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LUXURY MEMO SPECIAL REPORTS

Consumer electronics – Luxury Memo special report

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Michael Kors' smartwatch sales are growing. Image credit: Michael Kors

By NANCY BUCKLEY

Phone, wallet, keys. These are the necessities for anyone walking out the door for the day, as cell phones have become much more of an essential than an accessory.

Consumer electronics have become part of daily routines, and similarly to a car, a piece of jewelry or a handbag, high-net-worth individuals are looking for the best in electronics. This desire has created a race among technology companies and luxury brands to create consumer electronic options for the wealthy.

"They are base products we need to live in the modern world," said Stephen Baker, vice president, technology industry advisor for The NPD Group. "We don't tend to think of things as a luxury. The way we raise pricing is about providing a better experience.

"Certainly there are gradations of the experience, which is why brands charge more for one item as opposed to another," he said. "Better quality, like a better quality handbag as opposed to a knock-off. Most consumers are not tolerant of products that don't satisfy what they want."

Top 5 trends in consumer electronics

- Wearables

  One's watch brand has long been a very personal decision that often lasts beyond the consumer's lifetime. However, the new trend in watches forgoes these customary traditions, looking toward cutting-edge technology for a different kind of experience.

- Voice assistants

  Home assistants are increasingly common within the everyday household, but the hope is the trend in voice assistance will shift to use within stores and for browsing or purchasing online.

- Competing against Apple and Google

Electronic brands and luxury brands have set out to be the next iPhone or Android for wealthy individuals, offering unique features that the tech giants cannot promise.

- Switch from necessity to luxury

  Consumer electronics are simply part of the everyday modern world, so how should brands look to be different from the items found at any electronics store? Looking to be the best of the best requires more than brand recognition in the consumer electronics realm.

- Standing out in the crowd

  As more and more brands try to break into the tech world, some luxury brands are relying on their name to stand out, but when it comes to technology, a watch or fashion brand's name alone may not carry them.

Alexa, Hey Google, Siri

Talking out loud to an electronic device has become less and less bizarre as more people have home assistants within their residences. With the increase in use of these devices, companies and brands have directed focus towards them.

However, unlike watch brands, where luxury brands are trying to compete with smartwatches by tech companies, luxury brands are trying to be part of the home assistant experience rather than creating their own.

Amazon Echo Look

Experts are anticipating a crucial shift in luxury retail towards voice assistance, but as of right now there is a slim market for purchasing through speech.

The "Reimagining Commerce: Global Findings" report from Episerver shows that around 60 percent of voice-activated artificial intelligence assistant owners do not use them to search for products and fewer actually purchase anything (see story).

Despite the masses' aversion to shopping through voice assistants right now, many luxury brands are anticipating the shift with voice integration.

Voice technology is featured in a key part of the campaign. Image credit: Mercedes

For instance, German automaker BMW is enabling owners to operate functions of their vehicles from inside their homes by integrating Amazon's Alexa voice service.

An extension of the BMW Connected application that allows for remote control of functions and journey management, this latest development adds voice commands. BMW was the first automaker to announce Alexa compatibility within the United Kingdom and Germany (see more).

Beauty marketer Este Lauder has also embraced the new trend by collaborating with Google on a personalized voice-activated tool for Google Home.

Google's software dominance has led to its success in the hardware sector as well. Image credit: Google

Through the tool, called the Este Lauder Nighttime Expert app, customers can get personalized beauty tips and recommendations, curated by the brand, delivered to them just by asking their Google Home device. Beauty is a sector that can make great use of voice assistant technology due to customers often using both hands and looking in the mirror while applying cosmetics (see more).

Those consumers who are making purchases on voice assistants are not always looking for a specific brand, which may impact those brands looking to intrigue consumers via these devices.

As consumers increasingly use virtual voice assistants such as the Amazon Echo or Google Home for shopping, a new report indicates brand visibility and loyalty are at risk.

A survey from Digitas found that 85 percent of consumers have purchased the first product result offered by one of these devices, which in many cases is not from the brand they originally searched for. Millennials, who will make up half of the luxury market in a matter of years, show an even greater tendency towards settling for a device's pick (see story).

Although most brands are trying to incorporate voice assistance as a purchasing option, there are luxury electronic brands using the technology within products. For example, Bang & Olufsen is working with Google to bring the tech company's artificially intelligent assistant to its Beosound speakers.

Bang & Olufsen will add Google compatibility to other models soon. Image credit: Bang & Olufsen

Google has been hard at work making sure Google Assistant, its answer to Apple's Siri, is compatible with a wide variety of third-party devices. B&O provides the perfect gateway between Google and luxury consumers (see story).

Similarly, Mot Hennessy USA has developed a "Bottles and Bubbles" skill for Amazon's virtual assistant Alexa to educate consumers about Champagne at home, utilizing the device that is already in consumers' homes as a marketing option (see story).

Brands have an option now to utilize the Amazon Echo's technology. Amazon might be changing the manner in which consumers interact with fashion now that its new artificial intelligence device Echo has been outfitted with a camera for style advice.

Consumers who purchase the new Amazon Echo will have the ability to receive fashion advice in regard to their outfits through the device's camera and its artificial intelligence solution. Fashion designers will likely have an avenue in the future to further connect with consumers through this feature (see story).

Smart wrists

While some brands are looking to incorporate technology companies breakthroughs into their own campaigns, others are looking to compete against the tech giants.

As early as 2015, when smartwatches were still seen as a disruptor rather than a sector draw, experts agreed that the wearables concept required a combination of fashion and function if consumers were to be interested. While tech designs, such as Apple Watch, do take inspiration from traditional timepieces, smartwatches that marry true analog qualities with functionality are growing in popularity and demand (see story).

Lagos Apple Watch strap. Image credit: Lagos

When Apple introduced its smartwatch in 2015, many predicted that connected timepieces would be the latest craze.

While the Apple Watch has become the most popular watchmaker, surpassing Rolex as the world's number one watchmaker, smartwatches have not quite caught on as much as many expected.

Brands such as Michael Kors, TAG Heuer, Movado, Marc Jacobs and Mont Blanc have created their own version of a smartwatch, but the more traditional watches are the products the brands are more commonly known for. Other brands including Lagos and Herms have joined with Apple to offer specialized bands.

Herms Apple Watch straps

Some have incorporated tech giants technology, such as Michael Kors' reintroduction of its classic Runway watch model as a smartwatch powered by Google.

The new wearable tech combines the classic styling of Michael Kors' watches with the cutting edge technology of a smartwatch. Michael Kors' embrace of smartwatches shows the increased mingling of fashion and technology (see story).

U.S. fashion label Marc Jacobs also took its first step into the world of touchscreen smartwatches in 2018 with its latest model, The Riley.

The Riley represents the growing crossover between luxury timepieces and smartwatches. Traditionally, the two have had somewhat of a distant relationship, with makers of each type of watch steering far clear of the other, however this may be changing now (see story).

Some brands are using their own technology, but staying similar to the more common looks of smartwatches. For instance, Swiss watchmaker H. Moser & Cie debuted a new timepiece with a strikingly familiar design that is seemingly a direct send-up of the Apple Watch.

Luxury brands today pull inspiration from all over. Image credit: H. Moser

The Swiss Alp Watch Zzzz is almost a direct copy of the Apple Watch with one key difference: it is entirely analog. Communications for the timepiece makes the comparison almost explicit, suggesting that H. Moser is having some fun at the expense of the tech-obsessed while reinforcing the superiority of its high-end watches (see story).

Hello, it's me

Smartwatches are a common occurrence, but not part of the mass consumer's everyday life. However, cell phones are.

Apple or Android are the most prominent choices for a cell phone, but luxury brands are looking to be contenders. Competition may not be in the phone itself, but rather in the technology offered and the security provided.

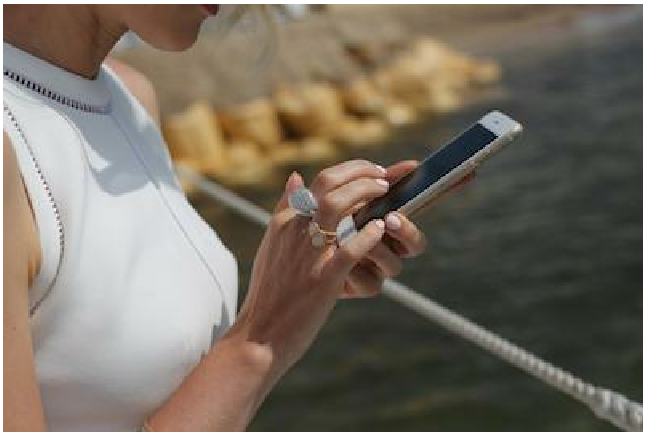

Photo courtesy of jeweler Boucheron

Worries of data breaches and concerns for cyber security have risen as hackers become increasingly sophisticated, targeting affluents while they shop at high-end department stores and stay at the industry's finest hotel properties.

From Neiman Marcus to Mandarin Oriental, a number of well-known brands have been subjected to these types of breaches, and as consumer behavior moves more toward mobile commerce, these threats are bound to increase (see story). Acknowledging a market need and consumers' increasing concern for cyber security, smartphone manufacturer Sirin Labs launched the Solarin, a luxury mobile phone equipped with "military-grade" security, to protect the privacy of affluent users (see story).

The Turing Appossionato phone comes with an AI concierge called Sir Alan. Image credit: Turing Robotics

Beyond security, another draw to luxury consumers is built-in concierge services. For example, Turing Robotic Industries, a San Francisco-based company focused on mobile technology, is releasing a new high-end smartphone that comes with a built-in concierge service.

Turing's smartphone is called Appassionato, meaning "enthusiast" in Italian, as well as being a play on words with the word "app." Appassionato's main selling point however is an on-board digital concierge named Sir Alan who, Turing boasts, can assist in managing every part of an owner's life (see story).

Other brands are looking to change the already existing products to make them more unique, such as Brikk, who turned Apple's iPhone X into a greater status symbol by outfitting the devices in precious materials.

Brikk's Lux iPhone X. Image credit: Brikk

The Lux iPhone X product line includes models in 24-carat yellow gold, 18-carat rose gold and platinum, with options to add diamonds to the device. Cell phones and other digital devices have turned from utilitarian objects to pieces more closely related to fashion or jewelry as a number of luxury players have entered the field (see story).

The luxury cell phone industry is a unique business venture, and one that many are weary to enter secondary to Vertu's tale. In August 2017, Vertu closed its doors, signaling the dangerous road for luxury brands that seek to enter the world of consumer electronics.

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

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 (see story).

However, in October 2018, Vertu re-opened marketing in China with a unique take on smartphones.

This year is expected to bring changes to consumer electronics.

"The new generation of mobile data will be a huge game changer in the electronics industry," said Simon Buckingham, CEO of Mobile Streams. "The upgrade from 4G will be dramatic: 20 times faster and super low latency, meaning more connected devices in a given area.

"Products will be announced soon and we will likely see major updates in the industry in 2020," he said.

"Foldable phones will be launched early this year, making portability and multitasking very easy. Cameras will be another key development: multiple rear cameras, dual front cameras, 3D sensing cameras, sliding cameras"

Best practices for luxury consumer electronics marketing

- Stephen Baker, The NPD Group
  - "The three things I would say to those kind of brands is you need a lot of distribution to make a real impact in consumer electronics. You are better of casting a wider than narrower net.
  - "There has to be real incremental value for products that sell above the overall average market price. You can just slap a brand or license or colors on there has to be real technology value for a consumer to be convinced to spend more on one product over another."
  - "The third one is don't be afraid."
- Simon Buckingham, Mobile Streams
  - "Your campaign should be honest and deliver what the customer expects when they purchase it. Great word of mouth is golden for your brand, the opposite is also very true.
  - "You must know your audience. If you're selling wearable tech, for example Fitbit. Follow them on social media, connect with Fitbit users on Twitter, Facebook, complete surveys etc. You'll find out what these people are looking for.
  - "While you should learn from your competitors, there is little mileage in copying their strategy exactly. Their brand is recognized and loved in the market and they will have higher budgets to reach more customers. You need to reach their customers and demonstrate why they need your product as well or instead.
  - "You may need to focus on the 'long tail' initially, if you're bidding on keywords like Fitbit' for your product, you'll be paying a high price and customers will expect to see their products not yours. Try wearable' step counter' or other derivatives.
  - "Reach out to social media influencers to push your product: reality stars, models, athletes, etc. These people will have higher social presence than your company initially. Work with them to promote your brand to their followers."