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HTC One's Hard Sell: This Phone Isn't for Everyone

By [Joshua Brustein](#) March 25, 2014

HTC ([2498:TT](#)) just launched the newest version of its often-praised, seldom-purchased HTC One smartphone, and the thing has lots of impressive features: a smooth casing constructed almost entirely of metal, a bunch of cameras paired with sophisticated software, and a guarantee to replace broken screens for six months. But perhaps the most impressive attribute is that you can buy it right away, making the One an instant improvement over its predecessor—and giving the company its best shot in the uphill battle against Samsung ([005930:KS](#)) and Apple ([AAPL](#)).

In the year or so since the first One was unveiled, HTC suffered through a weird mixture of failure and success. The phone was repeatedly hailed as one of the best devices on the market, but the accolades did strikingly little to help sales. Last year, HTC shipped barely half the number of phones it sold two years earlier, and its share of the global smartphone market dropped from 8.8 percent to 2.2 percent, according to IDC. HTC shipped 6.4 million HTC Ones in 2013, making it the company's most popular model; Samsung had seven models that sold more than 10 million phones last year, while Apple had five.

HTC's troubles [stem from a number of factors](#), and unfortunately none of them involve brushed metal. The rollout of the HTC One was a disaster. There were long delays due to shortages of camera components, and problems reaching deals with carriers. Every major carrier is on board and taking online orders the same day the phone was announced. While Verizon wasn't part of the first HTC One launch, this time around it began selling the new model in its stores about an hour after the presentation ended. HTC also has an exclusive deal with Best Buy ([BBY](#)) to sell a gold version of its phone. By the end of April, HTC says, the phone will be available through 230 carriers in 100 countries.

That's a big improvement. Still, HTC remains hopelessly outgunned when it comes to advertising. Samsung spent \$4.5 billion on marketing and advertising in 2012, about half of HTC's total revenue the same year.

HTC's defense mechanism is to try to create a certain snob appeal around the One, which in part means denigrating the very idea of advertising. Jason Mackenzie, president of the company's American operations, said that HTC's competitors were wrapping phones in plastic, filling them with gimmicky software, and "masking it all with advertising"—a thinly veiled shot at Samsung. HTC has put up a number of billboards advertising the new device, one of which simply says "blah blah blah blah."

The company is hoping to appeal to customers as a non-mass-market alternative to ubiquitous Samsung and Apple phones. Executives repeatedly compared the new phone to a piece of jewelry, a Rolex watch, or an expensive car. Mackenzie tacitly acknowledges that this places a cap on the number of phones HTC can sell. “We don’t make phones for everybody,” he says. “We make a product that is like jewelry. When you put it on a table at a restaurant, we’re proud the waiter is like, ‘Hey, what’s that?’”

If there’s a phone that can pull this off, the new HTC One may be it, says Francisco Jeronimo, an analyst at IDC. The first version was the best Android phone on the market, he says, and this one has surpassed it. “I was quite concerned, because when companies develop impressive devices, it’s difficult to improve,” Jeronimo adds. “It was above my expectations.”

There are companies that do well selling small numbers of luxury products, but the metaphor is lacking in several ways. Even if it becomes a symbol of good taste in smartphones, the HTC One isn’t going to sell at a premium in the way that, say, a BMW does. And most people are barely using the capabilities of their phones, so incremental improvements are likely to go unnoticed.

One way to make sure the customer understands the difference? Paying to train staff at retail locations to sing the praises of your devices. Apple has its own network of stores where that happens, and Samsung spends lavishly to make sure that Galaxy phones are fully appreciated. That’s a luxury HTC can’t afford.

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