SMART FITNESS:

A QUALITATIVE STATISTICAL ANALYSIS OF THE CYCLING STUDIO MARKET

GROUP 2

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This proposal outlines several courses of action to assist Wahoo Fitness with increasing brand loyalty, exposure, and customer interactive social experience via the technological advances and opportunities offered by social media. Within the last decade, Wahoo has led the indoor bike trainer industry with innovative technology by building smart bike trainers, sensors, and bike computers for the active consumer. The intention of this proposal is to provide Wahoo with research and concepts for new venues of innovation, primarily through social media platforms. Aligning the outlined courses of action with specific evaluation criteria will ensure that this venture meets Wahoo’s intent and vision, including tangible increase in the customer experience, resource requirements, infrastructure investment, existing product and service impact, and potential location venues. These evaluation criteria will then be weighed by priority in order to suggest a viable way forward that meets Wahoo’s end-state. This end-state includes increased market penetration and brand exposure, measurable increases in customer satisfaction and loyalty, and the establishment of an all-inclusive social platform to connect and engage customers worldwide with the Wahoo ecosystem of products and services. This proposal will expand upon Wahoo’s goal of changing the way Wahoo customers train and equip themselves with innovative tools and services through an interactive approach on existing social media platforms.
ACKNOWLEDGEMENTS

This report was made possible by the outstanding staff at Wahoo Fitness, who provided continuous support and direction throughout the journey. Ben Johnston and Jose Mendez of Wahoo were instrumental in the completion of this report. Many thanks to Ben, Jose, and the rest of the Wahoo team for agreeing to participate, and making this experience one of both professional and educational value.

The writers of this report would be remiss in not acknowledging the instructors at the Florida Institute of Technology (FIT) for their guidance and support. The writers would like to thank Dr. Jeffrey Cerny for his much-needed guidance and advice throughout the entire program, and for facilitating the extended studies program at FIT.

The writers also acknowledge that the scope of the assessments made in this report were based on limited survey data acquired in various markets throughout the United States. This data may provide utility in determining an effective course of action within the bounds of this report, but may prove inapplicable to international markets.
INTRODUCTION

Since 2010, Wahoo Fitness has emerged as a leader in the cycling industry, winning multiple innovation awards with their premier smart indoor cycling trainer technology. Like many innovative companies, Wahoo’s exponential growth has led to the expansion of the Wahoo brand into other areas of fitness, including bike computers, state-of-art Global Positioning Systems (GPS), and heart rate monitoring technology for cyclists and runners alike. In addition to expanding their full ecosystem of products, sensors, and devices for professional athletes and enthusiasts, Wahoo has become an internationally acclaimed athletic brand. By sponsoring the world’s top cyclists like Chris Froom and Peter Sagan (Wahoo Fitness, 2019), Wahoo is not only winning global recognition awards for its fitness related innovations, but is engaging the entire fitness community with high quality products and services.

Wahoo recognizes the importance of social media and customer engagement that provides an all-inclusive platform linking the Wahoo brand and ecosystem with curated online content. Wahoo seeks to increase brand awareness and customer loyalty, dominating the smart indoor bike training arena by appealing to the most serious training audience and top-performing cyclists around the world. However, recent realizations that Wahoo lacks a robust social interaction experience to drive repeat customer interaction led the company to identify an opportunity gap within existing marketing models – one that competitors like Peloton have already exploited with great success. An exclusive social media platform offers Wahoo the ability to capitalize on existing market infrastructure to connect with a greater number of potential consumers of digital and physical products.
Recognized as pioneer innovators of smart indoor bike trainers, Wahoo’s designs products that welcome further innovations in fitness technology. The original smart indoor bike trainer, the *Wahoo KICKR*, established a foundation for a revolution of products in different fitness training arenas (Wahoo Fitness, 2019). As the first mass-market indoor cycling trainer, Wahoo produced a revolutionary product that filled a substantial product opportunity gap. The open-ended design of the *Wahoo KICKR* opened the door to a wide range of training applications, sensors, and accessories that attracted much of its current customer base, consisting primarily of professional and competitive cycling athletes. From cadence sensors to realistic wind-generating simulation (*HEADWIND*) to floormats, the KICKR bike trainer has unlocked the pathway to the Wahoo ecosystem of products and services seen today.

As the Wahoo brand cemented itself in the world cycling industry, additional products and services emerged. Placing user experience and intuitive design first and promoting a “user-friendly” approach, Wahoo developed state-of-the-art bike computers (*ELEMNT*) and heart rate sensors for both indoor and outdoor use. Recognizing the need for user-simplicity and interface capabilities, Wahoo incorporated smartphone technologies and third-party software to maintain a competitive advantage in the bike computers and sensors market (Wahoo Fitness, 2019). Wahoo’s bike computers also set an industry first by incorporating perceptive technology through smartphone applications to maximize the customer experience. The same can be said of Wahoo’s heart rate monitor, which was also the first iPhone-compatible heart rate sensor (Wahoo Fitness, 2019).
While Wahoo has experienced notable success in its current market, the convergence of social media and fitness culture has stagnated Wahoo’s growth in the social engagement sphere. Competitors like Peloton, Echelon, and Schwinn have gained a substantial head start in increasing market share in the growing social fitness market. Adapting to the increasingly busy schedules of many fitness socialites, these companies have fostered repeat social engagement, subscription revenue, and brand loyalty by providing a unique in-home service for those passionate about cycling for fitness and competition, but the story doesn’t end there. The emergence of local community cycling studios has afforded competitive athletes an alternative means of training. Increasingly competitive events, fitness analytics, and community engagement have also fostered a sense of belonging that limits Wahoo from increasing market penetration beyond traditional customers.

Though Wahoo has been quite successful with its existing business model, the opportunity for expansion into new markets would prove invaluable to Wahoo as it seeks to expand its customer base. Centered around its expertise in competitive cycling and high-quality fitness technology products, Wahoo sought to increase market penetration, but more importantly, to expand and promote the Wahoo brand. As discussed later in this report, surveys conducted by this group’s members indicated that Wahoo’s brand name recognition, even among semi-competitive cyclists, was lower than expected. In emerging markets like cycling studios, brand recognition next to nonexistent. Among studio owners, Wahoo brand recognition was less than 10%. While this data did indeed indicate some level of stagnation, the opportunity for expansion was substantial. Enter the Florida Institute of Technology.
After an initial consultation, Wahoo expressed an interest in exploring different means of expanding their existing business model to a more social media-centric model. Wahoo sought to create a proprietary, Wahoo-branded social media platform that achieved the same social engagement and brand loyalty enjoyed by its current competitors, while limiting any negative impact on existing product lines. Essentially, Wahoo sought additional revenue streams outside its original trainer-centric model while simultaneously developing a robust online dashboard of curated Wahoo content including live-streamed events, videos, stats, and social interaction between Wahoo and its customers. This platform would ideally attract more of Wahoo’s existing target market – fitness-oriented middle-aged men who own a bicycle and ride competitively – while also expanding its customer base to fitness-oriented individuals that do not currently own a bike or other Wahoo branded products.

With this initiative, Wahoo sought to explore several venues for expansion of its business model to attract these additional customers, and to retain their initial customer base. Several concepts were discussed that varied from establishing traditional brick-and-mortar Wahoo stores, to more technology-based solutions that sponsor existing cycling studios and gyms to provide Wahoo-branded capabilities to existing businesses. Wahoo expressed a strong interest in retaining its reputation for high-quality products as well as its existing customer base. Rather than reinventing its current model, Wahoo sought to expand into new and emerging markets by leveraging that same reputation to provide quality digital content to fitness-oriented individuals across several markets.

This report provides Wahoo with suitable options that fall within Wahoo’s three tenets for software at Wahoo research:
1) Differentiate our products through best-in-class user experience.

2) Maintain a better relationship with our customer as a means of communication, support and analytics.

3) Generate incremental revenue and concepts for new venue of innovation through social media platforms. All of these objectives must put the customer experience and retention over marginal monetary gains.

“The strategy to achieve those objectives, as it pertains to streaming studio classes, is firstly to improve retention and engagement (by giving people fun, compelling, social workouts that they want to come back to, great value out of their KICKR, and connected ecosystems of products) and secondly to be able to provide premium content that we can charge for. This would fall under the umbrella of premium content” (Johnston, 2019).

The project’s primary goal is to present Wahoo a clear and feasible means of achieving its end-state of operating a world-class cycling studio capable of enhancing Wahoo’s customer experience while utilizing existing products from its ecosystem to generate more repeat customers. As constant innovators and leaders in the cycling industry, Wahoo seeks to continue innovating in the digital space through an increased social media footprint that better serves its customer base by providing an all-inclusive experience that generates interest in Wahoo technologies and content. Through connecting customers to other Wahoo enthusiasts (known officially as “Wahooligans”) and sponsored professional athletes, Wahoo’s strives to maximize its brand exposure and dominate the live indoor cycling market.
Therefore, five possible options were presented as possible courses of action to Wahoo’s staff to achieve these goals. Each option is distinct and unique in its approach, and can be executed independently or simultaneously with other options. These options are listed below, and are referenced accordingly throughout this report.

**Option 1**

Establish a fully-equipped Wahoo mobile pit-crew (“Wahoo Mobile”) with the ability to live stream proprietary Wahoo content worldwide in collaboration with sponsored professional athletes and public figures at racing events, competitions, and exclusive cycling/triathlon boutiques. Create a full interactive experience with Wahoo users via social media platforms that can generate revenue via a **premium access package**. Users would engage with Wahoo through online portal with paid premium content, data aggregation, and social media integration.

**Option 2**

Create an official Wahoo Studio at Atlanta HQ with a Wahoo store front as a destination venue with VIP access and professional athlete appearances. This option creates a unique customer experience that will generate incremental revenue that could be leveraged by social media platform engagement that enhances customer interaction all over the world. This course of action relies on the exploitation of existing infrastructure and resources to provide a new experience and venue for customer engagement. Turn Wahoo Atlanta HQ (and potentially others) into a traditional brick-and-mortar venue for customer interaction.
Option 3

Provide new infrastructure to current Wahoo KICKR studios with an additional *premium* package that will include live-streaming, online registration, and the potential for a future franchise market. This course of action will bring to life to existing Wahoo KICKR studios, connecting them to social platforms and Wahoo digital content.

Option 4

Leverage the existing cycling studio market by providing “*powered by Wahoo*” stream-in-a-box capability. Wahoo develops a package that allows existing studios to stream content on the Wahoo platform, gain followers, and increase social engagement in collaboration with Wahoo. Wahoo provides *streaming capability and KICKR trainer integration* to local studios on a contract basis, with several options for monetization. Wahoo retains IP rights, and gains access to a customer base that does not currently have access to existing Wahoo products (i.e.: those who don’t have bikes or cycle competitively).

Option 5

Creating a Wahoo destination opportunity that can be shared through social media. This gives the opportunity for Wahoo clients to participate in certain destination events in person and/or live stream on their platform of choice enjoying and sharing the scenic views with others using social media. This option can create a revenue source, much like the other options in the form of premium access package that gives invitations to destinations or have destinations already set that clients can revisit time and time again.
All courses of action must be in line with **Wahoo’s Vision** - Be the global leader in smart training and **Wahoo’s Mission** - Be the global brand of choice for passionate endurance enthusiasts by delivering a simple, powerful ecosystem of products for training, competing, and having fun.

**LITERATURE REVIEW**

**Indoor cycling in the era of social media.**

Whether in a physical cycling studio or the privacy of their home, active Wahoo and cycling studio customers want to maximize their indoor training experience while connecting with their social circle, allowing them to showcase their progress and hard work. The following review of the literature affirms that cycling studio and indoor cycling training is an expanding industry, and that Wahoo Fitness must capitalize on the streaming studio business to remain competitive in the cycling and training market.

**Cycling Growth**

In the past decade, cycling has been a climbing trend. "Cycling is concentrated in central cities, especially near universities and in gentrified neighborhoods near the city center. Almost all the growth in cycling in the USA has been among men between 25–64 years old" (John Puncher, 2011). Cycling provides athletes from traditional high-impact sports with a low weight-bearing exercise that can assist in the improvement of their overall endurance without the joint damage weight-bearing impact inevitably produces.

There are endless possibilities in the cycling world to combine: "cyclist and entrepreneur Gary Gianetti are in nearly uncharted territory with Healthy Altitudes, a movable cycling studio
housed in a 40-foot trailer that he tows with a Ford pickup. Outfitted with 10 Stages SC3 indoor bikes and flat-screen TVs, Gianetti can lead classes for employees at corporations or set up at public places that are convenient to his clients." (Frothingham, 2018) This outside the box thinking creates an innovation opportunity for other companies to build upon while spreading their brand name, which informed the options recommended later in this report.

Another possibility could be partnering up with corporations to provide them with a cycling studio in the worksite. The findings of the study to manage stress in the workplace by having employees participate in a 12 week cycling studio program, was published in the Stress and Health Journal that stating "Participants also reported having significantly improved overall health, improved nutritional habits, higher physical activity level, greater confidence in their ability to follow a healthy diet, higher spiritual well-being, improved sleep, receiving more support for maintaining healthy living and improved quality of life at the completion of the 12-week program and 1-month follow-up" (Matthew M. Clark, 2013).

Another research group studied the psychological aspects of group exercise by using a cycling studio as an investigation platform, finding reasons for clients wanting this type of fitness included topics such as "Group fitness classes [that] provide regular, structured, and supervised exercise opportunities and present a promising option for frequent exercise among adults for whom traditional sport or individual physical activities (e.g., attending the gym, jogging) may not appeal." (N. Ntoumanis, 2016)

The combination of providing a health benefit through group fitness gives companies with developed technologies an edge in developing affordable state of the art equipment. By adding
social media platforms, they can promote the overall brand and the partnered company's work environment.

With so much interest to get into the cycling business industry, many entrepreneurs are looking for possible franchising opportunities created by the cycling studio community. Wahoo could provide the link between cycling studios and actual cycling shops, much like companies such as Knobbies and Slicks attempted with success in 2010. Although they offered the usual cycling services local bike shops offered, they incorporated "a fleet of CycleOps indoor cycling bikes, VO2 Max testing equipment and a Retul three-dimensional bicycle fit system that digitally analyzes a rider's body in motion."(Norman, 2010) Unfortunately, due to financing choices, they did not retain sufficient liquidity and financial stability to continue operations. This shop, like others, could have benefited from a franchising opportunity with brand backing, quality control, and a refined organizational structure that would allow them to combine shops and studios into one profitable business model.

**Social Media Growth**

By combining a social media platform for the customer to share their experience, companies can benefit from clients advertising their products with each post (Albarran, 2013). Companies need to take advantage of this trend to use "technologies to connect, interact, and cultivate trusting relationships with people" (Luttrell, 2015). Social media use will facilitate the growth of a brand by facilitating consumer brand loyalty. Companies are more likely to expand and accelerate growth when there is high demand for their product. Growth is also affected by brand confidence and loyalty for the value provided to the consumer. This loyalty in return, when combined with a concerted social media campaign, could generate a genuine commitment
to influence others also to value that brand (Oliver, 1999). Social media influence is a powerful tool that can be leveraged by any company to enhance the overall customer experience and increase brand loyalty.

When a company uses social media as a continuous tool, a steady growth in product development and improvement can be expected. Expansion and renovation can be streamlined by "including gauging consumer sentiment, resolving potential customer issues, and advancing new and existing relationships" (William F. Humphrey, 2016).

Peloton is a company that has blown away the competition for in-studio cycling by providing an interactive social media experience. Other studios failed to use social media platforms as a marketing opportunity to expand their brand, which is still indicated from the survey data supporting this report. Peloton also offered the individual the chance to connect from home, giving the individual the choice of their setting – a powerful tool in attracting customers that are not comfortable with, or cannot afford the environment and experience provided by a traditional brick-and-mortar establishment. "One of the most intriguing aspects of Peloton is how the company has transformed the experience of a stationary bike into a unique (scalable) customer experience" (Ivry, 2018). Experiences that clients share through the use of social media have continued to open doors for companies to break into new markets and establish their brand as one of quality and reliability.
Defining the Problem

How Wahoo Fitness uses software to differentiate its products maintain a better relationship with our customer generates an incremental revenue with the creation of a cycling studio with streaming capabilities connecting with social media. “The strategy to achieve those objectives, as it pertains to streaming studio classes, is firstly to improve retention and engagement (by giving people fun, compelling, social workouts that they want to come back to, great value out of their KICKR, and connected ecosystems of products) and secondly to be able to provide premium content that we can charge for. This would fall under the umbrella of premium content.” (Johnston, 2019)

Searching for Solutions

With many top-of-the-line existing products in Wahoo Fitness such as the original smart indoor bike trainer, the Wahoo KICKR, Wahoo has established a foundation for revolutionary products in different fitness training arenas. Wahoo recognizes the need for user simplicity and interface capabilities with smartphone technologies and third-party software in order to maintain a competitive advantage in the bike computers and sensors market. These Wahoo products create an ecosystem, easily leveraged in cycling studios to maximize current customer experience and incentivize them to remain loyal to the brand.

Creating an interactive/social training user experience

By creating a streaming cycling studio with the ability for customers to interact and share, Wahoo maximizes the indoor training experience, associates that experience with the Wahoo name, and enables customers to interact socially with the brand and each other through
competitive personal fitness. Wahoo could facilitate that with their strong presence in pro-cycling with the possible interaction with already sponsored pro athletes (Wahoo Fitness, 2019) like Chris Froom and Peter Sagan and also pro cycling teams like Katusha, Bora, and Team INEOS.

**METHODOLOGY**

In order to collect sufficient data to inform the evaluation process for the five options presented here, the writers of this report adopted a three-fold approach, collecting data from target market groups, potential clients, and the market at large. Grouped into three categories – market data, partnership data, and customer data – this group was able to distill the efficacy of each option.

**Market Data**

To understand the potential geographic venues most likely to produce success in the domestic U.S. market, researchers conducted a Target Market Analysis (TMA). The TMA compared six zip codes across the United States from distinctly different geographical regions. This ensured that the data collected would have a low overall potential for influence on other markets. Using U.S. Census data, the researchers collected demographic information on six locales: Atlanta, Boston, Dallas, Denver, Los Angeles, and New York. These cities were chosen with several factors in mind, chiefly the density of cycling studios accessible to each zip code, a high overall population of the target market, and transactional potential. While all cities listed contain multiple zip codes, the zip code with the highest concentration of the target market was chosen as the sample. To further improve the fidelity of data, cities were also chosen based on their accessibility to team members to conduct surveys (specifically Boston, Atlanta, and Dallas).
The TMA (pictured below) determined that all markets presented some untapped market potential for the establishment of new ventures. However, further density analysis and market impact highlighted that only Boston, Los Angeles, and New York (in ascending order) displayed sufficient market potential.

<table>
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<tr>
<th>Target Market Analysis</th>
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<tr>
<td><strong>Total Population</strong></td>
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<tr>
<td>Dallas 75228</td>
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<tr>
<td>71,524</td>
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<table>
<thead>
<tr>
<th><strong>MAMIR Population</strong></th>
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<tr>
<td>Dallas 14,441</td>
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<tr>
<th><strong>Disposable Income Available</strong></th>
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<tr>
<td>Dallas 3,032</td>
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<table>
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<tr>
<th><strong>Market Penetration Residual</strong></th>
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<tbody>
<tr>
<td>Dallas 1,031</td>
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<table>
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<tr>
<th><strong>Engaged Market (Transactional Potential)</strong></th>
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<tbody>
<tr>
<td>Dallas 392</td>
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<table>
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<tr>
<th><strong>Potential Market Penetration (est.)</strong></th>
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<tr>
<td>Dallas 3%</td>
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<table>
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<tr>
<th><strong>Cycling Studios Accessible to Zip Code</strong></th>
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<tr>
<td>Dallas 14</td>
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<table>
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<tr>
<th><strong>Cycling Studio Density (% Pop/Studio)</strong></th>
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<tbody>
<tr>
<td>Dallas 0.071</td>
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<tr>
<th><strong>Target Customer Per Existing Studio</strong></th>
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<tr>
<td>Dallas 28</td>
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<table>
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<tr>
<th><strong>MAMIR Studio Density</strong></th>
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<tr>
<td>Dallas 0.071</td>
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<th><strong>Estimated Saturation Equilibrium</strong></th>
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<tr>
<td>Dallas 21%</td>
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**Partnership Data**

Group members collected survey information for two major cities in separate states with regional populations well over 4 million. Surveys were conducted from a pool of cyclists, cycling studio staff and bicycle and triathlon shops. Group members stayed within guidelines of surveying those of the population who perform in any fitness level of cycling (Jeffrey Bennett, 2018). The Partnership survey served two purposes: primarily, to identify the current market share for online content held by existing cycling studios, and secondarily to determine the
likelihood of future partnership with respect to the “Powered by Wahoo” option discussed elsewhere in this report. A total of 17 separate locations were provided a 14-question survey that was answered a total of 32 times. Questions varied from demographic data to assist in the grouping of data into cohorts, qualitative ratings for key data, and yes/no questions to help inform the decision-making process. A sample size of 32, spread across geographical areas, provided a sufficient sample of businesses involved in the cycling market to display like characteristics to the national population of cycling studios in the domestic U.S. market. After surveys were collected, data was statistically analyzed to support the overall evaluation of each presented option. All surveys are provided as appendices to this report.

**Customer Data**

An additional survey with several similar questions from the partnership survey were included in the client/customer survey. The target of these surveys was existing customers within the cycling studio market, those interested in cycling studios, and those who cycle for exercise or transport in addition to studios. Unfortunately, due to several studios declining to cooperate with client surveys, the group was unable to collect a sufficient sample to make any concrete determinations.

**Data Refinement and Preparation**

After completion of the survey process, group members conducted an extensive data cleaning process to further focus and sort collected data. The group then filtered this data through Microsoft Excel and Stata software to generate scatterplot, correlation coefficients, and t-testing (Jeffrey Bennett, 2018) to support statistical analysis. This data proved invaluable in the
necessary qualitative and comparative analyses included here, informing several of the conclusions of this report.

**Option Analysis and Recommendations**

Utilizing a decision matrix, each option included in this report was scored in light of the statistical data referenced above and elsewhere in the report. Criteria included Customer Interaction, Social Engagement, Infrastructure Investment, Resource Requirements, Impact on Existing Products, and Location. These criteria were scored using three separate decision matrices, using a 1 to 5 scale, with a 5 representing the highest possible score, and 1 the lowest: one qualitative in which the options were graded objectively, one comparative in which the options were graded against each other, and one aggregate. Weights were provided by Wahoo on the importance of each category, which informed the recommendations provided below.

**LIMITATIONS**

Three specific limitations were encountered throughout the process of this study, dealing primarily with time, cost, reachability/serviceability, and consumer accessibility.

Time is always a limitation when considering the speed at which competition continues to develop and launch innovative products. This can lead to an oversaturated market and can place significant distance between competitors. When focusing on any course of action, time is essential to proper product development. Due to the academic constraints imposed on this report, the data collection phase of the research conducted for this report was shortened substantially from the ideal timeline. Though sufficient data was gathered to support the conclusions presented here, additional information concerning global markets (as opposed to
domestic U.S. markets) would have provided a more robust product for Wahoo to make a more informed decision on the options presented here.

Cost analyses must be considered as a budgeting and investment limitation. Certain options may present greater cost with fewer realized gains if the proper surveys of customer needs are not considered and analyzed. Because of the time limit imposed, options were considered and researched cost immaterial. Evaluations on option costs were conducted using cost estimates and open-source information rather than full market cost analysis. This report recommends that Wahoo conduct a full opportunity cost analysis of each option against current revenue streams to determine the optimal investment and projected costs for each option.

Service reachability for each option would serve as a limitation based on technology platforms that are able to support and incorporate existing Wahoo services or platforms. For the purposes of this report, these factors were not considered in the development of the courses of action listed here. Rather, this group operated on the assumption that each option’s overall cost would incorporate the necessary product development phase to integrate new technologies with existing platforms. Collaboration in service and support for specific wearables used by a majority of consumers to interact with Wahoo products would benefit the overall experience with regard to connectivity, speed and accuracy, maintaining already existing standards of superiority that Wahoo offers.

With respect to empirical data, the sample size surveyed in this report (n = 32), combined with the fact that the population considered was not hyper-local (it was representative of the U.S. domestic market, not actual Wahoo users), prohibited the collection of an accurate sample representative of current or potential Wahoo customers.
The survey data produced several key conclusions regarding brand recognition, barriers to entry, and live-streaming value to the cycling studio concept. The data is best characterized by the following three figures:

The key conclusions drawn from these questions indicate that, while 90% of studio owners and staff recognize the importance of social media engagement to their business models, and while 78% indicated that social media was valuable to the client experience, only 3% utilize live-stream events as part of their social media strategy to enhance this social media experience.
This was extremely informative in its own right, but survey data also produced other more substantial points. On free responses, staff indicated a strong resistance to outside organizations providing any type of streaming package to studios. These facts substantially swayed the scoring of each of the five options that relied on this infrastructure. Studio staff that were surveyed also exhibited extremely low brand recognition for Wahoo Fitness at only 9.3%. Brand recognition was limited to stationary cycling equipment brands such as Stages, Fly and Peloton, or other traditional cycling brands.

Despite the relatively low response rate for several questions, surprisingly, staff at the studios surveyed acknowledged that a curated social media experience would indeed prove valuable to their business – yet none were actively pursuing such technology or readily-available alternatives. This revelation also informed the scoring for Powered by Wahoo, as there was clearly untapped market potential in each of these markets.

Cyclists who owned a physical bicycle, were on average more aware of Wahoo and its reputation for accuracy in the competitive cycling community. One cyclist even stated that Wahoo was the brand he associated most with cycling. A small number of novice participants did not recognize the Wahoo brand, but were new to cycling for recreational purposes and did not own any performance cycling equipment.

Conducting correlation tests on each question also yielded some notable revelations in the data. As indicated in the chart below, strong correlations were noted between several questions, indicating a strong relationship between responses.
A low perceived value amongst studio staff as indicated by Q8, combined with multiple hostile responses from studio staff regarding outside entities exhibited signs that this resistance is an active choice *in spite* of the information available on the subject rather than a passive aversion. Question 5 ("Do you interact socially with your clients") showed a strong correlation across the board, which on its own was not significant. However, Q5’s correlation with Q10 ("Have you ever watched a live-stream event") and Q11 ("Do you enjoy watching live-streamed events") indicated that live-streaming could indeed prove to be an integral part of a curated social media experience. Questions 3 ("Do you or your staff ride competitively outside the studio") and Question 7 ("Have you ever heard of Wahoo Fitness") was not surprising, but confirmed that Wahoo’s target market does not (currently) actively seek out the traditional cycling studio model for exercise; competitive cyclists represented only 13% of respondents to the survey. Staff who did cycle outside of the studio for any reason generally had a more favorable view of Wahoo, and of partnership concepts in general. Likewise, inverse questions indicated that those who do not cycle are less likely to perceive any value in Wahoo partnership.

Despite the negative data provided in the surveys, leveraging the studio market is not a lost cause. On the contrary, there is substantial potential in this market, which should be
leveraged as discussed in the Conclusions and Recommendations sections of this report. To mitigate the risks of resistance in these potential markets, a robust education process and approach will be critical to entering this market. The importance of establishing meaningful personal relationships in the industry cannot be understated.

EVALUATION OF POTENTIAL OPTIONS

Given the scoring convention mentioned previously, the results of the decision matrices are included below.
As indicated in the above chart, a cumulative analysis was necessary to normalize data between the qualitative and comparative analyses. While both provide valuable insight into each option’s merits, only an aggregate analysis could determine which option would provide the best venue for Wahoo. The cumulative analysis showed expanding Wahoo’s KICKR Studio concept proved most beneficial, followed closely by Powered by Wahoo. As seen in the Conclusions and
Recommendations sections below, the group ultimately chose to recommend a combination of these options to produce an optimized course of action.

CONCLUSIONS

As Wahoo reflects on the information and results of all options, it must consider the financial risk and revenue potential for each option. Limited time constraints prohibited the production of an exhaustive account of projected costs for each option; however, the findings provided here will serve to narrow considerations to only the most viable options. General cost projections were employed using existing market data to inform this analytical process. As Wahoo continues expanding its reach and influence, any potential expansion option would require Wahoo to invest in expanding customer experience and proprietary online content, such as a Wahoo Fitness Channel with a-la-carte style options for live-streaming and prerecorded workouts. Wahoo may also consider the incorporation of smart wearable fitness technology (as requested from one apparent Wahooligan that was surveyed) as an alternative means of expanding market share. Ultimately, Wahoo must consider that the primary purpose for exploring this market was to enhance the customer experience to increase market share and acquire more repeat customers; therefore, Wahoo’s decision-making must continue to place customer experience and satisfaction at the forefront.

With Wahoo’s track record as an innovator and cycling industry leader, Wahoo and its vision of creating quality products and experiences will leverage national social media interest to increase market share in new and expanding markets. Wahoo’s customers demand increasingly personalized and connected fitness experiences, and Wahoo stands at the ready to satisfy demand for high performance technology and content. Each of these options must incorporate not only
high-quality technology, but a user experience that elicits a feeling of belonging, connectivity, and social acceptance. As Wahoo develops its curated online content platform, it will require unique and engaging content that meets these criteria to keep customers engaged. These revenue streams, which are currently inaccessible to Wahoo with its current business model, will sustain Wahoo well into the social fitness era.

In conclusion, this group determined from the analyzed data that selecting one option could not completely satisfy these requirements for expansion and increased customer loyalty. While one option clearly scored higher than the remainder, all options presented viable opportunities for addressing multiple opportunity gaps within the cycling market, albeit with varying levels of financial and social risk. Each option carried significant potential for increased or amplified revenue streams, but as noted in this report’s analysis, the risk of impact to existing product lines or customer bases with certain options will require additional mitigation not addressed in this report.

Though it is evident that the existing cycling studio market is almost completely untapped by any cohesive live-streaming or online content strategy, market competitors are rapidly adjusting to address this opportunity gap. Multiple competitors are gaining market share but as yet have not recognized or exploited the specific gap addressed in this report, revealing a substantial opportunity for Wahoo to explore multiple unique venues that could yield increased revenue and customer loyalty. As previously illustrated in this report’s acknowledgements, this report is based solely on various domestic U.S. markets, but could carry similar potential in other international markets. Wahoo’s international presence and customer base, comparable to other companies venturing into hybrid cycling studio formats, would provide a significant head start in international markets. However, Wahoo should consider environmental trends, technology,
cycling culture and global economics to make a full determination on whether to proceed with investing significant capital to address the opportunity gap identified in this report.

**RECOMMENDATIONS**

Recapping the most important factor in the decision-making presented here, all courses of action must be in line with Wahoo’s Vision to “be the global leader in smart training” and its Mission to “be the global brand of choice for passionate endurance enthusiasts by delivering a simple, powerful ecosystem of products for training, competing, and having fun” (Johnston, 2019). With this and the data results in mind, this group recommends that Wahoo invest in an overhaul of its current concept for Wahoo KICKR Studios as the first of two options. This option has the potential to provide athletes social interaction through media devices, existing infrastructure, and newly developed online platforms for Wahoo content with minimal initial investment for existing studios. By continuing at the forefront of app and OS integration as data delivery platforms, Wahoo can leverage its reputation in the field to enhance its customers' overall experience with a revamped live-streaming package that promotes Wahoo content, increases brand loyalty and recognition.

The expansion of Wahoo KICKR Studios also presents franchise and partner opportunities through many of the local shops that already maintain relationships within local communities. Unlike traditional cycling studios, the unique competition that Wahoo provides is tailored specifically to the cycling enthusiast. Because Wahoo KICKR studios are already established, Wahoo will experience minimal additional investment if leveraging existing infrastructure and established customer bases wherever possible. These KICKR Studios can be viewed by the cycling community as a promoter of other potential brands such as Giant, Trek,
and Cannondale as complementary instead of competition – a benefit afforded by only this option. Increasing demand in complementary goods will inherently benefit both goods; therefore, Wahoo should focus on improving product lines that do not compete directly wherever possible. KICKR Studios leverage the notoriety and name recognition of existing brands to enhance the customer experience, which satisfies this requirement.

In combination with this option, however, the potential provided by the Powered by Wahoo concept should also be incorporated as a pilot program as recommended in this report. Because of the nascency of cycling studios in several U.S. domestic markets (as indicated in the Target Market Analysis), there is significant opportunity to capture market share in these locations that is yet untapped by any major competitor. The group therefore recommends Powered by Wahoo pilot programs in Los Angeles and New York on a trial basis to explore the profitability and feasibility of rolling out this option on a permanent basis in less saturated markets that show potential. To limit exposure during the trial period, the group recommends that Wahoo develop a “Pop-Up Studio” concept as part of this pilot program, where space is rented on a short-term basis with substantial pre-event marketing through local business. Using existing inventory, Wahoo could resource these pop-up studios with little to no initial fixed cost for capital investment. Such a program would limit initial investment to current inventory and relatively low rental costs, and would be an excellent opportunity for additional data collection in potential cities. The potential insight provided by these pop-up studios would be worth the investment in its own right; but the increase in brand recognition in new markets could further set conditions for success should Wahoo elect to employ a permanent option in those locales. Cultivating a larger customer base in these cities would generate additional demand for the Wahoo brand that would assist in the permanent establishment of KICKR or Powered by Wahoo
studios in key markets, enhancing awareness and market penetration for Wahoo and complementary products.

Enhancing the existing Wahoo customer experience with several outlets for interaction with Wahoo content and technology will accomplish Wahoo’s goals for expansion while remaining true to its mission and vision. When employed together, these options offer an opportunity for Wahoo to capture an estimated 7% market share from the undervalued cycling studio market in major U.S. cities – a substantial gain over Wahoo’s existing revenue model, maximizing revenue potential with limited up-front investment. While this group did not assess the potential impact on complementary fitness-minded populations such as women and the elderly, the right blend of these options could expand Wahoo’s customer base far beyond that of the MAMIL, entering customer territory previously unreachable by the Wahoo ecosystem of products. This is not to say that Wahoo’s customer base does not currently have significant representation from female and elderly populations; on the contrary, Wahoo enjoys interest from all demographics. However, increasing market penetration while simultaneously expanding market share presents a sizeable opportunity. Building on Wahoo’s outstanding reputation, the Wahoo of the future will bring an enhanced, long-term customer experience to a larger audience while maximizing revenues through multiple streams – a bright future indeed.
## Appendix 1 – Cycling Studio Survey

1. Which option best describes your involvement with your studio?
   - [ ] OWNER
   - [ ] MANAGER
   - [ ] STAFF

2. Do you or any of your staff cycle for transit outside of the studio?  
   - [ ] YES
   - [ ] NO

3. Do you or your staff ride competitively outside the studio?  
   - [ ] YES
   - [ ] NO

4. Do you currently live stream your studio workout sessions?  
   - [ ] YES
   - [ ] NO

5. Does your studio have any social media interaction with clients?  
   - [ ] YES
   - [ ] NO

6. Have you heard of Wahoo Fitness?  
   - [ ] YES
   - [ ] NO

7. If so, do you own any Wahoo Fitness products?  
   - [ ] YES
   - [ ] NO
   
   List here: _________________________________________________________________

8. How valuable would a live streaming package be to your business?  
   (1 = not at all valuable, 10 = extremely valuable)
   
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9. Does the brand of your fitness/exercise equipment matter to you?  
   - [ ] YES
   - [ ] NO

   Why or Why Not?  
   ________________________________

10. Have you ever watched a live stream fitness event?  
    - [ ] YES
    - [ ] NO

11. Do you enjoy watching live-streamed fitness events?  
    - [ ] YES
    - [ ] NO

12. What name brand do you associate most with cycling: ________________________

13. How likely is your studio to use social media to connect with your clients?  
    (1 = Would Not Use, 10 = Would Definitely Use)
    
    | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
    |---|---|---|---|---|---|---|---|---|----|

14. How valuable would a curated social media platform be to your studio’s client interaction and customer experience?  
    (1 = Would Not Use, 10 = Would Definitely Use)
    
    | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
Appendix 2 – Studio Client Survey

1. Do you ride your bike for transit?  
   YES □  NO □

2. Do you ride your bike specifically for exercise?  
   YES □  NO □

3. Would you attend a class at an indoor cycling studio?  
   YES □  NO □

4. Have you ever been to an indoor cycling studio?  
   YES □  NO □

5. Have you heard of Wahoo Fitness?  
   YES □  NO □

6. If so, do you own any Wahoo Fitness products?  
   YES □  NO □
   List here: _______________________________________________________________

7. Do you use any fitness social media to connect with your friends?  
   YES □  NO □
   List here: _______________________________________________________________

8. Does the brand of your fitness/exercise equipment matter to you?  
   YES □  NO □
   Why or Why Not?  
   ______________________________________________________________________
   ______________________________________________________________________

9. Have you ever watched a live stream fitness event such as spinning?  
   YES □  NO □

10. Do you enjoy watching live-streamed fitness events?  
    YES □  NO □

11. What name brand do you associate the most with cycling: ____________________

12. How likely are you to use a social media application to connect with your friends for exercise? (1 = Would Not Use, 10 = Would Definitely Use)

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13. How likely would you be to participate in a live-streamed fitness event if your cycling studio or gym offered such a service? (1 = Would Not participate, 10 = Would Definitely Participate)

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### Appendix 3 – Studio Survey Data Table

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### Appendix 5 – Decision Matrix Table

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#### COMPARATIVE ANALYSIS

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### Appendix 6 – Decision Matrix Analysis
Appendix 7 – Signed Service Agreement

GENERAL SERVICE AGREEMENT

THIS GENERAL SERVICE AGREEMENT (the "Agreement") dated this 4th day of June, 2019

BETWEEN:

Wahoo Fitness of 90 W Wieuca Rd NE #110, Atlanta, GA 30342
(the "Client")

- AND -

Four Florida Institute of Technology graduate students, Johnny Orria, John Molendrez, Steve Abadia and Ross Weinshenker of Ft Benning GA
(the "Contractor").

BACKGROUND:

A. The Client is of the opinion that the Contractor has the necessary qualifications, experience and abilities to provide services to the Client.

B. The Contractor is agreeable to providing such services to the Client on the terms and conditions set out in this Agreement.

IN CONSIDERATION OF the matters described above and of the mutual benefits and obligations set forth in this Agreement, the receipt and sufficiency of which consideration is hereby acknowledged, the Client and the Contractor (individually the "Party" and collectively the "Parties" to this Agreement) agree as follows:

Services Provided

I. The Client hereby agrees to engage the Contractor to provide the Client with services (the "Services") consisting of:

- The Project Team intends to provide consultation to the Client, free of charge, in matters of technology, advertising, and other business practices.
2. The Services will also include any other tasks which the Parties may agree on. The Contractor hereby agrees to provide such Services to the Client.

3. The term of this Agreement (the "Term") will begin on the date of this Agreement and will remain in full force and effect until the completion of the Services, subject to earlier termination as provided in this Agreement. The Term of this Agreement may be extended by mutual written agreement of the Parties.

4. In the event that either Party breaches a material provision under this Agreement, the non-defaulting Party may terminate this Agreement and require the defaulting Party to indemnify the non-defaulting Party against all reasonable damages.

Performance
5. The Parties agree to do everything necessary to ensure that the terms of this Agreement take effect.

Currency
6. Except as otherwise provided in this Agreement, all monetary amounts referred to in this Agreement are in US Dollars.

Compensation
7. For the services rendered by the Contractor as required by this Agreement, the Client will provide compensation (the "Compensation") to the Contractor as follows:

- All services are free of charge.

8. The Compensation as stated in this Agreement does not include sales tax, or other applicable duties as may be required by law. Any sales tax and duties required by law will be charged to the Client in addition to the Compensation.

Reimbursement of Expenses
9. The Contractor will not be reimbursed for expenses incurred by the Contractor in connection with providing the Services of this Agreement.
Service Agreement

Additional Resources

10. The Client agrees to provide, for the use of the Contractor in providing the Services, the following resources:

- The Client may provide office space, computers and access to the Client's network.

Confidentiality

11. Confidential Information (the "Confidential Information") refers to any data or information relating to the business of the Client which would reasonably be considered to be proprietary to the Client including, but not limited to, accounting records, business processes, and client records and that is not generally known in the industry of the Client and where the release of that Confidential Information could reasonably be expected to cause harm to the Client.

12. The Contractor agrees that it will not disclose, divulge, reveal, report or use, for any purpose, any Confidential Information which the Contractor has obtained, except as authorized by the Client. This obligation will survive the expiration or termination of this Agreement and will continue indefinitely.

13. All written and oral information and materials disclosed or provided by the Client to the Contractor under this Agreement is Confidential Information regardless of whether it was provided before or after the date of this Agreement or how it was provided to the Contractor.

Non-Competition

14. Other than with the express written consent of the Client, which will not be unreasonably withheld, the Contractor will not be directly or indirectly involved with a business which is in direct competition with the particular business line of the Client, divert or attempt to divert from the Client any business the Client has enjoyed, solicited, or attempted to solicit, from other individuals or corporations, prior to the expiration or termination of this Agreement. This obligation will end on the expiration or termination of this Agreement.

Ownership of Materials and Intellectual Property

15. All intellectual property and related materials (the "Intellectual Property") including any related work in progress that is developed or produced under this Agreement, will be the sole property of the Client. The use of the Intellectual Property by the Client will not be restricted in any manner.
16. The Contractor may not use the Intellectual Property for any purpose other than that contracted for in this Agreement except with the written consent of the Client. The Contractor will be responsible for any and all damages resulting from the unauthorized use of the Intellectual Property.

Return of Property
17. Upon the expiry or termination of this Agreement, the Contractor will return to the Client any property, documentation, records, or Confidential Information which is the property of the Client.

Capacity/Independent Contractor
18. In providing the Services under this Agreement it is expressly agreed that the Contractor is acting as an independent contractor and not as an employee. The Contractor and the Client acknowledge that this Agreement does not create a partnership or joint venture between them, and is exclusively a contract for service.

Notice
19. All notices, requests, demands or other communications required or permitted by the terms of this Agreement will be given in writing and delivered to the Parties of this Agreement as follows:

a. Wahoo Fitness
   90 W Wieuca Rd NE #110, Atlanta, GA 30342

b. Four Florida Institute of Technology graduate students, Johnny Orria, John Melendez, Steve Abadia and Ross Weinshenker
   Ft Benning GA

or to such other address as any Party may from time to time notify the other.

Indemnification
20. Except to the extent paid in settlement from any applicable insurance policies, and to the extent permitted by applicable law, each Party agrees to indemnify and hold harmless the other Party, and its respective affiliates, officers, agents, employees, and permitted successors and assigns against any and all claims, losses, damages, liabilities, penalties, punitive damages, expenses, reasonable legal fees and costs of any kind or amount whatsoever, which result from or arise out
of any act or omission of the indemnifying party, its respective affiliates, officers, agents, employees, and permitted successors and assigns that occurs in connection with this Agreement. This indemnification will survive the termination of this Agreement.

Legal Expenses
21. In the event that legal action is brought to enforce or interpret any term of this Agreement, the prevailing Party will be entitled to recover, in addition to any other damages or award, all reasonable legal costs and fees associated with the action.

Modification of Agreement
22. Any amendment or modification of this Agreement or additional obligation assumed by either Party in connection with this Agreement will only be binding if evidenced in writing signed by each Party or an authorized representative of each Party.

Time of the Essence
23. Time is of the essence in this Agreement. No extension or variation of this Agreement will operate as a waiver of this provision.

Assignment
24. The Contractor will not voluntarily, or by operation of law, assign or otherwise transfer its obligations under this Agreement without the prior written consent of the Client.

Entire Agreement
25. It is agreed that there is no representation, warranty, collateral agreement or condition affecting this Agreement except as expressly provided in this Agreement.

Enurement
26. This Agreement will enure to the benefit of and be binding on the Parties and their respective heirs, executors, administrators, successors and permitted assigns.

Titles/Headings
27. Headings are inserted for the convenience of the Parties only and are not to be considered when interpreting this Agreement.
Gender
28. Words in the singular mean and include the plural and vice versa. Words in the masculine mean and include the feminine and vice versa.

Governing Law
29. It is the intention of the Parties to this Agreement that this Agreement and the performance under this Agreement, and all suits and special proceedings under this Agreement, be construed in accordance with and governed, to the exclusion of the law of any other forum, by the laws of Georgia, without regard to the jurisdiction in which any action or special proceeding may be instituted.

Severability
30. In the event that any of the provisions of this Agreement are held to be invalid or unenforceable in whole or in part, all other provisions will nevertheless continue to be valid and enforceable with the invalid or unenforceable parts severed from the remainder of this Agreement.

Waiver
31. The waiver by either Party of a breach, default, delay or omission of any of the provisions of this Agreement by the other Party will not be construed as a waiver of any subsequent breach of the same or other provisions.
IN WITNESS WHEREOF the Parties have duly affixed their signatures under hand and seal on this 4th day of June, 2019.

Wahoo Fitness

[Signature] (Seal)

[Signature]

Four Florida Institute of Technology graduate students, Johnny Orria, John Melendez, Steve Abadía and Ross Weinshenker
REFERENCES


