

Taking Fitbit to the Future

Meeting with CEO James Parker



Alejandra Bätz | Paulina Marin | Santiago Mercado | Alejandra Testas

Main Concerns



Privacy and Security Risks

Aligning with the new European Data Protection Regulations

Falling revenues in APAC

Source: Mail from the CEO

SUMMARY

Data Protection

APAC Market

Financials

KPI'S

Hacking Situation Worldwide



Consumer's increasing awareness of privacy invasion risks

Source: Gartner and FS Networks

Summary

DATA PROTECTION

APAC Market

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Consumer's increasing awareness of privacy invasion risks

+38%

Increased probability of a hacking attack between 2015 and 2017

Source: Gartner and FS Networks

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Consumer's increasing awareness of privacy invasion risks

+38%

Increased probability of a hacking attack between 2015 and 2017


Governments are responding through tighter regulations

Source: Gartner and FS Networks

Summary **DATA PROTECTION** APAC Market Financials KPI'S

Where are the Risks/Threats?

Information Flow

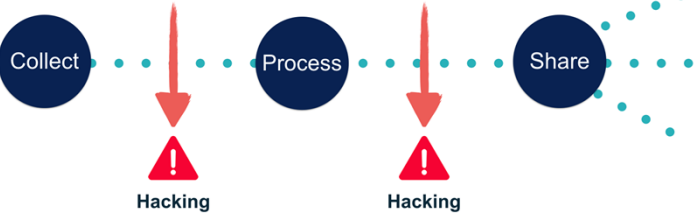


Source: Team Analysis

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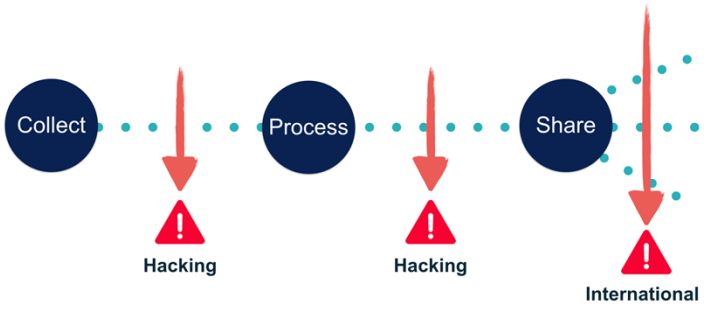


Source: Team Analysis

Summary **DATA PROTECTION** APAC Market Financials KPI'S

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Information Flow




Source: Team Analysis

Summary **DATA PROTECTION** APAC Market Financials KPI'S

Shield the House Against Hackers

Key Partner



F5 Networks

- 24/7 monitoring of data transfer
- Quantify and qualify potential risks
- Develop adequate controls for data cycle

Process: Collect → Process → Share

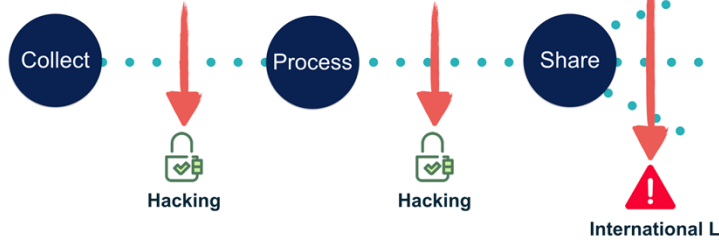
Hacking (at Collect and Process stages), International Law (at Share stage)

Source: F5 Networks

Summary | **DATA PROTECTION** | APAC Market | Financials | KPI'S

Keeping our Customers' information Safe

Mitigation of Hacking Attacks



Collect → Process → Share


Hacking (at Collect and Process stages), International Law (at Share stage)

Source: F5 Networks

Summary | **DATA PROTECTION** | APAC Market | Financials | KPI'S

EU Law for Protection of Data

Most Relevant Points



- Strong data protection obligations on receiving **personal data** from EU
- Safeguards on US government access to data
- Effective protection and redress for individuals
- Annual joint review to monitor the implementation

Source: privacyshield.gov

Summary | **DATA PROTECTION** | APAC Market | Financials | KPI'S

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Mitigation of hacking attacks



Collect → Process → Share

PwC assists with:

- Assist with design and implementation of privacy program

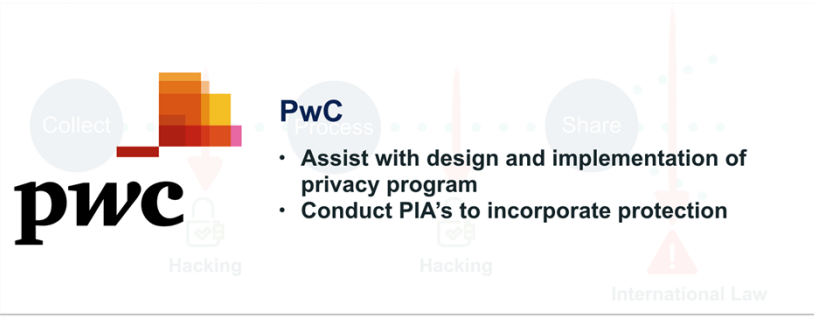
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pwc

PwC

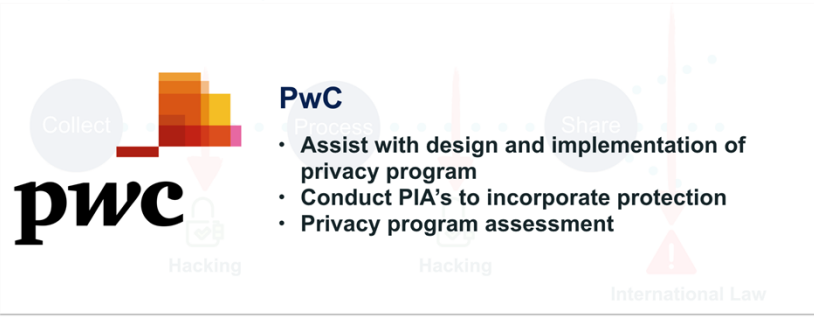
- Assist with design and implementation of privacy program
- Conduct PIA's to incorporate protection

Source: PwC

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pwc

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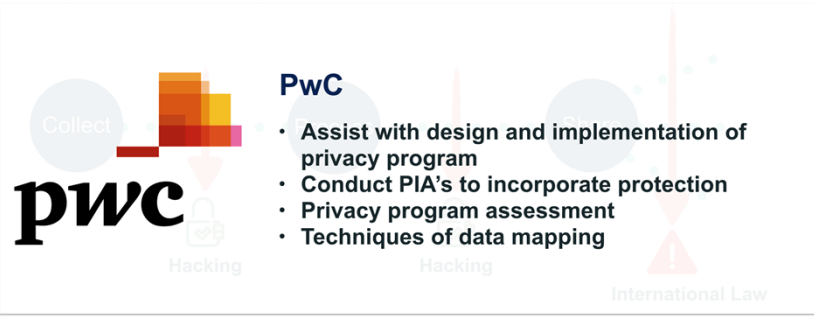
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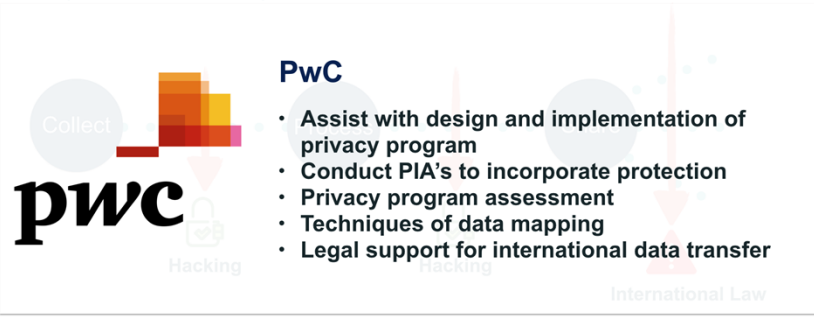
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Source: PwC

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pwc

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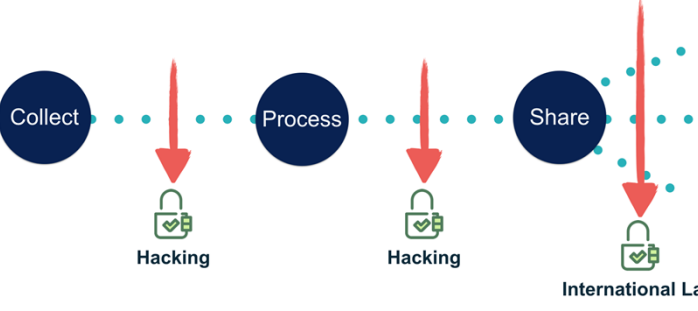
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- Privacy program assessment
- Techniques of data mapping
- Legal support for international data transfer

Source: PwC

Summary **DATA PROTECTION** APAC Market Financials KPI'S

Keeping our Customers' Information Safe

Mitigation of Hacking Attacks




Source: Team Analysis

Summary **DATA PROTECTION** APAC Market Financials KPI'S

C.A.R.E. Initiative

Integrated Communications




Source: Team Analysis

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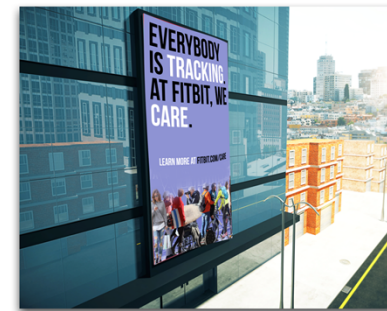


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Summary **DATA PROTECTION** APAC Market Financials KPI'S

Main Concerns





Privacy and Security Risks




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Falling revenues in APAC

Source: Mail from the CEO

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Current Situation in APAC




-25.7%

Fitbit revenue change between 2015 and 2016

Source: Mordor Intelligence 2016, case data and networkasia.net

[Summary](#) [Data Protection](#) [APAC MARKET](#) [Financials](#) [KPI'S](#)

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\$3.01B

Medical Wearable Electronic Market Projected Value by 2021

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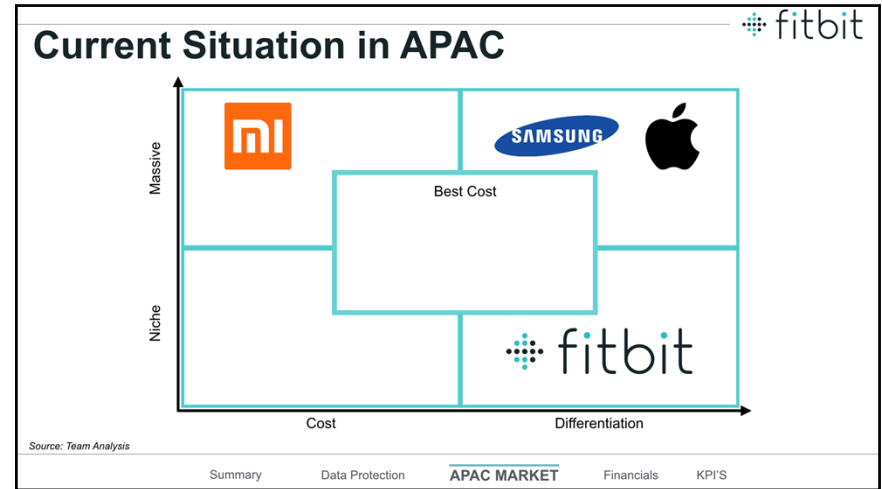
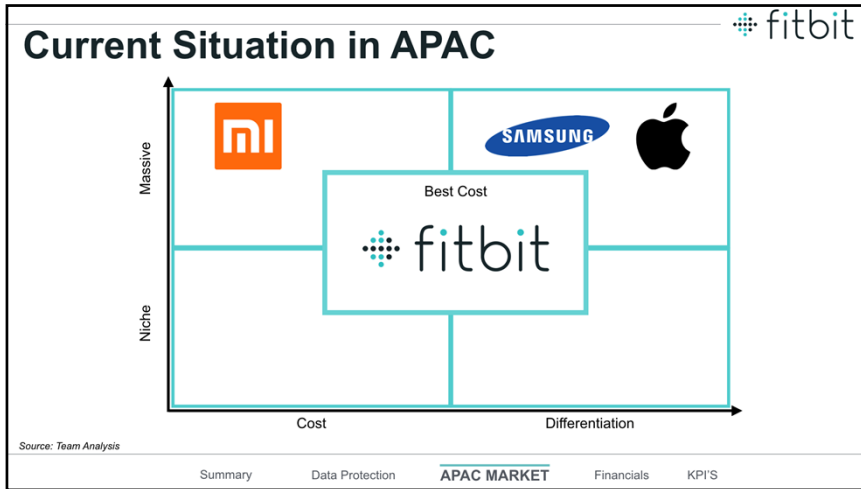
Medical Wearable Electronic Market Projected Value by 2021



Consumer Trends are Complicating Differentiation Features

Source: Mordor Intelligence 2016, case data and networkasia.net

[Summary](#) [Data Protection](#) [APAC MARKET](#) [Financials](#) [KPI'S](#)



Corporate Wellness

Where did it started?




China Japan

Source: willstowerwatson.com 2016

Summary Data Protection **APAC MARKET** Financials KPI'S

Main Concerns



Source: Mail from the CEO

Summary Data Protection **APAC MARKET** Financials KPI'S

Value Proposition

Objective Accomplish a **data-protection** based **differentiation strategy** in order to **increase revenues** in **international markets**.

External Factors

Relevance of data protection	Requirement of alignment with international regulations	Opportunities emerging markets are facing the industry with.
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Recommendations

- Strategic Alliances (F5 and PwC)
- Change Principal Approach in APAC

Source: Team Analysis

Summary Data Protection **APAC MARKET** Financials KPI'S

Financials

F5 Hybrid Solution	Cost: .3% of sales
C.A.R.E. Initiative	30% sales aprox. budget 80% adv. & marketing = 24% from Sales
Aligning with International Law Final Cost	\$679,140.00 (PwC)

Source: Team Analysis

Summary Data Protection APAC Market **FINANCIALS** KPI'S

Results
Indicators for the Future

Maintain Leadership **Brand Positioning based on: Trust, Transparency and Security** **Efficient Resource Allocation for APAC**

4.9x Revenue 2016 - 2020 **Penetration within specialized Market**

Brand Association with terms of International Security **Medical Specialization** **Pioneer**

Source: Team Analysis

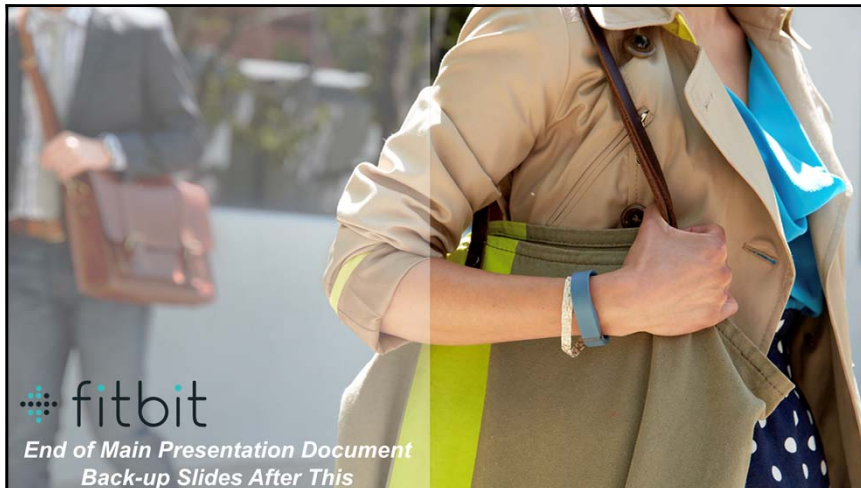
Summary Data Protection APAC Market Financials **KPI'S**

One Step Further

Take Fitbit into the future instead of waiting for it

Source: Team Analysis

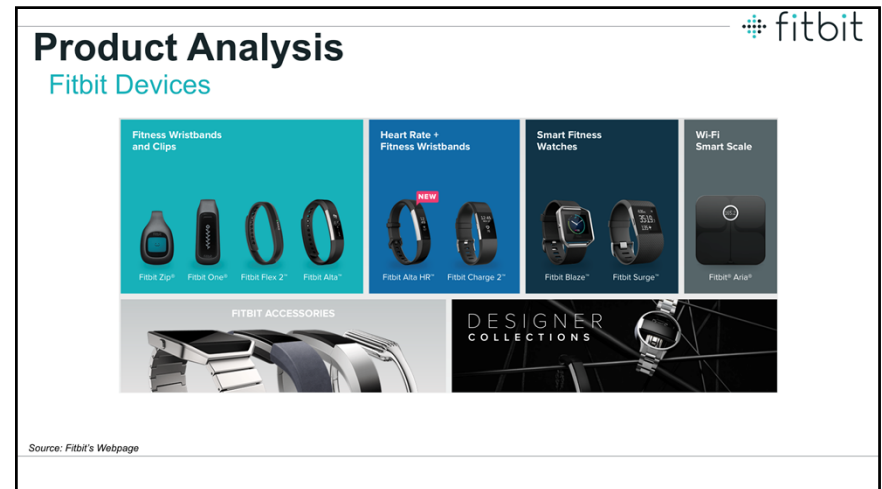
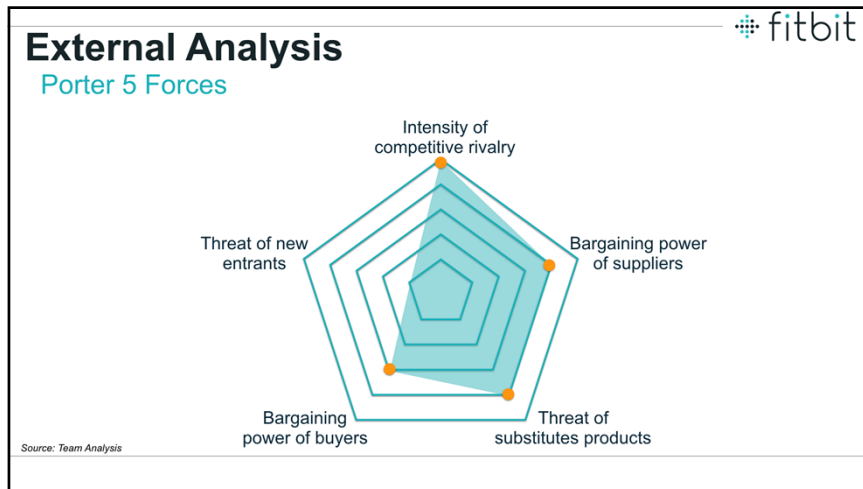
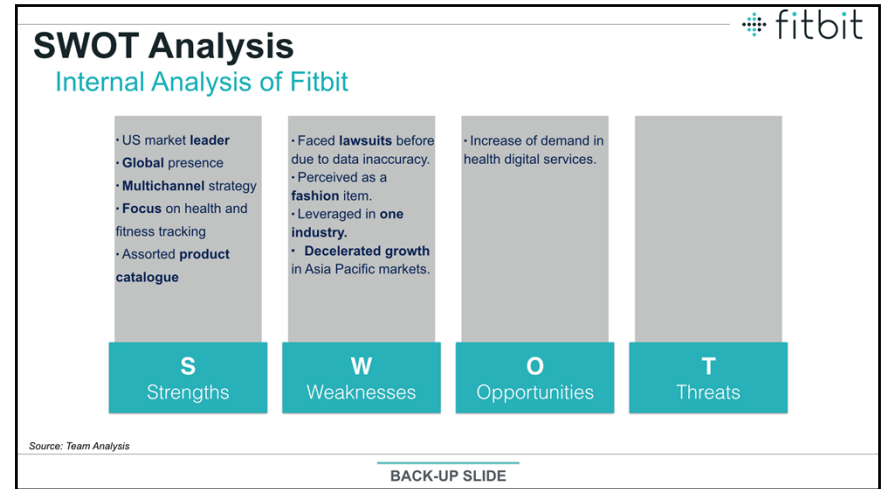
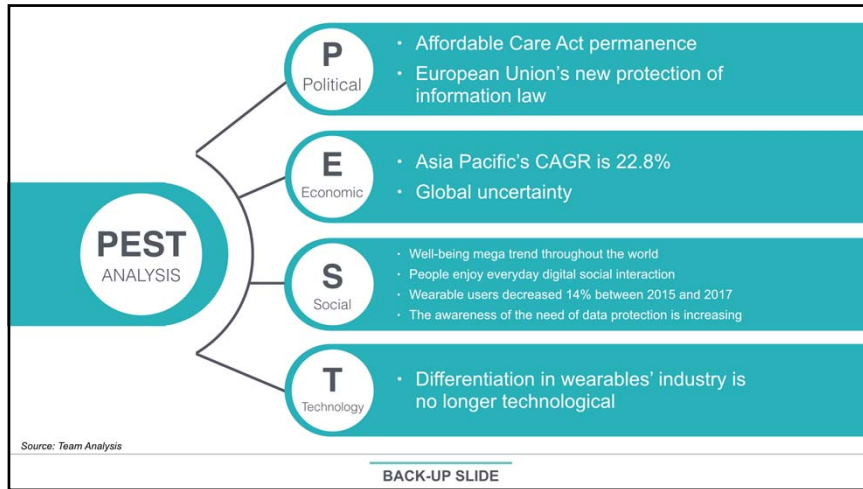
Summary Data Protection APAC Market Financials **KPI'S**



Appendix
Exhibits

- PEST Analysis
- SWOT Analysis
- Porter 5 Forces Analysis
- Product Line
- Measurement Tracked
- Product Comparison
- Xiaomi vs. Fitbit
- Third-Party apps connected with Fitbit
- Key Success Factors of Fitbit
- 3 C's of Data Protection
- HR decisions based on Fitbit Reports

- **Financial Info:** Projection
- **Financial Info:** (Income Statement)
- **Financial Info:** Earnings Per Share
- **Financial Info:** Projected Growth
- **Financial Info:** Projected Revenue
- **Financial Info:** APAC Revenues
- **Financial Info:** Revenue Mix by Region
- **Financial Info:** Cost of F5 per Year
- **Financial Info:** Cost of PwC privacy advisory
- **Financial Info:** Cost of Advertising & Marketing



Product Analysis



Fitbit Measures:

- Steps
- Calories burned
- Distance traveled
- Heart rate
- Floors climbed
- Sleep duration and quality
- Active minutes
- GPS-based tracking
- SmartTrack
- Weight, body fat and BMI
- Caloric intake

Source: Fitbit's Annual Report 2016

Product Capabilities



Internal Analysis of Fitbit

EXHIBIT 1: FITBIT WRISTBAND TRACKERS

	Everyday Fitness		Active Fitness	Performance Fitness
	FLEX	CHARGE	CHARGE HR	SURGE
MSRP	\$99.95	\$129.95	\$149.95	\$249.95
Steps, Calories, Distance	✓	✓	✓	✓
Clock				✓
Sleep Tracking		✓	✓	✓
Auto Sleep Detection	✓			
Silent Wake Alarm		✓	✓	✓
Floors Climbed		✓	✓	✓
Active Minutes	✓	✓	✓	✓
Multi-Sport				✓
Continuous Heart Rate			✓	✓
Caller ID		✓		✓
Text Notification				✓
Music Control				✓
GPS Tracking				✓

Source: Created by case authors based on Fitbit official website, accessed November 1, 2015 www.fitbit.com/ca/compare.

Source: Team Analysis

BACK-UP SLIDE

Product Comparison



Xiaomi vs. Fitbit Charge 2

Xiaomi "Mi Band 2"	Fitbit Charge 2
Price (amazon): \$37	Price (amazon): \$150
Battery: 20 days /Charge time: 180 min	Battery: 5 days/Charge time: 120 min
Box: Quick start manual, sensor, USB charger, wrist band	Box: wristband
Bluetooth Compatible: mobile devices	Bluetooth, automic USB sync Compatible: computer and mobile
For: Android and iOS	For: OS X, Windows, Android and iOS

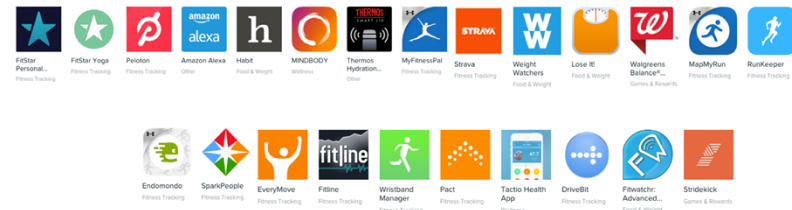
Source: Fitness Trackers

BACK-UP SLIDE

Apps Compatible with Fitbit

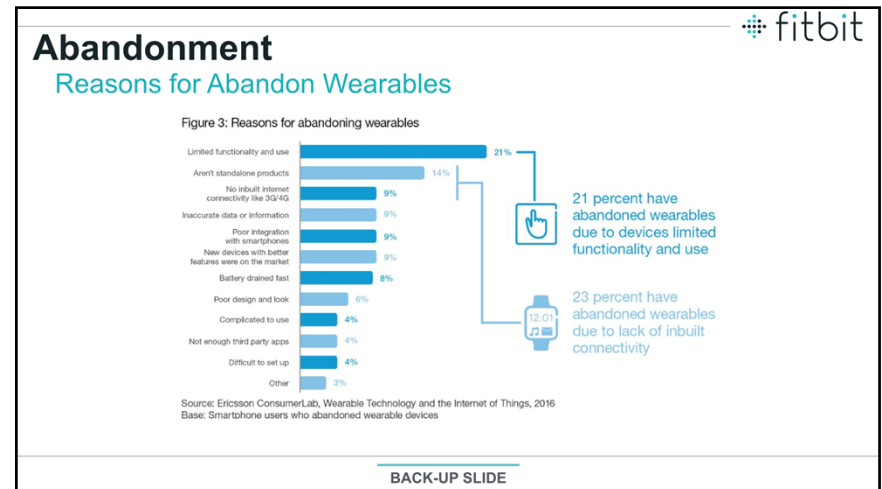
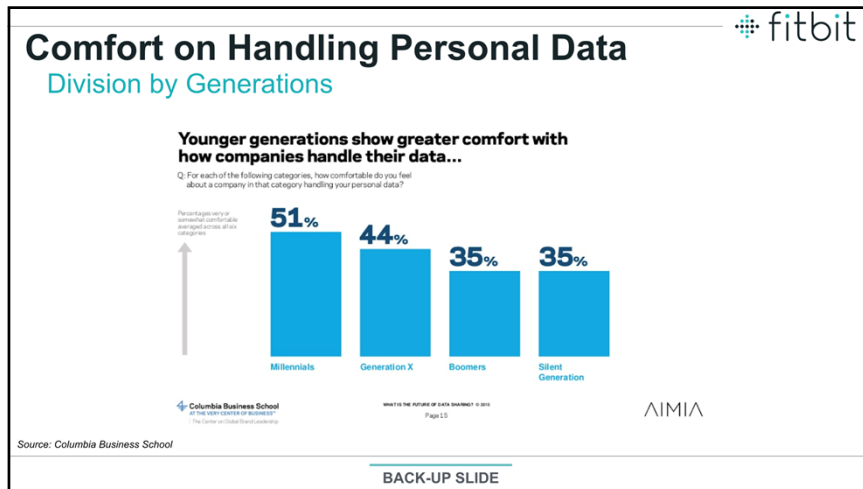
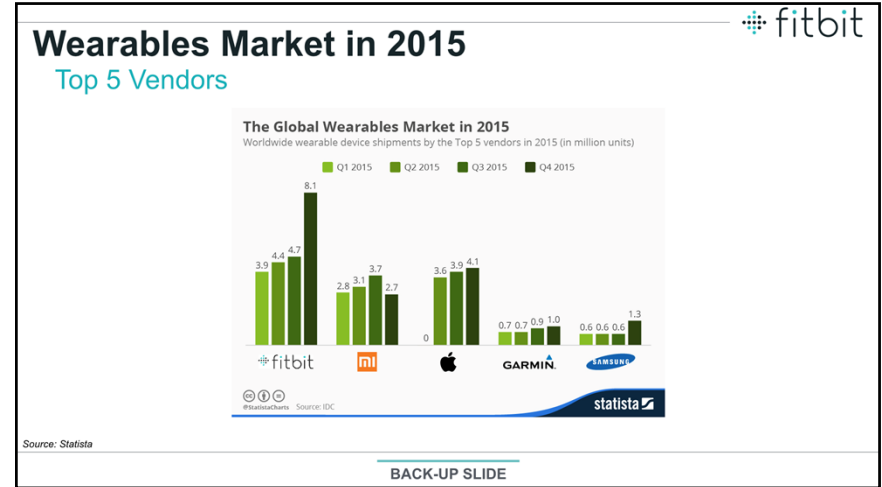
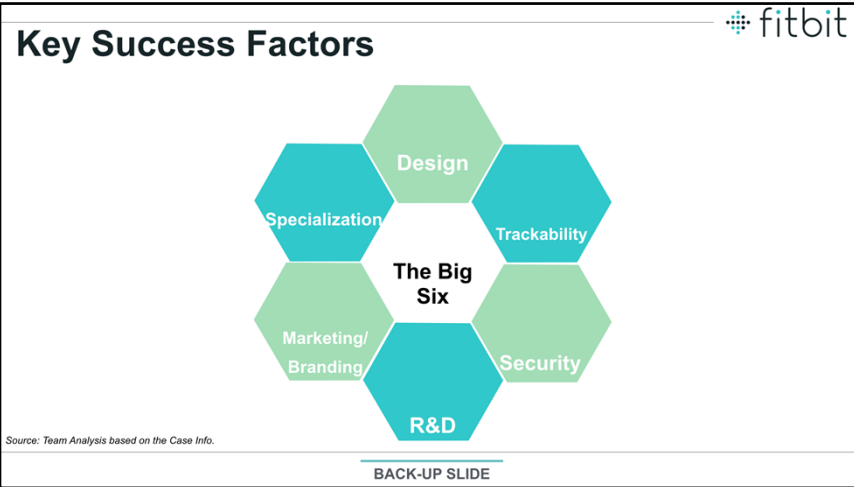


Third-Party Apps



Source: Fitbit

BACK-UP SLIDE



Data Protection

3 C's of Data Protection



Source: Fitness Trackers

BACK-UP SLIDE

Product Capabilities



HR decisions based on Fitbit Info. Reports

- Wellness and health of their employees
- Determine the size of a department or number of employees in a project
- Time management metrics
- Reputation of the company

Source: Team Analysis

BACK-UP SLIDE

Financial Information

Projections - Fitbit



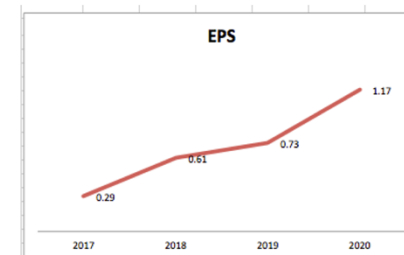
Income Statement	Capital IQ	Capital IQ	Projected	Projected	Projected	Projected
For the Fiscal Period Ending	12 months	12 months	2017	2018	2019	2020
Currency	Dec-31-2015	Dec-31-2016				
	USD	USD				
Revenue	1,858.0	2,169.5	3,930.8	5,306.5	6,447.4	7,833.6
Other Revenue	-	-	-	-	6,447.4	7,833.6
Total Revenue	1,858.0	2,169.5	3,930.8	5,306.5	6,447.4	7,833.6
Cost Of Goods Sold	956.9	1,304.6	2,363.7	3,127.2	3,723.6	4,433.6
Gross Profit	901.1	864.9	1,567.1	2,179.3	2,723.9	3,400.0
Selling General & Admin Exp.	414.6	636.9	827.9	1076.3	1399.2	1818.9
R & D Exp.	150.0	320.2	640.4	896.5	1075.8	1183.4
Depreciation & Amort.	-	-	-	-	-	-
Other Operating Expense/(Income)	-	-	-	-	-	-
Other Operating Exp., Total	564.7	957.0	1,468.3	1,972.8	2,475.0	3,002.4
Operating Income	336.4	(92.2)	98.75	206.52	248.87	397.65
Income Tax Expense	112.3	(6.5)	34.6	72.3	87.1	139.2
Earnings from Cont. Ops.	175.7	(102.8)	64.2	134.2	161.8	258.5
Earnings of Discontinued Ops.	-	-	-	-	-	-
Extraord. Item & Account. Change	-	-	-	-	-	-
Net Income to Company	175.7	(102.8)				
Minority Int. in Earnings	-	-	-	-	-	-
Net Income	175.7	(102.8)	64.2	134.2	161.8	258.5

Source: Capital IQ

BACK-UP SLIDE

Financial Information

Earnings Per Share



Shares 220.41 millions
Earnings Based on projections

Source: Team Analysis

BACK-UP SLIDE

Financial Information

Projected Growth



Year (in billions)	Market Value	Global Market Share	Expected Revenue
2015	10.0	24.30%	2.43
2016	15.0	19.44%	2.91
2017	22.5	17.50%	3.93
2018	33.7	15.75%	5.31
2019	45.5	14.17%	6.45
2020	61.4	12.75%	7.83

Source: Case information
CAGR 35%

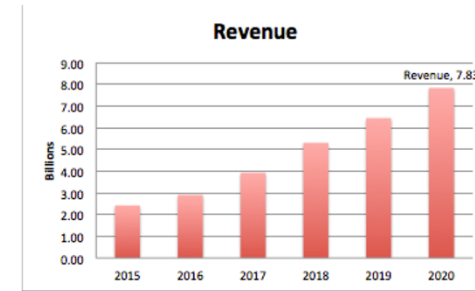
492% Growth from 2016 to 2020
410% Market Growth from 2016 to 2020

Source: Team Analysis based on the Case Info.

BACK-UP SLIDE

Financial Information

Projected Revenue

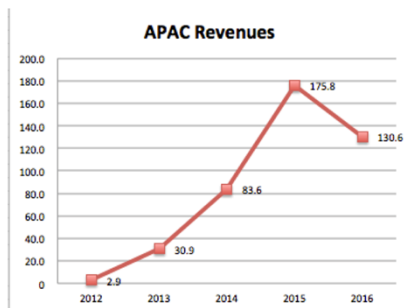


Source: Team Analysis based on the Case Info.

BACK-UP SLIDE

Financial Information

APAC Projected Revenue

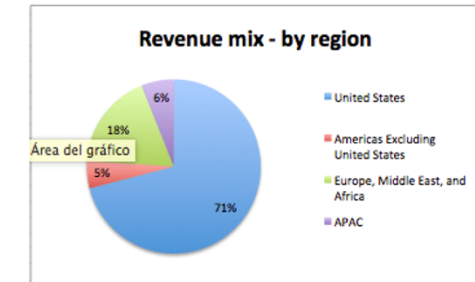


Source: Team Analysis based on the Case Info.

BACK-UP SLIDE

Financial Information


Revenue Mix by Region



Source: Team Analysis based on the Case Info.

BACK-UP SLIDE

Financial Information
Cost of F5 Networks per Year




Year	Cost
2017	\$11.8M
2018	\$15.9M
2019	\$19.3M
2020	\$23.5M

Source: Team Analysis based on the Case Info.

BACK-UP SLIDE

Financial Information
Cost of PwC Privacy Advisory



Resources:

- People: 3 collaborators
- Time: 12 weeks


Assumptions:

- Avg. per hour: \$550
- Avg. US workweek = 34.4

Source: Quora

BACK-UP SLIDE

Financial Information
Cost of Advertising & Marketing Budget



Year	Cost
2017	\$864.7M
2018	\$902.1M
2019	\$1,160.5M
2020	\$1,331.7M

Source: Team Analysis based on the Case Info.

BACK-UP SLIDE