THE MADISON PROJECT

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SUBJ: IMPLEMENTING EXPANSION TO MADISON, WI WILL EXPAND SHRED415 DEMOGRAPHIC

Dream Team Consulting thanks all of the members of the Shred415 team for the opportunity to be a part of this historical change in the fitness industry. Health conscious Americans and popular new fitness trends have created an exponentially growing market. Shred415’s unique High Intensity Interval Training workout puts it in a key position to benefit from this growing market and realize maximum profits. Dream Team Consulting plans to leverage the national growth of the fitness industry through organic expansion in the Midwest.

Shred415’s expansion plan to Madison, WI will give Shred415 the chance to diversify its clientele, further grow its consumer basis and its brand. Expansion to Madison, WI will better prepare itself for the long-term goal of national expansion through exposure to new markets. Shred415’s expansion capitalizes on its differentiating factors and a rapidly growing fitness market. The growth in “Shredders” and Shred415’s brand will serve as the perfect resource when looking for further expansion and growth of Shred415 in the long term.

Dream Team Consulting extends its most sincere gratitude to Jeanette Heidewald for her unwavering support and council when developing the Madison Expansion Plan. Additional appreciation is extended to Bonnie and Tracey?

Dream Team Consulting can be contacted by phone at (847) 707-9497 or email at DreamTeamConsulting@gmail.com. Contact us with any questions or concerns, as we take the next steps with Shred415 to implement the Madison Expansion Plan. Dream Team Consulting looks forward to furthering our relationship with Shred415.

Sincerely,
Dream Team Consulting
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Executive Summary

Purpose
The purpose of this document is to (1) identify Shred415’s competitive advantage within the industry, (2) explain the need for an expansion plan, and (3) suggest the proper channels to expand and capitalize on Shred415’s competitive advantage.

The Fitness Industry Growing
The fitness industry has seen tremendous growth with the last 10 years realizing an increase of 5.5 million dollars in revenue (IBIS World). Shred415’s unique High Intensity Interval Training classes capitalized on this growth and realized success in its seven locations. Michael Micheli said Shred415 was “looking to organically grow”, and the best way to organically grow is through an expansion in the Midwest.

Madison, WI is the ideal Midwest location. Madison was rated the 3rd healthiest city by livability.com, and is in the top 15 cities who spend the most on gym memberships. Madison is 122mi closer to Shred415’s headquarters than the St. Louis gym, and it provides several events for Shred415 to get immersed in the Madison culture and familiarize the Madison people with its brand. Also, Madison offers little competition from other gyms, their only competitor being Orange Theory.

The Madison Expansion Plan
The Madison Expansion Plan ensures a successful opening day in Shorewood Hills, Madison. Shorewood Hills is the best location for Shred415’s expansion because it is well aligned with Shred415’s customer segment having more than 50% females, about 78% families, and residents with an average income of $161,042 according to city-data.com. To guarantee opening day is successful, Shred415 will spread the word of its new opening via social media channels such as Twitter, Instagram, and Facebook. Any Madison resident and potential Madison “Shredder” who follows Shred415 on one of these social media sites will have the chance to win discounts periodically ranging from 5-20% off a Shred415 purchase.

Shred415 will also take advantage of Fitness events that the city of Madison offers by purchasing a booth at two major Madison based events. (1) The Madison Well Fitness expo is a great event geared toward Madison residents and individuals who are passionate about the fitness industry, and (2) the Madison Her Half Marathon is another event that will have a large number of fit females, aligning with Shred415’s consumer base. At both of these events Shred415 will purchase a booth space where they will have a treadmill with three employees working. One employee will be demonstrating what a Shred415 class includes, while the other two employees work the table to the left of the treadmill with a sign-up sheet for the 125 dollar pre-sale. The employees will rotate after the employee working out has finished his 15 minute class demonstration. In addition, anyone who comes up to the booth will be offered a Shred415 bracelet with the promise given that if it is worn to the first Shred415 class at Madison, WI they will be given five dollars off of the 5 visit $28 childcare deal.

This Madison and Marketing plan offers Shred415 the unique opportunity to leverage the growing fitness industry, the attraction of High Intensity Interval Training, and the competitive advantage of offering childcare, while beginning a highly anticipated expansion plan into the Midwest.
Loyal Customers for a Hot New Fitness Trend

Your HIIT classes differentiate you in the market, and lead to your loyal customer base. The Shred415 class experience is initially differentiated by the nature of HIIT, which sets it apart from other potential competitors like Planet Fitness, but further differentiated by your world class trainers and high quality equipment. There is only one place that someone can truly get the Shred415 experience, and that is at Shred415. These qualities are also what initially lead to gathering a loyal customer base. Additionally, you successfully compliment what you offer in the gym to attract customers with what you offer outside of the gym. Your strong social media presence, the Shred415 app, and having a personable face to the business has led to the success you have today. The next logical step to increasing your market share is to bring this successful model that you have already created to a wider demographic.

Room to Grow

You are established in Chicago, but there are more opportunities in the Midwest. The brand of Shred is strong and has a positive impact on all participants involved. In order to cater to the growing niche market, the current state of Shred and its 7 locations will not be enough. You should scale up operations and add locations in order to take advantage of this market. Within Madison itself, customers are looking for more options in the HIIT market. Shred could take advantage of this in order to gain market share and help grow the market.
The Fitness Industry Needs You

Obesity trends and fitness activity levels are two important elements in the market. Communities that are ideal for you have active members with decreasing obesity rates as evidence of their effort to become fit. The percentage of obese people in the State of Wisconsin is decreasing. From 2000-2007, obesity increased 6.1%, whereas obesity only increased 3.8% from 2008-2014. Additionally, activity levels increased in Wisconsin residents. From 2005-2010, 42.3% of residents reported working out moderately for 5 hours per week or 2.5 hours per week of vigorous activity. That statistic went up 5.2% from 2010-2014. This increase in activity is mostly attributed to the Madison population.
What to do with the growth?

With this growth within the fitness industry and more specifically Shred415, you can achieve a stronger Midwest presence. Madison, WI is an ideal Midwest expansion location. Riding your success and the fitness market, you can make yourselves known in Madison and successfully expand.

THE MADISON PROJECT: IMMERSION

Breaking Into the Madison Market

Shred415 should take advantage of its success and the opportunities in the market and expand to Madison. Ensure a successful expansion through familiarizing the Madison people with Shred415 before opening the first gym. This process begins with connecting to them on social media, and offering incentives for liking/following Shred415. Despite the benefits of social media, it is an impersonal method of getting to know Madison, which is why Shred415 will also personally connect with Madison through two events: The Well Expo and Her half marathon. At these events, young health-conscious women have the opportunity to learn what Shred415 has to offer, and Bonnie and Tracy can make themselves memorable. By handing out Shred415 bracelets at these events that represent a discount to the customer’s first class, Shred415 is both bringing customers back, and piquing the interest of anyone who sees a bracelet. Once the brand has been established in Madison, Shred415 can safely expand.

Growing and Diversifying the Shredder Community

The brand of Shred415 is well-developed and makes a palpable impact on customers. Shredders in the Chicago and St. Louis locations have been drawn to Shred415’s services. Clearly, there are potential Shredders present in areas untouched. Through expansion, Shred415 has the opportunity to welcome these participants into the Shred community, and increase its national presence in the fitness industry. By doing so, there is a significant opportunity to increase profitability. Also, beyond increasing in sheer numbers, the opportunity for expansion allows for an increase of diversity in the Shred
family. By capitalizing on the growth of the HIIT market, Shred can increase their customer base and grow the Shred family.

**Madison: An Active Community for Potential Shredders**

Madison, WI is the next logical move for Shred415 to expand. Madison provides the ideal clientele Shred415 is looking for. The people of Madison show they are willing to spend a large amount on gym memberships, as Mint.com (owned by Intuit) places them in the top 15 cities for gym spending with an average $95.33 spent on gym memberships. This wealthy clientele can be found more specifically in the Shorewood Hills neighborhood of Madison, WI which city-data.com says has over 50% females and about 78% families. Females and families dominate the current Shred415 demographic, as both take advantage of Shred415 day care facilities.

These Madison and Shorewood Hills residents match the demographic perfectly, but most importantly are focused on fitness and health. Livability.com has ranked Madison, WI as the 3rd healthiest place to live due to its highly active citizens and its variety in recreational activities and events. Events such as the Her Half Marathon and Well Expo; an event that supports a good cause while supporting healthy Madison women. Madison’s residents have a lot to offer the Shred415 family, but Madison the city has a lot to offer Shred415 with its only High Intensity Interval Training gym being Orangetheory, a gym without day care. Along with the fact that Madison, WI’s distance from Shred’s Chicago headquarters is only about 147 miles away, allowing shred415 to continue its organic growth throughout the Midwest. Madison, WI is the next ideal expansion for Shred415 to realize maximum success.
Expanding the Shred415 Brand

Capitalize on Social Media Marketing

In order to successfully launch the first gym in Madison, Wisconsin, Shred415 will want the Madison people to already be familiar with the Shred415 brand. As a general trend in social media, Instagram is growing more quickly than all of its competitors, and Twitter/Pinterest are growing more quickly than Facebook. Shred415 has a loyal and active Instagram following, and in Madison, Twitter is particularly influential. Times Higher Education ranked the University of Wisconsin - Madison the second most influential University on Twitter. Shred415 should continue with its Facebook marketing, but moving forward in Madison, put an emphasis on marketing through Instagram and Twitter.

Incentivize Connecting with Shred415

To ensure the success of social Shred415’s social media influence on Madison, it can incentivize connecting with Shred415 on Twitter/Instagram/Facebook. Anyone in
Madison who connects with Shred415 before the first gym is launched has the chance to receive periodic discounts ranging from 5-20% posted on social media. These benefits will be advertised to consumers at the Well Expo and Her Half Marathon, where Shred415 has the opportunity to further market its brand in person.

Shred415 Instagram, Twitter, Facebook, Youtube, Pinterest.

**Figure 4: Concentrate on Facebook/Instagram/Twitter**

### Give the People What They Want

It is necessary that Shred415 gains exposure in Madison, and introduces the brand to the Madison people. The Madison location should not only be well branded throughout the city, but also full on the first day. The best way for Shred415 to spread its name throughout Madison to its target demographic is through two separate events. Rather than sponsoring Shred415’s own event, it can decrease costs through advertising at preexisting event with a strong crowd. Shred415 should rent a space to advertise at both the Madison Well Fitness Expo and the Madison based Her Half Marathon. These two events perfectly capture the Shred415 target demographic of fit women, but also allow Shred415 to immerse itself within the Madison culture to get a better understanding of what they are like, and giving them a chance to get to know Shred415.

While at these two Madison based events, Shred415’s advertising strategies need to send the right message to the attendants of the events. By the end of the events we expect the Madison people to have a good idea about what Shred415 does and what differentiates it from a normal gym. We expect the Madison residents to leave this event understanding these key points about Shred415.

- What High Intensity Interval Training is
- Shred415 is a family
• Shred415 is coming to Madison and it is time to get on board
• Shredding is fun
• Shred415 has day care services
• Shred415 shows results.

**Takeaways**

At both events Shred415 will have a space designated to them that is 10’ by 10’ allowing the fit of one Woodway treadmill, lifting equipment, and a table with two chairs that are given by both events after the purchase of an expo spot. In order to show the event goers what Shred415 really does in their classes, one of the people working for shred415 at the event will be demonstrating one of the 15 minute intervals while the other two people sit at the table discussing what else Shred415 has to offer them and how to get involved. Every 15 minute the three workers chosen to run the event for Shred415 will be alternating from their position. Preferably Bonnie and Tracey will make up two of the workers chosen to represent Shred415 at this crucial time period of building credibility amongst the Madison people.

The two members working the desk will explain when opening day for Shred415 at Madison is and how to sign up mentioning the pre-sale option especially, seeing how it is a great way to ensure attendance on opening day. With multiple references to the Shred415 Twitter, Facebook, Instagram, and website, Shred415’s social media presence in Madison will grow while showing the Madison people how fun and exciting this new workout trend can be. A small television will be on the table next to the treadmill showing what a typical Shred415 class might look like as far as size and intensity. Alongside the television will be information regarding, membership packages, discounts, prices, services and most importantly the shredders of the month from the last 3 months. By showing the Shredder of the Month, the Madison people will get a real idea of how much Shred415 cares for its shredders. The Shredder of the Month competition not only shows the tremendous results realized from the HIIT
programs, but also shows that Shred415 is a community of similarly driven individuals who support each other. Finally, Shred415 will offer $5 off of 5 child care visits to emphasize their child services. The event registration for the Well Expo in Madison has a deadline of August 1st for the price of $500 or $575 after the deadline. The Her Half Marathon has pricing of $400 for a single space.

**The Well Expo**

The Well Expo in Madison is the ideal location to have Shred415 advertise its new gym expansion to Madison. The Well Expo not only offers a mass gathering of Shred415’s target demographic but also allows residents to make a direct comparison to other fitness trends available. These Madison residents are passionate and interested in learning about what fitness and health trends are available, if they are attending an expo for health and fitness. Shred415 will be able to capitalize on this passionate group of individuals by showing all that Shred415 has to offer, rather than blindly advertising to the masses. This concept is best construed by Craig Bermon in his Smallbusiness.chron.com article where he says “Reaching a million people is great, but not if only a handful of them fit Shred415’s customer profile. A focused plan that reaches a tiny audience can work out well if they’re all already interested in what you’re selling.” The Well Expo is the perfect opportunity for Shred415 to advertise where it counts, and to become involved with the Madison Community while cutting marketing costs at the same time.
**Her Half Marathon**

The Her Half Marathon and 5k attracted nearly 800 runners in 2015. With this level of participation and the number of spectators, Shred415 could have a significant marketing push, aimed directly at their target market. By marketing and having a presence at a female oriented event with a fitness conscious population, where over a 1000 people are in attendance, we can align our marketing outreach directly in front of potential consumers. One of the ways Shred415 can market themselves is by having a booth at the event’s expo before the actual race. At the expo, we can demonstrate to consumers what our business is all about. Using a double tent (~$800) we can put a mock class in place. We would put treadmills and weights in a mock setup, and can allow the racers to test out our equipment and go over what a typical class is like. By making the tent a virtual setup of the class, and by allowing interaction, consumers will understand the value proposition of Shred415.

**Child Care is the Edge**

In Madison, there is little competition in the high intensity interval gym industry. However, Orange Theory, a major national competitor is present in Madison. Orange Theory’s main workout programs also include high intensity interval training classes taught by personal trainers. Due to Orange Theory’s Madison presence, it is pertinent that Shred415 emphasizes its competitive advantage – daycare. The average cost of a babysitter in the United States is $16 per hour (Lewis). Shred offers child care per session of $6, $10 less than the national average (Shred415). Daycare is important to emphasize in regard to the shredder experience, because it not only differentiates Shred415 from other competitors, but also allows the attraction of new customers in the industry. The new customers could include new mothers, women with children, and families in general. Valerie Applebaum of ideafit.com published an article and said
“Savvy consumers choose health clubs that cater to their children as well as to themselves, making it easier to integrate exercise into their lives. When parents are happy, they will continue renewing their memberships and will recommend your club to their friends. Increased membership and increased positive word of mouth equal increased profits. And that makes everyone happy.” Applebaum’s statement shows how impacting having childcare can be for a gym’s profits, but more importantly shows how a successful daycare service at one’s gym has the potential to increase customer retention and attract new customers at a rapid rate. Therefore, emphasizing the daycare services will allow for an even quicker growth of Shred415’s customer base in Madison, WI.

**An Army of Advertisers**

Shred 415 will hand out wristbands to potential customers that attend the Her Half Marathon and the Well Expo. Rubber bracelets are great marketing pieces for companies and businesses because they have a low cost, are popular, and raise awareness when someone notices the wristband. Rubber bracelets are designable, colorful, and extremely easy and comfortable to wear (“Custom Rubber”). When people wear rubber bracelets, they feel involved and part of a trend or cause (“Custom Rubber”). The first session attended with a rubber bracelet will be discounted. This will help with marketing more than a flier or a sheet of paper.

![Figure 5: Low Cost Brand Promotion](image)

When customized, the bracelets are less than a dollar each to purchase. The average cost will be anywhere from $0.65 to $0.85 per wristband. The wristbands are ordered in quantities of 100. If Shred415 does not hand out all of the wristbands, they can give wristbands to loyal customers for a discounted session (“Design”). Compared to T-
Shirts, wristbands are cheaper and more economical for a handout trial than a dry-fit or workout t-shirt. The Discounted sessions will be reported in an attendance book or file. The wristbands will be handed out if a person demonstrates the HIIT trial and or is extremely interested in Shred415 at the events.

**Keeping in Touch**

**Communication is Key**

Shred415 will have a system operations procedure, similar to the procedures of the St. Louis branch. The system operations procedures will include specifics such as payroll, sales, opening the gym, the class type and routine, and the teaching of the class. It will also be detailed enough to have the studio operate independently without a direct manager. The McDonald’s Process is an example of how opening a second branch should not mean doubling the amount of work for the manager. The McDonald’s process means each branch of McDonald’s is very similar even though they are under completely different management. Shred415 will hire a tax firm to or an accountant to handle the lease, payroll, and revenue etc. There will be a regional manager that can handle the area that can receive a bonus if the studio does well in the area (Fox). Hiring the trainers for the new Shred415 in the Madison area should have the similar or better requirements that Bonnie and Tracy require.

**Connecting Through the Cloud**

Shred415 Trainers will keep a log of the number of classes they teach per day/week, along with the attendance per class. For the owners of Shred415, they will set up a cloud communication system that allows them to login and check the status of their classes and overall business throughout the week. Easy cloud communication includes Google documents, but a more secure and more reliable product is the Sales Cloud from SalesForce (Dahl). This product allows the employer and employees to share information and financial accounts from business to business and keep up to date with goals, marketing charts, notes, and day-to-day operations and progress. This is a cloud program, so information can be shared from all of the studios so Bonnie and Tracy can
manage from one area (SalesForce). Communication is vital, the best way to keep up with a business that is a distance away is to set up weekly meetings and keep in touch with progress. This can be done through video communication over the Internet simulating a face-to-face meeting, or simply over the phone. Also it is critical that each site is open to phone calls and email every day in case if something important occurs. Inc.com states that management staff should visit the Madison studio at least once a month on a scheduled basis to keep operations on track (Dahl).

Profit

Assuming a minimum 20% success rate with bracelet coupons at each expo (Surfexpo)

Assuming 3,200 attendees at the Her Half Marathon (Her Half Marathon)
Assuming 10,456 Attendees at the Well Expo (Mononaterrace)
Assuming an Average Family size of 4 (Pew Research Center)
Assuming 50% of those who use bracelets also signed up for pre sale (Forbes)

<table>
<thead>
<tr>
<th></th>
<th>$125.00 per Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-sales</td>
<td></td>
</tr>
<tr>
<td>Pre-Sale Total Profit (Her ½ Marathon)</td>
<td>$40,000.00</td>
</tr>
<tr>
<td>Pre-Sale Total Profit (Well Expo)</td>
<td>$130,700.00</td>
</tr>
</tbody>
</table>

Assuming Eventual Success after a year and even profits across all current seven gyms
Assuming maximum sales of gym memberships and Waitlists

<table>
<thead>
<tr>
<th></th>
<th>$362,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gym Profit</td>
<td></td>
</tr>
</tbody>
</table>

Implementation

Implementation of a new branch for Madison will take time. Estimations, conservatively, put full implementation and startup at 10-15 months. This can be broken down by broad steps. From acceptance of the idea, Shred415 will then look for a building or studio to locate to. Between finding a suitable location, in a
neighborhood with the right demographics, and signing a lease or purchasing, this process will take around three months. Upon finding a place to set up shop, Shred415 will then begin the process of transforming the acquired space into a fitness studio. This 6-9 month process (Shred415 Q&A) will be where equipment is purchased, and the business is set up. Additionally, given that Madison is an uncharted area for Shred, we believe it will take longer than usual to acquire trainers and childcare supervision that matches or exceeds the Shred standard. This is estimated to take an additional month or two. Luckily, Shred415 has experience in expansion projects and we expect the process to go smoothly.

### Figure 6: Easy Steps of Implementation

<table>
<thead>
<tr>
<th>After 2 Months</th>
<th>After 6 Months</th>
<th>After 8 Months</th>
<th>After 8 Months</th>
<th>After 9 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Find a Building suitable for a Shred415 Studio</td>
<td>Sign Lease and Start Ordering Equipment</td>
<td>Search for Trainers and Childcare Specialists</td>
<td>Train Trainers and Childcare Specialists</td>
<td>Set up &amp; Test cloud system for efficient communication</td>
</tr>
<tr>
<td>Begin Social Media Discount Specials</td>
<td>Spread the word to trainers in the area looking for jobs</td>
<td>Well Expo Signed Up for and attended</td>
<td>Her Half Marathon Signed up for and Attended</td>
<td>Get Excited for Opening Day</td>
</tr>
<tr>
<td><em>After- Since Project Madison Approval</em></td>
<td><em>Must Be Done in January</em></td>
<td><em>Must be done in June</em></td>
<td></td>
<td>Additional Word of Mouth Advertising via Madison Forums and Media</td>
</tr>
</tbody>
</table>

*Figure 6: Easy Steps of Implementation*
The Madison Formula

The Madison Project allows Shred415 to organically grow throughout the Midwest in an ideal location. With a growing fitness industry and a growing brand, Shred415 should expand to capitalize on the growth. Madison, WI is the best location because of its Midwest location, and its uniqueness as a city of healthy and active residents. The Madison Project gives Shred415 the tools it needs to ensure success with the expansion into Madison. By integrating Shred415 marketing efforts with events held in Madison, Shred415 is becoming more known and appealing as a gym to the Madison residents. The Madison Project allows for Shred415 to really connect with its potential “shredders” in Madison directly by immersing itself in their lives through various events. The strategy that The Madison Project entails can be used for future endeavors as well, paving the path to an eventually successful national expansion of Shred415 and its brand. The Madison Project is just one step in realizing the true potential of the Shred415 family.
Appendix A: SWOT Analysis Pre-Implementation

**Strengths**

- World Class Trainers
- Strong Media Presence
- Loyal Client Basis
- High Quality Equipment

**Weaknesses**

- Local only to Chicago
- High Intensity business model could scare off more casual customers
- Limited Brand
- No Open Gym Times

**Opportunities**

- Fits easy into busy schedule
- Increase in health consciousness
- HIIT is growing and very popular
- Social connection in gym, especially in a boutique gym environment

**Threats**

- In-home workouts, P-90X
- Larger gyms with similar classes at a lower cost
- Membership plans are more limited in scope

Source: Micheli, Roemer
Appendix B: SWOT Analysis Post-Implementation

**Strengths**
- New HIIT gym without many competitors in the same field
- New shredder community in the Midwest
- Young and health conscious

**Weaknesses**
- High intensity business model could scare off more casual customers
- No open gym times
- Increased communication difficulty

**Opportunities**
- New market open for Madison area
- Expansion through marketing and clientele
- Possible further expansion with success in Madison and the Midwest

**Threats**
- Other boutique gyms and niches in the same area
- Larger gyms with lower membership costs (Planet Fitness)
- People not willing to pay for the HIIT experience
Appendix C: Sample Expo Presence

Entire space has 10’x10’ dimensions

1. Table that will hold sign-up forms, fliers describing our childcare promotion program, bracelets, and select Shred415 merchandise.

2. Chairs where Shred415 trainers will sit and wait for interested potential customers.

3. Woodway treadmill, identical to the type used in Shred415 facilities.

This layout for expos will promote an interactive atmosphere that will differentiate Shred415 from other exhibitions at the expo.


