

COLUMNS

Is Apple really a luxury-sector brand?

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By A LUXURY DAILY COLUMNIST

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One low-price-point trend that I get asked about from the media all the time is the merging of technology and fashion.

Apple unites these two in its smartwatch, allowing this computer company to now become a designer fashion brand of low- price-point luxuries, with its most pricey piece being around \$12,000.

Click clock

Fashion is highly susceptible to trends and indeed how it keeps inventory moving. Some fashion designers such as Gucci are jumping on the bandwagon and have announced their own Android smartwatch forthcoming.

Within the real luxury watch industry there is a refusal by some of the elite brands such as Patek Philippe that question the wisdom of endangering established heritage luxury branding. They are wisely refusing to compromise their status by following tech trends of the lesser-quality brands.

Technology has played a big role in the luxury market, from jets that fly faster and with

more fuel economy, jets that have movie theaters, stables, garages, and even waterfalls.

Technology allows for the amazing features on yachts, where their amenities rival five-star hotels.

Also, technology increases security at private banks, makes helicopters more comfortable and quiet, exotic cars faster and luxury automobiles able to supply extraordinary comforts.

Often, the luxury market leads the way in developing new technology because they have the money and the need to constantly innovate.

There are two types of luxuries: the elite high-price-point luxuries such as the aforementioned that have exclusive ultra-high-net-worth consumers, and the lower-price-point luxuries including fashion, food, perfumes, cosmetics and skincare that are attainable by the middle classes.

I take issue with mass marketers that have declared Apple merchandise as luxury products.

Slap on the wrist

I understand if the general populace does not understand the difference between a premium product and a luxury product. But real luxury marketers will know.

Most journalists are not specifically trained to understand the luxury market and unwittingly publish information that can be misleading. Often times, they do not know the industry definitions of different terms.

Apple products are mass-produced, mass-distributed and price-sensitive – the very definition of a mass product.

Verizon Wireless and AT&T will give you a free new iPhone if you switch to their service.

Apple products are premium products that are the top of the mass market. The value/cost of the components in an Apple Watch are only about \$80. Their competitors make a similar product.

Some Apple Watches have been dipped in gold to try and appear a luxury product, but you can put lipstick on a pig and it is still a pig.

This analogy is not stating that Apple is not a good product. It is one of the best-regarded brands globally. What it means, is that Apple is a premium brand masquerading as a luxury one.

Gold dipping a product that will be outdated because of its technology in a year is just a waste of gold.

Time sensitive

The price point of Apple Watches is more suited to the aspirational affluent purchaser.

Luxury marketing defines “affluent” as wealth range represented in data: individuals with

\$100,000 to \$999,999 of liquid financial assets, or an annual household income over \$75,000.

I see the technology/fashion market as huge. I think it will continue to grow. I think that it is very functional instead of fantastic.

I can see an executive using the technology to enable her or him to go jogging and have access to more “stuff” from directions, to heart rate, to emails. But I do not see it replacing her or his Blancpain, Piaget, Roger Dubuis or Rolex.

I think that just like mobile phones started out the size of a shoe box and were something that only the very wealthy could afford, and now elementary-age school kids carry them, the Apple Watch will become even cheaper to produce and mainstream such as the mobile phone.

Technology becomes mainstream fast. I do not see horologists abandoning the art of luxury watches. Luxury is not about the necessary, it is about the extraordinary.

Just like calculators use to be an investment of hundreds of dollars for college-bound students decades ago, they are now given away free with a tank of gas.

I expect the Apple Watch and iPhone to be much the same. The value of the product is diminished to almost zero as soon as the next generation comes out.

The fact that the iProducts – computer, phone and watch – diminish in value in a short period of time, positions them as trends that change with each new generation.

Trendy fashion is the mark of a premium product, not the more iconic status of a luxury product that retains, and even increases in value with time.

A used yacht that sold for \$200 million may resell 10 years later for only \$185 million. But it still retains the majority of its value. It is possible that it could sell for more.

The new \$65 million Gulfstream 650 jet is actually reselling for more than new purchase price from the factory because of the two-year waiting list.

Even within the lower-price-point luxuries such as fashion, Sotheby’s sold a crocodile Birkin handbag for more than \$222,261 in 2015.

The fact that Sotheby’s even has a designer handbag division proves that there is an intrinsic resale value.

A gold handmade Patek Philippe watch’s value increases with time. These are all signs of a luxury product.

TECHNOLOGY AND LUXURY can merge, and certainly that is seen in the car, yacht and private jet industry.

However, certain sectors must carefully evaluate if fusing the two will maintain the luxury brand’s integrity.

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