Samsung Unveils Galaxy Gear Smartwatch

Electronics Giant Opens New Front in Tech Battle Over 'Wearable' Devices

By JONATHAN CHENG And MIN-JEONG LEE

Samsung Electronics Co. planted its flag in the battle over wearable devices Wednesday, unveiling a digital watch that can run apps and interact with its own family of smartphones.

Samsung, which raced ahead of Apple Inc. last year to become the world's biggest maker of smartphones, is attempting to shake off long-running criticism that it has been a follower rather than an innovator in the competitive market for high-end devices.

The release of the Galaxy Gear, which is slated to go on sale Sept. 25 for $299, comes ahead of an expected smartwatch from Apple. But the technological limitations of Samsung's device, and of others like it on the market, raise questions as to whether this category will take off with consumers.

As Samsung showed off the Galaxy Gear at a trade show in Berlin, Qualcomm Inc. announced plans to ship a new color-display smartwatch, the Toq, in the fourth quarter. The company said the gadget, which works as a companion to smartphones with Google Inc.'s Android operating system, will be available in a "limited edition" for about $300. In June, Sony Corp. unveiled its own
Android-based smartwatch expected to start selling this month.

Neil Mawston, an executive director at research firm Strategy Analytics said smartwatch manufacturers are "clearly still in the experimental phase today of trying to figure out what consumers and businesses really want."

"The first generation of smartwatches this year, from Samsung and others, is likely to see modest global sales in the near-term," Mr. Mawston said, forecasting 1.2 million smartwatches to be shipped world-wide in 2013, rising to 7 million in 2014.

The Galaxy Gear, which has a 1.6-inch screen and weighs 2.6 ounces, looks relatively similar to other smartwatches on the market. But it does have some unique features, such as a 1.9 megapixel camera embedded in the strap and a built-in speaker that allows users to conduct hands-free calls.

"Galaxy Gear isn't just a cool device that complements the Note 3 [smartphone]—I believe it will become a new fashion icon around the world," J.K. Shin, head of Samsung's mobile communications business said at the launch event in Berlin.

He said the device could eventually pave the way for the smartwatch to become a part of daily life, in the same way that smartphones—once seen as a niche luxury product—broke through to become a mainstream product.

However, the relatively limited functionality of Samsung's smartwatch and small rectangular screen likely will disappoint those who had expected a watch with a full slate of functions and a bendable display that would conform to a human wrist.

The Galaxy Gear also is limited to working in tandem with Samsung's own line of phones. It will be pitched as a companion device to its latest generation smartphone-tablet called the Galaxy Note 3, which the company also announced Wednesday.

Users who buy both devices will be able to read messages, check the weather and take photos on the smartwatch, which will be synchronized to the smartphone and which will run on Android software.

But this isn’t a device for conducting complex tasks like composing emails or downloading music. It also requires a separate battery charger and isn’t yet compatible with Samsung’s flagship Galaxy S4 smartphone, though the company says it is working on that.

In a nod to the Galaxy Gear’s initial hurdles, Samsung remained guarded about how well the device would be received by the market, saying that at first, the company sees the Galaxy Gear as a niche product targeting younger, tech-savvy early adopters.

Mr. Shin offered a rough benchmark of about two to three watches sold for every 10 units of the Galaxy Note 3, though he cautioned that this wasn’t an official sales projection or target.

Though the Galaxy Gear is Samsung's first smartwatch, the company released a watch-phone, the SPH-WP10, in 1999, to limited success.
A Samsung official takes a look at the design and features of the new Galaxy Gear smartwatch. The watch features swipe technology and comes in six colors. Photo: Getty Images.

Samsung claims that the device was the first in the world to combine the functions of a cellular phone and a digital watch.

More recently, in 2009, Samsung launched a watch phone with a 1.8-inch touch screen. But that device, which targeted customers in Europe, sold poorly in part due to the hefty price tag of €450 ($593).

For all of the hoopla around the smartwatch, Samsung's broader fortunes will rest more heavily on how quickly consumers take to the Galaxy Note 3 phablet, the hybrid phone-tablet. The new version of the Note will test whether Samsung's strategy of launching multiple products in different sizes remains a viable strategy.

Based on data from IDC, Samsung's smartphone market share in the second quarter was 30.4% ahead of Apple's 13.1%. But like its competitors, Samsung has seen a slowdown in its mobile business with margins being squeezed by high marketing costs despite a record profit in the second quarter. The company has been spending billions of dollars on marketing annually including expenses for lavish product launches. The Berlin event has gathered just as much hype as the Galaxy S4 launch at Radio City Music Hall in New York in March.

The new Galaxy Note, which is slightly larger than its predecessor, is better equipped for multitasking, the company says, allowing users to open multiple frames at once. But it also gives the device's stylus, called the S Pen, a more prominent role, testing users' historical resistance to relying on the tool.

Steve Jobs, the late co-founder of Apple, which featured a stylus in its 1990s-era Newton devices, famously mocked the idea of a stylus in 2007, dismissing the tool with a simple "Yeechh." In 2010, he said of competitors' devices: "If you see a stylus, they blew it."

Mr. Shin, speaking ahead of the new Galaxy Note's launch, said: "We see the S Pen as not just a simple writing tool, but a new communication driver."

—Don Clark contributed to this article.

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