

COLUMNS

## Apple Watch's downfalls are luxury watchmakers' opportunities

May 22, 2015



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Apple's smartwatch may be all the buzz right now, but it faces serious challenges, both on a micro- and macro-level.

The Apple Watch's pricing scheme is tenuous at best. There is little justification for anyone other than a very rabid, very rich Apple fanboy to buy the higher-end Apple Watch offerings. For the highest-end version, the Apple Watch Edition, Apple seems to be trying to cut into the luxury watch market's user base.

Appealing to the luxury watch consumer, however, is a lot more complicated than just making a gold version of something and charging five figures for it.

The primary reasons people buy expensive watches go beyond the inherent functionality of a watch, and for the most part, have little to do with being able to tell time. Luxury watch collectors look for design, craftsmanship, history and brand heritage and longevity.

The last one, longevity, is key, because it is the main component of the value proposition that the Apple Watch inherently lacks it is the Apple Watch's biggest downfall.

A \$10,000 mechanical watch, properly maintained, will work just as well 50 years later as it did the day you bought it. Smartwatches such as the Apple Watch, with their integrated design and non-replaceable components, will become obsolete after a couple of years.

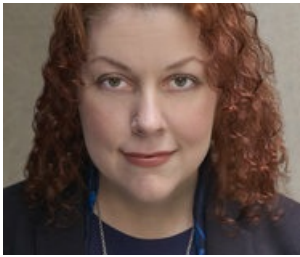
Even if the battery has not reached the end of its charge cycle life, the processor, screen and core functions of the watch will have been far surpassed by the other devices the wearer uses. That may be acceptable when you are talking about a \$250 watch, but it is absolutely ridiculous when you are talking about a \$17,000 timepiece.

If anyone is well suited to convince luxury watch buyers to own a luxury smartwatch, it is the incumbent manufacturers themselves.

We are seeing traditional watchmakers respond to the smartwatch trend to varying degrees, and some of these innovation exercises could help them retain and even expand their legacy demographic.

Frederique Constant and Alpina, for example, are already producing what they are calling a Horological Smartwatch, which combines a traditional Swiss quartz movement and analog watch dial with a component-based activity tracker that syncs with a smartphone. Their approach captures the metrics embraced by the Quantified Self movement, such as activity tracking, sleep monitoring and adaptive coaching.





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What makes it stand out from the Apple Watch and other purely digital smartwatches? It does not require charging, a particular brand of phone, or discarding or replacing the entire device as technology changes.

This modular approach allows them to replace hardware if they absolutely need to, and the two-year battery life is much more appealing than a device that needs to be charged every 18 hours.

Granted, you cannot check your email or respond to a text message on the analog dial, but these pieces will appeal to luxury watch buyers who want to capture activity information without wearing a second device.

Other luxury brands are also launching smart or connected watches.

In March at Baselworld, one of the watch industry's biggest trade shows, Tag Heuer's recent partnership with Google and Intel to develop a smartwatch was a major example. It was a huge announcement by a prominent luxury brand, and even though the watch was not shown at the event nor do we know much about what it will ultimately look like or cost it was one of the most talked-about announcements at the show.

The Tag Heuer effort was also a clear warning shot aimed directly at Apple, since the Google partnership means a likely Android-only release.

Breitling, a luxury watch brand that mainly produces pilots' watches, was showing a prototype at Baselworld called the B55 Connected, which is a variant of a multifunction chronograph watch it introduced last year. It combines analog and digital displays with a connection to a smartphone, but the watch is still the central focal point, with a connected app that is meant to store data and perform adjustments like setting the time.

The Apple Watch, by contrast, is mostly just a proxy for your iPhone so you do not have to take it out of your pocket.

Another key to capturing the attention of luxury watch collectors will be a challenging one: getting some type of smartwatch technology into a mechanical timepiece.

The real watch lovers out there tend to eschew quartz watches in favor of mechanical watches that are either manually wound or self-winding i.e., they are wound by the kinetic energy generated by the movement of the wearer.

All of the current hybrid analog offerings mentioned here contain quartz movements with long-lasting batteries to power both the analog and digital portions of the watch.

Any watch manufacturer that can figure out how to innovate and pair smart technology with an automatic movement would certainly turn the heads of watch collectors.

Whether we are talking about purely digital smartwatches or these new hybrid analog timepieces, the question of longevity still stands.

Watchmakers need to address the longevity issue if they are going to see serious luxury watch buyers start considering smartwatches that reach the upper echelons of price points. The key to this longevity will be modularity-focused design.

The mobile phone vertical faces the same challenges. Phones with integrated, non-replaceable batteries have their lifespan determined by the degradation of the battery's charge capacity.

When the battery cannot hold a charge anymore, most people pony up for a new phone. Phones with replaceable batteries and micro-SD card slots have been a good step in the right direction, but initiatives such as Google's completely modular Project Ara phone are going to be extremely disruptive to the status quo of completely integrated phone designs.

Similarly, luxury smartwatch lifespans should not be subject to the whims of a non-replaceable battery's life.

The watch designers that are going to win the luxury smartwatch race are going to be the ones who engineer with the

same sort of modularity in mind: replaceable batteries, screens or dials, processors and other components.

That approach will ensure a modicum of longevity and add to the value proposition of luxury smartwatches. Brands including Mondaine, Frederique Constant and Alpina are already doing this through their partnership with Fullpower Technologies, the company behind wearable tech such as Jawbone Up and Nike Fuelband.

We have yet to see what the Tag Heuer smartwatch will look like, but if it similarly combines modularity with quality Swiss luxury watchmaking at the right price point, it could be an interesting competitor for the Apple Watch.

Is the Apple Watch going to sell well? Probably. The people who will buy the Watch and Watch Sport versions are likely to be those who Apple convinced they did not need a watch to tell time in the first place. They will be the people who pull their phones out of their pocket to check the time.

Will high-end watch collectors buy an Apple Watch? Sure, some will, but they are not going to abandon their mechanical watches for one and they are certainly not going to spend \$10,000 or more on a vaguely watch-like device that they will have to replace in a couple of years.

This is not the watch industry's new quartz crisis, but it will definitely change the way people think about watches. It is making people who have not worn a watch in a decade think about putting something on their wrist again.

Therefore, the Apple Watch and its fanfare is actually creating an opportunity for traditional watch manufacturers. While it is making watch-wearing trendy again, its shortcomings are highlighting a need for something better and longer lasting.

THE INTRODUCTION of the Apple Watch could very well lead to an influx of a new watch collector demographic, and the incumbent watch makers that capitalize on this trend and innovate their products accordingly will endure.

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#### 1 thought on “Apple Watch's downfalls are luxury watchmakers' opportunities”

1.  Alex Masselski says:

May 23, 2015 at 4:39 am

really? Nothing happens to Vertu phones priced at \$5000 the cheapest with the shitty software and average quality components. They sell that stuff very well. Learn about their experience before saying something like this about Apple.

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