

A detailed close-up photograph of a mechanical watch movement, showing various gears, levers, and screws. The watch is partially visible, with the word 'TIME' printed on the dial at the bottom left. A yellow rectangular text box is overlaid on the upper left portion of the image.

New opportunities for
2023 emerging from
digital trends in the
watchmaking industry

The EY logo, consisting of the letters 'EY' in a bold, white, sans-serif font. A yellow diagonal line is positioned above the 'Y'.

Building a better
working world

This study was developed by our Technology Consulting for Digital Strategy team in Geneva. It is based on data collected from more than 15 interviews with digital and commercial managers, as well as executives at major Swiss watch brands.



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Introduction

There may already be an abundance of literature on digital trends, but the question the watch industry is asking is: will they really create new business opportunities?

Beyond clichés about the theoretical benefits of digital technologies lies the challenge of demonstrating their value in a tangible way to customers, businesses and the overall market.

Before we start, let's define what we mean by "digital trends"? A trend is a movement adopted by the market, a development in a shared direction. We use the term 'digital' here to refer to new digital technologies.

In an environment that's evolving as fast as data traveling through optical fibers, it can be difficult to distinguish between hype and genuine "digital" trends. So how can we tell apart underlying trends and passing fads?

Digital technologies certainly saved watchmakers during the pandemic. While physical stores were closed, they supported brand image, sales, turnover and jobs. Today, the watch industry is doing well, with 11.4% growth in Swiss watch exports in 2022¹ indicating a return to pre-COVID-19 momentum. So why – and how – are watchmakers still exploiting digital trends to benefit their business and their customers?

11.4%

growth in Swiss watch exports in 2022.

Our study analyzes the adoption of these trends by watchmakers. Perhaps something of a paradox, since we are talking about two opposites: the world of mechanical timepieces, traditional in essence, compared to the virtual, intangible universe of digital technologies.

So, how can we reconcile increasing online consumption with marketing of products that are often entirely analog? Purchasing on the internet, a mass medium accessible to all, has been growing at a rate of about 20% per year worldwide since 2014, with forecasts of 95% online consumption by 2040². What's the connection between the gentle ticking of a second hand and the frantic movements of the web?

The point of convergence between the two worlds is the **customer**. We have used the customer journey to guide and inspire our study. It's a journey driven by the interactions, products and services aimed at the individual. Starting from brand awareness, a customer goes on to discover the brand's universe, its collections; they get advice to help them select the right piece. And then they purchase it. The journey continues through the use and maintenance of the piece (service), before it is eventually transferred.

A trend needs actors to bring it to life, to make it tangible. So, we set our vision and experience of digital technologies against the reality of the field and the professionals driving them. Whether they work on commercial or technological subjects, all our survey respondents make strategic decisions. It means they're the first to analyze trends by measuring the impact of their implementation on the market.

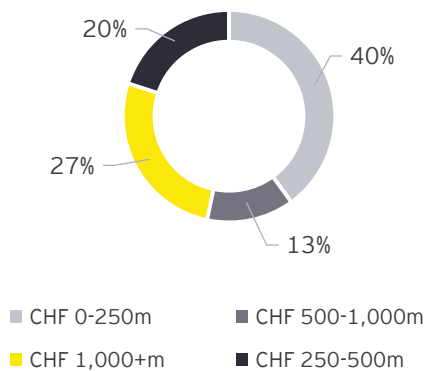
We interviewed a group of executives from watch brands, groups and distributors. Many factors influenced the responses collected in this study – from status as independent or group-owned brand, type of distribution model (own stores, franchises and/or retailers) and price range, to turnover and technological maturity.

¹Forbes. -2022. - <https://www.forbes.com/sites/carolbesler/2023/01/25/swiss-watch-exports-soar-to-a-record-27-billion-in-2022-with-the-us-reigning-as-the-top-market/?sh=66f7e2224385>

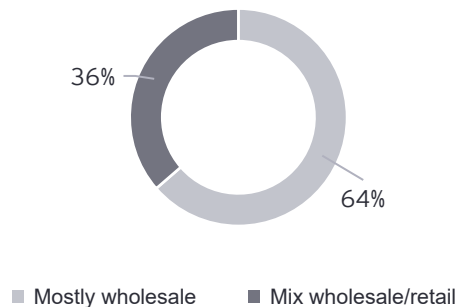
²Nasdaq. -2022. - <https://www.nasdaq.com/articles/uk-online-shopping-and-e-commerce-statistics-2017-2017-03-14>



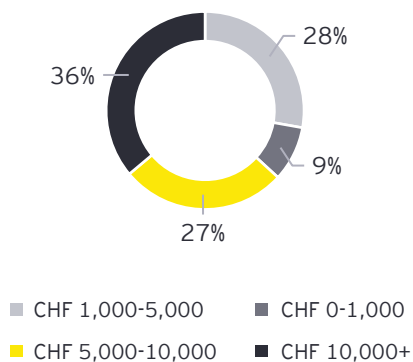
Turnover of companies surveyed



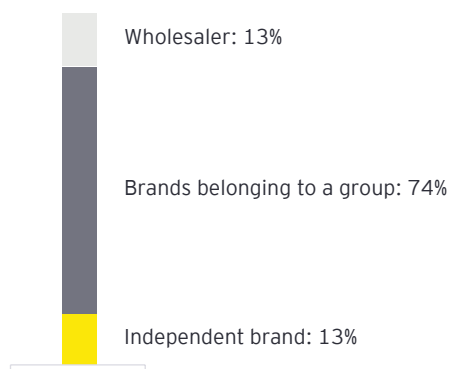
Distribution model of companies surveyed



Price range of companies surveyed



Respondent category



1. Awareness: complexities of multiple exposure and communication channels

From a customer journey perspective, the entry point is awareness. This is about the brand becoming known through all relevant channels. Traditionally, the public is exposed to brands through communication media such as advertising in stores and magazines, at train stations and airports, or through event sponsorship, patronage or personal networking.

In the digital environment, communication media are not only numerous (showcase website, digital marketing, email, social media, partner sites, metaverse, etc.), but also developing rapidly and constantly. Against this background, mastering the digital ecosystem can be a complex task for companies.

1.1. Widespread adoption of basic digital marketing

All the players in the watchmaking industry have at least one showcase site (i.e., a non-commercial site). They are also present on most platforms, deploying their communication campaigns on social media platforms and instant messengers such as Facebook, Instagram, Twitter, Tiktok and Snapchat; on displays, by email and sometimes text message; and finally on their partner sites. The foundations of online communication seem to be solid and watch manufacturers as a whole have largely adopted the fundamentals of digital marketing.

On the other hand, the return on investment is difficult to quantify. This brings us to the challenge of digital marketing.

How can you demonstrate that investments in this area have persuaded and won over the audience? How do you evaluate their contribution to footfall in stores?

1.2. The weakest link: omnichannel brand-customer interactions

The multitude of channels creates complexity when attempting to follow the path of potential customers. This issue affects how brands personalize their messaging, guide customers on their journey, and above all, offer a uniform experience through a 360° marketing strategy that considers interactions across all channels. From the corridor of Geneva airport to Tiktok, from Instagram Checkout to click-and-collect, from meta-registration to store-locator, communication is orchestrated at all stages of the customer journey. There's no point suggesting a rectangular stainless steel case to a prospective customer who obviously prefers round, black ceramic cases, given that they've liked eight photos of similar products on social media, visited the relevant product page three times online and watched two showcase videos of the model.

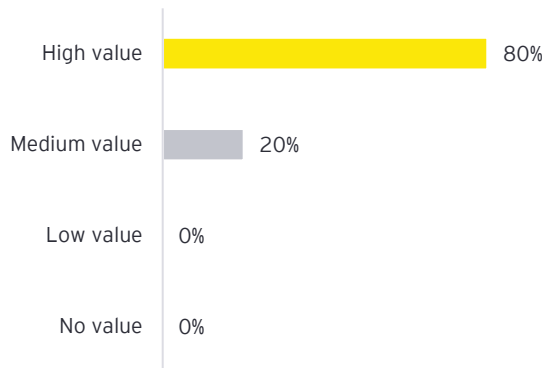
The industry is almost unanimous on the subject of omnichannel marketing: 80% of study respondents agree that it's key to their image and sales, and that it creates high value for the company and its customers. Digital visibility is unequivocally a business priority.

Omnichannel marketing:

80% of study respondents agree that it's key to their image and sales.

Awareness: driving 360° acquisition strategy through omnichannel marketing

How much business value do you see out of this opportunity?



But there are also risks associated with where content is released, for example, which can be difficult to control. For example, an advertisement can appear associated with content that is not necessarily in line with the image of the brand in question.

The industry as a whole has not yet reached maturity on this specific topic and still has many gaps to bridge. Nearly half of the respondents indicated that they only partially have the capabilities to deliver on their 360° acquisition strategy ambition.

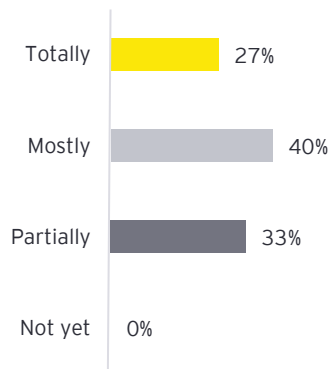
Some more advanced brands (25% of our respondents) are doing well when it comes to integrated technological support and communication between online points of sale and physical stores, but they remain a minority, and often combine watchmaking and fashion.

Some believe they have a presence simply because they have an online shop window, but it's important to remember that a website (e-commerce or not) is just one building block of the digital foundations. Operating a website does not in itself make for an omnichannel experience.

Some more advanced brands (25% of our respondents) are doing well when it comes to integrated technological support and communication between online points of sale and physical stores, but they remain a minority, and often combine watchmaking and fashion.

Awareness: driving 360° acquisition strategy through omnichannel marketing

Do you have the capabilities to deliver it?



The technical challenge is significant, of course. Few tools are currently capable of observing the interactions of a customer journey in an integrated way. In-house technical solutions for tracking a prospect between channels are often poorly implemented, if at all. This becomes even more of a problem when brand exposure points, whether physical or digital, are managed by third parties.

Another difficulty observed is that organizational silos do not allow for effective collaboration between digital, marketing and sales within the organization. There is still much room for improvement before the state of the art is achieved. In the same way, there is some hesitancy when it comes to budget allocation because it is thought of as the cherry on the cake, with the individual and separate performance of each channel taking precedence. Today, the 360° communication strategies that work are those that break down internal silos. When digital marketing, product managers, retail, sales and customer service collaborate, it's easier to offer an omnichannel customer experience. It means campaigns can be harmonized across all touchpoints and it allows marketing and sales objectives to converge.

On the technical level, various software developers offer integrated 360° solutions that track the customer along the entire customer journey. State-of-the-art solutions can even recognize a customer who enters a store, in compliance with data confidentiality standards, without that individual having to announce his or her arrival. The salesperson then just has to offer the customer the watch he or she has previously looked at or tried on in another store.

1.3. The metaverse and digital assets: when high-end positioning clashes with low returns on investment

On the topic of digital trends, the metaverse alone is filling a phenomenal number of pages and articles. This parallel virtual universe, conceived and designed based on gaming code, promises its users a real life in the digital space. This augmented web experience enables them to play, converse, get recruited, work, travel and consume. Tech giants see it as the internet of tomorrow, a new distribution channel, and are actively contributing to its advent.

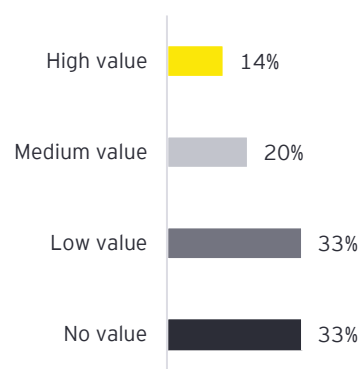
Some watch brands, generally those backed by groups, have launched initiatives, such as the 90,000-seater "Hublot Loves Football Metaverse Stadium"³ or the "IWC Diamond Hand Club"⁴. Others have invested in spaces or sponsoring actions through sports partnerships, as with Tissot in basketball⁵. The metaverse appears to be relatively powerful media tool for a brand that wants to show itself as being at the forefront of innovation. But the return on investment is not quite there yet and it is difficult to measure the impact, whether that's from organizing events and presenting new collections, or simply being present.

Our respondents are overwhelmingly skeptical of the metaverse: nearly two-thirds of respondents believe that it currently provides little or no value.

Similarly, two-thirds indicate that they will reconsider initiatives in this field in at least five years' time if they have been proven successful by others (watchmakers or not). This perception is in line with Gartner's 2022 analysis, which found that this technology will reach its productivity plateau in ten years⁶. For the time being, then, watchmakers prefer a "wait and see" approach.

Metaverse as a new channel

How much business value do you see out of this opportunity?



³Hublot. -2022. - <https://www.hublot.com/en-us/hublot-loves-football-metaverse-stadium>

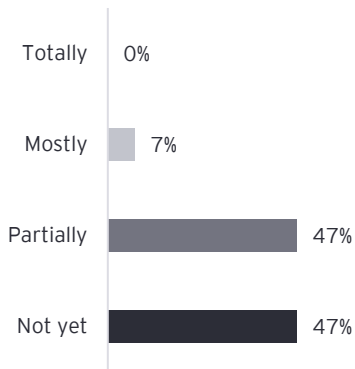
⁴IWC. -2022. - <https://nft.iwc.com/>

⁵Tissot. -2022. - <https://www.tissotwatches.com/en-en/men/selections/nba-watches.html>

⁶Gartner. -2022. - <https://www.gartner.com/en/articles/what-s-new-in-the-2022-gartner-hype-cycle-for-emerging-technologies>

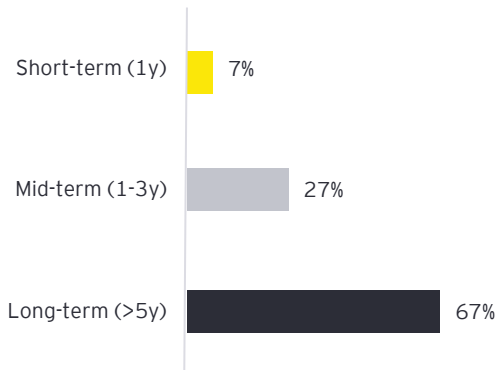
Metaverse as a new channel

Do you have the capabilities to deliver it?



Metaverse as a new channel

When do you expect to have these capabilities?



Skepticism surrounding the metaverse – considered by 50% of our respondents as a fleeting fad – is also reflected by the view that the wave on which some brands have been surfing has crashed already.



The metaverse is already out of fashion.

“The metaverse is already out of fashion,” says one respondent. “We’re already too late for the press.” For others, projects in this field have been swept aside because of the low return on investment. Joining the metaverse remains very expensive for a brand – for an intangible benefit. For the most prestigious brands, who’ve built a customer relationship model around trust and long-term commitment, exposing themselves to the metaverse would also mean risking accusations of being opportunistic.

In terms of audience, some watchmakers with a high-end positioning and a high average customer age – often connoisseurs and lovers of watchmaking tradition – consider this channel inappropriate since it addresses a young and “geeky” target. However, this target should not be dismissed entirely, because young people will age and potentially become future customers.

On the other hand, and this is especially true for high-end manufacturers, the quality of rendering is considered insufficient, or even incompatible with the brand image. “Dressing an avatar in the metaverse with a famous pair of sneakers or a fashion jacket may make sense for some brands, but certainly not for a brand offering refined timepieces to connoisseurs like our customers”. Some brands are wondering:



How do you present a timepiece with a six-figure price tag in an environment where the “design resembles the low-quality video games of over 20 years ago?”

We agree that the two ecosystems remain relatively contradictory for the time being; degrading the image of a watch that can take years to create simply because it “must” be on the metaverse makes little sense for luxury houses at the moment.

The situation can, of course, evolve: “The objective is not to drive the bandwagon, but to have the option to get on it one day if it’s worthwhile.” The metaverse is a technology that still has to be proven before an industry such as watchmaking can begin to set up shop. If commercial opportunities were demonstrated in a tangible way by early adopters (often those brands with larger marketing budgets, or backed by a group that facilitates this type of experimentation more), then some followers would certainly get moving.

Digital assets are also an important digital trend. The rise of non-fungible tokens (NFTs) has contributed greatly to the popularization of this phenomenon in recent years. And for good reason. One of the main issues with digital content in the past was the almost total absence of means to guarantee its uniqueness and authenticity. Even if legislation prohibited duplication of photography, video, sound, etc., it was nevertheless technically possible, which inhibited its financial value when it could be copied and reused endlessly. Through a token stored in a blockchain, NFTs enable a guarantee of uniqueness and authenticity – as with a physical asset – and ensure the validity of any ownership transaction (for example sale or transfer).

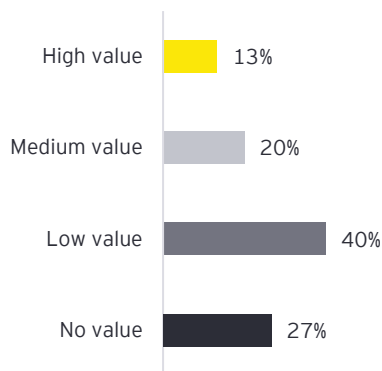
There are many use cases, including the sale of digital artworks, sketches of prototypes, 3D digital twins of a watch as well as access to artistic or sports events and loyalty programs. Some savvy investors have already rushed to get involved, leading to de facto speculation on the value of these assets.

Many watch brands have partnered with renowned artists, foundations promoting artistic creation, sports federations or athletes. However, despite an undeniable link with art, the sale of virtual works for the watch market is not currently envisaged.

Nearly two-thirds of respondents indicate that these opportunities currently provide little or no value.

Selling unique digital products through non-fungible tokens (NFTs)

How much business value do you see out of this opportunity?



One respondent, with a rather avant-garde positioning, stated: "We tried it, we launched it, it cost us a lot of money, and it didn't deliver any profit, we're dropping it!" Cost as a barrier to entry appears all the more relevant for a lower-turnover brand. Another asserts: "There is an obvious marketing opportunity emanating from the NFTs, consistent with our positioning due to the fact that we have a strong link with art, but things are evolving so fast, by the time we have an idea and put it on the market, we will already be out of date!" As for retailers, including those specialized in digital channels, their opinions are no less definitive: "Today everyone is talking about NFTs, but we don't see any demand from customers."



Things are evolving so fast, by the time we have an idea and put it on the market, we will already be out of date.

A use case beside digital works of art, which differs in purpose but little in method, is the sale of watches in a digital format. They can take the form of virtual mirrors of a real physical product (digital twin) or of purely digital products without a physical reality. Breitling, IWC and Ulysse Nardin are already present in this niche. Purchasing a watch automatically generates ownership of a famous non-fungible token, guaranteeing its uniqueness and authenticity.

However, this other use case is still perceived as a marketing ploy to boost the "innovation" capital of a brand's image. Moreover, one brand told us that "not a single customer has downloaded the NFT that we made available to them", while another told us: "It's not something our customers are asking for." Yet another reported that "the target is still too young".

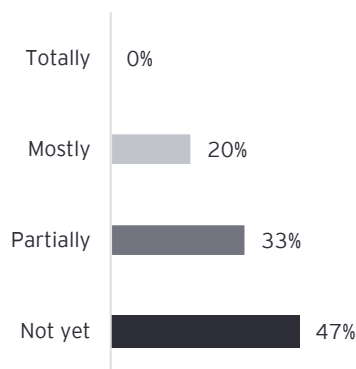
It should also be noted that 80% of respondents are not technically mature on this subject: "Nobody understands anything," they say, which sometimes contrasts with the course taken at group level. For novices, this subject, which is virtual by definition, is not very concrete at all.

80%

of respondents are not technically mature on this subject.

Selling unique digital products through non-fungible tokens (NFTs)

Do you have the capabilities to deliver it?

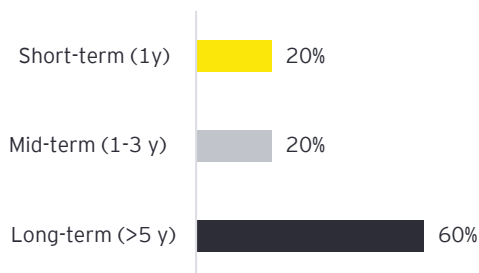


In any case, even if our survey participants appear to enjoy meagre success in generating new sources of revenue through the sale of NFTs or digital assets linked to timepieces, watch brands are closely observing the technology, and what it allows in terms of traceability.

As with the metaverse, the majority of respondents see initiatives in this area as being for a timeframe of more than five years.

Selling unique digital products through non-fungible tokens (NFTs)

When do you expect to have these capabilities?



Finally, beyond the trends enabled by emerging technologies, it is important to note that the number of digital channels continues to evolve. So, it's important for brands to reconsider new opportunities regularly. For example, it is interesting to consider the striking growth of video-on-demand platforms (Netflix, Disney, Amazon, Paramount or Apple), which are expanding their service offerings to the provision of digital content in the broadest sense. One example is the recent partnership between Netflix and Nike for at-home fitness class subscriptions⁷. Netflix is positioning itself as a platform that offers great visibility for brands. When will it be possible to pause a movie to order the model of the watch worn by the lead actor or actress directly from the screen?

⁷<https://about.nike.com/en/newsroom/releases/nike-launches-nike-training-club-workouts-on-netflix>



2. Discovery: a digital journey into the brand's universe and collections

Once exposed to and made aware of a brand through digital channels, the potential client enters the discovery phase of the brand universe. In this step, he or she learns about its history, its innovations and its vision. This is the moment of attraction, when the individual enters a new world and discovers the brand's values and how they align with their own. This is where the magic happens, where an emotional response amplifies the resonance of the pieces on display with current and future customers.

Immersion in a brand's universe is, of course, facilitated by a physical experience: entering a store, leafing through a publication, visiting a manufacturer or talking to a watchmaker. The prospect discovers a brand's collections and their philosophy, whether traditional or innovative, timelessly classic, vintage or fashion. They browse the models, the specifications, the complexities, the "sport" versions with chronograph and tachometer; innovations that challenge the rules; or even boast strong relationships to fields such as the sea, the sky, aviation, cars, the stars. All these elements are necessary to understand what's on offer. Immersion allows the client to choose the collection and the model, in line with their specific needs and identity.

So, how do you reproduce or enhance this magic on digital channels?

2.1. The online experience – mixed and often neglected

Almost all watchmakers enable stakeholders to discover their universe on their website, where they can explore the brand's history, impact on today's society and vision for the future. However, there are differences in terms of experience and appearance, both in form and content. This reflects the varying degree of importance that brands attach to this aspect of the customer's online journey.

Brands with a high-end positioning have developed high-quality discovery experiences on their showcase sites. Visitors will find high-definition images and videos. These offer a clear presentation of the identity of different collections and invite the user to delve into the story behind each model. Site visitors can learn about the historical origins, design evolution, caliber and aesthetics over the years. All this is embellished by the journey to the very heart of the timepieces: the materials of the case - stainless steel, gold, platinum, titanium, ceramic, even carbon - and the bracelet, as well as the caliber, the complexities, the choice of materials, the innovations. Besides providing the public with a clear identity for each collection and model, all these elements mark an important milestone in the customer journey: the point between discovering the brand universe and choosing a product.

Mid-priced brands, on the other hand, tend to have abandoned this aspect, guiding the user directly to a dense catalog. Even if search filters facilitate navigation through a large number of pages, the interfaces can devalue a premium image and stand in the way of a guided and personalized discovery experience.

The balance between magical brand image and e-commerce is a difficult one to strike.

This is unfortunate, because even when a watch brand has chosen to have an e-commerce site, it remains a showcase in the sense that it serves sales in general, which are generated with e-retailers, market places and offline. Moreover, the site is also used as a "content factory", which is helpful in controlling the content associated with its brand image.

Taking care of the website interface - as the major showcase for a watch brand - is key. "The website is our biggest showcase, but it will never be our biggest store." One of our respondents summed it up: "The purpose of our website is not really to sell online, but to inspire the customer to visit our store. They come to us already informed, they show their phone to the salesperson and indicate which product they are looking for." Investments in the catalog, the design and finally the brand universe must not be neglected, regardless of whether the brand has an e-commerce or a showcase site. As web platforms evolve, they tend to integrate new functionalities, contributing to a more fluid discovery of a brand's universe and collections, so roadmaps need to be followed closely.

“

The website is our biggest showcase, but it will never be our biggest store.

3. Advice: customer relationships in the digital age

Once familiar with the brand, its universe, its collections and its models, the customer seeks more dedicated guidance on his or her choice in the form of personalized advice.

Some high-end brands will go so far as to send a salesperson to a prospect's home with a model to try on, or arrange a luxury car from Geneva airport to the factory in the foothills of the Jura. This really brings home the importance a watchmaker attaches to the relationship and personalized advice for the client.

Such brands are also taking advantage of technologies to respond to the hyperconnectivity that has become embedded in the habits of "omniconsumers". Against this background, the customer-advisor relationship needs to evolve and make use of each channel to offer personalized advice. The customer relationship is made more accessible, personalized and intimate. For those who want it, the brand can literally be present in the pocket of its customers.

The customer-advisor relationship needs to evolve and make use of each channel to offer personalized advice.

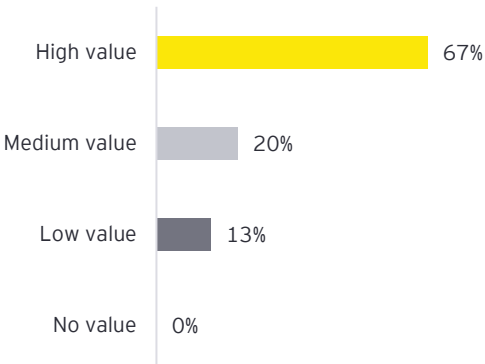
3.1. A digital catalyst for even more personalized relationships

COVID-19 and the store closures that ensued have accelerated the phenomenon of trying to maintain a customer relationship when face-to-face interaction is impossible. The boundaries between physical and remote exchanges have become diluted. "Our salespeople are now trained to sell remotely or in-store," one brand told us. It is not uncommon to see a sales consultant exchanging with special customers via instant messaging (e.g., WhatsApp, Telegram, WeChat) to communicate the latest news, update them on the status of manufacturing or simply wish them a happy birthday.

On this topic, even if the tools vary – social media, online chat, instant messaging, high-definition camera for videoconferencing with a sales consultant – the watchmaking market agrees that digitalization is an important opportunity to improve the quality of customer advice. Indeed, although it's no replacement for a face-to-face exchange, it enhances commercial strength by enabling personalized communication anywhere, anytime. Two-thirds of respondents indicate that these opportunities create high business value for the brand.

Advice: driving unique and personalized 1-1 client relationship across all channels

How much business value do you see out of this opportunity?

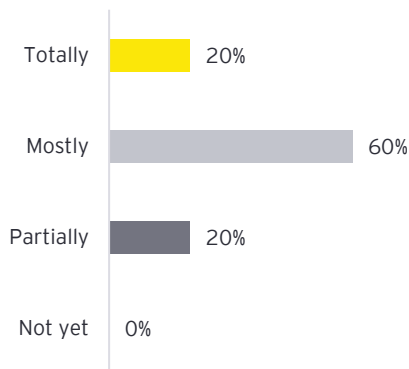


80%

of those questioned believe that while they essentially have the foundations in place already, they have not yet implemented the full capabilities to truly deliver an omnichannel customer experience.

Advice: driving unique and personalized 1-1 client relationship across all channels

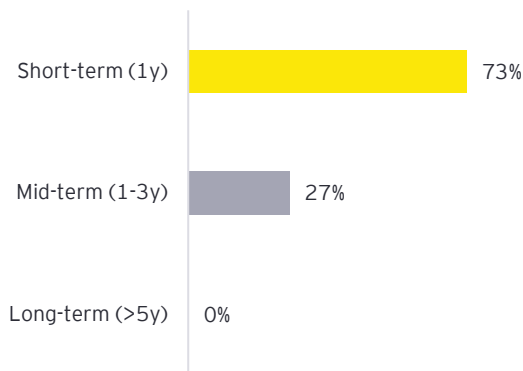
Do you have the capabilities to deliver it?



This topic is a priority for the majority of respondents: 73% of them plan to invest in this area in the short term.

Advice: driving unique and personalized 1-1 client relationship across all channels

When do you expect to have these capabilities?



3.2. Digitalizing customer relations: the risky bet of automation

While everyone agrees on the commercial value of extending customer advice on digital channels, the market is still opposed to systematic automation, contrary to what can be observed in certain other industries (e.g., restaurants, fast fashion). Placing orders virtually on a tablet in restaurants, which challenges the traditional role of the waiter at the table, is already something we observe, as is the rise of chatbots, e.g., to take account of and possibly settle disputes with a shipping or insurance company. The same cannot be said of customer advice in the watchmaking sector, however.

The responses obtained corroborate one of the fundamentals of commerce – the importance of a personalized customer relationship. Survey participants remain cautious for the time being when it comes to automating this relationship. In the watchmaking space, timepieces are products of status, of love or heritage, and consumers expect personalized advice and appropriate technical explanations. In short, they're looking for a relationship. And the brands know this:



We are slowly moving forward on the chatbot issue but we wouldn't want a fanciful robot to harm our brand image by answering out of turn.

That's the reason one respondent told us that significant budget was earmarked for outsourcing of customer advice and support, 24/7 and in all languages, to a partner who provides trained resources to answer all questions.

Importantly, we observe the paradox with some leading watchmakers that the customer may know more about the watch than the salesperson. This is due to the large amount of information available on digital channels. Indeed, there are some highly technical models whose inner workings may only be understood with knowledge of astronomy. Consequently, it seems risky to streamline customer advice through an automated system or even a messaging tool. We favor the human relationship, ideally with a master watchmaker directly, in a factory or at least face to face, whatever it takes. This is also a way for the brand to build a customer connection, sustained – and protected – by the retailer or distributor in many cases.

However, there's a difference in approach between the customer relationship model of high-end brands and brands producing many models at scale. In the latter case, the relationship will tend to be more industrialized, or even automated, leading to mixed results. For example, some brands have implemented instant messaging tools on their e-commerce sites but usage rates remain very low for the time being.

Conversely, high-end brands and/or those producing fewer models – in a fairly obvious correlation – invest more in the exclusive and personalized aspect. While there are chatbots on the websites of some luxury brands, a human advisor will quickly take over the discussion following an initial automated interaction. High definition cameras are also used to interact with advisors, enabling a watch to be demonstrated in high definition. This convenient service facilitates remote sales.

However, most brands' capabilities to extend customer advice via digital channels have been built in a somewhat opportunistic way, through "field" initiatives (e.g., an advisor creates a WhatsApp account to communicate with customers). These efforts are not always subject to omnichannel integration at the level of the brand, its distribution network, or – even worse – the group. The customer-advisor exchange on an instant messenger is not necessarily visible in other channels (e.g., email) or from the client's journey on the online catalog; you don't see it on social networks or in the centralized in-store customer management tool (CRM). As a result, watchmakers are missing out on valuable information that could help them deliver an omnichannel experience to their customers. However, some brands have adopted state-of-the-art technologies to track and centralize all customer interactions.

Ultimately, the subject of customer relations is key – and a priority for all brands. But in general, the state of the art of customer relationship digitalization has not yet been achieved. This is true in terms of capabilities, data capture and sharing, but also the balance between quality and responsiveness of advice and support.

In this respect, we can only advise brands to invest in tools to centralize interaction between their salespeople and their customers, supported by effective clienteling applications or CRM. As for video calling tools, the solutions on the market are very efficient and can greatly facilitate remote sales.

We can only advise brands to invest in tools to centralize interaction between their salespeople and their customers.



4. Choose: digital-proofing product selection, fitting and personalization

Having received personalized advice – whether in a physical store or online – the next step in the customer’s journey is to select, try on and even personalize a watch. Although digital technology cannot replace the physical experience, particularly of how a watch “feels” on the wrist, it can be used as an extension to elevate the customer experience.

Although digital technology cannot replace the physical experience, it can be used as an extension to elevate the customer experience.

4.1. Online catalogs at market standard – but room for improvement in assistance

In a positive observation, we note that all watchmakers offer product catalogs on their websites and all of these meet web standards. Products can be filtered according to price, material, color, etc. Very few brands offer online selection assistance, however. Some e-commerce brands prefer to take inspiration from marketplace interfaces, which the vast majority of users have now mastered, without providing a “watch selector assistant”, or only on the side. Such a feature mimics the salesperson’s questions: “Are you buying for yourself or someone else?”; “Would you prefer a men’s, women’s or unisex model?”; “Quartz or automatic?”; “Leather or steel bracelet?”.

Other brands, i.e., the most premium ones, offer an extremely limited number of items anyway: no browsing among hundreds of products. These are generally the same brands that are aimed at an audience of connoisseurs, which renders any “gift finder” or equivalent irrelevant.

In terms of performance and web traffic, we see that selection assistance features greatly increase the number and duration of visits to brand sites. This is not surprising, since although some brands put a lot of effort into user journeys – designed and tested by UX designers – they are rarely as easy to use as those of e-commerce “pure players”. Despite filters allowing users to restrict the number of models displayed, browsing a collection is not always a smooth experience for the average person, and remains much less efficient than a tour of the store.

Also, regardless of whether they offer sales or not, most sites would benefit from a polished interface to help the user choose, based on a model using filtered questions. Without the need to go into complex integrations of chatbot, artificial intelligence or even distributed and high performance search engines like Elastic Search or Algolia.

4.2. Virtual try-on: a limited digital experience

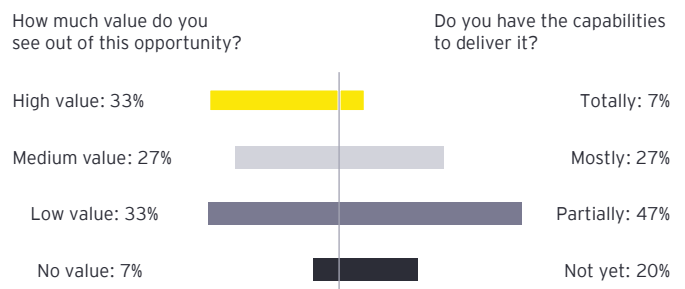
Fitting is a desirable – if not essential – step in the purchase of a wearable item. It is therefore one of the biggest challenges of remote sales, with technology still struggling to replicate the physical fitting experience.

Although many watchmakers are now selling online, few or none offer the “try and return” option favored by distance sales leaders in the fashion world. The reasons are obvious, and related to the value of the product and the cost of secure transport. So it’s understandable that there is interest in virtual fittings, with growth notable in the field of cosmetics and make-up in particular. But it remains a challenge, because even if the object itself is small, its price is sometimes close to six figures and it’s impossible to realistically recreate the real physical experience: the finesse of the piece, movement of the rotor, visualization of the movement in skeleton models, etc. Trying the product virtually without degrading the experience is wishful thinking.

Feedback from respondents across all price ranges on the trendy “virtual try-on” confirmed: **while the reputation of augmented reality is well established among young people (Instagram filters, Snapchat) and in the world of beauty (trying on lipstick with your smartphone), it has yet to prove itself in the world of watchmaking, as illustrated by the heterogeneity of the responses.**

While the reputation of augmented reality is well established among young people and in the world of beauty, it has yet to prove itself in the world of watchmaking.

Choose: offering an elevated customer experience through digital catalog, choose assistant, visualization and try-on



A few aborted attempts have been made by brands in the price bracket < CHF 10,000 and are still accessible, but the disappointing effect of the function has led some to abandon it. Often reduced to the pixelated image of a watch placed somewhere on the back of the user's hand, the value proposition does not yet meet expectations for a luxury brand. The technique leaves much to be desired, both in terms of performance (very long loading times) and rendering quality. Moreover, in terms of conversion, the commercial efficiency of the feature remains to be proven, although it's a "nice-to-have" for some brands. For some, this is a pity, since in absolute terms, the promise is attractive. But it appears we will have to wait a little longer before virtual fittings are up to scratch. For Piaget or Baume-et-Mercier, the experience is better and the rendering at the right level.

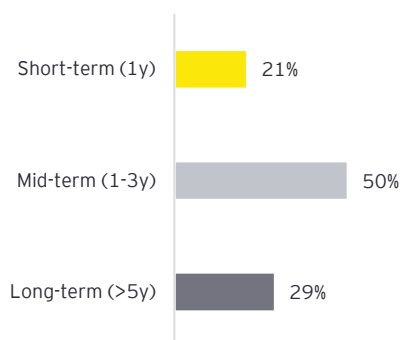
Moreover, although some premium brands have indicated that the average age of their customers has decreased by fifteen years over the last three years, triggering a shift in technology expectations and use, it remains a fact that the targets of watch brands seem to be less receptive to this type of "gadget", as our respondents called it.

Some premium brands have indicated that the average age of their customers has decreased by fifteen years over the last three years.

This position is corroborated by the level of maturity observed: two-thirds of respondents indicate that they only partially have the relevant capabilities - or not at all. Half stated that they will develop capabilities within one to three years.

Choose: offering an elevated customer experience through digital catalog, choose assistant, visualization and try-on

When do you expect to have these capabilities?



4.3. 3D visualization: high potential but too pricy

All stakeholders agreed that a realistic experience around product visualization is a conversion lever, even if there's no option for online purchasing. Respondents appear most interested in the 3D experience at this stage.

However, technical and content challenges remain significant: product photos, visual rendering, performance of visualization platforms. The cost is also very high. Thousands of photos are needed for a 3D rendering and each photo has to be edited. As a result, few watchmakers offer 3D visualization of their pieces online, although there are some notable exceptions, such as Cartier for certain models.

Few watchmakers offer 3D visualization of their pieces online.

So, is this a fad or a real conversion tool? For now, there is not a sufficient track record for the industry as a whole to measure the outcomes.

4.4. Online sizing: much needed but complex to implement

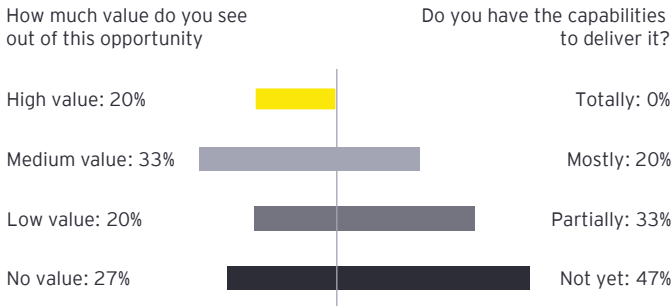
On the other hand, online sizing is more a necessity than a gadget for brands that sell online. Since one of the attractions of buying remotely is that you don't have to go to the store, it's easy to appreciate the importance of receiving a watch with a correctly and directly sized bracelet. And that's even without considering the cost of product returns.

In the absence of a completely digital solution, many brands offer a printable PDF cutting ruler that customers can use to measure the size of their wrist. However, the customer perception of such a process can somewhat degrade the image of innovation that an e-commerce brand wants to convey. Besides, for the buyer who doesn't have a printer, this function is useless. Of course, some smartphones offer measurement tools. But here, again, we will undoubtedly fall into the same disappointing pitfall of the "virtual try-on" with unreliable metrics and a failure, for now at least, to appreciate the required subtlety in measurement between steel, leather or nylon bracelets, for example.

4.5. A general lag in online configuration and customization capabilities

The topic of selection tools goes hand in hand with the ability to configure and customize products, but not to the detriment of style preferences. There are widely differing views on this matter, with 20% of respondents indicating a high business value and 27% indicating no value.

Configure and personalize: proposing online configuration and personalization services



In general, online customization and configuration capabilities remain limited for many of our respondents:

80%

admit to not yet or only partially having the capabilities to deliver.

One told us: “Of course we have to be able to customize the watch on the site, otherwise what would be the added value of selling online?” But the observation remains mixed: few watchmakers deploy online configurators, let alone customization tools.

Otherwise, several combinations of models and bracelets are offered separately, even if ‘you have to sell 20 bracelets to cover the price of one of our watches,’ as we were reminded in an interview. But from there to vary the dials, bezels, size, material, bracelets and colors, we are far from the capabilities offered in the automotive industry where models are configurable at will. Rolex does have a fairly advanced tool on its website, although it is careful not to offer online purchasing.

As for online personalization, Jaeger-le-Coultrre offers an online quote for engraving its iconic Reverso. Others, such as Vacheron-Constantin and Piaget, offer digital solutions for previewing personalized variations.

It should be noted, however, that exceptions to the classic models exist for VIP clients. For them:

“

This is not our intention, but if we sell a watch for CHF 100,000 and the client asks to have it engraved, then yes, we will do that.

Because, in luxury watchmaking, too, everything has a price.

The decision not to develop configuration and customization to any great extent at this stage is certainly the result of the current strategy of not (yet) producing watches to order, in contrast to other industries.



5. Purchase: how brands respond to new growth models

Once the product has been chosen, it's time for the decisive step of acquisition. Here again, habits and customs have evolved in line with innovative models inspired by other industries.

The market can be divided into two main distribution models: brands that have chosen to rely mainly on distribution and retail partners (B2B model) and brands that have developed, in part, their own sales network with their own stores (B2C). In both cases, some brands also offer online sales (e-commerce), meaning they need to offer acquisition and financing models to their customers.

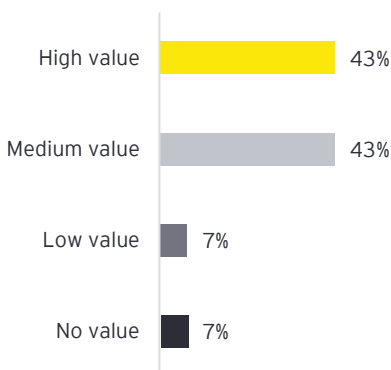
5.1. E-commerce payment facilities: heterogeneous approaches

New financing models, driven by IT, are increasingly emerging in industries that did not seem destined for such innovations. Whether offered by traditional financial providers or fintechs, payment facilities have developed considerably in recent years thanks to the emergence of players such as Klarna, Sezzle or PayPal, which offer interest-free 'pay in 3' options on the internet. Such possibilities allow brands to reach out to new customers, who may welcome the flexibility or only consume in this way, regardless of their purchasing power. As one respondent rightly reminded us: "Some customers use the credit lever to consume no matter what, even the wealthiest ones." The influence of cultural practices plays a key role here, and country norms are as vast as the number of payment methods available on the market.

The majority of respondents were in favor of offering new digital financing models, with 86% indicating that they saw medium to high business value.

Purchase: proposing new acquisition and financing models through digital technologies

How much business value do you see out of this opportunity?



In the short term at least, the commercial opportunity is attractive.

The purchase credit allows brands to increase turnover, especially those who've set their sights on a new target group in order to reach more customers.

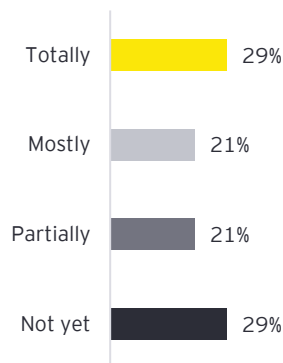
However, there's also a problem. What are the implications for the brand image in the long term?

Could making a luxury product more accessible come at a cost to its image?

There's also a persistent obstacle as soon as the price of the watches exceeds CHF 7,500. At this price level, interest-free "pay in 3" or attractive credit rates disappear, as online payment players are reluctant to offer their services for such amounts. For brands, the risk and complexity of managing this financing model is too great – "we're not bankers". However, when it comes to the purchase of high-end products, payment facilities are part of the customer service: "If a buyer wants them, they must be able to find them." Watchmakers currently show varying capabilities in proposing new acquisition and financing modes, however.

Purchase: proposing new acquisition and financing models through digital technologies

Do you have the capabilities to deliver it?



For some brands, including those offering jewelry in their catalogs - veritable works of art - the notion of brand image takes precedence over everything else. Some of our respondents are clear in their assertions: "We don't want to strong-arm our customers into buying our products." On the other hand, when payment in instalments is offered in store, it is difficult to implement the option due to its negative impact on the ceremony of the sale. After all, it may be inappropriate to imply that a customer purchasing a product of value may struggle to finance it. Moreover, the multi-brand retailers interviewed all indicate that while they offer payment facilities, few customers actually use them.

We also note that omnichannel split payment, for example by means of a deposit in store and the balance online, is not yet widely developed. "Why not be able to pay 20% of the order online and the rest in store or vice versa?"



5.2. Cautious adoption of new acquisition models given uncertain return on investment

Parallel to the above developments, consumer habits are also evolving toward renting, leasing, or even lease-to-purchase, as is now commonplace for automobiles (47% of new vehicles were leased in 2021, compared to 21% in 2015)⁸. Watch brands are observing these emerging models but, regardless of the price of the watches, they're still not very successful.

First of all, customer demand remains anecdotal: "There is no demand from our customers, and that's across ranges," said one distributor specialized in e-commerce. Moreover, leasing, for example, is not very compatible with a high-end watch, which is a collector's product with a heritage and a legacy – not an interchangeable fashion accessory.

“

We do not sell products that are changed every three years.

Also in terms of exclusivity, brands with a high-end positioning are not aiming to enable accessibility for all. Easy access is therefore sometimes viewed with caution. For premium brands, such a service is of little interest, since supply already struggles to meet demand:

“

We're lucky not to have to go looking for our customers, we don't even have enough products to meet demand.

There is no desire to seek income through this lever.

On the other hand, the model is simply not profitable. Indeed, the cost of refurbishment is high: "Even a gold dial gets scratched, and it isn't profitable to recover and recondition it." At the daily rates of expert watchmakers in Switzerland, and depending on the repairs to be made, the margins for refurbishment at the end of the rental period make the sales model unprofitable. This is especially true for mid-range watches, which generally have a larger catalog, making it difficult to store all the components and parts over the long term. This is why some watch dealers prefer to offer vouchers to their customers rather than accept some watches for repair.

It should be noted, however, that for VIP customers, brands do not hesitate to deviate from the rule if asked. Loaning a watch to a public figure offers visibility that calls into question the margin issue in the strict sense. But this remains an exception.

⁸LesEchos. -2022. - <https://www.lesechos.fr/finance-marches/banque-assurances/le-leasing-automobile-un-marche-en-pleine-croissance-1377428>

6. Service: strengthening and extending services on digital channels

The customer journey does not end with the purchase; this is especially true in the watch industry where products require maintenance and repairs throughout their life.

Product-oriented business models are less and less adapted to the changing market, and many industries have suffered by focusing excessively on products rather than additional customer services. Services and loyalty are opportunities to sustain the customer relationship and leverage knowledge of buying habits. So, taking care to provide services to the customer after the purchase, whether or not these are directly related to the watch, is a key differentiator. So, can new technologies complement or improve customer service?

6.1. The digital performance lever for watch servicing and maintenance

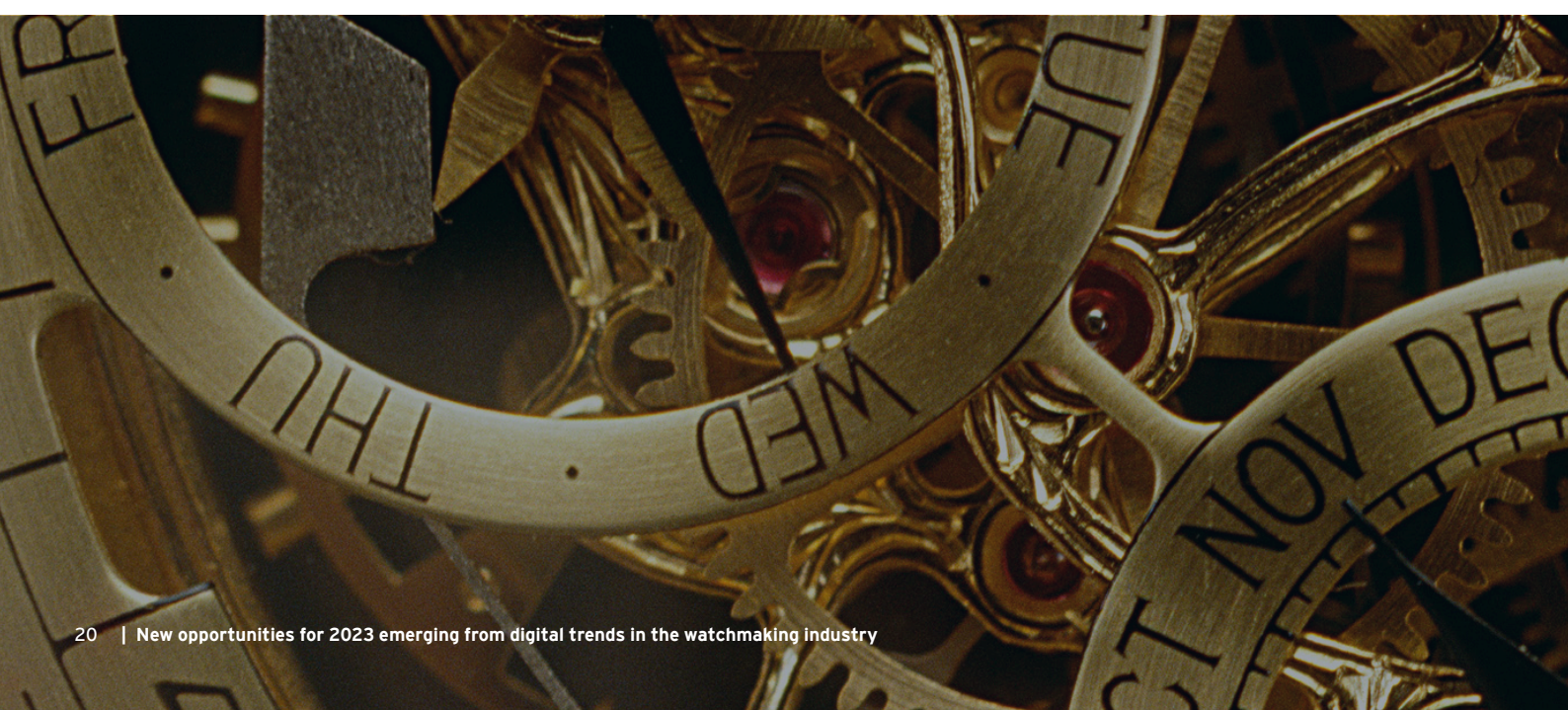
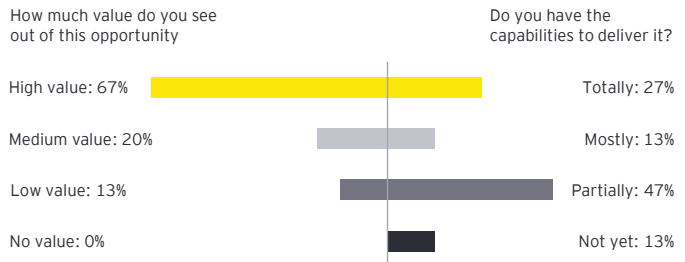
Apart from brands commanding six-figure sums for their models, which strongly encourage customers to carry out (costly) overhauls of their timepieces as the best guarantee of a product's long-term functioning and value, service centers make little or no profit. Optimizing their profitability is therefore essential – from time spent on maintenance to industrialization of repair processes; from optimization of inventories to efficiency of the entire supply chain. In addition, customers sometimes wait several months to have their timepieces repaired, with very little visibility on the progress.

Firstly, because digitalizing the service makes it more fluid, faster and more transparent, which contributes to its optimization. A customer requesting a repair via the website can be offered a “pick-up” service at home or work, or request specially adapted and secured pre-stamped packaging with free-shipping. In short, those who prefer not to go to the store no longer have to. This also puts an end to untimely calls – and reminders – for progress updates on the maintenance or repair of an owner's watch. The result is maximum efficiency in the minimum amount of time and with the least possible disruption.

Our respondents confirm this: 87% of them see digital post-sales services as being of medium to high value.

Service centers make little or no profit. Optimizing their profitability is therefore essential. In this respect, digital technology is a key enabler.

Developing customer services post sales through digital services



Digitalizing service also enables valuable data to be collected about the customer, the watch, the maintenance history and the details of the repairs performed. The data is valuable in itself, providing visibility to the customer on the status of the service and allowing a central record of maintenance and repairs. But it also provides information, e.g., about owners, especially those who bought an object on the secondary market and had not yet been identified by the brand. It also tells the brand about their habits and conditions of use, which could be relevant for additional services in the future. For example, why not offer insurance specific to an owner's usage?

For large volumes, depending on the location of requests and the capacity utilization of repair centers, digitalization can optimize service planning and support intelligent allocation to different centers across multiple geographies and partners. This ensures optimal balancing and processing of orders.

For many, the capabilities are not yet there.

“

Making after-sales service accessible through digital channels should be a priority, but we don't have the technical capabilities, especially as it requires a lot of resources.

Indeed,

60%

of respondents report having only partial or no capabilities regarding digital services extension on digital channels.

After-sales service digitalization projects are complex to implement, both technically and in terms of governance. If they're part of a group, brands may have to coordinate with each other, and service centers are often shared. In such a set-up, how do you implement, split and manage the different aspects of an after-sales service solution shared between brands? Needs and use cases differ, as do budgets.

6.2. New 100% digital services

Besides improving existing services, technology also allows us to develop new ones.

New opportunities are also contributing to a better customer experience. Offering the customer complementary services around the purchase opens up a world that goes well beyond the watchmaking industry itself. These services are also a good way to collect and enhance customer data, particularly for marketing purposes.

For example, an account on the brand's website can prolong immersion in the brand's universe and services. It acts as a dedicated space containing the user's personal watch collection, certificates, warranty card and maintenance history, or offers access to personalized content and invitations to exclusive events or owners' clubs like the Swatch Club. This all contributes to customer loyalty and keep the magic alive long term.

However, these services should not be considered for their direct commercial return. Rather, they complement an experience that in turn aids customer retention, even if this contribution is not easily quantifiable.



7. Transfer: digitally-enhanced trust

The last step in the customer journey, when the watch is passed on, has often been a blind spot for brands. However, they can respond to today's challenges around this stage to benefit customers. Indeed, when transferring a watch, one priority is to guarantee the authenticity of the product. The growth in volumes, sophistication of counterfeits and booming secondary market pose real challenges. At the same time, the theft of valuable objects is a concern for brands, retailers and customers alike. How can we be sure that a watch offered for sale on the secondary market is genuine and not stolen?

Once again, digital approaches allow brands, distributors and retailers to take a stand on managing these issues with the help of new technologies.

7.1. Second-hand market: despite growing demand, approaches range from passive to cutting-edge

The second-hand market has been a popular trend for several years and has seen a rapid rise in recent years, helped by the arrival of young consumers. Millennials account for 32% of spending on the luxury market, expected to rise to 50% by 2025 according to Forbes magazine⁹. More sensitive to environmental issues, this group is fond of second-hand products, with 62% of consumers now inclined to buy second-hand luxury goods¹⁰. In its study "The Secondary Watch Market 2023"¹¹, LuxeConsult notes that the secondary market is growing three times faster than the primary market, and is expected to be worth CHF 79b in 2033. "Today's young people no longer want to buy new," we were told. "Ownership is no longer important to Gen Z," say some of our respondents, whose target is getting younger.

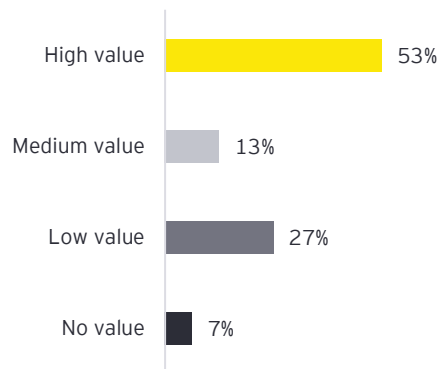
62%

of consumers now inclined to buy second-hand luxury goods.

However, the intervention of manufacturers in this market is not a general trend and is subject to different approaches and variations depending on the specific issues at stake. The majority of respondents see high commercial value, while a third see little or no value.

Addressing the pre-owned products market through digitalized management

How much business value do you see out of this opportunity?



Some, like Longines with its "Collector's corner"¹², see it as an opportunity to highlight historical models. Others see the opportunity to recertify and apply a new warranty to second-hand products. We observe this with Rolex and its Certified Pre-Owned¹³ program, which enables the customer to benefit from the manufacturer's guarantee of an authentic product in working order. The interest for the brand comes from the recovery of transaction data – including about the owners – of these second-hand products. In other sectors, such as the automotive industry, experimentation in this field is much more advanced, as in the case of Ferrari with the Ferrari Approved Platform¹⁴.

⁹ForbesMillennial. -2022. – <https://www.forbes.com/sites/pamdanziger/2019/05/29/3-ways-millennials-and-gen-z-consumers-are-radically-transforming-the-luxury-market/>

¹⁰Fashionnetwork. -2022. – <https://fr.fashionnetwork.com/news/La-seconde-main-un-marche-qui-seduit-toujours-plus-de-clients,1252621.html>

¹¹LuxeConsult. -2022. – <https://www.luxeconsult.ch/contact?report=2>

¹²CollectorsCorner. -2022. – <https://www.longines.com/watches/collectors-corner>

¹³Rolexpreowned. -2022. – <https://preowned.ferrari.com/>

¹⁴Ferrari. -2022. – <https://preowned.ferrari.com/>

Interestingly, one of reasons companies are keen to support second-hand items is their desire to safeguard the value of their products by certifying those already in circulation, or even furnishing them with a new guarantee. Indeed, the exchange of certified products (authentic and in good condition) contributes to the value of existing watches, and therefore the image of a brand. Once again, this is not really a question of profitability. Indeed, it's a necessity rather than a commercial opportunity.

Challenges surrounding second-hand inventory in particular include active management of availability and allocation of parts by country. Efficient management is necessary to ensure the profitability of the model.

Profitability of the model depends on the optimal buy-back price.

This brings us to a key point: determining the optimal buy-back price. Especially since this needs to cover the costs of reconditioning and transport. A critical value needs to be surpassed, because, as we have seen, refurbishing a product is expensive. One of our respondents in the price bracket < CHF 1,000 states categorically: "We do not repair watches that are too old, because it is too much effort to keep the parts of all the models in existence – the costs are too high to make it worthwhile."

Because of these challenges, brands tend to rely on specialized partners. Some groups have acquired prestigious players with a strong online positioning, which they now control. Customers can buy new models in part exchange for old ones. Other, perhaps more daring, players have tried the concept a few times in physical stores, just to prove it and validate the viability and value of the business model.

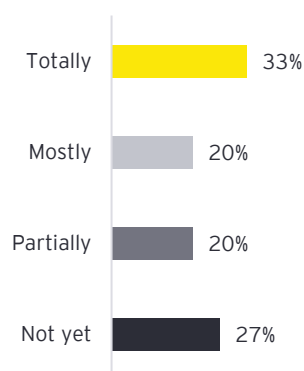
In all cases, digital technology allows brands to position themselves more easily and accelerate the second-hand market. On the commercial and logistical side, technology enables more efficient management of the end-to-end tracking process: from buy-back, through reconditioning – or even recertification or confirmation as certified pre-owned – to resale.

Digital technology allows brands to position themselves more easily and accelerate the second-hand market.

Brands' cautious take on this subject is reflected in the low level of development, at present, of capabilities to actively position themselves in the secondary market. There continues to be much variation in the level of adoption today.

Addressing the pre-owned products market through digitalized management

Do you have the capabilities to deliver it?



Given the associated challenges, the trend is still "wait and see". However, the potential value of data and likelihood that the secondary market will overtake the primary market act as a catalyst for the development of strategies.

7.2. Traceability: consensus on contribution

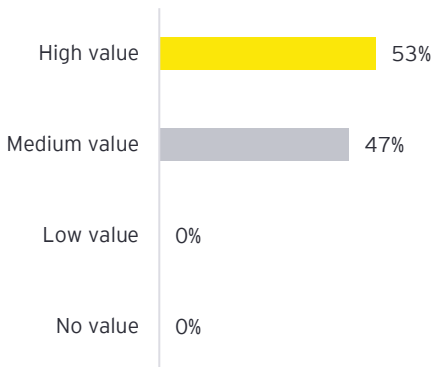
The ability to ensure traceability seems to be the solution to many problems. This is true from the point of view of the customer (who has the right to expect a guarantee of authenticity from retailers or manufacturers), and the brand (which may have very limited knowledge of a watch's life cycle once it leaves the factory).

So, how can you be sure that a timepiece is authentic? That replacement parts fitted during a service are genuine? What is the history of the watch? From the origin of its constituent parts to the services that have been performed, customers want to be able to follow the life cycle of a timepiece. The subject is also critical from a brand perspective: unless they happen to manage their own sales networks, brands miss out on data and information about products once they leave the factory as most retailers are reluctant to communicate their data. Tracking products through various means is sometimes the only way to track sales, get information about inventory held by retailers, customer data, and ultimately combat the gray market.

Brands agree that traceability adds value, with all indicating that digitalizing the traceability of watches along their lifecycle would create medium to high value.

Digitalizing watches' lifecycle traceability through immutable technologies

How much business value do you see out of this opportunity?

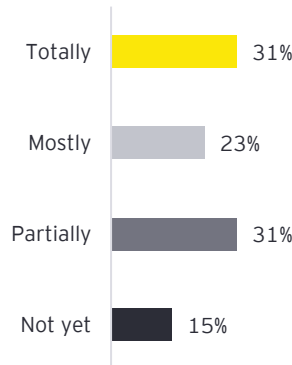


This is the topic where technology truly makes sense by accelerating and enabling many advances.

In terms of capabilities, most watchmakers seem to be well equipped in terms of product traceability on the production line. However, there is still room for improvement where it comes to product traceability beyond the point of sale, with varying maturity levels in the industry.

Digitalizing watches' lifecycle traceability through immutable technologies

Do you have the capabilities to deliver it?



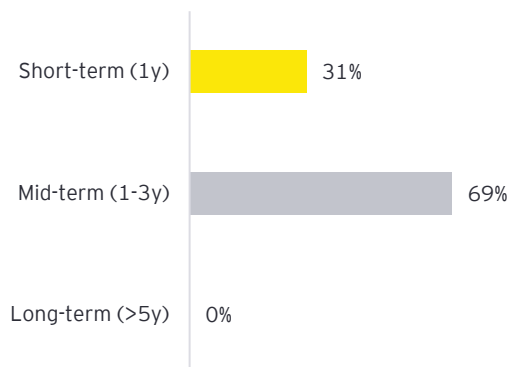
It should be noted that

nearly **70%**

of companies anticipate investing in these capabilities in the medium term, while just over 30% see it as a short-term goal.

Digitalizing watches' lifecycle traceability through immutable technologies

When do you expect to have these capabilities?



While solutions differ, the levels of maturity are relatively homogeneous. We observe the use of RFIDs, serial numbers and – where these still exist – pairing with warranty cards in stores. We also see authenticity cards and other QR codes. A plethora of partners accompany the manufacturers to trace their timepieces, depending on the strengths and weaknesses of their production chain, which they often manage from end to end. The main issue is the willingness of retailers to register the watch sold or the warranty card; the latter exhibit a certain reluctance to meet brands' desire for more and more data.

Moreover, when we think of security and traceability, we now think of blockchain and smart tokens. Opinions on traceability differ when it comes to adoption of this new technology. Some embrace it as an enabler that broadens their horizons. Others see it as a dense and complex technology, which is costly, even polluting, and is unnecessarily ousting simpler and equally effective existing solutions.

However, beyond traceability in the strictest sense, by digitalizing the warranty card in the form of NFTs, or certificates of authenticity in the form of a token in the blockchain, brands can offer new services. Examples include the transfer of title to a buyer through a secure transaction, and access to the complete history of the watch (product information, warranty status, etc.). This highlights the value proposition of Aura Blockchain, a consortium created in 2021 at the initiative of LVMH, Prada Group and Cartier¹⁵. Arianee proposes an independent and participatory blockchain alternative with Richemont, Vacheron Constantin, Brielting and Panerai as members.

Another use case is to prove the authenticity of the watch and to retrace its history. This would be used, for example, to find a stolen watch. Some partnerships have been set up between governments, brands and distributors for these purposes.

By digitalizing the warranty card in the form of NFTs, or certificates of authenticity in the form of a token in the blockchain, brands can offer new services.



¹⁵AuraBlockchain. -2021. - <https://auraluxuryblockchain.com/>

8. Data: driving the omnichannel customer experience

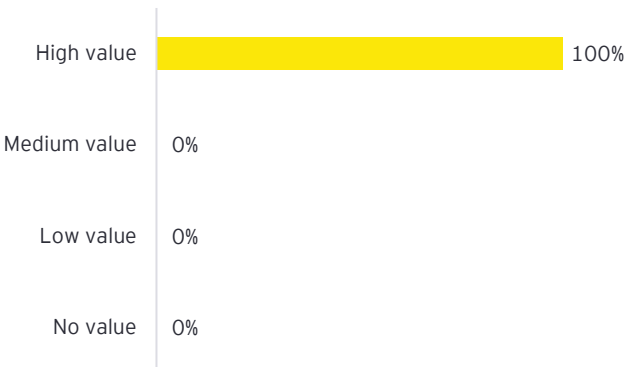
As we have seen, digital technologies create new opportunities and possibilities along the customer journey for brand and customer alike. Some believe it's a powerful substitute for the in-store sales model, while others see it as a way to deliver complementary services that extend existing offerings. But digital technologies contribute value beyond the sum of individual enhancements at each step of the customer journey: a fluid and omnichannel customer experience.

In fact, when it comes to the customer journey, many companies struggle to reconcile information. Connecting the dots between all stages of an individual's customer journey is a complex task. However, by knowing their consumption habits, their preferences, the models they look, the watch industry can offer a personalized experience. Making the link between brand interactions across channels adds significant sales value. For example, this could be awareness that the same customer entering a store has visited the website several times, liked photos of a specific model on social media, or contacted an online advisor the day before. And data is the key to creating this link between different steps across channels.

Brands and distributors alike confirmed to us that developing ways to utilize and extract value from data, especially customer data, would bring high value to the business and its customers.

Data: driving personalized and omnichannel customer experience through developing 360° customer

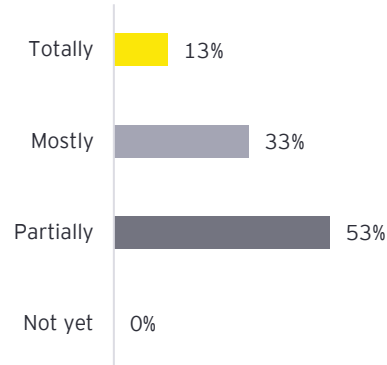
How much business value do you see out of this opportunity?



Adoption of these capabilities remains low overall, however, with over half reporting only partial capabilities. Hardly any participants have advanced capabilities, meaning that data is not adequately collected, consolidated, governed or utilized in the industry today.

Data: driving personalized and omnichannel customer experience through developing 360° customer

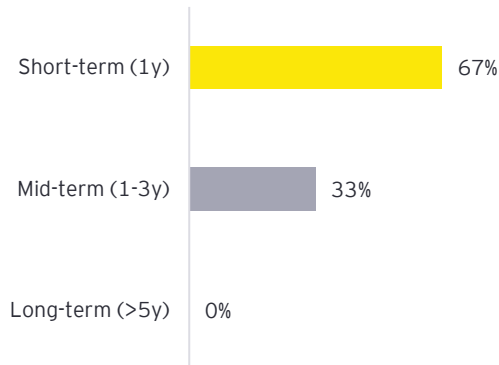
Do you have the capabilities to deliver it?



Investments in this area are generally a short-term priority. Two-thirds of respondents indicate that they intend to develop these capabilities within a year.

Data: driving personalized and omnichannel customer experience through developing 360° customer

When do you expect to have these capabilities?



Capturing this information highlights the differences between brands that have their own distribution networks and those that rely mostly on retailers or distributors. Many fail to make the connection between activity that takes place on web platforms – which is tracked to a greater or lesser extent, depending on whether the (potential) customer is logged in to their account – and an in-store visit. The space between these two touch points is a black box. Only a few model performers get close to 90% of customer data back from dealers who are particularly diligent, incentivized or both, often through warranty card activation or even extension.

This brings us to a point of contention between retailers and brands: who owns the customer relationship? The brands or the retailers? Sharing of customer data between the two entities is a thorny, unresolved issue, and no model currently manages to settle the matter adequately.

Moreover, even when data is collected, we realize that it is underutilized. There are CRM projects in place, but sometimes they are simply about ticking the boxes; the data itself is little or poorly exploited. "We don't know how to do it, we're in the business of running stores." Others still struggle to match production capacity to high demand. So, why try to increase the conversion rate of target customers if you can't satisfy them all as it is?

The desire to use data for targeted marketing is not systematic: "We make products for 7 to 77-year-olds that are designed to have universal appeal, we don't want to engage in targeted marketing." This raises the question of what triggers the purchase: a brand image, value for money, a particular design, a desire, an emotion perhaps? Is it a quantifiable act, is it "stigmatizable" in the positive sense of the term? It's not clear.

In any case, there is a will to understand customers. This is unequivocally a strategic matter for everyone. Brands want to better understand behaviors, because that's what inherently allows them to adjust investments, and ensure they're made in the right places, at the right time.

So, the projects that should see the light of day are those that involve the collection of this data, whether through extension of the warranty card on the brand's website, incentives for retailers or partnerships with the latter (they may be keen to adopt digital or physical communication material, or solutions provided by the brand itself).

On the other hand, this data has to be cleansed, stored, quality-controlled and managed effectively in a data warehouse, a data lake or even a data mesh. Then, all company departments can make use of it. Whether used for optimization of production processes, marketing or analysis, data supports every stage of the value chain of a timepiece.



9. Conclusion

Technology in watchmaking is – and will continue to be – first and foremost at the service of the most important stakeholder: the customers. Retail is all about customer-centricity, and the digital and physical customer experience are not opposing concepts. Viewed as complementing or extending each other, they make up a whole which, as we have explored, puts the customer at the center.

Getting to know each other, winning over customers, persuading them to enter a (virtual or physical) store, discovering, advising, choosing, trying on, providing the required flexibility in making the purchase and finally enhancing the value of an exclusive link with the owners of watches: these are the components that make up a customer-centric brand strategy. Accompanying customers along their journey to conversion and beyond is fundamental to any retail business. Digital technology enables, improves and even elevates these fundamentals by responding to evolving expectations and usage of “omniconsumers”.

In fact, when we talk about omnichannel strategies, we refer to the fact that all the company’s marketing, contact and sales channels are exploited, linked and consolidated, something that new technologies, not surprisingly, enable and optimize. Indeed, if we were to sum up one key challenge emerging from this study, it would be this: how can watchmakers evolve from a multi-channel model into an omnichannel model? In this respect, data is the main cog in the wheel. It’s what brings incremental value to the customer experience, far beyond the sum of the benefits gained at each step of the journey. There are various challenges, especially for companies that do not have their own sales network. So, it’s no wonder that they’re asking whether they should they stay put in the manufacturing business or evolve to cover this missing part of the value chain?

If we were to sum up one key challenge emerging from this study, it would be this: how can watchmakers evolve from a multi-channel model into an omnichannel model?

For if digital technology remains an enabler, let’s not bet that it’s more than that. Our extensive interviews have shown that, despite a wealth of literature on these topics, emerging technologies, presented as “new trends”, are used less in watchmaking than in other industries. This seems to be consistent with the long tradition of watchmaking – a tradition built on precision and history, using technical skill more than digital innovation.

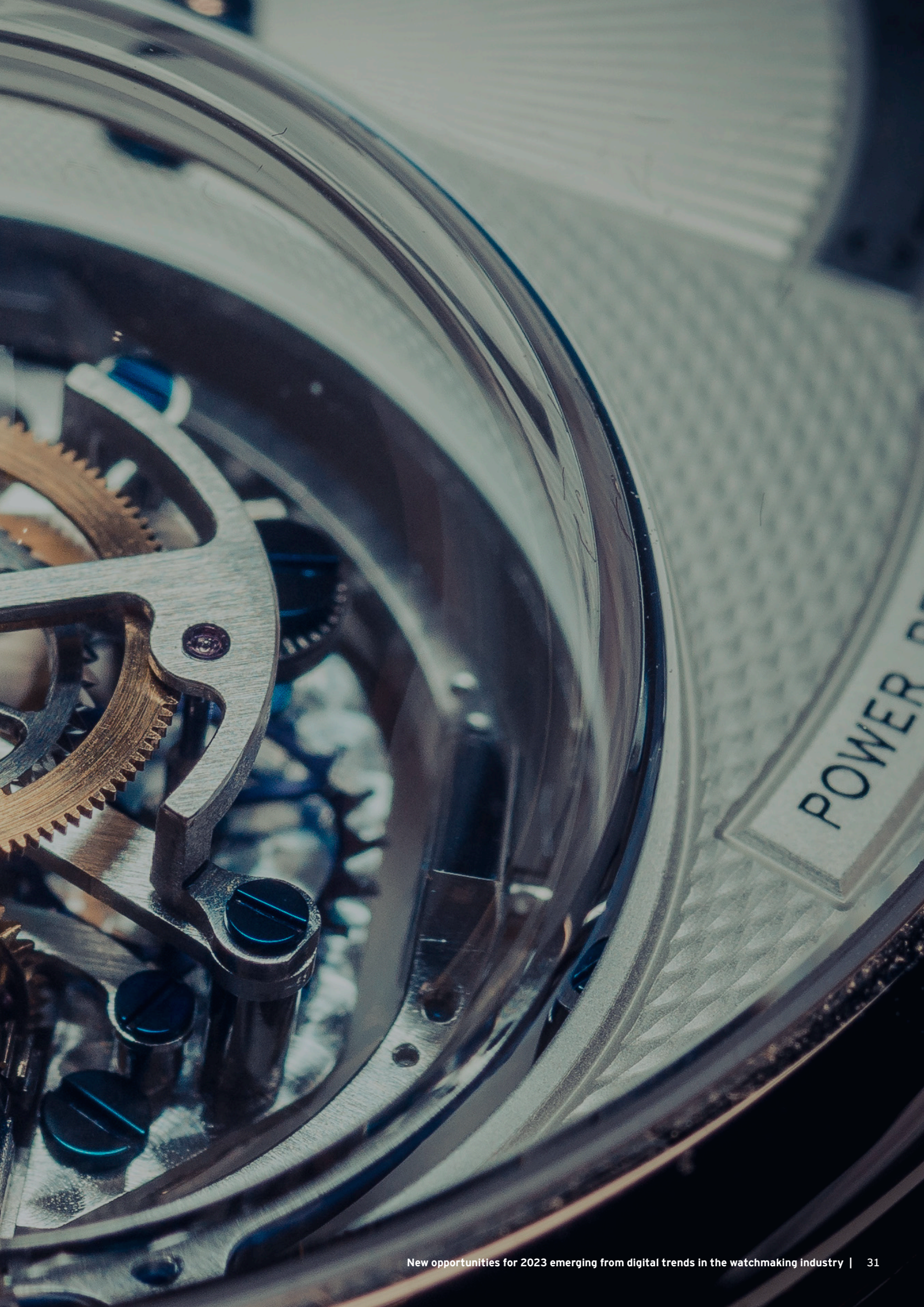
We certainly don’t mean that watchmakers’ business models are void of innovation. On the contrary, many watchmakers rely on very sophisticated and innovative know-how. But the initiatives and communication stunts observed in the media-driven fashion industry – known to have dressed a model using 3D printing in the middle of a fashion show, for example – are not fitting for watchmaking. In the world of watches, the spirit is more traditional and sober; ancestral and prestigious; unique and, in essence, exceptional.

Acknowledgements

We thank all the EY teams for their valuable contribution to this study.







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