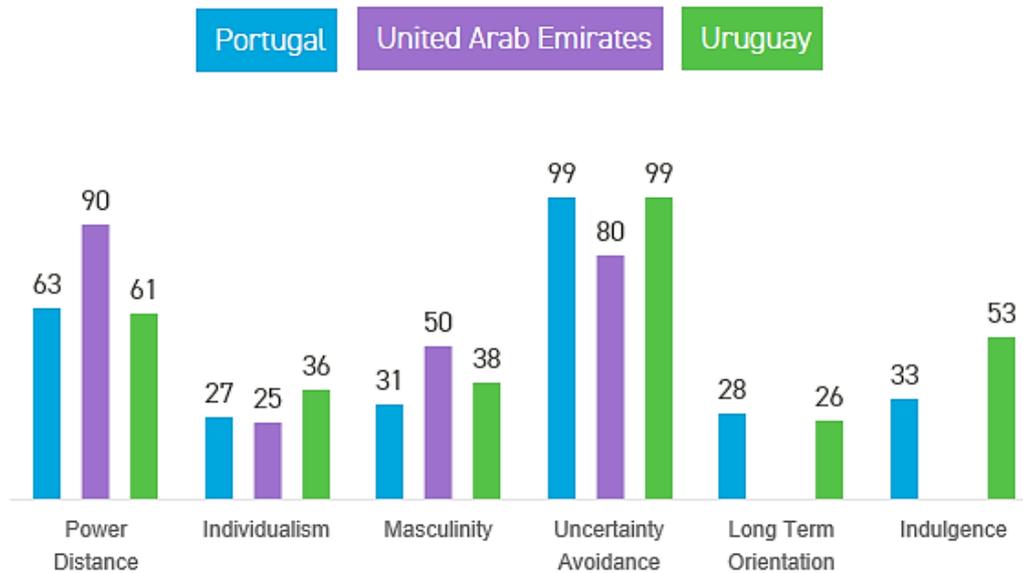


Figure 6 – 6-D Model by Hofstede<sup>12</sup>

We may conclude that:

- In UAE it is way more acceptable the unequal distribution of power comparing to Portugal;
- Uruguay has a more individualist culture than Portugal;
- UAE is the most masculine society meaning that force and competition are more culturally endorsed than in Portugal;
- Portugal and Uruguay are equally more tolerant to uncertainty avoidance than UAE;
- Portugal and Uruguay are similarly long-term oriented while we may assume that UAE is totally short-term oriented since the score is null;
- Uruguay is a more indulgent society while we may assume that UAE is a very restraint society as it scores null as well on this dimension.

Some other features that may be considered are the potential of the country for the product/service, so that the company can keep the competitive advantage when going abroad, the credibility of potential clients, as well as economic, social and political instability, which may compromise resources and its markets. Therefore, starting in countries with the mentioned features, along with low competition, leverage a further development in more consistent markets.

<sup>12</sup> <https://www.hofstede-insights.com/product/compare-countries/>

Besides the clear advantages such as expanding business volume, the decision of going abroad increases the reputation in the local market, translating into a consequent increase in the sales. On the other hand, the company also faces risks and costs that can be attenuated by elaborating an adequate internationalization plan, and also choosing countries geographically and culturally closer.

Theoretically, one of the first steps of this plan must be identifying the relationship product/service-market. In our case study, we may assume that if in Portugal the service that Vivafit provides is acknowledged, since it's the only fitness chain just for women that remains active, it may be even better in markets where, for example, women shall not share the same space as men, as in some Middle East countries (e.g. Saudi Arabia).

Secondly, the adaptation of the product/service must be also taken into account, by identifying the strengths and weaknesses of the service in this case, based on the local market (e.g. SWOT analysis), needs of the local market compared to the new market, existence of a similar services, existing distribution channels, technical assistance and regulations in the country.

Nevertheless, when selecting the country to internationalize, there are some relevant data that may be considered such as population, GDP, energy consumption, etc., as well as frameworks such as the presented below in which “*Economies are ranked on their ease of doing business, from 1–190 and a high ease of doing business ranking means that the regulatory environment is more conducive to the starting and operation of a local firm*”. The presented countries are the ones in which Vivafit is currently operating:

	Portugal	India	Singapore	Uruguay	United Arab Emirates (Abu Dhabi & Dubai)	Oman	Taiwan	Kazakhstan
Ease of Doing Business Rank	25	130	2	90	26	66	11	35
Starting a Business	32	155	6	60	53	32	19	45
Dealing with Construction Permits	35	185	10	163	4	52	3	22
Getting Electricity	50	26	10	43	4	69	2	75
Registering Property	27	138	19	110	11	35	17	18
Getting Credit	101	44	20	62	101	133	62	75
Protecting Minority Investors	70	13	1	123	9	118	22	3
Paying Taxes	38	172	8	113	1	12	30	60
Trading across Borders	1	143	41	146	85	67	68	119
Enforcing Contracts	19	172	2	111	25	60	14	9

Resolving Insolvency	7	136	29	61	104	94	22	37
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Table 3 – Ranking on the ease of doing business<sup>13</sup>

From the table above, we may conclude that India presents higher scores in seven features (ease of doing business rank, starting a business, dealing with construct permits, registering property, paying taxes, enforcing contracts and resolving insolvency), followed by Uruguay with two (protecting minority investors and trading across borders) and lastly, Oman, with the highest score in, getting electricity and getting credit, respectively.

Another framework used to evaluate the potential of a new country is the PESTLE analysis, already described in the Literature Review.

Below I will present examples of two PESTLE Analysis: UAE/Abu Dhabi and Uruguay. The choice of analysing these two countries was due to their geographical position and cultural differences:

	UAE / Abu Dhabi	Uruguay
<b>P</b> olitical	<ul style="list-style-type: none"> <li>• Authoritarian regime;</li> <li>• One of the most stable countries of the Gulf region, in terms of politics;</li> <li>• 24th on Transparency International's Corruption Index.</li> </ul>	<ul style="list-style-type: none"> <li>• Constitutional Republic, politically stable nowadays;</li> <li>• 21st on Transparency International's Corruption Index.</li> </ul>
<b>E</b> conomic	<ul style="list-style-type: none"> <li>• Welcome to foreign business and trade;</li> <li>• Very open to the world, economically;</li> <li>• One of the most networked countries in the world, according to the World Economic Forum;</li> <li>• Main export partners: Saudi Arabia and India;</li> <li>• Main import partners: China and the United States;</li> <li>• The oil trade is the biggest pillar of the economy (30% of the country's GDP revenue);</li> <li>• Increasing of tourism sector in projects that include some of the best hotels in the world and artificial islands (Palm Islands) in Dubai;</li> <li>• Most of the GDP comes from the Abu Dhabi emirate (around 60%);</li> <li>• Economic growth of 2.5% in 2017;</li> <li>• Unemployment rates are low and have also been decreasing.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual average growth rate of 4.8% between 2006 and 2015;</li> <li>• Relatively open economy in the region-membership in Mercosur encourages trade with other members.;</li> <li>• Attractive for foreign investment due to the economic growth;</li> <li>• New legislation and taxation has made the start of a business more difficult;</li> <li>• Economic slowdown in the region has also reflected in the country's economic growth;</li> <li>• Biggest export and import partners are China (15%; 17.5) and Brazil (14.4%; 18.4), respectively;</li> <li>• Travel and tourism represent 4.5% of the GDP;</li> <li>• Top exports are Sulfate Chemical Woodpulp (\$1.07B) and Frozen Bovine Meat (\$1.06B), and the top imports are Crude Petroleum (\$778M) and Electric Generating Sets (\$510M).</li> </ul>

<sup>13</sup> Source: <http://www.doingbusiness.org/rankings> (17.05.2017)

<p><b>S</b> ocial</p>	<ul style="list-style-type: none"> <li>• Approximately 9.4 million of residents in 2017- around 2.8 million in 2015 in Abu Dhabi only;</li> <li>• One of the highest income per capita in the world;</li> <li>• Women are the minority in the work force;</li> <li>• Literacy rate is near 95%;</li> <li>• Changes in order to increase gender parity in terms of building credit; developed social welfare system.</li> </ul>	<ul style="list-style-type: none"> <li>• Population of around 3.4 million in 2015;</li> <li>• One in three women in Uruguay are reported to experience domestic violence at some point in their lives (report of 2013);</li> <li>• Changes in order to increase gender parity in terms of getting jobs and protecting women from violence;</li> <li>• 67% of female labor participation and increasing number of female workers in recent years;</li> <li>• High income per capita;</li> <li>• Low level of inequality and poverty and really low levels of extreme poverty, almost 60% of the population belonging to middle class;</li> <li>• Great results in terms of the Human Development Index (0,795 in 2016) and the Economic Freedom Index (68,8 in 2016).</li> </ul>
<p><b>T</b> echnological</p>	<ul style="list-style-type: none"> <li>• Adopted a Science, Technology and Innovation policy in 2015 which seeks, through the development of technology, economic development and prosperity;</li> <li>• Some of the targets include making the UAE one of the top 10 countries in the Global Innovation Index until 2021 and helping their students to rank higher in subjects such as mathematics, reading and science;</li> <li>• Looking forward to enhance technology and infrastructure, supporting services and to increase investments to create a culture of innovation.</li> </ul>	<ul style="list-style-type: none"> <li>• The MIF has invested around 14 million dollars in order to increase the access to technologies by small companies and come up with solutions for medium sized companies to help them grow;</li> <li>• The Uruguayan Information Technology Chamber points to about 300 companies that export software, representing 40% of IT exports from Latin America (one of the biggest exporters of technology);</li> <li>• Investments to apply new technologies in Uruguay's agricultural sector, in order to help reducing the impacts of climate change and reduce the industry's greenhouse gas emissions.</li> </ul>
<p><b>L</b> egal</p>	<p>Examples of corporate tax and tax rates are:</p> <ul style="list-style-type: none"> <li>• No taxes on income or wealth of companies and individuals;</li> <li>• 10% of the annual amount of the rent of offices and warehouses and 5% of the annual amount are paid by a company to accommodate its employees.</li> </ul>	<p>Favourable taxes, according to the international standards of Tax Compliance.</p> <p>Examples of corporate tax and tax rates are:</p> <ul style="list-style-type: none"> <li>• 7.5% of the gross salaries for social security contributions;</li> <li>• 5% of the gross salaries for health insurance contributions.</li> </ul>
<p><b>E</b> nvironmental</p>	<ul style="list-style-type: none"> <li>• Air Quality Index was of 76% in 2016; Percentage of Treated Waste of Total Waste Generated of 22.6% in 2016; Share of Clean Energy Contribution of 0.23% in 2015;</li> <li>• Aiming to reduce carbon emissions in both Abu Dhabi and Dubai through investments in alternative energies, reducing the dependence of oil;</li> <li>• Investment of around 15 million dollars in renewable energy programs;</li> <li>• Creation of the Masdar Initiative which partners companies and institutions like BP, Mitsubishi, Mitsui, Rolls Royce and MIT.</li> </ul>	<ul style="list-style-type: none"> <li>• One of the leading countries in terms of renewable energy development and making headlines in recent years about their footprint decrease;</li> <li>• Reducing of their previously high footprint, shifting 95% of their energy needs to sustainable and environmental friendly resources and decreasing energy prices with this strategy as well.</li> </ul>

Table 4 – PESTLE Analysis

In the beginning, the goal of Vivafit was trying to enter in countries with a significant GDP and high potential of growth, such as the BRIC (Brazil, Russia, India and China), although, in the end, it started operating in countries such as India, Uruguay UAE, Oman or Taiwan, among others, rather than countries more geographically and psychologically closer to Portugal. When questioned about the criteria used for choosing the countries to go to, the interviewee answered that they didn't select countries but accepted, instead, proposals that scored positive in the profile and risk analysis of the country, according to the information provided by the potential franchisee that would contact the company to

possibly come up with a contract (direct or master) as a means to expand the brand in a given area/country.

As we can observe, the countries where Vivafit operates are geographically and psychologically distant from Portugal, which reflected some of the barriers that the company had to face. From the time and cost of the traveling to the countries, the different legislations, different currencies and living standards, cultural features, it was the openness to adaptation that led Vivafit to the successful position it occupies in the market. Some of the problems highlighted by Carla were:

- Payment methods: usually the payments are done through direct debit, however, in some countries the payment is done from time to time;
- Negotiations: Arabic countries usually negotiate with “friends”, meaning that the negotiation process takes more time as they first try to get to know the other party by inviting them to their houses or have meals together before negotiating; plus, women can’t negotiate. Indians try to bargain a lot and have very strong negotiation skills;
- Language: manuals had to be translated and this barrier increased the time of training.

When questioned about a big issue on the negotiation process, the interviewee mentioned that the only problem they had was with Saudi Arabia, since they had previously bought a competitor’s franchise and, therefore, signed a contract with Vivafit, so they wouldn’t open it in the same area and wouldn’t have direct competitors there.

### **3.3 Market Analysis**

#### **3.3.1 Marketing Mix Competitor’s Analysis**

Studying the competition is essential to be able to analyse a company’s performance, giving the opportunity to realize what has been well done and what should be improved.

Vivafit includes itself on the “Women Fitness Boutiques” market which excludes from the competition regular gyms and health clubs. First, because it is only for women and second, due to the fact that the environment is more familiar and “cosy”, with less staff and material and a smaller venue, as opposite to a health clubs, for example, that employ dozens of people and offers countless workout machines and fitness material.

Both in Portugal and in the foreign countries, there is no direct competition, according to Carla Oliveira, Expansion Manager of Vivafit. In Portugal, the similar concepts only have one or very few gyms opened, which makes Vivafit a dominant player in the niche. A few years ago, the American brand “Curves” tried to expand in Portugal, although it didn’t succeed. In addition to this, the same applies to the foreign countries where Vivafit operates, meaning that only small chains exist and they do not have a strong enough presence to create impact on Vivafit’s profits. In Europe, the only known exception is in Germany, where there is a strong brand called “Mrs Sporty”, which is also not a competitor of Vivafit since the company is not operating in the country.

For a competitor’s analysis, I selected two main competitors, one in Portugal and another one that is the biggest competitor of Vivafit around the world.

For the Portuguese market, since there is not another company providing fitness services just for women such as Vivafit, only single fitness centres that are not relevant to be considered competitors, I decided to select Holmes Place as the main competitor. This choice relies on the fact that both companies provide premium fitness services, automatically excluding low-cost fitness providers, a prominent niche in Portugal. They compete with each other in the sense that a new member, looking for premium and customized service, will have to decide whether going to a regular mixed gym or woman-only gym.

Holmes Place is an international fitness chain founded in 1980 in Chelsea, UK, and it operates in 10 countries at the moment, counting 19 health clubs only in Portugal. The company promotes a holistic healthy lifestyle by offering a complete set of premium services: personal training and group classes, nutrition support, medical services (physiotherapy) and wellness therapies (massages, spa and beauty treatments). Their mission is to offer services so that people can move well (by exercising often), feel well (mind and body relaxing) and eat well (being healthy with a balanced diet).<sup>14</sup>

As an international competitor, I chose the company Curves. It is an international fitness franchise chain only for women founded in 1992 in Texas, USA, by Gary and Diane Heavin. Currently, it operates in over 40 countries worldwide including some where Vivafit also operates: Spain, India, Taiwan, Kazakhstan and Uruguay. The company promotes a 30-minute circuit that allows to work every muscle group by combining strength, cardio and stretching training with the help of a coach to assure a correct posture when performing

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<sup>14</sup> <https://www.holmesplace.com/a-lifestyle/what-we-do/> (20.07.2017)

the exercises and to keep members motivated. Their mission is to “invite women of all shapes, sizes and ages to lose weight, become stronger and reach their health goals...by providing women with the tools that will empower them to live more fulfilling lives.”<sup>15</sup>

The model adopted to analyse the competitors is the 7Ps Marketing Mix, suggested by Booms and Bitner (1981) and later supported by many marketing specialists. As we are considering a service, this fact adds extra features that the traditional 4Ps model (often used for goods) is not able to cover. (Rao, K. 2007)

According to (Rao, K. 2007), the marketing mix for service providers includes the following dimensions: product, price, promotion, place, people, process and physical evidence.



Figure 7 – 7P’s Marketing Mix<sup>16</sup>

### ❖ Product:

As Vivafit provides a service, we must refer to it as an intangible product rather than a tangible one, as used in case of considering a good. This intangible product consists on the features and benefits that must satisfy the needs of the target market defined by the company. The company has flexibility to develop an innovative offer and it should be able to overcome competitors’ offers. Questions such as the following must be considered in order to develop a successful tangible or intangible product:

<sup>15</sup> <http://www.curves.com/about-curves> (20.07.2017)

<sup>16</sup> <http://marketingmix.co.uk> (21.07.2017)

- How can the customer benefit from the product/service?
- How, When and Where will the customer use?
- Which features should it have to fulfil customers' needs?

❖ **Price:**

This feature can be described as the price that the customer will pay for the service, which determines the firm's profitability and consequently its subsistence. For services, the pricing strategies depend on the value perception of the target market and these can be market penetration pricing (initially setting the price low to accelerate product adoption), market skimming pricing (initially setting the price high and then systematically reduce it over the time so that customers expect prices to eventually fall) and experience curve pricing (initially setting the price low to build volume and reduce costs through accumulated experience).

❖ **Promotion:**

A good promotion strategy is vital to inform, persuade and train customers about a product or service. These strategies may include advertising (internet, radio, TV), sales' promotions, among others, with an effective communication so that the right message reaches the target successfully. Some questions such as the following might help defining the best promotion strategy:

- Where, When and How should we promote our service?
- How can we reach our target customers?
- What is our competitors' strategy?

❖ **Place:**

In the marketing mix, place stands for the distribution channels used for the considered product or service. Once again, since services are intangible products, channels such as wholesalers or retailers (used for products) do not suit as they are simultaneous activities. Thus, for this specific case we can consider franchisers, brokers and electronic channels for placement and distribution of the service in the most accessible way for customers.

❖ **People:**

Companies that provide services are people-based and people-oriented. Hence, this feature can be split in two types of people: employees and customers, respectively.

Employees are who deliver the service and therefore must be trained to perform marketing activities since whether they are in direct contact with the customer or not, they carry out business operations and their working behaviour will impact the customer. On the other hand, the target market, meaning the customers, must be researched in order to know if there is a high demand of the service.

❖ **Process:**

This feature is characterized by a bundle of functions that assure the service's quality and availability. All the processes involved (e.g. sales procedure, payment system, distribution system) must be managed in order to provide a profitable interaction between the customers and the service.

❖ **Physical Evidence:**

Customers cannot see a service due to its intangibility, so it is important that companies “invest” in tangibles to keep its essence on a customer's mind. If we consider that a company wants to provide a cosy and results-oriented fitness centre, features such as a smaller place with fewer people, elegant decoration, fit trainers may be looked for in order to express what the brand offers in a tangible way, which consequently allows the customer to assess and shape expectations about the service.

### **3.3.1.1 Vivafit**

Product:

- Core Product: fitness centres.
- Generic Product: fitness centres with classes, personal training, nutrition advisory and coaching for women-only.
- Expected Product: cosy environment for exercising with highly-qualified professionals.
- Augmented Product: recently implemented service of electrostimulation equipment for exercising (Personal20), mobile app for class booking, online platform for coaching.

Price: based on market pricing, competitors' prices; the price has to be slightly higher in order to be considered “premium”.

Promotion: website, social networks and franchise fairs.

Place: franchise centres for fitness, nutrition services' distribution and electronic platforms to access extra services (e.g. mobile app for class booking and online platform for coaching).

People: regular training for employees; require experience and academic knowledge in the field plus soft skills that contribute for a performance of excellence.

Process: access to a gym (or more from the chain by paying +1€) and different memberships to choose the wished services; nutrition appointment every six months.

Physical evidence: cosy and familiar environment so that women don't feel constrained and get motivated to achieve their goals in a more efficient way with the help of professional trainers, modern decoration and strong colours.

### **3.3.1.2 Curves<sup>17</sup>**

Product:

- Core Product: fitness centres.
- Generic Product: fitness centres with classes, personal training, nutrition advisory and coaching for women-only.
- Expected Product: cosy environment for exercising with talented and motivated professionals.
- Augmented Product: healthy snacks, machines designed exclusively for Curves, mobile app, online platform.

Price: based on market pricing; often offering discounts for enrolment.

Promotion: magazines, TV shows, website, social media, testimonials.

Place: franchise centres for fitness, nutrition services distribution and online platform for extra services (e.g. coaching).

People: looking for talented people with positive energy and team spirit.

Process: different programs with different services offered; free consultation for advisory before enrolment.

Physical evidence: cosy environment, elegant decoration, motivating and helpful trainers.

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<sup>17</sup> <https://www.curves.com/> (20.07.2017)

### 3.3.1.3 Holmes Place<sup>18</sup>

Product:

- Core Product: health clubs.
- Generic Product: health clubs with fitness, nutrition and wellness services.
- Expected Product: Pleasant environment for exercising with highly-qualified professionals.
- Augmented Product: free parking, locker and towels service, free physical and nutritional evaluation in the beginning and every four months; mobile app for class booking.

Price: based on price practiced by direct competitors’ (health clubs); the price has to be slightly higher than average gyms since health clubs are considered as “premium fitness providers”. Holmes Place has regular and premium clubs, and the membership price is higher in the premium ones.

Promotion: outdoors, social media, website, magazines, famous ambassadors, events, partnerships, contests, testimonials.

Place: health clubs for fitness, nutrition, physiotherapy and SPA services and mobile platform for extra services (e.g. class booking, news).

People: looking for talented people with a passion for fitness, nutrition, wellness and a healthy lifestyle who want to motivate and inspire HP members to “enjoy the journey”.

Process: fixed monthly amount to access all group classes, gym and pool; possibility of using other health clubs of the chain by membership upgrade; free evaluation and nutrition appointment every 4 months; extra amount for personal training, regular evaluations and nutrition appointments, SPA services and physiotherapy.

Physical evidence: big class studios, wide space for weights and training machines, good quality material, fully equipped changing rooms, café/restaurant and modern decoration.

	Vivafit	Curves	Holmes Place
Core Product	Fitness Centres	Fitness Centres	Health Clubs

<sup>18</sup> <https://www.holmesplace.com/> (20.07.2017)

<b>Generic Product</b>	Classes, personal training and nutrition services only for women	Classes, personal training and nutrition services only for women	Fitness, nutrition and wellness services
<b>Expected Product</b>	Cosy environment and highly-qualified professionals	Cosy environment, talented and motivated professionals	Pleasant environment and highly-qualified professionals
<b>Augmented Product</b>	Electrostimulation Training, mobile app for class booking and online platform for coaching	Healthy snacks, machines designed exclusively for Curves, mobile app, online platform	Free parking, locker and towels service, free physical and nutritional evaluation in the beginning and every four months; mobile app for class booking
<b>Price</b>	Based on market pricing but slightly higher	Based on market pricing; often offers discounts	Based on market pricing but slightly higher
<b>Promotion</b>	Website, social networks and franchise fairs	Magazines, TV shows, website, social media, testimonials	Outdoors, social media, website, magazines, famous ambassadors, events, partnerships, contests, testimonials
<b>Place</b>	Franchise centres and online platforms	Franchise centres and online platforms	Health clubs and online platforms
<b>People</b>	Regular trainings, experience and academic knowledge	Talented, with positive energy and team spirit.	Talented people, passion for healthy lifestyle, regular trainings
<b>Process</b>	Access to the classes according to the membership, nutrition appointment every 6 months, pay more for extra services	Various programs with different services offered, free consultation for advisory before enrolment	Fixed monthly amount to access all group classes, gym and pool, free physical and nutrition evaluation every 4 months, pay more for extra services
<b>Physical Evidence</b>	Cosy and familiar environment, modern decoration and strong colours	Cosy environment, elegant decoration, motivating and helpful trainers	Big studios, wide space for weights and training machines, good quality material, fully equipped changing rooms, restaurant, modern decoration

Table 5 – Marketing Mix Comparative Table

### 3.3.2 Vivafit Marketing Strategy

In the interview with the Franchise Manager of Vivafit, Carla Oliveira, one of the topics approached were the marketing strategies followed by the company and its presence on social networks.

The marketing focus followed by Vivafit evolved throughout the years.

In the first years, the target was older ladies, loss of weight and a place for beginners. For marketing campaigns and communications, the company used real women, members of the gyms, which led to, according to Carla Oliveira, the loss of a “trendy status” and

credibility regarding trainers' qualifications. This was supposedly a consequence from the fact that the real women shown in the photos were not as fit as our current society "demands" and also because as the gym was supposedly for beginners, the company would hire lower-qualified trainers.



Figure 8 - Vivafit campaign of 2013 (Portugal)<sup>19</sup>

In the last three years a change on this field has been notorious. The photos were not members of the gym anymore but "inspirational" ones, photos that would motivate people to go to the gym in order to achieve their dream body.



Figure 9 - Vivafit campaign of 2015 (Portugal)<sup>17</sup>

### 3.3.2.1 Website & Social Networks

According to the information provided by Carla Oliveira and my observation concerning the website and social networks, these are the main channels of interacting with the current members and potential ones.

As we have seen, in order to start operating in a new country, Vivafit signs a contract with a Master Franchisee that will manage the openings in that country. After this signing, the Master has to use the image of Vivafit and must include it in the new website, specifically created for that market.

<sup>19</sup> <http://www.myvivafit.com/> (27.04.2017)

Currently, it is possible to find nine Vivafit websites:

- ❖ **Vivafit EU:** <http://www.vivafit.eu/>
- ❖ **Vivafit Portugal:** <http://www.vivafit.pt/>
- ❖ **Vivafit Spain:** <http://www.vivafit.net/>
- ❖ **Vivafit Uruguay:** <http://www.vivafit.com.uy/>
- ❖ **Vivafit India:** <http://www.vivafit.in/>
- ❖ **Vivafit Singapore:** <http://www.vivafit.com.sg/>
- ❖ **Vivafit Oman:** <http://www.vivafit.com.om/>
- ❖ **Vivafit UAE:** <http://www.vivafit.ae/>
- ❖ **Vivafit Taiwan:** <http://www.vivafit.com.tw/>

After a careful observation of all the websites, I was able to identify commonalities and differences and confirm that each country is in a different stage regarding their presence on the internet.

Regarding commonalities, we can identify the general layout, reference to the classes schedules, a body mass index calculator, links on the main menu (Home, About Us/How it works, Locations, Contacts, “My Vivafit” Platform, Recruitment and Franchise) and to the social networks, plus reference to Vivafit’s membership in “APF”, “Europe Active”, “Agap” and “IRNSA”. In addition, we may find on the bottom of the page some links that already exist on the main menu as well as to the “Terms of Use” and “Privacy Policy”.

However, some differences are also easy to identify in the different pages. On the main page, it is clear that the pictures for advertising and videos are different as well as the slogan on the top centre of the page. Going deeper through the websites, I found that the services offered also differ from country to country (based on website information). I concluded that the Personal Training is only offered in Portugal, while the Nutrition service is offered both in Portugal and Oman only. Regarding Group Classes, some countries don’t have all the classes or have new ones. For example, only Portugal and Uruguay have SBarre, in Singapore there isn’t Zumba class and only in India there are “Vivafit Tone” and “Vivafit Core”.

Concerning social networks, Vivafit has an international presence in the following ones, in which Facebook and Instagram are the most used to create interaction with people:

- ❖ **Facebook:** <https://www.facebook.com/VivafitInternational/>
- ❖ **Twitter:** <https://twitter.com/@Vivafit>
- ❖ **Instagram:** <https://www.instagram.com/vivafit/>
- ❖ **Linked In:** <https://www.linkedin.com/company/vivafit>
- ❖ **Youtube:** <https://www.youtube.com/user/VivafitTV>
- ❖ **Google+:** <https://plus.google.com/+VivafitEu>

Besides the international accounts, Singapore has its own Facebook account, Uruguay has its own Twitter account and UAE has its own Facebook and Instagram account.

### 3.4 Critical Analysis

To summarize the second chapter, I would like to present a critical analysis based on the data collected for this study. The analysis will be presented in stronger versus weaker facts and divided by three categories: services and operations, expansion and strategies and finally my personal experience as “Mystery Client”.

In the first category, concerning services and operations, I found positive:

- The offer differs from country to country, which means that the business adapts to the local market, increasing the responsiveness of the locals and consequently the success chances;
- The offer of a complete range of services to help women to lose weight by providing support in the three key areas to achieve this goal: continuous support with coaching, physical exercise and nutrition counselling;
- The customized service by having an individual plan according to each person’s objectives;
- To have a cosy space and only for women, being a solution for the ones who don’t feel comfortable to workout with men or many people around;
- A comprehensive offer of classes including cardio, strength, stretching and posture;
- Seek innovation with the Personal 20 service (electrostimulation training) and digital platforms;
- Standardization of processes so that each new franchisee has a guide to follow, in order to keep the core of the brand.

On the other side, the weaker points that I would highlight are the following:

- High prices compared to indirect competitors such as health clubs. If we consider the whole market offer, meaning health clubs, regular gyms and restricted gyms (e.g. Vivafit), the price presented by the company is high compared to competitors' offer (bigger offer of classes, space and equipment, pool, etc.);
- No fitness machines to allow a bigger selection of exercises;
- Having mostly European/Portuguese trainers may hamper the relationship with the clients in culturally distant countries.

Regarding the category of expansion and strategies I believe that the strong points are:

- Good promotion of the business in franchising fairs and digital platforms;
- The company internationalized in the right time, just before the crisis hit Portugal, having, consequently, good motivations to go abroad such as expanding the business and overcome the impact of the crises in the country of origin;
- The entry mode choice was good because it required lower investment comparing to other entry modes such as acquisitions for example;
- Low direct competition: no women-only gym chains in Portugal and only a main competitor worldwide: Curves.

On the weaker points we can stress on:

- The potential franchisee may provide a market study that even though it is afterwards analysed by Vivafit, it can be biased or misleading in order to get the contract more easily;
- No expansion strategy previously defined: Vivafit doesn't choose the countries to go but accept proposals instead; it could be good to study potential markets from where the company hasn't received proposals yet to expand the business;
- The weak marketing strategy in the beginning led to the need of redefinition throughout the years;
- Irregular updates on social networks may not reach many potential clients;
- There are many websites and they are not consistent among them.

Finally, with regards to my experience as a "mystery client" in which I pretended to be an interested client, I would point out the following:

- Cosy space, good environment and hygiene conditions;
- Friendly staff;
- High prices: since I attend a health club and previously regular gyms, I think the prices are too high for the offer if we compare them. In a health club I can have for a similar price free access to all the classes (with a much bigger offer), fitness machines, pool, bigger space, regular health evaluations and nutrition support.
- The information such as the value of the prices, was not very clear since it was written during the appointment; a file with all the information would be clearer and more transparent;
- The very customized and intense approach pressures to sign up.

Bearing in mind all the facts described above, I would conclude that the company had a successful internationalization process. Nevertheless, I believe that if the weaker points highlighted are taken in consideration in a further expansion, the company may have even better results.

## CONCLUSION

In a market that is increasingly global, companies are more than ever pushed to consider their internationalization.

In Portugal, internationalization has proved to be a growing trend and some national companies are already considered successful regarding the expansion of their activity across borders.

Based on this and after reading about the internationalization of Portuguese companies, I decided to develop this study around two main goals:

1. Analyse if the internationalization process of Vivafit was successful, comparing theoretical models and frameworks to the reality of the company, and understand the most efficient way to internationalize by pointing out the strong and weak points of the process until now;
2. Consequently, provide a framework to other Portuguese companies that wish to expand their business to other countries, through the analysis of a real case, having the process conducted by Vivafit as a basis to develop an effective internationalization process.

With regards to the first goal mentioned, as we concluded in the critical analysis of the second chapter, the internationalization process of Vivafit was successful. However, there are some weaker points that could be improved and consequently the company would benefit from it:

- Try to include theoretical models that may help to avoid unnecessary mistakes such as entering weak markets, marketing failures, etc.
- Detecting other potential countries to expand by conducting a market study (PESTLE Analysis, cross-cultural analysis, competitors' analysis, etc.). Until now, the company has only waited for possible investors and thus, I believe that the company has been missing a lot of business opportunities in new markets;
- Based on the market study, define a specific strategy to enter each market. One of the success keys of internationalization is adaptation, so having a strategy adapted to the market is crucial for the success of the business there;

- Training local employees in every country that the company operates to promote a closer relationship with the clients. Cultural differences such as language, background, country of origin, religion, etc. are triggers of good or bad relationships, thus having trainers culturally closer to the clients, will intensify the chances of client satisfaction and adherence;
- Investing on a more consistent marketing strategy: the target, the approach, regular promotion on social networks and creating a single website with consistent information, message and image to serves all the countries are examples of what can be improved. The company has faced marketing issues in the past so a marketing strategy to strengthen the brand is vital for the future and growth of Vivafit.

Finally, concerning the second goal, from all the conclusions I gathered throughout this study, I created a framework that present the steps that may be taken into account before going abroad. With this framework I intend to help other Portuguese companies to internationalize their business in a thoughtful way instead of only “trying their luck”, bound to lose investment and time in a worthless business. Yet, the framework is followed by guidelines that explain and suggest theoretical models and approaches that may be considered and applied in each case.

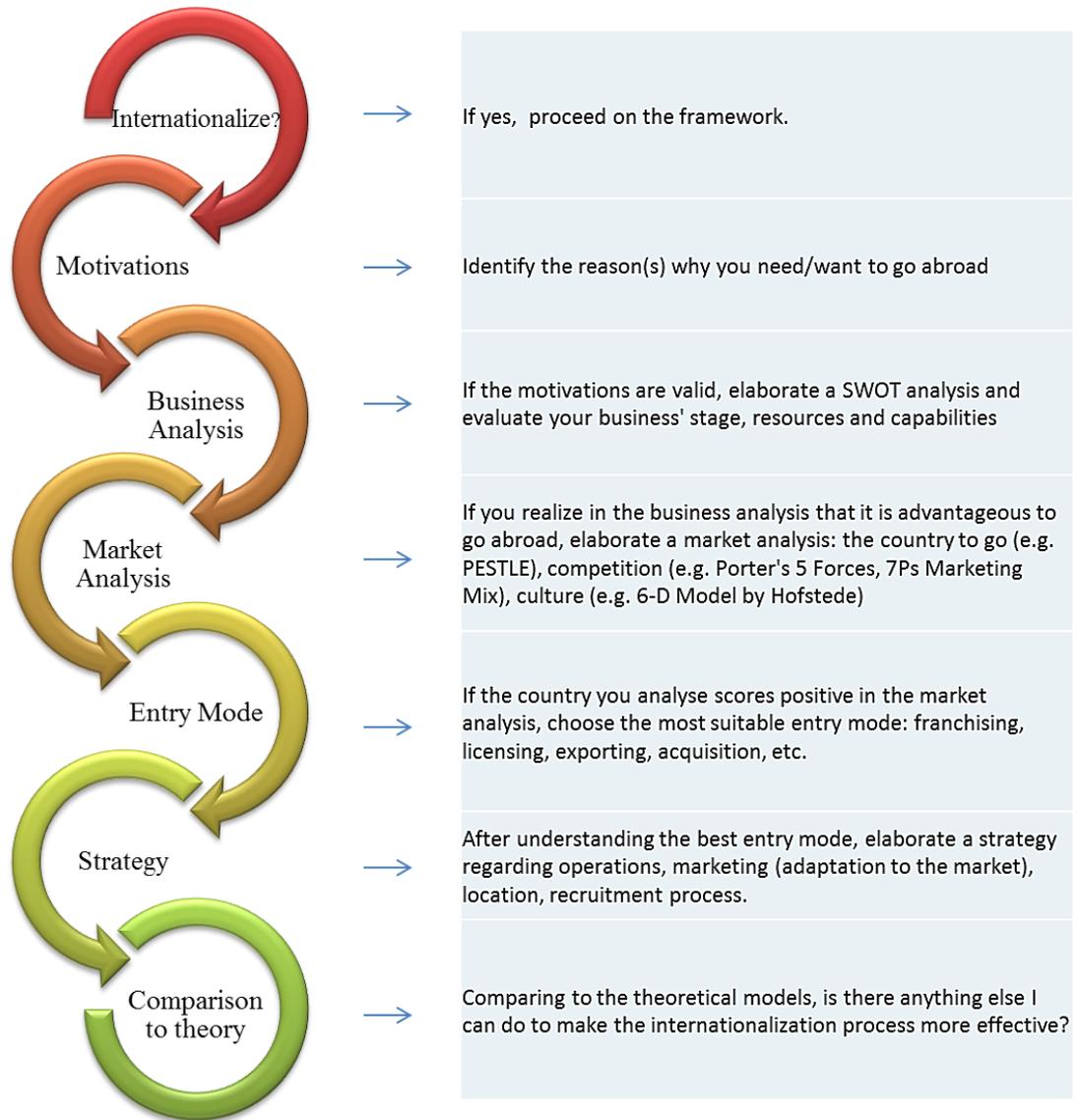


Chart 2 – Internationalization Framework

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## **APPENDIX 1 - Interviews**

Date: 20th December 2016

Interviewee: Carla Oliveira

- 1) Personal Introduction and explanation of the project
- 2) General description of the company: structure/organization, operations mode...
- 3) Internationalization process (Middle East, Latin America):
  - a) Initial ideas;
  - b) Models, theories and strategies considered;
  - c) Path until today;
  - d) Criteria to choose the countries to internationalize;
  - e) Expansion process: organization of operations, human resources, cultural adaptation, strategies, competition;
  - f) Results vs expectations;
  - g) What went wrong and what would they do differently;
  - h) The company today vs in the past;
  - i) Future plans;
  - j) Hypothesis (alternatives): e.g. consider going to country A or B;
- 4) What explains their success;
- 5) Do they operate only in franchise? Why?
- 6) Any other relevant information.

Date: 18 th April 2017

Interviewee: Carla Oliveira

- 1) Enrolment process: membership options, packs, standard and premium product;
- 2) How does it work:
  - to choose a place for a new Vivafit club;
  - sales process;
  - client support.
- 3) Recruitment process: stages, core & soft skills, what they look for in an employee;
- 4) Marketing Mix: is it the same for every country?

## APPENDIX 2 – “Guide for searching for a Vivafit Center”



Before starting your search, please carefully read this document, if you have any doubts please feel free to speak with us about it.

Necessary items to do a good job on the street

A detailed map of the streets in the zone in question, found at Tourist offices, City Hall, local Rent-a-Car companies, bookstores (FNAC, Bulhosa, etc.), etc....

A pen and notepad

A measuring tape that has 5 - 8 meters, found at a Chinese store or hardware store. The measurements of spaces are always inflated by the owners. Pay attention when you measure the ceiling height, check to see if there is a false ceiling.

A pair of tennis shoes (you will be walking a lot)

The common Vivafit space

The usable space has to be between 150-200 m<sup>2</sup>, useful measurements with a measuring tape, with a continuous ceiling height of 3,00 meters. To include the weight loss circuit (80m<sup>2</sup>), reception (10m<sup>2</sup>), locker room for members (25-35m<sup>2</sup>), locker room for staff (5m<sup>2</sup>), Pilates room (35-50m<sup>2</sup>), technical room for storage (2m<sup>2</sup>).

The objective is to have everything on one floor, in open-space, with several "square" or "rectangular" spaces, one entrance to the street, display window and street visibility.

There can be some exceptions to the criteria mentioned above but not all at once, for instance, some beams on the ceiling, some pillars in the middle of the training room, doesn't have direct access to the street, doesn't have anything on the same floor, etc....

The only criterion that cannot be changed is the ceiling height and necessary area (never less, always more).

It would be convenient to have a space with a service license or at least commercial use license (in this case, you will need to alter the license which requires the authorization from the administration of the condominium). Warning: There are lot of spaces that have been transformed into an attachment (sometimes there are no blueprints) such as a garage, terrace on a commercial space which doesn't count for a licensing.

Know the history of the space, to know if there were any problems with the condominium or neighbors due to noise nuisance (clubs, factory, bakery or coffee shop). This factor is even more important when there is housing directly above the store!!!

Action

Use one day of the week (business day), go around by car in the zone in question to identify the most densely populated (horizontal and vertical) streets or with high concentration of tall building and streets with lots of businesses and opened (Pharmacy, Post Office, bus stops, restaurants, supermarkets, police station, etc...). The cross streets and dead-end streets (inner streets) are also valid places to look for spaces. Later, park the car and walk on foot through the identified zones and then have a coffee to feel the movement and ambiance of the streets. The security issue is important when you have a gym for women (see if there is any social housing nearby, for example). Another sign of problematic zones is to see if the stores all have security bars - like a fort.

How to find the ideal space

The fastest and most efficient way is the local and direct contact with all types of people that circulate the zone, like doormen, waitresses, newspaper kiosks, mail man, real estate agencies, etc... They have all the same objective "to get gossip". This is how real estate agencies find the best properties to put in their agencies.

The best thing to do is the "Giraffe technique" by going door to door or walk around the streets and identify potential spaces. Look for spaces that visually appear to fit our needs in terms of m2 and ceiling height (if you have a problem visually measuring a space, measure your living room and the ceiling height), with some visibility of the street and display windows. Attention: The majority of commercial spaces are about 70 to 100 m2.

We don't advise that you first contact real estate agencies because 60% of property sales and 95% of property renting are done directly by individuals without going through real estate agencies.

Contacting real estate agencies that are inside the zone can be used to find out how much m2 costs in the area and you don't lose anything by contacting them. The key is not to listen to the stories that the real estate agents tell you that they have thousands of spaces and solutions for you!!!! It's a waste of valuable time.

You can also look at the local newspaper in the business section, Ocasão newspaper (Portuguese classified newspaper), Dica da Semana (local newspaper) or the Internet (Casa sapo, BPI, etc..). Always focus on private businesses.

#### Vacant and Closed spaces

If the contact information is not posted, you should ask the coffee shop nearby or the building's doorman, they will certainly give you precious information.

If it is a particular contact or an agency (sign), contact them immediately and try to know by phone (to avoid wasting your time by going there) with purposeful questions such as the rent or sale price, the m2, ceiling height, previous owners, prices and also the fee to pay for the transfer of property!!!

Repeat and confirm several times what your criteria are, so the person on the other end understands you and knows what you are looking for.

You can specify that your business is in the health and well-being but don't focus immediately on the name of the gym or Vivafit!!! Only after.

If the person on the other end is reluctant to give you information over the phone, it is because he/she is not interested in doing business - give up this possibility.

Avoid making unnecessary appointments to visit spaces that do not adhere to all of the essential criteria stated above.

#### Opened Stores:

Look for opened stores to the public that seem to fit the criteria (m2, ceiling height, display window, etc...), but they look like they are in crisis: signs that say total liquidation, change of business sector, little movement, empty facilities and in bad shape, businesses are suffering due to competition from large businesses (furniture, appliances, toys, etc), car dealerships, small gyms, etc...

Enter these stores and try to speak with the manager, owner, but also the employees (especially women) and try to find out (without beating around the bush but with diplomacy) if the store isn't for sale or for rent: The local commerce is aging and is experiencing a severe economic crisis. Many owners do not like to show that their business is not doing so well but they would accept someone from the outside to come and talk to them privately and discreetly.

Do not put aside the expensive space but well-located: "Better an expensive space that is well-located than a very cheap and poorly located space". Everything is negotiable!

Warning: The cheap spaces in good locations are suspect!!!

Even if you quickly find the perfect space around the first corner, go around all the streets in the zone to confirm it.

Also check if the zone has or will have gyms. Obviously, it is not recommend to share walls with another gym. Visit them and try to get as much information. Paying attention to competition is healthy!!

Repeat this research as often as you need to, perhaps several days or until you max out all of the possibilities in the zone.

Don't quit, be persistent!!! If you are having difficulty finding spaces that extend your research zone and ignore the criteria such as direct access to the street, one floor: It's better to have a hidden space that is in an excellent zone than a fantastic space with a lot of visibility in a bad area."

With experience you will find the ideal location.

Once you have found several possible locations, it is a good idea to verify that there aren't any existing Vivafit centers or future Vivafit centers with a minimum distance of 1200 on foot, from one center to the other. You can use a map or Google Earth to check out this situation.

Make a decision from your top three locations; fill in the store forms, along with interior and exterior photos of the building, blueprint of the store and a location map through the following: <http://www.viamichelin.com> or Google Maps

Send all of this information by email to [andre@Vivafit.eu](mailto:andre@Vivafit.eu) to analyze and schedule a visit.

Good luck.<sup>20</sup>

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<sup>20</sup> File provided by Vivafit

### APPENDIX 3 – “Price List for 2017”

<b>Vivafit Utilização</b>		
Taxa de Activação	unid.	€10,00
Taxa Administrativa	unid.	€10,00
Taxa de Activação Cursos ou Personal Trainer ou Nutrição/Dietética - Não Sócias	unid.	€ 10,00
Taxa de conversão	unid.	€ 15,00
Utilização por Sócia de Outro Centro	unid.	€1,00
2º Cartão	unid.	€3,00
<b>Vivafit Fitness</b>		
Aula Avulso	unid.	€4,90
Aula Avulso de Pilates	unid.	€5,60
Aula Avulso - Não Sócias	unid.	€6,90
Aulas (2 vezes por semana, 1 aula por dia)	mês	€ 10,90
Aulas+ (todos os dias, 1 aula por dia)	mês	€ 23,90
Gold (livre trânsito, estudio1 e estúdio2)	mês	€ 33,90
Pilates	mês	€28,90
Cursos 30 Minutos (pack 6 aulas 1 x semana)	pack	€30,00
Cursos 45 Minutos (pack 6 aulas 1 x semana)	pack	€39,90
Cursos 30 Minutos (pack 6 aulas 1 x semana) - Não Sócias	pack	€ 50,00
Cursos 45 Minutos (pack 6 aulas 1 x semana) - Não Sócias	pack	€ 59,90
Personal Trainer (pack 10 sessões de 30 minutos cada)	pack	€250,00
Personal Trainer (pack 10 sessões de 45 minutos cada)	pack	€350,00
Personal Trainer (sessões de 30 minutos 1 x semana por débito directo)	mês	€97,50
Personal Trainer (sessões de 45 minutos 1 x semana por débito directo)	mês	€145,20
Personal Trainer (sessões de 30 minutos 2 x semana por débito directo)	mês	€195,00
Personal Trainer (sessões de 45 minutos 2 x semana por débito directo)	mês	€ 290,30
Personal Trainer (pack 10 sessões de 30 minutos cada) -Não Sócias	pack	€280,00
<b>Vivafit Nutrição/Dietética</b>		
Plano Assistido de Nutrição/Dietética Clínica	unid.	€16,00
Consulta Clínica de Nutrição/Dietética Base	unid.	€17,50
Consulta Clínica de Nutrição/Dietética Extra	unid.	€30,00
Consulta Clínica de Nutrição/Dietética - Não Sócias	unid.	€55,00

Consultas Clínica de Nutrição/Dietética (pack de 4 consultas)	pack	€90,00
Consultas Clínicas de Nutrição/Dietética (pack de 4 consultas) - Não Sócias	pack	€120,00
Os Preços incluem IVA à taxa legal <sup>21</sup>		
		15.03.30

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<sup>21</sup> File provided by Vivafit

APPENDIX 4 – “Prices and Class List”<sup>22</sup>

MAPA DE AULAS VIVAFIT Odivelas Estúdio 2 - MAIO 2017					
Horário	2ª Feira	3ª Feira	4ª Feira	5ª Feira	6ª Feira
08:45		Sbarre		PILATES	
09:30	PILATES				PILATES
09:45			Sbarre		
10:30		PILATES		Sbarre	
Encerrado: 14:00 às 16:00					
17:30		PILATES		PILATES	
17:45	Sbarre				Sbarre
18:30	PILATES	PILATES	Sbarre	PILATES	PILATES
19:15					
19:30	Sbarre	PILATES		PILATES	

MAPA DE AULAS VIVAFIT Odivelas Estúdio 1 - MAIO 2017						
Horário	2ª Feira	3ª Feira	4ª Feira	5ª Feira	6ª Feira	Sábado
08:45	ZIMBA		LABELO BODYVIVE 3.1 Max 45 Min		ZIMBA	
09:30						ZIMBA
09:45		LABELO BODYVIVE 3.1 C		LABELO BODYVIVE 3.1 C		
10:30	ZIMBA				ZIMBA	
10:45			ZIMBA			
12:45	ZIMBA		ZIMBA	LABELO BODYVIVE 3.1 C		
Encerrado: 14h00 às 16h00						
16:30	ZIMBA		LABELO BODYVIVE 3.1 Max 45 Min			
17:00		ZIMBA		ZIMBA		
17:15	LABELO BODYVIVE 3.1 C				ZIMBA	
17:45		ZIMBA	ZIMBA	ZIMBA		
18:30	ZIMBA	ZIMBA	LABELO BODYVIVE 3.1 C	ZIMBA	ZIMBA	
19:15	ZIMBA	LABELO BODYVIVE 3.1 Max 45 Min	ZIMBA	LABELO BODYVIVE 3.1 Max 45 Min		
19:30					LABELO BODYVIVE 3.1 C	
19:45			LABELO BODYVIVE 3.1 C			
20:15		ZIMBA		ZIMBA		

**Viva fit®**

Fitness + Nutrição + Coaching

③ Serviços = 1 Preço

O quê? tonificação, aumento flexibilidade / stress

Porquê? Alívio stress

Quando? Até ao verão

**Ativação**

75 (50+25)

35

- Ses. Desportivo  
 - 1ª Consulta mt.  
 - Sessão Planeamento

9,98€

**Modalidade recomendada:** Premium - ~~limite trânsito total~~

Investimento mensal: Anual + limite trânsito - Est. 1

39,90€

Pilates 44,90  
2ª semana 26,90

49,90€

Método de pagamento:

Mensal:

- Débito Direto - 5

Pronto Pagamento:

(com 15% de redução sobre as mensalidades)

- Cheque/MB/Dinheiro

Para mais informações: 913203100; 219339468

<sup>22</sup> Information provided during “Mystery Client”

APPENDIX 5 – “Pitchbook of Vivafit”<sup>23</sup>



**Constance Ruiz**

Co –Founder and President

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#310

Boynton Beach, FL 33436

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203-0085

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<sup>23</sup> File provided by Vivafit

## General Company Description

At Vivafit we are in the fitness and weight loss business for women. We offer a combination of results focused group fitness classes along with dietitian services focused on the best of the Mediterranean Diet.

Vivafit is the Portuguese market leader “women results provider” with more than 55 franchisees serving nearly 16.500 women in 7 countries and 3 continents. Vivafit has 80% market share and it’s the largest chain of express women’s gyms in Portugal. Vivafit’s also can be found in India, Abu Dhabi, Oman, Singapore, Indonesia and Uruguay.

**OurMissionStatementis:** motivate women to lose weight and feel great with habits of exercise and healthy eating.

**OurVisionStatementis:** a social and disciplined organization with team spirit contributing to our success.

**CompanyValues:** Honesty, Team- Spirit, WSNH & KISS, Discipline, Pride



### **CompanyGoalsandObjectives:**

Our aim is to be the reference in both the fitness & weight loss market, striving to help women to be healthy, feel great, enjoy life and being enthusiastically satisfied all of the time. Be the reference means to create value and make the difference, providing outstanding group fitness classes and nutrition programs, that meet the specific needs and desires of each member, and great customer service that is affordable.

Both, our franchisees and ourselves recognize that sustainable profitability is essential to our future success; we work hard faster, simpler and together with all our partners, franchisees and suppliers, to maximize profit toward a sustainable future. Our team is highly committed to the highest ethical standards, excellence, respect, and integrity, in our relationships with members, franchisees, suppliers and shareholders. Pride and passion drive the Vivafit team to achieve a worldwide leadership position.

Vivafit is the healthiest, well-balanced and trendy fitness concept for women to reach their fitness and weight goals, currently with an 80% market share of the women’s only fitness facilities in Portugal.

It’s trustworthy and offers long lasting results being provided by certified professionals.

The *Mediterranean* way to effectively achieve women desired goals with the flair of the *European* lifestyle.

It offers a complete and personalized (not customized) fitness and weight loss solution that other fitness chains don’t currently offer. And it is a more trendy and



comfortable environment for women than other fitness brands.

## FranchisorTeam

Our strengths can be observed in our service philosophy that combines team work with service and delivers on 4 principles of Play, Make their Day, Be There and Choose Your Attitude – the Fish Philosophy of servicing our members and teams.

Throughout the years we have shown commitment to innovation and staying on top of industry trends both with our group fitness offering as well as our broadening our offer to include nutrition. Listening to our customers drives our decisions as we commit regularly to measuring customer satisfaction and sharing the results with our franchise network.

Vivafit Portugal owns the intellectual property and Vivafit in the USA is a Limited Liability Corporation being managed by Co-founder of the brand Constance Ruiz.

### Executive Summary

The Vivafit brand originated in Portugal and was founded by husband-wife team Pedro Ruiz (Spanish entrepreneur) and Constance Ruiz (American fitness & wellness fanatic). Combining Pedro's good business sense with Connie's expertise on fitness & wellness – they were able to launch Vivafit – women's only express gyms and achieve an 80% market share within this category. In 2008 they won the European Club Leadership Award from the trade organization IHRSA (International Health and Racquet Sports Association). Pedro currently serves on the 3 boards: AGAP, the fitness association of Portugal; EHFA, European Healthy and Fitness Association; as well as on the Spanish-Luso Chamber of Commerce. While Pedro currently heads up international expansion into virgin territory for the Vivafit brand, Connie will lead the USA launch bringing something unique to a competitive environment.

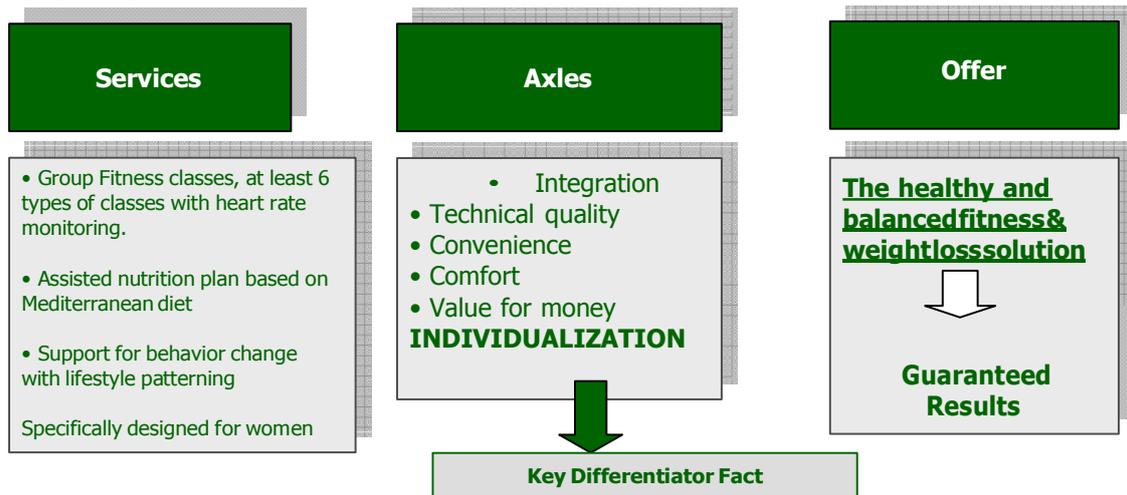
Connie is a versatile executive who brings more than twenty years of broad based experience in the health and fitness industry with a demonstrated ability to build a brand of fitness centers from the ground up through franchising growth. Heading up the launch of Vivafit in the USA she brings excellent communication, organizational and decision-making skills; strong analytical and problem-solving abilities; and the resourcefulness to combine knowledge of the fitness industry with a hands-on business background...B.A. from the University of North Carolina in Communications, joint degree in Gerontology... senior management background with concentration on corporate operational efficiencies; proven ability to successfully analyze an organization's critical business requirements, identify deficiencies and potential opportunities and develop innovative and cost-effective solutions for enhancing competitiveness, increasing revenues and improving customer service offerings... an accomplished professional who brings harmony into situations, overhauls ineffective methods and works in concert with others to meet organizational goals and objectives.

Prior to Vivafit, Connie served as the Fitness and Programming Manager for Holmes Place Health Clubs for 6 years during an aggressive growth that started with the opening of the first Holmes Place on the Iberian Peninsula, through the opening of 8 clubs both in Portugal and Spain. Her work included launching the initial 6 Les Mills programs as well as pilates mat classes for hundreds of instructors. She also developed the Fitness Management Systems that we utilized for the opening of the first 8 clubs in Iberia.

### Products and Services

Target: Female customers of all ages and economic levels, but target adults females between the ages of 16 and 76.

**Positioning:** see graph below:



**Service Assortment Policy:**

- Group fitness classes
- 6 different types of classes: Circuit Classic, Circuit HIIT, Body Vive, Shbam, Body Balance and Pilates
- 30m classes
- Nutrition consultation by registered dietitians prescribing Mediterranean diet.
- Other related services and ancillary merchandise related to the brand and business concept

**Service Assortment Policy:**

- Fair and competitive price, value for money
- Different packs: Exercise & Nutrition; Nutrition only;
- Online class booking for 3 different blocks of peak hours.

**Customer Service Policy:**

- Principles:
  - Meet
  - Greet
  - Train
  - Entertain
  - Commit

Our members rely on us to be professional and deliver an excellent service in a cosy atmosphere where we focus on our members needs to achieve results.

- Fish Philosophy Principles:
  - Choose Your Attitude
  - Be There
  - Play
  - Make Their Day

**Location Policy:**

- Located in a metropolitan area or surrounding suburbs, and proximity to high traffic pedestrian areas.
- Located either in a freestanding building or in an in-line retail plaza space, but, in any event, ample parking, good visibility and availability of prominent signage
- Preferred locations are strip shopping centers with a mixture of residences and commercial centers (offices and businesses) nearby.

**Store Policy:**

- Size: 2.000 – 3.000 square feet average
- Layout specifications
- Store environment: specific design and guidelines for store and facades

**People Policy:**

- 1 manager , multifunctional (at least able to teach 2 different modalities)
- 1 sales person (only commercial)
- 2 – 3 instructors full or part time, able to deliver all classes
- 1 part-time dietitian

**Sales Methodology**

- An exclusive and already proven sales method based on the 8 Steps of Selling Fitness.

**Pricing Policy:**

- Joining Fee - administration
- Monthly fees discounted for commitment, various package pricing
- Additional revenue streams Personal Nutritionist, Personal Trainer, Merchandise, Supplements

**Advertising, Promotional and Public Relations Programs**

- Annual guidelines, concepts, activities and art woks

**Internet Approach**

- Annual guidelines for websites and social media.

## Marketing

The fitness industry in the USA is a \$20 billion dollar industry with 30,500 clubs and 50.25 million members. It has proven resilient and more stable than other industries thanks to its membership model which is based on monthly dues and a recurring revenue stream. The business community has noticed the impressive results of the fitness industry. For example, Inc. magazine named Zumba the “Company of the Year” for 2012, which helps make fitness an experience of fun and happiness. In 2013, Entrepreneur magazine’s annual Franchise 500 list ranked Anytime Fitness the number 1 franchise in the USA.

The Center for Disease Control reports that 69.2% of Americans are overweight with 35.9% of being obese. Currently every 2 out of 3 American’s are overweight or obese. The consequences are diabetes, cancer, heart disease and a drain on society of \$223 billion a year (see Harvard Health Publication: Obesity in America. What is driving the epidemic?) America is dealing with an epidemic that has a solution with exercise, diet and lifestyle change.

Consumer Research of Fitness Industry (The IHRSA Trend Report):

### **Why People Join Health Clubs: - Which of the following are personal goals for using the health club you currently belong to?**

- To stay healthy
- To feel better about myself
- To stay in shape
- To maintain strength
- To look better
- To lose weight
- To get in shape
- To stay flexible
- To build muscle
- To maintain weight

### **Why Members Stay: - What keeps you coming back to use the health club you currently belong to?**

- To get in shape/stay in shape/stay healthy
- For overall health/well-being
- It’s at a convenient location to me
- Variety of equipment, strength and cardiovascular equipment
- To make progress with my personal goals
- To get my workout in, rather than to socialize
- **To have fun**
- My friends and family work out at the health club
- **Access to group exercise classes**
- Access to fitness professionals

### **Why Members Quit Health Clubs: - Why did you leave/quit your former health club?**

- It was too expensive/could not afford it
- I wasn't using my membership/I wasn't going to the club
- I could exercise somewhere else for free
- It was too crowded
- I moved/the location was no longer convenient
- I felt out of place
- I lost my job
- I developed an injury/surgery/other condition
- I did not like to exercise
- Nobody I knew went to my former health club
- **I didn't reach my fitness goals**
- **There was no one there to guide me**
- **It was too intimidating (and I didn't know what to do there)**

### **Why People Don't Join Health Clubs: - What keeps you from joining a health club now?**

- Too expensive/cannot afford
- I exercise somewhere else for free
- No time
- I do not exercise
- I would feel out of place
- I participate in another type of exercise outside the health club
- Nobody I know goes to a health club
- There is no health club located close to me
- It's too crowded
- I am too out of shape to even think about it
- I don't know what I would do there
- I have an injury/surgery/other condition
- I am not sure there is someone there to guide me
- I might hurt myself

### **Facts about fitness franchising:**

Fitness is listed as one of the top 5 sectors leading Entrepreneur's 35<sup>th</sup> annual Franchise 500 (the other 4 are Children, Food, Seniors and Personal Electronics). Twenty fitness franchises made the ranking in 2014, up from only 13 the year before, with just half of them franchising for less than 5 years. Fueling the fast growth is a business model that offers much lower startup costs for franchisees than old-school big-box gyms.

A popular fitness franchise trend is known as the "boutique" studio concept. Focused on a niche market, the common brands are Pure Barre (pilates and ballet exercises); Orange Theory (small group personal training); 9Round (boxing) among others. These franchise systems within a short period of time have grown to as many as 200 units or

soon approaching. These franchise concepts start with initial investment of \$50,000 upto \$200,000.

Other popular fitness franchisees are big box concepts, Planet Fitness, Crunch Fitness, Gold's Gym. These concepts have also grown into 100's of units (Planet Fitness just reached 700) and initial investment starts around \$200,000.

In the women's only fitness franchise, the current concepts available are Curves, Lady of America, Jazzercise, Elements and Get In Shape for Women.

Our research, knowledge and experience of the industry trends have led us to conclude:

1. Women generally seek to exercise for weight loss reasons;
2. Women prefer to exercise in group fitness classes;
3. Using the combination of circuit classes with excellent group fitness programming from Les Mills is a USP that no other women's only has capitalized on.
4. Transparency about weight loss results being 70% nutrition and 30% exercise, along with a dietitian service supported by integrated software allows us to excel at delivering quick results the healthiest way is another USP of the Vivafit concept.

**Issues to overcome:**

1. Capital costs – it will be imperative to invest in an excellent location with good visibility to capture consumer acceptance and achieve brand recognition.
2. Training and skills – it will be critical to get instructors trained up in the Les Mills programs.
3. Costs related to hiring a dietitian – our software system will reduce the time needed to spend with each customer.

1<sup>st</sup> Competitive Analysis – Women Only: Vivafit, Curves , Jazzercise .

Importance to the customer: 1 = critical; 5 = not very important.

Factor	Vivafit	Strength	Weakness	Curves	Jazzercise	Importance to Customer
<b>Products</b>	Just merchandise		x	Suppliment line – a strength	Merchandise – a strength	3
<b>Price</b>	\$70 - \$100			\$40 - \$80	\$43 - \$50	1 – programming and nutrition value
<b>Quality</b>	Well built and designed	x		Weak	Weak	3
<b>Selection</b>	6 variety	x		2 Limited to circuit and Zumba	8 varieties on site (usually 2 on location)	3 –more important the variety within each program.
<b>Service</b>	Friendly, cozy and reliable	x		Cozy small environment.	Friendly and reliable	4
<b>Reliability</b>	Consistent	x		Yes – but boring	Yes	4
<b>Stability</b>	Dedicated staff	x		Yes	Yes	3
<b>Expertise</b>	High – fitness professionals	x		Low – prior members	Low – prior members	3
<b>Company Reputation</b>	Excellent IHRSA for International performance		x	Leader of women’s only – 3000 units	Good – 15 years in franchising, 8,000 units (instructors)	3
<b>Location</b>	Key visibility	x		Not always well located	Not always well located	3
<b>Appearance</b>	Well branded, trendy	x		OK marketing – stores poorly branded	OK marketing material – stores poorly branded	

2<sup>nd</sup> Competitive Analysis – Traditional and Boutique: Vivafit, Anytime Fitness, Orange Theory.

Importance to the customer: 1 = critical; 5 = not very important.

Factor	Vivafit	Strength	Weakness	Anytime Fitness	Orange Theory	Importance to Customer
<b>Products</b>	Just merchandise		x	Not sure	Merchandise	3
<b>Price</b>	\$70 - \$100			\$30 - \$40	\$59 - \$130	1
<b>Quality</b>	Well built and designed	x		Well built and designed	Well built and designed	3
<b>Selection</b>	6 variety	x		Gym and some group fitness	1 type – small group personal training, 20 max	3 –more important the variety within each program.
<b>Service</b>	Friendly, cozy and reliable	x		On your own.	Personal trainer for each class	4
<b>Reliability</b>	Consistent	x		Yes – but little experience	Yes	4
<b>Stability</b>	Dedicated staff	x		?	?	3
<b>Expertise</b>	High – fitness professionals	x		Little staff but high – PT's	High – personal trainers	3
<b>Company Reputation</b>	Excellent IHRSA, local – no recognition		x	#1 Fitness Franchise and #1 Franchise USA	Good – quick growth	3
<b>Location</b>	Key visibility	x		Well located	Well located	3
<b>Appearance</b>	Well branded, trendy	x		OK marketing – average branding	Well branded	3

Estimated , not including taxes	Cost
Initial Franchise Fee	\$29,999
Expenses during training	\$2,000 - \$3,500
3 months rent and deposit	\$16,000 - \$36,000
Construction	\$30,000 - \$70,000
10 hydraulic machines	\$18,000 - \$22,000
Stage, lights, signage	\$8,000 - \$13,000
Initial inventory equipment	\$6,000 - \$15,000
Computer system	\$2,000 - \$5,000
Advertising	\$10,000 - \$20,000
Business licenses, insurances	\$2,250 - \$5,000
Operating Capital 3 months	\$15,000 - \$25,000
<b>Estimated total</b>	<b>\$139,249 - \$244,499</b>

### Process to become a Vivafit franchisee?

