BUSINESS GROWTH STRATEGY

Growth Strategy Analysis:  

TECHNOGYM

Introduction:

Founded in 1983, Technogym is a world leading international supplier of technology and design driven products and services in the Wellness and Fitness industry. Technogym provides a complete range of cardio, strength and functional equipment alongside a digital cloud based platform allowing consumers to connect with their personal wellness experience anywhere, both on the equipment and via mobile when outdoors.

Technogym was the official supplier for the last five editions of the Olympic Games: Sydney 2000, Athens 2004, Turin 2006, Beijing 2008, London 2012 and has been appointed as Official Supplier also for Rio 2016.

Technogym is the global market leader in gym equipment and internationally recognised as setting the standard in the sector of technologies for athletic preparation, rehabilitation and wellness.

With over 2000 employees, 13 branches in Europe, U.S., Asia and South America, Technogym exports 85% of its production to 100 countries. More than 50,000 Wellness centres are equipped with Technogym and 20,000 private homes.

Technogym’s development of products at the elite level is exemplified through their partnerships with top football clubs including AC Milan, Inter, Juventus and Real Madrid, as well as having supplied the FIFA 2010 World Cup in South Africa and Formula 1 race teams McLaren and Ferrari.

Over the past 30 years, Technogym has invested heavily in research and development work to create unsurpassed fitness equipment and technology that supports top athletes around the world. Today Technogym has a reputation for excellence in the design and manufacture of fitness equipment for elite athletes.

Analysis:

Trends in Fitness and Wellness market are looking very positive. Life style in the developed part of the World involves increasing need for physical activities in order to prevent obesity, cardiovascular and many other typical modern diseases. Countries with a fast growing economies and standard are going through a very similar developments adding continuously their large population to the potential of the World Fitness Market.
There are two principal market segments: consumer and commercial market. While the consumer market suffer the actual situation in the World economy where most of the population counts with decreasing purchasing power, the commercial market is offering growing opportunities to suppliers of Fitness and wellness Technology.

Uncertainties are mostly linked to the macroeconomic factors. Growing economies are showing increasing needs to develop local content sources, as a potential for local occupation. Fitness and Wellness Industry can be a cheap product with a significant contribution of a manpower so the low cost countries are cheaper source for such equipment. Added to that we have to think about logistic costs and exchange rates which surely represent obstacle for some producer with good reputation in the segment where customers shows higher price sensibility.

As long as fitness and wellness supplier market is concerned it is not all only about the function and rational relationship between customer and equipment, hence it involves very much emotional component and feelings.

Technogym is a company which has started innovating since the very first day. Wellness is a term which has been promoted by the company with a meaning which involves different other components in respect of fitness. With a very smart and aggressive marketing customer has developed an extremely high level of its brand, based mostly on a very seductive design and a friendly and intelligent interface with the equipment.

In order to enhance further the importance of its brand Technogym decided to enter the market of Elite Athlete Sports. One of the latest development in that direction is the contract signed with FC Chelsea, one of the most important World Soccer Teams.

This step is only a confirmation of a development path basing the company Growth Strategy on the continuous innovation and research activities.

The company registers growth thanks to its product and digital ecosystem innovation. In 2015, Technogym registers double-figure growth; 2015 closed with a 511.8 million Euro turnover (+10% compared to 2014) and an EBITDA of 86.7 million Euro (+40% compared to the previous year). The net financial position was 38 million Euro, an improvement with respect to the figure of 67 million Euro reached in 2014 and despite significant investments made in innovation and marketing. In 2015, export represents over 93% of turnover and the company is growing consistently and in line with the global trend in all geographic areas: Europe, North America, South America, EMEA and Asia Pacific.

In line with trends the company is becoming widespread in all sectors, Technogym has developed an ecosystem according to the "internet of things" logic, unique in the industry, able to offer a "customised wellness experience" thanks to the combination of product and digital innovation. Through interconnected products featuring the innovative UNITY interface, users are able to access a personalised training experience in terms of both programmes, data and training content, and entertainment options (music, social networks, videos, TV, etc). The ecosystem includes mobile apps to access user training programmes in the "on the go", outside-the-gym mode.

Technogym offers expensive equipment and thus positions themself in the premium market in the U.S. Technogym is fine with being marketed as a high-end option that is not available for all to enjoy.
The Growth Strategy of Technogym is based on the policy “We don’t want to sell to everybody”. Technogym shapes its Growth Strategy in development of ecosystem with software.

Many companies in the Fitness and Wellness World industry target their development based on low cost machines accessible to price sensitive small customers. Instead of selling machines - defined as “selling iron and not design” - which is a common Growth Strategy to many Chinese, Taiwanese and American companies, Technogym seeks to cater to the consumer by allowing individuals to create their profiles and use technology to analyze their performance while permitting them to carry that data from machine-to-machine.

Technogym President believes that he can accomplish his goal of replicating the success of European brands in the U.S. by not only focusing on the function of Technogym products, but also the emotional connection to consumers — the wellness elements that he holds so dear.

The aspects that Technogym managed to understand in anticipation were:

- fitness machines were becoming more and more relevant not just for young and physically healthy people but also for other types of customers as well;

- fitness equipment was becoming an important product at home, and not just in specialized fitness centers, and therefore equipment should be easier to install and to use for private customers;

- fitness should not just be seen as a functional activity but rather in a broader sense as an emotional concept, leading to a concept of wellness that related to a lifestyle;

- it was key to ensure the equipment’s capability to adjust to individual needs by using customer information, and this same customer information could become knowledge with strategic relevance.

The first two aspects matter because on the one hand it expanded the potential market, and on the other it led to identify the conditions for expanding the scope of traditional professional sports equipment to adjust it to this broader target.

The fourth aspect also relates to the capability to identify emerging customer needs, as the equipment can actually operate with a one-to-one logic with all the consequential benefits of customization and effectiveness in the customer relationship.

Technogym’s wellness system is both a physical and a virtual environment that is built around a central customer database that ensures that the equipment adjusts to customer preferences and physical conditions. Every time that a customer works out information is stored in the database, so that the equipment continuously adapt to customers’ progresses. Customers themselves can track their progress (also through a website), but also trainers can use the data to monitor developments. These aspects reinforce at the same time the one-to-one customization, the accumulation of knowledge, and the emotional connection with the customer.
Synthesis of Findings:

Technogym is a company that has been capable of moving ahead of the competition by identifying emergent customer needs. The meaning of “emergent” refers to needs that are not yet fully visible to incumbents. The firm has basically invented the business of wellness by starting from the position of sports equipment manufacturer.

The unique capability of Technogym’s founder in identifying emerging customer needs, as well as promoting a new wellness culture, has been integrated over time with a marked emphasis on research and development, that materializes in the conspicuous investment in dedicated scientists and engineers to that purpose (Sahay et al. 2004; Simon 2009). The Technogym example shows how a firm can achieve both a differentiation advantage (e.g. with elements such as brand, unique offering, product features, one-to-one customization) and a cost advantage with respect to the scale economies that can be achieved by having tapped into a vast potential market, as well as the learning economies that are in place when maintaining the company constantly on the verge of the innovation frontier. We can argue that Technogym has managed to create a wholly new business space by operating a re-conceptualization of the product and of the market itself.

Technogym managed to use information technology so that fitness machines could store customer information and provide guidance to exercise, eliminating much need for instructors and trainers. Besides providing greater value to customers, this triggered scale and learning economies in the production process.

Technogym has focused on extracting higher willingness-to-pay and generating large sales volumes exploiting worldwide market.

Technogym has redefined the fitness-machine industry by adopting a new way of looking at the customer offering and creating a “wellness” category. This has determined the industry to evolve with a marked emphasis on customer unique value provided, in a way that resembles what Starbucks has been doing in coffee shops.

The Technogym case combines some elements of “sustaining” innovation (performance attributes) with the creation of a new market space, and this applies also to Apple, for which however the new-market disruption appears on a larger scale.

Figure 1 shows a Payoff matrix, while Figure 2 represents Options for development of Elite Athlete Technology.
Figure 1: Professional Sport Clubs Market

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Technogym Elite Athletic

Figure 2: Options Analysis for Technogym Elite Athletic Technology

- Small Launch
- Collect & Analyze data
- International Launch
- Sales
- Abandon

Develop Elite Athletic Technology?

Abandon
References:

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Leonardo Buzzavo - Strategy Innovation as Business Model Reconfiguration