

CONSUMER ELECTRONICS

Vertu's failure is a cautionary tale for luxury electronics

August 23, 2017



Vertu recently had all of its assets liquidated. Image credit: Vertu

By DANNY PARISI

Last month, British luxury smartphone manufacturer Vertu closed its doors, signaling the dangerous road for luxury brands that seek to enter the world of consumer electronics.

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Brands from across the luxury world have been partnering with electronics manufacturers or releasing their own electronics, but the dangers of the field are clear. Luxury brands frequently just do not have the resources or know-how to compete with the likes of Apple and Google in this field.

"The recent rise of luxury electronics follows the same pattern that emerged with the shift in consumer preferences from possessions to experiences when it comes to luxury," said [Ana Andjelic](#), a New York-based strategist, writer and doctor of sociology who regularly advises luxury brands. "Electronics are the natural extension of this trend, where consumers want to invest in having the most unique, memorable, authentic and rare experiences they possibly have.

"In this experiential context, electronics such as headphones, computers and wearable technology make a lot of sense - they augment, amplify, record and help us share our luxury experiences," she said.

"There's also a strong drive among consumers for functional products that make one's life easier: more seamless, more convenient, faster, more efficient. [The] definition of luxury is something that improves our quality of life not only through beauty and emotion, but also through high-quality and superb experiences."

Luxury electronics

In the past 10 years, consumer electronics have taken off in an astounding way.

It is now essentially unheard of to not have a smartphone on one's person at all times, and tablets, smartwatches, headphones, fitness trackers and more are common sights.

Understandably, luxury brands, which aim to be purveyors of a lifestyle, have begun to take up this trend and produce their own electronics.

"Luxury brands see how obsessed consumers are with electronics, and how much they invest in acquiring different devices, and naturally want a part of this pie," Ms. Andjelic said. "They are seeing their own customers stopping by a luxury fashion boutique, an Apple store, a jewelry store, all in one go and want to own more of this purchasing path.

"This makes sense as the most successful luxury brands today are not just making and marketing products," she said. "They are instead purveyors of a lifestyle and expressions of a point of view and specific taste.

"Gucci's extended into homeware and into travel seemingly organically, through capturing a lifestyle and not just aesthetics. Electronics are a natural part of anyone's lifestyle today, and especially of the affluent's lifestyle."



A Lamborghini smartphone. Image credit: Tonino Lamborghini

Brands such as Porsche Design, Balmain and Christian Dior have all either released their own electronic devices or have entered partnerships with other companies to create electronic devices.

For example, Germany's Porsche Design extended its streamlined aesthetic into a new product category through a 2016 partnership with British loudspeaker manufacturer KEF.

Porsche Design Sound is a collection of speakers and headphones designed with the high-powered executive in mind. After tackling other forms of technology, this latest move by the brand mixes the label's design credibility with acoustic engineering ([see story](#)).

This field may be tempting, but luxury brands should be wary of overextending themselves, especially with something as complicated as electronics.

The reason companies such as Apple are so successful is that they devote all their time and resources to electronics and have perfected them to an art.

Luxury brands simply do not have the bandwidth within their infrastructure to support such development and to make it competitive with established tech companies.

Even companies dedicated entirely to luxury electronics are having trouble, as evidenced by the collapse of Vertu. Most luxury buyers just purchase the newest iPhone model anyway, making it exceedingly difficult to succeed in this field.

"Just because luxury brands can make electronics, it doesn't mean that they should do it," Ms. Andjelic said. "Luxury brands are not technology companies.

"They don't have the organizational structure, resources and capabilities to successfully compete in the incredibly difficult hardware market," she said. "Luxury brands are still massively lagging behind in terms of even their ecommerce capabilities, so it's hard to imagine them launching a killer electronics product."

Strengths and weaknesses

A brief overview of the luxury world reveals that a number of brands are quietly experimenting with this trend.

Among them is Balmain, which released a pair of headphones co-designed with the brand and Beats, Apple's headphone subsidiary.

Balmain's collaboration with the Apple-owned headphone brand includes its signature over-the-ear Studio Wireless and the gym-ready Powerbeats3 Wireless earbuds. The product unveil was timed with Balmain's July 19 opening of its West Coast flagship at 8421 Melrose Place in Los Angeles, where the brand hosted a star-studded affair ([see story](#)).



Balmain Beats headphones. Image credit: Balmain

Most notably are luxury car companies which seem to have more of an affinity for creating electronics than other luxury companies. Tonino Lamborghini, a division of the Italian automaker mostly known for its leather goods and watches, recently unveiled a new smartphone model to be sold exclusively through Harrods.

In the U.K., the Alpha-One smartphone will be sold exclusively at London department store Harrods, while in the United Arab Emirates, the mobile device will be distributed by Dasan Networks at a number of retail partners. Tonino Lamborghini's latest launch comes at a time when the high-end smartphone market is facing struggles as consumers are more interested in devices produced directly by Apple and Google ([see story](#)).

Porsche Design is following suit with its own Windows laptop going on sale later this year ([see story](#)).

Another company is even directly following in Vertu's footsteps. Turing claims to have created a luxury smartphone with a full service digital concierge inside ([see story](#)).

"It is possible for luxury brands to successfully produce electronics, but it requires a knowledge of the limits of what a brand can do and a focus on the strengths they can bring to the design," Ms. Andjelic said. "The problem is, creating a subpar electronics product can only damage luxury brands' equity - it won't help it, but if a luxury brand develops basic stuff, such as headphones, that are beautifully designed and handcrafted, but are not of a superior tech quality, that still may work with a certain audience.

"I just think luxury's tapping into electronics market in earnest is an unbelievably risky growth strategy," she said. "At the same time, entering limited-edition collaborations with established electronics brands can work - [similar to what] Hermes did with Apple Watch.

"That's sort of the best of the both luxury and electronics worlds."