Date: July 23rd

Time: 2 pm EST

Total Chat Participants: 40

Total Duration: 1 hour

2:00 BusinessCompute: Welcome, Michigan!

2:01 BusinessCompute: Good morning or good afternoon, depending on where you are, and welcome to our live chat. I'm Peter Krass, editor of the Business Compute Forum, and I'll be your moderator today.

2:01 BusinessCompute: Today we will be chatting about wearables. More specifically, the wearables market -- and the opportunity for the channel.

2:01 BusinessCompute: For this chat, our guest is Daniel Matte, wearables analyst at market watchers Canalys.

2:01 daniel_matte-1: Hi, everyone. Thanks for having me.

2:02 BusinessCompute: To start, Daniel will answer a few questions from me. Then, after about 10 - 15 minutes of our semi-formal interview, he will be happy to take your questions.

2:02 BusinessCompute: But first, any questions about the chat format, logging in, or anything else?

2:03 BusinessCompute: OK, then let's get started. Again, please hold your questions for Daniel Matte of Canalys until we get to the Q&A portion of the chat. I'll let you know when we're there.

2:03 BusinessCompute: Daniel: Let's start by defining our terms. What's included in your definition of "wearable" tech?

2:04 daniel_matte-1: We define wearable devices as those designed to be worn on the body and not carried. We also distinguish between basic wearables, which cannot run third party apps natively, and smart wearables..

2:04 daniel_matte-1: which are capable of running third party apps. From there we segment wearable devices into categories such as bands, eyewear, connected clothing, etc.

2:05 BusinessCompute: OK, thanks. How big do you think the overall market is? And how do you segment that, whether by region, technology, or some other measure?

2:05 daniel_matte-1: It's a bit challenging to size the entire wearables market. Do you include GPS watches? Bluetooth headsets? We try to narrowly focus on the most important segments that we think best represent...

2:06 daniel_matte-1: the future direction of the category and offer new areas for growth. Even then we are forecasting that over 40 million devices will ship in 2014 across our 8 or so categories.

2:07 PhaedraV: We count medical devices including helmet concussion monitors, insulin pumps, remote control pace makers et al.

2:07 daniel_matte-1: There are some really large estimates out there that include every definition of wearable imaginable. I would be wary of very high estimates that include things like audio earbuds, insulin pumps...

2:08 daniel_matte-1: and other categories generally strictly within medical devices.

2:08 PhaedraV: Medical crosses over with sports though, for mass market devices. The helmet sensors and Smart Shoe for 2 examples.

2:08 BusinessCompute: OK, how about suppliers? Who's worth watching now? And is that list likely to change in the near future?

2:08 daniel_matte-1: It's important to at least be familiar with the definitions of these categories being estimated.

2:09 BusinessCompute: (PhaedraV: please hold your questions or another 5 mins or so, when we open the floor.)

2:10 daniel_matte-1: Within basic wearable bands, three firms have really defined the wearables segment: Fitbit, Jawbone, and Nike (which is exiting the market soon). These companies lead in shipments and...

2:10 daniel_matte-1: have best understood what wearables are really about: primarily, health and fitness applications.

2:11 daniel_matte-1: Within smart wearable bands, what others would generally call smart watches, the biggest players are Pebble Technology, Samsung, and Sony. Apple will enter the market in a big way later this year.

2:11 BusinessCompute: So it's mainly a consumer market now? How about business use?

2:11 ustreamer-443170: glad to join

2:11 daniel_matte-1: Whatever the iWatch is called, it probably won't look like a watch! And of course increasing numbers of mobile vendors will also enter the market over the next twelve months.

2:12 daniel_matte-1: The wearables market is almost entirely consumer-driven now, yes. There are, however, already some business devices. Theatro is an enterprise communicator that employees can wear.

2:13 daniel_matte-1: Most enterprise products are generally within the smart eyewear category, including Vuzix's enterprise partnerships with companies such as SAP that use the company's Smart Glasses, designed for

2:13 daniel_matte-1: product pickers in warehouses and factories.

2:14 BusinessCompute: OK, so that's likely to create a new BYOD issue, as wearables enter offices and other workplaces. Could that be the entry opp for the channel?

2:14 daniel_matte-1: Salesforce is an example of a company that is already providing enterprise applications for wearables with Salesforce Wear. We think it was smart of them to invest early in the category.

2:15 daniel_matte-1: Stepping back a bit, I think there are four main opportunities for the channel:

2:15 daniel_matte-1: 1) The distribution channel will benefit from starting to range a new electronics product to sell to their customers, whether business resellers or even retail channels. Wholesale distributors

2:16 daniel_matte-1: considering volumes need to keep an eye on end user technologies for inventory planning.

2:17 daniel_matte-1: 2) Retail channels are also studying the consumer landscape. Wearables are another product type to get customers back into stores. Unlike smart phones, and more like tablets, retail will

2:17 daniel_matte-1: be more important than operator channels. Wearables will not have cellular functionality (battery capacity is extremely constrained).

2:18 daniel_matte-1: 3) B2B channel: resellers and integrators. In the near future, we do not expect them to gain any significant volume in wearables. Partners that will see opportunity will have vertical focuses

2:18 daniel_matte-1: in the sectors that have a strong demand for wearables. Health, fitness, and reaction will be the primary vertical.

2:19 daniel_matte-1: 4) Some companies like Google are experimenting with alternative channels, such as selling Google Glass at golf courses. The non-tech channels could play an important role, especially when companies

2:20 daniel_matte-1: start marketing wearable products more as lifestyle brands. Fashion is critical!

2:20 daniel_matte-1: Regarding BYOD...

2:20 BusinessCompute: OK, thanks. Everyone, I'd like to open the floor now for your questions for Daniel Matte, wearables analyst with Canalys. Questions, please!

2:20 ustreamer-570731: Why is there no mention of Garmin wearables?

2:20 barryburd-1: Question: Your take on the eventual marketability of Google Glass?

2:21 ustreamer-193222: Why is Nike exiting the wearable market?

2:21 ustreamer-794844: Can you talks more about the retail side of it?

2:21 BusinessCompute: OK, hang on, please let Daniel answer these questions.

2:21 daniel_matte-1: Firstly, wearables are not like PCs, and should not be very high on an IT manager's radar at this time. These devices will overwhelmingly not support WiFi, but will tether over Bluetooth LE to smart

2:21 daniel_matte-1: phones for network access.

2:21 ustreamer-355362: I'm pretty sure it is the future

2:22 ustreamer-794844: ?? Wearables are another product type to get customers back into stores. Unlike smart phones, and more like tablets, retail will be more important than operator channels.

2:22 daniel_matte-1: Garmin is a player with basic wearable bands, yes. The VivoFit is a recent example. A lot of these products are an evolution of what came before. But it's absolutely a brand that we track in our

2:22 daniel_matte-1: categories.

2:23 daniel_matte-1: Nike is exiting because the company is unwilling to compete with Apple. Nike also did not execute well with the FuelBand and is now a distant third to Fitbit and Jawbone in market share.

2:23 BusinessCompute: Daniel, how about the Google Glass question? What' your take on its eventual marketability?

2:24 daniel_matte-1: Google Glass is still a beta product... it will be many years before that category is really ready for mainstream adoption. Augmented reality is the killer app, and we're just not there yet.

2:24 BusinessCompute: OK, good. Let's have a few more questions, please.

2:24 ustreamer-594765: Any guesses about Google's near-future plans?

2:25 daniel_matte-1: Google will release a consumer version of Glass in 2015, but we're skeptical that it will see great adoption.

2:25 daniel_matte-1: The company is experimenting quite a lot with its distribution channel strategy for now.

2:25 BusinessCompute: Google, you mean, right?

2:25 daniel_matte-1: Yes.

2:26 barryburd: Daniel -- You say "Google will release a consumer version of Glass in 2015." Is this a prediction or do you have evidence for this?

2:26 daniel_matte-1: For retail... yes, wearables will not feature cellular support. Operators are trying to range products to serve as accessory sales, but consumers won't have to buy wearables from operators as they do

2:26 BusinessCompute: OK, so there's a question above...will wearables get consumers back into retail stores? I guess part of that question is, or wil they buy wearables online?

2:26 daniel_matte-1: for smart phones.

2:27 BusinessCompute: (Sorry, we overlapped.)

2:27 daniel_matte-1: Best Buy is one company that has done a good job arranging displays around activity trackers. I think that there is a good opportunity to bring in consumers as the segment takes off...

2:27 daniel_matte-1: Wearables are very personal. Consumers need to try them on, fit them... see if they find them unobtrusive and fashionable.

2:28 daniel_matte-1: Very much a need for hands-on experience.

2:28 BusinessCompute: OK, Daniel,. But how about Apple? They would seem a natural for this market.

2:29 daniel_matte-1: They are. For them the opportunity is about health. They've also recently made some big hires recently to boost lifestyle-type marketing. I would not expect the iWatch to be cheap, and it will be

2:29 daniel_matte-1: heavily marketing on fashion.

2:29 daniel_matte-1: Consumers should want these devices based on aesthetics alone, before even learning their functionaltiy.

2:30 BusinessCompute: OK, thanks. More questions from the audience for Daniel ?

2:30 daniel_matte-1: They obviously a big advantage with their global retail presence.

2:30 ustreamer-501918: Seems that would make it a lot more like apple products...strictly for status

2:30 daniel_matte-1: Google has said publicly that a consumer version of Glass is coming in 2015.

2:31 ustreamer-501918: Still nothing for glasses wearers though

2:31 ustreamer-443170: sounds good

<mark>2:31 PhaedraV: Real AR glasses without the Google spyware have been around for a long time. Which companies are having success commercializing real AR glasses?</mark>

2:31 ustreamer-706212: test

2:31 daniel_matte-1: Google did actually put out a version of Glass compatible with prescriptions earlier this year.

2:31 ustreamer-461421: what operating system do they use and what interfaces

2:32 ustreamer-501918: did not know that Daniel, thanks

2:32 daniel_matte-1: Mass-market AR is still 3-5 years away, at least.

2:32 ustreamer-594765: Glass runs Android

2:33 daniel_matte-1: Android and iOS will be the primary OSes for smart wearables. Android Wear is not stripped down enough yet, but Google will get there eventually.

2:33 daniel_matte-1: Glass will run Android Wear at some point in the future. They'll merge the OS forks.

2:33 PhaedraV: Why pick out Android and iOS? because of the vendor lock in with popular smart phones?

2:33 ustreamer-461421: so it's just a phone in your Eye.. No Business apps??

2:33 ustreamer-443170: google glass with prescription lenses? Who will provide hardware? Lens crafters?

2:34 daniel_matte-1: For Apple, the goal is to provide compelling functionality unique to smart bands. Heart rate sensing, skin temperature, humidity, pressure... sensors that don't make as much sense in a smart phone.

2:34 daniel_matte-1: And provide a developer platform for (limited) apps on top of that.

2:34 ustreamer-501918: It probably fits over existing glasses

2:34 PhaedraV: Wearables should be big in logistics first. Factory workers, UPS delivery persons, etc.

2:34 BusinessCompute: Daniel, what about security & privacy issues? Do you think those issues will scare off IT managers? Or even consumers?

2:35 daniel_matte-1: The key thing for wearables is not just to reproduce the smart phone experience. Users are already carrying their smart phones everywhere.

2:35 ustreamer-461421: a phone would just need a bluetooth sensor and your body's info would be available on your phone anyways

2:35 daniel_matte-1: Yes, eyewear already has many applications in logistics. Many lucrative individual verticals, though not general purpose.

2:36 daniel_matte-1: Privacy issues seem married to eyewear because of the camera issue. Glass is too unrefined, industrial design-wise

2:36 daniel_matte-1: But eventually, in the not too distant future, society will accept devices of that general type. HUDs and augmented reality applications will be too useful.

2:37 daniel_matte-1: As for security... it's already quite easy to take photos of anything with your smart phone! Smart eyewear is just a further evolution.

2:37 BusinessCompute: OK, thanks. More questions for Daniel?

2:37 thechannelcompany-1: These are all great questions - as a reminder, please register to be entered to win a Dell Venue Tablet as part of your participation

2:37 PhaedraV: Where is Intel pushing Edison first?

2:37 thechannelcompany-1: http://nr-pages.crn.com/IntelBCCregistration

2:37 ustreamer-461421: good stuff guys...

2:38 daniel_matte-1: Well, Edison was recently changed form factor wise... not sure that's going to be a home run for them. It has its applications, though I'm not terribly familiar with that area.

2:38 daniel_matte-1: Intel's big opportunity is to create custom SoCs for wearables... hopefully we'll see those in 1-2 years.

2:39 daniel_matte-1: Quark cannot run Android... yet

2:40 BusinessCompute: OK, we have a few more minutes for questions. Who has one?

2:40 daniel_matte-1: For business apps, take a look at Salesforce's examples that they've put out for Salesforce Wear.

2:41 daniel_matte-1: I could speak more about BYOD...

2:41 BusinessCompute: Yes, please. BYOD seems to me a huge issue waiting to happen.

2:42 daniel_matte-1: BYOD: IT managers will still have to think about data security in the context of lost or stolen wearables. There is not much that can be done to remotely wipe or secure these devices if lost or stolen

2:43 daniel_matte-1: And the BYOD issue is not solved for smart phone or tablets yet either. Cannot be solved by technology products alone. Devices including wearables needs to become part of a company's processes,

2:43 daniel_matte-1: policies, end-user training, awareness... general integration into the company

2:44 daniel_matte-1: The way to tackle this from a reseller perspective is to have a set of consulting and integration services to address these issues.

2:44 PhaedraV: Intel told me we have to use Google spyware browsers, but we don't allow those here.

2:44 daniel_matte-1: Similar to mobile, IT managers are forced to look at wearables from a security perspective. Overall though, the risk is pretty limited in the grand scheme of things.

2:45 daniel_matte-1: IT managers just need to be aware of what these new devices can and cannot do.

2:45 daniel_matte-1: For example...

2:45 kevingeml: BYOD needs to step up and become more business like... running all the corporate apps.. Then it can be BYOD

2:46 daniel_matte-1: Wearable devices will generally piggyback off of smart phones. E.g., apps will be installed through the app stores on smart phones.

2:46 kevingeml: it should not be I have this Apple and i want it to work

2:46 daniel_matte-1: A lot of technological limitations.

2:47 daniel_matte-1: Any more questions?

2:47 kevingeml: 30 years of apple and they still dont run SAP or microsoft or oracle apps

2:47 PhaedraV: IBM will help iOS become more business friendly like Blackberry is.

2:48 PhaedraV: BB OS 10 is currently the best wearables platform.

2:48 BusinessCompute: You mean the recent IBM-Apple partnership, right?

2:48 PhaedraV: Yes

2:49 daniel_matte-1: Apple needs to prove that it's fully invested in that partnership. It can't get away with leaving everything to IBM. There needs to be strong collaboration across the companies' product teams.

2:49 PhaedraV: Just opening up their legal would be a big win.

2:49 daniel_matte-1: Details like volume discounts, whether IBM partners can resell... unknown right now.

2:49 PhaedraV: Adding things like security to the technology is almost secondary.

2:50 kevingeml: IBM dumped most of its Hardware Divisions is just an IT company now

2:50 PhaedraV: Not an IT company at all.

2:50 PhaedraV: Services and solutions, up the value chain.

2:52 ustreamer-594765: I have a pebble and a Samsung gear

2:52 ustreamer-594765: ... and Glass

2:52 PhaedraV: Here's the big one: will anybody buy wearables or are they all 'free' as part of a service (like IBM offers)?

2:53 daniel_matte-1: We were careful not to track 'smart watches,' but rather smart bands. Telling the time is very secondary with these devices!

2:53 daniel_matte-1: It's hard for me to see enterprises buying wearables for their employees to use for work.

2:53 PhaedraV: Nobody wants to sell or buy little gadgets that are integrated with the IoT and limited utility standalone.

2:53 daniel_matte-1: However, within a lot of corporate wellness programs, devices like Fitbit Flex and Jawbone UP are given away quite often.

2:54 PhaedraV: But everybody wants the IoT services wearables can bring.

2:54 daniel_matte-1: It's a big area of business for companies like Fitbit.

2:54 ustreamer-594765: "Standalone" can mean "with cellphone"

2:55 daniel_matte-1: I think that's one of the main takeaways - all these products are going to depend on a user's smart phone. Needed for WiFi, GPS, processing power, etc.

2:55 PhaedraV: Nokia had a great Wellness app for Symbian out before anybody else.

2:56 PhaedraV: How about power from motion or the human host?

2:56 ustreamer-794844: I got a fitbit as a prize. Ask a friend working for the county government to sell it there. I was told the county is giving it to the workers there. No sales.

2:56 kevingeml: I would love to have them In my NOC's people could walk around working on problems and isssue but still have thier own screen up

2:56 daniel_matte-1: For the health applications... Apple was smart to demo HealthKit integration with the Mayo Clinic app. That's a killer app... the key is the long-term data analysis. Not just drowning medical

2:56 PhaedraV: Batteries are the big limiter now for all the FitBit clones.

2:56 daniel_matte-1: practitioners with even more data.

2:57 BusinessCompute: But as you're saying, the wearable devices don't have the processing power to do analytics...so that gets offloaded, too, right?

2:57 daniel_matte-1: You can't get much energy from human motion, unfortunately.

2:57 PhaedraV: IBM Data Baby lays out a whole cradle to the grave wearables plan.

2:58 daniel_matte-1: Yes, exactly. As much processing as possible will be done on the smart phone.

2:58 daniel_matte-1: There are requirements like DRAM to be able run Android... need custom components, not just off-the-shelf smart phone components.

2:58 daniel_matte-1: In order to get 3+ days of battery life that consumers demand.

2:59 daniel_matte-1: Google and Apple are both being extremely cautious about data... they're offloading the liability to health app developers.

2:59 BusinessCompute: OK, we're just about out of time..any final questions?

2:59 daniel_matte-1: They can't afford to be regulated by the FDA, or other governmental bodies around the world.

3:00 BusinessCompute: OK, thanks, everyone, for attending this Business Compute Forum live chat. Let's give a big round of thanks to Daniel Matte of Canalys. I think you'll agree, he did a great job.

3:00 daniel_matte-1: Thank you for having me, and thanks for the questions. Take care, everyone.\