SHRED415
VIRTUAL STUDIO

REVOLUTIONIZING FITNESS
SHRED415
VIRTUAL STUDIO

Revolutionizing Fitness

PRESENTED TO
Tracy Roemer
Bonnie Micheli

Founders
Shred415

PRESENTED BY
By Design Consulting

Bryn Birchler
Michael Chacon
Mark Kosoy
Alex Li
Bryce Malagari
Kyle Roark

November 18, 2015
November 18, 2015

Bonnie Micheli and Tracy Roemer
Shred415
2156 N Clybourn Ave.
Chicago, IL 60614

Dear Mrs. Micheli and Mrs. Roemer,

As members of By Design Consulting, we would like to thank you for the opportunity to help Shred415 differentiate itself within the growing boutique fitness industry. We are pleased to present you with the enclosed proposal on the creation of the Virtual Studio program. We understand that as the founders of a very successful chain of fitness studios, you are very busy and we would like to thank you for taking the time to review our proposal.

We know that you are seeking ways to expand Shred415. Our proposal aims to create a more engaging atmosphere for Shredders while also attracting a wider consumer base. Our idea involves making changes to the existing Shred415 app in order to create a new system we call the Virtual Studio. This will help to create a personalized online community for customers who use Shred415 everywhere.

One of the main components of our recommendation is that Shred415 partner with a company called Validic, a healthcare data aggregation company. Shredders will experience Shred415 at a more personal level through this data collection process. Being able to share their achievements and goals will allow customers to experience a sense of camaraderie they cannot find at any other gym.

We hope that you find the following report useful and look forward to hearing your comments regarding the program. If you have any questions or require further information, you can reach us by email at bebirchl@indiana.edu or by phone at (317) 358-6404.

Sincerely,

Bryn Birchler      Michael Chacon      Mark Kosoy      Alex Li      Bryce Malagari      Kyle Roark
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**Purpose**
The purpose of this report is to demonstrate the benefits of creating a Virtual Studio program that will enhance the Shred415 community.

**Current Situation**
The fitness market in America is experiencing a revolution as a result of changes in the interests of consumers. An increasing number of people are attending classes at boutique fitness studios rather than purchasing memberships at large fitness clubs. This is the outcome of fitness becoming a social activity as boutique fitness studios are specializing in group workouts. This trend appears to be here to stay. Shred415 has been very successful in this market in Chicago and is starting to expand into St. Louis. In order to stay relevant in the boutique fitness market, Shred415 must find a way to differentiate itself from other studios.

**Why the Virtual Studio?**
Just as the boutique fitness market is on the rise, so is the fitness technology market. It is estimated that over 25% of Americans own a type of fitness wearable, and many also have built in apps on their smart phones that track the same fitness data. The number of people with fitness wearables is expected to grow by up to 173% within the next year (CBS News). This growing industry makes it easier for companies like Shred415 to collect massive amounts of data to help its consumers. Shred415 can use this data to create a dynamic system that will help Shredders share their workout progress to enhance its community, which is one of the main appeals of Shred415. The Virtual Studio allows Shredders to connect with each other inside and outside of the gym. They can keep track of their own progress as well as the progress of their fellow Shredders.

**Plan of Action**
The implementation of the Virtual Studio requires two main components: data collection and app development. The data collection process will be done through Validic, a cloud-based data-aggregation company. Validic will allow Shred415 to collect data from different fitness devices that Shredders may use. Once the data is collected from Validic, it can be implemented into the Virtual Studio. Shred415 will need to redesign its current app, which will be relatively simple and cost effective. Once these two tasks are accomplished, Shred415 will be able to develop the Virtual Studio.
In the increasingly popular boutique fitness market, Shred415 must find a way to differentiate itself from the competition. Shred415 can achieve this through looking to increase its use of fitness technologies. The boutique fitness market and the fitness technology market are growing rapidly and provide Shred415 with the opportunity to differentiate itself.
The boutique fitness industry has been experiencing rapid growth over the past several years, with firms like Shred415 facing increased competition as they look to attract new customers. A key challenge that Shred faces today is to figure out ways to make its workouts more engaging and personal for each individual. We propose that Shred415 partner with Validic, a healthcare data aggregation company, in order to collect data from clients during their workouts and use it to help Shredders track their personal goals and achievements.

Additionally, we hope to use this technology to allow Shred415 to strengthen and grow its community by allowing Shredders to share their achievements and connect with each other through the existing mobile application. However, before we give more information on our proposal, first we want to expand on the existing conditions Shred415 faces that led us to this idea.

Figure 2: Virtual Studio Logo
Membership in boutique fitness studios across the country grew more than 16% this past year, while large health clubs grew just 1%. Lately boutique fitness is all the rage, and according to Forbes, mid-tier gyms have been shouldering the burden of this transition in popularity. While large health chains have several benefits over this growing threat such as better amenities and cheaper prices, some of their members are already leaving for smaller gyms (O’Connor). These boutique classes typically incorporate one or two specialized elements such as yoga or spinning. There’s no denying that boutique fitness gyms are more expensive than big box fitness studios. The average gym membership is $57 per month, while a single class at a boutique studio can range from $25 to $40 (CBS News).

The graph on the right is based off data gathered from the Nielsen Global Consumer Exercise Trends Survey of 2014. This graph demonstrates that small group classes and boutique fitness studios are starting to dominate the fitness industry.
However, people who prefer boutique fitness studios enjoy the ability to pay on a class-by-class basis as opposed to paying a monthly fee and only attending a small number of classes (CBS News). Shred415 and other boutique fitness studios offer an unbeatable group experience and atmosphere which simply cannot be recreated at a larger health club. Patrons can receive personal interaction with top-of-the-line trainers, as well as gain a sense of community and togetherness as they shred it up in their workouts together. Fitness is quickly becoming a social scene, and boutique fitness centers such as Shred415 amplify the social aspect of working out (Taylor).
How Does Shred415 Fit In?

Shred415 has found success in the boutique fitness market. It offers an instructor-led, calorie-burning, interval training class that alternates between treadmills and weights. Shred415 currently has seven locations, one in St. Louis and the other six in the Chicago area. Among the locations in Chicago, there are two in the suburbs and five in the city. Each Shred415 location ranges in size from 2,800 to 3,200 square feet with only one studio that includes 15 treadmills and 15 weight decks. The maximum class size is 30 Shredders with two instructors leading the workout. Shred415 currently has 3,000 active members, selling 700 to 800 class packages per month (Shred415).

Figure 5: Shred415 Studio Space 1

Source: Albrite Building
The core demographic that Shred415 attracts is females in the age range from 25 to 50 with disposable income and time. This demographic includes multiple groups of people such as college students, young professionals, and stay-at-home moms. These groups of people tend to care a lot about their personal fitness, and they are willing to devote time and money on it. Besides the regular studio workout, Shred415 also offers four 20-minute, On-The-Go Workouts, allowing Shredders to workout without actually going to the studio. Right now, even though this program cannot generate as much profit as the regular studio workout classes, Shred415 believes that it can help to attract a wider audience and bring significant potential growth to Shred415 in the future (Shred415).
There are many boutique fitness studios in Chicago with new ones opening their doors frequently. Each studio has its own unique aspects, and many of which offer a different way of exercising ranging from bike workouts to yoga. Some of the main competitors for Shred415 in the Chicago area are Body R+D, ENERGi Fitness, Flywheel, and Trainology Fitness (Townsend). However, Shred415’s biggest competitor is Orangetheory. Orangetheory provides a workout solution that is very similar to what Shred415 offers.

One advantage it has over Shred415 is that it is an international franchise, with locations in nearly every state and four different countries. The range of Orangetheory’s operations allows for the benefit of name recognition and word of mouth promotions, something Shred415 does not yet have outside of the Chicago area. Orangetheory has seen success by keeping its studios small and approachable. By doing this, it has been able to create a successful international franchise that still enhances the community aspect of boutique gyms (Joeveer).
In recent years, the fitness wearables market has increased drastically. In early 2015, over 25% of Americans own some sort of fitness wearable (McNew). Recent surveys and studies have shown that many consumers believe monitoring fitness data is just as beneficial as exercise itself. By monitoring their progress, consumers are able to adjust their workouts to better suit their needs. The market for fitness wearables is expected to increase by 173.3% by the end of 2015, selling 72.1 million devices.

It is expected to continue to grow as more companies such as Google and Samsung invest in the wearables market. Research shows that employees increase productivity by as much as 8.5% and job satisfaction by as much as 3.5% when they are wearing fitness technologies, creating a healthier lifestyle for consumers (Bolton). Fitness wearables are becoming more accessible to consumers, not just through cheaper hardware but as apps on people’s smartphones as well.
In 2013, Shred415 began incorporating fitness technology into its studios in order to attract new Shredders and to add a distinction to Shred415 franchises. Shred415 currently implements MyZone heart rate monitor programs in three locations, making it so Shredders can purchase heart rate monitors in order to measure a variety of different vitals and record workout information (Shred415). Shred415’s Lincoln Park location started using these monitors in 2013, and after two years, they have only spread to two other locations. One reason for this lack of distribution is the ratio of costs associated with maintaining the MyZone system compared to how many people are actually using it.

One MyZone heart rate strap would cost a Shredder an upwards of $75, which could have deterred many participants from obtaining one. The heart rate monitors would only display your information and statistics once you show up to the location where you registered it. Shredders cannot use these outside of the studio, which may be seen as an inconvenience. After a period of time, Shred415 saw a decline in the use of the MyZone program by Shredders who no longer had use for them due to the repetitiveness of the information provided. One of the few people who still actively use their heart rate monitor is the COO of Shred415, Matt Micheli (Shred415 Q&A). We propose Shred415 approach the fitness technology idea in a more economical and appealing way.
Facing Adversity

Over the past several years, the boutique fitness industry has experienced tremendous growth. As we mentioned earlier, 42% of all health club members in the U.S. were members of at least one boutique fitness studio, while the industry as a whole had an increase in revenues of 7.4% from 2013 (Garcia). With this level of growth, a major challenge that every fitness studio now faces is the increased level of competition. In 2012, there were over 230 studios offering fitness classes in the Chicago area alone (Sweeny), and with the growth of demand continuing to make this an even more lucrative market, Shred415 should expect competition to continue to increase as well.

While Shred has been able to successfully find its niche in this market, in order to continue expanding regionally and make advances nationally, it needs to look for new ways to differentiate itself from competition. The boutique fitness industry has been able to thrive because it has been able to tap into a significant demand for a more personalized and community-oriented fitness experience as an alternative to the big box gyms that have traditionally dominated the market. Shred415 already does a strong job of inspiring customer loyalty, but in order to grow and expand its slice of the overall market, the firm needs to continue to find innovative ways to better engage clients and build its community to rival those of the market leaders.

Figure 10: Innovative Idea

Source: Ennomotive
As mentioned earlier, the boutique fitness market is booming, and Shred415 is no exception. In fact, Matt Micheli said that the most consistent complaint they receive from customers is that people find it hard to sign up for classes because the demand is so high (Shred415 Q&A). Filling classes and attracting customers is not the issue for Shred415. It is about where it should expand next. Shred415 has many opportunities for expansion. With six locations in the Chicago area and one more in St. Louis, Shred415 is taking the Midwest by storm. Considering how popular its workouts are, it can look to expand nationally and expect positive results. One of the main benefits Shred415 offers is its community-based studio, where Shredders can get to know one another and their instructors as well as feel motivated and better enjoy their workouts.

Figure 11: Current Shred415 Locations
If Shred415 is to expand across the United States, it needs to continue to foster that community of Shredders. Some of its current opportunities are in the online fitness market with its On-The-Go Workout videos. Online fitness is becoming more popular with busy people today who are not able to make it to the gym when they want. They can now follow workouts online on their electronic devices. In an article predicting the top ten fitness trends of 2014, gyms going digital was ranked number one (Smith). Expanding through technology will give Shred415 the advantage over other boutique gyms by allowing customers across the country to get a feel for its workouts and learn the name of Shred415. When it does choose to expand brick-and-mortar stores, people across the U.S. will already know who Shred415 is and feel like a part of the Shred415 community.

*Figure 12: Possible Shred415 Locations*
Through the implementation of a Virtual Studio program Shred415 will be able to leap ahead of the competition. The Virtual Studio program will be achieved through a partnership with a data aggregation company and a redesigned section of Shred415’s current mobile application. The combination of technology and fitness will help enhance Shred415’s user community.
After examining Shred415’s current position in the boutique fitness industry, our team decided that the best way to stay ahead of the market and compete for new clients is to implement the Shred415 Virtual Studio program. The Virtual Studio program will keep Shred415 on the cutting edge of fitness technology by collecting data such as heart rate, step count, distance run and many other pieces of information during Shred415 classes and present them back to clients in ways that will enhance the Shred415 experience. Through this program, Shredders will be able to set concrete goals for themselves and track their own progress over time.

Trainers will also be able to have quick access to each of their client’s fitness levels and better serve their specific needs to create a more personalized workout experience. Additionally, through a redesigned Shred415 app, Shredders will have the option of connecting with each other, which will give them the opportunity to share their achievements, see what classes their friends are attending, and communicate outside of the physical studios. This will help strengthen ties between members of the Shred415 community, which will not only increase participation in classes, but also attract new clients to Shred.
Keeping Costs Low

This program will not only greatly improve the overall Shred415 brand and experience, but it will be affordable to Shredders and relatively inexpensive to implement. Unlike previous attempts to implement virtual fitness technology into Shred415 studios, the Virtual Studio program will allow clients to access everything they need to participate in this initiative through fitness devices and smartphones that most of them already own. This will mean that Shredders will not have to pay a steep initial cost to participate. We propose that Shred415 offers a basic version of this program available to all Shredders at no additional cost and a premium version available at $25 a year.

The premium version will collect a greater amount of data during workouts and include appointments with trainers to review and make personalized recommendations based on the data in a one-on-one environment. The premium version of the Virtual Studio will also include access to the On-the-Go program videos that Shred415 already offers. The basic version will allow clients to try out the benefits of incorporating virtual fitness tracking into their workouts in a more limited scope and give access to the new community portion of the Shred415 app. The revenues generated from the fees of the premium version will help keep the costs of operating this program low, while the low price point will insure that this program remains accessible to all clients.

Figure 15: Virtual Studio Plans
Nowadays, the world is constantly evolving due to the exponential growth of available technology. This growth is partially due to the rise in use of social media. The existence of social media brings people from across the world closer together by building a stronger connection between them. People love to be connected to those around them and keep others updated on their own lives. The Virtual Studio program connects nationwide Shredders by allowing them to share their workout data. In this way, Shredders will no longer feel like they are working out alone; instead, they can share their achievements with their friends as well as the larger Shred415 community.

Shredders will be able to be involved in their communities by uploading their workout data or sharing the accomplishments of their daily personal goals. In this environment, Shredders will motivate each other to achieve higher personal goals and encourage others who are left behind. Through this sense of involvement in a virtual community, Shredders can discover their personal value, build stronger relationships with others, and maintain greater incentive to continue working out with Shred415.
Shred415 also has a very well-designed app that is user friendly. We just require a couple changes to implement the Virtual Studio program. The current Shred415 app already has a link to the Shred415 Facebook page; however, we propose making a social network feature within the app. Through the Virtual Studio section of the redesigned Shred415 app, Shredders will be able to create a dynamic workout community with fellow members. Shredders can share workout data, fitness goals, and personal improvement with other members of the Shred415 community. They can also use this app to connect with other members who enjoy doing similar workouts outside of the gym, further enhancing the Shred415 community.

The logos above are all logos of possible Chicago-based companies Shred415 could hire to develop the Virtual Studio section of the app. In order from left to right the companies are; Eight Bit Studios, Digital Management, Inc., and ethervision.
People love the community Shred415 has created within its studios and this app allows Shredders to continue to have the community aspect even if they cannot make it into the gym. The development of the Virtual Studio section of the Shred415 app will be one of the highest costs of the Virtual Studio program. Through the use of a dynamic system, the Virtual Studio App will increase the community feel of Shred415 and enhance the overall Shred415 experience.
For the Virtual Studio program to work, Shred415 must find an effective way to gather large amounts of data from their Shredders when they are in and out of the gym. This can be done through a company called Validic. Validic is a cloud-based data aggregation company that specializes in fitness technologies. Validic can collect a variety of data from the devices of the users. Validic can pull any type of data that fitness technologies collect. This can range from duration of workout to calories burned and much more. From here Shred415 can put user data into the virtual community app database. Validic must receive permission from users to share data with Shred415, therefore addressing the privacy issue of sharing health and fitness data.
One of the main benefits from using Validic is that Shredders can use their own fitness devices. This can include any Fitbit device and even includes some of the pre-existing fitness apps built into smartphones. Validic can integrate with over 200 different fitness devices, making this program very accessible to a large demographic. The cost of using Validic is relatively low, at just cents per user. Validic is a reliable and cost effective way to gather large amounts of data for the Virtual Studio program. (Validic.com)

*Figure 22: Validic Compatible Devices*

*Source: Validic*
In order to give a better understanding of how the Virtual Studio program works, we are going to give a brief overview of an average Shredder using the Virtual Studio app. Let’s assume that John is a current member of Shred415. One day John hears about the Shred415 Virtual Studio from a trainer at the studio and decides to download the app to his phone. Upon registering for the Virtual Studio program, John also registers the FitBit he got a couple months ago. When John opens the Shred415 app on his phone, he navigates to the newly developed “Community” section. John begins to set his personal fitness goals within his Virtual Studio profile. He decides he wants to test out this new program so he puts on his FitBit and heads over to his local Shred415 studio.

* Potential plan for marketing the Virtual Studio to Shredders is in Appendix E.
While at the studio John meets his friend, Sarah. Once he finishes his workout at the studio he posts his results to his Virtual Studio profile and connects with his friend Sarah. John is able to see the progress and goals of Sarah and everyone else that has a public profile. He can see who does similar workouts as him and can make more connections throughout the Shred415 Community. With the new connections he has made, John can find people to workout with in the Shred415 studios or can find people to workout with outside the studio. John can continue to track his workouts and goals inside and outside the gym while also growing his own Shred415 community. After a couple weeks John decides to take advantage of the premium version of the Virtual Studio app and meets with a trainer for a consultation about his workout habits. The Virtual Studio program allows John to feel like he is part of the Shred415 family.
Shred415 currently appeals to and targets women in their mid-20’s to their late-40’s who are part of the upper-middle class (Shred415 Q&A). Shred415 is open to everyone, but women make up most of its consumer base and overall demographic. The primarily reason for this is that the founders, Tracy Roemer and Bonnie Micheli, fall into this demographic. By incorporating fitness technology into their studios and workouts, Shred415 can succeed in attracting a younger demographic while enhancing the experience of current Shredders. Allowing people to use their own devices to stay connected through the use of the Virtual Studio is very attractive to a younger demographic.

The community created by the Virtual Studio will appeal to a younger demographic in an ever increasing world of social media usage. Social media has become very popular very quickly, with more than 76% of women using social networking sites, and about 89% of people aged 18-29 using a social network. “As of January, 74% of online adults use social networking sites,” (Pew Research Center). By implementing the Virtual Studio, Shred415 will be creating a community for it’s Shredders and tap into the potential market for a younger demographic.

The image to the right shows Shred415’s current demographic. By implementing the Virtual Studio program Shred415 will be able to continue to attract its current demographic while also diversifying the Shredder population.

Source: User Report
The Virtual Studio Program will help to propel Shred415 to the forefront of the boutique fitness scene. There is an enormous amount of potential which arises from the implementation of a program such as this. Besides simply differentiating itself from other boutique fitness gyms, Shred415's biggest advantage is increased exposure to an online customer base as well as the creation of a community for clients. The value of an online community is something which cannot be overstated. Shredders all over the country will be able to communicate with one another and help spread the word about the benefits Shred415 can offer its clients.

The $25 premium version of the program will also bring in revenue which will help Shred415 expand its business. All of this can lead to expansion which is vital to the continued success of Shred415. As previously stated, customers’ biggest complaints about Shred415 are that they have a difficult time finding open classes. By analyzing the geographic locations of Shredders who use the Virtual Studio program, Shred415 could find an area where it would best suit them to put a new location, anywhere in the country.

*Figure 26: Possible Expansion Based on App Usage*
One of the biggest benefits of the Virtual Studio program is that it will drive growth and differentiate Shred415 from other gyms. Even with conservative estimates, the program should begin paying for itself and generating revenues within a few years. To calculate revenues we used a price of $25 per customer as a membership fee for the premium version of the program. We made the assumption that Shred415’s membership will grow by 5% a year, while estimating that current membership is around 3,000 people. To account for the costs of Validic, we found that the cost per customer per month is between 15-20 cents (Validic).

We took the median of this cost which is 17.5 cents. Using this cost and the 5% growth rate for membership, we came up with the annual cost of using Validic. The virtual fitness program will also include a substantial addition to the current Shred415 app. We based our calculations off of a recent survey that found the development of an app costs an average of $6,453 (TechCrunch). Figure 27 is based on the conservative assumption that only 10% of customers pay for the premium version, with that percentage increasing by 5% each year. Under these parameters, this program will operate under a slight loss for the first year.

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<td>$9,591.75</td>
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Once the one-time cost of app development disappears, this program will quickly begin to generate profit. Figure 28 operates under the assumption that 30% of customers pay for the premium plan. Under this expectation the program will begin to immediately generate a profit and after 3 years, it should generate over $50,000 in profits.

There is also the option to hire specialized trainers to analyze the data gathered from Shredders’ fitness wearables. This is not a necessary component of the program, but could be useful. We go into further analysis on the costs of hiring trainers in Appendix D.*

* Financial analysis for hiring additional trainers in Appendix D

* These numbers can be adjusted by Shred415 to adjust for the actual membership level and growth rates.
<table>
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*Explanation for these figures in Appendix C*
In implementing the Virtual Studio, Shred415 will have to add a new section to its mobile app called “Community.” Since Shred415 already has a mobile app, it won’t take much time to renovate, as most of the back end work is already completed. The technical aspect will need little to no tweaking, while most of the work will be done with the design and user interface. The front end of the app will be the hub of the new Shred415 online community, providing a social media-like atmosphere where users can post their workout data and get in touch with other Shredders.

Developing the front end of an app will take approximately eight weeks (Kinvey). As soon as the app has been redesigned, Shred415 can implement Validic, which will take about ten weeks to fully implement (Validic). Once the Validic system is functional, Shred will have to market its newest feature in its studios, which we estimate will take about one month and is described further in Appendix E. Overall, it will take about 14 to 22 weeks to implement and market the Virtual Studio.

*Figure 29: Implementation Timeline*
A New Age for Shred415

The boutique fitness market is rapidly growing in the United States. Consumers have started to migrate towards these types of studios because of the engaging atmosphere they offer. Shred415 excels in this market as it already creates a strong sense of community which can be enhanced with the addition of the Virtual Studio program, bringing in new Shredders and increasing the interest of current customers. The similarities of the community section of the app to social media will bring in a younger demographic. Customers will have the ability to track their own workout data and stay connected to their friends. By tracking their workouts, Shredders will have a new source of motivation, further inspiring them to stay fit. By creating a Virtual Studio people will be able to workout and stay connected in and out of the gym. With the combination of the Virtual Studio program and Shred415’s current On-the-Go Workouts people can take advantage of what Shred415 has to offer across the country and based on the data it gathers, Shred415 can analyze potential markets for the expansion of its brick-and-mortar stores. The Virtual Studio program will engage consumers across the country to help Shred415 reach its max!
Appendix A
SWOT Analysis Pre-Implementation

Before the Virtual Studio

**Strengths**
- Strong brand presence
- Loyal customer base
- High-Intensity Interval Training
- High quality trainers
- Strong community

**Weaknesses**
- Only located in two midwestern states
- Narrow focus workout
- Small demographic
- Overcrowded classes
- Low use of technology

**Opportunities**
- Expansion into new locations
- Expansion into emerging markets
- Increasing On-the-Go participation
- Get involved in fitness technology market

**Threats**
- Rise in number of boutique fitness studios
- Competition from Orangetheory
## After the Virtual Studio

**Strengths**
- Expanded Shred415 community
- Data tracking capabilities
- More loyal customer base
- Personalized workout environment
- Ability to see possibility of expansion

**Weaknesses**
- Users must supply their own fitness devices
- Possibility of overcrowding
- Higher administrative costs

**Opportunities**
- Ability to see opportunities for expansion of brick-and-mortar stores
- Increase diversity of customers
- Expand further into the online fitness market

**Threats**
- Still many boutique fitness studios in Chicago and St. Louis
- Online fitness competitors
- Lack of capacity to handle large amounts of data
Best
We believe that the best case scenario for the Virtual Studio is that 30% of Shredders sign up for the paid $25 premium version within the first year, and that 40% are members by the third year of the program. Under these circumstances, the Virtual Studio should be generating $56,000 of additional revenue after including the annual cost of operations. As this program continues to grow, these revenues are expected to grow as well. We believe that the main benefits of this program will not be the additional revenue that it directly generates, but the new clients that it attracts. The best case scenario that we can see in regards to these benefits is that the number of new clients that Shred415 attracts on a yearly basis increases by 10% after the second year when this program is well established and becoming well known. Additionally, the community aspect of the Virtual Studio should further increase loyalty to the Shred415 brand, which is a benefit that cannot be quantified but is still crucial in an industry with so much competition.

Base
We believe that the base case scenario for the Virtual Studio is that 10% of Shredders sign up for the premium version within the first year, and that this number grows to 20% by the third year. In this scenario, the program will operate at a loss for the first year but will have generated almost $10,000 in additional revenue by the end of the third year. In this case, clients are taking part in the program, but it is taking time to attract a significant percentage of Shredders. However, the Virtual Studio is still driving additional revenue and growing the Shred415 community. Demand for classes is increasing, and Shred415 is seeing new clients turn to it from other gyms. In this scenario, the number of new clients increases by 5% over the usual growth after the second year.

Worst
We believe that the worst case scenario for the Virtual Studio to be that only 5% of Shredders sign up for premium version within the first year and that this number does not increase by much. In this scenario, the majority of clients are not interested in using virtual fitness in their workouts and do not take advantage of the new community features on the app. The small number that do take part will cover the costs of the program and after a few years the partnership with Validic would be discontinued, although the new features that allow Shredders to connect will stay. Based on our research, we believe that this scenario is extremely unlikely and would go against current trends in the boutique fitness market.
Hiring Trainers

We have considered the possibility of hiring new trainers to work specifically with the data received from Validic. Given the added cost and complex nature of doing this, we decided to include it as an option, rather than a necessity for the Virtual Studio program.

We see two choices for Shred415 to use the data obtained from Validic: 1) Shred415 hires new employees who are specifically in charge of looking at data and going over it with its clients or 2) teaching the current Shred415 trainers to understand the data and use it with customers in their classes.

The main benefit of choice number one is that Shred415 could find people who are already good at interpreting fitness data and hire them as consultants for Shredders. There would be minimal training involved and Shred415 wouldn’t have to worry about giving the current trainers more work than they already have. The downside to this would be the added cost of hiring new employees which would run at a cost of about $30 per hour per consultant (Glassdoor.com).

For option number two, Shred415 can choose to have all of its trainers or a select group at each location become consultants for Shredders. It could assign certain members of Shred415 to trainers, which would increase the community aspect and clients would feel comfortable having a person at Shred415 who knows their name, workout habits, medical conditions, etc. Unlike option number one, not every trainer would be comfortable interpreting data right off the bat so additional training would be necessary. There would also be an added cost of paying trainers for the extra work they are doing besides teaching classes.

Both of these options include an increased cost for Shred415, though if it were willing to fund the idea, we believe both would be effective ways to further the Virtual Studio program.
Appendix E
Marketing Plan

How to Market the Virtual Studio
We know that Shred415 does not currently spend a lot of money on marketing and does most of its promotion through social media and word-of-mouth. Keeping with that, we suggest Shred415 promote the Virtual Studio through posters at its different locations, posting on social media, and word of mouth. This can be done by encouraging trainers to mention the Virtual Studio program at the end of each session. We’ve included a mock poster design of how this could look in-studio.

Figure 31: Shred415 Virtual Studio Poster
Works Cited


“Shred415/EY Q&A.” Personal interview. 6 Oct. 2015.


RSS. Eight Bit Studios, n.d. Web. 05 Nov. 2015.


Works Consulted


Works Consulted


Works Consulted


