



Analysis and Comparison of the Business Models of Yesoul and Peloton, the Leading Fitness Companies in China and the United States

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Abstract. As the quality of life improves and people pay more attention to health, the fitness industry is growing rapidly. There is one leading company in China and the United States, Yesoul and Peloton. In this work, the two companies' business models are analyzed in detail, and the advantages and disadvantages of the two companies are studied from various aspects such as national policies, fitness market scale, and consumption concept of the fitness crowd. From the perspective of national policies, the working hours and rest time in China are much less than in the United States, which also leads to the fact that Chinese people do not have enough time to exercise compared with Americans. In terms of the size of the fitness market, due to the influence of the policy, the size of the fitness market in China is much smaller than that in the United States, because fewer people are exercising. Regarding the consumption concept, Americans are willing to spend much more money on bodybuilding than Chinese people because Chinese people work much longer hours than Americans, and few people go to the gym. Therefore, Chinese people are not willing to spend much money on bodybuilding.

Keywords: Fitness, Business model, Cooperation.

1 Introduction.

As users' groups pay more and more attention to body health and fitness exercising, fitness becomes a need of the vast majority of users [1]. In the considerable user demand, an Internet fitness platform has emerged. Peloton, founded in 2012, started as an intelligent spinning bike. Now, it has expanded its core products and services to include treadmills, yoga, and meditation, further enhancing its development projects in Internet fitness. However, another company in China could rival Peloton, and that is Yesoul was built in 2015 and is also an Internet fitness platform. They also research and make and sell its products to people, and its core product is smart spinning, the same as Peloton. I think these two companies are part of a new era of fitness. In the past, people needed to go to a gym to exercise, but with the build of Peloton and Yesoul, it is possible to exercise effectively and conveniently at home. In this work, I mainly research the two

companies' business models and analyze the two companies' advantages and disadvantages from the three aspects of national policy, market size, and consumer concept.

2 Discussion

On August 28, 2019, Peloton Interactive filed a prospectus under the symbol PTON to raise \$500 million, indicating that it may be one step away from going public. Peloton, known as the "Netflix" of fitness, has grown into a unicorn in just five years with a home exercise bike/treadmill + subscription to live classes and established itself with fitness equipment + content, + technology [2]. Sales rose 110% to \$915 million from \$435 million in fiscal 2018, according to the prospectus [3], but the mounting losses cannot be ignored. Nevertheless, why is Peloton's growing presence in the fitness industry? This is because it is not the same as another fitness platform, Peloton is the leading fitness content online and offline store combined with the business model, not only in the production of fitness equipment and hardware support tablet computers and software but also behind have a group of "web celebrity coach", through them to make their video media content for customers to subscribe, they established their retail experience store network, just like "vertical integration" of products and delivery services. Instead of buying a treadmill or a spinning bike and turning it into a mini-studio for the offline gym, people need to pay a monthly membership, and then they can use Peloton's products to exercise, for those who can not buy or put the products at home, Peloton offline gym seems like a good idea.

On the other hand, Peloton seems like a better deal in the long run than the \$30-plus sessions offered by rival SoulCycle, which allows you to work out online for \$39 a month. Since Peloton established a subscription service, the user's size will also determine its growth potential in the paid business, \$2100 first year and \$500 after each year. According to Peloton, they already got more than 1 million subscribers who have used the Peloton app 13 times, with a repeat purchase rate of 96%. In addition, cash flow from this subscription service is "higher quality" cash flow, given the company's high buyback rate, which should still be good for its post-IPO share price. Based on these core numbers, Peloton's growth is something to look forward to, but it is still losing money, which is a big concern for investors considering the value of Peloton's earnings. "The listing is a new start for Peloton, but the journey's challenges are not to be underestimated," said Vining Sports' leader, Jifang. In contrast to Peloton, an American fitness giant, China has a similar counterpart. Yesoul studio, Asia's largest spinning club, is affiliated with Shanghai Orange Juice Health Technology Co., LTD.

The goal of the Yesoul is to make it impossible to stop once you are on it [4]! The intelligent spinning bike independently developed and designed by Yesoul enables riders to intuitively and comprehensively grasp exercise data, significantly improving exercise efficiency [4]. In order to let you get the "immersive sports experience", they spent a considerable sum of money on building the indoor audio and video lighting system of the same level as the old nightclub, on creating a whole-hearted shock, exercising used to be boring, now it is fun and customers do it more often. Yesoul App provides users with a variety of self-produced course video content. The cost of the

course video is \$ 6 per month, \$71 per year, and the current preferential price is \$31 per year. After purchasing the course, users will be upgraded to VIP members and can watch all the course video content, the price of Yesoul is much lower than Peloton's, which is related to the fitness market between China and America. In March 2018, The Yesoul intelligent spinning bike won the German Red Dot Award, known as the "Oscar" of the design industry. Yesoul intelligent spinning bike not only ranked among them but also won the "Best Design" award [5]. From 54 countries around the world, more than 5000 works stood out and won the highest award with only a 1.6% probability of success. This is the official step of Yesoul intelligent Spinning bicycle to the international awards stage after the China Good Design Gold Award and national patent certification. Yesoul products have received much recognition, and Yesoul's spinning prices are \$220 and \$282[4], but Peloton's spinning prices are \$799, \$1299, \$1499, and \$1999. In China, there are primarily apartments, whereas in the US is mostly houses, so there is much less space in Chinese homes, which results in Yesoul's products being much smaller than Peloton's. In 2018, Goodong and Yesoul officially announced the strategic cooperation [6]. One is the ecological platform of intelligent sports big data, and the other is dedicated to the research and development of intelligent fitness products. The Goodong App officially launched the Live integrated training courses for bikes. Based on "Goodong live" technology[6], which is "Video + Data" live streaming service, when users wear an innovative heart rate watch or intelligent heart rate headphones, user's body data will upload live, according to the user's body conditions, such as heart rate, the coach will assign exercise assignment for you, for example, if your heart rate is too high, the coach will take you to rest. When you are well rested, the coach will take you to continue exercise, Goodong live model provides users with great help! Moreover, in Goodong live, the high-quality contents of Yesoul bike courses are connected.

Users only need to open the Goodong App, click - Training - find the entrance of "Comprehensive bicycle training · Live class," and click to enter learning [6]. Yesoul courses are divided into seven categories: beginner, physical and mental relaxation, endurance burning fat, extreme challenge, music theme, and bike party [6]. Through Goodong Live, the course is taught by real gold medal coaches, and each class is focused on one point so that students can learn more targeted training. By the end of last year, the number of Goodong users had exceeded 150 million, and the number of sports data reached 5 billion. In addition, the number of connected sports devices has exceeded 2 million, from primary data such as step counting and track and running posture to more than ten high-latitude data such as heart rate and body fat.

If Yesoul wants to contract with Peloton, many difficulties for Yesoul need to be solved. First, the U.S. is a highly mature fitness market: the fitness penetration rate in the U.S. was 27.81 percent in 2018, Seventy-one million people used gyms in 2018, bringing the total number of health club members in the United States to 62.4 million, up 2.6 percent from 60.9 million in 2017[7]. That compares with a penetration rate of 2.9 percent in Gyms in China, The fitness market in the United States is much bigger than in China [7]. In the mature fitness market, fitness users are strongly willing to pay, but there is still a gap in China. Secondly, the average leisure time in Europe and the United States is as long as 5.5 hours [8], while in cities like Beijing and Shanghai,

working hours seriously compress the leisure time, which is only 2.42 hours per person, and the average commuting time reaches 45 mins [9]. The landing of home fitness is more influenced by time and housing space. Third, compared with the United States, China's fitness industry as a whole is in its early stage, "big but not strong", which is reflected in the China market. Users' willingness to pay for fitness equipment and content is weak. It is hard to follow the Peloton model. There are many problems to be solved. For the next unicorn company, great content, great coaches, and interactive, active communities will usher in new opportunities powered by technology. However, the new unicorn may be relatively difficult to achieve, requiring more than 10 million paying users, which is difficult to achieve in the short term given the current market.

Peloton is also facing a lot of problems right now, which is causing them to lose money. The first is the transportation problem. Peloton's transportation is very slow, and the goods are easily damaged in this process. Moreover, the after-sales service is not very good, and users often have to bear the cost of maintenance, reducing customers' desire to buy [10]. Second, silent update, peloton often does not announce this update to the user when the updated content, often in the customer use some function that found this feature already cannot use, I think that to make the customer feel very uncomfortable, such as before the peloton has a function to support apple watches and bootcamp function matching use, but Peloton quietly canceled this feature [10].

Furthermore, I think the peloton needs to explain to customers why they decided to pull the feature, and they will not be disappointed. Peloton's top priority is to communicate well with customers, find their problems and solve them, and fully consider them from the customers' perspective. This is what Peloton needs to do most now. Peloton is a company with great potential, and I believe peloton will be better after solving these problems.

3 Conclusion

All in all, Yesour and Peloton are facing many problems right now, and I think it is inevitable because the new model of online fitness is immature. Naturally, there will be problems to solve, but if they can solve these problems, then their future of them will be better. In this paper, we mainly talk about the business model of Yesoul and Peloton and analyze the problem they faced. The research significance of this paper is to compare fitness companies from two different countries and find out the similarities and differences between them in national policies and other aspects. In the future, the research direction will not only be limited to different fitness companies but also compare the fitness industry of the whole country through history, policies, local conditions, and other aspects.

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