

Wearable devices are unlikely to be big sellers, analysts say

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Is wearable tech already wearing thin? Despite the hype for upcoming products from Apple Inc., Google Inc. and Samsung Electronics Co., a number of analysts say Internet-connected personal devices such as smartwatches and fitness bands - so-called wearables - will be hard-pressed to reach the same sales heights as smartphones and tablets.

That's because nearly every selling point for wearable tech - a smartphone alternative, a better system for fitness tracking and a link to other Internet-connected devices - may not have broad appeal, some analysts say.

"If all you're doing is saving me the trouble of getting my phone out, that's not going to be enough," said Jonathan Gaw, a wearables analyst at International Data Corp. "You need to do more than that."

Still, amid signs of a slowdown in smartphone sales and pressure to come up with the next big thing, tech companies are jumping on the wearable tech trend. Many analysts expect Apple, Google and Samsung will roll out wearable tech products in the next 12 months.

But Parks Associates analyst Harry Wang predicts that at best, smartwatch sales will top out at about 120 million around 2018 - a far cry from smartphones and tablets. More than 1 billion smartphones and more than 195 million tablets were sold last year.

Analysts say the best hope for wearable tech is something that many

Americans loathe: exercise.

"Wearables are primarily about health and fitness, tracking activity and making use of it," Canalsys researcher Daniel Matte said. "It's tough to say that's the entirety of it, but it's fair to say that's the majority of it."

But fitness tracking may be a tough pill to swallow - almost half of Americans don't exercise at all, and a recent Endeavor Partners study found that nearly a third of fitness tracker users stop using their device after six months.

That's effectively a death sentence for future smartwatch makers, as the other selling point for [wearable tech](#) - a smartphone extension - won't persuade consumers to shell out hundreds of dollars for another gadget, analysts said.

For companies already in the wearable-devices marketplace, improving sales and retaining customers comes not from better fitness-tracking technology, but from the ability of a device to change behavior.

"Our average user isn't fit. They're overweight," Fitbit Chief Executive James Park said. "That's really driven how we think of product development over time."

Park said Fitbit built apps and other game-like features into the system because those features encourage users to not only keep up healthy habits but also to continue using Fitbit. The 7-year-old company has no plans to compete with universal smartwatches, Park said, and believes it can expand by narrowing its focus to health-and-fitness-related features.

It's an advantage Park touts over the current generation of smartwatches. Though Park expects the current wearables market to expand over the next six to 12 months because of marketing efforts by Apple and

Google, he said Fitbit will still have a place at the table because consumers have a solid grasp on what the device is used for.

"We strongly believe there's no one-size-fits-all for the (wearables) market," he said.

Parks Associates' Wang said smartwatches will eventually compete against luxury watch makers such as Rolex, not other tech companies.

Entering into the already established watch market would have companies making fewer sales but higher profit margins, he said. Wang's forecast for the sale of 120 million devices assumes that wearables would act more as a luxury watch, rather than a smartphone or tablet.

Wang cited several factors that could boost the smartwatch market, including technological advances that could make the devices more attractive to consumers. An app developer or innovative start-up, for instance, might come up with a new feature or sexier selling point for wearables that could brighten their prospects.

"I think wearables have tremendous potential, yes, but in the same way I think (No. 1 NBA draft pick) Andrew Wiggins has tremendous potential," analyst Gaw said.

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