

# Worksheets

from

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*Connected Strategy*

(HBR Press, 2019)

# Overview

- *The fitness industry is going through a transformation driven by a combination of changing habits and technology*
- *Consumers, especially millennials, are increasingly focused on health & exercise as a part of their overall wellbeing and are willing to spend significant portions of their disposable income on staying fit*
- *With the rise of social media, fitness regimens are now something to be shared, with achievements to be celebrated and competition to be encouraged*
- *At the same time, technology, especially in the form of wearables, is providing consumers with more data on their bodies than ever before, a source that has yet to be tapped by most major fitness companies*
- *Innovations in fitness has come thus far in a few forms*
  1. *Signature workouts e.g., spinning (SoulCycle, Flywheel), hot yoga (CorePower), HIIT (Barry's, CrossFit) provided through their own facilities. Emphasis on building community of believers*
  2. *At-home connected devices e.g., Peloton, Tonal, Mirror - hardware that leverages technology to connect consumers to live instructors and other exercisers without the need to attend a class*
  3. *Tracking apps e.g., Strava - allows users to build and track their own fitness regimen as well as connect with friends and compete*
  4. *Virtual classes e.g., Aaptiv - provides live workouts without the hardware/ physical locations. Offers low cost, convenience relative to 1) and 2)*
  5. *Boutique gyms e.g., Equinox - enhance the traditional fitness club experience with best-in-class facilities, activity-tracking app and signature boutique classes*

*ALITE Fitness - [will come up with a name]*

*ALITE Fitness is a nationwide chain of health clubs. Each club typically has facilities such as cardio machines and weights along with a number of instructor-led classes. Most locations also offer additional services e.g., personal training and some have additional facilities e.g., spa, steam room, pool, etc.*

*ALITE Fitness charges a monthly subscription fee of \$60 a month. In the past, the gym made money based on a small number of active users within a wider subscriber base. However, as competition starts to grow, ALITE must increase its customer engagement to keep its subscribers from leaving. The firm has recently renovated many locations with new equipment and has launched a new website / app that allows users to log their workouts and book classes. However, the app is not integrated with any other fitness devices e.g., wearables or exercise machines, there are no particular initiatives to connect fellow exercisers and the app has limited relevance outside of the clubs themselves e.g., it is not integrated with customers' overall health regimen*

# Chapter 3

(Rewards of Connected Strategies)

## Step 1: Diagnostic questions concerning your current connections with customers

Questions	Answers
How often do you currently connect to your customers?	<ul style="list-style-type: none"> <li>• <i>High-usage customers (small %): daily / weekly when they use the facilities</i></li> <li>• <i>Low-usage customers (large %): only when payment is collected (automatic, monthly)</i></li> </ul>
What kind of information do you receive about your customers' needs?	<ul style="list-style-type: none"> <li>• <i>Feedback on equipment, condition of facilities (cleanliness, maintenance requests), requests for classes / schedule change</i></li> </ul>
How does information flow from the customer to you? For instance, does the information flow rely on the customer taking the initiative, or does the information flow happen in more a continuous and autonomous manner	<ul style="list-style-type: none"> <li>• <i>No automatic information collected – comment boxes in each gym / one corporate email address for suggestions</i></li> <li>• <i>Users generally provide feedback directly to gym staff</i></li> </ul>
How long does it take for a customer need to reach you?	<ul style="list-style-type: none"> <li>• <i>Feedback takes a long time to be addressed – no regular check-ins and changes take even longer to roll out nationwide</i></li> <li>• <i>Employees do not necessarily pass on feedback to managers / corporate in a systematic way</i></li> </ul>
How long does it take for you to react once you have a customer need?	<ul style="list-style-type: none"> <li>• <i>Depends – local managers are only empowered to respond to certain customer requests</i></li> </ul>
What do you learn each time a customer connects to your firm? How are you integrating these episodic interactions into a single connected experience for your customers?	<ul style="list-style-type: none"> <li>• <i>Feedback and how we respond (action taken, speed, communications) is not tracked systematically e.g., we cannot say we have addressed X% of suggestions / complaints in the last month</i></li> </ul>

## Step 2: Brainstorm the effects of a Connected Strategy could have for your organization


Imagine a world in which customers could instantaneously communicate their needs to you. You are by their side as they go through life, anytime and anywhere. How would this increase in connectivity allow you to improve how you serve your customers? More specifically:

Questions	Answers
How could you use this information to increase the willingness-to-pay of your customers?	<ul style="list-style-type: none"> <li>• Provide personalized class schedules based on customers' requirements (assessment of current weight/ fitness, exercise preferences, time/ location preferences)</li> </ul>
How could you use this information to decrease your fulfilment costs?	<ul style="list-style-type: none"> <li>• Optimize class schedules to ensure maximum utilization of facilities</li> </ul>

Next, imagine a world in which you know a customer need even before the customer knows this need itself.

Questions	Answers
How could you use this information to increase the willingness-to-pay of your customers?	<ul style="list-style-type: none"> <li>• Figure out customers' optimal exercise regime by syncing with fitness devices, calendars, food diary etc.</li> </ul>
How could you use this information to decrease your fulfilment costs?	<ul style="list-style-type: none"> <li>• Automate optimization of schedules for each customer based on a set of parameters</li> </ul>

How much do customers value ability to choose their own adventure vs. having a 'personal trainer in their pocket' telling them what to do?



### Step 3: Start identifying drivers of willingness-to-pay

## Willingness to Pay

**Consumption Utility:** How happy is the customer with the product or service?

**Accessibility:** How easy is it for the customer to get the product or service?

**Cost of Ownership:** How much does it cost for the customer to use and maintain the product?

#### Performance

- High quality equipment
- Clean changing / shower facilities
- High quality instructors
- Sense of community / meet new people

#### Fit

- Types of classes (cardio, weight training, yoga etc.)
- Add-on facilities e.g., spa

#### Location

- Needs to be convenient (near home / work) - mix of high-density urban / suburban locations

#### Timing

- Opening times and schedule of classes need to fit work / school schedules

#### Usage cost over product life

- Fixed cost per month - usage cost decreases per visit if customers engage more

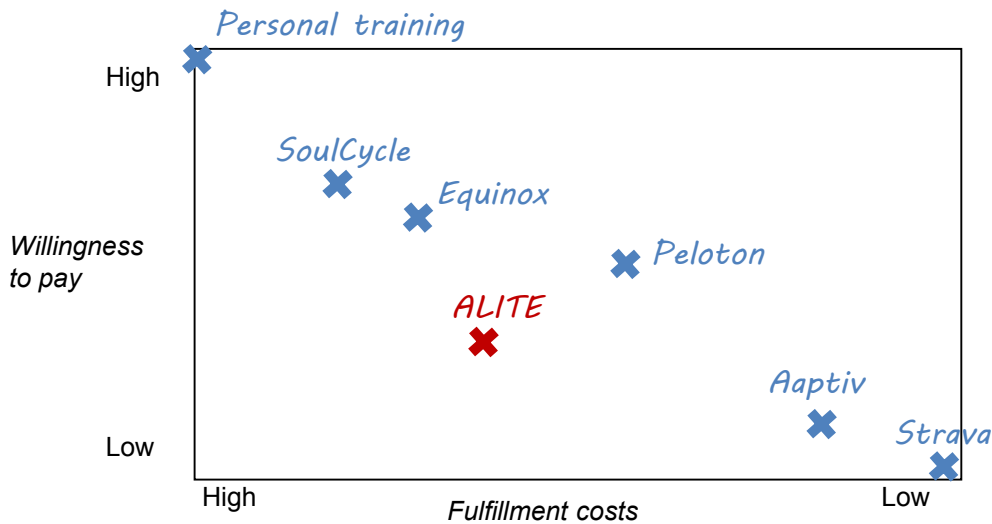
#### Maintenance cost over product life

- n/a

*Why do some people exercise and why do some people not? How do we make it fun / engaging beyond good facilities??*

*Segmentation of needs -> exercise obsessives (self-motivators) vs. situational exercisers (need motivation/ community). Can we cater to all?*

## Step 4: Sketch the efficiency frontier for your industry that reflects the trade-off between willingness-to-pay and fulfillment costs



### Fulfillment costs

Company	Reasoning
Personal training	<ul style="list-style-type: none"> <li>• 1:1 (very limited capacity)</li> </ul>
SoulCycle	<ul style="list-style-type: none"> <li>• Instructors are expensive</li> <li>• Max 40 per class (limited capacity)</li> </ul>
Equinox	<ul style="list-style-type: none"> <li>• High facility fixed costs with high-touch facility maintenance</li> <li>• Instructors must be trained to teach variety of classes</li> </ul>
ALITE	<ul style="list-style-type: none"> <li>• High facility fixed costs and instructor salaries</li> </ul>
Peloton	<ul style="list-style-type: none"> <li>• Instructors have high salaries but <b>unlimited</b> class capacity</li> <li>• Hardware manufacturing and distribution costs</li> </ul>
Aaptiv	<ul style="list-style-type: none"> <li>• Instructors have high salaries but <b>unlimited</b> class capacity</li> </ul>
Strava	<ul style="list-style-type: none"> <li>• Low touch - mainly tech / eng. costs</li> </ul>

### Willingness To Pay

Company	Reasoning
Personal training (\$100/session)	<ul style="list-style-type: none"> <li>• 1:1 attention, full customization</li> </ul>
SoulCycle (\$40/session)	<ul style="list-style-type: none"> <li>• Fun engaging classes, sense of community</li> <li>• Intense - maximize calorie burn</li> <li>• High quality instructors</li> </ul>
Equinox (\$200/m)	<ul style="list-style-type: none"> <li>• High quality facilities</li> <li>• Flexible &amp; varied class schedule</li> </ul>
Peloton (\$40/m + hardware (\$2-4k))	<ul style="list-style-type: none"> <li>• High quality instructors / classes</li> <li>• Competitive feel of a class mixed with at-home convenience</li> </ul>
ALITE (\$60/m)	<ul style="list-style-type: none"> <li>• Standard facilities, convenient locations</li> <li>• Quality of classes mixed</li> </ul>
Aaptiv (\$15/m)	<ul style="list-style-type: none"> <li>• Convenient and on-the-go</li> <li>• No access to equipment limits types of exercises</li> </ul>
Strava (\$8/m)	<ul style="list-style-type: none"> <li>• Simple tracking - relies on self-motivation to build and follow plan</li> </ul>

## Step 4: Sketch the efficiency frontier for your industry that reflects the trade-off between willingness-to-pay and fulfillment costs

Questions	Answers
Where are you relative to the efficiency frontier?	<i>Below - we have high fixed costs and yet our facilities are not premium / differentiated enough to justify a higher WTP</i>
If you are not on the efficiency frontier, what efficiency improvements do you plan to pursue in order to reduce your fulfillment costs?	<i>Improve technology - offer customers a more differentiated / customized experience by collecting data, automating certain processes e.g., recommendation engines for classes and reducing redundancies e.g., unpopular classes</i>
Assuming you are on the efficiency frontier, do you feel that you are in the right spot on the frontier?	<i>We need to find a niche - occupying the middle ground is dangerous because our product doesn't cater to any of the customer segments well</i>
What are the trends in your industry? Is there pressure on lowering costs or do you see your firm win over its rivals by providing products and services with a higher willingness-to-pay?	<i>Industry is bifurcating -&gt; premium products with covetable brands but high cost to serve vs. mass tech platforms that are more scalable to large audiences / low cost</i>
Are there new technologies that have allowed some of the firms already in the industry or potentially new entrants to push out the frontier? Do you see new business models breaking the trade-off between willingness-to-pay and fulfillment costs?	<i>Yes - companies like Peloton are pushing out the frontier. They are replicating the competitive feel of a class while providing at-home convenience and lowering costs through technology (unlimited class capacity).</i>

*What can physical facilities / the in-person experience still offer that Peloton can't?*



# Chapter 6

(Creating Connected Customer Relationships)

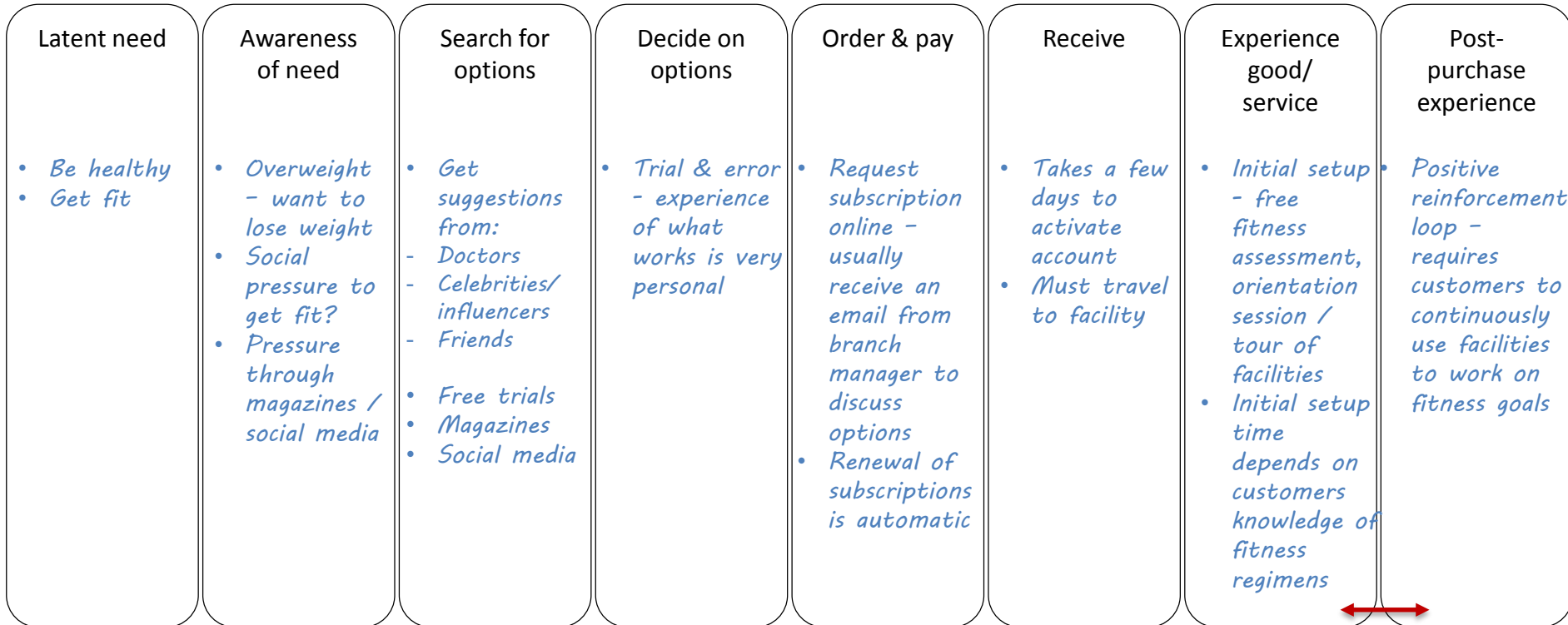
# Step 1: Map the current customer journey of one customer experience

## Customer Journey

**Why** does the customer engage in the interaction?

**How** does the customer go about identifying, ordering, and paying for the desired product?

**What** products and services are provided to the customer?



*Biggest risk of losing repeat customer engagement if they don't get right user support, encouragement, motivation etc.*

## Step 2: Identify customer willingness-to-pay drivers and pain points

### Willingness-to-Pay Drivers and Pain Points

**Why** does the customer engage in the interaction?

**How** does the customer go about identifying, ordering, and paying for the desired product?

**What** products and services are provided to the customer?

Latent need

- Everyone wants to be healthy - basic level of fitness

Awareness of need

- Many fail to act -> too difficult, lack of knowledge, lack of motivation

Search for options

- Search is costly -> overload of information & options
- Many competitors have more distinct brands than we do
- No easy way for customers to find what's right for them

Decide on options

- Each customer must find personal balance of enjoyment, impact, convenience
- Difficult to verify impact as depends on each person's diet, lifestyle and physique
- Choice often influenced by celebs / social media / branding

Order & pay

- Setup process is still currently manual - should be more automated
- Subscription renewal is automated

Receive

- Must travel to facility

Experience good/ service

- Avid exercisers can benefit straightway
- Steep learning curve for those who want to get fit but don't know how -> requires personal exercise plan
- May not understand how to use all our facilities

Post-purchase experience

- Initial joining fee & minimum contract lengths discourage people from quitting (although sometimes waived)
- Can speak to our staff for help but people may be embarrassed / not sure how?

# Step 3: Capture the information flows for this customer experience

## Information Flows

**Why** does the customer engage in the interaction?

**How** does the customer go about identifying, ordering, and paying for the desired product?

**What** products and services are provided to the customer?

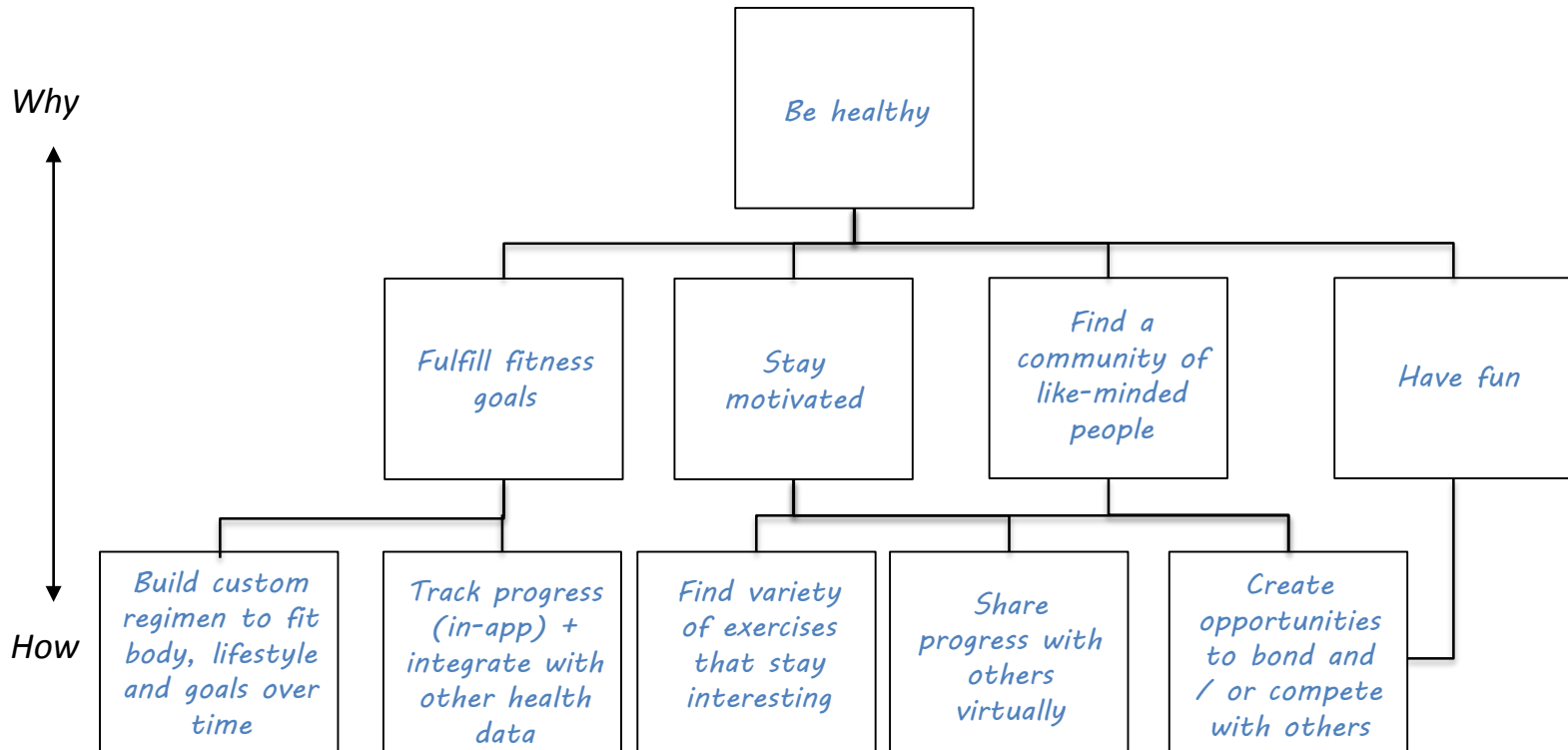
	Latent need	Awareness of need	Search for options	Decide on options	Order & pay	Receive	Experience good/ service	Post-purchase experience
<b>Description of Information</b>	None	None	Customers' basic desire to get fit. Basic info on goals	Customers' key purchasing criteria + WTP	Credit card information	Customer receives explanation of benefits + intro to facilities	Customer feedback on our facilities/ services	Whether customers are fulfilling goals
<b>Trigger</b>	Customer	Customer	Customer	Customer	Customer	Us	Customer	Customer
<b>Frequency</b>	When customer wants to get fit		First time +	at renewal?	First time + monthly	First time	Ad hoc	Ad hoc
<b>Richness</b>	Low	Low	Low	Medium	Low	Medium	High	High
<b>Customer effort</b>	High	High	High	High	Low	Medium	Medium - High	Medium - High
<b>Action by</b>	Customer				Customer + us			
<b>Improvement Ideas</b>	Anticipate fitness needs based on lifestyle / goals (create common templates?)	Prompts in advertising -> how can exercise help you? Do you feel sluggish etc.?	Explain how they can achieve goals in simple terms with us vs. competitors	Segment customers and target them separately with different messages	Automate payment setup	Tailor onboarding process -> give expert users instant access, hand-holding for first timers	Automate feedback loop -> regular surveys, in-app feedback after each session	Automatically initiate periodic check-ins - are they fulfilling goals?

*How do we trigger more of this info/ make it easier for customers?*

*Super rich info here but not being captured in systematic way*

## Step 4: Identify the deeper needs of the customer

In the eyes of the customer, the purpose of the relationship with our firm is to...



## Step 5: Understand the current relationship with your customer across separate (repeated) customer experiences

### A) Identify the customer and retrieve data

Questions	Answers
How do you identify the customer and connect him or her to prior customer experiences?	<i>Personalized profile on website / mobile app</i>
Is this identification requiring time and effort from the customer?	<i>Initial setup required - basic information e.g., height weight, fitness goals, location/ time preferences. Thereafter, all details are saved. Visits and classes booked are saved</i>
Is this identification costly to your firm?	<i>No - identification is via a barcode scan</i>
What organizational incentives are in place (or what disincentives need to be removed) so that various parts of your organization share the information they have about a particular customer?	<i>Customers have the ability to visit different locations nationwide -&gt; how can we capture their feedback from each visit and share the insight across locations? We currently track visits but no other information</i>

### B) Customization

Questions	Answers
How do we improve customization for a particular customer based on information that we have gathered about this customer?	<i>Use location + time data to automatically generate suggested schedules; allow users to connect data from wearables for personalized goal-tracking</i>
What feedback do we gather from the customer to understand whether a particular solution worked well?	<i>Right now, just ad hoc surveys</i>
Can the customer make direct suggestions to us of how to improve our product or service?	<i>Only to staff at each facility - need to introduce this into the app so it goes straight to corporate</i>

## Step 5: Understand the current relationship with your customer across separate (repeated) customer experiences

### C) Population-level insights

Questions	Answers
How do we currently use population (or market-segment) level data to improve our product assortment?	<i>Basic segmentation of gym users to decide how many of each type of equipment to buy, classes to schedule etc.</i>
How do we currently use population (or market-segment) level data to refine features of existing products?	<i>n/a</i>
How do we currently use population (or market-segment) level data to create entirely new products?	<i>We may respond in ad hoc ways to local competitors and offer similar classes e.g., hot yoga</i>

### D) Why-How ladder questions

Questions	Answers
At what level in the Why-How ladder are most of our transactions currently taking place?	<i>At the how level - we provide products (facilities) and services (classes) although we've set up some infrastructure to fulfil why e.g., share progress</i>
What would be alternative value propositions to the customer that are either more focused (HOW) or broader (WHY)?	<i>There are apps that allow customers to integrate their data and establish their own plan (expert users). There are more boutique offerings that help amateurs define their broader goals and craft a plan to get there.</i>

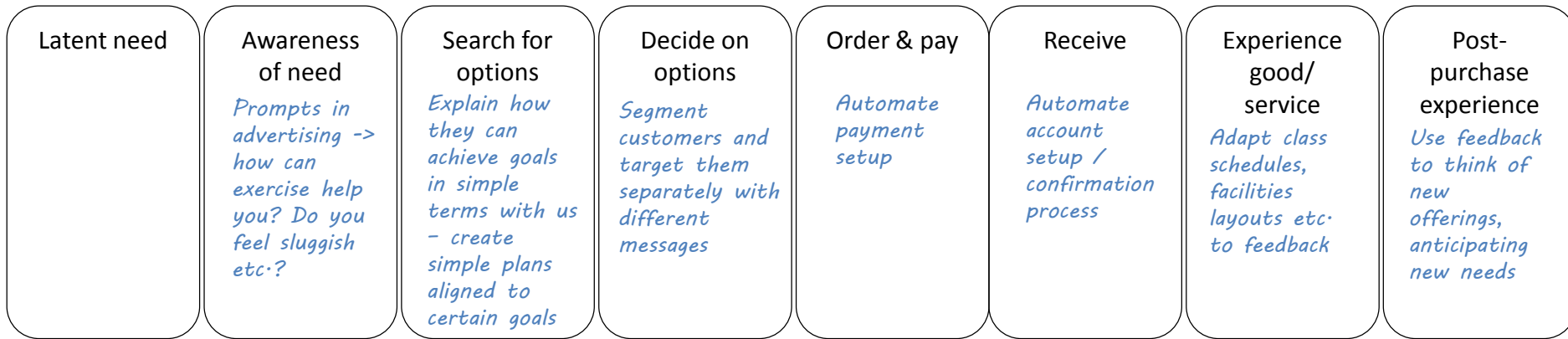
# Step 6: Identify new opportunities associated with connected relationships

## Automated Execution

**Coach Behavior**

**Curated Offering**

**Respond-to-Desire**



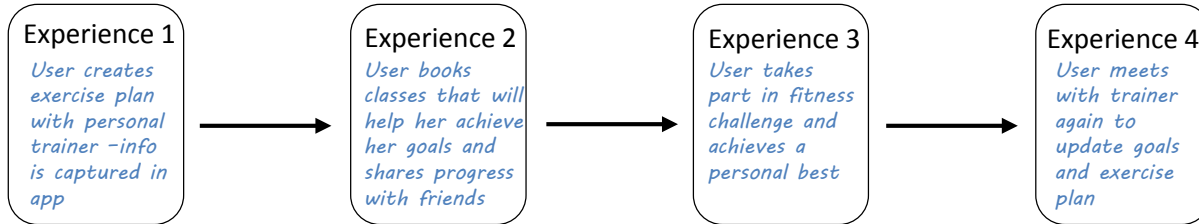
## Responses to Pain Points

## Required Information





## Step 7: Find ways to utilize information gathered from repeated interactions to improve the Recognize-Request-Respond cycle



### Customization Improvements

- *Capture information from personal wearables to understand customer's fitness + progress*
- *Integrate with customer's calendar and enable location services to suggest nearest facilities / available workouts*
- *Allow customer to share their progress with friends and see their progress*

### Optimization of Product and Service Offering

- *Based on overall demand, optimize class schedules to ensure maximum utilization*
- *Ask for feedback after every class to ensure exercises are pitched at the right level/ helping people reach their goals*
- *Create a competitive league to challenge users to compete against each other*

### Creation of New Products and Services

- *Offer new classes based on customer feedback - what they want to work on, what length of time they want to work out etc.*

### Efficiency Improvements

- *Automate all payments in-app - saved credit card details are more secure, no cash handling, all data is captured*

### Fulfillment of deeper customer needs

- *Create a customized exercise regime that works for each person's body*
- *Stay motivated through new/ varied exercises and community support*
- *Have fun with others and create a sense of community*

## Step 8: Assess your data-protection policies to maintain trust with your customers

Questions	Answers
What procedures do we have in place to stay informed about data protection and privacy regulations in all the geographies in which we are active?	<i>Legal department ensures we're in keeping with data regulations and update our terms and conditions for customers</i>
How do we keep up with how public opinion is changing with respect to these issues?	<i>Monitor changes in regulation / media - always make new data requests opt-in vs. default</i>
How do we currently obtain customer consent? How transparent is it to our customers what happens to their data?	<i>Customers are asked for permission when setting up their profile - we inform them it's used to help improve their experience and not shared with other parties</i>
What do we do to keep the data current and accurate?	<i>Currently up to customers to keep their data up to date</i>
What are our activities to keep the data safe and under what conditions do we notify customers of any breaches?	<i>We employ standard encryption and anti-hacking protections - as we collect more personal health data, we should look into strengthening those defenses (any data breach would be extremely damaging to us)</i>

# Chapter 10

(Creating Connected Delivery Models)

**Step 1: Use the Connected Strategy Matrix to map your own activities and the activities of your competitors**

	Connected Producer	Connected Retailer	Connected Market Maker	Crowd Orchestrator	P2P Network Creator
<b>Respond-to-Desire</b>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"><i>SoulCycle</i></div> <div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 5px; background-color: #0056b3; color: white;"><i>ALITE</i></div> <div style="border: 1px solid black; padding: 5px;"><i>Peloton</i></div> </div>		<div style="border: 1px solid black; padding: 5px;"><i>ClassPass</i></div>	<div style="border: 1px solid black; padding: 5px;"><i>Aaptiv</i></div>	<div style="border: 1px solid black; padding: 5px;"><i>Strava</i></div>
<b>Curated Offering</b>	<div style="border: 1px solid black; padding: 5px;"><i>Equinox</i></div>				
<b>Coach Behavior</b>	<div style="border: 1px solid black; padding: 5px;"><i>Nike Run Club</i></div>				
<b>Automatic Execution</b>					

## Step 2: Use the empty cells in the Connected Strategy Matrix to create new ideas

	Connected Producer	Connected Retailer	Connected Market Maker	Crowd Orchestrator	P2P Network Creator
<b>Respond-to-Desire</b>	<i>Current position</i>		<i>Partner with local gyms and workout classes in cities with no location and automatically suggest workout times when person enters town</i>	<i>Connect users with virtual instructors when they're travelling and don't have time to go to the gym</i>	<i>Integrate with social network profiles - allow users to share workout plans + schedules + tips</i>
<b>Curated Offering</b>		<i>Sell healthy food, meal kits, sleep aids, workout clothes etc. that are complement lifestyle</i>			<i>Show selective workouts of people who have devised plans that work well (user can vote)</i>
<b>Coach Behavior</b>	<i>Suggest classes that fit with schedule if not on track to hit goals for the week</i>				<i>Create competitions between friend groups / leagues to see who's doing better</i>
<b>Automatic Execution</b>	<i>Automatically adjust exercise schedule + food plan based on progress in week + location + calendar -&gt; substitute for other options (provided by partners) if user is away from our facilities</i>				

### Step 3: Understand your existing revenue model, identify its main limitations and consider alternatives for your current activities as well as for the ideas created above

Questions	Answers
What does the customer pay for?	<i>Access to gym equipment / classes</i>
What are your different revenue streams?	<i>Gym subscriptions, purchases in café, personal training fees, spa services</i>
Who is paying?	<i>Customers</i>
When does payment occur?	<i>Every month for subscriptions, every visit for other ad hoc charges</i>

Questions	Answers
Next, look for inefficiencies in your revenue model. Do you use this revenue model because you believe it is the right one, or are you constrained by connectivity to the customer?	<i>Subscriptions are the most efficient method of collecting payment and ensuring returning customers but it reduces the imperative to collect information on the customer each time or measure engagement</i>
Now that you understand the current revenue model, consider ways for considering these inefficiencies	<ul style="list-style-type: none"> <li>- <i>Use data to understand what customers value as 'basic' and should be included in the subscription</i></li> <li>- <i>Understand the marginal value of add-on services</i></li> <li>- <i>Bundle features that customers want for the base package and unbundle products that customers put additional premium on</i></li> </ul>

# Step 4: Deconstruct your Connected Strategy into technological sub-functions and then catalogue currently used technological solutions for each sub-function

*Idea 1: Become a fully-integrated healthcare manager – automatically adjust exercise schedules and eating plan based on variety of connected data inputs*

	Recognize	Request		Respond			Repeat	Connection Architecture	Revenue Model	
	<i>Become aware of the need</i>	<i>Search and decide on option</i>	<i>Order</i>	<i>Pay</i>	<i>Receive</i>	<i>Experience</i>	<i>After sale</i>	<i>Learn and improve</i>	<i>Connect parties in ecosystem</i>	<i>Monetize customer relationship</i>
<b>Sense</b>	<i>Verify # of check-ins made against weekly goal. Transmit to profile and compare to location data</i>	<i>Figure out location of user and understand closest, most convenient options. Adjust schedule</i>				<i>Determine if user followed new plan</i>		<i>Monitoring and readjustment happens on a weekly / daily basis as user chooses</i>  <i>Periodically survey user on how well the schedule is rebalanced</i>	<i>Connect user to partners that can better serve their needs when our facilities are not available based on their location, schedule, etc.</i>	<i>Ask customers to pay additional subscription fee for automatic health plan rebalancing – dynamic and maximum convenience</i>
<b>Transmit</b>					<i>Send user new schedule</i>	<i>Prompt to follow / ask what's different that week</i>				
<b>Analyze</b>						<i>Understand if behavior change is temporary (travel) vs. long term (loss of motivation)</i>				
<b>React</b>			<i>Suggest changes in diet plan if information is also integrated and adjust food orders</i>				<i>Ask if their goals have changed and devise new plan if required</i>			

# Step 5: Identify new technological solutions and how those might enable further innovations in your Connected Strategy not identified so far

*Integrate with health records and automatically devise exercise plans to help customers achieve health goals e.g., recommended weight loss to get to healthy BMI. Monitor performance in real time through wearables and adapt plan accordingly*

	Recognize	Request		Respond			Repeat	Connection Architecture	Revenue Model	
	Become aware of the need	Search and decide on option	Order	Pay	Receive	Experience	After sale	Learn and improve	Connect parties in ecosystem	Monetize customer relationship
Sense	Full integration with wearables & healthcare data					Measure real-time reactions e.g., heart rate, calorie burn - machines automatically adjust speed / resistance to allow you to meet your goals				
Transmit										
Analyze		Recommendation engine with optimal solutions based on user preference that incorporates all available options								
React										