



Growth Recommendation for Peloton

Executive summary:

This project assesses Peloton’s innovation capabilities and recommends a focused growth strategy to reverse stagnation and approach 2× revenue growth over the next five years. Peloton retains a strong brand, an engaged 2.8M-member base, and a leading share in connected fitness, but faces hardware softness, post-COVID demand normalization, and intensifying competition from Big Tech and low-cost rivals. Management has restored EBITDA profitability and shifted the company toward AI-enabled personalization and “healthspan,” yet current innovation is largely incremental and anchored in the legacy fitness subscription model threatening long term growth.

We recommend “Peloton Health+,” a payer-integrated digital health platform that bundles exercise, sleep, and nutrition into preventive-care programs reimbursed by employers and insurers. Health+ leverages Peloton IQ, first-party biometric and behavioral data, and ecosystem partnerships, and is reinforced by acquiring Eight Sleep for recovery/sleep analytics and forming a nutrition JV with players such as Noom or Nourish. This reframes Peloton from a hardware-plus-content company into a data-driven wellness platform, opening new revenue streams backed by a defensible data and software moat.

In the base case, Health+ drives revenue from \$2.49B in 2025 to \$4.4B in 2030 (1.8×), with ARPU uplift (to ~\$70 for Health+), 2M incremental payer-funded members, lower churn, and a mix shift toward higher-margin, subscription-heavy revenue.

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Introduction and Project Scope

This project analyzes Peloton Interactive, Inc.’s innovation capabilities and presents a targeted growth strategy to reverse revenue decline and achieve nearly 2× revenue growth over the next three to five years. Peloton combines premium connected hardware (Bike, Bike+, Tread, Row) with a subscription-based content ecosystem that blends technology, community, and fitness. Following the creation of a Unified Commercial Business Unit integrating consumer and B2B operations (via Precor), the company is now evolving into AI-driven personalization and digital health, aiming to extend its brand from workouts to holistic wellness.

Peloton sits at a pivotal intersection of opportunity and pressure. It faces contracting profitability, a maturing subscriber base, and the post-pandemic normalization of at-home fitness demand. Yet it retains unique assets—brand loyalty, data, and deep member engagement. With FY2025 revenue near \$2.5 billion¹, the strategic challenge is to reignite scalable, profitable growth while reducing churn¹ and expanding into adjacent markets where its existing technology and data can create competitive differentiation.

I - Company Context and Current Position

Peloton remains the leader in the “*connected-fitness*” industry, with roughly 25 % of the global market share. Generating \$2.5 billion revenue in 2025, its leadership position is mostly driven by its early advantage in Home- Fitness and digital health integration³. After the COVID boom that fueled Peloton’s rise has receded starting in 2022, gym reopenings and new digital competitors, such as Apple Fitness+ and Amazon Halo, as well as lower-cost hardware players like Echelon and Tonal intensified pressures, exposing Peloton’s overscaling and overspending^{2,5}.

Founded in 2012, Peloton built its success on the hardware plus subscription model, with subscriptions now representing more than 60 percent of total revenue⁸. Its early edge in design, instructors, and community has narrowed as competitors replicate the model. After peaking in 2021, Peloton revenue declined \$2.71 billion in 2024, approximately 2.8 % year over year drop regardless of the significant restructuring and cost rationalization^{1,8}. Current leadership has refocused on subscription profitability, disciplined capital allocation, and expansion into “healthspan”, using technology and data to enhance long-term well being through exercise, recovery, and nutrition.

In FY2024, Peloton’s subscriptions generated \$1.7 billion of total revenue, and adjusted EBITDA reached \$140 million in Q2 2025, signaling that cost controls are working^{1,3,8}. Yet hardware sales continue to lag, international growth is uneven, and even with low churn (~1.4 percent), scaling remains difficult. To sustain leadership, Peloton must leverage its data, brand, and AI capabilities to expand beyond fitness into broader wellness and digital health, where its existing ecosystem can be monetized through new players and use cases.

II - Innovative Capabilities Audit

Leadership and Vision

Under CEO Peter Stern, Peloton’s innovation framework centers on four pillars: *Improve Member Outcomes, Meet Members Everywhere, Members for Life, and Business Excellence*.¹ The company has shifted from chasing product launches to measuring innovation through tangible outcomes—better engagement, retention, and profitability.⁹

At the core is Peloton IQ, an AI platform combining language and vision models to

deliver adaptive workouts, movement tracking, and personalized coaching. This evolution reframes Peloton from a “hardware + content” firm into a data-driven wellness platform capable of extending its value proposition into health analytics and preventive care.⁵

Organization and Decision-Making

Peloton’s organizational culture has evolved from founder-driven intuition (John Foley) to financial austerity (Barry McCarthy) to cross-functional agility under Stern. It now employs agile product squads that integrate hardware, software, and content development. While governance has improved, a strong focus on short-term efficiency and cost control can sometimes discourage high-risk experimentation.^{1,2,9}

Culture and Incentives

Peloton’s early culture prized boldness and vision but lacked formal mechanisms for grassroots innovation. During its hypergrowth phase, logistics and operations displaced experimentation. Under McCarthy, a more data-centric mindset emerged, promoting A/B testing and decentralized decision-making. Today’s incentive systems favor engagement and retention—effective for incremental improvements but insufficient for long-horizon bets. Creativity remains strongest in the instructor and content teams, though technical teams often face tighter financial filters.^{1,2,9}

Resource Allocation and Portfolio Management

Capital allocation prioritizes core differentiators—AI, content, and software—while trimming non-essential projects. The current portfolio focuses on optimizing the

connected-fitness franchise through device upgrades, app improvements, and personalization features, complemented by selective diversification into wellness. The challenge is striking a balance between refining the core business and funding transformative opportunities.^{1,2,3,5,9}

External Partnerships

Peloton increasingly innovates through ecosystem partnerships. Retail collaborations with Amazon and Dick's Sporting Goods extend distribution; hospitality and enterprise programs with Hilton and other corporations open B2B channels. Integrations with Apple Health, Garmin, Fitbit, and Strava enable data portability, while outsourcing production to Rexon Industrial improves flexibility. Cultural collaborations with artists and lifestyle brands enhance consumer resonance. Together, these partnerships illustrate Peloton's growing ability to orchestrate networks that amplify reach and innovation.

Processes for Idea Generation and Scaling

Innovation follows the mantra *Member Outcomes First*⁹. Teams use data to identify barriers to motivation and adherence, addressing them through AI feedback loops, continuous content refreshes, and health-focused feature expansion. Cross-functional squads use rapid prototyping and beta testing for new features such as gamification, adaptive training, and recovery tracking. Peloton's scope has expanded to strength, mobility, sleep, and mental health, powered by AI analytics and modern design pipelines. The company's adoption of formal AI governance and integrated design workflows reflects a maturing digital organization.

Key Insights

Peloton retains exceptional technical and ecosystem capabilities but risks stagnating in incrementalism. The company excels at optimizing the “blue line”—its core fitness model—but underinvests in the “green line” innovations that can redefine its future. Its next stage must harness brand equity, data, and AI to enter scalable growth domains such as digital health and preventive wellness.

III - Strategic Recommendation: Peloton Health+

Peloton’s domestic consumer market is mature^{4,5,1}, and incremental content upgrades no longer yield transformational growth. The company’s differentiation now lies in its data ecosystem, personalization capabilities, and trusted brand. The recommended path is to reposition Peloton as an insurance-integrated digital health platform—Peloton Health+—combining exercise, sleep, and nutrition into personalized, reimbursable care programs.

This transition expands Peloton’s payer base from individuals to employers and insurers, unlocking a larger and more stable total addressable market while supporting a credible path to significantly increasing revenue within five years.

The strategy includes three core actions. First, Peloton will launch Health+, leveraging its ecosystem of exercise, biometrics, sleep, and nutrition data to deliver evidence-based preventive care plans. Second, the company will acquire and/or partner with Eight Sleep to integrate recovery and thermal-sleep data, enhancing personalization and measurable health outcomes. Third, Peloton will form a nutrition joint venture, potentially with partners like Nourish or

Noom, embedding coaching and dietary analytics within Health+ and further differentiating the platform from its competitors.

This “Green Triangle” initiative leverages Peloton’s data advantage to enter the emerging market of payer-funded preventive care, aligned with U.S. trends toward reimbursing wellness and telehealth programs (eg: Hinge Care).

Projected Outcomes (Base Case)

Between 2025 and 2030, Peloton’s revenue is projected to increase from \$2.49 billion to \$4.38 billion, a 1.8× growth, driven primarily by Health+. Legacy monthly ARPU grows modestly from \$50 to \$56, while Health+ achieves \$70 ARPU through insurer and employer reimbursement. The member base expands from 2.8 million to 3.2 million legacy users, with 2 million new Health+ members by 2030. Health+ would represent roughly 40 percent of total membership and an outsized share of revenue, making it Peloton’s key growth engine (see Annex Table 1). The initiative’s strength lies in its ability to generate higher-margin, low-churn revenue funded by enterprise customers which have a higher perceived value (eg: reduced hospital & medication bills) of Peloton’s services.

This initiative grows revenue 1.8X in the median case, which is slightly lower than the 2X threshold - although a good adoption of the initiative could lead to up to 2.5X revenue. However, we feel that given Peloton’s current situation (low to negative revenue and subscription number growth, restricted spending to maintain healthy cashflows and EBITDA to pay down debt) it is not realistic to envisage a wider ranging innovation initiative which would have even more growth potential. This current initiative already requires a significant innovation effort on Peloton’s part as it has to rework its client relations, integrate new ventures and grow its

data analysis capabilities. No other innovation pathway we considered (e.g.: entering the “strength” training market through new product development, international expansion, wearable technology development) offered a better growth opportunity, a better way to redefine the value-framework in a market, or a better opportunity to build a defensible revenue model.

IV - Implementation Plan

Peloton’s transformation should be segmented into three distinct phases, focusing on specific milestones, clear ownership, and measurable success criteria, training Health + as a “green venture” poised to redefine the company.

Phase 1: Validate & Architect (Years 1–2)

Establish the Health+ Business Unit, led by a General Manager with full P&L autonomy. Develop a HIPAA-compliant data framework integrating medical-grade biometrics with behavioral and exercise data, supported by Business Associate Agreements (BAAs) with insurers.

Pilot Health+ with one major insurer and one self-insured employer (5,000–10,000 participants), testing protocols such as resting-heart-rate reduction and adherence improvement. An internal ROI Dashboard should track engagement, outcomes, and payer ROI. By year-end, Peloton should validate the model’s economic value before pursuing large-scale marketing or M&A.

Phase 2: Scale & Monetize (Years 2–3)

Convert pilot partners into enterprise contracts with 5–10 employers and 1–2 insurers, creating recurring revenue. Launch Health+ as a reimbursed premium tier, integrating sleep and nutrition data (via Eight Sleep and Noom/Nourish) into Peloton IQ. A new Data Science & Outcomes Team will quantify productivity, absenteeism, and healthcare cost reductions, building evidence for insurer renewals and potential NCQA accreditation or participation in CMS wellness pilots.

Phase 3: Integrate & Institutionalize (Years 3–5)

Following validation and early commercialization, Peloton should acquire and integrate Eight Sleep, embedding recovery analytics into its ecosystem and expanding into the high-growth sleep-tech market. Parallely, expand the nutrition offering through partnerships or in-house AI coaching.

Validated outcomes will enable national insurer coverage for preventive-care programs focused on metabolic health or stress management. By Year 5, Health+ should generate 30–40 percent of total revenue, increase blended ARPU by 20–30 percent, and reduce churn below 1 percent—marking Peloton’s evolution into a reimbursed digital-health provider.

Governance, Resources, and Risk Management

Execution requires robust governance and resource alignment. A Health+ Steering Committee, chaired by the CEO and including the CFO, CTO, Chief Medical Officer, and Health+ GM, should oversee pilot approvals, KPI tracking, and cross-functional alignment.

Resources should focus on three areas:

(1) Compliance and legal infrastructure to ensure HIPAA adherence and mitigate data risks, (2) Pilot execution and validation, covering participant incentives, analytics, and external research partners, and (3) Strategic acquisitions like Eight Sleep, guided by synergy and integration milestones.

Governance should measure both financial and health outcomes. Financially, Peloton must track growth in payer-funded members, ARPU uplift, and renewal rates. Health outcomes should include engagement, adherence to personalized plans, and measurable improvements in recovery or cardiovascular health. Payer traction metrics—insurers onboarded, renewals, and cost-savings validation—will complete the scorecard.

Risk management spans three dimensions. Regulatory risk requires clear data-sharing agreements and quarterly audits in the first two years. Execution risk calls for tight coordination between the Health+ BU, engineering, and marketing, supported by a dedicated change-management office. Adoption risk should be mitigated by targeting self-insured employers first, demonstrating outcomes such as a 10 percent reduction in sick days or 15 percent rise in activity adherence before expanding nationally.

This phased approach minimizes upfront exposure while preserving strategic upside. Each milestone acts as a gate for capital deployment, ensuring growth investments follow verified results. With disciplined governance and measured risk-taking, Peloton can achieve sustainable expansion into digital health while reinforcing profitability and brand equity.

Conclusion

Peloton stands at a juncture. Once the pioneer of connected fitness, it now faces the limits of a hardware-centric model in a saturated market. Yet its assets—AI personalization, trusted brand, and engaged community—create a powerful platform for reinvention.

The Peloton Health+ strategy reframes the company’s purpose from “workouts” to “well-being.” By integrating exercise, sleep, and nutrition into payer-funded care, Peloton can unlock new revenues, elevate ARPU, and deepen member loyalty while remaining true to its mission of improving lives through movement.

This plan would embody a change in the innovation culture at Peloton, away from the incremental innovation through software development of the past few years to instead considerably transform the landscape of the digital-healthcare industry. This will imply major changes within Peloton to successfully deploy this new venture (“green triangle”) which could radically transform the company.

The broader lesson is that lasting innovation depends on alignment of vision, culture, and governance—not technology alone. By redefining *who pays and for what*, Peloton can double revenue, strengthen engagement, and establish itself as a long-term innovator at the intersection of connected fitness, digital health, and AI-enabled care.

Appendix I: Financial Model

Variable	Bear	Base	Bull
Health Lives FY2030	1 m	2 m	3 m
PMPM \$	50	70	90
Take Rate %	80%	85%	90%
Nutrition Attach %	15%	25%	35%
Legacy Subscription – Members (M)	3.2	3.2	3.2
Legacy Subscription – ARPU (\$/yr)	597.7	676	763
Legacy Subscription Revenue (M \$)	1940	2195	2476
Legacy Hardware Revenue (M\$)	666	666	666
Health+ Lives (M)	1	2	3
Health+ Revenue (M\$)	480	1428	2916
Nutrition Members (M)	0.15	0.5	1
Nutrition Revenue (M\$)	16.2	54	113.4
Sleep Units Sold (M)	0	0.06	0.075
Sleep Hardware Revenue (M\$)	0	48	60
Sleep Subscriptions (M)	0	0.2	0.2
Sleep Subscription Revenue (M\$)	0	28.8	28.8
Total Revenue (M\$)	3100	4420	6260
Mutiple (vs FY25)	1.2	1.8	2.5

Figure 1 : Financial Model Snapshot, Peloton Growth under Health+ in FY2030

Appendix II: Risks & Mitigation

Risk Category	Description	Mitigation Strategy
Regulatory & Compliance Risk	Handling medical-grade data and making health-related claims exposes Peloton to legal scrutiny and potential loss of trust.	Establish a dedicated compliance team and retain external legal counsel. Initially position Health+ as a wellness and preventive-care platform to avoid premature medical claims until outcomes are validated.
Execution & Focus Risk	Managing both the consumer fitness business and the new payer-funded Health+ model may stretch teams or dilute focus.	Operate Health+ as an independent business unit with its own KPIs, P&L, and leadership cadence. Maintain structural boundaries to ensure each business scales efficiently without competing for resources.
Payer Adoption Risk	Insurers and employers may be slow to reimburse at target price points or may require extended validation cycles.	Begin with self-insured employers and innovation-driven wellness programs. Use early pilots to build measurable evidence of ROI—such as improved recovery scores or reduced absenteeism—before pursuing national reimbursement.
Integration Risk (Eight Sleep & Nutrition)	Cultural and technical misalignment could weaken synergies and delay integration.	Adopt a partnership-first approach with clear integration roadmaps. Prioritize joint product planning, gradual data integration, and retention of key technical and product talent from acquired teams.

<p>Ongoing Governance & Learning</p>	<p>Risk management requires continuous adjustment and alignment with strategic goals.</p>	<p>Establish a Quarterly Health+ Steering Committee (CEO, GM Health+, CPO, CTO, Head of Payer) to review KPIs and pilot results. Maintain structured pilot pipelines with defined success criteria and “kill or scale” gates. Conduct annual Burgelman-style strategy reviews to rebalance resources between consumer and health initiatives.</p>
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Appendix III : Sources

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