

The Cybex Employee Newsletter • July 2003 • Volume 4 • Issue 2

A Closer Look at The Arc

By Sue McGuire, Executive Assistant, Medway

The Arc Trainer, a revolutionary cross trainer, was launched in the summer of 2002 and is creating quite a furor in the fitness industry. While we have received many impressive testimonials from customers, sometimes one says it all:

“Remarkable. Extraordinary. . . Unlike anything I’ve ever used. It is awesome.”

At the time of the product’s launch, The Washington Post featured an article on the Arc Trainer and the Arc was featured on WNBC New York as well.

In the article on Page 4, Roland Murray, Vice President of Worldwide Marketing, highlights the positive feedback and prospective sales leads for the Arc Trainer that Cybex has received from some other advertising efforts in more recent publications. Most recently, the June 2003 issue of Club Business International featured an article on the IHRSA Convention and Trade Show. There were several photos of Cybex’s booth, one including a photo of our Arcs in use. An excerpt from the article stated “Everyone who toured the aisles had their own favorites, of course, but among the products that the consumer press fixated on were: Cybex International’s Arc Trainer.”

In this article, we’re going to take a closer look at the Arc Trainer. We will explore where the idea came from, review through the development and implementation stages, and touch base on the Arc’s performance in sales and in the fitness industry in general right now. In summary, we’re going to share with you the life history of this product – we’ll share the conception, birth, and growth stages of Cybex’s latest and greatest product . . . The Arc Trainer.

As the success of the Arc was a result of a true team effort, we have taken a team approach and interviewed three of the individuals involved in the process: Ray Giannelli, Chairman of the Cybex Institute, Bill Pacheco, Mechanical Engineering Project Manager - Medway, and John Champa, Production/General Manager - Owatonna. We hope you find this article interesting, educational, informative, and that you are CYBEXcited about what the future holds for the Arc! Enjoy!

PULSE: Who developed the idea of the Arc Trainer and how did the idea come about?

Ray Giannelli: The idea of the Arc Trainer was born from a desire to develop a product that would compete in the cross training market dominated by elliptical products. Scott Lee and I came up with the concept together in early 2001. The idea was to create a cross trainer as versatile as a treadmill. A treadmill is one of the few cardiovascular training products, which can be easy enough for deconditioned people to walk on but still deliver a maximum training experience for even the most demanding athletes. Elliptical products, in contrast, work best at low intensity levels but become difficult and uncomfortable at higher intensity. Great for couch potatoes, but how can you progress to the next level after you get in shape?



Continued on following page

How long did it take to develop the first prototype?

Ray: It took about a month to create the first model, which was made up of the front end of a climber and the back end of a hiker. A mechanism was then introduced to allow the flywheel to support the continuous motion. The prototype was very crude, which made it difficult for others to see what the idea and concept of the product was. Once the first prototype was developed; however, the proof of concept was there. We were confident that this product was an improvement over the existing cross trainers in the marketplace. The original pattern and mechanism was then further refined in 2001 with a prototype that was built almost completely out of wood by Scott Lee. Using these two prototypes, it was time to introduce the Arc, then known as the X-Trainer, to employees as well as some of our customers. Feedback received from customers was extremely positive. However, it was so different from any other cross-training products on the market at the time, it was difficult to get even our own employees fired up about the prospects of entering the market with a non-elliptical product.



Arc Production has been holding steady at 25 Arcs being built a day.

Who was ultimately involved in getting the Arc Trainer completed in design and into production?

Ray: Well that is probably the best example of a team approach that I've seen. Jason Ferwerda's development team in Medway jumped on this project with Bill Pacheco managing the mechanical development and Mark Padgett managing the electronics development. Steve Suchanek handled product marketing and acted as the voice of the customer to steer us back on track when we fell off. Gordon Andrade, who was part of the mechanical development team, was most responsible for the way the product looks today. Then when the project was handed off to Owatonna for production, Steve Wendt and John Champa's groups stepped up to get the project completed and in production. I would love to list everyone's name individually but since there were very few people in the company that were not involved in some way, we could say the list is comprised of all Cybex employees. Like I said, a very successful team effort. Hats off to everyone involved.

What makes the Arc Trainer stand out from all other Cross Trainers in the fitness industry?

Ray: Versatility and variability. By varying the load and the elevation, an extremely wide variety of demands can be placed on the user. Hip extensors, hip flexors, quadriceps, hamstrings are being taxed in one way or the other. Low intensity, high intensity, high angle, low angle. By varying the workout, you can prevent yourself from plateauing at any level and get superior results without overtaxing your body.

Early advertisements of the Arc Trainer make reference to a new feature called "Advanced Stride Technology." Can you please educate us on this new technology?

Ray: Advanced stride technology is a marketing term we use to describe the adjustable feature of the Arc pattern of motion. Although there are other cross training products that have adjustable patterns of motion, none of them behave like the Arc. The difference in the joint range of motion, the difference in which muscles are involved in driving the pattern and the difference in the intensity of load applied to the muscles, is more significant on the Arc than any other cardio product out there so far. Again the objective was to come up with a product that had a wide range of variability and versatility. The Advanced Stride Technology is a big part of making that work.

Is the concept/look/feel of the Arc all that you expected it to become from the initial idea?

Ray: Yes, and then some. It definitely has an interesting look to it. You wouldn't mistake it for anything else. We received tremendous acceptance from our customers. To me, it far surpasses what anyone thought it would be. As an example, the original sales forecast for the Arc was 1,000 units for year one. Sales on the Arc alone in March were over 700 units. And that's only the tip of the iceberg.

Do you feel that customers are taking as well to the Arc as you had thought/hoped when the idea was developed?

Ray: Absolutely. We've gotten excellent feedback on the Arc from our customers. Our feedback tells us that very few people, after trying the ellipticals and the Arc, pick the elliptical as their favorite.

When and how did the involvement of the Design and Engineering Team in Medway begin for the Arc?

Bill Pacheco: Scott and Ray worked out the desired motion and initial frame design throughout most of 2001. In November, 2001 this product was released to the Medway Research and Development group. The development started out with Gordon Andrade who provided several detail layouts for the frame and front-end design. He also coordinated a full scale prototype, which was used at the Cybex University event at Club Industry. Based on the terrific response Cybex received on this product, we then dedicated the entire group's resources.

Were there any obstacles that were difficult to overcome in the designing stages of the Arc or was the designing of the ARC smooth sailing?

Bill: The Arc was a challenge in just about every area. To begin with, there was minimal knowledge for developing a product like this; it was new for the entire company. Questions arose such as: How long will people work out and at how low or high a resistance? Will they elevate frequently? Is there enough room? etc. Each area had to be looked at and studied at the fundamental level. Also, this product has a tremendous performance range. In some products, deficiencies can be hidden past the operating range. However, with the Arc, we had to design for the 100 lb. female tri-athlete to a 400 lb. stout-man. This meant that the unit had to run super smooth for a fast, light resistance workout to a slow, high resistance pounding. It took several months to work out the bugs in the drive transmission area. Lastly, the question of how to make this unit look good arose early on. How do you take all these moving parts with a big nose and welcome it as part of the family? Remember, we had just introduced the Elite Sport and Pro at this Club Industry show. We clearly set the tone for how a fitness product should look, including custom colors. After several weeks of industrial design work, we ended up with what



Owatonna Assembler Denise French had a hand in building most of the 4,000+ Arcs over the past year.

we have today.

How long does it take to build an Arc?

John Champa: It takes three hours from the beginning of the assembly line to the end to build an Arc. On average at least 22 Arcs per day have been built since July 2002. November of 2002 was a high volume month at 30 a day. As a result of reception of the Arc at IHRSA, production is holding steady at 25 a day. March proved to be the biggest Arc shipment month with over 700 being shipped out.

To date, how many Arc Trainers have been manufactured in Owatonna?

Since the end of July 2002, over 4,000 Arcs have been manufactured.

How many Arcs were sold in 2002 and how many Arcs have been sold in 2003?

From July through December, 2002, over 2,000 Arcs were sold; and just over 2,000 Arcs have been sold in the first five months of 2003.

Have you ever seen a product so hot and in demand throughout your years with the company?

John: I've been with Cybex for eight years and this product certainly has solid momentum; I haven't seen a product so hot. This product is very well received. The product quality is solid and the launch of the Arc Trainer has been a very successful one. It has been a team effort in Owatonna and Medway. The Medway Engineering and Manufacturing Team did a fantastic job in the development of the Arc and assisting in the transition into Owatonna Manufacturing. The Owatonna Team did an outstanding job of implementation of the Arc into production. Engineering was completed, processes were developed, production lines were installed, tooling was built, production pilots were run, and first shipments were made in the short time of 65 working days. It definitely was a team effort.

Update on Advertising

By Roland Murray, Vice President Worldwide Marketing, Medway

In the last several months, the Marketing Department has had the chance to get creative with our advertising given limited resources. I am very pleased to tell you that although we have reduced our spending, we have not completely removed our ongoing presence and marketing efforts.

With the trade publications in our industry, in order to get the best “buy,” we usually contract for a one-year period of time, which means for our advertising in 2003, we contracted space in January of this year. By doing so, we save approximately 15% every time we advertise. This also secures a favorable position in the magazines. The magazines we advertise in regularly include: *CBI (IHRSA)*, *Club Industry*, and most recently, we began advertising in *Fitness Business – Canada*. We advertise every month in the *CBI* magazine and usually every other month in the others.

There are the obvious benefits of receiving leads and calls from the ads that we run. But there is also another benefit that isn't so tangible – and that is establishing an ongoing presence in front of our customers and in the industry. It is if you discontinue your advertising efforts completely and are not visible, that customers recognize your lack of presence. Building your brand, along with creating and maintaining consistency, is extremely important in the overall presentation of the company.

In April we launched a new ad campaign that is a fresh look, clean and distinct. Please see the ad featured along with this article. The introduction of this ad campaign was impressive as we took out three pages in *CBI* (right side), so that the reader saw three Cybex ads all within six pages. We received a lot of attention from these ads as the calls poured in seeking information about the Arc Trainer. The Arc was the focus of the first ad as we incorporate what I call the “X” words that flow along with Cybex. “CYBEXtreme”, “CYBEXperience”, “CYBEXcitment” are examples of those headlines or key words that we use in order to stop the reader and make them want to read your ad. You want the reader to leave your ad or turn the page and remember your message, product and something substantial about your ad. Repetition and consistency are important. In the second quarter alone, we will have run six ads in these trade publications along with another ad in an industry publication called “*The Global Report*,” which reviews the top health club chains throughout the world. In this issue which hits in June, we have a tab ad – which stands out more because it is actually a tab! If you would like to receive more information about our advertising program, please call me at extension 8132 in Medway.



Our new ad campaign was launched this past April. The above image is only one of our ads.