# Was Fossil Right to Exit the Smartwatch Market?

**IMAGE FROM FOSSIL GROUP**

In early 2024, Fossil Group announced its exit from the smartwatch category, in which it had competed for several years. The CEO also confirms Fossil's exit from the Wear OS market. Fossil Group's strategic decision was due to the immense competition it received from technology brands such as Apple, Garmin, Samsung and Fitbit. Fossil Group believes their design and branding are stronger off competing in the traditional watch market with brands like Armitron, Citizen, Gucci, Guess?, Raymond Weil, Timex, etc. This shift allowed Fossil to concentrate its resources on a category where it believed it possessed stronger competitive advantages.

*Why leaving the business made sense:*

The competitors in the smartwatch market were massive brands like Apple and Samsung which have immense resources for technology development for higher efficiency in smart watch development as well as marketing, making it extremely difficult for Fossil to secure profits with these competitors. Therefore, Fossil believes it has a stronger place in the traditional watch market, as they believe their branding and design have potent advantages in the traditional watch market, thereby increasing profits.

Smartwatches designed for purposes beyond telling the time. They have multiple uses such as fitness tracking, heart rate monitoring, receiving notifications and controlling smart home devices. Therefore, smartwatches are made mainly to meet the demands of modern life. Developing and maintaining such products requires continuous investment in technology, software, innovation and marketing. Competing against major technology companies with significantly greater resources made it increasingly difficult for Fossil to compete effectively.

Since Fossil Group has an established presence in the traditional watch market, shifting its focus and resources mainly towards this category was a strategic decision as it aligned closely with its strengths.

*Negative Impacts of this decision:*

Exiting the smartwatch market contributed to a $95 million negative impact on Fossil's 2024 sales, while smartwatch sales declined 69.2% as the company left the category. This demonstrates that the decision involved a short-term loss of revenue and increased Fossil's dependence on its remaining product categories.

*What does the data suggest? :*

Watches remain Fossil Group's core global business and the sales of traditional watches for their consolidated net sales are as follows:
2024: 78.4%
2023: 77.6%
2022: 77.9%
(This suggests that traditional watches were the most pivotal element of Fossil's sales, compared with Fossil's other product categories.)

The data suggests that traditional watches have consistently remained Fossil Group's largest product category, accounting for approximately 78% of consolidated net sales. Despite  existing smartwatches resulting in a short-term loss of revenue, the decision allowed Fossil to concentrate its resources on a category where it had greater scale, established brand recognition and stronger competitive capabilities .i.e the traditional watch market. Therefore, based on Fossil's financial position and competitive environment, exiting the smartwatch market was a strategically logical decision, although its long-term success will depend on Fossil's ability to strengthen and grow its traditional watch business.

*CITATIONS:*


*https://arstechnica.com/gadgets/2024/01/fossil-smartwatches-go-extinct-company-quits-wear-os-ecosystem/?*

*https://www.sec.gov/Archives/edgar/data/883569/000088356925000010/fosl-20241228.htm?*

*https://www.androidauthority.com/fossil-smartwatch-division-shutdown-3408678/*

*https://www.citizenwatches.com.au/blogs/news/smart-watches-vs-traditional-watches-the-future-of-wristwear?srsltid=AfmBOoou1ae81Mgwnt1KzTHV0pJOum-FHwcDvj2iW4_3vZlo3Qnbp4sa*