CUREFIT: A HEALTH CHECK
CONCEPT NOTE

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LEARNING OBJECTIVES:
1. To explore the role of digital business as a means of adaptation during Covid pandemic.
2. To understand both the opportunities and threats posed by Covid pandemic to digital incumbents.
3. To understand the kinds of value delivered by digital businesses and business model diversification.
4. To highlight the mixed impact of Covid pandemic on fitness industry.

DISCUSSION QUESTIONS:
The following questions can be assigned to the class:
1. What are the effects of Covid pandemic on the Indian fitness industry in general and Curefit in particular?
3. Assess the response of Curefit’s competitors to the pandemic.
4. Curefit says it is aggressively looking for acquisition opportunities in physical gyms. Do you agree? Why? Why not?
5. What are your recommendations to Curefit’s management post the lifting of lockout?

CONCEPT NOTE:
The rest of the note details some of the concepts that can be illustrated through the discussion of the case and the questions above.

(A) IMPACT OF COVID PANDEMIC ON DIGITAL INCUMBENTS
1. Short-term effects:

Digital business acts as a source of resilience and a means to adapt during the pandemic.

The pandemic has constrained physical activities and forced social distancing. The availability of digital channels enables firms to adapt quickly to the shocks induced by the pandemic by shifting their business entirely parts of it to the digital channel (wherever possible). Firms that had a digital presence earlier were able to adapt quickly and effectively.

In mid-March, Curefit closed its Cult centres but was able to keep its users engaged through its app and Cult.Live sessions. Traditional organizations like Art of Living and Isha were able to continue their programmes with their shift to online.
The shift to digital business opens new business opportunities.

New opportunities that were hitherto unseen are opened when firms shift to digital mode. Additionally, the pandemic also forces businesses to introduce new products/services that are in demand due to the pandemic to keep their resources employed, increase liquidity and tide over the crisis.

Fitternity that was hitherto just a marketplace connecting users and gyms became the intermediary that enabled physical gyms to offer online sessions through their platform. Eatfit introduced ready-to-eat recipes. It also tied with FMCG majors to use its infrastructure and deliver groceries and staples. Carefit introduced Covid homecare packages.

2. Medium and Long-term effects:

Increased adoption of digital business models increases competitive intensity for incumbents.

While digital presence acts as a source of resilience and means to adapt within a short period, over a longer term the increasing adoption of digital businesses will result in increased competitive intensity and threaten the competitive advantage of incumbents. The increase in competitive intensity may result from the following:

- Increased acceptance of digital businesses by consumers and the rise of plug-and-play cloud solutions that can be adapted at minimal costs will lower entry barriers.
  For instance, Fitternity used the popular video-conferencing app to host group sessions by trainers. New players like Simply Soul were able to increase their growth rates multi-fold after the pandemic.

- Increase in demand and opportunity size will increase investments from existing incumbents. The environment for raising capital for digital businesses will get better. 
  Healthifyme which was not hosting DIY workout videos or group sessions on its app introduced these services post-pandemic.

- The pandemic also fast-tracks the digital transformation of brick-and-mortar incumbents. Arguably, these traditional incumbents could have taken more time to shift to digital mode in the normal course of events thereby giving more time for digital incumbents to shore up their competitive position, the pandemic forces traditional incumbents to adopt digital channels much sooner.
  Art of Living and Isha which were offering face-to-face yoga classes started offering their programmes online in response to the pandemic.

- New players could enter from new industries. Just as digital business enables incumbents to enter new services, incumbents in other industries (complements or substitutes or unrelated) could also enter the incumbent industry.
  A good example is the launch of fitness and yoga content on the OTT media platform Disney+Hotstar.

Figure 1: Impact of COVID-19 Pandemic on Digital Incumbents
(B) POTENTIAL RESPONSES TO INCREASED COMPETITIVE INTENSITY

1. Deliver a combination of value

Digital incumbents should deliver a combination of value to sustain their competitive advantage amidst increasing competitive intensity. Professor Michael Wade, Director, Global Center for Digital Business Transformation, IMD and his colleagues, identifies three types of customer value that can be delivered by digital businesses1.

(i) Cost value – Digital models allows businesses to lowering the cost of product or service for a customer or offer ‘more for less’.

For instance, fitness and yoga trainers offered their sessions for free on Youtube. Adriene Mishler, international yoga trainer’s yoga videos are available for free on her Youtube channel which had 8 million subscribers and on a ‘pay what feels good’ basis on her website. Healthifyme offered its diet tracking service for free on its app. The pricing of online group sessions was less compared to face-to-face sessions. Fitternity and Cult made it possible for users to buy on session-wise basis in addition to long-term subscription mode.

(ii) Experience value – Digital businesses can enhance the experience of the users by offering them greater convenience, control and context.

While Youtube offered only DIY videos, Cultfit, Healthifyme and Fitternity offered live trainer-led group sessions. Additionally, Cultfit used its own platform to offer these group sessions. Cultfit also introduced one-to-one personal training service. Innovative features like energy meter introduced by Cult provided a more interactive and social experience for users.

(iii) Platform value – In addition to cost and experience value, digital business models enables companies to offer platform value. Platforms create network effects – where the number of users of the product/service enhances the value of the product/service for its users. Platform effect enables “a kind of higher-order customer benefit that has inherent value-amplifying characteristics”2.

Healthifyme enabled users to simultaneously track their workouts and calorie intake to present a holistic picture of the user’s progress in their fitness journey.

Curefit’s four verticals – Cult, Mind, Eat, Care – enabled it to offer a complete experience for its users by serving their physical and mental wellbeing needs in an integrated way. The effectiveness of Curefit’s investments in technologies such as AI and ML increased as more users used its platform. Refer to Ankit Nagori’s comment on how the algorithms got better with access to more data points over time. User data across verticals enabled Curefit to deliver personalized recommendations in each of the vertical thereby enhancing their experience value. The possibility of amortizing customer acquisitions costs across the platform will enable it to offer cost value to customers.

Incumbents who offered a combination of value and deliver higher-order values such as platform value effectively will be able to sustain their competitive advantage over a longer period of time.

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2 Ibid.
2. Explore business model diversification (BMD) opportunities

A business model refers to manner in which a firm creates, delivers and captures value. Firms can adopt more than way to create and monetize value. For instance, Titan sells its watches through its own stores, franchisee stores and retail stores (multiple channels). Ashok Leyland, maker of buses, sells its electric buses to government transport companies both on outright payment basis and a leasing model (multiple pricing models). Pharma companies sell end products that are developed based on their research capability and also offer their research services to other companies (multiple ways of monetization).

While business model diversification is an opportunity available for all firms, such opportunities are more for digital businesses. One, costs incurred in pursuing business model diversification are, arguably, lower for digital businesses, thereby enabling greater experimentation. Two, the centrality of customer interaction in digital business offers a range of customer complementarities that can be utilized to identify new business model diversification opportunities. Digital businesses help leverage customer complementarities both within and between a company’s portfolio of business models.

Business model diversification increases profit potential for digital businesses.

Digital businesses can offer a ‘one-stop shop’ benefit to its users by engaging in business model diversification. The ‘one-stop shop’ effect can help businesses leverage two types of customer complementarities\(^3\): (i) cost complementarities and (ii) value complementarities.

(i) Cost complementarities – By offering multiple related products and services, the business reduces communication and transaction costs for its users, thereby offering cost efficiency.

Curefit’s vision is to offer a one-stop shop solution of all the fitness and health related needs of its users. Within a short period, Curefit has diversified into four verticals – Cult, Mind, Eat and Care. Customers can access all these related services through a single app. The users of Cult.fit and Mind.fit can readily use both services for the same price. Curefit can also enable ease of movement across all the verticals by offering an all-in-one package pricing option or through some form of loyalty points.

(ii) Value complementarities – By leveraging the knowledge gained through offering multiple related services to the same user, businesses can increase their ability to deliver greater value in each of the service to the user.

Curefit’s founders view health and fitness as a holistic phenomenon. They believe activity, food, mental well-being and regular health checks are closely interrelated to one’s health. When a user visits a Care.fit clinic for regular check, the ready availability of knowledge of the user’s workout and dietary preferences can enable the doctor to deliver more personalized and effective service. When a user consults Eat.fit, information on recent activity in Cult.fit can result in more personalized and effective recommendations.

**Business model diversification identifies new business opportunities.**

Digital businesses can also explore multiple monetization opportunities for their product/service. Such a move can enhance utilization of a company’s resources/assets. Employing multiple models increase customer acquisition and the migration of customers from lower order services to higher order services.

For instance, Curefit offers its workout sessions as on-demand videos, live classes, live group sessions and one-to-one sessions. A user who signs up for on-demand videos initially can over time shift to one-to-one personalized sessions as their trust in the company or their affordability increases. In post-covid times, the company can also continue to offer its sessions in Cult.fit centres.

**Business model diversification increases sustainability of advantage**

Business model diversification induce lock-in effects for the users and increase their switching costs. It also makes it difficult for a competitor to comprehend a company’s strategy and implement an effective response. For instance, several observers and competitors’ question Curefit straddling across multiple competitors.

**Business model diversification is difficult to pull off**

One reason some are skeptical about Curefit’s strategy is because wide business model diversification is difficult to pull off. Some business model diversification does not require much change in the activities of the company while some do. For instance, offering group live sessions and one-to-one live session requires little changes in activities when compared to the ranges of changes in activities required to offer Carefit services.

Business model diversification can lead to dilution of focus. Curefit’s presence across verticals means that its competitors include Fitternity, Healthifyme (in fitness category), Swiggy and Zomato (in food delivery business) and Apollo Clinic (in clinic and diagnostics space). Unless, Curefit can execute well in each of the businesses, it may not win. Perhaps, this is the reason why Mindfit and Carefit have not expanded at the pace desired by Curefit.

To minimize possibility of failures, companies should ex-post diligently examine whether the business model diversification opportunities that they consider are substitutes or complements.

‘What is the job?’

One question that most digital businesses will face is to the extent to which they would rely on an offline model in post-covid times. Some businesses can be entirely delivered online without much dilution in value (example: financial intermediaries). And some businesses necessarily require an offline component (example: ride sharing services). For businesses wherein the answer is not very evident (like fitness gyms), Professor Clayton Christensen and his colleague’s advice of asking ‘What is the job for
which a customer hires your product/service?" could be useful. A customer does not buy an iron but hires to provide wrinkle-free clothing. In the place of an iron, the customer may very well buy (hire) a wrinkle-free shirt to serve the same job.

‘What is the job for which a customer hire Cult.fit/Mind.fit?’

If the job is to just get guidance on fitness activities, engage in workouts individually and get fit, then Cult’s intention of retaining an offline play could be ineffective. However, if a customer hires Cult also to hangout with a set of friends and as an additional site for socializing and networking, Cult’s plans to look out for promising acquisition opportunities among gyms would be right.

The odds of success of business model diversification also increases if a company creates a moat of competitive advantage in one of the business models. The moat can arise from being an early-mover and creating favourable network economies (example: Amazon) or by building proprietary technology (example: Google in search/Android).

Thus, Curefit’s ultimate success will depend on its implementation capabilities in each of its vertical and its capability to develop deep technology (that can be protected in some form) to effectively leverage the complementarities across its businesses. Else, the benefits will remain illusory.

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