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Nike Denies FuelBand Shutdown, but Layoffs Could Reveal New Cracks in Wearables Market

April 18, 2014, 9:20 PM PDT

By James Temple



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Nike confirmed a “small number” of layoffs in its digital sports division, but attempted to tamp down a [CNET report](#) late Friday that said the company was shuttering the hardware side of its FuelBand team.

“The [Nike+ FuelBand SE](#) remains an important part of our business,” the company said in a statement emailed to **Re/code**. “We will continue to improve the Nike+ FuelBand App, launch new METALUXE colors, and we will sell and support the Nike+ FuelBand SE for the foreseeable future.”

The language does seem to leave a whole lot of room, however, for the possibility that the Portland athletic apparel giant won’t release future products in the FuelBand line. One source with knowledge of the situation said that it could be that Nike wants to be able to run down its inventory of devices, or that it still has not completely decided to shutter the unit.

Sources said that the decision over what to do has been debated for months within the company, due to high expenses, manufacturing challenges and the inability to make adequate margins on the business. In addition, sources note that Nike has been unable to attract as high a level of engineering talent as the business has grown.

Its FuelBand, for example, does not have an Android app as yet, a major deficit and a frustration for a lot of users. It also has very nascent data expertise, one of the key areas of the wearables space. And big changes are coming to wearables, such as multi-sensors and other new features.

“They are getting a lot of data and just do not know what to do with it,” said one source. “They could not exploit the market.”

Still, FuelBand has been important as a PR win for Nike, positioning it strongly in the digital space.

But with the expected entry of Apple into the sector soon with its watch offering, sources said Nike might have seen an ability to scale back on its device development and become a software provider to that effort, pushing forward its Fuel metric. By no coincidence, sources said, Apple CEO Tim Cook is on Nike’s board.

[CNET reported](#) that the layoffs included as much as 80 percent of the hardware team, but Nike didn’t get any more specific than “small” in its email.

The first public signs of the problem erupted earlier this week on the anonymous posting app Secret, with a [post that talked of the layoffs](#):

Either way, cracks seem to be showing in the wearables space, raising fresh questions about the viability of the devices in their current form.

While a surge of companies have hit the market with all manner of digital health trackers in recent months, it’s still unclear how much demand there is on the part of mainstream consumers. Industry insiders, at least some and at least quietly, acknowledge that usage drops off steeply within a few weeks or months.

Humans being humans, it’s innately challenging to get them to stick to new, healthier habits. But it’s also uncertain how much these gadgets really help people lead healthier lives.

After all, how many steps is the right number of steps? How much sleep is the appropriate amount for a particular individual?

Devices that can monitor paces, calories, pulse and sleep still only say so much about your actual state of health, absent other data that's hard to pull from your wrist. Notably that includes input, the amount you're digesting. Donuts and beers have a way of offsetting taking the stairs a few days a week.

It's also true that hardware is hard — it's generally a lower margin business than software with longer product cycles that offer companies less flexibility to adapt. The product sells or it doesn't.

Nike doesn't appear to be vacating the software side of its digital health efforts. Earlier this month, the company announced the opening of the "Nike+ Fuel Lab" in San Francisco, designed to assert Nike's "place at the center of the evolving digital landscape for athletes worldwide."

The company said it was trying to expand the platform through partnerships with services like MyFitnessPal, RunKeeper and Strava.

"We will continue to leverage partnerships to expand our ecosystem of digital products and services, using NikeFuel as the universal currency for measuring, motivating and improving," the company said on Friday.

Sales numbers for wearables devices are fairly elusive — which is perhaps revealing in itself.

But probably the best data to date emerged from the recall of the Fitbit Force, after nearly ten thousand users reported developing rashes earlier this year.

The U.S. Consumer Product Safety Commission [revealed](#) that the recall covered about one million units in the United States and 28,000 in Canada. The Force was on the market for five months.

By way of comparison, when the iPhone 5S and 5C premiered last September, Apple [sold nine million](#) over a weekend.

And it's notable that FitBit appears to be the leader in the space — perhaps now all the more so — representing 67 percent of the units sold last year in the "full body activity tracker" category of an [NPD Group analysis](#).

NPD also found that, among consumers aware of wearable devices, only one in three said they were likely to buy one. That tracks with a Forrester report that said five percent of U.S. online consumers report using a wearable device to track daily activity, and another 25 percent said they'd be interested in the devices at the "right price."

"Yet interest doesn't always translate into purchasing, particularly at the \$100-plus price range of most fitness devices," the paper said. "Core buyers today are either 'quantified selfers' — hardcore athletes with interest in using technology to improve performance — or overweight consumers."

Others disagree, noting the wearables space is at the point where the early smartphone market was at its nascent moments and there is huge opportunity for growth.

In other words, today's devices are in their infancy, with more changes to come. Perhaps they are the equivalent of giant cellphones of the 1980s: A first generation that hadn't figured out the form factor and don't quite have the underlying infrastructure for the product to appeal to the masses. Or they may be in a cycle in development well beyond early adopters, but not quite in the mainstream as yet.

In any case, lots of companies and researchers are laying bets, experimenting with an array of different approaches: [pairing devices with coaches](#), [band-aid like hydration monitors](#), [electronic tattoos](#), [undershirts with sensors](#), [contact lenses](#), [connected eyewear](#) and more.

Facebook [bought](#) Oculus. Intel [picked up](#) Basis Science. Google [provided](#) Android software tools for wearable devices.

Apple appears to be investing considerable resources into novel medical sensors, at least based on its [recent hiring](#), feeding ongoing speculation about its plans for wearable devices — and more broadly, it's play as a [digital health platform](#).

And then there is the well-funded startup Jawbone, which has managed to keep up with the big dogs well with innovative and creative products — including the Up band — and is the subject of increasing acquisition speculation. While it had early manufacturing issues with its device, it has since overcome those problems and has spent a lot of time improving its software, apps and data management.

All this means there is no question the wearables landscape will be interesting to watch.

"We think that there's going to be the battle of the bio-signal over the next few months and years," Stephane Marceau, chief executive of biometric apparel company OmSignal, said in an earlier interview. "We think all the big guys — Google, Apple, Facebook, Amazon — will want to have biological signals in their cloud and they'll go hard after the opportunity."



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 **John Stoddart** Apr 19, 2014
 What does 'shutter' mean in this context? The only definition I know refers to a wooden window covering but that doesn't make sense. Bizarre use of English.

Like Reply

 **hello** Apr 19, 2014
 The lack of an Android app is the reason I switched from a Nike+ FuelBand to a Pebble Smartwatch.

Nike definitely would have gotten more money out of me if they had continued to improve upon the FuelBand design (better sleep tracking, easier access to see the time, etc.)

Like Reply

 **belfastbiker** Apr 19, 2014
 Bizarre article.

Fuelband, with it's silly fuelpoints metric and fairly closed system was always a black sheep in the wearables category, despite being one of the first to market.

"cracks seem to be showing in the wearables space, raising fresh questions about the viability of the devices in their current form."