



# FITPAL



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# MARKET OPPORTUNITY

*People want to improve their fitness, but at an affordable price*



People want to improve their fitness

*63% of students have considered getting a fitness trainer <sup>1</sup>*



Some people are already very fit

*29% of students are currently very fit and willing to train others <sup>2</sup>*



People are willing to pay to get fitter

*61% of students are willing to pay for a trainer  
Average acceptable price: \$15.70 per hour <sup>3</sup>*

# HOW FITPAL WORKS

*Trainees are matched up with trainers who help them in their workout*

FITPAL delivers the fundamental drivers<sup>1</sup> of fitness improvement: sustained effort and commitment

## Trainee



### Signup Criteria

- Fitness level (< trainer)
- Male or Female
- Body fat % info
- Height & weight
- State goals
- Credit Card



## Trainer



### Selection Criteria

- Fitness level (>8/10)
- Male or Female
- Low body fat %
- Height & weight
- Photos / Videos
- Areas of expertise
- Pass training test



## Value Creation



### For Trainee:

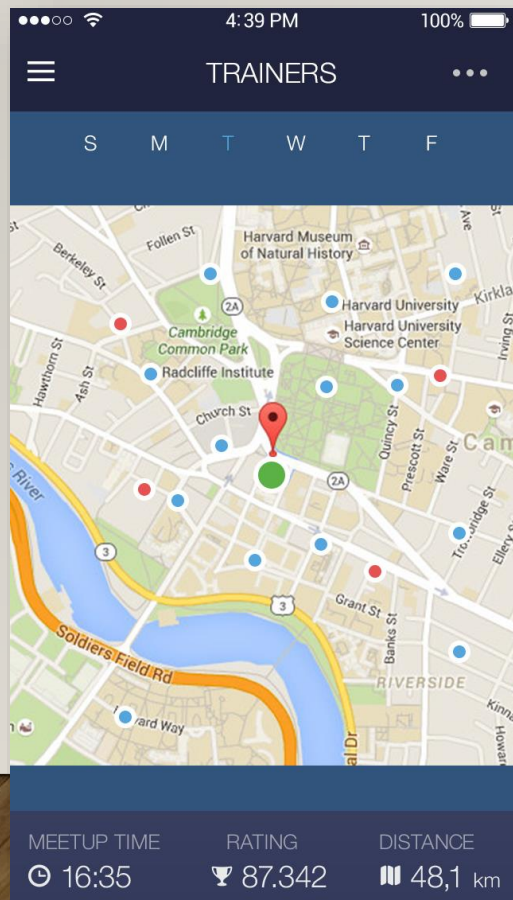
- Role Model ☒
- Disciplined workouts ☒
- Consistent effort ☒
- Sustained motivation ☒
- Exercise correctly ☒

<sup>1</sup> "Physical Activity Guidelines." Office of Disease Prevention and Health Promotion, U.S. Department of Health and Human Services, 7 August 2016, <https://health.gov/paguidelines/guidelines/chapter4.aspx>. Accessed 7 August 2016.

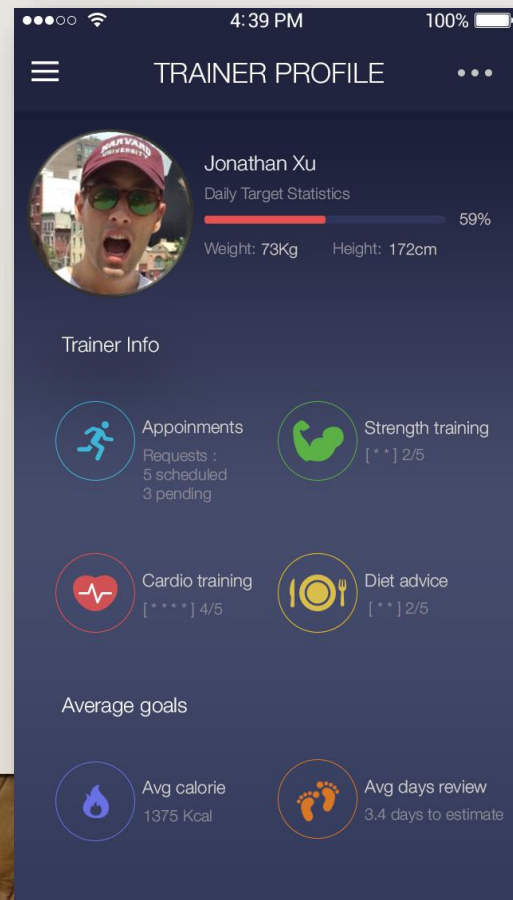
# WHAT WILL IT LOOK LIKE (FICTITIOUS)

*All-in-one fitness trainer, finder, and tracker*

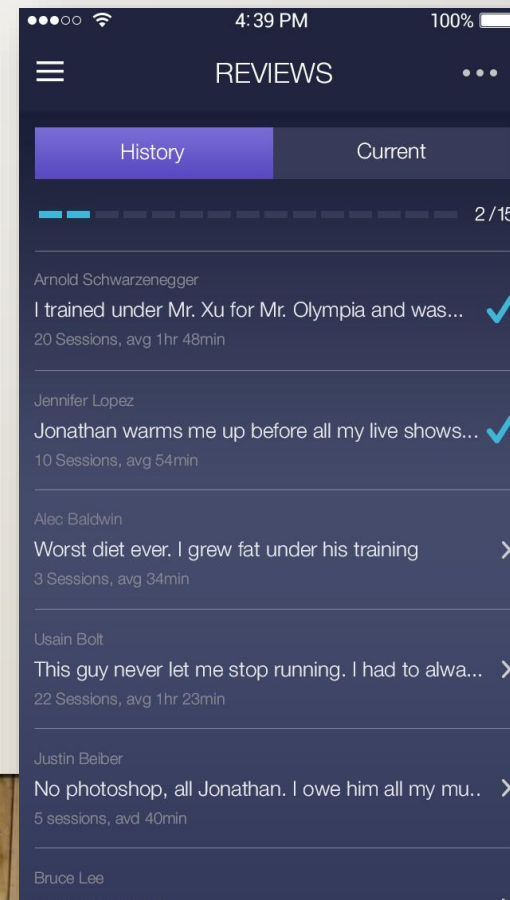
## Find trainers



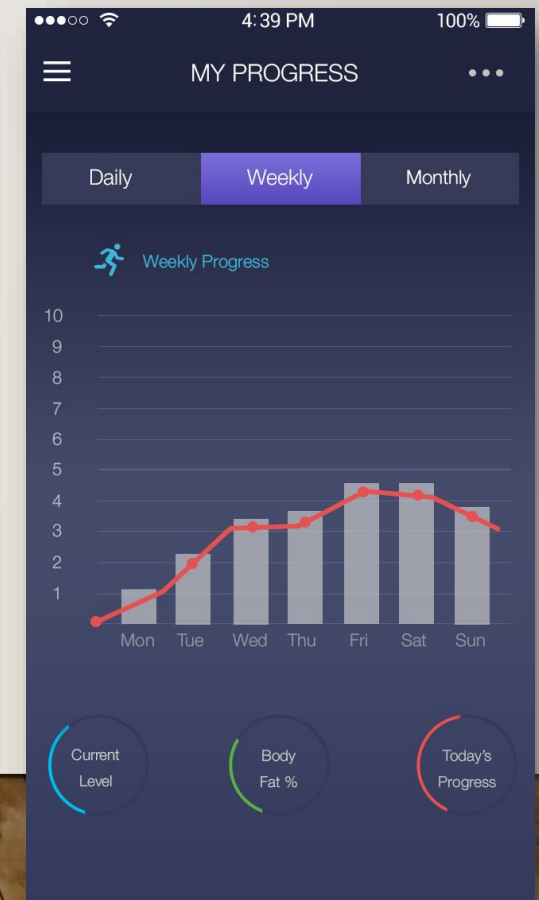
## View Trainer Profile



## Review Trainer



## Track Progress





# UNIQUE VALUE PROPOSITION

*Delivers outstanding value for both trainers and trainees*

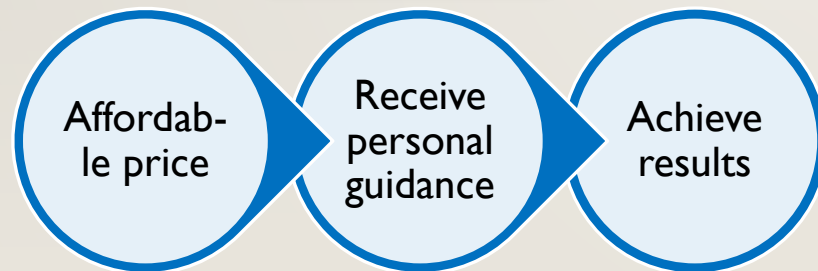
## Trainee

*"How do I get fitness help without paying too much?"*



## Trainer

*"It would be nice to monetize my workout!"*



# SUSTAINING A COMPETITIVE ADVANTAGE

*Leverage first mover advantage, cultivate customer loyalty, increase switching costs*

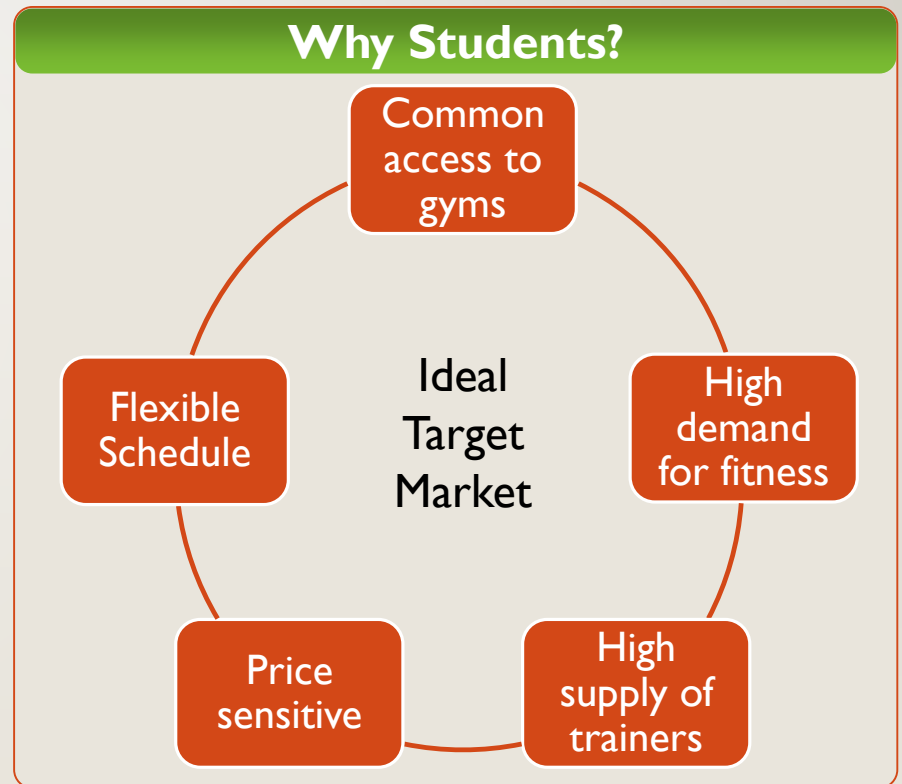
- Competitive edge: providing customers with effective results at affordable prices
- Rapid scaling creates a network effect, raises customer switching costs

Sustainability Barriers	Rating	Why?
IT Project Barriers	Medium	App is moderately difficult to build App's algorithm dynamically matches trainers with trainees
IT Resources Barriers	Low	Coding for app will be outsourced Transaction processing will be outsourced Database and server will be outsourced
Complementary Resources Barriers	Medium	Sizeable customer base enables economies of scale
Preemption Barrier	High	Higher switching cost due to familiarity with trainers/app Strong customer loyalty Network effect

# MARKETING STRATEGY

*Initial focus will be on students in the Boston metro area*

Segmentation	Target Market	Product Positioning
Students	Boston metro area (initially)	For people who want to get fitter: we pair you up with <b>effective</b> and <b>affordable</b> trainers
Working adults	University / college students	
Elderly adults	Age range: 18 – 30	For people who are already very fit: we enable you to <b>monetize</b> your workout
Professional athletes		
Other individuals		



# MARKETING STRATEGY

*Product, distribution, promotion, and price are designed for university students*

Product features	Distribution	Promotion Channels	Price
<b>Matching</b> <i>Effective trainer and trainee matching</i>	Apple App Store	University gyms	\$10 - 30 per hourly session <sup>1</sup>
<b>Profiles</b> <i>Comprehensive trainer profiles</i>		University residences	Prices vary by trainer's rating and experience
<b>Scheduling</b> <i>Easy scheduling</i>	Android Google Play	Social media	Prices are 40 - 70% lower than professional personal trainers
<b>Payments</b> <i>Hassle-free in-app payments</i>		Student newspapers	Prices set dynamically based on supply, demand, and ratings
		Word of mouth	

<sup>1</sup> Average acceptable hourly rate, as per respondents, is \$15.70 an hour, based on survey of Harvard University community and students. Total survey exposure: 10,250 people. Total respondents: 123 people. As of August 1, 2016.

# EXECUTION ROADMAP

*East Coast → West Coast → Miami → Chicago → Entire US → Asia → Europe → Global*

Departmental Strategies		Year 1		Year 2		Year 3		Year 4		Year 5	
	By month of:	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec
	Strategy	Boston		NYC <sup>1</sup>	LA, SF <sup>2</sup>	Miami Chicago	All US <sup>3</sup>		Asia	Europe	Global
	IT	Develop app	Test app	Perfect app	Incremental adjustments & Continual improvement				Translation and localization		
	Marketing & Sales	Students			General population		General population & Celebrities				
	Finance	Raise money (debt)		Raise money (debt)		Raise money (VC)		Organic growth funded by retained earnings			
	Operations	Outsource IT and operations				Scale up (domestic)			Scale up (international)		
	HR	Hire IT professionals		Hire interns		Hire specialists		Hire local managerial experts			

<sup>1</sup> There are 594,000 university students in the NYC area. New York Colleges. <http://www.campusexplorer.com/colleges/in/New-York/90445DDB/New-York/>

<sup>2</sup> There are an estimated 4.0MM gym subscribers in the LA and SF areas (based on a 16% subscription rate). <https://www.realbuzz.com/articles/10-shocking-gym-statistics/>

<sup>3</sup> There are 44MM gym subscribers in the United States (based on a 16% subscription rate)

# REVENUE MODEL

*FITPAL earns a 20% commission for each transaction*

- When a customer pays his/her trainer, FITPAL takes a 20% commission from the transaction, along with a \$0.75 fee<sup>1</sup> per transaction



<sup>1</sup> All payment processing will be outsourced. Average cost per transaction is assumed to be \$0.75 (as per assignment instructions). This fee is deducted from the trainer's compensation.

# REVENUE POTENTIAL

*\$1.2MM in revenues assuming a 20% penetration rate in Boston-area universities*

Immediate revenue potential (students in Boston-area universities):

How many people use the app per week  $\times$  Average no. of gym visits per week<sup>1</sup> (5.1)  
 $\times$  average session cost<sup>2</sup> (\$15.70)  $\times$  commission fee (20%)  $\times$  52 weeks  
**= \$1.2 MM revenue per year**

How many people use the app per week  
= Boston student population<sup>3</sup> (150,000)  $\times$  market penetration rate (20%)  $\times$  % who are active<sup>4</sup> (40%)  
 $\times$  % who work out regularly & are very fit & willing to train others<sup>5</sup> (24.5%)  $\times$  % matched up<sup>6</sup> (50%)

*Note: app's profits are theoretically capped by the total number of "very fit" people, since one trainer caters to only one trainee per session*

<sup>1,2,5</sup> Weighted average based on survey of Harvard University community/students. Survey exposure: 10,250 people. Respondents: 123. August 1, 2016

<sup>3</sup> Meade, Peter. (2010). *Boston by the numbers: Colleges and Universities*. Boston Redevelopment Authority.

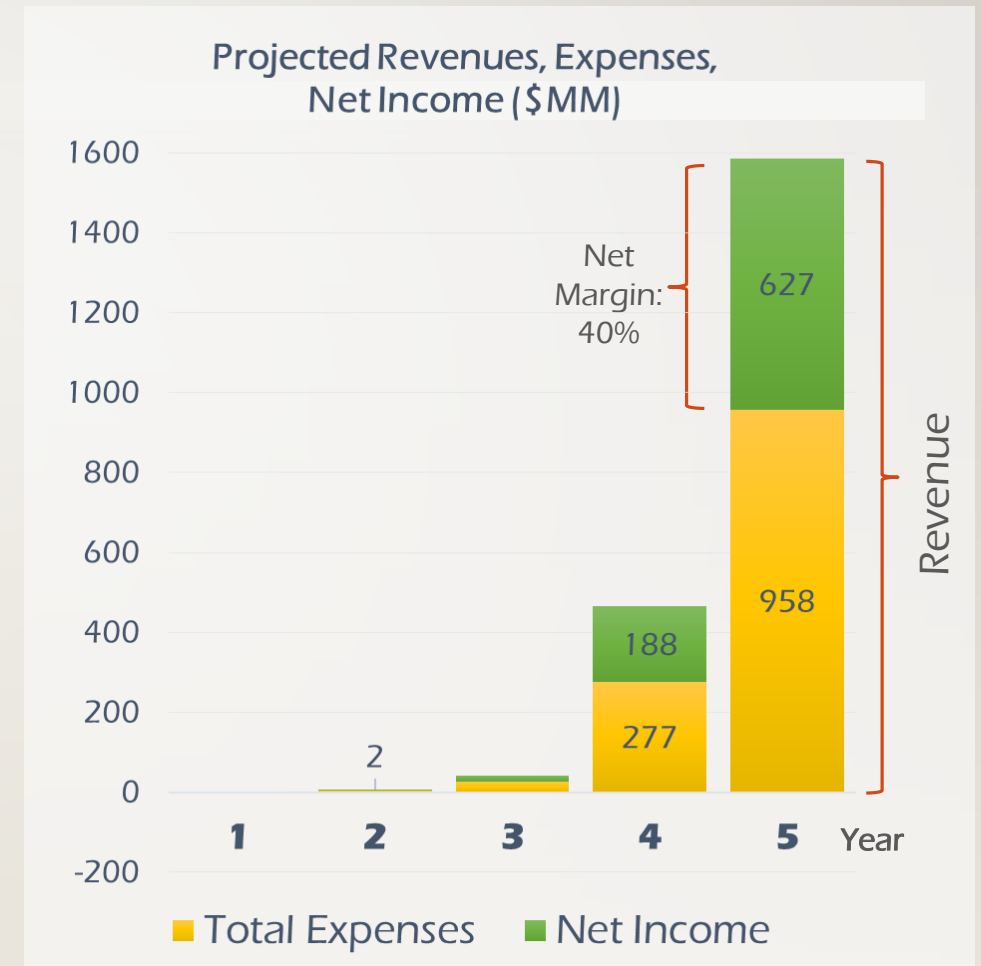
<sup>4</sup> Leslie, E., et al. (2001). Age-related differences in physical activity levels of young adults. *Medicine & Science in Sports & Exercise*.

<sup>6</sup> Assumes that, on average, only 50% of trainers will find (or be able to find) a trainee match

# PROJECTED INCOME (5 YEARS)

\$1.6Bn in revenues by 5<sup>th</sup> year if scaled globally

US\$ MM	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenues</b>					
Commission	1.22	4.83	32.53	357.87 <sup>3</sup>	1220.00
Transaction fees <sup>1</sup>	0.29	1.16	7.79	85.65	292.00
Training fees	0.07	0.29	1.95	21.49	73.25
Total Revenues	1.59	6.28	42.27	465.01	1585.25
<b>Expenses</b>					
<i>Direct Expenses</i>					
Transaction processing & overhead	0.29	1.16	7.79	85.65	292.00
IT professionals <sup>2</sup>	0.48	0.48	1.20	1.20	12.00
Fitness professionals	0.10	0.20	1.00	2.00	4.00
<i>Indirect Expenses</i>					
Selling expenses	0.22	0.44	1.28	5.12	25.60
Admin expenses	0.04	0.08	0.50	1.00	2.00
Management expenses	0.10	0.20	0.60	4.80	28.80
Rent	0.04	0.04	0.20	0.40	0.80
Miscellaneous expenses	0.05	0.10	0.20	0.40	0.80
Legal expenses	0.10	0.10	0.30	0.60	3.00
Insurance expenses	0.17	0.68	4.55	50.02	170.52
Interest expenses	0.07	0.07	0.07	0.07	0.07
Income Tax (40%)	0.00	1.10	9.84	125.50	418.27
Total Expenses	1.66	4.63	27.52	276.76	957.85
<b>Net Income</b>	<b>-0.07</b>	<b>1.65</b>	<b>14.76</b>	<b>188.25</b>	<b>627.40</b>
Net Margin	-4%	26%	35%	40%	40%



<sup>1</sup> Assumes a \$0.75 transaction fee per session booking. This assumes all transactions are outsourced. Costs are as per instructions provided in assignment.

<sup>2</sup> Assumes an average annual salary of \$123,000 for each IT professional. Salary figures are as per instructions provided in assignment.

<sup>3</sup> Revenue estimated based on total population that have a gym membership (16%), as well as an assumed market penetration rate of 20%.

# MONITORING THE FIRM'S SUCCESS

*These metrics will be monitored to assess health of the business*

Metric	Goal	Time to reach goal
Customers' fitness goals achieved	70% of customers claim to have achieved their fitness goals	After 1 year of operation
Average customer rating of trainers	At least 60% of trainers receive ratings of at least 7/10 from their trainees	After 6 months of operations
How frequently customers use the app	3 or more sessions per week	After 6 months of operations
Average customer tenure	6 months	After 1 year of operation
Downloads per month	123,000 total downloads	After 1 year of operation
App rating in app stores	4 stars or above	After 6 months of operations
Net promoter score <sup>1</sup>	60% net recommend	After 6 months of operations

<sup>1</sup> Net promoter score = % of customers who recommend the app – % who don't recommend the app

# RISK MANAGEMENT

*Key risks will be strategically mitigated*

Area	Risk	Mitigation
Market	<b>Market-share:</b> assumes 20% market penetration	A 50% “match rate” was applied to increase conservativeness. Currently, no direct competition exists.
	<b>Demand:</b> estimated via Harvard survey results	Further verify nature of demand by broadening survey population, and increasing survey detail.
	<b>Competitors:</b> assumes new competitors will fail	A rapid scale-up will create a network effect and increase customers’ switching costs. Training standards must be continually monitored and upheld to maintain the highest level of customer satisfaction.
	<b>Needs:</b> general US population ≠ Boston students	Income projections consider the fact that only 16% of the US population have a gym membership (compared to 75% of US university students)
Business Model	<b>Value add:</b> fit people may not be good teachers	All new trainers have to pass online personal training program first. Trainers will be taught to be safety-conscious and professional. Trainees are only paired with trainers with moderately better fitness levels.
	<b>Retention:</b> customers leave after a few sessions or if they don’t see results quickly enough	Customers are incentivized to purchase sessions in packages of 3. Fitness results are typically seen only after sustained, disciplined effort. Trainers mainly add value as monitors and motivators. Survey shows that fit people (8/10 – 10/10 rated) exercise on average 4.5 times a week <sup>1</sup> to maintain their fitness levels.
	<b>Disintermediation:</b> trainers and trainees may try to strike private offline deals with each other	Trainers attempting private deals will be barred from the app. Trainers compete with each other by developing complete profiles and higher ratings which can only be populated as their trainees book with them via the app. Commission charge can decrease with length of trainer-trainee relationship.
Legal	<b>Liability:</b> legal risks due to possible injuries	Clients have to sign a liability waiver before using the app. Firm will purchase liability insurance to cover potential legal claims.
IT	<b>Servers:</b> transaction processing and user data stored on outsourced servers	Firm can consider moving IT infrastructure in-house after a few years. Firm can use multiple IT suppliers/servers to diversify risk.
	<b>Code:</b> app programming is primarily outsourced	Key code components should be developed in-house. Key IT talent should be rewarded equity stakes.

<sup>1</sup> Weighted average based on survey of Harvard University community and students. Survey exposure: 10,250 people. Respondents: 123 people. August 1, 2016

# CONCLUSIONS

*A profitable business addressing unmet needs in a huge potential market*

## Attractive business

- 25 - 40% net profit margins
- Low initial investment

## Addresses unmet needs

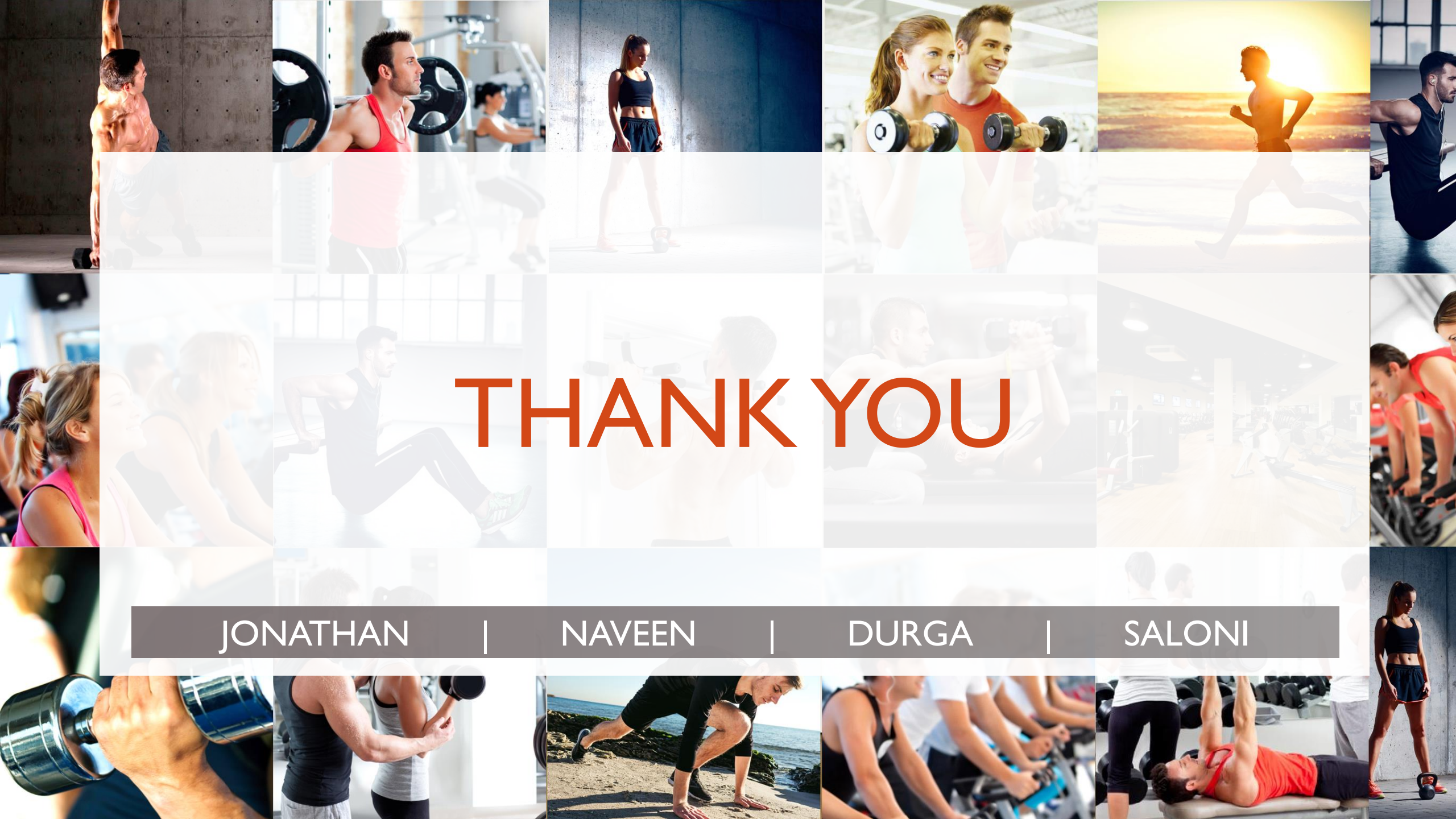
- Very-fit people want to monetize their knowledge and skills
- Less-fit people want to improve their fitness levels at an affordable price
- There is currently no way to match this supply and demand

## Huge potential market

- Global fitness market = approx. 300 million people who are physically active <sup>1</sup>
- Revenues of >\$1.5Bn a year if successfully scaled <sup>2</sup>

<sup>1</sup> Assumes a population base of 3 billion people in developed and moderately developed countries. Assumes 10% of population are physically active on weekly basis.

<sup>2</sup> See Projected Income (5 years) slide, page 13



THANK YOU

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