



Smartwatch

A FIRST INSIGHT Consumer Study

Consumers have dreamed about smartwatches ever since Dick Tracy flashed his Two-Way Wrist Radio in 1946. The dream became reality 68 years later with the launch of the first true smartwatches in late 2013 and again in the fall of 2014 when Apple CEO Tim Cook unveiled the Apple Watch, introducing it as “the next chapter in Apple’s story.”

A FIRST INSIGHT consumer study reveals a **harsh reality** for smartwatch manufacturers

In the months leading up to the commercial release, reporters, analysts and consumers alike eagerly anticipated the Apple Watch, expecting it to be the next big thing for Apple and the

dawn of the smartwatch industry. This belief was further fueled when Time listed the Apple Watch as one of the 25 Best Inventions of 2014.

Back then everyone predicted a massive explosion in the sale of smartwatches. [NextMarket Insights](#) forecasted the market to grow from 15 million in 2014 to 373 million by 2020, while a [Business Insider](#) article foresaw smartwatches leading wearable computing to mass market status.

These projections started a gold rush. According to the [SmartWatch Group](#), 89 companies from 18 countries sold smartwatches in 2014, with another 140 entering the market in 2015.

Hype Wanes as Reality Sets In

But despite the short-lived gold rush and initial excitement for the Apple Watch, just two years later the smartwatch market hasn't met these lofty expectations, as the industry is experiencing a disappointing decline. The 80 million smartwatches forecasted for 2016 is now a more modest 50.4 million, and projections for 2017 have dropped from 150 million down to just 67 million ([Gartner](#)).

Additionally, a recent report by IDC shows that smartwatch shipments declined for the first time in the second quarter of 2016 – and they're **sliding rapidly**. In fact, the worldwide smartwatch market saw a 32% year-over-year drop in the second quarter, which was led by Apple with a 55% decline.

So what happened?

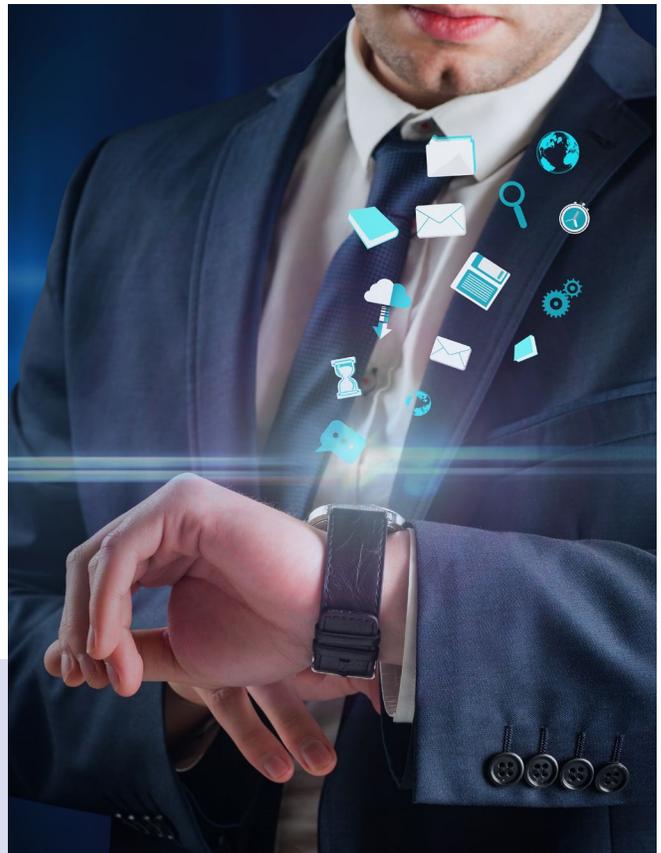
Why haven't we seen the "tipping point" promised **just two years ago**?

What will it take to get there?

More importantly, why aren't **more consumers connecting** with smartwatches?

It's Just Not Time

The vast majority of consumers still aren't ready for this pricey alternative to the classic watch.



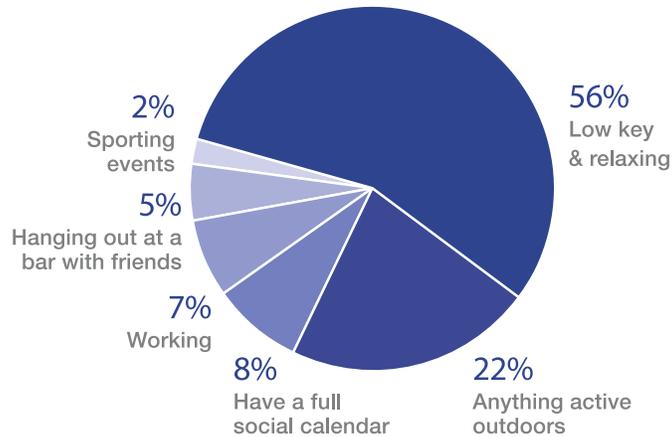
Here's Why....

It's Not a One-Size Fits all Approach

In July 2016, **FIRST INSIGHT** collected feedback from over 1,500 consumers using its **predictive analytics platform**.

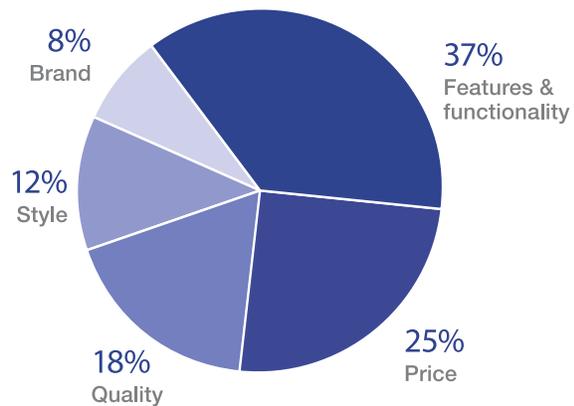
Consumers want a smartwatch that fits their lifestyle, and it shouldn't come as a surprise to retailers that not all consumers have similar lifestyles.

When asked what they do on weekends



LOW KEY: Over half (56%) of respondents said they enjoy low key and relaxing activities on the weekends, proving that many of the high-tech capabilities of smartwatches may not be necessary for many consumer lifestyles.

When asked what is most important to them in a smartwatch



KEY FEATURES: Consumers are less concerned with brand and style, and more interested in the price, as well as the features and functionality.

Watch Personas

When asked what their watch style says about them, consumers identified as....



Bohemian

(24%)

A free spirit with limitless imagination and style.



Fashion Icon

(21%)

It is so new that it is tomorrow.



Spy

(13%)

Dependable, functional, accurate to the second.



Traveler

(11%)

A cosmopolitan citizen of the world.



Banker

(11%)

Solid and respectable.



Daredevil

(10%)

My watch and I can stand all.



Entrepreneur

(10%)

A bold watch speaks volumes about success.

Smartwatch Sticker Shock

Just 30% of consumers surveyed said they currently own a smartwatch, with 4% of respondents owning two or more brands. In order for smartwatches to reach the lofty unit sales projections for 2016 and 2017, **the market needs to expand** past this small group of repeat buyers.

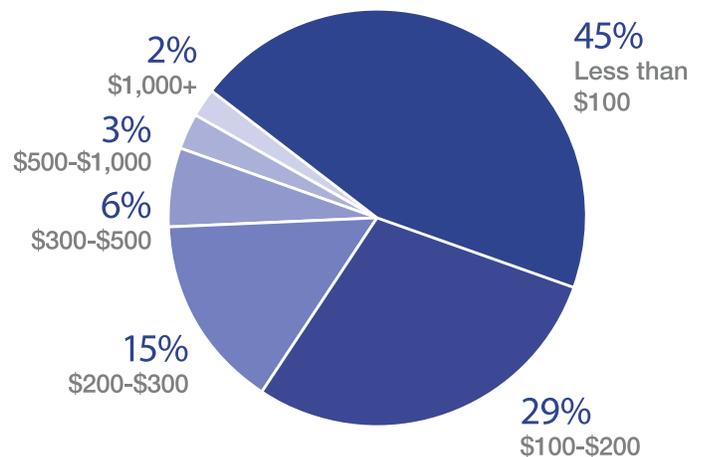
49% of respondents are “waiting for the prices of existing smartwatches to come down.”

This will be a real challenge for smartwatch manufacturers, as **price plays a major role** in determining when a consumer plans to buy a smartwatch: 49% of respondents said they haven't bought or are not in the market for a smartwatch, because they are “waiting for the prices of existing smartwatches to come down.”

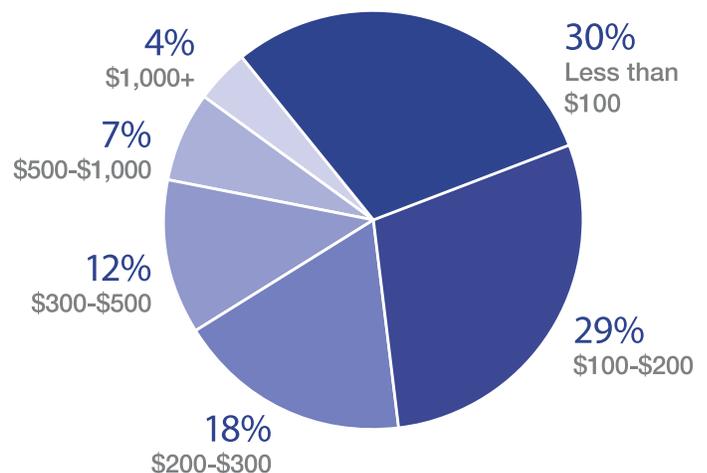
Nearly half of female consumers (45%) said they want to spend less than \$100 on watches, while only 30% of men answered in the same price range.

While men are only willing to spend slightly more on watches, these differing price ranges represent the **varying preferences of consumers** that smartwatch manufacturers need to be aware of.

Women's Spending on Watches



Men's Spending on Watches



Apple Has a Lot of Work to Do (And Isn't the Only One)

First Insight determined value scores – an ultimate predictive measure of **how well an item will perform in the market** – based on consumer feedback. Value scores range from **10 (high) to 1 (low)**. First Insight customers typically focus their new product investments on products that receive a value score of 7 or higher.

These value scores, paired with the fact that nearly 70% of consumers don't currently own a smartwatch and 33% of consumers don't plan on purchasing one, prove that smartwatch manufacturers **have a long way to go to create devices that consumers actually want.**



Apple Watch

POSITIVE 41% NEGATIVE 19%

FIRSTINSIGHT VALUE SCORE 7

Many consumers indicated that they like the sleek design and display of the Apple Watch, but others described the watch as “weird” and “ugly”.



Motorola Moto 360

POSITIVE 35% NEGATIVE 21%

FIRSTINSIGHT VALUE SCORE 5

Consumers like the colors of the watch and overall “sharp look” calling it “beautiful” and “classic,” but others felt it was ugly and had a negative reaction to the band.



Citizen AT7030-05E Proximity Eco-Drive

POSITIVE 33% NEGATIVE 19%

FIRSTINSIGHT VALUE SCORE 4

Consumers like the sporty feel and functionality and that they can swim with the watch on.



Garmin Fenix® 3 Sapphire

POSITIVE 35% NEGATIVE 17%

FIRSTINSIGHT VALUE SCORE 3

Many consumers indicated that they like the sleek design and display of the Apple Watch, but others described the watch as “weird” and “ugly”.



LG Watch Urbane 2nd Edition

POSITIVE 30% NEGATIVE 19%

FIRSTINSIGHT VALUE SCORE 3

Some consumers indicated that the watch was decent for every day use, but others felt it was too big and common, with an overall sentiment that it was too “masculine” and did not have enough features for a smartwatch.



Garmin Fenix 3 HR

POSITIVE 24% NEGATIVE 33%

FIRSTINSIGHT VALUE SCORE 3

Some felt that this would be a cool watch for guys, but largely, consumers indicated that it was too “bulky” and the No. 1 word association with the watch was “ugly”

Smartwatch Makers: Time to Get Smart, The Clock is Ticking

As the smartwatch industry continues to face a steep decline, it's time for watch retailers to **pay more attention to their varying target audiences**, understanding that their entire customer base won't be interested in the same features and functionalities.

67% of respondents are in the market to buy a smartwatch within the next 18 months. Who are they, and how can smartwatch manufacturers appeal to them?

Smartwatch manufacturers can benefit from **getting to know the different personas** and what they want from their devices.

For example - together, the **fashion icon** and **bohemian** personas make up nearly half of the respondents in the market to buy a smartwatch within the next 18 months, showing that consumers may not be ready to trade in their stylish watches for high-tech smartwatches.

Additionally, 63% of respondents looking to buy a smartwatch before the end of 2017 dress in either **business casual** or **very casual** work attire.



The Key Takeaway for Smartwatch Manufacturers

As stated earlier, this is not a one-size-fits-all market opportunity. Understanding the segments and sub-segments of smart watch buyers and their personas requires the discipline to quickly listen and **respond to the consumer**.

We have transitioned to a bottoms-up environment where today's consumer is educated and knowledgeable and their voice will be the determining factor in what sells and what doesn't. The manufacturers that **incorporate the voice of the customer** into their product development processes will capture the attention, and wallet share, of the right consumer, with the **right product at the right price**.



First Insight Data Methodology

Feedback was collected through First Insight's online game called "What Would They Pay?" in which respondents indicated the price they feel the market would pay for each item and provided other feedback (sentiment and comments.) First Insight ran the insight on July 15, 2016, and 1,506 total consumer responses were generated.



First Insight empowers retailers and manufacturers to drive new product success by introducing the right products at the right price.

Through the use of online consumer engagements, the First Insight cloud-based solution gathers real-time consumer preference and pricing data and applies a predictive model to create actionable insights, which inform new product decisions before products hit the market.

Companies use the First Insight solution to select the most profitable new products for improved sales, margins and inventory turnover.

Implementing First Insight's predictive analytics solution gives actionable guidance for product design, buying, assortment planning, pricing and marketing decisions. Customers include leading department stores, specialty retailers and manufacturers.

For more information, please visit
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