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GOOGLE: TARGETING The HEALTH CARE MARKET WITH FITBIT[[1]](#endnote-1)

Shamik Debnath, Sandeep Puri, Shalini Joshi, and Raul Rodriguez wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In January 2021, amid the US Department of Justice’s probe into the merger of Google LLC (Google) and Fitbit Inc. (Fitbit), Google officially completed the US$2.1 billion[[2]](#endnote-2) deal to purchase Fitbit.[[3]](#endnote-3) Things had started heating up in the wearable space in the winter of 2019, when, on November 1, Google announced the acquisition of Fitbit, a pioneer in wearable technology. The response of Fitbit users to the buyout was not one of excitement, but rather one of skepticism and distrust. Following concerns regarding Google’s notorious privacy history, loyal Fitbit users stormed social media with declarations that they would leave the brand because of their distrust of Google and concerns about giving Google access to so much personal data.[[4]](#endnote-4) To allay these fears, Rick Osterloh, Google’s senior vice-president of devices and services, assured users on behalf of his company in a blog post that, as with its other products, Google would ensure clarity with regard to data collection and would neither sell any personal information to anyone nor use Fitbit’s health and wellness data for Google advertisements (ads). He also promised that the company would let Fitbit users “review, move, or delete their data.”[[5]](#endnote-5) Even though Osterloh stated that the goal of the deal was to help “spur innovation in wearables,”[[6]](#endnote-6) experts felt that this acquisition was expected to address Google’s hardware failures,[[7]](#endnote-7) give it an edge in software through giving it an instant foothold in the growing smartwatch market,[[8]](#endnote-8) and leverage the business-to-business partnerships that Fitbit had with “health insurance companies and direct corporate wellness programming.”[[9]](#endnote-9) Although Fitbit’s dominance in the activity-tracking wearable space had declined during 2017–2019,[[10]](#endnote-10) and Google was capable of making and distributing its own smartwatch, Google’s software skills and experience in developer support were expected to help Fitbit’s smartwatches become smarter with deeper software integration with Android.[[11]](#endnote-11)

With medical and health insurance companies and corporate wellness programs attracting medical wearable device companies, would this acquisition be enough for Google to take on its big rivals and forge ahead as it tried to leverage Fitbit’s hardware strengths, its business-to-business partnerships, and its technical expertise in the medical wearable space? Besides this, with so much notoriety and user distrust in general with regard to data privacy,[[12]](#endnote-12) would Fitbit’s decision to merge stand validated? And as Google devised strategies to maximize the merger, would it realize its goal of revolutionizing the world of health care by riding the digitization wave and effecting a paradigm shift in the industry?

COMPANY BACKGROUND—GOOGLE

Google was established in September 1998 by Larry Page and Sergey Brin in California.[[13]](#endnote-13) In 2015, Google reorganized its various interests under Alphabet Inc. (Alphabet) and became the major subsidiary for the company’s Internet interests. Also in 2015, Sundar Pichai was appointed chief executive officer (CEO) of Google. Pichai replaced Page, who moved on to become CEO of Alphabet.[[14]](#endnote-14) Alphabet’s revenue was $74.99 billion in 2015, and it reached $161.86 billion in 2019 with an increase of 18.3 per cent from 2018 (see Exhibit 1 and Exhibit 2).[[15]](#endnote-15) In 2017, 97 per cent of Google employees had rated it as a great place to work,[[16]](#endnote-16) and in 2019, Interbrand ranked Google second among the top global brands.[[17]](#endnote-17)

Major Acquisitions by Google

Google had been spending billions of dollars in acquiring ideas and products almost from the outset (as early as 2001), but the first big and game-changing acquisition came in 2005 with the purchase of Android Inc. for $50 million.[[18]](#endnote-18) In 2006, Google acquired YouTube for $1.65 billion, and the video-sharing website soon became a massive revenue driver for Alphabet. By 2019, YouTube was contributing 10 per cent to all Google revenue through ad revenue worth $15.1 billion.[[19]](#endnote-19) In 2008, Google acquired DoubleClick Inc. (DoubleClick), a global leader in digital marketing, for $3.1 billion to leverage the ad firm’s expertise in targeting, analyzing, and serving ads. By 2018, Google had merged the DoubleClick ad platform with its Google Analytics 360 suite under the umbrella Google Marketing Platform,[[20]](#endnote-20) which could be linked to its Google Ads account (earlier Google AdWords and Google AdWords Express).[[21]](#endnote-21) In 2013, Google acquired Waze Mobile (Waze), a crowdsourced mobile traffic advisory device and navigation service, for $966 million—not only to add Waze’s traffic-updating features to its Google Maps but also to reduce competition. By 2018, the Global Positioning System navigation software had reached 100 million monthly active users.[[22]](#endnote-22)

In 2014, Google bought NestLabsfor$3.2 billion to create Google Nest, a range of smart home products such as security alarm systems, security cameras, Wi-Fi routers, and home assistance devices.[[23]](#endnote-23) In 2017, Google acquired part of smartphone maker HTC Corporation for $1.1 billionto make its Pixel smartphones, and, in 2019, it paid watchmaker Fossil Group Inc. $40 million for wearable technology from its research and development (R&D) team.[[24]](#endnote-24)

**COMPANY BACKGROUND—FITBIT**

Eric Friedman and James Park founded Fitbit in 2007 when they realized that sensors such as accelerometers could be used with small devices.[[25]](#endnote-25) Within two years, Fitbit became the first mover in the wearable technology space in 2009 by integrating sensors and wireless technology into a wearable device to change the health and fitness experience.[[26]](#endnote-26) In 2011, Fitbit launched Fitbit Ultra, the first wearable device to be integrated with iPhone, with features such as a built-in altimeter that measured vertical steps via a stair tracker, a digital clock, a stopwatch challenge for beating previous running times, and a motivational message system called Chatter. In 2012, it launched the Fitbit One and the Fitbit Zip, which were the first wireless fitness trackers to use Bluetooth Smart and Bluetooth 4.0, respectively. By 2014, Fitbit had become the top fitness app in the Apple Inc. (Apple) App Store.[[27]](#endnote-27) In 2015, a year that also saw the entry of Apple into the smartwatch market, Fitbit was the leading brand in the wearable category. That year, the company shipped more than 18 million fitness trackers all over the world. In 2016, Fitbit launched four new devices and led the wearables industry⎯ahead of Apple and Xiaomi Corporation (Xiaomi).[[28]](#endnote-28) While 2016 was Fitbit’s best year, between 2017 and 2019 other players such as Apple, Samsung Electronics Co. Ltd. (Samsung), and Xiaomi started catching up, and by the third quarter of 2019, ahead of the buyout, Fitbit had slipped to fifth position in the industry with only a shrunken 4.1 per cent market share of wearable device unit shipments worldwide and Apple leading with a 35 per cent share.[[29]](#endnote-29)

Fitbit’s revenue had declined consistently during 2016−2019 (see Exhibit 3 and Exhibit 4).[[30]](#endnote-30) In 2019, the average selling price decreased to $87 per device as the company decided to introduce more accessible and affordable devices. Active users of the company’s products grew by 7 per cent to 29.6 million in 2019, up from 27.6 million in 2018. In 2019, the company maintained its position as second in the United States for smartwatches.[[31]](#endnote-31)

**FITBIT AND GOOGLE**

By 2016, which turned out to be Fitbit’s best year, the smartwatch industry was packed, with Apple, Xiaomi, and Samsung entering the fray with Apple Watch, Mi Band, and Galaxy smartwatches, respectively. These companies, with their superior hardware and deep market reach, started to puncture Fitbit’s success bubble,[[32]](#endnote-32) and Fitbit’s revenue declined consistently from 2016 to 2019.[[33]](#endnote-33) In the fitness tracker market, Chinese players Xiaomi and Huawei Technologies Co. Ltd. (Huawei) were the aggressive challengers. Fitbit struggled in the smartwatch segment and found it difficult to resist competition from Apple Watch, with its advanced features and tight integration with the Apple ecosystem. While Google was successful in the smartphone market, its wearable devices had failed to attract customers; hence, the Fitbit buyout was of immense importance to Google. It would give it access to an established wearables business, intellectual property (via Fitbit’s multiple health-care-related acquisitions), and an immense store of health-related data.[[34]](#endnote-34)

Fitbit’s previous collaboration with Google to increase competence with regard to data sharing with medical professionals was believed to have sped up the 2021 buyout. In 2018, Fitbit had adopted Google Cloud Healthcare API to enable users to rapidly share information about their well-being with medical professionals, indicating its need for a partner to penetrate the health care services market, and Google’s buyout came at an opportune time.[[35]](#endnote-35) While Fitbit brought its large user base and health and fitness expertise to the table, Google provided the financial support needed to progress to the next level.[[36]](#endnote-36) This acquisition was seen by industry observers as Google’s entry into a ready wearables business, with Google gaining Fitbit’s enviable health-care-related partnerships and data, as well as its hardware capabilities.[[37]](#endnote-37)

**WEARABLES AND HEALTH CARE**

In a data-driven world, it was only a matter of time before Internet connectivity, mobility, and digitization would lead health care to look at opportunities in wearable technology. With digital health care and wearable technology both booming, a coming together of the two was expected to have considerable impact not only on the health care services and wearable technology markets, but also on decision-making across users and industries, including the medical sector, insurers, network providers, and technology companies.

Wearable Devices and Smartwatches Market and Trends

According to data analysis firm International Data Corporation, wearable devices sales reached 336.5 million units in 2019, with Apple leading the market at 106.5 million shipments, followed by Xiaomi, Samsung, Huawei, and Fitbit (see Exhibit 5 and Exhibit 6). In 2019, Fitbit’s worldwide shipments of smart wearables stood at 15.9 million units.[[38]](#endnote-38) The worldwide smartwatch market was $20.64 billion in 2019 and was expected to reach $96.31 billion by 2027, registering a compound annual growth rate (CAGR) of 19.6 per cent from 2020 to 2027.[[39]](#endnote-39)

In the holiday quarter of 2018, both Samsung and Fitbit quadrupled the delivery of smartwatch units against a similar period the previous year—a development that led to Apple’s market share dropping by over 15 per cent over a similar period, though it continued to dominate a large portion of the market. Sales were expanding for players in the industry, with the exception of Google. Although Google did not have smartwatches of its own, Wear OS was a version of its Android operating system and was compatible with all Android devices. However, most well-known smartwatch brands used their own software.[[40]](#endnote-40)

Factors influencing the smartwatch market included a demand surge for wearable fitness devices, higher health awareness, and rapid technological advancements. As part of their strategy, players such as Samsung, Sony Corporation (Sony), Pebble Technology Corporation, and Garmin Limited (Garmin) invested in R&D to encourage constant innovations and increase their market share. Besides investing in R&D, the top players partnered with suppliers and resellers to choose the right channels, regions, and target customers for increasing their market reach.[[41]](#endnote-41) Moreover, consumers had become more health conscious, especially younger consumers, making wearables extremely attractive. The compact wearables were convenient and user-friendly, which encouraged effortless adoption of the technology. Besides this, although wearables were simple to use, they could provide users with an experience that could have a significant positive effect on their lifestyle.[[42]](#endnote-42)

The smartwatch market was continually evolving because of consumers’ desires to accessorize their smartphones with fitness and health wearables linked via Bluetooth or Wi-Fi, owing to various lifestyle diseases.[[43]](#endnote-43) Smart wearable devices had features that included monitoring and measuring motor and physical activity (i.e., step count, calorie expenditure, distance, sleep duration, etc.), environment sensors, real-time data collection, communication, and daily task assistance and alerts. As technology advanced, smartwatch makers enabled the devices with artificial intelligence (AI) to ensure smart diagnostics to help doctors monitor patients’ health. Technology innovations and the need for and importance of connected devices and connected ecosystems across industries were expected to propel demand for smartwatches and growth of the smartwatch market globally.[[44]](#endnote-44)

Technology progression, the diminishing expense of assembling wearable devices, elevated levels of health awareness, ease of use, and the entry of large organizations into this segment were the most essential variables driving the development of wearable technology. It had been seen that wearables were popular among individuals over the age of 25. Additionally, owing to the rise in various lifestyle-related diseases and an increase in consumers’ adoption of lifestyle changes to combat these, individuals were choosing wearable technology to monitor their well-being and keep track of fitness-related information. Style, design, and convenience were some of the key factors that guided user preferences. Various original equipment manufacturers had understood this perspective and were coming out with a range of devices in different price segments, as per the requirements in the market.[[45]](#endnote-45)

**Health Care Market Trends**

The health care industry was key not only to people’s health and well-being globally but also to the economy. While the wearable technology industry was expected to more than double, from $23 billion in 2018 to $54 billion by 2023, growing at a CAGR of 19 per cent,[[46]](#endnote-46) the global digital health market was slated to grow six times⎯to almost $640 billion by 2026, at a CAGR of 28.5 per cent.[[47]](#endnote-47) The global health industry, valued at $8.45 trillion in 2018, was expected to reach more than $10 trillion by 2022. Health care was expected to boom over the next 20 years. Among the major players in the health care industry were McKesson Corporation, UnitedHealth Group Incorporated, CVS Health Corporation, AmerisourceBergen Corporation, and Cardinal Health Inc. (see Exhibit 7).[[48]](#endnote-48) Health spending in the United States was around 17 per cent of the financial pie, and this was almost double that of other countries. With the last of the baby boomer generation expected to retire by 2030, those figures were expected to rise by at least half or even twofold by 2040 with the addition of social care. The Internet of things (IoT) was expected to lower operational costs in health care by $100 billion every year.[[49]](#endnote-49) Meanwhile, the global medical wearables market was expected to touch $37.67 billion by 2025, growing from $12.78 billion in 2019 at a CAGR of 19.73 per cent.[[50]](#endnote-50)

A study by Deloitte Touche Tohmatsu Limited reported that factors such as high expenses related to traditional health care models; a move toward disease prevention and well-being; customer demand for openness, accessibility, and personalization; and consumers’ access to and control over personal health data were all driving innovation in health care delivery. At the same time, the need for predictive and preventive care; cheaper, precise, and less invasive treatments and therapies; and consumer and patient demand were driving digital health. The steady digital transformation of health care was expected through 2020 and into the future, and a shift from merely storing data to analyzing and utilizing data for gaining a deeper understanding of how to both monetize and provide more accurate and value-based care was anticipated. A digital health ecosystem that included cloud computing, fifth generation (5G) technology, AI, natural language processing, and the Internet of medical things was already transforming health care to be more in line with consumer preferences. Despite challenges such as cybersecurity issues and technology costs, it was expected that efforts would be directed toward smart health communities, both traditional and non-traditional groups, corporates, and state and private entities focused on addressing disease prevention and well-being, and that all would work together on a sustained basis while operating largely outside of the traditional health care system.[[51]](#endnote-51)

Innovation and Reduced Costs

The innovations in wearable fitness device technology were expected to attract insurers, health providers, and companies wishing to maximize the benefits of wearable health monitoring devices. While insurance companies could help increase the life value of a consumer using a wearable device and ensure that the rising cost per patient was reduced, the wearable device could help consumers better engage with their health and then incentivize customer behaviour with the promise of fewer hospital visits and readmissions. As many as 75 per cent of wearable fitness device users felt that they were better able to manage their health. Therefore, many firms offered wearable health care devices to their employees to lower employee turnover and absences. Moreover, further development of accurate wearable sensors was expected to increase device connectivity, which enticed insurers and employers to promote healthy lifestyles and boost profitability.[[52]](#endnote-52) One white paper claimed that wearable devices could be used to decrease costs across clinical trial phases by almost 50 per cent.[[53]](#endnote-53)

Privacy and Data Regulation

The beginning of 2021 had seen unprecedented development in data- and privacy-related regulations in the United States, with 22 states introducing comprehensive privacy legislation. One-of-a-kind components of this act among US proposals was that it required data security appraisals for certain handling exercises, suggestive of necessities under the European Union General Data Protection Regulation. With many states presenting a mixed bag of exhaustive legislation and legislation focused on genetic data, biometric data, data breaches, and so on, compliance regulations were rapidly getting considerably unmanageable for organizations.[[54]](#endnote-54)

With the wearables market expected to reach 233 million units by 2022, big players such as Samsung, Sony, LG Electronics Inc., Motorola Solutions Inc., and Garmin, along with Chinese companies such as Huawei and Xiaomi, were competing to displace Apple from the top position. Smartwatches had perhaps “started off as somewhat of an eye-catching novelty,” but they had turned into a key business, offering more than just the usual options (making phone calls, reading notifications, sending texts, etc.) and including features that helped track and monitor both physical and fiscal health.[[55]](#endnote-55) Consumers’ growing demand to monitor their health had driven the purchase and use of wearable products, which had more than tripled during 2016–2019, with more than 80 per cent of consumers who monitored their health willing to wear fitness devices. Moreover, innovations in wearable technology and rising demand from consumers to be able to access and control their health was propelling the medical industry, medical insurers, service providers, and technology companies to innovate better wearable devices.[[56]](#endnote-56)

**MAJOR PLAYERS**

Apple

Apple, one of the world’s most valuable companies, was founded by Steve Jobs and Steve Wozniak in 1976. A trendsetting company, it had given the world some of the most popular and most-copied digital gadgets, including the personal computers Apple II, Macintosh, and iMac; the music player iPod; the groundbreaking touch-screen mobile phone iPhone; and the tablet iPad.[[57]](#endnote-57) Riding on the back of innovative designs, seamless hardware and software, astute marketing, and user-friendly products, Apple was able to capture the market and earn big profits,[[58]](#endnote-58) and by 2018 it had reported revenue of $265.6 billion. In 2019, however, that figure dipped slightly to $260 billion.[[59]](#endnote-59) The Apple Watch, which was introduced as a value-added extension of the iPhone,[[60]](#endnote-60) was leagues ahead of competitors’ smartwatches with its sleek features, a soft-edged square shape, a customizable watch face, and user-friendly and user-specific data inputs. Besides these features, users could change the watchband to coordinate with their outfits and activity.[[61]](#endnote-61) Apple foresaw the gradual stagnation and decline of the smartphone market and realized the need to invest in wearable technology development to compensate for any lost income. This strategy helped the company, as Apple Watch became its fastest-growing division, and as the iPhone began to lose ground as a major revenue generator for Apple, Apple Watch began to gain ground consistently.[[62]](#endnote-62) In 2019, Apple reported 106.5 million shipments of wearable devices with year-over-year (YoY) growth of 121.7 per cent over 2018.[[63]](#endnote-63)

Xiaomi

Chinese investor, serial entrepreneur, and billionaire Lei Jun co-founded Xiaomi in 2010 with seven other co-founders[[64]](#endnote-64) and investors.[[65]](#endnote-65) By the second quarter of 2017, Xiaomi had outperformed Apple and Fitbit to lead the global wearable market in terms of shipments. Xiaomi’s Mi Band fitness trackers were highly popular in China because of their high quality and features such as pulse sensors, step counters, and calendar alarms provided at affordable prices.[[66]](#endnote-66) By 2018, Xiaomi had changed its strategy to focus more on durables, and, as a result, in 2019, Internet services contributed 9.6 per cent of Xiaomi’s income, with the company reporting $9 billion in deals from IoT and lifestyle products, which was a 41.7 per cent jump from the previous year and the biggest growth among its business units. The IoT and lifestyle items business, which included smart home devices and wearables, comprised 30.2 per cent of Xiaomi’s revenue, whereas its core smartphones business comprised 59.3 per cent. Xiaomi’s intent was to repeat its smartphone success in the fast-developing smart home and wearables space.[[67]](#endnote-67) In 2019, Xiaomi reported 41.7 million shipments of wearable devices, with YoY growth of 78.8 per cent over 2018.[[68]](#endnote-68)

Samsung

The Samsung Group was known for Samsung Electronics Co. Ltd. and a wide-ranging and diverse business portfolio spanning several industries, including financial services, information technology services, machinery, shipbuilding, and chemicals.[[69]](#endnote-69) After dominating the mobile and consumer durables market, Samsung aimed to lead the foray into wearable devices. Within six months into the 2013 launch of its first smartwatch, Galaxy Gear, Samsung launched the second generation of wearables—the Gear 2, the Gear Neo, and the Gear Fit. With the wearable devices designed and targeted for different market segments, Samsung tested out a nascent market with a strategy that had worked well for the company in smartphones.[[70]](#endnote-70) In 2019, Samsung recorded revenue of approximately $206 billion.[[71]](#endnote-71) According to an International Data Corporation report, the company’s global shipment volume of wearable devices was 30.9 million for the same year, with YoY growth of 153.3 per cent over 2018.[[72]](#endnote-72)

Huawei

Ren Zhengfeien, a former Chinese military officer, founded Huawei in 1987. Although the ownership structure was unknown, the privately held company was based in China’s technology hub, Shenzhen. Huawei started as a national supplier of telecommunications network equipment and began competing globally in the 1990s at heavily discounted prices.[[73]](#endnote-73) After receiving the contract to build a fourth-generation wireless network for the Swedish company Telia Company AB in 2009, the supposedly Chinese government-backed company increased its global footprint exponentially, and within a decade, in 2018, it became the largest telecom equipment company in the world, operating in around 170 countries and earning more than $107 billion in revenue. By 2019, Huawei had raced ahead of its competitors to not only become the world’s second-largest maker of smartphones after South Korea’s Samsung but also build every component of the revolutionary 5G technology from scratch, including the smartphone. The 5G wireless network technology was expected to offer a faster data speed and change the face of a global economy.[[74]](#endnote-74) Huawei first ventured into the wearable segment by introducing its Android-based smartwatch, Huawei Watch, in 2015 at the Mobile World Congress in Barcelona[[75]](#endnote-75) and had witnessed tremendous growth since then. By 2019, Huawei claimed the company had witnessed 170 per cent growth in the segment. The company started investing more in wearables, as these were no longer restricted to smartwatches and trackers, but had become essential to a smarter living strategy.[[76]](#endnote-76) In 2019, Huawei reported revenue of around $123 billion[[77]](#endnote-77) and 27.9 million shipments of wearable devices with YoY growth of 148.8 per cent over 2018.[[78]](#endnote-78)

**GOOGLE’S FORAY INTO HEALTH CARE**

Google’s initial health care initiative was Google Health, a patient portal introduced in 2008, and shut down by 2011. Learning from that mistake, Google began to direct its health care goals toward designing AI to address health care business issues without directly engaging with patients. Google’s acquisition of Fitbit was pertinent, decisive, and opportune, considering it was impossible for the company to be of any consequence in the health care sector without a consumer-engagement strategy. Health care organizations, on the other hand, saw this as an opportunity to have Google as “a one-stop-shop for consumer data capture and AI-generated health and wellness insights.”[[79]](#endnote-79)

For Google, the acquisition was a watershed moment that promised to give the company a huge advantage in the analytics game. It meant that Google could harvest and explore data from the 28 million consumers using Fitbit every single day, and use this data as a specific scientific advantage to push for customized health proposals. Google was expected to revolutionize the health care industry with its state-of-the-art AI technology and data platforms by triggering a shift from mere disease detection to recasting the health care payer system and making AI-powered bots for health care professionals. For Fitbit, the acquisition was an opportunity to realize its goal of making health care benefits accessible and available to more and more people in a very complex system that required partnering with major industry players to make a sizable impact. Fitbit CEO James Park felt that this goal could only be achieved by collaborating with “the largest players in health care.”[[80]](#endnote-80)

**Anti-Competitive Practices and Privacy Concerns with Google**

Google led around 90 per cent of all online searches in the United States. Its huge online advertising business accounted for almost $160 billion in annual sales. While the technology giant enjoyed a monopoly in business, it had been accused by the competition of favouring its own products and services over those of its rivals. In 2020, the company received three antitrust cases from the US Department of Justice and more than three dozen US states. Two of the lawsuits were over Google’s monopoly in search and search-related activities, and the third accused Google of anti-competitive practices related to its advertising technology.[[81]](#endnote-81)

In October 2020, the US Department of Justice documented a milestone claim that accused the company of unlawfully blocking or gaining advantage over the competition by using its “massive financial resources” to pay mobile phone manufacturers such as Apple and Samsung to make Google the default browser on their devices, a move that blocked competitors from getting access to key distribution channels.[[82]](#endnote-82)

In December 2020, 38 states filed a lawsuit accusing Google of “illegally maintaining ‘untrammelled’ power in general search services and search advertising,” claiming that the company had used its position to become the default search engine not only on web browsers and smartphones, but also in newer technologies such as smart speakers and Internet-connected cars. Google was also accused of cutting a deal with Facebook Inc., its largest potential online threat, where the social media giant would curb its advertising to make room for Google Ads auctions as a means to pre-empt and kill the competition.[[83]](#endnote-83)

The lawsuit against Google was presented in a blog post by Kent Walker, the company’s senior vice-president for global affairs and chief legal officer, as one that was “deeply flawed.” He asserted that it was not wrong to pay phone makers to gain “eye-level” shelf space and that rivals could do the same. He stated that people chose rather than were coerced to use Google. In another response, the company’s director of economic policy, Adam Cohen, echoed Walker’s sentiments and added that people could always turn to search results provided on Amazon.com, Expedia, or Tripadvisor if they did not find Google results convincing enough. He also opposed the lawsuits’ suggestion to change Google’s search design from direct links with businesses to one that included intermediaries. He considered this to be detrimental to retailers, restaurants, repair shops, airlines, and hotels, who would struggle to reach new clients if big commerce and travel platforms and other aggregators and intermediaries were involved. Google maintained that it was prepared to counter all allegations and work through the issues.[[84]](#endnote-84)

In June 2020, an article on the media website CNET claimed that Google automatically gathered and deleted a considerable amount of personal data about users even though users could manage it on their own and limit its access to it. Google Maps tracked users’ whereabouts even when the app was not opened, irrespective of whether it was an Apple or Android device, and Google recorded users’ every search and every video watched on YouTube.[[85]](#endnote-85) Such deep tracking methods and access to user data validated Fitbit users’ concerns about the acquisition.

The apprehension over personal data gathering was that companies with access to such data could deliberately or inadvertently misuse it. For example, data from fitness tracking devices could be used to establish that a person had a particular health condition that the user may or may not be aware of and categorize the user as a client, or slot the person into the high-risk, high-budget category. The concern stemmed from the fact that businesses or insurance agencies on the lookout for clients for wellness and incentive programs would most likely disregard data protection laws when gathering and using health data, unlike doctors or clinics. Besides this, such data was susceptible to being sold or hacked, considering these were held in databases that did not have security guidelines as stringent as those for electronic health records.[[86]](#endnote-86)

Further, employers could utilize data from fitness devices to terminate employees with long-term lifestyle diseases who might be a drain on their resources. Also, if employers were to establish fitness groups, it could lead to less-fit employees being body-shamed or discriminated against, likely adding to emotional pressure and perhaps forcing some people to adopt unhealthier lifestyle choices to be perceived as fit.[[87]](#endnote-87)

THE WAY FORWARD

Google’s Fitbit acquisition was a big leap into the wearable devices and health care technology segment in a scenario where revenue from smartwatch sales was set to double to $34 billion by 2023[[88]](#endnote-88) and the global medical wearables market was expected to grow to $37.67 billion by 2025.[[89]](#endnote-89) However, smartphone players such as Apple and Samsung had dethroned Fitbit during 2017–2019.[[90]](#endnote-90) Despite being a major data player with billions of dollars of investment in the development of smartphones, watches, and smart home devices, Google had lagged behind its competitors because of hardware issues.[[91]](#endnote-91) While Google could rewrite its history of hardware failures and attempt to change the trend and push for innovation even though Fitbit had earlier failed to match its smartwatch rivals,[[92]](#endnote-92) loyal Fitbit users’ threats on social media to leave the brand because of data privacy and security issues could be a major cause for concern.[[93]](#endnote-93) With so much growth expected across digital health care and wearables, and with the immense access to user health data that it would gain, Google would no doubt seek to make the impact it hoped to have from the acquisition. But in its desire to leverage Fitbit’s user loyalty, technical strengths, and health care partnerships, would Google succeed in keeping Osterloh’s promises to not sell data or inundate users with ads, post-acquisition, as it tried to right its hardware wrongs and manoeuvre past data-privacy hurdles? And would Fitbit’s decision to merge hold up?

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**EXHIBIT 1: ANNUAL REVENUE OF ALPHABET INC., 2011−2019 (US$ BILLIONS)**

Source: Joseph Johnson, “Annual Revenue of Alphabet from 2011 to 2020,” Statista, February 5, 2021, accessed April 17, 2021, https://www.statista.com/statistics/507742/alphabet-annual-global-revenue/.

EXHIBIT 2: ANNUAL REVENUE OF GOOGLE LLC., 2011−2019 (US$ BILLIONS)

Source: Joseph Johnson, “Google: Annual Revenue,” Statista, February 8, 2021, accessed April 18, 2021, https://www.statista.com/statistics/266206/googles-annual-global-revenue/.

EXHIBIT 3: ANNUAL REVENUE OF FITBIT Inc., 2012−2019 (US$ MILLIONS)

Source: “Fitbit Financial Statements 2012-2020 | FIT,” Macrotrends, accessed August 2, 2020, https://www.macrotrends.net/stocks/charts/FIT/fitbit/revenue.

EXHIBIT 4: ANNUAL REVENUE AND NET INCOME OF FITBIT Inc., 2012−2020 (US$ BILLIONS)

Note: Rev = revenue.

Source: “Fitbit Financial Statements 2012-2020 | FIT,” Macrotrends, accessed August 2, 2020, https://www.macrotrends.net/stocks/charts/FIT/fitbit/revenue; David Curry, “Fitbit Revenue and Usage Statistics (2021),” Business of Apps, March 28, 2021, accessed April 17, 2021, https://www.businessofapps.com/data/fitbit-statistics/.

**EXHIBIT 5: MAJOR WEARABLES COMPANIES**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Apple** | **Huawei** | **Xiaomi** | **Samsung** | **Google** | **Fitbit** |
| Revenue (US$ billions) | $274.3 | $9.83 | $37.4 | $212.43 | $181.69 | $1.13 |
| Units, 2020 (millions) | 35.2 | 32.2 | 37.7 | 9.6 | N/A | 13.4 |
| Market Share (%) | 19 | 17.4 | 20.3 | 5.2 | N/A | 7.2 |
| Annual Growth over Previous Year, 2019 (%) | 29 | 46.6 | 5.7 | −1.0 | … | −16.3 |

Source: David Curry, “Apple Statistics (2021),” Business of Apps, March 31, 2021, accessed April 17, 2021, https://www.businessofapps.com/data/apple-statistics/; Sean, “Huawei Sees 3.2% Rise in Profits in 2020, while Revenue Declines Outside of China,” Gizmochina, March 31, 2021, accessed April 17, 2021, https://www.gizmochina.com/2021/03/31/huawei-rise-profits-2020-revenue-declines-outside-china/; Sean, “Xiaomi Records Strong 2020 Annual Results, Sold over 10 Million Premium Smartphones,” Gizmochina, March 25, 2021, accessed April 17, 2021, <https://www.gizmochina.com/2021/03/25/xiaomi-strong-2020-results-sold-10m-premium-smartphones>; Song Su-hyun, “Samsung’s 2020 Operating Profit Up Nearly 30% On-year,” *The Korea Herald*, January 28, 2021, accessed April 17, 2021, https://www.koreaherald.com/view.php?ud=20210128000156; Joseph Johnson, “Google: Annual Revenue,” Statista, February 8, 2021, accessed April 18, 2021, <https://www.statista.com/statistics/266206/googles-annual-global-revenue/>; David Curry, “Fitbit Revenue and Usage Statistics (2020),” Business of Apps, March 28, 2021, accessed April 18, 2021, <https://www.businessofapps.com/data/fitbit-statistics/>; “Global TWS and Wearables Q4 2020,” Canalys, March 30, 2021, accessed April 18, 2021, https://www.canalys.com/newsroom/canalys-tws-and-wearables-q4-2020.

EXHIBIT 6: TOP Five WEARABLES COMPANIES

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Company** | **2019 Shipments (millions)** | **2019 Market Share (%)** | **2018 Shipments (millions)** | **2018 Market Share (%)** | **Year-over-Year Growth (%)** |
| Apple | 106.5 | 31.7 | 48.0 | 27.0 | 121.7 |
| Xiaomi | 41.7 | 12.4 | 23.3 | 13.1 | 78.8 |
| Samsung | 30.9 | 9.2 | 12.2 | 6.9 | 153.3 |
| Huawei | 27.9 | 8.3 | 11.2 | 6.3 | 148.8 |
| Fitbit | 15.9 | 4.7 | 13.8 | 7.8 | 14.8 |
| Others | 113.5 | 33.7 | 69.4 | 39. | 63.7 |
| Total | 336.4 | 100 | 178 | 100% | 89 |

Source: Damien Wilde, “Report: Google’s Recently Acquired Fitbit Accounted for 6% of Wearable Market in 2019,” 9to5Google, March 11, 2020, accessed August 4, 2020, [https://9to5google.com/2020/03/11/report-googles-recently-acquired-fitbit-accounted-for-6-of-wearable](about:blank).

**EXHIBIT 7: MAJOR HEALTH CARE COMPANIES**

|  |  |
| --- | --- |
| **Company** | **Annual Revenue (US$ billions)** |
| McKesson Corporation | 208.3 |
| UnitedHealth Group Incorporated | 201 |
| CVS Health Corporation | 184.7 |
| AmerisourceBergen Corporation | 153.1 |
| Cardinal Health Inc. | 129.9 |

Source: Smiljanic Stasha. “The State of Health Care Industry – Statistics for 2021,” Policy Advice, February 14, 2021, accessed April 17, 2021, https://policyadvice.net/insurance/insights/health care-statistics/.

ENDNOTES

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Google LLC, Fitbit, Inc., or any of its employees. [↑](#endnote-ref-1)
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