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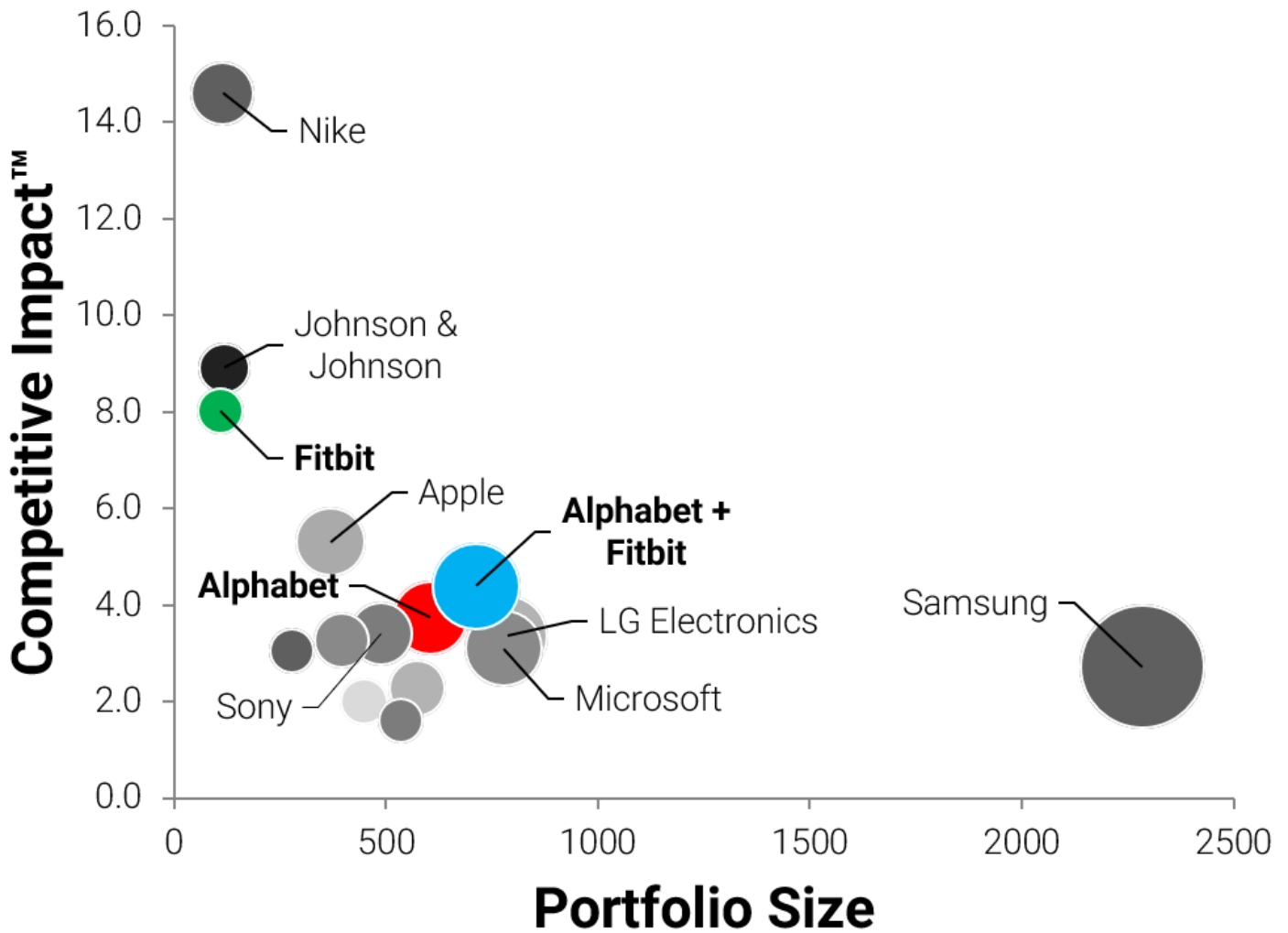
## Google's acquisition of Fitbit proves that data is king

In one of its largest acquisitions to date, Google [is set to shell out](#) \$2.1 billion for Fitbit. The purchase has been framed by the [mainstream media](#) as a way for Google to strengthen its position in the wearables industry, especially given that Apple is a leading player. However, this is an over simplification.

In the short-term, Google's move will increase the value of its wearables technology portfolio, as well as growing its market share. But, in the long-term it will get access to endless amounts of health-related data which will be invaluable in the battle for leadership in the healthcare sector.

### **Fitbit: small but mighty**

"Fitbit is a smaller player in the field of wearables (excluding AR and VR), with 'only' around 100 active patent families," says [PatentSight](#) consultant William Mansfield (see graph below). This appears to be minimal given companies like LG, Microsoft and Samsung possess over 2,000 active families in the field. However, the modest portfolio packs a punch. "Fitbit's Competitive Impact score is about eight, which is eight times greater than the PatentSight database average of one, and around double the average of the top 15 players," says Mansfield. The Competitive Impact tool considers the technology relevance and market coverage of a portfolio, its value is stated relative to other patents in the field, where one represents the global average.

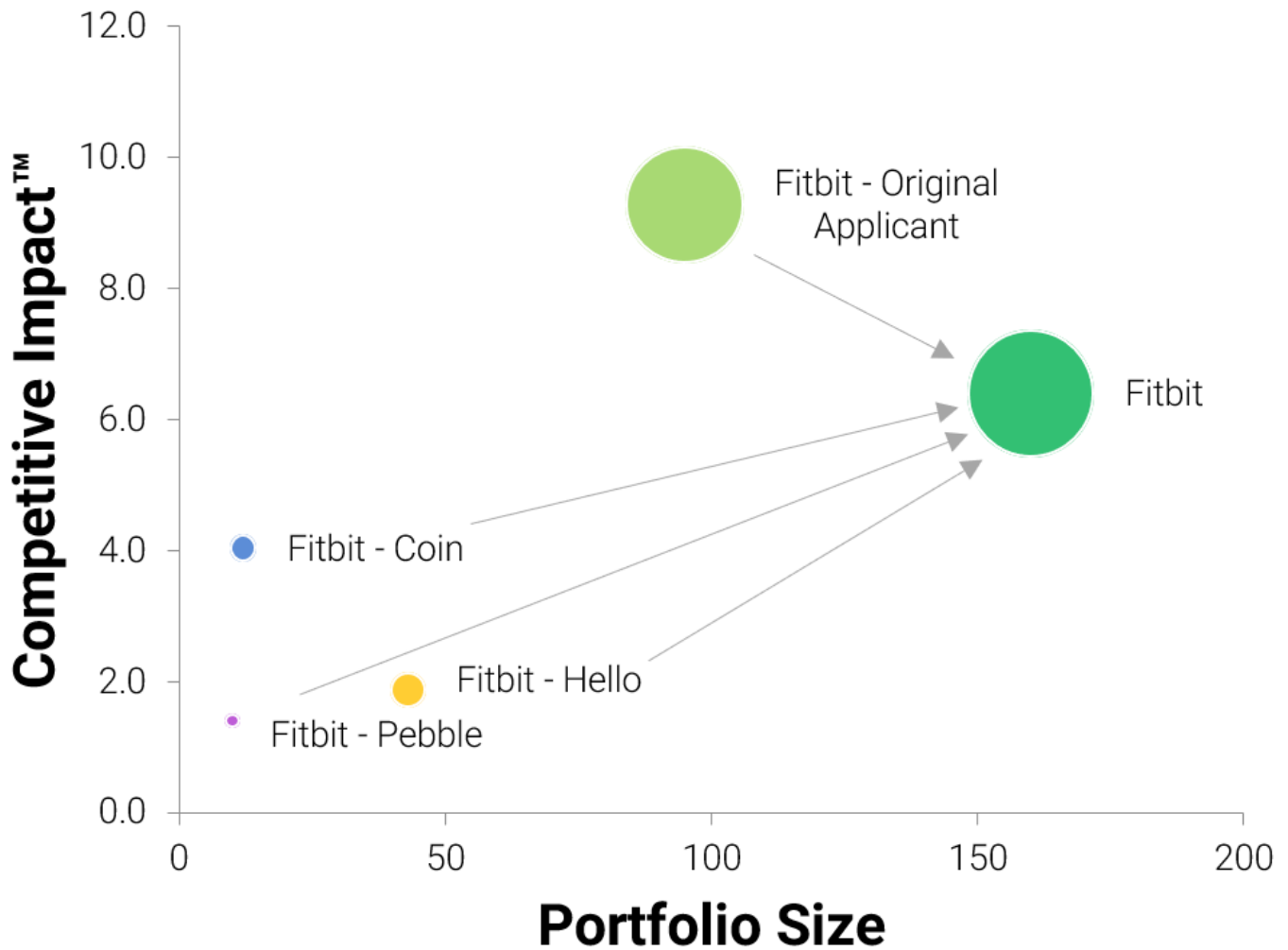


Active portfolio of the top 15 companies in the field of “Wearables excluding AR & VR”. Data as on 4<sup>th</sup> November 2019. Source: PatentSight Business Intelligence Platform [www.patentsight.com](http://www.patentsight.com)

Source: PatentSight

Fitbit’s portfolio is largely organic, but not entirely. Patents originally applied for by Coin, Pebble and Hello feature in its holdings (see graph below).

Although the acquisition of Hello’s assets was reported to have fallen through, reassignments data indicates that Fitbit did take hold of the patents in the end. “These acquired portfolios have had a measurable impact on Fitbit’s holdings, adding 50% to its active portfolio. The quality of these patents, while still above the PatentSight database average, is much lower than those that have their roots in Fitbit itself. This may be why we have not seen any direct commercialisation of these assets after they were acquired,” says Mansfield.



Active portfolio of Fitbit and the source of the patents by original applicant. Data as on 4<sup>th</sup> November 2019. Source: PatentSight Business Intelligence Platform [www.patentsight.com](http://www.patentsight.com)

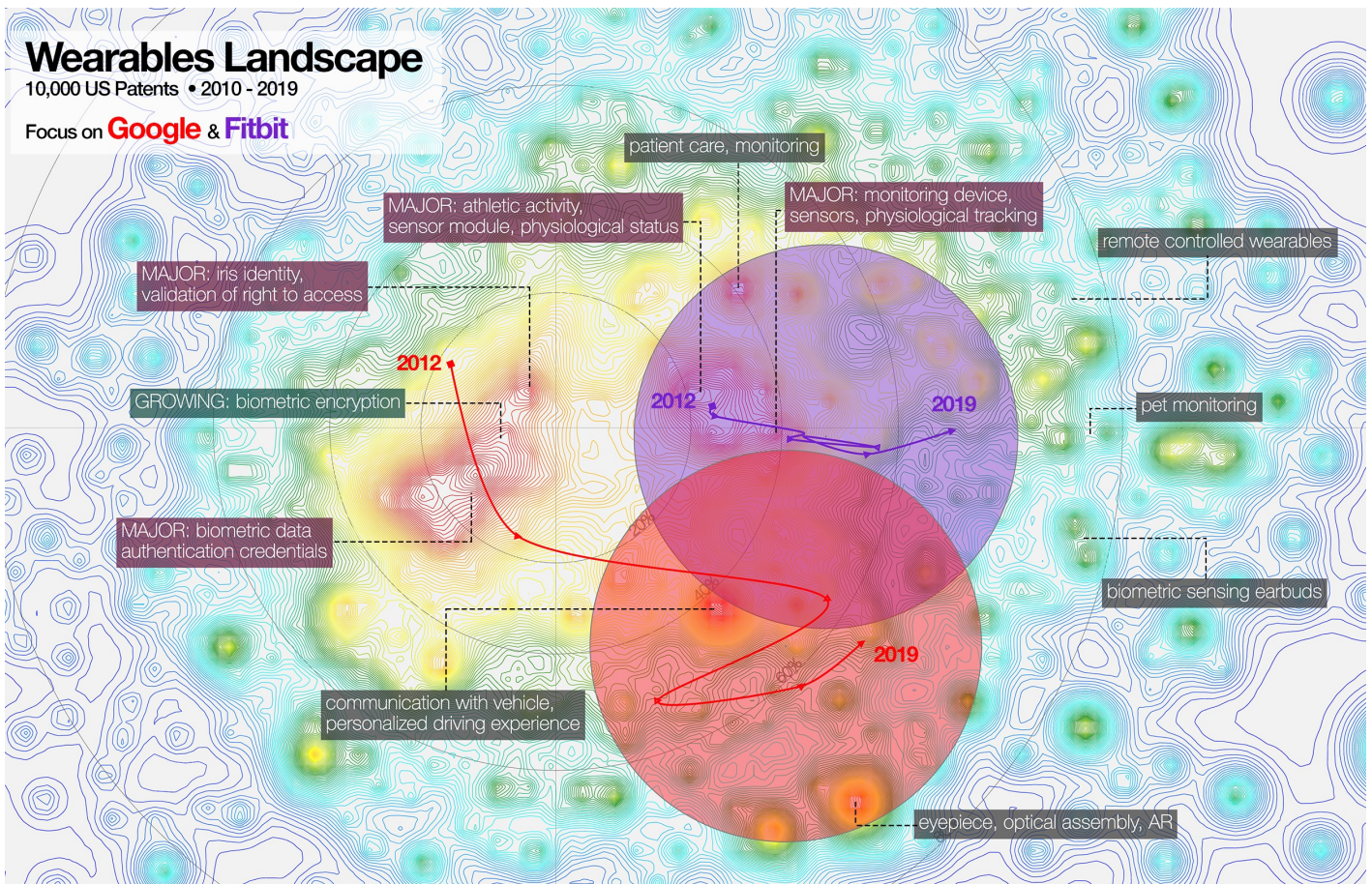
Source: PatentSight

### Google's relationship with smartwatches

The opportunity to strengthen its presence in the wearables industry was an important consideration for Google when deciding to acquire Fitbit. It has watched its rival Apple, which has been a major player in the market since it launched the Apple Watch in 2015, reaping the rewards of its wearable products. Apple's wearables segment [recorded \\$24.5 billion in sales for FY 2019](#), which is almost as much as its Mac business.

Google was involved in the development of smartwatches and fitness tracking from early on, but [its products have not performed](#) as well as Fitbit's or Apple's. Nevertheless, it has sought to expand its portfolio of wearable technologies. In January of this year it [purchased smartwatch IP from Fossil](#) for \$40 million. According to *TechCrunch*, the deal included smartwatch technology that was under development at the time, as well as members of Fossil's R&D team.

Google began expanding its wearables portfolio in 2012, and in recent years its innovation has been moving in the same direction as Fitbit's (see graph below). Both companies are working towards technologies relating to remote controlled wearables, pet monitoring and biometric sensing earbuds. Analysts from [Valuenex](#) conducted an additional search for Fossil's patents relating to wearable technologies, but they found the portfolio to be relatively small and filled mostly with design patents.



Source: VALUENEX; Note: Data was gathered by mining Fitbit's portfolio (all US grants and applications minus design patents) to retrieve 10,000 similar patents from 2010 to 2019. See full size image [here](#).

## Big Tech's race to healthcare

Healthcare is set to be Big Tech's next **battleground**. Apple has already infiltrated the space, **using personal health data** as a way in. Its strategy is simple: generate data through wearables, store and harvest this data within its health app, then apply the information to applications and services. Data is at the heart of Apple's approach and it does not just rely on its own devices to collect it. The iPhone health app also **imports medical information** from healthcare providers, such as allergy data as well as lab results. As it stands, there are 150 healthcare institutions which work with the tech giant.

As much as Google has **tried to reassure** the public that it will not sell or use data collected by Fitbit for ads, it cannot deny that it has already been harvesting personal health data and has a strong interest in continuing to do so. The company was hit with a double whammy this week:

- The [Wall Street Journal published a piece](#) on "Project Nightingale" **that alleges** that Google has been able to access large amounts of US patient data without the need to notify the individuals concerned as part of a deal with health firm Ascension. See Google's response and details on its relationship with Ascension [here](#).
- Then came an [investigation by the Financial Times](#) that revealed that top health websites in the UK are sharing sensitive data with companies all over the world, with Google being the biggest recipient.

What the tech giant gains from this data may not be the ability to create targeted advertisements, but it will help to refine and advance the technologies that it needs to become a player in the healthcare

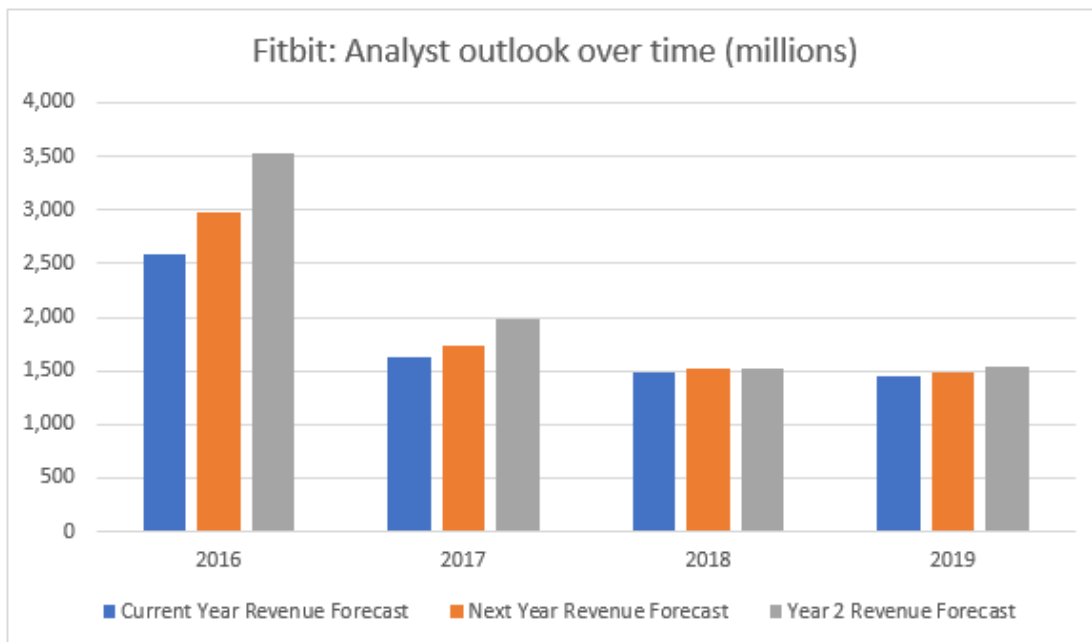
sector. The data Google will acquire and generate in an ongoing manner as a result of the Fitbit purchase will only accelerate this process.

**IAM says:**

Fitbit's [share price](#) took a major hit when Apple entered the smartwatch market in 2015. It never completely recovered, and its prospects for future growth look less than stellar (see graph below). Yet, Google still felt it was worth \$2.1 billion.

The reality is that Google already had access to all the software, hardware and distribution capabilities needed to ramp up its own WearOS product, but it wanted something more. Fitbit is a highly desirable acquisition target because it has amassed the data of over [28 million users](#), as well as having [developed relationships](#) with key stakeholders and corporations in the healthcare sector.

Having access to data is critical to developing and advancing new-age technologies. It is this, as well as Fitbit's existing contacts, that will allow Google to get its foot in the healthcare door. This is what justifies the price tag.



Source: [Brand Finance](#)

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