

What's holding wearables back?

BRODEUR PARTNERS RELEVANCE RESEARCH

SUMMARY:

The following are findings from the latest Brodeur Partners relevance research. The study was based on a national survey of 542 adults conducted June 3-5, 2015, from Toluna's QuickSurvey panel. Results were weighted to match U.S. Census data.

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What's holding wearables back?

Do fitness wearables have a relevance challenge? You might not think so given the tremendous growth of the category. Yet, despite their growth, fitness wearables have captured only a tiny fraction of their potential market.

As part of our ongoing relevance research on health and wellness in America, we took a closer look at the emerging fitness wearable health category and the challenges the devices face in becoming a more relevant, mainstream consumer product.

Our study identified at least three major relevance hurdles:

1. **Smartphones.** Wearables' biggest competitor for perceived value and mindshare is the smartphone. The biggest reason people don't buy a wearable fitness device, **and** the main reason respondents stopped using wearable devices, is that they think the same benefits are available through smartphone applications.
2. **Affordability.** Despite price reductions since wearables' initial introduction to the marketplace, cost remains the number one reason people aren't users of health-related wearable technology. This could well be influenced by the sunk investment that people have already made in their smartphone. Affordability is a particular issue for millennial consumers, the age group with whom fitness wearables are most popular.
3. **Outcomes.** Finally, there is the issue of results. A lot of people don't think fitness wearables will really help them get or stay healthy and fit. This may be wearable fitness devices' biggest opportunity.

INCREASING WEARABLES' RELEVANCE

Based on these findings, those seeking to make wearable fitness devices more mainstream and relevant to the average consumer should consider:

- Strategies that differentiate wearable fitness devices from smartphones. This is clearly where smartwatches are headed. A big advantage of a wearable fitness device is in its flexibility, portability and being able to be used without lugging around a phablet in your pocket or strapped around your arm.

- Strategies that show lifetime and lifestyle value. There is a perception that all these devices do is count steps or tell you how many stairs you've climbed. But improved health and wellness has value. Position wearables as affordable when compared to other fitness expenses such as monthly gym memberships or athletic gear. In sum, marketers should explore new and creative ways to show how these devices are "good investments."
- Strategies that demonstrate results. This is something that dieting and other health products and services have known for a long time. Wearable fitness devices could benefit from both studies and personal testimonials that demonstrate their ability to help people maintain and improve a healthy lifestyle.

THE EMERGING WEARABLE HEALTH TECHNOLOGY MARKET

For a category that didn't exist ten years ago, the fitness wearable market is big business.

Vendors will ship a total of 45.7 million units in 2015, more than twice the 19.6 million units shipped in 2014, according to IDC.¹ Business Insider estimates that the global wearables market will grow at a compound annual rate of 35% over the next five years.² This is largely due to the anticipated success of new multifunctional wearables, such as the Apple Watch, Samsung Gear watches and the Motorola Moto 360, which are direct by-products of fitness bands. And while some of these brands can have mass appeal, most are highly targeted to a particular slice of the market.³

But for all the success they have had to date, the wearable fitness category faces challenges. A large share of the potential market is unaware of the full attributes wearables offer. Likewise, Business Insider states that, "barriers include small screen size, clunky style, limited battery life, and lack of a 'killer app' that can drive adoption."⁴ Which is why current estimates are that just "one-in-ten U.S. adults now own a fitness tracker."⁵

Our relevance survey identified three segments of the wearable fitness market:

- "The wearable warriors" – These are people who currently own and use a wearable fitness device. They represent about 12% of the population.
- "The wearable dropouts" – These are people who say they have used a wearable health device in the past but for some reason stopped using it. They represent another 12% of the population.
- "The non-wearables" – Finally there is the largest group, those who have never purchased and used a wearable device. This is approximately three-quarters (75%) of American consumers.

¹ "Worldwide Wearables Market Forecast to Reach 45.7 Million Units Shipped in 2015 and 126.1 Million Units in 2019, According to IDC." *Www.idc.com*. IDC Corporate USA, 30 Mar. 2015. Web. 26 July 2015.

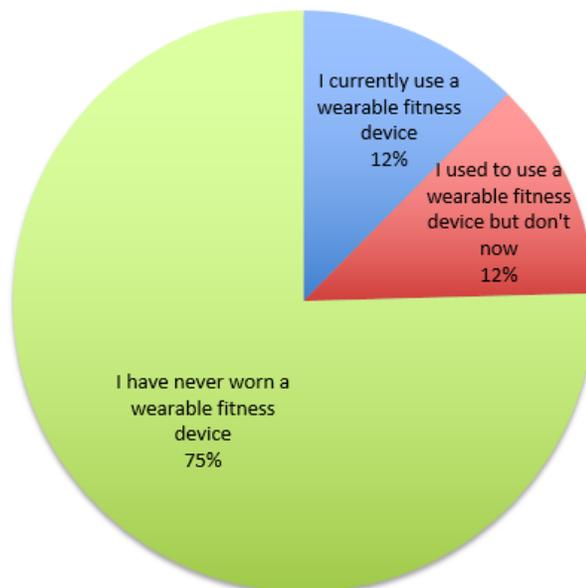
² Intelligence, BI. "THE WEARABLES REPORT: Growth Trends, Consumer Attitudes, and Why Smartwatches Will Dominate." *Business Insider*. Business Insider, Inc., 21 May 2015. Web. 26 July 2015.

³ "The Demographic Divide: Fitness Trackers and Smartwatches Attracting Very Different Segments of the Market." *Age Income Gender Vary Greatly Among Smartwatch Owners*. NPD Group, 6 Jan. 2015. Web. 27 July 2015.

⁴ Ibid.

⁵ Ibid.

Thinking about wearables like Jawbone and Fitbit and Apple Watch, which applies to you?



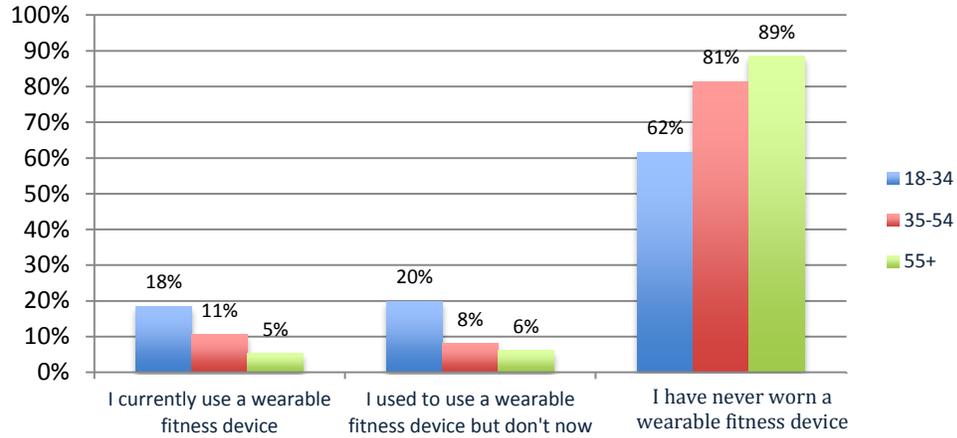
Who are these people and what can we learn from each group?

THE WEARABLE WARRIORS

So who is using wearable technology?

First, the younger you are, the more likely you're going to have and use a wearable fitness product. In our study nearly one in five (18%) of millennials aged 18-34 currently use a wearable fitness device. That compares to only about one in ten (11%) Gen Xers and only 5% of boomers. In addition, wearable fitness devices are more likely to be used by men (17%) than women (11%).

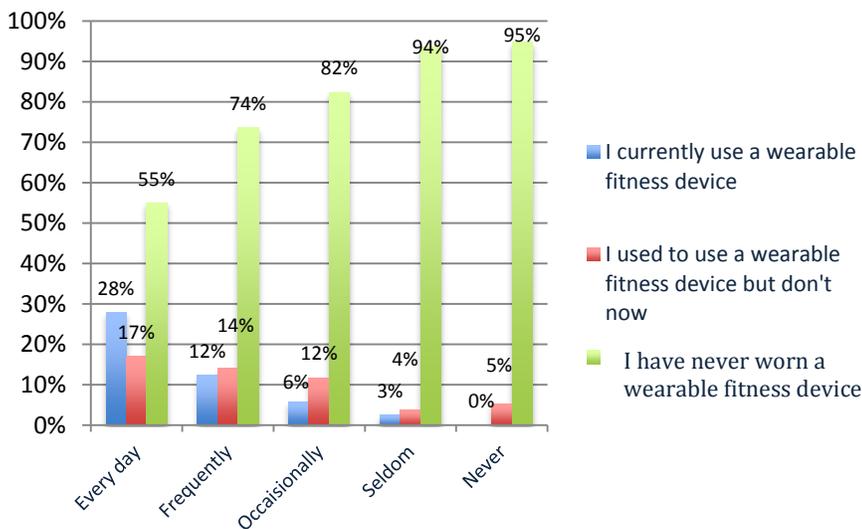
Thinking about wearables like Jawbone and Fitbit and Apple Watch, which applies to you?



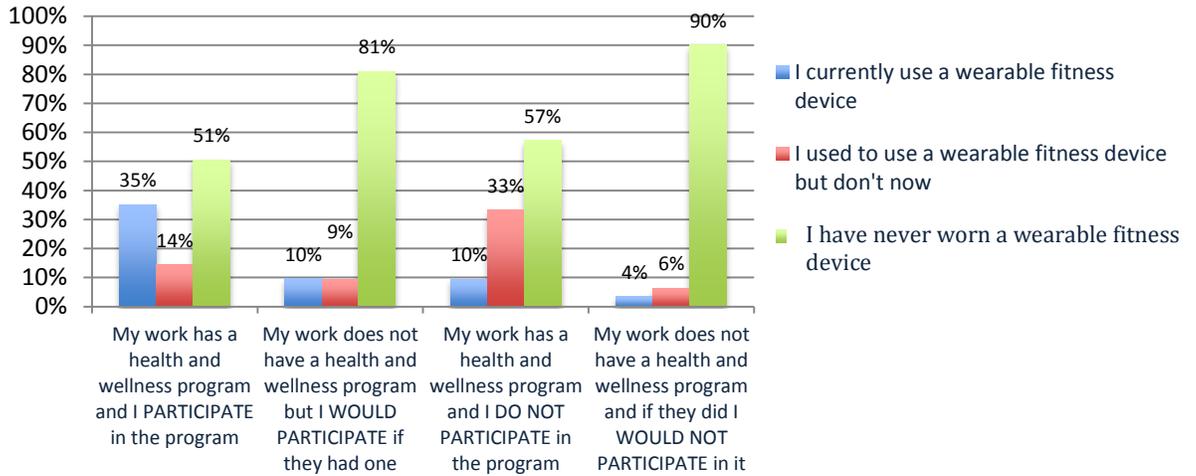
But the most important drivers of wearable adoption appear to be behavioral, not demographic.

Over one-quarter (28%) of those who exercise every day say they currently use a wearable device. Over one-third (35%) of those currently participating in a workplace wellness program use a wearable device. In sum, the more fit and active you are, the more likely you are to use them.

Thinking about wearables like Jawbone and Fitbit and Apple Watch, which applies to you?



Thinking about wearables like Jawbone and Fitbit and Apple Watch, which applies to you?

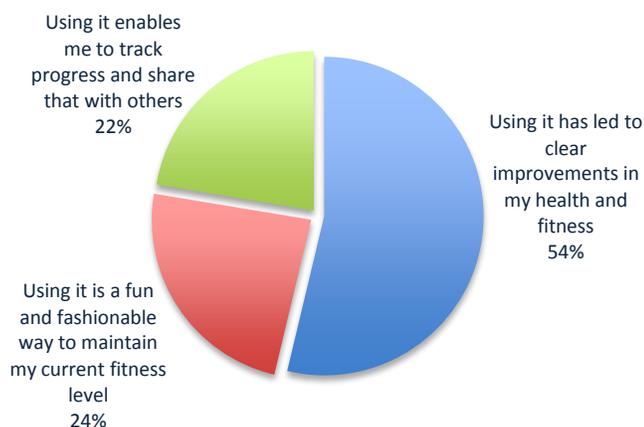


We asked those who currently use a wearable device to select which of the following is the most important reason why they use one:

- Using it has led to clear improvements in my health and fitness.
- Using it is a fun and fashionable way to maintain my current fitness level.
- Using it enables me to track progress and share that with others.

Of those who use a wearable fitness device, the main reason a majority (54%) of those using wearables do so that they believe it has led to clear improvements in their health and fitness. Of the rest, roughly half (24%) cite “fun and fashion” and half (22%) cite the ability to “track and share” fitness information as the primary reason they use a wearable fitness device.

The most important reason you use a wearable fitness device



While the sample size of the group was small (just 12% of the total), there were some interesting wrinkles underneath the “wearable warrior” data.

- **Female** users were more likely to be motivated by “clear benefits” than men.
- **Males** were more likely than women to say that the reason they wore a wearable was because it was a “fun and fashionable”.
- **Boomers** were more likely to cite the “fun” factor than younger age groups.

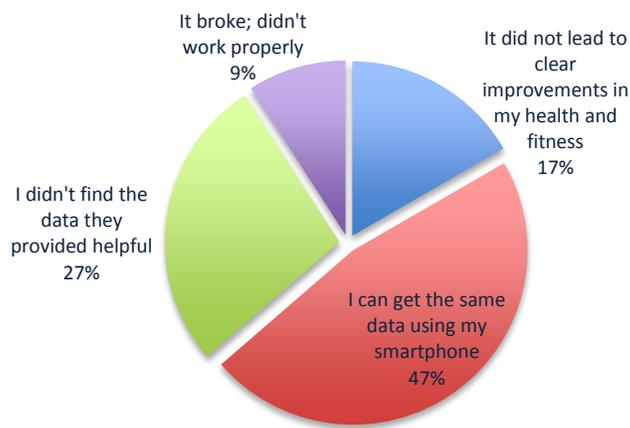
THE WEARABLE “DROPOUTS”

What about the wearable dropouts? These are people who went out, bought and used a wearable device for a while, but stopped. According to our survey, they are approximately 12% of American consumers.

Why did they stop? One word: smartphones.

Nearly half of wearable “dropouts” (47%) said the main reason they’ve stopped using a wearable fitness device is because they think they can get the same information from their smartphone.

The most important reason you stopped using a wearable fitness device



Indeed, wearable fitness devices seem to have a love/hate relationship with mobile devices. On the one hand, most of the popular wearable fitness devices – Fitbit, Jawbone, Fuel, etc. – interact with a person’s laptop, tablet or smartphone. So phones and tablets and other devices, combined with that device wrapped around your wrist or tucked away in your pocket, allow you to do a deep dive into your daily diet and fitness routines.

On the other hand, there are hundreds, if not thousands, of very good and very affordable exercise- and fitness-related apps available for easy download onto your smartphone. Why spend additional money on a wearable device when you can get something somewhat comparable on a smartphone?

There are other hurdles. A little over a quarter of wearable dropouts said they stopped using the device because they didn’t find the data the device provided helpful. The “unhelpful data” issue was particularly acute for boomers. Three-quarters (75%) of boomers who stopped using wearable health technology said they stopped for that reason.

THE NON-WEARABLES

Finally, there are the three-quarters (75%) of Americans who have never used a wearable fitness device.

That’s a lot of people on the sidelines. What is keeping them there?

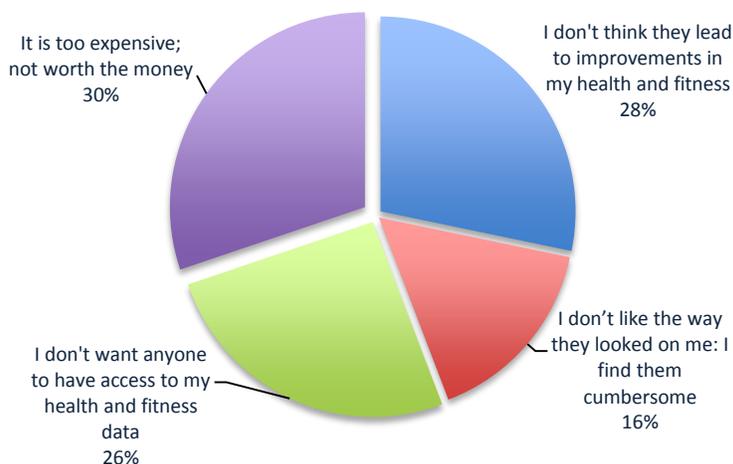
First, there is the issue of cost. A little less than one-third (30%) of the non-wearable crowd said the reason they’ve never used a wearable is that the devices are too expensive and not worth the money. Again, a good bit of this assessment is likely influenced by the

fact that they feel they can get most of the basic information they need from an app on their phone. Why spend over \$100 on a wearable fitness device when you can get a lot of the same information from a \$.99 app?

Second, there is an issue of efficacy. An almost equal number of people (28%) said the reason they are not interested in wearables is because they don't believe it would lead to improvements in their personal health and fitness.

Finally, there's the privacy issue. Over one-quarter of the non-wearable crowd said they avoid them because they don't want anyone to have access to their health and fitness data.

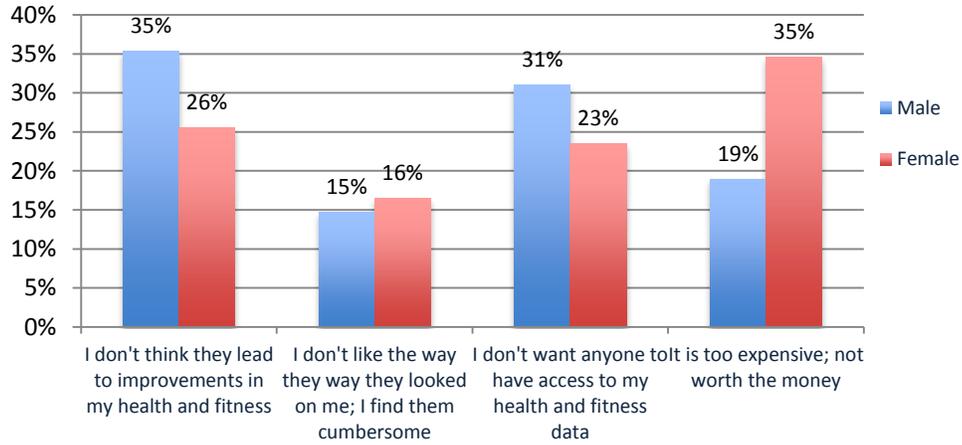
The most important reason you've never used a wearable fitness device



Of the non-wearables:

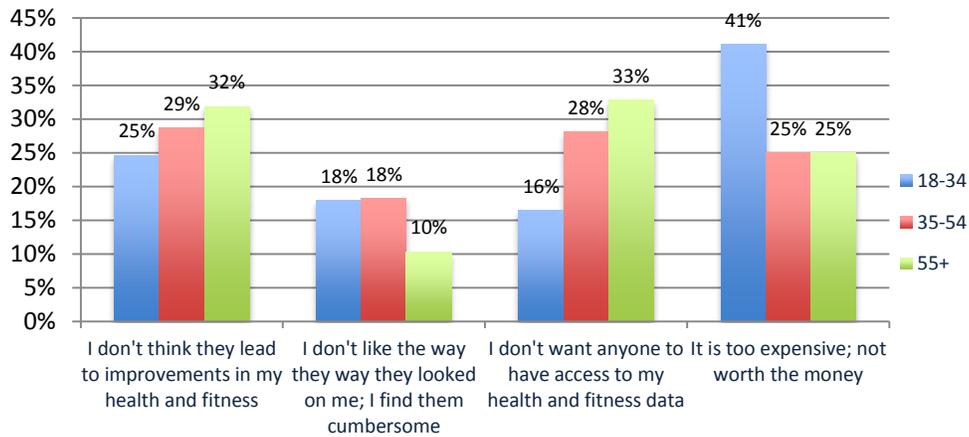
- Men were much more likely (35%) than women (26%) to say that the reason for never having used a wearable fitness device was a lack of confidence that it would lead to health improvement.

The most important reason you've never used a wearable fitness device



- Boomers were the most likely to cite concerns over third-party access to health and fitness data.
- Millennials were the most likely to say they haven't bought a wearable device because it is too expensive and not worth the money.

The most important reason you've never used a wearable fitness device



INCREASING THE RELEVANCE OF WEARABLE TECHNOLOGY

Mainstream wearable technologies are relatively new. Nike's iPod kit was launched less than ten years ago. Fitbit is only seven years old. And the Apple Watch was launched only last year. There's still a long way for this sector to go.

But taking this category mainstream and making this a true consumer necessity requires three things:

First, wearable devices need to be more affordable. Two-thirds of Americans already have smartphones and likely paid several hundred dollars for them. Only a limited number of consumers will be willing to plunk down hundreds of dollars on top of that.

Second, wearables need to be more differentiated. Why buy yet another device when a \$.99 app on your smartphone will do?

Finally and most importantly, fitness wearables need to demonstrate that they actually help you improve your fitness. Most people are already inundated and overloaded with too many devices and too much information. Wearable fitness devices will go mainstream if and when they are able to show that they work – that is, they help you get fit and stay fit.

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Appendix

1. *Thinking about wearable fitness technology – things from wristbands like Jawbone and Fitbit to the Apple Watch – which of the following applies to you?*

	Total	18-34	35-54	55+	Male	Female	West	Midwest	South	Northeast
I currently use a wearable fitness device	12%	18%	11%	5%	17%	11%	15%	11%	15%	7%
I used to use a wearable fitness device but don't now	12%	20%	8%	6%	12%	12%	11%	15%	12%	10%
I have never worn a wearable fitness device	75%	62%	81%	89%	71%	77%	73%	75%	73%	83%

2. *Thinking about wearable fitness technology – things from wristbands like Jawbone and Fitbit to the Apple Watch – which of the following applies to you?*

	Every day	Frequently	Occasionally	Seldom	Never
I currently use a wearable fitness device	28%	12%	6%	3%	0%
I used to use a wearable fitness device but don't now	17%	14%	12%	4%	5%
I have never worn a wearable fitness device	55%	74%	82%	94%	95%

3. *Thinking about wearable fitness technology – things from wristbands like Jawbone and Fitbit to the Apple Watch – which of the following applies to you?*

	My work has a health and wellness program and I PARTICIPATE in the program	My work does not have a health and wellness program but I WOULD PARTICIPATE if they had one	My work has a health and wellness program and I DO NOT PARTICIPATE in the program	My work does not have a health and wellness program, and if they did, I WOULD NOT PARTICIPATE in it
I currently use a wearable fitness device	35%	10%	10%	4%
I used to use a wearable fitness device but don't now	14%	9%	33%	6%
I have never worn a wearable fitness device	51%	81%	57%	90%

4. *Of the following, which is the MOST IMPORTANT reason you CONTINUE to use a wearable fitness device?*

	Total	18-34	35-54	55+	Male	Female	West	Midwest	South	Northeast
Using it has led to clear improvements in my health and fitness	54%	49%	62%	57%	48%	58%	58%	46%	61%	29%
Using it is a fun and fashionable way to maintain my current fitness level	24%	23%	19%	43%	30%	20%	26%	23%	18%	43%
Using it enables me to track progress and share that with others	22%	28%	19%	0%	22%	23%	16%	31%	21%	29%
Other, please specify	0.00%									

5. *Of the following, which is the MOST IMPORTANT reason you STOPPED using a wearable fitness device?*

	Total	18-34	35-54	55+	Male	Female	West	Midwest	South	Northeast
It did not lead to clear improvements in my health and fitness	17%	12%	31%	13%	15%	17%	14%	28%	18%	0%
I can get the same data using my smartphone	47%	52%	50%	13%	50%	46%	43%	33%	45%	73%
I didn't find the data they provided helpful	27%	26%	6%	75%	35%	24%	36%	33%	23%	18%
It broke; didn't work properly	9%	10%	13%	0%	0%	13%	7%	6%	14%	9%

6. *Of the following, which is the MOST IMPORTANT reason you have NEVER used a wearable fitness device*

	Total	18-34	35-54	55+	Male	Female	West	Midwest	South	Northeast
I don't think they lead to improvements in my health and fitness	28.26%	25%	29%	32%	35%	26%	25%	25%	36%	23%
I don't like the way they looked on me; I find them cumbersome	15.94%	18%	18%	10%	15%	16%	12%	20%	14%	19%
I don't want anyone to have access to my health and fitness data	25.60%	16%	28%	33%	31%	23%	34%	23%	20%	29%
It is too expensive; not worth the money	30.19%	41%	25%	25%	19%	35%	29%	33%	30%	29%