

THE DECLINE OF PELOTON:

FROM THE START TO NOW

2023



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Project Title/Objective

Peloton has a huge market they are missing out on. If they add their machines into local gyms, apartment complexes, physical therapy offices, or college campuses; they will be able to better market their products. Not only will this increase their market share, but it will also increase their brand awareness, demographic, and revenue.

Company Overview

Peloton Interactive is a leading online fitness company that has redefined the workout industry and the way people approach their workout routines. Peloton was founded in 2012 and has rapidly growth becoming a household name in the fitness industry. Peloton offers a diverse range of connected fitness products and services that include the Peloton Bike, Peloton Treadmill, and an expansive online content library filled with on-demand and live fitness classes.

Key Offerings

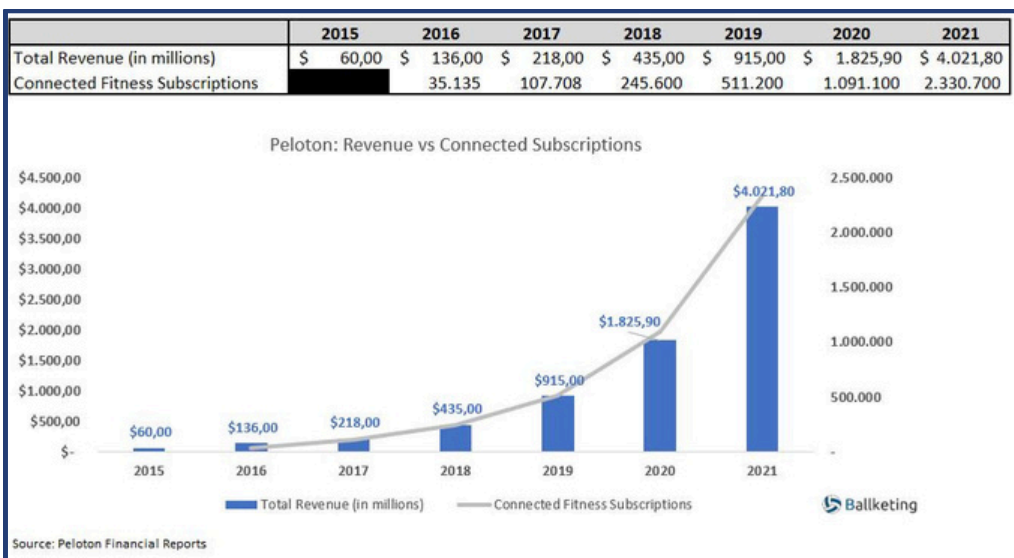
Peloton's success can wildly be attributed to its innovative offerings in the online connected fitness industry with revolutionary products and services. Fundamentally, Peloton is known for its high-quality products such as its Peloton Bike and Peloton Tread. Both of these products provide a wide range of online classes provided by world-class instructors, all on a large touchscreen display.

Value Proposition

Peloton saw large growth throughout the pandemic mostly due to the increased demand for at-home fitness services. Peloton saw consistent financial growth from 2017-2021, however, has faced new challenges coming out of the pandemic. The increase in competition from both traditional fitness providers as well as the connected fitness industry has led to a decrease in Peloton's overall performance. However, with a new outlook and approach to its marketing, Peloton can increase its revenue and demographic to the same height it was in 2020 during the pandemic.

As the company was founded in 2012, Peloton quickly rose to the occasion known as “the fastest-growing fitness communities and startups today” (Forbes). Shortly after Peloton launched its website, it was an unfortunate misstep. CO founder Foley expected resounding success due to the time spent developing technology to participate in classes remotely. In Late 2013, Peloton figured out their target audience(30 -40 year olds). Peloton tried out the in-store market by opening a pop-up shop to reach the target audience. This was an excellent way for Peloton to get their product in front of customers and start the spread of WOM. Peloton saw no immediate success with the popup shop, with little to no sales. Within 4 months, they had over 250 bikes sold, which created an excellent go-to-market for Peloton in their starting journey. Peloton quickly rolled out more stores in malls surrounded by houses over 150,000 to hone in on their target demographic.

Fast forward 5 years, and Peloton was valued as a 4 billion dollar company with many revenue avenues. They started with online sales and a small Pop-up store and transformed their revolutionary business into the industry's top. Some of the most significant ways that led Peloton to get to this company evaluation is innovating their way of reaching their consumer basis and providing an enjoyable experience. They created subscription-based services that allowed consumers to access recorded and live cycling classes from the comfort of their own homes. These classes allowed people to establish a connection with their favorite instructor. Peloton has leveraged social media effectively by partnering with celebrity brand ambassadors and influencers. The company regularly posts social media content featuring famous athletes, actors, and other celebrities using Peloton bikes as part of their workout routines. Notable figures representing the Peloton brand include world champion sprinter Usain Bolt, Hollywood actor Hugh Jackman, and many other high-profile endorsers. This strategic use of celebrity affiliations and organic social media placements helps promote Peloton's products to new demographics and reinforce the brand's elite, aspirational image. Leveraging their many expansions into new markets allowed them to grow rapidly as their brand awareness rose.



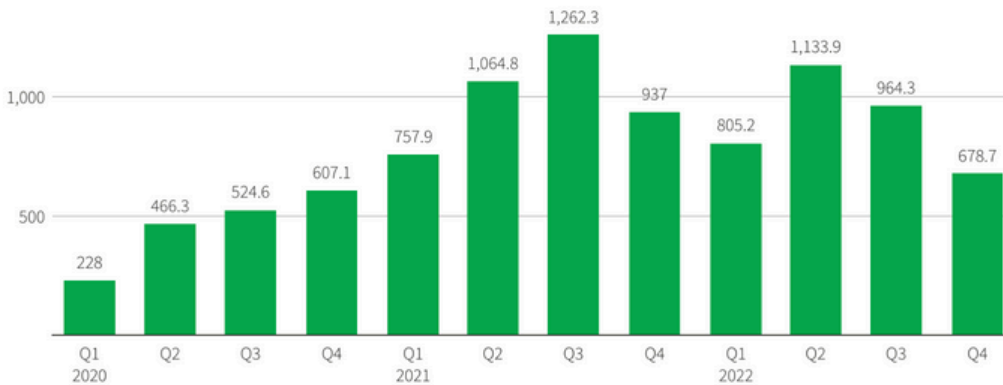
This graph has shown how Peloton has capitalized on its subscription-based classes to help drive revenue from 2015 - 2021 through their many revenue streams: Social Media, Bike sales, Subscription sales, and many other avenues that they branched out to.

The COVID-19 pandemic significantly impacted the fortunes of Peloton, the exercise equipment and media company. During the pandemic, Peloton experienced a surge in popularity as people sought innovative ways to stay active and connected from home. With gyms temporarily closed, Peloton's virtual fitness classes and interactive workouts became a go-to solution for many, fostering a sense of community and providing a convenient fitness alternative during challenging times. Early in the pandemic, Peloton saw surging demand as gym closures led consumers to seek in-home fitness options. Peloton's revenues spiked, with sales of their stationary bikes and treadmills skyrocketing. The company struggled to keep up with demand. However, Peloton also benefited from the shift to at-home workouts, as more consumers sampled and subscribed to their on-demand, streaming fitness classes. Peloton's community of members grew rapidly during 2020 and 2021. Meanwhile, the company ramped up manufacturing capabilities and expanded their instructor roster to meet growing demand.

Key Offerings

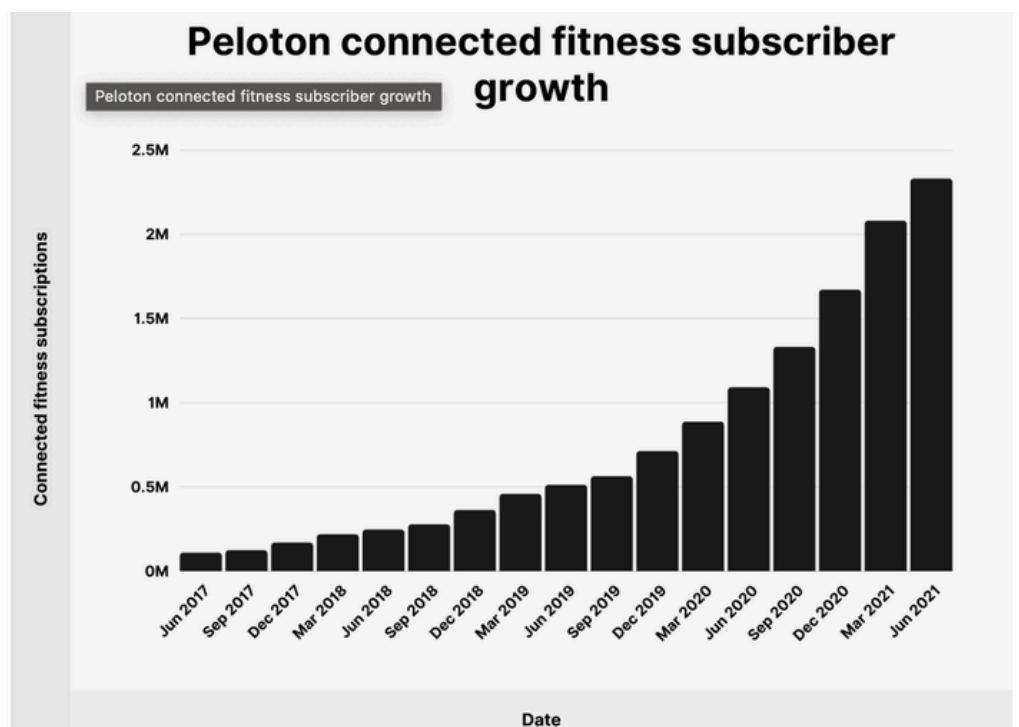
Peloton's pandemic ride

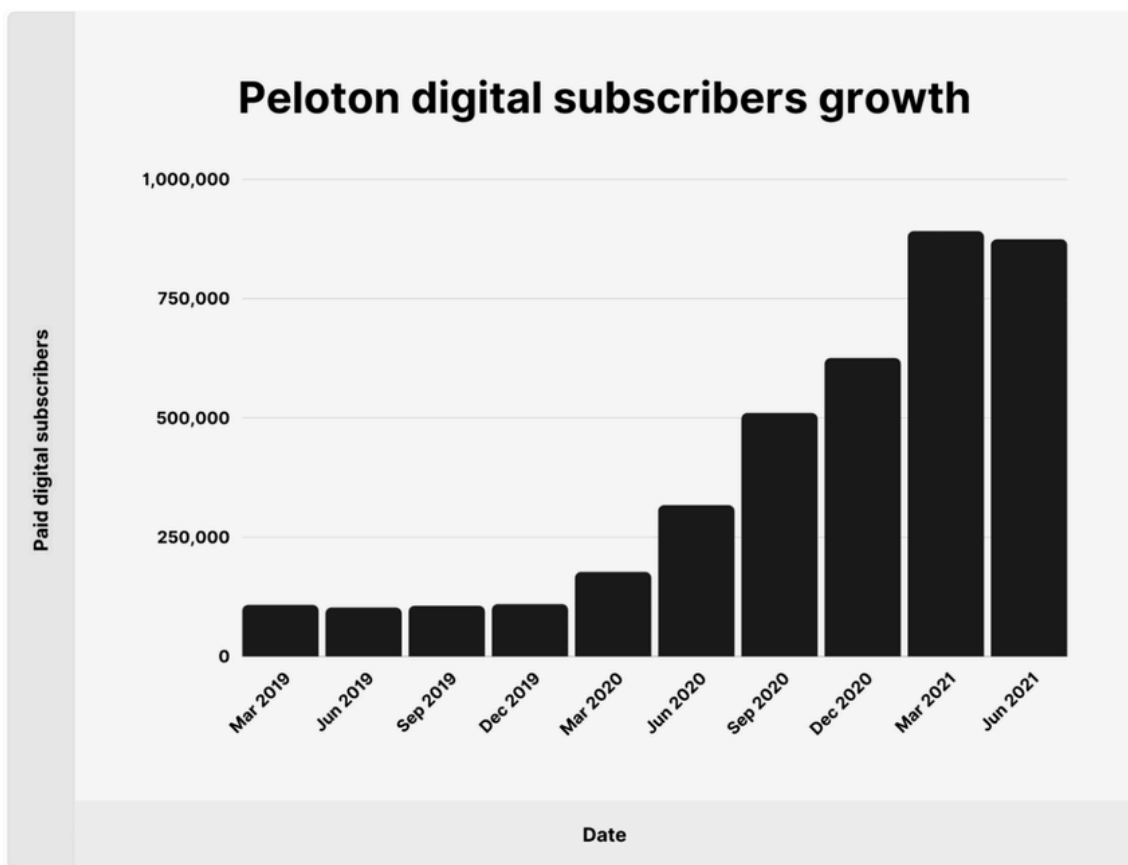
● Revenue (in Million)



This graph shows the profitability of peloton from 2020 - 2023. Pelotons peak of profitability was during the pandemic.

Peloton's connected fitness subscriber growth 2017-2021





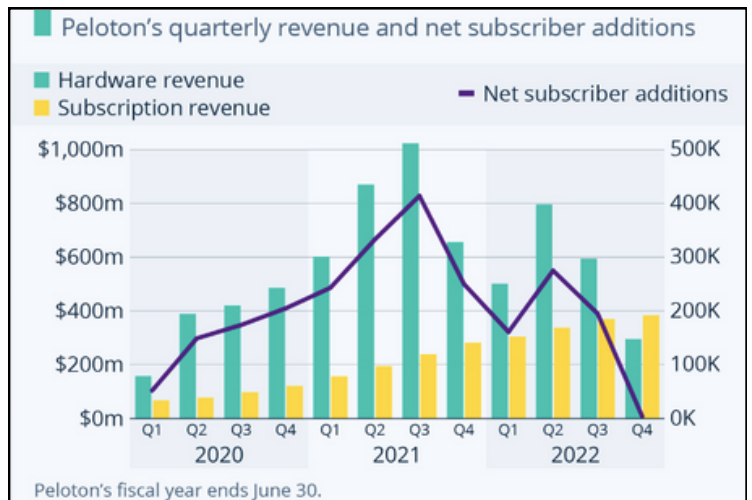
The growth until the beginning of 2021 of Peloton's digital subscriber count

Peloton's market capitalization



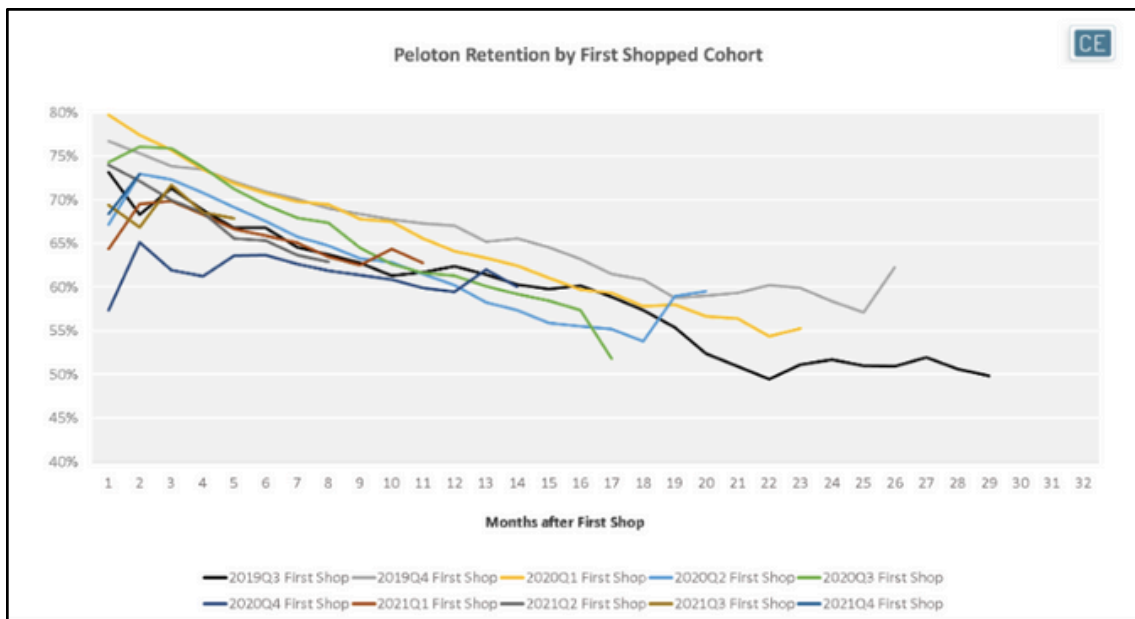
The rise and fall of Peloton's market capitalization. With a significant increase during COVID and then a exponential fall after COVID

Peloton has seen a host of different challenges since the end of the COVID-19 pandemic. Since the pandemic ended, Peloton has suffered a major loss in subscriptions, supply chain issues, increased competition, multiple safety concerns, and an overall loss of year-over-year revenue. Their stock continues to fall and many investors are expecting a larger firm to buy Peloton if they cannot shift their strategy.



Peloton Subscriber Growth Ebbs at the Worst Possible Time 2020-2022

According to a statement from Peloton's CEO and President Barry McCarthy, the latest cuts were part of the last stage of a company-wide restructuring, that included outsourcing of all manufacturing, half the member support, and a transition to third-party providers for last-mile delivery. Peloton will be left with around 3,825 employees, down from more than 6,700 people at the end of June 2021, which was the high of Peloton's profitability as seen above.



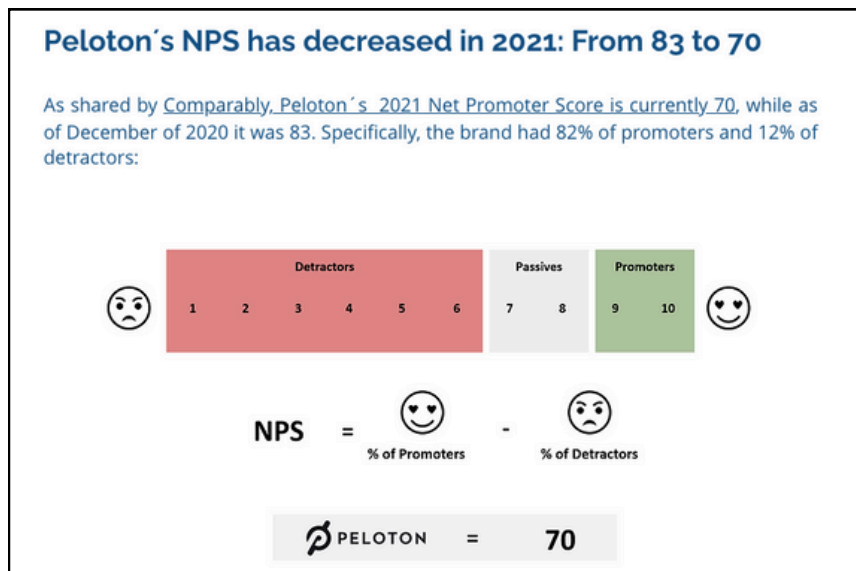
Peloton retention months after initial purchase

Peloton has seen a significant drop in customer retention since the end of the lockdown and throughout the company's fall. This is due to many different factors including an increase in gym memberships, an increase in cheaper competition, and finally, Peloton has experienced multiple public relations issues. First, a very well-known celebrity had a heart attack during a cycling class. This caused major outrage from the community. This caused major concerns for Peloton and its shareholders: "Blackwells Capital, an activist investor that owns less than 5% of Peloton, says it has 'grave concerns' about its performance and is calling on its board of directors to fire CEO John Foley immediately and explore a sale."



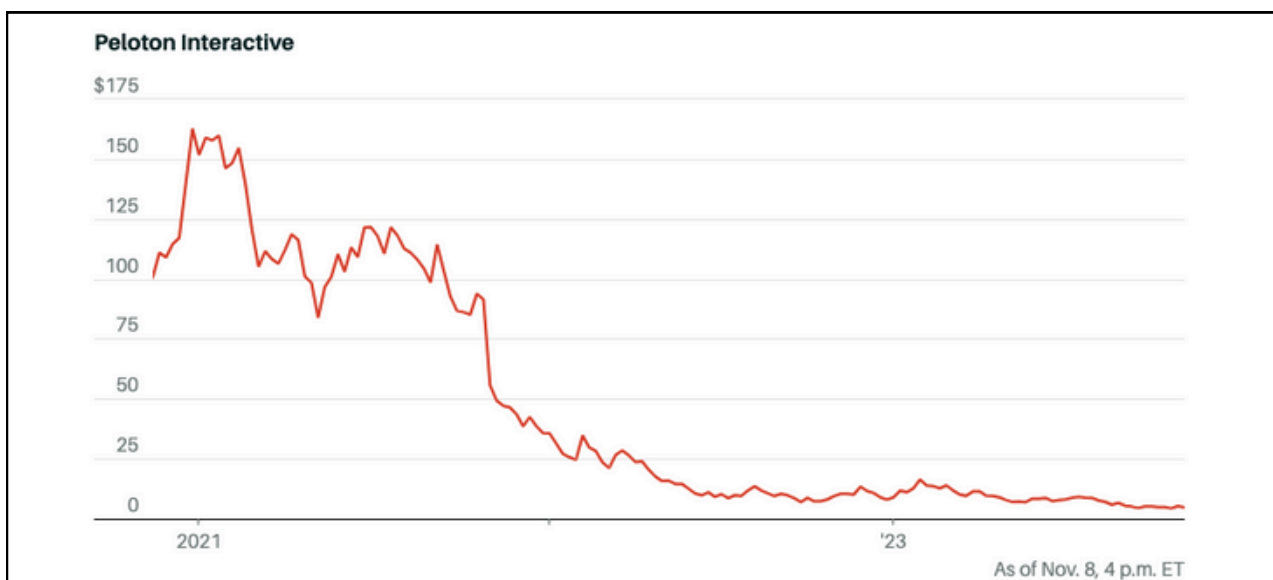
Peloton stock price after initial recall 2021

In addition, Peloton has had multiple recalls on multiple pieces of equipment. First, over 3 million treadmills were recalled after the death of a child, and over 70 safety complaints. In 2023, Peloton also had to In addition, from 2020 to 2021, Peloton’s Net Promoter score fell from 83 to 70 mostly due to their recalls on their most popular items.



Peloton net promotor score 2021

Peloton’s stock price also took a drastic hit after the 3 million treadmills were recalled and has continued to decrease since that point in 2021. The stock is down 23%, with the market capitalization falling below \$2 billion. It is down more than 90% from its all-time high, hit in late 2020.

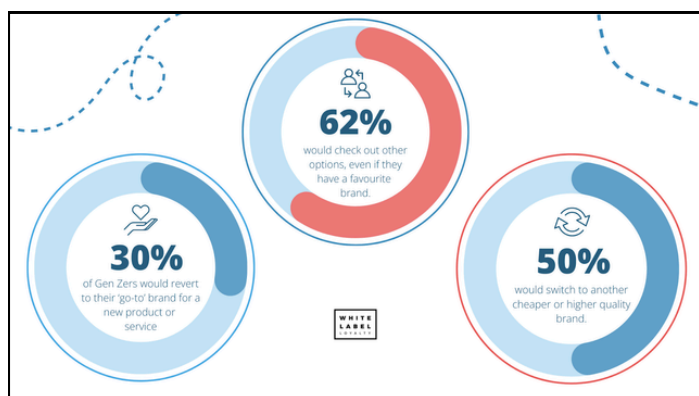


Peloton stock price decrease from 2021-2023

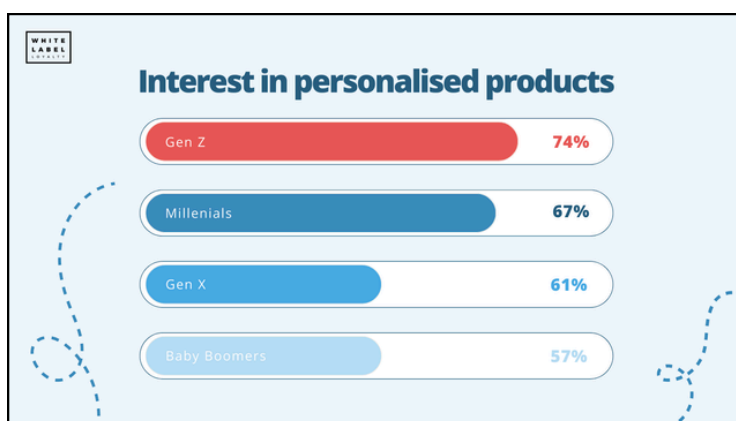
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PELOTON **Future Solutions for Peloton**

Keeping brand loyalty engaged is necessary too. Generation Z is the least to keep up with brand loyalty, because they look for more than comfortability with a product. Due to Gen Z being digital natives “they seek authentic connections, personalized experiences, and brands that align with their values ([Sara Rabolini](#)).”



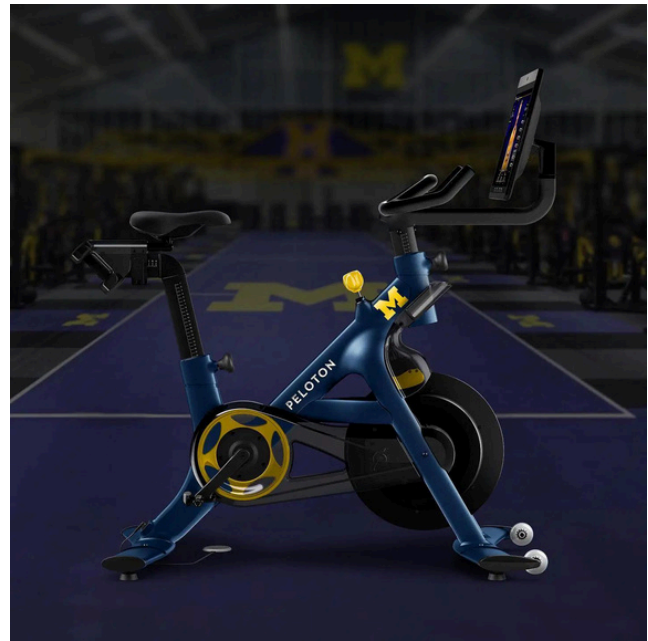
Percentage of Gen Z who tries new brands



74% of Gen Z look for personalized products

Switching Peloton’s marketing to a more digital and outspoken brand will keep that brand loyalty with younger generations. And Peloton has already started to do this with celebrity endorsements and social media influencers, but this may not be enough. Tailoring the content that Peloton posts to appeal to the younger generations is necessary and this can be seen through one of Peloton’s classes in which they had singer/songwriter Lewis Capaldi instruct a class. This specific celebrity is well known among younger generations and therefore gained a lot of publicity within social media platforms. Gaining over 1.3 million TikTok views, compared to the average 9 thousand Peloton receives on its TikTok page. Although Peloton has had celebrity endorsements previously such as Kim Kardashian, Ashton Kutcher, and Kenny Chesney, enlisting celebrities to actually use and show off the product is more effective. “Celebrity endorsements are still valuable with Gen Z, but it seems they are most valuable when the celebrity is viewed as an actual collaborator (such as with clothes or sneakers) or as a partner or leader in the venture ([Forbes](#)).” Not only that, using celebrities that younger generations know well and connect with. Capaldi, already being a large star, has a powerful presence on TikTok and is considered more authentic to younger generations because of this. “Gen Z is inherently more trusting to social media personalities”.

Peloton has created a partnership with the University of Michigan. the partnership will include the availability of U-M branded Peloton bikes at The Big House and in Michigan Athletics training facilities, discounted student pricing for classes on the Peloton app, opportunities for student-athletes to participate in Name, Image and Likeness deals, and a sponsorship deal for Maize Rage – the student cheering section at the Michigan men’s and women’s basketball games. The partnership is being used as a way to increase Peloton’s brand awareness and to expand into younger markets. Increasing awareness with younger generations means longer customer loyalty for Peloton and increasing purchases of higher-priced products, due to the fact that 62% of Peloton users earn between \$50,000 to \$150,000 and 21% makeover \$200,000. Due to this higher income range of Peloton’s current customers, allowing college students to have cheaper, more accessible access to their products will increase the probability they will buy more products again in the future. “After brand loyalty is locked, these relationships are likely to hold into adulthood, where nostalgia becomes an important driver ([RetailDrive](#)).”



University of Michigan’s Partnership with Peloton



Peloton is also working with influencers to better market their brand and products. This is dire in today’s market. By having these influencers talk about Peloton on various social media platforms, they are able to hit a large market. These influencers can be on blogs, Instagram, Tik Tok, or even Facebook. A few of these influencers include; Robin Arzon, Ally Love, and various other influencers. Most of these influencers are health “gurus” who have a following for their posts on wellness and health. Many of these influencers are also instructors for workout classes. These influencers are able to speak on the products and how they help people have more efficient and fun workouts. Peloton also has an influencer program for micro influencers to better market their products as well as having the influencers paid to promote the brand. Using influencers that younger generations trusts allows for a better conversation to occur about the brand and how it can be used by younger adults at a cheaper price.

Gen Z Brand Loyalty Percentages.



59% of Gen Zers said they trust the brands they grew up with.



44% of Gen Z said that, if given the opportunity, they would like to submit ideas for product design.



When Gen Zers share opinions, they provide **2X more positive feedback** than complaints.

Comparison of Celebrity Endorsements within Companies

Metric	Companies with Celebrity Endorsements	Companies without Celebrity Endorsements
Brand Awareness Increase	25%	10%
Sales Growth	15%	5%
Social Media Engagement	50% increase in likes and shares	10% increase in likes and shares
Consumer Perception	80% positive	60% positive
ROI on Marketing Spend	150%	100%
Long-term Customer Loyalty	30% increase	10% increase

Smaller, more affordable services, such as the peloton App have recently grown in revenue Peloton makes the majority of its revenue from hardware sales, but services has been increasing in prominence, making up 38% of total revenue in 2022.

Peloton annual revenue by segment 2018 to 2022 (\$mm)

