

**A quantitative and qualitative analysis of the success of
the smartwatch over Swiss luxury watch brands and
how sustainable is this new threat**

**Bachelor Project submitted for the degree of
Bachelor of Science HES in International Business Management**

by

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Disclaimer

This report is submitted as part of the final examination requirements of the Haute école de gestion de Genève, for the Bachelor of Science HES-SO in International Business Management. The use of any conclusions or recommendations made in or based upon this report, with no prejudice to their value, engages the responsibility neither of the author, nor the author's mentor, nor the jury members nor the HEG or any of its employees.

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Executive Summary

The aim of this research is to identify and understand how the smartwatch market has gained so much popularity in such a short period of time that it managed to surpass not only the Swiss luxury watch industry but the entire Swiss watch market in terms of sales volume globally. The study will focus on some critical quantitative and qualitative measures such as marketing, financials, consumer behaviour and technological aspects. Behind these theoretical and factual findings, the reader should understand some pin-points on how customer needs were created and captured by smartwatches companies.

On the other hand, existing discrepancies between Swiss and smart watches will be discussed. The important topics will aim to understand why the Swiss industry is somehow reluctant to change and how fast was their reaction and response to the potential digital threat which leads to another point on whether the threat is sustainable or actually an opportunity for new market growth. Additionally, the Swiss brand image and strategy will be part of the discussion.

Moreover, from a customer perspective, it will be interesting for the reader to understand how their loyalty towards - and perceived value of - the Swiss luxury watch was shaken with some deeper insights gathered from surveys. From an industrial perspective, some interviews with conventional manufacturers were led so that the reader could understand watchmakers' motives and their brand positioning since the launch of the connected watch.

The research will go a bit further with some other comparative elements like the Japanese Quartz watch crisis as the history could very well repeat itself another time. Have Swiss brands learned their lessons from past mistakes? Were the Swiss brands prepared for another consequential market penetrator such as the smartwatch? The parallels between both periods have lots to tell about the Swiss watch industry.

Also, after depicting and discussing the results the study will conclude with a detailed and comparative opinion on both types of watches with their respective pros and cons, followed by some hypothetical recommendations for companies as well as for customers. At last, the conclusion will embed the main points and recommendations to take away, which are gathered from the overall research but more importantly from the discussion to give a final synthetisation to the research problematic.

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1. Introduction

1.1 Organization of the report

This study is designed as follows; it starts with the description of the research question and its rationale.

It is then followed by the literature review underlining the existing gaps between the discussed problematic and the market findings from an organizational and/or sociological perspective. Followed at last by a bit of history.

Furthermore, there is a detailed description on the various research methods used during the study, explaining how and why these tools were used.

Next, there is a concise description and analysis of the results collected from the data gathered from the different methodology, followed by recommendations.

As a conclusion, the final part will summarize the whole report with highlights on key points which will mark the end of the discussion.

1.2 Research question and theoretical concepts

Since the launch of the Apple smartwatch in 2015, the digital watch market has been a serious contender to the Swiss luxury watch, as per appendix 1, a study states that the Apple watch itself has been competing closely with the whole Swiss industry from 2016 to 2017 until finally exceeding their sales and taking the lead. (Statista, 2020)

Nonetheless, this does not signify that the Swiss industry has seen its customers stolen and by the same means incurred less sales as their sales volume is constant during this timeline, but the figure rather shows that smartwatches fill in a void for potential watch wearers that Swiss watchmakers did not manage to gain.

This particularity makes the smartwatch a considerable threat to the Swiss luxury watch industry as consumer behaviour trends for the last half-decade prove that their preferences lean towards the digital device. (Statista, 2020).

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The main topic of this research is to understand how sustainable this new threat is with respect to the Swiss luxury watch industry. Again, as the appendix 1 suggests for the quarter 4 of 2017, the Apple watch has exceeded Swiss brands, this is why understanding how the latter reacts and responds to this new competitor is a way to understand if the threat has been seriously taken or not.

Also, the industry previously faced a similar threat in the 1970s in the quartz market with a remarkable Japanese competitor, they had to catch-up over several years. Some could state that this new revolution in the watch industry is a modern remake of the Japanese quartz crisis due to similar impacts, which are traduced by a rapid growth in the smartwatch sales same as the Japanese watches during their brighter days 50 years ago (Thompson, 2017). At that time, the Swiss brand image was heavily shovelled and verifying their image today with respect to the smartwatch is a comparative point with the Quartz crisis.

Then, the introduction of the smartwatch has left some customers with the feeling that the “Swiss made” branding from Swiss manufacturers is too old-fashioned and needs improvements in terms of innovation (D’amore, 2020). This stipulates that a certain perceived value from the customers has shifted towards other options such as more novelty, a demand that smartwatches are able to fulfil with their on-going updates. On that matter checking the positioning of Swiss luxury watch brands towards the smartwatch is necessary.

Finally, checking if Swiss luxury brands really need to shift their traditional values towards more connectivity is an important point in the spectrum of this research. Society keeps on evolving and the best industries answer the needs of customers with newer technologies on a daily basis, more precisely smartwatch demand keeps the pace with a growing demand from more customers than ever (Le-Prince Ringuet, 2019). So, checking if that signifies that Swiss luxury brands who are rather old-fashioned need to change their identity by segmenting the new digital market is part of the research as well.

2. Literature review

Numerous studies have drawn the attention towards smartwatches and their innovative yet threatening aspect inside the watch industry that have revolutionized the purpose of wearing wristwatches more than ever, nonetheless not much research was conducted towards the degree of divergences that stand between the traditional watch and the digital watch. Moreover, some studies have still managed to slightly bring some factual information on the motivation for users to wear smartwatches over the traditional ones, this is some knowledge that can help understand their correlation and that will be discussed further.

Some previous academic research states that there are some specific reasons for consumers to wear smartwatches such as for health monitoring and sports events (Hsiao, Chen, 2018), it is seen as a tracking device that collects data for the overall wellbeing of the user, the features are connected to a data source captured via sensors and transmitted via Bluetooth on a compatible device like a smartphone or a tablet. Nonetheless, it has grown to include other uses such as listening to music, messages, calls, reminders, alarms and so on, although as it is perceived as a “micro” computerized device, consumers have favoured other more complete and competent devices in that matter such as smartphones, tablets and/or computers, anyhow it remains a complementary device to them (Bölen, 2019).

Other quantitative studies by Prescient & Strategic Intelligence indicate the growth forecast of the smartwatch which has been lately revised downwards by over 70 companies operating in the digital industries, the biggest being with no surprise Apple, Samsung and Google. The industry’s expectations were not met due to the fact that smartwatches had a spectacular launch at first but lacked consistency afterwards. What is interesting to check in the 10-year forecast period (2013-2023), is that standalone smartwatches have little growth, but extensions smartwatches have had a steady growth according to figure 1 from the same study led by Prescient & Strategic Intelligence. This stipulates that smartwatches would need other compatible devices to be purchased and adopted in the daily life by a majority of customers.

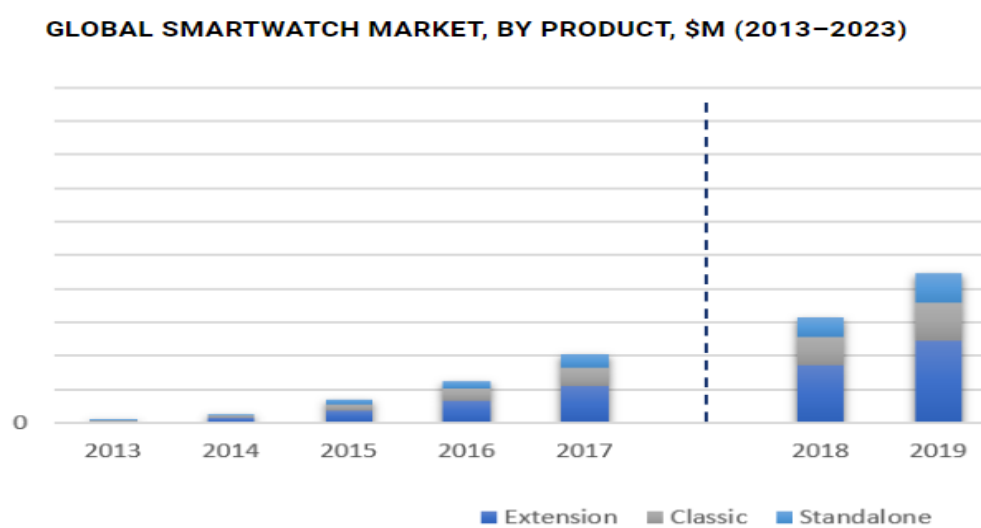


Figure 1 : Illustrating types of smartwatches, image retrieved from Psmarketresearch.com on June 2020

Moreover, the same study from Prescient & Strategic Intelligence brings forwards other market trend drivers other than health consciousness, the demand has been increasing in parallel to the addition of newer design such as bezel colour, straps material, water and shock resistance which are all attributes of lifestyle and accessorize the watch to the personality, occasion or overall look of the user. This would seem to be somewhat a factor that digital watches have in common with traditional watches, as the latter is very much complying with the status and lifestyle proposing many customizations.

Financially, in the smartwatch industry, Apple wearables outsell their direct competitors, which are the other smartwatch brands with a forecast of 47,000,000 out of 113,000,000 worldwide sales units by 2022 (Statista, 2020), and indirect competitors, which are the Swiss watches with 30,700,000 worldwide sales unit versus 21,100,000 worldwide sales unit for the year 2019 (Grothaus, 2020). In the first comparison against direct competitor a forecast was taken over a sale from previous years to illustrate the strong shipment growth of Apple watches within a time gap of 3 years. Additionally, the Apple watch is causing particularly hard time to Swiss watches that are in the same price range as it is likely to answer the consumers' concerns such as an ecosystem related to health monitoring for the seniors and a connected ecosystem for youth. (Mitty, 2020).

Moreover, digitally, e-commerce is really becoming an integrated part in the exchange of information or products between watch manufacturers and final consumers, some web platforms such as thewatchpages.com have been created to support the visibility of watches and share the market value and market knowledge of the industry (Furley, 2019¹). The addition of these types of website on the net justified the lack of online presence by watch brands in general, which actually impacted their sales during the COVID-19. According to a study from SwissInfo.ch, Swiss brands suffered a declination of exports of more than 25 % during the second quarter of 2020 (figure 2) which is in fact higher than during the Quartz crisis in the 1970s with a 15 % loss on sales. On the other hand, another study shows that despite COVID-19, the smartwatch online sales particularly for Apple grew by 20 % over a year and that the shipment did not cease to increase during the pandemic thanks to online orders (Brown, 2020). This shows that the smartwatch industry is ahead of Swiss brands in terms of online presence and that they are better prepared to respond to consumer needs in times of crisis as the coronavirus.

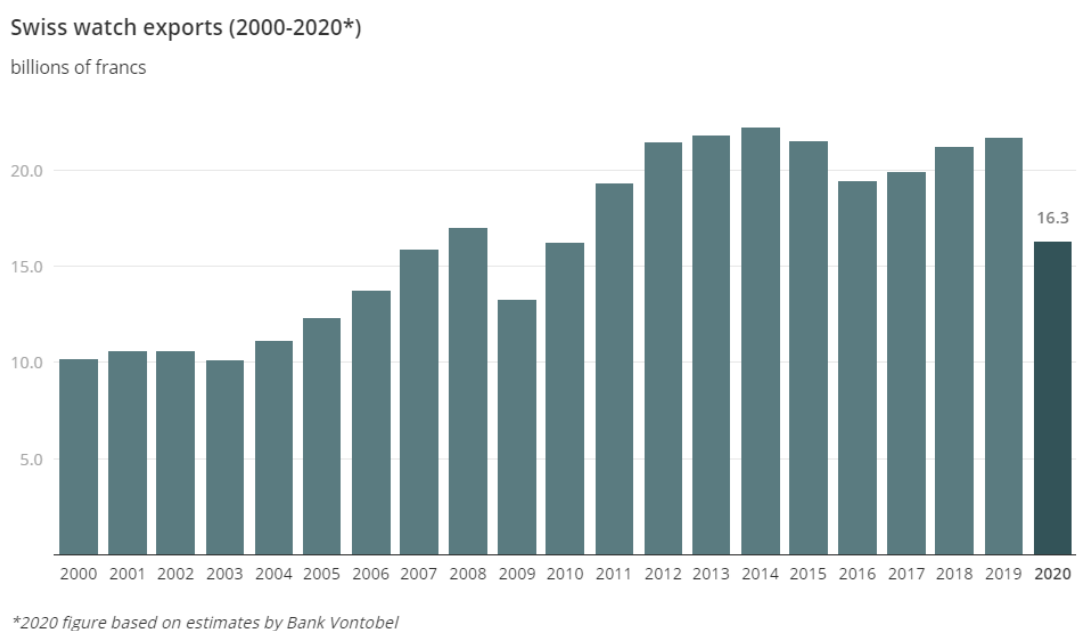


Figure 2: illustrating the financial loss in export during 2020 due to COVID 19, image retrieved from swissinfo.ch on august 2020

¹ Retrieved from a discussion with Mrs. Furley.

On the other hand, looking at the Swiss watch industry, a recent article from Forbes describes how the Apple watch sold more units by itself in 2019 than the entire Swiss industry. As a reminder, the variation in terms of sales volume is quite impressive as the Apple watch sold 30,7 million units versus 21,1 million units for the entire Swiss watch industry worldwide. However, the revenue generated still remains higher for the Swiss industry with the crucial help of luxury watches which accounts for 8 % of the entire industry (Naas, 2020). Another interesting insight from the same article states that some Swiss luxury watchmakers decided to spin their strategy towards integrated digital technologies in their portfolio to enter the competition and not repeat the same mistakes as the Quartz watch crisis back in the 1970s when the industry had to catch up over several years. Finally, the article concludes by stating two opinions some believe that the introduction of digital watches signifies the end of the Swiss watch, while others believe that both can co-exist, a topic that will be evoked in the discussion.

As a back up to the Forbes article, research from T3 has dived a bit deeper into how Swiss luxury watchmakers have responded to smartwatches. As mentioned above some have manufactured a full digital device while others have favoured hybrid collections to remain true or closer to their traditional values and to enter a new market as well. Some big brands such as TAG Heuer have fully incorporated digital watches into their product portfolio such as the “Connected” model (Appendix 2) launched in 2015 that has seen a great success with 56,000 unit sales in a year which was thrice the company’s forecast (Callaham, 2017). Montblanc has followed in 2017 and 2018 with the “Summit” collection (Appendix 3 + 4), Louis Vuitton with the “Tambour Horizon” in 2019 (Appendix 5), Hublot with the “Big Bang e” (Appendix 6) and then Bvlgari, Frederique Constant and other smaller names have brought out some hybrid watches to serve well the ongoing market demand.

Concerning behavioural aspects of consumers, a research from the Digital Luxury Group website puts forward how the consumer’s interest in connected watches has grown from 2015 to 2018. The study was based on two keywords “Smartwatches and Luxury Smartwatches”, this was observed via the Google search engine showing how many search appearances each word had. For the keyword “Smartwatch” the interest grew by 222 % within the time frame and there was a global average of 2,700,000,000 searches per month. Moreover, the keyword “Luxury Smartwatch” for the same time frame had an interesting growth in the consumer’s interest by 187 %, but with a far lower number of global searches levelling to 4,000 only per month by end of 2018.

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A table states the different brands' searches volume appearance for traditional and connected watches within a year.

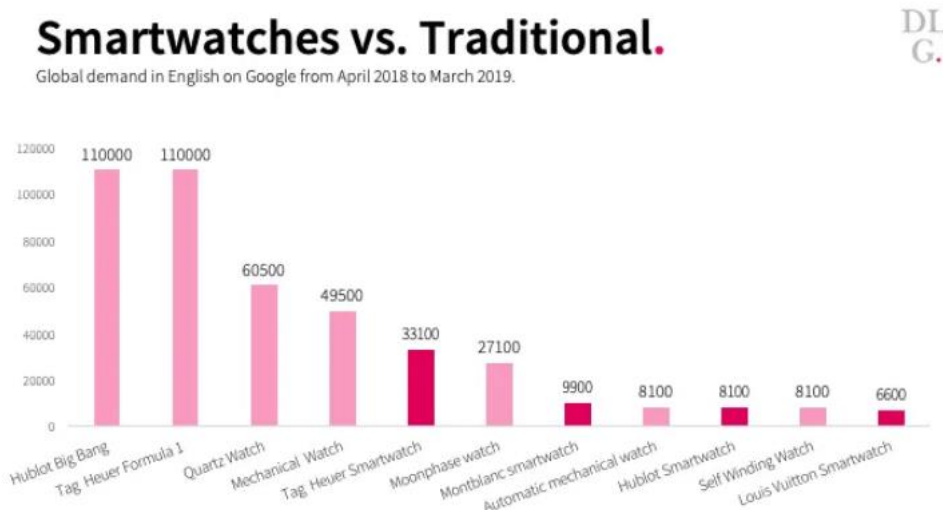


Figure 3: illustrating the most searched watches on the internet. Image retrieved from digitalluxurygroup.com on July 2020.

As this research has as objective to check the viability of the digital threat over the Swiss mechanical industry. A jump in time to make a parallel with the Quartz crisis in the 1970s is significant. Swiss horologists have made some mistakes at that time that nearly cost the loss of the watch industry. According to a blogpost from the website Montredo, Switzerland was the first marketer for the mechanical watch in the world, they accounted for 95 % of total sales, they were facing no competition and their brand image was unshakable. However, the Japanese quartz watch made an entry with better time precision and lower prices which left the Swiss mechanical watch with a feeling of overly priced and imprecision from consumers. Seeing huge market share, revenue and customer loyalty losses within a time period of 10 years, Swatch group was created by some Swiss brands in order to reverse the situation and compete directly with Japanese quartz in terms of prices, shapes and materials which resulted in saving the Swiss market by regaining the losses. This situation can be relatable to what is happening right now with the introduction of smartwatches, as per figure 1, they are outselling the entire Swiss market globally and are trendy. And, history could very well repeat itself again.

Finally, to conclude the literature review, introducing the smartwatch timeline and history of development is interesting to understand how it became to be the super gadget that it is today. The smartwatch did not start with the launch of the Apple watch in 2015 but in

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1972 with a watch named Pulsar with time in digits, then a second one in 1975 by Hamilton Watch Co. that had in addition to the date and time a calculator. Later, in 1982, the Japanese brand Seiko launched the TV Watch, a watch with an LCD tv on it of 1 ¼ inch. Then, Timex released a watch that could be plugged into a PC in order to receive appointment notifications and contact information. A second Seiko was then developed in 1995 called the Message Watch showing news feeds, sports events scores, weather information and the identity of a caller. In 1999, Samsung came up with the first watch that could call up to 90 minutes. Garmin, then launched in 2003 the first GPS watch allowing traceability, running speed and travelled distances. During 1998 and 2003, many companies such as Fossil and IBM launched several watches with an operating system, mainly Linux. Then in 2013, Pebble, the 1st smartwatch was introduced thanks to crowdfunding, followed closely by Motorola and Mio, until Apple conquered hearts in 2015 with its 1st generation Apple watch. (Ehlhardt, 2017). This evolution of the smartwatch overtime truly proves that the digital aspect was never neglected since its introduction and very much studied by many still present companies in the market such as Seiko, Fossil, Timex for the last 50 years at least. So there was always room for improvement, and a market to segment but the watches lacked reliability, they were expensive and had electronical problems such as display and battery drainage that caused several times their failure in the market until Apple managed to reunite almost every aspects of the previous smartwatches to create a new market demand with their very own. Surely, their brand identity and reliability helped them in their success.

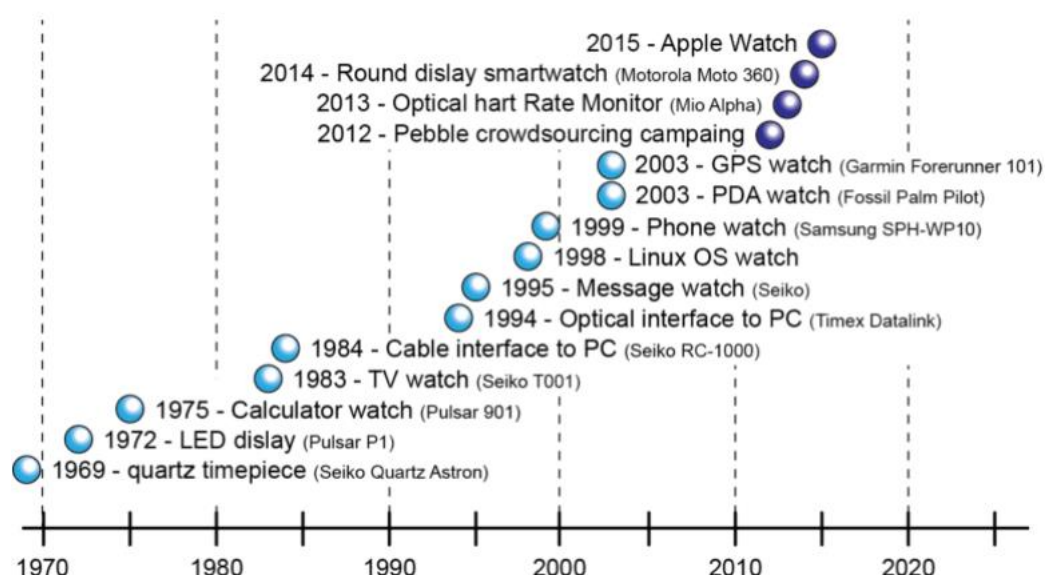


Figure 4: Timeline of the smartwatch evolution, image retrieved from prodcutevolution.org in august 2020.

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3. Methodology

To start with, an important thought that rose while thinking of the research question is that the scope of research did not only stop at a financial level, as it is most probably the first aspect that would come to any mind, nor on a closed question as whether yes or no the Smartwatches surpassed the Swiss luxury watches in terms of sales. Think of the fact that the introduction of the smartwatch in the Swiss market has gradually impacted the financial income of the Swiss luxury watch industry overtime due to better sales, this would suggest that the impact goes beyond finances and covers a wide range of other aspects.

In that matter, studying why, how and when the connected watch had an overall impact on the Swiss luxury watches is key to understanding the real reason behind an overall impact on their sales. These other aspects come at various levels such as at a marketing level, consumer behaviour and trend level, and the overall business processes level which embeds manufacturing, technology and mission. Hence, to be able to cover all these above cited aspects, a proper methodology with different alternatives of data collection methods had to be implemented during the research.

In the spectrum of the collection method, the objective was to meaningfully narrow down the list of used methodologies to answer the main research question and its related sub-questions in the most accurate way possible. According to the research proposal the former objective was to use all the data collection methods mentioned on it that would help in gathering clear and precise market knowledge, from:

Secondary data

- External research : Books, magazines, newspapers and reports.

Primary data

- Quantitative research : Surveys;
- Direct qualitative research : Interviews;
- Indirect qualitative research : Observations.

Most of which were possible and succeeded except for the last method due to the extraordinary situation of the COVID-19 pandemic during the data collection and writing of this study. Thus, adjustment had to be made accordingly and the indirect qualitative research which was mainly collected via observations of trends and habits in the market was removed from the list.

3.1 Secondary Data

3.1.1 External Reserches

To introduce the first data collection method, which is the secondary data sources, it is believed that this methodology is most probably the only mandatory amongst all methods to employ in any scientific or academic research as it informs its reader on what has been studied up to date, gives insights on the market knowledge level and more importantly is a referential base for the current research.

As the watch market is widely studied and very popular around the globe and even more in Switzerland, the capital of the watch industry, data was easily accessible and gathered through various sources, mainly from online books and web articles that would help in understanding the core differences that lie between the smartwatch and the Swiss watch in terms of technology or evolving trends.

Another source that was easily accessible were the magazines on watches such as EuropaStar or GMT showcasing the upcoming launches that would discuss brands' plans to remain entirely mechanical or push towards digital. Other reports based on the level of competitiveness, comparative finances, and other qualitative and quantitative statistics were accessible through online publications from Swiss banks and audit firms.

Finally, online newsfeeds on watches were often visited during the data collection phase as it informed accurately on any latest news that could back up one of the above collection sources in a rapid, viable and up to date way.

This methodology was particularly useful in the writing of the literature review and was also a solid back up in the results and discussion sections.

3.2 Primary Data

3.2.1 Quantitative researches

Coming to the second methodology, which consists of quantitative research, in order to satisfy the conclusion of the main problematic, it was necessary to dig deeper into one important sub-question of the research question which took into account the consumers behaviours towards their watch wearing habits, the impact that the marketing campaign of both watches had on them and their perception on the success of the smartwatch in these past and also coming years.

As a consequence, a quantitative research in shape of a survey was drafted and transmitted online via google forms to a sample of more than 370 watch wearers exclusively around Europe as a scope. Note that the questions were strictly based on demographic aspects, behavioural aspects and value proposition as it was presumed that no viable financial and technological information could be gathered from a customer point of view.

The first part of the survey had the objective to list some demographics such as gender, age, income and professional status to segment the personas, as knowing these criteria would help realize who might or might not be into mechanical or connected watches. The survey was then followed mainly with questions around their mindset towards the existing (or not) differences that lie between the Swiss luxury watch and the smartwatch. The questions were focusing on their buying preferences, preferred marketing channel, perception of both watches, global thoughts about a near or far future concerning the further development of the smartwatch in the current market, leading to an eventual declination of the Swiss watch.

As a synthesis, the main purpose of the survey was to determine watch wearers' thoughts on the likelihood that the threat from the success of smartwatches would be (in)significant and impactful on the Swiss luxury watch industry.

3.2.2 Direct qualitative research

Finally, after gathering valuable data from available resources on the market and from consumers, it was necessary to have a point of view from watch manufacturers to complete and close the loop on the data collection process, and assess not only data in size of quantity but as well on quality with accurate and precious content to assist in the overall research. This final methodology is the direct qualitative research, the aim here was to approach Swiss watch brands or institutions through in-depth telephone interviews, which were conducted with La Fédération Horlogère Suisse, IWC Schaffhausen, TAG Heuer, Maurice Lacroix, and Code41. The target persona was an executive or a manager of the sales department, these personas were ideal as they would fit correctly to answer the questions led during the interview as they possess global knowledge on their brands and are the representatives.

The questions asked were more technical than during the quantitative research and focused more on aspects such as;

Financial aspects

It is the engine for every watch company to invest in assets like components which come at a costly price such as the outer material (metal, leather) glass (mineral, sapphire), inner mechanics (movements, jewels, assembly craftsmanship), production centers, other charges, and also grow healthily to prosper, have reserves during needed times, have funds to operate on a day-to-day business. Basically, it is also a competitive key performance indicator in the market demonstrating their value.

Marketing strategies

It is the bridge between watch brands and customers, their offerings should have an impact on the customers to grab from them a higher purchasing incentive, it also creates the demand knowing if the marketing communication channels succeed in positioning the watch as a different product from its competitors through the unique selling proposition. It also informs on the value, quality of the watches and its brand and indicates future launch. Finally, it maintains customer relationships, grows reputation and builds loyalty, a non-negligible aspect in the watch industry.

Technologies

Even though conventional brands are less driven by technologies than the smartwatch brands, they do possess different technologies and extremely detailed ones in their products, such as the calibre of the movement and its precision, the movement itself (automatic and mechanic), the time reserve off-wrist, water resistance, Moonphase, glowing numbers, date inclusion with or without magnifying glasses and much more.

In that matter of fact, five interviews were led, the first one being slightly different due to different questions asked to the President of the Fédération Horlogère Suisse, emphasizing more on the economical side of the industry, and the four others being Senior Managers from different brands competing in the Swiss luxury watch market giving insights to understand better the above mentioned aspects, namely TAG Heuer from Groupe LVMH, IWC Schaffhausen, Maurice Lacroix and Code41. It is important to note that not all questions, especially the financials, were answered due to confidentiality. On the other hand, interesting insights emerged from each discussion concerning the future of the Swiss market and the aspect of technology. All in all, these interviews gave precise indication on how the luxury industry reacts to smartwatches and this will be discussed further in the results.

3.3 Conclusion on the research methodology

As a conclusion, the three methodologies used during the study were each useful in their own way and more importantly, they were mutually complementary by covering aspects related to each sub-question of the main problematic. Despite the fact that the indirect qualitative research methodology had to be renounced, some other observations from previous visits to forums and personal observations in the market were helpful in the writing of this report.

4. Results

4.1 Analysis of the survey (Quantitative research)

To begin with, the survey had a total of 19 questions answered by 377 participants which were all watch wearers independently of the type.² Find below the numbered list of questions table for better readability through the analysis:

1	What is your gender?	11	What would influence you to buy a Swiss luxury watch over a smartwatch ?
2	What is your age?	12	Which type of watch do you favour the most?
3	What is your current employment status?	13	What comes into your mind when you hear the word "Smartwatch"?
4	What is your annual personal income?	14	What comes into your mind when you hear the words "Swiss Luxury watches"?
5	In your opinion are smartwatches a good addition to mechanical watches (traditional watches) in the watch market?	15	Hypothetically, do you believe that the Swiss luxury watch industry will decline because of Smartwatches?
6	Are you a smartwatch owner?	16	Strategically, should the Swiss luxury watch brands innovate and renew their offer towards more connectivity? Or should they follow their core values ?
7	If you have answered yes to the previous question, please specify the brands.	17	Hypothetically, if there was to be only one type of watch available in the market, which type would you choose?
8	Are you a Swiss mechanical watch owner?	18	As you may already know, the former role of watches was to give time, this has changed thanks to features such as GPS functions, heart-rate monitors, steps counters and so on. In your opinion, are these technologies necessary on a watch?
9	If you have answered yes to the previous question, please specify the brands.	19	Please explain your previous choice in a few words.

²Some questions have less answers due to blanks however the reader will be informed about this.

10	What would influence you to buy a smartwatch over a Swiss luxury watch?		

Table 1 : Table of list of questions.

From the list of questions, four of them were about demographic characteristics based on gender; age; professional status and income level with respect to questions 1, 2, 3 and 4, all of which were important to understand if these demographics impacted the tendency to prefer, wear or buy a Swiss luxury watch to the digital watch or vice-versa.³

The results will start with a couple of observations taken from several comparisons in respect to the demographics questions. These demographics will be assimilated to other questions from the list, mainly questions 6, 8, 15, 16, which should reveal insights that will be developed further in the discussion section.

Next in line, the second part of the result analysis will continue with deeper questions orientated towards customers' perceived value on the type of watch and brands' influences on their purchasing choices assimilated to questions 10, 11, 13 and 14. It is all about how brands from the two types create value by attracting the customer and manage to position themselves next to the competition in order to capture the customer's attention and lead them towards a purchase (value proposition). All in all, this part will focus on the characteristics that enhance purchasing behaviour of a customer towards one of the two types of watch.

Moreover, the last part of the findings will treat participants' answers for the questions 18 and 19, in parallel with questions 5, 12 and 17 that should illustrate personal thoughts on the last question. Finally, questions 7 and 9 were purely informative to know what are the most owned brands from both types by participants (most common answers were Rolex and Apple from both type of watches).

³ Please, note that the charts, graphs and tables were extracted and created from the survey which is found in the appendix 7.

4.2 Demographics analysis (part one)

4.2.1 Does gender play a selective role?

The first question – “ *What is your gender?* ” was an auto-inclusive question, there were three possible answers “ *Female* ”, “ *Male* ” and “ *Prefer not to say* ”. The question was linked to two other ones, number six and eight from the table list of questions on the ownership of either a Swiss luxury watch or a smartwatch “ *Are you a smartwatch owner?* ” and “ *Are you a Swiss luxury watch owner?* ”. The aim to this link was to understand if one gender was more attracted by one of the two types of the studied watches. In addition, this link showed which type of watch was owned the most by the participants.

What is your gender ?
377 responses

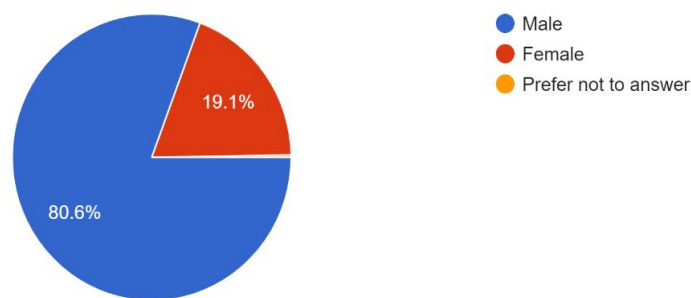


Figure 5 : Pie chart representing the ratio of gender distribution out of 377 answers

	Female	Male
Smartwatch owner	15	76
Swiss Luxury watch owner	59	260
Total	74	336
Ratio smartwatch	20 %	23 %
Ratio Swiss Luxury watch	80 %	77 %

Table 2 :Table comparing the ownership and gender.

In this matter, it was interesting from a behavioural context to check what type of watch do women and men own.

According to figure 5, the results of this question from the survey depict that, even though there were only 74 answers from the female gender, compared to 336 answers from

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male gender based on the ownership of smartwatches and Swiss luxury watch, the ratios show that on a pro-rata basis **20 %** of women possess a smartwatch out of their total and **23 %** of men possess a Smartwatch out of their total.

Concerning the Swiss luxury watch, table 2, **80 %** of women possess at least one watch of this type, whereas **77 %** of men possess this type out of their total. The entire survey was answered by 72 (19,1 %) and 304 (80,6 %) of women and men respectively (missing 0,3 % preferred not to answer the question).

4.2.2 Would younger generations favour more connectivity / digitalization?

The second question – “ *What is your age?* ”, this one was divided into groups of age, so the findings could take into account the generations such as Baby Boomers, X, Millennials and Z, it was linked to three questions in total, the first two being questions number six and eight “ *Are you a smartwatch owner* ” and “ *Are you a Swiss luxury watch owner* ” which both had as answer choice “ *Yes* ” or “ *No* ”. It is commonly known that different age groups do not have the same attraction towards products in general and even less when it comes to technologies, in this case generation gaps could reveal if a certain age group favours one type of watch over the other through ownership.

What is your age ?
376 responses

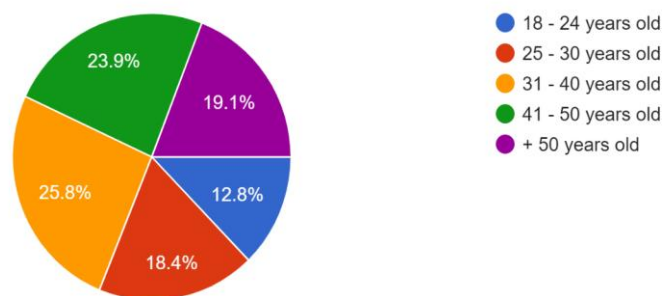


Figure 6 : Pie chart representing the ratio of age groups out of 376 answers.

	Swiss luxury watch owner		Smartwatch owner	
	Yes	Ratio out of 319	Yes	Ratio out of 91
18 - 24 years old	36	11%	11	12%
25 - 30 years old	46	14%	12	13%
31 - 40 years old	89	28%	22	24%
41 - 50 years old	78	24%	26	29%
50 and more	70	22%	20	22%
Total	319	100%	91	100%

Table 3 : Table comparing the age groups to the ownership of watches out of 373 answers for Swiss luxury watches and 376 answers for smartwatches respectively.

The table 3 above enumerates the ownership of both types of watches. Based on a pro-rata analysis. The two youngest age groups, 18 to 30 years old, own less watches in comparison to the elder age groups. The 18 to 24 years old age group were 36 to have answered “ Yes “ out of 319 which brings the ratio to 11 % of ownership versus 12 % of ownership of smartwatches out of 91 responses. The same goes for the 2nd age group of 25 to 30 years old, 14 % out of 319 versus 13 % out of 91 answers. Moreover, both patterns look similar with increasing numbers as age grows as well.

Then, the third question in this observation is based on assumptions one might have on the strategies that Swiss brands should adopt. The linked question was number sixteen *“Strategically, should the Swiss luxury watch brands innovate and renew their offer towards more connectivity?” Or should they follow their core values?”*, which had as an answer either *“Traditions “* or *“ Connectivity “*.

From a generational perspective, it was interesting to check whether differences in age group reveal insights on whether Swiss brands should lean towards more inclusion of digital and technologies in their offers. In here, the aim was to observe if the younger generation (Millennials and Z) standing between 18 and 40 years old, which are constantly connected and live under the name of technology, are keener on a path away from traditions by the Swiss luxury watch industry.

This might reveal in 1st position that Swiss watch brands have accepted to adapt to the current trends in this era driven by included connectivity and digitalization and in 2nd position that the youngest potential consumers are positively responsive to embrace these changes from traditions and go towards more connexion next to the older generation.

	Yes	No	Total by age	Ratio "Yes" / Total by age
18 - 24 years old	10	38	48	21 %
25 - 30 years old	12	57	69	17 %
31 - 40 years old	12	85	97	12 %
41 - 50 years old	13	77	90	14 %
50 and more	16	56	72	22 %
Total answers	63	313		
Ratio answers / 376	17 %	83 %		

Table 4 : Table comparing generations answering positively/negatively to more digital inclusion on Swiss luxury watches.

As per the table 4, the numbers show that out of a total of 376 answers **63 (17 %)** were suggesting that Swiss mechanical brands take on an innovative path against **313 (83 %)** who were not likely to recommend it.

Generation Y (1980-1995) and generation Z (1996 – 2010) represent 214 answerers out of 376, they are part of row 2 to 4, the 18 to 40 years old, then the 2nd column takes into account the answer “ Yes ”, which sums up to **34** times from these two generations, this represents a ratio of 9 % (34 / 376). Concerning “No”, answers from these very same generations add up to 180 representing almost half of total responses (48 %).

What is more striking is that the participants which are 50 years and older represent the ones who have answered “ Yes ” the most often with **16** times knowing that they were only **72** to answers (3rd position), and that their ration of ” Yes ” / total by age is the highest with an average of **22 %**.

At last, it is clear enough to state that a bit less than 1 / 5 of the total sampled population was agreeing on a change of direction and new market penetration by the Swiss luxury brands.

4.2.3 Does one type of watch relate to the employment status?

Next in line is the question number three “ *What is your current employment status?* ” which had four possible responses “ *Student* ”, “ *Employed* ”, “ *Unemployed* ” and “ *Retired* ” answered by 376 participants in total. This question had almost 3 / 4 of answers from employed participants and 15 % by students, 7 % unemployed and 4 % retired. The aim in this observation was to check which professional status was more into smartwatches, so the link in questions was made with the question number 16 “ *Strategically, should the Swiss luxury watch brands innovate and renew their offer towards more connectivity? Or should they follow their core values?* “. Joining these two questions was an adequate way to check if participants are influenced in the same manner by both watch type.

What is your current employment status ?
376 responses

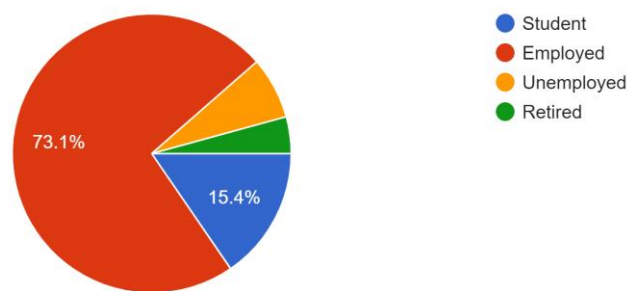


Figure 7 : Pie chart representing the ratio of employment status out of 376 answers

	Employed	Student	Unemployed	Retired	Total answers
Traditions	235	45	20	13	313
Connectivity	40	13	7	3	63
Total by status	275	58	27	16	376
Ratio traditions	85%	78%	74%	81%	
Ratio connectivity	15%	22%	26%	19%	

Table 5 : Table comparing which employment status is suggesting the strategy to be adopted by Swiss brands.

In this table, there is no surprise, the current strategy of remaining traditional from the Swiss market is winning hands down the match up as per the ratios. Employed participants are the group that are more into conventionality than the three others as the ratio suggests that only **15 %** of participants from this group are suggesting a renewal in Swiss brands' offer. On a pro-rata basis, the student group is suggesting a bit more

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innovation from Swiss brands than the employed group (+ 7 %), but what is more striking is that the unemployed group is the one to push towards more connectivity with **26 %**.

Based on these numbers, two other comparisons were made the employment status towards the income level of each group, in order to understand if unemployed and student salary range does influence their choices, as smartwatches are still less expensive than Swiss luxury watches.

	Employed	Student	Unemployed	Retired
Under 20'000 CHF / €	16	40	10	1
20'000 - 40'000 CHF / €	38	12	2	3
40'000 - 60'000 CHF / €	50	4	2	2
60'000 - 80'000 CHF / €	45	0	2	3
80'000 - 100'000 CHF / €	35	0	3	0
Over 100'000 CHF / €	82	0	8	6

Table 6 : Table of income level associated to professional statuses.

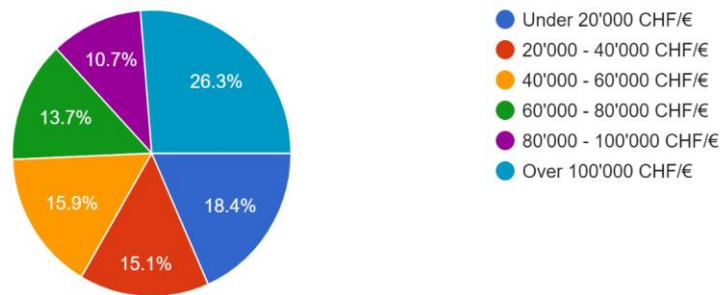
The findings from the table above seem to reveal that there might be a correlation between both unemployed and student groups and the fact that they suggest Swiss brands to innovate, because there is now evidence that these two groups have the highest number of participants gaining an annual income below 20'000 CHF / €.

4.2.4 Does income level influence purchases?

Another demographical aspect took into account the income level of participants. The question four was “ *What is our annual personal income?* “ and had questions divided into groups of income level with a margin of 20,000 CHF / € for each. The questions was linked to the number six and eight “ *Are you a smartwatch owner ?* “ and “ *Are you a Swiss luxury watch owner ?* “. This information was necessary to observe if their salaries would influence them to buy one type of watch over the other. Although this question is often left blank, it is an important one for the study, and fortunately only 11 participants did not fill it in and even more interestingly the pie chart is rather well balanced which gives a better accuracy in reading the responses as not only one level of income would dominate the various answers. The aim here is to check what level of income are the most influenced by smartwatches and can be their ideal segment.

What is your annual personal income ?

365 responses



	Under 20'000	20'000 - 40'000	40'000 - 60'000	60'000 - 80'000	80'000 - 100'000	Over 100'000
Smartwatch owner	10	8	10	21	17	22
Swiss Luxury watch owner	45	41	54	46	36	88
Total	55	49	64	67	53	110

OWNERSHIP BY INCOME LEVEL

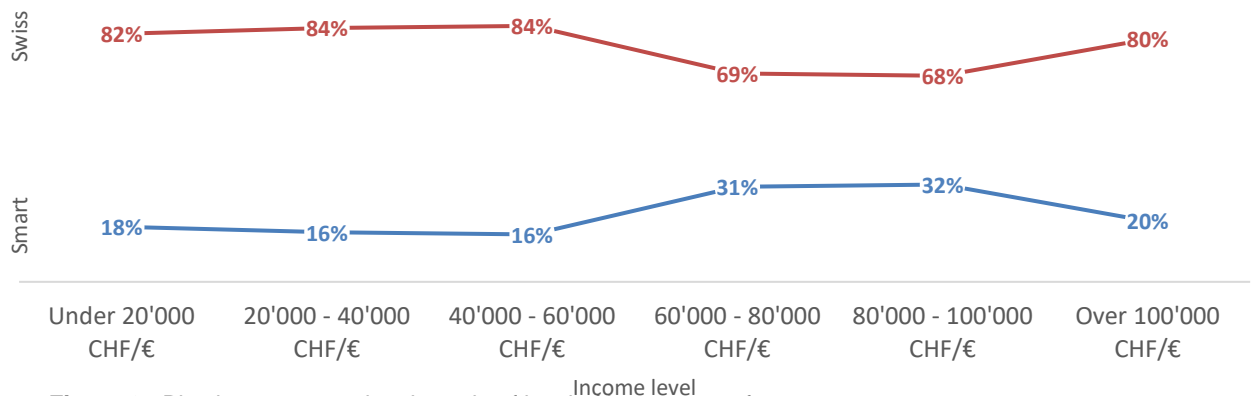


Figure 8 : Pie chart representing the ratio of level of income out of 365 answers.

Table 7 : Table comparing ownership and level of income / the units are in mio of Swiss francs and Euro.

Figure 9 : Graph indicating the variations of ownership in percentage with respect to the income level.

Please, before going any further, note that the total number of participants (365) is not taken into account in the statements below.

In this observation, at the exception that the participants gaining an annual income over 100'000 CHF / €, which are the ones with the most answers, the total number of responses from other categories of income level are almost similar ranging from 49 to 67 as per the table 7.

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As per the pie chart, suppose that the “ Over 100'000 CHF / € ” are reduced to half as the total number of participants is not of interest here, because their proportion of 26,3 % is a bit higher than the other incomes a lowering to half is satisfactory, the new average rounds about to 13,2 % (26,3 / 2), which would near the new average to other incomes standing between 10,7 % and 18,4 % and as well, as per the table, cut the total number of responses of “ Over 100'000 CHF / € ” from 110 to 55. This would mean that on an average this category has similar answers than all the other categories. And, this is seen via the graph where the ownership by level of income is almost on average similar for all categories.

Nonetheless, for the participants nearing the level of income between 60,000 – 100,000 CHF / € they own approximately the same volume of Swiss luxury watches, but more smartwatches than other incomes. To understand better this gap to other incomes, another comparison was made taking into account these two categories of incomes to the question “ *Strategically, should the Swiss luxury watch brands innovate and renew their offer towards more connectivity?* ” and check if these categories are more into smartwatches or not.

	Under 20'000 CHF / €	20'000 - 40'000 CHF / €	40'000 - 60'000 CHF / €	60'000 - 80'000 CHF / €	80'000 - 100'000 CHF / €	Over 100'000 CHF / €
Traditions	56	43	51	38	33	81
Connectivity	11	12	7	12	6	15

Table 8: Table comparing what level of income are suggesting the strategy to be adopted by Swiss brands.

The above figure clearly depicts that the two categories of income level are less suggesting to the Swiss luxury brands to follow a path of traditions, however concerning connectivity their responses are levelling the other incomes. Lastly, the income group was linked to the question number fifteen from the table “ *Hypothetically, do you believe that the Swiss luxury watch industry will decline because of Smartwatches ?* ”

	Not sure	Yes	No	Ratio "Not sure"	Ratio "Yes"	Ratio "No"
Under 20'000 CHF / €	8	10	49	12 %	15 %	73 %
20'000 - 40'000 CHF / €	9	15	31	20 %	33 %	69 %
40'000 - 60'000 CHF / €	11	11	36	19 %	19 %	62 %
60'000 - 80'000 CHF / €	11	13	26	22 %	26 %	52 %
80'000 - 100'000 CHF / €	5	8	26	13 %	21 %	67 %
Over 100'000 CHF / €	15	21	60	20 %	28 %	79 %

Table 9 : Table comparing income level to the opinion on the future of Swiss brands

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The figure above shows that the income level group from 60,000 to 80,000 CHF / € is the one which is the most doubtful on a secured future concerning the Swiss industry. Also, the group ranging from 80,000 to 100,000 CHF / € is not that much sceptical on the future of Swiss industry even if they are one of the groups with the most smartwatch possession as per table 8.

4.3 Value proposition and positioning (part two)

The second part of the survey analysis based on the value proposition is as important for the main problematic as the study based on demographics. Participants of the survey (all are watch wearers) are a representative sample of the current consumers in the watch market, their perceived value of a brand and purchasing decision highly influence the market growth and the future of brands.

4.3.1 Determination of influences on purchasing behavior and positioning

To start with, the first questions to be analysed here are the number ten and eleven “ *What would influence you to buy a smartwatch over a Swiss luxury watch ?* “ and “ *What would influence you to buy a Swiss luxury watch over a smartwatch* “. These questions had 8 possible choices and one personal thought question “ Aesthetic / Design “ ; “ Brand “ ; “ Features “ ; “ Functionality “ ; “ Marketing “ ; “ Price “ ; “ Status “ , “ Technology “ ; “ Other “ .

	Smartwatch	Swiss luxury watch
Aesthetic / Design	88	337
Brand	33	232
Features	68	4
Functionality	100	127
Marketing	10	42
Price	60	83
Status	8	145
Technology	133	93
Other		
Nothing	72	
History / Craftmanship		21

Table 10 :Table of comparison on the purchasing influence of smartwatches and Swiss luxury watches.

The table 10 illustrates in green who wins the match up for each influencing aspect during the purchasing decision. The Swiss luxury watch has far more recognition and votes over

the smartwatch except for “ *Features* “ and “ *Technology* “. As seen in the literature review, it is often these aspects that made the smartwatch famous.

Moreover, in the section “ *Other* “, out of all thoughts two came many more times than any other personal thoughts, surprisingly “ *Nothing* “ for the smartwatch came out 72 times which is almost 20 % of total participants and “ *History / Craftmanship* “ for the Swiss luxury watch came out 21 times.

4.3.2 Perceived value of the watch type

In this section, the question is orientated around what does the participant, who is a continuous potential customer, think of both type of watches while thinking of it. The aim here is to check whether the smartwatch or the Swiss luxury watch have been true to their principles and mission and have captured customer value through that.

The questions 13 and 14 from the list have been illustrated in form of a table to check the number of times the possible responses came out from participants. The questions were respectively “ *What comes into your mind when you hear the word " Smartwatch?"* “ and “ *What comes into your mind when you hear the words Swiss Luxury watches ?* “. The possible answers were “ *Affordable* “ ; “ *Costly* “ ; “ *Lifetime accessory* “ ; “ *Obsolescence* “ ; “ *Outdated* “ ; “ *Prestige* “ ; “ *Utility* “ ; “ *Trendy* “.

	Smartwatch	Swiss luxury watch
Affordable	54	11
Costly	33	174
Lifetime accessory	6	137
Obsolescence	78	1
Outdated	6	1
Prestige	4	265
Utility	81	80
Trendy	136	49

Table 11 :Table of comparison on the perceived value of smartwatches and Swiss luxury watches.

Compared to the previous 2 questions, these ones have some negative adjectives which are shown in red on the table. Smartwatches win on affordability (54 to 11), utility (81 to 80) and trendiness (136 to 49) and lose on obsolescence (78 to 1) and are outdated (6 to 1) which is interesting as it is the trendiest type of both watch, so there are some discrepancies in thoughts. The Swiss luxury watches win on duration (137 to 6) and prestige (265 to 4) but lose on price (174 to 33).

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4.4 Preferences of watch type (part three)

This final part of the analysis of the survey describes the findings on the preferences that participants have. This part comprises five questions that will be illustrated on five different tables with some comparative statements.

Question # 5: “ *In your opinion are smartwatches a good addition to mechanical watches (traditional watches) in the watch market ?* “

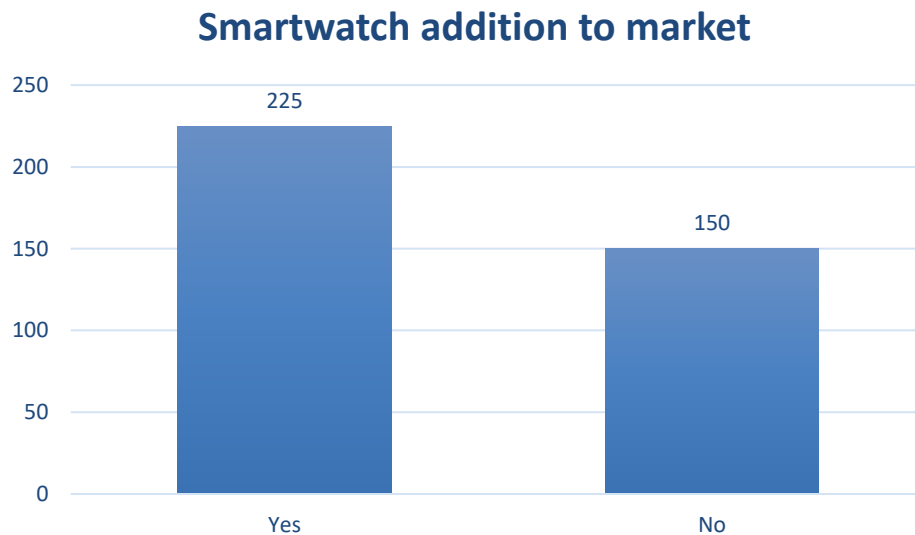


Figure 10 : Bar chart illustrating the opinions of participants on the addition of smartwatches in the market.

Question # 12: “ *Which type of watch do you favour the most ?* “

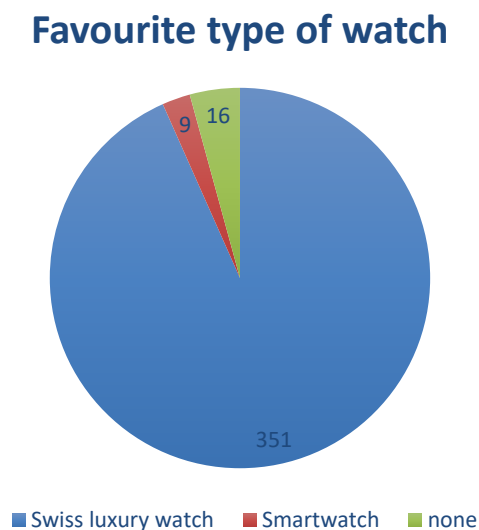


Figure 11: Pie chart illustrating what is the favourite watch type of participants.

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Question # 17: “ Hypothetically, if there was to be only one type of watch available in the market, which type would you choose ? “

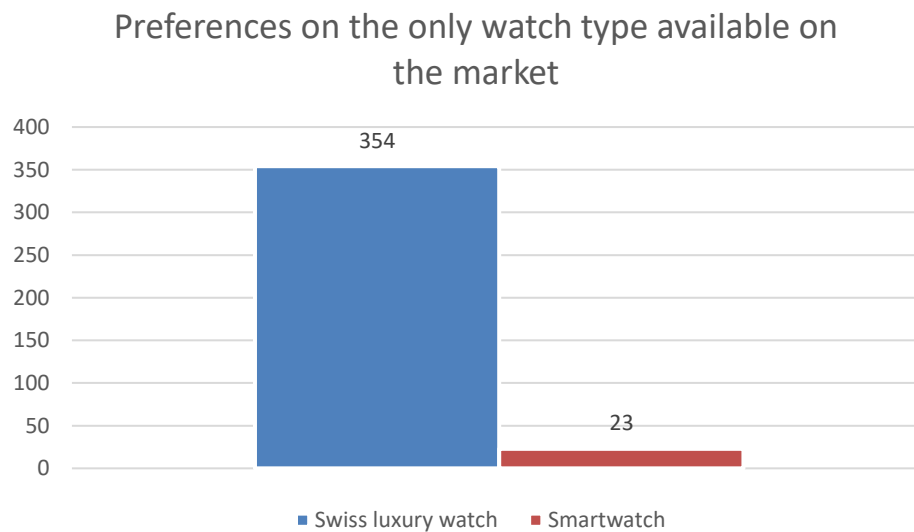


Figure 12 : Bar chart illustrating the preferences on which watch type should remain in the market hypothetically.

Question # 18: “ As you may already know, the former role of watches was to give time, this has changed thanks to features such as GPS functions, heart-rate monitors, steps counters and so on. In your opinion, are these technologies necessary on a watch ? “

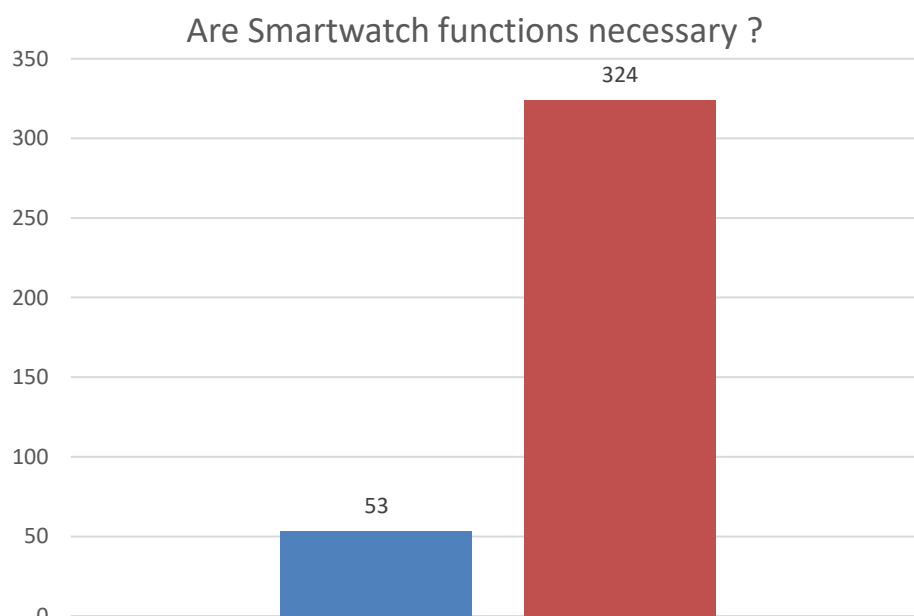


Figure 13 : Bar chart illustrating if smartwatches functions and features are necessary on a watch.

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Question # 19: *“ Please explain your previous choice in a few words. “*

This question was an open answered to let participants share their opinions on the question number 18. The most recurrent or / and most appropriate opinions with respect to the problematic were selected, filtered and presented below from all participants. The entire list of question is accessible via the link available in the bibliography section.

“Because that’s what we have phones for. Many Smartwatch features are already integrated into your smartphone.”

“I feel they are 2 different markets. Swiss luxury watches are now about art, craft and design. Smartwatches are about technology and function.”

“Your choice of watch reflects your character.”

“There is a need to uphold tradition. However, technology and tradition can still co-exist.”

“A wristwatch has one simple purpose, which is to tell time. If the functionality exceeds this it is often taken too far.”

“Watches are more of a status device than time telling device ... the Swiss should play to their strengths.”

“They will keep evolving in to smaller and eventually implants into our bodies. Those things will soon be available on your clothes.”

“The luxury watch is a luxury, other devices are functional, the divide should be maintained, they both are needed, but shouldn't combine.”

“Not necessary, but can be literal life savers, GPS if lost, heartrate monitor in case of heart failure etc.”

“I think that the technologies you are mentioning won't stay long on the wrist but will move to another form of portable devices more convenient than a watch.”

“I strangely love my Apple Watch. I’m a huge tool watch guy owning many dive/sport watches and the Apple Watch for me functions as a tool watch. For example, I have type 1 diabetes and I linked my watch so if my Blood-sugar goes low it will vibrate to notify me. Something like that is a perfect function in my everyday life. However, you do get a different vibe. When I wear a mechanical watch, I feel a connection and an ability to make stories wearing one, where the Apple Watch is kind of just there serving its purpose.”

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4.5 Analysis of the interviews (direct qualitative researches)

The section on this research methodology will be divided into three parts, each will regroup elements in forms of enumeration that have been retained from the five interviews. Part one will deal with financial aspects, part two with marketing strategies and part three with technologies.

The interview template had eight questions in total listed below, they were identical ones for the four watch brands IWC Schaffhausen, TAG Heuer, Maurice Lacroix and Code41. Concerning the fifth interview which was with the Fédération Horlogère Suisse, it had additional economical and global questions on the Swiss industry although similar to the four others. ⁴

Interviews' list of questions:

1. How would you gauge the health of the brand at the moment?
2. What are the actual and challenges and future concerns of the brand?
3. Are you seeing any particular trends in terms of consumer behaviour?
4. Do you considerate the smartwatch industry to be a new treat to the brand on the market? Are there any impacts on sales?
5. How does the brand differentiate from smartwatch brands and how do you create and capture customer value?
6. Do you believe that the Swiss luxury watch industry should renew and innovate their offer towards more connectivity and digitalisation?
7. Do you believe that the arrival of the smartwatch has had a negative impact on the Swiss mechanical watch industry in financials terms?
8. Are you planning to propose smartwatches in the future?

⁴Note that no interviews with Smartwatches brands were led. Also, find the five full interviews in the appendix section.

4.5.1 Financial aspects

- The penetration of Smartwatches on the market had a negative impact on affordable Swiss watches such as Tissot, Swatch or Alpina. (around 500 .-)
- Entry level watches such as Maurice Lacroix, Frederique Constant or Hamilton are also impacted by high end smartwatches. (around 1'000 .-)
- Both types of watches can co-exist without harming one another financially as their purposes are different.
- Consumers are being more active via e-commerce even if physical sales dominate buying habits, digital platforms are gradually taking space in the watch industry, even more in the period of Covid-19, unfortunately not all watch brands were prepared to go online.
- Connectivity is a major innovation and is trendy, so it is an opportunity for some Swiss brands to enter and develop in a new market and gain market share.

4.5.2 Marketing strategies

- Smartwatches are actually a good marketing opportunity for Swiss watch brands as it creates brand awareness and educates the potential customer on wristwear.
- Swiss watch brands revolve around experience, heritage, prestige, history and craftsmanship. Their marketing strengths are often their values and their attentive services towards their customer to gain customer loyalty.
- their aim is to sell in terms of quality rather than in quantity. Reduce the offer but sell more by focusing on mainstream collection.
- Nowadays customers care more about the perceived value of a watch on the market rather than the history of the brand. So, marketing and branding are less desirable from a customer's perspective.
- Swiss luxury watches brand images had small impacts as Swiss and smartwatches are segmenting two different markets.
- A current marketing challenge for Swiss luxury brand is to convince consumer to buy a tool that they do not really need any more due to smartphones.

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4.5.3 Technology⁵

- Connectivity and programming are not part of every Swiss brand's marketing strategies in general, their aim is more driven on manufacturing processes and quality of materials.
- Independently of smartwatches, Swiss brands should keep on innovating in their offers with the inclusion of latest technologies.
- Manufacturing processes such as environmental accountability and sustainability is part of future planning.
- New generations of customers buy watches based on a lifestyle rather than on the technology of the watch.
- Swiss brands differentiate themselves from competition by being "Swiss made" which shows quality and precision.
- Smartwatches are a data collection tool, which are different than Swiss Brands in functionality.
- Smartwatches are trendy, but not ergonomics, in the same radius smartphones do better jobs.
- Swiss mechanical watches last generations whereas smartwatches have a battery life and planned obsolescence.
- Some Swiss luxury brands main technological strengths rely on their in-house movement which adds a lot of value to their collections.

⁵ Note that all the above enumerations from part 4.5.1 to part 4.5.3 are paraphrases regrouped from each interview.

5. Discussion

5.1 Discussion on demographic results

Demographics were an important aspect of the overall research, the main problematic being a quantitative and qualitative measure of the success of the smartwatch and the sustainability of the threat, it was necessary to understand if some segments of the population are influenced by the smartwatch industry and in return if they are potential decisive influencers in the future of the Swiss watch whether in negative or positive ways.

In that matter, several combinations from the survey questions were made with respect to demographics in order to extract the essential revelation that would help in determining whether smartwatches are a real threat to the Swiss industry.

5.1.1 Discussion on demographics 1: Gender reach of smartwatches

To start with, as described in the methodology section, demographic questions were important and needed to understand the reach of the new smartwatch trend. Women and men have different habits for watch wearing and if one of the two genders was already not into watches and more particularly into smartwatches then the threat towards the Swiss luxury watch industry would be already less worrying for Swiss brands. However, even if less women answered the survey globally, we see that their ratio of ownership is almost equal to men. Which proves that the smartwatch even though less owned by women is actually a watch for both genders which widens its potential customer reach to the whole population, because many believe that the watch industry in its entirety is seen as a more masculine world, appealing more to the male gender than the female one. This is explained by the facts that there are usually more choices for men in this industry, or another example would be that the watches in the high end are often sized for men's wrists. Nonetheless, this has also a positive side effect on sales, the rationale is that many women seek larger watches thanks to firstly choices, secondly additional space for functionality on the dial and thirdly a much more massive look in terms of size compared to a more discrete watch (Maurice de Mauriac, 2017). In addition, as a purely esthetical point of view the watch is considered to be one of the only accessories on a man's outfit compared to women who generally have a wider panel of choices concerning the accessories matching their outfits with some earrings, bracelets,

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necklaces and more. Finally, this observation reveals that women on a pro-rata basis are equally attracted by smartwatches than men which gives them alternatives to masculine watches and a wider choice, this might signify that women have a bigger potential to be attracted by smartwatches if conventional watches are not anymore their choices as Swiss brands are lacking women's models although gradually and slowly incorporating them.

5.1.2 Discussion on demographics 2 : Generations and technologies

The second observation in the survey was made based on age groups. Latest generations such as Millennials and Generation Z have grown up surrounded by information technology, artificial intelligence, internet, augmented reality, social medias and so much more innumerable technologies that makes them really comfortable with the use of these tools, platforms or gadgets. Also, today's generations are fast consumers and give less importance to history, status and more importance to lifestyle and social belongings, and Swiss luxury watches are more about status, emotions and values (Pasche, 2019), whereas smartwatches are all about lifestyles, wellness and trendiness. Based on these above-mentioned aspects, younger generations should favour digital watches in comparison to Swiss luxury watches as it is all about connexion and complementary devices to their smartphones and laptops. Nonetheless, the results depict that the youngest age groups own more mechanical watches than digital ones even if on a percentage basis the average are pretty similar to other generations. What is surprising in these findings is that the oldest generations from 41 and + are the ones that own the most smartwatches. In this observation, the aim was to check if connected watches had as a target Generation Y and Z and the revelation is that they seem not much more attracted by smartwatches than Swiss watches as per the numbers. Which at first excluded the fact that youth played a significant role in the development of the smartwatch market. In that matter a second comparison was made with the direct question of whether the Swiss brands should innovate and push their offer towards more connexion and interestingly it showed that on a proportionate basis the age group between 18 and 24 years old are the most willing (21 %) with the 50 and + (22 %) for more connected inclusion in Swiss brands' portfolios. Concerning the 50 and +, according to a study led by the World Economic Forum (2019), they are very much connected to keep in touch with family and more importantly to check their health status,

which is one of the smartwatch's main functions, so, their frequency of agreeing with more digital inclusion inside of Swiss watches would be explained by this study.

5.1.3 Discussion on demographics 3: Employment status and preferences

The following observation was about the professional status of participants with respect to their opinion on whether Swiss brands should renew their offer towards more connectivity or remain true to their values. After gender and generations, it was necessary to check what professional status groups could be the target segments for the smartwatches. It is also common that depending on the status one prefers or even needs one watch type over the other. This observation was complicated by the fact that the proportion of answers were dominated almost at 75 % by employed participants so answers from other statuses, students, retired and unemployed were very low. So, the observation had to be made with percentage to have a better accuracy of findings and less biased results. In this result extraction, the unemployed and students are the groups which aimed the most towards connectivity amongst all answers, even though they suggest Swiss brands remain traditional at 74 % and 78 % respectively. Both groups are the ones gaining less than 20,000 CHF / € yearly. Concerning students, it seems obvious that they gain less than other groups as they are younger and still in their studies, in addition this finding on students (58 participants aged between 18 and 30 years old) suggestions towards more connectivity backs up the previous observation in the discussion on demographics : 2 “ Generations and technologies “. About the unemployed (27 participants) suggesting more connectivity, the data set shows that they own less than employed and retired groups and as a hypothesis the price tag of a smartwatch from a Swiss brand would be more affordable than a mechanical watch from the very same brand, so this choice might be influenced by their current situation instead of their preferences.

5.1.4 Discussion on demographics 4: Income level, preferences and future forecast on the Swiss industry

The last observation concerning demographics was a comparison on the income level of participants and their ownership on the type of watch, as well as their opinion on the future of the Swiss industry with respect to the smartwatch industry. With no surprise the highest income group, over a 100,000 CHF / € annually, had a wider collection than the

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other groups because they were also more to respond to the survey (average of 26,3 %). However, on a proportionate level almost each group possessed 1 smartwatch (20%) for 4 swiss luxury watches (80 %) as per figure 9 except for 2 income level groups, the 60,000 to 80,000 CHF / € and 80,000 to 100,000 CHF / €. These groups possessed more smartwatches on average than the other groups, 2 smartwatches for 3 Swiss luxury watch in average. Also, in the second observation, the comparison of income level to the hypothetical opinion of participants on the fate of the Swiss brands, took into account the table 9 that shows that the 80,000 to 100,000 CHF / € are not really worried about the future of the Swiss luxury watch industry as they are 2 / 3 from this group to believe that there will not be any decline due to the smartwatch threat. Whereas the group ranging between 60,000 to 80,000 CHF / € are only half to believe that there would be no impact. In this part, a focus was made on these 2 income level groups as they might help to reveal more insights on the smartwatch's success, but both groups had different opinions and thus it clashed for a clear hypothesis as one group is quite uncertain whereas the other is half convinced of the threat. Although, the hypothesis for this observation is that on a pro-rata basis the income level group ranging between 60,000 to 80,000 CHF / € showed the biggest number of smartwatch owners and the ones to be half convinced by a decline of the Swiss industry, this might reveal that the fact that they possess many digital wrist devices makes them more informed on the smartwatch utility and they do see it as a threat in the upcoming future. Finally, the fact of adding the option “ Not sure “ in the question number 15, table 9, was very revealing, it was answered several times and meant that the outcome of the main problematic is still unclear for many and that it needed further research for people to make up their minds.

5.1.5 Conclusion on demographics discussions

One sub-question of the main research question was to determinate if the Swiss luxury watch brands needed to review their strategies and reinvent themselves towards more connectivity, and even if demographic results showed that smartwatches held some advantages. Overall, the numbers were almost always in favour of Swiss luxury brands, whether on ownership, fate of the Swiss horology industry and strategies to adopt each segment gave more interest to Swiss brands than to the smartwatches brands. This stipulates that according to demographics findings smartwatches are not ready to win over the hearts of Swiss watches clientele and do not possess the skills yet to change the perceived value of the smartwatch faced to the Swiss brand image.

5.2 Discussion on value proposition and positioning

This part of the study was divided into two parts which had as the objective to:

1. Observe and understand the positioning of the Swiss luxury watch brands and the smartwatch, what does each have to offer to its customer and how do they position towards their competitors in order to capture customer value (loyalty and money). Even though the positioning was also asked during the interviews, customers' insights on how does a brand position itself is often an accurate external source to be taken into consideration as well.
2. Observe and understand the perceived value that customers had towards both types, how do they see these types of watches, this could reveal certain strengths and flaws. This question also measured in a certain way the brand identity of both industries.

5.2.1 Discussion on purchasing behaviour and positioning

As a reminder, the assigned questions were;

- What would influence you to buy a smartwatch over a Swiss luxury watch?
- What would influence you to buy a Swiss luxury watch over a smartwatch ?

For these 8 following possible answers;

Aesthetic / Design	Brand
Features	Functionality
Marketing	Price
Status	Technology

A comparison on each type was made in the result section to check what attributes would validate the purchasing decision of a consumer. And, as already stated only “ *Features* ” and “ *Technology* ” came more often as an answer concerning smartwatches, that makes only 2 out of 8 possible elements which is quite poor. Also, a ninth open answer was available and the word “ *Nothing* ” for smartwatches came out 72 times which is a lot, whereas “ *History* ” and “ *Craftmanship* ” came out 21 times for Swiss timepieces. Again, this translates well the part Discussion on demographic 2 on the fact that this era is technology driven but does not impact the buying decision of consumers with regards to watches. Consumers really look much deeper than the technologies that are available

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and these 2 additional answers to the 8 others illustrate well that Swiss watch brands are full of history and traditions that please customers and make them believe that they are wearing a special accessory, and that the technologies that smartwatches have to offer do not influence the purchasing decision.

5.2.2 Discussion on perceived value

As a reminder the assigned questions were;

- What comes into your mind when you hear the words "Swiss luxury watches?"
- What comes into your mind when you hear the words "Smartwatch?"

For these 8 following possible answers;

Affordable	Costly
Lifetime Accessory	Obsolescence
Outdated	Prestige
Utility	Trendy

A comparison on both types of watches was made to check how the participants of the survey would value the two watches, in here as per the respective result section the opinions were mixed. The fact that “ *Affordability*”, “ *Obsolescence*”, “ *Outdated*”, “ *Utility*” and “ *Trendy*” were more assimilated to smartwatches, And, “ *Costly*”; “ *Lifetime accessory*”; “ *Prestige*” were more chosen for Swiss watches depicts that they are like two different accessories as their values are different from each other in the eye of the customer. Some personal opinions from interviews and the survey stated that these two watches could co-exist together without harming one another as their purpose and values are different and this thought is well distributed in this observation.

5.2.3 Conclusion on value proposition and positioning discussion

These 2 questions introduced well how customers see these watches as two different products. Clearly, their values are different, the Swiss watch is more about history and has an emotional aspect to it and the watch lasts for years and can even be transmitted to younger generations, whereas the smartwatch is kept as an entertaining and trendy gadget for the moment, that serves its purpose of connectivity and data collection, having a limited life, even in battery drainage, and with no particular sentiment of belonging in the eye of the wearer.

5.3 Discussions on remaining graphs, Interviews

5.3.1 Trendiness and real utility of the smartwatch

Smartwatch sales and adoption by consumers have indeed been exponential since 2015. After almost 50 years of multiple tries from numerous companies to introduce the digital watch to the market, Apple hits at the right time with a new digital inclusion in this fast moving technological era. This successful market penetration would be justified by the fact that consumers were not ready to embrace digitalization until then, which itself would be justified by the fact that the smartwatch is now a compatible device to other smart devices employing the same software (Phones, tablets, laptops) and existing at the right time in this era.

Actually, *compatibility* was the marketing around which important software companies revolved such as Apple, Samsung and Google to create a new demand and make the smartwatch famous, the fact that it could connect to IOS and Android systems and synchronize with social applications such as Facebook was a critical success factor, otherwise the smartwatch on its own has no real utility, because the smartphone that is owned by a majority of the world's population is more reliable and ergonomic, and it gets the job done as well. So, the smartwatch had to segment towards other metrics such as health monitoring and overall fitness tracking, in addition to messages, calls and alerts.

Then, the survey's answers listed many times that smartwatches were for health purposes and keeping in social touch which is true. However, the smartwatch goes a little beyond that, with inclusion of payment methods (Biver, 2017), the listening of music, substitution of a modern car's keys, take control of electronics in a modern house like lights or doors and more (Sardis, 2019). All in all, it is a companion that does not only track the health of the owner but does more. This reveals that the majority of participants were not fully aware of the reach of the features that a digital watch possesses, that could be translated as a general lack of interest in the market towards the product.

Finally, as said by some participants in the survey, the role of a watch is to tell time and if it goes beyond the function then it is already too much, so the lack of global awareness of these constant new inclusions on smartwatch compliments well the statement of these participants. Other participants stated that it could literally improve lives and could be useful under medical prescription which is only but an option and not an obligation.

Finally, the conclusion is that the functions on a smartwatch are not needed but rather ease routines, as a back-up the figure 13 illustrates well the global mindset.

5.3.2 The negative side of evolution

In a shorter period of time the smartwatch has evolved more rapidly than the Swiss watch in terms of technological inclusion as it is a connected device and is bound to evolve constantly until and unless another device takes it over, because if smartwatch companies do not incorporate updates in their devices, they will not be synchronized with related products or services and will lose their utility. For instance, smartwatch companies are now introducing payment methods in their watches to keep up with developed payment applications from banks via Google pay and Apple pay (Maring, Wedel, 2020), which summarizes well the global society's mindset that favours more and more contactless payments during purchases and even more since COVID-19.

This is a true contrast to Swiss luxury watches as their technologies have been around for much longer and are evolving at a much lower pace but are still appreciated by the population as per the results in the survey. Swiss brands are good at what they do and serve well their segments which do not look to follow trends but are more passionate about the history of the brand, their objective is to deliver a product of quality and even a service of quality with the customer experience rather than a lifestyle only.

Also, if Swiss luxury watch makers go towards more digitalization, they will truly enter the competitive market and be direct competitors to smartwatches by diving straight into the red ocean, a highly competitive market. Swiss brands are already lacking knowledge and resources in terms of connectivity except for a few brands namely TAG Heuer or Montblanc and more, and it would take a lot of time to catch up expert technological brands such as Apple, Samsung and Google in a fast-growing market. Secondly, it would make their marketing strategy more complex, they would need to segment and acquire a clientele that they do not possess yet by changing the nature of their values that are their real brand identity and strengths for established Swiss brands in the luxury.

Finally, the investment in R&D would be long and cost tremendous amounts of capital. So, except for some Swiss brands that managed to pick the digitalization at the right moment by introducing some collections and even hybrid movements, it would be rather difficult for the Swiss industry to answer to the smartwatch industry by acquiring their attributes.

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5.3.3 Digital technologies' reliability vs Swiss expertise

Smartwatches are on point with technology, but as said in the literature review after a strong launch in the market and after having sold more than the Swiss watch industry, the digital watch lacked consistency in sales due to defects and to lags which caused complaints and loyalty loss from many consumers, although they still managed to outsell any other watches as per appendix 1.

Also, the fact that it is a practical yet complementary device to other compatible devices makes it less attractive as the consumer needs to purchase the full equipment to be able to enjoy the watches at their full potential. (Dehgani, Kim, Dangelica, 2018) Whereas Swiss luxury brands are a standalone product, their attributes are not linked to any other devices. Other than that, their technologies are reliable and rarely need any maintenance or updates as many timepieces are certified by the Contrôle Officiel Suisse des Chronomètres (COSC) for their accuracy or certified by the Geneva Seal for their assembly in the Canton of Geneva. (Altieri, 2019) which shows the standards of excellence and precision that Swiss timepieces deliver.

Coming back to appendix 1, the graph shows that smartwatches had better sales volume, but that the Swiss industry continued to remain linear next to it. Also, Swiss revenue has continued to grow thanks to the high-end part of the Swiss industry that accounts for 8 % of global exports (Mitty, 2020). This is a demonstration that the digital watch filled a void by creating a new market without subutilizing the Swiss luxury watch's consumers.

Then, with reference to the interviews, the segmentation and communication of both watch brands are totally different. Smartwatches are like a small computer and satisfy the needs of customers who seek to keep track of their health and stay connected to their networks, Swiss luxury watches are accessories which represent other values and emotions, such as prestige, brand identity, status and craftsmanship. Concerning communication channels, smartwatches need heavy presence on social media, television advertisements to attract potential consumers, whereas Swiss high-end brands are more discrete, their marketing channels are distributed via selective magazines, some billboards in particular areas in town, for example la rue du Rhône in Geneva, and in official conferences. These distinct communication approaches reveal their differences in consumer targeting / segmentation and marketing strategies.

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5.4 Recommendation

To introduce the recommendation, firstly, as discussed above, as the luxury brands have not really been impacted in their reputation and on the financial level by the smartwatch, the latter is not a threat to the high-end side of the industry, but more of an opportunity to expand the market to new ways of wearing the wristwatch which is already part of some Swiss brands plans. Fun facts, a study from Deloitte in 2016 shows that Swatch Group and TAG Heuer are 2nd and 3rd best seller in the smartwatch industry after Apple, that shows that the Swiss timepiece brands which were willing to enter the digital market were quick in their responses and managed to rank amongst the leaders.

Other than that, other more traditional Swiss high-end brands did not opt to react at the inception of the smartwatch as the threat was not felt and they had other challenges in their business plan like delivering more in-house movements, developing better customer relationships and focusing on sustainable manufacturing processes. (Danner, 2019)

Based on all the researches and findings, the recommendation for the Swiss luxury industry would be to remain true to their plans and do not worry about the digitalization as it is part of a different market but to keep an eye on it. Also, as mentioned during the research these new digital timepieces are a great opportunity for Swiss watch manufacturers to embrace a new market and grow healthily in it such as TAG Heuer, Montblanc and others who adapted to the trends not out of fear, but to discover new horizons. However, it should not become their core business, otherwise they will have to face a real competition in front of companies which are experts in digital technologies.

Moreover, the luxury industry should follow its core values and not shift its positioning towards eventual competitors. If the Swiss industry survived for so many decades it is due to the delivery of quality that is renowned all across the world and this is what they should be all about, pursuing the satisfaction of their customer needs in their market without renouncing to enter newer markets if desired and only if they are able to compete against it. Finally, as seen in figures 11 and 12, customers still favour almost without exception the Swiss watch, proving that it is a well secured market.

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6. Conclusion

This research had as the objective to make some comparative statements based on various factors such as consumer behaviour, marketing strategies, financials and technologies concerning the smartwatch and the Swiss luxury watch. These comparisons were necessary to be done in order to understand and measure the potential threat that the smartwatch introduction had on the high-end Swiss watches.

Some research was led individually for both watch types but very few pushed towards a true parallel between the two watches. As a result, not many external research was accessible and further research had to be made based on quantitative researches, in this case a survey, that aimed at regrouping a substantial sample of the watch wearing population all over Europe in order to extract valuable data that would help the understanding of their motives in purchasing decisions, their behaviour towards both watches, preferences and finally their opinions on the viability of the threat.

On the other side, a direct qualitative research had to be done with players part of the industry which are the Swiss brands and la Fédération Horlogère Suisse, to again understand what were their reaction since the introduction of the smartwatch and what are their plans in consequence.

Concerning results, the survey was pretty much straight forward and was aimed directly at the essential with mostly comparative questions concerning the smartwatch and the Swiss mechanical watch. Based on that, the outcome was simple, if participants had voted towards more connectivity then the Swiss brands better needed to prepare themselves and react quickly towards a confirmed threat, and if the answers leaned in favour of traditional watches than the threat was not felt even from a consumer perspective and brands could continue to prosper in their own market with the option to incorporate some digital attributes in their product line. As a result, for the survey the 2nd alternative happened.

Now, concerning the interviews, they clearly specified that the smartwatch industry was a different market segmenting other persona and offering different functionalities, in general the threat was not felt, but they agreed that conventional Swiss brands who were in the same price range as smartwatches are facing difficult times and need to respond quickly to the threat, concerning the higher-end of the Swiss industry it was more of an opportunity for them to extend their product range.

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As a conclusion, the study supports the idea that smartwatches are not a threat to the Swiss luxury brands, but actually an opportunity for Swiss business growth and even to give again to the potential consumer the pleasure of wearing a wristwatch and rediscover the benefit of it independently of the watch type. The results vastly demonstrated that the Swiss industry was secure and was not facing a similar situation to the Quartz crisis, it has been already 5 years since the introduction of the digital watch was widely accepted by the audience and no Swiss luxury brands were put in danger.

However, the lack of awareness from consumers on the functional reach of the smartwatch is an interesting observation as most of them really associate it to health and networks only for the moment, but it is gradually becoming a micro-computer and will maybe conquer more consumers' interest in the future when people will be better informed of its capabilities, and as more and more functionalities will be added the prices will rise in consequence until reaching similar price ranges as high-end Swiss watches. Or, alternatively if additional Swiss brands continue to develop and market smartwatches and sell it around the market value of smartwatches, then at this moment the problematic will have to be revisited as it may really become a threat once and for all. Otherwise, for the moment, the Swiss industry is better at doing what they are best at, namely offering the "Swiss made" label that all the customers crave.

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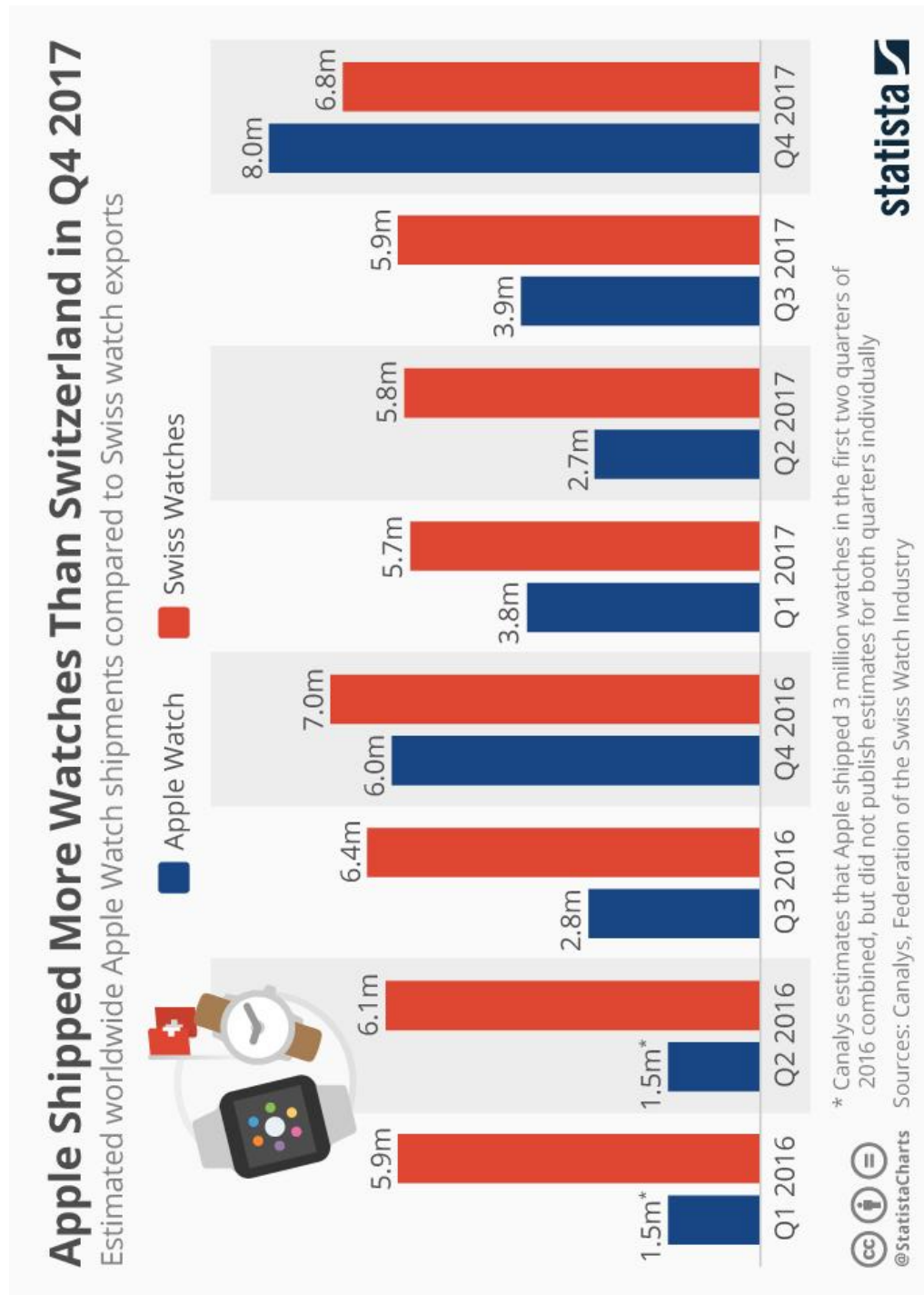
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LINK TO THE SURVEY ANSWERS:

<https://docs.google.com/spreadsheets/d/1buEUexwk-xE8UR3ggI0qseO8naEIF3ibQjaSnBUOhHM/edit?usp=sharing>

Appendix 1: Apple vs Swiss Industry sales volume⁶



⁶ Picture retrieved from <https://www.statista.com/chart/12878/apple-watch-vs-swiss-watches/> on august 2020

Appendix 2: TAG Heuer Connected



TAG Heuer Connected

Retail price : 1'290 .-

Image retrieved from google on august 2020

A quantitative and qualitative analysis of smartwatches success over Swiss luxury watch brands and how sustainable is this new threat

Appendix 3: Montblanc Summit 1



Montblanc Summit 1

Retail price : 980 .-

Image retrieved from google on august 2020

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Appendix 4: Montblanc Summit 2



Montblanc Summit 2

Retail price : 1'235 .-

Image retrieved from google on august 2020

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Appendix 5: Louis Vuitton Tambour



Louis Vuitton Tambour Horizon Matte Black

Retail price : 2'910 .-

Image retrieved from thewatchpages.com on august 2020

A quantitative and qualitative analysis of smartwatches success over Swiss luxury watch brands and how sustainable is this new threat

Appendix 6: Hublot Big Bang e



Hublot Big Bang e

Retail price : 5'500 .-

Image retrieved from thewatchpages.com on august 2020

A quantitative and qualitative analysis of smartwatches success over Swiss luxury watch brands and how sustainable is this new threat

Appendix 7: List of question of the survey

Bachelor Project Survey

As part of my Bachelor Project, I am studying the success of the smartwatch over the Swiss luxury watch in terms of Sales, Marketing and Consumer Behaviour. This analysis intends to demonstrate how sustainable this new threat is on the Swiss luxury watch industry.

Please, in order to collect more data, I kindly ask you to answer to the following questions.

Question 1

What is your gender?

- ☐ Male
- ☐ Female
- ☐ Prefer not to answer

Question 2

What is your age range?

- ☐ 18 – 24 years old
- ☐ 25 – 30 years old
- ☐ 30 – 40 years old
- ☐ 40 – 50 years old
- ☐ 50+

Question 3

What is your current employment status?

- ☐ Employed
- ☐ Student
- ☐ Unemployed
- ☐ Retired

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Question 4

What is your annual personal income?

- ☐ Less than 20'000 CHF
- ☐ 20'000 CHF – 40'000 CHF
- ☐ 40'000 CHF – 60'000 CHF
- ☐ 60'000 CHF – 80'000 CHF
- ☐ 80'000 CHF – 100'000 CHF
- ☐ More than 100'000 CHF

Question 5

In your opinion are smartwatches a good addition to mechanical watches (traditional watches) in the watch industry?

- ☐ Yes
- ☐ No

Question 6

Are you a smartwatch owner?

- ☐ Yes
- ☐ No

Question 7

If you have answered yes to the previous question, please specify the brand

Question 8

Are you a Swiss mechanical watch owner?

- ☐ Yes
- ☐ No

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Question 9

If you have answered yes to the previous question, please specify the brand

Question 10

What would influence you to buy a smartwatch over a Swiss luxury watch? (*Many possible answers*)

- ☐ Price
- ☐ Functionality
- ☐ Aesthetic/Design
- ☐ Features
- ☐ Brand
- ☐ Technology
- ☐ Marketing
- ☐ Other _____

Question 11

What would influence you to buy a Swiss luxury watch over a smartwatch? (*Many possible answers*)

- ☐ Price
- ☐ Functionality
- ☐ Aesthetic/Design
- ☐ Features
- ☐ Brand
- ☐ Technology
- ☐ Marketing
- ☐ Other _____

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Question 12

Which type of watch do you favour the most?

- ☐ Swiss luxury watch (Mechanical)
- ☐ Smartwatch (Connected)
- ☐ None

Question 13

What comes into your mind when you hear the word “Smartwatches”? (Many possible answers)

- ☐ Utility
- ☐ Trendy
- ☐ Outdated
- ☐ Obsolescence
- ☐ Lifetime accessory
- ☐ Affordable
- ☐ Costly
- ☐ Prestige
- ☐ Other _____

Question 14

What comes into your mind when you hear the words “Swiss luxury watches”?

- ☐ Utility
- ☐ Trendy
- ☐ Outdated
- ☐ Obsolescence
- ☐ Lifetime accessory
- ☐ Affordable
- ☐ Costly
- ☐ Prestige
- ☐ Other _____

A quantitative and qualitative analysis of smartwatches success over Swiss luxury watch brands and how sustainable is this new threat

Question 15

Hypothetically, do you believe that the Swiss luxury watch industry will decline overtime because of Smartwatches?

- ☐ Yes
- ☐ No
- ☐ Not sure

Question 16

Strategically, should the Swiss luxury watch brands innovate and renew their offer towards more connectivity, or should they follow their core values?

- ☐ Connectivity
- ☐ Tradition

Question 17

Hypothetically, if there was to be only one type of watch available in the market, which type would you choose?

- ☐ Swiss luxury watch (Mechanical)
- ☐ Smartwatches (Connected)

Question 18

As you may already know, the former role of the watch was to give time, this has changed thanks to additions such as chronometers, heartbeats, footsteps and so on. In your opinion, are these technologies necessary on a watch?

- ☐ Yes
- ☐ No

Question 19

Please explain your previous choice in a few words _____

The survey is now finished, I thank you for your time and answers 😊

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Appendix 8: Interviews Q&A

Fédération Horlogère Suisse

Mister Jean-Daniel Pasche, CEO

Interview #1 02/12/19

1. How would you gauge the general health of the Swiss luxury watch industry at the moment?

The general state of the watch industry continues to develop favourably.

2019 saw growth in exports and an increase in the volume of sales of luxury watches.

The watch industry remains in a positive mood.

2. Do you see any particular trends in terms of consumer behaviour?

2 elements must be taken into account concerning consumer behaviour, this concerns the area of watch distribution:

a) E-commerce sales are growing strongly, consumers feel less of the need to physically touch the watch before purchasing it, however luxury watches have experienced growth in internet sales later than basic watches. As for physical sales, they remain dominant on e-commerce.

b) Sales of pre-owned watches have been very successful in recent years, which benefits the widening of the circle of potential consumers thanks to a more affordable price. This concept also incorporates sustainability because the watch now has several lives.

3. Do you think that the arrival of smartwatches on the market has had a negative impact on Swiss mechanical watches in financial terms?

Connected watches have especially had an impact on affordable watches (approx. 500.-) which generated lower revenues, and less on luxury watches.

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4. How would you rate the impact of smartwatches on the brand image of Swiss luxury watches?

No real impact to note, because luxury watches are not all segmented into smartwatches. This is a different market segment since the products and communication are different.

5. Do you think that the Swiss watch industry needs to innovate and renew its offer towards more connectivity and digitalization?

We note that smartwatches are developing enormously, however each luxury brand must find its way, connected watches are not the goal, nor the values of each.

However, we note that Swiss brands are gradually launching into connected watches.

6. What do smartwatches offer more than Swiss mechanical watches?

Different functionalities> smartwatches are focused on the collection of data such as health, movement, communication, etc.

Luxury watches are accessories with different values and emotions such as beauty, affection, status ...

7. What do you think are your biggest concerns about the future of the Swiss luxury watch industry?

Swiss brands must remain pro-active and always seek to innovate because watches are no longer necessary to live in our time, their basic functions have above all been replaced by smartphones and others. So, manufacturers must innovate elsewhere, such as in design creativity. Challenge # 1 is to convince consumers to buy a product that they no longer need.

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Another concern relates to the global economy which can influence the sale of watches:

- US-CHN trade war
- Brexit
- China's growth in decline, 1st consumer of Swiss luxury watches
- Movement of yellow vests which have impacted sales Christmas 2018

8. I would be curious to know your opinions on smartwatches?

Smartwatches respond to the demands of current customers, they are focused on lifestyle and technology, elements that shape our time.

However, smartwatches are less user-friendly because using a small screen is inconvenient, the smartphone remains a better alternative for data collection.

Finally, they have a limited life because obsolescence is programmed, which is not the case with traditional Swiss watches.

IWC Schaffhausen

Mister Jérôme Danner, Sales Manager Deutschschweiz

Interview #2 16/12/19

1. How would you gauge the health of the IWC Schaffhausen brand at the moment?

The general condition of the brand continues to develop favourably, it is part of the top 10 Swiss luxury watch brands.

A new production center was recently opened which promotes the growth and prosperity of the IWC brand.

What makes the strength of the IWC brand are the brand image and their impeccable quality.

2. What are the current challenges and future concerns for the IWC Schaffhausen brand?

The challenges are daily, the brand promises to deliver impeccable quality because it has loyal and demanding customers.

Other challenges such as innovation are a constant source of motivation as well as an important aspect for the brand to consider. IWC draws its innovation from the inspirations of the past and the modernity of today's world.

The brand likes to undertake missions and turns its expertise towards engineering (one of the great strengths of the brand), calibration and quality, moreover Movements are now made in-house.

A quantitative and qualitative analysis of smartwatches success over Swiss luxury watch brands and how sustainable is this new threat

3. Do you see any particular trends in terms of consumer behaviour?

No, not really, because there are different reasons for buying, such as one watch in a lifetime, 10 watches in 1 year (collector), gifts.

The brand believes that money can in addition to watches buy experience, IWC regularly turns to customer service by offering invitations to galas, dinners and tours of production plants. The customer experience is an important aspect for the brand.

4. Do you qualify the smartwatch industry as a new competitor of IWC Schaffhausen? is there an impact on sales?

Mr. Danner observes that IWC customers also wear smartwatches, often out of curiosity to learn more about the functions of the connected watch which are at an affordable price.

The IWC brand and smartwatches can safely co-exist on top of each other, so there is no impact on sales.

5. How does the IWC Schaffhausen brand differentiate itself from smartwatch companies, how does it create and capture customer value?

The IWC brand employs a completely different strategy than connected watches. They differentiate themselves by positioning themselves on strong aspects such as the brand's heritage, values, sustainability.

Mr. Danner points out that IWC brand watches are durable for generations and do not become obsolete.

6. Do you believe that the Swiss watch industry needs to innovate and renew its offer towards more connectivity and digitalization?

It is especially the watch brands between the prices of 200.- to 800.- that must constantly innovate to face the threat of the smartwatch industry.

Regarding watches at + 4000.- they are less concerned with connectivity and digitization, however they must also innovate independently of smartwatches.

7. Does the IWC Schaffhausen brand plan to offer smartwatches in the future?

No, that goes against their values, moreover it is not the area of expertise of the IWC brand. Digitization is more oriented in the manufacturing process such as programming and precision tools rather than in products such as watches.

TAG Heuer

Mister Benoit Cossin, Senior Brand Director in Connected Watches

Interview #3 17/12/19

1. How would you gauge the health of the TAG Heuer brand at the moment?

TAG Heuer is an iconic brand in the Watchmaking industry, the brand produces its watches around the field of sport, this is one of their value, especially racing cars.

The attitude and mindset of racing drivers is a strong inspiration for the brand.

2. What are the current challenges and future concerns for the TAG Heuer brand?

TAG Heuer wants to remain a reference brand, “avant-gardiste” in its operations, the brand has been in existence for 160 years, so it is a pioneer in the market.

One of their challenges is to constantly demonstrate their passion for sport and one concern is the changing market and economic situations.

3. Do you see any particular trends in terms of consumer behaviour?

TAG Heuer is the pioneer of the launches of smartwatches in luxury watches, they have been present since 2015.

The trends turn to connectivity, so they are evolving.

Smartwatches are a major innovation in the luxury watch industry.

4. Do you qualify the smartwatch industry as a new competitor for TAG Heuer? is there an impact on sales?

Competition does not scare TAG Heuer, it is an opportunity for the brand and a new playing field in which to grow.

A quantitative and qualitative analysis of smartwatches success over Swiss luxury watch brands and how sustainable is this new threat

5. How does the TAG Heuer brand differentiate itself from smartwatch companies, how does it create and capture customer value?

First, the brand differentiates itself from smartwatches by remaining Swiss, therefore a luxury and quality product. In addition, it is perceived as a refined brand promoting sport.

6. Do you believe that the Swiss watch industry needs to innovate and renew its offer towards more connectivity and digitalization?

No idea, but the instinct for discovery is part of TAG Heuer's DNA.

7. Do you believe that the arrival of smartwatches on the market has had a negative impact on Swiss mechanical watches in financial terms?

Not answered.

8. Does the TAG Heuer brand plan to offer smartwatches in the future?

Yes, the connected watch is now an integral part of the brand's values.

Maurice Lacroix

Mister Thiébaud Bentz, International Product & Marketing Director

Interview # 4 30/04/20

1. How would you gauge the health of the Maurice Lacroix brand at the moment?

Maurice Lacroix has observed an increase in its sales for 3 to 4 years, particularly since the launch of the Aikon range which has been able to meet the demands and needs of its customers. The brand's aim is to rejuvenate its image and at the same time attract a younger clientele.

2. What are the current challenges and future concerns for the Maurice Lacroix brand?

The current challenges for the brand, regardless of the Covid-19 pandemic, are their new strategy to move more towards digitalization and e-commerce. The brand is very successful in online sales for watches displayed at a price of CHF 1,000 to 3,000. Their digital strategy is explained by the fact that they do not run a store and sell their watches through physical distribution networks in addition to online.

A second challenge relates to ecology, the brand will no longer offer physical catalogues that were already reduced from 360 to 160 pages. They plan to make an online catalogue available to their customers.

A final challenge is to focus on quality rather than quantity, their objective is to reduce the supply of watches but to sell more.

The concerns of the brand are their notoriety in Asia, they want to create more brand awareness across Asian countries (China).

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3. Do you see any particular trends in terms of consumer behaviour?

Customers value the perceived value rather than the history of the watch. They are less sensitive to branding, but more to brand name, ecology and quality.

The new generations of customers no longer buy for the technology offered in the watch but for the perceived value (lifestyle, look).

4. Do you qualify the smartwatch industry as a new competitor for Maurice Lacroix? is there an impact on sales?

Yes, they are among the competitors of the Maurice Lacroix brand, because the watches fall in the same price ranges. However, one positive aspect to note is that the launch of smartwatches in the market has raised awareness among consumers about wearing and using the watch and there are now more watch wearers than before.

5. How does the Maurice Lacroix brand differentiate itself from smartwatch companies, how does it create and capture customer value?

Maurice Lacroix relies heavily on his watchmaking know-how, for example the Masterpiece range is a homemade movement. Mechanical watches are assembled entirely at the factory and have other advantages that smartwatches do not have.

6. Do you believe that the Swiss watch industry needs to innovate and renew its offer towards more connectivity and digitalization?

Swiss watchmaking is still behind when it comes to digital technology, which is not intended but assumed. Swiss luxury brands would have to path away from their traditional values if they want to embark on the conquest of the digital world, which is a radical change in their business model.

7. Do you believe that the arrival of smartwatches on the market has had a negative impact on Swiss mechanical watches in financial terms?

Yes, the Apple brand has managed to sell more than the entire Swiss luxury watch industry.

8. Does the Maurice Lacroix brand plan to offer smartwatches in the future?

No, that is not part of the strategies, the R&D would be too long and the financial investment very important, so it would be difficult to catch up with the digital advance.

Code41

Mister Claudio Damore, Founder

Interview #5 14/05/2020

1. How would you gauge the health of the Code41 brand at the moment?

Everything is well, the strategy is different than traditional watch distributors, the brand is all about the online community.

It is a period of growth for the brand, as they work through projects that were selected by the community.

2. What are the current challenges and future concerns for the Code41 brand?

The challenges are to create a trust relationship with the customer as everything is based from a website, so customers are sometimes mistrustful

Also, they need to find some solutions as pop-up stores and show-room for their expositions.

No particular concerns.

3. Do you see any particular trends in terms of consumer behaviour?

Consumers used to like established brands 20 and 30 years ago, everything that was "Swiss Made".

Now, people are more open to novelty and check information on forums, they seek transparency and honesty.

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4. Do you qualify the smartwatch industry as a new competitor for Code41? is there an impact on sales?

Yes and no, the main utility of watches has changed, and people do not see the need to wear one now, this is where smartwatches have changed this aspect.

Both types of watches can co-exist based on needs.

5. How does the Code41 brand differentiate itself from smartwatch companies, how does it create and capture customer value?

Code41 is all about the experience that customer share with them, it should be magical for them.

The brand focuses more on design than function itself, this comes at a secondary plan.

6. Do you believe that the Swiss watch industry needs to innovate and renew its offer towards more connectivity and digitalization?

The smartwatches trends are an opportunity for Swiss brands to innovate, which are slow and do not adapt enough to new markets and trends. They should look what is being done overseas and calm down with the "Swiss Made" tag only.

People are more orientated by digital technologies and are done with Swiss technologies in their watches.

7. Do you believe that the arrival of smartwatches on the market has had a negative impact on Swiss mechanical watches in financial terms?

In short term, there was a financial impact

8. Does the Code41 brand plan to offer smartwatches in the future?

It depends on the demand of the community, the brand welcomes all the opportunities. For the moment, their projects are aiming towards mechanicals.

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