



Is Apple Spreading Its Brand Too Thin?

From luxury accessories to enterprise IT solutions, Apple is expanding into divergent markets that stretch the meaning of its brand. If successful, it will be a nearly unprecedented achievement for the high-tech leader. Can they pull it off?

Set for release during the spring of 2015, the long-awaited Apple Watch marks Apple's first foray into the wearable technology market. Like nearly every other category the Cupertino behemoth has set its sights on, the high-tech timepiece aims to redefine smartwatches with Apple's signature design and software integration.

A New Foray Into High-End Fashion

A brand new category to accompany its annual product iterations might be enough for most, but Apple is reaching even further. In an unprecedented move, the \$349 entry-level line (dubbed the Apple Watch Sport) will be accompanied by an 18k gold, sapphire-screened "Edition" collection, with price tag expectations running anywhere from \$1,000 to \$10,000. This would position Apple squarely in the luxury timepiece market, where high-end brands like Rolex, Omega and Panerai play.

Entering the luxury fashion market is a first for the brand. Apple's well designed hardware, proprietary software and classy retail experience have long differentiated it from its lower-end tech rivals, but it has nevertheless always aimed to appeal to the premium end of a mass consumer market. With

the Watch, however, Apple is offering a range of products with identical functionality but widely diverging price points – a major departure from its longstanding "good-better-best" strategy, where major feature improvements (e.g., larger screens, greater storage capacity and cellular capabilities) can be had for relatively smaller price premia.

In the luxury fashion world, functionality isn't what customers pay for. Instead, "value" is typically defined by what the product aesthetics – and the brand itself – say about the owner: taste, values, class membership and exclusivity. With

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its Apple Watch Edition, the company is asserting the same brand cachet as luxury leaders like LVMH and Hermès, and is targeting the same clientele. This explains why Apple has hired a number of fashion heavy-hitters (including CEOs and other executives from the likes of Yves Saint Laurent, Burberry and Tag Heuer) and is using a decidedly Milan-inspired approach

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to promoting the Apple Watch (such as displaying it at French boutique Colette ahead of Fashion Week in Paris and putting it on the cover of *Vogue* China, targeting what has become the world's largest luxury market).

By venturing into the luxury fashion and enterprise IT markets with the same brand at the same time, Apple is taking on the challenge of extending its brand equity in multiple directions without diluting it.

Of course, normally the launch of one product would not necessarily signify the repositioning of a company's entire brand. But with Apple, we see this as the latest and most visible sign of a deliberate move to becoming a lifestyle or fashion brand (besides the Apple Watch Edition and senior team additions, witness the recent \$3 billion acquisition of Beats Electronics). Make no mistake – when Apple gets off the sidelines, it goes big, and Apple is all in on fashion.

Different Worlds

Strikingly, Apple's push into high-end fashion is unfolding simultaneously with another major effort: to drive a far stronger position in the enterprise IT space. Of course, Apple already has a major presence in the Fortune 500, thanks to the consumerization of work technology and the "bring your own device" (BYOD) trend. But Apple is doubling down on the enterprise, recently announcing an exclusive global partnership with IBM aimed at transforming enterprise mobility through a line of new industry-specific business apps, services and support. As part of the IBM MobileFirst for iOS arrangement, IBM is also marketing iPhone and iPads armed with enterprise-class software — integrated into IBM's systems, platforms and services — to its global business clients like Citigroup.

But winning in enterprise IT takes more than great products; it requires becoming a trusted partner that can ensure reliability and security, low total cost of ownership (TCO) and ongoing support — about as far as one can get from the world of luxury fashion. And with IBM's once-sterling reputation looking increasingly tarnished, Apple's brand will carry much

of the burden of convincing CIOs that the partnership will deliver on the promised enterprise functionality and return on investment. This creates a new challenge for Apple: ensuring the brand conveys the right associations and helps

make Apple the premier choice to completely different – but equally demanding – types of customers.

History shows that this is no mean feat. Typically, extending brands across categories can work as long as the brand's core meaning

stays consistent in the minds of customers. For example, Ralph Lauren stands for a high-quality, classic American heritage; this works in a wide variety of apparel, fragrances, and even home furnishings, in a range of price points from premium/aspirational to true luxury. Conversely, taking on new meanings generally requires a new brand, such as when Microsoft, the quintessential "productivity" brand to enterprise workers, created the Xbox brand to appeal to hardcore gamers. The list of companies who successfully leverage the same brand across entirely different meanings and contexts is short indeed.

Spreading the Apple Butter Thin?

In the quest for growth, companies are constantly launching new products and extending into new categories – and no one has a better track record of success than Apple. But by venturing into the luxury fashion and enterprise IT markets with the same brand at the same time, Apple is taking on the challenge of extending its brand equity in multiple directions without diluting it.

Of course, Apple has a number of strengths in its favor. It's exceptionally well run, it has an exceedingly enviable ecosystem and its 15-year streak of incredibly successful products has earned it permission with customers to play almost anywhere it chooses. At the same time, its frequent acquisitions and recent big-name hires show a willingness to bring in outside technology and talent to solve new problems.

However, it was Steve Jobs who argued that the key to

success is focus – saying “no” to attractive opportunities in order to do a few things extremely well. One could argue this applies equally to brands. Is there a risk that the fashion play falls short – or, conversely, that CIOs remain on the fence because they see Apple as more “flashy” than “enterprise-ready”? A move into either luxury accessories or enterprise mobile solutions would be difficult enough for most brands; we don’t recommend trying both at home. But if anyone has a shot at making this work, it might just be Apple.

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