**BP5**

UK central and local government and the industry

Annotate Ansoff’s Matrix in relation to the growth strategies at Gymshark.

Graphical user interface, application, Word

Description automatically generated

https://ansoffs.com/ansoff-matrix-of-gymshark/

[Retail lessons gym shark](https://econsultancy.com/five-retail-lessons-sportswear-brand-gymshark/#:~:text=Gymshark%20is%20not%20a%20retailer,its%20birthday%20and%20Black%20Friday.)

With reference to Ansoff’s Matrix discuss the elements of risk and reward associated with each of Gymshark’s strategies for growth.

|  |  |  |
| --- | --- | --- |
| **Strategy** | **Risks** | **Rewards** |
| Market Penetration  -Penetrating aggressively.  -Pop-up stores and community focused events.  -Various products augmented to provide customers with promotions.  -Quality | Operated in a niche market- “affordable and desirable workout gear for young gym-goers.”  -Cannot fully enjoy the benefits of economies of scale.  Diseconomies of scale as the company grows bigger-Communication could become difficult. | -Motivating members and customer to regularly purchase clothing as they are launched.  -Using social media has allowed the business to penetrate existing markets with greater ease.  Loyal customers are provided with greater discounts allowing for continuous repeat purchase.  Increased customer satisfaction. |
| Product development  -Launching new models of its products in new colours and shapes. | Requires detailed market analysis- “R&D”-increases costs. | Some products have slogans on them which motivates their consumers and increases customer loyalty.  Increases sales as there’s increase consumer choice. - New products increase customer anticipations and attention especially with Gymshark’s use of aggressive marketing on social media. |
| Market development  Promoting to different countries. | International expansion can be slow  Understanding foreign markets can be difficult and potential customers could have their “established favourites” | Creates new potential customers.  new market segments in the existing markets by creating different pricing policies for its products. |

**Read the extract**

**LGA calls for £875m to improve public leisure, health, and fitness facilities in the UK**

With increased obesity and lifestyle diseases in the UK, local councils recognise the need to help society to be more active. To help tackle these problems the Local Government Association (LGA) has called on the UK government to invest £875m in the nation's health, fitness, and leisure facilities.

According to the LGA, strategic investment is needed to help build or refurbish 25 new facilities each year over a three-year period. Local governments believe the investment should be targeted at those communities most in need of improved services.

"Many public facilities serve communities from lower socio-economic backgrounds and BAME (Black, Asian and Minority Ethnic) communities, stepping in where private operators cannot afford to do so," the LGA said in a statement.

Data shows that the more deprived an area is, the more people prefer exercising in public sector facilities. Council-run centres are also vital in supporting grassroots and community activity and sports clubs through the provision of free or low-cost facilities.

<https://www.leisureopportunities.co.uk/news/LGA-calls-for-875m-investment-in-improving-public-leisure-facilities-ahead-of-spending-review/348663>

Assess the likely effect on private sector businesses, such as Gymshark, of increased local government investment in improving public leisure, health, and fitness facilities. (12)

**Remember.**

K2 P2 A4 E4

**Plan your answer. Reread the extract.**

|  |  |
| --- | --- |
| Definition/knowledge (optional) | |
|  | |
| What? One relevant point is  Increasing competition - substitutes | |
| How? This is shown by…  The new fitness public facilities would be free or low-cost. | |
| Why? Meaning…  For businesses like GymShark who have partnerships with local Gyms, they would be directly affected because the new facilities would pose a direct threat to these gyms reducing demand for them not only from BAME communities but also from other ethnic groups. | Application  The new public facilities would be free or low-cost. |
| Leading to…  Private gym businesses would experience reduced gym membership subscriptions leading to reduced profits as sales volume is reducing. | Application |
| Why not? However, if required!  Since they would government owned, the quality, research to understand consumer needs might not have been done which gives private businesses the edge due to their personalisation. | Application |
|  |  |
| What? A second relevant point  On the flip side, it could actually increase sales for gymshark | |
| How? This is shown by…  The new facilities aim to increase involvement in sports to tackle lifestyle diseases | |
| Why? Meaning…  Increase the number of people going to gyms specifically these facilities. | Application |
| Leading to…  Increase in demand for sportswear and private businesses like Gymshark can experience an increase in sales volume due to more customers.  -Could lead to economies of scale (reduced cost of producing more) and then profit. - their products are fashionable which means new consumers are more likely to be attracted. | Application |
| Why not? However, if required! | Application |

Write your answer.

One effect on private businesses such as gymshark is increased competition. The new fitness public facilities would serve as substitutes for private businesses especially since they would be free or low-cost as the items mentions. It increases the bargaining power of customers since these facilities would mean more choice. For businesses like GymShark who have partnerships with local Gyms, they would be directly affected because the new facilities would pose a direct threat to these gyms reducing demand for them not only from BAME communities but also from other ethnic groups. As a result, Private gym businesses would experience reduced gym membership subscriptions leading to reduced profits as sales volume is reducing. However, since they would government owned, the quality, research to understand consumer needs might not have been done which gives private businesses the edge due to their personalisation.

However, it could be argued to increase sales for private businesses like gymshark. The item mentions the new facilities aim to increase involvement in sports to tackle lifestyle diseases and they are low-cost which could be to encourage people to go there. This would therefore increase the number of people going to gyms, specifically these facilities. As a result, there would be an increase in the demand for sportswear. Therefore, private businesses like Gymshark whose sports apparels are both functional and fashionable and are therefore more likely to attract customers would experience increases in sales volume due to more customers purchasing from them. This could therefore lead to increased economies of scale for such businesses and therefore reduce unit costs which means they can experience slight increases in profit levels or margins.