

Practice questions

Snap Fitness is a US gym business that has been running since 2003, has 2,000 clubs and offers franchise opportunities in the UK. For a minimum investment of £110,000, you can set up your own gym. Snap Fitness boasts that it 'is dedicated to providing members with more value than any other health club and gives entrepreneurs world class support'. It makes a specific play of saying that the business can be run on a part-time basis and that break-even is achieved within six months.

It isn't hard to find online reports from unhappy franchise customers who say that 12 to 18 months is more realistic for striking break-even and who laugh at the idea of running the business on a part-time basis. There's also this telling phrase from one former franchise customer: 'They really don't do anything to help you succeed, except have their name, which I

have found no one is familiar with anyway.' On the other hand, the company website quotes a franchise outlet in Milton Keynes saying: 'From the original build-out to learning how to sell personal training, Snap Fitness has given me the guidance and support to succeed in the fitness industry.'

(20 marks)

- 1 Outline one way in which an investment of £110,000 might be funded. (2)
- 2 Discuss the difference to a new franchise business of breaking even in 18 months compared with six months. (6)
- 3 Evaluate the risks and rewards that might be involved in buying a Snap Fitness franchise. You should use the information given above as well as your knowledge of business. (12)