University of California Irvine

Foundations of Marketing (BANA 205)

Group Project Report: Peloton

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Introduction

Peloton, headquartered in New York and founded in 2012, is currently one of the first and largest interactive fitness platforms in the world with 6.2 million members across its platform. Peloton disrupted the fitness industry through its technology-enabled fitness and subscription model for streaming fitness and wellness content. Peloton offers the first connected product in the fitness market, which allows members to immerse themselves by streaming instructor-driven boutique classes on any Peloton connected fitness products including indoor cycling, running, walking, strength training, stretching, yoga, and meditation. Peloton also has its unique value proposition among the entire fitness industry. First of all, Peloton's platform gives its members the most flexibility to enjoy numerous boutique fitness classes at their convenience. Secondly, Peloton offers a variety of impressive and charismatic instructors to ensure a premium experience every session. Lastly, Peloton is increasing its spending on Research & Development from $36.6 million in FY2020 to $97.7 million in FY2021 to further expand their product line and improve their overall product quality. As of November 19th, 2021, Peloton's top 3 stakeholders are Baillie Gifford & Co., The Vanguard Group, Inc., Capital Research & Management Co., which together hold over 20% of Peloton's total stocks issued. There is a similarity between Peloton's top 3 stakeholders, that is, all of these stakeholders' top holding companies are the top tier technology companies that have huge impact on people's daily life, such as, Apple, Netflix, Amazon, Shopify, Facebook, and so on. Therefore, Peloton's investors once again proved that Peloton's mission is to bring people with the most advanced and convenient technology to improve their physical wellbeing. Peloton's main revenue stream is currently connected fitness equipment (~78% of FY21 revenue) followed by membership fees. Peloton currently offers two types of memberships including “All-Access'' ($39.99/month) and their “App Membership” ($12.99/month). Their multi-channel sales strategy includes an E-commerce platform and 123 show-room locations across The United States, Canada, Germany, and The United Kingdom. Peloton's current showrooms are located mainly in high-end malls, lifestyle centers, and premium locations. With a customer base of about 6.2 million as of September 2021, Peloton gained tremendous market traction with more people opting for “at-home fitness” during the pandemic. Looking at the changing consumer patterns post-Covid and to succeed in the long-term, Peloton must refocus its efforts towards better customer segmentation in order to achieve a wider audience reach. Currently, Peloton's focus is on customers who are seeking for improvement on their physical well-being, given all of their commercials are all about demonstrating how Peloton's products (both connected fitness products and subscription service) can improve one's physical shape; in addition, Peloton's instructors are famous for their good looking, perfect body shape, and professionalism, which also shows what customer segment Peloton is targeting. However, multiple research firms including consumer research company Mintel reports consumers are now more motivated to exercise by improving overall mental/emotional well-being than physical wellbeing. Peloton is running at a loss of $377.1 million in Q1 FY2022, and a significant majority of their revenue is from sales of Bike (Peloton FY2022 Q1 10-Q). Overall Decline or slower growth of Peloton's bike sales will have a huge impact on its profitability. In fact, Peloton has only ~6% revenue growth from FY2020 to FY2021, however, Peloton's operating expenses have increased more than double compared to FY2021, which might lead Peloton into an unfavorable situation, running out of cash. To keep growing, Peloton needs to increase their revenue growth rate. To achieve more significant growth post-Covid, it is critical for Peloton to shift its target segmentation, so it could attract a broader range of audiences.

Situation Analysis

Target Market

According to their CEO John Foley, Peloton's target demographic is "individuals who do not have time to go to the gym...these are people who have children, live in the suburbs, they have the money and the space". While this remains the core principle of the brand, Peloton has resonated with a particular subset of this population. Their quarterly shareholder report indicates that Peloton's communications are primarily focused on individuals 35-65 years old with an average income of $75,000 living in major metropolitan cities (New York City, Los Angeles and London most notably). Despite aiming many of their communication efforts at this demographic, Peloton has found recent success with a younger demographic. Specifically identifying individuals aged 21 to 35 with incomes of less than $65,000 as their fastest growing demographic.

Peloton has also made it a primary focus to segment and target consumers based on their behavioral and psychographic traits. Behaviorally, Peloton has found success with consumers who have a high use rate. Specifically limiting their target market to individuals who exercise 4-7 times a week. Unexpectedly, over the course of 2021 one of Peloton's fastest growing behavioral segments are those who have never owned a stationary bike and have found the brand's value proposition to be attractive. These values specifically link to the psychographic factors associated with Peloton's target market. Market Research conducted by Mintel indicates that the primary reason why customers have stayed with Peloton is their identification with the brand and Peloton's sense of community (Mintel - Exercise Trends, 21). Given their perceived positioning as a luxury fitness brand, Peloton has made a recent push to expand their target market to a larger group. A combination of price reductions and communications pivots have given them the opportunity to appeal to a wider audience.

Value Proposition and Core Competencies

Peloton prides themselves in offering more than traditional gyms and other “at-home” fitness providers. Throughout their recent geographic expansion efforts, Peloton has solidified their value proposition as offering an immersive, personalized, at-home workout experience that saves you time. In 2015, John Foley described Peloton’s software as their most important asset, given that it serves as the basis for encouraging customers to stay engaged with the community. Since then, their assets have expanded to include their instructors, music collaborators, and product offering. A fundamental aspect to Peloton's success is seen in the candid nature of their instructors. Despite having thousands of participants in their live classes, instructors consistently maintain an intimate environment. Subscribers are encouraged with shout outs, milestone announcements and virtual “high-fives” from instructors and community members. While other fitness providers attempt to integrate these attributes into their product offering, few have had success to the degree Peloton has. One unique feature of Peloton is their curated playlists that allow you to personalize your workout music and even have access to new songs before they release. By leveraging a partnership with Spotify, Peloton has released several rounds of their “Artist Series” which allows subscribers to experience unique fitness and music content from Beyonce, Bad Bunny, Calvin Harris, and many other popular artists. Lastly, Peloton offers their customers value by focusing on impressive product quality relative to a large majority of competitors. After releasing their Bike+ in August of 2021, paid and owned media have focused on communicating the luxury nature of their stationary bike and treadmill. Despite brands like NordicTrack offering slightly more expensive products, Consumer Research conducted by Mintel has discovered that Peloton continues to retain top of mind awareness as the premium at-home fitness brand.

Competitive Environment

Peloton faces direct competition from other at-home fitness equipment companies, and other health and wellness apps that offer classes digitally. In other words, it competes for connected fitness subscriptions (Peloton digital subscription), and with producers of fitness products.

One such competitor is NordicTrack that operates under iFit Health and Fitness Inc., and specializes in exercise bikes, treadmills, strength training equipment, and accessories. It is one of Peloton's primary competitors, offering several alternative products worldwide. They also offer virtual reality gaming products accompanying a stationary bike, beyond the regular items. The attached membership - iFit, provides customers with access to typical bike-oriented fitness classes along with classes on mindfulness meditation. This membership comes with a one-year free trial, making it a major competitor for Peloton

Another major competitor in the fitness training equipment space is Bowflex, a subsidiary of Nautilus, and includes products such as smart activity trackers, adjustable dumbbells, cardio machines, and complete home gyms. They recently launched their digital fitness platform JRNY that offers personalized workouts, coaching, and subscription to entertainment streaming platforms (Hulu, Netflix, etc.). Their VeloCore exercise bike puts it in direct competition with Peloton, as this product is known for its ability to simulate a real bike ride by tilting, leaning, and simulating muscles in the core, arms, and back. With a large presence of retail and international distribution channels, Bowflex presents a strong competition to Peloton.

Despite being a relative newcomer to the interactive fitness industry, MYX Fitness bike is a serious contender for Peloton's market, catering to customers who seek a healthy life and do not need motivation through competition. Despite offering less SKUs, MYX bike is half as expensive as the Peloton bike and possesses a swiveling, large touchscreen. Also, it provides a relatively cheaper fitness streaming subscription, making it one of Peloton's primary alternatives.

MIRROR is another company developing a connected fitness system since 2016, and is owned by Lululemon. In 2019, it was valued at $300 million, indicating that Peloton's success could be threatened by new companies that offer more innovative products. Their core product is the major reason for their success – a full-length mirror that doubles as a gym. Similar to Peloton, MIRROR membership does not accompany the product and can be purchased for an additional $39/month, giving customers access to several genres of workouts, live and on-demand classes, personal training, and unlimited access for max 6 household members. These 1-1 personal training classes give MIRROR a competitive edge over Peloton. Currently, the Mirror is used across a number of industries, such as hotels, corporate wellness programs, residential buildings, and gifting programs.

SoulCycle, owned by the Equinox Group, offers cycling and spinning workout classes through its chain of fitness studios, and also provides classes through the “SoulCycle: Indoor Cycling” app. It caters to predominantly high-income households since classes can cost upwards of $38 each, and the brand is known for its cult-like following among many fitness circles. It boasts of an incredibly loyal customer base as its strength, and aims to guide through inspirational fitness experiences to benefit the body, mind, and soul. Additionally, SoulCycle has a clothing line available in various high-end stores and has had relatively more success selling apparel than some of its competitors. This is mainly since their mission is about more than just fitness; it is about cultivating a healthy state of mind and way of life, thus making users more likely to desire to represent the brand by wearing its clothes.

Stryde is one of Peloton’s top rivals in the bike space, aiming to provide customers with the ultimate fitness experience. Though they do not offer treadmills, they provide other products apart from bikes, such as the Stryd pod that tracks the wearer’s running power and provides real-time guidance by integrating with smart watches. Their digital app offers workouts from fitness studios and independent instructors, and can be purchased independently at a $29/month subscription - $10 cheaper than Peloton’s monthly subscription.

Life Fitness is among the oldest fitness companies, with a large and dedicated following. Initially known as Lifecycle, it is recognized as the first company to create a stationary electric bicycle and later it introduced Treadmills in 1991. Their bikes are renowned for their integration capability and are compatible with several smartphones and smartwatches. Among products, it offers a large variety of training equipment for Cardio (treadmills, PowerMill Climber, Rowers, etc.), Strength training (Benches, cable columns, etc.), along with accessories. Reinventing themselves, they offer professional fitness education through their academy, a digital workout content library, and a Fitness connect app for on-demand classes.

Nike dominates the apparel sector in fitness and athleisure. However, the pandemic presented problems for Nike with falling sales and closed retail stores. Fortunately, Nike already had a Nike Training Club app in the digital space for its loyalty program and personalized apparel recommendations. Beyond that, Nike Training Club is a free app that provides a holistic training guide with free training schedules and classes held by popular athletes. In fact, it offers options for training courses in the gym as well as at home, making it less probable for users to give up the app when all gyms open at full capacity. The fact that this app is free and continues to be, could be worrisome for Peloton.

Apple stepped into the online workout space with its Apple Fitness Plus service in September. This provides new digital content on a weekly basis and includes content for both gym-workouts and workouts without equipment. The service requires both an Apple watch and an iPhone and hence, is targeted towards Apple users. Considering that Apple's premier subscription bundle 'Apple One' costs $10 less than that of Peloton's monthly subscription, several Apple users may prefer to continue within the Apple ecosystem. This makes the Apple Fitness Plus app a significant competitor for Peloton.

The company faces an indirect competition from traditional brick-and-mortar gyms for customer attention and preference.

Planet Fitness is a top choice among those looking for a traditional gym studio, as it provides an affordable membership across its 2000+ locations in the US and 24-hour access to its members in most locations. It is a popular hit for those who consider exercise as part of their regular activity away from both home and office. Its diverse exercise options make it an attractive alternative to all types of users. Due to Covid, it recorded high net losses, however, noted a solid rebound once the gyms were operational. In fact, membership is currently at 97% of pre-pandemic totals, at more than 15 million, and the stock prices have rallied ~23% YTD. At the same time, Peloton shares have dropped ~63% after their lower-than-expected financial performance. It is expected that people are likely to head back to the $10-$30 a month gym membership which seems like a bargain as opposed to Peloton's $39 per month for virtual classes, plus the price of Peloton's equipment.

LA Fitness is another competing gym chain that has been around for close to 4 decades, boasting about 400+ clubs across the US. The membership costs about the same as Peloton's monthly digital membership, however, it offers a relatively balanced workout regime with the array of equipment available as compared to Peloton.

Another aspect that could push customers towards traditional gyms is the need for socializing. According to a Time article, gym-goers find themselves much more outgoing than they were during the pre-pandemic days at the gym. The need for embracing this lost human connectivity could be partly fueling the success of traditional gym chains.

Business Challenges

In a recent attempt to shed their luxury brand positioning, Peloton cut prices for their stationary bicycles and treadmills ($400 price cut for both base models) in August. Despite losing 20% of their contribution margin, Peloton was optimistic about surpassing their sales targets with a broader price appeal. Due to “softened demand” in late 2021 for connected fitness equipment, Peloton was forced to cut their annual revenue estimates by nearly 1 billion, announcing that they would be operating a more substantial loss than previously anticipated. Most notably, Peloton cut their forecasts for new subscribers in 2022 from 3.65 million to 3.3 million. Disappointing news from their quarterly shareholder announcements led to a steep drop off in share price (48% decrease since mid-October). The deceleration of new customer acquisition can be attributed to the United States, Canada, Germany and The United Kingdom's economic reopening. As many consumers gradually return to traditional gyms, at-home fitness companies like Peloton are finding it increasingly hard to incentivize purchases of their equipment and subscription services. It’s clear that Peloton’s current target market is not substantial enough to endure these current changes in consumer behavior. Without major changes in their value proposition, Peloton will find it increasingly difficult to persuade consumers to stay loyal to their products and subscription services. Indirect competitors like traditional gyms will continue to offer access to a wider variety of equipment at a cheaper price, forcing Peloton to communicate their value in different ways. Similarly, direct competitors like NordicTrack and SoulCycle will continue to offer high quality products to a similar target market; while low-cost providers like Bowflex will retain market share from lower income fitness fanatics. Ultimately, the most pressing business challenge for Pelton to hurdle is widening Peloton’s appeal to a larger market by altering its segment targeting strategy, and creating a more resonating value proposition to a larger audience.

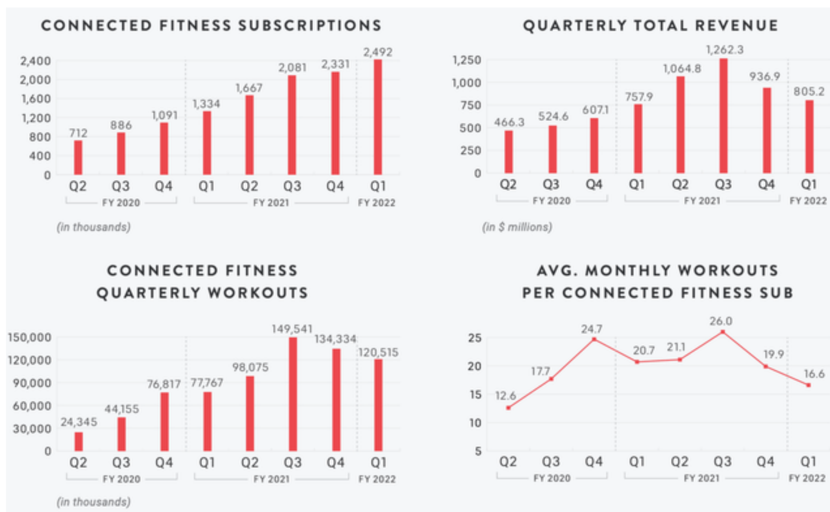
Situation Analysis Summary

In summary, Peloton provides high quality, personalized fitness equipment and services to a limited market of consumers. Originally targeting medium to high income earners who are fitness centric and have little to no spare time, Peloton has recently noticed increased adoption from lower income segments. Specifically observing unexpected growth from consumers who have not owned expensive fitness equipment in the past. Priding themselves in offering an intimate, personalized, workout experience, Peloton’s unique media and community building features allowed them to operate comfortably. But in late 2021, Peloton has seen the emergence of a complex business challenge resulting in lower sales and revenue expectations. Currently operating in a highly aggressive environment, Peloton is experiencing pressures from direct and indirect competitors. Directly, Peloton is competing with established brands like Bowflex and Echelon who offer low-cost fitness equipment and less personalized features. Simultaneously, Peloton competes with comparable fitness providers like NordicTrack who provide high quality fitness equipment and SoulCycle who offer luxury classes that cater to high income individuals. As premium at-home fitness brands expand their offerings and features, Peloton's "unique" positioning isn't nearly as unique as previously anticipated. Indirect competition from traditional fitness providers remains a consistent threat for Peloton's vulnerable market share. As economic reopening continues, traditional gyms are seeing their membership rates return to pre-pandemic levels. Capitalizing on consumers staying home during COVID-19 was an effective short-term strategy that allowed for Peloton to become a house-hold name. A combination of being a first mover in at-home connected fitness and being "in the right place at the right time" has given Peloton the chance to establish themselves as a substantial player in the fitness industry. But, as an increasing number of consumers return to normal life, Peloton will need to rethink how they approach a continuously changing environment.

Marketing Issue Identification

Issues

Peloton's most recent quarter performance was miserable. This was because of the Connected Fitness segment which posted a 17% year on year decline to 501 million dollars because of fewer Peloton Bike deliveries, a price cut in the Peloton Bike and the recall of the Peloton Tread. Excluding Precor, which is a recent acquisition, the performance of Connected Fitness was even worse with the revenue dropping by about 27% year on year. While Peloton had gained impressive success and hit a new height in stock price during the pandemic, this growing brand encountered significant threats and difficulties of maintaining the existing customer base and consumer growth rates during the post-pandemic period. According to Peloton's 2021 Q4 report, the company fears their ability to maintain and "gain acceptable subscriber levels to support their growth goals". In addition, according to the company's FY2021 annual report, Peloton's average monthly workouts per connected fitness subscriber witnessed a sharp decline of 23% QoQ, reducing from 26 hours workouts per month per subscriber in Q3 to 19.9 hours in Q4. The average workout hours per customer have significantly dropped as the pandemic gradually fades away, and it is hard to maintain the momentum of growth. Further analysis uncovers that the growth of average monthly workouts has lost its momentum, suggesting that indoor fitness is becoming less attractive as the economy reopens. Based on a CNBC report, new research shows that “more people are heading back to the gym”, and “traffic at gyms nationwide was back to 83% of January 2020 levels, and down just 6% from the same period in 2019”. Additionally, the report also points out that people show the most interest in indoor fitness equipment in April 2020, but the trend of using such equipment has waned to an all-time pandemic low. Unfortunately, taking into account their past four shareholder letters, this situation has brought Peloton a huge problem that its subscriber growth is slowing and their monthly churn rate is gradually increasing. Considering that Peloton is functioning in a highly competitive market, consumers are faced with the enticing option to pay significantly less for a local gym or for comparative online fitness services.



Another issue that Peloton faces is the heavy competition among the whole fitness equipment industry. As competition intensifies, Peloton can hardly maintain its current market share without a loyal customer base, and this condition will directly have a negative impact on its revenue streams and cash flow. Meanwhile in the U.S, consumers are becoming increasingly price sensitive in the endurance equipment category. Consumer Research Company Mintel reports decreasing consumer interest in purchasing internet connected endurance machines as compared to non-internet connected endurance machines. Unfortunately, if this trend continues, Peloton will be facing a major contraction in customer acquisition and high-end stationary bike sales (approximately 78% of their FY2021 revenue). All else equal, this could add to Peloton’s most recent net loss of $189 million in FY2022, placing the company in unfavorable financial conditions.

Besides, consumers in the US are becoming more aware of their mental health instead of just physical wellbeing. Consumer Research Company Mintel reports consumers are now more motivated to exercise by improving overall mental/emotional well-being than physical wellbeing. The reason why people can obtain mental health through exercising is because, according to the American Psychological Association, physical activity can actually “trigger a release of dopamine and serotonin, which can improve mood." since it has not launched any specific strategy to target the group of people who exercise just for mental health. The failure of addressing an appropriate customer segmentation strategy directly leads to the loss of potential customers.

During the post-pandemic period, the investor outlook on Peloton's ability to maintain market share was becoming less optimistic, and their attitudes were reflected in the continuous slump in share price. The first factor that contributed to this problem was the changing consumer preferences due to economic reopening. As fitness places reopened, people who were used to going to the gym may shift their exercising places from home to gym. Once shareholders noticed this unfavorable changing pattern, they were more likely to sell the stock. The second factor was that some of the supporters have limited market scope, which motivated them to sell out the Peloton stocks especially when they underrated the indoor fitness equipment industry. The third reason was that Peloton still maintained increasingly high operating costs. The operating cost was still surprisingly high as Peloton tried to increase sales and marketing efforts, expand into new geographies, invest in research development and expand their operational/retail infrastructure.

Root Causes of Issue

It is clear that the root cause for the above issues is the U.S's gradual economic reopening which has led many potential customers to return to traditional gyms. This has caused the consumer growth to decrease and has caused competitors to become cannibalistic. As mentioned above, without a strong loyal customer base, Peloton can probably lose its original and potential customers.

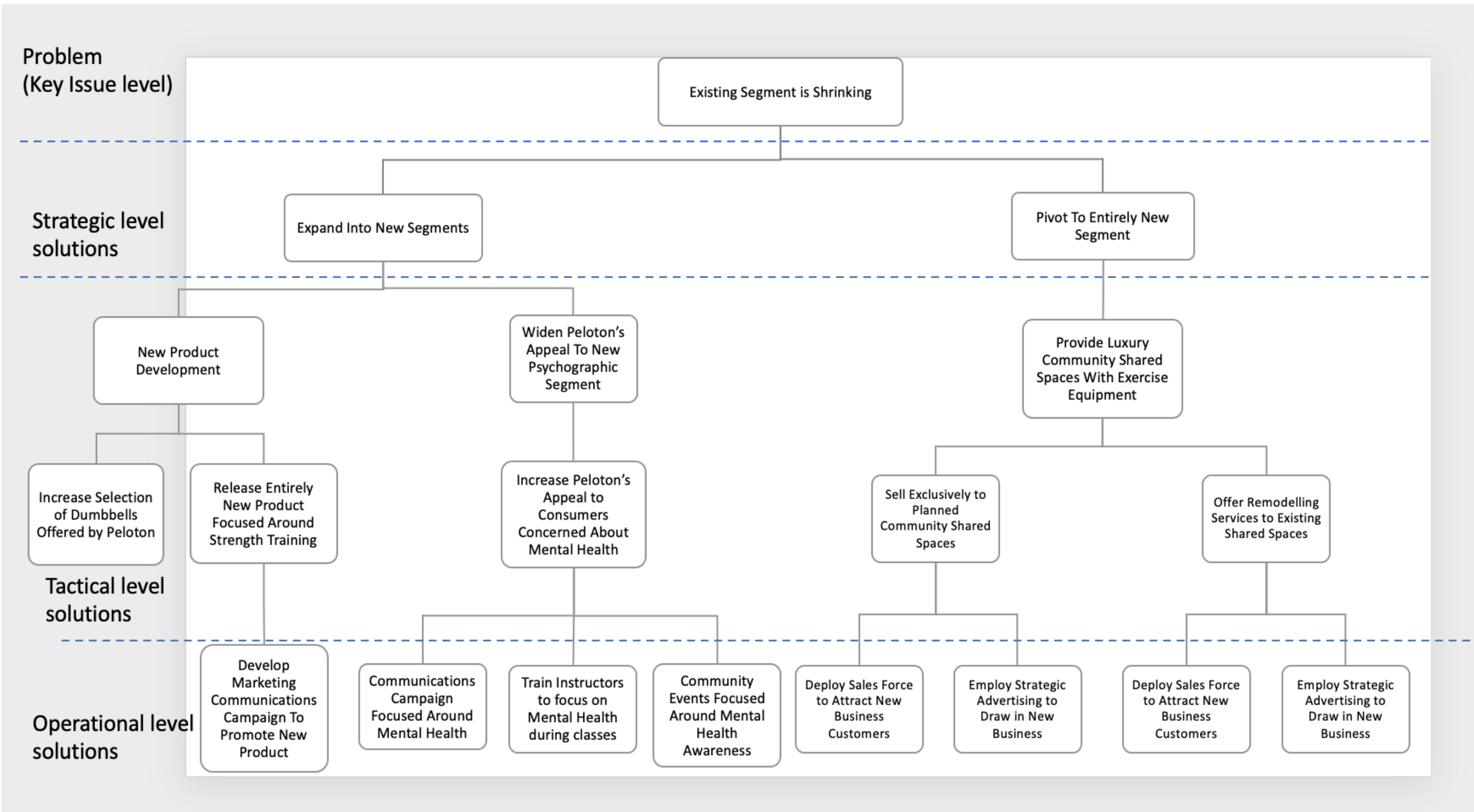
The most urgent marketing issue for Peloton to solve is their inadequate customer segmentation strategy. Currently, Peloton pursues a behavioral segmentation strategy, specifically targeting health-conscious consumers with high exercise equipment usage rates (5-7 times a week). While this niche is profitable, it doesn't adequately support their growth initiatives and in fact limits the company's growth potential. A narrow and inadequate segmentation strategy like this is unable to promote Peloton's sales since it fails to target the most active consumer groups efficiently. In the current situation, Peloton should pursue a more effective segmentation and targeting strategy amongst potential consumers who exercise for mental health since they are a huge section of the general population, as reported. This would result in a diversification of the target population and would result in the number of customers increasing exponentially. If Peloton springs into action immediately, it is probable that it will be able to attract a huge section of the population who are just beginning to return to the gym. By doing this, they would be pursuing a Market Development Strategy, specifically looking to pursue a new segment with their existing product offering.

Importance of the Issue

With market specialization, by targeting a more active group of users who work out for mental wellbeing, the number of potential customers and the product sales can be rapidly pushed up. The niche-targeting strategy that Peloton has been following works in a situation where gyms are closed and there are a good number of people who are looking to buy exercise equipment. However, in the present situation, where gyms are reopening and are a cheaper alternative to home-exercise equipment this niche targeting strategy is bound to fail. The increased competition from brands like Lululemon who are also facing similar problems to Peloton only compounds the conundrum. However, by changing their targeting strategy, Peloton can gain increased market share and become more competitive among the industry. According to a report provided by Seeking Alpha, Peloton's market share in the fitness equipment industry "has swelled to 10.1% from just 1.3% in 2017", and it can potentially reach 37% by 2023.

Meanwhile, the company's increased market share can positively impact its brand equity and revenue streams. If the addressed customer segmentation strategy works successfully, Peloton's products will be well recognized by the market, and clients' loyalty to its products and brand will also be built. Also, with the new targeting and marketing strategy, the number of people who are exposed to the brand name of Peloton will increase exponentially. This will cause the brand equity of Peloton to skyrocket. Operating in a niche market earlier had severely limited the growth potential of the brand equity of Peloton and was a major limitation of the previous strategy. However, this can be rectified now. Additionally, Peloton's long-term aim is to bring connected fitness to millions of people's homes, and this new targeting strategy could be seen as the next step for Peloton. It does make a virtue out of a necessity but might be seen as a logical next step in Peloton's growth. In this case, the company's reputation can be enhanced and a strong brand awareness can be built as a consequence. Peloton already has a strong following and this has resulted in what is called the "Peloton Cult". But right now, Peloton's focus should be on increasing the number of its loyal customers. Peloton tried doing that by decreasing the price of the Peloton Bike. However, it looks like Peloton will have to make bigger changes than just decreasing the price to attract more customers. Peloton's management has plans to expand commercially into universities, apartment buildings, hotels, corporate campuses and the like. Our customer segmentation approach will certainly reinforce the brand's image in the eyes of the public and help this expansion planned by the Peloton management.

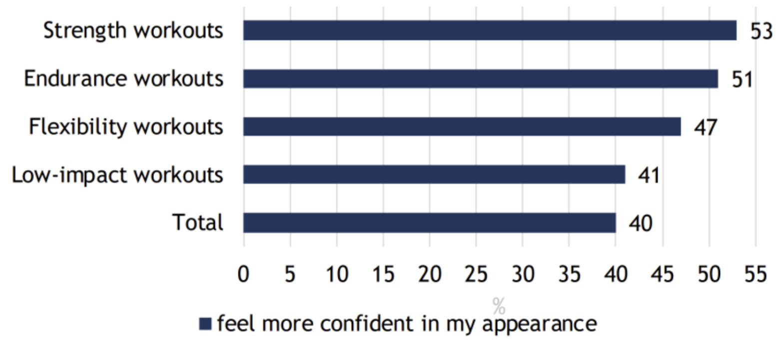
Identification of Possible Solutions



This solution tree visually represents the variety of choices that are available to Peloton in order to solve their current issue. Generally speaking, Peloton could expand their existing target market to encompass additional segments (Solution 1 and Solution 2). Alternatively, Peloton could pivot entirely to a new market segment and leave selling to individuals behind (Solution 3). Each of these solutions have various costs, benefits and implementation times involved, but their associated goal is the same, accounting for the shrinking market segment that Peloton relies on. Details of these alternative solutions are described below.

Solution 1: Aim to Satisfy Strength Training Market Segment

Despite the wide variety of motivations people have for working out, consumers normally partake in two forms of exercising. Whether they are exercising at home or in a traditional facility, people either commit their time to cardio, strength or a mix of both. Peloton currently pursues a segment that is mostly concerned with cardio based exercise. While their current product offering includes weights, they have limited their selection to 30-pound dumbbells. For many consumers, these dumbbells work as a way to condition and tone muscles. But, a fundamental part of strength training is the gradual progression to higher weights with lower repetitions. According to Consumer Research conducted by Mintel, 53% of gym-goers are motivated to exercise to increase strength and muscle mass. While there is certainly overlap between this group and those who want to increase endurance, there is still a considerable portion of customers who won't find substantial value in Peloton's existing product offering. They certainly won't find enough value to pay luxury prices for a service that doesn't fully fulfill their fitness needs.



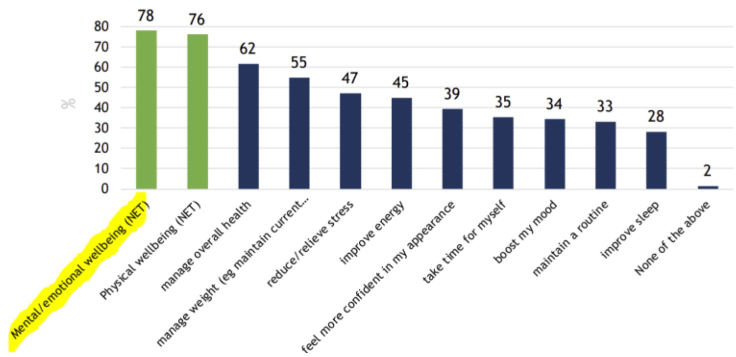
In order to sufficiently grow the available market to support their long-term goals, Peloton should expand their current product offering. This strategy can come in two forms. Firstly, and most simplistic, Peloton can offer a greater variety of dumbbells that satisfy the needs of consumers who care about strength. From a logistical standpoint Peloton would need to increase their production and shipping capabilities to increase their newfound portfolio depth. A second solution is to launch a completely new product that satisfies consumers who are invested in strength training. Companies like Tonal and NordicTrack currently offer products that provide "all-in-one" bench press, squat, and high resistance training capabilities. By developing a product that emulates many of these same capabilities, Peloton could offer an all-encompassing fitness experience for their customers. This would allow them to effectively compete with traditional gyms who have been stealing a considerable amount of Peloton's consumer base. An additional benefit to the development of a strength training product is the inherent alignment with Peloton's existing principles. Primarily, providing a convenient, connected fitness solution that allows you to join a community of like-minded individuals. With newly built manufacturing facilities, process familiarity, and an established brand image, Peloton possesses many of the requirements to be successful in a new product category.

Solution 2: Increase Stress on Mental Health Benefits

As the pandemic associated with COVID-19 comes to a close, there has been an increase in concern about the mental health of Americans. Financial difficulties, social issues, and the loss of loved ones have contributed to a considerable uptick in mental and emotional stress for many people. These trends have led to a large push from consumers to put more effort into taking care of themselves mentally, as well as physically. According to Mintel's Exercise Trend Consumer Study conducted in mid-2021, 53% of consumers said that "the pandemic made them realize they want to take better care of their mental health, with a vast majority of consumers achieving this from exercise". For the first time ever, a larger portion of Americans are motivated to exercise for their emotional well-being than their physical well-being. This growing market segment gives Peloton an opportunity to drastically increase their product offering's appeal to a larger audience. According to The Global Wellness Institute, the value of The United States Mental Wellness Market was $121 Billion in 2020 [1) senses, spaces and sleep ($49.5 billion), 2) brain-boosting nutraceuticals & botanicals ($34.8 billion), 3) self-improvement ($33.6 billion), and 4) meditation and mindfulness ($2.9 billion)] and has a projected CAGR of 3.5%. The rapidly expanding nature of this market provides a lucrative opportunity to support Peloton's growth goals.

FIGURE 21: MOTIVATIONS TO EXERCISE, 2021

"Which of the following motivates you to exercise?"



This would involve Peloton expanding their value proposition to include a mental health appeal, in tandem with their existing value proposition (convenience, accepting community, physical benefits). When implementing this strategy, it is important that Peloton doesn't completely pivot to a new value proposition altogether. Throughout the last two years, Peloton has proven that their existing appeal is effective for a certain consumer segment, but that segment is shrinking. Instead, Peloton should launch targeted communications initiatives that allow them to reach a wider audience (fitness centric and mental health concerned segments). By doing this Peloton would implement a more encompassing appeal that resonates with a larger group. Many of the existing benefits already associated with Peloton's Brand will allow them to launch this solution effectively. For example, their accepting and intimate community of users and instructors provide a safe environment for consumers who care about their mental health. Alternatively, consumers who value informational appeals would be more easily persuaded by the plethora of data linking mental health benefits to frequent cardiovascular stimulation.

Solution 3: Pivoting the target market to community shared spaces

Community shared spaces like gyms, apartment complexes and the like are a huge market that Peloton has not yet tapped into. The recent acquisition of Precor by Peloton gives Peloton access to Precor's connections with commercial gyms. The management of Precor also has desires to expand commercially into universities, corporate campuses, apartment buildings and hotels. In fact, William Lynch, the President of Peloton had this to say about Peloton's plans to expand commercially:

"And then, also, that channel not only is a good business for us as it reemerges, it's also an incredible lead generation channel… When a traveler goes into a Westin and gets on their Peloton in the morning and tries it using our trial, we get that lead capture... And so, it's not only a business that we think has a lot of, financially, has a lot of upside going forward given the catalog."

Peloton could act on this idea of William Lynch and completely pivot their marketing strategy to target community shared spaces only. The untapped potential of this market could prove to be very lucrative for Peloton in the long run. This could involve Peloton exclusively targeting newly built luxury commercial spaces or offering remodeling services to existing commercial spaces. In this case, Peloton could offer heavy discounts because the sales will be in bulk. Most of Peloton's revenue could then be gained by subscriptions in bulk. All this could be implemented with either sales force to attract new customers or strategic advertising to draw in new businesses.

According to BusinessWire, the home fitness equipment market is expected to reach 8.34 billion dollars in 2025 from 8.42 billion dollars in 2020 at a CAGR of -4%. On the other hand, the connected gym equipment market was valued at 510.5 million dollars in 2020 and is expected to reach 3.47 billion dollars by 2028 and is thus expected to grow at a CAGR of 7.03% during this time period. It therefore makes sense that Peloton should target the commercial gym equipment market and also target the other community shared spaces.

Evaluation and Choice of Solution

Solution 1: Aim to Satisfy Strength Training Market Segment

To break into the strength training segment, Peloton needs to increase its budget significantly on R&D in order to make an “all-in-one" strength training product. In our assumption, cost on "subscription" will always be increasing in line with the "subscription" revenue for all solutions. As the number of subscribers increases, in order to satisfy customers, there will be extra costs to maintain and improve its subscription services. Peloton could launch a new strength training product with a year of development, which we assume will contribute to its revenue growth at the same rate as when it first announced the treadmill. As the new product finds traction, with a good product market fit, revenue will keep growing steady for a longer period of time. Based on the projection model below, Peloton will generate $97.31 million in net income by first quarter of 2024 with all other factors being equal. Over a two-year period, the ROI for this case is 5.96% with total investment of ~ $5,843 million and a total return of ~$ 6,191 million.

	2022 Q1		2022 Q2		2022 Q3		2022 Q4		2023 Q1		2023 Q2		2023 Q3		2023 Q4		2024 Q1
Revenue:																	
Connected Fitness Products	501.10	-18%	410.90	-5%	390.36	3%	402.07	16%	466.40	24%	578.33	45%	838.58	35%	1,132.09	30%	1,471.72
Subscription	304.10	5%	319.31	5%	335.27	5%	352.03	5%	369.64	5%	388.12	5%	407.52	5%	427.90	5%	449.29
other	-		-		-		-		-		-		-		-		-
Total revenue	805.20	-9%	730.21	-1%	725.63	4%	754.10	11%	836.03	16%	966.45	29%	1,246.11	25%	1,559.99	23%	1,921.01
Cost of revenue:																	
Connected Fitness Products	441.10	-5%	419.62	-5%	398.64	-5%	378.71	-5%	359.77	-5%	341.78	-5%	324.69	-5%	308.46	-5%	293.04
Subscription	101.40	5%	106.47	5%	111.79	5%	117.38	5%	123.25	5%	129.41	5%	135.89	5%	142.68	5%	149.81
other	-		-		-		-		-		-		-		-		-
Total cost of revenue	542.50	-3%	526.09	-3%	510.43	-3%	496.09	-3%	483.02	-2%	471.20	-2%	460.58	-2%	451.14	-2%	442.85
Gross profit	262.70		204.12		215.19		258.01		353.01		495.25		785.53		1,108.85		1,478.16
Operating expenses:																	
Sales and marketing	284.40	5%	298.62	5%	313.55	10%	344.91	15%	396.64	15%	456.14	15%	524.56	15%	603.24	15%	693.73
General and administrative	240.30	3%	247.51	3%	254.93	3%	262.58	3%	270.46	8%	292.10	8%	315.46	8%	340.70	8%	367.96
Research and development	97.70	25%	122.13	30%	158.76	30%	206.39	10%	227.03	10%	249.73	10%	274.71	5%	288.44	5%	302.86
Total operating expenses	622.40	7%	668.25	9%	727.25	12%	813.88	10%	894.13	12%	997.97	12%	1,114.73	11%	1,232.39	11%	1,364.55
(Loss) income from operations	(359.70)		(464.14)		(512.05)		(555.87)		(541.12)		(502.72)		(329.20)		(123.54)		113.61
Other (expense) income, net:																	
Interest expense	(8.60)		(8.60)		(8.60)		(8.60)		(8.60)		(8.60)		(8.60)		(8.60)		(8.60)
Interest income	0.60		0.60		0.60		0.60		0.60		0.60		0.60		0.60		0.60
Foreign exchange losses	(5.20)		(5.20)		(5.20)		(5.20)		(5.20)		(5.20)		(5.20)		(5.20)		(5.20)
Other (expense) income, net	(0.70)		(0.70)		(0.70)		(0.70)		(0.70)		(0.70)		(0.70)		(0.70)		(0.70)
Total other (expense) income, net	(13.90)		(13.90)		(13.90)		(13.90)		(13.90)		(13.90)		(13.90)		(13.90)		(13.90)
(Loss) income before provision for income taxes	(373.60)		(478.04)		(525.95)		(569.77)		(555.02)		(516.62)		(343.10)		(137.44)		99.71
Income tax expense	2.40		2.40		2.40		2.40		2.40		2.40		2.40		2.40		2.40
Net (loss) income	(376.00)		(480.44)		(528.35)		(572.17)		(557.42)		(519.02)		(345.50)		(139.84)		97.31

Solution 1 ($ in millions)

Investment	5,843.54	ROI	5.96%
Return	6,191.55		

Solution 2: Increase Stress on Mental Health Benefits

The value of The United States Mental Wellness Market was $121 Billion in 2020, 2.5% of this market is roughly $3 billion. If Peloton follows the strategy of expanding its target market segmentation to include mental health, in our assumption, it will first need to increase spending on marketing. In order to create more budget for marketing with limited ability to fund, Peloton needs to reduce all other budgets. With the extra budgets on marketing to target customers who care about their mental wellbeing, Peloton App will quickly gain traction in this segment. After the number of Peloton App users increase, part of this user base will end up buying Peloton products and upgrade their subscription plan for a better experience. As the fly wheel starts to spin, Peloton will benefit from a short period of high growth, eventually taking down the 2.5% of the Mental Wellness Market. In this case, the model predicts that Peloton will have a net income of $339.63 million by first quarter 2024 with all other factors being equal. Over a two-year period, the ROI is 6.38% with a total investment of ~ $6,874 million and a total return of ~$ 7,313 million.

	2022 Q1		2022 Q2		2022 Q3		2022 Q4		2023 Q1		2023 Q2		2023 Q3		2023 Q4		2024 Q1
Revenue:																	
Connected Fitness Products	501.10	-18%	410.90	3%	423.23	10%	465.55	20%	558.66	30%	726.26	35%	980.45	38%	1,353.02	40%	1,894.23
Subscription	304.10	5%	319.31	15%	367.20	18%	433.30	20%	519.96	25%	649.95	25%	812.43	30%	1,056.16	30%	1,373.01
other	-		-		-		-		-		-		-		-		-
Total revenue	805.20	-9%	730.21	8%	790.43	14%	898.85	20%	1,078.62	28%	1,376.21	30%	1,792.88	34%	2,409.19	36%	3,267.24
Cost of revenue:																	
Connected Fitness Products	441.10	-5%	419.62	-5%	398.64	-5%	378.71	-5%	359.77	-5%	341.78	-5%	324.69	-5%	308.46	-5%	293.04
Subscription	101.40	5%	106.47	5%	111.79	10%	122.97	10%	135.27	10%	148.80	15%	171.12	20%	205.34	20%	246.41
other	-		-		-		-		-		-		-		-		-
Total cost of revenue	542.50	-3%	526.09	-3%	510.43	-2%	501.68	-1%	495.04	-1%	490.58	1%	495.81	4%	513.80	5%	539.44
Gross profit	262.70		204.12		280.00		397.17		583.58		885.63		1,297.07		1,895.39		2,727.80
Operating expenses:																	
Sales and marketing	284.40	20%	341.28	20%	409.54	20%	491.44	20%	589.73	20%	707.68	35%	955.37	35%	1,289.74	40%	1,805.64
General and administrative	240.30	3%	247.51	3%	254.93	3%	262.58	5%	275.71	8%	297.77	10%	327.55	12%	366.85	15%	421.88
Research and development	97.70	5%	102.59	5%	107.71	5%	113.10	5%	118.75	5%	124.69	5%	130.93	5%	137.47	5%	144.35
Total operating expenses	622.40	11%	691.37	12%	772.18	12%	867.13	14%	984.20	15%	1,130.14	25%	1,413.84	27%	1,794.07	32%	2,371.87
(Loss) income from operations	(359.70)		(487.26)		(492.19)		(469.96)		(400.62)		(244.51)		(116.76)		101.32		355.93
Other (expense) income, net:																	
Interest expense	(8.60)		(8.60)		(8.60)		(8.60)		(8.60)		(8.60)		(8.60)		(8.60)		(8.60)
Interest income	0.60		0.60		0.60		0.60		0.60		0.60		0.60		0.60		0.60
Foreign exchange losses	(5.20)		(5.20)		(5.20)		(5.20)		(5.20)		(5.20)		(5.20)		(5.20)		(5.20)
Other (expense) income, net	(0.70)		(0.70)		(0.70)		(0.70)		(0.70)		(0.70)		(0.70)		(0.70)		(0.70)
Total other (expense) income, net	(13.90)		(13.90)		(13.90)		(13.90)		(13.90)		(13.90)		(13.90)		(13.90)		(13.90)
(Loss) income before provision for income taxes	(373.60)		(501.16)		(506.09)		(483.86)		(414.52)		(258.41)		(130.66)		87.42		342.03
Income tax expense	2.40		2.40		2.40		2.40		2.40		2.40		2.40		2.40		2.40
Net (loss) income	(376.00)		(503.56)		(508.49)		(486.26)		(416.92)		(260.81)		(133.06)		85.02		339.63

Solution 2	($ in millions)		
Investement	$ 6,874.82	ROI	6.38%
Return	$ 7,313.42		

Solution 3: Pivoting the target market to community shared spaces

To successfully pivot the business model to Business-to-Business, in our assumption, Peloton needs to increase its salesforce as much as possible. At the same time, Peloton will also maintain its marketing spending for more board audiences to learn about this pivot. As Peloton keeps spending on salesforce, it will attract more deals from either apartment complexes or gyms. This will result in an increase in revenue growth on both Connected Fitness Products and

Subscription, because customers will also need to pay for subscription for access to the full Peloton experience. However, the revenue growth will be lower, since most of sales will be wholesale at a cheaper price point. With this strategy, the model predicts Peloton will be able to achieve $54.81 million net income by the first quarter of 2024 with all other factors being equal. Over a two-year period, the ROI is -26% with a total investment of ~ $8,922 million and a total return of ~$6,615 million.

	2022 Q1		2022 Q2		2022 Q3		2022 Q4		2023 Q1		2023 Q2		2023 Q3		2023 Q4		2024 Q1
Revenue:																	
Connected Fitness Products	501.10	-18%	410.90	-5%	390.36	15%	448.91	20%	538.69	25%	673.37	30%	875.38	35%	1,181.76	35%	1,595.37
Subscription	304.10	5%	319.31	10%	351.24	10%	386.36	12%	432.72	14%	493.30	16%	572.23	18%	675.23	20%	810.28
other	-		-		-		-		-		-		-		-		-
Total revenue	805.20	-9%	730.21	2%	741.59	13%	835.27	16%	971.41	20%	1,166.67	24%	1,447.61	28%	1,856.99	30%	2,405.65
Cost of revenue:																	
Connected Fitness Products	441.10	-5%	419.62	-5%	398.64	-5%	378.71	-5%	359.77	-5%	341.78	-5%	324.69	-5%	308.46	-5%	293.04
Subscription	101.40	5%	106.47	5%	111.79	8%	120.74	8%	130.40	10%	143.44	10%	157.78	10%	173.56	10%	190.91
other	-		-		-		-		-		-		-		-		-
Total cost of revenue	542.50	-3%	526.09	-3%	510.43	-2%	499.44	-2%	490.17	-1%	485.22	-1%	482.47	0%	482.02	0%	483.95
Gross profit	262.70		204.12		231.16		335.83		481.25		681.45		965.13		1,374.97		1,921.70
Operating expenses:																	
Sales and marketing	284.40	10%	312.84	10%	344.12	10%	378.54	12%	423.96	14%	483.32	14%	550.98	14%	628.12	14%	716.05
General and administrative	240.30	15%	276.35	20%	331.61	20%	397.94	20%	477.52	20%	573.03	20%	687.63	20%	825.16	20%	990.19
Research and development	97.70	5%	102.59	5%	107.71	5%	113.10	5%	118.75	5%	124.69	5%	130.93	5%	137.47	5%	144.35
Total operating expenses	622.40	11%	691.77	13%	783.45	14%	889.57	15%	1,020.24	16%	1,181.04	16%	1,369.54	16%	1,590.75	16%	1,850.59
(Loss) income from operations	(359.70)		(487.65)		(552.29)		(553.75)		(538.99)		(499.59)		(404.41)		(215.78)		71.11
Other (expense) income, net:																	
Interest expense	(8.60)		(8.60)		(8.60)		(8.60)		(8.60)		(8.60)		(8.60)		(8.60)		(8.60)
Interest income	0.60		0.60		0.60		0.60		0.60		0.60		0.60		0.60		0.60
Foreign exchange losses	(5.20)		(5.20)		(5.20)		(5.20)		(5.20)		(5.20)		(5.20)		(5.20)		(5.20)
Other (expense) income, net	(0.70)		(0.70)		(0.70)		(0.70)		(0.70)		(0.70)		(0.70)		(0.70)		(0.70)
Total other (expense) income, net	(13.90)		(13.90)		(13.90)		(13.90)		(13.90)		(13.90)		(13.90)		(13.90)		(13.90)
(Loss) income before provision for income ta	(373.60)		(501.55)		(566.19)		(567.65)		(552.89)		(513.49)		(418.31)		(229.68)		57.21
Income tax expense	2.40		2.40		2.40		2.40		2.40		2.40		2.40		2.40		2.40
Net (loss) income	(376.00)		(503.95)		(568.59)		(570.05)		(555.29)		(515.89)		(420.71)		(232.08)		54.81

Solution 3 ($ in millions)

Investment	8,922.06	ROI	-26%
Return	6,615.83		

Summary

				Strength Training Market Segment	Increase Stress on Mental Health Benefits	Pivot to community shared spaces
Evaluation Area	**Key Evaluation Criteria**	**Stakeholder Perspective**	**Importance (vs. other Eval criteria)**	**Alternative-1**	**Alternative-2**	**Alternative-3**
Strategic	Competitive Advantage Fit	Company - Top management	Very High	Fair match	Good match	Poor Match
		Score	20%	3	4	1
		Weighed score		0.6	0.8	0.2
Financial	ROI	Company - Shareholders	Very High	5.90%	6%	-25%
		Score	20%	2	1	5
		Weighed score		0.4	0.2	1
Market	Market Share Change	Company - Sales & Marketing	Very High	8%	3%	N/A
		Score	20%	5	3	0
		Weighed score		1	0.6	0
Process	Timeline	Company - Top management	Medium	Longest	Short	Medium
		Score	10%	1	5	3
		Weighed score		0.1	0.5	0.3
Skills & Capabilities	Existing Resources and Process Knowledge	Company - Top management	High	Minimal	Maximum	Medium
		Score	15%	1	5	3
		Weighed score		0.15	0.75	0.45
Risk	Likelihood of failure (negative ROI)	Company - Shareholders	High	Maximum Risk (50%)	Minimal (15%)	High Risk (30%)
		Score	15%	1	5	3
		Weighed score		0.15	0.75	0.45
Total Weighed Scores			**1**	**13**	**23**	**15**
Ranking of Alternatives				**2**	**1**	**3**

Choice of Solution

Based on the weighted scores calculated in the evaluation matrix, alternative solution 2 seems to be the most appropriate choice for Peloton to seize potential growth opportunities. Peloton's current users are people who are seeking at-home cardio training with high quality boutique classes available as their convenience. Solution 2 involves a domestic segmentation expanding strategy to capture potential consumers who care more about their mental wellbeing and haven't been targeted in previous campaigns. This insight indicates major room for growth, giving Peloton an opportunity for increased reach and brand equity. Compared to Alternative solution 1 and 3, solution 2 offers impressive gains in ROI, and net profit. With a relatively low level of Risk for failure. More specifics on solution 2 are included in the following section.

Action Plan

Solution Method	Key Activities	Task Owner	Timeframe	Resources		Deliverables (Estimated)	Status
				Time	Cost (in million $)		
Release New Product Focused on Strength Training & Target New Segment of Customers Who Long for Strength Training	- Develop Marketing Campaigns for these strength training equipment - Release advertisements on social media platforms, such as Facebook and Instagram - hire professional strength training influencers like JuliaGilas to shoot a video using Peloton's new product - Offer 15% off discounts for new users who have never purchased from Peloton or new subscribers of the streaming service - Offer 10% off discounts for existing customers or subscribers	Top Management, Marketing Department, Product Design, and Sales Department	2022 - 2024	2 years Both releasing new products and targeting new customer groups are long-term issues since there may be new colors/designs coming out every year.	$5,843	-~$6bn revenue generation from increasing equipment sales by end of 2 years - Gain positive net income by 2024 - Gain approximately 6.4 million more new targeted customers - At least 6% increase in subscriber base	Not yet started

Target New Group of People who Want to Improve Mental Wellbeing through Exercising	- Organize communication campaigns focused on mental health; Explain to people how exercising using Peloton's project helps to improve mental health - Train Peloton instructors for the sake of helping members improve mental status. - More exercise courses related to mental health improvement can be released on Peloton's platform (e.g., Yoga, Meditation before fitness routine, etc.) - Community events in targeted neighborhoods regarding mental health can be held regularly, especially during weekends and holidays.	Top Management, Marketing Department	2022 - 2024	2 years Targeting new customer groups is a long-term issue.	$6,874	- ~7bn revenue generated from increasing number of subscriptions through focus on mental health - Gain 7.2 million more potential customers - At least 11.6% increase in customer base	Not yet started

Target Planned Community shared spaces to Sell Equipment Exclusively	- Hire or deploy salesforce that are familiar with the targeted neighborhood to attract new business customers - Offer a specific lower price/discount for the selected community which does not have good enough fitness equipment; they will need to pay subscription fee for the streaming service every month - Permits the targeted community shared spaces to sell Peloton products; customers who buy Peloton stuff from these places will receive 10% discounts and three-month free trials for streaming service.	Top Management, Sales and Marketing department	2022 - 2024	2 years Targeting new business customers to provide equipment to their shared spaces - which has not been Peloton's focus, would be a time-intensive process	$8,922	- ~$6.6bn increase in revenue stream by at least 5.7% through equipment sales to new businesses. - Improved revenues from subscription fee by at least 7.2%	Not yet started

Target existing communities to remodel their shared spaces	- Attract new business customers, i.e., existing luxury communities by deploying a strong area-specific salesforce to identify such communities and remodel their existing shared spaces with Peloton products - Offer discounts/rebates to high-purchase customers - Charge monthly subscription fee for accessing the streaming services - Host events/gatherings near the community to build brand awareness offering coupons/free trials, etc.	Top Management, Marketing and Sales department	2022 - 2024	2 years Remodeling/ Shifting equipment for multiple communities would be time-consuming, and marketing for remodeling would be a long-term issue as well	$9,384	- Increase in revenue stream by at least 3.9% through equipment sales - Improve in revenue stream from subscription fee by at least 5.2%	Not yet started

Appendix

Appendix A.
Porter's Five Forces

Force	Analysis
Threat of New Entrants (Low/Moderate)	- Many companies lack the necessary assets to launch a seriously competitive connected fitness brand - Peloton's recent sales numbers have indicated to many brands that the at-home connected fitness industry may have peaked - Providers of applications that provide at-home fitness content continue to enter the market
Bargaining Power of Buyers (Moderate)	- Peloton, in an attempt to widen their consumer base has reduced prices of their treadmills and stationary bikes - Have remained consistent on their subscription prices - Customers (after equipment purchase) incur low switching costs - Peloton offers differentiated and higher quality products/services

Threat of Substitute Products (High)	- Peloton's cardio-based offering can easily be substituted by a variety of offerings
	  - Conventional Gyms
	  - Other "At-Home" Workouts
	  - Traditional Cardio (Biking, Running etc.)

Bargaining Power of Suppliers (Moderate)	- In early 2020 Peloton acquired a major Chinese manufacturer and has established ownership of many of its supply chain segments - Peloton has announced their construction of a domestic manufacturing plant and will be functional by 2023
Rivalry Among Existing Competitors (Moderate/High)	- Peloton's low-cost competitors (Bowflex, ProForm, Echelon) offer cheaper workout equipment that fulfill many consumers' needs - Competitors that offer equipment of comparable quality offer very similar value propositions to Peloton - Peloton's primary competitors continue to lack the amount of personalization and features that Peloton provides - Strong rivalry among fitness application providers

Appendix B.

PEST Analysis

Element	Factor
Political	- Domestic and International COVID-19 legislation has been a huge factor on consumer's willingness to re-join gyms or stay home - Federal vaccine mandates may affect people's outlook for a return to normalcy
Economic	- Financial hardships due to the pandemic have motivated people to look for affordable fitness providers - Decreasing consumer confidence has led to decreased spending on non-essential items
Sociological	- Increasing awareness of the importance of health and fitness has led to increased demand for fitness products - Recent public relations initiatives by Peloton included claiming to foster a more inclusive environment
Technological	- Many consumers are transitioning away from traditional workout routines and have been more accepting of tech-based fitness instruction - Increasing trend for consumers to retrofit stationary bikes to avoid buying connected fitness devices
Legal	- Peloton's ongoing legal troubles include: - Treadmill lawsuits due to equipment malfunctions - Pedal Axle recall class action lawsuit
Environmental	- Increasing pressure from consumers and legislators for corporations to set sustainability initiatives - Product packaging is often criticized for unsustainable practices

Appendix C.

SWOT Analysis

	Positive	Negative
	Strengths	**Weaknesses**
Internal	1. First Mover Advantage for At-Home connected interactive fitness 2. Highly recognizable brand 3. Built a strong base of loyal users who continue to stay with Peloton during controversy 4. Increasingly competitive prices for products and financing plans 5. Flexible product offering (All-Access Membership versus App Memberships	1. Limited Product Selection (Bike and Treadmill) 2. Has had PR controversy over the past few years (out of touch commercial, racial discrimination practices, unsafe product launch) 3. Financially volatile with several years of reported losses in pursuit of expansion
	Opportunities	**Threats**
External	1. Successful expansion to other countries (Australia, Great Britain, and Canada) provides chance for consumer base growth 2. Continuous push backs for full economic reopening have increased some consumers fear of returning to gyms 3. Peloton's current investment in R&D could lead improvements in product offering	1. Gradual economic reopening has led many consumers to return to gyms 2. Contracting of Pelotons viable consumer base 3. Potential Federal mandates for vaccines 4. Poor financial outlook after recently reported sales growth 5. Supply chain limitations 6. Entry of competent competitors who can offer distinct competencies 7. Reliance on third party content including music and logistical services

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