

## The \$10k Apple Watch is more than a product, it's an HR policy

Written by The Conversation

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A lot has [been written](#) about the Apple Watch Edition and its price tag of more than \$10,000, all the way up to \$25,000. Many have decried it's super luxury status, [w](#)  
[hile others](#)  
see it as shrewd strategy.

I initially didn't think it would be priced so high. It's out of character for Apple, whose identity is more mass market than exclusive, with its technology being widely accessible to most consumers. To be sure, Apple products were never cheap, but they weren't ludicrously expensive either.

There was always something different about the positioning of Apple versus that of Rolex and the like. Most of us can afford Apple products, while Rolex is exclusive.

Indeed, it is so exclusive that Rolex takes out billboard ads not to convince passing commuters to buy one but to sell them on the idea that whenever they come across a person wearing one, they know they are encountering someone who is friggin' rich. Put simply, if you wear a Rolex and no one knows it costs a ridiculous amount of money, there goes your value proposition. What are you going to do with a \$20,000 watch? Tell the time? Give me a break.

Which brings us back to the Apple Watch Edition.

Robert Frank argues Apple released a high-end watch to help with price discrimination, or what he calls differential pricing. He [wrote in Vox](#) that the Apple Watch Edition should be celebrated by the rest of us because it spreads fixed costs around. The high-end watch, with much higher profit margins, thus subsidizes a lower price point for the cheaper models the rest of us can afford.

That price discrimination argument sounds great for things like business class travel, but it does not hold up for the Apple Watch. Why? Because to make sense, it must be that the presence of the Apple Watch Edition actually lowers the price of the other versions. But I just don't believe that is the case.

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Instead, if it does have an impact, it is to raise the stature of all Apple Watches and, for that reason, *increase* their prices. In other words, it is more [Veblen](#) (the demand for a luxury product increases as the price goes up) than

[Varian](#)

(an array of price points help companies cover fixed costs).

So how should we look at the Apple Watch Edition?

First, I don't think it exists to make money and, therefore, does not exist to help defray the costs of developing the Apple Watch. Second, given this, I do not think that it is there to have any impact at all on Apple's image of having accessible technology.

Put these two things together and we see a plan. The Apple Watch Edition is most likely there for Jony Ive – the company's chief designer and arguably most important employee – so that he can play in the major fashion designer leagues.

I know that he seems like such an affable guy and a man of the people, but he has a Bentley and a knighthood. So it is a very British sort of person made good. You want to keep him interested, you have to throw him a bone, and that bone is the Apple Watch Edition.

This is why on the Apple site they talk about \$10,000-plus and put that out to the press when, in reality, if anyone buys one of these they will be paying twice as much to get the “good red one” – the version with the red leather buckle. After all, the \$10,000 comes with a sport band. A sport band! No one is going to get that. No one.

But the other clue we have is that the guts of the Apple Watch Edition are precisely the same as the Apple Watch Sport. There are the same two sizes with the larger one costing more (in the case of Edition, \$2,000 more, but still). The Edition models are enclosed in 18-karat gold and crystal Sapphire, but the technology is the same. The insides are the same.

The rich person with the Edition will not be able to do one thing more than someone with a Sport. Not one thing. This is unprecedented in price discrimination. Whenever different versions

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arise, they typically can do more. This time around, you don't even get extra storage. It would have been so simple for Apple to have differentiated on some feature. Yet they chose to do none of that. Why? The company wanted to err on the side of not compromising its identity.

In summary, the Apple Watch Edition is possibly the most commercially irrelevant product ever launched (certainly by Apple) and should be viewed as an expense on the human resource management ledger.

*This is a modified version of a post that first appeared on Joshua Gans' Digitopoly blog.*

*Joshua Gans does not work for, consult to, own shares in or receive funding from any company or organisation that would benefit from this article, and has no relevant affiliations.*

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