Imperial College Business School

MSc Strategic Marketing

BUSI70284 - Services and Customer Relationship Management

IMPERIAL

Group Assignment

Word count: 2,197 words

TABLE OF CONTENTS

	CONTENT	*PAGES*
1.	***Analysis of Customer Needs***	*Page 3*
	1.1 Understanding Customer Needs	*Page 3*
	1.2 3Cs Model	*Page 3*
	1.3 4P's	*Page 4*
2.	***Customer Value Assessment***	*Page 7*
	2.1 Discount Factor	*Page 7*
	2.2 Margins	*Page 8*
	2.3 Retention Rate	*Page 10*
	2.4 CLV	*Page 12*
	2.5 CAC	*Page 13*
3.	***Firm Performance***	*Page 15*
	3.1 Customer Acquisition	*Page 15*
	3.2 Customer Retention and Development	*Page 16*
	3.3 Challenges	*Page 17*
4.	***Appendix***	*Page 18*
5.	***Reference List***	*Page 22*

1. Analysis of Consumer Needs

1.1 Understanding Customer Needs

Peloton is a connected fitness company that delivers interactive workout experiences through its hardware and digital subscriptions, blending live and on-demand classes with a strong community-driven platform. The company effectively addresses key customer needs, including convenience, structured motivation, premium fitness experiences, community engagement, and growing concerns about affordability (Renascence, 2024). Peloton targets time-constrained professionals and fitness enthusiasts seeking high-quality, at-home workouts that offer immersive experiences and strong community support (Renascence, 2024; Peloton, 2024a; Statista, 2023). Its features, such as live classes, leaderboards, and challenges, enhance motivation, while the increasing demand for affordability has led to a shift toward more flexible, cost-effective digital solutions (Renascence, 2024; Green, 2023). Peloton adapts its marketing to these evolving preferences by offering instructor-led fitness content across both its hardware and app platforms.

1.2 3Cs Model

Customer

Peloton targets a range of customer segments globally, unified by their interest in premium, at-home fitness experiences. Its 6.4 million members are predominantly younger, affluent individuals, primarily based in North America but expanding globally (Peloton, 2024a). In the US, 29% of Peloton bike users are aged 25–34 and 38% earn between $50,000 and $100,000 annually (Statista, 2023). Although initially focused in North America, Peloton has expanded its global reach to the UK, Germany, Australia, and Canada.

Hardware purchases emphasise value and lifestyle fit, while subscriptions focus on digital experience and content quality (Mintel, 2023). Based on this, the key customer segments include:

Table 1: Peloton's Customer Segments (Peloton, 2024g; Renascence, 2023)	
Affluent Professionals	Time-sensitive individuals seeking structured, high-intensity workouts that fit their busy schedules.

Fitness Enthusiasts	Health-conscious users willing to invest in high-quality equipment and content to support regular fitness routines
Tech-Savvy Consumers	Users attracted to smart, connected devices that integrate fitness tracking, gamification and community engagement
Price-Sensitive Fitness Seekers	A growing segment post-COVID, interested in flexible, lower-cost subscription plans over expensive hardware

Company

Founded in 2012, Peloton pioneered connected fitness by integrating premium hardware with a subscription-based digital platform, offering expert-led, at-home workouts (Peloton, 2024a). Its early growth was fuelled by a direct-to-consumer model and pandemic-driven demand. Post-COVID, Peloton shifted to a platform-first approach, expanding through app-based membership tiers to enhance accessibility and reduce reliance on hardware sales (Peloton, 2023c). This strategy shift emphasises personalised content, community features, and user data to drive loyalty and lifetime value, aiming for 100 million global members *(Ibid)*.

Competitors

Peloton operates in a rapidly growing connected fitness market projected to reach over USD 60 billion by 2032 (Fortune Business Insights, 2024) facing competition from direct rivals like NordicTrack and Echelon offering similar, cheaper products (CB Insights, 2023) and indirect competitors such as traditional fitness studios, wellness apps and free online platforms (McKinsey & Company, 2023). Competition from cheaper tech giants threatens subscription growth, suggesting Peloton explore emerging markets like corporate wellness or youth fitness (Adweek, 2023).

1.3 4 Ps

Product

Peloton offers a diverse range of fitness products and services to cater to various customer segments. Its connected fitness ecosystem combines premium workout equipment with

digital fitness content (Peloton, 2024g). Users can purchase Peloton's equipment or opt for the app-only membership for class access, with multiple plans to suit different goals and budgets *(Ibid*). The company excels in providing boutique-style, instructor-led classes across cycling, strength and yoga, incorporating leaderboards and music playlists to enhance engagement (Adweek, 2023). By offering products at different price points, Peloton ensures that even budget-conscious users can enjoy its content through app memberships.

Table 2: Peloton Hardware Offering (Peloton, 2024g)

Category	Product/ Service	Price (USD$)	Target Segment
Hardware	Peloton Bike	$1,599	● Premium Consumers ● Fitness Enthusiasts
	Peloton Bike +	$2,199	● Premium Consumers ● Tech-Savvy Users
	Peloton Tread	$3,495	● Runners ● High-End users
	Peloton Row	$2,995	● Full-Body training equipment ● Home-Gym segment
	Accessories (Shoes, Mats, Weights)	Vary from $20	● Equipment Buyers ● Wellness shoppers
	Branded Apparel	Vary from $35	● Brand-Loyal customers ● Lifestyle Buyers

Place

Peloton employs a ‘Direct-to-Consumer’ (DTC) model to manage customer relationships and keep its brand top of mind. This approach allows the company to sell products and services directly to customers, bypassing third-party retailers. Its distribution strategy blends online, in-person, and digital channels to maximise reach and drive customer acquisition.

Table 3: Peloton Distribution Strategy

Online Store	Most Peloton equipment is sold through its official website (Peloton, 2024g). This

	allows the company to offer a seamless purchase experience and build direct customer relationships.
Retail Space	Peloton has a number of showrooms in key cities (New York, London, and Berlin) where customers can try out the equipment before making a purchase (Peloton, 2024g). The presence of brick & mortar helps promote the premium brand image and support consumers in making purchase decisions.
Peloton App	The app is easily downloadable globally on iOS, Android, smart TVs and tablets, allowing Peloton to reach a much wider audience, including those who don't want to buy the equipment but still want access to high-quality fitness content (TechCrunch, 2023).

Price

Peloton adopts a tiered pricing strategy to attract both premium and budget-conscious customers, focusing on three key pillars: equipment purchases, subscription memberships and rental options. As discussed before, Peloton's hardware (**Table 2**) is priced at a premium to reflect its high-quality, technology and brand positioning. To make these products more accessible, Peloton offers financing options and *'buy now, pay later'* plans (CNBC, 2023). The company's primary revenue stream comes from its subscription-first model, which provides more stability than hardware sales, which are often seasonal. As of 2023, Peloton had over 2.98 million connected fitness subscribers (Statista, 2023).

Peloton offers three subscription types to cater to different customer needs:

Table 4: Peloton Pricing Strategy (Peloton, 2024f; Peloton 2024g)

Subscription Model	Price (USD$ / Month)	Features Included
All-Access	$39	Full access to content for peloton hardware users plus Access to *'Strength +'* sessions
App +	$24	Content tailored to *'Peloton Guide'* and *'Strength +'* Sessions
App One	$12.99	Access to online classes/guides only
Commentary: These pricing tiers allow Peloton to appeal to cost-sensitive users, expand its global footprint, and reduce churn by offering members the flexibility to downgrade rather than cancel. This shift reflects Peloton's post-COVID		

strategy to evolve from a luxury brand to one that serves *"anyone, anywhere"* (Peloton, 2023b; Peloton, 2023c).

Promotion

Peloton utilises a multi-channel promotional strategy, leveraging social media, influencer marketing, digital ads, and brand partnerships to attract and retain customers (Canvas Business Model, 2024). Peloton promotes content on Instagram, TikTok, and YouTube, partnering with influencers and celebrities to create authentic, engaging content that builds trust and community (Adweek, 2023). Shifting from a luxury brand to *"fitness for everyone,"* it now emphasises flexibility and affordability (Green, 2023). Peloton also uses targeted digital ads and content marketing, sharing member stories and fitness tips to foster emotional connections, strengthening loyalty (TacticOne, 2024). To enhance accessibility and drive customer acquisition, Peloton also offers special deals and discounts to select groups (Table 5), expanding its reach within purpose-driven communities (**Table 5**).

Table 5: Peloton Discount Offers (Peloton, 2024h; Health Service Discounts, 2025)

Customer Group	Discounted Price (USD$ / Month)	Offer Type
University/College students	$6.99 (Peloton App One)	Student discounts
Military, First Responders, Educators, Medical Staff	$6.99 (Peloton App One)	Community service discounts
NHS Staff (UK)	Specific offers and discounts on selected hardware & apparel products	Hardware & apparel discounts

2. Customer Value Assessment

2.1 Discount Factor

For our CLV calculation, we applied a 7.28% annual discount rate, which reflects Peloton's most recently reported WACC (**Appendix 1**).

2.2 Margins

To assess margins, we analysed subscription revenue data from Peloton's 2024 Annual Report, focusing on its two core revenue streams: Connected Fitness and the Peloton App (**Appendix 2**). Connected Fitness corresponds to the All-Access subscription, priced at $44 per month *(Ibid)*. For clarity, we refer to Connected Fitness as All-Access throughout this analysis, aligning with how the membership is marketed to consumers. Peloton App subscriptions include App One and App+ (*Ibid*).

Using subscriber counts and pricing, we estimated revenue by subscription type:

Table 6: Revenue Per Subscription Type (FY2024) (**Appendix 3**)	
All-Access Revenue	With 2,981,131 All-Access subscribers in FY2024, at $44 per month, the total annual revenue generated from All-Access is: $44 \times 2{,}981{,}131 \times 12 =$ **$1.574.0 million**
Total Subscription Revenue	Peloton reported total subscription revenue of $1,708.7 billion in FY2024
App Subscription Revenue	Based on monthly pricing — $12.99 for App One and $24 for App+ — as well as the reported total number of Ending Paid App Subscriptions — 615,226 — we set up a system of equations to estimate the number of subscribers in each tier. Solving the equations: $\begin{cases} a + b = 615{,}226 \\ 12 \times (12.99 \times a + 24 \times b) \end{cases}$ Solving this system, we find: ● App One subscribers (a): **321,846** ● App+ subscribers (b): **293,380** To calculate total App revenue, we multiply the number of subscribers in each tier by their respective monthly prices and project the result across 12 months: $12 \times (12.99 \times 321{,}846 + 24 \times 293{,}380) = \$134{,}662{,}832$ FY2024 Total App Subscribers: 615, 226 FY2024 Total App Revenue: **$134,662,832**

	This implies the following distribution: ● App One: 52.31% of App subscribers, generating $50.17 million (37.26% of total App revenue) ● App+: 47.69% of App subscribers, generating $84.49 million (62.74% of total App revenue)
Revenue Contribution	● All-Access: $1.574 billion out of $1.708.7 billion, accounting for **92%** of total subscription revenue ● App: $134.66 million out of $1.708.7 billion, accounting for **8%** of total subscription revenue

To estimate the cost of serving each subscription type, we applied a revenue-proportional method. Since Peloton does not break down COGS by subscription type, we assumed servicing costs align with each group's share of total subscription revenue. This approach is both practical and grounded in standard cost allocation principles (Harvard University, 2021). As both segments operate on Peloton's shared digital infrastructure—with some variation in usage—this method offers a reasonable approximation of underlying costs.

In FY2024, Peloton reported $1,708.7 million in total subscription revenue and $551 million in subscription-related COGS (**Appendix 4**). Applying the revenue proportions calculated in **Table 6**, we estimated the following:

Table 7: Gross Profit Per Subscription Type (FY2024)

Subscription Type	Revenue ($ million)	Estimated COGs ($ million)	Gross Profit ($ million)
All-Access	1,574.04	**507** (551×0.92)	1,067.04
App	134.66	**44** (551×0.08)	90.66
Total	1,708.7	551	1,157.7

Subsequently, the annual per-subscriber contribution margin was calculated.

Table 8: Annual Per-Subscriber Contribution Margin (FY2024)

Subscriber Type	Formula	Result

All-Access	$1,067,040,000 / 2,981,131	**$358**
App	$90,660,000 / 615,226	**$147**

Subscriptions—particularly All-Access—represent the core of Peloton's profitability. In comparison, the hardware segment (Connected Fitness Products) yields only around $48.7 million in gross profit (**Appendix 4**), highlighting the critical role of the subscription model in Peloton's financial strategy.

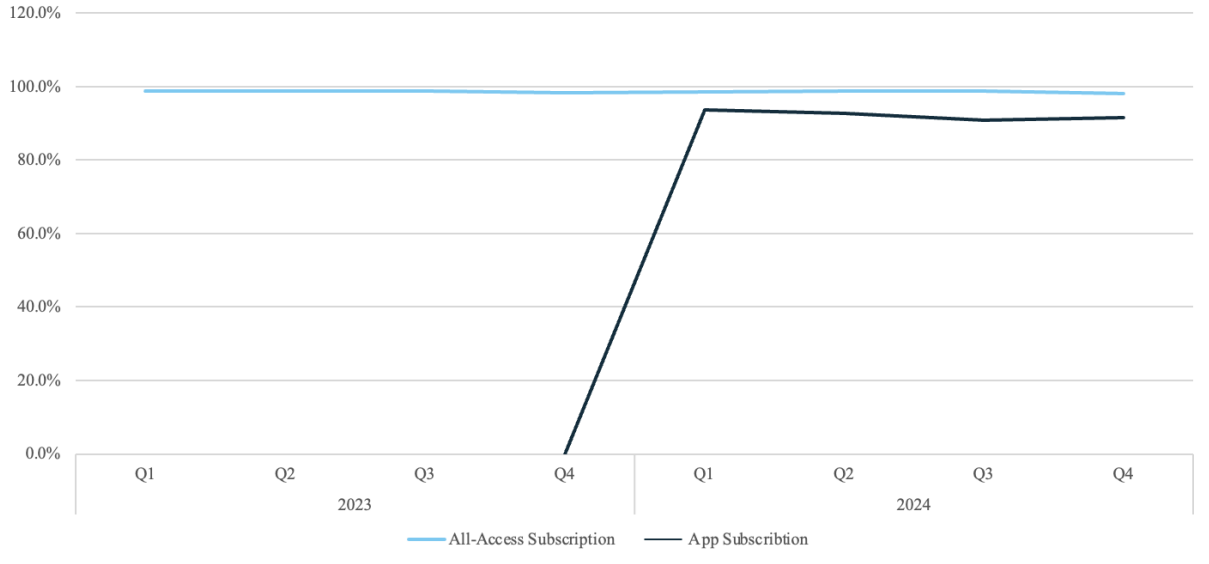
2.3 Retention Rate

Retention patterns reveal a significant divergence between the two subscription types in terms of engagement, perceived value and stickiness. In FY2024, App subscriptions recorded a monthly churn rate of 7.7%, equating to a 92.3% retention rate, whereas All-Access subscriptions demonstrated considerably stronger retention, with only 1.4% churn and a corresponding retention rate of 98.6% (**Table 9; Figure 1**).

Table 9: Monthly Retention Rate Calculation (FY2024) (Appendix 5)

Subscriber Type	Formula	Result
App Subscribers	1 - 0.077	92.3%
All-Access Subscribers	1 - 0.014	98.6%

Figure 1: Quarterly Retention Rate — All-Access vs App Subscriptions



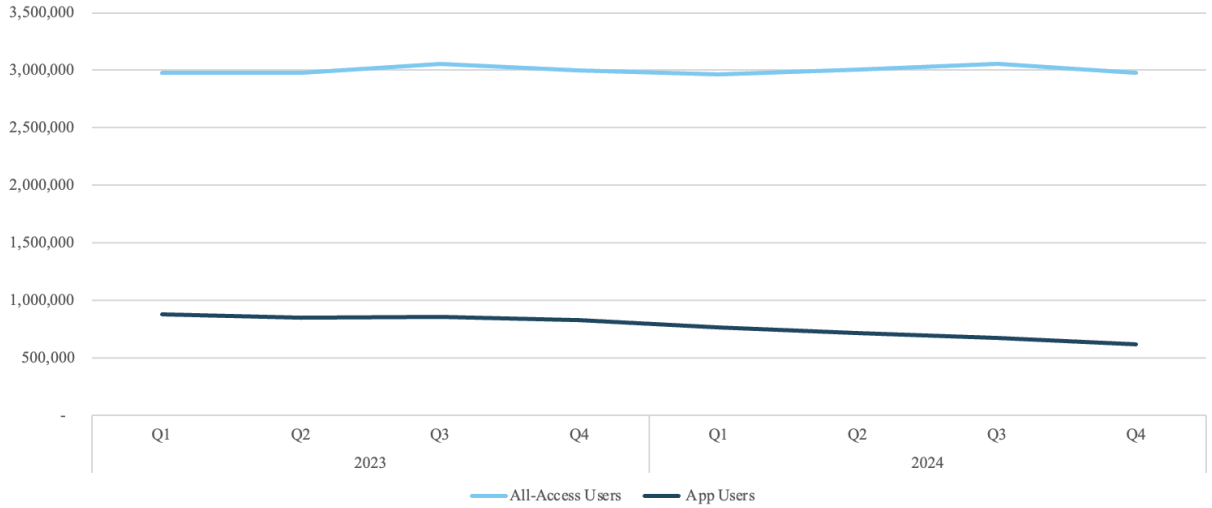
Commentary: The same retention pattern was observed in FY2023 for All-Access subscribers, reinforcing the consistency of strong loyalty within the hardware-linked segment (**Appendix 6**). However, due to the absence of comparable App data for 2023, year-over-year analysis for that group remains limited.

To validate these trends, we analysed year-over-year subscriber data.

Table 10: YoY Retention Rate Calculation (FY2024) (Appendix 5)

Subscriber Type	Formula	Result
App Subscribers	(615,226 - 827,821) / 827,821	**74.32%**
All-Access Subscribers	(2,981,131 - 2,997,443) / 2,997,443	**99.45%**

Figure 2: Quarterly Ending Subscribers: All-Access vs App Users (in millions)



Commentary: All-Access subscribers declined only slightly from 2,997,443 to 2,981,131 between FY2023 and FY2024, implying an annual retention rate of 99.45%. Meanwhile, App subscriptions dropped from 827,821 to 615,226, reflecting a much steeper churn and an annual retention rate of just 74.32% **(Figure 2; Appendix 5)**.

These retention rates were incorporated into our CLV calculation. Unlike monthly churn averages that may fluctuate, year-over-year data reflects the overall impact of acquisition, churn, pauses, and reactivations, providing a more accurate and reliable estimate of long-term customer value.

2.4 CLV

As highlighted earlier, Peloton's profitability is primarily driven by its subscription model, rather than hardware sales (**Appendix 4**). Given the post-Covid decline in demand, assessing customer profitability over time has become essential for the company (**Appendix 5**; Ofek, 2016; WARC, 2022).

To estimate the CLV of Peloton's two main subscription types, we applied the simplified CLV formula.

Table 11: Data Used for CLV Calculation	
All-Access Subscriber Size (FY2024)	2,981,131
App Subscriber Size (FY2024)	615,226
All-Access Subscriber Margin (FY2024)	$358
App 2024 Subscriber Margin (FY2024)	$147
Discount Rate (Annual)	7.28%
All-Access Retention Rate (Annual)	74.32%
App Retention Rate (Annual)	99.45%

Table 12: CLV Calculation		
All-Access Yearly CLV	*Margin x (1+discount rate)/(1+discount rate-retention rate)* 358.06 x (1 + 0.0728) / (1 + 0.0728 - 0.9945)	$4,907.66
App Yearly CLV	*Margin x (1+discount rate)/(1+discount rate-retention rate)* 147.36 x (1 + 0.0728) / (1 + 0.0728 - 0.7432)	$479.64
Commentary: All-Access subscribers clearly represent Peloton's most valuable customer segment, with a lifetime value that exceeds that of App subscribers by more than tenfold. This difference is driven by significantly higher retention rates and stronger per-subscriber margins, positioning All-Access subscriptions as the core driver of long-term profitability.		

Understanding customer value in isolation is insufficient. To fully assess the sustainability of each segment, CLV must be considered alongside CAC.

2.5 CAC

As part of its platform-first shift, Peloton expanded beyond hardware with app-based memberships to lower entry barriers and broaden its appeal (Peloton, 2023c). While progress has been made in reducing negative free cash flow, comparing CLV to CAC remains essential to assess whether the subscription model can scale profitably and sustain long-term growth (Peloton, 2024f).

Since Peloton does not break down acquisition costs by subscription type, we allocated its total Sales and Marketing (S&M) expenses based on revenue contribution from its two core subscription models (**Table 13**).

Table 13: CAC Calculation (Appendix 7)

FY2024 CAC Metrics	Formula	Results
Total Revenue from Subscription and Products ($ million)	*Source: Peloton Annual Report (2024)*	$2,700.5
Revenue Share (Subscription)($ million to be converted in %)	*Revenue Subscription/ Total Revenue* 1,708.7/ 2,700.5	62.37%
Revenue Share (Product)($ million to be converted in %)	*Revenue Products/ Total Revenue* 991.7/ 2,700.5	36.72%
Total S&M ($ million)	*Source: Peloton Annual Report (2024)*	$658.9
S&M Allocation (Subscription)($ million)	*% of Revenue (Subscription) x Total S&M ($ million)* 658.9 x 62.37%	$417
S&M Allocation (Product)($ million)	*% of Revenue (Product) x Total S&M ($ million)* 658.9 x 36.72%	$241.9
Total Peloton Subscribers	*All-Access + App Subscribers* 2,981,131 + 615,226	3,596,357
CAC per Subscriber (Subscription)($)	*Allocated S&M ($ million)/ Total Subscribers 2024* $417,000,000 / 3,596,357 Subscribers	$116
Commentary: In FY2024, subscriptions accounted for 62.37% of total revenue, while product sales contributed 36.72%. Applying these proportions to the total S&M expenses, we estimate that approximately		

$417 million was allocated toward acquiring and retaining subscription customers. To calculate average CAC for the subscription segment, we divided this figure by the total number of Peloton's subscribers in FY2024. This gives us an estimated average CAC of $116 per subscriber.

To provide greater granularity, we segmented CAC by subscription type, guided by Peloton's strategic focus. Although the company has enhanced its app offering, it has concurrently reduced advertising spend to improve cash flow (Peloton, 2024f). Given the App segment's lower margins and higher churn, it is unlikely to receive the majority of marketing investment. Instead, it is reasonable to assume that most S&M efforts are directed toward All-Access subscribers, who offer higher revenue potential and stronger retention. Based on this rationale, we estimated the following:

Table 14: Segmented CAC Calculation (Appendix 7)

Subscription Type	Allocation of $417M	Subscribers	CAC per Subscriber
All-Access	**60%** (assumed) = $250.2M	2,981,131	**$84**
App	**40%** (assumed) = $166.8M	615,226	**$271**

Commentary: Allocating 60% of the S&M spend to All-Access and 40% to App subscribers reveals that both segments deliver a positive return on investment, with their CLV exceeding acquisition costs. However, the margin is substantially more favourable for All-Access subscribers, reflecting stronger retention and higher per-subscriber value.

Finally, we compared the CLV to the segmented CAC for each subscriber type.

Table 15: CLV-to-CAC Ratio

Subscription Type	CLV	CAC	CLV-to-CAC Ratio
All-Access	$4,907.66	$84	**$58.43**
App	$479.64	$116	**$1.77**

Commentary: Data highlights a significant difference in customer profitability between Peloton's two subscription segments. The All-Access membership shows a CLV-to-CAC ratio of 58.43, indicating that Peloton earns $58.43 in lifetime value for every $1 spent on acquiring an All-Access customer. This ratio is exceptionally strong by industry standards, where a ratio above 3 is generally considered sustainable. In contrast, the App segment's ratio is only 1.77, indicating that for every $1 spent acquiring an App user,

Peloton earns just $1.77 in lifetime value. While this is technically still profitable (since CLV > CAC), the margin is slim, suggesting the company must be cautious about overinvesting in this subscription group. The low ratio is driven by two key factors: higher churn rates and significantly lower margins per App user compared to All-Access members.

These findings underscore why Peloton is likely to prioritise All-Access subscribers in its marketing and retention efforts. Their superior retention, stronger engagement and tighter integration with the brand's hardware ecosystem create a more sustainable and scalable revenue stream.

3. Firm Performance

3.1 Customer Acquisition

Following the pandemic, rising living costs, the shift to in-person fitness, and intensified competition led to reduced demand for Peloton's hardware products (WARC, 2022). In response, Peloton shifted its focus from CAC to maximising CLV, prioritising user experience, retention, and churn reduction for sustainable growth *(Ibid)*.

Table 16: Peloton Strategic Objective (Peloton, 2022)
"*The ultimate goal is to achieve faster growth by investing in a "better user experience" in pursuit of outcomes including higher organic growth and* ***lifetime value****."*

This pivot is reflected in subscriber data (**Appendix 6; Figure 2**), showing slower growth and a modest decline from 2023 to 2024—indicating market saturation and reduced acquisition efforts.

Peloton strengthens CLV through its *"cult-like community"* of fitness enthusiasts, leveraging personalisation, user-generated content and gamification (Conductor, 2024). This community-driven approach builds strong emotional ties, particularly with All-Access subscribers, whose higher retention and engagement increase their lifetime value. By using trainers as brand ambassadors and executing targeted digital campaigns, Connected TV and search ads (Extole, 2022; WARC, 2024; Statista, 2024), Peloton attracts high-value subscribers. Additionally, motivational content, celebrity endorsements, and retargeting

improve conversion rates and boost CLV (Johnson, 2023). Corporate Wellness initiatives also expand reach into workplace fitness (Peloton, 2023a).

Given this ecosystem, Peloton's acquisition efforts need to focus on All-Access subscribers. This segment offers a more profitable, sustainable path to growth, aligning with Peloton's long-term strategic repositioning.

3.2 Customer Retention and Development

Peloton maintains high annual retention rates, with All-Access members at 99.45% and App users at 74.32% (**Table 10**). This success is driven by Peloton's focus on personalisation, community culture and strategic content curation.

Central to Peloton's retention strategy is the use of first-party data to personalise user experiences. By analysing behavioural metrics like workout frequency, duration and content preferences, Peloton tailors recommendations to align with individual fitness goals and engagement patterns (Dev, 2024). The company also fosters a strong community identity, using features such as leaderboards, tags, live classes and the *'High Five'* function to create a sense of belonging and shared achievement (Peloton, 2020). Beyond the platform, Peloton strengthens user connections through its private Facebook group, which has nearly 470,000 members (Dev, 2024). The addition of new social features, such as *'Find Friends,'* further deepens user interaction (PYMNTS, 2024a-b).

Peloton also leverages a dual-layer content recommendation engine that combines *'rankers'* and *'filters.'*

Table 17: '*Rankers*' and '*Filters*' Explained (Banerjee et al., 2021)
'Rankers' prioritise content based on user preferences, while *'filters'* encourage discovery, promoting business goals such as highlighting new instructors or content.

These integrated strategies—personalisation, community engagement and adaptive content—drive long-term retention by creating emotional connections and reinforcing Peloton's brand loyalty.

3.3 Challenges

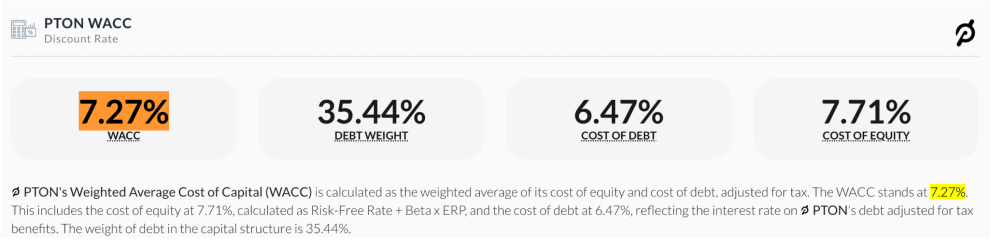
Peloton continues to struggle with scaling and retaining app-based subscribers, hindering its platform-first strategy. The consistent decline in paid App subscriptions since 2022 (**Appendix 6**) reveals the challenges in converting a broader, more price-sensitive audience into loyal users. Despite its tiered pricing structure, higher churn and shorter customer lifetimes indicate the App subscription model is not generating the desired returns, contradicting CEO McCarthy's growth predictions. Trainings are heavily focused on strength training and running, while neglecting areas like yoga and meditation (**Appendix 8**), limiting its broader brand appeal beyond cardio equipment.

A 19% reduction in sales and marketing spend (Peloton, 2024a), along with the removal of unlimited free trials, may have stifled user acquisition and trial-stage conversions. From a CRM perspective, Peloton should prioritise customer development, leveraging lifecycle strategies such as upselling from App One to App+ and cross-selling to All-Access hardware memberships. All-Access members yield a robust CLV-to-CAC ratio of 58.43, indicating strong profitability. In contrast, App subscribers return only $1.77 for every $1 spent on acquisition, barely covering costs. This highlights the inefficiency of a non-targeted acquisition strategy, suggesting Peloton should focus on more selective, cost-effective methods to enhance engagement, retention and ARPU. Although our CLV-to-CAC analysis could not differentiate between App One and App+ due to a lack of data, closer tracking of these segments could refine the approach and drive better results.

For sustained growth, Peloton must refine its customer development strategy by personalising user journeys, optimising content delivery and aligning marketing investments with segment-level profitability.

4. Appendix

Appendix 1: Peloton's WACC (AlphaSpread, 2025).



Appendix 2: Peloton (2024a) Annual Report.

Subscription

Subscription revenue primarily consists of revenue generated from our Connected Fitness Subscription and Peloton App Subscription, which are offered on a month-to-month or prepaid basis.

As of June 30, 2024, 99% and 84% of our Connected Fitness Subscription and Paid App Subscription bases, respectively, were paying month-to-month.

If a Connected Fitness Subscription owns multiple, different Peloton Connected Fitness Products (e.g. owns a Peloton Bike and Peloton Tread) in the same household, the price of the Subscription remains $44 monthly. As of June 30, 2024, approximately 10% of our Connected Fitness Subscriptions owned multiple, different Connected Fitness Products.

We define a "Paid Connected Fitness Subscription" as a person, household, or commercial property, such as a hotel or residential building, who has paid for a subscription to a Connected Fitness Product (a Connected Fitness Subscription with a successful credit card billing or with prepaid subscription credits or waivers). "Paid App Subscriptions" include all App One and App+ subscriptions for which we are currently receiving payment.

Appendix 3: Key metrics from Peloton (2024a) Annual Report for Subscription Revenue Calculations.

	Fiscal Year Ended June 30,		
	2024	2023	2022
		(in millions)	
Consolidated Statement of Operations Data:			
Revenue			
Connected Fitness Products	$ 991.7	$ 1,130.2	$ 2,187.5
Subscription	1,708.7	1,670.1	1,394.7
Total revenue	2,700.5	2,800.2	3,582.1

	Fiscal Year Ended June 30,		
	2024	2023	2022
Ending Paid Connected Fitness Subscriptions[1]	2,981,131	2,997,443	2,913,131
Average Net Monthly Paid Connected Fitness Subscription Churn[2]	1.4 %	1.3 %	—
Ending Paid App Subscriptions	615,226	827,821	979,817
Average Monthly Paid App Subscription Churn[3]	7.7 %	—	—
Subscription Gross Profit (in millions)	$ 1,157.7	$ 1,122.1	$ 944.7
Subscription Contribution (in millions)[4]	$ 1,231.6	$ 1,201.8	$ 994.2
Subscription Gross Margin	67.8 %	67.2 %	67.7 %
Subscription Contribution Margin[4]	72.1 %	72.0 %	71.3 %
Net loss (in millions)	$ (551.9)	$ (1,261.7)	$ (2,827.7)
Adjusted EBITDA (in millions)[5]	$ 3.5	$ (208.5)	$ (982.7)
Net Cash Used in Operating Activities (in millions)	$ (66.1)	$ (387.6)	$ (2,020.0)
Free Cash Flow (in millions)[6]	$ (85.8)	$ (470.0)	$ (2,357.4)

Appendix 4: Key Metrics from Peloton (2024a) Annual Report for COGS Calculations.

	Fiscal Year Ended June 30,		
	2024	2023	2022
		(in millions)	
Connected Fitness Products:			
Revenue	$ 991.7	$ 1,130.2	$ 2,187.5
Cost of revenue	943.0	1,328.8	2,433.8
Gross profit	$ 48.8	$ (198.6)	$ (246.3)
Subscription:			
Revenue	$ 1,708.7	$ 1,670.1	$ 1,394.7
Cost of revenue	551.0	547.9	450.0
Gross profit	$ 1,157.7	$ 1,122.1	$ 944.7
Consolidated:			
Revenue	$ 2,700.5	$ 2,800.2	$ 3,582.1
Cost of revenue	1,494.0	1,876.7	2,883.8
Gross profit	$ 1,206.5	$ 923.5	$ 698.4

Appendix 5: Key Metrics from Peloton (2024a) Annual Report for Retention Rate Calculations.

	Fiscal Year Ended June 30,		
	2024	2023	2022
Ending Paid Connected Fitness Subscriptions[1]	2,981,131	2,997,443	2,913,131
Average Net Monthly Paid Connected Fitness Subscription Churn[2]	1.4 %	1.3 %	—
Ending Paid App Subscriptions	615,226	827,821	979,817
Average Monthly Paid App Subscription Churn[3]	7.7 %	—	—
Subscription Gross Profit (in millions)	$ 1,157.7	$ 1,122.1	$ 944.7
Subscription Contribution (in millions)[4]	$ 1,231.6	$ 1,201.8	$ 994.2
Subscription Gross Margin	67.8 %	67.2 %	67.7 %
Subscription Contribution Margin[4]	72.1 %	72.0 %	71.3 %
Net loss (in millions)	$ (551.9)	$ (1,261.7)	$ (2,827.7)
Adjusted EBITDA (in millions)[5]	$ 3.5	$ (208.5)	$ (982.7)
Net Cash Used in Operating Activities (in millions)	$ (66.1)	$ (387.6)	$ (2,020.0)
Free Cash Flow (in millions)[6]	$ (85.8)	$ (470.0)	$ (2,357.4)

Appendix 6: Quarter-on-Quarter Churn Rate for All-Access Subscriptions (2023–2024). Data sourced from Peloton quarterly shareholder letters (Peloton (2024b-e).

FY 2024 Q1 Operating Metrics and Financial Summary

				% Change	
User Metrics	**Q1 FY23**	**Q4 FY23**	**Q1 FY24**	**Y/Y**	**Q/Q**
Members (in millions)	6.7	6.5	6.4	(4)%	(1)%
Ending Paid Connected Fitness Subscriptions (in millions)	2.918	2.997	2.964	2 %	(1)%
Average Net Monthly Paid Connected Fitness Subscription Churn	1.2 %	1.8 %	1.5 %	30 bps	(30) bps
Ending Paid App Subscriptions (in millions)	0.875	0.828	0.763	(13)%	(8)%
Average Monthly Paid App Subscription Churn [1]	–	–	6.3 %	–	–

FY 2024 Q2 Operating Metrics and Financial Summary

				% Change	
User Metrics	**Q2 FY23**	**Q1 FY24**	**Q2 FY24**	**Y/Y**	**Q/Q**
Members (in millions)	6.7	6.4	6.4	(4)%	(1)%
Ending Paid Connected Fitness Subscriptions (in millions)	2.979	2.964	3.004	1 %	1 %
Average Net Monthly Paid Connected Fitness Subscription Churn	1.2 %	1.5 %	1.2 %	0 bps	(30) bps
Ending Paid App Subscriptions (in millions)	0.852	0.763	0.718	(16)%	(6)%
Average Monthly Paid App Subscription Churn [1]	–	6.3 %	7.2 %	–	90 bps

FY 2024 Q3 Operating Metrics and Financial Summary

				% Change	
User Metrics	**Q3 FY23**	**Q2 FY24**	**Q3 FY24**	**Y/Y**	**Q/Q**
Members (in millions)	6.7	6.4	6.6	(1)%	3 %
Ending Paid Connected Fitness Subscriptions (in millions)	3.055	3.004	3.056	0 %	2 %
Average Net Monthly Paid Connected Fitness Subscription Churn	1.1 %	1.2 %	1.2 %	10 bps	0 bps
Ending Paid App Subscriptions (in millions)	0.853	0.718	0.674	(21)%	(6)%
Average Monthly Paid App Subscription Churn [1]	–	7.2 %	9.2 %	–	200 bps

FY 2024 Q4 Operating Metrics and Financial Summary

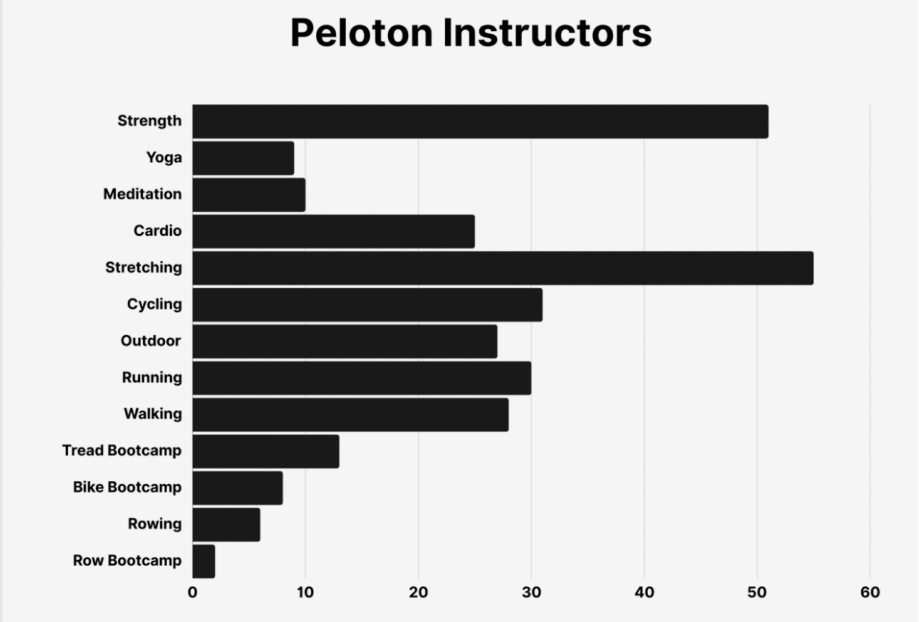
				% Change	
User Metrics	**Q4 FY23**	**Q3 FY24**	**Q4 FY24**	**Y/Y**	**Q/Q**
Members (in millions)	6.5	6.6	6.4	(2)%	(2)%
Ending Paid Connected Fitness Subscriptions (in millions)	2.997	3.056	2.981	(1)%	(2)%
Average Net Monthly Paid Connected Fitness Subscription Churn	1.8 %	1.2 %	1.9 %	10 bps	70 bps
Ending Paid App Subscriptions (in millions)	0.828	0.674	0.615	(26)%	(9)%
Average Monthly Paid App Subscription Churn [1]	–	9.2 %	8.4 %	–	(80) bps

Appendix 7: Key Metrics from Peloton (2024a) Annual Report for CAC Calculations.

	Fiscal Year Ended June 30,		
	2024	2023	2022
		(in millions)	
Connected Fitness Products:			
Revenue	$ 991.7	$ 1,130.2	$ 2,187.5
Cost of revenue	943.0	1,328.8	2,433.8
Gross profit	$ 48.8	$ (198.6)	$ (246.3)
Subscription:			
Revenue	$ 1,708.7	$ 1,670.1	$ 1,394.7
Cost of revenue	551.0	547.9	450.0
Gross profit	$ 1,157.7	$ 1,122.1	$ 944.7
Consolidated:			
Revenue	$ 2,700.5	$ 2,800.2	$ 3,582.1
Cost of revenue	1,494.0	1,876.7	2,883.8
Gross profit	$ 1,206.5	$ 923.5	$ 698.4

	Fiscal Year Ended June 30,		
	2024	2023	2022
		(in millions)	
Segment Gross Profit	$ 1,206.5	$ 923.5	$ 698.4
Sales and marketing	(658.9)	(648.2)	(1,018.9)
General and administrative	(651.0)	(798.1)	(963.4)
Research and development	(304.8)	(318.4)	(359.5)
Goodwill impairment	—	—	(181.9)
Impairment expense	(57.3)	(144.5)	(390.5)
Restructuring expense	(66.1)	(189.4)	(180.7)
Supplier settlements	2.6	(22.0)	(337.6)
Total other expense, net	(23.2)	(60.9)	(74.1)
Loss before income taxes	$ (552.1)	$ (1,258.0)	$ (2,808.1)

Appendix 8: Peloton Instructors Distribution (Backlinko, 2023).



5. Reference List

Aubrey Marketing (n.d.) *Peloton - Introduction Course*. [Online] Available at: https://aubrey-marketing.co.uk/introduction-course/peloton/ (Accessed: 23 March 2025).

Adweek (2023) *How Peloton Is Leveraging Its Instructors to Evolve the Brand*. Available at: https://www.adweek.com/brand-marketing/these-10-peloton-instructors-have-evolved-into-their-own-brands/ (Accessed: 23 March 2025).

Backlinko (2023) *Peloton Users: Statistics, Demographics, and More*. [Online] Available at: https://backlinko.com/peloton-users (Accessed: 23 March 2025).

Banerjee, S., Bhadury, A., Talukder, N. and Thammana, S. (2021) *Personalizing Peloton: Combining Rankers and Filters To Balance Engagement and Business Goals*. Proceedings of the 15th ACM Conference on Recommender Systems, pp. 575–576. [Online] Available at: https://dl.acm.org/doi/10.1145/3460231.3474610 (Accessed: 23 March 2025).

Canvas Business Model (2024) *Peloton marketing strategy*. [Online] Available at: https://canvasbusinessmodel.com/blogs/marketing-strategy/peloton-marketing-strategy?srsltid=AfmBOoq73sKhb-GOS2UZBJr5sk6mnkbB6CsfUkPigYrqdGygpfLXGsSD (Accessed: 23 March 2025)).

CB Insights (2023) *Peloton Competitors and the Battle for Connected Fitness*. [Online] Available at: https://www.cbinsights.com/research/report/peloton-connected-fitness/ (Accessed: 23 March 2025).

Chand, Dev (2024) *How Peloton Uses Data to Get Customers*. [Online] Available at: https://www.thedigitalchapter.com/p/peloton-dtc-growth-marketing-strategy

CNBC (2023) *Peloton Leans Into Financing Options as Premium Pricing Faces Pressure*. [Online] Available at: https://www.cnbc.com/2023/05/10/peloton-financing-options-and-pricing-strategy.html (Accessed: 23 March 2025).

Conductor (2022) *Peloton marketing strategy: Brand and acquisition work together*. [Online] Available at: https://www.conductor.com/academy/peloton-marketing-strategy/#brand-and-acquisition-work-together (Accessed: 23 March 2025).

Dean, Brian (2024) *Peloton Subscriber and Revenue Statistics*. [Online] Available at: https://backlinko.com/peloton-users#key-peloton-stats-and-figures

Extole (2022) *Peloton's social media strategy: How a community-first approach led to massive growth*. [Online] Available at: https://www.extole.com/blog/pelotons-social-media-strategy-how-a-community-first-approach-led-to-massive-growth/ (Accessed: 23 March 2025).

Fortune Business Insights (2024) *Connected Fitness Market Size, Share & COVID-19 Impact Analysis*. [Online] Available at: https://www.fortunebusinessinsights.com/connected-fitness-market-102409 (Accessed: 23 March 2025).

Green, L. (2023) Why Digital Fitness is Ditching the Hardware. [Online] *Forbes*. Available at: https://www.forbes.com/sites/lg/2023/10/12/why-digital-fitness-is-ditching-the-hardware (Accessed: 23 March 2025).

Green, T. (2023) *Peloton's strategy finally makes sense*. Fool.com. [Online] Available at: https://www.fool.com/investing/2023/05/24/pelotons-strategy-finally-makes-sense/ (Accessed: 15 March 2025).

Harvard University (2021) *Sponsored Cost Allocation Methodology Guidance*. [Online] Financial Administration. Available at: https://osp.finance.harvard.edu/sponsored-cost-allocation-methodology-guidance (Accessed: 22 March 2025).

Health Service Discounts (2025) *Peloton*. [Online] Available at: https://healthservicediscounts.com/retailers/peloton-4160 [Accessed: 24 March 2025].

Lammertink, Inge (2019) *Peloton's Insane Retention Rate Boiled Down to 4 Steps*. [Online] Available at: https://medium.com/@i.m.lammertink/pelotons-insane-retention-rate-boiled-down-to-4-steps-aa5cb49ea2a1

McKinsey & Company (2023) *The Future of Wellness: A Global Consumer Perspective*. [Online] Available at: https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/the-future-of-wellness (Accessed: 23 March 2025).

Mintel (2023) *Fitness Subscriptions and Digital Workouts - UK - 2023*. [Online] Available at: https://www.mintel.com (Accessed: 23 March 2025).

NoGood (2022) *Peloton marketing strategy: A breakdown of Peloton's marketing success*. [Online] Available at: https://nogood.io/2022/01/14/peloton-marketing-strategy/ (Accessed: 23 March 2025).

Ofek, E. (2016) *Customer Profitability and Lifetime Value*. [Online] Harvard Business School. Available at: https://imperial.alma.exlibrisgroup.com/leganto/public/44IMP_INST/citation/45077412290001591?auth=SAML (Accessed: 22 March 2025).

Peloton (2020) *These Peloton Community Features Will Help You Stay Connected*. [Online] Available at: https://www.onepeloton.com/blog/peloton-community-features

Peloton (2022) *3Q FY2022 Shareholder Letter*. [Online] Available at: https://investor.onepeloton.com/static-files/6fc0b035-ea15-4617-9558-8ebd348c1169

Peloton (2023a) *Corporate wellness program*. [Online] Available at: https://support.onepeloton.com/s/article/4402132435092-Corporate-Wellness (Accessed: 23 March 2025).

Peloton (2023b) *Letter to Shareholders: Strategic Update on the Future of Peloton*. [Online] Available at: https://investor.onepeloton.com (Accessed: 23 March 2025).

Peloton (2023c) *Peloton Reintroduces Itself: For Anyone, Anywhere*. [Online] Available at: https://investor.onepeloton.com/news-releases/news-release-details/peloton-reintroduces-itself-anyone-anywhere (Accessed: 22 March 2025).

Peloton (2024a) *2024 Annual Report*. [Online] Available at: https://investor.onepeloton.com/static-files/062b5e2d-35dc-407c-8c05-631457fccec6 (Accessed: 22 March 2025).

Peloton (2024b) *Q1 FY2024 Shareholder Letter*. [Online] Available at: https://investor.onepeloton.com/static-files/13ff9b15-1fa5-414d-925f-22f4fa927acc (Accessed: 22 March 2025).

Peloton (2024c) *Q2 FY2024 Shareholder Letter*. [Online] Available at: https://investor.onepeloton.com/static-files/13ff9b15-1fa5-414d-925f-22f4fa927acc (Accessed: 22 March 2025).

Peloton (2024d) *Q3 FY2024 Shareholder Letter*. [Online] Available at: https://investor.onepeloton.com/static-files/f17afda1-ef5e-4192-b0ed-2e8adfabad3d (Accessed: 22 March 2025).

Peloton (2024e) *Q4 FY2024 Shareholder Letter*. [Online] Available at: https://investor.onepeloton.com/static-files/7598c64a-bc5d-43c0-84a4-7016549587d3 (Accessed: 22 March 2025).

Peloton (2024f) *Introducing Peloton Strength – Plus New Features to Keep You Moving*. [Online] Available at: https://www.onepeloton.com/en-GB/blog/peloton-strength-plus-app (Accessed: 22 March 2025).

Peloton (2024g) *Company Overview*. [Online] Available at: https://www.onepeloton.com/en-GB/company (Accessed: 15 March 2025).

Peloton (2024h) *Special Pricing On Peloton App Membership*. [Online] Available at: https://support.onepeloton.com/s/article/360061427191-Special-Pricing-On-Peloton-App-Membership?language=en_US (Accessed: 15 March 2025).

PYMNTS (2024a) *Peloton Confronts Subscription Declines Amid Strategic Shifts*. [Online] Available at: https://www.pymnts.com/earnings/2024/peloton-confronts-subscription-declines-amid-strategic-shifts/

PYMNTS (2024b) *Peloton's New Marketing Campaign to Promote Breadth of Fitness Offerings*. [Online] Available at: https://www.pymnts.com/news/retail/2024/pelotons-new-marketing-campaign-to-promote-breadth-of-fitness-offerings/

Renascence (2023) *How Peloton Enhances Customer Experience (CX) with Engaging Fitness Content*. [Online] Available at: https://www.renascence.io/journal/how-peloton-enhances-customer-experience-cx-with-engaging-fitness-content (Accessed: 23 March 2025).

Statista (2023) *Distribution of Peloton Bike Users in the United States in 2023, by Age and Income*. [Online] Available at: https://www.statista.com/statistics/1293863/peloton-bike-user-demographics-us/ (Accessed: 23 March 2025).

Statista (2023) *Number of Peloton Connected Fitness Subscribers Worldwide from Q1 2019 to Q4 2023*. [Online] Available at: https://www.statista.com/statistics/1186842/peloton-connected-fitness-subscribers-worldwide/ (Accessed: 23 March 2025).

TacticOne (2024) *Peloton: Personalization, community, and growth*. [Online] Available at: https://www.tacticone.co/blog/peloton-personalization-community-and-growth (Accessed: 23 March 2025).

TechCrunch (2023) *Peloton Expands App Accessibility to More Platforms, Targeting Non-Hardware Users*. [Online] Available at: https://techcrunch.com/2023/06/15/peloton-expands-app-accessibility/ (Accessed: 23 March 2025).

WARC (2022) *Peloton Shifts Marketing Focus to Lifetime Value: WARC: The Feed*. [Online] Available at: https://www.warc.com/content/feed/peloton-shifts-marketing-focus-to-lifetime-value/en-GB/6721 (Accessed: 23 March 2025).