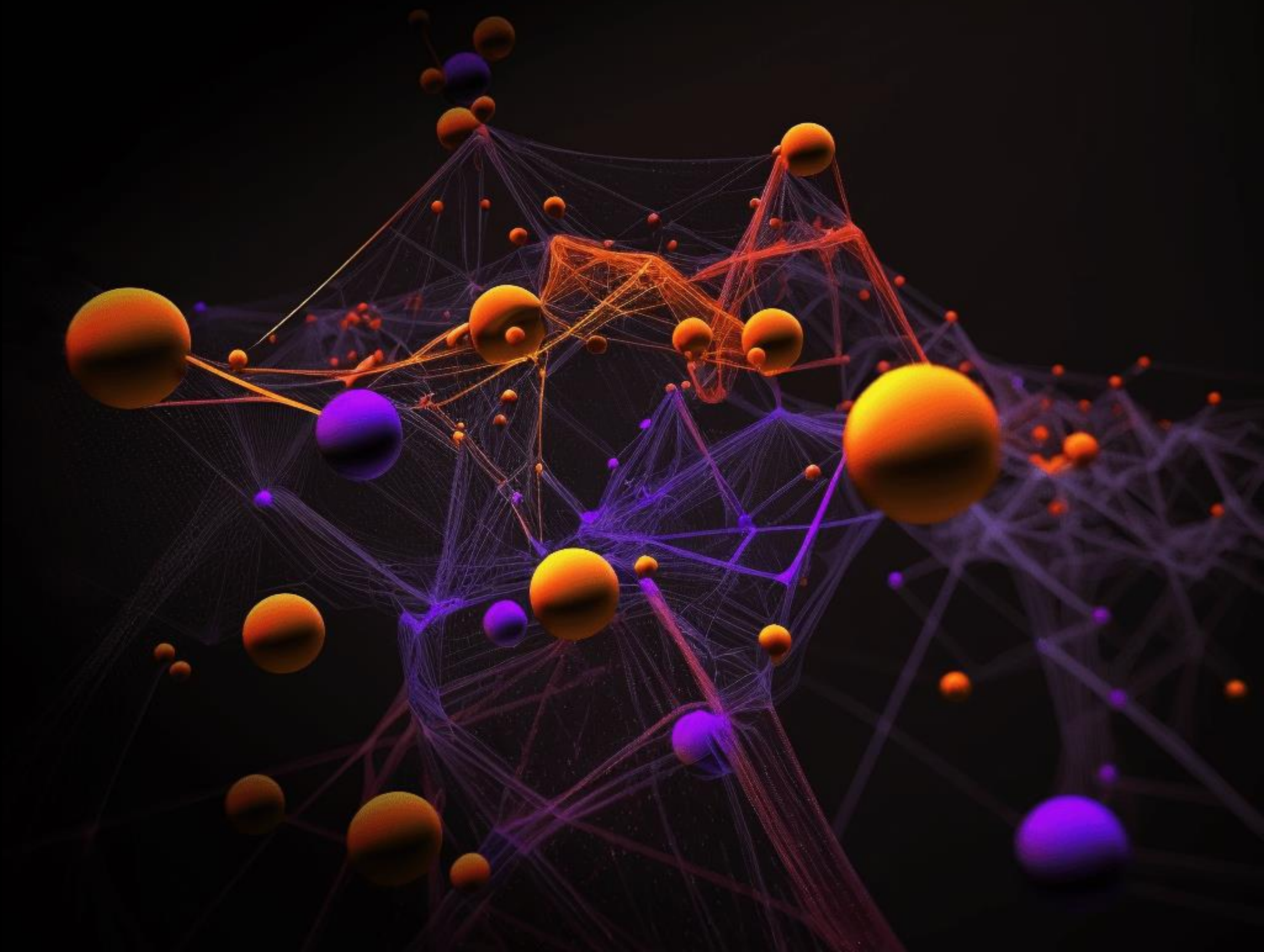
Wearables Usage Report

A Connected Intelligence Report

September 2024

Contents

Overview



Executive Summary

As we saw in the Fall 2024 Wearables Ownership Report, smartwatch growth has declined, dropping to 40 percent of the US adult population from its previous high of 42 percent. But sales are increasing which reflects a healthy base of smartwatch owners who are actively using the watch and who are entering their replacement cycle. Indeed, unlike smartphones, which are stretching the replacement cycle to between three and four years, we see that most smartwatch wearers are looking to replace their devices somewhere between one and three years.

Part of that is driven by hardware issues such as battery degradation, but it is also a sign of innovation (subtle though it may seem with some iterations of devices) that is helping to persuade consumers to head back to the store in search of a new device. Churn also remains relatively low at 13% - a slight improvement since the Spring.

But – and there is always a but – there's a challenge for the smartwatch manufacturers. The smartwatch is seen first and foremost as a health, wellness and fitness device. Perhaps that is fine and that is the category that the smartwatch should play in. But if that is the case, then 40 percent of the US adult population is probably close to tapping out the market.

We are not suggesting that the smartwatch can take on all the features and functions of a smartphone, but there are subtle enhancements that would significantly improve the device, particularly in a cellular, standalone variant. Take messaging, for example: most third part messaging apps (WhatsApp, Telegram, Teams – *especially* Teams if you want to make the smartwatch more useful in a business environment! – and more) do not have native apps for the smartwatch. That means that while a consumer may see a message come in, replying is difficult (and starting a new conversation almost impossible). For consumers who rely on these messaging apps, that means always having your smartphone with you, which limits interest and demand in a cellular-only variant, and further again limits the smartwatch to being a fitness device, rather than a productivity device.

Another key, and obvious, area of improvement is tighter integration with the smart home. For example, keyless entry into the home is far easier via a smartwatch than from having to pull your phone out of your bag or pocket. And yet it is this kind of ease-of-use application that is rarely highlighted. Admittedly, customer demand for these features relatively low, but 16 percent of smartwatch owners say they use the watch to interact with their smart home daily – and that increases to 23 percent for a cellular-connected watch.

Expansion of smartwatch features is increasingly important not just in order to grow the owner base, but also because the smartwatch is starting to face competition with increasing interest in smart rings. If, indeed, the smartwatch is primarily perceived to be a health and fitness device only, then a smart ring can replicate the same tracking.

Key Points

Ownership down; sales up

Smartwatch ownership has dropped two percent and is now at 40 percent. However, the good news is that year-over-year sales are up 40 percent, highlighting a healthy replacement cycle. The core period for replacing the smartwatch is in the one to three year period.

Cellular connectivity drives daily use cases

Cellular connected smartwatches drive significantly more engagement. The ability to leave the phone behind when going for a run, and yet still having the ability to make an emergency call (not to mention streaming music) is a compelling use case and justification for the additional service fee.

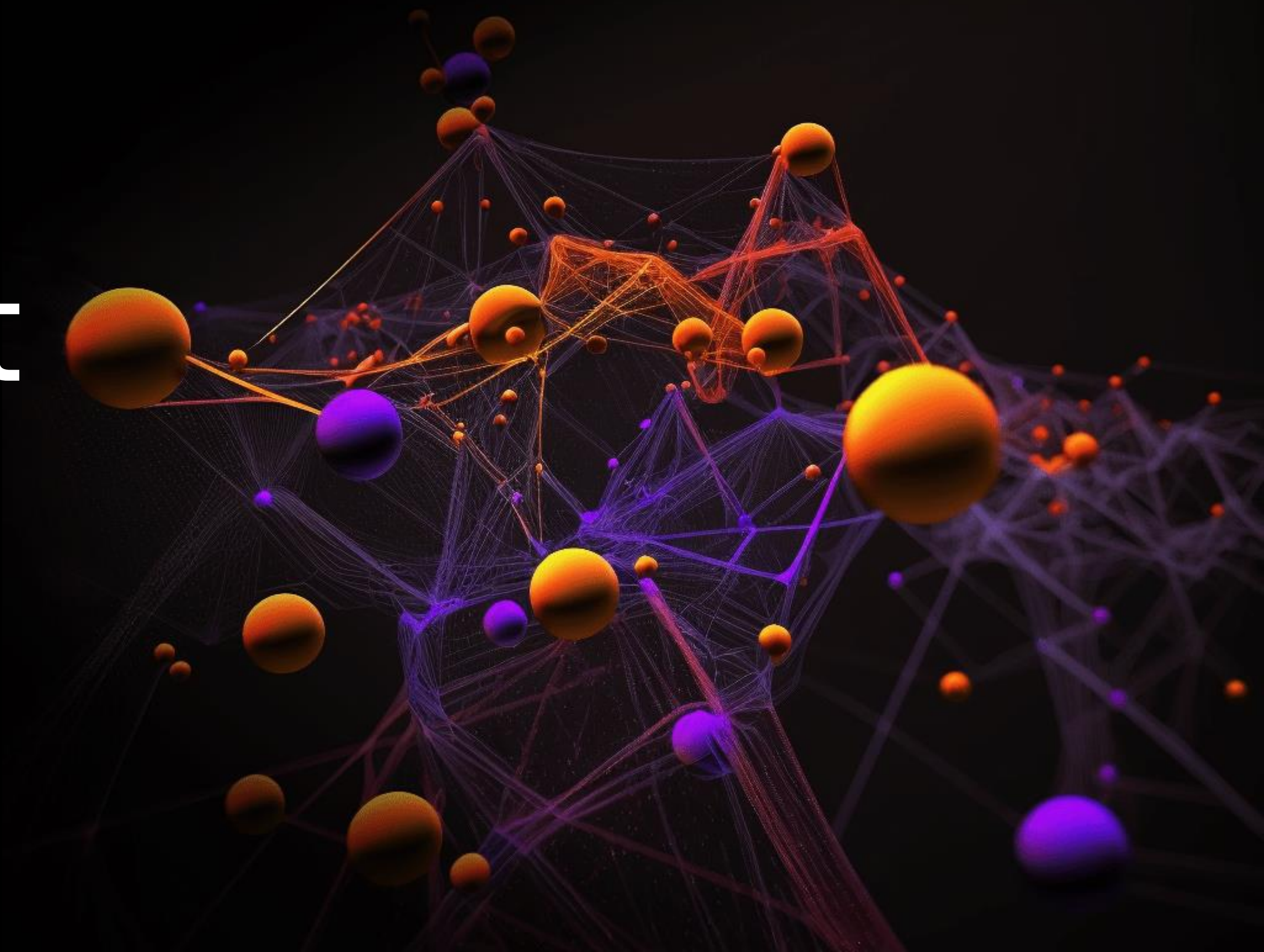
Churn Improves

Overall smartwatch churn has declined to 13 percent. There are some important nuances however: cellular-connected smartwatches have a churn rate of only 8 percent; Apple smartwatches are also below average at 11 percent.

Useful vs. practical

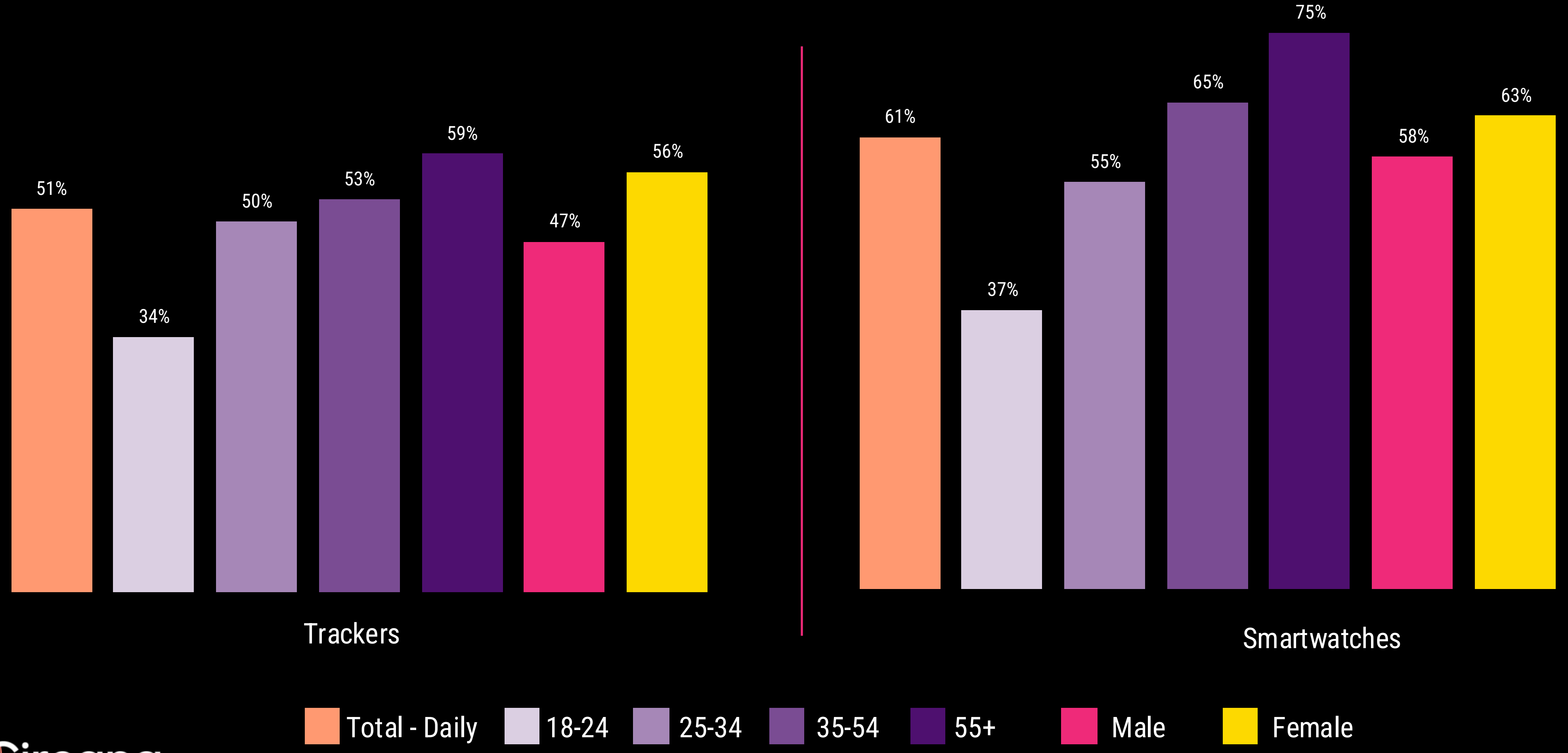
Weather, music and reminders are the most frequently used third party app categories for smartwatch users. Most app use remains health and fitness based and the OEMs need to work to get more apps added to their stores. In particular, third-party messaging apps, such as WhatsApp, Telegram and Teams are needed to drive use cases.

Engagement



Incidence of Daily Wearable Usage

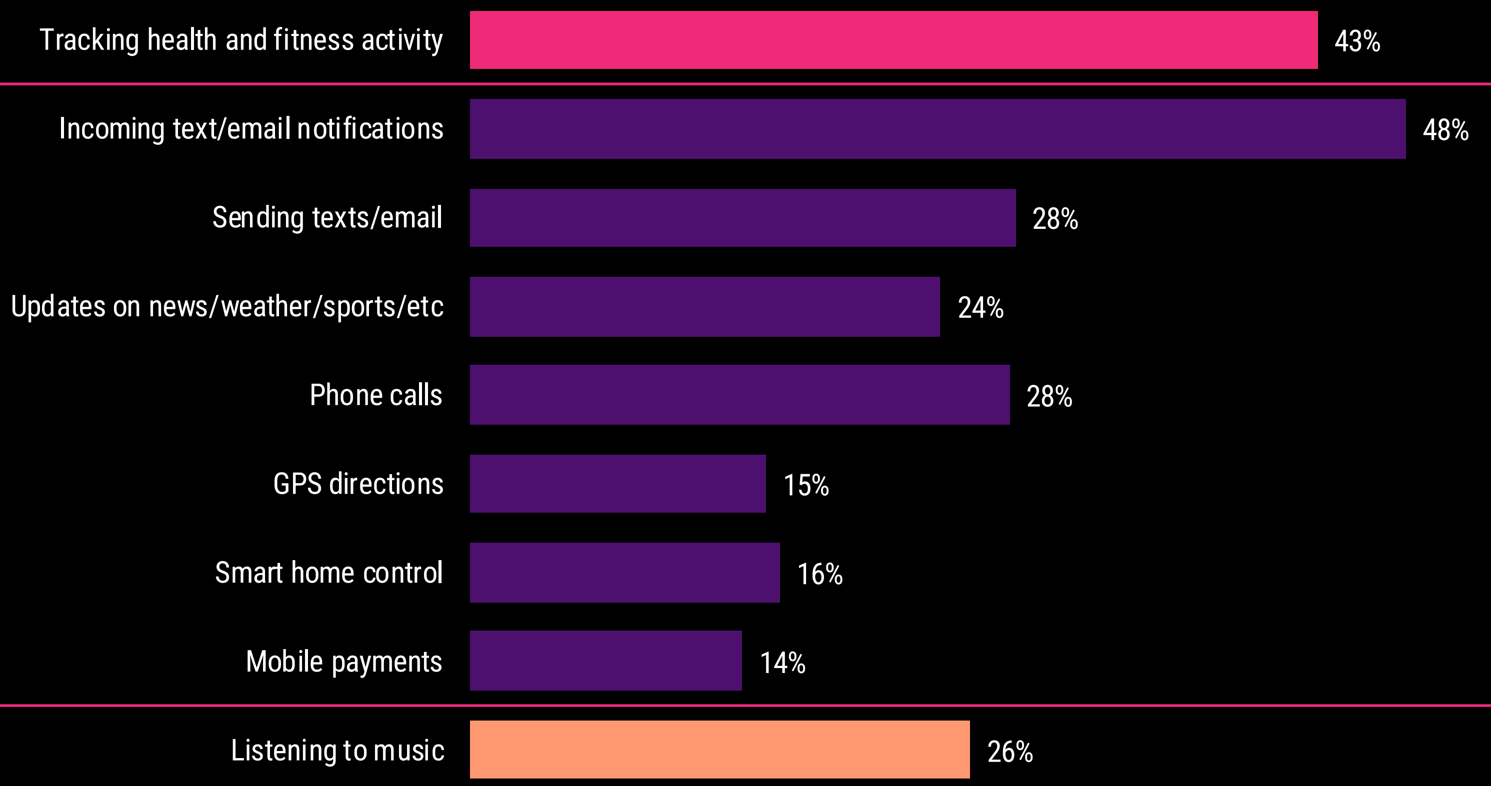
Engagement remains stronger for smartwatch users than for Activity Trackers, but both devices see slightly lower engagement than previously. This is a seasonal issue: we typically see lower engagement during the summer months.



Base: Own tracker/watch. N: 1157/1818

Activities Consumers Use Watch For Daily

Health and fitness engagement remains the same as the last wave of research (which is down 3% compared to 12 months ago)



Health & Fitness

Communication

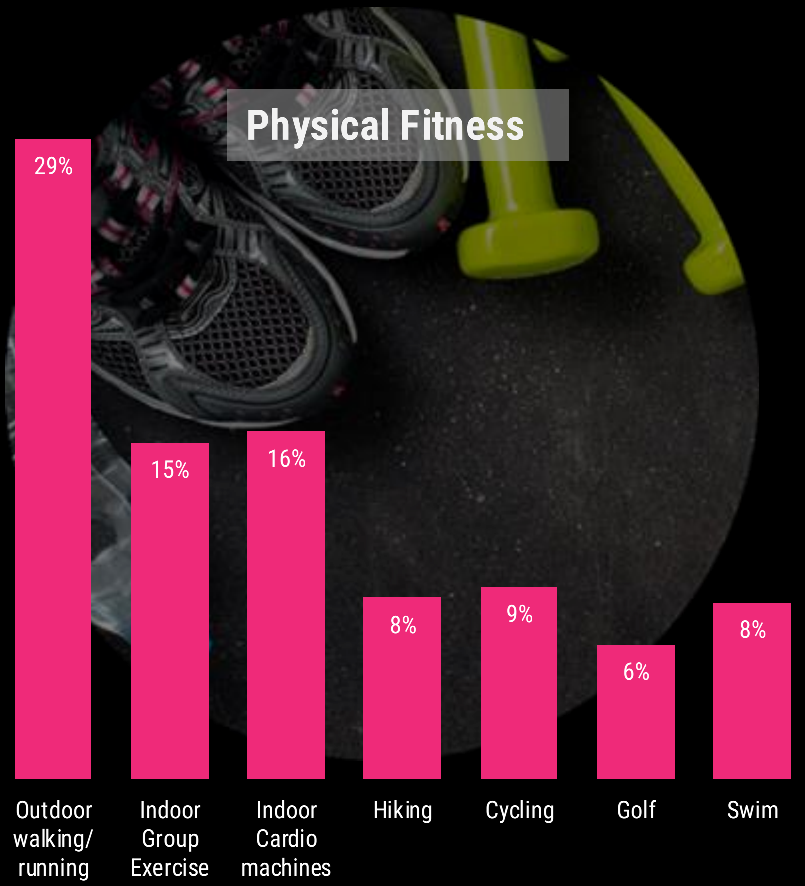
- Listening to music via the watch has increased. This is an opportunity for cellular connectivity for consumers looking to exercise while listening to music and thus being able to leave the phone behind.

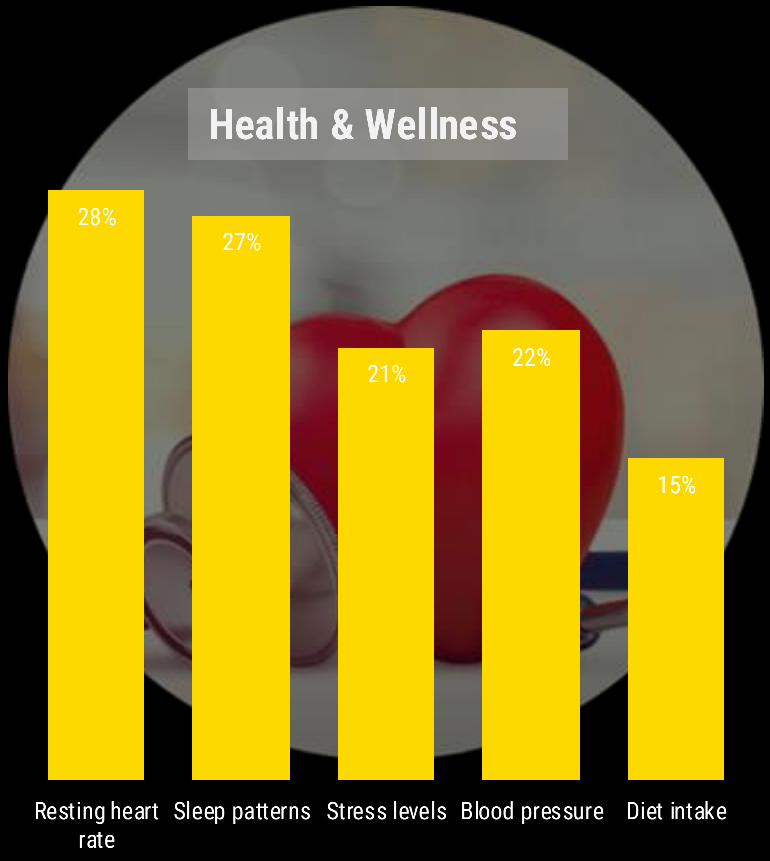
Entertainment

Base: Own watch. N: 1818

Health & Fitness Activities Used On Watch Daily

Outdoor activities bounced back during the summer months. Indoor group exercise also increased slightly, but this has to be b alanced against the drop in overall ownership (down 2%) so the usage increase is among more committed smartwatch wearers.





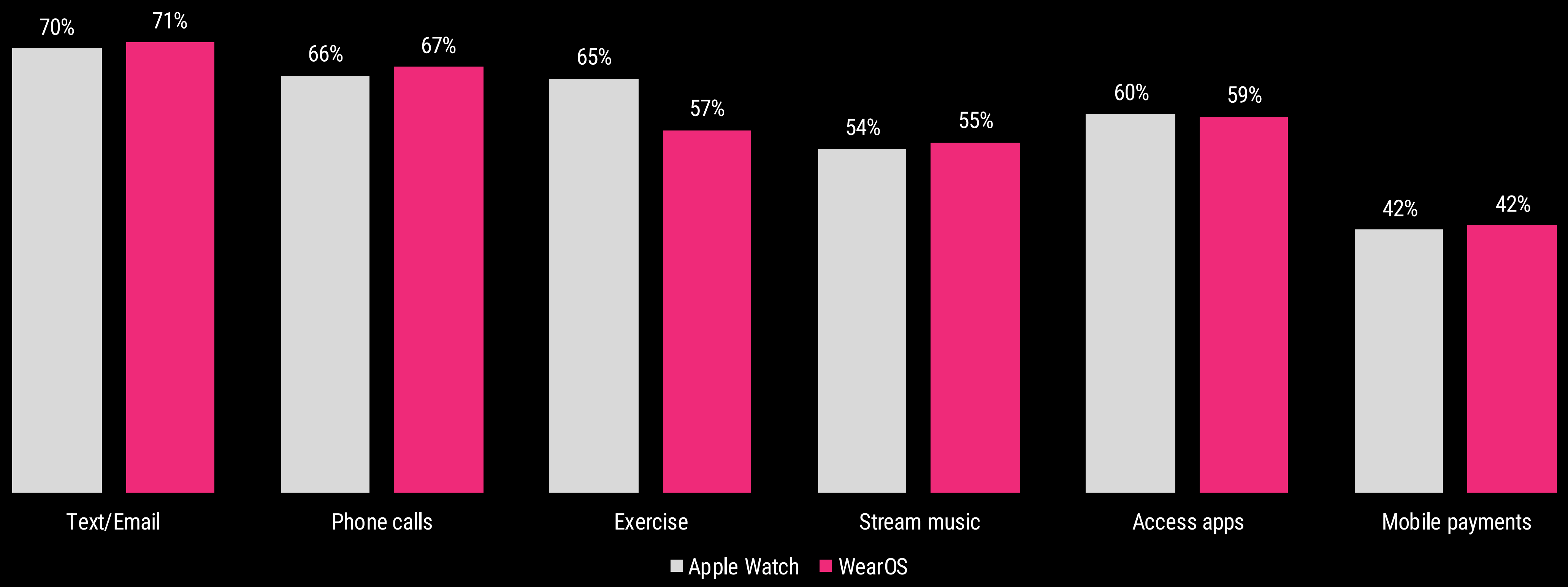
Circana.

Base: Own watch for tracking exercise. N: 1729

Cellular Connected Smartwatch Activities

There is very little variance now between cellular-connected Apple and Wear OS devices, except for exercise. Wear OS consumers are less likely to use the watch for tracking exercise, putting more pressure on those de ices to focus on productivity.

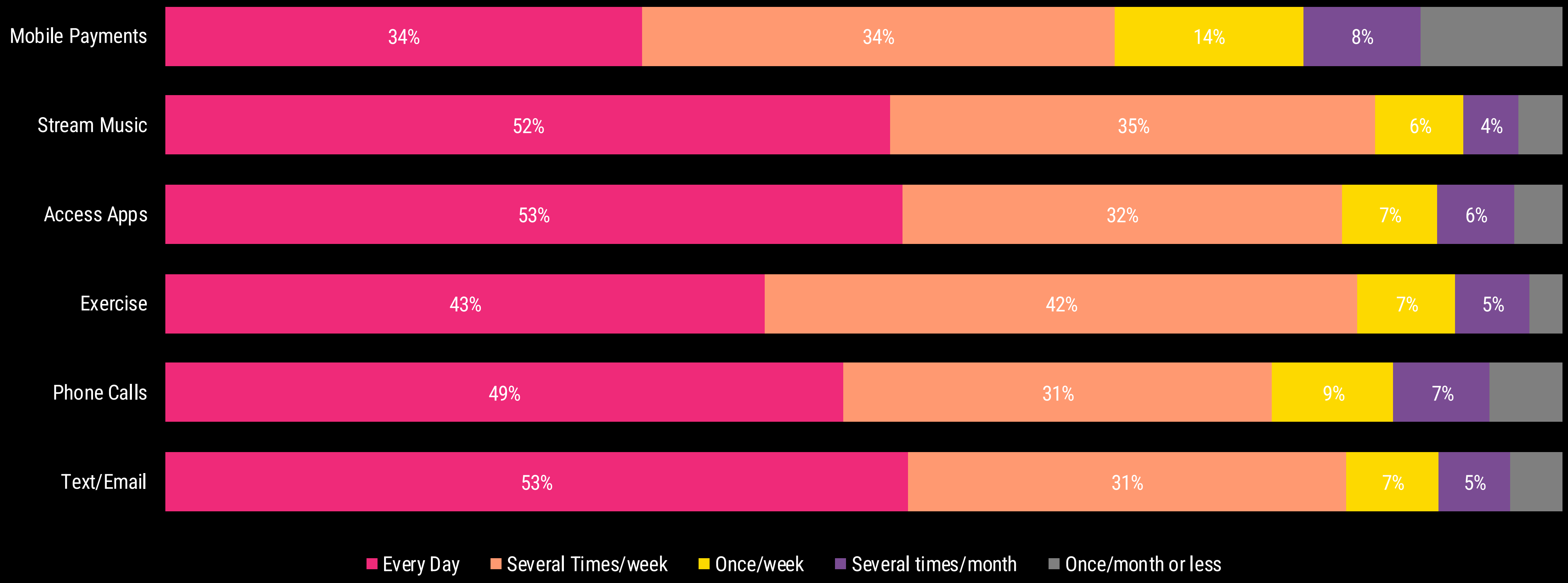
"Which of the following activities have you done without carrying your smartphone?"



Base: Own active cellular-connected watch. N: 722

Cellular Connected Use Frequency

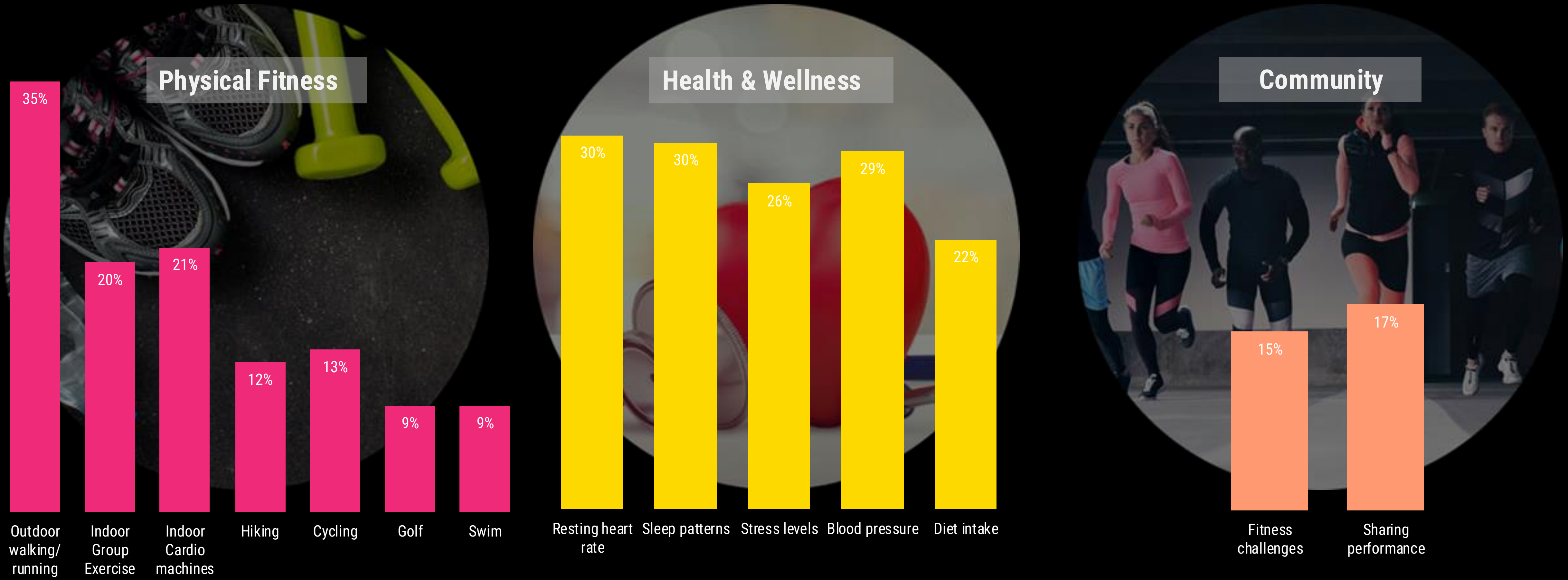
Daily use of almost every category has increased slightly since the last wave. Mobile payment use has dropped a little but still shows strong use when you look at daily + several times a week.



Base: Use Smartwatch without smartphone with you. N: 522

Health & Fitness on Cellular Connected Watch

Owners with an active cellular connection are more likely to track exercise and health and wellness categories. The ability to exercise without carrying a smartphone is clearly appealing and is a core reason to buy a cellular-connected smartwatch.



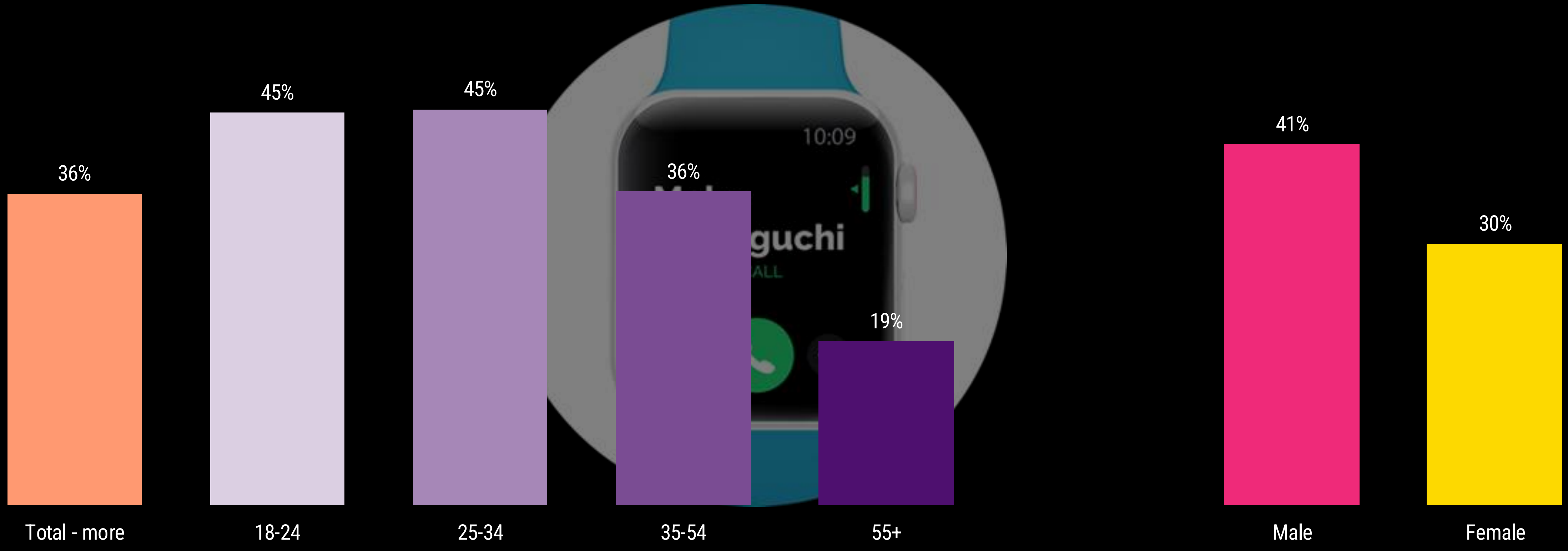
Circana.

Base: Own cellular watch and exercise activity daily. N: 738

Incidence of Increasing Smartwatch Use Over Time

The 35-54 age segment is showing increased use again, bouncing back to similar numbers to a year ago. Six months ago we say a dip (only 24% using the device more) which we suspected was a seasonal issue due to the colder weather limiting exercise motivations.

"Compared to when you first acquired your watch, are you using it more, less or about the same?" [More use]



Base: Own smartwatch. N: 1818

Device Churn

Using Smartwatch Less Over Time

The greatest reason for smartwatch abandonment is that it is easier to do the same task on the smartphone (16%) the poor battery life (14%) followed closely by the smartwatch breaking, which suggests cheaper products.

Easier to use smartphone

Battery Life

Did not help me enough

Too dependent on having smartphone nearby

Stopped Exercising

Fitness tracking did not work well

Stopped paying monthly cellular fee to carrier

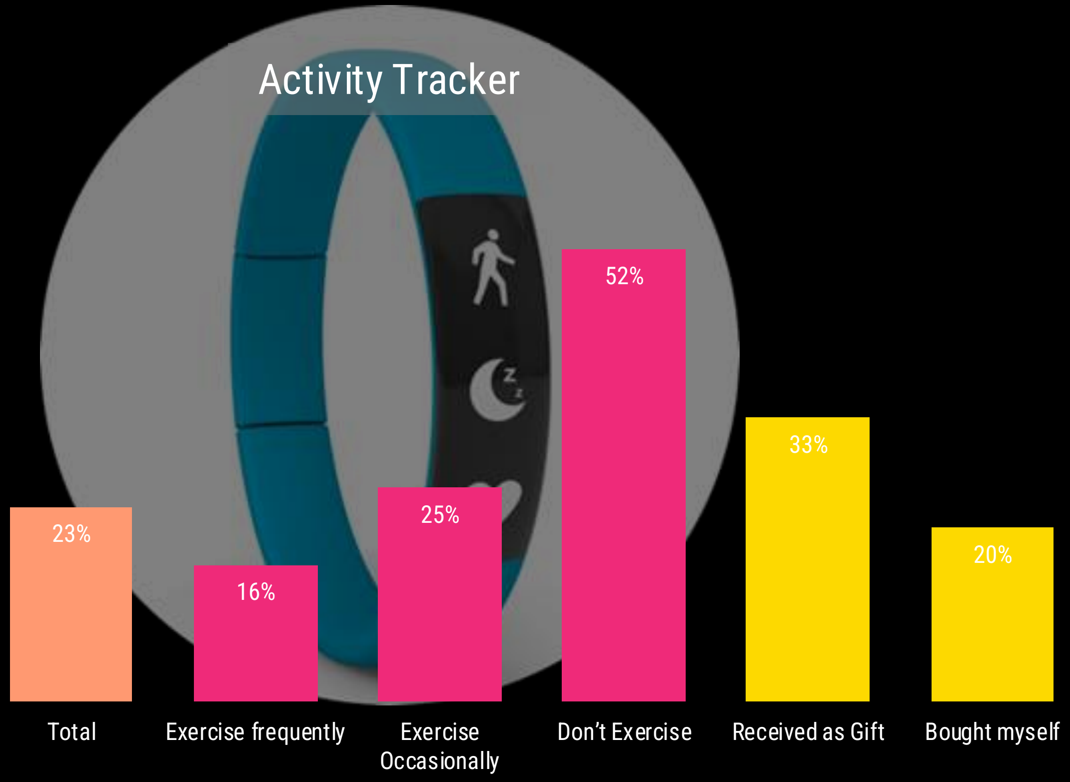
Circana.

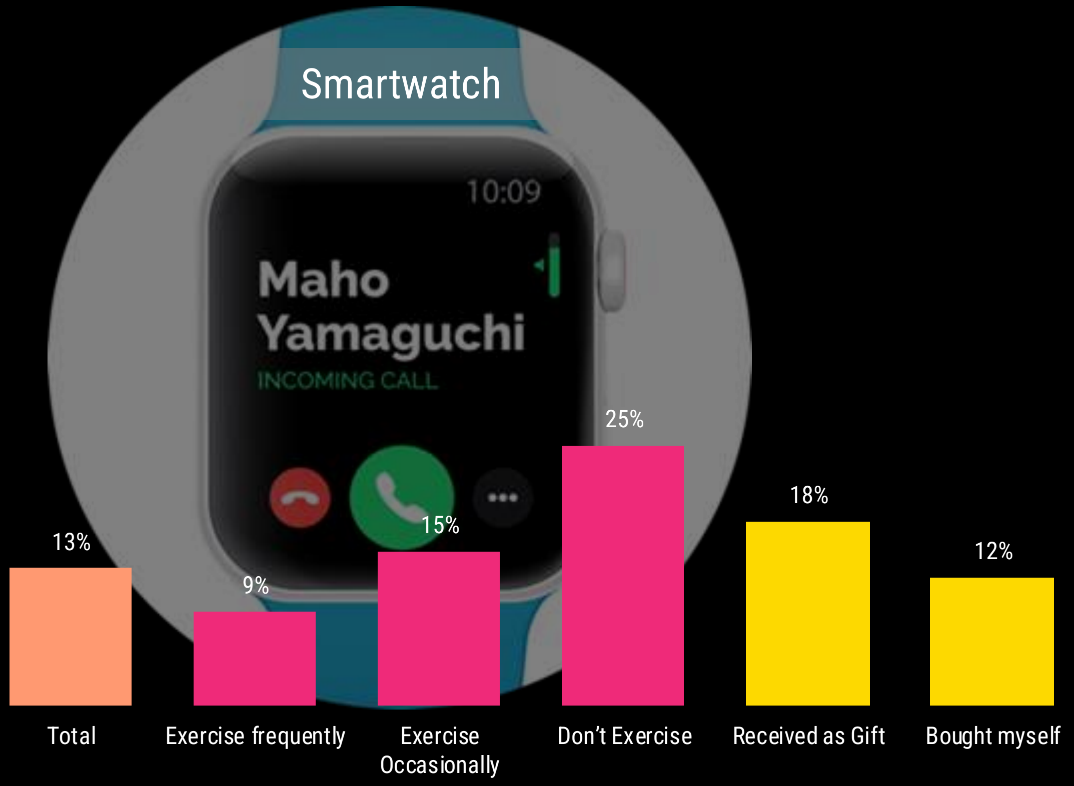
Base: Use smartwatch less (n: 282)

Wearables Churn by Exercise Frequency and Gifting

Activity Tracker churn has decreased after a period of increased churn prior to this. Customers still using a Tracker appear to be pretty happy with them. Gifting (for both trackers and watches) drives significantly elevated churn.

"Have you used your activity tracker or smartwatch within the past six months?" (No)



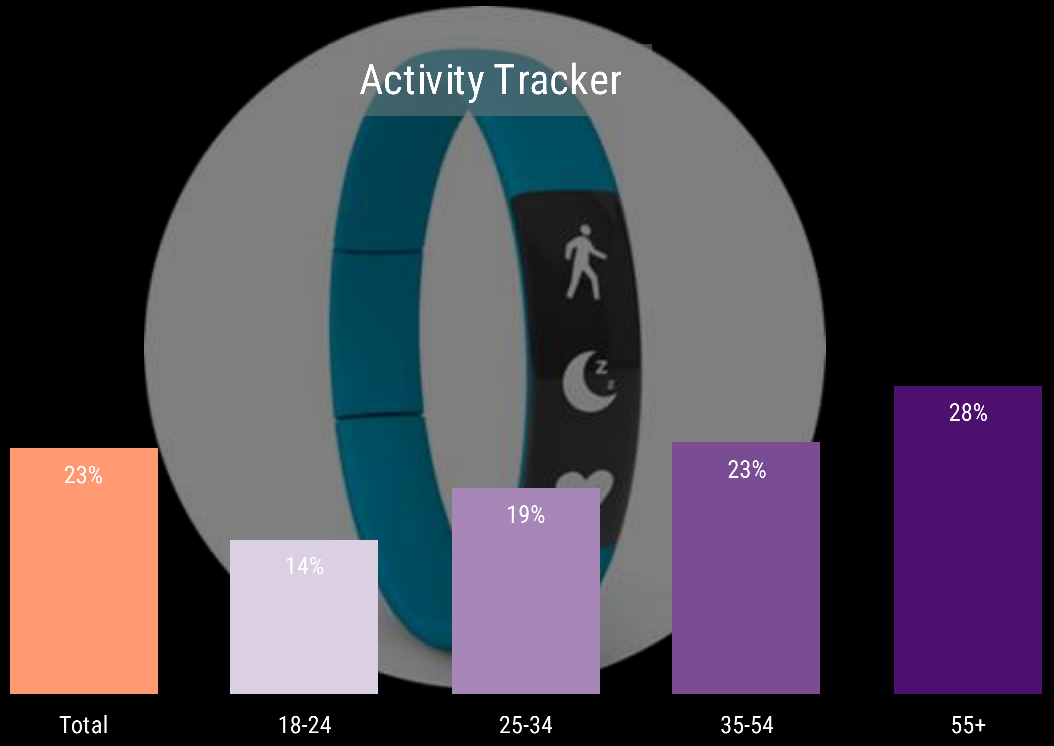


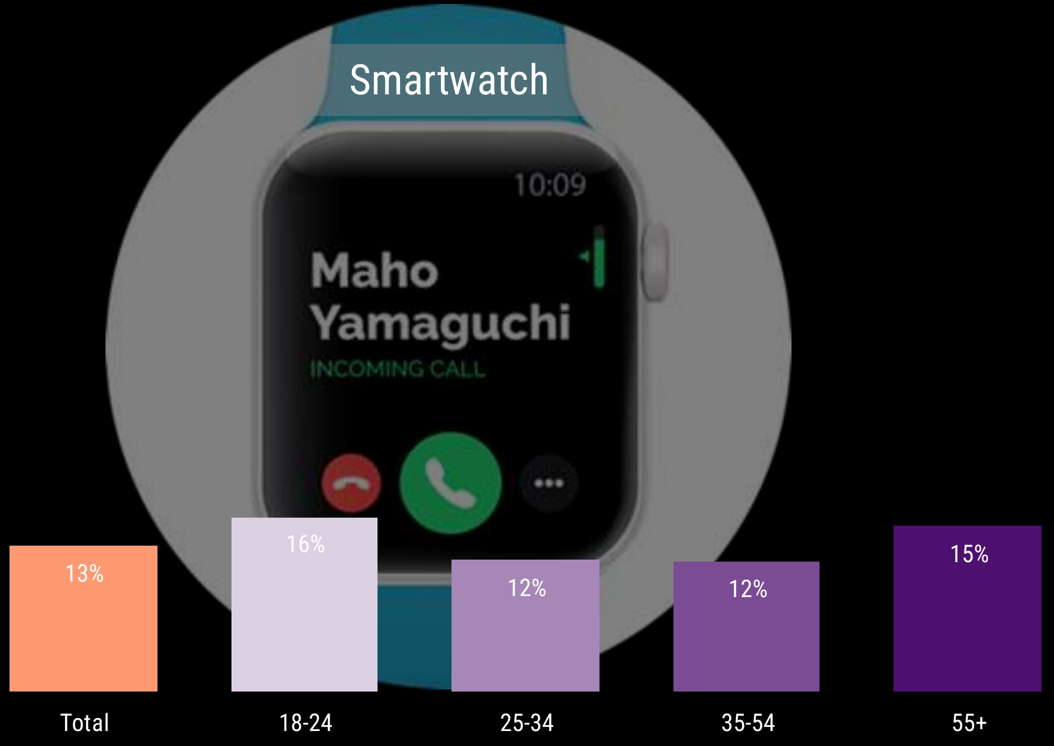
Base: Own tracker or smartwatch. N: 1689/2393

Wearables Churn by Age Range

Smartwatch churn has dropped slightly - particularly in the 25-34 age group (down 3%) and overall smartwatch churn is far better than activity trackers. The key will be if smart rings pull consumers away from smartwatches over time, or if they complement the category.

“Have you used your activity tracker or smartwatch within the past six months?” (No)



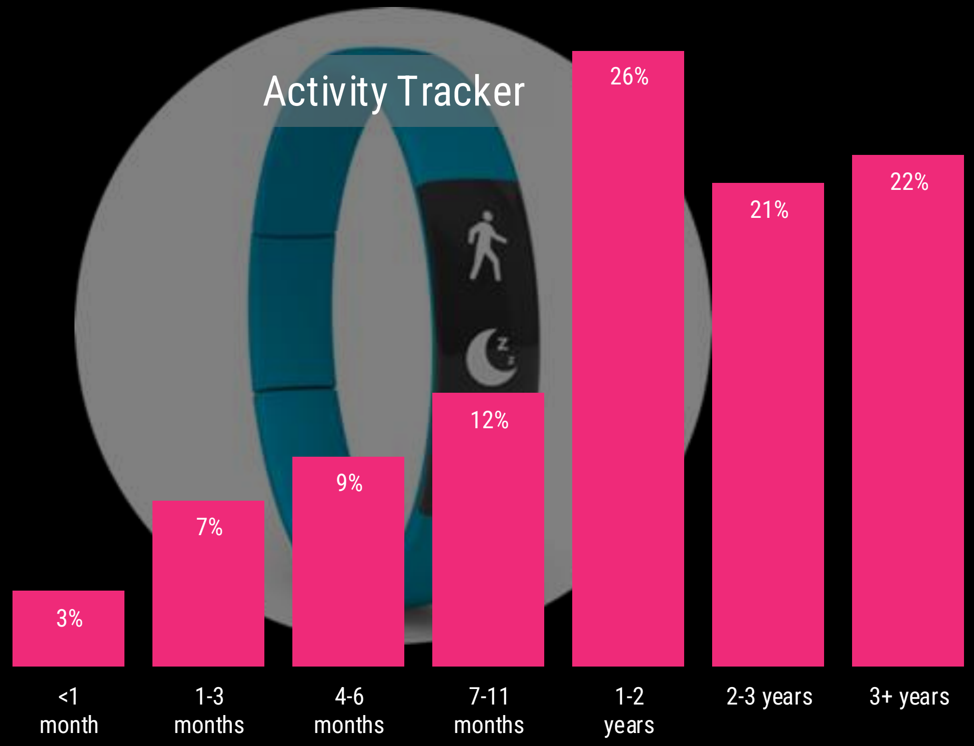


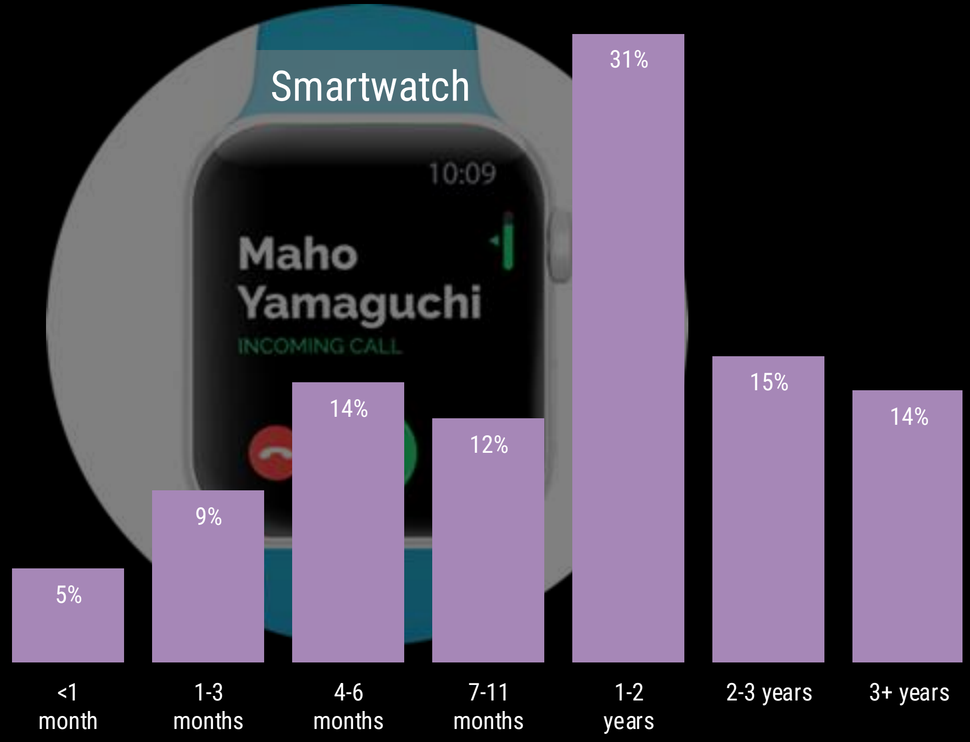
Base: Own tracker or smartwatch. N: 1689/2393

Average Length of Ownership Before Churning

The highest risk for smartwatch churn/abandonment is in the 1-2 year period. To be clear, these are not consumers upgrading, but rather dropping the category.

"How long did you own your device before stopping using?"

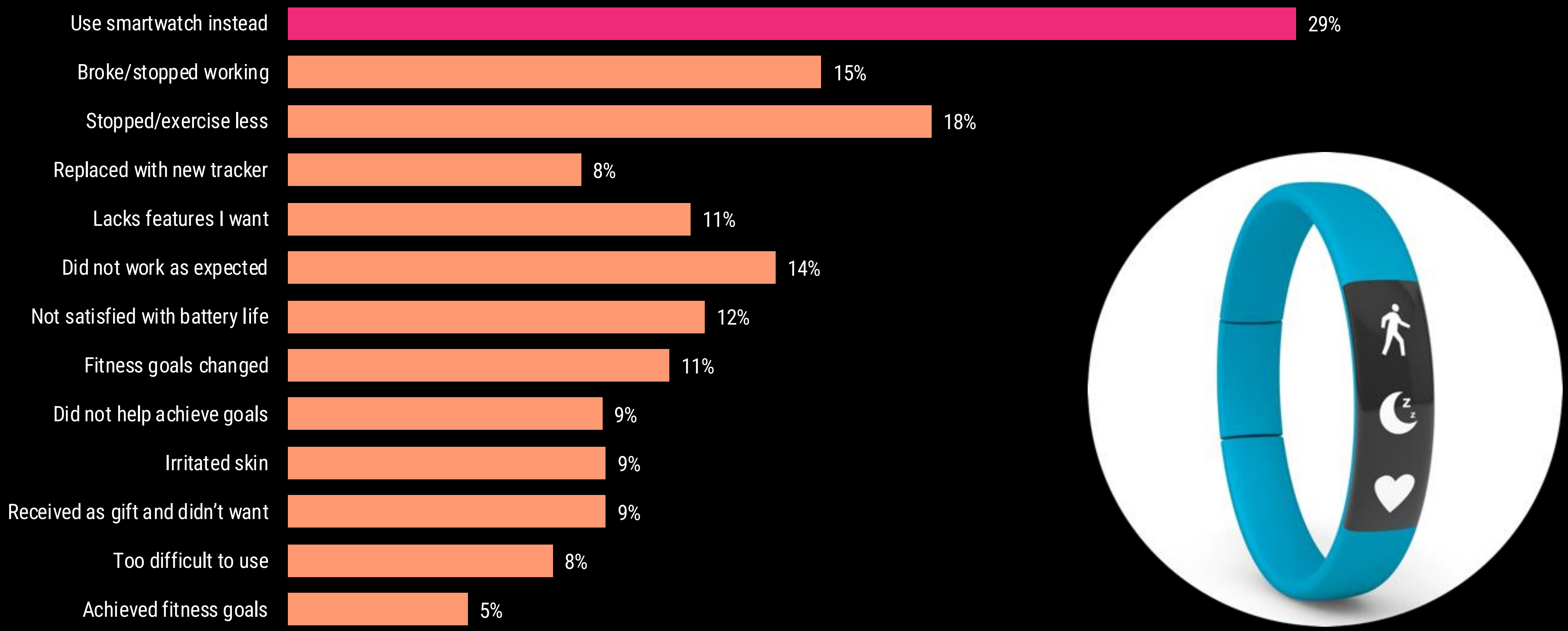




Base: Own tracker or smartwatch and not used. N: 380/318

Reasons Consumers Stop Using Activity Tracker

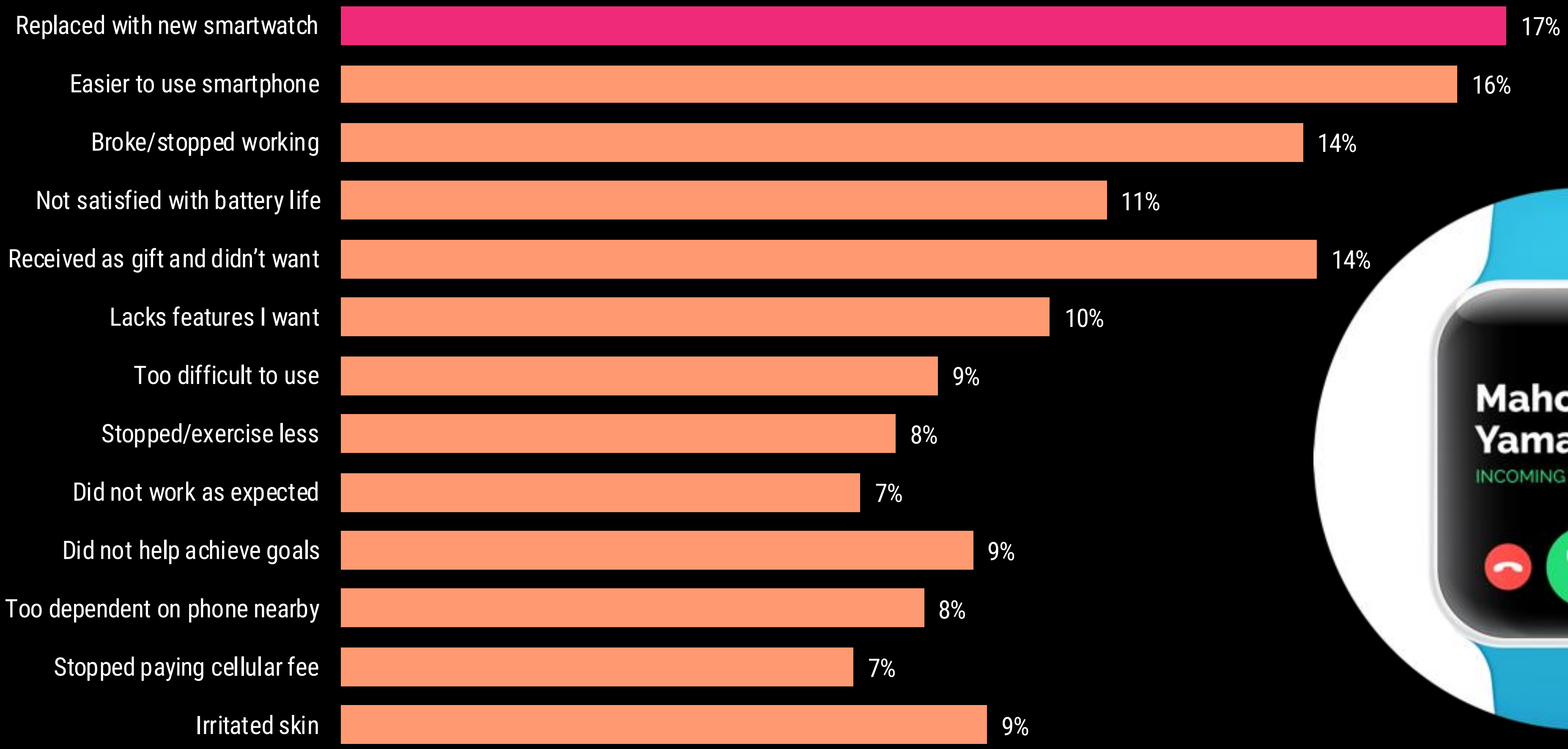
The greatest churn reason remains the migration to a smartwatch, which has increased from 24% to 29%. Stopping exercising is the second highest reason.



Base: Have not used tracker in six months. N: 340

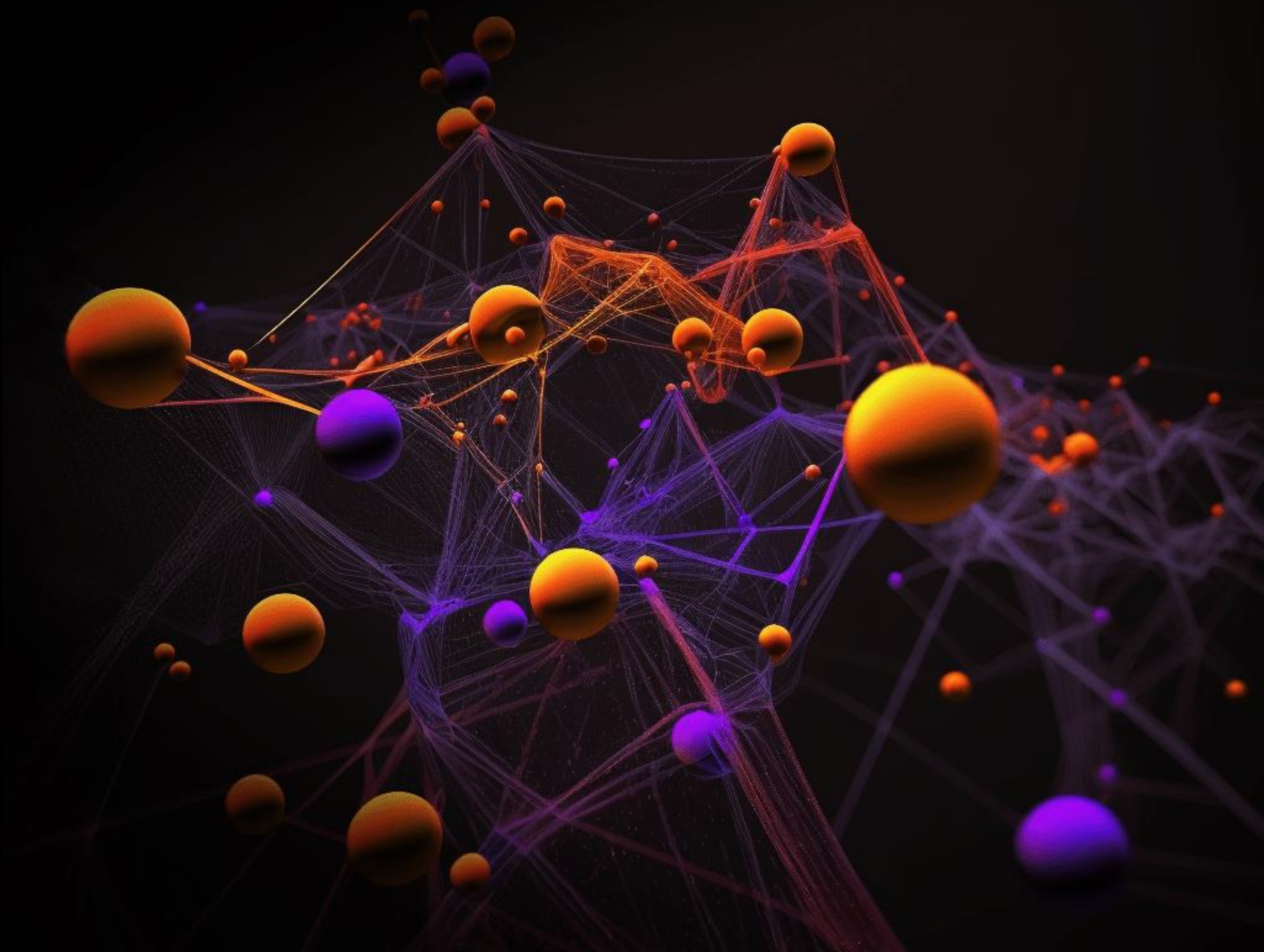
Reasons Consumers Stop Using Smartwatch

Only 17% of smartwatch owners who stopped using a smartwatch did so because they upgraded. The key challenge for smartwatches is creating a unique proposition rather than just replicating the smartphone.



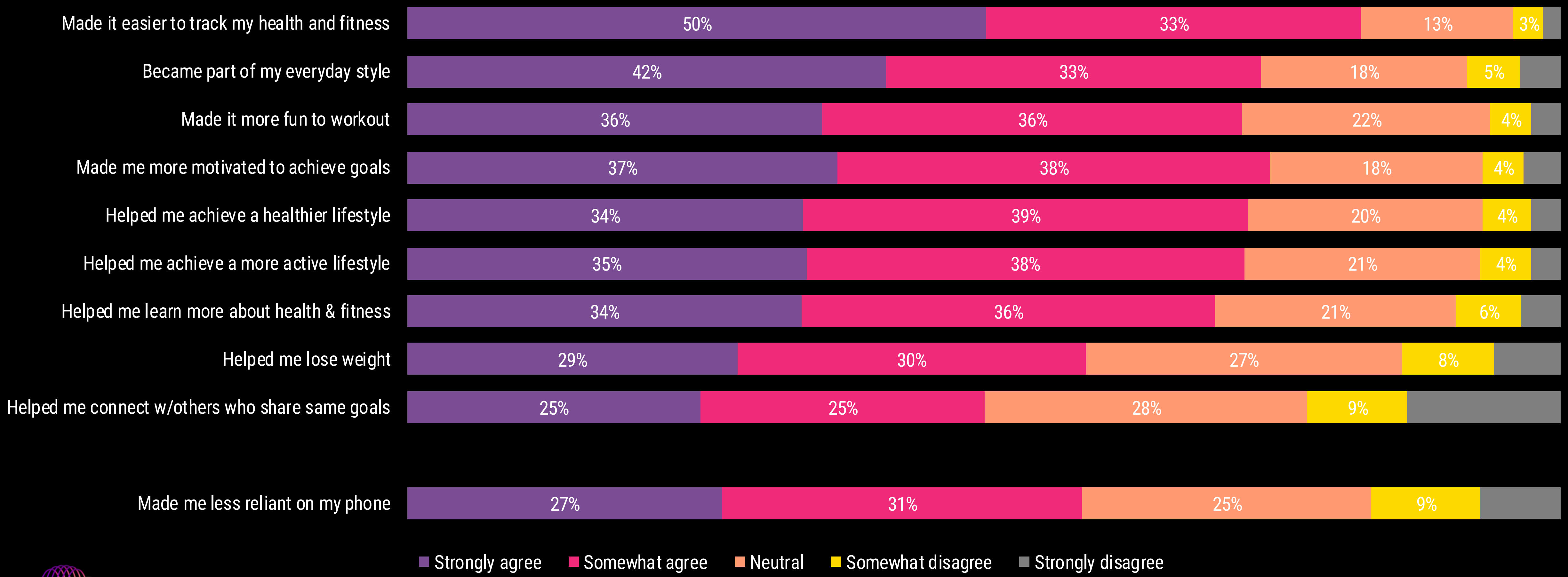
Base: Have not used smartwatch in six months. N: 282

Satisfaction



Smartwatch Satisfaction Levels

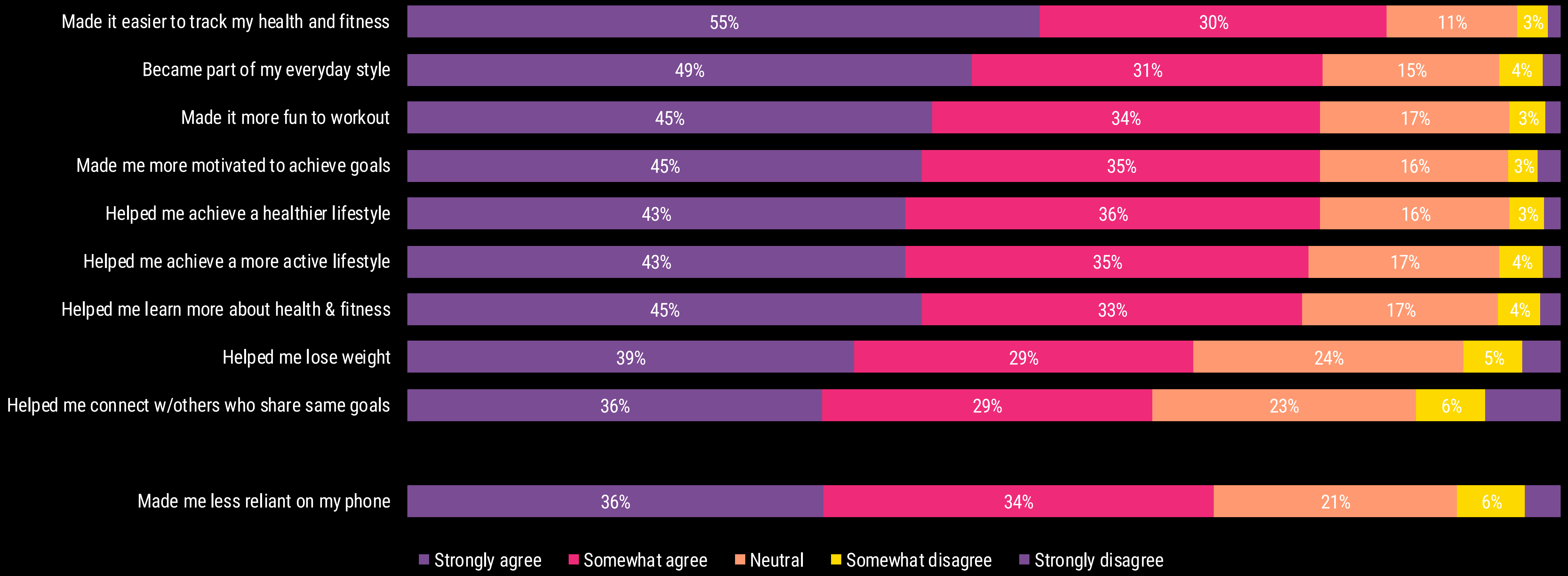
Ironically, while the in the previous slide we saw that consumers churned because it was easier to do the same tasks on the s martphone, 26% of active watch wearers strongly agree that the watch makes them less reliant on the phone



Base: Use smartwatch for tracking health/fitness. N: 1729

Cellular Smartwatch Satisfaction Levels

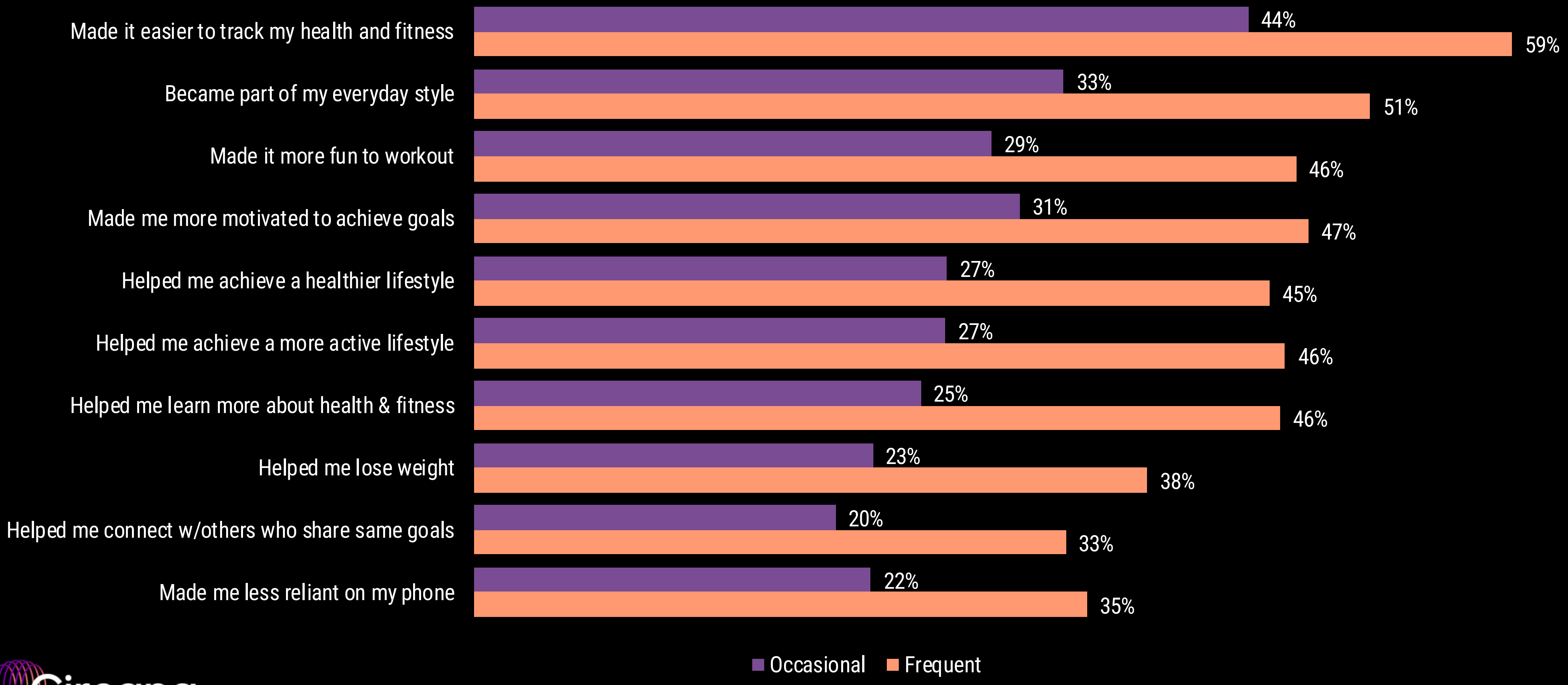
Top Box satisfaction levels are higher for cellular (and active) versions of smartwatches compared to smartwatches overall. And being less reliant on the phone (strongly or somewhat agree) is up to 70%, matching the previous report



Base: Use cellular-connected smartwatch. N: 738

Smartwatch Exercise Top Box Satisfaction

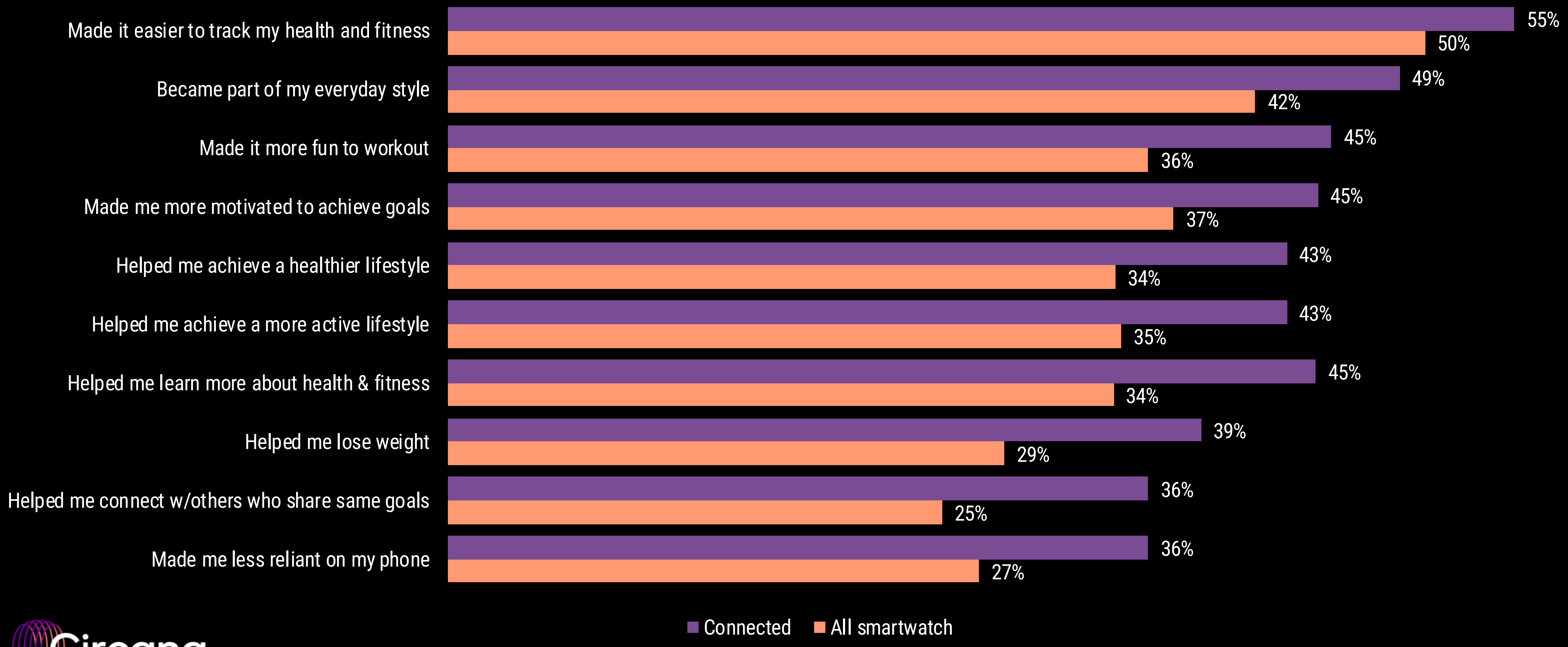
Satisfaction among both frequent and occasional exercisers have remained roughly the same as six months ago. It is notable that "less reliant on my smartphone" is low with occasional exercisers, suggesting that outside of exercise the smartwatch use case remains somewhat limited.



Base: Use smartwatch. Strongly agree responses. N: 1559

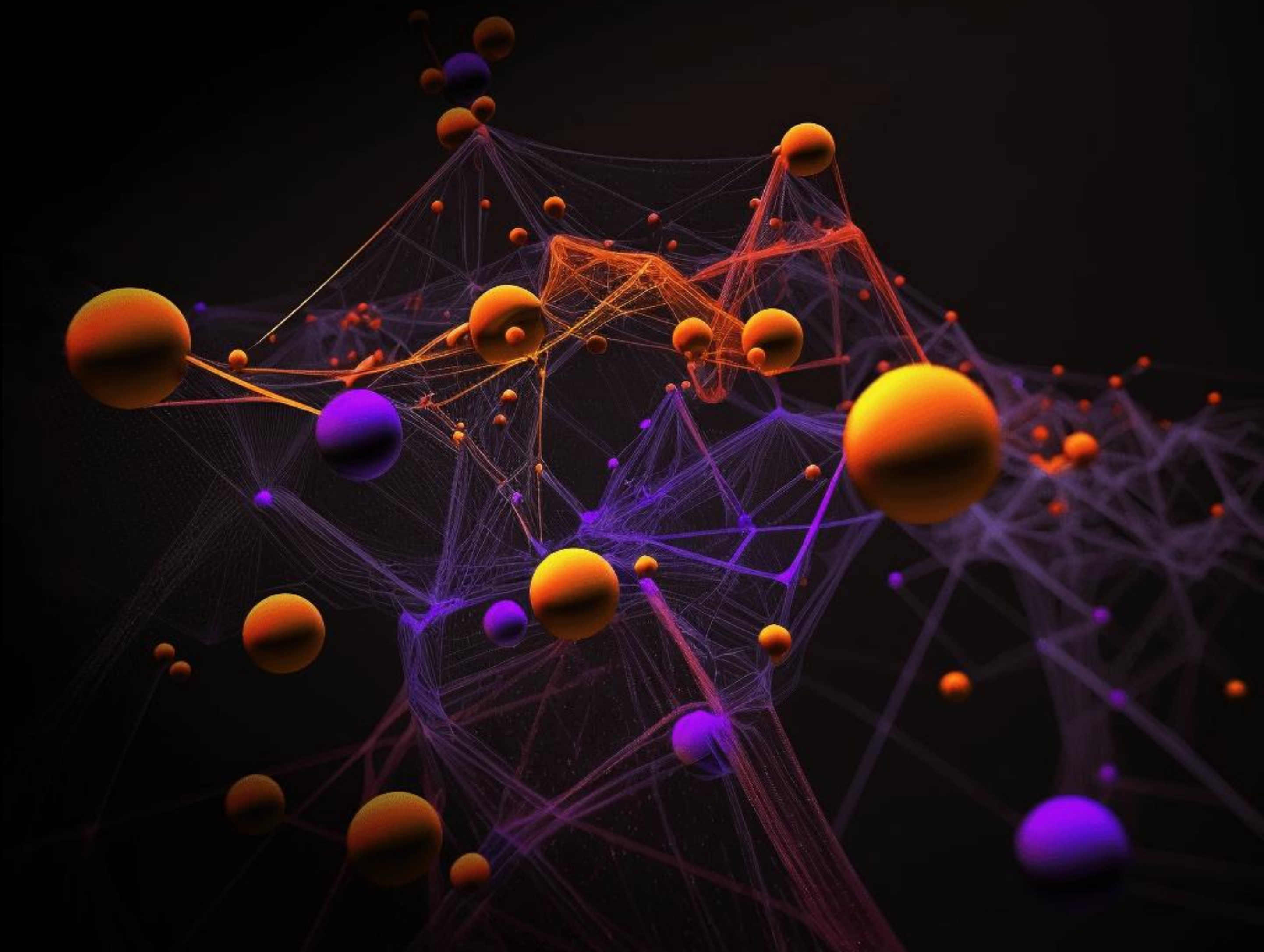
Smartwatch Exercise/Cellular Top Box Satisfaction

Consumers with active cellular connections are clearly more satisfied when it comes to exercise activities. That should drive lower connection churn for the carriers.



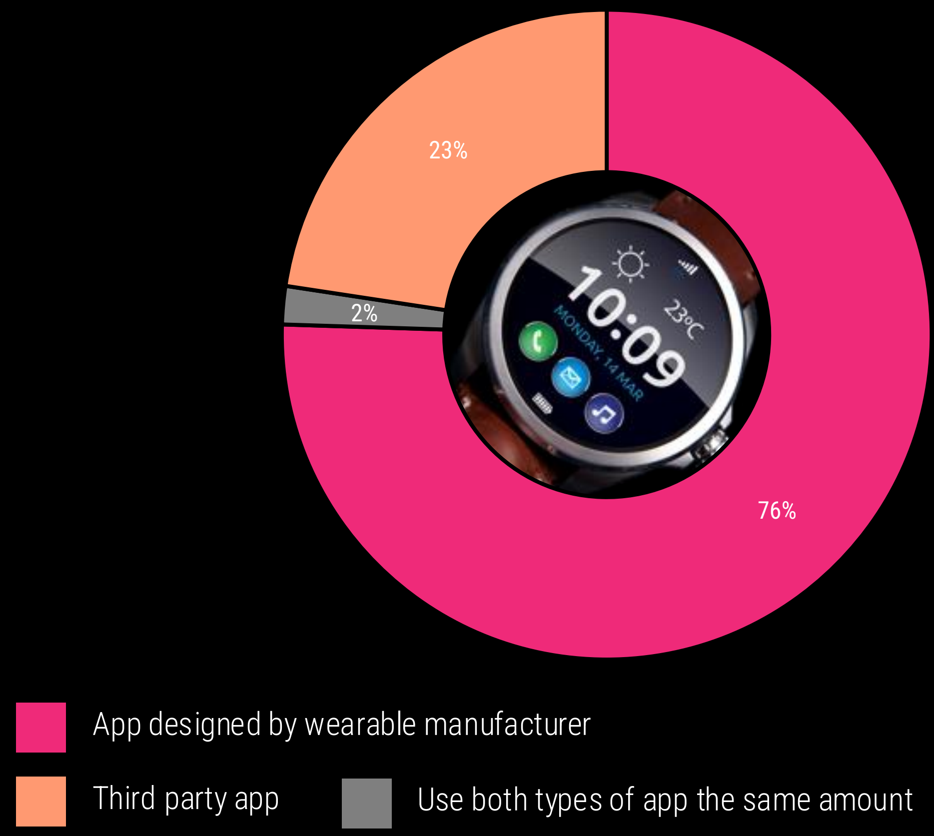
Base: Use smartwatch. Strongly agree responses. N: 2467

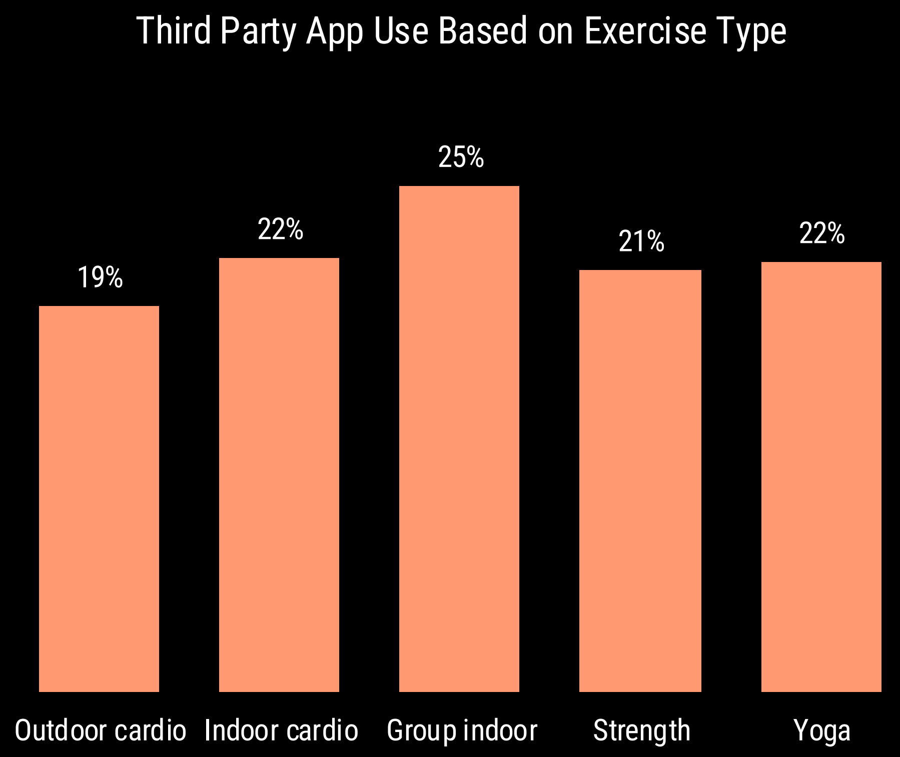
App Usage



Type of Fitness App Used Most on Smartwatch

Smartwatch wearers are becoming less reliant on third party apps as the OEMs continue to improve the features and functionality of their own apps. All of the third-party apps, based on exercise type, have seen a reduced use case over the past year.



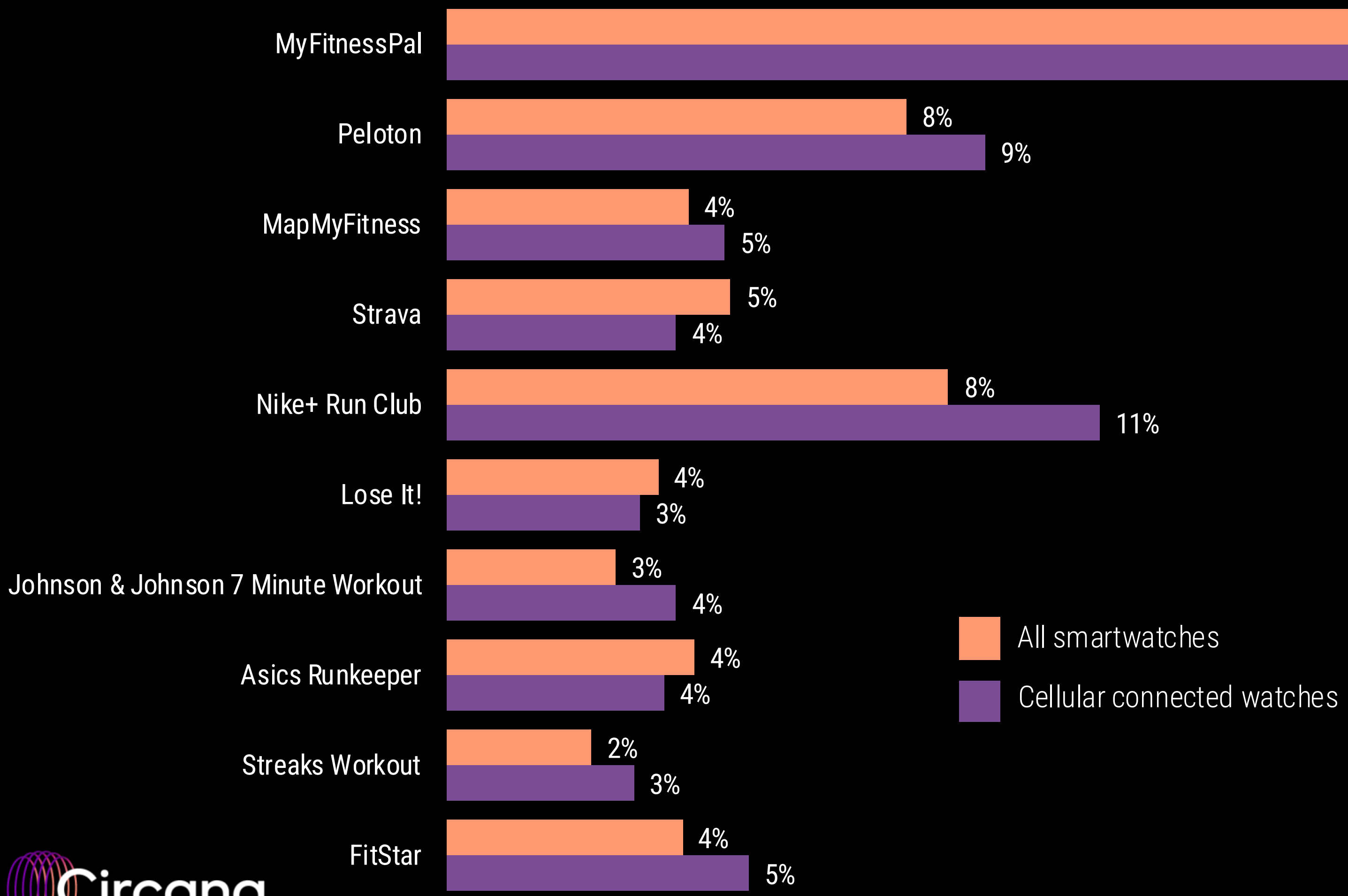


Circana.

Base: Use smartwatch for tracking physical activity. N: 1375

Third Party Fitness App Used Most Often

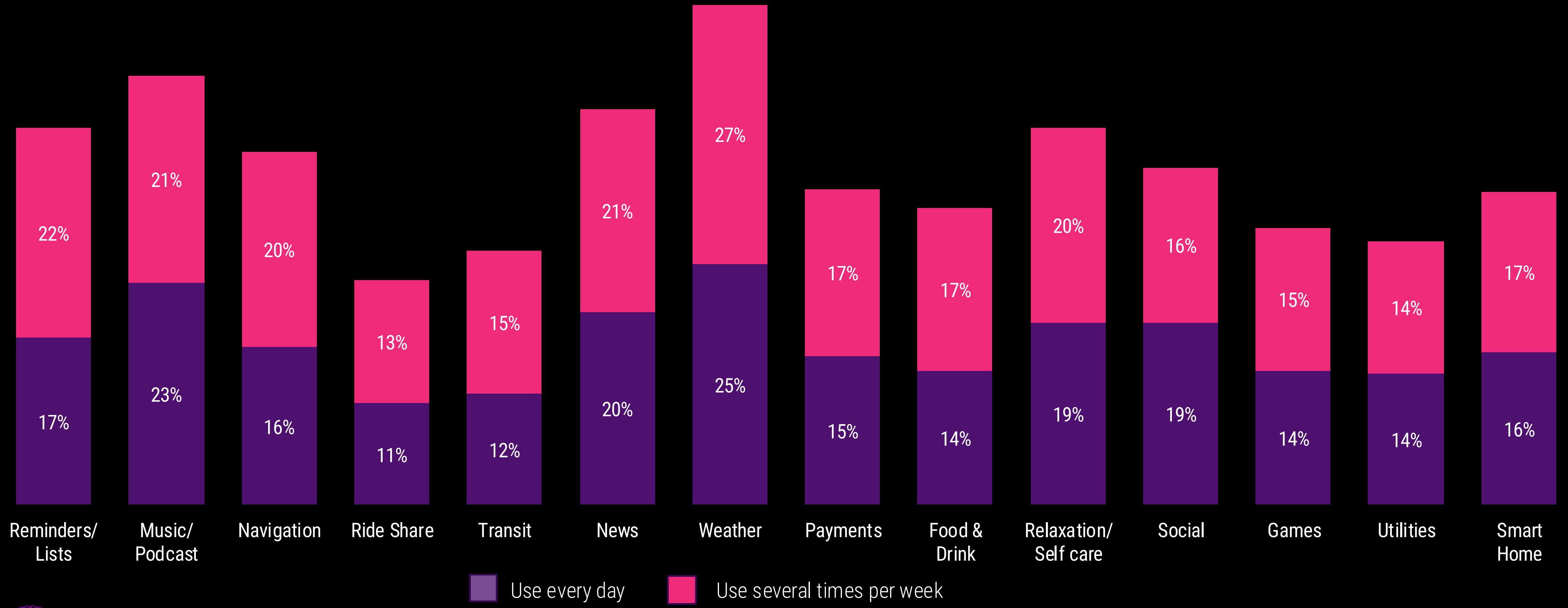
MyFitnessPal's significant lead demonstrates a gap in smartwatch app strategies: to track calorie intake. Running is a popular driver for connected smartwatches and Nike is benefiting from that.



Base: Use third party apps to track health and fitness not designed by manufacturer of smartwatch. N: 586

Third Party Apps Beyond Fitness Are Important

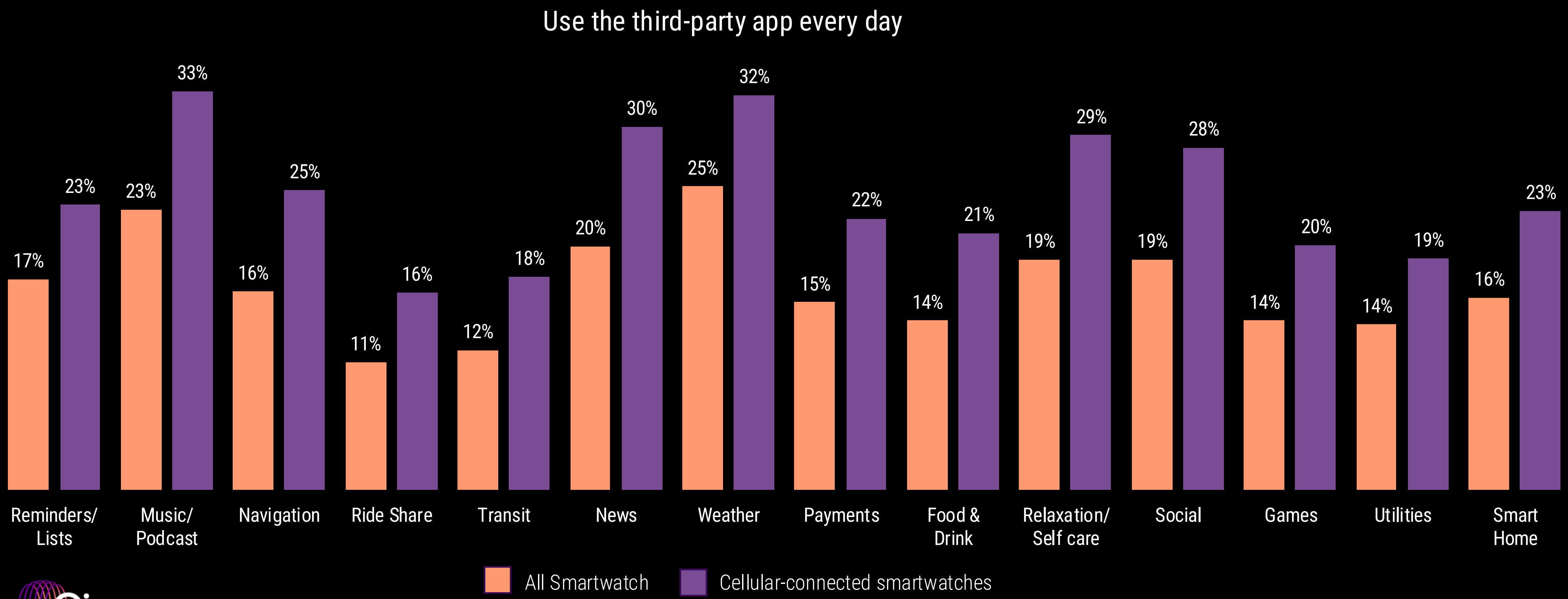
Use of third-party (non-health focused) apps is of increasing importance and this is key: as we look to grow beyond the current fitness-focused base, more functionality (particularly glanceable information) is fundamental to ongoing use of the watch.



Base: Use third party apps. N: 1818

Third Party Apps on Cellular Connected Watches

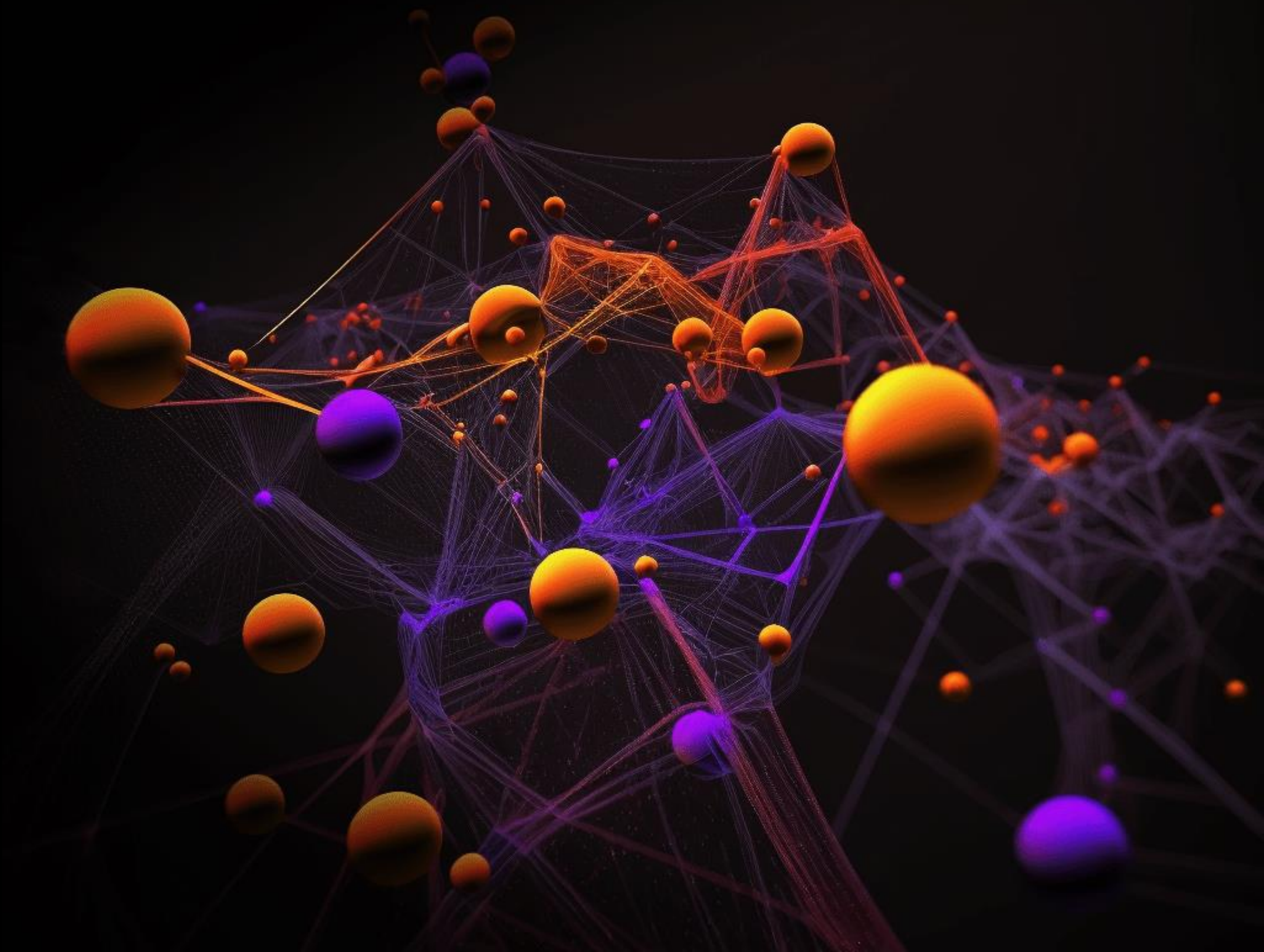
Cellular-active smartwatches drive significantly increased third-party app use. It highlights the benefits of connected watches beyond fitness use cases which is key to long-term engagement and potential fluctuations in exercise regimes that can lead to churn.



Circana.

Base: Use third party apps. N: 1818

Report Background



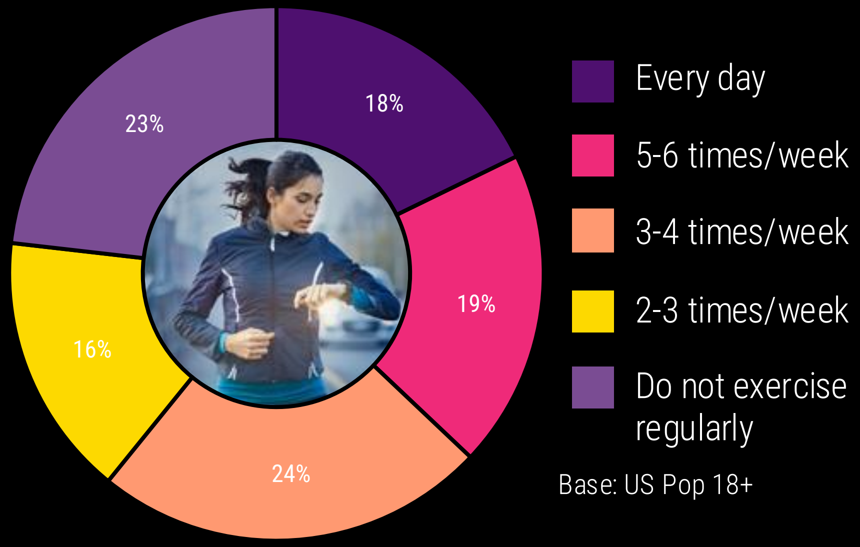
Definitions – Tracker Purchase Reasons

Fitness	Wellness
Primary reason to purchase a tracker is one of the following:	Primary reason to purchase a tracker is one of the following:
■ To track my fitness metrics while exercising	■ To achieve a healthier lifestyle
■ To make it more fun and enjoyable to exercise	■ To help recover from an injury, surgery, etc.
■ To participate in fitness/activity challenges with friends/family	■ My doctor or physician recommended I diet or exercise
■ To improve my athletic performance over time	

Definitions – Exercise Habits

Frequency	Type
How often respondents exercise per week: ■ Frequent: Every day or 5-6 times ■ Occasional: 1-4 times ■ Never: Does not exercise on a regular basis	Type of exercise respondents regularly do: ■ Outdoor cardio: running, walking, cycling, etc. ■ Indoor cardio: elliptical machine, treadmill, rowing machine, etc. ■ Strength training: Weightlifting, strength training ■ Yoga/Pilates ■ Group indoor: aerobics, spinning, kickboxing, CrossFit, HIIT, etc.

“How often do you exercise?”



Base: US Pop 18+

“What kind of exercise do you do on regular basis?”

Base: Exercise Regularly: N: 3841

Circana.

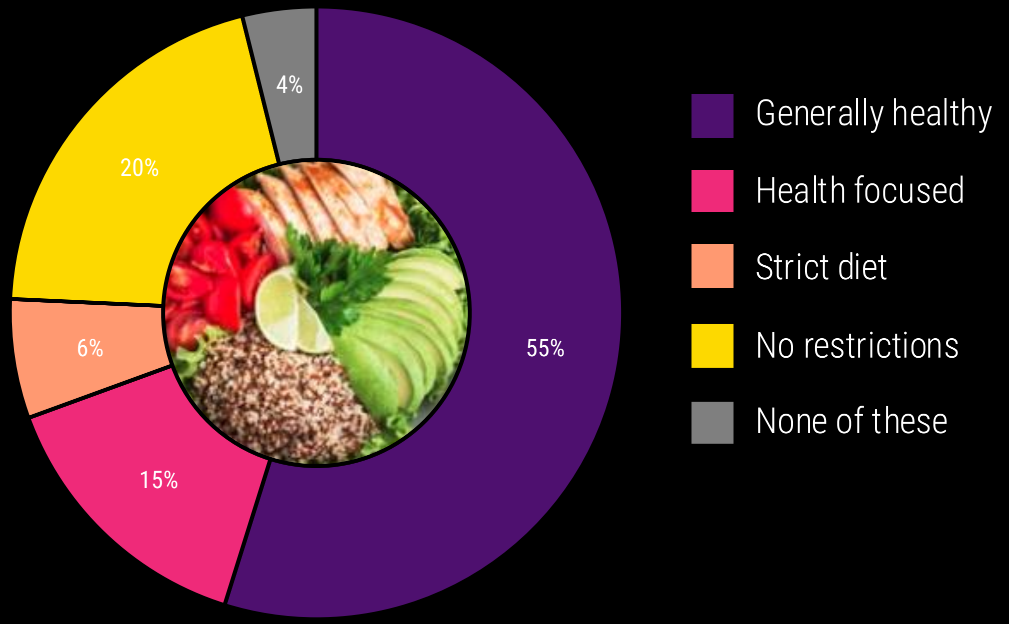
Definitions – Eating Habits

Type

Describe your eating habits

- Generally healthy: "I generally try to consume healthy foods, but am not overly concerned with tracking my dietary habits and like to enjoy a few splurge meals every week"
- Health focused: "I have a strong focus on consuming healthy ingredients and tracking micros (fat, protein, carbs)"
- Strict diet: "I follow a strict diet with limited calorie consumption to enable weight loss"
- No restrictions: "I do not monitor or restrict my diet at all"

"Which of the following best describers your eating habits?"



Base: US Consumers: N: 5000

About Connected Intelligence

Connected Intelligence, part of Circana LLC, is an advisory service providing a mix of qualitative and quantitative analysis. The result is an ongoing examination of the Connected Consumer and the environment they reside in. This includes analysis of the devices, broadband access and content services consumed, focusing on the adoption and consumer behavior with these devices and services (ownership and usage), as well as the emerging technology and services that will impact the market moving forward.

The Advisory Service covers five core areas through a series of interrelated ongoing reports:

- Broadband America
- Digital Distribution
- Home Automation
- Mobile
- Wearable Devices

This report draws data from the bi-annual Connected WEAR Survey, last fielded in August 2024 and reaching 5,000 U.S. consumers age 18 and older across a broad range of geographic regions and demographic profiles. These consumers include both owners and non-owners of fitness activity trackers and smart watches.

Connected Intelligence leverages multiple data sources to provide a complete picture of the Connected Consumer, including point-of-sale data, consumer panel data, mystery shopping and on-device metering. By combining information gleaned from these sources with deep analytical experience within the Connected Intelligence team, we can provide a deeper – and broader – understanding of the competitive landscape to our clients.