Fitness Tracker & Watch Markets Report (2015)
10-Page Excerpt

[Note: Ellipses indicate missing sections.]

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Since the mid-2000s, personal health / medical products have transitioned from "electronic" to "mobile." Activity, fitness, and health tracking is a segment of the huge mobile / smart device market. Products include a wide range of functions and forms, from applications and bands to phones and watches. Heart rate monitors and pedometers are relatively inexpensive and easy to use. Features include alarms, apps, calorie counting, distance measurements, mapping, timers, etc. Bands, watches, and other wearables are usually more expensive, as well as fashionable and trendy – with built in or downloadable functions, sensor-based technologies, sleek designs, wireless connectivity, etc. Retail pricing ranges from a few of dollars per unit for small stepcounters to hundreds for sophisticated smart and sport watches.

Industry analysts and participants have been extremely bullish about the market prospects. As of mid-2012, however, activity and fitness tracker ownership was still relatively low. Surveys conducted by the NPD Group (NPD; Port Washington NY) noted that while consumer awareness of mobile and sports watches was high (71.0% to 91.0%), usage was under 10.0%. This report analyzes published sales estimates and forecasts.

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Research Methodology

Previously published Feedback Research Services (FRS) / Feed-back.com reports were used in the preliminary stages to identify changes in the numbers and types of competitors, products, technologies, etc. Recent developments were extensively reviewed. Some information was provided by "proprietary sources" through interviews. Company representatives and other participants were also contacted to confirm, expand, or refine market numbers.

Report Objectives

Assessments in this report are cumulative, using historical and current material. Bottom-up analyses are constructed from various sources and presented in a manner that acknowledges and describes discrepancies. Primary and published information is distinguished from evaluations and observations made by Feed-back.com staff. Explanations and extrapolations appear throughout the report so that readers can adjust or revise the numbers according to their knowledge of the market.

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Diverse & Divergent Market Numbers

The amount of online information published by individuals, industry participants, market analysts, etc. is massive and often contradictory. Several examples of shipment estimates (E) and forecasts (F) are illustrated below.

Mobile / Smart / Wearable Shipments Overview (2012 – 2017)

Market Description / Year Published	2012	2013	2014	2017
Global Wearable Wireless Sensor Devices [2012]			400 Million (F)	
Activity Trackers & Pedometers [2013]		16.0 Million (E)		
Heart Rate Monitors [2013]		12.0 Million (E)		
Pebble Pre-Orders & Shipments [2013]		0.4 Million (E)		
Activity Bands & Smartbands [2014]		17.0 Million (E)	23.0 Million (F)	45.0 Million (F)
Global Mobile Application Downloads [2012]	50 Billion			
Global Fitness & Sports Tracking Applications [2013]	156.0 Million (E)			
App-Enabled Multi-Function Smartwatches [2013]		1.0 Million (E)		
Smart Wearable Devices [2013]		13.0 Million (E)		
Global Mobile Heath Applications [2012]	0.1 Million (E)			

Source: Compiled by Feed-back.com from online sources.

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Game Changing Expectations

Almost universally, industry analysts expect major market gains from the April 2015 launch of the Apple Watch. A larger question is whether fitness bands and trackers from Fitbit (San Francisco CA), Jawbone (San Francisco CA), and other wearable device competitors will maintain market share or see it diluted by Apple and other smart watch manufacturers. According to Gartner (Stamford CT), watch volume will rise at the expense of bands.

Despite the current popularity of bands, consumers are likely to perceive watches as more exciting and buy them as replacements. Adapting bands and other devices to different places on the body is one tactic for challenging smart watches. Other options are to add more functions (e.g., camera, map, online shopping, and video), augment smart watches, incorporate fashion-forward designs, move into the smart watch segment, and/or switch to providing mobile app services / software for other manufacturers' devices (e.g., Nike + on Apple Watch). The future

may not involve an either / or situation but instead give rise to a completely new category of wearables.[1]

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Analytical Tools

Estimates of current and historical growth rates, revenues, and unit shipments are based on information derived from online sources or provided by interviewees. When possible, preliminary market information was reviewed with industry participants to determine if there was consensus on revenue estimates, forecasts, issues, and trends. When such analysis was not available, information presented in the market tables was extrapolated from historical materials, and growth rates were applied that reflect "best available" industry assessments. Competitors have not directly reviewed market numbers. Information in this report is presented sequentially. Repetition has been kept to a minimum, although efforts are made to explain the basis for revenue and growth rate estimates in market discussions, figures, and tables.

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Historical Perspectives

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A 2011 review of intellectual property filings pointed to the growing scope for medical, mobile, and monitoring devices. British researchers found that wireless was a component in nearly 4,200 of the more than 4,700 global heart rate monitor patents filed to date. Additionally, the number of patents for wireless functionality grew at a much faster rate than for devices alone. Wireless was included in nearly one-third of all patents in five medical device categories: Auto-injectors, blood glucose monitors, blood pressure monitors, heart rate monitors, and inhalers. The United States accounted for nearly two-thirds of the wireless technology patents and approximately one-third of all medical device patents.[2] Wireless-related patents rose dramatically in 2001, which is generally attributed to the development of open interface networking standards

[1] "Fitness Trackers Rise and Fall," CNet.com, January 1, 2015.

[2] "Wireless Dominates Patents For Heart, Glucose Monitors," MobiHealthNews, June 9, 2011.

that supported Bluetooth, USB ports, and WiFi. In addition to providing greater connectivity, monitors and trackers became more powerful, sophisticated, and ubiquitous.[3]

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Behavior Studies

Research findings indicate that older adults who receive exercise advice and pedometers may increase their manageable physical activity levels as a result (i.e., increased leisure walking, walking instead of driving to the store, etc.). The University of Western Sydney (Australia) study followed 330 sedentary adults age 65 and over for a full year. All subjects participated in an exercise motivation program. Pedometer users increased leisure walking by nearly an hour a week, while "advice only" subjects averaged approximately 30 minutes weekly. For both groups, the average amount of all walking was slightly more than 2 hours a week. Blood pressure measurements improved by 10 points.[4]

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Competition

Nike's FuelBand hit the market in January 2011. FuelBand is a wristwatch-live device (similar to Jawbone UP) which synchs activity data to personal computers and iPhones. Apple and Nike have also developed an iPhone geo-location application, which is likely to be improved with additional digital and physical tracking capabilities.
According to a forecast cited by International Business Times (IBT; New York NY), Jawbone's UP device has been "valued" at close to $1.5 billion.[5]

Manufacturers are innovating marketing strategies as well as technologies. To achieve first year sales of 500,000 units, Fitbit Inc. targeted 50 markets through electronic specialty stores, health stores, and online retailers. By 2012, partnerships had been formed with Amazon (Seattle WA), Apple (Cupertino CA), AT&T (Dallas TX), Best Buy (Richfield MN), Radio

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3 Ibid.

4 "Pedometers May Help Elderly Move More," Reuters Health, May 31, 2012.

5 "BodyMedia Snaps Up $12M For Fitness Trackers," Vator.tv/news, May 23, 2012.

Shack (Ft. Worth TX), REI (Kent WA), and many others. Fitbit's products were sold in more than 3,000 retail outlets (early 2012) and nearly 5,000 by mid-year 2012 (corporate literature).[6]

Competition will become fiercer among smart watch manufacturers as Apple enters the market (April 2015). Analysts agree that Samsung (Seoul, South Korea) has been the dominant global leader through 2014. Five companies account for single-digit market share positions: Fitbit (San Francisco CA), Garmin (Schaffhausen, Switzerland), Nike, Pebble (Palo Alto CA), and Sony (Tokyo, Japan). Other competitors include Casio (Tokyo, Japan), Motorola (Schaumburg IL), and Runtastic (Pashing, Austria).

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Investment Infusions (2010 - 2014)

Venture capital investments in fitness and health technology start-up companies more than doubled from 2010 to 2011, reaching $500.0 million (MobiHealthNews). In December 2011, a $40.0 million investment by three sources brought the total investment in Jawbone to an estimated $210.0 million: Deutsche Telekom (Bonn, Germany), Kleiner Perkins Caufield & Byers (Menlo Park CA), and Yuri Milner (Los Altos Hills CA). In 2012, BodyMedia received $12.0 million in funding from Comcast Ventures (Philadelphia PA) for the [6]FIT to expand tracking capabilities (e.g., diabetes management, elderly care assistance, and sleep monitoring). In January 2012, Fitbit raised $12.0 million in additional funding.

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Market Forces (2014 – 2016)

What's driving the market? According to many sources, demand is attributed to consumers' greater interest in physical fitness and the availability of cool new devices to easily track their progress. Others suggest that initial high awareness has not translated into habitual purchases or widespread use.

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6 "Top Ten Consumer Electronics Companies," Fast Company, 2012.

Psychological Considerations

An intriguing article from early 2015 reviews human psychology and its influence on product consumption. Specifically, the author looks at reasons for the "lukewarm reception" for wearable devices and points to lack of a "humanistic approach." Achieving "intimacy at a distance" and "connection" is one area for improvement to support consumers' sense of belonging.[7] Adapting to new technology often requires delaying gratification and making carefully considered decisions. One option is to incorporate innovation that let's consumers to learn new behaviors in incremental steps. For innovations that require significant changes, the goal is to make the benefits outweigh the effort to adopt them. Fitness bands typically require low to moderate levels of change. Making wearables that reinforce progress toward a goal (e.g., through regular updates) could improve adoption rates.[8]

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Market Segments

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Fitbit continues to dominate the activity / fitness band segment of the global wearables market in 2015. Efforts to maintain that market-leading position included global product promotion through digital ads, movies, print media, and television. The "Find Your Fit" campaign was partly driven by competitive pressure from Apple, as well as new products from Intel, LG, Motorola, and Samsung. According to Fitbit officials, there is room for growth worldwide by addressing research-based core demographics and directing messages to the specific audiences served by different media (e.g., female viewers through Bravo, males via ESPN, etc.).[9] Total shipments may reach 50.0 million units by 2018, as illustrated below.[10]

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[7] "Human Psychology," Wearable-Technologies.com, February 2015.

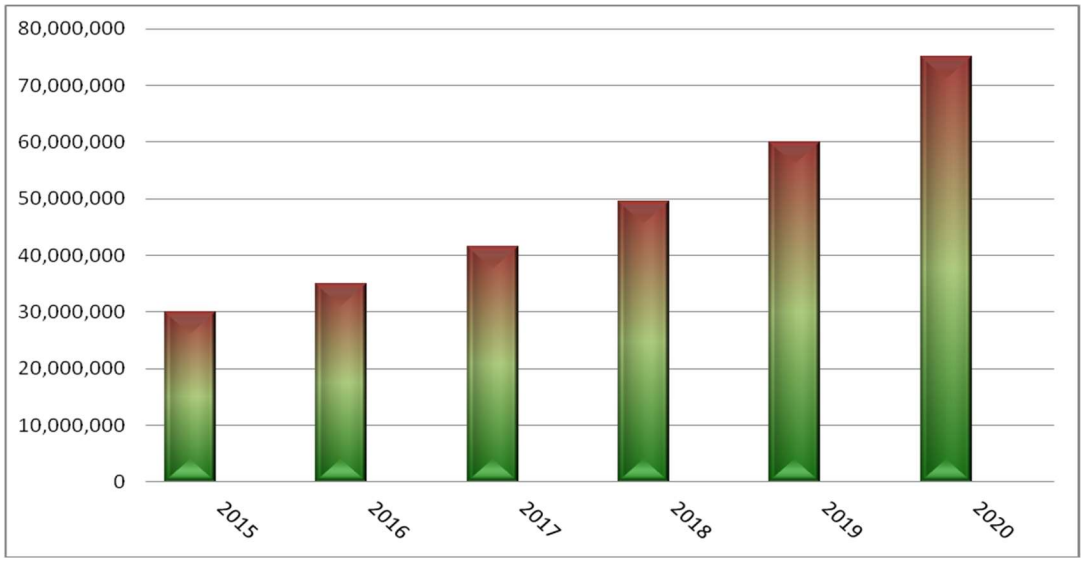
[8] Ibid.

[9] "Fitbit Dominates The Wearables Market, But Can It Survive The Coming Onslaught Of Smart Watches?" IBTimes.com, November 19, 2014.

[10] "The Market for Smart Wearables," NickHunn.com, August 2014.

Figure 7

Global Fitness Band Market – Shipment Forecast (2015 - 2020)



Source: Extrapolated from "The Market for Smart Wearables" (www.NickHunn.com) by Feedback.com

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As one analyst notes, there's serious competition for wrist "real estate." For example, one consumer survey indicates that half of respondents would buy a smart watch over a smart band.[11] Despite that finding, ABI Research is bullish about competition between activity trackers and smart watches. An ABI official stated that: "Activity trackers are currently the most viable consumer electronics wearable device category, because they have a clear use case that cannot be matched by smart phones, in contrast to smart watches."

ABI estimated that first quarter 2014 activity tracker shipments were 2.35 million. Fitbit claimed the top rank, followed by Garmin, Nike, Jawbone, and others. Total 2014 activity tracker volume was forecast to reach 10.0 million units through year-end, compared with 7.0 million for smart watches.[12] . . . In contrast, CCS Insight numbers from the same time frame estimated that approximately 29.0 million wearable devices were sold worldwide in 2014. Activity and fitness

[11] Op. Cit. ("Gartner Says…).

[12] "Q1 2014 Wearable Shipments: Activity Trackers Outsold Smartwatches by 4 to 1," ABI Research.com, June 12, 2014.

devices were expected to reach 40.0 million units in 2015, with potentially half of the volume made up by Apple Watch sales [which was anticipated but not yet commercialized].[13]

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Some market figures reflect the lack of distinction between smart and sport watches. For example, global smart watch shipments are forecast to rise from 4.6 million units in 2014 to 28.1 million in 2015, according to StrategyAnalytics.com.[14]

Alternatively, Gartner estimated that global sports watch shipments may jump from 14.0 million in 2013 to 24.0 million in 2016.[15]

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Market Forecasts (2015 – 2020)

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Analysts' forecasts can be overly optimistic. For example, one early Apple smart watch forecast suggested that 15.0 million units might be sold in calendar year 2015 (StrategyAnalytics.com). A Morgan Stanley analyst estimated that iWatch sales could reach $17.5 billion in the first twelve months if the devices were sold at a retail price of $299 to Apple's iPad customer base.[16] To put that figure into perspective,

SmartWatchGoup.com estimated that 6.8 million smart watches were shipped by nearly 90 companies in 2014, generating $1.3 billion (an 82.0% increase from 2013). Another 140 competitors were developing products that were expected to be marketed in 2015 or 2016.[17]

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In the long term, devices that combine cell network connectivity with tracking functions may successfully compete with the Apple Watch. A survey conducted by GfK with participants

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[13] Op. Cit. ("Wearables Market: 2015…")

[14] "Apple Watch Smartwatch to Ship 15 Million Units Worldwide in 2015," Blogs.StrategyAnalytics.com, March 5, 2015.

[15] Op. Cit. ("Gartner Says…")

[16] "Apple's iWatch Could Come with an Eye-popping Price," NYPost.com, April 10, 2014.

[17] "89 companies sold 6.8 million smartwatches in 2014," SmartWatchGroup.com.

in five countries indicated that more than half wanted a device or watch that let them leave the smart phone at home.[18] As noted in Chapter I, the 20.0 million in unit sales routinely forecast for the Apple Watch in the first year on the market corresponds to the 7.0% of consumers who own a compatible iPhone. If sales are not sustained after the initial roll-out, strong growth of the entire wearables market could be delayed.

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Apple Watch Developments

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From March through May 2015, Apple Watch production was expected to total 2.3 million units, according to MacRumors.com. Apple Watch Sport was attributed with the highest demand at 85.0%, compared to 15.0% for Apple Watch and less than 1.0 percent for Apple Watch Edition.[19]

During the second half of April 2015, three sources prominently speculated about and tracked Apple Watch shipments: AppleInsider.com, MacRumors.com, and Slice Intelligence. Nearly 1.0 million pre-orders were placed in the United States for Apple Watch on the first day, according to data gathered by Slice Intelligence and published by Quartz. The most popular model was the Apple Watch Sport (62.0% of customers), with most choosing the 42 mm Space Gray case and the black band. Average ticket receipt amounts were $382.83 for Apple Watch Sport buyers and $707.04 for Apple Watch customers. Slice Intelligence did not track sales data for the other eight countries: Australia, Canada, China, France, Germany, Hong Kong, Japan, and the United Kingdom.[20]

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[18] Op. Cit. ("Gfk Forecasts….")

[19] "Ming-Chi Kuo: Global Apple Watch Pre-Orders Exceed 2.3 Million Units," MacRumors.com, April 15, 2015.

[20] "Apple Watch Received Estimated 1 Million Pre-orders in US on April 10th," MacRumors.com, April 12, 2015.

Apple Watch Production, Revenue, & Shipment Estimates (March – May 2015)

Model	Production / Shipments	Revenues
Apple Watch Sport	1,955,000	$748,432,650
Apple Watch	333,500	$235,797,840
Apple Watch Edition	11,500	$115,000,000
Totals:	2,300,000	$1,099,230,490

Source: Derived by Feed-back.com from online sources

In 2015, Apple is apparently targeting production of between 2.0 million and 3.0 million units per month. A volume of 2.5 million units is projected for June.[21]

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June 2017 Update:

Apple does not release revenue information for Apple Watch. Industry watchers therefore rely on analysts who publish educated guesses. One assessment suggests:

> "For all of 2016, Canalys estimates Apple sold 11.9 million Apple Watch units, giving it 49% market share on the year."[22]

As noted previously (page 8), a 2014 forecast estimated that 15.0 million units could be sold during calendar year 2015 (StrategyAnalytics.com).

[21] Ibid.

[22] "Here's How Popular Apple Watch Was Last Quarter," Fortune.com, February 8, 2017.