

The Peloton Digital Media Transformation Ride

written by Bob Hanes | November 5, 2022

While [Peloton Interactive, Inc.](#) (NASDAQ: PTON) might be the most well-known fitness tech company to have struggled through the recent market downturn, it is certainly not the only one. Many other digital fitness companies have also been affected by this downswing. Nonetheless, Peloton will have to embrace the struggle to return to its high.

Peloton's previous management made clear mistakes regarding how quickly the company would grow and invested too heavily in inventory and supply chain facilities. These mistakes are still currently haunting the company, but there is still time for the new CEO, Barry McCarthy, to right the ship.

McCarthy has been on a cost-cutting crusade since he took the company's reins. The departure of long-time Peloton executives highlights a new era for the company. They recently [announced another round](#) of layoffs, but it appears that this will be the last part of the restructuring. More importantly, Peloton did not need to lay off any of its instructors, unlike other digital fitness companies, such as [Tonal](#).

McCarthy claims that the company is now on track to meet cash flow goals for the end of the year. He has also been shifting Peloton's core strategies. Peloton recently announced a partnership with Hilton, where its bikes will be featured in every Hilton-branded gym in the United States. Additionally, Peloton plans to sell their bikes on Amazon and in Dick's Sporting Good stores. These moves could bring more customers into the Peloton ecosystem.

However, some doubters worry that these moves could lower the brand value of Peloton, but that does not seem to be the case for most users. Peloton understands that one of its most valuable assets is its instructors, their relative celebrity, and the digital content they produce monthly. The company produces around [1,000 hours](#) of digital fitness content a month in various disciplines, keeping users busy.

The parasocial relationships that instructors establish with members are a key reason Peloton members come back to the platform time and time again. Their retention rate is still extremely high, hovering around 91%, even with their recent troubles.

It is clear that Peloton is shifting its focus toward digital content. Although they will continue to sell exercise equipment, their margins on this business are not nearly as healthy as their digital offerings. Moreover, the distribution of digital content is much easier than the distribution of physical goods and requires fewer resources on the company's part.

The move makes sense for Peloton and has been championed by the company's CEO. McCarthy has even floated the idea of offering Peloton content on non-Peloton exercise equipment. Evidence of this strategic shift can be seen in Peloton's latest moves.

Just last week, for example, the company announced a new series of digital fitness content featuring popular instructor [Cody Rigsby interviewing celebrity guests](#) from all walks of life. Another popular cycling instructor, Alex Toussaint, is now beginning to teach on Peloton's treadmill, highlighting their bet on instructors being one of the company's core assets.

Clearly, then, it seems that Peloton is moving towards becoming more of a digital media powerhouse than its previous focus on being a leader in physical exercise equipment. Whether this

strategy will pay off remains to be seen – but with the competitive landscape evolving rapidly, it's appears to be an increasingly smart bet.