Brand Doctor

Brand Check-up

Peloton

As of June 25, 2024

Status: Bleeding

Peloton sized its supply and its brand for a lockdown boom; after two major recalls and two CEO changes, its paid hardware subscriptions have stalled near three million.

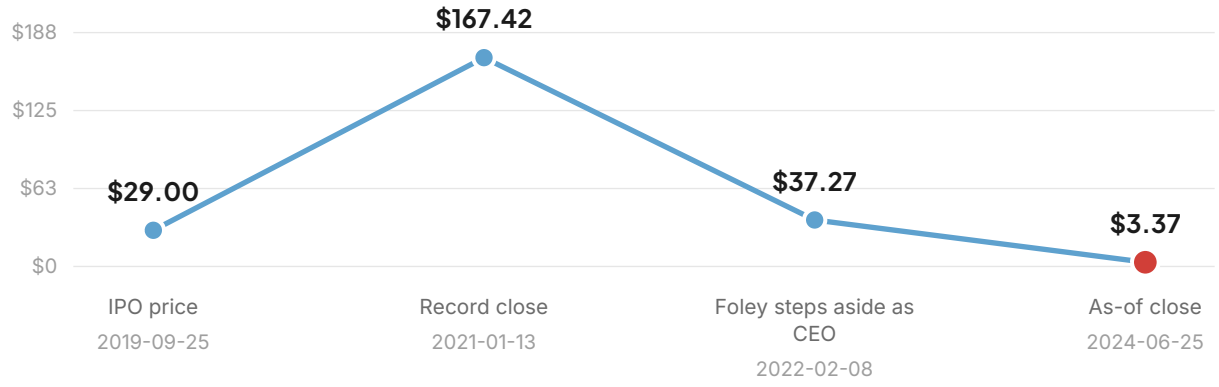
About this check-up

Brand Doctor reviews well-known brands the way we review a client's marketing: symptoms, diagnosis, treatment. This check-up uses public information available on June 25, 2024. It is brand and marketing analysis, not investment advice. Sources are listed at the end.

Vital signs

Share price

USD, at the dates shown [4, 2, 3, 1]



Share price

$3.37

Nasdaq close, June 25, 2024 [1]

Change from peak

-98%

From the record close of $167.42 on January 13, 2021 [1, 2]

Market value

About $1.25 billion

370.8 million Class A and B shares (April 29, 2024) at the June 25 close; nearly $50 billion at the January 2021 high [1, 15, 8]

Latest annual revenue

$2.80 billion

Fiscal 2023 (year to June 30, 2023), down from $4.02 billion in fiscal 2021 [12, 5]

Paid Connected Fitness Subscriptions

3.056 million

March 31, 2024, against 3.055 million a year earlier; 1.2% average monthly churn [13]

Paid App subscriptions

674,000

March 31, 2024, down 21% year over year [13]

Timeline

2019-09	Peloton prices its IPO at $29 a share; the stock ends its first day of trading down 11%. [4]
2021-01	Shares reach a record close of $167.42 on January 13; market value nears $50 billion. [2, 8]
2021-05	Recall of about 125,000 Tread+ treadmills after a child's death; Foley admits a mistake in the initial response to the regulator. [6, 7]
2021-05	Peloton announces a $400 million factory in Ohio, after buying Precor for $420 million. [5, 8]
2021-08	Fiscal 2021 revenue reaches $4.02 billion, up from $1.83 billion a year earlier. [5]
2022-01	CNBC reports Peloton is pausing production as demand falls and inventory builds. [8]
2022-02	John Foley steps aside as CEO for Barry McCarthy; Peloton announces about 2,800 job cuts and winds down the Ohio factory plan. [9, 16]
2023-05	Recall of about 2.2 million Bikes over seat posts (May 11); brand relaunch with free and paid app tiers (May 23). [10, 11]
2024-05	McCarthy steps down on May 2; interim co-CEOs named and about 15% of staff to be cut. [13]
2024-05	Peloton completes a $1.35 billion refinancing on May 30, extending debt maturities. [14]

Symptoms

- Share price 98% below its January 2021 record close
- Quarterly revenue down 4% year over year, hardware revenue down 14%
- Paid Connected Fitness Subscriptions flat at about 3.06 million for a year

- Paid App subscriptions down 21% a year after the brand relaunch
- Two CEO changes in just over two years, now led by interim co-CEOs

Diagnosis

1 Built supply for a temporary spike

Revenue rose from $1.83 billion in fiscal 2020 to $4.02 billion in fiscal 2021. Peloton bought Precor for $420 million and announced a $400 million Ohio factory. By January 2022 it was pausing production with thousands of units in warehouses or on ships. [5, 8]

2 Safety failures hit a premium promise

The 2021 Tread+ recall followed a child's death and 72 incident reports, and Foley said the company made a mistake in its initial response. A 2023 recall covered about 2.2 million Bikes with seat posts that could break. [6, 7, 10]

3 Repositioning without a clear next customer

The May 2023 relaunch pitched Peloton to anyone, anywhere, with a free tier and paid app tiers up to $24 a month. By March 2024 paid App subscriptions were down 21% year over year, and the company cut its year-end App forecast by 150,000. [11, 13]

4 Marketing spend is not buying growth

Sales and marketing expense rose to $170.3 million in the March 2024 quarter from $154.6 million a year earlier. Over the same period revenue fell 4% and paid Connected Fitness Subscriptions stayed at about 3.06 million. [13]

Prognosis

As of June 25, 2024, Peloton is stable but not recovering. The May refinancing extended debt maturities, free cash flow turned positive in the March quarter and churn among hardware subscribers remains low. Against that, revenue is shrinking, the app business is losing paying users and the company has no permanent chief executive. What to watch: the choice of a new CEO, whether paid Connected Fitness Subscriptions hold near the 2.96 to 2.98 million guided for June 30, 2024, and whether marketing spend starts to add net new subscribers rather than replace lost ones.

Treatment

- Appoint a permanent chief executive with a clear brand mandate, and keep the strategy steady through the handover.
- Choose the next customer group to win, close to today's loyal hardware members, before widening the pitch to everyone.
- Make safety and service visible parts of the brand, with fast, public responses to any product issue.
- Tie marketing spend to net subscription growth and retention, not downloads or reach.

Lessons for growing companies

Size for the trend, not the spike

A surge in demand is a reason to test whether it will last. Add capacity in steps you can reverse.

Safety is part of the brand

For a premium product, how you handle a defect says more than any campaign. Respond fast and in public.

Repositioning needs a target

Telling everyone a product is for them is not a positioning. Pick the next customer group and measure whether they arrive and stay.

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About Brand Doctor

Brand Doctor is a marketing strategy consultancy founded by Cliff K. F. Lin. He has spent 17 years in marketing and managed more than $30 million in spend for SaaS, tech and lead-generation companies.

A Brand Check-up applies the method we use with clients to a well-known brand: the symptoms you can see from outside, the root causes behind them, and the treatment we would prescribe. For your own company, we look at six areas (positioning, messaging, customer journey, channel mix, budget and spend, and measurement) and rank what to fix first.

$30M+	135+	8×	17
In marketing spend managed	Campaigns treated	Growth achieved	Years in marketing

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