

The future of connected fitness

Blog post by Johnny Luk, 25 April 2022

It was the must-have accessory for the chattering classes through the early days of the pandemic, but Peloton, the producer of pricey exercise bikes and the poster child of the connected fitness industry, has suffered a post-lockdown fall from grace.

At the peak of the pandemic, the company's revenues were up by 172% year on year. The tech savvy stationary bicycles and treadmills boasted uniquely lockdown-friendly features, including virtual live classes and gamified training to keep people motivated while trapped in their homes.

Since then, as lockdowns eased, Peloton's fortunes have reversed. Demand for its machines fell as users returned to the gyms, not helped by product recalls due to safety concerns. This led to staff layoffs, a change in CEO and stock prices plummeting to just one-eighth from its peak two years ago. However, despite Peloton's woes, there are many signs to suggest the trend for connected fitness devices is here to stay.

The pandemic was a wake-up call on the importance of fitness. The UK prime minister Boris Johnson blamed his brush with death from covid in 2020 on being "too fat" and now commits to a morning run with his dog every day. In 2021, Public Health England (PHE)'s survey reported that more than 40% of adults in England gained weight, with an average increase of half a stone. This 'lockdown weight' was attributed to the stress of coping with the pandemic and comfort eating. While diet is central to a healthy weight, exercise is crucial in improving cardiac health.

For many, exercise also provides an important component of good mental health. A Lancet research paper revealed that individuals who exercised had 43% fewer days of bad mental health compared to those who did not exercise even when physical and socio-demographic characteristics were matched. Lockdowns have therefore provided a strong justification for people to spend considerable amounts for the sake of their own mental and physical health.

Connected fitness took a further step in becoming mainstream with elite athletes embracing the technology. For example, professional triathlon competitions now also feature televised indoor racing, with stationary bikes, treadmills, and a swimming pool, with athletes racing as virtual avatars powered by the connected fitness app Swift.

The growth of the connected fitness industry poses interesting questions for policymakers. Community-based connected fitness platforms extract vast amounts of personal data to provide tailored and gamified experiences. But this data can be sensitive and even dangerous if exploited, for example, if a stalker gets hold of your usual jogging routes. There are also tensions with regulators pressuring businesses to enact sensible policies to capture, store and share customer data, without overly burdening companies trying to innovate. With Brexit allowing the UK to develop its own data policy, UK ministers have stressed their enthusiasm to build a data regime

“based on common sense, not box-ticking”, suggesting companies may receive a fair hearing if they can demonstrate value to consumers.

Connected fitness devices also often market themselves as community builders. However, this also comes with increasing burdens, including the potential of falling into the scope of the upcoming Online Safety Bill, and thereby requiring any forums hosted by the company’s platform to be policed to ensure user-generated content is not harmful, or otherwise risk massive fines from regulators.

Another headache for regulators is how increasingly sophisticated these connected fitness apps claim to be, blurring the lines between a consumer product and a true medical device. Medical devices require stringent regulation by the MHRA, the UK’s health regulator. The MHRA, recognising this, have published new guidance, warning companies that devices claiming to ‘diagnose, calculate clinical risk, or provide clinical decisions’ are in the scope of their remit. Falling in MHRA’s orbit would considerably raise the level of scrutiny for affected companies, and non-compliance could lead to the banning of the product and service or worse. Companies will need to tread carefully, especially if they look to expand their offering to include disease prevention claims, disease risk assessment or diagnosis, or facilitate remote monitoring of conditions.

The government has recently also announced new powers for the Competition and Markets Authority (CMA), the UK’s competition regulator. Ministers are concerned about ‘subscription traps’, the practice of making it harder for consumers to leave a contract. Given that many fitness devices’ business models involve consumers both spending a considerable amount on a “smart” rowing machine, static bike, or a treadmill, as well as committing to a monthly subscription to keep the device from losing its key services, it is possible to see how policymakers may view consumers feeling unduly pressured to maintain payments to justify their initial outlay. At the minimum, the CMA will be directing businesses to provide more transparency on subscription fees as well as easier ways to exit contracts.

The connected fitness industry will likely continue to grow, buoyed by new tools on the horizon, including the potential for a fully immersive experience through the nascent ‘metaverse’, even as they face competition from the reawakened gym industry. As the sector expands however, it will face rising regulatory headwinds, and companies wanting to stay ahead should be mindful of policymakers paying increasingly close attention to their work.