Wahoo Fitness Case Study: Homework 1
MAR 653 Marketing Analytics

Group 3
Sana Khan
Jessica Woolson
Robert Femia
Caitlyn Hollowell

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EXECUTIVE SUMMARY

Growth Strategy Recommendation

Target segments: Competitive Casey & Leisure Logan
Products: focused on cycling and potentially running – based on results from customer preference analysis/conjoint analysis and market research studies
Price: conduct pricing analysis on top competitors
Promotion: analyze historical performance on marketing channels to best allocate to 35-44 yr olds primarily male

K-Means Cluster Analysis

The article discusses Wahoo Fitness's response to the COVID-19 pandemic's impact on the personal fitness industry, focusing on their segmentation strategy and potential expansion options. In short, Wahoo Fitness experienced a surge in sales due to increased interest in indoor cycling during lockdowns. The company analyzed qualitative data to identify customer segments and explored opportunities in cycling, running, spinning, and other fitness activities.

Data analyzed: On non-customers, means by profile for attitudinal/behavioral questions, means by demographics, spend levels on sports equipment, sports type participation, frequency of activity participation and types of electronics used

Wahoo Segments – three main profiles were highlighted in the consumer survey

1. **"Competitive Casey"** - higher-level activity and willingness to invest more in technology that tracks/measures their performance. Big spenders on equipment
2. **"Social Sean"** - diversified interests in all sports. Spends the least amount of money on equipment
3. **"Leisure Logan"** - active, but less so than their Segment 1 counterparts. Spends a reasonable amount of money on equipment

Non- Customer Segments – three segments were identified

1. **Segment 1** represents more dedicated and possibly competitive athletes or fitness enthusiasts who are tech-savvy and willing to invest in their fitness regimen
2. **Segment 2** is composed of fitness-conscious individuals who still invest in their health and like to track their performance, but may not be as competitive or tech-focused as Cluster 1.
3. **Segment 3** includes individuals who are more casual in their approach to fitness, perhaps focusing more on general wellness than performance, and are more budget-conscious

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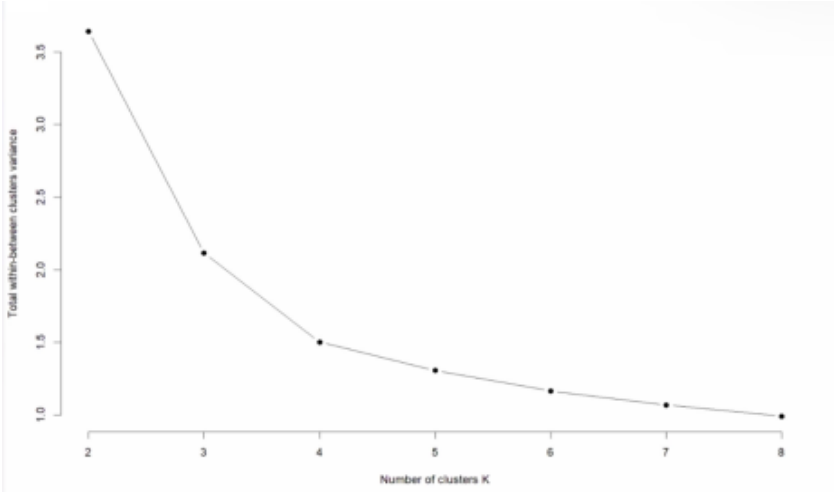
K-MEANS CLUSTER ANALYSIS

ELBOW PLOT & ATTITUDINAL QUESTIONS



Attitude/Behavior Questions	Cluster 1	Cluster 2	Cluster 3	Range
Segment Size	402	295	103	
Q2_12 I am competitive in everything I do	3.987562189	4.505084746	2.466019417	2.04
Q2_10 I enjoy going to live sporting events	4.184079602	4.559322034	2.59223301	1.97
Q2_4 I follow a structured training plan to improve my performance	3.97761194	4.572881356	2.689320388	1.88
Q2_7 I set specific performance goals for my weekly activity	3.982587065	4.606779661	2.893203883	1.71
Q2_8 I spend time following or reading about my sport when I'm not doing it	3.94278607	4.311864407	2.601941748	1.71
Q2_9 I enjoy watching sports on TV	4.15920398	4.596610169	2.912621359	1.68
Q2_6 Most of my friends also participate in my sport activity	3.935323383	4.481355932	2.854368932	1.63
Q2_11 I prefer to work out or train indoors vs outside	3.800995025	4.311864407	2.718446602	1.59
Q2_2 I know a lot about my sporting equipment	3.967661692	4.518644068	2.941747573	1.58
Q2_5 I track and use data to measure my performance	4.097014925	4.522033898	2.990291262	1.53
Q2_1 I manage my recovery time and sleep to improve sport performance	4.067164179	4.538983051	3.038834951	1.50
Q2_3 I maintain my own sporting equipment	4.067164179	4.644067797	3.339805825	1.30
Q1_5 Improving my performance is important to me vs. Enjoying my activity is important to me	2.815920398	1.755932203	2.922330097	1.17
Q1_6 Spending time with friends makes my sport activity more fun vs. Sports are a way for me to get away from stress	2.843283582	1.962711864	2.718446602	0.88
Q1_4 I manage my nutrition /diet carefully vs. I am active so that I can eat any food I want	2.691542289	1.813559322	2.524271845	0.88
Q1_3 I look forward to my sport activity /training vs. I train because I feel an obligation to do so	2.564676617	1.711864407	2.242718447	0.85
Q1_7 I like trying new activities vs. I want to be the best at one activity	2.495024876	1.722033898	2.233009709	0.77
Q1_8 I work to pay for my passions vs. Professional success is important to me	2.791044776	2.033898305	2.417475728	0.76
Q1_9 I will buy equipment /accessories when I see a good discount vs. I shop less so I can save to buy higher quality equipment	2.606965174	1.854237288	2.485436893	0.75
Q1_1 Price is an important factor when I buy sports equipment vs. I buy the highest quality sports equipment	2.850746269	2.281355932	2.174757282	0.68
Q1_2 I gather information from friends /family before I buy vs. I do research online before I buy	2.997512438	2.352542373	2.912621359	0.64
Q1_11 I enjoy time relaxing away from my sport activity /training vs. I like to be active most the time	2.880597015	2.247457627	2.660194175	0.63
Q1_10 I don't have enough time for my sport activity /training vs. I make time to pursue my sport activity /training	3.044776119	2.786440678	2.922330097	0.26

- A K-means cluster analysis was conducted to gain profile segment insights based off of Wahoo's survey
- An elbow plot measuring the total within-between cluster variance shows this measure at roughly 2.1 for 3 clusters and 1.5 for 4 clusters with incremental drop off on this ratio for clusters greater than 4. This indicates that the ideal number of clusters likely lies between 3-4
- To identify characteristics between each cluster, the group then analyzed the cluster means on Questions 1 and 2 of the survey. To focus on qualities with the largest distinction, the group specifically analyzed questions with the largest variance/range on the means.

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K-MEANS CLUSTER ANALYSIS

DEMOGRAPHICS, SPORTS PARTICIPATION & EQUIPMENT/ELECTRONICS USED

Profile by Cluster

	cluster1	cluster2	cluster3
Age :18-19	3	0	2
Age : 20-24	16	8	12
Age : 25-29	32	10	14
Age :30-34	46	42	13
Age :35-39	103	67	11
Age :40-44	127	125	27
Age :45-49	33	22	7
Age :50-54	18	12	6
Age :55-59	6	5	2
Age : 60-65	18	4	9

Profile by Cluster

	cluster1	cluster2	cluster3
Spend on Fitness: < $500	119	60	43
Spend on Fitness: $500 - $2,000	173	119	48
Spend on Fitness: > $2,000	110	116	12

Profile by Cluster

	cluster1	cluster2	cluster3
Male	291	242	44
Female	111	53	59

Profile by Cluster

	cluster1	cluster2	cluster3
Run	288	221	62
Not Run	114	74	41
Cycle	360	263	83
Not Cycle	42	32	20
Tri	233	199	42
Not Tri	169	96	61

Profile by Cluster

	cluster1	cluster2	cluster3
I dont use indoor cycling equipment at home	2	0	0
Only a few times per year	3	3	0
A few times per month	50	40	22
1-2 times per week	89	65	26
3-4 times per week	122	91	22
5-6 times per week	64	60	14
Daily 7 times per week	38	30	6

Profile by Cluster

	cluster1	cluster2	cluster3
QS6_1 electronics during my activities - none	0.01	0.01	0.04
QS6_2 electronics during my activities - GPS sport watch such as a Garmin, Suunto, or other	0.43	0.4	0.34
QS6_3 electronics during my activities - Smartwatch such as an Apple Watch or Samsung Galaxy Watch	0.55	0.61	0.38
QS6_4 electronics during my activities - Cycling computer with GPS	0.31	0.37	0.16
QS6_5 electronics during my activities - Cycling computer without GPS	0.22	0.25	0.12
QS6_6 electronics during my activities - Heart rate monitor	0.38	0.38	0.26
QS6_7 electronics during my activities - Recovery tracker such as Whoop	0.18	0.23	0.07
QS6_8 electronics during my activities - Regular watch with a timer, but no GPS	0.23	0.28	0.13
QS6_9 electronics during my activities - Step counter / pedometer, with no GPS	0.26	0.29	0.17

Profile by Cluster

	cluster1	cluster2	cluster3
QS7_1 Fitness equipment ownership : none	0.01	0	0.03
QS7_2 Fitness equipment ownership : Treadmill	0.47	0.47	0.39
QS7_3 Fitness equipment ownership : Rower	0.19	0.21	0.1
QS7_4 Fitness equipment ownership : Stair stepper	0.31	0.36	0.14
QS7_5 Fitness equipment ownership : Elliptical	0.24	0.27	0.2
QS7_6 Fitness equipment ownership : Spin/Exercise bike without a screen	0.35	0.39	0.42
QS7_7 Fitness equipment ownership : Spin/Exercise bike with a screen such as a Peloton	0.4	0.44	0.19
QS7_8 Fitness equipment ownership : Bike Trainer such as a Wahoo, CycleOps or TACX	0.41	0.45	0.3
QS7_9 Fitness equipment ownership : Smart Bike such as a Wahoo or TACX	0.38	0.51	0.25

- Cluster 1: highest proportion of 40-44, spend within $500-$2K, male, runners, cyclers
- Cluster 2: still high proportion on 40-44yr olds, primarily male, second largest group on cycling and running, mostly using smartwatch such as Apple Watch/Samsung Galaxy Watch, smart Bike users
- Cluster 3: smaller group, leans towards female, cyclers, also runners and not tri athletes, spin/exercise bike without screen, highest group not using electronics during activities, highest group that does not own fitness equipment

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NON-CUSTOMER SEGMENTATION ANALYSIS

Segment 1 (Competitive Casey)	Segment 2 (Leisure Logan)	Segment 3 (Social Sean)
Prefers high-quality equipment, shops less frequently to focus on higher quality, and extensively researches products before purchasing.	Price-sensitive, influenced by discounts, and relies on recommendations from friends and family.	Highly price-sensitive, looks for discounts, and conducts online research before purchases.
Highly structured training regimen, utilizes data to measure performance, and sets specific performance goals. Participation is driven by a mix of obligation and the desire to manage diet and stress.	Balances performance improvement with social interactions, values trying new activities, and manages diet and recovery actively.	Focuses more on enjoyment rather than performance, less competitive, and does not prioritize equipment maintenance or performance data
High engagement in triathlons and cycling, often owning advanced cycling electronics. Enjoys watching sports and attending live events.	Lower participation in triathlons and less frequent in running and cycling, prefers less competitive environments.	Very low participation in competitive sports like triathlons, and not inclined towards watching or following sports closely.
Exercises multiple times per week, with some exercising daily. Spending predominantly in the $500-$2,000+ range.	Exercises frequently, 3-4 times per week, with most spending $500 - $2000	Exercises less frequently, with most spending less than $500.
Mixed gender, leaning towards male, predominantly within the 35-44 age range.	Slightly more females than males, concentrated mostly in the 35-39 age bracket.	Features an older age group, especially in the 40-45 range, with slightly more females than males
Have a higher ownership of cycling-related electronics and equipment like GPS cycling computers, bike trainers, and smart bikes.	Higher use of smartwatches during activities and moderate ownership of treadmills and stair steppers.	Very low ownership of fitness equipment and electronics, with the highest scores for "none" in both categories.

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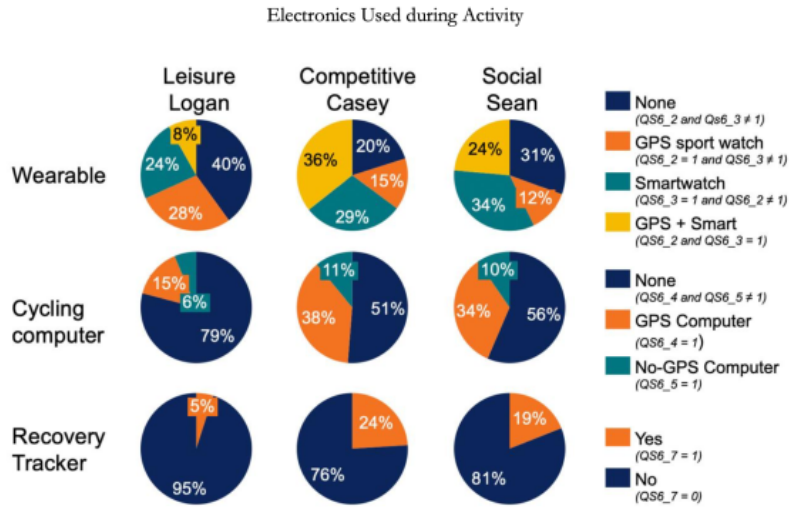
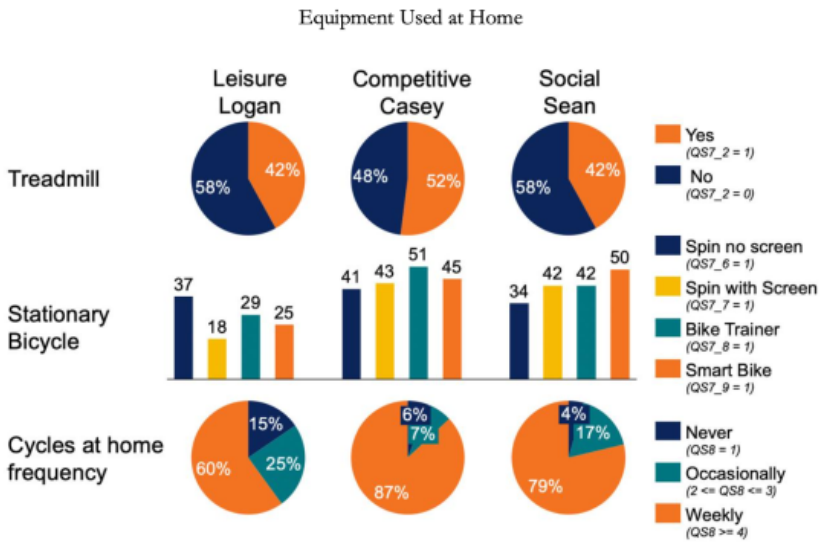
WAHOO PERSONA SEGMENTION

	Summary	*Attitude toward Activities*	*Shopping Habits*
Leisure Logan	Logan tracks and uses data to measure performance, but goal is not necessarily to improve performance. For Logan, sports are a leisure activity.	75% track and use data to measure performance 61%: enjoying an activity is more important than improving performance 62%: sports are a way to find distance from stress 59% like to try new sport activities 30% agree with "I am competitive in everything I do"	64% say they are knowledgeable about their sports equipment 61% spent more than $2,000 on sports equipment previous year Population split between buying high-quality equipment or the budget option
Competitive Casey	Casey is the corporate athlete who enjoys competing in races after a stressful work week. Casey is more likely to focus on one sport and to buy the highest-quality equipment.	98% track and use data to measure performance 76%: sports are a way to find distance from stress 75% agree with "I am competitive in everything I do" 55% agree with "I want to be the best in one activity" 47%: professional career is more important	96% research online before buying sports equipment 93% say they are knowledgeable about their sports equipment 75% spent more than $2,000 on sports 66% agree with "I buy the highest-quality sports equipment"
Social Sean	Sean really enjoys the social component of sports. Sean is still competitive and strives for performance improvement but is less likely to splurge on high-end sports equipment.	94% track and use data to measure performance 79% like to try different activities 68%: spending time with friends makes sports more fun 59% agree with "I am competitive in everything I do" 52% agree with "Most of my friends also participate in my sport activity"	86% say they are knowledgeable about their sports equipment 77% wait for a good discount before purchase 31% agree with "I buy the highest-quality sports equipment"





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EXPANSION RECOMMENDATION

Target segments: Competitive Casey & Leisure Logan
Wahoo Fitness should focus on targeting competitive casey and leisure logan. The K-means study identified these two profiles as spending the highest amount out of the three main groups. They also heavily use equipment while participating in their sporting activity. Wahoo should place little emphasis on targeting social sean, as this group had the highest proportion out of the 3 of not owning fitness equipment and not using electronics during activities; therefore, this is not Wahoo's ideal customer.

Products
Additional information is needed to determine how to expand with their existing customers falling into these profile segments. We recommend Wahoo move forward in conducting an additional product preference analysis (conjoint analysis) or conduct a study to identify where the largest product gaps in the market currently lie. The K-means cluster analysis revealed that competitive casey and leisure logan are still primarily cyclists, as expected. However, there was also a strong overlap identified with running participation and equipment ownership. Due to this, the additional product preference analysis should focus specifically on both cycling and running software and hardware products.

After analyzing the sports equipment market around both cycling and running (software and hardware), Wahoo will be able to measure where the highest market value currently lies to better understand how to grow their market share. Wahoo should consider how much consumers are currently spending on this suite of products in the market and how each market has been growing over the last 5 years in order to estimate the opportunity size of expansion and optimize their expansion dollars.

Promotion
To identify which marketing channels to leverage in reaching competitive casey and leisure logan, Wahoo should analyze the historic effectiveness of their channels in terms of both top line sales and ROI to allocate their marketing budget appropriately. This could include measuring performance on social media, paid search advertising, video campaigns etc.

The k-means cluster analysis identified that competitive casey and leisure logan are primarily male dominated customer groups falling in between the ages of 35-44 most often. With this, Wahoo should tailor their audience and messaging to align with these demographics and potentially exclude budget being spent on demographics that drastically differ from these qualities in order to maximize their spend (i.e. not targeting those aged 60+).

Price
To identify how to price their products coming out of the preference analysis, Wahoo will need to conduct a pricing analysis on their top competitor's price points for products in their portfolio that most closely align. Conducting a pricing analysis will allow Wahoo to ensure that they are not pricing themselves out of the market and that they are best set up for success when it comes to growing their market share with this new offering.

General Guidelines for PP Template

1. Executive Summary - provide your recommendation for new products and growth strategies, the data you analyzed, the segments identified, and a brief (bullet or two) description of the segment preferences and profiles

2. Analyses insights - Describe the k-means outputs, the number of segments identified, and their descriptions. You can include some names for these segments if you wish based on the preferences of the segments. -

3. Profiles of the segments - you can include some visuals to contrast the segments. -

4. Characteristics of target segment - what are the demographic characteristics and fitness preferences of the segments?

5. Decision—What is your recommendation for growth for Wahoo? Which segments do you suggest targeting for growth, and what new products or new features in existing products would you suggest Wahoo explore for growth?


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