

Electronics startups abound as barriers to entry come down

January 10 2014, by Chris O'brien

Tucked into the tiniest of corners of the gargantuan Consumer Electronics Show one night this week was Sonny Vu, the founder of Misfit.

The Redwood City, Calif., company did not have an elaborately constructed trade booth with flashing lights or blaring dance music. It just had Vu, undeterred by his lack of props, standing next to a table displaying a few samples of Shine, the company's new activity monitor, which is about the size and shape of a Nilla Wafer.

Though the company and product are small, they are emblematic of the biggest trend on display this week at CES: This has become a golden age for [consumer electronics](#) startups.

Like many new hardware companies, Misfit is taking advantage of the falling cost of components, crowd-funding, inexpensive manufacturing, and the ability to piggyback off mobile platforms such as smartphones to create a low-cost device. The combination of these and other forces is creating a hardware startup frenzy that is transforming the influential trade show, long dominated by tech titans.

It is also providing some badly needed adrenaline and hope to a troubled [consumer electronics industry](#) that has seen growth stall and finds itself facing a projected drop in sales this year.

"It's definitely easier to build these types of things," Vu said. "Crowd-

funding has really changed things. And now, people are wide open to buying things that don't come with a big brand name. It's a great time to be in this space."

Of course, CES attendees this week have seen the usual parade of jaw-dropping gadgets being introduced in lavish keynotes by executives of giant tech companies: the 120-inch ultra-high-definition TV from Vizio, a bendable TV from Samsung, a refrigerator from LG that will respond to text messages.

Although big TVs grab headlines, they're drawing shrugs from consumers. Consumer spending on technology has been mostly flat in recent years. And this week, the Consumer Electronics Association, which hosts CES, released a report projecting that global [consumer spending](#) on technology will drop 1 percent in 2014.

For the most part, consumers are only buying smartphones and tablets, now 66 percent of all such spending, with sales in almost every other product category shrinking. And even within mobile products, consumers are shifting to cheaper and smaller versions that produce smaller profits.

"We've really taken the cream off the top in terms of selling to the premium, high-end markets," said Steve Koenig, director of industry analysis for the CEA, adding that the industry needs a new catalyst to ignite growth.

As if on cue, the startup cavalry came charging into CES this week.

By the numbers, the effect of these smaller companies on the world's largest technology trade show has been profound. Just a couple of years ago, when Microsoft announced it was pulling out of CES, and other large companies reduced their presence, many started writing the show's

obituary.

Instead, this year CES set a new record with 3,200 exhibitors across more than 2 million square feet of exhibit space - or enough to fit about 35 football fields. That's up from 3,000 exhibitors and 1.92 million square feet last year.

A healthy part of that growth came from the swarm of hardware startups, according to Laura Hubbard, a CEA spokeswoman.

Though these upstarts are small on their own, there were several areas at CES that brought them together to help draw attention to them.

TechCrunch, the influential Silicon Valley tech blog, held its first ever "Hardware Battlefield" at CES. Throughout the week, hardware startups got on a stage to pitch their wares to a panel of judges, including craft maven Martha Stewart, who will help select a winner of the \$50,000 prize.

Eureka Park, which is the traditional startup corner of CES, hosted 200 companies this year, up 40 percent from last year. And it added a new area called Eureka Park: NEXT for companies that had outgrown the startup confines but were not yet ready to graduate to the main [trade show](#) floor.

Wandering the aisles of Eureka Park, attendees stumbled past a wide range of hardware startup hopefuls. There were gadget accessories, like bendable stands or tablet cases. But then there were more ambitious products, like holographic displays, new 3-D printing materials, a pet webcam that allows owners to talk to their pets when not at home, and a panoramic camera ball that could be thrown in the air to take 360-degree photos.

After years of focusing on Web-based startups, which seemed cheap and easy to launch, there is a long list of factors that are making it easier for entrepreneurs to shift to making physical electronic things.

The cost of many components such as sensors has fallen dramatically. Because so many people own smartphones and tablets, entrepreneurs can build small gadgets, like the Misfit Shine, that have no screen and are controlled through an app.

In addition, boutique manufacturing operations have sprouted across the U.S. and Asia that offer low-cost options for building small batches of new products. And the rise of powerful, inexpensive 3-D printers, which allow for rapid prototyping of products, has put design tools that were once the exclusive domain of big companies into the hands of the little guy.

Indeed, one of the best-attended events on media day at CES was the MakerBot news conference on Monday, where the company unveiled three new versions of its 3-D printer.

"If you had an idea and wanted to get it out into the world, you used have to be a tycoon in an industry," MakerBot Chief Executive Bre Pettis said Monday. "Now you just need an idea and the willingness to fail until it works."

But perhaps most important to the new hardware startup movement is the role of crowd-funding platforms such as Kickstarter and Indiegogo. Vu and Misfit raised \$846,000 on Indiegogo to enable them to make Shine.

By using Indiegogo and Kickstarter, entrepreneurs can reduce their risk by ensuring there are consumers already interested in their gadget.

And more than money, many of these sponsors offer ideas and feedback that help shape the product as it's being designed.

Indiegogo, which only attended CES last year, became the lead sponsor of Eureka Park this year, hosting an Indiegogo Zone within the [startup](#) area.

Kate Drane, Indiegogo's director of design and technology, spoke on a CES panel this week and noted that most of the campaigns that have raised more than \$1 million were for technology hardware products.

The name of the panel? "How Indiegogo Will Help Save an Old Dying Industry."

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Citation: Electronics startups abound as barriers to entry come down (2014, January 10) retrieved 24 April 2024 from

<https://phys.org/news/2014-01-electronics-startups-abound-barriers-entry.html>

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