

Peloton's new CEO sees app store and overhauled subscription model in its future

Barry McCarthy, Peloton's new CEO, weighs an app store and new subscription model as potential ways to kickstart the company's stagnant sales, as stated in an interview with the *New York Times'* DealBook.

"It could be an open platform and part of the creator economy" McCarthy, who served as the former chief financial officer of Spotify and Netflix, says his vision for Peloton may include an app store open to third-party content. "Today, it's a closed platform – but it could be an open platform and part of the creator economy," McCarthy tells the *NYT*. "What other apps would you put on it? Could it be running an app store?"

He also downplays the importance of hardware when it comes to Peloton's fitness equipment. McCarthy suggests the most valuable experiences come from on-screen interaction with instructors, music, and community features (which include things like leaderboards and video chatting) that he says the fitness company has "only just begun to develop."

Shaking things up some more, McCarthy once again hints at the possibility of a brand new subscription model. He tells the *NYT* he wants to find the "sweet spot" between the cost of the workout equipment and a subscription to Peloton's classes. Instead of selling Peloton's equipment for upwards of \$1,000, McCarthy envisions a "dramatically lower" upfront cost and a higher subscription fee of "maybe \$70 or \$80." Peloton

currently offers its subscription for \$39 / month.

The Peloton saga has been nothing but eventful. After its sales skyrocketed in the midst of the COVID-19 pandemic, Peloton overcompensated by spending hundreds of millions to expedite shipping and build a new factory. But as people started returning to gyms, and Peloton recalled its treadmills due to reports of injured children and one death, sales began to slump so much so that the company put a pause on treadmill and bike production.

Earlier this month, former CEO John Foley stepped down and announced the termination of 2,800 employees. McCarthy's first day on the job was marked by a tense meeting with fired Peloton employees, all while rumors swirled about a Peloton buyout (which McCarthy has since dispelled).

It seems McCarthy is confident he can steer Peloton in the right direction, but he likely can't do it by modifying subscriptions alone. Throwing an app store in the mix makes things a bit more interesting, though. It could widen Peloton's scope beyond fitness classes and equipment, letting it leverage third-party app sales and popularity to its advantage.

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