

# ***Peloton***

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## ***Peloton- Marketing Plan***

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## ***Executive Summary***

### **About Peloton**

Peloton is a leading firm in both the home fitness equipment and exercise media industries. The company's product offerings feature a line of high end, internet enabled exercise bikes and treadmills that allow users to live stream fitness classes from the comfort of their home. The classes themselves create value for the firm via their required monthly subscription service. Additionally, users can purchase a lower priced monthly subscription service and gain access to fitness classes that do not require Peloton gear. Peloton also offers a wide variety of accessories to complement its flagship products, as well as a line of fitness apparel from the firm's private label (Peloton).

### **Country Selection and Target Market**

Spain is a prime market for Peloton due to its consistently high performing fitness industry (run) and up and coming suburban housing market (HIS). Peloton considers its target market to be the millions of people who struggle to find the time to fit a trip to the gym into their daily routine. The following quotes from founder Jim Foley encapsulate the firm's goals, "These are people who have children, live in suburbs, have nice homes, they have the money and space but don't necessarily have time to go to the gym ...For the young mother, who has a 3-year-old napping in the next room, we're allowing her to take a high energy cycling class without getting a babysitter, and without the travel time." In its current markets, Peloton's target demographic is working people ages 30-65 (Lisa). Aside from its core market, Peloton is able to branch out by offering a cheaper subscription service outside of the product exclusive option.

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## **Competitive Advantage**

Peloton's main competitive advantage across its markets is its ability to profit from a wide range of customers thanks to the family of products in its offering. Whether someone is willing to pay thousands of dollars for an exercise bike, or simply wants more affordable fitness instruction and motivation, Peloton has an offering that can fit his or her needs. Additionally, Peloton's direct-to-consumer channel structure cuts out middlemen, keeping distribution costs low. Another edge Peloton has over its competitors is the user experience it provides for its customers. The company boasted the lowest churn rate for its industry in fiscal 2020, and that's not by mistake (nasdaq). The sense of community and competition that Peloton workouts give users creates incentive for them to remain brand loyal. This illustrates Peloton's knowledge of its customer base and ability to deliver a seamless end-to-end consumer experience (nasdaq).

## **Competitors**

Regarding its flagship products, Peloton currently has several major competitors in its European markets. These brands include NordicTrack, Echelon, Schwinn, and ProForm. While there are many more firms with similar offerings when it comes to their standalone bikes, the aforementioned competitors also offer subscription services similar to Peloton's (NBC).

# ***Situation Analysis***

## **The Company**

Peloton is a company that was started in 2012 by John Foley who is the Co-Founder and Chief Executive Officer. This is a company that wanted to take the home workout

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experience to the next step and incorporate a platform that encourages people to become better and stronger together. This platform that Peloton has created has caused them to become a very large competitor in a very short amount of time. They offer two bikes for people to choose between and the ability to book a virtual appointment with a representative for the company.

## **The Market**

Peloton is in the exercise equipment market mainly focusing on the bike area of the market. The Peloton bike works just like any other stationary bike but what sets it apart from the rest is the ability to connect with real life trainers from the comfort of their own home. The competitive factor that comes from the platform utilized is one factor that makes it completely different and special from other bikes offered in the market. The growing consciousness of heart disease and other health problems caused a large portion of the population that has a hectic work life to seek out a home workout that is highly effective causing them to find the stationary bike.

## ***SWOT Analysis***

### **Strengths**

Peloton has been very successful with developing and maintaining brand awareness with its customers. Due to Peloton's marketing strategies such as their strong TV advertisements, they have created an impeccable reputation causing a very positive word-of-mouth from their customers. Their brand awareness has recently been very influential in propelling the company forward and increasing its success.

Peloton's business model has high involvement in both technology and media and has proven to be very unique in the current market for fitness

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equipment. This has proven to be an advantage in the company's recent years, as there is just not a company currently in the market with a similar concept.

Peloton also has a very innovative prescription plan that is very easy to use. One of its greatest strengths is that it is easy for families and groups of people, as it allows for multiple device access and for different accounts to be added onto one package.

## **Weaknesses**

One of the main weaknesses of Peloton is that it has had a slow expansion to other countries. Peloton is mainly the US customer base and has not even fully covered the Canadian market yet. Therefore, this may mean that it will be challenging for Peloton to expand globally.

Another weakness of Peloton is that although they have great brand awareness and are very recognized, they have incurred losses for several years. Therefore this brings up the concern that their brand awareness may not be enough to decrease the potential of future losses.

## **Opportunities**

One of the main opportunities Peloton has is expanding into foreign markets and their biggest opportunity to do so is in Canada. Since Peloton does not have much of a presence in other countries, it would be a huge business opportunity for Peloton to work on its foreign expansion.

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Another opportunity Peloton has is the innovation of their equipment range to things other than solely bikes and treadmills. They can do this by increasing their funding into research and development, and by utilizing their findings to innovate and improve their products and what types of equipment they have to offer.

## **Threats**

Because Peloton as a company relies very heavily on the sale of bikes, a decline in the sale of bikes or a presence of a new entrant into the market could pose a very significant threat to the company's survival. A new entrant could very well challenge Peloton's market position as well.

Another threat to Peloton is the fact that they utilize many third-party licensing and services such as music content, suppliers and logistics. This means that there are many opportunities for error as there are a lot of factors that go into the company's services.

## ***Goal***

Our primary goal is to connect the world through fitness by utilizing advanced technology to create equipment that can be utilized at any place and at any time. Specifically, we would like to recover from our past financial losses and create a plan to ensure that we minimize these types of losses in the future. Specifically, we collected \$937 million dollars in revenue last year, a 54% increase from the year before. Although we do not expect to increase by this margin each year, we would like to increase our revenues each year by at

least 10%. This makes next year's revenue goal 1030.7 million. To accomplish this, we have set the following objectives:

- Customer objectives: Our key customer objective is to continue to provide the value and customer satisfaction that we have in the past. To do so, we plan to continue to innovate our service programs and improve our features as well as continuing to provide programs that are affordable and do not involve customers being required to purchase our equipment to utilize.
- Collaborator objectives: Our collaborative efforts primarily involve continuing effective communication with our third-party licensing and service partners. These include our partners involved in the service and licensing of music, as well as our suppliers and logistical partners. We are continuing to work on getting all of our desired music licensing so that we will be able to manage our music expenses and lower the fees included in our subscription revenue, so that we can ultimately lower the prices of our subscriptions for consumers.
- Internal objectives: Increase the access of subscriptions and products to other countries as we prepare for our expansion, while continuing to update and improve our current subscriptions. We also would like to decrease our cost of manufacturing, as well as increase our production efficiency.
- Competitive objectives: Our main competitive objective is to differentiate ourselves from the other fitness equipment companies in the market. Our advanced technology has done this for our company

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thus far, so we plan to continue to innovate and improve our technologies to further develop our competitive advantage.

## ***Strategy***

### **Target Market**

#### **Customers**

The Peloton experience allows for users to engage in immersive and challenging workouts in the comfort of their own home. Our target customer base consists of individuals who are balancing a busy and full schedule with little time for personal health and fitness regimens.

Our current markets include the United States, Canada, the United Kingdom, and Germany ("Peloton Announces"). The European locations of entry were selected based on their strong and well established fitness markets. Over the course of the next year, we plan to expand the European market to include the Western regions of France and Spain. The additional option for classes to be taught in foreign languages such as German, French, and Spanish (along with subtitles) will be implemented to assist with the transition.

#### **Collaborators**

Our primary collaborators are athletic wear companies, with our secondary collaborators consisting of online communities such as blogs and social media platforms. These are able to contribute to the success of Peloton by (1) supporting our mission to empower people to be the best version of themselves [peloton], (2) spreading the message of an interactive workout



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experience, and (3) sharing real life experiences and opinions that will provide productive feedback.

## **Competitors**

Just as immersive and challenging workouts are not exclusive to the Peloton experience, there are a number of competitors with similar offerings in the fitness market. Top bike alternatives with varying degrees of design and price comparability include companies like NordicTrack, Echelon, Schwinn, Proform, Bowflex, MYX, and Keiser (Hartzog).

## **Context**

The market for indoor exercise equipment and accessories realized a significant increase during COVID-19. As commercial establishments adopted new policies, which resulted in either decreased capacity or closure altogether, people became isolated in their homes away from routine. One study on the effects of COVID-19 lockdowns noted that “physical activities and exercise not only maintain physical and psychological health but also help our body to respond to the negative consequences of several diseases” (Sander, et al). Those who frequented their local gym or health club were forced to find an alternative at home or stop routine physical activity altogether. Peloton gave people a way around the new restrictive environment by providing an at home physically and mentally engaging service.

## **Value Propositions**

### **Customer Value Proposition**

Peloton strives to provide its users an at-home workout experience that encourages them to be the best version of themselves. The variety of class and workout offerings, from high intensity bike rides to more relaxing yoga

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sessions, is what separates Peloton from its competitors. High responsiveness enables us to acknowledge and cater to the needs and wants of our customers. Three recent changes to our services include (1) presenting a pause feature to allow customers to pick up where they left off, (2) creating a customized program based on favorite instructors, songs, workouts, (3) continuation Peloton's annual Homecoming Event (Valinsky).

## **Collaborator Value Proposition**

Peloton and its collaborators work together to create a positive community centered around self improvement and empowerment. A recent example is the collection of apparel between Adidas, Peloton, and Beyoncé's IVY PARK line. This collection celebrates the joining of music, sport, and fashion (McCartney).

## **Company Value Proposition**

What propels Peloton ahead of its competitors is its high responsiveness to customer trends and interests. The year 2016 saw a turning point in class styles and offerings after numerous users who connected through Facebook, flooded the New York studio to meet the instructors and partake in the large scale class sessions. This led to the development and creation of Peloton's aforementioned Homecoming, a weekend long event hosting classes and panels taught by instructors from around the world.

# ***Tactics***

## **Product**

Peloton offers the Peloton Bike in two different models with the more basic option being the Peloton Bike that comes with a 21 inch touchscreen along with 2 channel

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audio with 2 10 watt speakers with a basic resistance knob. The higher end model being the Peloton Bike+ has a few more features starting out with the larger 23.8 inch anti-reflective touchscreen as well as 4 channel audio with tweeters and full-range drivers with an option for an automatic resistance option that allows the instructor to adjust the resistance to the intensity of their workout and even supports Apple Gymkit.

## **Pricing**

The Peloton bike is priced at \$1,495 and offers the option to pay \$39 a month and the Peloton Bike+ is priced at \$2,495 with the option of paying \$59 a month. The Peloton app is priced at only \$12.99 a month which can be used independently from either of the Peloton bikes.

## **Brand**

Peloton is a brand that is built on the principle of driving people to be the best they can be with the help of a community that all share this same view. Peloton wants to connect its community through exercise and the ability to connect through fitness. They bring the highly effective biking workout to the convenience of your own home with the Peloton Bike.

## **Incentives**

What sets Peloton apart from other stationary bike brands is that it offers their online workouts for all types of different needs. They offer workouts for such things as cycling, strength training, stretching, running, pilates, yoga, meditation, and cardio. The Peloton app is supported by multiple platforms such as Android TV, Apple TV, Fire TV, Chromecast, Roku, and AirPlay.

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## **Communication**

Peloton will use ways to communicate such as social media influencers to build the brand and spread it throughout their following on platforms such as Instagram, Twitter, Facebook and other platforms that are used by the social media influencers. Peloton can also use sponsorships to spread their brand such as sponsoring a soccer team such as FC Barcelona or Real Madrid. This sponsorship can even carry over to sports camps and tournaments for schools and other organizations.

## **Distribution**

Peloton uses such things as showrooms to allow people to see their products and test them out in person. You are able to purchase the Peloton Bike from the Peloton website or other supported distributors.

# ***Implementation***

## **Resource Development**

In order to spread brand awareness, Peloton will push its products into the new markets using fitness influencers widely recognized in Spain. Social media reactions will allow the firm to gauge interest and make demand projections. Another way Peloton will develop its offering for the Spanish market will be to make an effort to hire instructors who speak Spanish in order to cater to the increased number of Spanish speaking users. Additionally, Peloton showrooms will be placed in major cities such as Madrid and Barcelona in order to introduce the product line to as many potential customers as possible.

## **Resource Deployment**

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Peloton will enter the Spanish market similarly to how it was introduced into its current European markets. All Peloton equipment is currently produced in Taiwan where it is shipped to European or American ports, and delivered to its final destination via ground transportation. The same channel method should be used going forward when expanding into the Spanish market. Order processing will also take place in the same way it is currently handled, via the internet. An integral part of the Peloton customer experience is the offering of at home delivery and assembly, which will also be handled in the same manner as it is currently being approached. In order to build brand awareness, Peloton should offer in store product tutorials at high volume gyms and fitness equipment stores. Paid sponsorships will be required to secure these partnerships.

## ***Control***

### **Performance Evaluation**

The fitness market is a dynamic combination of advances in technology and changes in consumer tastes and preferences. Peloton will continue its resolve to present to its customers top of the line, compatible, and easy to use product lines. This will be achieved through maintaining the customer, collaborator, internal, and competitive objectives.

### **Environment Analysis**

For its entrance into Spain, Peloton will perform quarterly reviews to ensure that customer satisfaction is comparable to that of its German and United Kingdom counterparts. An expanded network of local fitness centers will enable Peloton to not only host more classes, but to also receive feedback in real time. A local presence will enable Peloton to monitor the local market and any associated fluctuations.

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