

Strong sales, but high abandonment for fitness trackers

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In this Dec. 15, 2014, file photo, fitness trackers, from left, Basis Peak, Adidas Fit Smart, Fitbit Charge, Sony SmartBand, and Jawbone Move, are posed for a photo next to an iPhone, in New York. Although sales of fitness trackers are strong, many of their owners lose enthusiasm for them once the novelty wears off. (AP Photo/Bebeto Matthews, File)

Deepak Jayasimha's fitness tracker is now with his father-in-law in India, where it sits unused. Annabel Kelly foisted hers off on the kids. Virginia Atkinson took hers off to charge the battery and hasn't picked it

up since February.

Although sales of Fitbit and other fitness trackers are strong, many of their owners lose enthusiasm for them once the novelty of knowing how many steps they've taken wears off. One research firm, Endeavour Partners, estimates that about a third of these trackers get abandoned after six months. A health care investment fund, Rock Health, says Fitbit's regulatory filings suggest that only half of Fitbit's nearly 20 million registered users were still active as of the first quarter of 2015.

"The question for investors is how long the market will continue to grow at this rate, and whether Fitbit can execute on growing engagement before ... the number of devices sold per year reaches saturation," Malay Gandhi, a managing director at Rock Health, wrote on a blog.

Abandonment affects all manufacturers of fitness trackers, which are relatively cheap at about \$100 and are commonly given as gifts. Fitbit gets the spotlight because it started trading publicly last month and has 76 percent of the U.S. market share by revenue, up from 64 percent a year earlier, according to the NPD Group.

Investors and analysts are bullish on Fitbit's prospects. Its stock value has more than doubled since the [initial public offering](#). Analyst William Power at Baird Equity Research said Fitbit had room to grow worldwide, as only a quarter of its revenue came from outside the U.S. last year. Power also wrote that Fitbits remain popular among employers and insurance companies looking for ways to keep people healthy. Fitbit is also profitable, earning \$132 million last year on revenue of \$745 million.

The company's market valuation of \$8.6 billion is high compared with earnings so far, which could point to enormous growth potential—or simply overvaluation.

Fitbit now has competition from Apple Watch and other smartwatches that do what fitness trackers do and more, such as showing news updates and boarding passes for flights.

In a statement, Fitbit said it intends to remain a market leader through new features and services to boost user engagement and revenue. The company said it keeps users motivated by offering ways to compete with friends and family and awarding virtual badges for hitting fitness milestones. Fitbit added that people who regularly use their devices make healthier choices.

The statement didn't address Fitbit owners who've stopped using the device.

If people aren't using their trackers, they won't recommend them to friends and family or upgrade when a new model comes out, said Dan Ledger, who tracks wearable devices at Endeavour Partners. They also won't pay for premium subscription packages, a potential growth area for Fitbit.

Jayasimha, a New Yorker who walks three to four miles a day, said his Jawbone Up stopped giving him information he didn't already know. After it stopped working one day, he didn't bother getting it fixed for months. Even then, he never used it again. His wife used it for two weeks before sending it off overseas to her dad, who has yet to use it.

"I was just carrying through with the motion," Jayasimha said. "For someone who is not physically active, I think it will be useful. But once you get to a state where you are happy with the activities you do, it loses its efficacy."

With smartphones, tablets and game consoles, IDC analyst Ramon Llamas said, you can download a new app or game to give them new life.

That's not to say all of these trackers get abandoned.

— Eric Leverett, 52, a production manager in Birmingham, Alabama, got a Fitbit Charge as a gift and engages in a friendly competition with his 82-year-old dad on who walks more. Though the initial excitement has worn off, he said, wearing the Fitbit encourages him to walk the dog more often and shun the golf cart while playing a round.

— Shari Winston, a high school counselor in Falls Church, Virginia, credits her Fitbit Flex with getting her to exercise regularly. She considered devices that do more, but she's sticking with the Fitbit for now for its simplicity.

It comes down to expectations. Atkinson, a writer in Adrian, Michigan, was expecting a cheerleader but found monotony. She likened her Fitbit Flex to gyms people join as part of New Year's resolutions, but drop out of by February or March. Except in her case, she still goes to the gym.

Kelly, a researcher in New Canaan, Connecticut, won two Activite Pops from Withings at a conference. She wore it for a day and got frustrated that she wasn't credited for cross-training at the gym. She made her 5- and 7-year-old daughters wear them to make sure they were getting exercise. (Unlike Kelly, the kids didn't have a choice.)

Withings CEO Cedric Hutchings said the company tried to design a device that was primarily a watch, so people will want to wear it regardless of its tracking capabilities. Withings is also gradually adding functionality, such as swimming though a software update this week.

Simply selling hardware would be a failure, Hutchings said, if people don't use it.

In a statement, Jawbone didn't directly address product abandonment,

but said it sees "high levels of user engagement," given that the more time one spends with it, the more data Jawbone has to offer personalized coaching and guidance.

Makers of [fitness trackers](#) are already thinking ahead with higher-end models at double the price. The Fitbit Surge with GPS tracking and message notification costs \$250 and Jawbone's Up 4 with mobile payments costs \$200. But Android smartwatches cost about as much, and Apple Watch just a bit more, starting at \$350.

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