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Musings

#20: What We Can Learn From Peloton April 11, 2020

Go to <https://gilesrichard.com> for past musings. We have created a “Musings in Return” section for you to see thoughts from others and have added a “Second Thoughts” section with my follow-up thinking on previous musings.

Let me start by saying we do not own a Peloton nor did I give Heather one for Christmas. Clearly, it has been an amazing success story. So what does Peloton say about human behavior and the future of consumption?

Peloton gives the consumer flexibility – you can ride live with a class taking place in the SoHo studio (or in London if you like the accents like Matt R.), you can ride synchronously with other individuals, you can ride with others asynchronously using a recorded ride, or you can just ride by yourself old style. Consumers want modality choice. They don’t want a binary decision to be either online or in person. They want to be hybrid. They want to move between modalities on a daily basis. I want a bank that has branches and good online so I can do a mobile deposit and then go in for a cashier’s check.

With respect to choice, I have to praise Netflix again with the creation of a “choose your own adventure” movie called *Black Mirror: Bandersnatch*. The viewer literally makes decisions using their remote control and the movie has been shot with the underlying decision tree so the next scene is based on the user’s decision. In this way, the viewer is “writing” the movie.

Flexibility and choice give the consumer control. Society has moved from standardization for mass production (the Model T) to mass customization. Every consumer gets it exactly how s/he wants it. Chipotle’s system is designed to efficiently let you create your custom burrito bowl. Starbucks has created options we didn’t know we needed – was there an untapped demand for pumpkin lattes with coconut milk? DIY (do it yourself) is a growing category where consumers can get components from various providers and the consumer is the integrator.

Along with modality control and flexibility, Peloton has taught us about the value of “star” teachers. These instructors get their own followings and people want to ride with a specific person. The consumer gets to pick the style he or she likes – the personality and the music. The star teachers have become social media influencers (see Musing #15 on the Kardashians).

Finally, Peloton has taught us that innately most people want to compete. It doesn’t have to be athletic, it can be *Jeopardy*, but we want to benchmark ourselves against others to know where we stand. Some folks in online education have been talking about “gamification” for a while. Are we going to see the “Pelotonization” of higher education post-Covid? Students have gotten more exposure to online (some good and some bad) during the crisis, and I predict they will want more good-quality online post the crisis as it gives them more flexibility and control.

From a straight business perspective, you have to like the Peloton business model. After you lay out a couple of thousand dollars for the bike (probably 50% gross margin), you get to pay \$60 a month for the subscription (probably 80%+ gross margin). Subscription revenue allows them to manage forward easier by providing greater visibility (yesterday's musing). That is a good business model and why the company is worth over \$7.5bn now. Great entrepreneurial story.

Be safe. Make sure your offering provides consumers modality choice, flexibility and control.

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Second thoughts

In Musing #13: The Power of Positivity, I referenced the popular class at Yale. The teacher of that class was on the *Today* showing giving five tips to be happy in the current environment: Watch it [here](#).