



CONTAGIOUS

BRAND SPOTLIGHT / NEST

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Thoughtful things

Originally launched as a thermostat brand, **Nest** has steadily built its product and service offering to become a leader in the so-called smart home space. Integrating product design, user-centric experiences, intuitive software and human messaging, Nest brings emotion to rational categories – and love to unloved objects. Today, only five years after launch, Nest is just getting started

By Chris Barth



When Nest Labs launched its Learning Thermostat in 2011, co-founder Tony Fadell was hailed as a visionary, bringing Apple-inspired design thinking, smart software and connectivity to the thermostat, changing the category forever. In reality, Nest's vision was even bigger – it wanted to change the home forever. Today, three products into its assault on the unloved objects that pepper modern domiciles, the brand's consumer message is coalescing around that vision: a home that cares for the people inside, and the world around it. For Nest, it's a message five years in the making. Says creative director Matteo Vianello: 'The idea of the conscious home has been our North Star since the very beginning.'

What Nest has accomplished in those five years is no less than extraordinary. In 2011, with the launch of the \$249 Nest Learning Thermostat,

the brand more or less single-handedly created the luxury consumer thermostat market. Then, in 2013, the Nest Protect smoke and carbon monoxide alarm did the same thing for smoke detectors. In 2014, Nest established itself as a leader in the home security camera market by acquiring Dropcam for \$555m. Oh, and earlier that year Nest commanded a \$3.2bn price tag, when Google acquired it. Not too shabby for half a decade. Now, thanks to its Works With Nest partnership programme, which integrates other companies' products and services into its own ecosystem, Nest is establishing itself as the brain that will turn your house into a thoughtful home.

Don't call it a smart home

First, a note on terminology. Though Nest, as anyone in the tech world will tell you, is a category leader in smart home products, the brand would rather strike that phrase from the vernacular. Turns out the so-called smart home pioneer doesn't buy the smart home hype – at least when it refers to buying a pre-packaged slate of products to make your house more intelligent overnight.

'Nobody enters a store to buy an ecosystem,' says Vianello. 'Most people are looking for very practical solutions to very specific problems.' Consequently, the brand chooses to focus on individual products in its messaging rather than emphasising interoperability, letting each device stand as the answer to a specific consumer question. Nest's online developer brand guidelines make it explicit: 'Don't talk about the "smart home", "connected home", or "Internet of Things" in context with Nest.'

'You won't see that language in any of our marketing or messaging materials,' says chief marketing officer Doug Sweeny. 'This is a journey, but there's a continuous leapfrogging where people are jumping to this end state and trying to sell an idea that people don't actually want.'

This understanding of Nest products as stand-alone objects of desire, pieces of a whole, empowers the brand to focus on offerings that fill consumer needs rather than trying to blanket the entire house with connected but not conscious gadgets.

'A smart product is really still the same stupid product you had before, only now it's stupid over

the internet,' says Vianello. 'We want to make things conscious. We want a home that – when endowed with all of these sensors, algorithms, and intelligence – understands what's going on within it and outside and becomes almost like an extended member of the family.'

Consciously conscious

Thus: the conscious home. Rather than getting bogged down with tech specs and jargon, Nest speaks to consumers' emotional side, both literally (the smoke detector warns you with a human voice instead of a shrill screech) and through intentional design. The Nest Thermostat gives you the weather forecast, the Nest Protect smoke detector lights your path when it sees you get up in the middle of the night, the Nest Cam captures what your dog does when you're not home. 'We always try to zoom out and think about what some of the more emotional features are that really create a relationship to the object,' says Rocky Jacob, head of Nest's in-house industrial design team.

'Every time we launch a product, we write a manifesto for ourselves on "Why We Made It";

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Matteo Vianello, Nest

says head of brand strategy Anton Oenning. 'This is the reason why this product is worth spending our days and nights and weekends working on, and how it's going to change the world and make people's lives better.'

The result? Nest has broken the categories it competes in. 'Our business follows traditional consumer retail cycles, which is an anomaly in commodity products where it's a fairly flat cycle,' says Sweeny. 'Who would have thought that a thermostat would be something that you would gift at the holidays or for a baby shower?'

We must protect this brand

Nest wasn't always guaranteed to succeed, of course. 'We joined a startup that was making a thermostat. We often looked at each other and said: "Is this really going to work?"' says Vianello. But uncertain outcomes didn't stop the team from creating grand plans from the outset. From product roadmaps to a high-level understanding of how its messaging would evolve alongside its offerings, Nest created the



Nest Thermostat

Learns your habits and adjusts to your schedule

Knows when you're out of the house and automatically switches to away mode

Connects to local weather forecasts and adjusts heating schedule based on outside temperature

Saves average consumer between 10% and 15% on their energy bill



Nest Protect

Uses a human voice, not a shrill beep

Tests its own battery automatically, every day

Gives a 'heads up' before smoke reaches dangerous levels

False alarms can be dismissed with a wave of the hand

Pathlight feature senses motion at night and lights your way

Connects to Nest Thermostat and turns off boiler if it detects carbon monoxide



Nest Cam

Streams wide-angle, HD video 24/7

Alerts owner's mobile phone if unexpected motion is detected

Mic and speaker features let people remotely speak through Nest Cam

Video history subscription allows owners to look at footage archives and download clips to share



foundation of its brand and the blueprint for its future. Reading Nest's 2011 internal documentation is like looking into a crystal ball: first comes a thermostat, then a broader mission to build a more conscious home by taking unloved products and making them magical.

'The brand strategy was laid out before the company even introduced its first product,' says Sweeny. 'We knew we were going to be launching a smoke alarm and other products, and there was clarity about the stair-stepping into the idea of the thoughtful home.'

Fittingly, Nest has looked in-house to make its mission a reality. Oenning, previously the director of global marketing for Logitech, oversees a team of around 50 marketers who specialise on particular products within the Nest line. 'My remit is to make sure that the brand strategy for Nest remains true and evolves as our product portfolio grows,' says Oenning. Since the early days of Nest, he has followed co-founder Fadell's mantra to 'never outsource the brand', taking on everything in-house – from commercials to packaging to ecommerce to point-of-sale. The team even produced the instructions for how to wire your new thermostat.

'Imagine me, a marketing guy, and Matteo, a creative director, in a huge empty room with sheets of paper taped to the wall, each one with a wiring diagram – red, green, blue, white wiring – going through the logic of what wires feed what functionality for a thermostat,' Oenning recalls. The

advertising side of things, he says, is the cherry on top of a heaping pile of work.

Nest's in-house crew does occasionally pair up with agencies like Goodby Silverstein & Partners and BBH, looking to them as sounding boards for ideas. But Oenning is careful to protect Nest's identity. '[Agency partners are] incredibly important for opening doors that we haven't looked behind before,' he says. 'On the flip side, though, it's very hard to have them understand who we are. It's easy for them to come out with an amazing spot, but you could then put any logo on it and it could be a Samsung SmartThings spot. That's the hard part – getting the brand DNA right.'

Competing with complacency

Before it even launched its first product, the Nest team recognised that to succeed it didn't have to go head to head with category leaders. Instead it had to change the way people thought about the bland, boring objects tacked to their walls and ceilings. Says Vianello: 'We're not competing with [thermostat manufacturer] Honeywell, we're competing with people not caring about the category.'

So how do you rewrite the book on entire product categories? Start with the cover.

Quick, picture a non-Nest thermostat. Chances are you're envisioning an ugly white box, with a simple LED screen if you're lucky, tacked onto a wall somewhere, forgotten. That's the status quo.

Nest's thermostat, on the other hand, is a sleek circle, rimmed in stainless steel with a colour LCD face that calls out for interaction. It's quite literally a circle in a sea of faceless squares.

Starting static

In the early days, Nest presented its products primarily in static, visual media – print and out of home. Constrained by the marketing budget of an unproven startup, but aware that radio ads wouldn't be the ticket to disrupting the thermostat market, Nest went for quality over quantity, targeting premium publications and high-visibility outdoor locations, aiming for wealthy early adopters.

'Beauty is our core asset. It's the way to pull people into that rational story of why to buy,' says Oenning. The thermostat's appearance is so striking that the brand team internally played around with a billboard simply showing the device and proclaiming: 'Not Ugly'. Eventually, though, they opted for a different tack. 'We preferred headlines like: "From now on, this is a thermostat",' say Oenning and Vianello, finishing each other's sentences. 'This sense of disruption in a space that nobody thinks about. We used the visual to grab attention and then we said, "Pays for itself" or, "Go ahead, forget to turn it off".'

Nest ran full spread ads and back covers in magazines such as *Wired*, *Dwell* and *Vanity Fair*. The team mirrored that approach with out-of-home placements, driving around San Francisco and cherry-picking the billboards and bus stops where Nest's ads would be placed. 'It was, as most things are at Nest, a very meticulous process,' says Oenning.

It worked. The print ads drove huge press coverage at the time of the thermostat's launch, which in turn drove interest from channel partners like Lowe's, Home Depot, Best Buy and European retailers such as John Lewis and B&Q. Early adopters saw Nest as a Silicon Valley status symbol, forking out more than \$249 for a thermostat they had to install themselves, and the brand was on its way.

From early adopters to early mass

Though its product-first strategy hasn't changed, Nest has evolved the way it comes to market as it has grown, moving away from targeting early adopters in tech-savvy areas to hitting an audience it calls 'early mass' with strategically placed television spots that complement digital, out-of-home and print placements.

'We hit a point where we felt that to grow, we needed to show the benefit to the

broader audience,' says Vianello. 'There was no more efficient tool than broadcast TV to reach those guys.'

For Oenning, it was a turning point. 'Out of home gives you a great impression, but what does it feel like living with that brand in your home? These commercials brought the brand and the products to life for the first time for people. It has given us a much broader palette to work with, in terms of letting people know what we're about and how our products work.'

The brand's most recent spots tell the Nest story from the perspective of houses themselves, each narrating their history of enduring remodelling projects to watching the actions of people inside – and culminating with the arrival of a helpful Nest product that makes the home more thoughtful. 'The home is a very personal, private place, and you're inviting this brand in to do a lot of important things,' says Oenning. 'I think the spots do a wonderful job of asking for that permission and getting it.'

It's an opportunity for the brand to bring its complex products to life simply and visually, using what Oenning calls a 'broader palette' of visual imagery. 'It's that magic – what Anton describes as the pixie dust – the memories and the experiences that you have in the home,' adds

Outdoor impact: Nest targeted high-visibility locations and cherry-picked billboards to get its message to the masses



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Doug Sweeny, Nest

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Anton Oenning, Nest

Vianello. 'We enhance that. We want to make sure the technology doesn't feel foreign to the home. The houses are the spokespeople for this product.'

Experience Nest

Elsewhere, the brand takes an even more playful approach to bringing its products to life, creating experiential campaigns that allow for more hands-on learning. Last winter, Nest converted a gondola at Squaw Valley ski resort in California into a Nest home, bringing some warmth to those hitting the slopes and proclaiming a mission to 'reinvent neglected things'. In New York's Herald Square, the brand placed a 6 x 6-foot see-through cube to signify the invisible danger posed by carbon monoxide, stating that 'Nest Protect can see the carbon monoxide you can't.' The brand also ran a mostly blank two-page spread in *The New York Times*, warning of the poisonous gas's invisible threat. And in what may be the brand's most successful experiential campaign, Nest bought and rebranded a fire truck to promote the Protect (see box, right). 'We believe in earned experiences where people will talk about the brand, and it's not just us talking to them,' says Sweeny. 'The point of all of these is bringing the products and the magical experiences into the consumer conversation.'

Nest's most recent fun comes via its acquisition of Dropcam, the streaming security camera now rebranded as the Nest Cam. On YouTube, the brand has been soliciting videos from Nest Cam owners, tagged with the hashtag #caughton-nestcam. Think of it as a GoPro without the 'go' – short, sweet, funny and sometimes scary clips that capture the oft-missed moments of home. Spend a few minutes looking through the videos and you'll likely see a child's first steps, a cat's hijinks and a break-in. One Nest Cam owner even shared a video of a grizzly bear walking through their living room.

'It's an area of our business and our marketing that will really be important as we move forward with that product,' says CMO Sweeny of the videos. 'Creating conversations around the brand



Pimp my truck

To launch the Nest Protect, Nest's marketing team wrote a wide-open brief: 'How can we do creative that is as disruptive as the product is in the categories we entered?' The only logical answer? Let's buy a fire truck.

\$15,000 and a few Craigslist searches later (yes, they really bought it on the classified ads site), Nest found itself in possession of a shiny, red fire engine. But it didn't stop there. 'We figured, "why not bring it to West Coast Custom?,"' says Vianello, referencing the automotive modification shop made famous a decade ago by the TV show *Pimp My Ride*. An episode of the auto shop's new Fox Sports show, *West Coast Customs*, showed the truck's transformation from a well-worn warrior to a baby-blue touring vehicle.

A smoke alarm advert on wheels, the truck has travelled across the US, UK and France, making stops at retail channel partners, local events and festivals such as SXSW. Oenning calls it 'a total Swiss Army knife' of an idea, garnering attention at events, with partners, on TV, in PR and more.



and creating experiences where there's earned media is really important to us.'

Unvarnished conversation can have downsides, of course. In January, Nest found itself in some hot water when *New York Times* columnist Nick Bilton recounted an issue with his Nest thermostat that caused it to go offline. 'This points to a larger problem with so-called smart devices that we are inviting into our lives: Small glitches can cause huge problems,' wrote Bilton. Nest acknowledged that it was 'aware of a software bug impacting a very small percentage of Nest Thermostat owners' and pushed out a software update that fixed the problem. But the event raised concerns for some that relying on internet-connected devices for important tasks could come with some major drawbacks. Those critics may have a point. But would they swap their smartphone for a rotary dial phone – which guarantees a good

connection and never suffers dead batteries? Any new technology will suffer speed bumps on the road to new capabilities.

Plays well with others

And speaking of capabilities, Nest has been working hard behind the scenes to make sure its products can do more than ever, investing in everything from connection protocols to partnership programmes. Although the brand is careful to avoid pitching its products as pieces of a 'connected' home, Nest is increasingly committed to making that reality possible, hoping to cement its place at the top of the smart home hierarchy. 'Nest is basically leading the entire effort in terms of developing the smart home market from the connectivity layer to the software layer to the end devices themselves,' says Adarsh Krishnan, a senior analyst who studies the smart home market

No smoke without fire

During National Fire Prevention Week in the US, Nest enlisted *The New York Times'* T Brand Studio to create In A Flash, a branded content execution to promote its smoke alarm by highlighting the dangers of a modern house fire. 'Fires have changed,' says CMO Doug Sweeny. 'The speed at which they move through homes was an important point of Nest Protect's development.'

Thanks to new building techniques and furniture materials, modern homes can go up in flames in less than three minutes, more than five times faster than houses 30 years ago. To highlight this, T Brand Studio placed a three-minute countdown timer on the page, which ticked away as more than 300,000 people read about a family saved by their Nest Protect alarm, watched videos of fire departments in action and learned about flammable materials in modern homes. Average engagement time with the content was almost exactly three minutes – an eternity in online attention-span terms.

Nest also partnered with T Brand Studio to put In A Flash in people's hands. 'Nest did something we call a reverse paid post, taking the digital experience and publishing it in print,' says Lindsay Howard, an account manager at *The New York Times*. A spread in one issue of the paper's Sunday magazine drove readers to the site like moths to a flame, providing a 28% traffic bump for the branded content.



The idea of the conscious home has been our North Star since the very beginning

Matteo Vianello, Nest

even in product categories it might never consider entering. Already, one in eight Nest households runs a Works With Nest integration.

Nest has also pursued partnerships outside the house, striking deals with insurance companies, home security firms and energy providers to help reduce the end cost of its sometimes-pricey products for consumers. Depending on location, insurers give away free Nest Protect alarms to new customers, utilities give rebates to people who buy Nest thermostats and home security companies give price breaks to customers with Nest Cams installed in their house. Sweeny calls it a 'win-win-win' situation. Customers win by paying less, Nest wins by selling more, and partners win by getting valuable customers signed up for their services.

Next for Nest

The battle for the smart home customer – whether acquired one product at a time or in one fell swoop – is getting fiercer every day, as the categories Nest helped reshape are seeing new entrants from all angles. Apple's HomeKit seeks to usurp Google's Nest as the preferred luxury home hub as it emerges over the coming months and years. Samsung's line of SmartThings products includes a video camera system, clearly competing with the Nest Cam. AT&T, Insteon, Lowe's and more have committed big money to getting their own

smart home platforms off the ground. And on the lower price point side of things, nifty add-ons like littleBits Cloud Modules and the internet-enabled battery Roost promise to bring consciousness to even the dumbest of household objects.

But Nest shouldn't worry about being put out of business any time soon. ABI's Krishnan sees competition heating up beyond legacy and luxury players, but maintains that no single ecosystem will ever have a monopoly. 'It will take a little while for the market to mature, but even when it does, you'll see multiple winners. You'll have different ecosystems catering to different people.'

For Nest's part, the brand seems focused on its own mission – 'to create a home that cares for the people inside it and the world around it' – working towards the same North Star it defined five years ago. And additional connectivity seems inevitable. Says Oenning: 'We're looking at a product roadmap that is exciting because it introduces products that will create this notion of a truly thoughtful home, where these products actually speak to each other. That's why we're still all here. At the core, it's the products.'

Will Nest's next five years be as transformative as its first? Only time will tell. But Vianello notes that the rules of time don't seem to apply the same way within Nest's walls. 'Five earth years,' he says. 'Twenty Nest years.' 🏠

\$3.2bn

Price paid by Google to acquire Nest in 2014

10-12%

Average amount saved on heating bills by Nest Thermostat owners (third-party research)

200

Countries in which Nest products have been installed

4bn

Kilowatt hours of energy saved by Nest homes, compared with leaving a thermostat at a consistent temperature

Nest in numbers

1 in 8

Nest homes running a Works With Nest integration

62

Integrations currently available via the Works With Nest programme

25%

Percentage of Nest owners who use the app every day

14,000

Developers who have joined the Works With Nest programme

