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**"INNOVATIVE BRAND EXTENSIONS:
AN EMPIRICAL ANALYSIS ABOUT ON"**

RELATORE:

CH.MO PROF. ANDREA CIOCIA

LAUREANDO: MATTEO GRIGOLO

MATRICOLA N. 2097006

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INTRODUCTION

This thesis gravitates around the concept of brand extension, a strategic tool that companies can use to enlarge their borders in terms of products offering, leveraging the already acquired power of their brand. The context in which this strategy is analysed is the sportswear world. More precisely, the case study that is discussed is about the brand On, a sportswear company that experienced unprecedented growth in a very small period of time since its foundation, and that is trying to change the sportswear industry with its disruptive innovations. Well-known for its degree of technological innovation and continuous improvement, always coming out with impressive new products, strategies and initiatives, On has proved to be a “one of a kind” brand, capable of reaching unexpected achievements, also where other companies have tried and failed in the past. From these particular traits, the idea of this thesis: investigating whether On could be the first sportswear company to successfully launch and maintain in the market an extremely hi-tech product as a fitness tracker. The sports wearables industry as well is experiencing unprecedented growth, and it is nowadays one of the industries attracting more attention. These devices are typically used for measuring health and physical performance parameters and metrics, providing to users an overview of their personal situation both during and around the physical activities and trainings they perform. On, as a very performance-oriented brand, whose products always perfectly align with this philosophy, could theoretically be the right candidate to break the trend that has built in the past, seeing sportswear giants such as Nike, Adidas, New Balance or Under Armour always failing to meet expectations when introducing fitness trackers and competing with tech companies like Garmin. This hypothetical extension is investigated both theoretically (using models like SWOT analysis) and practically (using a survey), and the ultimate goal is to try to assess, acknowledging all the limitations that the instruments that are used present, if the Swiss brand could be the first to break this negative trend.

The document starts with a first section presenting a comprehensive literature review about the main topics that are covered in the following chapters. First of all, an introduction to product-market strategies is outlined by means of the Ansoff matrix, which is discussed both in its original and updated versions. This first part is needed to open the path for the brand extension topic, the main focus of the whole document. Indeed, the brand extension is considered a tool to practically implement some of the strategic options included in the aforementioned model. In the paragraph dedicated to the concept, an introduction is provided, until the focus shifts on the type of brand extension concerning the case study: the category extension. The last block of the first chapter is then about brand equity, as the power of the brand is the main springboard allowing a brand extension to succeed. This topic is addressed using several models: the Aaker’s

brand equity model, the Aaker's pyramid, and lastly Keller's customer-based brand equity model, which defines the end of the literature review.

The second chapter delves into the market analyses, on the one hand of the main markets in which On is currently competing, being athletic footwear and sports apparel, and on the other, of the brand extension strategy's target, being sports wearable devices. The objective of this part is to understand the competitive context in which the company competes, compared with the hypothetical scenario in which it would feature. The other sections of the first part of the chapter concern some of the main trends currently characterising the sportswear world: the one about the continuous introduction of more and more tech-infused products, and the gamification of fitness phenomenon. The second half, instead, investigates the real-world cases of sportswear companies that, in the past, attempted to diversify their offering towards the fitness trackers space. The Nike's, Under Armour's, New Balance's and Adidas' cases are respectively discussed, demonstrating how that between sportswear and wearables appears to be a troubled relationship, at least under the same brand name.

The third chapter is then dedicated to the case study. First, an introduction to On is provided. Second, an in-depth investigation of the company's business model is performed using the Business Model Canvas framework, which allows to appreciate the brand's customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships and cost structure. Finally, the last portion of the chapter delves into the strategy requirements, pros and cons. This part is concerned with the factors favouring the extension, the main obstacles towards implementation, the strategy implementation requirements and a SWOT analysis to assess how the company's strengths and weaknesses match with the opportunities and threats proposed by the fitness trackers industry. A final paragraph opens the path for the empirical analysis that is conducted in the last chapter.

After consulting the literature, defining the scenario, the brand's main traits and the strategy, at least from a theoretical perspective, the last chapter is about assessing what people think about this potential category extension and how to practically implement the strategy itself. Through a survey, respondents are asked questions about physical activity, fitness trackers and On, which allow to perform an analysis on the results that is coupled with their statistical interpretation. This last part is aimed at trying to ultimately find the answers that have been pursued along the whole document, as well as to understand the shape that the newly introduced product's marketing mix could take.

1. LITERATURE REVIEW

1.1 Product-market strategies

This first chapter is dedicated to a literature review, aiming at introducing the most relevant concepts that will be covered in the following chapters, and that also represent the core of the case study and the empirical analysis that will be presented in the second part of the thesis. The review contained in this chapter is instrumental to appreciate the strategic scenario of the case study that will be analysed and the empirical analysis that will be carried out.

In order to introduce the brand extension topic, it's worth starting from a little bit far away. Indeed, as brand extensions represent one of the most widely used strategies by brands that want to enlarge their products offering and their market portfolio, it's relevant to understand where, literature wise, the concept has originated. That's why, even before starting an in-depth discussion about brand extensions themselves, introducing the set of options that is available for firms to pursue the aforementioned goals is of utmost importance. Concretely speaking, the first topic that must be discussed is related to product-market strategies, delving firstly into the origins, and then having a look to recent updates.

1.1.1 *Ansoff matrix*

Back in the 50s of the twentieth century, product-market strategies have been defined by Ansoff (1957, p. 114) as “a joint statement of a product line and the corresponding set of missions which the products are designed to fulfill”. This description opens therefore the discussion to introducing a set of options that a company can choose from to implement an enlargement strategy, by considering two main variables: product and market. To sustain this argument, in the same paper, the author decided to introduce a groundbreaking framework which, over time, has become one of the most widely used in economics, especially to analyse how, from a product-market combination, firms can adopt different paths to pursue their strategic goals, the so-called “Ansoff matrix”. In this matrix, the Russian American applied mathematician and business manager included the four growth strategies that a company can implement in the same or a new market, with an existing product or a new one.

Figure 1: Ansoff matrix



Source: Oxford College of Marketing (2016)

As shown in figure 1, when a company decides to focus on the existing market with existing products, it implements the *market penetration* strategy; when it adapts its present products to new markets, Ansoff talks about the *market development* strategy; the opposite of the latter, is the so-called *product development* strategy; lastly, *diversification* is when a company decides to launch new products, entering in new markets (Ansoff, 1957). The framework provides not only a simple and immediate way to recognize the different growth opportunities a company can choose, but it also provides marketers the possibility to address the strategies risk profile (Oxford College of Marketing, 2016). Since assessing the risks of every strategy and project in which a company engages is of paramount importance, a brief risk analysis for every potential choice coming from an insightful Oxford College of Marketing (2016) article is provided below.

As a premise, to anticipate this discussion, a quick overview on the elements that compose the marketing mix is necessary. Also called “4Ps paradigm”, name derived from the first letter of each of its components, the marketing mix framework was firstly introduced by Jerome McCarthy in 1960 (Anderson & Taylor, 1995).

Figure 2: The 4Ps of marketing mix



Source: Luenendonk (2022)

Indeed, McCarthy formalised the concept by determining that the four main elements influencing marketing initiatives were (and still nowadays are) product, price, place (distribution channels) and promotion (e.g., advertising, and other marketing initiatives). Analysing product-market strategies, also by means of the four Ps, can give companies the advantage of having control over those factors that McCarthy himself defined as the “controllable” ones, thus not directly changed from external variables, but at the most indirectly influenced by them. Even if it is a dated model, the 4Ps paradigm has still proved to be effective even in contemporary marketing applications (Anderson & Taylor, 1995).

Coming back to the discussion about the Ansoff matrix, among the potential options a company can choose from, the *market penetration* strategy represents the safest way to go, as it is the lowest risk strategy for a company given that if a firm sells the same products in the same markets, it can leverage on its own actual customers and its established channels for example. This strategy is viable only when markets are still growing, or where organizations are prepared to use other elements of the marketing mix (e.g., acting on price or introducing brand new promotional activities) to penetrate the market, taking market share away from competitors.

Choosing the *product development* strategy, two elements of the marketing mix (product and promotion), as a minimum, are concerned, since they will evolve to adapt to the new strategic setting. Given this consideration, it immediately appears clear that risk, compared to market penetration, is higher. A successful implementation, in this case, depends on both external and internal elements. Externally, on the organization’s ability to correctly understand customers’

and market's needs, while internally it is highly influenced by a thorough understanding of whether it actually possesses the capabilities and competencies required for driving innovation. This type of strategy, as will be further specified, is particularly meaningful for this thesis' purpose, because the brand extension, that is the strategy used in the case study presented from the third chapter onwards, falls into this category.

The third option, as previously said, is *market development*. As for product development, even this strategy is considered to be riskier than market penetration, and the main reason lies in understanding new markets' complexities as a newcomer. Key changes in the marketing mix in this case are likely to be "place" (need of building up new channels and routes to market), as well as "promotion" (new marketing campaigns to appeal the new target customers).

Lastly, *diversification* obviously represents the riskiest option, as the company is moving into an unfamiliar market as well as producing a new product. However, related diversification (not moving completely away from the current products portfolio) can be a risk-mitigating tool, also enabling the organization to achieve higher returns (Oxford College of Marketing, 2016).

1.1.2 Updated Ansoff matrix

Even if the framework is still currently well-known and implemented in its 4-option shape, over time, scholars have tried to adapt the Ansoff matrix even more to current marketing scenarios, trying to add more "sub-options" and details to the original model. Indeed, some decades later, recognising the complexities arising in the definition of marketing strategies, Larry Pleshko and Richard Heiens (2008), proposed an updated version of the Ansoff product-market growth strategic matrix, introducing a new 9-option framework, substituting the 4-option one. The theoretical background that drove the authors to try to expand the original matrix comes from Hangstefer (1999), who said that to build a company's growth momentum, "the rate at which company-wide innovation takes place" (Hangstefer, 1999, p. 62), managers must stimulate innovation in the core strategy and that this innovation should be focused on redefining elements like the markets in which firms are competing and the products and services they serve in those markets. Even if recognising that the Ansoff matrix still "does its job", they thought that a new model, introducing more combinations of the two variables, would have been appropriate.

Figure 3: Updated Ansoff matrix

		Focus of Market Growth		
		Current Markets	New Markets	Both Current and New Markets
Focus of Product Growth	Current Products	Penetration and Saturation	Market Development	Intensive Market Development
	New Products	Product Development	Related Diversification	Product Development With Intensive Market Development
	Both Current And New Products	Intensive Product Development	Market Development With Intensive Product Development	Intensive Growth

Source: Pleshko and Heiens (2008)

Figure 3 provides an overview of this new version of the Ansoff matrix. The additions can easily be noticed, as they decided to introduce the possibilities in which organizations decide, on the one hand, to serve the markets with both current and new products, and on the other, to compete in both current and new markets (Pleshko & Heiens, 2008).

As previously said, this analysis on product-market strategies was needed to open the path to talk about the main topic of this chapter: brand extension, which is presented in the following paragraph.

1.2 Brand extension

The paragraph dedicated to the ways a company has to extend its brand presents a twofold structure. In the first subparagraph, a general introduction to the brand extension concept, characteristics, pros, and cons is presented, while the second one is more concerned with the category extension type.

1.2.1 Introduction

Product development is deemed to be “among the most essential processes for success, survival, and renewal of organizations, particularly for firms in either fast-paced or competitive markets” (Brown & Eisenhardt, 1995, p. 344). Looking at the two models proposed in the previous paragraphs, it is possible to evince that this is the strategy used by those firms that want to engage in the production and the sale of a new product, by remaining in the same market in

which they already compete. One of the ways a company can use to put this strategy in practice is represented by brand extensions.

“Brand extension is a widely adopted strategy for firms to take advantage of an existing brand’s equity in a new product category” (Marin, Ruiz De Maya, & Rubio, 2018, p.1). As suggested by Aaker and Keller (1990), brand extensions can be considered a valid alternative when a company can benefit from having a strong brand, since it allows to reduce the costs and risks of a new product introduction, thanks to the familiarity and positive feelings that customers associate with that brand, and it can also be an opportunity to leverage the most important assets at its disposal. On the other hand, the wrong use of this extremely valuable instrument could lead to the creation of negative associations with the brand itself, leading to a damage in terms of brand image (Ries & Trout, 1981).

After introducing some of the main pros and cons of choosing to develop this kind of strategy, it’s relevant to have a look to how can brand extensions succeed. The answer comes directly by a comprehensive study conducted by Franziska Völckner and Henrik Sattler (2006). The two scholars realised an extremely insightful paper in which they simultaneously investigated ten success factors with the scope to determine the significance and relative importance of the extensions’ determinants. What comes out from their work is that, among the aforementioned ten factors taken into consideration in their analysis, five turned out to be the most relevant ones for managers’ decision-making, namely: fit between parent brand and extension product, parent brand conviction, parent brand experience, retailer acceptance, and marketing support. For each of those factors, the authors also provided guidance about how managers can influence them to maximise the probability of a successful implementation. In terms of fit, the authors suggest that a crucial role is played by the advertisement of the new product, which has to help customers understanding how the brand and the product itself align. About parent brand conviction and experience, the results they obtained highlight the importance of building customer-based brand equity (to which a part of this chapter will be dedicated) and/or acquiring strong brands to foster extensions success. Retailer acceptance wise, some strategies providing advantages are about recurring to trade and slotting allowances, as also suggested by Collins-Dodd and Louviere (1999), and promotional allowances. Moreover, also consumer advertising, by generating demand, is deemed likely to influence retailers’ decisions to accept new listings. Lastly, in terms of marketing support, the authors stress the point as one of the most relevant since it is under the companies’ direct control and can also be influenced in the short-term.

After delving into the main drivers, it’s important to start introducing the types of brand extensions that can be chosen by organizations. The best distinction for this thesis’ purposes

has been defined by Farquhar (1989). The scholar, in his paper, distinguishes the brand extension in two types: line extension and category extension. A line extension applies an existing brand name to a newly introduced product that is part of one of the firm's existing categories. On the other hand, a category extension applies the existing brand name to a product that the company launches in a new product category. Even if line extensions represent a valid alternative, they are not the focus of this thesis. Indeed, as will be clearer going on with the paragraphs, the empirical analysis will be carried out on a hypothetical case of category extension. That's why, if for the line extension only the definition has been covered, a deeper understanding of the category extension type is required, and for this reason the latter is the only type that will be explored more in-depth.

1.2.2 *Category extension*

Coming back for a second to the aforementioned paper by Aaker and Keller (1990), during their analysis, they were able to find out which are the main factors that consumers take into account when evaluating a category extension. As a disclaimer, it's worth reminding that, in their paper, the authors call the category extension as "brand extension", but the meaning is the same compared to Farquhar's "category extension" concept. Scrolling among their work's main findings, it comes out that consumers' attitudes towards the extension are more favourable when the original brand is perceived to be a high quality one (hypothesis 1). Moreover, they sustain that when the two product classes (the existing and the new one) fit together in some way, the transfer of the brand's perceived quality is enhanced (hypothesis 2). Furthermore, another factor that can grant the successful implementation of the strategy is that the fit between the involved product classes, not only among themselves, but also with the parent brand's attitude towards the extension has to be positive (hypothesis 3). Lastly, the fourth hypothesis tests the logic that there has to be a positive relationship between the difficulty of making the new product class and the attitude towards the extension.

This paper has represented a milestone in evaluating consumers' perceptions about extensions and some of those findings are still relevant nowadays. However, over time, other scholars have decided to revise those findings to determine if they were effectively right. In some cases, findings were not the same, like in a study conducted by Sunde and Brodie (1991), in which they disagree in two out of four hypothesis tests. Indeed, only the first and the third ones led the authors to the same results obtained by Aaker and Keller the previous year, while in the other two cases, the results are not supporting the hypotheses at the basis.

On the other hand, as an example, Bottomley and Doyle (1996), agree with most of the findings of the model proposed by Aaker and Keller, except for the third one, since their empirical investigation didn't show that the degree of difficulty of making the new product has effectively a positive influence on consumers' perception of the extension.

Continuing to investigate the existing literature, another interesting study in the field has been conducted by Parker et al. (2018). This study is particularly relevant for the purposes of this thesis as they investigated a list of multi-category brands, and more specifically about when they should introduce the first distant category extension among closer ones. The reason why it's worth mentioning their findings lies on the fact that the empirical analysis in the last part of the document will be about a hypothetical category extension as already pointed out, but to be more precise, that new product introduction will fit well the Parker et. al (2018) definition of "distant product". Indeed, they refer to this concept for talking about extensions that are not perceived as very similar to the current products that companies sell in the markets. Results wise, their analysis shows that first distant product (FDP) introductions "tend to result in more positive final brand attitudes, stronger preferences for the brand's products, and a greater willingness to engage with the brand in the long run" (Parker et al., 2018, p. 314). Another important insight that those results provide is that brands should introduce distant brand extensions earlier rather than later (as opposed to what many thought) when marketers are unable or unwilling to approach the launch of the distant category with multiple intervening extensions. Lastly, another interesting finding is that even if distant extensions result to be typically riskier compared to proximal extensions (those deemed to be closer to the current set of products that the company already sells in the market), they can also offer greater potential gains, as short-term losses in brand attitudes can be offset by the long-term benefits on metrics like revenue, profit, brand diversification, sustained relevance, and market share.

Talking about whether the extensions' implementation is successful or not, companies want to ideally exploit the already acquired brand equity to facilitate the launch of their newest product. In particular, there is a concept that was originally introduced in psychology that gives a clear idea of the mental process they want to create in customers' mind in order to succeed in their strategy implementation: the so-called "halo effect".

The *halo effect* is a concept that as was said is taken from psychology, and to give an idea of what it is about, the first step lies in having a look to a paper by Reynolds (1965), in which he contextualises the concept in marketing terms. Specifically, he refers to the "halo effect" as the situation in which someone that appreciates a product because of a particular attribute with which he/she happens to be familiar, does form opinions on other attributes of the product

regardless of whether he knows anything about them or not. The same thing can be applied to brands as a whole: a new product introduced by an established and loved brand is likely to benefit from being associated to that specific brand, rather than a less known one. In other words, as the author suggests, brand reputation does matter. On the other side of the spectrum, the opposite of the halo effect and its negative complement is the so-called “*horn effect*” (Jang, Lee & Hu, 2016). The concept originated, even in this case, in psychology. As early as in the beginning of the 20th century, indeed, Thorndike (1920), studying soldiers, noticed that when people discovered something negative about their superiors, they automatically attributed other negative traits to them. Contextualised to branding, a single bad product could damage a brand reputation also elsewhere.

After having developed a thorough discussion about product-market strategies and brand extensions, it appears clear that, in order to be able to afford the implementation of these strategies, having a strong foundation and base from which to start is of utmost importance. This foundation is represented primarily by the company’s acquired brand equity. For this reason, it is appropriate to go a little bit more into the details of the concept with a dedicated paragraph in which, by using some of the most consolidated models in the field, an accurate investigation of this concept, with its determinants and components, is carried out.

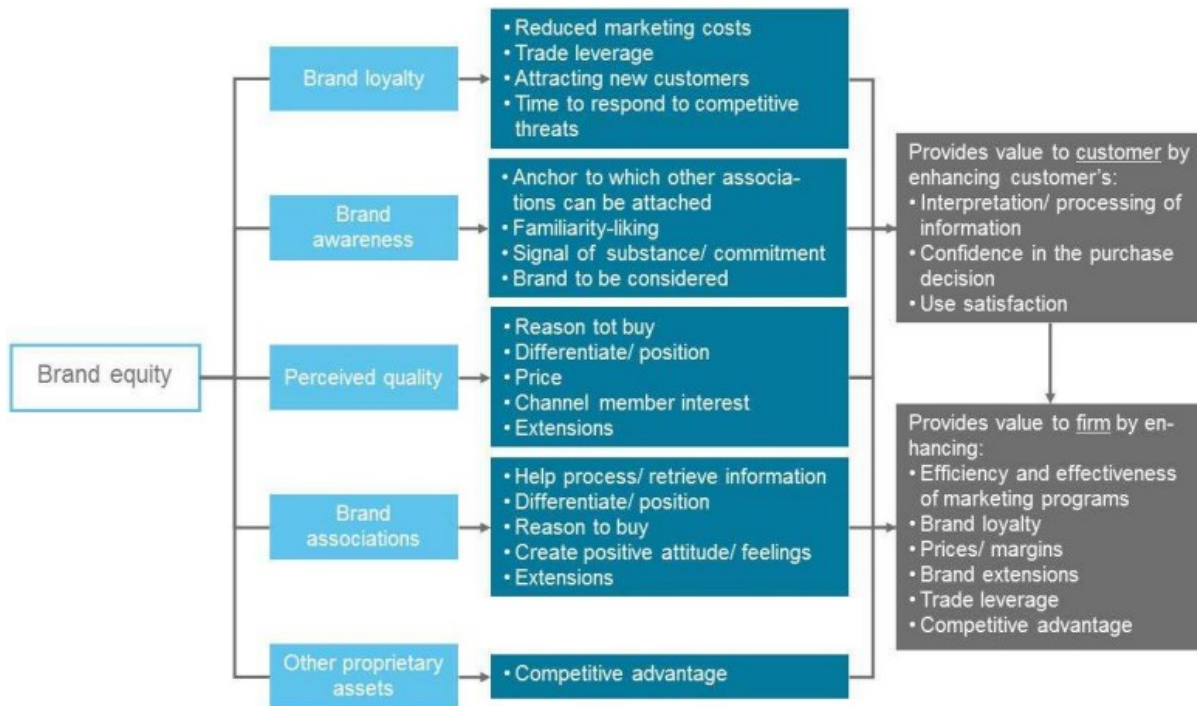
1.3 Brand equity

The concept of brand equity was first introduced by Aaker during the 80s (Tanveer & Lodhi, 2016). Later, he described brand equity as “a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service” (Aaker, 1991). This definition in a way complements what has been said in the comparison between halo and horn effect, suggesting that how a brand is perceived can influence either positively or negatively customers’ perceptions about companies’ products.

1.3.1 Aaker’s brand equity model

This topic has always been one of the most discussed in marketing, and unsurprisingly, over the years, many models analysing it have been published. Among them, one that can be extremely useful thanks to its simplicity and ease of implementation is Aaker’s brand equity model. This framework, while allowing marketers to disentangle among the different factors influencing brand equity, also aims at providing guidance about which dimensions must be maximised in order to strengthen it as much as possible. In his model, David Aaker shows that brand equity is the result of summing up five different components: brand loyalty, brand awareness, perceived quality, brand associations, and other proprietary assets (Aaker, 2009).

Figure 4: Aaker's brand equity model



Source: Aaker (2009)

Brand loyalty is described as how loyal customers are to your brand. Loyalty brings with itself an array of advantages, such as: lower marketing costs, trade leverage, the capacity to attract new customers helped by current ones, and it also gives more time to respond to competitive threats in the market, as loyal customers are not likely to switch to other brands in the short term. *Brand awareness* is the extent to which the brand is known among people. It can be measured thanks to the parameters listed in figure 4. *Perceived quality* refers to the extent to which customers consider the brand's products as qualitative ones (also in terms of differentiation against competitors, availability in different channels or price in certain markets). *Brand associations*, as the name suggests, refer to what the brand is associated with in customers' minds. Lastly, another factor that can enhance brand equity according to the author is represented by *other proprietary assets* the brand may possess (e.g., patents, intellectual property rights, partnerships, etc.).

Getting a little bit more into the details of brand awareness, one of the foundational elements of brand equity, if a brand wants to establish itself as a strong player in the market in which it competes (therefore increasing customers' awareness of the existence of the brand), according to Aaker (1996), it has to climb a virtual pyramid, starting from the base and strengthening over time in order to reach the peak.

Figure 5: Aaker's pyramid



Source: Pixartprinting (2022)

Aaker's pyramid, represented in figure 5, describes the different levels of brand awareness that a company can reach. At the foundation, there is the situation in which people are not aware of the existence of the brand (*unaware of brand*), this is clearly the minimum level of brand awareness that a company can reach. When a customer is able to recognise the brand by means of external stimuli, it positions itself in the second layer of the pyramid: *brand recognition*. The third level of the pyramid is called "*brand recall*" and it represents the moment in which the customer autonomously associates the brand to a certain category of goods or services. Lastly, the top of the pyramid is reserved for "*top of mind*" brands, those representing the first brands that come to people's mind when talking about a certain product or product category (Aaker, 1996).

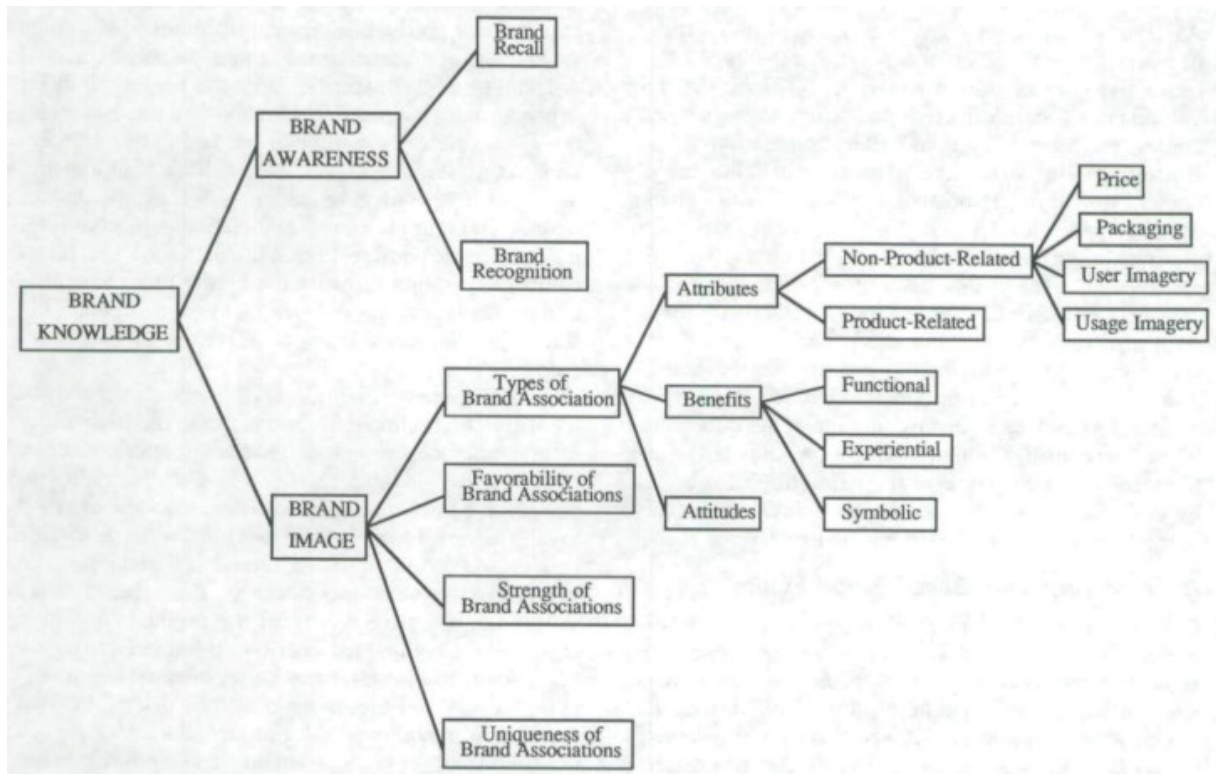
The position in the pyramid, as well as the perceived brand equity that companies are able to acquire over time, in the end, are all elements that allow to appreciate how important it is to work on customers' mind, in order to climb positions in their satisfaction scale at the expense of their competitors. One of the keys to influence customers' perceptions lies in the notion of *brand positioning*. The concept has firstly been defined in the late 60s. Indeed, Lewis Alpert and Ronald Gatty (1969, p. 65) introduced brand positioning as "the differentiation of brands by studying the ways in which their consumers differ as well as how consumer perceptions of various brands differ". This definition introduces the view of brand positioning as an element of differentiation to emerge in the markets, especially in terms of customers' perceptions, and therefore the intangible links, connections and reasonings that they build in their mind. As Ries and Trout (1981) suggested almost twenty years later, positioning has not to do with the products and services that a firm produces, but has more to do with what is done in customers'

mind. According to the authors, positioning is the element able to shift the importance of marketing from the “battle” for the best product to the “battle” for customers’ mind. Moreover, they stated that the approach that organizations should adopt is not about creating something new, but rather manipulate what is already present, aiming at enabling the needed mental connections to be developed (Saqib, 2020). In the literature, the concept of positioning is deemed so important to be considered as the marketing mix’s fifth “P” (Richarme, 2007), together with product, price, place, and promotion. Furthermore, Crawford (1985) believes that positioning plays a fundamental role not only in driving every organization’s marketing program, but also in companies’ overall strategy, and that the 4Ps together with the brand as a whole, must all be aligned and coherent with it. As a result, in today’s over-communicated and product-saturated consumer world, being able to achieve an effective positioning is of paramount importance for brands to succeed (Marsden, 2002), in general, and also in their single initiatives (such as brand extensions).

1.3.2 Keller’s customer-based brand equity model

One of the concepts or perspectives that has emerged in the literature over the years (and that has also been cited above) when dealing with brand equity is that of *customer-based brand equity*. Its definition has been introduced by Keller (1993, p. 8), who, in his famous article published by the Journal of Marketing, said that customer-based brand equity is “the differential effect of brand knowledge on consumer response to the marketing of the brand”. In sum, it is the concept of brand equity seen with consumers’ eyes. In the same article, the author also introduced a model to interpret the main determinants of brand equity from his standpoint. A framework that, in its updated version (that will later be discussed as well), is still widely used these days: the *Customer-based brand equity model*. The entire framework is structured around the assumption that a brand is considered to have a positive (negative) customer-based brand equity when customers react more (less) favourably to an element of the marketing mix (product, price, place, and promotion), than they would do with the same exact element by an unbranded fictitious entity.

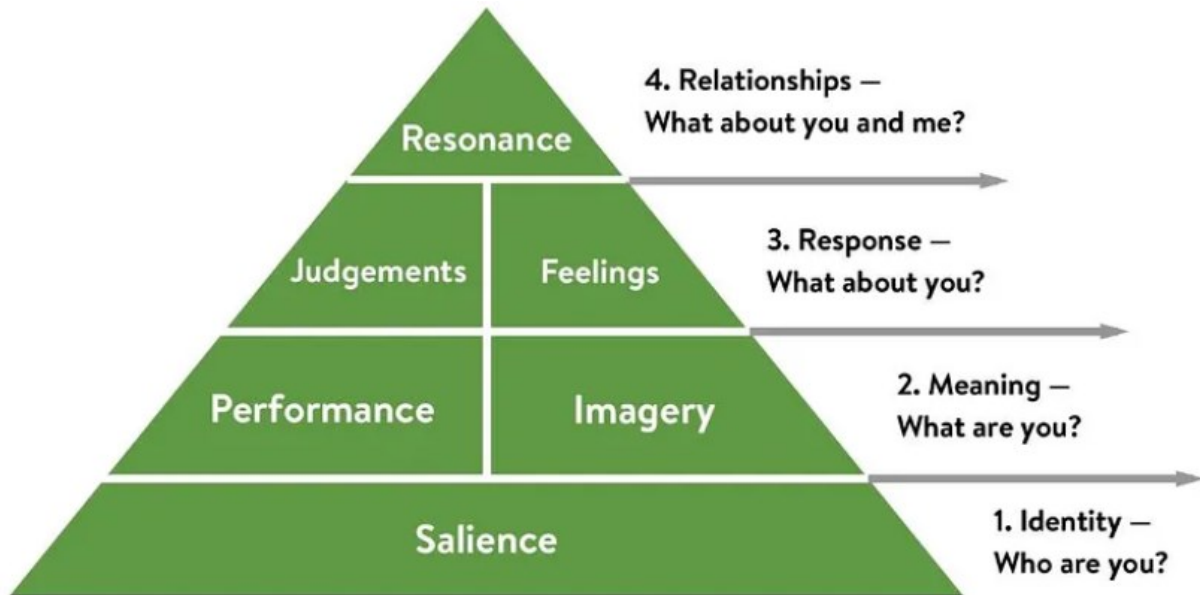
Figure 6: Customer-based brand equity model



Source: Keller (1993)

Figure 6 summarises the model as it was at the time of its introduction. The whole work was gravitating around the concept of *brand knowledge*, which is described as the way customers perceive and respond to a brand’s stimuli based on their knowledge and associations with it. Brand knowledge, in turn, is the result of two components: *brand awareness* and *brand image*. Brand awareness has to do with the degree of familiarity that customers have with the brand in terms of *brand recall* (when customers spontaneously associate a brand with certain goods or services) and *brand recognition*. On the other hand, brand image represents the set of associations linked to the brand, shaped by individuals’ emotions or personality traits. Looking at the figure above, one can also see how those concepts are developed and what they refer to. As previously said, the same author, years later, decided to update its model, introducing a new version of the framework taking a pyramidal shape (Keller, 2001), which is shown in figure 7.

Figure 7: Keller's customer-based brand equity pyramid



Source: Hawker (2019)

The aim of the cited paper was to outline the steps that have to be taken to develop a strong brand. At the foundation of the pyramid, as figure 7 shows, the first step is about establishing a proper brand identity, which entails determining the breadth and depth of brand awareness. This step answers to the customers' question "who are you?", and the answer gives the perceived *salience* of that brand. The second step, after establishing a deep and broad brand awareness, answers to the question "what are you?", and, therefore, is about creating the appropriate brand meaning through strong, favourable and unique brand associations (Keller, 2001). The author distinguishes between two main types of brand meaning: *performance* and *imagery*. Brand performance has to do with the capacity of a company's products to fully satisfy customers' needs in terms of primary characteristics and secondary features, product reliability, durability and serviceability, service effectiveness, efficiency and empathy, style, and design, but also price. On the other side, brand imagery deals with how people think about the brand in a more abstract, intangible, and emotional way. The intangible elements influencing this aspect are user profiles, purchase and usage situations, personality and values, and history, heritage and experiences. Climbing the pyramid, the third level refers to response, answering to the question "what about you?". This step deals with how people respond to brands' stimuli (e.g., marketing campaigns, the brand itself, other types of information, etc.). Even in this case, as in the previous step, there is a twofold dimension to consider: customers' *judgements* (rational side) and *feelings* (emotional side). Lastly, positioned at the pyramid's peak there is the fourth step, dedicated to the "relationships", testing a brand's "*resonance*". Specifically, this last level of

the framework is about the relationships that the brand is able to build with customers over time. The goal here is to maximise the creation of intense and active loyalty. Once a company has been able to maximize all the four steps can be deemed a strong brand, according to Keller's model.

The literature review about topics such as product-market strategies, brand extension and brand equity that has been presented along this first chapter was needed in order to open the path for introducing the case study representing the core of the thesis. It was also a way to recall certain key concepts that will be used in the rest of the document in a more practical and applied fashion. In the following chapter, the scenario that surrounds the case study will be outlined, in order to provide the remaining elements that are needed to fully understand the contents of the second part of the document.

2. CATEGORY EXTENSIONS IN THE SPORTSWEAR INDUSTRY

2.1 Sportswear and wearables: overview and main trends

After having a thorough overview of the existing literature about the most important concepts that must be known in order to fully appreciate the contents that are proposed in the following chapters, this second block of the document is dedicated to the role of category extensions in the sportswear industry, and in particular to the analysis of the main cases of sportswear brands that have tried to expand their products portfolio introducing technological products (more specifically wearables and fitness trackers) connected with the sports world. The meaning of this chapter is to open the path to the presentation of the case study that will start in the second part of the thesis.

To begin the analysis in this second chapter is extremely important to understand the scenario in which On, the brand that will be protagonist in the case study, competes. To get started, a look at the products it sells is paramount to understand the industry in which it competes. Looking at the “shop” section in their website, it emerges that the company is selling three main types of products: athletic footwear, sports apparel, and accessories. Those products are also divided depending on the activity in which they are thought to be used. In particular, one can ideally divide them between those that are conceived for various sports, and those that are designed to be used in the other moments of the day, apart from physical activities. As far as sports are concerned, the activities that On’s products cover are road running, trail running, training & gym, marathon, hiking, tennis, competition, and track & field. On the other hand, the products that are not specifically designed for sports can be discriminated between the lifestyle category and the one dedicated to travel.

With this information in mind, it is possible to start analysing the markets in which the company is present. The decision that has been taken here, for a matter of homogeneity but also reputation of the source, is to use the same provider: Mordor Intelligence. The Indian market research and consulting firm, specialised in providing syndicated and custom market intelligence reports across various industries, is deemed to be one of the most reliable companies in the field (Schmidt, 2023). Moreover, the market analyses that have been selected, perfectly match with the needed information. Indeed, On’s athletic footwear perfectly fit the market description used by Mordor Intelligence in its “Athletic footwear market” research, as well as On’s apparel and accessories enter into the “Sports apparel” one. The same source didn’t provide an up-to-date market analysis of the sportswear market as a whole, therefore combining footwear, apparel and accessories all together, that’s why the decision has been to consider them separately, also

motivated by the fact that, as will be clearer in the third chapter, footwear for On has always been and still is the core business, while apparel and accessories represent a relatively recent introduction. Lastly, also the sports wearable devices market analysis that is presented as well, perfectly fits the purposes of this chapter.

2.1.1 Athletic footwear market

Aiming at introducing the competitive landscape in which On plays, it makes sense to start where the core business of the brand was in the beginning of its journey, which is the product category that still these days is considered the one in which the company is stronger: athletic footwear. According to a market analysis released by Mordor Intelligence (2024a), the athletic footwear market size is estimated at USD 116.82 billion in 2024, and it is expected to grow at a 4.63% CAGR over the 2024-2029 horizon, with a forecasted size reaching 146.48 billion in 2029. The fastest growing geographical market is South America, while the largest is Asia-Pacific. This analysis segments the market by product type, including running shoes, sports shoes, trekking/hiking shoes and other product types. Those product categories are all covered by On in its products portfolio.

Figure 8: Athletic footwear industry concentration



Source: Mordor Intelligence (2024a)

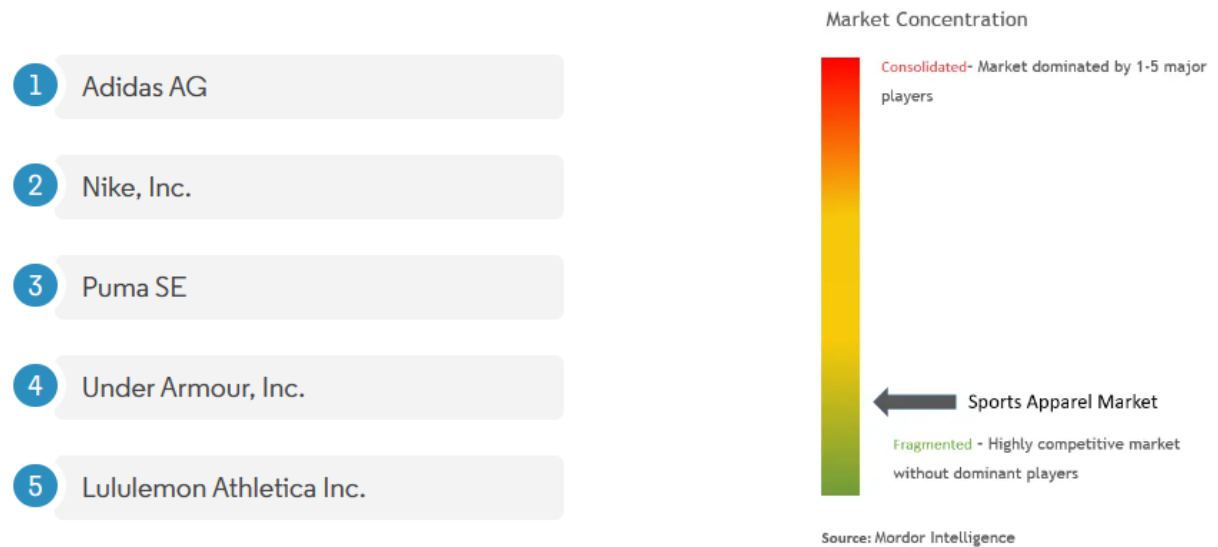
As figure 8 shows, the industry is consolidated, being dominated by few players. Among the most important market players (showed in the figure above), three of them are analysed in the real-world cases discussed at the end of the chapter, namely Nike, Under Armour and Adidas. The main drivers characterising market growth are deemed to be the increased health awareness (boosted by the Covid-19 pandemic), the expanding e-commerce distribution channel and a

higher consumer spending power worldwide. The increased demand for these kinds of products can be explained by several factors, ranging from younger people embracing athletic shoes brands both for practicing sports and for lifestyle, to a wider range of available products including daily wear running shoes but also technologically advanced trekking and hiking footwear. Moreover, as customers are becoming more and more environmentally conscious, companies in the athletic footwear industry have answered addressing the challenge through innovative and sustainable product development. Another key consideration that must be taken into account relates to the increased hype for high-performing athletic shoes marrying style with functionality. Furthermore, the advancements in product development that are guiding firms to introduce smart footwear calculating many parameters about performance and health in general may have a positive influence on market growth as well. Lastly, a trend that cannot be undervalued, and that is highly influencing market growth is the rise of athleisure (Mordor Intelligence, 2024a). Indeed, this fashion trend, characterised by wearing athletic clothing not only for the comfort it grants, but also for its aesthetic appealing, in occasions that go beyond sports and physical activities, is generating an increased interest among customers, that are starting to use these types of garments as a part of their lifestyle (Jahn, 2022). As will be more clear in the next chapter, On is one of the companies performing better in riding the trends characterising this market.

2.1.2 Sports apparel market

The other main market in which On is engaged is sports apparel. According to a market analysis by Mordor Intelligence (2024b), the global sports apparel market size is estimated at USD 272.51 billion in 2024, and it is expected to grow at a 4.51% CAGR until 2029, when it is forecasted to reach USD 339.76 billion. The fastest growing geographical market is Asia-Pacific, while the largest is North America. The industry is populated by most of the players that also compete in the athletic footwear industry, as the most important ones are Nike, Adidas, Puma and Under Armour, which are also the ones that gained more market share in footwear. In this case, as figure 9 below shows, the new name is Lululemon, which is clearly exploiting the recent booming of athleisure that, even in this case, also characterised the previously analysed market.

Figure 9: Sports apparel industry concentration



*Disclaimer: Major Players sorted in no particular order

Source: Mordor Intelligence (2024b)

Even if the main market players are in common with athletic footwear, it is interesting to notice that in this case the industry appears to be fragmented, with the presence of some major players (listed in the figure), but still comprising several prominent international and regional players. However, even with the presence of some firms absorbing a solid portion of market share, we are far from the situation that was presented when dealing with the athletic footwear market, as it appeared much more consolidated.

In general, by looking at the two reports, it appears clear that the two industries are highly correlated, since they present many traits in common, as well as market trends. Indeed, from customers' point of view, the main one that is now characterising the sports apparel world refers to the increased attention to health concerns, that, together with the higher number of governmental initiatives all over the world, fostered a growth in participation in sports and recreation activities. This trend is coupled, in this case from companies' standpoint, with increased availability of apparel equipped with new technologies (further discussed in the following subparagraph), enabling the possibility to unlock new and enhanced properties such as moisture management, temperature control and other performance-boosting characteristics aimed at preventing injuries for example. Moreover, the ever-growing attention toward sustainability remains even in this sector paramount. Lastly, the growing crossover between sports and fashion is expected to contribute to the projected future growth.

After having this general overview on how the industries and related markets that are more related to On's product portfolio, which allowed to appreciate the scenario in which this

company competes as well as the growth rate, main trends, and competitors, it is worth moving, in the following section, to the trend that appears to be more interesting for the specific purposes of this document. A tendency that was only partially mentioned in the content presented by the two market analyses cited above, but that despite being relatively recent, is destined to reshape the sportswear (and fashion) world in the next years: the increased launch of more tech-infused products.

2.1.3 Trend towards tech-infused products

Technological innovation is reshaping almost every industry these days, and the sportswear world does not represent an exception for sure. To be precise, the discussion should start from the fashion world in general, in which sportswear represents more and more a critical segment. Indeed, technology has become the latest game-changer in the ever-evolving fashion industry (Kovtun, 2023), in many different ways. First and foremost, smart fabrics are booking a place to become the future of clothing. These are materials that have been projected to interact with the environment or the human body to generate different types of information. The most relevant implication is that they can gather and share data about users' health, enabling performance monitoring. Design wise, artificial intelligence and machine learning have started playing a crucial role in designers' activity, as they can allow to predict future trends or simply be used to create new products in a new fashion. Moreover, the shopping experience is being revolutionised by the implementation of virtual and augmented reality, which allow customers to try clothes providing a realistic preview of what they could look like wearing that garment. Furthermore, in terms of customisation, 3D printing is allowing designers to achieve products that otherwise they could not be able to generate, thus enlarging the possibilities for customisation. Last but not least, a concern that customers increasingly have in their mind, as it was also possible to notice by looking at the market research showed above, is about sustainability. Even in this case technological innovation can play a huge role in diminishing the environmental impact of fashion companies with measures like the introduction of fabric recycling technologies, waterless dyeing methods or the use of biodegradable materials (Kovtun, 2023).

But that's not all, in contributing to the marriage between fashion and technology, the rise of wearable tech cannot be undervalued. From smart watches and fitness trackers to smart garments, wearable technologies are able to combine style and functionality; while transforming the way customers interact with clothing and accessories (Fashionnovation, 2023).

Indeed, it has been clear for some time that sports apparel companies are increasingly becoming tech companies. Firstly, because data analytics allows them to know more about their customers, and the more they know, the more they can tailor their products and services to increase brand loyalty. Secondly, because they are increasingly merging with the world of fitness wearables, directly allowing customers to monitor their physical activities and performances. A key contribution to the latter is the launch of dedicated apps, in which a sense of community can also be built. In practice, to creating wearable hardware, as they often don't possess the required competencies, sports apparel brands typically rely on third parties, putting them in competition with tech companies (Wasserman, 2017). The real-world cases that, as anticipated, are presented at the end of this chapter, represent an opportunity to understand if these moves historically led to either success or undesirable outcomes.

By looking at the material that has been reported, it really seems like three worlds that in the past were considered separated are now converging, becoming one thing. Sports, fashion, and technological innovation, nowadays, for an array of reasons, are merging, and the trend is just getting started. The evolution of the perception of athletic style has dramatically evolved over time becoming a tool to express people's identity and culture. Sportswear has now become a lifestyle symbol for everyone looking for comfort, performance, and style at the same time (athleisure explosion has strengthened and supported this movement to grow even more). In this conversation, the aforementioned smart fabrics and textiles with which sportswear products are created, also play a role, as innovation and technology seem to be pivotal in reshaping the sport-fashion landscape. Moreover, trendsetting collaborations have reinforced this development. Indeed, partnerships between sports brands, athletes and designers have given birth to outstanding limited-edition products that otherwise would have never been realised. In recent times, luxury brands have started bringing their exclusivity and appeal to the sports world as well. Arguably the main example of this phenomenon is Rolex entering in the tennis and golf worlds, through sponsorships and other initiatives. To conclude, the role of public relations cannot be understated. Indeed, social media engagement and influencer collaborations, among other things, have positively contributed to reach larger and younger audiences (Nolden, 2024).

After completing the overview on the athletic footwear and sports apparel current competitive scenario and market trends, as well as having acknowledged the relevance of technological developments and their impact in reshaping those industries, an outline of the wearable industry is also needed. Indeed, wearable devices not only play an important role in this technological revolution, but understanding the dynamics characterizing its competitive field is fundamental

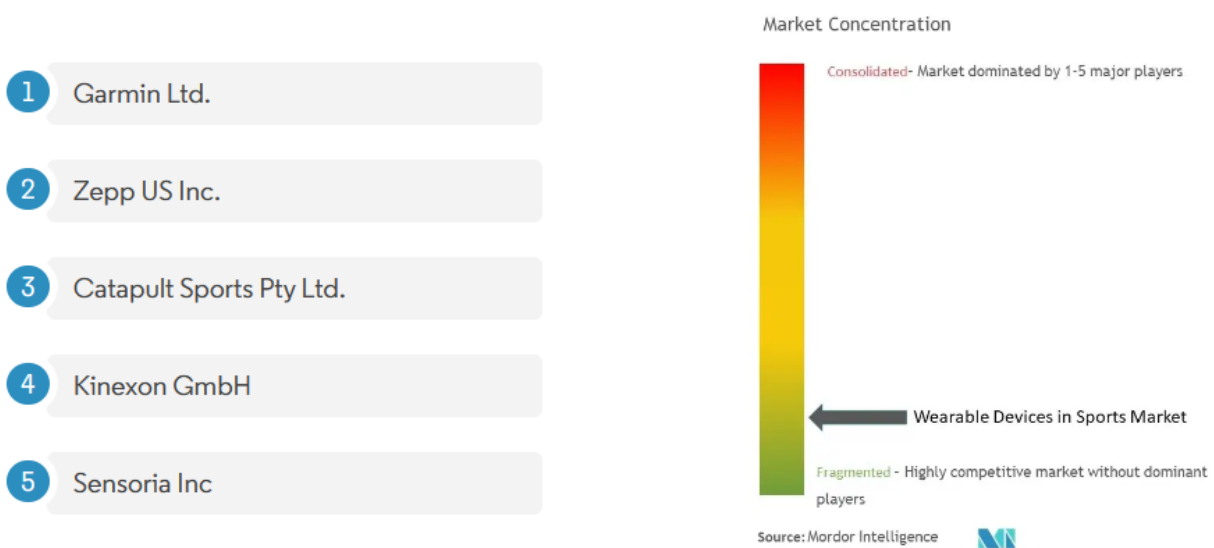
to be able to appreciate the discussion about the cases that are presented in the second half of the chapter, as well as the case study and empirical analysis of the last two ones.

2.1.4 Sports wearable devices market

As it was also indicated in the previous subparagraphs, the world of fitness wearables is on the rise. For this thesis' purposes, it is relevant to provide an overview of how this industry is performing, as well as the trends that are shaping it. As previously said, this is especially important to understand better the content of the next paragraph. The decision about the source to be used to analyse the wearable devices industry, as pointed out at the beginning of the chapter has gone for Mordor Intelligence (2024c) even in this case, for the previously listed reasons.

Delving into the report it comes out that currently (2024) the market size is estimated to be USD 90.39 billion, and it is expected to grow at a 4.18% CAGR until 2029, where the forecasts state that the size will increase up to USD 110.92 billion. In this case, the segmentation by product that has been carried out divides the market among the following segments: fitness & heart rate monitors, smart clothing, GPS trackers, and other devices (e.g., cameras). In the text is further specified that obviously this market also contains activity trackers and smartwatches data. Instead, having a look to the segmentation by geographical market, it comes out that the fastest growing region is Asia-Pacific, while the largest one is North America, as it was underlined when talking about sports apparel.

Figure 10: Sports wearable devices industry concentration



*Disclaimer: Major Players sorted in no particular order

Source: Mordor Intelligence (2024c)

Another thing in common, or at least similar, between the sports apparel and sports wearable devices industries, as can be understood by comparing figure 9 and 10, is industry concentration. Indeed, both industries are characterised by a fragmented market, with the presence of major players (the aforementioned ones in this case), even if the wearables one is said to be “moderately fragmented” rather than just fragmented, a slightly different description but for similar situations. Instead, the clear difference between this market and the athletic footwear and sports apparel ones, lies on the competitors that populate this field. In this case, the biggest players are clearly tech companies, such as Garmin (the leader), Zepp, Catapult, Sensoria and Kinexon (sorted in no particular order). The report also allows to appreciate the reasons why this market is continuously evolving and growing. The integration of analytics tools to better evaluate the data that are provided through the devices is certainly playing a big role as people can monitor more closely not only their performances but also health parameters in general. Moreover, the possibility to combine sensors and wearable devices into multiple accessories (e.g., garments, shoes or wristwear) has surely contributed to the increase in demand. Another factor that must not be undervalued is the increasing number of sports events both for professionals and amateurs, for which wearables can represent a tool to enhance the value of those experiences. Furthermore, as in the case for sportswear in general, and thus including the two markets analysed in the first part of the chapter, the expansion has also been made possible thanks to rise of healthcare awareness to which the Covid-19 pandemic has played a decisive role. Lastly, the report highlights an interesting insight about the obstacles that could limit further expansion and growth for wearables devices. Indeed, the high cost of these devices is certainly discouraging a portion of the population that could be interested in buying these products but has not the necessary willingness to pay to buy them (Mordor Intelligence, 2024c). The last point is one of those that will be tested in the fourth chapter’s empirical analysis.

In terms of usage, wearable technology encompasses every kind of device that is projected to monitor anything about the human body. The technology is then integrated into an array of different devices, giving customers a wide set of options. From smart rings to glasses, from clothing to earphones, medical wearables, smart helmets, and biosensors (Perkovic, 2022). Without forgetting smart watches and other types of wristwear, which are the types of devices that are more relevant for this discussion. Indeed, even if the previously mentioned interconnection among fashion, sports and technology innovation certainly fits the argumentation well and was worth to be specified, the main focus has to be on the sports’ side, in order to properly introduce the topics that will be discussed in the following two chapters.

That's why a separate in-depth analysis about how wearable devices are reshaping and changing forever the fitness and sports world in general, must be provided and discussed.

In fitness, there are several benefits of using wearables and, in particular, wearing a fitness tracker. First of all, it allows customers to track daily progress. Indeed, one of the main advantages of using these devices is that they provide various types of data, in most cases related to the number of steps walked, calories burned and heart rate monitoring. Moreover, most of the times, smart fitness trackers are able, by means of the data gathered by the wearable devices, to send to the users' tips and advices about how their training went and how to improve over time, so as they can achieve their goals more easily. Finally, wearables help users setting short-term goals. This point has to do with the possibility to set daily goals that can be not only fitness-related, but in some cases also concerning nutrition or hydration for example (Sharma, 2022).

Historically, the journey of fitness trackers and wearables to become a solid reality in people's everyday lives started in 2009, when the groundbreaking Fitbit tracker was introduced (Hoffman, 2020). From that moment onwards, the industry has never stopped growing and, from the insights showed in the Mordor Intelligence's report, this growth is not expected to come to an end anytime soon. Confirming the impact that wearable technologies are having on the health and fitness space, The American College of Sports Medicine's worldwide fitness trends study for 2024, has showed that wearable technology leads the "ACSM Top 20 Fitness Trends for 2024" ranking, as the most important trend in the fitness world these days (Newsome et al., 2024), the chart is presented in figure 11.

Figure 11: ACSM Top 20 Fitness Trends for 2024

Rank	Trend	Trend Category
1	Wearable Technology	Digital Technology
2	Worksite Health Promotion	Exercise Setting
3	Fitness Programs for Older Adults	Special Populations
4	Exercise for Weight Loss	Programming
5	Reimbursement for Qualified Exercise Professionals	Fitness Business Model
6	Employing Certified Exercise Professionals	Fitness Business Model
7	Mobile Exercise Apps	Digital Technology
8	Exercise for Mental Health	Programming
9	Youth Athletic Development	Special Populations
10	Personal Training	Programming
11	Lifestyle Medicine	Medical Fitness
12	Outdoor Fitness Activities	Programming
13	Health/Wellness Coaching	Programming
14	Functional Fitness Training	Training Modality
15	Yoga	Training Modality
16	Exercise is Medicine	Medical Fitness
17	Traditional Strength Training	Training Modality
18	Data-Driven Training Technology	Digital Technology
19	Online Personal Training	Exercise Setting
20	High-Intensity Interval Training (HIIT)	Training Modality

Source: Newsome et al. (2024)

As a confirmation of what has been said above, the study, whose results came out of a survey directed to personal trainers, instructors, physiologists, and health and fitness directors, among others, also reminds that wearable technology has ranked in the top 3 every year since 2016 (Newsome et al., 2024).

Coming back to the discussion about how wearable technology is changing the sports world, it's worth starting from how these devices work before dealing with the main reasons why these tools are playing and will play a major role in the fitness space. First, the purpose of wearables is to generate and analyse data while the user is performing certain actions (they could be training sessions but also sleep and other phases of people's daily routines). The device is typically equipped with a sensor to record the data, then the information is sent to a cloud acting as a data storage and it is finally transformed into insights that the user can normally see thanks to an app (Cogniteq, 2023).

Some of the major benefits introduced by this technology and applied in the sports world are listed here. The first benefit that is worth considering is improved performance, since athletes can access a lot of invaluable data to monitor their progress. For the same reasons, in a coach-

athlete relationship, improved coaching is another clear advantage, as it allows coaches to craft better their athletes' training programs by having access to a larger amount of information. Moreover, improved health is another major achievement that can be reached by using these devices, because by tracking heart rate and sleep patterns (among other things) they help users understand their bodies and what their requirements are. Furthermore, through the monitoring of certain metrics, people can take preventive measures to reduce injury risk. Lastly, among the main benefits, one that cannot be neglected is community access. Indeed, companies selling wearables typically adopt software solutions that allow users to connect with each other, enabling them to constitute a virtual community (Cogniteq, 2023). This last topic is further discussed in the next subparagraph.

2.1.5 Gamification of fitness

Building online communities on platforms that may range from companies' dedicated websites to structured social networks is certainly a diffuse phenomenon today and it's part of the technological development that everyone is witnessing. The increased interest in maximising health among individuals, especially after the Covid-19 pandemic is contributing as well to incentivise people to participate in sports-related communities, hence matching the desire to share their experiences with other people, with the positive effects of physical activity on their health and well-being. Also, another thing to consider is that even if most people are motivated to commit to achieve a healthier lifestyle, a lot of them, at least in the beginning, still struggle to even think about working out. Indeed, this lack of motivation characterising a large portion of the population, has created the need to make workouts and trainings more enjoyable and fun, in order to attract a wider audience. This desire of sharing moments while exercising, coupled with the need of making physical activities and fitness more enjoyable and fun have pushed the emergence of a groundbreaking phenomenon that is now contributing to evolve the fitness space: the so-called "gamification of fitness".

Ozdamli and Milrich (2023) in one of their works, remind the decisive role played by physical exercise in reducing the probabilities to incur in chronic diseases and mortality, as well as the current situation worldwide, which sees one fourth of the adult population physically inactive. Aiming at fighting against this social plague, the World Health Organization (2018) decided to implement a plan, the so-called Global Action Plan on Physical Activity, covering the 2018-2030 horizon. The goal is to achieve the declared vision, which is about having "more active people for a healthier world", applying the mission "to ensure that all people have access to safe and enabling environments and to diverse opportunities to be physically active in their daily lives, as a means of improving individual and community health and contributing to the

social, cultural and economic development of all nations” (World Health Organization, 2018, p. 8). In order to pursue those vision and mission, as well as the target of reducing physical inactivity in adults and adolescents by 15% (based on 2016 data) within 2030, the WHO has based the plan on the implementation of 4 fundamental objectives declined in 20 multidimensional policy actions.

The first strategic objective is to *create active societies*. This first goal has to do with creating a paradigm shift by enhancing knowledge, understanding and appreciating the benefits granted by physical activity. The actions that the WHO defined to achieve this objective include implementing social marketing campaigns, promoting physical activity’s social, economic, and environmental co-benefits, providing mass participation events, and building workforce capacity (in terms of number of training professionals available).

The second strategic objective is to *create active environments*. This goal is pursued through the willingness to integrate transport and urban planning policies, improve walking and cycling networks, strengthen road safety, improve access to public open spaces and implement proactive building policies. This last point concerns strengthening the policy, regulatory and design guidelines and frameworks, as appropriate, to promote public amenities, schools, health care, sports and recreation facilities, workplaces and social housing designed to enable occupants and visitors with diverse abilities to be physically active in and around the buildings, prioritising universal access by pedestrians, cyclists and public transport.

The third objective is to *create active people*. The action plan in this case foresees to enhance physical education and school-based programs, incorporate physical activity into health and social services, provide programmes across multiple settings, improve provision for older adults, prioritise programmes for the least active, and implement community-wide initiatives.

Lastly, the fourth objective is to *create active systems*. The implementation will be carried out by strengthening policy, leadership, and governance, improving and integrating data systems, building research and development, expanding advocacy, and developing innovative finance mechanisms (World Health Organization, 2018).

Achieving these objectives by 2030 is easier said than done, especially acknowledging the difficulties that many people face when trying to find the necessary motivation to train. To ensure that individuals stay active in a consistent way, making physical activities funnier could be the solution: that’s why gamification applications are needed (Ozdamli & Milrich, 2023). In the literature review that they conducted in their paper, Ozdamli and Milrich (2023) came to the conclusion that gamification practices support the process of creating a healthier and more

active society, specially making exercise funnier, more rewarding and social, as people, thanks to gamification apps, can create a network and share their sessions.

Figure 12: Effects of gamification according to results



Source: Ozdamli & Milrich (2023)

To bring a concrete example in the conversation, that is also mentioned in one of the cases covered in second half of the chapter, Strava is probably the most successful case of gamification of fitness these days. Strava is a fitness app looking like a social network for athletes, in which people share their trainings after recording them in their wearable devices and fitness trackers. Strava’s extraordinary success lies in a greatly designed user experience but, most importantly, in some features pushing the user journey to the next level. Those features like leaderboards, challenges, the badge reward system, the progress bars, the social feed, without forgetting the team function, are all linked to fundamental human desires, such as curiosity, independence, and social status (StriveCloud, 2024). This way, by leveraging on stimulating those emotions while motivating people, Strava, as well as the other platforms characterising the gamification of fitness phenomenon can support the achievement of the Global Action Plan on Physical Activity.

The gamification of fitness is a phenomenon that cannot be undervalued, since it is directly connected with the wearable devices world and thus instrumental for the analysis carried out along these chapters. Indeed, without fitness trackers allowing people to record their activities, the whole phenomenon could not develop. Gamification is also a topic influencing the second half of this chapter, as the cases the are going to be discussed, among other things, present

attempts by some of the most important sportswear companies to penetrate the tech world not only by starting to sell wearables (hardware), but also coupling these initiatives with granting the software component that is fundamental if they want to build an online engaged community. The discussion of four of the main cases follows.

2.2 Sportswear and wearables: a troubled relationship

The second half of this chapter provides an overview of some of the most well-known real-world cases of sportswear companies that, through the years, have put in place initiatives to extend their brand towards hi-tech. In particular, the cases that are presented focus on big sportswear companies that tried to start selling wearables, wristbands, sportswatches or in general fitness tracking devices, de facto invading the borders of the tech sector. These kinds of category extensions, indeed, represent a viable strategic tool to enlarge the breadth of sportswear brands offering, also contributing to increase their rate of technological development and innovation.

Historically, many sportswear companies have tried to introduce technological products to support their customers not only with footwear, apparel and accessories, but also with wearables to monitor several health- or performance-related metrics, aiming at offering a more complete “bundle” of products to be used together to enable people to potentially use only products sold by the same brand for doing everything that is necessary for fitness and physical activity, from clothes to technological devices. In this paragraph, an analysis of these cases is presented, in order to give an idea about real life attempts that brands competing against On have made in the past and to potentially use them as a sort of benchmark. The main ones that appears worth analysing are: Nike’s Nike+ system, Under Armour’s UA HealthBox, New Balance’s RunIQ smartwatch, and Adidas’ miCoach system.

2.2.1 Nike+ case

The Nike+ system was introduced in 2006, with the launch of a new revolutionary product: the Nike+ iPod Sports Kit (Scholarly Community Encyclopedia, 2022).

Figure 13: Nike+ iPod



Source: Orensten (2006)

Nike+ was born from the creation of a partnership between Nike and Apple with this first product, that was made of a wireless system enabling Nike+ footwear to communicate with Apple's iPod, allowing users to enjoy the best possible running experience (Apple, 2006). In particular, this groundbreaking product allowed users to hear from the iPod how much they were running, at which pace and also how far they were from their target (Donadio, 2023). Over the years, the Nike+ universe expanded, and many products were launched. Among the most relevant ones for this thesis' purposes, it's worth mentioning the Nike+ SportWatch GPS, the Nike+ FuelBand (Tode, 2010) and the Nike+ Apple Watch. Those are the products that, being part of the Nike+ system, were closer to the wearables world, and represent the most tangible attempts by the sportswear behemoth to enter this market.

To contextualize, the Nike+ SportWatch GPS was launched in January 2011 (Rainmaker, 2011), and was a collaboration with TomTom, arguably one the most famous companies in the world of GPS devices. Indeed, they chose TomTom, rather than Apple, which has been the main partner with which Nike has collaborated in developing Nike+ products, because this one represented the first product really touching the GPS space, and they wanted to make sure to always partnering with the best. Without going too much into the details of the product's functions, which in general allowed users to track the main aspects of their runs by means of the GPS technology, the most important thing to notice is that users had the possibility to share all the data into the Nike+ website (Rainmaker, 2011), helping Nike to build a big online community.

Figure 14: Nike+ SportWatch GPS



Source: Runner's World (2011)

One year later, in 2012, was the turn of Nike+ FuelBand to be launched in the market. This one is perhaps the most interesting to discuss. Indeed, this product is considered the one that started the rise of the wearables (and in particular fitness trackers) industry worldwide, even despite not being the first ever launched. Even if it was far from being perfect, and maybe not even at the same level of other competitors' devices, it completely changed people's approach to wearables. Essentially, at that time, fitness trackers were not much more than pedometers. Therefore, the measure that people were using to compare with each other was just steps. The FuelBand, which was entirely developed in-house, without relying on tech partners, instead, allowed people to enlarge their view also to other metrics, as it allowed to calibrate the provided data to adapt it to different sports, such as cycling or weightlifting for example. For these reasons the product can be considered a pioneer in the field. Its diffusion was also initially helped by the company's marketing efforts and sports world personalities like LeBron James and Serena Williams wearing the device.

Figure 15: Nike+ FuelBand



Source: Woo (2021)

However, what seemed to be the beginning of an outstanding success, soon became someone else's springboard. Indeed, even if Apple's CEO Tim Cook was seen wearing the FuelBand publicly and was even a member of Nike's board, a couple of years later it became clear that the aforementioned partnership between the two companies, together with the launch of the FuelBand were not the premise for a climb of Nike in the wearable devices industry, but rather the preparations for the launch of one of Apple's most groundbreaking products: the Apple Watch, which was ultimately launched in 2015 (Smith, 2016). In the meantime, after launching a second version of the product, in 2014 Nike decided to communicate the end of the FuelBand project, which also meant the shutter of its wearable-hardware efforts and the firing of majority of the team working on it within the Digital Sport division the company decided to set-up years before. Finally, this decision was a statement of the Nike's shift aimed at redirecting its wearable efforts towards software, also motivated by the growing competition that was arriving in the market (Statt, 2014). Making the case even more interesting is the fact that the year after the Apple Watch was introduced, Nike and Apple decided to collaborate again to introduce the Nike+ version. This last fact seemed to be the proof that if Nike wanted to sell a wearable with its name on it, developing products in-house was not the way to go.

Figure 16: Nike+ Apple Watch



Source: Apple (2016)

This is probably the most notable Nike+ product overall and in particular among those made in collaboration with Apple. It was essentially an Apple Watch which was directly connected to the Nike universe by means of several features (Apple, 2016), among which the main one was the connection with the Nike+ Run Club app, essentially an evolution of the Nike+ website concept. Subsequently, Nike decided to retire the services for the legacy Nike wearable devices (including Nike+ FuelBand and Nike+ SportWatch GPS), together with the previous versions of the apps (including Nike Run Club). Likewise, they decided to no longer support the Nike+ Connect software, meaning that for users from that moment onwards it was no longer possible to transfer their data to their Nike+ profile (Scholarly Community Encyclopedia, 2022). This moment marked the end of the Nike+ adventure, just twelve years after the beginning of the project.

This case tells an interesting story. Nike, one of the market leaders in sportswear, tried to enter the wearable devices industry by implementing the Nike+ system. A lot of products were realized over the years, but despite attracting a lot of attention in the first period after implementation (see the Nike+ FuelBand example), they didn't meet the expectations in the end. Nike tried to become a valid competitor in the field, but it was immediately overcome by the major tech players. Apple, that has been the main contributor to put the Nike+ system in practice, was also the company defining the end of it.

2.2.2 Under Armour HealthBox case

Coming back to the previously cited cases, the next one to be mentioned is Under Armour's UA HealthBox. This all-in-one fitness system has been launched by Under Armour in collaboration with HTC (a tech company even in this case) back in 2016.

Figure 17: Under Armour's UA HealthBox



Source: Halzack (2016)

The UA HealthBox represented the attempt by the American sportswear brand to penetrate the tech sector (Halzack, 2016). The product was a bundle containing a heart-rate monitor, a WiFi-enabled scale and an activity-tracking wristband manufactured by HTC. This launch was supposed to be the brand's first real attempt to transition from "just" being a sportswear company to try to become a health and fitness industry behemoth. The goal here was to support customers in everything, from sleep tracking to app-based workout coaching, without forgetting the footwear and apparel side. The experts, as reported by The Washington Post (Halzack, 2016), immediately understood that Under Armour's move to compete into wearables was risky, due to the presence in the industry of solid market leaders as FitBit and Jawbone, and most importantly the entrance of the tech giant Apple with its iconic Watch. Sarah Halzack (2016), the journalist writing the cited article, also mentioned the Nike FuelBand case that happened a couple of years before, by underlining that Nike's shift in strategy to focus on fitness software (Nike+ Fuel app, at that time) rather than hardware (fitness trackers), could have been taken as a hint that a successful outcome was far from easy to be obtained. Probably Under Armour thought that to avoid the trap in which Nike fell (in the FuelBand case), it would have been sufficient to rely on a tech company for the development of the product, rather than producing

it in-house, and besides that, the brand has been built for several years to become a more and more technology-centric company. The outcome? In 2017, less than two years later, Under Armour communicated that it was giving up on its UA HealthBox offering, together with all three connected devices that made it up (Comstock, 2017). After Nike's FuelBand 2014 failure from a product entirely produced in-house, without external support, Under Armour's 2016 UA HealthBox, in this case in collaboration with a big tech company as HTC, led to the same result. Two huge sportswear companies, the first deemed to be one of the most successful brands in the world and the second, a tech-oriented sportswear brand on the rise, that tried to penetrate the wearables market in two different ways failed to achieve the expected outcome. These two cases could make one think that the one between sportswear and tech is a troubled relationship, with few possibilities to reach a happy and successful ending. Even this last point will be one of the major focuses in the case study that will be discussed.

2.2.3 New Balance RunIQ case

The third case that is worth analysing is about New Balance's smartwatch launched in 2017 (PR Newswire, 2017), the RunIQ. This case is about the introduction of the maiden New Balance's smart wearable, a collaboration with, even in this case (as for Under Armour), tech companies like Intel and Google, and the well-known social network for athletes Strava, that was already mentioned in the part dedicated to the gamification of fitness phenomenon.

Figure 18: New Balance RunIQ



Source: Sawh (2017)

In the mind of New Balance's executives this product should have been the smartwatch "for runners made by runners", matching the company's expertise accumulated in 110 years of

product development and innovation in the running field, with the engineering of some of the most important tech companies in the world. The novelty here is represented by the social impact. Indeed, if for example Nike, in developing the Nike+ system, introduced a social platform (the Nike+ website initially and then the various versions of the apps) that was owned by the company, in this case the platform used to share the runs and in general the trainings that users were performing and recording in their RunIQ, was an externally owned social network. To be precise, the most successful social network for athletes and fitness enthusiasts: Strava (PR Newswire, 2017). This case seems combining some elements from the Nike's one and some others from the Under Armour's, but then: was this product a success, or a failure as the previously analysed ones? In the end, the RunIQ disappointed pretty much everyone in the field, it felt like "a missed opportunity" for New Balance as positive features (like the Strava integration), were coupled with poor performance in some of the most important tasks a sportswatch is designed to perform, such as heart rate monitoring and battery duration (Sawh, 2017). Around the internet bad reviews for the product overcome the positive ones, confirming the difficult marriage between sportswear and wearables, at least in combination under the same brand name.

2.2.4 Adidas miCoach system case

The last case involving a big sportswear brand that tried to introduce a technologically advanced product to support its customers not only with footwear, apparel, and accessories but also in terms of monitoring of their performance and health patterns through wearable devices that is worth analysing is about Adidas' miCoach system. This case is especially relevant because, as per Nike, the first version of this product was entirely developed in-house, courtesy of Adidas Innovation Team. The Adidas miCoach system was launched in January 2010 and it initially was a bundle of two products: the miCoach Pacer, a device delivering real-time audible coaching as a user exercised via headphones or combined with a MP3 player, and the miCoach Zone, a LED display placed on a wristband device providing real-time information to make it easier for the runner to train at the right intensity, helped by a heart rate monitor (PR Newswire, 2010). The system was then updated and evolved over the years, with the introduction of several new products such as video games, other types of wearables, also including a smartwatch (see figure 19 below), which was aimed at being the Adidas' answer to Nike's Nike+ system (HDBlog, 2013), but also smartphone apps (The Dustland, 2024).

Figure 19: Adidas miCoach Smart Run



Source: HDBlog (2013)

Even if Adidas tried to change the formula several times, it then decided in 2015 to invest some USD 240 million to acquire Runtastic (Lomas, 2015), an extremely popular fitness and digital health platform. Since 2015, indeed, the German sportswear giant started working hard to consolidate its digital products, but then, the same trend that was followed by Nike, together with the other most important sportswear brands that tried to make the transition towards the tech world, and particularly the fitness tracking realm, manifested also in the Adidas case. Indeed, two years later, in 2017, Adidas announced the shutting down of the miCoach service, starting to focus every effort on developing the Runtastic app (Abid, 2017). The main point here was not about the quality of the service, which was not bad, but the number of users. Indeed, the miCoach system never skyrocketed in terms of sales, while Runtastic was on the rise at that moment, counting on millions of engaged users. This move, once again, confirms the trend of sportswear companies trying to make the move towards the hardware world, especially with the introduction of wearable devices aimed at monitoring different aspects of users' training and health, but hitting a wall and then deciding to transition towards software development.

These stories seem telling that when sportswear companies try to diversify their offering towards technological industries as the wearable devices one, even if trying to rely on a partner in the sector to emerge, they find themselves extremely disadvantaged in comparison with the tech giants populating them, and even if those major players take a huge amount of market share, the competitive scenario (as presented in the wearable devices market analysis above) still happens to be competitive. The cases that were analysed in this part of the chapter all lead to a conclusion: historically, when sportswear companies tried to develop technological products consisting in whatever type of hardware, both internally developed and in

collaboration with tech companies, always failed to reach the expected outcomes and, most importantly, always redirected their efforts towards the software world. Indeed, every company that was analysed has in the end developed some sort of app, but it is extremely hard to find wearables, fitness trackers, or smartwatches that successfully penetrated the market. Nowadays, athletes, fitness enthusiasts and whoever wants to possess such instruments typically rely on companies that come from the tech world and focus their attention on these kinds of products rather than having footwear, apparel, and accessories as their core business. Companies like Garmin are leading the market, as was showed in the reported market analysis above. Nike, Adidas or Under Armour have demonstrated to be huge players in athletic footwear and sports apparel but were never able to really succeed in the competitive and growing tech landscape. Going alone, hence, could be even riskier. If a market leader as Nike didn't succeed in its extension (also relying on strong partners), how can other sportswear companies even think to be able to achieve the same goal? And, assuming that this is possible, which characteristics should they have? And ultimately, can a sportswear brand in the future really become a solid reality in the tech sector and especially in the wearable devices industry? The following chapters try to find an answer.

3. THE CASE STUDY

3.1 Introduction to On

This chapter is aimed at providing a thorough analysis of On, the brand that has been chosen to develop the empirical part of this thesis in the next chapter. The goal is to understand what the business is about to open the path for the presentation of the case study.

On was born in 2010 in Zurich, when the three founders, Caspar Coppetti, David Allemann and Olivier Bernhard, decided to pursue the mission of changing the running world forever. The company was initially selling running shoes only, and the foundational sensation that the founders wanted runners to feel was that of “running on clouds”. From this statement also the brand naming was derived, with the founders simply synthesizing it using the word “On”. Even the logo is going for simplicity and effectiveness, featuring the two letters stylized and stacked on top of one another. It also features a slight uptick on the top that has been placed to resemble a switch, since they wanted runners to feel “switched on”. Moreover, the company is deemed one of the first to be able to create shoes by using high-quality fabrics and heavily researched technical detailing, enabling its breakthrough in the techwear world (Finish Line, 2023).

During its journey from the early days to the present time, On developed and strengthened its position in the sportswear world by reaching several milestones. The first moment that has marked the history of the brand is when former Nike athlete and then On founder Olivier Bernhard decided to prototype a new innovative and highly technical shoe featuring a newly conceptualised cushioning system, the CloudTec, and proposed it to Nike. After the proposal was rejected, Olivier decided to go on his own direction, and that appeared to be a smart choice since the CloudTec won the ISPO Brandnew Award (a prize created by the world's largest platform for start-ups from the sports and outdoor industry, as reported in ISPO website) shortly after. This milestone represented the beginning of a long-lasting partnership with Caspar Coppetti and David Allemann to build up a company from scratch. The next key moments that helped the transition from the start-up to the high growth phase are represented by the patent obtained for the aforementioned technology and the subsequent launch of the brand's first product, the Cloudracer shoes. From those moments onwards the company only achieved a vertiginous growth, establishing itself not only as one of the footwear market fastest growing companies, gaining market share at the expense of Nike and Adidas, as reported by a Sabina Weston (2024) article, but most importantly as a concrete reality in the whole sportswear world. Indeed, many brand extensions followed over the years, from the line extensions concerning the launch of tennis, track and field or trail running and hiking shoes to the category extensions

in the sports apparel market, in which On is currently present featuring a wide variety of products (Hoskin, 2024).

In addition, the company successfully completed an IPO trading in the New York Stock Exchange in 2021 (Smith, 2021).

3.2 Business Model

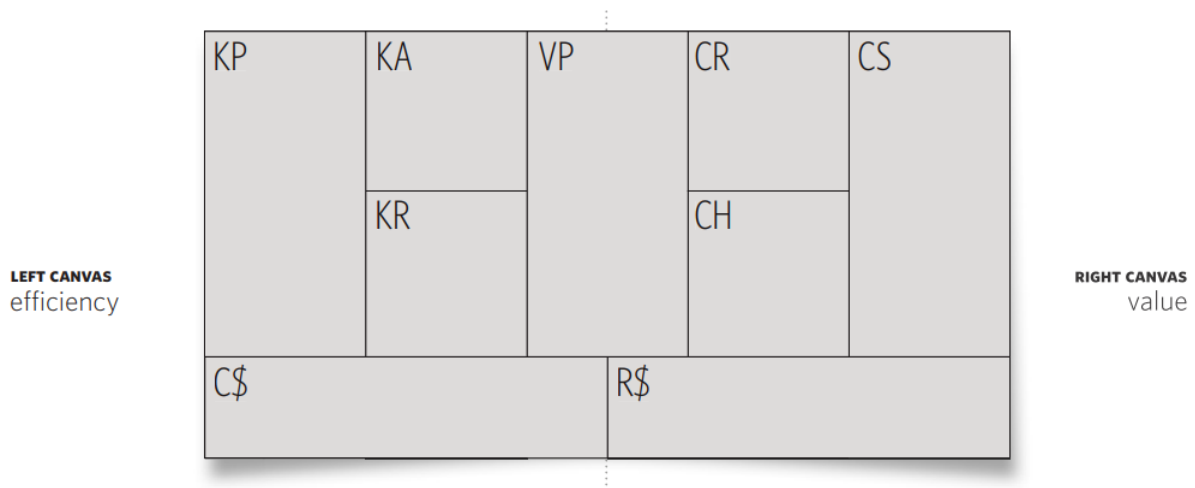
3.2.1 Business Model Canvas

With the goal of understanding the main traits characterising On, as well as to showcase the distinctive elements that must be highlighted to better appreciate the empirical analysis that will be proposed in the final chapter, an in-depth investigation of its business model is proposed.

To set out the whole paragraph, the model that has been chosen is “Business Model Canvas”, which has been outlined by Osterwalder and Pigneur (2010) in their book named “Business Model Generation”. Indeed, in the first part of their publication, the authors introduce this tool for describing, analysing and designing business models, which is used to fulfil the purposes of this document as a descriptive device to understand which features allowed On to emerge in such a competitive environment and most importantly how the company has been able to achieve this outstanding growth in a very short period of time.

The model is organised and divided into nine areas, the so-called “building blocks”, which are those factors the authors believe to be the most relevant ones to encompass all the most important areas of every business: customers, offer, infrastructure, and financial viability (Osterwalder & Pigneur, 2010, p. 15). The nine building blocks are presented in a graphical representation like the one in figure 20, and ideally grouped in two sides, the left one dedicated to efficiency and including key partnerships, key activities, key relationships and cost structure, while the right one is focused on value creation and includes customer relationships, customer segments, channels and revenue streams. At the crossroads between the two sides there is the ninth and last building block: value propositions, which is considered like a “hybrid” item, meaning that it is deemed capable of influencing both sides and contribute to both determining companies’ cost structure and impacting their revenue streams (Osterwalder & Pigneur, 2010, p. 49).

Figure 20: Business Model Canvas



Source: Osterwalder & Pigneur (2010, p. 49)

In fact, cost structure is considered by the authors to be the aftermath of the left side, as the revenue streams are for the right one. Lastly, the authors have decided to group the items this way to resonate with the way human brain works. Indeed, the left side of the brain is processing information using logic, while the right one has to do with the creative and visual side of people (Pietrangelo, 2024).

After introducing how the model has to be interpreted, it's relevant to describe which type of information does each section contain.

- Customer segments: define the target market of the organization, hence the types of customers the company aims to reach with its products, services and initiatives.
- Value propositions: represent the bundle of products and services the company offers to its target.
- Channels: refer to how the company communicates with customer segments and reaches them through its value propositions.
- Customer relationships: is the block describing the type of relationship that the organization creates with its audience. It's possible to distinguish between several categories of relationships, which are not mutually exclusive and may co-exist, some examples include personal assistance, dedicated personal assistance, self-service, automated services, communities and co-creation.
- Revenue streams: represent the cash the company is able to generate from each customer segment.
- Key resources: these are the most important assets a business possesses. Resources can be physical, financial, intellectual, or human.

- **Key activities:** is the building block describing the most important things a company must do to make its business model work. These may include production, but also coming up with solutions to solve customer problems. Some companies may even design their whole business model around a platform or a network (e.g., eBay, Visa or Microsoft).
- **Key partnerships:** include the network of suppliers and partners with which the firm constantly collaborates.
- **Cost structure:** contains all the costs incurred to operate the business model.

3.2.2 On's business model

After properly describing the framework that has been chosen to discuss about On's business model, this subparagraph applies it to the company to which the case study is dedicated.

Customer segments

On's main focus in terms of targeting is represented by both professional and amateur athletes. The strategy the company uses to attract these two categories is by leveraging its brand ambassadors. On wants to increase its brand reputation and credibility by signing professional athletes via sponsorship agreements in various sports. Indeed, the brand can count on an array of top-level athletes in various settings. Iga Swiatek and Ben Shelton in tennis; Hellen Obiri, Dominic Lobalu and Yared Nuguse in running; Patrick Kipngeno and Philemon Ombogo Kiriago in trail running; and Kristian Blummenfelt and Gustav Iden in triathlon just represent the main examples of worldclass professionals that joined On and immensely increased the brand popularity across several disciplines. Another thing to remember is that the brand also created a US-based athletics team called OAC (On Athletics Club), which is deemed to be one of the strongest and most impressive teams globally (Cacciola, 2023).

Even if professional athletes represent a relevant type of customer for the brand, a larger portion of sales comes from amateur ones, regardless of whether they run (which remains the core business), play tennis, hike, go to the gym, or perform other types of training. The common trait is that both professional and amateur athletes are buying On's products because they look for high quality technical footwear, apparel and accessories, to maximise their performance.

Another type of customer that the brand targets is represented by fitness and outdoor enthusiasts. This customer segment is passionate about playing sports, train and maintain a healthy lifestyle even if not being an athlete.

Moreover, as already remarked by Gorsler (2020) in an article, and then confirmed by several other sources and authors, even if On was born as a footwear performance-focused brand, over the years its evolution has raised the perception of its products to be used also in occasions other than training or races. Indeed, nowadays, On is also considered a lifestyle brand, and many fashion-conscious customers primarily purchase the products to use them for travelling, going out with friends and for leisure in general. This is proven by specific sections of the company's website that are entirely hosting products targeting these occasions of use.

Lastly, another secondary segment targeted by the brand that is worth mentioning is represented by corporate clients seeking branded sportswear for team events or employee wellness programs.

Regardless of the proposed distinction among the types of customers based on the reason why they buy the products, the company has started by focusing on the niche dedicated to high performance premium footwear, then enlarging the breadth of offering also to apparel and accessories, but still maintaining its pricing strategy and consequent premium positioning.

Value propositions

The bundle of products and services that the company is serving the market with can be clearly understood by looking at its website. The brand sells shoes, apparel and accessories (the relative weight in terms of participation to total net sales is reported in figure 21) for running, road running, trail running, track & field, marathon, competition, lifestyle, travel, training & gym, tennis and hiking.

Figure 21: On sales by product groups

The following table presents net sales by product groups:

(CHF in millions)	Fiscal year ended December 31,		
	2023	2022	2021
Shoes	1,711.4	1,167.5	683.3
Apparel	68.9	47.3	36.3
Accessories	11.8	7.4	5.0
Net sales	1,792.1	1,222.1	724.6

Source: ON Holding AG (2024a)

The main elements that On wants to leverage in order to create value for its customers are performance, technological innovation, design, comfort and sustainability. Indeed, the firm wants to justify the premium price charged on its products differentiating by offering top quality

and innovative shoes, apparel and accessories with a distinctive and highly recognizable design (whose iconic details can be seen, as an example, in figure 22), while also keeping an eye on sustainability.

Figure 22: On Cloudmonster



Source: On website

The attention to the latter is highlighted in the Impact Progress Report (ON Holding AG, 2024b) that the company releases every year, disclosing its environmental and social impact. The 2023 version of the report highlights the commitment of the brand to circularity, the use of renewable materials from preferred sources, the choice of using less environmentally impactful processing techniques and the continuous research and innovation to find better alternative materials and processes.

Channels

The “channels” building block can be divided into two groups of channels: communication and distribution channels. For the former, the brand actively reaches its customers pushing a lot on social media, indeed their marketing and communication efforts on social platforms such as Instagram in particular, but also Strava, the social media for sports enthusiasts, are remarkable and contributing a lot to the growth of the brand. The 2023 On Annual Report (ON Holding AG, 2024a) highlights the relevance of digital and social media as a key lever for sustaining the company’s growth strategy centred on the willingness of growing brand awareness and the community. Then, part of the On’s communication strategy is also represented by its participation to marathons (e.g., Zurich, Vienna, London and Tokyo marathons), and sports events both with sponsorships and other initiatives. Distribution wise, On follows a multichannel strategy. The channels that are used by the brand are distinguished primarily between wholesale and direct-to-consumer. The respective weight in terms of participation to the total net sales is shown in figure 23.

Figure 23: On sales channels

The following table presents net sales by sales channels:

(CHF in millions)	Fiscal year ended December 31,		
	2023	2022	2021
Wholesale	1,120.3	777.0	448.8
Direct-to-Consumer	671.8	445.1	275.8
Net sales	1,792.1	1,222.1	724.6

Source: ON Holding AG (2024a)

Focusing on the wholesale channel, the company is currently selling through a mix of carefully selected specialty, sporting goods, outdoor, luxury and street fashion retailers, with varying shares between their online and offline sales. Whereas the direct-to-consumer channel is covered by a combination of both digital and physical doors. Online by exploiting the company's website, while the physical doors refer to the proprietary stores that the company had been able to strategically open and operate over the years (ON Holding AG, 2024a).

Customer relationships

Looking at the type of relationship that On has established with its customers, one of the main strengths distinguishing the brand from competitors emerges: the creation of a strong and extremely loyal community. As pointed out in the previously cited Annual Report (ON Holding AG, 2024a), On has in the building of a loyal customer base one of the pillars of its growth strategy. The community has been created by smartly using digital and social media platforms, fuelling their presence with an engaging storytelling strengthened by sharing inspiring contents related to sponsored athletes' achievements and journeys (see On's Instagram account for some examples). This factor coupled with the creation of activities such as the famous "Try On", an initiative that allows potential customers to try On shoes in real conditions before making a purchase, or events such as the "On Track Nights" (On Running, 2023) and the community runs that are hosted by the brand all over the world, have helped the brand to strengthen the ties with the customer base and increasing brand loyalty.

Revenue streams

The latest Annual Report (ON Holding AG, 2024a) also points out that the revenue streams are derived from selling On's premium performance shoes, apparel and accessories. More precisely, they come from the wholesale channel (retailers that then will sell the products to the final customers), and from the direct-to-consumer channel (final customers themselves) via e-

commerce or proprietary retail stores. Figures 21 and 23 showed above provide some quantitative data, while sales by geographical region are showed below in figure 24.

Figure 24: On sales by geographical region

The following table presents net sales by region (based on the location of the customers):

(CHF in millions)	Fiscal year ended December 31,		
	2023	2022	2021
Europe, Middle East and Africa	488.7	378.1	264.3
Americas	1,162.2	763.8	417.6
Asia-Pacific	141.1	80.2	42.7
Net Sales	1,792.1	1,222.1	724.6

Source: ON Holding AG (2024a)

An additional point of analysis on this building block is the revenue stream coming from the subscription-based service named Cyclon. This service represents a new conceptualization of circularity, since customers don't really own the shoes that they use. Indeed, customers subscribe to Cyclon by paying 30 dollars per month, then they use the shoes (the On Cloudneo), which are recycled and made using castor beans, until they are done, and after 6 months they receive a new pair of recycled shoes (Danzinger, 2023).

Key resources

Among the key resources that the brand can leverage is especially important to focus on the intellectual and human ones. Intellectual property is deemed one of the main sources of success for On. Their ability to protect their brand, products and technology as well as intellectual property rights is seen as one of the keys explaining the brand's growth. They consider their trademarks, such as the logo, the Cyclon system or the Cloudtec technology, to mention a few, among their most valuable assets. The company also values a lot their workforce, not only the management, but also the know-how the employees are able to grant to the company and that allows On to stand out from competitors for its degree of innovativeness. The firm wants to maximise team members contribution by creating "a working environment founded on diversity, equity, inclusion, well-being, and personal growth" (ON Holding AG, 2024b, p.19).

Key activities

The most important things that On must do to make its business model work are:

- Taking care of product development: to ensure continuous improvement and innovation in their value propositions.
- Marketing efforts: since the company is continuously producing content and initiatives to retain current customers and reach potential new ones.
- Supply chain management activities: ensuring efficient production, logistics and inventory management. This turns out to be a specifically key point, since On doesn't own or operate any manufacturing facilities and all the products for this reason are supplied by third parties (ON Holding AG, 2024a). Those suppliers are carefully selected and must respect precise guidelines and control procedures to ensure that the final products maintain the high-quality standards of the company. They are also chosen based on their commitment to minimise as much as possible their environmental impact and emissions (ON Holding AG, 2024b). However, everything else from R&D to product development, marketing and promotional efforts, and basically everything except for production is entirely realised by the brand.
- Providing excellent customer service and after-sales support.
- Community engagement initiatives to maintain high levels of brand loyalty.

Key partnerships

Focusing now on the network of suppliers and partners that On needs to make its business model work, the company has strategically set up agreements in several settings that helped the brand growing over the years. First of all, as already anticipated, the relationships established with the network of suppliers is paramount for ensuring that high quality products are offered to customers. This is especially important because it is one of the levers used by the company to be able to ask customers to pay a premium price on their products instead of choosing other competitors. On works with “a selected group of approximately 25 suppliers” (ON Holding AG, 2024a, p. 70), and making the right choice in the screening phase, for the previously explained reasons, makes the difference. A second point of analysis that cannot be overlooked is about operational excellence. Indeed, the brand expects to be able to generate economies of scale by leveraging on their highly scalable business processes (e.g., design and manufacturing), multichannel distribution strategy and corporate infrastructure (ON Holding AG, 2024a). Even if these factors are clearly of utmost importance to ensure that the business model can be sustained, another kind of partnership has taken On from being a breakthrough in the industry

to the current position as one of the leaders in the sportswear world and particularly in footwear: the Roger Federer effect. This partnership is really a one of a kind, as documented by Tim Newcomb (2021) in his article for Forbes. Indeed, the tennis legend firstly heard about On because of his wife Mirka wearing the brand, and then by seeing people going around in Zurich. Then he decided to buy and test the products by himself, and he was tremendously satisfied, so he wanted to get in touch with the founders. After both parties decided to collaborate, a successful story began, with an entire collection “THE ROGER” of tennis shoes to be used both on and off the court, and the differentiation strategy that has been subsequently implemented to enter in the tennis market. Why is this partnership a “one of a kind”? Because it is not the classic sponsorship agreement in which the company pays the athlete to wear the brand’s products, but instead it was defined by Roger becoming a shareholder, directly investing in the company and in the project because he believed in it and wanted a Swiss brand to stand out and succeed as he did in his iconic and legendary career on court. Federer also plays a key role in product development for the tennis line. The partnership was extremely successful for both sides: on the one hand, On became one of the fastest growing sportswear companies in the world, on the other, Roger, that started with a 3% ownership of the brand in 2019, saw his participation in the company worth 180 million dollars at the time of the IPO in 2021 (Welty, 2023). This case is also a very good example of two brands partnering by sharing the same vision, the same goals, and most importantly having common and aligned values.

Figure 25: Roger Federer at On's HQ



Source: Dawkins (2021)

Cost structure

Especially for this last building block of the Business Model Canvas framework, the latest available Annual Report of the company (ON Holding AG, 2024a), turns out to be key to showcase the main components of On's cost structure, that is considered by the model realised by Osterwalder and Pigneur (2010) as the result of the organization's performance in three of the previously discussed blocks, namely key resources, key activities and key partnerships. As showed in figure 26, a large part of net sales is burned by the item "cost of sales". It primarily consists of the cost of purchasing the finished goods from suppliers. Indeed, as it was pointed out, the company completely outsources the whole production of its products.

Figure 26: Comparison of On's 2022 and 2023 Profit & Loss statements

(CHF in millions)	Fiscal year ended December 31,		
	2023	2022	% Change
Net sales	1,792.1	1,222.1	46.6 %
Cost of sales	(724.8)	(537.2)	34.9 %
Gross profit	1,067.2	684.9	55.8 %
Gross profit margin	59.6 %	56.0 %	
Selling, general and administrative expenses	(887.0)	(599.8)	47.9 %
Operating result	180.2	85.1	111.8 %
Net financial result	(111.1)	(7.2)	1439.9 %
Income before taxes	69.1	77.9	(11.2)%
Income tax benefit / (expense)	10.5	(20.2)	151.9 %
Net income	79.6	57.7	37.9 %

Source: ON Holding AG (2024a)

The item having the main impact on the cost structure is represented by SG&A (sales, general and administrative) expenses, which weighs almost half of the net sales generated by the company. This item, for example, comprehends all the money that is invested to support customer relationships, enable products' delivery, advertising, marketing promotions, sponsorship costs, and personnel costs. This point reinforces what has been previously said about the efforts of the brand in terms of marketing, advertising and promotional activities, which prove to be very expensive investments, but also key for sustaining the growth in brand awareness worldwide. Lastly, a marginal part of the total costs incurred by the company are financial.

In sum, On, as a high-growth company is investing a lot in scaling its business, hence it's not surprising to find these huge investments in the P&L.

3.3 Strategy requirements, pros and cons

After properly introducing On, the company which has been selected to carry out the case study, it's time to delve into the latter, in order to clarify the scenario in which the empirical analysis will be conducted in the last chapter.

Practically speaking, the case study is about assessing the impact on potential customers, in this case the respondents to the survey that will be conducted and made publicly available, of a hypothetical launch of a fitness wearable device to measure performance by On, following a strategy implemented through a category extension. The product should then be supported by the introduction of a dedicated app and a website (following the example of the Garmin Connect service, to cite one), allowing users to check their data and strengthen the community by interacting among themselves.

In the previous chapters, the brand extension instrument, as well as all the main topics connected to it were explained. Then, the market analyses of both the markets in which On is already present and the wearables one, which is the target market for the case study, have been discussed. The foundation has now been completed by also analysing in-depth On. After providing the basis, the goal of this last part of the chapter is to focus on the strategy itself, by mainly covering the strategy implementation issues and requirements, as well as the factors that On could leverage to practically implement it, and the drawbacks that it could face.

3.3.1 *Factors favouring the extension*

In light of the contents that have been discussed up to now, the main factors that could lead the company to implement a category extension based on the introduction of a fitness tracker are:

- Coherent product featuring alignment with brand values, vision and mission
- Complementarity with existing product lines
- Solid brand equity and already acquired reputation
- Company's orientation towards technological development and innovation
- Customers overlap

First of all, introducing a fitness tracker such as a smartwatch is perfectly aligned with On's values, vision and mission. On's mission "to ignite the human spirit through movement" (On website), together with the vision and brand values oriented towards promoting an active and healthy lifestyle to be pursued also by performing physical activities such as running, and to maximise performance, perfectly match with the main scope of using fitness trackers: monitoring parameters of health and physical performances.

Secondly, the launch of a new fitness tracker, even if it would mean entering in a completely different business, would also be perfectly complimentary to the current product lines with which On serves the market. Indeed, the association is pretty straightforward: since, at the moment, On's products portfolio encompasses all the items that an athlete or an amateur need to get a run, a training session or a gym workout done, from footwear to apparel, and also accessories, what is left is just a device to measure performance. It is also safe to say that most of On's current customers actually use fitness wearables.

Another key requirement that is fundamental for every brand extension success is brand equity. The possibility to rely on a strong brand equity and a valuable reputation is paramount to ease the new product introduction and encourage customers to try it. On, being a top player in sportswear, has already obtained a strong consideration in the field, and even if wearable technology is not their core business, they still could leverage on the power of the brand to increase the adoption among potential buyers. One of the takeaways coming from chapter 1, indeed, is that companies pursuing brand extensions want to exploit the so-called "halo effect". Customers already satisfied with current products could be more incentivised to purchase the new one sharing a positive opinion on it, vice versa, some customers that have their first moment of connection with the brand by purchasing the fitness wearable, if satisfied, could also start purchasing shoes, apparel and accessories.

Moreover, one of the distinctive traits of the firm is also its degree of technological innovation. A commitment that the company is continuously fulfilling and delivering and that allowed On to reach the top of an extremely competitive world. A company that is recognised for its ability to constantly innovate, launching an innovative product by definition, such as a fitness tracker, would feel perfectly reasonable among the public.

Lastly, analysing the target customers already served by On, it came out that most of the revenues are generated by athletes, and fitness and outdoor enthusiasts, or in general people that have sports as a major part of their lifestyle, most of which looking for high quality and high-performance products. On the other side, looking at the target customer of companies producing fitness wearables, the customers overlap is substantial. Indeed, people purchasing Garmin, Suunto or Coros smartwatches, as well as those purchasing the Whoop wristband, even if they are different products in terms of features, are people having a healthy lifestyle, playing sports, being physically active and willing to measure their performances and health metrics in general. This very high degree of overlapping further strengthens the sense of implementing the strategy.

Additional elements supporting the strategy include the experience of the company in being successful in a competitive industry (as the wearables one is), and in successfully completing several line and category extensions, but also the fact of being a “one of a kind” company for its incredible evolution and growth in such a small timespan, willing to embrace tough challenges as this one would be. Indeed, it would not be the first time in which On does something that was never achieved by anyone else in the past.

3.3.2 Main obstacles towards implementation

Even if, reading the previous subparagraph, one can notice an array of positives in terms of strategy implementation, the potential drawbacks and difficulties must also be considered when carrying out a thorough and exhaustive analysis of the situation. The main obstacles to be overcome to make the strategy successful are:

- Need of establishing relationships with new suppliers more related to the tech world
- Very tough market to compete with some tech giants as competitors
- Past failures by sportswear big players trying to execute similar strategies

The first issue that must be considered is about establishing relationships with new kinds of suppliers. Indeed, as it was specified when delving into On’s business model, one of the main characteristics of the company is that they completely outsource the production of their products to a network of suppliers. On focuses on the product conceptualization, R&D, product development, design and all the elements that the product needs to be realized, then, they send the guidelines, the code of conduct and the rules to be followed to those suppliers which have the only task to produce those products that then are shipped to the company that in turn sells them through its sales channels. If On wants to introduce a fitness tracker, it has to find new types of suppliers which can grant the company the possibility to build up the hardware. Looking at the types of products the firm currently produces it is unlikely that they have relationships with suppliers of that kind. Then, of course, for a successful product, the hardware must be complemented with the software part, in this case an app to be realised maybe together with a website in which data can be collected and easily seen by customers and where the community can interact. The latter could probably be easily addressed, since the company already operates a website and an app that is available for everybody in the store and is likely to already have the necessary resources. The hardware part remains the main challenge.

The second issue is more of an “external” one. Indeed, even if it is clear that On has been able to climb a very competitive scenario in sportswear, showing unprecedented speed in going from the start-up phase to be one of the market leaders, following this path in a completely different

market featuring tech giants, hence companies whose core business is the sale of technological devices, appears to be even more challenging.

Third and last main concern is about what history tells us. A large section in the previous chapter was dedicated to an in-depth analysis of past real-world cases in which sportswear companies have tried to enter the fitness trackers field. However, if history has to teach something, those cases represent big holes in the water, resulting in negative outcomes and bad customers reviews.

After clarifying which may be the main obstacles that the company could find, in the next paragraphs, the necessary and most coherent tools that a brand like On could use to avoid failing in this new strategy are discussed.

3.3.3 Strategy implementation requirements

The last step to be discussed in order to consider every aspect of the strategy is about understanding the practical requirements that On would need to implement it. The main ones are the following:

- New upstream partnerships (at least for the hardware)
- Set-up of a new and dedicated team to be integrated with the already existing components of the organizational structure
- Talent acquisition
- New downstream partnerships
- Establishment of partnerships with fitness platforms (e.g., Strava)
- Marketing campaigns aimed at convincing target customers to choose On as their fitness tracker provider

Firstly, the need to establish partnerships with new upstream suppliers for the practical production of the products in outsourcing, as previously anticipated is paramount. Following the currently implemented business model is reasonable to think that On would be coherent with its idea to conceptualise the product in-house and then outsource its production to companies that have this activity as their core business, of course following and monitoring the process closely in order to ensure that the final products respect the high quality standards the company must maintain to avoid brand dilution and brand value decrease, therefore minimizing the risk of the so-called “horn effect”, hence that a bad product in customers’ eyes negatively influences their perception about all the others and the company as a whole. Specifically, the new product, which is hardware, should be coupled with the software part, precisely an app and

a dedicated website, following the example of many other companies such as Garmin with its Garmin Connect service. But if for the latter the company is assumed to already have the necessary competences in-house or an established partnership (as On already released its own app, besides the already existing website), for the former it should find some new specialised firms and resources to take care of it.

Second point to consider is the set-up of a dedicated team with which the organizational structure must be integrated. Indeed, following Adidas example (reported in the last part of the previous chapter even in this case), to mention one, since the new product would be quite distant compared to the current ones, at least in terms of technical features, a new division or team should probably be created to focus on this segment that does not have many traits in common with shoes, apparel and the types of accessories the brand already offers to the market.

Connected to the previous point, On would probably also need to hire new talents to integrate its current R&D team and to work on product development. These new employees should have more expertise in high-tech products and the industry in which On would start competing.

If, on the one hand, establishing strong partnerships upstream is of utmost importance, on the other, it is also relevant to put in place new reliable agreements with downstream distributors. The proprietary channels the company already uses (meaning its website and its proprietary retail stores) could be easily used to host the new product, but the discussion seems different when considering the “non-proprietary” ones. Indeed, the company would need to find new partners both for the e-commerce, with websites and platforms dedicated to the tech sector, and also for physical retail, as not every sportswear store also offers a dedicated section to sell wearables and fitness trackers.

Moreover, recalling the discussion about “gamification of fitness” that was presented in the first half of the previous chapter, the establishment of partnerships with fitness social media platforms such as Strava would be extremely important. To be precise, On is already present and actively posting on Strava, but the partnership should be reinforced. Practically speaking, Strava allows users to upload the activities they record with their smartwatches, if also using a On smartwatch this function is included, the company could benefit from the network effects deriving from the gamification of fitness phenomenon, further strengthening its community, customers satisfaction and engagement.

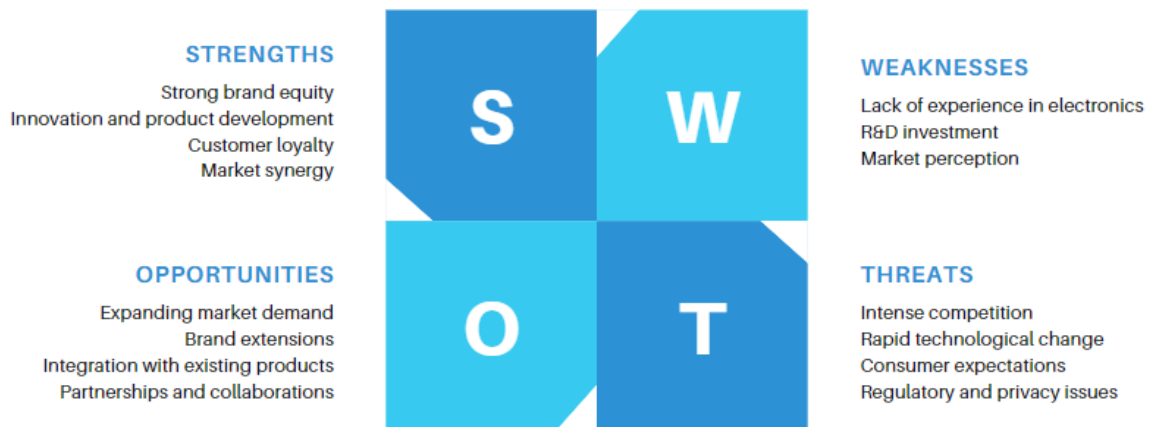
Last but not least, On is one of the best companies in the world in terms of marketing initiatives, storytelling and sharing messages that engage the community. In this case, they should leverage on their capacity to convince existing users but most importantly new potential customers to

trust On and try a product that is clearly not within the borders of its core business, which is an “easier said than done” type of thing.

3.3.4 SWOT analysis: *On and fitness trackers industry matching*

Now that both the brand and the industry of this hypothetical strategy have been widely presented, as well as the strategy requirements, pros and cons, the last thing to be verified before jumping into the empirical part is about assessing the matching between On and the fitness trackers industry. To do so, the most well-known and useful framework that can be used is the SWOT analysis. This is a tool that can be used to clearly summarise the strengths and weaknesses of a company, as well as the opportunities and threats of the environment that is analysed (Sammut-Bonnici & Galea, 2015). In this case, the goal is to use it to compare On’s main strengths and weaknesses with the opportunities and threats characterising the fitness trackers space.

Figure 27: SWOT analysis



Source: Author’s elaboration

Strengths

- Strong brand equity: On has built a strong reputation in the sportswear world, which can be leveraged to enter the fitness trackers market. The brand's established trust and recognition among athletes and fitness enthusiasts can help in gaining early adopters.
- Innovation and product development: The company has demonstrated a strong ability to innovate within its current market. This capacity for product development can be extended to create technologically advanced fitness trackers that resonate with their existing customer base.

- Customer loyalty: On has a dedicated customer base that values quality and performance. This loyalty can translate into initial sales for new products, including fitness trackers.
- Market synergy: On's focus on sportswear aligns well with the fitness tracking industry. The synergy between sportswear and fitness tracking can provide a seamless experience for customers, potentially integrating apparel with tracking technology.

Weaknesses

- Limited experience in electronics: While On excels in sportswear, it lacks direct experience in the highly competitive and fast-evolving tech industry, which could pose challenges in product development and innovation in fitness trackers.
- R&D investment: Entering the fitness tracker market would require significant investment in research and development, which could strain the company's financial resources if not managed effectively.
- Market perception: On is primarily known for footwear and sportswear. There may be scepticism from consumers regarding the brand's capability to deliver high-quality, reliable fitness trackers.

Opportunities

- Expanding market demand: The fitness tracker market is growing as more consumers become health-conscious and seek to monitor their physical activity. This presents a substantial opportunity for On to capture market share.
- Brand extension: Successfully entering the fitness tracker market could further enhance On's brand by positioning it as a comprehensive fitness and lifestyle brand, offering both apparel and technology.
- Integration with existing products: On could explore integrating fitness trackers with its sportswear products, offering unique features that cater specifically to athletes and fitness enthusiasts, such as tracking running metrics directly through shoes.
- Partnerships and collaborations: On could partner with tech companies to enhance their technological capabilities, offering a competitive product without needing to develop all the technology in-house.

Threats

- Intense competition: The fitness tracker market is already dominated by well-established tech giants like Apple, Fitbit, and Garmin. Competing with these companies, which have significant resources and market share, could be challenging for On.
- Rapid technological change: The technology industry is characterised by rapid innovation and short product life cycles. On will need to continuously innovate to keep up with or surpass competitors, which could be resource intensive.
- Consumer expectations: As consumers have high expectations from fitness trackers regarding accuracy, battery life, and features, any failure to meet these expectations could damage On's reputation and hinder its entry into the market.
- Regulatory and privacy issues: Fitness trackers collect sensitive health data, which brings up concerns around data privacy and compliance with regulations like GDPR (General Data Protection Regulation). On must navigate these challenges carefully to avoid legal issues and maintain consumer trust.

This framework, coupled with customers opinions which will be assessed through the survey in the empirical analysis will allow to understand both theoretically and practically whether this hypothetical category extension would be successful or not.

3.4 Introduction to the empirical analysis

On, starting as a footwear brand, has, over the years, successfully completed several brand extensions. Talking about line extensions, On was born selling running shoes, later it was able to introduce also lifestyle, tennis, hiking and trail running shoes. It also already experienced some category extensions, since by producing only footwear, the brand also started selling apparel and accessories, and is continuously introducing new types of products. All the items that feature in the company's products portfolio are related to the sportswear world, but in particular all of them are thought to enhance customers' performance. On is, and has always been, a performance-oriented brand, but has never offered a device to measure performance. It is also a Swiss brand, a country with a long-lasting heritage in terms of technological innovation and engineering. In proof of this, in the sports world, Garmin is a Swiss brand that leads the fitness trackers market, in particular the sportswatch segment. Moreover, On has always demonstrated its commitment to bring the Swiss values beyond the borders of the home country and the partnership with Roger Federer further demonstrates their commitment to take the Swiss excellence to the world. Even if there are many positives suggesting the perfect alignment between the company and the production of a fitness tracker or wearable, and it would also be

perfectly coherent and consistent with the brand values and the mission that On is pursuing, historically, sportswear giants suffered when trying to expand their business overcoming the borders of the wearables industry. In the previous chapter, the main cases highlighting the situations in which sportswear behemoths have failed to do so were presented, and it was possible to understand how much they struggled when trying to compete against tech giants in their “home soil”. Companies like Nike, Under Armour, New Balance and Adidas, never succeed in their differentiation attempt. However, On has historically demonstrated to be a “one of a kind”. The degree of innovation they bring in their products is virtually unmatched. The brand perfectly embodies the Swiss tradition in technology and engineering. The product would be perfectly aligned with, and complimentary to, the current ones, and it has also been one of the fastest-growing companies in the field, by going from the start-up phase in 2010 to be among the most important players in just 14 years, with a growth that is not expected to come to an end anytime soon. Can On be the right brand to stop this series of failures and create a fitness tracker able to compete with those currently sold in the market by companies like Garmin, Suunto or Coros? The empirical analysis that will be carried out in the next chapter tries to assess what people think about this hypothetical category extension through a survey and the results’ statistical interpretation.

4. EMPIRICAL ANALYSIS

4.1 Methodology and limitations

The case study that was introduced in the previous chapter is now addressed with an empirical analysis. The tool that has been chosen to carry it out is the survey.

As already anticipated, the case study is about a hypothetical category extension in which On could engage. The ultimate goal is to assess if On, based on the characteristics and facts that have been exposed, could be the first sportswear company to successfully accomplish the diversification into the fitness trackers market, as many big sportswear companies, such as Nike, Adidas, Under Armour and New Balance, have tried to do so in the past, even with different kinds of products and approaches, but always failed in providing a satisfactory offering to customers, ultimately discontinuing those products' production. In the previous chapter, the main reasons why this strategy could work, and On could be the ideal company to break this negative trend, were discussed, now the goal is to test the strategy's potential effectiveness on the public. Indeed, the reason why the survey was chosen as the best tool to address the research question is because it is a way to understand if this kind of initiative could be practically implemented and how, by analysing potential customers' opinions on it.

In particular, the survey is structured in four blocks. The first one asks questions related to demographics, aiming at understanding the generation to which people belong, their gender, the country they come from, the income they get, as well as their employment status. This part is clearly about defining respondents' characteristics to ease results interpretation. The second block contains questions about physical activity. Here the goal is to understand if the population is aligned with the world of On, which is about sports, movement and maintaining a healthy and active lifestyle. The point is to provide an assessment of how many respondents can have an informed opinion on the subsequent areas of analysis, that are included in the last two blocks, by asking if physical activity is actually a part of their lifestyle and which type of training do they practice. The third part is the largest, and is about fitness trackers, the product that should be realised. The questions included in this section are aimed at understanding the percentage of the population that actually uses these devices, which type of fitness tracker do they use, which brand did they select, the reasons why they use the product, where they purchase it, their willingness to pay, the characteristics that they seek and consider as the most relevant ones, and their loyalty to the brand they have chosen. The last block is related to On. The objectives of this last section are about assessing if respondents know the brand, if they like it, the value and the sport that they associate the most to the company, whether, in their opinion, the introduction

of a fitness tracker would be coherent with On's brand identity, and whether there is a chance that they could prefer a hypothetical On fitness tracker compared to those offered in the market by established players in the industry (assuming the same perceived quality). In any case the structure of the survey is available in the appendix placed at the end of the thesis. Moreover, as a disclaimer, in order to reach the widest possible audience, the choice has been to distribute it in Italian, otherwise, by drafting it in English, a portion of the public would not have been able to answer. The software that has been chosen to realise the survey is Qualtrics, since it basically provides all the functionalities that are needed for this empirical analysis' purposes, and it has been distributed via social media. On the other hand, the results' interpretation has been performed using Excel.

Using a survey distributed through social media as the methodology for the empirical analysis comes with several significant limitations:

- Firstly, there is a considerable risk of *sampling bias*. The survey participants, in this case, form a non-random sample that may not be representative of the broader population. This lack of randomisation can lead to a homogeneous sample where participants share similar demographics, interests or opinions, thus reducing the diversity of responses.
- Secondly, *self-selection bias* is another critical concern. People who opt to respond to the survey might have stronger opinions or a particular interest in the topic, which can skew the results. Those who are indifferent or less interested might ignore the survey, leading to an unbalanced dataset.
- The *reach* of the survey is limited, and might not include individuals from various demographics, geographic regions, or socio-economic backgrounds, thereby limiting the generalisability of the findings.
- Lastly, the *quality of data* obtained through this method can be questionable. Participants might not take the survey seriously or may provide inaccurate answers, which affects the reliability of the information gathered.

After presenting the tool that has been chosen, as well as its characteristics and limitations, it's now worth discussing also how the statistical analysis is carried out. In order to understand which types of statistical tools can be used to analyse the results, the first step consists of classifying the questions that have been included. All the questions (and more precisely the relative answers) apart from one, have been designed as categorical data, most of which are nominal, meaning data without an inherent order, while the others are ordinal, meaning data

with a clear ordering (Jain, 2024). Finally, one question can be categorised as a ranking question, since respondents were asked to rank a list of options.

Given the structure of the survey and its responses, the decision has gone for the Chi-square test of independence, which is appropriate for both types of categorical data (Oxford Brooks University, 2024), with the goal of measuring whether there is an association between the categorical variables that will be jointly analysed. The Chi-square value will be provided, as well as the number of degrees of freedom, to finally obtain the p-value. The latter is a measure used to validate a hypothesis against observed data. A level of significance, typically 0.05, is defined. If the p-value is lower than the threshold that has been decided, the test is considered statistically significant, and therefore the null hypothesis of “no association” between the variables is rejected, meaning that there is an association between them (Beers, 2024). Then, if an association exists and has been proved by the p-value, the Chi-square will be coupled with the Cramér’s V, which provides a value between 0 (no association) and 1 (perfect association), to measure the strength of the association (McHugh, 2013). More precisely, to ease results’ interpretation, here is an indication of what the obtained values mean (Rea & Parker, 1992):

- Less than 0.1: negligible association
- 0.1-0.2: weak association
- 0.2-0.4: moderate association
- 0.4-0.6: relatively strong association
- 0.6-0.8: strong association
- More than 0.8: very strong association.

Lastly, it’s worth precising that is common for this statistic test to result in pretty low values (McHugh, 2013), even despite an apparent strong association. After this necessary introductory part, from the next paragraph, the practical analysis will start.

4.2 Answers breakdown

The survey, as said, has been prepared using Qualtrics. Then, it has been distributed via social media, precisely, WhatsApp, Instagram, Strava, Facebook and LinkedIn, and left available for a 15-day period, in which it has reached 281 respondents. The goal of this paragraph is to showcase the results coming from the answers that people have given to the proposed questions.

Demographics

The first block of the survey was dedicated to gather respondents' demographic information. Indeed, the first question was about identifying the generation to which respondents belong. The distinction that was used is the one proposed by Pew Research Center (2019), which distinguishes among Baby Boomers (1946-1964), Generation X (1965-1980), Generation Y (1981-1996) and Generation Z (1997-2012). The results showed that most respondents come from Generation Z (53.01%), followed by Generation Y and X (around 20%). Gender wise, 59.36% of respondents are males, while 40.64% are females. Third, 98.40% of respondents are Italian, while foreigners include people coming from Brazil, Burkina Faso and Romania. Fourth, income from the previous year was asked. Among those who answered, the vast majority has a yearly income lower than €30000 per year. More precisely, 40.44% chose the €0-€14999 range, while 38.22% selected €15000-€29999. Finally, in terms of employment status, it came out that 27.71% of respondents are currently not employed, and just a handful of those who actually are, work for sportswear or fitness tracker companies.

Physical activity

The second block of the survey is about physical activity. What came out is that 85.60% of respondents consider training and physical activity as a part of their lifestyle, which allows to understand that they represent a valuable set of observations, that can grant informed answers when dealing with sports-related questions. Deepening the analysis by looking at the types of physical activities performed by respondents that may match, on the one hand, the sports in which On is actively involved, and on the other, those in which a fitness tracker may be needed, it emerges that 60.38% of respondents run, while about a third of them is engaged in trainings that can be executed in the gym, such as weightlifting or yoga, and almost the same amount of people engages in hiking and walks in the mountains. These results show how the audience is perfectly aligned with the fields in which On competes.

Fitness trackers

The third block, instead, deals with fitness trackers, arguably the main topic of the survey. Almost two thirds of respondents are currently using a device that can measure performance and health parameters (a fitness tracker), showing, even in this case, how those people can have an informed opinion in answering the questions. Also, almost every one of them is using a smartwatch (89.80%). The question about which brand produces their device highlights and confirms the leading position maintained by Garmin in the industry, indeed, almost two thirds of the observations go for it, while the second place is taken by Apple with its iconic Watch,

but just reaching the 12.93% of users. For a survey centred on a performance-focused brand and performance-focused devices, it is important that as many people as possible use fitness trackers for performance measurements and performance monitoring purposes. This requirement is satisfied, since 77.55% of users answered affirmatively when asked about whether they use their device mainly for measuring performance. Moreover, talking about distribution channels, 43.24% of users purchase these devices online, via not company-owned e-commerce (e.g., Amazon), the second most popular channel is sportswear specialty stores with 27.03%, while specialty stores selling electronic devices are in third place with 18.24%. Furthermore, one of the most interesting questions for this empirical analysis is the one about people's willingness to pay. Most people have chosen to stay between 100 and 300 euros. In particular, the most selected interval was €100-€199 (32.43%), followed by €200-€299 (26.35%), suggesting a trend targeting mid to low priced devices. However, 13.51% of people answered that they are willing to invest more than 500 euros for their fitness tracker, making them the most performance-focused customer group, which is willing to pay a premium to get the best devices in the market. A group that may be aligned with the characteristics of On's products. Another thing that was asked was about the feature deemed as the most important one by customers. What came out is that performance metrics are considered the most relevant element they seek during their purchase decisions. Indeed, the majority of respondents put it in first place, followed by health metrics. Price, software and connectivity options, in this order, close the standings. Lastly, customer loyalty was assessed. More than 80% of customers affirmed to be either quite (46.26%) or extremely (34.69%) loyal to their favourite fitness tracker brand, demonstrating how customers in this industry rarely change their favourite brand when they are satisfied.

On

The fourth and last block of the survey is dedicated to On. The first key consideration that comes from the survey's results is that On's brand awareness is low among respondents. Indeed, just 22.88% of people reportedly know the brand. This finding can be explained by the fact that almost everyone who answered is Italian, and even if most people are engaged in sports, On in this country is still not very well-known and considered a niche company by many. Also, On's products still have a limited distribution in Italy, therefore many people are not used to see them very frequently. These considerations are confirmed by the answers to the subsequent question, in which, among those that know the brand, only 7.55% of them said that doesn't like the brand, but 86.79% like it despite not having purchased any product yet. The characteristic that customers associate the most with On is the capacity to create very technical products, while

the sport which is more naturally linked with the brand is, unsurprisingly, running. Finally, a couple of questions were dedicated to the combination between On and the fitness trackers world. More than 70% of people affirm that a fitness tracker launched by On would be coherent with its brand identity, which is something that could strengthen the potential strategy implementation, however just 34.62% of people would prefer this product compared to the ones offered by other competitors assuming the same perceived quality. The last consideration reinforces their loyalty to the current brand they use and also the market competitiveness that was introduced in the second chapter.

Main insights

To recap, the main insights that can be inferred from the information that has been shared are the following:

- 85.60% of respondents consider physical activity as a part of their lifestyle; 60.38% of them runs.
- 63.97% of respondents is using a fitness tracker, and 77.55% of them does it mainly with the purpose of measuring performance metrics, which are deemed to be the most important features they look for when buying a new device.
- Most people are willing to spend between 100 and 299 euros for their new fitness tracker, but there is a niche willing to pay a premium price (more than 500 euros).
- More than 80% of fitness trackers owners are loyal to their current brand.
- Only 22.88% of the sample knows the existence of the brand On, however the 92.45% of them likes it.
- More than 70% of those who know On say that a fitness tracker launch would be coherent with the brand identity, but only 34.62% of them would prefer it to those produced by competitors, perceived quality being equal.

4.3 Correlation analysis

Building on the key insights that have been presented, the correlation analysis follows in this paragraph. Indeed, after having provided a thorough overview about people's answers, in this section the goal is to delve deeper into crossing the data obtained from multiple answers to extract some more elaborated findings. The main research question from this survey is about understanding whether a fitness tracker sold by On would potentially be appreciated by the public, hence allowing On to try to subvert the trend that in the past saw sportswear giants like Nike or Adidas fail in successfully entering in the fitness trackers world, trying to compete against specialised tech companies. In the previous section it was possible to have an idea about the characteristics of the 281 respondents to the survey, which proved to be a sample of people who engage in sports, use fitness trackers and, therefore, can take informed decisions when answering the questions. Now the objective is to deepen the analysis to try to answer the research question reminded above.

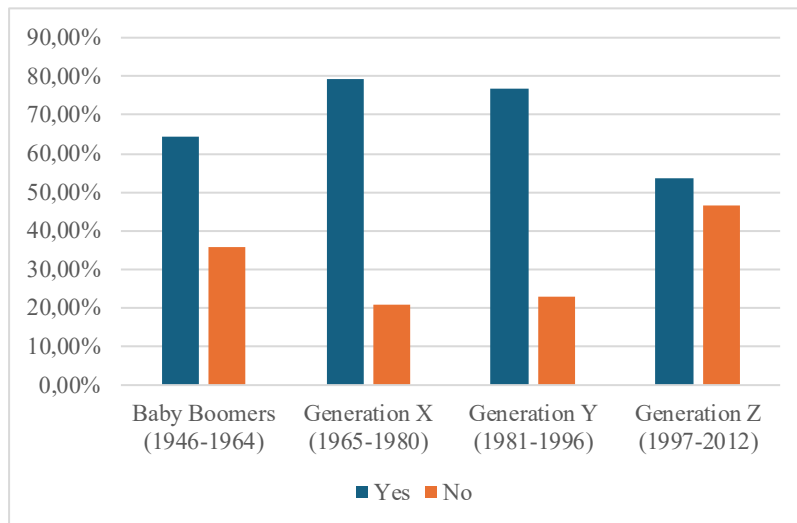
The correlation analysis is structured starting from the demographics. Indeed, it is divided into five sections dedicated to respectively generation, gender, income, employment status and training as a part of respondents' lifestyle. Those variables will be crossed with a selection of those coming from the fitness trackers and On parts of the survey. The selection has been done by discriminating for the relevance of the insights that could be derived from the various combinations. In particular, all the situations in which the answers were very homogeneous even if people presented different demographics, have been left out.

Generation vs fitness tracker usage rate

Description

The first element that seems worth discussing is fitness tracker usage rate, meaning the percentage of respondents that are currently using one of these devices. Looking at the data that has been gathered, Gen X and Y lead the pack, both reaching almost 80% of people using a fitness tracker. The most unexpected information that came out is that, surprisingly, only 53.44% of Gen Z respondents is currently using this type of device.

Figure 28: Generation vs fitness tracker usage rate graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 14.92
- Degrees of freedom: 3
- P-value: 0.002 (significant)
- Cramér's V: 0.247 (moderate association)

Interpretation

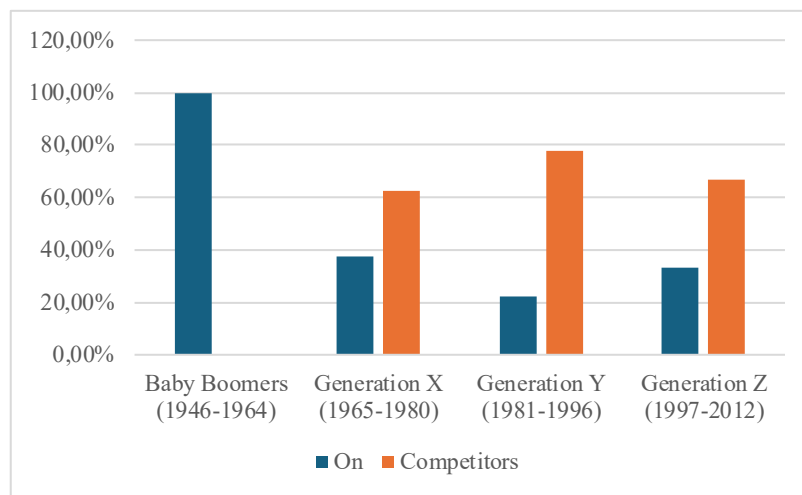
Fitness tracker usage rate is influenced by the age of customers. Targeting Gen X and Gen Y customers seems to be the safest choice. Further research (consulting the data gathered through the survey) has demonstrated that Gen Z's low usage rate does not depend neither on income, nor on employment status. The only real difference that can be appreciated is based on whether they consider physical activity and training as part of their lifestyle, since 57.55% of those who do, use a fitness tracker, while just 36% of those who don't, use it.

Generation vs On fitness tracker against competitors

Description

Secondly, the answers to whether respondents would prefer a fitness tracker sold by On to one sold by competitors, assuming the same perceived quality, are tested. Interestingly, all the Baby Boomers answered “yes”, while almost the same data is in common among the other generations, except for Gen Y respondents, which prove to be the most sceptical, since 77.78% of them would still prefer to buy these devices from other companies.

Figure 29: Generation vs On fitness tracker against competitors graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 4.44
- Degrees of freedom: 3
- P-value: 0.218 (not significant)
- Cramér's V: 0.292 (moderate association)

Interpretation

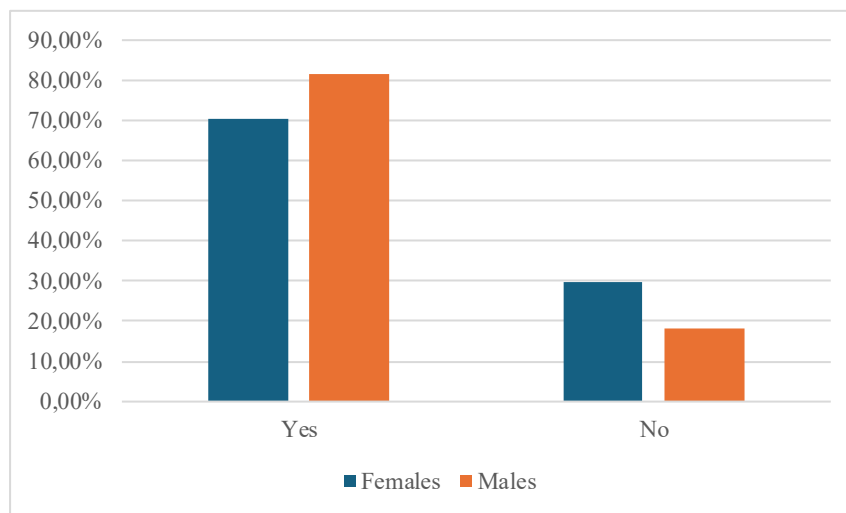
The younger the respondents, the more sceptical they seem to be (even if Gen Y more than Gen Z). However, notice that the p-value is not significant, hence the strength of the association measured through the Cramér's V should be taken with a grain of salt.

Gender vs fitness tracker usage for performance

Description

The second type of demographic information that is tested against respondents' answers about fitness trackers and On is gender. A first layer of analysis that can be implemented concerns fitness tracker usage for performance. Here, the highlight is that males reportedly use their device mainly for performance features more than females, even if the difference is not outstanding. Indeed, the comparison results in an 81.72% vs 70.37%.

Figure 30: Gender vs fitness tracker usage for performance graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 2.53
- Degrees of freedom: 1
- P-value: 0.112 (not significant)
- Cramér's V: 0.131 (weak association)

Interpretation

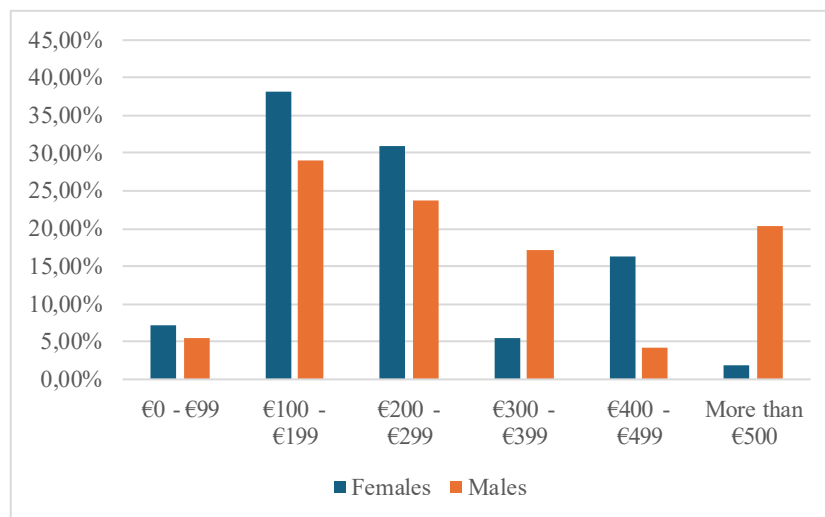
Males appear to be more focused on measuring performance. However, the difference with females remains marginal and the p-value is not significant.

Gender vs willingness to pay

Description

The second element that is worth crossing with gender is willingness to pay. Both males and females have the ranges between €100-€199 and €200-€299 as the most chosen. However, the main difference can be noticed in the percentages of those that are willing to pay a premium price for their device (more than 500 euros). Indeed, only one female has selected this range, while more than 20% of males chose it.

Figure 31: Gender vs willingness to pay graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 20.09
- Degrees of freedom: 5
- P-value: 0.001 (significant)
- Cramér's V: 0.368 (moderate association)

Interpretation

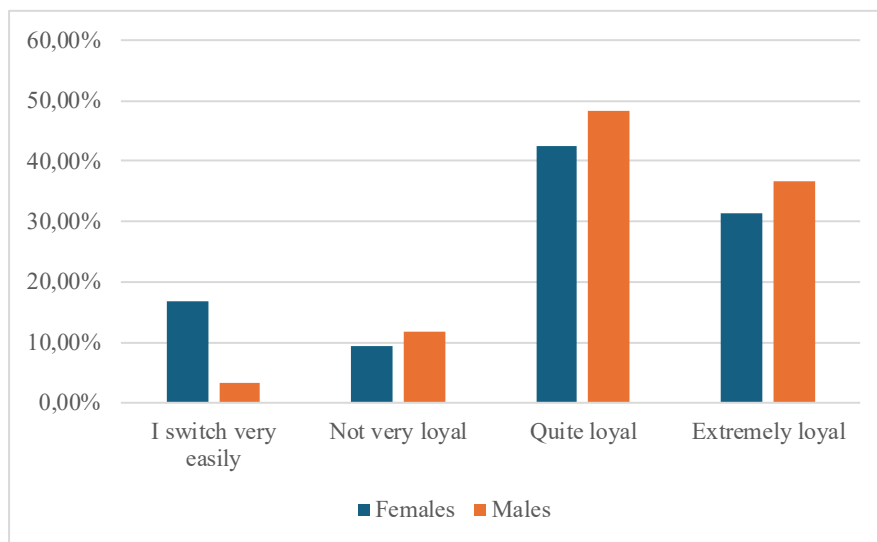
Males may be more willing to pay a premium for their device. This could be explained by their tendency to be more focused on performance features. Indeed, typically, the higher the number of features, the higher the price of the fitness tracker. Further research has demonstrated that all those that are willing to pay more than 500 euros are currently using a Garmin device. Also, the higher the loyalty, the higher the willingness to pay.

Gender vs loyalty

Description

Starting from the last consideration that has been highlighted, the third element to test on gender is customers' loyalty. Males appear to be more loyal to their current brand compared to females. In particular, 16.67% of females (vs 3.23% of males) reportedly change very easily, while almost 85% of males said they are quite or very loyal (vs 74.07% of females). The difference, however, is marginal.

Figure 32: Gender vs loyalty graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 8.27
- Degrees of freedom: 3
- P-value: 0.041 (significant)
- Cramér's V: 0.237 (moderate association)

Interpretation

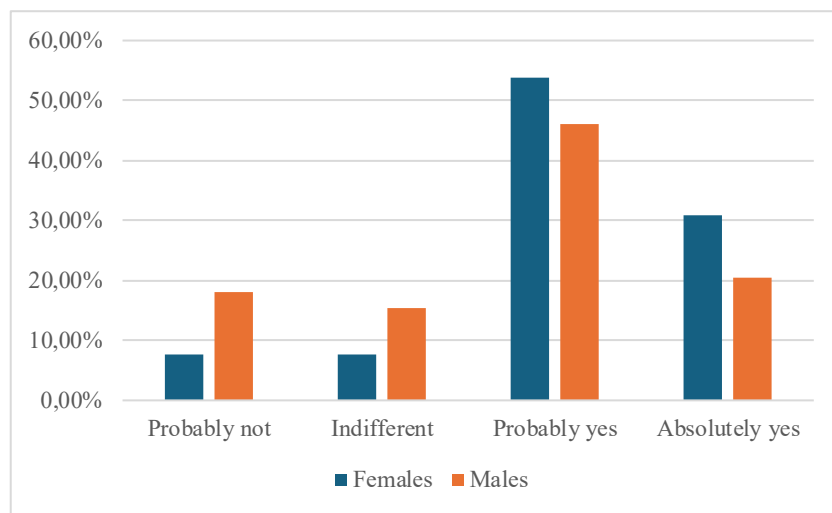
Males seem to be marginally more loyal compared to females, this could mean that if On will launch a fitness tracker in the future, targeting females could initially be easier to convince them to switch brand. Then, it would be a matter of putting initiatives in place to increase retention rates. In any case, also females have proved to be loyal, just to a lower extent compared to males.

Gender vs On fitness tracker coherence

Description

The fourth point that is worth analysing is also one of the most important to answer to the research question, indeed, it is about whether respondents think that a fitness tracker introduced by On would be coherent with the brand identity. Females seem to be more convinced by this hypothetical move. 84.62% of them selected either that it would probably be coherent or that it would absolutely be, while one third of males are not convinced by this move, selecting that it would not be coherent or that they are indifferent.

Figure 33: Gender vs On fitness tracker coherence graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 1.66
- Degrees of freedom: 3
- P-value: 0.646 (not significant)
- Cramér's V: 0.179 (weak association)

Interpretation

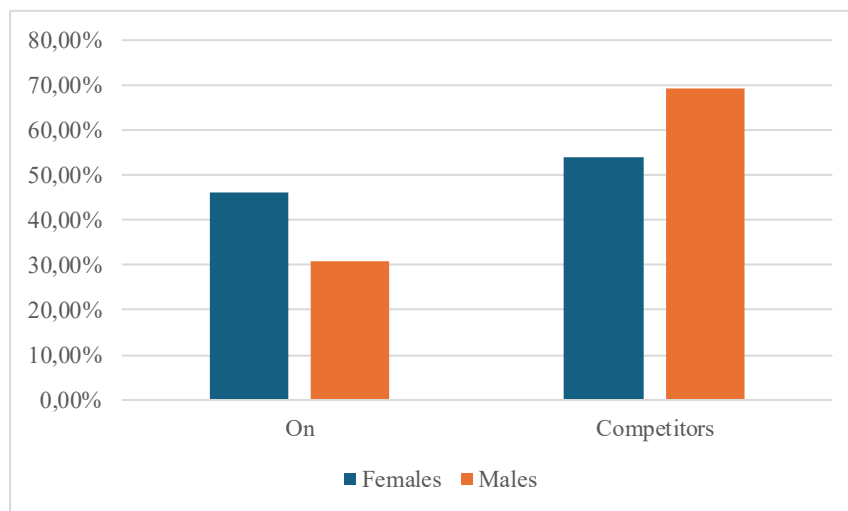
Females on average are more in favour of this move, reinforcing the trend that sees them as a better potential target for a hypothetical move by On in the fitness trackers world. However, the statistical analysis shows an extremely high p-value, far from being even close to significant. This could be due to the low number of observations, given the low brand awareness among respondents, and also to the unbalance between the number of males (75%) and females (25%) who answered.

Gender vs On fitness tracker against competitors

Description

Lastly, the description of the results obtained above, must be coupled with those about whether people would like a fitness tracker sold by On more than those produced by competitors, assuming the same perceived quality. Once again, females seem to have a more favourable opinion (46.15%) than males (30.77%).

Figure 34: Gender vs On fitness tracker against competitors graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 1.02
- Degrees of freedom: 1
- P-value: 0.313 (not significant)
- Cramér's V: 0.140 (weak association)

Interpretation

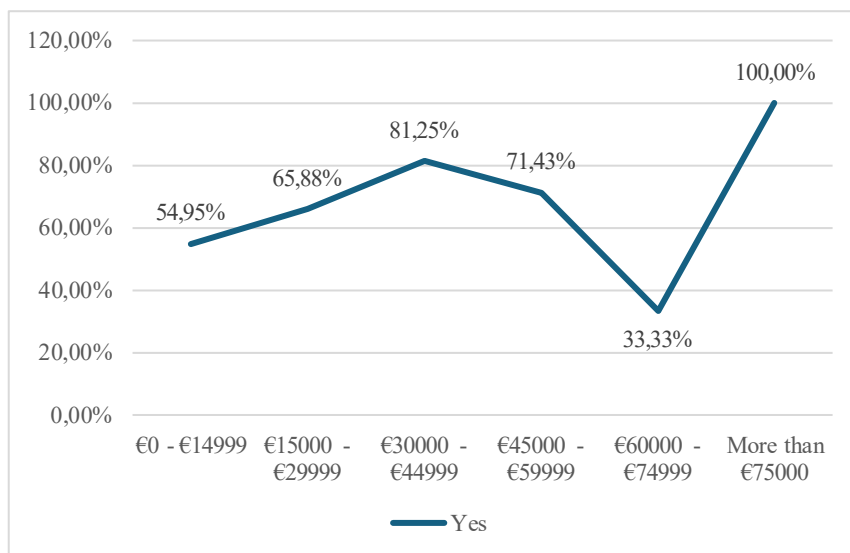
Even if both genders are generally preferring potential competitors' devices compared to the hypothetical one produced by On, males are more convinced, at least looking at the percentages. However, the p-value is once again not significant, probably for the same reasons explained above.

Income vs fitness tracker usage rate

Description

The third demographic variable that is worth analysing is income. In particular, the discussion starts by crossing it with fitness trackers usage rate. The trend that builds up seems to take a pyramid shape, indeed it constantly increases from the €0-€14999 range (54.95%), until reaching the peak of 81.25% usage rate in the €30000-€44999 range, and then it decreases again to the 33.33% in the €60000-€74999 range. The trend is broken by the people who declared a yearly income of more than 75000 euros, indeed, everybody in this range uses a fitness tracker.

Figure 35: Income vs fitness tracker usage rate graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 11.72
- Degrees of freedom: 5
- P-value: 0.039 (significant)
- Cramér's V: 0.229 (moderate association)

Interpretation

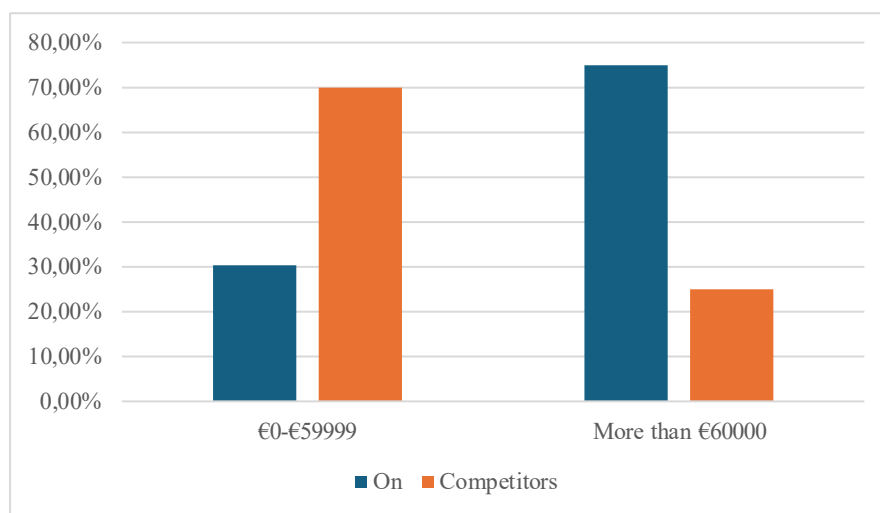
Even in this case a surprising result, since one could expect the trend to grow steadily, the higher the declared income.

Income vs On fitness tracker against competitors

Description

The second and last combination that is worth showing is with answers to the question comparing a hypothetical On fitness tracker with other competitors' ones. Here a pretty significant difference can be noticed. Indeed, only 30.23% of those who reportedly earned less than 60000 euros last year would prefer the device sold by On compared to competitors, while 75% of those who reported having an annual income being higher than 60000 euros would prefer the device sold by the Swiss company, a completely different opinion.

Figure 36: Income vs On fitness tracker against competitors graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 3.27
- Degrees of freedom: 1
- P-value: 0.071 (not significant at 0.05 level; significant at 0.1 level)
- Cramér's V: 0.264 (moderate association)

Interpretation

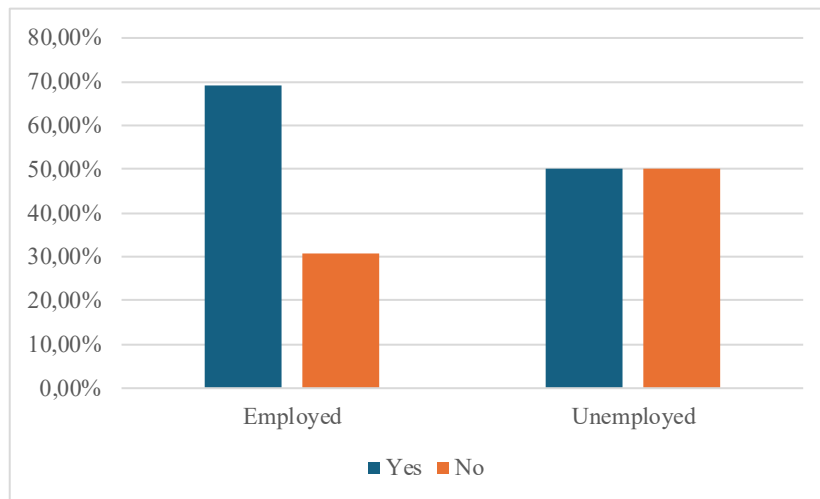
Targeting high income customers may be a successful initiative as they seem to like the idea of a high-quality fitness tracker sold by On, also because it would be coherent with On's typical price positioning. Notice that the p-value is not significant at the 0.05 level, but it is at the 0.1 level, meaning that even if less accurate, the analysis can still be considered fair, up to that extent. Cramér's V shows a moderate association between the two variables.

Employment status vs fitness tracker usage rate

Description

The penultimate variable that is crossed with the data coming from the fitness tracker and On sections of the survey is employment status. A predictable insight is obtained by crossing this variable with fitness tracker usage rate. Indeed, if on one side only 50% of unemployed people is using a fitness tracker, on the other, 69.10% of respondents that are currently working uses it.

Figure 37: Employment status vs fitness tracker usage rate graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 7.77
- Degrees of freedom: 1
- P-value: 0.005 (significant)
- Cramér's V: 0.178 (weak association)

Interpretation

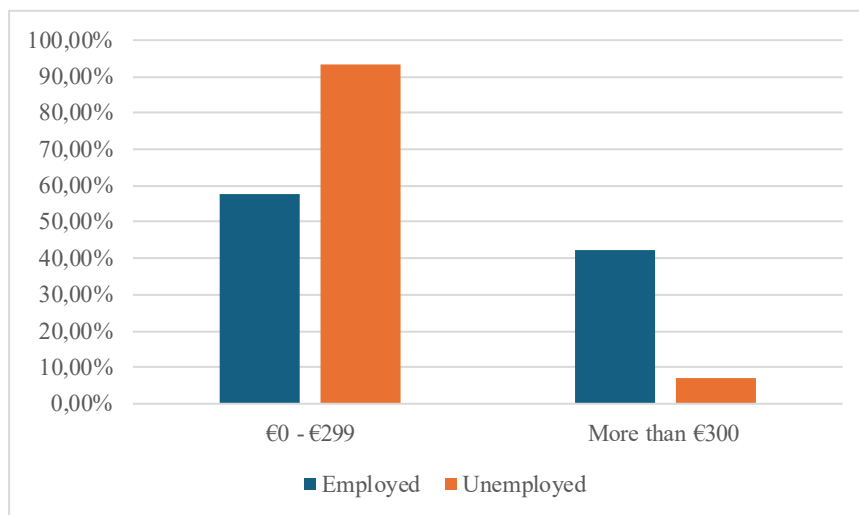
Employed people, having a higher spending capacity, represent a better target for companies selling fitness trackers, but this can be said for almost every type of business. The difference, however, is marginal, as confirmed by the result obtained through the Cramér's V.

Employment status vs willingness to pay

Description

The other combination that provides valuable information is that with customers' willingness to pay. Those currently employed confirm their higher willingness to pay, indeed, if 93.10% of unemployed people are willing to pay a maximum of 299 euros, 42.37% of employed ones are willing to pay more than 300 euros.

Figure 38: Employment status vs willingness to pay graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 14.64
- Degrees of freedom: 5
- P-value: 0.034 (significant)
- Cramér's V: 0.316 (moderate association)

Interpretation

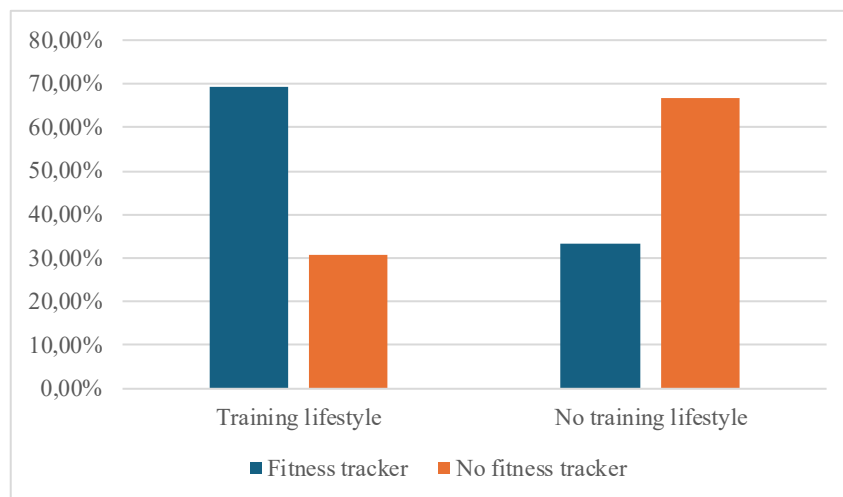
Unsurprisingly, employed people are willing to pay more than unemployed ones.

Training lifestyle vs fitness tracker usage rate

Description

The last variable that is tested is the answer to whether people consider training and physical activity as a part of their lifestyle. Firstly, the goal is to cross the data coming from this question with that coming from the one dedicated to determining fitness tracker usage rate. Unsurprisingly, 69.19% of the people who engage daily in sports use the device, while only one third of the others have it.

Figure 39: Training lifestyle vs fitness tracker usage rate graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 17.16
- Degrees of freedom: 1
- P-value: 0.00003 (significant)
- Cramér's V: 0.264 (moderate association)

Interpretation

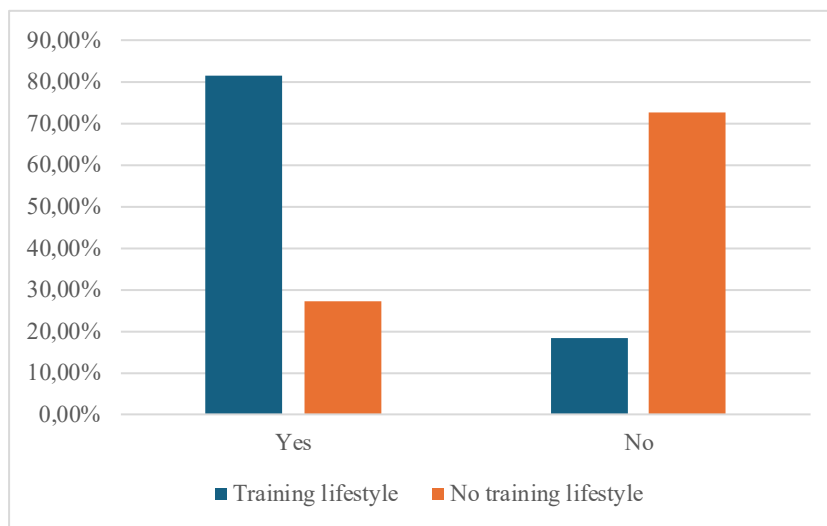
A company selling fitness trackers should target people that consider physical activity as a part of their lifestyle.

Training lifestyle vs fitness tracker usage for performance

Description

Another point that is worth mentioning is about crossing the variable with the data coming from the question asking whether people use the device mainly for performance measurement. No surprise even in this case, as 81.62% of those having physical activity as a part of their lifestyle answered affirmatively, while just 27.27% of the others use the device with this purpose.

Figure 40: Training lifestyle vs fitness tracker usage for performance graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 17.26
- Degrees of freedom: 1
- P-value: 0.00003 (significant)
- Cramér's V: 0.343 (moderate association)

Interpretation

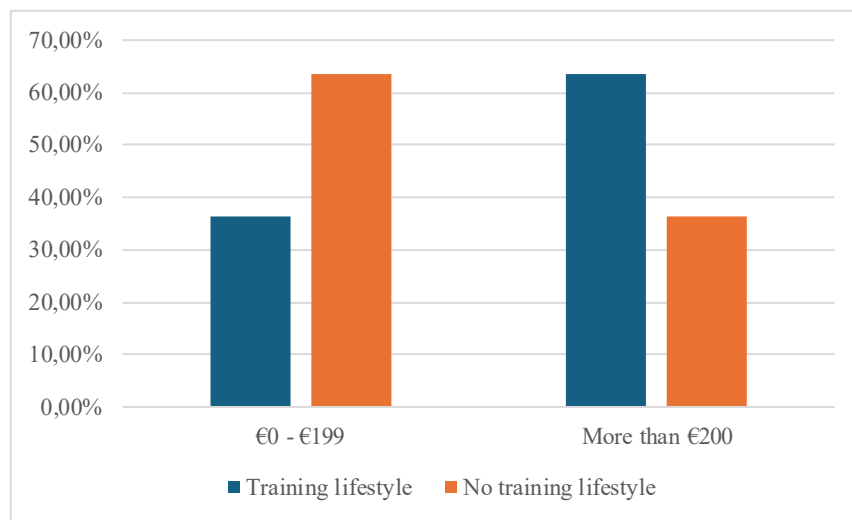
Performance features are key for those that deem physical activity as a part of their life, while the others may purchase the device focusing mainly on other features.

Training lifestyle vs willingness to pay

Description

Focusing, instead, on customers' willingness to pay, it emerges that people that are not regularly training have a lower willingness to pay. Indeed, almost two thirds of them are willing to pay a price lower than 199 euros. On the other hand, who considers sports as a relevant part of their lifestyle is clearly willing to spend more, as 63.50% of them is willing to spend more than 200€.

Figure 41: Training lifestyle vs willingness to pay graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 22.64
- Degrees of freedom: 5
- P-value: 0.001 (significant)
- Cramér's V: 0.391 (moderate association)

Interpretation

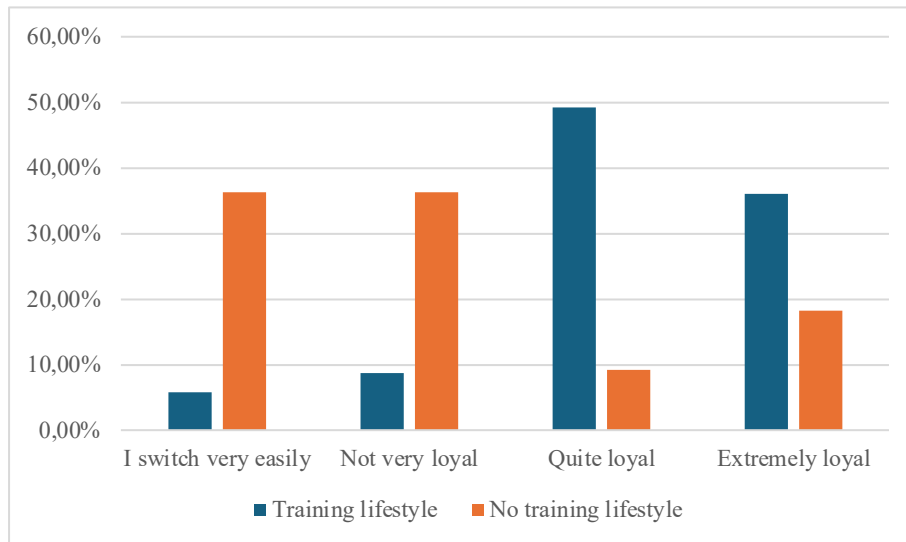
Customers considering physical activity as a part of their lifestyle are, on average, willing to pay more for fitness trackers.

Training lifestyle vs loyalty

Description

The last thing that is worth testing is loyalty. As one can expect, 85.29% of those who have training as a part of their lifestyle are reportedly quite or very loyal, while the others' percentage combining these two options is stuck at 27.27%.

Figure 42: Training lifestyle vs loyalty graph



Source: Author's elaboration

Statistical analysis

- Chi-square value: 23.16
- Degrees of freedom: 3
- P-value: 0.00004 (significant)
- Cramér's V: 0.397 (moderate association)

Interpretation

People having physical activity and training as a part of their routine are more loyal to their fitness tracker favourite brand. For a company like On, this could mean that getting the first customers would be very tough, but once acquired, if the product is valuable, retention rates could be very high.

Main insights

Building on the information that has been grasped during this paragraph, here, a list of key insights that should be underlined is presented:

- Generation: Gen Z fitness tracker usage rate is the lowest, while Gen Y respondents are the most sceptical in the comparison between a hypothetical On fitness tracker and competitors ones.
- Gender: males are marginally more focused on measuring performance with their devices than females, and are also more prone to invest more money, paying a premium for them. Moreover, both genders have proved to be loyal, but males marginally more than females. Considering the potential move by On in the fitness trackers space, both genders consider it coherent with the brand identity, however, females appear to be marginally more convinced. On the other hand, when asked to choose between the product sold by On or by other competitors, even if assuming the same perceived quality, both genders, on average, choose the latter. The difference is that 46.15% of females would still choose On, against the 30.77% of males.
- Income: the fitness tracker usage rate trend takes a pyramid shape once crossed with income, indeed, the peak is reached in the €30000-€44999 range. 75% of people earning more than 60000 euros per year would prefer a fitness tracker sold by On rather than one sold by a competitor, assuming the same quality, while just 30.23% of the others would.
- Employment status: employed people show higher fitness tracker usage rate and willingness to pay compared to unemployed ones.
- Training as a part of the lifestyle: those engaging in physical activities daily show higher fitness tracker adoption rate, use more the device for performance measurement, have higher willingness to pay and also a higher loyalty.

Wrapping up, to answer the research question representing the foundation of this work, what has emerged is that a category extension by On in the fitness tracker space would generally be considered coherent with the brand identity. This is a first important step to assess the feasibility of the strategy, as if the answer had been negative, there would have been no point to define this idea as a smart one. Then, as one could have expected, respondents also think that they would still prefer other brands, at least in the beginning, even with the hypothetical product sold by On proving to reach the same perceived quality levels. This is quite normal, as it was discussed this is a very competitive environment, characterised by tech companies for which

the production of these devices is the core business. Also, many big sportswear companies have tried to jump into this industry, with very diverse strategies and approaches, but every one of them reaching a negative ending and discontinuing the products they tried to introduce. Another fact that has been derived from the last part of the analysis and that sustains the argumentation is that fitness trackers customers are typically loyal, and, especially for males, it's difficult to switch their brand if they are satisfied with it. For On, of course, would be a huge challenge to embark on. It is also true that the vast majority of respondents don't even know the existence of the brand, therefore, there is a chance that if the company would improve its brand awareness among the public, things could change, and people could be more incentivised to buy this kind of product from a very innovative and highly technological brand like it.

With these considerations in mind and assuming the new product introduction, the last paragraph of this chapter is dedicated to defining how the strategy could be practically implemented.

4.4 Strategy implementation

Now that both the theoretical strategy that the company could implement and the empirical analysis have been discussed, the last step left to finish off the discussion concerning this potential category extension about On trying to enter the fitness trackers industry is building the foundation of how it could be practically implemented.

Subparagraph 3.3.3, dedicated to "strategy implementation requirements" already presented the main actions that the brand should take in order to make the strategy feasible and viable. The necessity of establishing new upstream partnerships at least for the hardware, the set-up of a dedicated team to be integrated in the organizational structure complemented with talent acquisition, the creation of new downstream agreements with fitness trackers distributors, as well as with fitness platforms such as Strava, and the build-up of marketing campaigns aimed at convincing the target to trust On as their wearables provider were considered the main points in which the company should focus if they decide to implement this kind of strategy. That discussion, however, was made before getting the survey's results, which, as discussed, allowed to gather extremely valuable information to be used for strategy implementation. Now that this information is available and willing to identify the foundation of a practical strategy, no longer a theoretical one, the next step is to combine and compare what has been obtained, to structure it practically. The best tool to summarise how the strategy should be carried out was already presented in the literature review on which chapter 1 is based: the 4Ps of marketing mix.

Marketing mix

Figure 43: On smartwatch 4Ps



Source: Author's elaboration

Product

Product wise, the first thing that must be defined is the type of fitness tracker that the brand should launch. The only available information from this point of view is that almost 9 out of 10 respondents are currently using a smartwatch, therefore, if the assumption is using the respondents as the potential customers for this type of product, the choice is pretty straightforward: the new product launch would be the first On smartwatch. The other main point to address in the first P is product features. As per the survey, customers consider performance and health features (in this order) as the most important things they look for when deciding whether to purchase a fitness tracker rather than another one. Furthermore, one of the main traits that emerged from the previous chapter is that On is an extremely performance-focused brand, whose products are aimed at helping customers overcome their limits, hence, launching a smartwatch featuring a wide set of performance metrics to allow customer to monitor every aspect of their trainings and beyond would be perfectly coherent with the brand identity. Also, having a wide set of options in terms of both performance and health metrics is a trait characterising all the premium products in this field. Finally, 77.55% of customers affirmed that they use their devices mainly for measuring their performances.

Price

As far as the price is concerned, the assumption is that On, being a company whose price positioning can be considered premium, in launching a smartwatch, would be coherent with this strategy. In the question assessing fitness trackers users' willingness to pay, most customers positioned themselves between 100 and 299 euros. Now, fitness trackers, and especially smartwatches, are typically premium products by themselves. For high quality devices, prices easily overcome the 400- or 500-euros thresholds. It is very unlikely that a company like On would sell a smartwatch below 300 euros. However, an interesting piece of data that has emerged is that 13.51% of customers are willing to spend more than 500 euros, the option in which premium products, the best ones in the market, feature. Targeting this niche of customers looking for premium fitness trackers, and most importantly sports smartwatches, would be the most coherent choice for the brand. Considering that the company would enter an industry and, therefore, having zero reputation coming from past high-quality products (something that On has been able to build in sportswear), a fair price could be €499.99, still targeting customers willing to spend more than 500 euros, but maintaining a little bit below that threshold due to the aforementioned lack of reputation in the field.

Place

Place is the "P" dedicated to distribution channels and even in this regard some data was gathered. 43.24% of customers purchase these devices online but via indirect channels, those that are not owned by the company, like Amazon to make an example. The second most popular channel is sportswear specialty store, followed by stores specialised in electronics. To take the market leader as a benchmark, Garmin, in the latest-released Annual Report (Garmin, 2024), declared that about 10% of their sales comes from direct channels, those that are owned by the company, while almost 90% comes from a network of indirect physical and digital doors. Analysing On's business model, instead, it was noticed that about two thirds of sales come from wholesale physical and digital channels, while just one third from D-to-C ones. Maintaining a vast majority of sales through wholesale physical, and most importantly, digital channels, without sacrificing those coming directly from On's website (in which a dedicated section of the shop could be created) and the physical stores that the company is opening more and more all over the world could be the way to go.

Promotion

Completing the framework, a discussion on promotion is opened. Recalling again the “channels” building-block of On’s business model, it is possible to appreciate not only the distribution channels, but also communication ones. Indeed, one of the company’s strengths is their ability to use social media to boost customers’ engagement with the brand. In their Instagram account, for example, they typically promote and advertise a lot the new releases, making it probably the main channel they use promotion wise. The firm’s ability to use social media would be one of the skills to leverage to boost the promotion of On’s smartwatch, together with promotional initiatives during races, competitions and especially marathons. The company’s website and physical stores could also be used to complement the previous channels in order to get a more balanced and comprehensive coverage.

Targeting

Finally, after defining the main traits characterising the marketing mix for the newly introduced product, a couple of sentences about the type of target that could be ideal, according to the information gathered through the survey are needed.

Recalling some of the previously listed insights, males have proved to be the most performance-focused and also those characterised by the highest willingness to pay, which is good for the brand. They are also the most loyal, which may make them difficult to convince in the beginning, but easier to retain. On the other side of the spectrum, females are more convinced by this category extension possibility.

Bottom line, all things considered, targeting mainly employed males who love engaging in sports and physical activity trying to convince them to try On’s product with marketing initiatives could be the goal for the long run. However, initially, it could be easier to start leveraging on females, who showed a higher appreciation ex ante and a higher propensity to switch brands.

CONCLUDING REMARKS

The research question that was to be addressed was about trying to understand whether the sportswear brand On could be the first brand to successfully complete a category extension in the fitness trackers industry, after many sportswear giants failed to accomplish a successful outcome in the past. After navigating along the chapters that allowed to understand the most relevant pieces of literature about the brand extension and all the topics connected to it, the scenario in which the analysis is performed and the past real-world cases of brands trying to pursue similar strategies, as well as what the brand On is about and its business model, the case study has been showcased. From a purely theoretical perspective all the strategy requirements, pros and cons, as well as the matching between On's strength and weaknesses, and the fitness trackers industry's opportunities and threats through the SWOT analysis framework were deeply discussed, with the goal of preparing the field for the empirical part of the thesis, which, in turn, was carried out to validate the assumptions made in the theoretical part and practically verify what customers think, as they are those determining the success or failure of the project. The latter has been realised using a survey, which has been distributed via social media, reaching 281 people. The sample has proved to be a good one since, in the best-case scenario, the goal was to reach as many people as possible having physical activity as a part of their lifestyle, using fitness trackers and being aware of the existence of the brand. The first two requirements have been fully satisfied, as 85.60% of them consider physical activity and training as a part of their lifestyle and almost two thirds of them use fitness trackers. Acknowledging all the limitations that have been broken down in a dedicated paragraph of the last chapter, the results showed that people feel that the strategy would be coherent with the brand identity that On has built over time, which is a fundamental requirement to have a strategy that makes sense. Moreover, even if most of respondents also said that they would not purchase a fitness tracker with the On's logo instead of one realised by an established player in the industry, even assuming equal quality, by applying the right promotional initiatives through social media and other channels such as competitions, website and physical stores, and increasing the reputation in the field over time, as the company has been able to do in sportswear, this data, together with the one registered in the brand awareness (which remained stacked at 22.88%) could grow exponentially. The latter especially because people knowing the existence of the brand have demonstrated to appreciate it a lot, indicating a huge perceived brand equity. As per the former finding, instead, it should not surprise, since, on the one hand, historically, sportswear brands that tried to put this move in practice didn't succeed as it was underlined, and, on the other, the company should build the same kind of reputation it has been able to acquire in sportswear, also in the fitness trackers space. As sportswear companies are

constantly transitioning towards being considered tech companies, this phenomenon should not be undervalued, especially considering how spread these kinds of products are at the moment, even more following the Covid-19 pandemic. In particular, those that could try to bridge the gap are naturally the companies considered as the most innovative and technologically advanced, as On certainly is, even despite having to face an extremely competitive field of tech companies that have in the production of these products their core business. Indeed, the idea of seeing sportsmen and sportswomen that love a precise brand, wearing it from their head to their feet, also including the devices to monitor their efforts, does not feel unrealistic, proved that quality is high enough. This document has the goal to make people reflect about the difficult marriage between sportswear firms and sports wearable devices, something that feels so perfectly coherent, but, at the same time, incredibly tough to put in practice. Future developments of this research should certainly be executed with a more heterogeneous and wider random sample, and most importantly with a broader reach in terms of nationality of respondents, as On is much more well-known in other European countries and the US, rather than Italy. It would then represent a valuable set of information that sportswear companies could use to assess whether a distant brand extension (at least in terms of industry and product features and development) like this could be implemented by them or not, and whether they have the right characteristics. In today's fast paced and everchanging world anything can happen, and the answer to whether there will be a company capable of breaking this negative trend can only be given by the future and what it reserves to sportswear companies and their customers.

APPENDIX

Section 1: Demographics

Qual è il tuo anno di nascita? Indicare il range che lo include.

Baby Boomers (1946-1964)

Generazione X (1965-1980)

Generazione Y (1981-1996)

Generazione Z (1997-2012)

Altro

In quale genere ti identifichi?

Maschio

Femmina

Altro

Da che Stato provieni?

Italia

Altro

Quale tra i seguenti range descrive meglio il tuo reddito personale dello scorso anno?

€0 - €14999

€15000 - €29999

€30000 - €44999

€45000 - €59999

€60000 - €74999

Più di €75000

Preferisco non rispondere

Lavori attualmente? Se sì in quale ambito? Indicare nell'apposito spazio il nome dell'azienda.

Lavoro in un'azienda specializzata nel mondo sportswear

Lavoro in un'azienda che vende fitness trackers

Lavoro in un altro ambito

Attualmente non lavoro

Section 2: Physical activity

Consideri l'allenamento e l'attività fisica parte del tuo stile di vita?

Sì

No

Quale tipo di attività sportiva pratichi?

Corsa/corsa in montagna

Triathlon

Tennis

Attività che si possono praticare in palestra (es. sollevamento pesi, yoga, ecc.)

Escursionismo

Altro

Section 3: Fitness trackers

Utilizzi attualmente un dispositivo che permette di monitorare parametri sulla tua salute e/o le tue performance? (es. l'Apple Watch e dispositivi simili sono considerati tali).

Sì

No

Che tipo di dispositivo utilizzi?

Orologio

Wristband (es. Whoop)

Altro

Quale brand produce il tuo fitness tracker?

Garmin

Coros

Suunto

Apple

Whoop

Polar

Altro

Utilizzi il dispositivo principalmente per misurare le tue performance?

Sì

No

Dove acquisti questo tipo di dispositivi solitamente?

- Negozio dell'azienda che lo produce
- Negozio specializzato in prodotti elettronici
- Negozio specializzato in articoli sportivi
- Grande magazzino (es. centro commerciale)
- E-commerce non di proprietà dell'azienda (es. Amazon)
- Sito web dell'azienda
- Altro

Quanto sei disposto a pagare un fitness tracker?

- €0 - €99
- €100 - €199
- €200 - €299
- €300 - €399
- €400 - €499
- Più di €500

Quali caratteristiche ritieni più importanti nel valutare l'acquisto di un fitness tracker? Ordinare le risposte dal fattore più importante (1), al meno importante (5).

Quantità e accuratezza delle metriche utilizzate per misurare la performance

Prezzo

Qualità percepita dell'applicazione e/o del sito connessi al dispositivo (es. Garmin Connect)

Quantità e accuratezza delle metriche utilizzate per monitorare lo stato di salute

Connettività con piattaforme e/o social network esterni (es. condivisione di attività su Strava)

In passato hai sempre acquistato dispositivi prodotti dalla stessa azienda? In generale, quanto ti senti fedele al brand che stai attualmente utilizzando?

Estremamente fedele

Abbastanza fedele

Poco fedele

Cambio molto facilmente

Section 4: On

Conosci il brand On? (Maggiormente conosciuto come "On Running").

Sì

No

Ti piace il brand On?

Sì, ho già acquistato almeno un loro prodotto

Sì, ma non ho ancora acquistato nessun loro prodotto

No, non mi piace

Quale valore associ maggiormente al brand On?

Affidabilità

Precisione svizzera

Durabilità

Tecnicità

Costo elevato

Altro

Quale sport associ maggiormente ai prodotti di On?

Corsa/corsa in montagna

Tennis

Fitness

Escursionismo

Triathlon

Altro

Se On introducesse nel mercato un fitness tracker, ritieni che sarebbe un prodotto coerente con l'identità del brand?

Assolutamente sì

Probabilmente sì

Indifferente

Probabilmente no

Assolutamente no

Nel decidere l'acquisto del tuo prossimo fitness tracker, pensi che potresti potenzialmente preferire un prodotto realizzato da On rispetto a quello di un'azienda specializzata del settore? (Assumendo che la qualità percepita sia simile a quella offerta dai competitors).

Sì

No

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