Data Meets Fitness

Shred415’s Integration of Wearable Fitness Technology
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Proposed To:

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SUBJ: Case Recommendations

Dear Bonnie & Tracy,

Sassafras Consulting appreciates the opportunity to help Shred415 differentiate from competitors and improve market share. Several key demographics in the fitness industry are trending towards wearable fitness technology, as well as enhanced tracking. In turn, Shred415 can attract their business. After analyzing recent market trends, Sassafras Consulting recommends expanding your mobile app to work with Fitbit devices.

Wearable fitness devices such as Fitbit have revolutionized the fitness industry. Real time tracking of health information such as heart rate and distance travelled is now available for the average consumer using a Fitbit device. This fitness information can be tracked and analyzed by Shred415 trainers in order to optimize customer satisfaction and results. Incorporating wearable fitness technology in Shred415 classes enhances your brand of intense, results driven workouts.

Shred415 is uniquely positioned to adapt this technology in order to capture key demographics. Shred415 already has an app that can be modified for Fitbit integration at a minimal cost. Shred415 also has a capable training staff, which would reduce the need for additional employees due to integration. Making these changes differentiates Shred415 from competitors and attracts new customers.

If you have any questions feel free to contact Sassafras Consulting at sassafrasconsulting@gmail.com or by phone at (812) 344-2487.

Sincerely,

Sassafras Consulting
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Executive Summary:

Report Objectives

- Pinpoint Shred415’s target demographic and determine new area for expansion
- Showcase the opportunity for Shred415 to integrate Fitness Technology (Fitbit) and custom designed fitness tracking apps into their business platform to increase revenues and market shares
- Highlight the benefits of Fitness technology and fitness tracking apps
- Explain the implementation strategy that minimizes risk and maximizes results

Wearable Fitness Technology Optimizing Revenues & Client Fitness

We recommend that Shred415 take advantage of the growing wearable fitness technology market and use this technology to provide improved services to their customers. To do this, Shred415 should become a reseller of Fitbit devices and encourage their customers to purchase their own Fitbit device and connect that device to a reprogrammed Shred415 app. The reprogrammed Shred415 app will collect and display various fitness metrics tracked by the paired Fitbit device. The data displayed on Shred’s app will create a more visual record of the user’s fitness progress in relation to their goals. Keeping their loyal customers happy while also attracting new ones should be Shred415’s top priority. However, the implementation of our plan will also generate new revenue streams, as well as incentivize customers to buy more class packages.

Tactical and Simultaneous Implementation Plan

We advise that Shred415 start by simultaneously rolling out the Fitness app and their partnership with Fitbit, but first complete the following steps:

1. Redesign and enhance current Shred415 App to include interactive fitness tracker, data storage, and compatibility with Fitbit activity trackers
2. Become a registered reseller of Fitbit activity trackers

After laying the groundwork with the initial two implementation steps Shred415 will continue to provide clients with consultations to review and analyze their fitness data. These consultations will also focus on establishing new goals and personalized workouts. More focused interaction between customers and employees will improve customer satisfaction.
Introduction

Sassafras Consulting is excited to work with EY and Shred415 to expand Shred415’s market share and differentiate its services and products. Shred415 is a unique, boutique style gym that specializes in interval training for clients of all athletic levels, searching for the best results. Shred415 teaches clients the benefits of workouts that achieve the “after-burn”, which is when the body continues burning calories long after the workout is completed. Customers admire the structured format and trainer guidance of Shred415 workouts. The structured format is one of their biggest assets because most customers lack the knowledge and resources to craft an efficient workout on their own. To retain their core customer base and appeal to new customers, Shred415 should continue to provide clients with easy to follow workout regimens, while integrating wearable fitness technology. This integration will increase workout effectiveness and provide greater fitness personalization.

Wearable fitness technology is a growing market, especially popular with the millennial demographic, who account for the largest segment of the fitness market. Therefore, we recommend Shred415 to establish a partnership with Fitbit in order to engage this new and growing market. Specifically, Shred415 should become a reseller of Fitbit devices and encourage customers to purchase and use these devices in class. Many customers of Shred415 already utilize these devices, which means enhancing the use of Fitbit devices during Shred415 classes will be welcomed. Wearable fitness devices such as Fitbit allow for real time tracking of various fitness metrics such as heart rate, calories burned, and distance traveled. The Shred415 staff can analyze this customer data in order to craft an ideal workout customized to the customer’s specific fitness goals.

This approach will lead to more effective workouts, which will improve customer’s fitness results. Satisfied customers will improve Shred415’s brand image as an innovator within the fitness boutique industry. The fitness market is moving towards a data-centric approach. If Shred415 takes advantage of this trend, then they will gain a competitive advantage over competitors and expand their market share.
Target Demographic

The increased popularity of personal fitness technologies, virtual training programs, and specialized workout classes gives our team an optimistic outlook for the future implementation of our plan. Recognizing that these aspects of the fitness industry have been a leading cause in the development of niche fitness markets, such as cross-fit, provided us with a solid foundation that eventually enabled us to develop our strategy.

![Figure 1: Segmented Market Revenue](image)

According to an IBIS World report, consumers between the ages of 17 and 35 account for approximately 49% of the total revenue in the fitness industry, and for the past 5 to 7 years that number has been steadily increasing (see figure 2). According to data from Nielsen, this age group is known to be more likely to participate in various types of fitness activities such as group training, spinning, yoga, Pilates, crossfit, and many more.
Shred415 has a very similar program to crossfit, which has been a leading cause for their expansion and success. Shred415 has successfully increased their number of locations and are now looking to differentiate themselves from competitors in order to further increase their market share. Crossfit, a mix of cardio and endurance strength training, has been rapidly growing in popularity among U.S. consumers. Many different established gyms have attempted to capitalize on the “golden opportunity” and increase profits by incorporating their own custom styles of cross-fit activities into their current offerings. With growing number of niche offerings in the fitness industry, traditional gyms are finding it challenging to remain significant and profitable through their current strategies. One example of a fitness club adapting to the evolving needs of its consumers is New York Sports Club (NYSC). NYSC, owned by Town Sports International, decided to renovate many of their current locations in order to include cross-fit type offerings for its customers. Although Town Sports International generated $479 million in 2012 revenues, a 3% increase from 2011, they still owed more than $300 million in long-term debt. The end result for NYSC provides us with an optimistic forecast for the future success and growth of Shred415. NYSC’s long-term debt was largely due to the high costs involved with the renovation of their existing locations. Shred415 is at an advantage by being able to avoid the high costs of renovation; their pre-established locations already include the needed amenities to accommodate for cross-fit like programs.
The fitness industry as a whole has had a healthy and positive trend of sales growth in the recent years and is expected to continue along that path for years to come (see figure 3). Research shows that the “total revenue for the International Health, Racquet and Sportclub Association Index, a measure of 18 U.S. health and sports clubs, grew 8.1% [in 2012]”. Jay Ablondi, executive vice president of global products for the International Health, Racquet and Sportclub Association Index, responded to the 2012 revenue growth by saying, “new and mature clubs can coexist and deliver the support, services and value that consumers crave.” This information provided us with evidence that the incorporation of cross-fit activities did in fact increase revenues, but also reminds us of the associated cost risks. The increasing popularity of “crossfit like” activities along with the fitness industry’s positive revenue growth for our specified target demographic gives us the ability to predict positive future growth for Shred415. Most importantly, it helped us to provide Shred415 with our unique differentiation strategy that will, in turn, aid in increasing their overall market share.
Integration with Fitbit

Becoming a reseller of a nationally recognized brand like Fitbit will add credibility to Shred415’s brand. According to the Fitbit website, any individual or business can become a partner for free. By becoming a partner, Shred415 is entitled to 12% of all sales revenue from the devices they sell. Shred415 would keep Fitbit devices in stock at their facilities for their customers to purchase. Enlisting in this partnership would create a new revenue stream, as well as expand and incentivize their workouts. Additionally, many employees and customers already utilize Fitbit devices during Shred415 classes; thus, use of Fitbit in class will be received positively by both parties. As reported by Hoover, Fitbit’s 2014 revenues totaled $745.43 million and future estimates project exponential future revenue growth. In addition, the number of consumers using wearable devices is expected to double to 81.7 million by 2018 (eMarketer). Shred415 should capitalize on this emerging market in order to generate additional revenue.

Application Expansion

Currently, Shred415 has a mobile application that allows users to view a class schedule and book sessions. The app should be expanded to allow many additional features, including Fitbit compatibility as well as workout and nutrition tracking. This expansion is crucial due to recent market trends regarding fitness applications. A study by eMarketer found that over 70% of people interested in mobile fitness apps use them on a daily basis (see figure 5). By encouraging Shred415’s customers to use the enhanced app, they can interact with customers and be involved in their training outside of the gym.

Figure 4: Fitbit Devices
By expanding the app, customers will be able to download Shred415’s app and utilize its tracking capabilities. Also, after each 10 sessions attended, customers will have the opportunity to take part in a free fitness consultation session. These consultations will incentivize Shred415 customers to get to the 10-class mark, which for Shred415, results in customer retention and higher revenues. Moreover, visually oriented customer services make content much “more accessible [and]... easy to consume” for the customer (Janowski). Therefore, the visual nature of this app expansion will lead to a better experience for Shred415’s customers.

**Profit Analysis**

According to figures provided by SOASTA, a leader in cloud and mobile testing, 57% of Chicago residents own a smartphone (Siste). Additionally, as provided by Nielsen, one-third of smartphone owners used fitness and health apps in 2014 (Pai). As provided by Shred415’s question and answer session, on average, 800 members attend classes in the Chicago locations per month. Accounting for the percentage of smartphone users utilizing fitness apps within Shred415’s customer base, we can estimate 150 current customers interested in our program per month. By multiplying this figure by the average cost of a class; $23.25, we get...
approximately $3,500. This amount represents the additional revenue from interested customers attending one extra class per month due to program incentives. Annually, this would increase revenues by $41,983.92. However, this is a conservative estimate based on an assumption of the average customer attending only one extra class per month. With an aggressive estimate of the average customer attending 3 more classes per month, the annual return is $125,951.76. Averaging these two estimates, a baseline estimate of $83,967.56 is reached. Apart from start up costs, which include the cost of app development; $22,500 (Gravity Jack), there are no additional material costs to maintain this plan. Therefore, after implementation is complete, net income can increase by as much as 3.3%. Looking to the future, this leads to a significant increase in retained earnings, which can be used to invest in new locations and further Shred415’s expansion.

Figure 6: Additional Projected Revenues

The Importance of Fitness Metrics

“Fitbit tracks every part of your day—including activity, exercise, food, weight and sleep—to help you find your fit, stay motivated, and see how small steps make a big impact” (Fitbit.com). The consolidation and teamwork between Fitbit and the Shred415 app will showcase a detailed description of each client’s information. The data that Fitbit provides includes the following: heart rate, blood pressure, blood glucose, water consumption and goals, caloric intake and goals, calories burned, step accuracy, GPS distance, and sleep logs. Calculating
your personal fitness metrics can be used to improve the efficiency and ability to achieve goals and success. Tracking fitness metrics is important to avoid undertraining and overtraining. According to BodyScapes Fitness, undertraining and overtraining are important to avoid. Under-training is when an individual is not reaching their target heart rate, which results in the failure to burn enough calories and a significantly longer time period to see the desired results. Overtraining is when people exceed their target heart rate, which leads to dehydration and fatigue. Also, consistently over-training can lead to risk for infection or chronic pain. Therefore, many fitness experts recommend using heart rate as a measurement of tracking the intensity of workouts to ensure proper performance.

After 10 sessions attended at Shred415, customers will have the opportunity to have their Fitbit training data analyzed by a staff member in the form of an individual consultation. At these meetings, trainers will help to calculate target zones for clients using heart rate as well as other metrics obtained through the application of Fitbit data, which will be stored on Shred415’s improved app. Additionally, this information will be capitalized on by trainers during the workout classes. Trainers will encourage patrons to check their Fitbit to assure that they are in their proper zones during workouts in order to obtain maximized results.

**Implementation**

The implementation process includes incorporating Fitbit into Shred415’s workout program. By enhancing the current features of their app and allowing for the two technology platforms to work together, Shred415 will maximize the effectiveness and efficiency of their workout program. Shred415 will become a reseller of Fitbit which will cost nothing to the company itself except for the initial stocking cost. This will allow customers to have the opportunity to purchase a Fitbit through Shred415 if they do not already own one.

The improvements and modifications to their current application provide an avenue for Fitbit to connect the client’s data to their personalized Shred415 account. Data from each workout will be stored within client’s personalized account. According to the Fitbit website, “In every piece of data, there’s a story. Something that’s interesting, empowering, and sometimes surprising.” Connecting one’s stories with their Shred415 lifestyle will further enhance the capability of reaching their individual goals and simplifying their fitness experience. By providing a platform that combines the two approaches of data analysis, Shred415 will motivate its clients to strive for their greatest potential.
Soft Opening, Social Media, and Implementation Timeline

After all the research and development has gone into upgrading the Shred415 app comes the time to debut it to the world. Our team suggests that Shred415 take an alternative, but not unorthodox approach. We suggest that Shred415 do a three month “soft opening” for the app to only the current clients of Shred415 at all of their existing locations. A soft opening is a tactic used frequently in the restaurant industry to ensure that the grand opening is optimal and smooth (Miller). There are many benefits of having a soft opening.

First, it allows the trainers and Shred415 to put their training into action on a small scale. Because the trainers are the “first line of contact with your customers, you want to be sure they are trained and ready to perform the way you envisioned” (Storestarters).

Second, it allows for the Shred415 employees and trainers to not only get used to the app and the program, but also allows them to offer feedback on how to encourage clients to use it (WiseGeek). Since current customers are an invaluable asset to the company, receiving their feedback on how they are reacting to the app will help in future efforts to debut the app to the world and how to best market to outside, potential clients. For instance, once the trainers become comfortable using the app and doing consultations they will be able to attest to clients success and how it has helped improve and accelerate results for clients. This will make your trainers excellent first hand sources on not only fitness, but also on how fitness technology has helped their clients.

Third, as with any type of technology there will be a need for small changes after the initial launch. Through the soft opening, there will be time to adjust any unforeseen difficulties with the app or the way the clients use it. Also, the soft opening time period provides time to identify and rectify any issues that may occur.

Finally, soft openings allow for buzz to build around Shred415’s new service (O’Conner). Our main goal with this entire plan is to bring more customers through the front door and to distinguish Shred415 from their competitors. During the soft opening time period Shred415 should encourage not only their trainers to promote the new service but also the Shred415 clients. Whether it is just telling a friend about the new changes or if it is on a social media platform, Shred415 should encourage clients and trainers to use word of mouth marketing. To expand on this tactic of marketing the new app and service, our team advises...
Shred415 to combine the power of word of mouth marketing and social media advertising. Below are mock images of potential tweets and an Instagram post that we suggest Shred415 emulate to create hype and buzz about the union of Fitbit and the release of the updated app.

![Mock Images of Potential Tweets and Instagram Post](image_url)

**Figure 7: What’s Your Fitness Crush?**

**Figure 8: Shred415 on Social Media**

During the soft opening period, as current Shred415 clients become more comfortable with the app and the associated support services, Shred415 should encourage and incentivize them to share with their family and friends. By transforming your clients into your greatest fans it will ensure that the publicity is positive. According to Forbes, businesses should care about word of mouth marketing, or WOMM, because it “has been identified as the most valuable form of marketing.” This stems from the fact that “according to Nielsen, ‘92% of consumers believe recommendations from friends and family cover all forms of advertising’” (Whitler). With statistics like that it is hard to ignore that the simplest forms of marketing are the most successful. Also according to Forbes, “having 100 really passionate fans that love your brand is exponentially more effective than having 10,000 ‘fans’ who signed up just to win a free iPad” (Whitler). Our team believes that during the three-month soft opening, Shred415 should ask satisfied clients to post testimonials about the new app and consulting services on their social media platforms. To reward clients who choose to do this, Shred415 should offer a complimentary consulting session. This way the clients would receive credit for a consultation without having to complete 10 sessions before. We advise doing this because it encourages clients to use the support services more; thus, stimulating the cycle of customers buying classes, tracking fitness, analyzing the data with the trainers, and making fitness gains.
After the three months we advise Shred415 to have a ‘grand opening’ where they start to heavily market and advertise their app and the support services across all of their media platforms. Shred415 should then use their following on Facebook, Twitter, Pinterest, and Instagram to then promote the app and services across all of their platforms to a wider audience.

Ideally in a year, if Shred415 implements the ideas proved in this report the timeline would look similar to the following. The first three months would be dedicated to establishing Fitbit re-seller status, and developing the new Shred415 app. The next three months would be the ‘soft opening’ of the app to current Shred415 clients. The remaining sixth months would be focused on advertising on their social media platforms in the efforts to obtain new clients through the doors of Shred415 that are excited about the app and their new services.

**Risks**

Potential risks may arise with the integration of new technology. Therefore, it’s important to evaluate potential risks in order to understand what can be done to improve our idea and minimize the risks. One example of a potential risk that can easily be improved is customer resistance. Customers may show resistance to our strategy due to the additional cost of purchasing a Fitbit. However, during Shred415’s question and answer session, Fitbit is very much a part of Shred415 culture because many customers already have one. Therefore, resistance to this new technology is anticipated to be low. Additionally, the importance of offering individual consultations is recommended in order to ensure that customers are receiving a personalized experience that comes with the help of Fitbit data.

Another potential risk is the costs. Based on an estimate by GravityJack.com, a website that specializes in the design and software development of mobile apps, the costs involved with the enhancement of Shred415’s current app could be in the range of around $25,000. However, the ending result will be worth the amount invested in redesigning the current app because the unique differentiation from other fitness centers will be likely to increase market share.

Additionally, data security can be a potential risk. Therefore, proper measures will be taken to ensure that only customers and Shred415 trainers will be able to see the data. To ensure customer’s privacy, their fitness metrics will be recorded, tracked, and stored. Also, customers will have their own personalized account that will require a secure login. By incorporating secure measures, Shred415 will be able to avoid customer’s hesitancy to provide their personal fitness data.

Overall, the increased sense of personalization and our data driven approach will easily outweigh many, if not all, of those potential risks by increasing the effectiveness of the customer’s workout experience.
Similar Successful Products

As a team, we want to present Shred415 with proven, successful ideas as well as a plan tailored to be flawlessly implemented. To justify the costs and risks of a fitness app, it’s important to look at similar products on the market that have similar goals to Shred415. Determining how other products have become successful will be beneficial to gaining an advantage. Fitbit sees value in having the technology to distribute and collect fitness information through the use of mobile devices. They have taken steps to purchase this technology in order to expand their own brand. According to India Pharm News, Fitbit Inc. announced on March 5th 2015 that they would be acquiring FitStar, a training app that specializes in the distribution of workout videos to mobile devices as well as fitness data collection. Also according to James Park, CEO and co-founder of Fitbit, “The addition of FitStar to our Fitbit family will allow us to offer a custom-fit experience based on personalized tracking data and also deliver on our promise of providing enhanced services and coaching.” Fitbit is not alone when it comes to understanding the value of integrated fitness technology. Fitness heavyweights such as Nike, Adidas, and Reebok have launched mobile apps to extend their reach to customers’ personal training data. On the market place now, Nike has the Nike Training Club app, Adidas has MiCoach, and Reebok has Reebok fitness. All of these apps are aimed at consumers that want to have more personalized workouts as well as clients who want to track and see their fitness journey. The Nike Training Club app alone has over eight million users worldwide. Some users include elite athletes such as Jennifer Heil, Canadian Olympic mogul champion, and Tessa Bonhomme, a former member of Canada’s women’s hockey team. They use the Nike’s Training club app as apart of their training regiment to add diversity and variety (Jessiman). According to data from other similar apps that have proven to be successful, Shred415 would see positive returns if they implement similar tactics.
Appendices

Appendix A: Mi Coach Data Tracking Layout

Figure 9: Speed and Stride Rate Trends

Figure 10: Speed and Time Trends
Appendices

Appendix B: Pre-Implementation SWOT Analysis

Strengths
- Locations in 3 of Chicago’s 8 wealthiest neighborhoods: Old Town, South Loop, and Lincoln Park
  - Located in areas that have median household incomes ranging from $68,522 in Brentwood, St. Louis, all the way up to $163,333 in Hinsdale
  - Chicago was ranked 8th out of the “Top 10 Cities People Are Moving To” (CNN)
- Interval Training was ranked as the second highest market driver for fitness clubs

Weaknesses
- Number of locations
  - Not nationwide
  - Not a single location operation
- Brand power
- Does not contain an app that is interactive with workouts or tracking

Opportunities
- Social Media
  - Shred415’s Facebook page is the most successful channel: 7,060+ likes
  - Twitter: 2,400+ followers
  - Instagram: 4,270+ followers
    - Need to promote the best platform for viewing pictures
    - Fastest growing app
  - Vimeo: 7 followers
    - Can promote this platform for video sales
- Could look into being a vendor for various high-end fitness brands

Threats
- Competitors ahead of Shred415 in terms of pricing
  - Others offer custom pricing packages according to individual fitness goals
- Does not offer franchising
- Additional apps on mobile devices offer personalized workout programs
  - Convenience
Appendices

Appendix C: Post-Implementation SWOT Analysis

Strengths
• Differentiated workout program
  o Use of Fitbit to track fitness metrics
• Personalized experience
  o Individual consultations with trainers
  o Personalized goals set according to Fitbit data analysis
• New Revenue Streams
  o 12% of Fitbit revenues retained
  o Incentivize more class package purchases
• Multi-faceted solution

Weaknesses
• Number of locations
  o Not nationwide
• Adaptation of marketing strategy
  o Resistance of change by customers
    ▪ Investment in equipment
    ▪ Learning to use Fitbit with Shred415 App

Opportunities
• Increasing market share
• Exploiting a growing market
  o Appeal to a new demographic
• Enhance customer experience and satisfaction
• Build stronger sense of community among customer base

Threats
• Competitors implementing similar program
  o The use of Fitbit
• Self-implementation by customers
  o Lack of interest and/or motivation to evolve
  o Bypassing Shred415 consultations
Works Cited


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