

Equinox Nourish Portfolio

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MKTG 4900W: Product Management

December 12, 2022

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Executive Summary

With over a hundred renowned gyms across the world, Equinox is driven by the goal to inspire others to maximize their potential. Instead of treating fitness as a limited experience, Equinox reaches beyond what fitness can be. It's not fitness, it's life (Equinox). This motto has redefined fitness to be a seamless integration into one's daily life. This is the key reason that Equinox is seeking to expand its offerings in ways that will allow customers to bring the luxury experience home with them. Equinox aims to maximize its unrivaled consumer experience and break into the protein beverage market. Equinox faces numerous competitors in both the health & fitness industry and the protein beverage industry. However, there is no existing overlap which gives Equinox a unique advantage.

Equinox's affluent customers live high-performance and fitness-oriented lifestyles. They are loyal to the premium Equinox experience, which is luxurious, high-quality, and full of variety. However, Equinox's offerings are currently limited to an in-person experience. How can these customers bring the experience home with them? The answer is simple: a premium on-the-go Equinox-branded protein shake.

Just as Equinox strives to maximize the fitness experience, it has created an unparalleled protein beverage. The product is a flavorful and nutrient-packed beverage, encased in sleek and innovative packaging. Most notably, the design includes a color-changing logo that reacts to temperature changes in the bottle. This will allow Equinox to match its distinct branding and inspire consumers to reach their full potential even outside of the gym.

Although Equinox is an exclusive brand, its mission to maximize one's potential remains. This product will allow those who are unable to commit to an Equinox membership to still experience a taste of what this one-of-a-kind lifestyle encompasses. Equinox will soft launch the beverages exclusively to its one hundred locations across the United States. In the long term, it will be available in select national retailers that align with the high-quality, luxury value of both Equinox and its fitness-oriented target consumer. The introduction of protein shakes is only an extension of Equinox's commitment to its consumers and its mission to empower a life well-lived.

Introduction

This portfolio examines Equinox, a luxury fitness brand, and the potential brand extensions it may pursue based on Equinox's strategy and customer needs. Equinox offers a variety of products, yet most are not unique to the Equinox brand. This creates a potential opportunity for Equinox to create products under its umbrella, specifically in the health beverage category. To create the product, the group has undergone the following new product process: opportunity identification and selection, concept generation, concept evaluation, development, and launch.

Equinox is a premium fitness club that offers a range of amenities like personal training, fitness classes, and spas. Members receive unlimited classes, on-demand exercise videos, and both a complimentary fitness assessment and one-on-one pilates sessions (Equinox, 2022). Equinox has a loyal customer base because of its all-in-one high-quality fitness offerings (Goggin, 2019). Equinox should extend its brand into the beverage market, such as protein shakes, for members to have a more holistic experience with Equinox. With these branded protein shakes, Equinox can extend its premium experience outside of the gym and create deeper relations with its customers.

Equinox can use its branded shakes to strengthen marketing opportunities by teaming up with popular social media trainers or sports teams that can endorse the product. Additionally, Equinox can potentially expand its protein shakes outside of the gym by selling in major retailers. Although competitors, like Fairlife and Aloha, are successful in the protein shake industry, Equinox has an edge through its loyal customer base (Goggin, 2019). Because Equinox is reputable for its premium gym experience, customers are likely to associate the same qualities with its branded beverage. With the rising social trend of living a healthy lifestyle, people will invest in a gym that offers a premium, holistic approach that targets all areas of health and wellness, like Equinox.

Opportunity Identification and Selection

5Cs

Company

The group performed the following SWOT analysis for the Equinox brand:

Strengths: Equinox has gained the reputation of being a premium fitness club by offering a range of amenities like personal training, fitness classes, and spas. Members receive unlimited classes, on-demand exercise videos, and both a complimentary fitness assessment and one-on-one pilates sessions (Equinox, 2022). Equinox has a loyal customer base because of its all-in-one high-quality fitness offerings. Equinox provides a high-quality fitness experience for a relatively high price. As a result, Equinox has created a brand that is exclusive and luxurious (Goggin, 2019).

Weaknesses: Equinox has a niche target market because of the premium experience provided at a high cost. Many consumers hesitate to sign up for a membership because the price is high and it contractually binds them for a year (Equinox, 2022). Although Equinox's expensive membership is what makes it so exclusive, the brand can present as unattainable. Therefore, introducing a more low-risk offering, like health beverages, will help Equinox reach a wider audience while keeping its exclusive reputation.

Opportunities: Out of all existing health beverages on the market, none are primarily linked to a high-quality, luxurious fitness experience such as Equinox. Equinox's brand and reputation create credibility in the health beverage market as it is already a well-established brand. Equinox should leverage its notoriety and extend a holistic wellness experience to the consumer through health beverages.

Threats: The health beverage industry is populated with major and established brands such as PepsiCo and Nestle (Mordor Intelligence). With so many existing players in the industry, it will be hard for Equinox to gain market share.

Overall, the team believes that Equinox should take advantage of its opportunity to enter the health beverage market. Equinox's greatest strengths are its brand and existing brand image. This will allow Equinox to make a dent in the existing health beverage market

Customers

Being a world-renowned luxury fitness brand, Equinox has a specific customer base. The luxury experience costs thousands of dollars annually and attracts celebrities, such as Shawn Mendes. The price tag and brand personality reflected in promotional materials (Appendix 2) radiate exclusivity and wealth (Goggin, 2019).

Carlos Becil, former CMO of Equinox, told Business Insider that its primary customer lives a “very high-performance lifestyle and is very fitness oriented.” Equinox provides its

customers with a variety of fitness options, including traditional gym machines, classes, and personal training (Lutz, 2015). Equinox also provides technical support to its fitness experience. The Equinox app allows you to track your fitness. One can also pay extra for personal training assessments that tell your metabolism, body fat, mobility, and more (Goggin, 2019).

Ultimately, Equinox's target audience is wealthy individuals looking for an elevated fitness experience that is luxurious, high-quality, and full of variety. Considering all of these factors, Equinox could continue to elevate its fitness experience by expanding into the health beverage industry. Going into this industry would help Equinox continue the luxurious, high-quality fitness experience it provides beyond the walls of its locations.

Equinox's customers exhibit complex buying behavior (Appendix 3). These customers are passionate about fitness, making their involvement in choosing a fitness brand high involvement. High involvement in the decision-making process could take the form of intensive research, inquiring with the brand directly, and testing out services. For Equinox customers, perceived differences between brands are high. This means that customers can clearly distinguish the differences between Equinox and other fitness experiences on the market.

Competitors

When identifying the company and product, using Porter's Five Forces (PFF) analysis helps to understand Equinox's competition in the luxury fitness and health industry. PFF helps analyze the strengths and weaknesses of any industry and creates a comprehensive structure to view the industry through. This allows companies to identify their potential competitors, both presently and in the future when operating in the market. There is not one single, stand-alone protein beverage company pioneering in the market, as it is an easy to replicate product. The Equinox-branded protein beverage can be compared to brands like OWYN, Muscle Milk, Premier Protein, and Fairlife (Outlook).

Equinox is unique and stands out from most of its competitors due to its all-around luxurious experience. While membership-based gyms are in no short supply, Equinox holds the primary stake in giving people a holistic experience when it comes to luxury in health and fitness. The main competitors Equinox currently faces are companies like 24-Hour Fitness, Anytime Fitness, LA Fitness, and Crunch Fitness—just to name a few (Capritto, 2021). While these gyms each have their strengths, none of them provide anything comparable to Equinox's

level of luxury. The health beverage industry covers a wide range of products and suppliers, yet very few (if any) are directly tied with a gym or lifestyle brand such as Equinox.

For a company to reach a level or scope that is comparable to what Equinox has been able to achieve since its founding in the early '90s, it would need a considerable amount of funding, influence, and uniqueness if it wanted to pose any sort of threat to the Equinox customer base that currently exists. While the fitness industry may not have a strong barrier to entry, the level at which Equinox operates makes it so that it does not need to worry about any sudden competition or threats. Nevertheless, it can be challenging to mass produce health drinks due to chain issues, production costs, and shipment and distribution issues (Mordor Intelligence).

The supply and cost of raw materials and ingredients will impact Equinox's ability to compete in beverage production. The fewer suppliers for a product there are, the more power those suppliers have. Luckily there are multiple options available across the U.S. regarding beverage production and supply, according to the manufacturing source database Thomas Net (Thomas Net).

The power of an Equinox customer is dependent on a few factors, such as the location of primary membership, level of membership, and commitment to the brand. The new offering will not increase membership costs and therefore should not concern backlash which minimizes risk.

The luxury fitness industry has few substitutes, as being able to provide a high-quality experience, like Equinox, is difficult to replicate. With the at-home workout industry on the rise, companies like Peloton or Lululemon have come out with branded versions of luxury fitness by bringing the gym into users' homes. While this was a great substitute during the pandemic, when it was not safe to go to a larger, in-person gym, it now has begun to lose traction due to the lack of amenities at-home fitness can offer (such as the saunas, pools, and other key components of an in-person gym).

Despite the challenges that exist in the current market, the team believes that Equinox will be successful in the industry. Porter's Five Forces analysis indicates that there are no notable competitors currently pioneering in the market. The scope and strength of Equinox's brand will allow the company to withstand competition.

Context

PESTEL analysis allows Equinox better to understand the context of the health beverage market. Social factors are the most prominent consideration for Equinox as it is the catalyst for

creating a health beverage line extension. Specifically, amongst Gen Z, a healthy lifestyle has become a rising social trend because of social media platforms like Instagram and TikTok. One of the most prevalent trends popularizing this lifestyle is being “that girl.” This trend romanticizes self-fulfillment and achieving a “perfect” lifestyle that oftentimes is portrayed as someone who embodies all things health and wellness (Sharma, 2021). Equinox fits into this niche because its premium offerings can help members achieve this exact lifestyle. This makes Equinox the perfect candidate for entering the health beverage market as it extends its offerings to encompass all things health and wellness.

To successfully enter the health beverage industry, Equinox must invest in technological innovation to ensure its extension dovetails with its current luxury reputation. This includes R&D on nutrition and flavor, as well as packaging. Although R&D can be expensive, it is critical to Equinox’s strategy since there are already reputable competitors in the market. Equinox must be able to convince consumers to switch from their current wellness routine to Equinox’s new holistic approach. Its health beverage must outperform its competitors in nutritional benefits while also providing an enjoyable flavor (HSPH, 2019). Additionally, Equinox’s emphasis on luxury branding must be reflected in the design of the health beverage. This will entice consumers to purchase the beverage and potentially share it on social media because of the aesthetic packaging (Industry Today, 2021). Lastly, Equinox must consider legal factors as companies must obtain a permit and abide by regulations pertaining to the beverage industry. Equinox should consider the difficulty in entering the market because of these heavy regulations (Ferrera, 2018). However, Equinox is already an established brand that should make it easier to obtain the resources needed to fulfill the requirements given and, therefore, effectively penetrate the health beverage market.

Collaborators

Equinox has built a strong network of collaborators to provide value and services to the members. As a fitness center, it relies on workout equipment providers to populate its location with machines and other equipment. Going beyond standard workout experience, the company relies on its staff and professional trainers to deliver services such as classes and personal training (Lutz, 2015). As part of an additional revenue source, the company has partnerships with high-end brands such as Juice Press, Net-A-Porter, Smartwater, Lululemon, and Kiehl’s (Perell, 2022).

Equinox also invested a large number of resources into the digital space. The company requires management of its website *Equinox.com*, which includes purchasing a membership and buying gear and merchandise. Therefore, the company relies on e-commerce partnerships to manage its channels and flow of orders. Moreover, Equinox has invested in mobile app development, *Equinox+ App*, where one can seamlessly access brands under the Equinox umbrella, such as SoulCycle, PURE Yoga, and others (Equinox, 2022).

Equinox will need to establish reliable supply chains to expand into the healthy beverage market to deliver its product to its clubs and customers. The company will need to establish new relations with healthy beverage producers. However, it may be able to utilize its existing distribution channels, which have been used to ship third-party nutrition and beverage products, for its distribution. Otherwise, Equinox will need to contract or develop an additional distribution network for the product.

PIC

Background

Equinox is a luxury fitness brand that competitively targets a specific population segment by providing it with access to high-end amenities, fitness programs, and lifestyle in general. The company has established itself with a strong network of locations in the United States. However, customer channels are not limited to physical locations. Equinox's digital platforms, such as the website and the app, are also implemented to reach new and existing customers and to sell fitness merchandise. Since the brand's customers display complex buying behavior, they have specific needs to fulfill, such as special attention to health and fitness. While Equinox already sells third-party, high-end dietary supplements, the company is a good candidate for entering the health beverage market and establishing its own product line. Equinox can extend its health and wellness offering by presenting a premium product for its customers. The brand has an opportunity to develop a beverage that fulfills the nutritional needs of its loyal customers.

Focus

As Equinox holds a competitive advantage in providing a luxury experience to its members, this will be the focus of developing and launching the new beverage line. As a whole, Equinox already provides a high level of comfort and luxury throughout every amenity it has to offer, so continuing this into the new product development is a key part of the focus of the

portfolio.

Targeting people who are already members of Equinox will be essential, as they will be the primary customers purchasing the beverages inside the gym. Giving those customers the same level of luxury in beverage as they receive at every other interaction with the brand is essential to the success of this product.

Goals & Objectives

The short-term objective is to create Equinox-branded health beverages for existing customers at Equinox's U.S. locations. These beverages will create a more cohesive brand experience at Equinox locations. The long-term goal is to expand the Equinox health beverage experience to a larger market at high-end grocers across the United States.

Guidelines

Equinox's entrance into the health beverage market is considered a strict imitation as it is not pioneering new-to-the-world innovation. Health beverages already have an existing market, making it more competitive to enter than following the first-to-market approach. However, Equinox's gym offerings, in combination with the brand extension of health beverages, allow the company to create a new context for the beverage industry. Coupling gym offerings with healthy beverages creates a holistic approach focusing on nutritional and physical wellness. While first-to-market competitors may create obstacles for new entrants into the industry, Equinox's pre-established reputation allows it to penetrate the market seamlessly. Equinox's loyal customer base allows consumers to switch their current beverage choice to Equinox. The same reputation of the high-quality, luxurious Equinox experience will be associated with the new beverage offerings. Additionally, this gives Equinox leverage with quality supply networks and distribution channels that is often difficult to obtain when using a strict imitation approach.

Equinox must also use a fast-follower strategy along with R&D because it is critical for its beverage extension to match its unique branding. R&D is critical to Equinox's strategy as it is ideal for the protein beverage to be made by Equinox itself. Since Equinox is reputable for its luxury and quality standards, it is best for the protein shakes to be made in an environment monitored by the company directors. This option is feasible for Equinox as it is fortunate enough to have the profit needed to fund an in-house project that can accommodate all desired aspects of the beverage's attributes.

The foundation for R&D should be based on competitors' shortcomings, such as flavor or nutritional value complaints, which can be found through the fast-follower approach. However, Equinox's health beverages must align with its current reputation. This is why Equinox must invest in R&D that will provide its offerings to be superior in nutrition, flavor, and branding. R&D can oftentimes create barriers to entry for companies because of the high cost. Luckily, Equinox is a well-established, national brand which allows it to invest in valuable R&D that can differentiate Equinox from competitors. For the health beverage offerings to effectively enter the market, Equinox must require the product to be high-quality, scientifically backed, and aesthetically pleasing. Following the risk/payoff matrix, Equinox would be successful if the protein shakes were to be marketed to the public. This can be assumed through the given reputation and loyal consumer base. As long as Equinox can follow its detailed, branded strategy, the project contains no errors and should be continued to the next evaluation. These restrictions must be fulfilled before Equinox introduces its health beverage to the market. Otherwise, Equinox risks its distinguished reputation and the trust of its loyal customer base.

Portfolio Considerations

Looking at the Boston Consultant Group Matrix (Appendix 4), Equinox would be considered a star. It has a medium to substantial market share (1.12%) when compared to its competitors in the gym, health & fitness clubs market (IBISWorld). Many report that this market is growing, with one even reporting that the gym and health clubs market is expected to grow by \$101.18B from 2021 to 2025, with a CAGR of 15.39% (ReportLinker, 2021). These two factors mean that Equinox is a star in the gym and health club industry.

Relative to its gym and merchandise offerings, this line extension would be considered a cash cow. It is assumed that the market share would remain medium to substantial. In the health drink market, the CAGR is 7.88% during 2022-2027, which is considered to be only the lower end. This makes Equinox a cash cow in the health beverage industry (Mordor Intelligence).

According to the Ansoff Matrix (Appendix 5), Equinox entering the health beverages market would be considered product development. Health beverages under the Equinox brand would be considered new products. It would use these new products to appeal to its existing health/fitness market.

Concept Generation

Conjoint Analysis

To gauge consumer preferences and what consumers prioritize, the team ran a conjoint analysis. Three attributes at two levels each were included. For flavor options, the team generated Banana Almond Butter and Mocha Hazel. The team picked these to stand out from regular flavors (vanilla and chocolate) and uphold the luxury of the product. The packaging options are glass and paper (box). The team picked these to create unique packaging options and deviate from typical packaging—plastic. Glass is reusable and sleek, while the paper box is more environmentally friendly. The protein levels were extra protein and regular protein. Although it seems obvious, the team used these levels because we wanted to see how much protein fitness-focused people actually want. Initially, the price was included in the conjoint analysis, but the results produced were insignificant. After removing the price, the results were significant (Appendix 6).

The team ran a conjoint analysis on seven members of Equinox. After analyzing their rankings and comparing their individual results, product A (flavor: banana almond butter, packaging: glass, protein content: extra protein) was favored by most individuals (Appendix 6).

Omnivati

To add to the Concept Generation phase of the new product, the team conducted an attribute dependency model on a software called “Omnivati” to generate innovative ideas to add to the product (Appendix 7). First, the team established internal and external components and attributes. After, the team brainstormed possible products that exist in the intersections of these attributes. Four feasible and creative ideas emerged from this process. The first was a temperature-controlled bottle design. With this idea, the Equinox logo would exist on the bottle when it is cold and the logo would gradually disappear as the drink grows warm. The second idea existed between the intersection of membership status of the user and bottle design. With this idea, Equinox members would get special, refillable bottles. These bottles would be refillable in Equinox locations. The third idea was location-specific bottles. In different locations, the bottle design would have the skyline of the closest major city. The last idea was the intersection of time of year and flavor: seasonal flavors. An example of this would be offering a pumpkin spice-flavored beverage in Autumn. From these ideas, the team decided to move

forward with the first idea. To make sure the Equinox logo is always present, we decided to alter the idea to a color-changing logo that responds to temperature. The logo will appear royal blue when cold and will slowly fade to white as it warms.

Concept/Project Evaluation

Risk/Payoff Matrix

When creating the risk/payoff matrix, it is important to first decide the potential outcomes of the development and launch of the new product (Appendix 8). For this line of Equinox protein beverages, there are a few primary outcomes that can be divided into the risk/payoff matrix. This will help visualize the possible outcomes of the decisions made in the development of Equinox protein shakes, allowing for better project evaluation and protocol.

Failure to continue when ultimately the product would have succeeded is known as a “drop” or “stop” error. This translates to the development of the Equinox protein beverage because if the tests and analysis indicate that it would be a successful launch, however it does not perform well when released to stores, a “go” error occurred. Oppositely, a “stop” error results when a decision is made to stop the product development and launch even though it will eventually lead to a success. For Equinox protein shakes, this would mean halting the development of the product prematurely, missing the potential success the product would have achieved if it had been fully launched. While neither of these errors is worse than the other, a stop error is ultimately more disappointing, as it should be easier to avoid and less commonly made than go errors. Research and industry analysis should be conducted to minimize potential risk and maximize potential payoff (Crawford & Di Benedetto, 2021).

Equinox’s current customer loyalty and brand reputation indicate that if it were to market the protein shake to the public, it would be successful. Based on the risk/payoff matrix, this would demonstrate that the Equinox protein shake falls in the no error category and therefore should continue development. However, if Equinox released the protein shake and failed to succeed, the matrix would describe the decision as a go error.

Risk mitigation strategies include extensive market research and testing, which allow for controlled feedback prior to the total launch of the Equinox protein shake. Before the full scale production and manufacturing of the product, consumer feedback will be received and taken into

account and used to adjust the product accordingly before launch, as this will reduce failure and increase overall strength of the product before going to market. Avoiding risk in this way will greatly reduce the financial impact of a potential product failure, but will not completely erase risk altogether. As the protein beverages are not essential to the operation of Equinox as a whole but rather an extension of the already existing features of the brand, the threats faced are not ones that would greatly affect the overall success of the Equinox brand and company.

ATAR Model

The ATAR model was used to assess the financial potential of the product (Appendix 9). Prior to calculations, parameters such as market size, awareness, trial rate, availability, and repeat rate, along with other market assumptions, were explicitly defined. Equinox currently holds 106 locations globally (Equinox, 2022), of which 100 are in the U.S. Before the COVID-19 pandemic, the company had 350,000 active members (Parisi, 2020). In 2021, Equinox ended the 3rd quarter with 232,000 members (Media, 2021). Assuming the number of members has returned to the norm as pandemic cases have decreased, the size of the target market is defined by 300,000 buying units (3,000 members per location in the US) with a conservative 5% annual growth rate.

In terms of awareness, it is assumed that Equinox will create an effective marketing campaign via its website, mobile app, social media, and in-club advertisements. Therefore, awareness is estimated at 70%. In terms of the trial, the company has a loyal customer base, which shows that members will be willing to try the healthy beverage. It is estimated that 50% of customers will try the product and 50% will repurchase the drink, balancing the loyal customer base and many product alternatives in the market. These assumptions are validated by results from concept statement survey findings (Appendix 10): the top-two-zones score for interest in the product is 88.9%, which suggests a correct assumption range for trialability. The average annual purchase quantity is predicted at 12 units per customer (at least one per month), assuming members visit a club on average three times a week (12 visits per month). Regarding availability, Equinox has experience in beverage distribution of other brands. The company will be able to accommodate distribution via new or existing channels. However, given that Equinox has limited experience in the distribution of its own products, a 70% availability has been assigned. The resulting gross margin calculations using the ATAR model are \$1.67M for Year 1, \$1.76M for Year 2, \$1.84M for Year 3, \$1.94M for Year 4, and \$2.03M for Year 5 at a unit price and cost of

\$4.5 (see the Product Protocol for price information) and \$1, respectively. The model was applied with an assumption of 5% annual market growth, with no annual changes in ATAR metrics, such as awareness, availability, and others.

In addition, it is assumed Equinox will make an initial investment of \$5.0M for R&D, marketing, and contracts. Currently, the market has many healthy beverages similar to protein shakes. Therefore, it is assumed that there are many suppliers and distributors, and Equinox's expenses for creating these channels will be medium or low. However, extra costs are expected since the company has low experience in this industry. The company can utilize existing marketing channels such as the website and its clubs for advertisement.

Concerning unit cost, the \$1 cost is based on production, distribution, and marketing parameters. Bottle production may be expensive due to the requirement for color-changing materials. Accounting for the fact that Equinox will be entering this market for the first time, distribution channel creation and new marketing campaigns will be required. The group obtained critical financial metrics, particularly the NPV and IRR estimates. A discount rate factor of 10% was assigned to the cash flows, given that the WACC% of the soft beverage industry is 6.09% (New York University, 2022). A 4% percent risk premium was added to this product. No direct financial metrics could be obtained to compare Equinox's past performance, being a private company. Instead, industry averages and examinations of similar companies were used as benchmarks. NPV and IRR estimates were \$1.94M and 23.7%, respectively. Looking at industry averages, Planet Fitness's and Peoloton's WACC% are 9% and 7.16%, respectively (GuruFocus, 2021 & Finbox, 2017). With the relatively high IRR, the pursuit of the proposed product is financially feasible based on the ATAR model estimates.

Concept Statement

Using the product information generated from conjoint analysis and Omnipati, the team generated a product concept. Information that was left out of both of those—including price, bottle capacity, and grams of protein—was determined using internet searches and comparing competing products at Whole Foods. The product concept was commercialized, meaning it was framed from a marketing lens.

Equinox, a world-renowned and luxurious fitness brand, is entering the protein beverage industry. Equinox health beverages will allow consumers to bring the deluxe experience home. The flavor is a delicious combination of Banana and Almond Butter. It contains a whopping 30g

of protein. Keeping in mind that Equinox members are devoted to fitness, the beverage will contain a high concentration of protein. The beverage is packaged in a 14 oz. recyclable glass bottle, for a sleek and lavish feel. Something unique about the bottle design is that the Equinox Logo is temperature controlled. When the bottle is cold, the logo will appear in royal blue. When the beverage begins to warm, the color of the logo will fade to white. The selling price will be \$4.50. In terms of product distribution, these beverages will begin being sold in Equinox gyms and then expand to upscale distributors, such as Whole Foods.

This product concept statement was evaluated via Google Form to receive the voice of the customer (V.O.C.) (Appendix 10). Of the nine people who responded to the survey, five are current members, one used to be a member, and three were familiar with the brand. When asked if they would buy this product if available, six people said they would probably buy this product, two people said they would definitely buy this product, and one person said they would probably not buy this product. The individual who said that they probably would not buy this product said it was because they did not like the flavor. Based on this feedback, the team feels good about the current product concept statement.

Screening

The screening model (Appendix 11) illustrates the factors that are the most important and should be primarily considered when producing a product. Based on the portfolio research, the team was able to conclude the following scores. Market size was scored at a three as the protein shake market has notable competitors, however, none are a primary pioneer in the industry. Equinox, because of its quality reputation, should easily penetrate the market given that it is already established in the health and wellness industry. Market relatedness was scored at a four because gym memberships and health beverages are closely related. Both are major influences in the health industry and therefore have a high market relatedness. Market growth was scored at a two since the protein shake market is not rapidly growing or expected to have any major new entrants. Market regularity is scored at two since the market does not experience any major fluctuations and remains stable. Distribution capability is scored at a four as Equinox already has various gym locations and will be able to easily distribute its protein shakes. Competitive status, for this reason, is scored at a four because Equinox has an edge in the market and the protein beverage is anticipated to receive the same exceptional reputation as its gyms. Regulatory freedom is rated at a three as there are health regulations within the health beverage market.

However, this factor is not expected to be a primary concern with Equinox's entrance. International potential is scored at a three because Equinox has shallowly expanded its locations internationally to Canada and London. With this international reach, Equinox will be able to seamlessly broaden its protein shakes to the same locations. Marketing capability is scored at a five because of this same reason. Equinox is well-established and has an existing loyal customer base that will allow for strong marketing uptake. Manufacturing capability is scored at a two given that the company has not taken on beverage manufacturing before. Equinox has the financial capability to afford the necessary manufacturing. This is the reason financial capabilities are scored at a four as its luxury enterprise provides a strong foundation for this line extension. Engineering capability is scored at a four, as well, since Equinox has the funding for R&D. Vendor/supply options are scored at a four as Equinox's existing reputation allows it to leverage with major vendors. Technical uncertainty is scored at a three, however, because factors such as Equinox's color changing packaging is an innovative addition to the protein shake industry which creates ambiguity on how consumers will respond. Overall, Equinox's strategic fit is scored at a four because pursuing this protein shake venture is compatible with its current strategy and should prove successful in the market (Appendix 11).

Sales Forecasting

Limited data was available for past sales, so sales were forecasted by constructing an S-curve. To do this, we had to make several assumptions about the average adoption period, the standard deviation of the adoption period, the average number of members per location, the average number of visits per week, and the protein purchase rate (Appendix 12). Based on these assumptions, member adoption rates and protein beverage unit sales can be calculated. Both the member adoption rate and the protein beverage unit sales follow the S-curve shape.

From there, the Bass Model can be built using the predicted unit sales. After using solver to minimize the squared error between the actual number of beverages purchased and the Bass predicted number of beverages purchased, p, q, and M were calculated. The imitation factor, p, was 0.003840084105. Such a low p tells us that innovators are less important. A low p can be beneficial because the slow adoption gives the supply chain enough time to catch up. The imitation factor, q, was 0.2677509608. This tells us that imitators are more important. There's a slow start, but as the gym gets busier, Equinox will see growth. From a promotional standpoint,

heavy initial advertising will be ineffective. Instead, Equinox should find brand ambassadors/influencers and provide free protein drinks in exchange for promotion.

The peak number of sales occurs somewhere between 16 and 21 months. We cannot determine the exact time since the equation used to calculate peak sales is based on a continuous model, while the model applied in Excel is discrete.

Product Protocol

Equinox's target market includes high-income adults who are devoted to a health and wellness-based lifestyle. The consumers would primarily be existing Equinox customers as the protein shake will soft launch at selected United States Equinox locations. The target market would ideally use social media and have an existing fitness routine. These additional characteristics will allow Equinox protein shakes to have social organic marketing, as well as consistent buyers.

Equinox protein shakes are better for consumer use than other competing products because of the brand's pre-existing high-quality reputation. By having an established brand, consumers will automatically associate the same characteristics with the protein shakes. Therefore, product positioning would include its current reliable and luxury reputation. Additionally, Equinox must ensure that all aspects of the product, such as nutrition, taste, and packaging, achieve high-quality standards.

Since Equinox is an established, successful brand, it should be easy to access quality R&D and supreme technology that will create luxury features. The focus of the protein shake features should be sleek, contemporary packaging and enticing new flavors. In addition, the function of the product will be to deliver high levels of protein and nutrition that fit the needs of wellness-focused consumers. Benefits of the product will include ergonomic, lightweight, recyclable, sustainable, and luxury packaging that will allow consumers to easily carry the beverage on-the-go while also accommodating consumers' environmental values. Equinox's protein shake should also be highly nutritious and appetizing so consumers will enjoy adding the beverage to their daily routine. The detailed specifications of Equinox, based on our conjoint analysis, is a protein shake with sleek glass packaging with a delicious flavor of banana almond butter that contains a high level of protein.

Despite Equinox entering a new market, it is expected that the timing of the project will be completed within six months to one year, which is the average product-to-market time

(ZenBusiness, 2022). Equinox is not creating a new-to-the-world product and therefore does not require major technological breakthroughs. In addition, Equinox is already an established brand and has the resources to obtain the necessary sources to complete the project. All of these factors indicate that Equinox protein shakes should be introduced to the market within the average concept idea to product launch period. It can also be estimated that the price of one Equinox protein shake will be sold at \$4.50. The average protein shake beverage is between \$3 to \$4. However, since Equinox has a wealthy consumer base and high-quality focus, it would be best marketed at this price point.

These considerations dovetail into the production requirements as it is paramount that Equinox creates a high-quality product. The number of protein beverages produced should be based on the existing Equinox members based on the selected gym locations. Based on consumer interest, Equinox can improve the criteria for production requirements. Regulatory requirements should also be required as the beverage industry has several health regulations that must be approved before entering the market. Equinox must obtain the necessary permits and meet the nutritional quality requirements to avoid legal consequences.

The corporate strategy is to maintain Equinox's reputation and create a holistic health and wellness experience. Therefore, it is key to align with Equinox's current strategy, values, and branding. If not, Equinox will be unable to effectively market its protein beverage to its existing customers and in turn, will not penetrate the beverage market. Furthermore, Equinox should be mindful of other existing potholes such as existing consumer routine, poor execution, and inconvenience. Since Equinox is a late entrant into the beverage industry, health and wellness enthusiasts have already established a fitness routine. Consumers may be loyal to competing health beverage brands and are unwilling to switch their routine to Equinox's new beverage. Equinox lacking superior flavor, nutrition, or packaging will affect this overarching pothole. To compensate for existing routines and competitors, Equinox must provide high-quality beverages and convenient packaging that fits with the health and wellness lifestyle. Despite these complications, Equinox has an established customer relationship management (CRM) system that will allow it to tailor the product to its market. Utilizing the data from current Equinox customers, the protein shake will be made to fit the behaviors and needs of the existing customers.

Development

Design Considerations

Regarding product development, Equinox's protein shake design focuses on emphasizing differentiation, creating a distinction among the competition. The market is saturated with numerous health beverage products ranging from low to high quality, with product offerings from various brands. Therefore, the design for differentiation approach is most applicable in this scenario. Equinox's health beverage will comprise high-quality ingredients in correspondence with the premium customer target market. Additionally, the product will have specific design elements, such as color-changing bottle materials, that are unique among the competition. The bottle material—glass—will also be unique while adding a layer of luxury to the product. Additionally, the product design supports Equinox's existing corporate identity. The design's focus on high-quality fitness and luxury upholds the Equinox brand.

Principles of Universal Design

This product illustrates flexibility in use because it can be used by people of varying preferences and abilities. One could use this drink to build muscle and replenish your body after a workout. Someone else could buy this drink because they like the taste and it is a nutritious option. Additionally, Equinox's protein shake design is also simple and intuitive as it is not a new-to-the-world design. The bottle will resemble the cylinder shape of other beverage bottles on the market. Furthermore, the bottle will have indentations where one's hand typically sits, so the design maximizes comfort and ease. The packaging design will also include a color-changing label that indicates when the beverage is warm and cold. The Equinox logo will appear white when warm and will be a gradient blue when cold (Appendix 13). Lastly, this product design has perceptible information. The color-changing label gives information about the drink's temperature. The nutrition label lists information about nutrition and ingredients.

Product Use Testing

Regarding product use testing, the product will be put out for beta testing at select Equinox locations. The product will be tested in popular Equinox locations in the United States that are likely to contain a diverse customer base, yielding a generalized assessment of the product's performance on a national scale. The beta test will run for six months. At the health

beverage industry level, this type of product is purchased on a daily basis. The use test should produce enough customer behavior and feedback data for sequential analysis.

The product will be advertised for trial purchase at select locations during beta testing. In addition, randomly selected customers will be notified via Equinox's mobile app to try the product. Each protein shake will have a printed QR code, which can be scanned via mobile device, on the bottle label requesting user feedback. If the customer scans the QR code and fills out the survey, they can win a one-year complimentary membership at Equinox. The survey will include questions regarding their experience with the product. The survey will ask for user feedback such as did they like the bottle, its taste, protein/supplement content, and like/dislike format will be utilized in the survey. Post survey, some customers who bought our product will be prompted for an additional interview regarding their product experience. Select customers will also be invited to join a focus group discussion between seven to twelve people to receive further feedback about the product.

Launch

Marketing Strategy

Marketing strategy is essential for the success of the product's launch. For Equinox, it makes the most sense to segment the market psychographically, which means dividing the market up by values, attitudes, and lifestyles. Equinox should take on a niche targeting approach because its members already have a distinct psychographic profile, which is easy to define. As discovered in the customer analysis, Equinox customers live high-performance, fitness-oriented lifestyles. Its customers value luxury and quality. Since a lot of the product design catered toward these people, it makes sense that marketing is directed toward this segment too.

Equinox should position its protein shakes to attract the described segment. The position should touch on both the health aspect and the luxurious, high-quality experience (Appendix 14). The nutritional benefits, such as the high protein content in the drink, can speak to health and wellness. The flavor and bottle design represent luxury. Equinox should use the positioning statement; "For people that live high-performance and fitness-oriented lifestyles, Equinox Nourish offers a high-quality and flavorful protein beverage packed with nutritional benefits in

sleek packaging, so that customers can replenish their body and experience the luxury of Equinox.”

“More for more” is the value proposition that Equinox’s protein beverage should have in the minds of the consumers. The tangible benefits of the drink are the nutritious and flavorful beverage and the upscale packaging and design. Equinox protein shakes also offer a social benefit. The luxury and fitness focuses of the product connect well to people’s self-concept. Another benefit is the protein shake will be sold at Equinox gyms and eventually retailers, which will allow consumers to easily replenish their body after a workout. The financial cost of this product is the purchasing price. Our pricing strategy is price skimming, which means it will cost more than the average protein beverage.

Marketing Mix

Product

To best understand the scope of Equinox protein shakes, the marketing mix must be applied. The product, Equinox protein shakes, will provide the consumer with the core benefit of accessing a high-quality health beverage option that is designed for superior flavor, nutrition, and convenience. The actual product will be delivered in sleek packaging that aligns with the opulent Equinox branding. The design of the bottle is intended to be ergonomic, lightweight, recyclable, sustainable, and luxurious. The bottle will have a unique design as it will have a color-changing logo that is prompted by a change in temperature. Within this inventive packaging will be the high-protein shake with a delicious banana almond butter flavor. The initial launch of the Equinox protein shake will be tested by offering this exclusive flavor and packaging. However, the long-term strategy is to offer a slew of augmented products that will accompany the existing protein shake. The intended line will include new protein shake flavors, as well as the introduction of protein powder and personalized location design packaging. These potential products will further enhance the existing product by offering enticing features that will revitalize the current Equinox protein shake.

Although protein shakes are not new to the market, consumers are not actively seeking an Equinox-branded protein shake. This makes Equinox protein shakes an unwanted or unsought good. Equinox products will have a relative advantage over competitors as it is already a reputable, established brand that has a loyal customer base that trusts in its quality. If the

Equinox protein products abide by the same quality standards then the market will likely adopt the new product more rapidly. Equinox's reputation also contributes to the product's strong compatibility and low complexity within the market. Considering that Equinox already exists within the health and wellness industry, customers are familiar with the brand and therefore require minimal learning about the product. Protein products are also not new-to-the-world and demand little commitment to the purchase. The product is a low-risk purchase, which helps accelerate the adoption rate. Equinox protein shakes also have high divisibility as the company can offer trial portions or samples to gym members. Doing so will allow customers to test the product before committing to purchasing the beverage. However, the communicability of the protein shake may not be instant. Research states that it can take up to six weeks for a protein beverage to show notable results (Jadhav, 2021). This would require consistent protein consumption and is largely dependent on the consumer to accomplish. Nevertheless, consumers purchasing the shake are likely to already have an established routine that is needed to show results. The long-term goal is for the product to become a convenience good available at high-end grocers, such as Whole Foods.

Overall, Equinox's branding is intended to offer favorable traits such as convenience and reliability. The protein shake is made to be bought on-the-go through its lightweight packaging. Equinox's reputation also plays a large role in reliability as consumers associate that trait with the existing gym offerings. Therefore, the same characteristics will be associated with the new protein shakes. The packaging design will have a strong visual identity that mimics the Equinox brand. This includes a sleek, high-quality design that appears in both aspects of the color-changing logo. Equinox's one-of-a-kind branding allows it to separate itself in the market and leave a lasting impression on consumers. If Equinox protein shakes can fulfill the favorable, unique, and salient branding traits, it will prove to show the same success as its global gym establishments.

When examining product branding, it is important to identify the risks that coincide when using a branded house strategy. Implementing this strategy is an inexpensive way to extend an existing brand to new markets. However, the risk of creating a new offering under an existing, reputable brand is the potential of tarnishing the current notoriety. Therefore, Equinox must be deliberate when developing the protein shake as it must perform with the same high-quality and reliability as its current offerings. To distinguish itself from its gym and fitness offerings,

Equinox could use a branded house architecture. The current gym offering will be titled Equinox Fit and the beverages will be titled Equinox Nourish. If these traits are not present in the product, then Equinox will not receive the same loyalty and praise that the existing brand established. To avoid these risks, Equinox must receive corporate approval and abide by the detailed product protocol. This will ensure that each department is adhering to the standards needed to successfully launch the protein shake.

Price

Equinox protein shakes will be sold at \$4.50, which is above the average of existing competitors' cost. This is because Equinox should use a price-skimming strategy. This approach will price the product as having a clear price above the average, but it is within reason as the product offers superior quality. Equinox should not employ a premium pricing strategy because of the long-term intent to sell its protein shakes in retail stores. If the protein shakes are priced at a premium, then consumers outside of the Equinox gym may not be as willing to try or repurchase the product. Therefore, Equinox should position itself as a premium brand that strives for superior quality that competitors do not offer. This will compensate for the higher price and will not present as threatening to consumers or competitors.

Place

Place plays a primary role during the product launch as Equinox must maximize its value delivery network. To do so, Equinox can implement a pull strategy that will entice customers without heavily marketing to them. Equinox should allow its branded protein shakes to live in its existing gym locations which will automatically reach the intended audience. Once members begin purchasing the Equinox protein shake, word of mouth will attract new customers. This technique will allow Equinox to have a strong value delivery network as customers will naturally market the protein beverage.

Nevertheless, Equinox must consider a distribution strategy that encompasses the entire target market. In the short-term strategy, Equinox will use exclusive distribution as the protein shakes will be directly sold in selected Equinox locations. This distribution to exclusively offer the product to Equinox members fits with the existing luxury Equinox branding. Considering the long-term strategy, however, Equinox will use selective distribution to extend its market to non-Equinox members. The ideal retailer would have a commitment to health and wellness, a high-quality reputation, and a complementary target market to Equinox. Retailers who fit these

requirements are GNC, Whole Foods, and Trader Joes. These standards ensure that Equinox is fulfilling the necessary product requirements from the product protocol that are essential to succeeding.

Promotion

The sales forecasting indicates that Equinox would benefit from primarily using an influencer or ambassadorship marketing strategy. The team suggests a promotion budget of 5% of peak sales based on the Bass model. This budget should be mainly used to pay athletes or wellness influencers to endorse the Equinox protein shake. Another strategy is to give products to social media influencers with no obligation to post. If inquiring influencers to post and endorse the brand, Equinox will compensate them according to their content rates. This is useful, especially during the initial launch, as it is an affordable yet effective promotional strategy. However, Equinox must be strategic in who is selected to endorse the protein beverage. When considering personal selling complexity, Equinox could struggle to get in contact with the needed endorsers that will prove to be most effective to its strategy. Additionally, Equinox should not be acquiring talent that seems to endorse any product, even if it does not meet the customer's expectations. Equinox must also not select influencers who do not have a good reputation and support values that are contradictory to Equinox's branding. Doing so will tarnish the trust consumers have in Equinox and could be damaging to the brand as its products are being advertised by those that do not adhere to the same values and transparency as Equinox. Equinox should require talent to sign a contract, if being compensated for content, in order to ensure they are contractually obligated to abide by Equinox's guidelines. Another factor that should be noted when pursuing influencer advertising is to select talent who has a following that resembles Equinox's ideal target market. Equinox should scout for followers who are wealthy individuals who are committed to a luxury, high-quality fitness lifestyle. This ensures that the selected market will be willing to pay extra for Equinox's higher quality protein shake and would frequently repurchase. Furthermore, the use of the described digital marketing strategy must be accompanied by a strong CRM system. Utilizing existing CRM systems will aid Equinox in better understanding its audience, which will help tailor the product to best fit the market.

Market Testing

Once the Equinox protein beverage finally makes it out of the production phase and is ready to reach consumers, the final stage of market testing will begin. Product testing for

beverages and other consumable products varies from other types of product testing for products because the formula and ingredient list must be constantly tested and judged throughout the manufacturing process (Tando). The main outcome considered when determining whether or not to perform market testing is the expected sales forecast, including financial and unit metrics, so that Equinox can have a better understanding of how the protein beverages will be received by consumers once fully launched. Market testing will also produce further insights about consumer preferences on flavor and taste so that the overall protein beverage launch can be the best possible experience for both the consumer and Equinox. While performing market testing will delay the official launch of Equinox protein shakes, this will not be an issue for the company. The direct costs associated with testing are relatively low, as the protein beverages already have a means of production. The potential lost revenue from delaying the launch is insignificant, especially when compared to the potential revenue lost from a failed launch or having to rework certain aspects of the product after it has already gone into mass production. Since Equinox is uniquely positioned, the nature of the marketplace will not affect the outside forces' impact on market testing. As previously discussed in the portfolio, the product is not one that could be easily replicated by Equinox's competitors, and therefore market testing should have no negative effect on the pre-established consumer demand for the product.

The market testing will be done in a variety of ways, beginning by creating a simulated test market (STM) at select Equinox locations. Introducing the product to customers at these locations will give a real-life trial, both for the launch of the product as well as the response of the customers. This type of market testing is beneficial for consumer nondurables, like Equinox protein shakes, and can assess the consumer's tendency for repeat purchases. This is important to determine so that manufacturers can plan accordingly, as supply needs to meet the demand and not be too low or too high, reducing risk and waste. Another key aspect of STM is the ability to test planned advertising and marketing campaigns, which greatly increases the likelihood of a successful launch of the product when the time comes. All of this is to see whether Equinox's customers are willing to adopt Equinox protein beverages into their daily routine and how to help them do so with the greatest level of ease and satisfaction.

Launch Management System

Potential problems that Equinox may face during the launch of the protein beverage include lack of customer awareness, lack of repurchasing, or supply chain issues. Other problems

that could occur during the product launch involve packaging inconsistencies or beverage quality issues, which manufacturers are primarily held accountable for. While it is unlikely that these issues will occur since there will be extensive pre-launch testing, the potential for one-off mishaps is always there and must be addressed. While employees should always make sure to visually review the product prior to sale, if a damaged or incorrect product is sold to a customer, a full replacement will be the best option, along with the potential for a discount on a future purchase.

The success of the launch will be measured by qualitative data such as the general reception from consumers of Equinox protein beverages, as well as quantitative data like units sold and total profit. In the short run, tracking weekly sales and profits will allow Equinox to gauge whether other mitigating measures are needed to assist in the launch. Target quotas will be calculated for each store depending on membership numbers and weekly visitors, as well as the demographics of that store's members. Stores will individually report back and will have their actual numbers compared to the pre-established targets, providing any additional feedback that is deemed necessary to assess launch success.

Conducting monthly meetings with store managers and other employees involved in the sale of Equinox protein beverages will create a channel of communication between the individual locations and the overarching Equinox team. If any store fails to meet quotas or struggles to reach targets, a deeper investigation into potential problems will be held and reassessed to bring that store up to standard. If any of the potential problems mentioned above occurs, stores will be required to report the incident to Equinox to track these problems. Problems that reoccur consistently in specific regions, locations, or aspects of the product will be resolved quickly and efficiently, with any changes made rolling out with the next cycle of Equinox health beverages.

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Appendix

Appendix 1: Team Contract

- All group members will attend every meeting. Team members with valid excuses (i.e. a family emergency) will be excused.
- Group meetings will be held via Zoom or in person, whichever the team deems necessary for the task at hand.
- All members will equally contribute to the project.
- All group members will treat each other with respect.
- The group text message will be the group's primary form of communication to check in on progress, ask questions, and plan meetings.
- Due dates will be created, agreed upon, and met by the entire group.

Signatures:

Student 1: Grace Olivieri Date: 09/11/2022

Student 2: Anas Mheir Alsaadi Date: 09/11/2022

Student 3: Caroline Rooney Date: 09/11/20/22

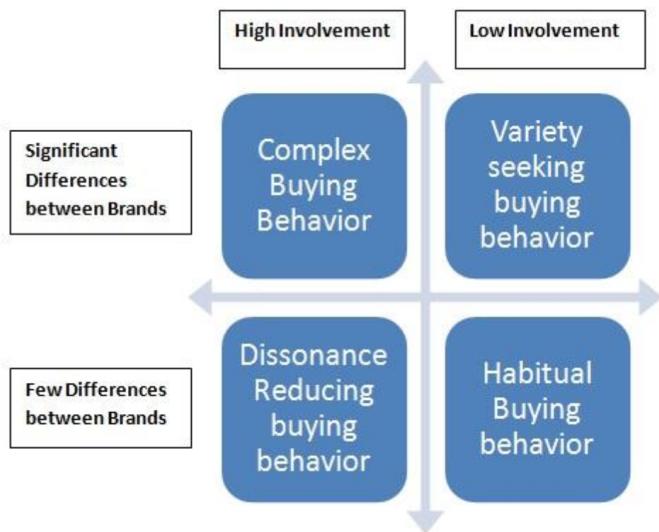
Student 4: Anton Yanovich Date: 09/11/2022

Student 5: Caroline Christian Date: 09/11/2022

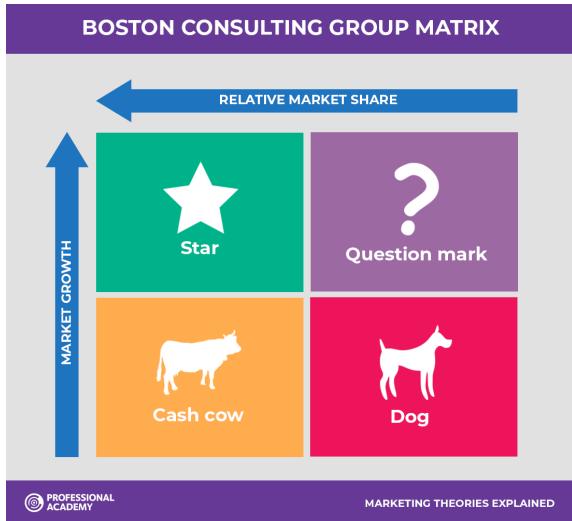
Appendix 2: Equinox Ad from 2016



Appendix 3: Four Types of Consumer Behavior



Appendix 4: Boston Consultant Group Matrix



Appendix 5: Ansoff Matrix

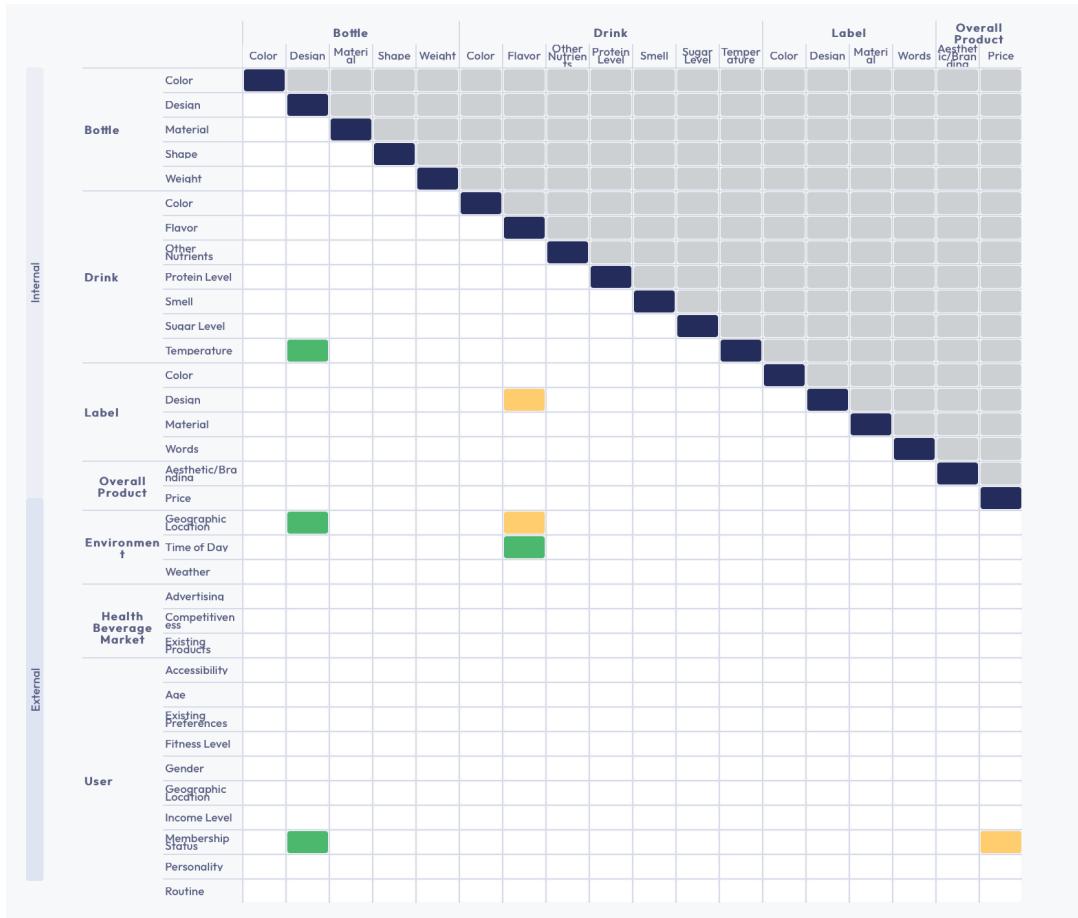


Appendix 6: Conjoint Analysis

	Level 1	Level 2
Flavors	Banana Almond Butter (1)	Mocha Hazelnut (0)
Packaging	Glass (1)	Paper (box) (0)
Protein Content	Extra (1)	Regular (0)

A: Banana Almond Butter Glass Extra Protein	C: Banana Almond Butter Glass Regular Protein	E: Mocha Hazelnut Glass Extra Protein	G: Mocha Hazelnut Glass Regular Protein
B: Banana Almond Butter Paper (box) Extra Protein	D: Banana Almond Butter Paper (box) Regular Protein	F: Mocha Hazelnut Paper (box) Extra Protein	H: Mocha Hazelnut Paper (box) Regular Protein

Appendix 7: Omnivati



MKTG 4900W Group Project

Date Created **Created by**
□ 19 Sep 2022 ♂ Grace Olivieri Olivieri
People in project
♂ 5



5 ▣ (AD) The Design of the Bottle depends on the Temperature of the Drink

☰ **Design** ⚙️ **Bottle** ☰ **Temperature** ⚙️ **Drink**

Created by
♂ Grace Olivieri

Date Created
□ 14 Oct 2022

Name
 Design-Changing Temperature Bottle

Comment

The equinox logo will change/disappear when the drink goes from cold/chilled to warm.

Benefits

👤 **Consumer**

- The consumer knows what temperature the bottle is.

Issues

💡 Will the technology needed for the design changing match the bottle material?

5 ▣ (AD) The Design of the Bottle depends on the Membership Status of the User

☰ **Design** ⚙️ **Bottle** ☰ **Membershi...** ⚙️ **User**

Created by
♂ Grace Olivieri

Date Created
□ 14 Oct 2022

Name
 Membership Refillable Bottle

MKTG 4900W Group Project

Comment

Members get refillable bottles (included in their membership costs).

Benefits

👤 Consumer

- An incentive to sign up for a membership
- Sustainable

Issues

 How would this work with the general consumer market?

5 (AD) The Design of the Bottle depends on the Geographic Location of the Environment

 Design

 Bottle

 Geographic...

 Environment

Created by

👤 Grace Olivieri

Date Created

🕒 14 Oct 2022

Name

Location-Based Bottle Design

Comment

The closest major city inspires the bottle design. It could possibly include the city skyline or an iconic landmark.

Benefits

👤 Consumer

- Elevates the design
- Collectable

Issues

 Cost?

MKTG 4900W Group Project

- 5 (AD) The Flavor of the Drink depends on the Time of Day of the Environment

Created by
Grace Olivier

Date Created
14 Oct 2022

Name
Season-Based Drink Flavor

Comment
The flavor of the drinks will depend on the season. For example, Fall could include a pumpkin spice-flavored beverage.

Benefits

- Keeps consumers interested
- Variety

Issues

- Costly?

Appendix 8: Go/No Go Matrix

Decision to →	Continue development of protein beverage	Stop development of protein beverage
Outcome of ↓		
Success of protein beverage	No error	Stop Error
Failure of protein beverage	Go Error	No error

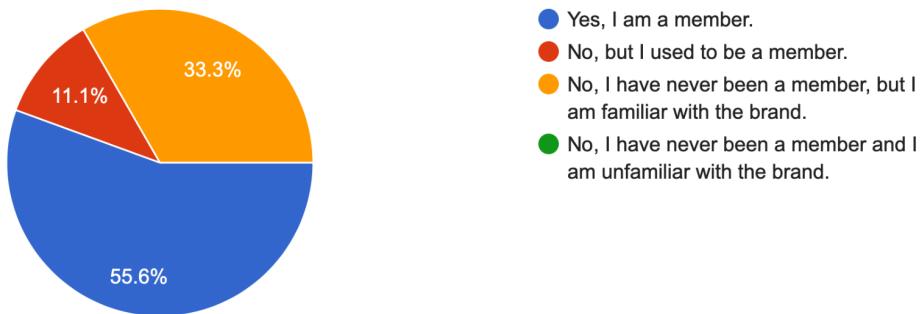
Appendix 9: ATAR

New Product	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Size of the target market (buying units)		300,000	315,000	330,750	347,288	364,652
<i>Annual Growth Rate</i>		5%				
ATAR VARIABLES						
Awareness		70%	70%	70%	70%	70%
Trial rate		50%	50%	50%	50%	50%
Availability		70%	70%	70%	70%	70%
Repeat		50%	50%	50%	50%	50%
SALES + CUSTOMERS						
Trial Customers		73,500	77,175	81,034	85,085	89,340
New 'Repeat' Customers		36,750	38,588	40,517	42,543	44,670
Loyalty rate						
Total 'Repeat' Customers (customer base)		36,750	38,588	40,517	42,543	44,670
Brand Penetration (% of market)		12.25%	12.25%	12.25%	12.25%	12.25%
Sales to 'one-off' customers		36,750	38,588	40,517	42,543	44,670
Sales to repeat customers		441,000	463,050	486,203	510,513	536,038
TOTAL SALES - units		477,750	501,638	526,719	553,055	580,708
PRICE + VOLUME ESTIMATES						
Avg purchase quantity (yr)		12	12	12	12	12
Price per unit, after discounts <i>(to direct customer, could be the retailer)</i>		4.50	4.50	4.50	4.50	4.50
Cost per unit		1.00	1.00	1.00	1.00	1.00
Margin per unit		3.50	3.50	3.50	3.50	3.50
Gross Margin %		77.8%	77.8%	77.8%	77.8%	77.8%
TOTAL SALES REVENUE		2,149,875	2,257,369	2,370,237	2,488,749	2,613,186
Gross margin		1,672,125	1,755,731	1,843,518	1,935,694	2,032,478
Initial investment (R+D, pre-launch, MR)	5,000,000					
Promotional Spend						
Profit contribution after expenses	-5,000,000	1,672,125	1,755,731	1,843,518	1,935,694	2,032,478
<i>Cumulative profit contribution</i>	-5,000,000	-3,327,875	-1,572,144	271,374	2,207,068	4,239,546
CANNIBALIZATION (if applicable)						
% Sales of New Product from Existing Products	= Lost sales of the firm's other products	0%				
Estimated Margin per Unit of Existing Products		-				
Lost Unit Sales of Existing Products		0	0	0	0	0
Lost Gross Margin on Existing Products		0	0	0	0	0
Profit Contribution (after cannibalization)	-5,000,000	1,672,125	1,755,731	1,843,518	1,935,694	2,032,478
<i>Cumulative Profit Contribution</i>	-5,000,000	-3,327,875	-1,572,144	271,374	2,207,068	4,239,546
KEY FINANCIAL METRICS						
Net Present Value <i>(NPV)</i>		\$ 1,940,307				
Internal Rate of Return <i>(IRR)</i>			23.7%			
Return on Marketing Investment <i>(ROMI)</i>			84.8%			
Overall profit <i>(In the 5 years)</i>		\$ 4,239,546				
Years to payback			3			
Discount Rate <i>(if applicable, or set to 0%)</i>		10%				

Appendix 10: Concept Statement Google Form Results

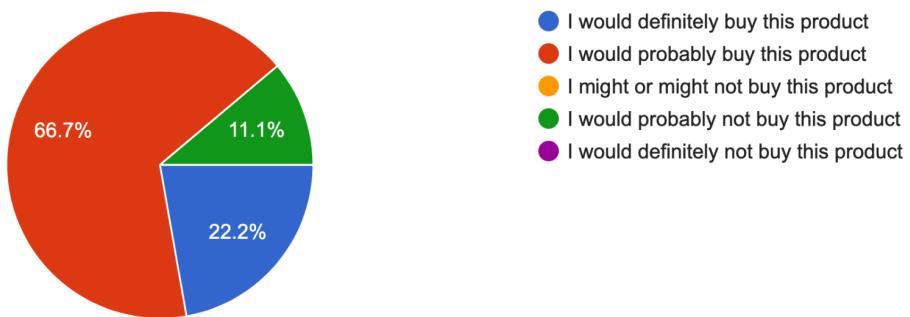
Are you a member of Equinox gyms?

9 responses

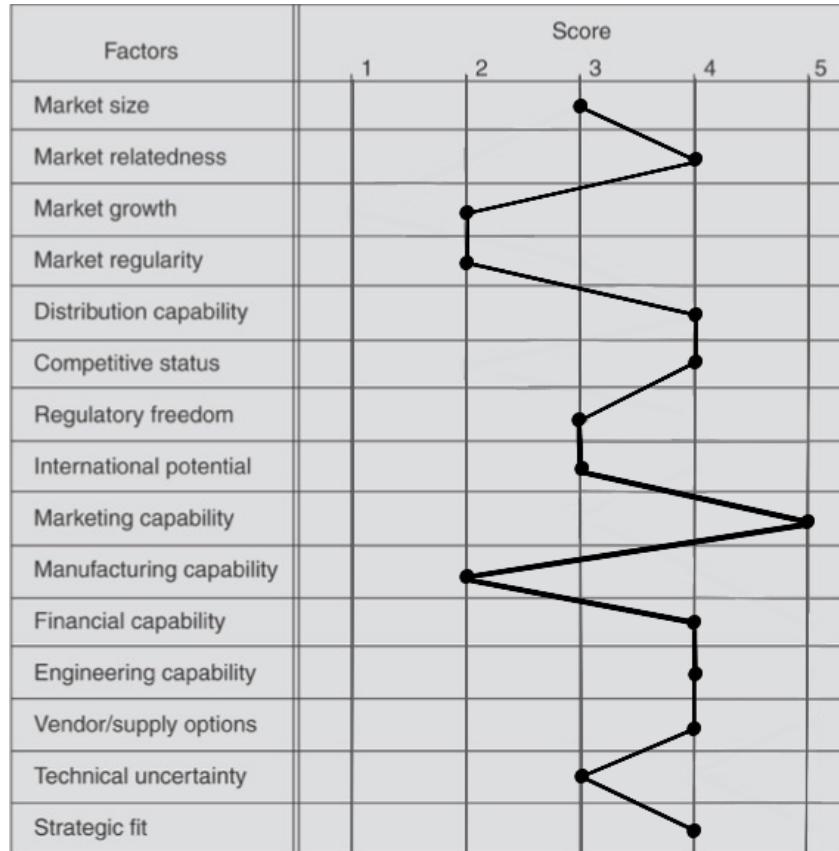


How interested would you be in buying the product described above if it were available?

9 responses

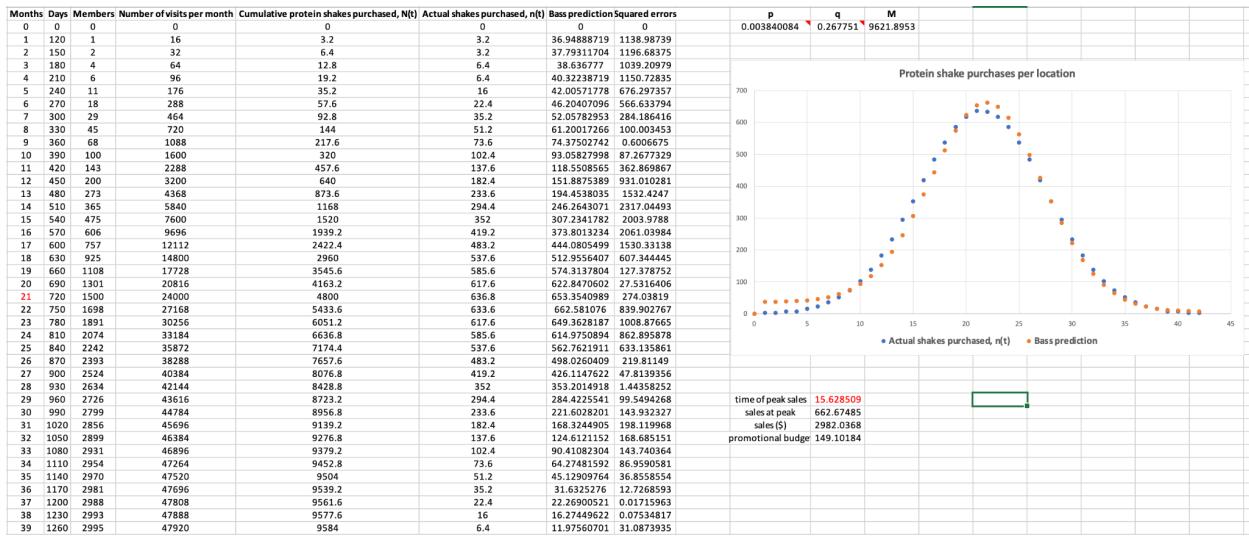


Appendix 11: Screening



Appendix 12: Sales Forecasting

Mean	2	years
Sigma	0.5	years
Number of Equinox locations	100	
Average number of members per location	3000	
Average number of member visits per week	4	
Average number of member visits per month	16	4 weeks / month
Total member visits per month	48000	
Protein shake purchasing rate per visit	20%	
Protein shake purchases per month	9600	
Days in 2 years	720	360 days / year
Months in 2 years	24	



Appendix 13: Bottle Design



Appendix 14: Perceptual Map

