

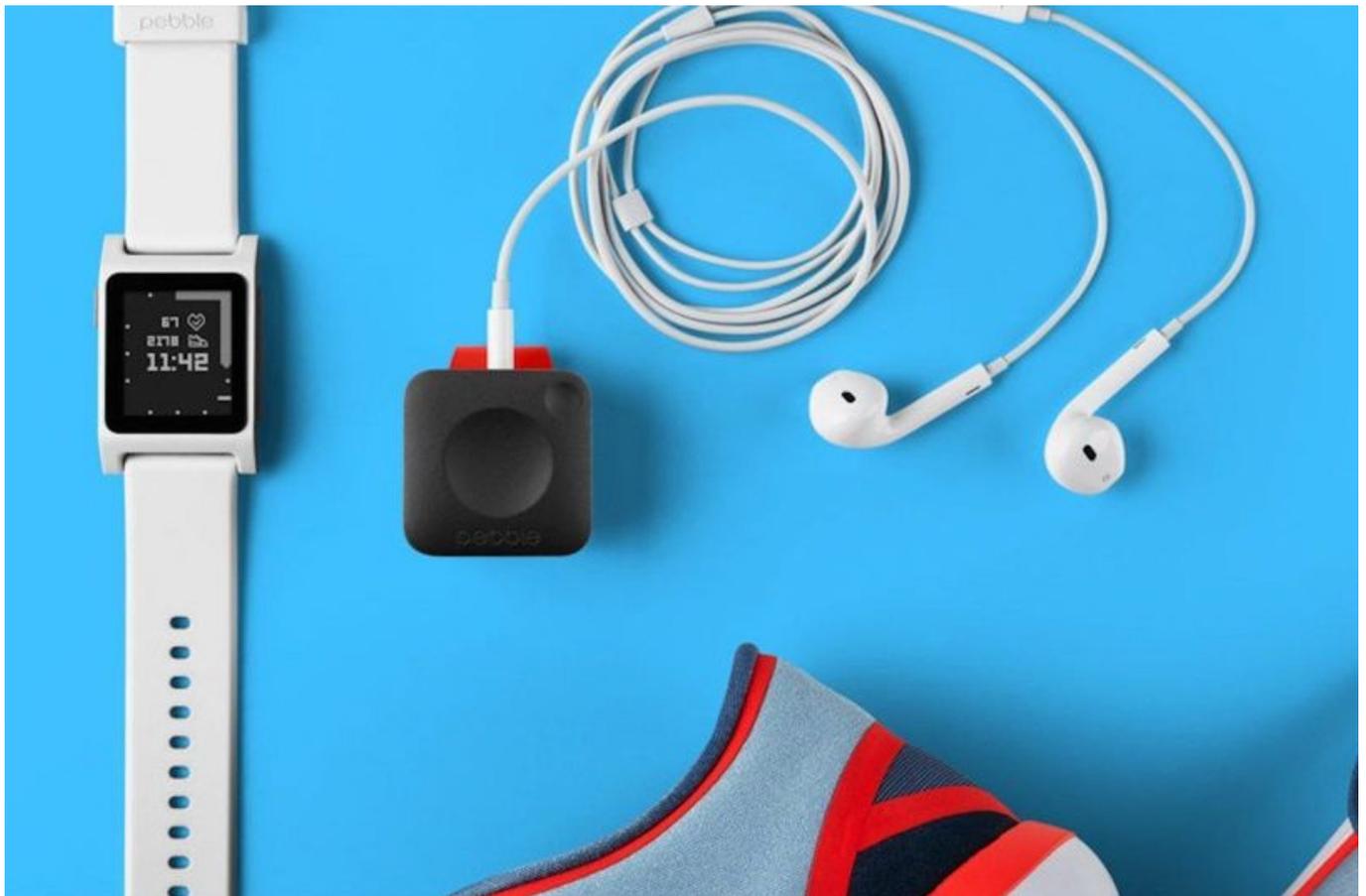
Pebble

Sinking like a Pebble: is the Fitbit buyout a sign the wearables market is doomed?

Will the industry follow Pebble and shut down almost as fast as it sprang up?

By **AMELIA HEATHMAN**

08 Dec 2016



Pebble announced it was being bought for Fitbit for a deal between \$34 and \$40 million

Credit **Pebble**

When news broke last week wearable maker that Pebble was in line to be bought by Fitbit – in a deal that is said to barely cover the startup’s debts – the question was: what went wrong?

Pebble burst onto the scene in 2012 with a [Kickstarter](#) campaign to launch its first smartwatch. It raised \$10,266,845 (£6,285,947), the highest amount secured on the platform at that time, and its success elevated a trend that would end up being led by the likes of [Apple](#), [Fitbit](#) and Jawbone. The smartwatch had arrived.

Four years on, Pebble appeared to be doing relatively well. Yes, other brands had come on to the market but the company raised more than £4 million (again on Kickstarter) for the [updated version of its fitness tracker](#) smashing its \$1m goal within the first hour of its announcement.

Yet, it was confirmed yesterday that Fitbit is going to acquire the company for a sum reported to be between \$34m and \$40m. As part of the deal, it will own Pebble’s intellectual property and operating system and be shutting down its hardware division; the jewel in the crown of the crowdfunding champions.

Pebble shuts down as it confirms it's being bought by Fitbit

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So is Pebble’s demise part of a wider, worrying, trend in the wearables industry? Is the market set to shut down as fast as it sprang up?

“The reason why [Pebble] didn’t manage to succeed was because of smartwatches in general,” Francisco Jeronimo, research director at European Mobile Devices IDC EMEA, told WIRED. “In general, devices that run high-level operating systems to allow smart applications to be installed are not very successful.

“Look at what’s happening; even with Apple, which fell and declined and has been declining over the past two-quarters. It’s the same with other vendors like Samsung.”

As Jeronimo attests, it isn't plain sailing for other [smartwatch](#) and wearable makers. Fitbit itself has seen \$42 knocked off its share price since it listed in 2015. [Jawbone exited](#) the fitness trackers market earlier this year, selling its inventory to a third-party. And Tim Cook has had to fend off reports [Apple Watch sales are tanking](#) after a new report from IDC showed the gadget's sales have slumped since last year.

In particular, [IDC's report](#) estimated Apple sold 1.1 million Watch units in the third quarter of 2016, after launching the new [Apple Watch 2](#), down 71 per cent from a year ago. The IDC report echoed Jeronimo's comments: we are seeing a consumer shift away from smartwatches to simple fitness trackers.

"The only segment in the wearables watch space growing are the basic watches. Devices like Withings and Fossil and other brands that provide basic watches with co-functionality," Jeronimo continued.

Fitbit has seen \$42 knocked of its share price since it listed in 2015

Credit **Fitbit**

What IDC's report shows is that people don't want 'gimmicks'. They would rather have a device that looks good, with the basic features they need, because: "people

are finding out that running applications on the wrist is not useful.”

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This is where Pebble fell; sure they had the backing of the internet, but they weren't able to create a fashionable device that people really wanted to wear. “They were providing features that people found quite interesting on paper but when using it on a daily basis, what's really the point in having all sorts of apps running on my wrist?” explained Jeronimo.

Just because Pebble failed though, it doesn't mean all smartwatches will. For instance, with Apple, the Apple Watch is backed up by the ecosystem of Apple products, such as easy integration with iPhones and iPads. “Without a proper ecosystem, it's very hard to convince users to keep wearing and use their device, that's the biggest challenge.”

And Fitbit's acquisition of Pebble makes sense, according to Jeronimo, because it's an example of a brand trying to build an ecosystem and expand its product range by buying an OS. However, he isn't overwhelmingly positive about the deal. “In the next two years, I wouldn't be surprised if even Fitbit itself is acquired by someone else because this kind of product is not selling enough volumes to make enough profit for these companies.”

“This is a move for Fitbit that strengthens its armoury against the traditional tech powerhouses like Apple and Samsung,” added Wareable editor-in-chief Paul Lamkin. “Many people expected Fitbit to launch an Apple Watch rival this year but the fitness-focused company decided instead to stick to its activity-tracking guns in 2016.

“Its decision not to branch out with a dedicated smartwatch resulted in a big hit on its stock price and, while Fitbit remains (by a long way) the biggest wearable brand in terms of shipments, it's clear investors want to see something more meaty coming out of its stables. Picking the bones of Pebble, with its huge dev community and its rock-solid smartwatch OS should allow Fitbit to do this in 2017.”

The industry does have a chance to succeed if it shifts its focus away from consumers into the enterprise sector. “We will see enterprises adopting more wearables to be able to understand and help their employees to perform better,” said Jeronimo. “Using wearables to make payments, unlock gates, enter buildings are the kind of things we don’t usually talk about. It’s a very profitable business that will grow quite fast over the next few years.”

“It’s fair to say that smartwatch penetration isn’t as staggering as that of smartphones but that never was going to be the case,” Lamkin continued. “Wearable tech is still in its infancy and the real society-shifting devices are yet to come. Hearables and AR glasses or lenses do have the potential to impact on mass populations.

“The growth of my site, Wareable, is testament to the huge appetite the public have for this emerging genre of consumer tech. In just over two years we’ve grown from nothing to a site that does around four to five million readers a month.”

The industry isn’t collapsing, stressed Jeronimo, it’s simply changing and the companies behind it need to learn how to adapt to accommodate this.

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