

Apple's wake-up call to the luxury watch industry

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Hermes edition of the Apple Watch. Image credit: Apple

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In 2019, Apple alone sold more watches than the whole Swiss industry, according to a [recent report from Strategy Analytics](#).

The giant multinational tech company based in California and founded by Steve Jobs and Steve Wozniak in 1976 had revenues of \$260 billion in 2019. It started as a computer company and had the vision to launch successful products such the iPod, iPhone and iPad, among others.

Currently run by CEO Tim Cook, Apple was "launched" twice by Jobs, one of the most inspiring and charismatic entrepreneurs of all time.

After founding the company and taking initial bold steps, Jobs was ousted in 1985 and recalled 12 years later, in 1997, to revive Apple.

Fast-forward to today, estimates now show Apple selling 30.7 million units worldwide, versus 21.1 million for the Swiss industry.

Mechanical watches are sold at average prices higher than the Apple Watch and are well appreciated by a more mature consumer-base. The Apple Watch, on the other hand, appeals to new generations and people who prefer a "contemporary" lifestyle.

In terms of business, Swiss watches guarantee higher margins than the Apple Watch, but the quest for margins cannot beat the increasing volumes of smartwatches and impeccable marketing.

Evolution of the Swiss watch industry

The Swiss watch industry has been influenced over the past years by several trends that heavily shaped it, and not always in a good way:

- The industry's luxury positioning matched with increasing sale volume targets
- An obsession for higher margins to cover costs of capital expenditure, communication and to keep high profitability
- Relatively easy business with Chinese customers
- Short-term brand strategy that did not help set up the future of the industry
- A lack of a "think outside the box" mindset
- A shortage of strategic R&D that led to reinforce a conservative approach based on the preservation of the status quo
- Overstock at the wholesale level

Overproduction, double-digit growth of revenues and a stubborn focus on the days of the past prevented the industry from looking at new solutions and research for fresh opportunities.

Apple swoops in

At the same time, Apple with its "Think Different" mentality started re-engineering an iconic product: the watch.

In 2014, for the first time Apple revealed its smartwatch to the public.

After just five years, it overtook in volumes the most specialized watch industry with a new concept, far away from the traditional mechanical or quartz watch.

"Innovation cannot take place inside the system because the resistance is too high," said Steven Kotler, one of the world's leading experts on high performance, and co-author of the book "The Future Is Faster Than You Think."

Has something similar happened to the Swiss watch industry? Very likely.

Too busy to keep the positions acquired, the Swiss watch industry did not see the disruption coming.

How has the industry reacted?

The evolution of the Swiss watch industry business worked very well until it was impacted by the objective to abandon niche positioning and to start selling higher volumes at high prices.

Selling excellence is wise, as Patek Philippe teaches. Selling high volumes for a long time, is another matter, also considering the risk to transform the iconic watch into a commodity. Is it too late to start at a new pace? Maybe not.

Either luxury stays niche, focused on excellence and limited volumes, or it needs to start approaching the business in a different way.

The late Jobs created an empire that gained a cult, following with the earnings to prove it.

With Apple now outselling the Swiss watch industry with solely one of its many products, Jobs' words of wisdom in quotes below might offer some inspiration for the future of the industry:

- "Get closer than ever to your customers. So close that you tell them what they need well before they realize it themselves."

As the world and society evolve, successful brands develop sensitive antennae and become increasingly attentive to developing products that anticipate customer needs.

Knowing your customers well and being able to predict the evolution of needs is a must for brands hoping to be successful in the long-term.

- "People who know what they're talking about don't need PowerPoint."

Less paperwork and more ideas, experimentation and clarity will help find a new, more innovative way in the industry.

- "Don't be trapped by dogma, which is living with the results of other people's thinking."

Evolution is better than disruption.

Challenging the status quo every day is better than having to take drastic decisions to fight obsolescence.

- "Companies, as they grow to become multi-billion-dollar entities, somehow lose their vision. They insert lots of layers of middle management between the people running the company and the people doing the work. They no longer have an inherent feel or a passion about the products."

Passion, love, vision are key business drivers.

- "There's an old Wayne Gretzky quote that I love. I skate to where the puck is going to be, not where it has been.' And we've always tried to do that at Apple. Since the very, very beginning."

Conservation is not always the right formula for doing business in our era.

- "My philosophy is that everything starts with a great product. So, you know, I obviously believed in listening to customers, but customers can't tell you about the next breakthrough that's going to happen next year that's going to change the whole industry. So you have to listen very carefully. But then you have to go and sort of stow away, you have to go hide away with people that really understand the technology, but also really care about the

customers, and dream up this next breakthrough."

THAT IS HOW the magic happens. And it is not just a product. It is a trillion-dollar business.



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