

Wearable tech devices hit another bump in the road

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The Samsung Galaxy Gear 2 is presented at the Mobile World Congress in Barcelona on February 23, 2014

Wearable fitness trackers are in survival-of-the-fittest mode. Touted as the next big thing in technology, wearable tech has spawned a dizzying array of Internet-connected wristwatches and head-mounted devices. Leading the fledgling industry are fitness gadgets that count steps taken, calories burned and other measurements of activity.

But in racing to meet the hype, many companies may have outpaced demand and rushed out products too soon.

Nike said Monday that it plans to lay off a small number of employees who work on its line of FuelBand fitness accessories to "align resources with business priorities," signaling that the sporting equipment giant is scaling back its wearable hardware efforts.

Its move comes as Fitbit Inc., one of the most popular wearable tech companies, faces a lawsuit that threatens to damage its reputation and financial stability. Fitbit's Force fitness tracker, worn on the wrist, was pulled from shelves and voluntarily recalled this year after wearers complained of rashes and blisters.

After a strong year in 2013, worldwide shipments of wearable tech will exceed 19 million units this year, more than tripling last year's sales, according to market research firm IDC. It projected that the global market would surge to 111.9 million units in 2018, with more functional and stylish lifestyle accessories getting added to the mix of products.

Fitness-related accessories are expected to lead the industry through 2018 because of their ease of use and low prices, IDC said.

Recent stumbles, then, don't necessarily indicate "doom and gloom," said Ramon Llamas, a research analyst at IDC.

"There's going to be some growing pains, there's going to be some hiccups along the way because this is a nascent industry," he said. "The sky is not falling. If anything, this is time for the market to say, 'Let's stop and reassess and see where we're at. Is this something we want to compete in, and is this core to what we do?' "

Part of the industry's problem lies in an oversaturated market that

became too crowded too fast. The various fitness trackers have generally the same set of features, making them difficult to distinguish from one another. In addition, several unusual players have jumped into the market, such as navigation company Garmin.

Rising smartphone use may also diminish the need for separate wearable tech devices, analysts say.

"People are carrying smartphones anyway, and those have a lot of computational horsepower already," said Stifel Nicolaus analyst Jim Duffy. "If you have to wear six different wristbands to do different functions as opposed to a single one that can do them all, the single one is probably preferable."

Wristbands are the most popular devices for tracking activity and gathering biometric data, with the FuelBand alone counting roughly 1 million users, according to Stifel Nicolaus.

Despite the layoffs, Nike said Monday that the FuelBand SE - the wristband it launched in November - remains "an important part" of its business.

But instead of developing more digitally equipped devices, Nike will probably focus on funneling its NikeFuel tracking system into apps and hardware provided by third parties, Duffy said.

"I don't believe Nike ever envisioned themselves positioning to compete against pure-play tech companies," Duffy said. "They saw wearable tech as part of a greater digital and e-commerce strategy - the more devices their software works with, the better."

The problems with the Fitbit Force have been the biggest cautionary tale yet when it comes to fitness trackers.

On the Fitbit website's community page, hundreds of Fitbit Force users have complained about burns or rashes that occur about three weeks after using the device. In February, the company said only 1.7 percent of Force users had reported skin irritation and that it had hired independent labs and medical experts to conduct a thorough investigation.

Kim Reichelt, 48, began wearing her Fitbit Force in mid-December. For the first few weeks she enjoyed the motivational aspects of the fitness tracker, she said, until waking up one morning in January with a large red rash on her wrist.

"It was warm to the touch, it was bright red, it hurt. It didn't itch at first, but as time progressed, it moved from just being a burn to being blistery and a little bumpy," she said. "It was pretty obvious it was not something I was meant to wear. I took it off and never put it on again."

The management consultant said her skin took five to six weeks to heal. She contacted Fitbit, which refunded the purchase.

As the wearable computing market expands beyond early-adopters, other segments besides fitness trackers are also expected to grow.

Smart accessories - which include the Pebble smart watch, Samsung Galaxy Gear and the Sony SmartWatch - and smart wearables such as Google Glass, which function independent of any other device except to connect to the Internet, have gained significant buzz. Both categories have some catching up to do in terms of unit sales.

Now, wearable tech companies need to fine-tune the design of their devices, said Sarah Owen, an editor with fashion forecasting firm WGSN.

"Devices are fulfilling the functionality aspect," she said, "but creatives

need to be involved in order to make wearable tech fashionable and appealing to more consumers."

Reichelt said she still believes in the potential for [wearable tech](#) despite the rash she got from Fitbit.

"In retrospect, I wish I'd never bought it," she said. "But I haven't soured on the entire industry. ... This just wasn't the right product at the right time."

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