

Monster looks to rebuild brand after loss of Beats

December 24 2013, by Jonathan Landrum Jr.



This May 15, 2013 file photo shows hip-hop mogul Dr. Dre as he announces a \$70 million dollar donation to create the new "Jimmy Iovine and Andre Young Academy for Arts and Technology and Business Innovation," at the University of Southern California, in Santa Monica, Calif. The audio cable company Monster was in a coveted position as the decade began after launching what would become the hottest headphones on the market, Beats by Dre. The audio devices had hip-hop/production legend Dr. Dre as its namesake and soon became synonymous with headphone chic. The audio cable company was in a coveted position as the decade began after launching what would become the hottest headphones on the market, Beats by Dre. The audio devices had hip-hop/production legend Dr. Dre as its namesake and soon became synonymous

with headphone chic. (AP Photo/Damian Dovarganes, File)

It's been a tough couple of years for Monster. The audio cable company was in a coveted position as the decade began after launching what became the hottest headphones on the market, Beats by Dre. The audio devices had hip-hop/production legend Dr. Dre as a namesake and soon became synonymous with headphone chic. Celebrities like LeBron James, Diddy, Lady Gaga and Justin Bieber launched their own signature Beats by Dre lines, and a host of other performers, athletes and entertainers became unofficial representatives as the most famous faces on the planet sported Beats on their ears.

But Beats Electronics ended its partnership with Monster last year. Even though Beats is still superhot, Monster CEO Noel Lee believes his San Francisco-based company has the proper pieces in place to regain its mojo.

"It left us having to reinvent ourselves, and that's what we are going to do," said self-proclaimed "Head Monster" Lee.

Monster is pushing out [headphones](#), tablets, slim battery power adapters and portable DJ turntable mixers. The company is also tapping stars like Shaquille O'Neal, Nick Cannon, Jason Aldean, Meek Mill and Drew Brees as its pitchmen.

Lee, who often rides a gold-plated Segway because of a neurodegenerative disease, is seen as an eccentric champion of the privately owned Monster. A confident individual, he takes a lot of the credit for the stylish Beats by Dre headphones. He said the key contribution of Beats Electronics, founded Dr. Dre and Interscope Records chairman Jimmy Iovine, was marketing (though he allows that

Robert Bruner, chief designer at Beats, did the industrial design).

"People have to realize that them was us," Lee said. "Monster did that. Beats supplied the marketing. We supplied all the distribution, all the technology, all the engineering that went into the product. What we didn't have was the marketing clout before."

Now, Lee says he does with music producer Swizz Beatz, who purchased a co-ownership stake in the company this year. But don't expect Swizz Beatz to follow in the footsteps of Dr. Dre and release his own line anytime soon. His focus has been to make the Monster brand appealing to consumers in the same way he helped in Reebok's return to relevance.

"I'm here to show the world who we are," said Swizz Beatz, who has appeared in a commercial with A\$AP Rocky to promote Monster's DNA headphones. "There are so many being powered and plugged by Monster, but hardly anyone knows that. It's all about getting back to the roots and showing people what we're all about."

After Swizz Beatz was brought into the fold, he persuaded retired basketball champion O'Neal to be part of the Monster team. It was an easy decision for O'Neal, who still has strong marketing power.

"People ask me all the time, 'How do you pick a partner?'" O'Neal said. "It's simple. I've got to believe in the product. I believe in this. For me, it's never about money starting off. I learned a long time ago, when you invest your money, time and it's something you believe in, it will hit in the long run. Monster is proven."

Monster, which was founded by Lee in 1978, became known for selling pricey video and audio cables. Monster eventually partnered with Beats, launching Beats by Dre in 2008. Both companies flourished together over the next five years. In its last year with Monster, 2012, Beats by Dre

captured 53 percent of the \$1 billion annual headphone market, according to the NPD Group, a market research group.

But Beats decided not to renew a five-year contract with Monster in early 2012 after HTC bought a majority stake in the company for \$300 million (it later sold half the shares back to Monster). Since the split, Beats' market share has increased to 57 percent.

Lee said the buyout with Beats was "amicable." He said the company paid to retain the name, audio, patents and designs. He said he was paid "very generously" in royalties and a percentage of the Beats company, but declined to say how much.

Looking back, Lee said he made a mistake by not building his own company's brand while working with Beats. He's now looking to gain more exposure by partnering with Viacom, Clear Channel and Ultimate Fighting Championship (UFC), which will be marketing Monster on their networks or at events.

Beats by Dre declined to comment for this story.

"My team really ... focused our attention to develop Monster-owned products and branding our own," Lee said. "We bled Beats, designed and marketed Beats. I never thought it wasn't our brand. That was probably our mistake for some people who think about going forward and doing licensing. ... We won't make the mistake again."

Meek Mill is playing a big part in marketing Monster through his millions of followers on Instagram and Twitter. The rapper has posted a number of photos of himself along with Diddy, Rick Ross and Tyson Beckford sporting the 24K gold headphones, which were recently released.

Monster is trying to widen its demographic with various headphone lines for business travelers, fitness enthusiasts, video gamers and listeners of different music genres.

"They are looking at the headphone market and the way people are wearing them," said Ben Arnold, director of the NPD Group. "We know people have multiple pairs of headphones for different listening occasions. They are working on so many different spaces. It says to me that they are trying to forge a new name for themselves."

But it's not all about headphones for Monster. Swizz Beatz sees enormous value in creating other products, such as the pocket-sized GO-DJ, a portable turntable mixer.

"We want to be innovators like Apple," he said. "We want to introduce people to a DJ production set that's wireless. A DJ doesn't have to be in the booth no more. He could be in the middle of the dance floor, rocking all of his records. ... That's where we are going. Everything we're doing is going to feel organic."

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