# Overview and recommendations for fitbit to succeed in the activity tracking indus...

Sport & Tourism, Fitness

# Industry Overview

\nThe activity tracking industry is rapidly growing with the advancement of technology. This is a global market with a few large key competitors such as Samsung, Apple, Garmin, and Xiaomi. Activity tracking is currently a $6. 91 billion industry growing at a rate of 171. 6% annually.\n\nThere are 3 important forces affecting Fitbit in this industry: technological forces, economic forces, and social forces. Technological forces are the most important. The entire industry is based on technology, so making sure the product is up to date and technologically advanced is very important. It is increasingly important with new companies entering this market such as Apple because they are known for their technological advancements. Economic forces are the second most important forces in this industry. The economy is growing and the middle class is increasing which means people have more disposable income to spend on products. However, they want more from a product than just one feature. People want a multi-functional device rather than a single use device. Lastly, the social forces are the third most important forces to focus on in this industry. The younger generations are focused on healthy living and exercising which is a trend that will help the activity industry grow. This same demographic also wants a way to track their daily activity to help reach personal goals and compete with friends. Targeting and listening to what this demographic wants out of an activity tracker is very important for success. The driving forces in this industry are technology, the movement towards wearable products, increasing health/fitness awareness, and a larger middle class. The forces that are really affecting this market are rival firms, new entrants, and substitute products. This industry is relatively easy to enter; however, it is moderately hostile once you get in. Rival firms are constantly fighting for market share, so unless a product stands out a new entrant won't last long. They are all fighting for market share because many of the products do relatively the same thing and there are low switching costs between them. Some key factors for success in this industry include increasing technology while maintaining relatively low prices, having a strong brand, having a product that is simple to use, and having a product that gives accurate information to consumers.\n\nIn order for Fitbit to succeed in this industry, they need to increase their technology while keeping prices relatively low to compete with new entrants such as Apple. They also need to increase their brand strength as well as make their products simple to use while providing accurate information.\n

## Company Overview

\nFitbit's three biggest rivals are Garmin, Samsung, and Xiaomi. Out of those, Fitbit is second behind Samsung in its overall strength rating. Samsung has a weighted competitive rating of 8. 4 followed by Fitbit with a 7. 4, then Xiaomi and Garmin with a score of 7 and 6. 2 respectively. However, Apple coming into the market threatens Fitbit's rating. Fitbit's financials are strong. Fitbit's revenue is growing fast, however, their market share is decreasing as new rivals enter the market. Their sales are also currently growing at an increasing rate. In terms of profitability, Fitbit's gross margins aren't changing much with an increase of only 1. 08% from the previous year. However, their operating and net margins are both decreasing. The decrease in operating margin is likely due to the company being in the growth stage and the decrease in net margin is likely due to the company going public. Fitbit’s sustainability has improved from 2014. They are turning inventory faster and getting product out of inventory faster in 2015 than in 2014. They have also decreased their debt/asset and debt/equity ratios while increasing their times interest earned. However, they need to improve their inventory turnover rate because they are turning it over only a little over 5 times a year.\n\nFitbit is in the growth stage of the product life cycle because new technologies are emerging and more and more new entrants are entering the activity tracker industry. The fitness industry is currently growing, so the activity tracker industry is also growing because of that. Fitbit’s sales are also increasing at an increasing rate and global markets are opening up. Strategic IssuesFitbit’s main threats are new entrants and the fact that they currently don’t have a competitive advantage against their rivals. Fitbit needs to find a way to diversify their product from the new entrants coming in. They are quickly falling into the middle of the market strategy chart which would send their company into a spiral downward. Fitbit is benefit driven and should focus on broad differentiation.\n

## Options

\nFitbit has a few options in order to increase its competitive advantage:\n

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- Market Penetration: Fitbit could start offering a rewards system in their product. It would work by giving the user points based on whether or not they meet their daily/weekly goals. The user could then redeem their points for some kind of reward or discount on Fitbit products. \n \t

- Product Development: Fitbit could simply create a new product that has smartwatch features to be able to compete with Apple and Samsung. \n \t
- Diversification: Fitbit could diversify by creating a new product paired with healthcare technology and target it to the elderly. \n

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## Recommendation

\nMy recommendation to Fitbit is that they should try to diversify. They need to create a new product and launch it into a new target market. The product I would recommend would be a watch that is programmed with healthcare technology and target the elderly and nursing homes. This product would allow Fitbit to differentiate itself from its competitors and give them a competitive advantage. It would also help them increase their market share by entering into another growing industry: Healthcare.\n

## Implementation Strategy

\nFitbit could implement this strategy by pairing with a company who creates healthcare technology. Since Fitbit's data is already Bluetooth connected to its website all the data it collects from patients could be stored there. Each patient could set up the website account with their doctor which would allow the doctors to access the information from the website and monitor from there. All the patient would have to do is wear the Fitbit daily and be sure to connect it to the Bluetooth at the end of each day so that the information can be uploaded. This could potentially save many lives and keep patients healthier since the doctors are able to see real life data daily.\n

## Results

\nBy developing this new product, not only will they diversify themselves from their competitors, but they will also be the first to market in that segment. To enter this market Fitbit will have to invest a lot of money into Research and Development. While this cost will be high upfront, the revenues gained from this new market will outweigh the costs.