

Fitness Wearables: Who Is Positioned To Win In This Emerging HIoT Market?

EXECUTIVE SUMMARY

Moor Insights & Strategy recently published a paper entitled [Behaviorally Segmenting the Internet of Things](#) showing how IoT has behaviorally split into two primary segments, the Human Internet of Things (HIoT) and the Industrial Internet of Things (IIoT). Inside the HIoT, there is a vertical industry segment, the fitness & health wearables market, which is in its early stages and will see major growth over the next 3-5 years (40% YoY and 160M devices by 2017 according to ABI Research).

The winners and losers will be driven by companies that are able to establish themselves as true experts in health & fitness and become a trusted advisor on how to help their users reach personal health & fitness goals. This will require more complete tracking and a focus on Big Data analytics that turn data into meaningful insights.

It is clear that Nike is well positioned with their Nike+ integrated platform and community ecosystem. Their great brand and expertise in fitness and athletics also puts them in a great position of credibility. Nike needs to continue to invest in innovative tracking capabilities, Big Data analytics, and HIoT integration into clothing and equipment to stay in a leadership position. Companies like Under Armour have a lot to do to catch up, but their recent \$150M acquisition announcement of MapMyFitness is huge step toward building a community based platform ecosystem. Jawbone & Fitbit have established great platforms with broad tracking capabilities and understanding that data insights is critical success factor. They will need to focus on continuing to build their user base and establish credibility as a fitness or health expert to lock out new entrants and play with establish fitness brands like Nike.

HEALTH & FITNESS WEARABLES MARKET

With new low cost, low power, and miniaturized compute & connectivity, today we stand on the verge of a major, new technology wave. Embedding this compute power & connectivity in everyday things & new wearable devices is part of the IoT (Internet of Things) movement. This has been talked about for years, but we are now starting to see the reality of this vision. Many industry analysts project the impact of this will be massive – creating multi-billion industry in the next five years.

The impact of the Internet of Things will revolutionize industries and empower people in new ways never dreamed. IIoT (Industrial Internet of Things) companies like General Electric already see this potential and are embracing it to save them billions and reinvent their business through technology companies like Echelon. Then there is the HIoT, or the Human Internet of Things, and the exciting industry segment of health and fitness. As part of the “quantified-self” movement, tracking of one’s self through new

wearable devices or embedded sensors has the potential to dramatically revolutionize this industry and empower individuals to live healthier and fitter lives through analyzing rich detailed information about our bodies and its activity.

MARKET SUCCESS FACTORS

As this market emerges, here are some keys for companies looking to win and become a lasting player in the fitness & health wearables market.

- **Build compelling & easy to use devices** – Devices need to be simple & intuitive to use. If you want people to continue to wear & use them every day, they need to just work and be hassle-free. In addition, the device needs to be fashionable, unobtrusive, and something people are willing to wear. A big and bulky device that gets in the way or is not comfortable is not going to be worn. Equally, style will matter. Finally, they need to be reliable to stand up to every day conditions. In the future, as sensors get smaller and cheaper, they will be directly built into garments. As this shift happens, the ability to integrate these sensors without impacting comfort, style, performance and battery life will be critical.
- **Generate rich high quality data** – Building an increasingly rich data set with new sensors and measurements will provide a company with enhanced intelligent and accuracy and position these companies as leading experts in health & fitness. Data needs to include both intake and burn and provide ability to track increasingly accurate assessment of the quality. All of this needs to be done without sacrificing device wearability, costs, or a simple user experience.
- **Become a trusted advisor/coach** – To maintain ongoing use and keep user base engaged, companies need to evolve beyond simple awards and achievements to provide motivation. Evolving to the role of trusted advisor and coach through the combination of demonstrated experience in “fitness cause-effect”, predictive analytics and personalized recommendations will be critical. As such, investments in Big Data analysis and analytics will be required. In addition, as sensing data becomes more complex, companies should heavily focus on user experience and simplicity in how the data is presented as to not overwhelm. Exposing detailed data for enthusiasts like marathoners will be good, but the masses who may just be interested in losing a few pounds will highly value simplicity and someone who makes sense of the data.
- **Build loyal communities** – Building a large community base of users will be a key metric for companies in this space, especially in early years. Scale of the

user base will create more meaningful data and provide rich community sharing that will only further bolster user loyalty and trust.

- **Use a platform approach** – To build a lasting experience and loyal user base, companies need to build a full end-to-end functionally integrated system. This should be based on a platform that unites the community and easy allows a series of devices, apps, digital services, and accessories to work together and/or be easily added over time. Companies can achieve this path through organically creating part of the full ecosystem or through rich partnerships.
- **Build strategic partnerships** – Becoming more intimate with the user base requires meeting them where they are today in their health and fitness life. This means creating affiliations and partnerships with gyms, trainers, fitness programs, diet programs, professional athletes, doctors/healthcare providers, insurance companies, and corporate wellness programs. This will also be great source of opportunity to scale and broaden user base with lower cost sales/marketing model.
- **Identify & appeal to unique user segments** – As the market further matures, companies need to have more focused customer targets and value propositions. Especially as these companies evolve to become viewed as fitness & health experts and your trusted advisor, credibility will be generated by rich understanding and connection with your target user base. As an example, elite athletes will not have the same level of trust and connection with a brand that is also targeting beginner athletes or weight loss users. People whose primary motivation is wellness might have different values than those whose primary motivation is fitness.

MARKET LANDSCAPE

The fitness & health wearable industry is made of 4 main market participants:

- 1) Established athletic apparel brands: like Nike, Adidas, and Under Armour
- 2) Technology based start-ups: like Fitbit, Jawbone, Basis, and Misfit
- 3) Mobile app driven companies: like Runkeeper, MapMyFitness, and Runtastic
- 4) Horizontal general purpose wearable device manufacturers: like Samsung Galaxy Gear and Pebble

Each has its built-in advantages and hurdles. Established athletic brands have strong brand awareness & credibility in fitness/athletics, large marketing budgets & sales teams to leverage, and great knowledge of the customer. Tech start-ups on the other hand are more nimble and have inherent strengths in technology knowledge & innovation. Software driven companies have rich user bases built using freemium model and offer device agnostic flexibility.

As the market matures, there will be an opportunity for deeper segmentation based on the goals of the individual & levels of expertise sought. Two main categories will exist:

- 1) Fitness & Wellness
- 2) Sport Performance Enhancement

Fitness & wellness category addresses individuals looking to reach certain personal health & fitness goals. There are many sub-segments in this category ranging in goal - weight loss/beginners, casual fitness seekers looking to maintain a healthy lifestyle, or advanced fitness enthusiasts. This segment could split further into individuals seeking health/wellness goals as primary objective and those seeking fitness as primary objective. It is easy to imagine Nike as best positioned for fitness segment while Fitbit being more aligned with health goals.

The sport performance enhancement category is focused on specific sports and the ability to help an athlete improve their skills in that sport (e.g. a runner training for a marathon trying to reach time goal). Over time, segmentation will provide an opportunity for companies build strong brand affinity and more loyal user communities by targeting unique groups with differentiated value propositions that show true intimacy of these individuals.

Athletic Brand Companies

For established athletic brands, Nike is the clear leader with track record of innovation and making consistent strategic investments in technology dating back to 2006 when they first introduced the Nike+ platform and partnered with Apple to build an ecosystem of tracking combined with an iPod. Since then, they have evolved the Nike+ platform, introduced some of the industry's first fitness wearable tracking devices (Nike+ Fuelband), and built more than 7M users (as of June 2012) in their Nike+ community. It's obvious Nike has a clear vision for Nike+ building a foundational platform with rich ecosystem of devices, apps, and digital services.

Adidas, Nike's #2 rival, has made some investments of late including their miCoach training platform and new miCoach Smart Running watch, but have a lot to do to catch up to Nike. Their smart running watch is an interesting addition and I believe a good first step focused in the sport performance enhancement segment. By focusing on a specific user base, runners, Adidas has built a highly focused device with features that are likely to appeal well to the serious runner community. Their \$399 price though might be barrier given there are many more affordable (while certainly less capable) options on the market.

Under Armour just announced a \$150M acquisition of MapMyFitness - an app that plans, tracks, and analyzes workouts. This is major step by Under Armour and underscores the importance of building a community platform. At 20M users, that is big start. Prior, Under Armour had only produced point products like their Armour39 chest band & watch and E39 compression shirt with an embedded chest sensor reminiscent of an Ironman suit partnering with Zephyr Technologies. Under Armour should consider better leveraging their large marketing & R&D budgets to help further grow the

MapMyFitness community and round out an ecosystem of Under Armour branded devices that work better together with this platform (while still maintain openness with other devices).

Others to watch include Reebok, Polar, and Garmin. Reebok has introduced an innovative beanie called Checklight to monitor head collisions in violent sports like football. Polar, a leader in hear rate monitors, recently announced a fitness band that seems way too familiar to the Nike Fuelband. Finally, Garmin a leader in GPS watches with strong following with elite runners, bikers, and tri-athletes, cannot be counted out in the performance enhancement segment given their strong credibility & intimacy with this audience. They cannot standstill though.

For this market SWOT report, I have focused on Nike in the athletic category given they are the clear leader.

Tech Start-up Companies

In the tech-up start category, the field has many new companies vying for piece of the market, but two companies currently have the lead – Fitbit and Jawbone. Both have had products on market for at least a year and a loyal and growing user base. Building credibility as a trusted health & fitness brand as a tech start-up generally would present a challenge, but their willingness to move quick, pack in a number of new features (like sleep tracking and altimeters), provide an open platform, and offer a compelling price, seems to have helped them get off to good start with early adopters. Continuing to innovate and build their user base through establishing themselves as an expert on health & fitness will be critical to their first mover success and ability to shut-out a new wave of competitors.

Other companies are emerging with promises of new capabilities & technologies (like Basis, Airo, Push) or new fashionable designs (like the Misfit Shine). They need to quickly prove out that they have better solution and build loyal following. Companies that innovate could be good acquisition targets for some of the more established participants to capture new user segments or provide innovation.

For this market SWOT analysis, I have focused on Fitbit and Jawbone in this segment.

Mobile App Companies

In the mobile app category, there are many players in this space including MapMyFitness, Runkeeper, Runtastic, MyFitnessPal, Lose It, etc. These companies focus on building large app communities & users by appealing to a specific targeted user base or use case (like runners), providing device choice, and use a freemium business model to proliferate users.

To keep users active and engaged though, they need to continue to build rich experiences that include the full ecosystem of devices. As such, many are starting to expand their portfolios by offering up third party or their own branded devices. MapMyFitness's recent announcement on acquisition by Under Armour is a big deal and demonstrates the importance of having a full end-to-end ecosystem. With this

acquisition, MapMyFitness now has a huge credible fitness brand to provide marketing & R&D investment and build out a compelling set of devices to extend their experience. As another example, Runtastic recently introduced Libra an intelligent connected scale and offer other devices like a Runtastic GPS smartwatch or heart rate monitors.

Because of their backgrounds rooted in software & limited hardware R&D investment, these offerings tend to white-labeled/OEMed products that have me-too features and limited design appeal. This will make it tough to compete vs. the likely evolution of a combined MapMyFitness & Under Armour portfolio.

As another expansion plan, many of these companies have also built added experiences and tracking to provide further reach into overall fitness industry. As an example, MapMyFitness now provides dietary tracking while Runtastic has added an application to help you build the “six pack abs you always wanted”.

For this report, none of these players have been included in the market SWOT analysis.

Horizontal Wearable Companies

Much fanfare and buzz has been generated with the announcement of Samsung into the wearable device category with their new Galaxy Gear smartwatch along with the constant rumors of the Apple iWatch. While Samsung brings a lot of market reach, great brand presence, a leadership installed base of phone users, and a large marketing budget to tap, I believe horizontal wearable devices will be met with limited initial adoption. The attractiveness and social acceptance of a Jetson’s styled geeky watch will take time to accept by the mass public. And while a general purpose device provides more features and use cases than vertical focused devices, it will also come with compromises in the experience by trying to be too many things to too many people. They will be too bulky/heavy, awkward, and overly complex to use.

Fitness enthusiasts will be more attracted to targeted devices that are purpose designed for their needs providing the right utility, sleeker and less obtrusive designs, and appeal to their community as an expert/trusted advisor. As horizontal devices become sleeker, more attractive (style will be critical for these), and user experiences simple and easy, they will gain traction and be great target for mobile app communities looking to broaden their access to casual or value focused users.

For this report, none of these players have been included in the market SWOT analysis.

NIKE SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> Established & Credible Brand Strong Marketing & Sales Engine Large and Strong User Community Early Leader in Technology Platform Approach with Rich Ecosystem Strong Partnerships 	<ul style="list-style-type: none"> Large Company Atmosphere Not a Technology Company Semi-closed Architecture Limited Tracking
Opportunities	Threats
<ul style="list-style-type: none"> Richer Tracking/Data Training/Coaching Advice Leverage Athlete/University Sponsorship Segment Expansion & Performance Leadership Connected Ecosystem Sensor-enriched Apparel 	<ul style="list-style-type: none"> Rumored Apple iWatch Maintaining Simplicity

Strengths

Established Brand – Nike has a well-established brand (ranking #24 on Interbrand top brands in 2013) and great credibility as an expert and trusted advisor of fitness and sport. With their long-time “Just Do It” slogan, rich set of pro athletes & universities, and tradition for innovation, Nike has been inspiring & motivating athletes for years. They are now in great position to take on an increased relationship with these customers as someone to actively help reach their fitness and sport goals.

Strong Marketing & Sales Engine – Nike has large marketing budget, strong sales channel & distribution, and an established sales organization to drive awareness and generate sales. This is huge advantage vs. new market entrants.

Large & Strong User Community – Nike recognized early on that building a community of users was a key part of their strategy. With their Nike+ community, they have built an active and highly engaged user base they can directly market to and learn from. At 7M+ users (as reported as of June 2012), this provides a huge head-start and will be big asset to allow them to shift into more of an advisor/coaching role.

Early Leader in Technology – Nike has rich tradition of innovation and proven a leader in adopting technology dating back to 2006 with initial Nike+ shoe sensor launch and partnership with Apple. Since then, they have shown willingness to continue to push the envelope with Fuelband and other products. To maintain its leadership in tech innovation and ability to build the Nike+ community and Nike Fuel platform, they recently conducted a tech accelerator program with the renowned TechStars to encourage more innovation using the Fuel platform. With the new Nike+ Move app,

Nike is one of the firsts companies to take advantage of the new M7 co-processor in the new Apple iPhone 5s. Finally, Nike has shown investments in performance enhancement with things like Nike+ Basketball where they have integrated number of sensors into shoes to help athletes excel.

Platform Approach with Rich Ecosystem – Nike is strong believer of functional integrated system solutions and has built and foundational platform with their Nike+ user community app a services along with their Nike Fuel platform currency. And now by opening up their API, they are encouraging others to further proliferate the Nike Fuel platform. On top of this, Nike has built a series of devices, accessories, partnerships and services that tie into the platform.

Strong Partnerships – Nike has shown willingness to build strong partnerships with experts in technology space to help them build their vision. The early partnership with Apple established them as the clear leader for innovation. Partnerships with Microsoft & Xbox Connect are other great examples to aid proliferation of their platform. And behind the scenes, they are working with innovative digital marketing firm R/GA to help them build out rich user experiences and push the envelope with technology.

Weaknesses:

Speed/Nimbleness – As a large company, Nike does not have the built-in advantage of small start-ups around speed and agility. Nike needs to continue to leverage its rich tradition for innovation and risk taking to insure it keeps up with smaller companies and continue to leverage strong partnerships to build quickly expand inorganically.

Not a Technology Company – As an athletic apparel company, Nike's roots are not technology. They need to need to continue to leverage their innovation engine in sports apparel through things like their Innovations Kitchen to continue to foster innovative spirit. Also, sponsorship of technology accelerator programs like their Nike Fuel Lab accelerator is a great way to stay on front-edge of cutting edge technologies. Finally, Nike should fully leverage their intimate and superior knowledge of the customer to help drive tech investment prioritization.

Semi-closed Architecture – Nike's approach provides a semi-closed architecture which will require them to build a large base of loyal users willing to adapt to the Nike ecosystem and path. While Nike has provided some openness by providing an API that allows other applications to integrate content into their apps, but they have limited access to smaller set of partners. They are also focused on building use of their proprietary Nike Fuel measurement & currency of universal movement which some have been critical of. Another complaint often from users is the inability to download/export your data. While this is likely only something that appeals to the geekier self-quantifiers and enthusiasts, this does limit flexibility. Finally, with their strong partnership with Apple, they have been slow to offer app choice of operating system.

Limited Tracking – Nike has opted for simplicity and user experience over tracking a lot of data. Nike is mainly focused on tracking movement (distance, Fuel, etc).

Companies like Jawbone are tracking more variables like sleep patterns, mood, weight, and food in-take. While a simple user experience will be good for beginners to intermediate users, more advanced users will want added information access. In addition, to reach personal fitness goals, a more complete picture is required to provide optimal feedback including activities like weight training & yoga. One other major gap is providing ability to track diet and food in-take. This is key element of achieving fitness goals. Nike also does not currently support importing Nike+ data into some popular diet tracking apps like MyFitnessPal.

Opportunities:

Richer Tracking/Data – To build out their expertise and knowledge, Nike should further advance new sensor technologies that enhance data quality & richness. Current sensors are solely focused on accelerometer technology and have limitations to only track movement. This is great start and general predictor for achieving a healthy lifestyle, but provides limitations on lower body movement activities like spinning class or resistance training like weight lifting or yoga. In addition, Nike currently does not provide a way to track caloric intake which is huge variable in overall fitness goals. New sensor technologies are evolving to track these data points. Nike needs to be careful to not be a laggard here but not rush them out too quickly when they are not proven, severely impact the user experience, or complicate the amount of data presented to the user. Nike has recently enhanced algorithms in their new Fuelband SE to improve accuracy and not allow system to be faked.

Coaching/Training – Enabling users to track their progress, achieve awards and share progress with their community/friends provides strong motivational triggers. However, to be lasting, Nike needs to evolve into a trusted advisor by converting the data into meaningful personalized advice and coaching. With its large active user base, Nike has huge advantage of knowledge to help generate predictive intelligent advice. And with their strong stable of pro athletes, they have rich knowledge of how the best perform. Taking learnings from sensoring pro athletes in their Innovations Kitchen provides big opportunity to provide advice for everyday athletes. And with the increased data sets, Nike must continue to focus on simplicity in presenting the data to not overwhelm their users. The best way to do this is to build onto their existing Nike Fuel measure and provide credit for new activities.

Leverage Athlete & University Sponsorships – Nike has a huge asset with their top universities and pro athlete sponsorship. This asset can be utilized to further solidify themselves as the expert in performance enhancement & training and provide a halo for fitness expertise. Many universities and pro teams are starting to see the benefit of technology in optimizing training for these elite athletes. Universities like the University of Kansas have implemented a cutting-edge training program using advanced technologies to optimize workouts for each athlete and analyze their performance through rich tracking. Nike should partner with these teams to use their devices in these programs providing further credibility of their devices with everyday athletes. This also provides a great test bed to prove out and mature new technologies.

Segment Expansion & Sport Performance Leadership - Nike has huge opportunity to utilize learnings and expertise from their Digital Sport team to permeate the entire company. Sensor technology can enhance performance training in number of Nike sport segments and establish them as the clear sport performance enhancement leader. Things like Nike+ Basketball and Nike+ Running are great early examples of this. Sensor technology in Nike golf balls connected to mobile app could provide golfers with information on ball trajectory, speed, spin, etc throughout a training round and ultimately advice on how to improve performance off the data. USGA rules make it tougher and tougher to make balls fly better so they can shift to helping the players get better. Sensors in shirts, shoes, and equipment can help perfect a tennis swing, pitching motion, quarterback's throw, or a basketball shot by providing valuable data. In addition, with their valuable pro athlete data, they can provide(or sell) models to amateur athletes to help them perform like the most elite athletes in the world.

Connected Ecosystem – With Nike's presence in apparel, footwear, and gear, they have huge opportunity to further enhance experiences by connecting their platform to these products. Shoes with sensors provide added data enrichment while interaction with a sensed ball can provide enhanced performance training.

Senior-enriched Apparel - Embedding sensors directly into apparel when cost, size, and experience are right, will only further simplify the experience as athletes want less to wear. With Nike's innovation in apparel technology, they have huge advantage on how to embed without impact user comfort, style, or performance. This is huge advantage vs. technology based companies who do not have this experience or expertise.

Threats:

Rumored Apple iWatch – Nike has built a strong partnership with Apple from beginning. This has been a big advantage for them. However, with strong rumors of Apple building a wearable smartwatch (iWatch) this presents a potential for Apple to start competing with Nike. Apple also recently hired Jay Blahnik, and health & fitness industry expert, who consulted for Nike on Nike+ and Fuelband. My belief though is that the rumored Apple iWatch though will be more of a horizontal device and will likely have limited impact on Nike. With their platform already well permeated on iPhone (Nike+ Running, Nike+ Move, etc), I suspect Apple will partner with Nike for Nike+ apps for iWatch. This just provides more device options for their community and the community is much more important than device. Finally, I don't believe horizontal devices will have much cannibalization on vertical focused wearables like Fuelband. Serious athletes will still prefer a sleeker and more targeted device.

Maintaining Simplicity – Nike has built a strong reputation for a simple and easy user experience. As data and ecosystem becomes more complex, Nike needs to maintain this focus of simplicity and user experience.

FITBIT SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> • Nimble • First Mover Advantage • Great Technology & Value • Platform Openness • Broad Device Portfolio • Corp Wellness/Affiliate Channel 	<ul style="list-style-type: none"> • Lack of Fitness/Health Credibility • Brand Awareness
Opportunities	Threats
<ul style="list-style-type: none"> • Build Richer Data Set/Tracking • Build Dietary Expertise • Big Data Analytics Investment • Expand Corp Wellness & Affiliates Programs • Data Monetization • Position as Leader in Wellness 	<ul style="list-style-type: none"> • New Tech Start-ups

Strengths:

Nimble – As a tech start-up, Fitbit has a built-in advantage of speed, agility, and willingness to take risks. They also will likely have easy access to technology and talent. As proof point, they have introduced 5 new trackers + an intelligent scale over the past 2 years.

First Mover Advantage – Fitbit was one of the first tech start-ups in the fitness tracking industry. Building a strong user base will be a key to their long-term success and with first mover advantage they have huge leg-up on new entrants. Early mover status has also provided opportunity for them to build brand awareness in what will soon be a crowded field.

Great Technology & Value – Fitbit has driven good initial success in the market by offering leading features, a good looking design, and an attractive price. The Fitbit Flex was the lowest price device in its class at \$99 (vs. \$129 & \$149 for some others), had an attractive design & user experience, and providing added features like sleep tracking and Bluetooth 4.0 synching.

Platform Openness – Fitbit is available on variety platforms like iOS & Android and any browser. In addition, Fitbit has an open API and has many established partnerships with other mobile fitness/health apps with ability to import results. Finally, Fitbit allows users to export data (a premium feature)

Broad Portfolio – Fitbit has broad portfolio of devices (Force, Flex, One, Zip, and Ultra) with many color options that range in price level features and target user providing good choice. In addition, Fitbit recently introduced an intelligent connected scale, Aria that

tracks your weight, body fat, and BMI. Finally, Fitbit has invested in rich free and paid digital services that include ability to track food and provide training/coaching.

Corporate Wellness/Affiliates Channel – Fitbit has built a set of programs to attract health insurance providers and companies. This is wise area to help build user base and expand its reach for minimal marketing investment. In addition, Fitbit has built programs for affiliates to target trainers and others who want to resell the device. This is another added avenue that requires minimal marketing investment but potential to add large user communities.

Retail distribution – Fitbit sells direct on their website, but has established a broad set of Retail partners to provide further access to customers who are not familiar with their brand or want to touch and feel the device first. U.S partners include Amazon, Best Buy, Target, Sports Authority, REI, and Dick’s Sporting Goods.

Weaknesses:

Lack of perceived fitness/health expertise – As tech start-up, Fitbit’s is rooted in technology and not intimacy and credibility in the fitness & health market. This weakness though can be easily overcome though as it builds its brand and user base. Insuring that its devices provide high quality and accuracy of data

Brand awareness/marketing budget – As small start-up, Fitbit does not have huge marketing budget to drive brand awareness. Instead, they need to rely on building their base through current tactics like great value, channel distribution, and b2b distribution.

Opportunities:

Build Richer Data Set – To continue to build credibility as a trusted advisor and brand on health/fitness, Fitbit should continue to invest in cutting-edge technologies & sensors that enhance its data set and demonstrate it has the best information. They also need to insure that these technologies provide high quality and accuracy of the data so they do not risk credibility with lack of faith in data.

Build Dietary Expertise – For the most part, the current market is mostly focused on exercise (calorie burn) activities. However, most fitness experts will tell you that diet, caloric intake and quality of food you eat are more important to reaching your fitness & health goals. No one as a clear position as leader in dietary tracking and advice. Fitbit has opportunity to fill that space. Fitbit has included some ability for users to manual track food intake and provides education services, but they should build out this capability through more automated tracking using new technologies and build richer set of dietary programs and recommendations based of tracking results. Affiliate partnerships with strong dietary brands like Weight Watchers, NutriSystems, Advocare, MyFitFoods could help bolster their position. Allow import of data to food tracking tools like MyFitnessPal are good start.

Big Data Analytics – The fitness tracking industry is mostly focused on tracking today with motivation through awards and achievements. Minimal analytics and coaching is provided. This is the next wave in this space and will be the key to maintaining and

locking in a strong user base and community. Given Fitbit's early mover advantage of user base, they should build out their Big Data analytics capability to provide more proactive guidance and recommendations to users and further establish their credibility as health/fitness expert. On top of this, Fitbit should partner with some leading university's medical programs for research studies & white papers that add scientific credibility to their platform. This information can also serve as great source for their social content marketing outreach.

Corp Wellness/Affiliates Expansion – With the current state of healthcare industry, Fitbit has huge opportunity to dramatically grow user base through expansion of their corporate wellness outreach programs. This required little marketing investment and provides large user bases to target giving them huge scale. Affiliates like trainers and gyms are another major outlet and an important source for generating trusted advisor status with customers. If these current trusted advisors use them in their program, it can provide instant credibility. Fitbit should expand this focus targeting large gyms like Gold's Gym, 24hr Fitness, Lifetime, Equinox or popular training programs like Crossfit, Barre, etc. Many of these may be willing to subsidize cost of the devices to their members as incentives to join or as way to enhance their training services. With their open API, Fitbit could also incent these companies to build an integrated app that pulls in Fitbit data.

Data Monetization – As Fitbit builds its user base and quality of data, it has potential to create a business model monetizing the data. The data they collect is a huge asset. Industries like health insurance, medical, fitness, diet, university would likely finds great value in the huge amazed aggregated daily/hourly data they gather. This potential opportunity could even be used as way to subsidize the device cost further growing their user base. Of course, Fitbit needs to build solid policies for protecting the privacy of their users data through disclosures, opt-in, security, and making data anonymous.

Position as Leader in Wellness – Given established athletic brands already possess strong brand credibility in the fitness market, Fitbit could move to position themselves as the clear leader for those seeking health & wellness as their primary goal. This would be much better blue-ocean segment. With their strong Corporate Wellness outreach, they are already have a good foundation to build on.

Threats:

New Tech Start-ups – Many new entrants are popping up promising new technologies that provide new tracking and information like access to hear rate monitoring, caloric intake monitoring, etc. Fitbit needs to stay on the cutting edge of the technology to not fall behind in building their credibility as fitness/health expert.

JAWBONE SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> • Early Mover • Broad Tracking • Analytics/Insights • Brand Awareness & Channel 	<ul style="list-style-type: none"> • Lack of Health & Fitness Credibility • Complex
Opportunities	Threats
<ul style="list-style-type: none"> • Further Innovate on Tracking • Expand Big Data Analytics Investment • Build Corp Wellness & Affiliates 	<ul style="list-style-type: none"> • Brand Confusion • More Nimble Start-ups

Strengths:

Early Mover – Jawbone was one of the first companies to introduce a fitness wearable device back in late 2011. This early entrance though was met with some set-back as they experienced some early quality issues that resulted in halted production 1 month after it launched. The weathered the storm and have proven to be strong player in this market. The risk taking, strong user base, and resilience gives them strong foundation.

Broad Tracking – Jawbone’s devices have fairly broad set of tracking capabilities beyond just movement. Jawbone UP and new UP24 also tracks sleep, mood, and diet through bar code scanning of items. These added data points allows them to provide more meaningful insights to their users about their behaviors and correlations.

Analytics/Insights – Jawbone fully understands that Big Data analytics and proactive insights & personalized recommendation is the key long-term value for users. As such, they have been investing heavily in this space and already provide some level of insights to its user base through the UP app. They have also partnered with universities to create some interesting studies with the data like work they have done on sleep patterns. This work and investment will only further bolster their credibility in this market.

Brand Awareness & Channel – Jawbone already has strong brand awareness with their line of Bluetooth headsets and wireless speakers. Many people are familiar with them and see them as an innovative company with great designed products. As they have been moving into fitness wearable space this will provide great credibility that they can build high quality, attractive, and innovative products. Their investments in Big Data analytics is a key step to insure they add credibility as a fitness & health brand. Finally, due to Jawbone’s other products, they already have strong distribution relationships and can leverage the sales teams to sell their UP band.

Weakness

Lack of Health & Fitness Credibility – Jawbone’s history is creating wireless audio and headset products. Without history in the health & fitness market, they have potential to have limited credibility with fitness customers due to their lack of expert

status. Brands like Nike, Under Armour, and Adidas will have much better advantage as such. Credibility can be built though by having a high quality and accurate device and through building out its analytic capabilities that show it really understands the market and the users.

Complex - Jawbone offers a lot of broad tracking capabilities beyond movement like food tracking, sleep tracking, and even manual mood tracking. This is good for more complete picture and richer set of data to drive insights, but has potential to overwhelm users with too much, especially when a lot of these are manual. Jawbone needs to simplify and automate tracking where they can. As they learn through their analytics, Jawbone should also drop tracking that demonstrates lower predictive insights. Mood tracking could be one of those.

Opportunities

Further Innovate on Tracking – Jawbone should continue to invest in rich tracking capabilities that provides richer data. This should include continuing to simplify tracking of diet & nutrition.

Big Data Analytics Expansion – Jawbone has created early investment in providing insights to its users. Jawbone should continue to invest in this capability and further separate themselves as a leader in providing personalized intelligence. This is a key component of maintaining active engagement with their user community and way to establish themselves as an expert in the health & fitness market. Becoming a trusted health & fitness brand (vs. device provider) will provide long-term sustainability.

Build Corp Wellness & Affiliates – Building programs to drive sales through corporate wellness programs and health insurance companies is great way to drive user base. Another group to target are trusted brand/individuals in fitness industry like gyms, trainers, fitness programs, and diet & nutrition programs. These too provide great opportunity for user base expansion with lower marketing & selling cost, but also help build industry expertise through these affiliations.

Threats

Brand Confusion – Jawbone is unique in that it participates in other market segments beyond the health & health industry. Most customers experience Jawbone with their Bluetooth headsets and wireless speakers. This broader portfolio has chance to confuse customers on type of products they offer or the overall value proposition of their brand especially given the importance of becoming a health & fitness trusted advisor. Jawbone could counter this by further separating the businesses through elevating the UP brand and focusing second on the Jawbone master-brand. It could even consider operating UP as a separate subsidiary company.

More Nimble New Start-ups - Jawbone needs to guard against smaller and more nimble new start-ups that are continuing to provide innovation in the market. They need to on the forefront of technology and continue to evolve their platform & intelligence. One strategy they could consider is acquisition (of either innovative new start-ups or key technology providers) to build IP.

CONCLUSIONS

The health & fitness wearable market is still in its early stages. Long-term winners will be the companies that build a complete functional ecosystem and create strong trusted relationships with their community of users based off a consultative approach. It is clear that Nike is the leader here and understands this. Nike has opportunity to dominate the sport performance segment as well. Jawbone and Fitbit have great head start as well and are building out a well-rounded complete experience. I expect some further consolidation like the acquisition of MapMyFitness by Under Armour to build an end-to-solution and weeding out of device or app companies that are not able to build a big enough user community fast enough.

Important Information About This Paper

Author

[Brian Pitstick](#), Guest Analyst at [Moor Insights & Strategy](#).

Editor

[Patrick Moorhead](#), President & Principal Analyst at [Moor Insights & Strategy](#).

Inquiries

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