

FITBIT STRATEGIC MARKET ANALYSIS

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Fitbit Strategic Market Analysis

The market of wearable fitness trackers is currently an area of fierce competition between the flagship consumer electronics companies, major athletic brands, and crowd-funded startups. The latter emphasize technological innovation in order to compete with the flagship companies with an established reputation on the market. However, the market is still in the early stage of development, which necessitates the introduction of a strategic approach in order to retain profitability in the long run. The current paper presents an overview of the market of fitness wearables in order to formulate strategic recommendations for the Fitbit brand.

Market Analysis

Strengths

In order to produce a feasible strategy, it is first necessary to obtain an overview of the current situation on the market. One of the tools commonly used for this purpose is the SWOT analysis. Despite the young stage of development, the market of wearables demonstrates a steady growth of customer demand, with the latest estimation of 3.1 percent per quarter (IDC, 2016). Such trend is estimated to continue for at least three years where the value of the segment can reach \$25 billion (CCS Insight, 2016). It is also worth noting that the product in question belongs to the most important group within the segment (fitness trackers) and generates most of the revenues due to its enormous popularity and affordable price (Rawassizadeh, Price and Petre, 2015). The steady growth is expected to attract investment to the field.

Weaknesses

The most notable weakness of the market is the trend towards a decrease in the

cost of its products. The average price of a fitness tracker has decreased from \$800 in 2012 to less than \$400 in 2016 (Maida, 2016). The tendency is demonstrated both by flagship companies and their more affordable counterparts and has an adverse impact on the potential revenues in the nearest future. In addition, the companies that specialize in fitness trackers have far smaller market diversification opportunities than the corporate entities such as Samsung and Apple.

Opportunities

One of the opportunities that can be utilized by the manufacturers of fitness trackers is the suitability of the technology for data collection. The growing demand for information on customer behavior suggests that the analytical platforms can benefit from the data gathered by the devices. This scenario opens up the possibility for partnership with companies specializing in big data. The growing recognition of active lifestyle suggests several viable areas of development, from the professional assistance to the possibilities of identification of adherence to certain values and views. Finally, the possibility of partnering with training and counseling organizations further broadens the market and diversifies the potential audience.

Threats

The most significant threat is the strong competition from the major players. Fitbit occupies a small niche of the crowdfunded startups alongside Misfit and Jawbone. Two other prominent segments are companies that capitalize on their recognition in the sports world, such as Nike and Adidas, and flagship brands of consumer electronics, such as Samsung and Apple. The latter possess significant resource advantage in terms of marketing and R&D. It is also possible to expect the arrival of new

crowdfunded brands, including those capitalizing on the low cost of offshore manufacturing.

Strategy

The market of fitness wearables is currently in the early stage of development. Therefore, understanding the audience is important in order to deliver a relevant product. Currently, the main audience of the fitness trackers consists of young people with an undergraduate degree or higher and a higher-than-average income (Statista, 2016). Female customers are more numerous than male ones. Importantly, the majority of the audience does not use the device consistently. It is thus necessary to determine the areas of improvement that would prolong the lifespan of the device. The suggested directions are a list of functions of the device and the cross-compatibility with other devices. The former would ensure that the device provides the necessary features without the overload of functions while the latter would diversify the customer base and provide the possibility of partnering services.

Another crucial component of the strategy is the disaggregation of the audience followed by prioritization. For instance, the segment that is attracted to the idea of active lifestyle and exercise but is not motivated enough to engage in sports will be of little value for the company since they tend to value the image conveyed by the brand name over the functionality and usability of the device. Those of them who will buy the products will likely be uninterested in the updates introduced later in the device's lifespan and, therefore, will not add to the long-term profitability. Thus, the priority of the development and marketing process should center on amateur and professional athletes who are interested in performance and will benefit from the data processing

capabilities of the software and the usability of the tracker. This audience segment can be reached directly, through hardware and software upgrades, and indirectly, by partnering with fitness vendors. Another viable segment is the technology-savvy individuals who are interested in performance of the device rather than their status. Since this audience segment is represented by young individuals, it would be reasonable to modify the marketing strategies to target younger populations. Finally, the tendency of the tech-savvy customers to make buying decisions based on comprehensive research must be acknowledged. In other words, affordability, functionality, and technological innovation must be prioritized in the company's strategy.

Marketing Mix

Product

Based on the information above, the following marketing mix of the Fitbit can be suggested. The current product line of Fitbit's products contains three models that fit the identified segment. Of these, two (Charge 2 and Alta HR) provide an extended list of functions and have a more conventional design that will appeal to a wider audience. The remaining one (Flex 2) offers the selection of basic features at a lower price. Importantly, the Flex 2 tracker is also water-resistant which makes it a valuable offer for swimmers and divers (Sawh, 2017). However, it also employs the design typical for its type of devices, which will likely make it less appealing to the non-specialized audiences. This model is also the most reliable of the three due to its relative simplicity.

Price

The Fitbit Flex 2 is the cheapest option in the line-up, with an average price of \$60 (Sawh, 2017). Considering its simplicity and the absence of a screen this is a

relatively high price compared to the widely available Xiaomi wearables as well as a Misfit Flash 2 from one of Fitbit's direct competitors. Both Fitbit Charge 2 and Alta HR are priced at around \$150, which is above the markets' average and places them against the products from other subcategories.

Place

The distribution of the devices is conducted mostly through online platforms, which eliminates additional expenses introduced by intermediary parties. It should be mentioned that such approach also eliminates the sales through retail vendors. However, this will likely be a minor issue since only a small proportion of the identified audience uses brick-and-mortar stores to purchase wearables.

Promotion

The products are mainly advertised via online platforms and capitalize on the product's features and design rather than the image implications communicated by the brand. The campaign focuses on the functions of the devices and the resulting improvements in athletic performance.

Recommendations

Several directions can be recommended to Fitbit based on the information derived from the analysis. First, it would be reasonable to reach out to possible partners such as fitness vendors. The partnership could include the use of equipment as a part of fitness service bundle which would enhance the consulting possibilities of the vendors while at the same time provide the customers with the opportunity to test the product. Next, the healthcare organizations need to be contacted to facilitate support in interpreting the data obtained via the platform and producing meaningful

recommendations. Such option would garner support of the performance-oriented individuals and increase their loyalty.

Conclusion

The current growth demonstrated by the fitness wearables market suggests the profitability of the segment in the short term. However, without a strategic approach, it is possible for the involved companies to face an equally rapid decline once the novelty of the technology wears off. In addition, the presence of major players in the field makes it extremely difficult for small-scale startups to retain competitive advantage. The suggested prioritization on the performance- and innovation-oriented, tech-savvy audience and partnerships with the healthcare organizations and fitness vendors is expected to increase value of the products offered by the company. In addition, it will also improve the customer satisfaction rate and extend the usability of the devices, creating opportunities for additional profitability.

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