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Consumer Behavior

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HSB Case - Peloton

History

Developed by John Foley in 2012, his at-home workout idea would soon revolutionize people's fitness journey. That year, Foley was given millions of dollars in seed money and then launched his company. In 2013, Foley and five of his new business partners put all their efforts into creating a stationary bike prototype so they could use it to raise more than \$300,000 to help fund the project. After that, the company received more than \$10 million in funding. They used this to improve the prototype, so it was ready to be shipped to customers. The company then started, slowly, mass-producing bikes and officially opened a studio in New York City. The studio was designed for instructors to record their classes.

This was the start of the company becoming what it is known as today: a fitness-technology company that combines exercise equipment with digital media. Its flagship product, the Peloton Bike, does just that. Users can choose between joining live classes and streaming pre-recorded on-demand fitness classes from home. Although the user is alone in their home, the company has done a great job creating a sense of community and personal coaching.

Before the 2019 Christmas ad backlash, Peloton was widely seen as a luxury fitness brand, a fitness world revolutionary, a community-driven company, and a fast-growing public company when it went public in 2019. Peloton's business model and success rely on branding and storytelling. Their ads and company voice usually portray empowerment, hard work, and lifestyle transformations. They rely less on selling a physical product but instead sell a feeling, a sense of community, and a better lifestyle. Because they brand themselves this way, their target market is middle-aged, health-conscious professionals who value efficiency. Ultimately, Peloton markets itself as a luxury lifestyle product.

The home fitness industry in 2019 was competitive. Brands like NordicTrack, SoulCycle, and Mirror were also targeting similar customer segments. Strong brand loyalty and trust were critical at this time and were needed if Peloton wanted to emerge on top.

Peloton's Christmas Chaos

In December 2019, in preparation for the holidays, Peloton released a commercial that was meant to be heartfelt: A husband gifts his wife a Peloton bike, and she documents her year-long fitness journey, highlighting the personal growth, motivation, and emotional journey that comes along with owning a Peloton. However, that was not the case. Instead, the ad received massive amounts of public outrage. People accused the company of being sexist, promoting false body standards, and especially did not like the idea of an anxious woman performing for her husband's approval. The criticism and backlash spread quickly across social media; people went to Twitter with their unfiltered thoughts, late-night hosts mocked the commercial, and they made memes and parody videos that eventually reached news stations. The company even dealt with

financial issues, its stock price plummeted nearly 9%, and ultimately found itself at the center of a worldwide storm of bad press.

This raises the question of how Peloton is supposed to handle and respond when its advertisement, intended to promote working out and inspire a journey, is viewed as a symbol of sexism and misaligned branding. Peloton has to face the public, protect its brand, change its customer image, and regain customers' trust. Before that can be answered, we have to dive into Peloton's controversial ad and its history.

The Ad

The 2019 Christmas ad, titled *The Gift That Gives Back*, starts with the wife covering her eyes and walking toward the living room. When told to, she uncovers her eyes and is excited to see a Peloton bike. The ad then cuts to her on the bike, filming a selfie video and documenting that she is nervous and excited for her first ride. The ad then cuts to her coming home and sharing with the selfie video that she is on her fifth day of riding in a row. The next clip is her waking up at 6:00 A.M. to bike and rise with the sun. We then see her and her husband watching the video diary journey that she made. In the video, she is on her 50th ride and is doing a live-streamed class where the instructor gives her a shoutout. We then hear her narrate and talk about how she did not realize how much this gift would change her in a year. She ends her video expressing gratitude towards her husband for the gift.

The Backlash

Instead of being interpreted as a journey of self-improvement, as Peloton intended, consumers saw an already thin woman being pressured to get fit, a nervous wife looking for approval, reinforced gender stereotypes, and a tone deaf portrayal of class and luxury. This ad quickly became a cultural flashpoint.

This ad was seen as sexist in several ways. The husband giving his wife a fitness machine implies that she should improve herself. Many viewed this act as sending a message like “you need to lose weight” or “I want you to look a certain way”. The fact that the actress was already thin did not help Peloton’s case and portrayed a common sexist trope in advertisements and media. The wife’s behavior in the ad also came off as anxious, and she looked very nervous. The over-eager behavior led viewers to joke she looked like she was a hostage or, at best, trying to please her husband. This fed into the stereotypes about women being eager to please men, obsessed with weight, and anxious to meet male expectations. Her final line, “A year ago, I didn't realize how much this would change me. Thank you”, was interpreted as thanking him for “fixing” her. Aside from people describing the woman's appearance and energy, people also criticized the husband’s personality. He was portrayed as wealthy, in control, and the decision-maker. On the contrary, how the woman is portrayed, there is an unequal power dynamic that is associated with sexism. Is it ethical for companies to create ads that reinforce gender stereotypes?

All this criticism was widely spread on social media. The backlash began on Twitter, and the ad exploded. Users began posting sarcastic comments, jokes, and screenshots of the actress looking nervous and uncomfortable. With Twitter being a fast-paced, text-friendly, and meme-driven platform, it made it the perfect environment for viral criticism. Hashtags about the

ad began trending, and comedians ran wild with jokes and comparisons. In addition to the Twitter takeover, YouTube reaction videos started and soon followed the parodies. These videos shifted the controversy into YouTube's massive recommendation system, and the algorithm reached millions of users. Surprisingly, traditional media even picked it up, which amplified the backlash to new heights. CNN, NBC, The New York Times, and even Business Insider all joined in and reported on the negative responses. The snowball effect was so large that people who had never even heard of the brand were now aware of the company. Unfortunately, these new prospective customers only knew negative opinions of the company.



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I am one of those weirdos who got a Peloton for Christmas (long story) from my husband and I love it.

I HATE THIS AD SO MUCH IT HURTS.

Just wanted to make that clear. I'm exactly the target demo & I agree w/you all that this is the beginning of a Black Mirror episode.

One of the most overlooked details of the Peloton controversy was its impact on the actress who played the wife, Monica Ruiz. Because the internet quickly noticed her facial expressions, body language, and emotional state, she was the focus of the ad instead of the bike. Ruiz went from a relatively unknown actress to a viral meme and symbol for anxiety, female

pressure, and dystopian relationships. Ruiz played the role so well that the internet started to treat the wife as a real person. People online began projecting full emotional narratives onto her character. Some took it as far as saying “someone needs to check on her” or “she's documenting her workouts like a hostage making proof-of-life videos.” Ruiz was so overwhelmed by the internet's reaction that she ended up on the TODAY SHOW to tell her story and confirm that she is okay. Ruiz’s reaction and involvement show several important takeaways. People associated her face with sexism, insecurities, body image, and relationships, which was an indirect link to Peloton’s image.

Another aspect that Peloton was blind to was the lifestyle they were promoting in the ad. Yes, the Peloton Bike is a higher-end piece of equipment, but it is not something people want to be reminded of. The ad was staged in a very wealthy home, with ornate Christmas decorations, perfectly cleaned living rooms, and very sleek and organized workout areas. Viewers did not resonate with this. Yes, you do need a decent amount of disposable income to afford the \$1,500 bike and the \$45/monthly subscription, but chances are, the typical viewer and user’s house does not look like the one in the ad. The ad promoted perfect homes, wealthy families, and unrealistically high-end lifestyles. If this ad were normal and noncontroversial, I am sure those aspects of the ad would go unnoticed. Unfortunately, the ad was controversial, so people picked this ad apart in any way they could. Should companies be responsible for the unintended messages that viewers find in the ad? We see ads with unrealistic home settings all the time, but no one mocks and harasses Swiffer.

It is also important to note the year and what was going on at the time of the ad. In 2019, consumers were unusually sensitive, politically active, and socially reactive. The backlash was a

product of *when* the ad appeared just as much as *what* it showed. This ad was released in December, meaning it was part of their holiday campaign. We all know the holiday season can heighten emotions, and that did not help Peloton's case. Brands tend to release their most emotional advertisements during December, but the holiday season can also bring increased media attention, heightened emotions, and pressure. Because of all the time spent at home and online during the holiday season, ads are seen more frequently and add to more conversations. Consumers also have strong emotional responses during the holidays due to financial pressure, body-image anxieties (especially around New Year's for resolutions), and family pressure. Speaking of family pressure, many adults feel pressure to give a perfect gift for a special person in their life as a way to say, "I understand and know you perfectly". Holiday ads are also used to see what we value as a society. So when the media sees a husband giving his wife a fitness machine, a deeply personal gift, it is going to gain a lot of emotional responses and criticism because people are reflecting on family dynamics and social expectations. Had this ad been ran in April or September, it likely would not have triggered this level of outrage from people.

Financial Fall

One day after the ad went viral, Peloton's shares dropped 9%. This led to the loss of approximately \$942 million in market capitalization in a single trading session. CBS News reported that the company lost up to \$1.5 billion in value as investors reacted to the ad's backlash. The rapid loss in value shows how vulnerable a company like Peloton is. Because Peloton is a publicly traded company and was a relatively young company at the time, it is at high risk of negative brand image. Once the public perception of a company turns negative, it

can quickly get back to investors and shake their confidence, which usually leads to pulling of funds. For Peloton, and because it was a young company, a lot of its value was dependent on future growth. The concepts of recurring memberships, premium hardware, long-term brand loyalty, and at-home workout ecosystems as a whole were relatively new at the time but had a solid promise. The ad controversy cast a big negative and doubtful cloud over the promise for Peloton.

Although the stock dropped right after the ad went viral, there were some other factors to consider to understand that the ad was not the only reason for the drop. Analysts from Citron Research believe that other financial pressures could have added to the stock drop. The analysts also warned about competition and questioned Peloton's value, which likely led to how far the stock fell after the ad. Researchers disclosed that there were clear flaws in the company's business model. Although Peloton created a product that incorporates interactive classes into its hardware, that was it - they did not innovate. Because there have been no major innovations, competitors were starting to catch up and create similar products that were more affordable.

Conclusion

Ultimately, Peloton attempted to control the situation and repair its brand image by clarifying and reframing. Instead of issuing an official apology or taking down the commercial, Peloton released a statement saying the ad was intended to document a woman's personal fitness journey and that the criticism reflected a misinterpretation of their message. Peloton wanted to show growth by saying they have been and always will be committed to empowering consumers, but they also showcased positive feedback from consumers that resonated with the ad's intended

message of motivation and growth, which made some people more mad that Peloton did not simply admit they were wrong. While the ad was still circulating, Peloton reduced the ad's visibility and shifted focus to newer marketing content. Peloton kept a calm appearance on the outside and relied on brand loyalty to get past this moment rather than engaging directly with every criticism online. Not addressing every single one of the issues brought up before was their way of not confirming them. If they had addressed and denied them, it would have given more power to the hating media and more unwanted attention from the press. While this strategy did not undo the damage, it allowed the company to lay low and cautiously move forward.

The peloton holiday commercial became a cultural controversy because of the confusion with messaging, timing, and public interpretation. Although the ad was intended as an inspirational story it became a symbol of gender pressure, privilege, and overall misaligned brand tone. Social media accelerated the backlash and caused the ad to reach people from all types of platforms and become jokes, memes, spin offs and parodies. The nationwide talk of the ad resulted in a significant stock price drop. Overall, the Peloton case shows the fragile relationship between brand intentions and consumers' reactions. It highlighted how quickly a tone or view of a company can switch once an ad is open to public opinion. This incident serves as an example of the power the current culture has on marketing

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