

MOBILE PHONES: A NEW LUXURY SEGMENT?

The sociologist Gabriel Tarde (1842-1904) observed as early as the 19th century that «*the social destiny of inventions insofar as they address the regular needs of humanity is thus to begin as luxuries, meaning that they are imitated by a restricted group prior to continued imitation which leads them to be distributed in forms that are commonplace, or even necessities, to increasingly large groups of people*».



First mobile phone, the Motorola DynaTAC 8000x

If the phone was a luxury for many until the turn of the 60s, then the mobile phone in the 80/90 years, today it is no longer the case and the battle raging in the smartphone market illustrates the luxury paradigm shift. With the first device launched by Motorola, the mobile phone segment is 30 years old; in three decades it has experienced an exponential pace of innovation to integrate more and more functions into increasingly lightweight devices. Its historical brands, Motorola and Nokia, have missed the shift toward smartphones, and have given way to market leaders Apple and Samsung in the late 2000s.



Vertu Mobile

In the meantime, many initiatives have emerged to occupy the segment of “premium” telephony. Nokia had based its strategy on launching a specific brand: Vertu. The phone borrows luxury codes, combining fine materials and design while adding to the device an exclusive services offer, including a luxury concierge service. The result: a

high quality product, but rather heavy, and which claimed sustainability does not necessarily match the permanent technological changes taking place on this segment. Other business models also appeared such as the 'Atelier de Haute Communication' signing partnerships with Luxury brands (Dior, Versace and Tag Heuer) in order to offer branded phones, as others are creating branded sun glasses. But if the phone has become an accessory, it is primarily a technological product and the legitimacy of a luxury brand appears slim on that territory where technical characteristics dictate the client's choice. So it seems that this model was doomed to remain marginal.



Campaign in Elle magazine on April 30 for the Samsung S6 and S6 Edge

In the early 2010, Samsung and Apple (new on this segment in 2007), which are waging a fierce war, including in the legal field, embarked on a strategy of 'premiumization': growing attention to design, higher price positioning of their new products (over € 1,000.00 per unit) and much work on the brand image. The latest Samsung campaign allows understanding the brand strategy to those who would not have noticed it; the brand which gained a technological legitimacy long ago, claims a fashion and glamour positioning. Meanwhile, Apple is regularly hiring luxury experienced leaders (Angela Ahrendts, Paul Denève ...).



The Huawei Ascend Mate 7, aka the Galaxy Note 4 Killer

In short, the mobile phone market, which has not kept its exclusivity for very long, is structured today around two axes: technology and price level. The "Premium segment" is for Apple and Samsung and the "access segment" for Chinese brands such as Huawei and Xiaomi. For those who are attached to owning a unique object, another offer appears, replacing licenses, allowing the consumer to customize its latest toy. This offer is also segmented: some

play on the mass and offer 'covers' which designs go from the most basic to the most sophisticated collaborations with premium brands (Swarovski, Jean-Paul Gaultier, ...) and finally the founder of Atelier Haute Communication has opted for a much more upscale offer, with a "craft" customization applying to Samsung and Apple brands: fine leathers, noble materials ...It allows his clients to benefit from a unique product while enjoying the best of technology.

What can we learn from the history of this segment, briefly summarized here?

- Brand stretching has its limits, those imposed by the legitimacy of the brand in a sector other than its original one. Traditional luxury/fashion brands did not have much legitimacy on the telephony segment.
- In 30 years, we have witnessed the emergence of a new market going through different phases, and today it tends to look like any consumer goods segment: the entry-level (mostly made in China) occupying the field of accessibility; middle-range brands and products struggling to emerge with a clear identity (Sony, HTC,...); a top-range occupied by brands with strong identities.
- Unlike the traditional luxury segment, the brand's seniority in the segment is not necessarily an advantage to claim the highest position, but it is its ability to offer technological breakthrough that has made a brand such as Apple able to take the leadership even if it was new to the segment.
- However, as indicated by Bruno Remaury*, to become and remain a luxury brand, you need a rich brand storytelling. With this regard, Apple has an advantage that no other technology brand possesses: the legend of Steve Jobs, his creative genius, his famous "Keynotes"... Furthermore, Apple understood early on the importance of the distribution and service issues and created a standard from which many of the luxury brands should learn. It has become an iconic brand, which for many is also a luxury brand. Indeed, in quite a few countries Apple appears in the top 10 brands spontaneously associated with luxury (India: Apple ranks 8th for 18-29; UK: Apple ranks 9th for 18-34 years; Brazil: Apple ranks 10th; Hong Kong: Apple ranks 10th) – (Source World Luxury Tracking 2013-2014)
- Samsung, which does not have this narrative wealth and appears to be a veteran on this segment where it operates since 1991 (Apple since 2007), seems to have understood it had to claim a different positioning. The brand draws on the Korean dynamics and its undeniable talent in the design field a different kind of legitimacy and its strategy is to increasingly position itself as a "glamour" and fashion brand (presence at the Oscars in 2014, advertising campaigns, and product placement in movies ...). It may become 'premium' in the consumers' mind, but it would probably be harder to pretend being a luxury brand, especially as Samsung does not seem very interested in developing high quality retail and service, so dear to Apple.

To sum up, if it is innovation that has allowed Apple to such a special position on this segment, the perpetual race for novelty between its players leads to very ephemeral products. This raises the question of price elasticity, because even if the latest smartphone is an accessory, in the consumer's mind it will probably never be equivalent to a Hermes bag or a Patek Philippe watch. In the long run, will brands today occupying the high-end of this market be able to impose price levels disconnected from the real added-value of the device? And the question becomes to know whether mobile telephony will durably remain a player of the luxury segment ...

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