Marketing Doctor

Marketing Check-up

Peloton

As of June 25, 2024

Condition: Under treatment

Built for a boom that ended

Peloton turned a premium exercise bike into a cultural moment. Lockdowns sent demand soaring, and the company built for that pace. Then demand fell, two large recalls hit a brand that sells safe training at home, and a relaunch tried to widen the audience to everyone. This check-up looks at the marketing decisions, how customers responded and what is still working.

Key takeaways

- Revenue more than doubled to $4.02 billion in fiscal 2021 as lockdowns made Peloton a must-have, and the company added capacity for demand that did not last.
- Recalls of about 125,000 treadmills in 2021 and about 2.2 million bikes in 2023 hit a premium brand built on safe training at home. The founder admitted the first response was a mistake.
- A May 2023 relaunch pitched Peloton to “anyone, anywhere” with new app tiers. A year later paid app subscriptions were down 21% while sales and marketing spend rose.
- The core still works: members who stay are loyal, with monthly churn of about 1.2%. That is where a new growth plan should start.

Marketing health check

Area	Finding
Positioning	Blurred. “Anyone, anywhere” replaced a clear premium at-home promise.
Trust	Dented. Two large recalls and a slow first response.
Core members	Loyal. Monthly churn of about 1.2%.
Acquisition	Weak. App subscriptions down 21% after the relaunch while marketing spend rose.
Leadership	Interim. Two board members became co-CEOs in May 2024.

Timeline

When	What happened
2020	Lockdowns turn Peloton’s bike into a must-have.
Fiscal 2021	Revenue rises to $4.02 billion from $1.83 billion. Peloton buys Precor and plans an Ohio factory.
May 2021	About 125,000 Tread+ treadmills are recalled after a child’s death.
Jan 2022	Demand falls and production is paused.
Feb 2022	Co-founder John Foley steps aside for Barry McCarthy. About 2,800 job cuts follow.
May 2023	About 2.2 million bikes are recalled. Peloton relaunches “for anyone, anywhere” with new app tiers.
Mar 2024	Paid app subscriptions are down 21% from a year earlier.
May 2024	McCarthy steps down. Two board members become interim co-CEOs.

What happened: built for a moment, not a market

Lockdowns turned a premium exercise bike into a must-have. Peloton’s revenue rose from $1.83 billion in fiscal 2020 to $4.02 billion in fiscal 2021. The company built for that pace. It bought Precor and announced a factory in Ohio. By January 2022, CNBC reported, demand had fallen, production was being paused and thousands of bikes and treadmills sat in warehouses.

Then trust took two hits. In May 2021 Peloton recalled about 125,000 Tread+ treadmills after a 6-year-old child died. The recall came weeks after the regulator had publicly warned consumers, and co-founder John Foley said "Peloton made a mistake in our initial response." In May 2023 it recalled about 2.2 million bikes because the seat post could break.

The diagnosis: three marketing problems

- **A spike read as a trend.** Lockdown demand was treated as the new normal, so capacity was sized for a moment rather than a market.
- **Safety is part of the premium.** A home fitness brand sells peace of mind as much as results. A slow first response to a safety warning undid years of premium positioning.
- **Everyone is not a target.** The May 2023 relaunch reintroduced Peloton for "anyone, anywhere," with a free app tier and paid tiers up to $24 a month. Telling everyone a product is for them gives no one a specific reason to choose it.

The treatment: start with the members who stay

The wider pitch has not produced growth. A year after the relaunch, paid app subscriptions were down 21%, while sales and marketing spend rose to $170.3 million in the quarter from $154.6 million. When spend rises and the customer base does not, the first job is to find out which channels still bring in paying members, the kind of work covered in our guide to marketing attribution.

There is a stable core to build on. Average monthly churn for connected fitness members was about 1.2%. A marketing audit would start there: who these members are, why they joined and where more people like them can be found. Then pick that next customer on purpose, as our guide to positioning explains.

The result: a loyal core, a stalled engine

Paid connected fitness subscriptions were flat at about 3.06 million in March 2024, against 3.055 million a year before. Hardware revenue fell 14%. On May 2, 2024, chief executive Barry McCarthy stepped down, two board members became interim co-CEOs and Peloton announced a plan to cut about 15% of its staff.

A refinancing at the end of May bought time. It does not tell new customers why they should choose Peloton.

Lessons for your marketing

1. Treat a spike as a question, not an answer. Add capacity in steps you can reverse.
2. Safety and service are part of a premium brand. Respond fast when customers' safety is in question.
3. Pick the next customer you want and measure whether they arrive and stay. "Everyone" is not a strategy.
4. When marketing spend rises and customers don't, fix the channel mix before spending more.
5. Your most loyal customers are your best guide to who to win next.

The doctor will see you now.

Book a free marketing check-up at marketingdoctor.ca/contact. We'll examine your marketing, show you what's holding growth back and prescribe what to fix first.

Sources

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