

# Peloton Interactive, Inc.: Connecting to Fitness at Home

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On May 24, 2021, Peloton Interactive, Inc. (Peloton) announced its intention to build a new US factory to produce its stationary bicycles and treadmills. The new factory, which would be located in Ohio, was an addition to the company's investments in its manufacturing facility in Taiwan and its purchase of fitness equipment manufacturer Precor Incorporated. In deciding to invest in its own production facilities to supply exercise equipment, Peloton was in stark contrast to its competitors, who predominantly outsourced production overseas. Would Peloton's plans to build its own fitness equipment in Ohio help or hinder its ability to fulfill its goal of market leadership?

Learning Objectives:

This case can be used in an operations or strategy course for senior undergraduate or graduate students. It can be used to introduce the topics of value chain and vertical integration or to reinforce these concepts. This is also an ideal case to co-teach with a faculty member who examines how strategic choices have an impact on cash flow and the balance sheet.

The case explores the strategic, financial, and operational implications of vertical integration and onshoring. After working through the case and assignment questions, students will be able to do the following:

- Examine the operational implications of vertical integration.
- Consider the financial challenges of outsourcing versus insourcing.
- Determine the strategic advantages and disadvantages of having a broader scope within the value chain.



## PELOTON INTERACTIVE, INC.: CONNECTING TO FITNESS AT HOME<sup>1</sup>

*Cam Buchan wrote this case under the supervision of David Wood solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*

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Following the May 24, 2021, announcement that Peloton Interactive, Inc. (Peloton) intended to build its first US factory, investors were analyzing the long-term implications for Peloton's financial performance.<sup>2</sup> The new factory in Ohio would be in addition to the company's investments in its manufacturing facility in Taiwan and the purchase of fitness equipment manufacturer Precor Incorporated (Precor).<sup>3</sup>

At the time of the announcement of the new factory in Ohio, also referred to as Peloton Output Park, Peloton's chief executive officer and co-founder, John Foley, said, "While we will continue to invest in our Asian manufacturing footprint as well as our existing facilities in the U.S. via our Precor sites, the new Peloton Output Park gives us a massive strategic lever to make sure we have capacity, quality, and economies of scale in our bike and tread product lines, to support our continued growth for years and years to come."<sup>4</sup>

Peloton had experienced impressive growth in the last few years, but investors had been left to determine whether vertical integration would limit or enhance the company's future success. Would Peloton's plans to build its own fitness equipment in Ohio help or hinder its ability to fulfill its goal of market leadership?

### FITNESS REVOLUTION/INDUSTRY

Spurred by public health initiatives that highlighted the role of exercise in preventing diabetes, obesity, and other health issues, the US fitness market prospered from 2016 to 2021.<sup>5</sup> Increasingly active baby boomers and a bump in per capita disposable income during that time also contributed to the industry's growth. Easy access to smaller gyms with fewer amenities bolstered niche establishments and attracted budget-conscious consumers.<sup>6</sup> The number of people who purchased gym memberships had increased to 64.2 million by 2019.<sup>7</sup>

Despite the industry's success, the COVID-19 pandemic hit the fitness industry hard. Some gyms were forced into bankruptcy: Gold's Gym International Inc. filed for bankruptcy in May 2020; 24 Hour Fitness USA Inc., in June 2020; and Town Sports International Holdings Inc., in September 2020.<sup>8</sup> Despite the bankruptcies and a decline in revenues of 13.2 per cent in 2020 alone, industry revenue grew to \$32.5 billion<sup>9</sup> over the five years to 2020.<sup>10</sup> The number of fitness establishments stood at 106,213 locations by 2020.<sup>11</sup> While US states had eased pandemic-related restrictions by the summer of 2020, the industry was uncertain about whether gym members would return.<sup>12</sup>

The United States dominated the global fitness markets in 2018. The US market stood at \$37 billion, the United Kingdom at \$6.3 billion, Germany at \$6.1 billion, and Canada at \$3.5 billion (see Exhibit 1).<sup>13</sup>

Globally, the physical activity market, which included mindful movement (focusing attention on the body and breathing during exercise), sports and active recreation, technology, equipment and supplies, apparel, and footwear, was forecasted to achieve at least a 5 per cent annual growth from \$828 billion in 2019 to \$1.1 trillion by 2023 (see Exhibit 2).<sup>14</sup>

## **INTERACTIVE FITNESS MARKET**

A focus on fitness and healthy lifestyles, combined with the global pandemic and work-from-home requirements, sparked the growth of at-home workouts and the evolution of interactive devices that replicated the gym experience.<sup>15</sup> The traditional gym was facing a host of new competitors offering interactive, at-home fitness options, as well as the revival of some more established brands.<sup>16</sup>

The size of the global online/virtual fitness market was estimated at nearly \$6 billion in 2019; this grew to approximately \$8 billion in 2020.<sup>17</sup>

### **New Competitors**

#### Echelon Fitness Multimedia LLC

The privately owned Echelon Fitness Multimedia LLC (Echelon) offered a range of connected exercise platforms, including bikes.<sup>18</sup> The company provided live-streamed and on-demand fitness classes through its FitPass program.<sup>19</sup> Priced lower than Peloton, Echelon products were carried by retailers such as Walmart, Best Buy, Amazon, Target, and Costco.<sup>20</sup>

#### Tonal

Also privately owned, Tonal combined digital weight with artificial intelligence to replicate the weight-training experience. In March 2021, Tonal received \$250 million in new funding, bringing the value of the business to \$1.6 billion. Tonal also announced a nationwide partnership with Nordstrom, Inc. across 40 locations<sup>21</sup> and saw a 700 per cent year-over-year increase in sales in 2020.<sup>22</sup> However, its popularity brought supply chain and logistics issues, prompting its chief executive officer, Aly Orady, to announce in a video interview that Tonal had created a redundant supply system to meet delivery goals.<sup>23</sup>

### **Other Competitors**

#### Mirror Fitness

Mirror Fitness (Mirror) launched its interactive reflective display in 2016<sup>24</sup> and was purchased by Lululemon Athletica Inc. in 2020.<sup>25</sup> Mirror's full-length reflective display was chosen as one of the best inventions of 2018 by *Time* magazine.<sup>26</sup> The platform streamed live and on-demand workout classes costing \$39 a month (customers had to purchase twelve-month subscriptions). A more personalized training session cost \$40.<sup>27</sup>

### Tempo Interactive Inc..

Tempo Interactive Inc., (Tempo) was a connected home gym that provided instant feedback on a user's form.<sup>28</sup> For \$39 a month, Tempo subscribers had access to live and on-demand strength training, including high intensity interval training (HIIT),<sup>29</sup> mobility, cardio, and recovery classes.<sup>30</sup>

### **Old Converts**

#### NordicTrack

NordicTrack began in 1975 with the NordicTrack skier and quickly grew to encompass dozens of models. In the late 1990s, NordicTrack expanded its fitness brand to include treadmills, incline trainers, strength machines, stationary bikes, steppers, and apparel. NordicTrack was purchased in 1998 by iFIT Health & Fitness Inc., formerly known as ICON Health & Fitness, the world's largest manufacturer of exercise equipment.<sup>31</sup> Its interactive fitness streaming platform, iFIT, was available on NordicTrack treadmills, incline trainers, rowers, cycles, and strength products. iFIT Health & Fitness Inc. was valued at \$7 billion and planned an initial public offering for fall 2021.<sup>32</sup>

#### Bowflex

Popular in the 1990s, Bowflex, owned by publicly traded Nautilus, Inc., introduced an indoor cycling bike in October 2019.<sup>33</sup> The model featured a low-cost connected experience with trainer-led workouts and entertainment options.<sup>34</sup> Membership was \$199.99 annually or \$29.99 monthly.<sup>35</sup> All Nautilus, Inc. products were produced by third-party manufacturers located primarily in Asia (see Exhibit 3).<sup>36</sup>

(A summary of the various connected fitness products offered by Peloton's competition can be found in Exhibit 4.)

### **PELOTON: GROWTH**

Peloton essentially created a new category of fitness in 2014 when it combined exercise, fitness tracking, and entertainment on its new bike,<sup>37</sup> and its popularity was overwhelming. In 2017, Noah Wintroub, a vice-chair at JPMorgan Chase & Co., described Peloton as "the Apple of fitness."<sup>38</sup> Bloomberg columnist Kyle Stock described Peloton as follows: "Peloton is as much a media company or a software play as it is a gym or equipment maker."<sup>39</sup>

Peloton's sales growth during the pandemic in 2020 and early 2021 led to greater success and a loyal following. The company reported revenue of \$758 million at the end of 2020, a 232 per cent increase from the same period the previous year (see Exhibit 5). Peloton's stock also increased during that time by more than 400 per cent. Annual revenue had increased 100 per cent each year from 2015 to 2020.<sup>40</sup>

The company's expansion continued into the third quarter of fiscal year (FY) 2021. Total revenue increased 141 per cent, from \$524.6 million to more than \$1.26 billion, with revenue from connected fitness products accounting for more than \$1.02 billion. Revenue from subscriptions increased to \$239 million from \$98.2 million.<sup>41</sup>

Total fitness subscriptions reached 2.08 million with an average net monthly connected fitness churn of 0.31 per cent. In the third quarter of FY 2021, connected fitness subscription workouts grew 239 per cent to more than 149.5 million, with an average of twenty-six monthly workouts per subscription (see Exhibit 6).<sup>42</sup>

Brad Olson, chief membership officer, commented on the benefit brought about for Peloton from the pandemic: “We certainly want the world to get back to normal, just like everyone else,” he said. “We do believe that the pandemic has compelled consumers to re-evaluate their fitness routines, and many have discovered that the best, most connected workout can actually be experienced at home.”<sup>43</sup>

July 2020 data from Peloton showed its US total addressable market continuing to expand. Peloton’s total addressable market was described as households “that may or may not be interested in purchasing a Peloton product today but could be interested in the future.” The market comprised an estimated seventy-five million of a total demographic of ninety-five million households aged eighteen to seventy with \$50,000 or more in household income (see Exhibit 7).<sup>44</sup> The twenty-five to thirty-four age group was the company’s fastest growing market (see Exhibit 8).

Peloton had also solved one of the biggest downsides of working out at home by creating a deep and loyal community. In an interview with Business Insider, Jason Kelly, the author of *Sweat Equity*, explained, “They [Peloton] have managed to use technology to create a sense of community, so people feel like they are part of something. They get both the convenience and the social aspect.”<sup>45</sup>

## VERTICAL INTEGRATION

Though Peloton sales soared during the pandemic and market demographics looked solid for its future, the company could not keep up with demand and experienced long delays in delivery and frustrated customers. As a result, Peloton made a series of strategic moves to shorten delays and to achieve its goal of being the scale, cost, quality, and speed-to-market leader in the connected fitness market.<sup>46</sup> Peloton viewed its vertical integration and direct-to-consumer capabilities as a competitive advantage.<sup>47</sup>

In September 2020, Peloton invested in automation and added capacity to its Shin Ji production factory in Taiwan, expanding to 1.5 million units per year.<sup>48</sup> In December 2020, Peloton announced a plan to increase its two-year old Plano, Texas, campus by more than 9,000 square metres (100,000 square feet), to allow an expansion to member support, sales, field operations, and corporate functions.<sup>49</sup> In its December 2020 quarterly report, Peloton announced “significant additional investments in the near term” to shorten delays, despite the repercussions of this for its near-term profitability.<sup>50</sup> In a February 2021 blog post, Foley wrote, “Effective immediately, we are investing over \$100 million to help expedite the movement of Bikes and Treads globally, in order to meet our delivery commitments. On average, in the coming months, we will be incurring a transportation and delivery cost that is over ten times our usual cost per Bike and Tread, including, in many cases, shipping them by air instead of by sea.”<sup>51</sup>

Peloton continued to build its US manufacturing base, announcing in December 2020 that it was to acquire US-based Precor, one of the largest global commercial fitness equipment providers, in a transaction valued at \$420 million.<sup>52</sup> Precor markets included commercial clubs and facilities, and the verticals of hospitality, multi-family housing, corporate, and education. The deal was completed in April 2021 and enabled Peloton to establish its US manufacturing capacity, boost research and development capabilities, and accelerate its penetration of the commercial market.<sup>53</sup>

With Precor's added manufacturing capacity of approximately 58,000 square metres (625,000 square feet), Peloton planned to produce connected fitness products in the United States by year-end 2021.<sup>54</sup> Peloton's supply issues, however, would be addressed in the short term by supply chain investments with its third-party manufacturers and Taiwan facilities.<sup>55</sup>

Finally, in May 2021, Peloton announced its plans to build its first US factory, in Ohio, at an estimated cost of \$400 million. Production of the Peloton Bike, Bike+, and Peloton Tread were planned for the facility, starting in 2023. With the addition of the Ohio factory, Peloton would own or lease more than 139,000 square metres (1.5 million square feet) of manufacturing space in the United States, including the Precor facilities in North Carolina and Washington state.<sup>56</sup>

## CONCLUSION

Peloton's goal of becoming the scale, cost, quality, and speed-to-market leader in the connected fitness market drove its supply chain decisions.<sup>57</sup> But could it maintain a leadership position on multiple fronts, or was the organization vulnerable in a highly competitive market? And would Peloton's plans to build its own fitness equipment in Ohio help or hinder its ability to fulfill its goal of market leadership?

**EXHIBIT 1: TOP TWENTY FITNESS MARKETS BY MARKET SIZE, 2018**

	<b>Fitness Participation Rate*</b>	<b>Fitness Market Size* (US\$ billions)</b>	<b>Rank in 2018</b>
United States	29.3%	\$37.0	1
United Kingdom	17.3%	\$6.3	2
Germany	16.5%	\$6.1	3
Japan	7.8%	\$5.6	4
China	0.8%	\$5.5	5
Australia	24.3%	\$3.9	6
Canada	26.4%	\$3.5	7
France	12.0%	\$3.1	8
Spain	13.8%	\$2.7	9
Italy	11.0%	\$2.7	10
South Korea	9.2%	\$2.6	11
Brazil	6.2%	\$2.0	12
Mexico	4.3%	\$1.8	13
South Africa	5.1%	\$1.6	14
Netherlands	21.7%	\$1.6	15
Poland	10.0%	\$1.2	16
Switzerland	16.8%	\$1.0	17
India	0.3%	\$1.0	18
Turkey	3.3%	\$1.0	19
Sweden	29.4%	\$1.0	20

Notes: \*Participation rate measures the share of the total population who are paying members of various types of gym/health club/fitness facilities and/or who access or utilize these services/classes/facilities on a regular basis (at least monthly). Market size measures consumer expenditures on classes, memberships, entry fees, trainers, and related services and methods of participation. Source: Global Wellness Institute, *Move to Be Well: The Global Economy of Physical Activity*, October 2019, <https://globalwellnessinstitute.org/industry-research/global-economy-physical-activity/>.

**EXHIBIT 2: GLOBAL WELLNESS ECONOMY (IN US\$ BILLIONS)**

Workplace Wellness	\$40
Thermal/Mineral Springs	\$56
Spa Economy	\$119
Wellness Real Estate	\$134
Traditional and Complementary Medicine	\$360
Preventive and Personalized Medicine and Public Health	\$575
Wellness Tourism	\$639
Health Eating, Nutrition, and Weight Loss	\$720
Physical Activity	\$828
Personal Care, Beauty, and Anti-Aging	\$1,083

Source: "Global Wellness Economy: \$4.5 Trillion Market," in Global Wellness Institute, *Move to Be Well: The Global Economy of Physical Activity*, October 2019, <https://globalwellnessinstitute.org/wp-content/uploads/2019/12/Global-Wellness-Economy-Bubble-Chart-2019.jpg>.

**EXHIBIT 3: NAUTILUS, INC. 2020—FINANCIAL STATEMENTS (US\$ THOUSANDS, DECEMBER 31)**

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Cash	57,920	11,070
Available-for-sale securities	36,199	-
Trade receivables	91,224	54,600
Inventories	51,140	54,768
Prepaid expenses and other current assets	19,188	8,283
Income taxes receivable	4,021	472
Total current assets	259,692	129,193
Property, plant, and equipment, net	23,926	22,755
Operating lease right-of-use assets	19,876	20,778
Other intangible assets, net	9,380	43,243
Deferred income tax assets, non-current	2,426	630
Other assets	2,817	3,880
Total assets	318,117	220,479
<b>Liabilities and Shareholders' Equity</b>	<b>2020</b>	<b>2019</b>
Trade payables	96,399	74,255
Accrued liabilities	22,841	7,633
Operating lease liabilities, current portion	3,331	3,720
Warranty obligations, current portion	4,198	3,100
Debt payable, current portion	2,792	-
Total current liabilities	129,561	88,708
Operating lease liabilities, non-current	18,736	18,982
Warranty obligations, non-current	1,000	2,617
Income taxes payable, non-current	4,309	3,676
Deferred income tax liabilities, non-current	-	1,783
Other long-term liabilities	606	46
Debt payable	10,710	14,071
Total liabilities	164,922	129,883
Common stock	3,061	1,261
Retained earnings	150,120	90,272
Accumulated other comprehensive income (loss)	14	(937)
Total shareholders' equity	153,195	90,596
Total liabilities and shareholders' equity	318,117	220,479

## EXHIBIT 3 (CONTINUED)

	2020	2019	2018
Net sales	552,560	309,285	396,753
Cost of sales	323,758	198,702	215,013
Gross profit	228,802	110,583	181,740
Selling and marketing	78,337	94,595	115,920
General and administrative	36,176	30,242	28,226
Research and development	15,812	14,282	16,825
Loss on disposal or impairment charge	20,668	72,008	-
Total operating expenses	150,993	211,127	160,971
Operating income (loss)	77,809	(100,544)	20,769
Interest income	11	162	1,044
Interest expense	(1,498)	(980)	(1,051)
Other	(3,587)	(470)	239
Total other (expense) income	(5,074)	(1,288)	232
Income (loss) from continuing operations before income taxes	72,735	(101,832)	21,001
Income tax expense (benefit)	12,198	(9,537)	5,891
Income (loss) from continuing operations	60,537	(92,295)	15,110
Loss from discontinued operations before income taxes	(162)	(206)	(206)
Income tax expense of discontinued operations	527	299	246
Net income (loss)	59,848	(92,800)	14,658

Source: Nautilus, Inc., *Form 10-K Annual Report for the Fiscal Year Ended December 31, 2020*, February 26, 2021, <https://nautilusinc.gcs-web.com/static-files/9a4f546d-ac04-4a65-95d5-c8e5a30c0c06>.

**EXHIBIT 4: SUMMARY OF COMPETITORS FOR CONNECTED FITNESS PRODUCTS (US\$)**

<b>Smart Home Gym Price Comparison</b>	<b>Peloton</b>	<b>Tonal</b>	<b>Mirror</b>	<b>Tempo</b>	<b>Echelon</b>
Equipment cost	\$1,995—Bike \$2,495—Bike+	\$2,995—base model + \$495 for accessories	\$1,495	\$1,995	\$999: 40 inch \$1,640: 50 inch
Cardio options	Cardio	Cardio Abs & arms	Bootcamp Boxing Cardio	Cardio	Barre Cardio Boxing
Strength equipment	None—Bike Basics	Built-in electromagnetic arms	Training bands (elastic)	Barbell, dumbbells, and plates	None
Live classes	Yes Includes on-demand	No	Yes	Yes	Extra charge
Speakers	10-watt (w) stereo speakers	15w stereo speakers	10w stereo speakers	60w stereo speakers	8w speakers—50 inch
Monthly subscription (excluding device)	\$39.00 per month	\$49.00 per month	\$39.00 per month	\$39.00 per month	\$19.99 per month or \$39.95 per month

Source (all excluding Peloton): Keven Paige, "Tonal vs Mirror vs Tempo: What's The Best Smart Home Gym?," Fitness Masterly, January 18, 2021, <https://fitnessmasterly.com/tonal-vs-mirror-vs-tempo-vs-echelon/>.

Source (Peloton): "Peloton®: Exercise Bike with Indoor Cycling Classes Streamed Live & On-Demand," Peloton, accessed July 13, 2021, <https://www.onepeloton.com/bikes>.

**EXHIBIT 5: PELOTON INTERACTIVE, INC.—2020 FINANCIAL STATEMENTS (US\$ MILLIONS, JUNE 30)**

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	1,036	162
Marketable securities	720	216
Accounts receivable	35	19
Inventories	245	137
Prepaid expenses and other current assets	125	48
Total current assets	2,159	582
Property and equipment	242	250
Intangible assets	16	20
Goodwill	39	4
Restricted cash	2	1
Right-of-use assets*	493	-
Other assets	32	9
Total assets	2,982	864
<b>Liabilities, Convertible Stock, and Shareholders' Equity</b>	<b>2020</b>	<b>2019</b>
Accounts payable	136	92
Accrued expenses	226	105
Customer deposits and deferred revenue	364	91
Current portion of lease and other current liabilities	47	3
Total current liabilities	772	291
Deferred rent	-	24
Build-to-suit liability	-	147
Long-term lease liabilities*	508	-
Other non-current liabilities	23	-
Total liabilities	1,304	462
Redeemable convertible preferred stock	-	941
Common stock	-	-
Additional paid-in capital	2,362	91
Accumulated other comprehensive income	10	0
Accumulated deficit	(694)	(630)
Total stockholders' equity (deficit)	1,678	(539)
Total liabilities and shareholders' equity	2,982	864

## EXHIBIT 5 (CONTINUED)

	2020	2019	2018
Connected fitness products	1,462	734	355
Subscription	364	181	80
Total revenue	1,826	915	435
Cost of revenue:	834	428	200
Connected fitness products			
Subscription	156	104	46
Total cost of revenue	989	532	245
Gross profit	837	384	190
Sales and marketing	477	324	151
General and administrative	352	207	62
Research and development	89	55	23
Total operating expenses	918	586	237
Loss from operations	(81)	(202)	(48)
Interest income, net	16	7	(0)
Other expense, net	(4)	(0)	-
Total other income (expense), net	12	7	(0)
Loss before provision for income taxes	(69)	(196)	(48)
Income tax expense	3	0	0
Net loss	(72)	(196)	(48)

Note: \* Right-of-use assets and long-term lease liabilities reflected a change in account standards in 2020.

Source: Peloton Interactive, Inc., *Form 10-K Annual Report for the Fiscal Year Ended June 30, 2020*, February 26, 2021, <https://investor.onepeloton.com/static-files/9595d9d3-9e56-40fe-bbce-07176ae274d6>.

**EXHIBIT 6: PELOTON INTERACTIVE, INC.—THIRD QUARTER 2021 FINANCIAL CHARTS****Connected Fitness Subscriptions**

Q4, FY 2019	511
Q1, FY 2020	563
Q2, FY 2020	712
Q3, FY 2020	886
Q4, FY 2020	1,091
Q1, FY 2021	1,334
Q2, FY 2021	1,667
Q3, FY 2021	2,081

**Connected Fitness Quarterly Workouts**

Q4, FY 2019	17,759
Q1, FY 2020	19,171
Q2, FY 2020	24,345
Q3, FY 2020	44,155
Q4, FY 2020	76,817
Q1, FY 2021	77,767
Q2, FY 2021	98,076
Q3, FY 2021	149,541

**Quarterly Total Revenue (in US\$ millions)**

Q4, FY 2019	223.3
Q1, FY 2020	228.0
Q2, FY 2020	466.3
Q3, FY 2020	524.6
Q4, FY 2020	607.1
Q1, FY 2021	757.9
Q2, FY 2021	1,064.8
Q3, FY 2021	1,262.3

**Average Monthly Workouts per Connected Fitness Subscription**

Q4, FY 2019	12.0
Q1, FY 2020	11.7
Q2, FY 2020	12.6
Q3, FY 2020	17.7
Q4, FY 2020	24.7
Q1, FY 2021	20.7
Q2, FY 2021	21.1
Q3, FY 2021	26.0

Notes: Q = quarter; FY = fiscal year.

Source: Peloton Interactive, Inc., "Third Quarter FY 2021 Highlights," in *Q3 2021 Shareholder Letter*, 2, accessed July 27, 2021, <https://investor.onepeloton.com/static-files/b67ca8ee-c1dd-4367-8d06-406c815b8df7>.

**EXHIBIT 7: PELOTON INTERACTIVE, INC.—TOTAL ADDRESSABLE MARKET**

<b>Peloton Interactive, Inc. (Peloton) Demographic:</b> Households aged 18–70 with \$50,000 or more in household income (or equivalent)	95 million
<b>Peloton Total Addressable Market (TAM):</b> Households that might or might not be interested in purchasing a Peloton product today but could be interested in the future. Defined as households with broadband Internet that owned or were open to purchasing subscription fitness services	75 million
<b>Peloton Interest:</b> Households that expressed interest in learning more about at least one Peloton product <i>without seeing the price</i>	52 million
<b>Peloton Connected Fitness + Digital Household Serviceable Available Market (SAM):</b> Estimated households that were interested in purchasing one or more current Peloton products at the current price	20 million
<b>Peloton Connected Fitness Household SAM:</b> Estimated households that were interested in purchasing one or more current Peloton products at the current pricing	15 million

Source: Adapted from Peloton Interactive, Inc., *Investor & Analyst Session*, 64, September 15, 2020, <https://investor.onepeloton.com/static-files/5155a9dc-1da8-4d6a-b232-3c231b8983b6>.

**EXHIBIT 8: PELOTON INTERACTIVE, INC.—DEMOGRAPHICS**

**Demographics: 25–34 Age Group – Fastest Growing**  
**US Bike Consumer Base by Age, Fiscal Year (FY) 2014 – FY 2020**

	<b>18–24</b>	<b>25–34</b>	<b>35–44</b>	<b>45–54</b>	<b>55–64</b>	<b>65+</b>
US Population	5%	16%	17%	17%	19%	26%
FY 2020	2%	29%	37%	21%	9%	2%
FY 2018	-	20%	35%	29%	12%	3%
FY 2016	-	18%	34%	33%	12%	2%
FY 2014	-	15%	34%	35%	11%	4%

Source: Peloton Interactive, Inc., *Investor & Analyst Session*, 67, September 15, 2020, <https://investor.onepeloton.com/static-files/5155a9dc-1da8-4d6a-b232-3c231b8983b6>.

## ENDNOTES

- <sup>1</sup> This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Peloton Interactive, Inc., or any of its employees.
- <sup>2</sup> Mark Gurman, "Peloton to Open First U.S. Factory to Build Bikes, Treadmills," Bloomberg, May 24, 2021, <https://www.bloomberg.com/news/articles/2021-05-24/peloton-to-open-ohio-factory-in-2023-to-build-bikes-treadmills>.
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