

Fitbit: swot and pestel analysis



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Overview

Fitbit was founded as Healthy Metrics Research, Inc. in 2007 by James Park and Eric Friedman. The first product by Fitbit was launched later in 2009—the Fitbit Tracker. It was a small black device that could be clipped onto clothing and tracked steps taken, distance traveled, calories burned, activity intensity, and sleep quality by combining an internal accelerometer with user data. A user could then upload their data to the Fitbit website, where they could see an overview of their physical activity, set and track specific goals, keep activity logs, and interact with friends. Initially, the Fitbit Tracker was only available online, but later was introduced into the retail store market through Best Buy.

Fitbit continued with the clip design type until later introducing the well-known wristband style commonly seen today which introduced even more features in 2013, and later introduced smartwatches beginning in 2015. By August 2015, Fitbit had two clippable activity trackers, four wristband-style trackers, and a smart scale on the market. Prices ranged from \$99.95 to \$249.95, depending on the product and its functions.

By the time Fitbit went public in 2015, Fitbit led the U. S. fitness-tracker market with a share of 76 percent (globally with a share of 35 percent), and revenue had been growing every quarter since 2011. In the first half of 2015 alone, Fitbit generated \$737 million of revenue with 8.3 million devices sold, with 80 percent of Fitbit orders being placed on Amazon or Fitbit's official online shop.

However, Fitbit was starting to face some strong competition, as more and more competitors began entering the market such as Garmin, Nike, Samsung, Xiaomi, and Apple. The most notable competitor's product to enter the market was with the introduction of the Apple Watch in April 2015, which quickly captured the second largest global wearable device market share at 19.9 percent and caused Fitbit to fall from 35 percent to 24.3 percent global market share.

Analysis

In order to better understand the situation that Fitbit is in, a SWOT analysis will be performed and a Porter's Five Forces model will be created.

SWOT Analysis

Strengths : As one of the early movers in the wearable device industry, Fitbit was able to capture a commanding size of market share while they built their brand and established a solid user-base. Fitbit also offers many choices to consumers with their different types of products—namely the wristbands and smartwatches—but they were able to offer them in different colors and functionality as to be able to offer a whole range of products at different price points in order to maximize customer reach. Fitbit has also partnered with insurance companies in order to offer programs that emphasize physical activity while providing individuals that take advantage of the programs lower insurance premiums.

Weaknesses: Fitbit faces strong competition from competitors like Apple, Samsung, Nike, Garmin, and Xiaomi. As a relatively new company, Fitbit does not have the established customer base and brand loyalists like these

other companies have, and as such are having to make up ground in order to effectively compete. Fitbit also only has one successful product line—their fitness tracking wearable devices—while the other companies have products like computers, phones, and apparel that lower their overall risk since they are much more diversified in their overall product mix as a company.

Opportunities : As mentioned in the Strengths section, Fitbit has some existing partnerships with health insurance agencies, but there is a tremendous amount of growth left in this area. Partnerships could also be created with companies for services for their employees as well as hospitals for patient monitoring and physical therapy. In the era of big data, Fitbit has an opportunity to be able to sell collected health and behavior data to health insurance companies and universities, but consumer privacy is crucial.

Threats : As mentioned in the Weaknesses section, Fitbit faces stiff competition in the wearables market. Apple has a cult-like following of people loyal to its brand, while Xiaomi has taken control of the Chinese market with a much lower priced alternative to Fitbit's trackers. These all threaten Fitbit's market position, and as such, Fitbit needs to stay on the cutting edge of technological offerings with its devices in order to maintain their industry leader status as the market continues to grow due to increased health awareness by consumers.

Porter's Five Forces Model

Bargaining Power of Buyers : The bargaining power of buyers is at a high level, as there are many alternatives to Fitbit's products which range anywhere from \$34 to \$850+, so switching costs are very low. This has

forced Fitbit to drive innovation in their products in order to keep consumers engaged and for Fitbit to maintain their status as the leading brand in the industry.

Bargaining Power of Suppliers : The bargaining power of suppliers is at a low level, since Fitbit mainly outsources their manufacturing to companies in China and also buy product from them in bulk. Fitbit also has the ability to switch between any number of suppliers in China, and the entire design of the product is intellectual property of Fitbit with the software being written to the device by Fitbit employees themselves.

Threat of Substitutes : The threat of substitutes is at a high level, as smartphones are beginning to integrated many features of Fitbit's wristbands and smartwatches. Smartwatches are also becoming more dominant in the wearables market, as they are also integrating features from Fitbit's wristband product.

Threat of New Entrants : The threat of new entrants is at a moderate level, there are many barriers to entry in the wearables market—namely significant capital investment, as the products need to be manufactured and distribution channels need to be established. Since competition is high, a lot of human and monetary capital is needed for research and development as well.

Level of Competitive Rivalry in the Industry : The level of competitive rivalry in the industry is high. Fitbit has positioned itself as a premium brand in the industry, but other wearables offer much of the same functionality as Fitbit's. Even though Fitbit has a tremendous advantage with being one of the first

movers, Fitbit still needs to be able to differentiate itself from their competitors as the wearables market becomes more saturated.

Overall : From the Porter's Five Forces model, buyer power, competitive rivalry, and threat of substitutes are all at a high level, which can make it challenging in the fitness wearables industry to be successful and also sustain a competitive advantage. In order to do this, Fitbit must continue to drive innovation within the industry in order to retain its leadership status.

Alternatives

The following are strategic directions Fitbit could move in in order to capture more market share and/or increase profit.

- Expand Internationally

As mentioned in the Overview, Fitbit in mid-2015 had a US market share of 76 percent, while their global market share was 24.3 percent. This shows that while Fitbit had a commanding lead here in the United States, it has tremendous potential for growth internationally. Marketing efforts may need to increase internationally in order to bring awareness to the brand, as Fitbit may not be as internationally recognized as their competitors since Fitbit is relatively young as a company.

However, since Fitbit has positioned itself as a premium brand, they may need to adjust product offerings for other countries that have vastly different cultures and living standards compared to here in the United States. There is also potential here to increase the total potential market share for the industry as a whole and drive industry growth as a whole.

- Increase Brand and Product Awareness

Since Fitbit is a relatively newer company, they do not have the brand recognition that their competitors like Apple, Garmin, Samsung, Nike, and Xiaomi have, at least on a global perspective. Here in the United States, Fitbit is very much a household name and is pretty much synonymous with fitness tracking, as can be seen by its commanding 76 percent market share (per the case as of mid-2015).

Consumers may also not be aware of the range of products that Fitbit offers, so they may not know that a product may be available that fits their price and functionality needs. Even though Exhibit 7 in the case shows that Fitbit has double the next competitor's percentage for consumers purchasing intentions for a wearable device within the next 12 months—42 percent compared with Apple's 21 percent—it would be a good idea for Fitbit to be producing more surveys in order to better understand consumers' preferences so that Fitbit can potentially better position itself within the market as well as understand how consumers view their brand and what features may increase usage.

- Add Features

In this industry, there is high buyer power, competitive rivalry, and threat of substitutes as shown in the Porter's Five Forces model. In order to overcome these, Fitbit must continue to invest in research and development and drive innovation in the industry if they wish to remain the market leader, so this means continually offering new and unique features to their products in order to create value and increase customers' willingness to pay.

Certain kinds of features, like a camera for instance, may necessitate being added to the smartwatch over the wristband in order to differentiate the products and offer multiple price points to consumers. Fitbit could also integrate their products more with social media like Instagram, Facebook, and Twitter in order to potentially restore some consumer interest, since consumers may be able to better track their friends' activity as well as share their own.

- Increase Focus on Health and Wellness

Fitbit has a tremendous opportunity to grow in the health and wellness space by potentially integrating their product into hospitals for them to use to assist patients with health monitoring like glucose, blood sugar, and the heart in activities like physical therapy sessions. Alerts could even be set up for medications. This information could then be linked back to their healthcare provider for analyzing long term trends in a patient's health.

This would be a completely new addition to the fitness tracking wearables industry and could drive high amounts of growth as Fitbit's product transitions from that of a 'want' to more of a 'need.' This could also help Fitbit connect with older customers rather than just targeting and connecting with the young and fit customer segments.

The downside of this is it could potentially be very costly and require high levels of research and development in order to deliver products that healthcare providers would require. This would also be dependent on establishing partnerships with healthcare providers.

- Sell Data

In the era of big data, Fitbit has the potential to profit from selling user activity data that is collected when uploaded to their website by the user. The data could then be used by health insurance companies and universities for research. Using machine learning, patterns could be detected from user behavior data that could improve product positioning and customer targeting for Fitbit, provide health and activity insights that may not have been previously known, and also help health insurance companies establish health programs that could lower premiums after studying how certain levels and types of physical activity affected an individual's health risks.

The key issue here, however, is customer privacy. According to the case, Fitbit announced that it was compliant with the U. S. Health Insurance Portability and Accountability Act (HIPAA) in September 2015, which indicates that Fitbit is already establishing protections for customers' data and its security.

Analysis and Discussion

This section will detail the recommended path for Fitbit, as well as discuss what I have personally learned about myself through the course.

1. Recommendation

Fitbit built its brand on providing a way for consumers to have a fun and engaging way to track their fitness goals, which also provides the background and experience needed to expand efforts into providing meaningful insights into an individual's health. Fitbit has an incredible opportunity for long-term growth if they focus on what has made them into the market leader they are today, and focus their efforts on overall health

and wellness by providing easier and more in depth ways for patients and healthcare providers to track an individual's data. Fitbit's style will also help to replace bulky devices that are not aesthetically pleasing.

Fitbit will need to conduct market research to understand what patients and healthcare providers require in order to better develop the tools they need and know the data that needs tracking. This effort will also require Fitbit to invest in research and development to meet those needs.

Partnerships could be created not only with healthcare providers, but with insurance companies and medical device companies as well. If Fitbit is able to integrate other medical devices into its app, then they would be able to gain a further edge over their competitors by offering more features and utility, which could be an incredible competitive advantage, especially with how high the competitive rivalry in the industry is as shown previously in the Porter's Five Forces model.

According to the case, corporate clients account for less than 10 percent of Fitbit's business, so there is tremendous opportunity for growth there as well. Especially if there is a partnership formed between the corporation, Fitbit, and the insurance company to be able to provide cheaper insurance premiums for employees as well as cut health care costs for the corporation.

This effort could also be combined with selling data uploaded through Fitbit's app, and Fitbit is already showing they take data security seriously since they have become HIPAA compliant. If partnerships are being formed with insurance companies, they can use the data as mentioned previously to study how certain health habits can reduce certain health risks in order to

form wellness programs that provide discounts to any consumer that uses a Fitbit device and willingly shares their health activity to earn the discounts.

Ultimately, these efforts will help Fitbit to position itself and its products as the go-to for health and fitness tracking by transitioning its products from that of a 'want' to more of a 'need,' which will build their competitive advantage and further differentiate Fitbit from their competitors.