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ALFIE: WORKING OUT A VIRTUAL FITNESS CONCIERGE PLATFORM

Camille Grange wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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In October 2018, Lionel Pardin and his two business partners gathered in Montreal, Canada, to revisit the strategic plan implemented over the course of the last two years for the development of Alfie.fit (Alfie).[[1]](#footnote-1)Alfie took the form of an on-demand digital service (website and mobile app) that matched personal trainers in need of visibility to training enthusiasts looking for coaching sessions delivered outside of a gym (e.g., outdoors or in their home).

The three friends and fitness enthusiasts had created Alfie with the goal of revolutionizing the fitness industry. Unfortunately, it had not yet reached a critical mass of users. A fair number of trainers had registered on the platform since its official release to the public in February 2017, but the volume of trainees lagged behind. Moreover, the number of hours of training sessions booked through the platform remained extremely low, indicating that Alfie was not effectively fulfilling its goal of matching the two user groups. However, the venture was still in the start-up phase, and several initiatives could still be put into place to give the platform a second breath.

As they were about to celebrate Alfie’s one-year anniversary of being in operation, the founders needed to take stock of the situation and make strategic decisions regarding the platform’s future growth and development.

ALFIE

Founding Alfie

Alfie was founded in 2016 with the ambitious goal of creating “the Uber of the fitness industry.” Pardin, a Montreal-based entrepreneur and Alfie’s chief executive officer, was the one leading the venture. After more than a decade of holding executive positions at different companies in the digital domain, Pardin had gained a deep understanding of the power of technology in the marketing and success of consumer products and so had created his own marketing agency. Pardin had also developed a strong network of technology experts and collaborators in the city over the course of his career. As a disciplined yoga practitioner and long-time fitness enthusiast, he also had a solid set of friends and acquaintances in the fitness domain. Thus, Pardin was particularly well positioned to both appreciate the vitality of the fitness market in Montreal and leverage the talent and resources needed to help create Alfie.

Positioning and Developing Alfie

Building a marketplace app to connect trainers and trainees was a relatively simple idea. However, taking good design decisions and implementing them to achieve an outstanding usage experience was not straightforward. As a first step, the founders worked on specifying the core pains that the service would help alleviate and the core needs that it would help satisfy—in other words, they focused on articulating the value that Alfie would create both for personal trainers and for trainees.

Several inputs were used in this analysis, such as informal networks (i.e., friends who were trainers or trainees), surveys, statistics, and industry forecasts. The data indicated that trainers were ready to be part of a network if it was possible to advertise their services to a large base of potential clients. Regarding trainees, the key segment Alfie would target would be 35–65-year-old busy workers who had little free time but enjoyed and understood the importance of being physically active. This clientele was willing to order a personal trainer on a flexible schedule as long as the price of the training session reflected the quality of the trainer.

Overall, the market research and analysis led the founders to position Alfie as a “concierge” service that would manage interactions between both groups of users and cater to the high-end segment of the private training market. The technical work to design and develop Alfiestarted in February 2016. By October of that year, a functioning platform was ready to be beta tested on desktops. After multiple rounds of improvements that built on tests and on feedback from friends and acquaintances, the completed platform, including the iOS version, was ready to be tested on a real market by early 2017.

Launching Alfie

In February 2017, Pardin invited a network of professional trainers, fitness influencers, and gym lovers to the event celebrating the official launch of the platform in Montreal. In his welcoming speech, he said,

Why should we pay a membership to a gym just to benefit [from a] few classes that too often don’t fit into our schedule? For people using fitness club services, especially personal training and fitness classes, there is a waste of value. Some trainees are paying a membership to a fitness club to be with a particular trainer or to participate in one or two classes given by a favourite teacher. Nothing else. We live in a demand economy. If technology could help trainees meet their personal trainers on a platform, like Airbnb does for hosting and travellers, there would be an interesting value created.

Taking his iPhone in his hand, Pardin unveiled for the first time the appearance of the app.

Moreover, the question can be reversed. Why should trainers spend time, too much time, in a fitness club when they have great potential to meet people outside who are willing to pay for their services? A lot of professional trainers are running around the city, travelling between gyms and studios, to be able to earn a decent salary. With Alfie, these professionals will be able to be independent and to manage their schedule, booking, and communications with clients all with one app!

The fitness enthusiasts present at the event were already starting to create their own profile on the platform. Training professionals also seemed impressed. A core base of close to 100 personal trainers had already been recruited over the past three months by exploiting informal social networks and referral mechanisms, tapping into existing communities (e.g., yoga instructors, the Lolë community), and exploiting the power of social proof on social media (e.g., using influencers to generate interest). This approach had been chosen to enable Alfie to operate from day one, its official release. However, it was clear that many more Alfie-certified trainers would be needed to satisfy the demand.

INDUSTRY BACKGROUND

Consuming Fitness

While people had engaged in physical activity for ages, modern fitness as a business did not take off in industrialized countries until a few decades ago (the 1970s/1980s). Two particularly notable forces had stimulated the development of this industry: (1) the shifting nature of work (occupations and transportation behaviours) and (2) the growing awareness of the role of physical activity in being healthy.[[2]](#footnote-2)

First, work routines transformed from involving significant physical activity (a typical day for a large proportion of the working population involved some sort of pushing, pulling, lifting, carrying, or walking) to requiring much less physical effort (e.g., more office work and more time driving to work). In 1950, 30 per cent of Americans worked in high-activity occupations compared to only 22 per cent in 2000; the proportion of Americans working in low-activity occupations rose from 23 per cent to 41 per cent.[[3]](#footnote-3)

In parallel, researchers discovered that physical activity was conducive to good health. Kenneth Cooper was a young medical doctor in 1968 when he published a book that pioneered the concept of aerobics and contributed to seed in people’s minds the belief that physical activity was good for them.[[4]](#footnote-4) Health professionals then started educating citizens on that matter because the health consequences associated with being inactive (e.g., obesity) had become alarming. For example, in Canada, 5.3 million people (more than 20 per cent of the population) were deemed overweight or obese in 2014—a number that was expected to keep rising over the years.[[5]](#footnote-5) That alone was a critical public health issue given the significant risk carried by obesity for disabling diseases and early mortality.

The rising consumption of fitness-related services was also driven by the need to look good and earn social acceptance. The proportion of women who were dissatisfied with their body and body weight doubled between the 1970s and 1990s.[[6]](#footnote-6) Thus, women played an important role in expanding the fitness movement, together with media that featured fitness outfits, exercise workouts, home gym equipment, celebrity personal trainers, and weight-loss television shows. Another significant driving force was employers, who in the early 1980s started implementing workplace wellness programs (e.g., on-site centres, agreements with local clubs to subsidize employee memberships) after research reported that these could help reduce health care costs, minimize illness-related absences, and attract talented employees.[[7]](#footnote-7)

The Competitive Landscape

The emergence of modern fitness was fueled by societal and cultural changes, and it gave rise to a thriving industry, which involved two primary activities: operating fitness centre facilities (e.g., gyms, athletic clubs, exercise centres, studios for physical fitness, sports clubs, and health clubs) and offering and managing services such as athletic instruction and personal training (within or outside fitness centres).[[8]](#footnote-8)

The presence of fitness centres around the globe was growing. In 2017, there were more than 200,000 centres serving 174 million members.[[9]](#footnote-9) In Canada, where Ontario and Quebec were the two largest markets, there were close to 7,000 clubs, and industry revenues generated CA$3.1 billion, a number that was expected to grow at an annualized rate of 3.1 per cent between 2017 and 2022.[[10]](#footnote-10) Females made up an increasing proportion (57 per cent) of fitness centre members together with health-conscious, time-strapped consumers aged 35 and above. Membership fees accounted for most (62 per cent) of industry revenues, and personal training services (one-on-one or small group classes with certified trainers) contributed a significant additional share (8.6 per cent).[[11]](#footnote-11) These services were particularly instrumental in attracting new clientele and in preventing churn, which was a critical issue because the cost of recruiting was more than twice that of retention.

Overall, with only a few key players owning a large number of locations, the industry was highly fragmented. GoodLife Fitness Centres Inc. (385 clubs across different brands such as Énergie Cardio, Éconofitness, and Fit4Less) held a relatively large market share (22 per cent), but all other players were small, each accounting for less than 5 per cent of all industry revenues.[[12]](#footnote-12) In fact, there were fewer than 100 employees in 97.2 per cent of establishments, and half of the providers in the fitness industry were self-employed trainers.

Moreover, there was substantial competition between trainers because it was fairly easy to enter the industry (low capital requirement, low regulation). One way in which trainers could differentiate was by catering to niche markets with highly-specialized services such as rehabilitation to restore physical abilities, specialized fitness routines to help address chronic health conditions, dietary training, and others. Another way was by offering convenient and flexible services, such as group or off-gym (i.e., home or outdoor) sessions. In 2017, 90 per cent of personal trainers in the United States offered group sessions, and 20 per cent and 55 per cent offered in-home and outdoor training, respectively.[[13]](#footnote-13)

Fitness Trends and Innovations

Because of high competition, most fitness clubs strived to obtain the most innovative or recent fitness equipment (e.g., cardiovascular and weight-training machines).[[14]](#footnote-14) Yet innovations were manifested not only in training tools but also in type of exercise and where the exercise happened. Trainees were getting out of gyms to try new activities that could keep them fit and entertained at the same time. They were also increasingly interested in group classes and new training methods.

The top fitness trends for 2018 included high-intensity interval training (HITT), group training, group personal training, personal training, certified professionals, yoga, outdoor activities, and the use of wearable technology.[[15]](#footnote-15) HITT, which was the number one trend in 2018, involved a short burst of high-intensity exercise followed by a short period of rest, and typically took less than 30 minutes to perform. Group training took the form of classes of more than five people, where instructors led sessions (e.g., Zumba, aerobics, cycling) designed to fit different levels. Group personal training (groups of two to four people) was also gaining popularity, providing a format that ended up being less expensive for clients and more lucrative for personal trainers than personal training sessions, which nevertheless remained in demand.

Personal trainers worked either independently or as subcontractors in community-based programs, commercial settings, medical fitness programs, or corporate wellness programs. There was also sustained growth in the number of (and demand for) fitness-related educational and certification programs offered by colleges, universities, and national accrediting organizations (e.g., the Certified Professional Trainers Network, or CanFitPro, in Canada).

In parallel, the use of wearables (e.g., smart watches, smart fabrics) was on the rise and expected to be a durable trend. Yoga, which had been in high demand since the early 2000s, now came in a variety of formats such as Power Yoga, Yogalates, and Bikram Yoga. Finally, outdoor activities such as hiking, kayaking, and climbing were increasingly attractive and constituted an ideal context for small-group personal training.

Technology and Fitness

New business models, often infused with technology, emerged to match industry demands and fitness trends (see Exhibit 1). Among these, the Nike App offered access to virtual personal trainers and personalized programs. Users selected preferred activities, levels of difficulty, and goals, and the app delivered training cues, videos, and motivating follow-ups.

Other rapidly growing start-ups had entered the market since 2015. For example, Vint helped fitness providers address one of their biggest problems: member churn (about 50 per cent of members were lost on a yearly basis[[16]](#footnote-16)). Marketed as a Software as a Service (SaaS) platform, Vint helped fitness providers manage member activities as well as leverage social marketing to animate and develop their community.

ClassPass focused on group-class fans eager to benefit from unlimited access to a wide range of fitness classes (e.g., yoga, strength training, barre, martial arts, Pilates, boxing, and indoor cycling) offered by a network of 10,000 fitness studios. Members used a mobile app to register for classes and paid a flat-rate monthly subscription fee.

Fitspot targeted companies interested in providing their employees with complete sports and diet programs. It was a modern alternative to workplace wellness programs that offered an integrated solution including a portal to track key stats, view the schedule, RSVP to classes, create challenges, see personal progress, etc.

Fortë was the Netflix of fitness, enabling trainees to stream classes from top studios all over the world.

OPERATING ALFIE

Both groups of users on Alfie’s platform (i.e., trainers and trainees) had their own version of the app—as with users of Airbnb or Uber—with specific features that helped users to connect and to exchange information.[[17]](#footnote-17)

All trainer profiles were curated by Alfie to ensure a high-quality experience for each trainee. Before being able to offer their services, personal trainers had to fill in a registration form on Alfie’s website. A security check was made with a third-party fraud detection company to ensure the trainers were certified. After being accepted, trainers had their profile created and were then visible. Every professional could offer up to two types of training (among, for example, yoga, boxing, Pilates, outdoor fitness, canoeing, and cycling). When Alfie was launched, there were more than 20 different types of activities available on the platform. This ensured a vast choice of expertise for trainees to choose from.

The trainer version of the application was designed to facilitate the monitoring and management of training bookings. Trainers were able to manage their own business activity using the following features: a notification system, to be informed of relevant training requests; a request management (decline or accept) process; an agenda, to keep track of training sessions; and a customizable price and class description section (see Exhibit 2). The trainee side of the platform (see Exhibit 3) was not curated. Anybody could create a profile and start looking for a personal trainer. Having a profile allowed trainees to easily contact a trainer and book a training session through the app.

The Alfie trainee app was designed to be simple to use. A first option for users was to send a request to all relevant trainers using three parameters: time, place, and activity. Trainers that met the requested criteria were notified and had three hours to answer and make an offer. Subsequently, trainees accepted or refused the offers they received. A second option was to send a request to a specific trainer from the list of those registered with Alfie. Irrespective of how trainees requested a training session, after a trainer had accepted a request, the trainee received a notification with the time and place of the training session. Throughout the process, Alfie facilitated communication through an automatic emailing system that transmitted contact information, and it processed the transaction at the end of the training, charging a transaction fee to trainees.

CHALLENGES

Six months after its official launch in February 2017, Alfie was facing major challenges. The iOS app had been downloaded by 2,000 users, but the number of trainee accounts was not growing significantly, and few additional trainers had created profiles promoting their services. Moreover, the number of training sessions booked through the platform remained low.

According to trainers, the platform had several functional issues. For example, some trainers claimed they had never received a single offer although they knew some trainees had tried to send them one. Other trainers were annoyed to receive offers for training sessions during the night or their rest times, so they put the app on sleep mode but forgot to reactivate it. In addition, some trainers believed their services would be better promoted through a visual map of a relevant geographical area (in the style of Airbnb), leveraging the geolocation capabilities of the devices that trainees were using to filter trainers and their training offers. Another improvement that was suggested was to enable trainers to publish their availability on the platform so that trainees would be able to “shop” according to their time preferences. Overall, most trainers were aware that the version of the app they had subscribed to was still in its early days and that it would be improved. Yet a few decided to close their account because of the low rate of transactions and a decreasing level of trust in Alfie’s ability to help them reach a significant audience.

Trainees also experienced a few technical bugs. Some complained that they had wanted to book a class but never received any match or answer to their request. Among these trainees, those who had tried to expand their search (i.e., adding flexibility to their time and location preferences) but obtained the same disappointing result ended up feeling frustrated and calling a fitness coach directly. In addition, some trainees wanted to look for a particular trainer they really wanted to try or had liked from previous trainings, but the trainees were unable to find the trainers’ profiles on Alfie. These users believed a search function to get quick access to specific trainers would be quite helpful. Another source of discontent was that the app did not allow trainees to book a class together with another Alfie user, which would allow them to obtain a discounted price right at the time of booking with the app. Finally, several users (on both the trainer and the trainee side) did not have a specific indoor location available to host an effective training session. For example, several busy parents preferred to leave their home to exercise, to avoid the risk of being interrupted by their children.

THE DECISION

In 2018, Pardin and his associates were discussing plans to get Alfie back on track. Despite the challenges they had faced over the last several months, Pardin kept a positive mindset: “There is no failure, only new ways to learn and get better.”The three founders felt strongly that substantial financial inflow from angel investors could help Alfie in becoming a popular app in the growing fitness economy.[[18]](#footnote-18)However, they would have to convince these investors of Alfie’s potential and offer a clear direction for improvement or complete reinvention.

In their pitch to potential investors, the founders would have to be clear about the priorities they believed the new capital raised would be used for. Should they focus on adjusting the current model (a “depth” strategy) or on making more substantial changes to the model (a “breadth” strategy)? A focus on depth would include redesigning the platform to make the onboarding process smoother and ensuring training services were more tightly aligned with new, popular trends.

In contrast, a focus on breadth would involve expanding the platform’s scope, which could be done by extending the type of fitness-related services offered on Alfie(e.g., including health care practitioners such as nutrition counsellors and physiotherapists). Growing in breadth could also be done by partnering with gyms to make spaces available for training sessions, by renting spaces and allocating them to training sessions booked through Alfie, or by opening the platform to a third user group that could offer space to rent for the trainings. By all evidence, the last option would require more capital than the former options.

Yet, irrespective of costs, what Alfie’s co-founders really needed to commit to was a clear strategic focus to drive forthcoming platform redesign and business development efforts. This would be the key factor in convincing investors that Alfie was indeed a unique and promising business venture.

EXHIBIT 1: Examples of digital players in the fitness industry

**ClassPass**—ClassPass allowed people that were fans of group classes to book a class in every studio that was registered. With a simple user experience, fixed subscription fees, and a mobile app, users could access their favourite classes the same way they would access movies for streaming on Netflix.

**Fitspot**—Fitspot helped employers bring well-being to their employees with complete sport and diet programs. It offered access to a personal portal that employees could consult for monitoring their progress.

**Vint**—Vint offered a white label platform for gyms around the world. It gave personal trainers access to sophisticated management tools (e.g., setting up meetings with trainees) through an affordable and simple interface.

**Nike Fit Club**—Nike Fit Club was a freemium app that delivered personalized training to users. App users could select their preferences, level of difficulty, and goals. Based on this information, they got access to training cues, informative videos, and a motivating follow-up.

**Tramaze**—Tramaze was a platform of authentic and fun local experiences promoting a healthy lifestyle for travellers and locals. Users could connect with a local fitness concierge and share unforgettable active experiences.

**Flex Gym Share**—In the United States, US$8.8 billion was wasted annually on underutilized gym memberships. Flex used the principles of the sharing economy to turn this waste into value for both gym users and gym owners.

**WeTrain**—WeTrain allowed local hosts such as personal trainers and yoga instructors to post classes on the app, which users could then search, browse, and book through its platform.

**Fortë**—Fortë was an online platform where users could stream live and on-demand boutique fitness classes from top studios worldwide. Because classes were delivered online, Fortë looked like the Netflix of fitness.

Source: ClassPass website, https://classpass.com; “Services,” Fitspot, www.fitspotwellness.com/fitspot-services; Vint website, www.joinvint.com; “App Store Preview: Nike Training Club,” Apple, Inc. iTunes, https://itunes.apple.com/ca/app/nike-training-club/id301521403?mt=8; “Tramaze: About,” Travel Massive, https://travelmassive.com/tramaze; “Flex Gym Share,” Flex Membership Share, Inc., www.flexgymshare.com; WeTrain website, www.wetrain.fitness; and Fortë website, www.forte.fit. All websites accessed March 14, 2019.

EXHIBIT 2: Alfie app Screenshots (trainer side)

|  |  |
| --- | --- |
| Login | Home Page/Newsfeed |
|  |  |
| Home Page/Newsfeed | My Classes |
|  |  |

Exhibit 2 (Continued)

|  |  |
| --- | --- |
| Offers | My Calendar |
|  |  |

Source: Company files.

EXHIBIT 3: Alfie app Screenshots (trainee side)

|  |  |
| --- | --- |
| Login | Home Page |
|  |  |

|  |  |
| --- | --- |
| Training Offer | Provider (Trainers) List |
|  | **1.jpg** |

Exhibit 3 (Continued)

|  |  |
| --- | --- |
| Trainer Profile | Calendar |
|  |  |
| Notification Patterns | |
|  | |

Source: Company files.

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